2021 Results

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Chairman

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To be read in conjunction with the audited preliminary results announcement released on 15 August 2022.

In addition to IFRS measures, alternative performance measures are used in this presentation. Refer to note 2 of the financial statements within the preliminary results announcement for detail and explanation.

TP Group strategy

Consulting and Engineering Group operating primarily in the UK Aerospace and Defence markets

Identified as non-core operations in November 2021

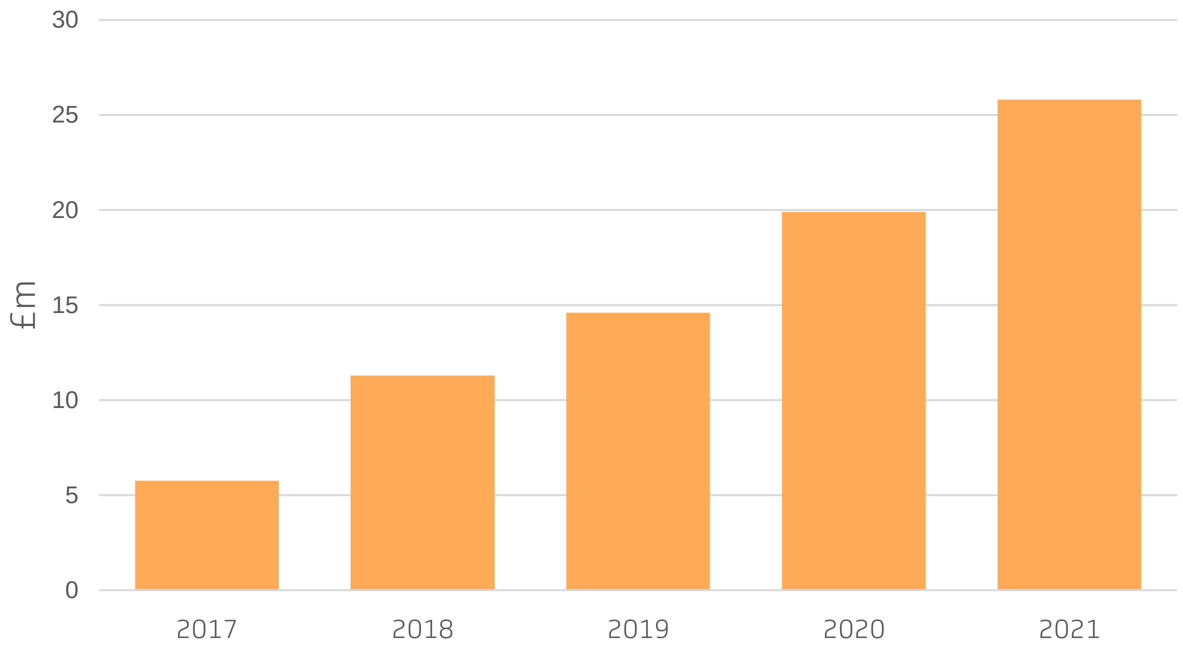
TPG Services	TPG Maritime	Sapienza	Northstar	Westek Technologies
Technical expertise for successful delivery of large, complex and critical programmes	Life support systems for submarine programmes including O2 production and removal of toxic gases	European provider of workforce, engineering services and IT solutions to Space and Defence	Proprietary autonomous navigation system for multi-domain platforms	Rugged computer technologies for military and commercial operations
Primary brands TPG Services Osprey CSL	Primary brands TPG Maritime	Sold in July 2022	Sold in May 2022	

Financial summary

- Revenue from continuing operations of £44.3m (2020: restated £38.7m)
  - TPG Services revenue increased to £25.8m (2020: £19.9m) including full year of Osprey
  - TPG Maritime revenue of £18.5m (2020: restated £18.8m)
- Adjusted operating loss from continuing operations of £1.6m (2020 profit: restated £0.9m)
  - TPG Services adjusted operating profit increased to £2.3m (2020 profit: £1.0m)
  - TPG Maritime adjusted operating loss of £2.5m impacted by onerous legacy contracts (2020 profit: restated £1.2m after prior year adjustment of £2.8m)
  - Central unallocated costs of £1.4m (2020: £1.3m)
- Operating loss from continuing operations of £7.5m (2020: restated £3.3m)
  - Adjusted operating loss of £1.6m (2020 profit: restated £0.9m)
  - £3.1m of depreciation and amortisation (2020: £2.3m)
  - £2.7m of exceptional operating costs and acquisition related costs (2020: £1.8m)
- Loss from discontinued operations of £11.1m (2020 loss: £9.2m)
- Statutory Group loss of £19.0m (2020 loss: restated £12.8m)
- 2021 closing net debt was £1.6m (2020 net cash: £0.4m)

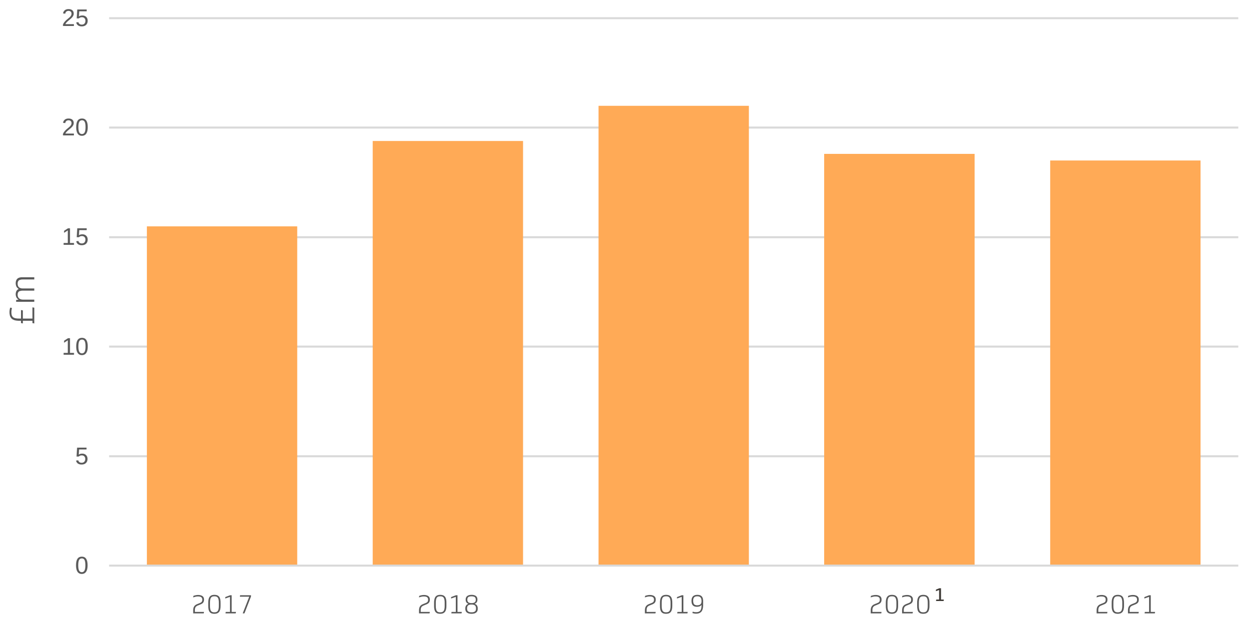
TPG Services

- Organic growth of c.14%
    - Core business benefits from framework agreements and long term contracts
- Osprey delivers safety and mission critical air space management and regulation
    - 2021 includes full year effect of Osprey, acquired in August 2020
- Adjusted operating profit margins of 9% in 2021 (2020 : 5%)
- Outlook : Continued progress anticipated with focus on margin improvement



TPG Maritime

- Severely impacted by legacy fixed price contracts with onerous terms
- Revenue of £18.5m (2020: reported £21.0m, restated £18.8m)
- Adjusted operating loss of £2.5m (2020: reported profit £4.0m, restated profit £1.2m)
- New management team installed and operations team strengthened
- Outlook: Anticipate ongoing impact of legacy contract negotiations in 2022 and 2023



1 - Restated figures

Income statement

£m	2021	2020 (restated)
Revenue	44.3	38.7
COS	(37.4)	(30.2)
Gross profit	**6.9**	**8.5**
Gross profit %	16%	22%
Operating expenses	(8.5)	(7.6)
Adjusted operating loss	(1.6)	0.9
Depreciation, amortisation and impairment	(3.1)	(2.3)
Acquisition and disposal-related costs	(0.0)	(1.0)
Exceptional operating costs	(1.9)	(0.3)
Earn-out payments	(0.8)	(0.5)
Share-based payments	(0.1)	(0.1)
Operating loss	(7.5)	(3.3)
Finance costs	(0.5)	(0.3)
Tax	0.1	(0.0)
Loss after tax from continuing operations	(7.9)	(3.6)
Loss from discontinued operations	(11.1)	(9.2)
Loss for the year	(19.0)	(12.8)

- The increase in onerous contract cost estimates in Maritime has resulted in:
  - £5.3m less revenue and £4.9m less adjusted operating profit being recognised than was forecast in 2021
  - A PYA for 2020, reducing revenue by £2.2m, increasing COS by £0.6m and reducing adjusted operating profit by £2.8m
- Revenue increased to £44.3m (2020: restated 38.7m):
  - Services (including Osprey) up £5.9m to £25.8m. Organic growth was £2.7m (14%), the balance of £3.2m the full year effect of Osprey
  - Maritime revenue marginally down by £0.3m to £18.5m, impacted by the additional cost estimates noted above, partially offset by lower margin consumable orders
- Gross profit percentage for the Group is 16% (2020: 22%):
  - Services has increased to 26% (2020: 22%), underpinned by its established position on long term framework contracts and programmes
  - TPG Maritime has reduced to 1% (2020: restated 22%), impacted by the additional cost estimates and mix change noted above
- Operating expenses increased by £0.9m to £8.5m, of which £0.8m is the full year effect of the Osprey acquisition
- Adjusted operating loss of £1.6m, down from a profit of £0.9m
- D&A of £3.1m includes impairment of development costs (£0.6m)
- Exceptional operating costs of £1.9m, includes CEO departure costs (£0.7m) and corporate defence fees (£0.5m)
- Earn-out costs relate to the Osprey acquisition
- Loss from discontinued operations relates to Sapienza, Westek and Northstar, and includes an impairment charge to the actual/expected proceeds (refer to the next slide for detail)

Balance sheet

£m	2021	2020 (restated)
Assets		
Non-current assets	15.4	32.5
Current assets excluding cash	10.7	19.3
Cash and bank balances	5.4	7.4
Assets held for sale	8.2	-
Total assets	39.7	59.2
Liabilities		
Current liabilities	(16.7)	(20.6)
Bank debt (non-current)	(7.0)	(7.0)
Other non-current liabilities	(4.8)	(7.4)
Liabilities held for sale	(6.3)	-
Total liabilities	(34.8)	(35.0)
Net assets	4.9	24.2
Net (Debt)/Cash	(1.6)	0.4

- The 2021 assets and liabilities in respect of Northstar, Sapienza and Westek have been:
  - Reclassified as ‘held for sale’
  - Impaired by £10.6m to reflect the actual/expected net disposal proceeds
- ‘Non-current assets’ reduced by £17.1m, of which:
  - £3.1m relates to depreciation, amortisation and impairment in respect of continuing operations
  - £0.4m capital expenditure in respect of continuing operations
  - £14.4m relates to ‘discontinued operations’ including £10.6m impairment and £2.2m re-classification to ‘assets held for sale’ at 31/12/21
- ‘Current assets excluding cash’ reduced by £8.6m to £10.7m of which:
  - £2.3m reduction from ‘discontinuing operations’ and a £0.2m reduction from ‘continuing operations’
  - £6.1m relates to ‘discontinued operations’ reclassification as at 31/12/21
- ‘Cash and bank balances’ reduced to £5.4m from £7.4m, refer next slide for detail
- ‘Current liabilities’ have reduced by £3.9m to £16.7m of which:
  - £2.9m reduction from ‘discontinuing operations’ offset by an increase of £4.4m from ‘continuing operations’
  - £5.4m relates to ‘discontinued operations’ reclassification at 31/12/21
- The decrease in net current assets/liabilities from ‘continuing operations’ of £4.6m is primarily related to the £4.9m onerous Maritime contract adjustments offset by a c£0.3m movement in the period
- ‘Other non-current liabilities’ reduced by £2.6m:
  - £1.7m relates to ‘continuing operations’, most of which is a release of the deferred tax liability in line with the amortisation of intangibles
  - £0.9m relates to ‘discontinued operations’ reclassification at 31/12/21

Cashflow

£m	2021	2020 (restated)
Operating activities		
Loss before income tax – continuing & discontinuing	(20.4)	(13.1)
Depreciation and amortization	4.9	5.6
Finance costs	0.5	0.4
Impairment, share payments and loss on disposal	10.6	3.4
Movement in working capital	4.5	3.9
Income tax received	0.1	0.2
Net cash from operating activities	0.2	0.4
Capital expenditure including capitsalised r&d	(1.1)	(2.3)
Acquisitions/disposals net of cash	-	(2.4)
Debt drawdown	-	7.0
Financing costs / lease payments	(1.1)	(1.9)
Net movement in cash	(2.0)	0.8
Opening cash and cash equivalents	7.4	6.6
Closing cash and cash equivalents	5.4	7.4

- Cash has reduced from £7.4m to £5.4m in year
- The key movements, which include both continuing and discontinuing operations, are:
  - Cash from operating activities dropped marginally to £0.2m (2020: restated £0.4m)
    - Working capital inflow of £4.5m (2020: restated £3.9m) impacted by the additional cost estimates and provisions for the onerous Maritime contracts
    - Excluding the Maritime contract adjustments, working capital was a c£0.4m outflow in the period, of which c£0.1m related to continuing operations
  - Capital expenditure including capitalised R&D', reduced to £1.1m from £2.3m. £0.4m of the 2021 spend (2020: £1.0m) relates to continuing operations
  - Acquisition/disposals net of cash has reduced to nil from £2.3m in 2020 (Osprey acquisition)
  - 2020 included the HSBC debt drawdown of £7.0m
  - Financing costs reduced by £0.8m to £1.1m, primarily as a result of the TPG Engineering disposal in 2020

Summary

- A challenging year predominantly due to legacy onerous maritime contracts
- New strategy set in November 2021 to focus on core UK-based Defence and Aerospace operations
  - Significant cost reduction programme had already been initiated, substantially reducing central overhead costs, resources and office facilities
- Non-core operations reviewed
  - Sapienza and NorthStar sold mid 2022
  - Westek process ongoing but business operating profitably
- £1.6m net debt at year end:
  - £7m bank facility fully drawn.
    - Reduced to £6m in July 2022 following £1m repayment on disposal of Sapienza
  - £5m Science Group facility undrawn at year-end and at the end of July-22
    - Science Group facility briefly utilised twice and anticipated being required in H2-2022
- 2022 and 2023 will be a period of transition dependent on:
  - Resolution of the legacy contracts in TPG Maritime
  - Capital structure and funding