

# Business and Strategy Update

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April 2025

## Disclaimer statement

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This presentation contains certain statements that are forward-looking. They appear in a number of places throughout this presentation and include statements regarding the intentions, beliefs and/or current expectations of Ricardo plc (the “Company”)

By their nature, these statements involve uncertainty since future events and circumstances can cause results and developments to differ materially from those anticipated. The forward-looking statements reflect knowledge and information available at the date of preparation of this presentation and, unless otherwise required by applicable law, the Company undertakes no obligation to update or revise these forward-looking statements. Nothing in this presentation should be construed as a profit forecast.

The Company and its Directors accept no liability to third parties.

# AGENDA

01

## **Trading update**

Within the range of analyst expectations

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02

## **Cost saving and efficiency**

Continued delivery of cost savings underpins financial outlook

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03

## **Cash management**

Strong improvement in cash conversion expected in H2'25

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04

## **Portfolio transformation**

Strategy has the potential to deliver significant value creation for all Ricardo shareholders

# TRADING UPDATE

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## CONFIDENCE IN FY24/25E DELIVERY

Q3 trading in line with expectations

Orders received YTD up 2% at constant currency on FY23/24A

Expectations for FY24/25 within the range of analyst expectations despite increased market uncertainty

Cash conversion in second half of FY24/25 expected to materially exceed target of 90%

Net debt at the end of the year likely to be at the low end of analyst forecasts <sup>(1)</sup>

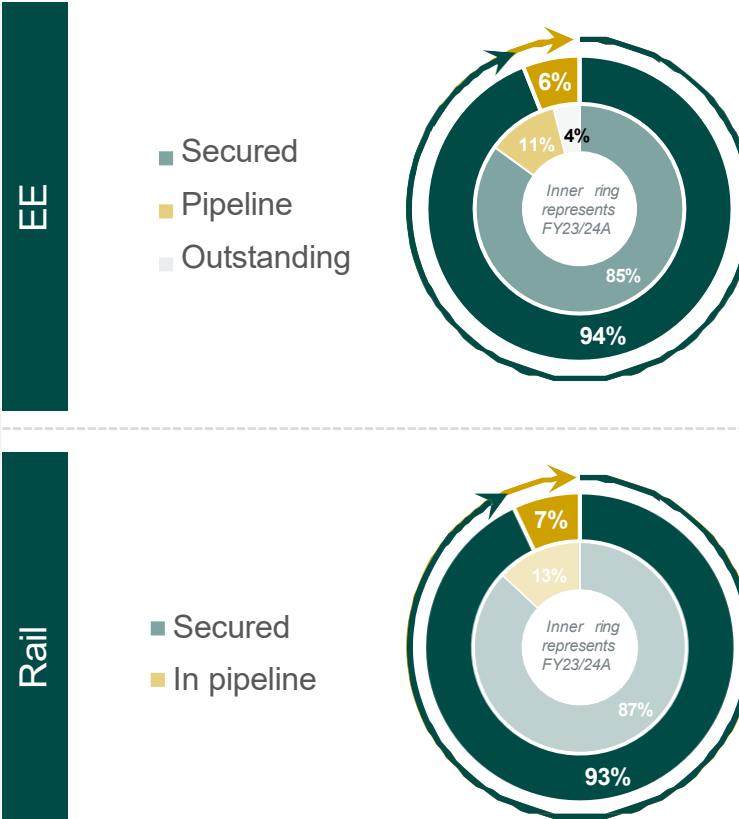
(1) Net debt pre-exceptional items related to cost restructuring

# HIGH PERCENTAGE OF FY24/25E REVENUE ALREADY SECURED (1 OF 2)

Confidence in H2'25 underpinned by high percentage of revenue already secured

Secured EE and Rail revenues exceed prior year and visible pipelines exceed forecasts

## FY24/25E net revenue



## Recent wins / high probability prospects for H2'25

- Air Quality, Middle East c.£1m – Won in March, finalising contracts
- Energy, UK c.£1m – Won in March
- Water, UK c.£1m – Won in March
- Chemical risk c.£1m net revenue – Renewals

- Middle East c.£5m – Expected in May
- Netherlands c.£4m – Won in April
- US c.£1m – Won in March
- US c.£0.5m – Expected in April
- Australia c.£1m – Won in March

# HIGH PERCENTAGE OF FY24/25E REVENUE ALREADY SECURED (2 OF 2)

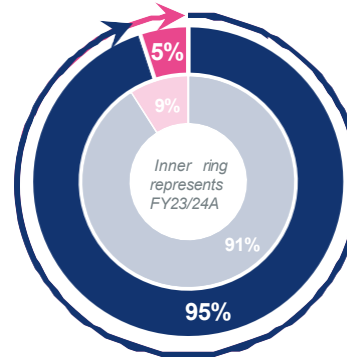
PP revenue is all visible, dependent on McLaren volumes and timely transmission deliveries

Visible revenue for A&I exceeds forecast, with conversion dependent on timing of key deals in April and May

FY24/25E A&I net revenue / PP Revenue

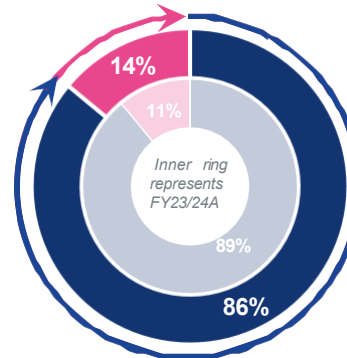
PP

■ Secured  
■ In pipeline



A&I

■ Secured  
■ In pipeline



Recent wins / high probability prospects for H2'25

- Marine framework delivery on track
- EU OEM Motorsport extension for 6 years – Won (framework contract so orders on quarterly basis)
- High-performance EU OEM c.£7m – Extension expected FY24/25E for delivery in future years

- Asian Defco c.£11m – Confirmed sole source, awaiting final order (expected in May)
- UK Defco c.£8m – Confirmed sole source, awaiting final order (expected in April)
- International OEM c.£6m – Confirmed sole source, orders expected in phases and started in March
- Marine c.£4m – Expected in April
- Stationary power c.£2m – Expected in May

## H2 MARGIN IMPROVEMENT AND CASH PRIORITY ACTIONS

### MARGIN

#### Improvement focus:

#### Near term focus:

- Focus on continued control of indirect costs
- Improve utilisation with use of flexible resources
- Right size direct resource in more uncertain markets

#### Medium-term focus:

- Continue re-shaping indirect costs to achieve target of 20% of revenue
- Drive higher margin recurring and digital revenue
- Continue portfolio transition to higher margin businesses

### CASH

#### Optimisation focus:

- Ongoing focus on invoicing and collections
- Initiatives underway to improve cash terms in bids
- Receipt of R&D tax credits – materially received
- Phasing of capex on marine framework contract in PP

- Continue to drive operating cash performance
- Prioritise capex spend



# COST SAVINGS AND EFFICIENCY

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## CONTINUED FOCUS ON COST SAVINGS – UNDERPINS FY25/26E

Plan in place that targets at least £10m<sup>(1)</sup> of cost savings across both direct and indirect costs for FY25/26E, on top of £5m indirect cost savings being delivered in FY24/25E

### Direct cost savings

1

#### Gross Margin

*c.60% of total savings*

- Right size direct resource in more uncertain markets
- Use of variable resources
- Low-cost delivery centres
- Increase billable time to reduce recruitment needs

### Indirect cost savings

2

#### BU Overheads

*c.10% of total savings*

- Prioritise business development and operational cost to resilient growth markets
- More targeted digital investment

3

#### Functions

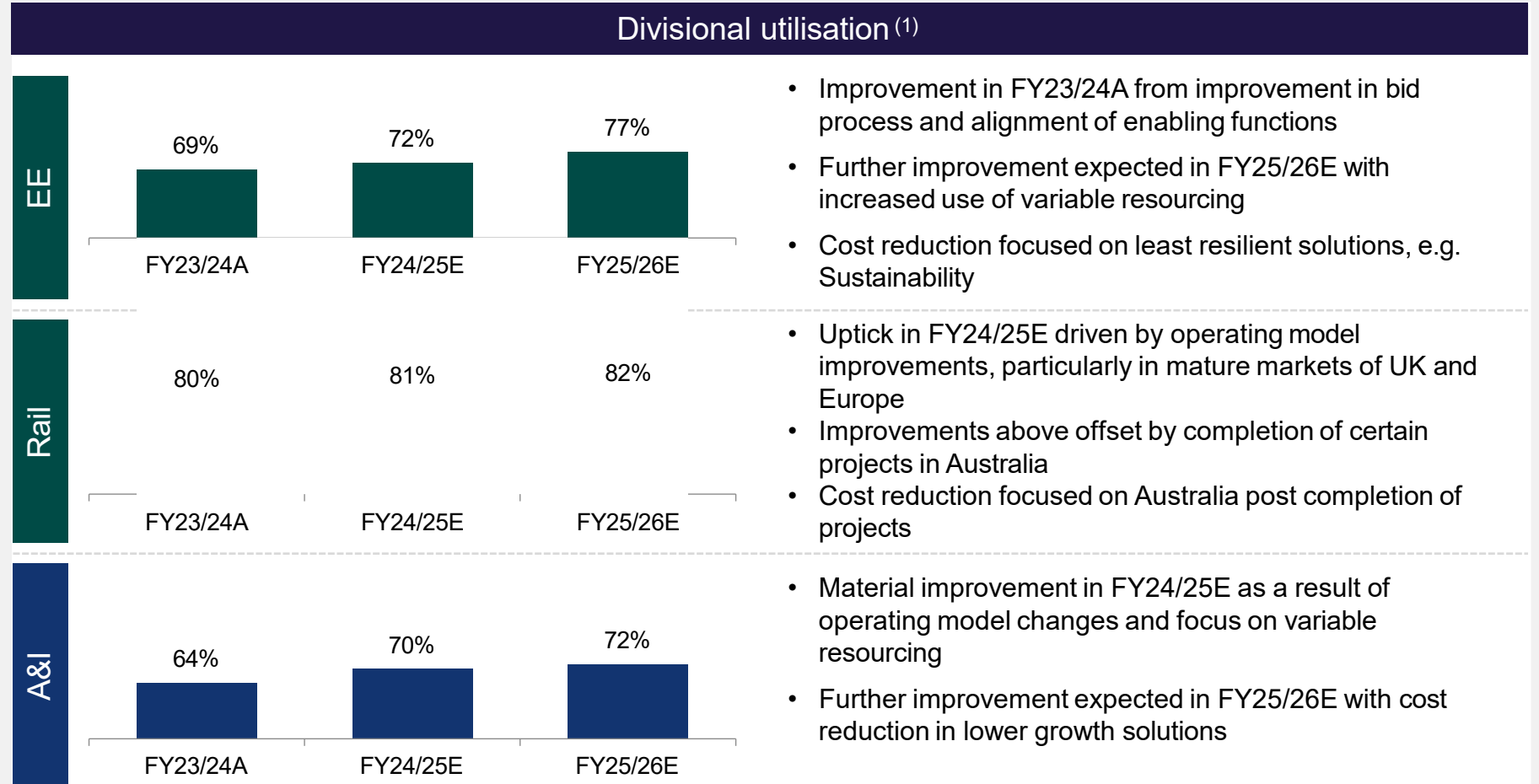
*c.30% of total savings*

- Continued consolidation and efficiency in enabling function structures
- Further reduction in discretionary spend

(1) Internal Company estimate of one-off cash costs associated with achieving targeted savings of approximately £5m to £6m across FY24/25 and FY25/26

# ① ROBUST IMPROVEMENTS IN PRODUCTIVITY AND UTILISATION

Continued specific initiatives by business unit to drive productivity and increase utilisation expected to lead to further increases in near term

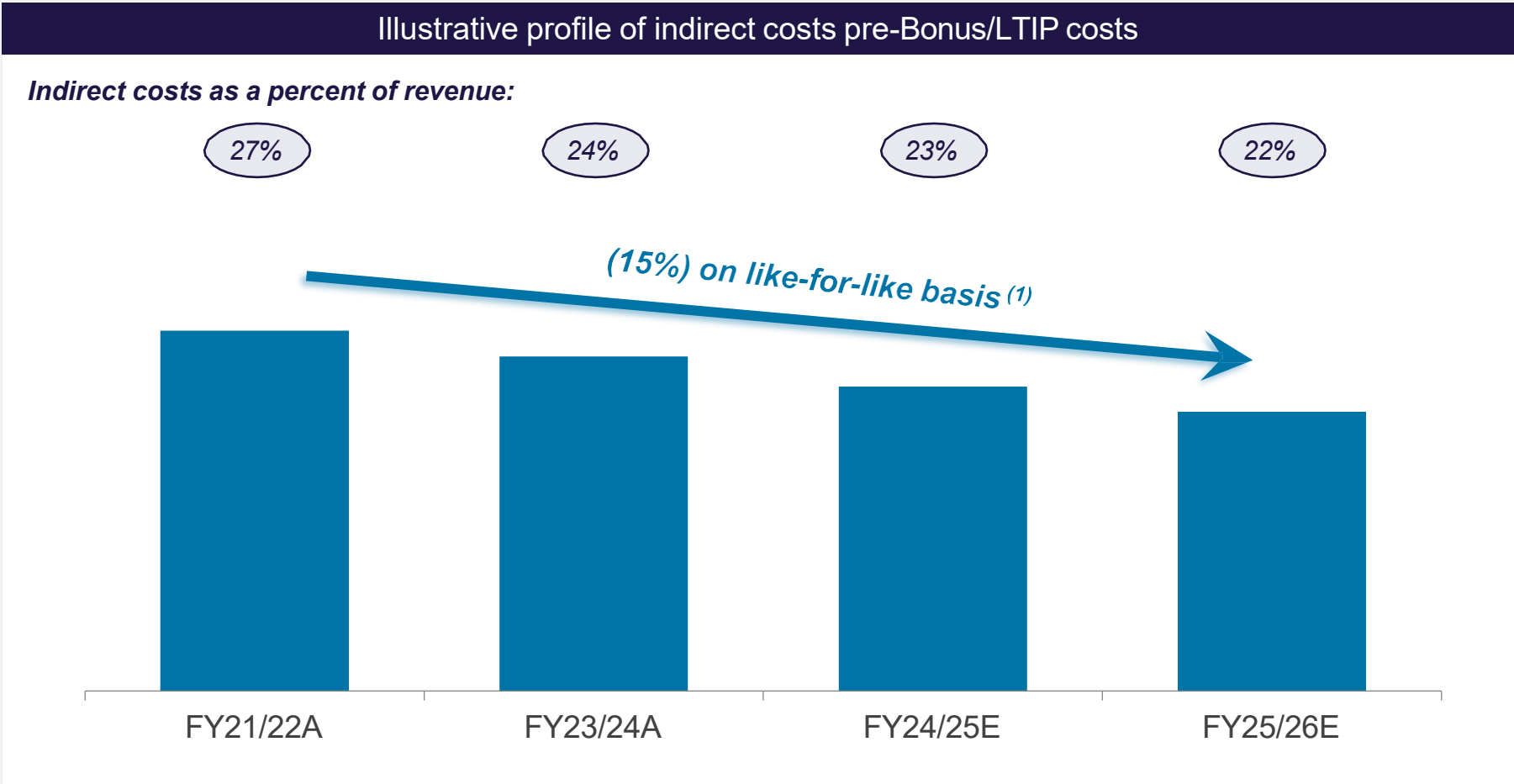


(1) FY24/25E and FY25/26E based on internal Company estimates

## ② INDIRECT COST SAVINGS HELPING OFFSET MARKET HEADWINDS

Ongoing cost actions since FY21/22 have resulted in materially lower indirect costs on both an absolute and relative basis

Recent and near-term cost actions provide a clear pathway to achieving the 20% medium term target

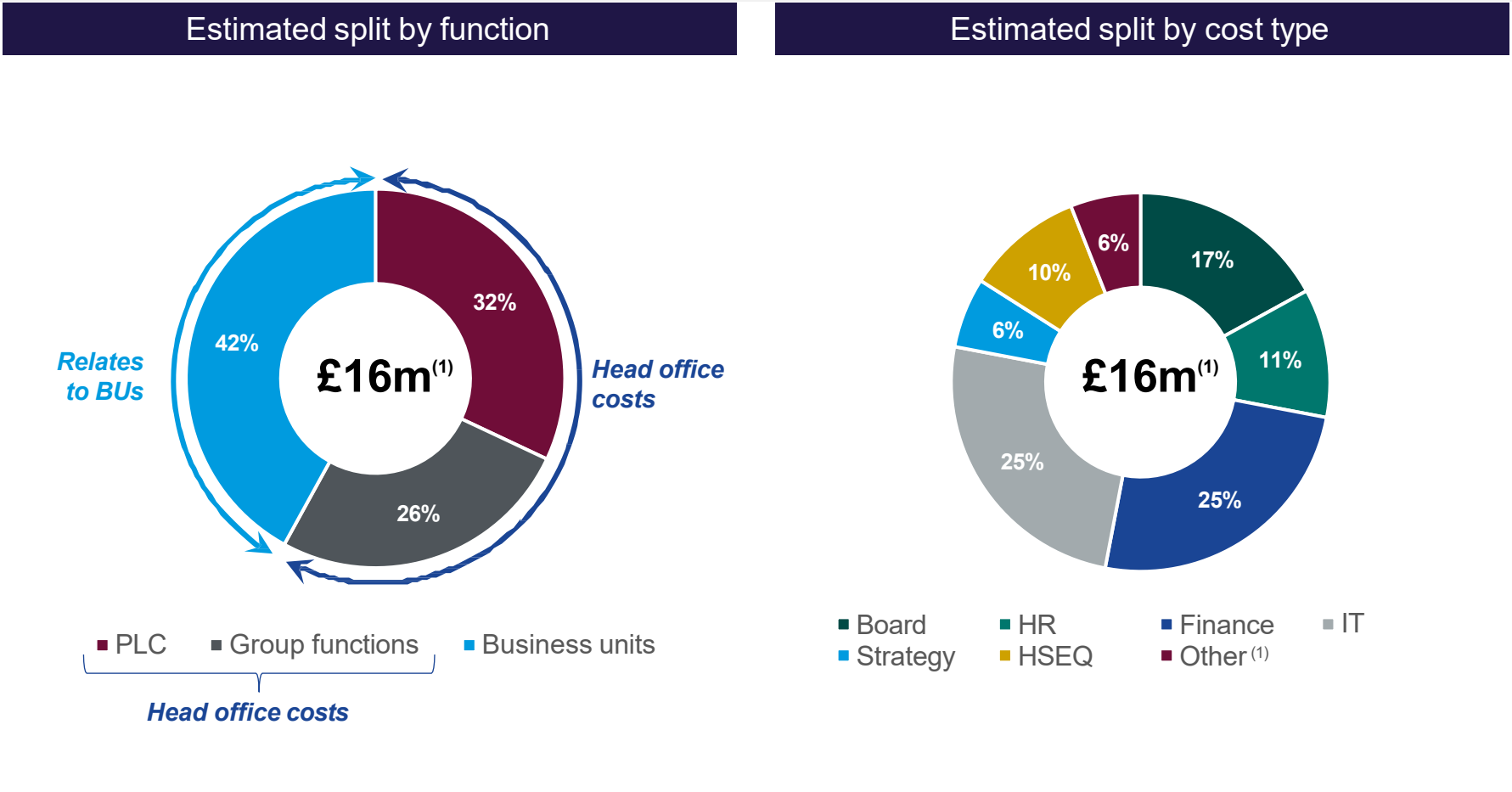


(1) To ensure like-for-like comparability, FY25/26E excludes investment of c.£2m in PP marine framework indirect costs and FY24/25E and FY25/26E excludes impact of E3 Advisory (2) FY24/25E and FY25/26E as per Company estimates

③ OVERVIEW OF UNALLOCATED / CENTRAL COSTS

FY24/25E analyst consensus of unallocated / central costs of c.£16m

Around 42% of unallocated / central costs relate to enabling functions which could be allocated to the respective business units



(1) As per FY24/25E analyst consensus for central costs comprising Investec, Panmure Liberum, RBC, Shore and Zeus; Berenberg, Singer and Stifel excluded given lack of divisional forecasts

(2) Other includes legal and marketing

# CASH MANAGEMENT

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## IMPROVING CASH CONVERSION IN H2'25

Average of FY23/24A and FY24/25E cash conversion is projected to be c.85%, broadly in line with medium-term target of 90% through the cycle

### Overview of cash performance

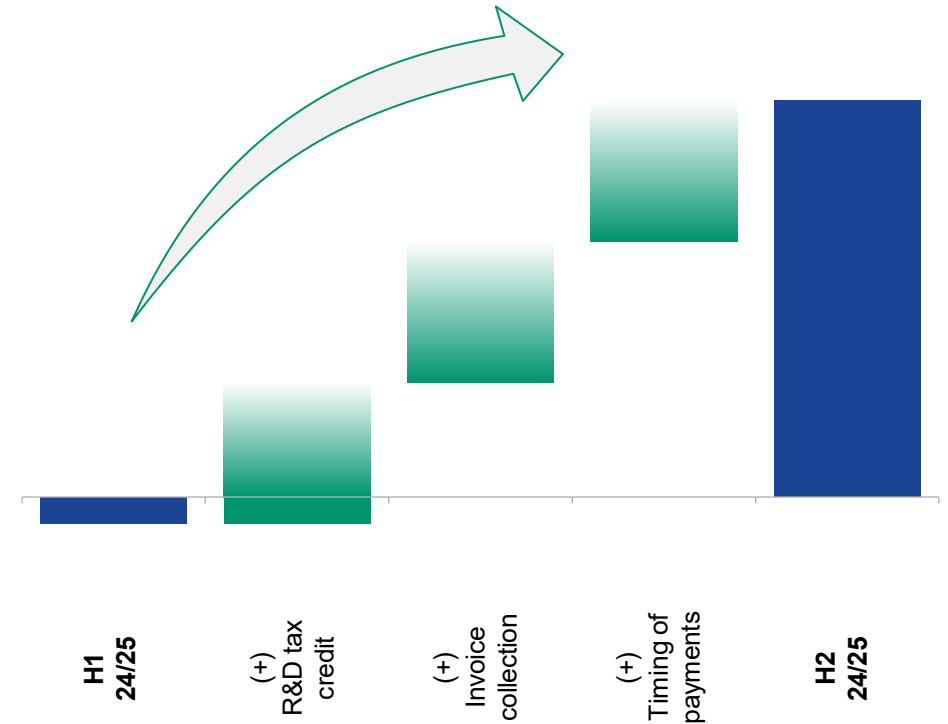
#### H1'25 performance:

- R&D expenditure credit delay
- Defense Inventory build
- Unwinding POA in A&I
- Build up of AROC in Rail

#### Improvements in H2'25:

- Increase of <10% in working capital despite c.20% revenue increase
- Reduction AROC days in Rail
- Reduction AROC and debtor days in EE
- R&D tax credit receipt – received £5m with a further £1 expected before year-end
- Timing of payments
- Stretch of targets to give contingency at group level

### Significant improvement in operating cash flow in H2'25



# ACTIONS UNDERWAY TO MANAGE CAPITAL EXPENDITURE PHASING

Identified opportunity to refine capex profile on marine framework to align more closely with profile of project cash flows

## Actions for phasing capex

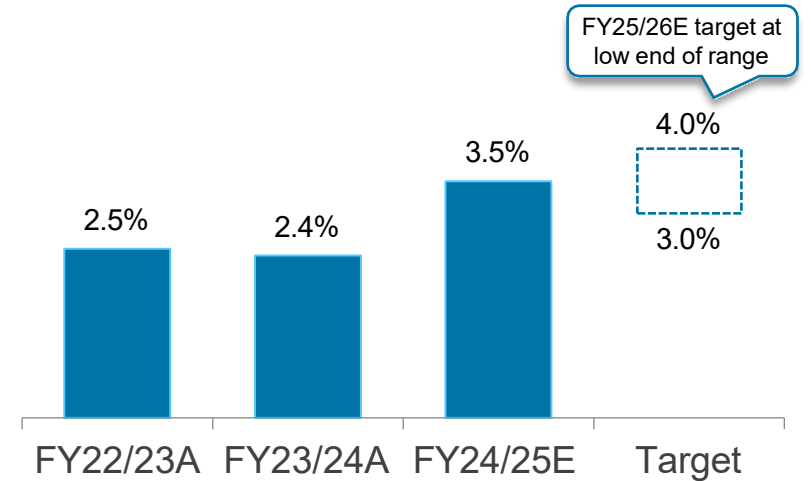
### PP Marine framework:

- Marine framework funding options being explored given customer guarantee
- Exploring options for treatment as project finance in covenant calculations
- Rephasing of capex to better match timing of project cash inflows, without affecting project term

### Other capex:

- Prioritise other capex across the group
- More targeted investment in digital applications to focus on scaling existing capabilities

## Controlling capex spend <sup>(1)</sup>



**Medium-term target:**  
3-4% Capex % of revenue

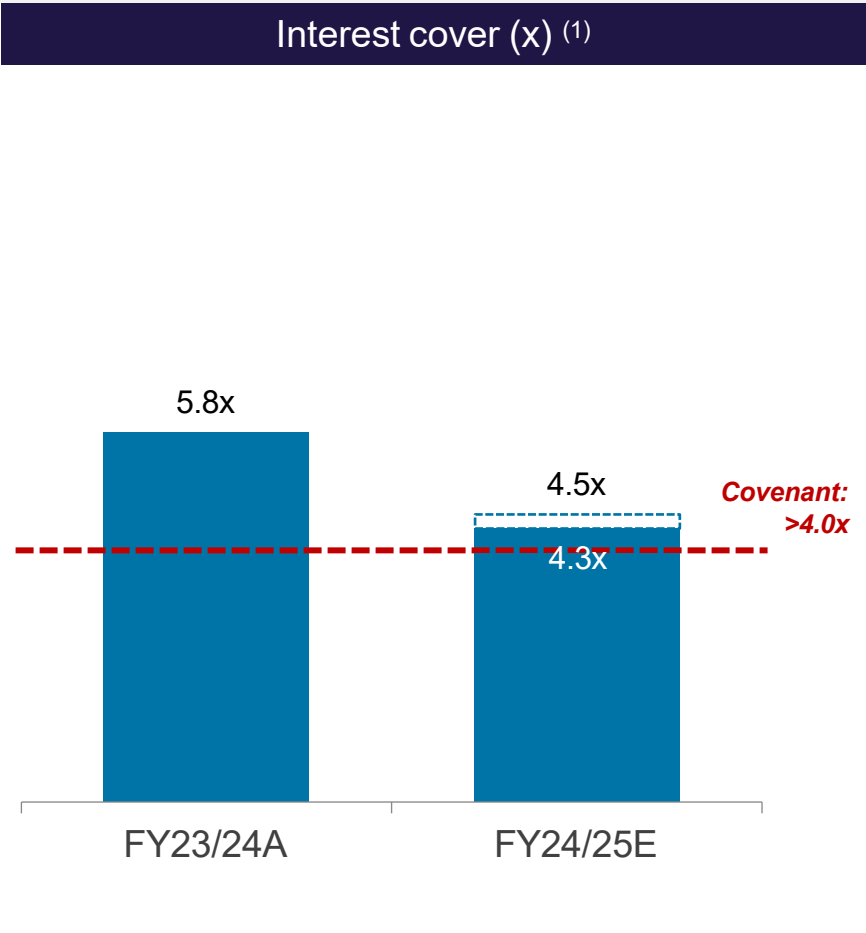
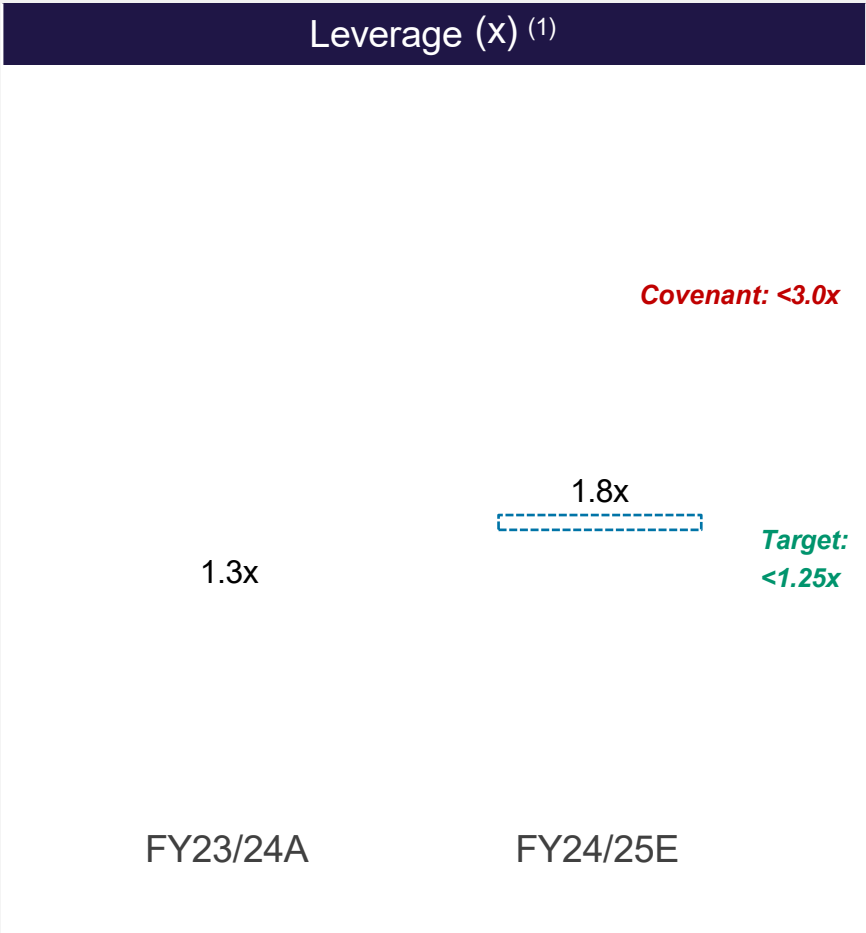
(1) As per internal Company estimates



# COST AND CASH ACTIONS DELIVER AGAINST COVENANTS

De-risked revenue in more uncertain markets offset by cost and cash management

Group is expected to remain within leverage and interest cover covenants for FY 24/25E



(1) FY24/25E based on the low end of analyst estimates for net debt and the range of analyst estimates for profit

# PORTFOLIO TRANSFORMATION

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## EXECUTION OF PORTFOLIO TRANSFORMATION TO DATE

Through the actions we have taken so far, we are becoming a simpler, more focused and efficient business

c.85% of Group's profits today focussed in Environmental & Energy Transition portfolio

### Recap of strategy

- As set out at the 2022 CMD, strategy to refocus Group and reinforce its competitive differentiation, shifting its portfolio from mobility services towards environmental and energy transition solutions
- Company has made good progress to implement this strategy and drive the portfolio transformation, including:

#### Environmental & Energy Transition:

- Acquisition E3 Advisory (Jan-25)
- Acquisition of Aither (Mar-23)
- Acquisition of E3 Modelling (Jan-23)
- Acquisition of Inside Infrastructure (Mar-22)

#### Established Mobility:

- Divestment of the Defense segment (Jan-25)
- Divestment of Ricardo Software (Aug-22)

### Portfolio transformation to unlock value

Higher growth



Higher divisional margins



Valuation re-rating to pureplay E&ET business



Lower capital intensity

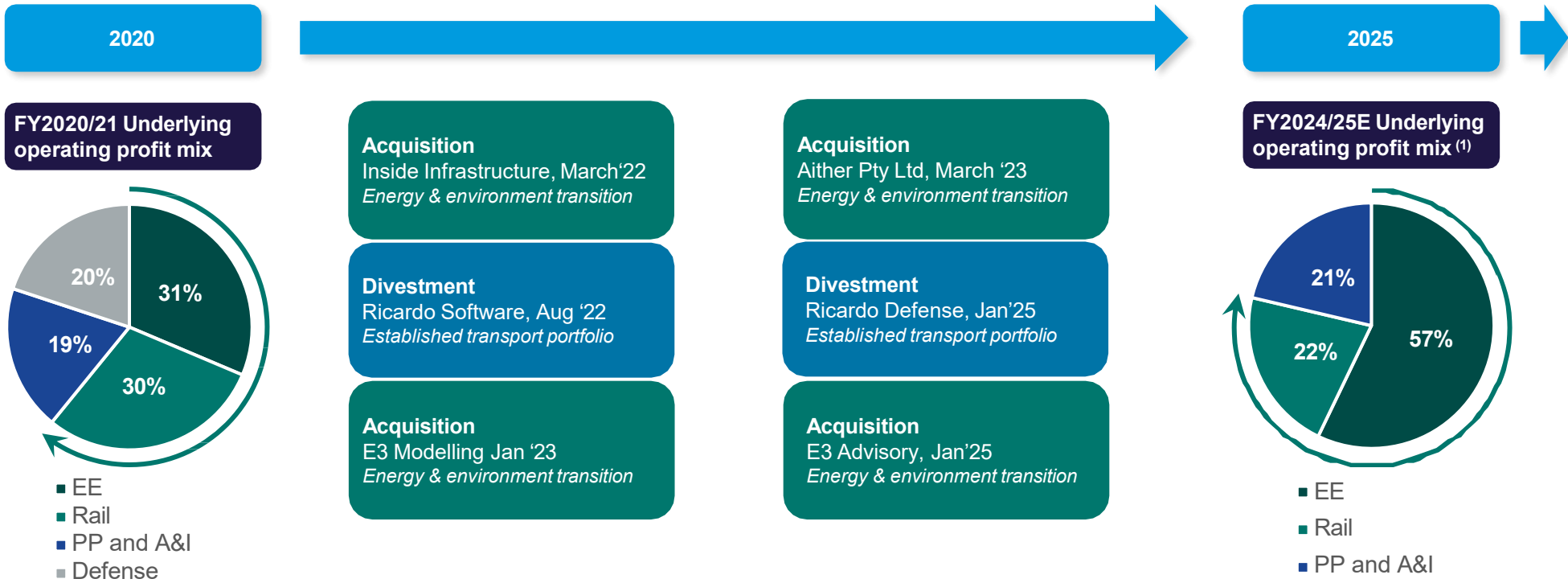


Stronger cash conversion



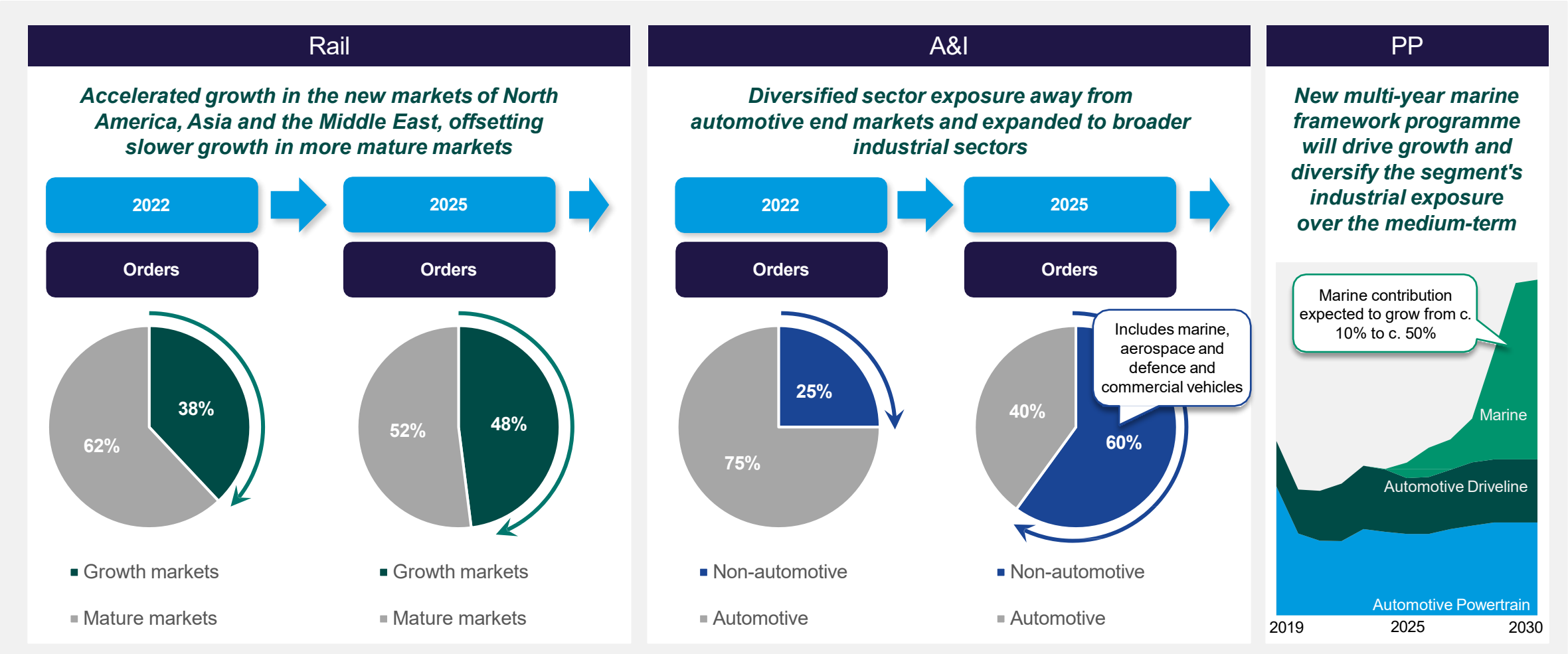
# PORTFOLIO TRANSFORMATION TO BECOME A FASTER GROWING BUSINESS WITH HIGHER QUALITY OF EARNINGS

Board has been proactively evaluating a range of options for the next steps in its strategic transformation to maximise shareholder value



(1) As per analyst consensus, shown pro forma for disposal of Defense and full year contribution from E3 Advisory

# EXPANSION INTO NEW MARKETS AND DIVERSIFICATION



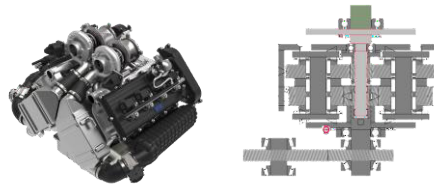
# INCREASING COLLABORATION BETWEEN BUSINESS UNITS

Notable recent programme wins benefitting from increased collaboration between A&I and PP business units

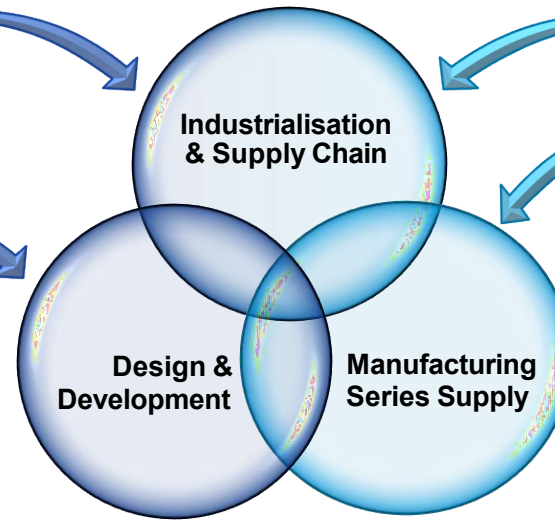
Combination of A&I's design engineering capabilities and production capabilities for both engine and transmission solutions in PP, creates a unique end to end service capability for small volume niche manufacturing

## Automotive & Industrial

- Trusted specialists in clean, efficient, integrated propulsion and energy solutions
- Strong technical capability with track record of performance design
- Track record of hitting performance targets



## A&I and PP working together



## Case Studies:

Marine framework  
Bioccus (stationary power)

McLaren  
Aston Martin  
Bugatti  
Singer

## Ricardo Performance Products

- Highly mature supply chain engagement strategies to manage risk and protect supply
- Track record of managing complex, high precision combustion engine / transmission builds to automotive standards
- Experts in precision manufacturing and assembly
- Track record of maintaining performance targets



## SUMMARY – LONG TERM STRATEGY FOR VALUE CREATION

1.

### Company is transforming its portfolio

- Management have continued executing against the plan announced in 2022
- However, recent trading impacted by delayed orders related to tough short term market environment
- Further cost underpin and cash management actions support confidence in plan

2.

### Accelerating options to focus on environmental and energy transition solutions

- Have a clear plan to complete portfolio transformation
- Management well progressed with strategy and confident it can be implemented in the near term

3.

### Value creation opportunity for shareholders in the near-term

- Execution of the plan is the key focus and already being implemented
- Management has a clear plan