



PRELIMINARY RESULTS FY21/22

SEPTEMBER 2022



Her Majesty Queen Elizabeth II

1926-2022



*Our thoughts and deepest condolences are with the Royal family,
as we mourn the loss of Her Majesty the Queen*

Disclaimer statement

This presentation contains certain statements that are forward-looking statements. 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

OPENING REMARKS

Graham Ritchie, CEO

FINANCIAL RESULTS

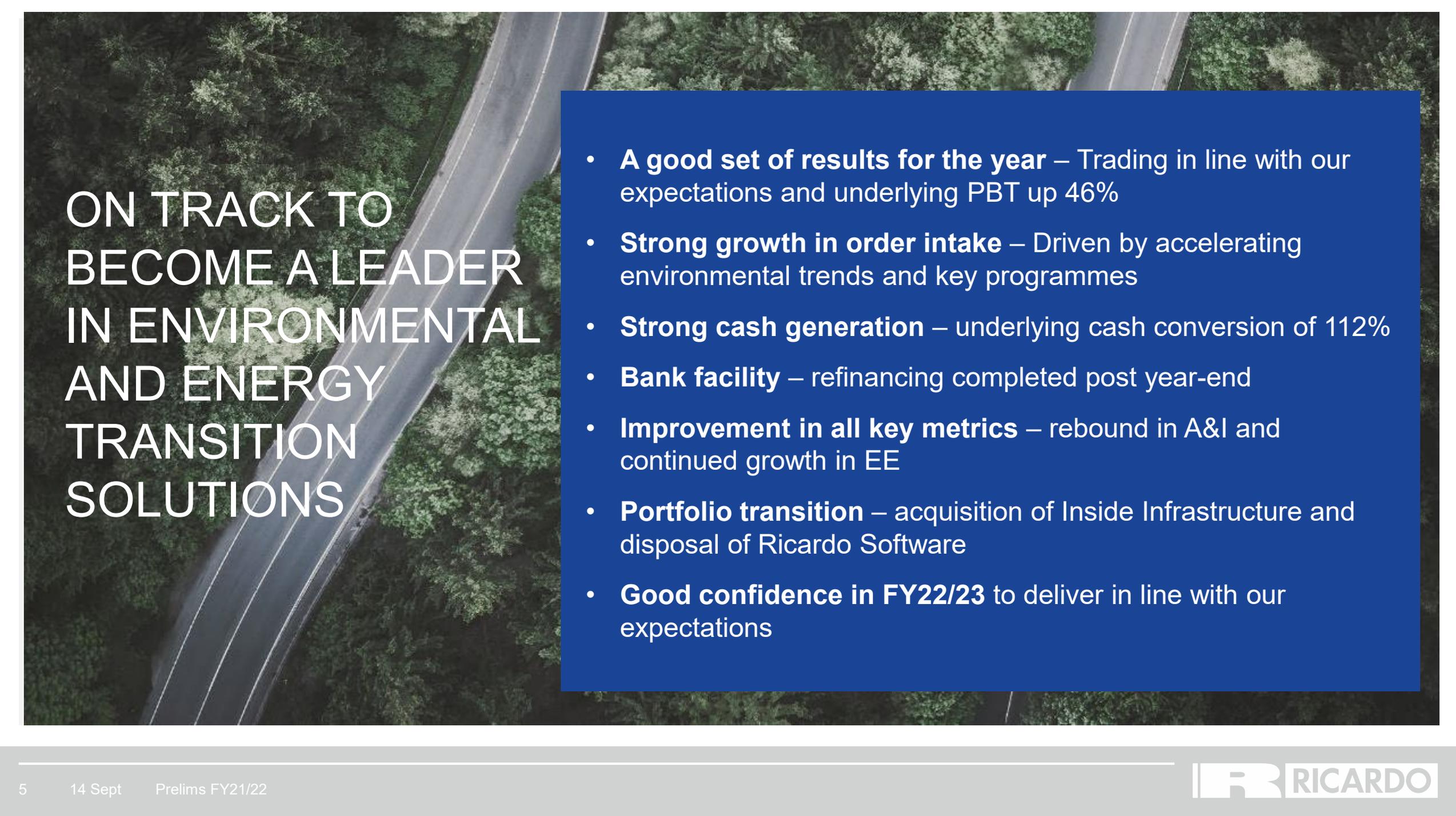
Ian Gibson, CFO

STRATEGY UPDATE

Graham Ritchie, CEO

CLOSING REMARKS

Graham Ritchie, CEO



ON TRACK TO BECOME A LEADER IN ENVIRONMENTAL AND ENERGY TRANSITION SOLUTIONS

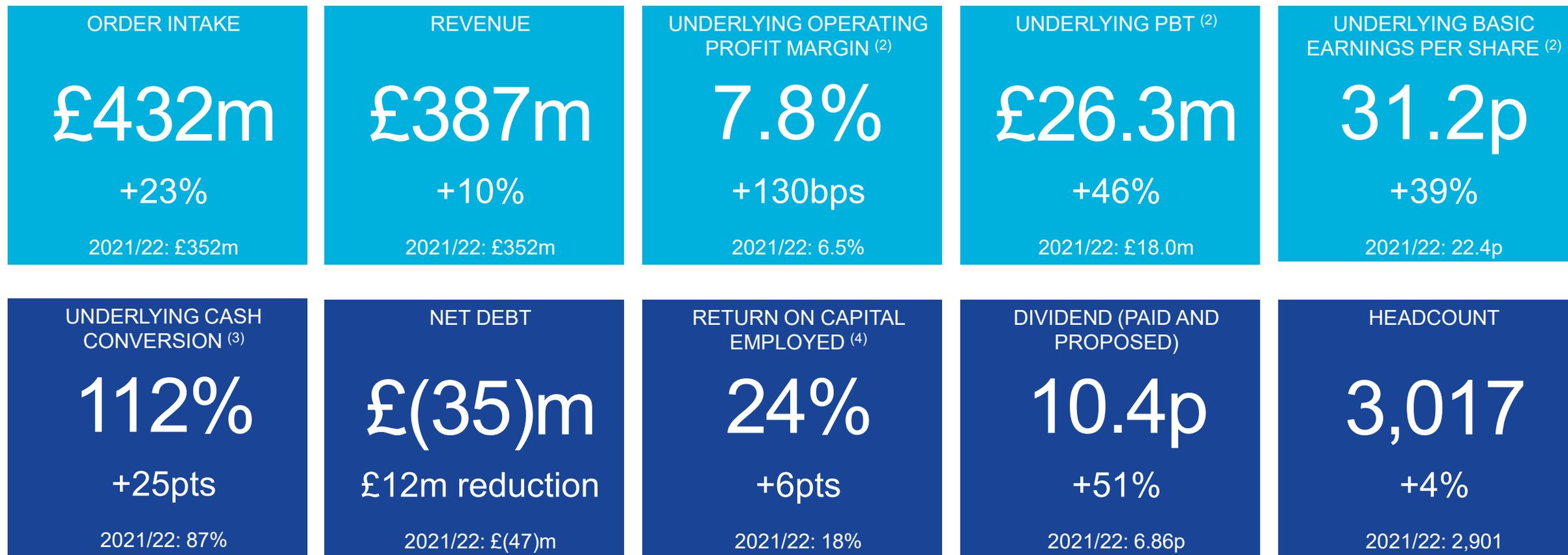
- **A good set of results for the year** – Trading in line with our expectations and underlying PBT up 46%
- **Strong growth in order intake** – Driven by accelerating environmental trends and key programmes
- **Strong cash generation** – underlying cash conversion of 112%
- **Bank facility** – refinancing completed post year-end
- **Improvement in all key metrics** – rebound in A&I and continued growth in EE
- **Portfolio transition** – acquisition of Inside Infrastructure and disposal of Ricardo Software
- **Good confidence in FY22/23** to deliver in line with our expectations



FINANCIAL RESULTS

IAN GIBSON

Chief Financial Officer

IMPROVEMENT IN ALL KEY INDICATORS ⁽¹⁾

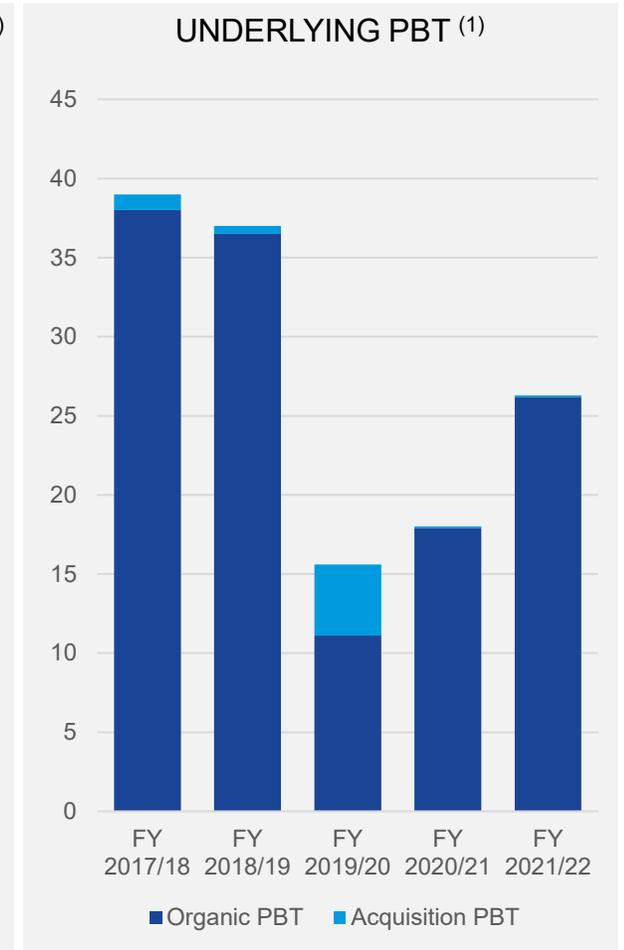
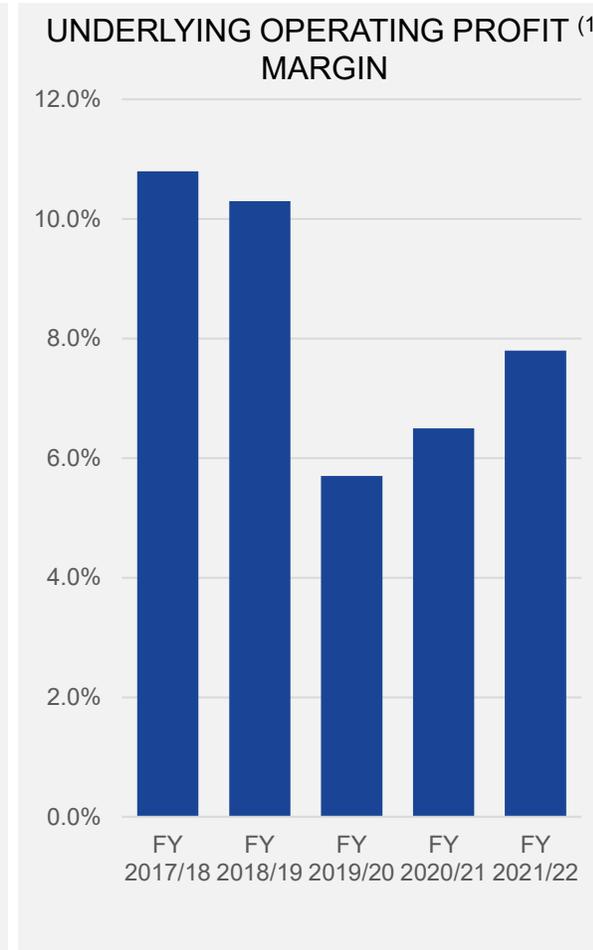
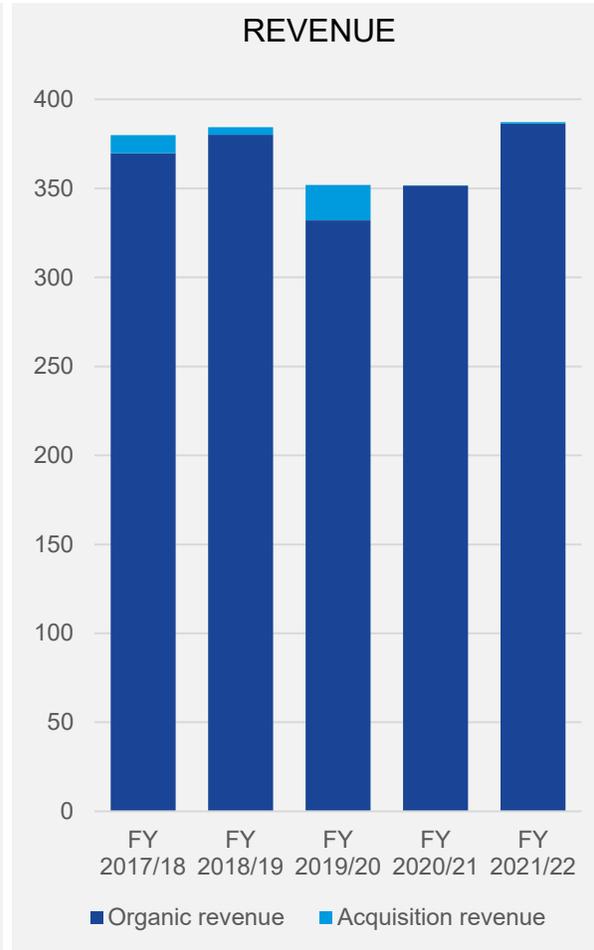
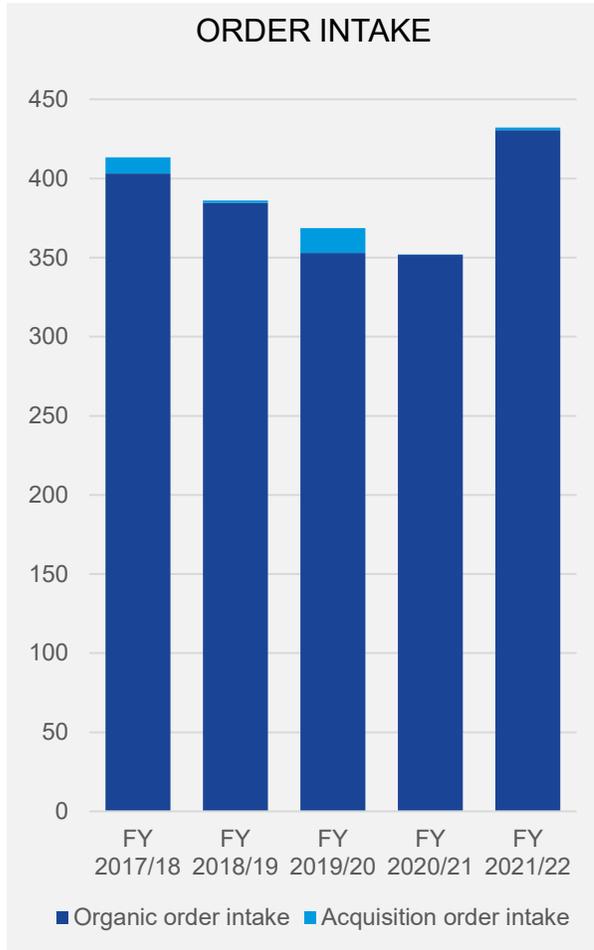
(1) Includes the result from the discontinued operation.

(2) Excluding specific adjusting items, which comprise amortisation of acquired intangible assets, acquisition-related expenditure, ERP system implementation costs, reorganisation costs and non-recurring items.

(3) Cash from operations, adjusted for the cash impact of specific adjusting items, divided by EBITDA.

(4) Return on capital employed defined as underlying operating profit, divided by net assets excluding goodwill, acquired intangible assets, net debt, retirement benefit surplus, deferred and current tax and derivative financial assets and liabilities.

FIVE YEAR TREND ⁽¹⁾ – PAST THE POINT OF INFLECTION



(1) Includes the result from the discontinued operation.

(2) Excluding specific adjusting items, which comprise amortisation of acquired intangible assets, acquisition-related expenditure, ERP system implementation costs, reorganisation costs and non-recurring items.

INCOME STATEMENT – TOTAL GROUP ⁽¹⁾

Profit growth in line with our expectations

£m	Year ended 30 June		Year-on-year movement	
	2022 Underlying ⁽²⁾	2021 Underlying ⁽²⁾	% change	% change constant currency ⁽³⁾
Revenue	387.3	351.8	10%	10%
Gross profit	133.8	117.7	14%	14%
<i>Gross profit margin</i>	34.5%	33.5%	100bps	100bps
Indirect costs	(103.7)	(95.0)	9%	9%
<i>Indirect costs % of revenue</i>	(26.8)%	(27.0)%	20bps	20bps
Operating profit	30.1	22.7	33%	33%
<i>Operating profit margin</i>	7.8%	6.5%	130bps	130bps
Net finance costs	(3.8)	(4.7)	(19)%	(19)%
Profit before tax	26.3	18.0	46%	46%
Taxation charge	(6.9)	(4.8)	44%	47%
Profit for the year	19.4	13.2	47%	46%

(1) Includes the result from the discontinued operation.

(2) Excluding specific adjusting items, which comprise amortisation of acquired intangible assets, acquisition-related expenditure, ERP system implementation costs, reorganisation costs and non-recurring items. A full income statement, including specific adjusting items, is included in the Appendix.

(3) The prior period results have been restated at current period FX rates.

INCOME STATEMENT – CONTINUING/DISCONTINUED OPERATIONS

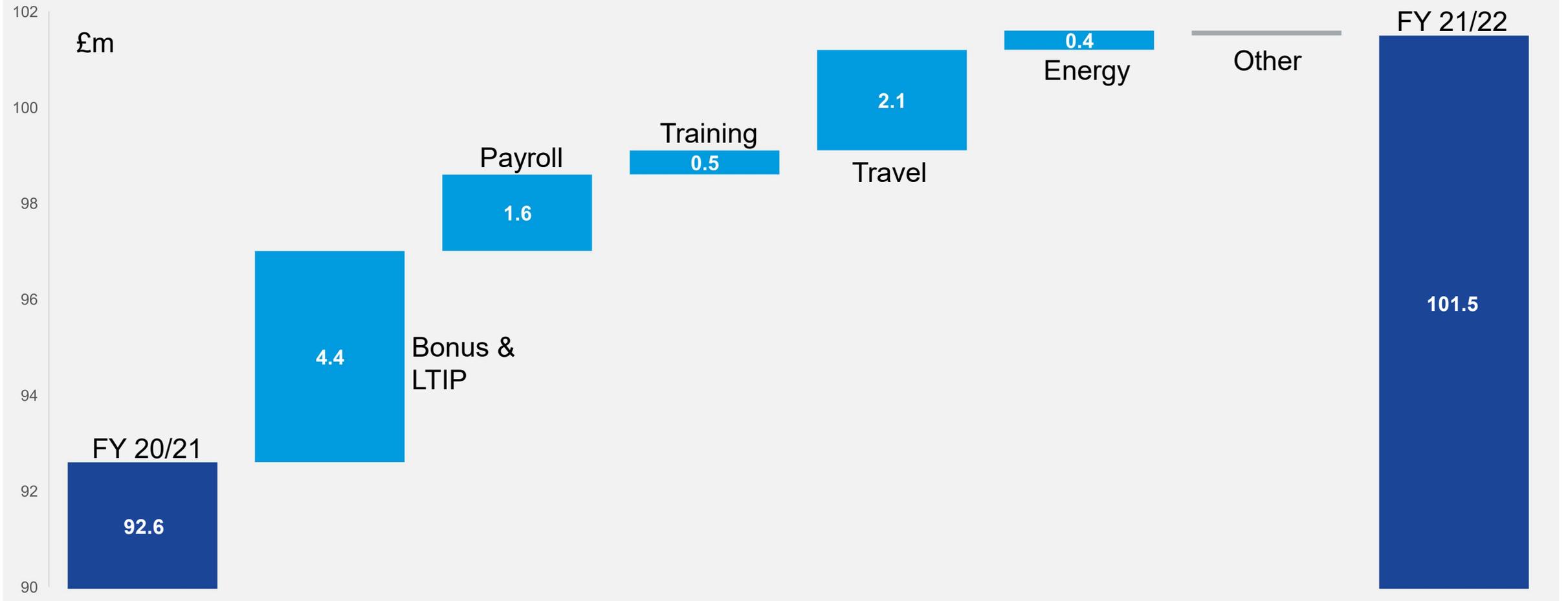
£m	Year ended 30 June		Year-on-year movement	
	2022 Underlying ⁽¹⁾	2021 Underlying ⁽¹⁾	% change	% change constant currency ⁽²⁾
Revenue	380.2	343.7	11%	11%
Gross profit	129.5	113.0	15%	15%
<i>Gross profit margin</i>	<i>34.1%</i>	<i>32.9%</i>	<i>120bps</i>	<i>120bps</i>
Indirect costs	(101.5)	(92.6)	10%	10%
<i>Indirect costs % of revenue</i>	<i>(26.7)%</i>	<i>(26.9)%</i>	<i>20bps</i>	<i>20bps</i>
Operating profit from continuing operations	28.0	20.4	37%	37%
<i>Operating profit margin</i>	<i>7.4%</i>	<i>5.9%</i>	<i>150bps</i>	<i>150bps</i>
Net finance costs	(3.8)	(4.7)	(19)%	(19)%
Profit before tax from continuing operations	24.2	15.7	54%	54%
Taxation charge	(6.5)	(4.4)	48%	51%
Profit from continuing operations	17.7	11.3	57%	55%
Profit from discontinued operations, net of tax	1.7	1.9	(11)%	(11)%
Profit for the year	19.4	13.2	47%	46%

(1) Excluding specific adjusting items, which comprise amortisation of acquired intangible assets, acquisition-related expenditure, ERP system implementation costs, reorganisation costs and non-recurring items. A full income statement, including specific adjusting items, is included in the Appendix.

(2) The prior period results have been restated at current period FX rates.

INDIRECT COSTS ⁽¹⁾ BRIDGE

Increased investment in our people



(1) Continuing operations.

FINANCIAL RESULTS BY OPERATING SEGMENT

Strong order intake across all business lines with double digit revenue growth at the Group level

Year ended 30 June

£m	Order intake			Revenue		
	2022	2021 at constant currency ⁽¹⁾	% change constant currency	2022	2021 at constant currency ⁽¹⁾	% change constant currency
Energy & Environment	74.1	64.1	16%	67.2	57.0	18%
Automotive & Industrial	136.0	99.4	37%	120.0	101.7	18%
Rail	85.0	73.4	16%	74.3	76.5	(3)%
Defense	55.1	50.0	10%	45.0	38.3	17%
Performance Products	75.1	57.5	31%	73.7	70.0	5%
Total Continuing Operations	425.3	344.4	23%	380.2	343.5	11%

(1) The prior period results have been restated at current period FX rates.

FINANCIAL RESULTS BY OPERATING SEGMENT

Good underlying profit growth, with rebound in A&I

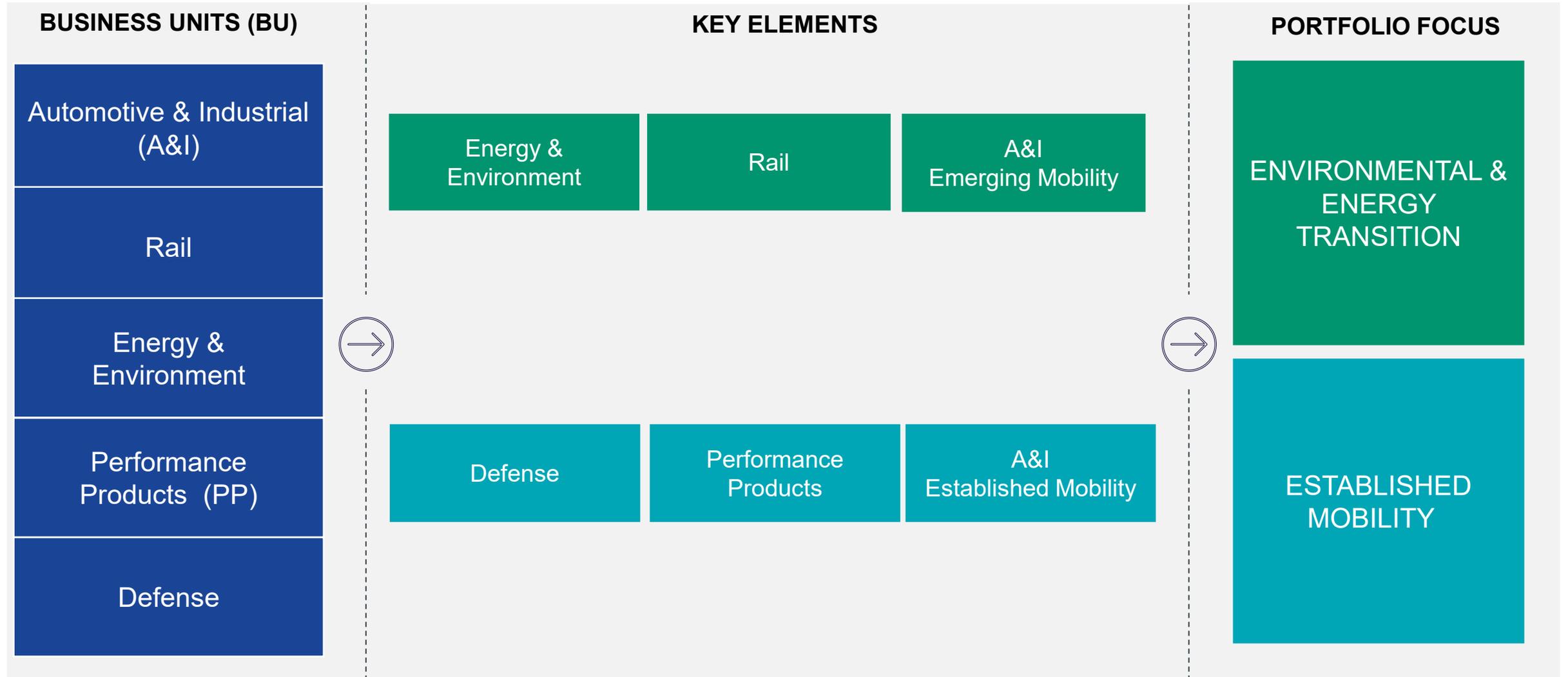
Year ended 30 June

£m	Underlying operating profit ⁽¹⁾			Underlying operating profit ⁽¹⁾ margin		
	2022	2021 at constant currency ⁽²⁾	% change constant currency ⁽²⁾	2022	2021 at constant currency ⁽²⁾	% change constant currency ⁽²⁾
Energy & Environment	9.1	8.5	7%	13.5%	14.9%	(140)bps
Automotive & Industrial	3.7	(3.6)	203%	3.1%	(3.5)%	660bps
Rail	7.7	7.9	(3)%	10.4%	10.3%	10bps
Defense	5.9	5.5	7%	13.1%	14.4%	(130)bps
Performance Products	7.2	6.7	7%	9.8%	9.6%	20bps
Plc Costs	(5.6)	(4.6)	(22)%			
Total Continuing Operations	28.0	20.4	37%	7.4%	5.9%	150bps

(1) Excluding specific adjusting items, which comprise amortisation of acquired intangible assets, acquisition-related expenditure, reorganisation costs and non-recurring items.

(2) The prior period results have been restated at current period FX rates.

NEW REPORTING STRUCTURE GOING FORWARD



NEW REPORTING STRUCTURE GOING FORWARDS

Environmental and energy transition / Established mobility reporting

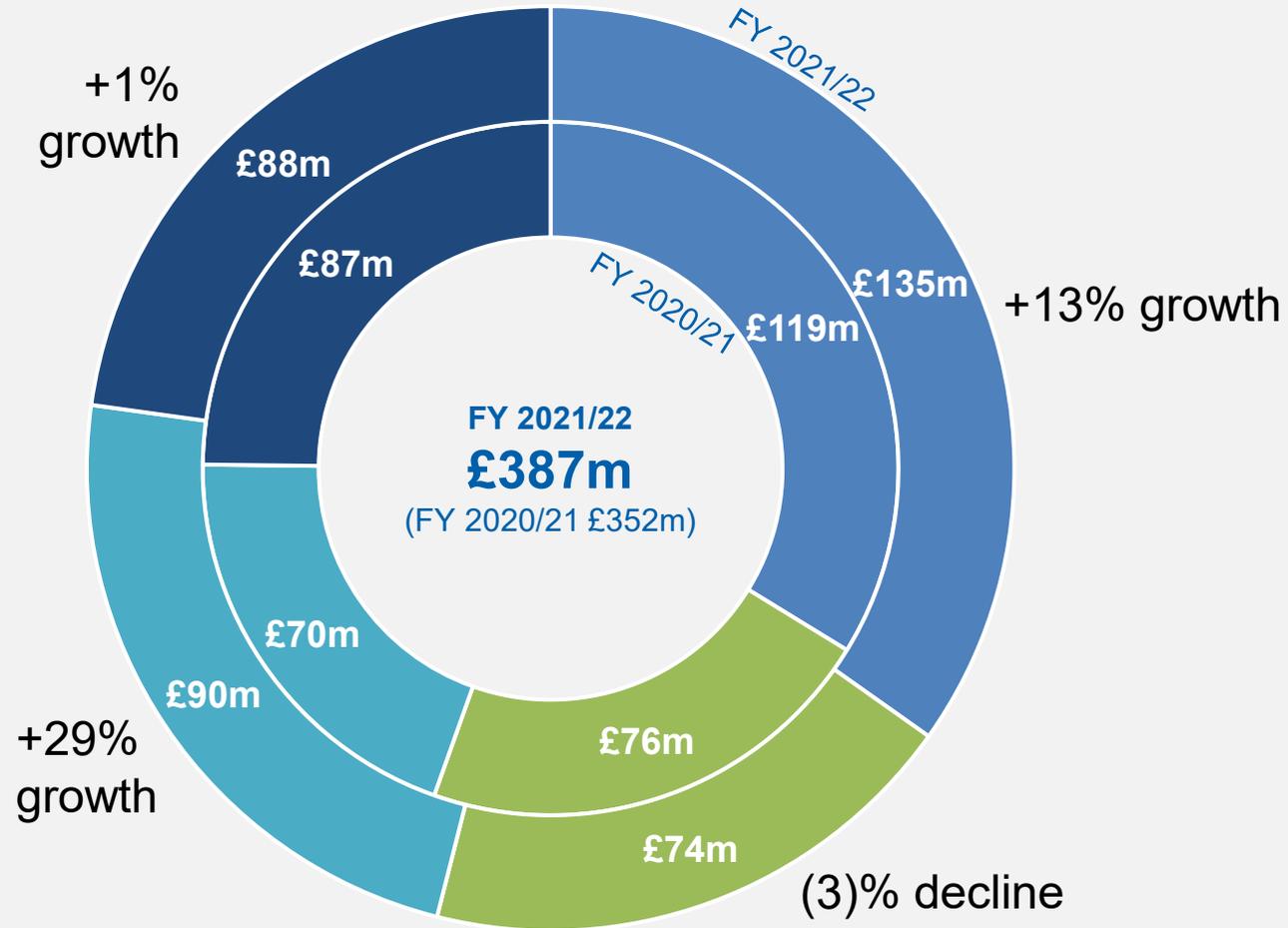
Year ended 30 June

£m	Order intake	
	2022	% mix
Energy & Environment	74.1	
Rail	85.0	
A&I Emerging Mobility	93.6	
Environmental & Energy Transition	252.7	59%
Defense	55.1	
Performance Products	75.1	
A&I Established Mobility	42.4	
Established Mobility	172.6	41%
Total Continuing Operations	425.3	

REVENUE BY GEOGRAPHIES

Increased scale in UK & North America

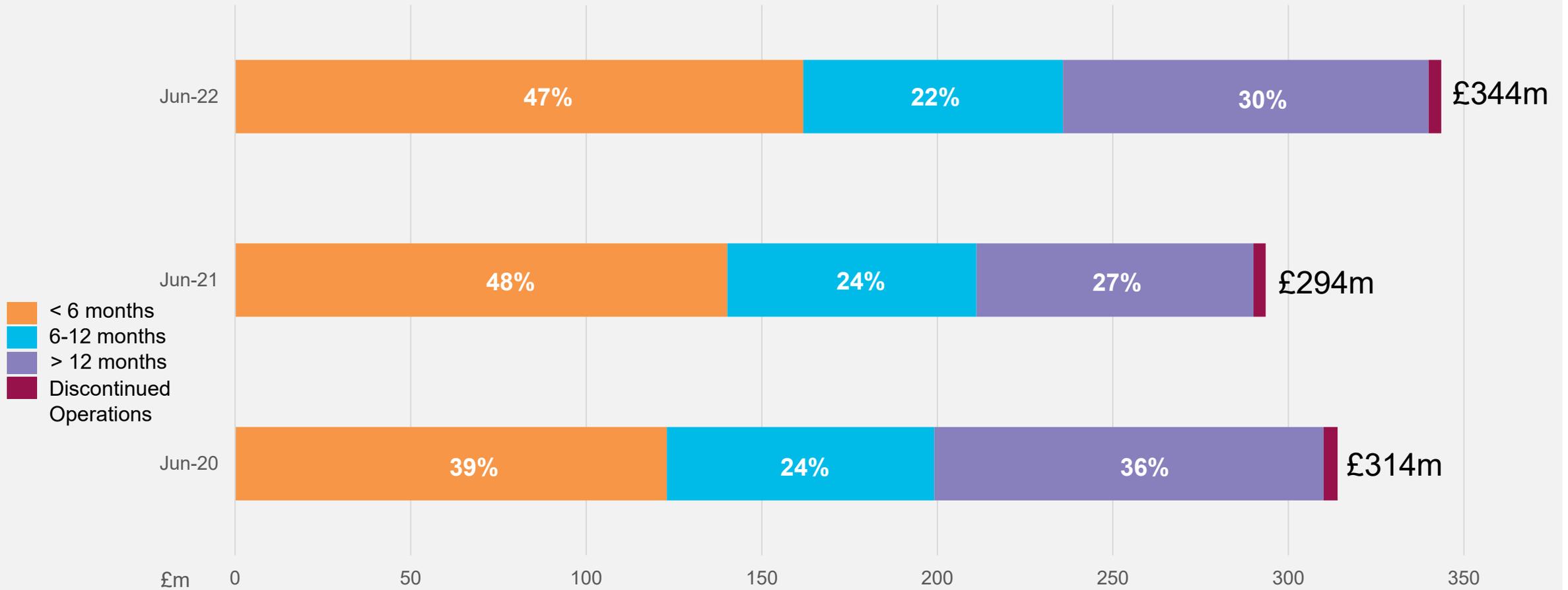
Revenue split by geographies



Includes the result from the discontinued operation.

ORDER BOOK PROFILE

Strong growth in order book across all business segments



CASH FLOW

Strong cash generation supporting investment, dividend and net debt

£m	Year ended 30 June		
	2022	2021	% change
EBITDA	48.7	42.4	15%
Share based payments, Fair value gains & losses on derivatives, Profit on disposal	0.7	1.4	(50)%
Working capital decrease/(increase)	8.2	(2.3)	(457)%
Pension charge and funding	(3.0)	(4.6)	(35)%
Underlying cash from operations	54.6	36.9	48%
Underlying cash conversion %	112%	87%	250bp
Net finance costs	(3.5)	(4.2)	(17)%
Tax paid	(2.8)	(2.9)	(3)%
Net capital expenditure	(14.2)	(13.1)	8%
Principal element of lease payments	(4.5)	(6.3)	(29)%
Dividends and return of capital	(5.0)	(1.4)	257%
Purchase of own shares, Cash flow hedges, FX	1.2	(1.6)	(175)%
Movement in net debt before acquisition & restructuring related costs	25.8	7.4	249%
Proceeds from equity fundraise	-	28.2	-
Acquisition and restructuring related costs	(14.3)	(9.1)	57%
Movement in net debt ⁽¹⁾	11.5	26.5	(57)%
Opening net debt	(46.9)	(73.4)	
Closing net debt	(35.4)	(46.9)	

(1) Cash outflow net of movement in borrowings.

REVOLVING CREDIT FACILITY

Refinancing completed to support strategic objectives

- After the year end, on 2 August 2022, we completed a refinance of the Revolving Credit Facility to provide ongoing committed funding and liquidity for acquisitions and general corporate purposes.
- The facility was reduced from £200m to £150m, with a £50m accordion, in line with our pre-pandemic funding.
- Reduced facility provides savings in commitment fees and reflects our current reduced leverage appetite.
- The facility has an expiry of 1 August 2026 with an uncommitted option to extend for a further year to 1 August 2027.
- The facility is multi-currency with variable rates of interest dependent upon the Group's adjusted leverage, which range from 1.65% to 2.45% above SONIA for utilisations denominated in Pounds Sterling. All other terms of the facility, including the financial covenants, remain the same.

STRATEGIC RESTRUCTURING FOR PROFITABLE GROWTH

Supporting short term resilience and long-term profitable growth

STRATEGIC OBJECTIVES:

- Portfolio transformation – high growth, high margin, lower capital intensive solutions
- Target to achieve mid teens operating profit margin by FY26/27
- Driving operational efficiency in the back office to deliver indirect costs less than 20% of revenue



ACTIONS SO FAR:

A&I

Global A&I transformation programme commenced

- Consolidation of three regions into one global organisation
- Re-alignment of strategy: emerging technologies & established mobility solutions
- £5.3m of P&L cost in FY 2021/22: Redundancies £2.3m | Asset impairments £2.0m
Property downsizings £0.9m | Associated fees £0.1m
- Cash cost of £0.5m in the year – anticipate total cash cost c. £4.5m
- Payback expected to be c. 1 year

RAIL

Restructuring to support market expansion

- Revised operating structure and leadership
- Operational cluster improvement with clear sales and operational plans
- Restructuring charge to date of c.£1m



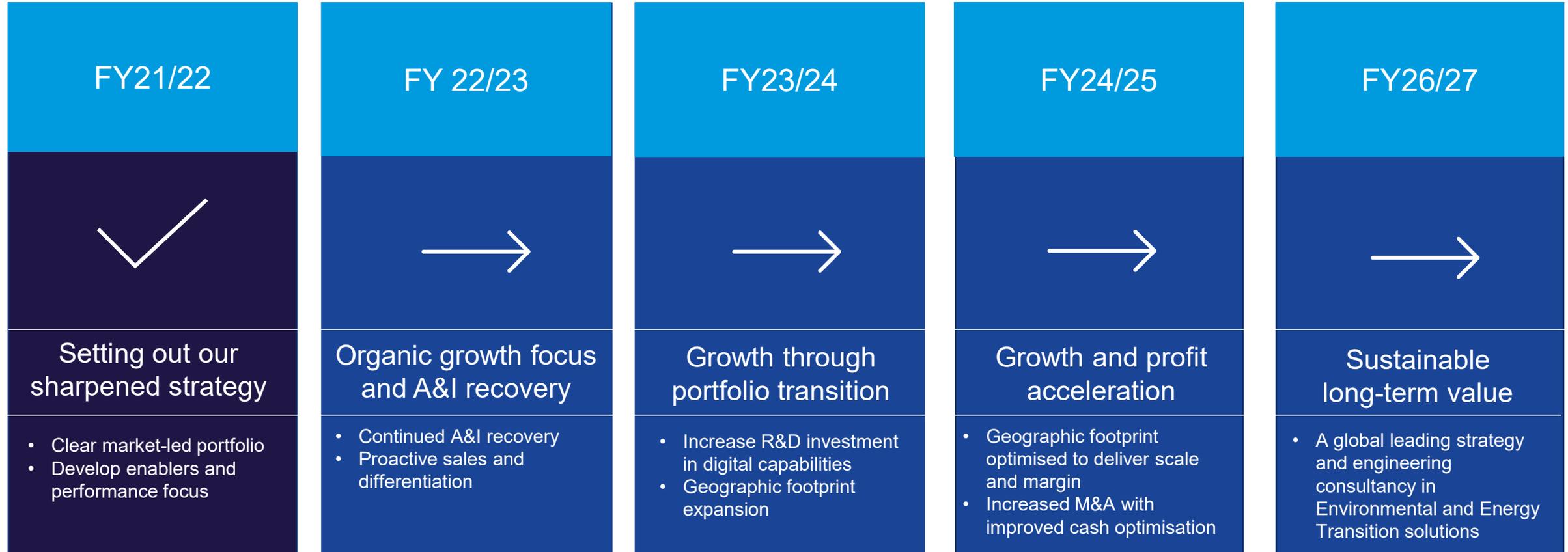
STRATEGY UPDATE

GRAHAM RITCHIE

Chief Executive Officer

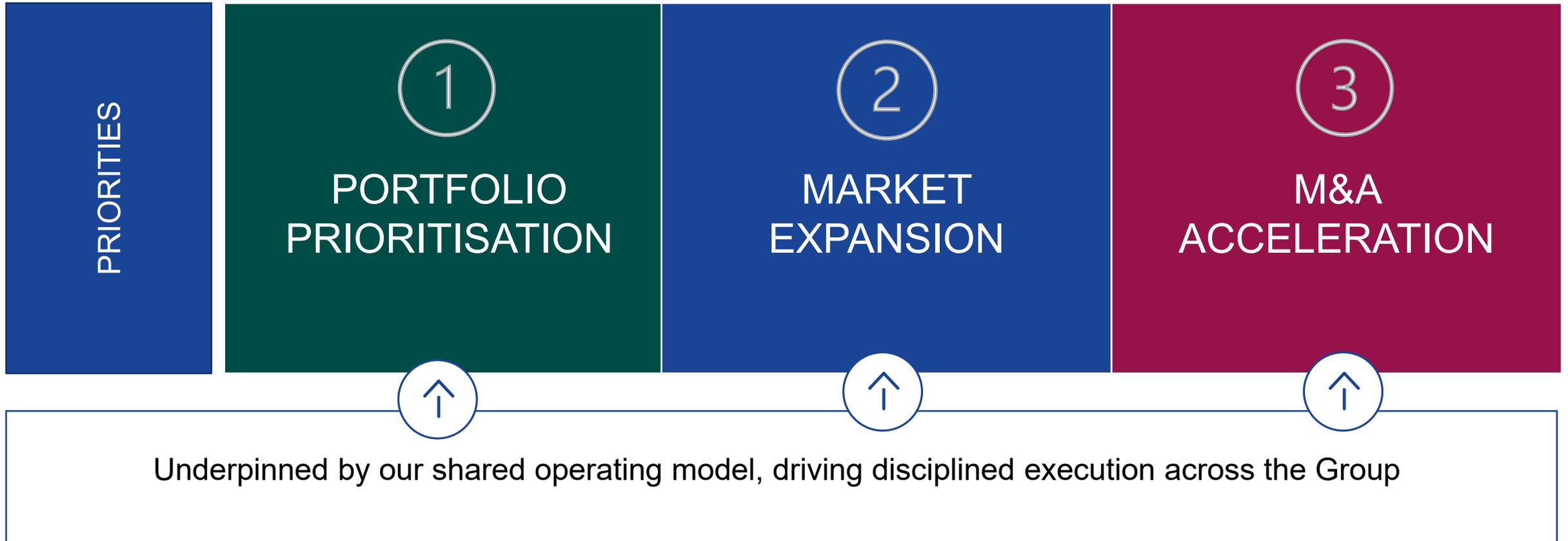
EXECUTING ACCORDING TO OUR STRATEGIC AMBITION

Making progress in line with our 5-year plan



CREATING VALUE THROUGH OUR STRATEGIC GROWTH PRIORITIES

Delivering a year of solid performance whilst increasing investment for long-term profitable growth



STRONG CORPORATE DECARBONISATION SERVICES PORTFOLIO

We have secured new and significant contracts over the course of FY21/22 for sustainability services from both the private and corporate sectors. This is supported by a defined sector approach from initial customer engagement right through to the customer delivery

Case study



FULL LIFECYCLE ASSESSMENT OF FOUR KEY VEHICLE LINES FOR A LARGE OEM

Having led the European Commission's major study into the lifecycle impacts of road vehicles which is informing European Union policy, we are enabling a large OEM to benefit from our forward-looking understanding of future policy to shape the company's future strategic plans around decarbonisation and climate action

LEADING CAPABILITY IN SUPPORTING CUSTOMERS TO DEPLOY HYDROGEN TECHNOLOGY

We support our customers in developing strategies and implementing technologically advanced solutions to support the decarbonisation of the transport industry

Case study

RICARDO PUTS THE UK RAIL ON A FAST TRACK TO DECARBONISATION

Ricardo's environmental, energy and rail experts, in partnership with Scottish Power, Network Rail Scotland and the University of Leeds, are leading a trial to accelerate the UK's ambitions to remove all diesel trains from the rail network. The project will pilot the use of green hydrogen to test the feasibility of a hydrogen fuel cell and battery train vs. electric.

MARKET EXPANSION DRIVING SERVICE MIX PROFITABILITY

Focused on markets and customers where our emerging solutions bring the most value

Greater segmentation across our markets

MOBILITY

Aerospace -Pioneering thermal systems studies for BAE Systems

Maritime -GHG assessments for a wide range of countries and organisations

CORPORATE

Retail –Working with Kingfisher on sustainability strategy to reduce supply chain emissions.

Case study



RICARDO SUPPORTS PRATT & WHITNEY CANADA IN THE DEVELOPMENT OF ADVANCED HYBRID-ELECTRIC PROPULSION TECHNOLOGIES FOR NEXT-GEN AIRCRAFT

This represents a significant milestone for Ricardo as it looks to expand its operations and footprint in North America and explore new opportunities supporting the decarbonisation of the global aerospace sector, which includes policy, strategy, technology implementation and consultancy.

GEOGRAPHIC SCALE AND EFFICIENCY

Global environmental challenges and key market developments are driving our focused regional expansion

Increased regulation, scrutiny and focus on sustainability within the Middle East

- Air quality support to the Royal Commission for Riyadh City
- Air quality, water and resource management for Neom, a brand new Saudi city being built

Growing requirements for next generation sustainable transportations solutions across North America

- Quebec office recently opened to support growing level of A&I electrification systems projects
- Rail recently secured a contract for systems integration on the Ottawa light rail extension
- Ricardo has been appointed as the safety consultant to Siemens in Sacramento, USA

Case study

SAFETY ASSESSOR ROLE TO SUPPORT NEW SIX LINE AUTOMATED NETWORK FOR SAUDI ARABIA'S FASTEST GROWING CAPITAL

Arriyadh Development Authority initiated the development of a new metro for the city. The six-line 175km driverless system will consist of 85 air-conditioned stations, connecting central districts with outlying residential areas. Ricardo was appointed as the Independent Safety Assessor on account of our vast experience of constructing systems in similar climates such as Dubai, Doha and Abu Dhabi and ensuring best practice is applied and issues are resolved without disruption.



M&A ACCELERATES OUR STRATEGIC AMBITION

ACTIONS SO FAR

2 TRANSACTIONS

- 1 acquisition
- 1 divestment

TRANSACTION VALUE: £22.3m

- £5.6m Inside Infrastructure
- £16.7m Ricardo Software

PIPELINE BUILD

Select targets fulfill multiple strategic aims

Case study acquisition: Inside Infrastructure



- Supports high growth, high margin and low capital operating model
- Further strengthens our environmental capabilities
- Enhances our geographic footprint in Australia
- Adjacent expansion in the mining and resource sector

Case study divestment: Ricardo Software



- Demonstrates progress in portfolio transformation to environmental and energy transition solutions
- Capital released will be reinvested in line with our strategy
- Allows the Software business unit to realise its full potential under a different ownership

GOOD CONFIDENCE TO CONTINUE PROFITABLE MOMENTUM

Prepared for uncertainty in the short-term whilst sustaining long-term growth through mega trends

SHORT-TERM RESILIENCE

MITIGATING RISK THROUGH OUR SHARED OPERATING MODEL

Customer experience and revenue resilience

- Diversified end markets
- Early sales pipeline visibility
- Dynamic pricing strategy
- Strong backlog coming into the year
- Focus capital allocation

Operational efficiency

- Indirect cost efficiency
- Rationalising office locations
- Capacity management and utilisation
- Margin mix
- Supply chain monitoring and management
- Managing fixed and variable resources
- Energy costs are materially fixed in FY22/23

Building a stronger DNA

- Total reward framework benefits
- Cost of living support for colleagues
- Talent development
- Efficient organisation design

LONG-TERM POSITIONING

DELIVERING SUSTAINABLE GROWTH THROUGH MEGA TRENDS INFORMING OUR STRATEGY

Service portfolio shift aligned to mega trends and in attractive expansion markets providing long-term profitable revenue growth



SUMMARY AND OUTLOOK

GRAHAM RITCHIE

Chief Executive Officer

DELIVERING IN LINE WITH OUR STRATEGIC GROWTH PLAN

FINANCIAL HIGHLIGHTS

- A good set of results with trading in line with the Board's expectations
- Strong growth in order intake driven by environmental trends and key programmes
- Improvement in all key metrics - rebound in Automotive and Industrial (A&I) and continued growth in Energy and Environment (EE)
- Net debt reduced to £35m, creating opportunities to invest for growth
- Acquisition of Inside Infrastructure and disposal of Ricardo Software, supporting portfolio shift to environmental and energy transition solutions
- Bank facility refinance completed providing committed funding through to July 2026
- Final dividend of 7.49p per share (total dividend: 10.40p) declared

OUTLOOK

- Short-term macro-economic environment remains challenging
- We enter FY22/23 with a strong momentum and order book
- Good confidence to deliver our expectations in FY22/23 in line with five-year plan
- Portfolio transition to Environmental and Energy services underpins long term profitable growth

REVENUE

£387m

+10%

2020/21: £352m

UNDERLYING PBT

£26.3m

+46%

2020/21: £18.0m

ORDER INTAKE

£432m

+23%

2020/21: £352m

NET DEBT

£(35)m

£12m reduction

June 2021: £(47)m

APPENDIX

ENERGY & ENVIRONMENT

A leader in sustainability consultancy, solving complex environmental challenges

Revenue
£67.2m
2020/21: £57.0m ⁽¹⁾

Underlying operating profit
£9.1m
2020/21: £8.5m ⁽¹⁾

Underlying operating profit margin
13.5%
2020/21: 14.9% ⁽¹⁾

Headcount
803

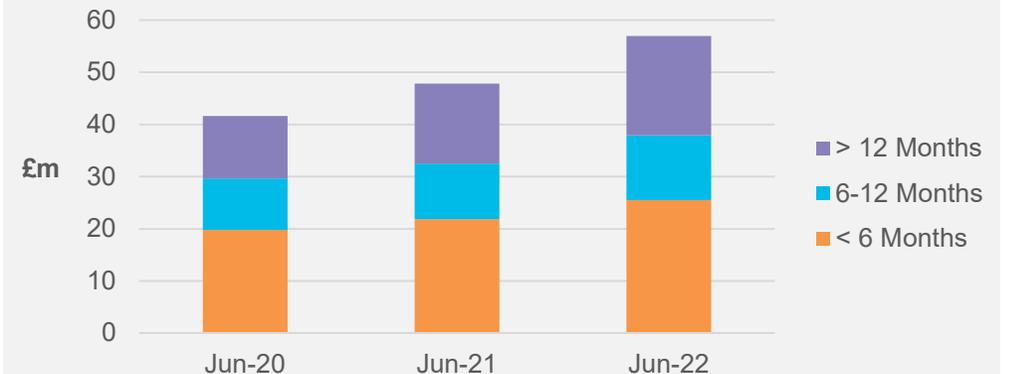
BUSINESS UNIT HIGHLIGHTS

- Revenue and underlying operating profit grew by 18% and 7%, respectively, as a result of strong demand across multiple services, segments and geographies.
- Strong drive to set sustainability strategies and undertake net-zero pathway investigations, leading to demand in such services as Life cycle Assessment (LCA) and ESG-related reporting support.
- Significantly expanded our work on government programmes in the UK, particularly in providing roll-out projects of technology incubator programmes.
- Developments in air quality have been driven by increased market demand as Governments around the world tackle challenges of air pollution.
- Increase in Water consultancy services, supporting a number of programmes and studies that seek to mitigate the risk of climate-driven water deficits.

GROWTH DRIVERS

- Increasing focus on sustainability in the corporate sector driven by the ESG agenda.
- Amplified interest in climate and carbon following COP26.
- Innovation in electricity and heat as well as in key technology areas such as hydrogen.

ORDER BOOK PROFILE



(1) The prior year results have been restated at current year FX rates.

Case study:

CUTTING-EDGE SCIENTIFIC RESEARCH TO INFORM GOVERNMENT DECARBONISATION STRATEGY

The challenge

How to make certain that the UK is making the best possible choices on its journey to net zero, and is adaptable and more resilient to the effects of climate change.

Our solution

A Ricardo-led consortium of leading UK universities and research institutes is delivering a £5 million UK government funded research programme called Climate Services for a Net Zero Resilient World. This programme brings together the brightest and best climate scientists, universities and research institutions from across the country to inform future climate policies at a national and local level.

Customer benefits

The programme is a critical part of UK Government efforts to prepare and protect against the impacts of climate change and to inform the Government's strategy for delivering a thriving, low-carbon, greener future.



AUTOMOTIVE & INDUSTRIAL

Trusted services partner for de-risking “what’s next” in clean, efficient, integrated propulsion and energy systems

Revenue
£120.0m
 2020/21: £101.7m ⁽¹⁾

Underlying operating profit/(loss)
£3.7m
 2020/21: £(3.6)m ⁽¹⁾

Underlying operating profit/(loss) margin
3.1%
 2020/21: (3.5)% ⁽¹⁾

Headcount
1,066

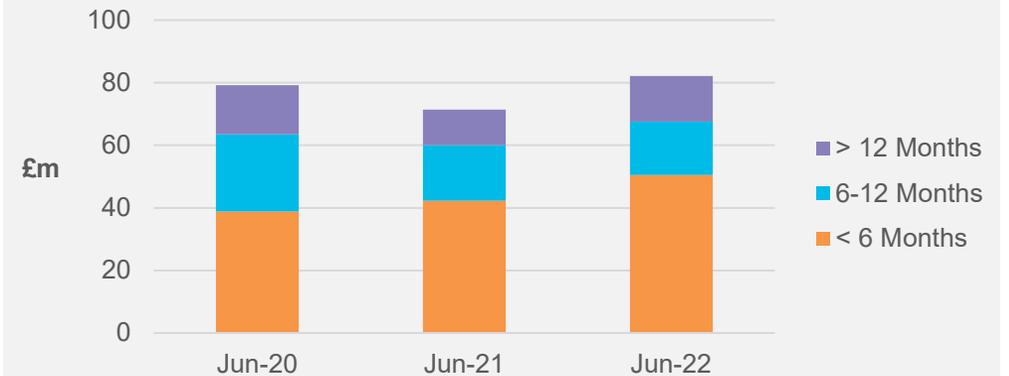
BUSINESS UNIT HIGHLIGHTS

- Good growth in order intake, revenue and underlying operating profit.
- Secured several multimillion-pound contracts that included fuel cell, power electronics and battery applications for commercial trucking and electric utility vehicles; electrified motorcycle design and testing; and clean sheet engine design for defence and marine applications.
- Order intake grew in North America and EMEA, while China continued to be impacted by COVID 19-related travel and working restrictions.
- Significant strategic and structural changes undertaken to consolidate our regions into one globally managed A&I business, organised around the two key pillars of emerging technologies and established mobility solutions, to support operational effectiveness across the business.

GROWTH DRIVERS

- A shift for decarbonised, sustainable transport technology
- Bridge solutions to fill the technology gap between internal combustion engines and battery electric vehicles
- Digital transformation through industry 4.0 connected intelligence and software capabilities

ORDER BOOK PROFILE



(1) The prior year results have been restated at current year FX rates.

RICARDO DESIGNS HIGH VOLTAGE DC-DC CONVERTER TO POWER AUXILIARY ELECTRIC BUSES OF THE FUTURE.

The challenge

South Korea headquartered LS Automotive Technologies ('LSAT'), a leading manufacturer of automotive electronic components, needed to grow its capabilities in the design of high voltage power electronics for a variety of applications.

Our solution

Ricardo engineers designed electronic hardware and software solutions that would integrate seamlessly with thermal and mechanical designs when used in a variety of passenger vehicle applications. This resulted in a cutting-edge high voltage DC-DC converter to power auxiliary electric buses of the future. The power conversion performs at a peak efficiency of 97% to ensure that the equipment remains cool whilst occupying a small space in the vehicle.

Customer benefits

By transferring know-how and technology during the project, by the end, the customer was testing the unit in their own laboratories and is now capable of taking it to the next phase of production.



Ricardo engineers designed a cutting edge high voltage DC-DC converter to power auxiliary electric buses of the future.

RAIL

Experts in critical and complex railway systems, supporting industry’s operational and regulatory demands

Revenue
£74.3m
 2020/21: £76.5m ⁽¹⁾

Underlying operating profit
£7.7m
 2020/21: £7.9m ⁽¹⁾

Underlying operating profit margin
10.4%
 2020/21: 10.3% ⁽¹⁾

Headcount
571

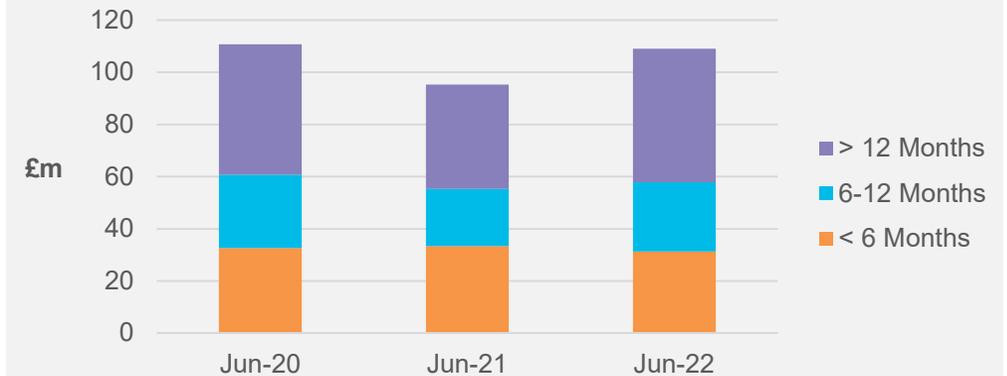
BUSINESS UNIT HIGHLIGHTS

- Revenue and underlying operating profit both declined by 3% as a result of several long-term projects nearing completion along with a delay in the starting up of new contracts.
- Significant strides made into the North American rail market, becoming the first organisation to be accredited as a railway Independent Safety Assessor by the Standards Council of Canada, soon followed by our first major Canadian rail contract, supporting the design stages of the Greater Toronto and Hamilton network upgrade.
- Contract providing safety assessment services for skyTran, a Californian-based maglev technology developer, was the first major win by our US rail team, and representative of the technologies now taking hold.
- Continued to win a diverse range of projects across our more established territorial markets.

GROWTH DRIVERS

- Expansion on mass-transit systems to reduce urban CO₂ emissions and improve air-quality
- Increasing demand for digital technologies to drive efficiencies
- Complex and evolving regulatory landscape that underpins safety and quality

ORDER BOOK PROFILE



(1) The prior year results have been restated at current year FX rates.

Case study:

COPENHAGEN S-BANE

The challenge

DSB, the Danish rail operator, is to convert Copenhagen's commuter network, the S-Bahn, into a fully automated system underpinned by state-of-the-art digital train control technology. Given the technical, operational and organisational challenges, European law mandates an independent body oversees the processes for managing hazards and evaluating safety risks.

Our solution

As the appointed Assessment Body (AsBo), Ricardo will monitor the programme from design to operation, compiling Safety Assessment Reports and other documentation required by the National Safety Authority before it can issue phased approvals of the system.

Customer benefits

Central to the process will be the Ricardo Compliance Tool, a cloud-based platform that will limit delays, reduce the administrative burden on the client, and ensure a smooth pathway to compliance.



DEFENSE

Trusted expertise in delivering wide ranging engineering programmes to drive efficiencies and performance

Revenue
£45.0m
 2020/21: £38.3m ⁽¹⁾

Underlying operating profit
£5.9m
 2020/21: £5.5m ⁽¹⁾

Underlying operating profit margin
13.1%
 2020/21: 14.4% ⁽¹⁾

Headcount
195

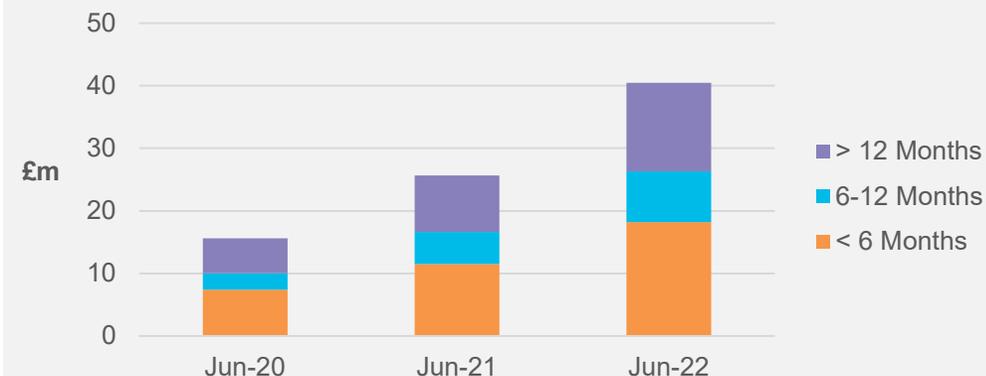
BUSINESS UNIT HIGHLIGHTS

- Revenue growth was driven by increased ABS/ESC volumes - 3,602 ABS/ESC kits delivered in year – and a rise in orders for our engineering services.
- Reduction in underlying operating profit margin due to a combination of delays in the US Government’s approval of the US Department of Defense budget and higher supply chain costs in ABS/ESC.
- With the expansion of our field-support solutions business, supporting the installation and maintenance of vehicles in the field, we are able to provide a complete offering to our clients, covering the entire procurement lifecycle for their vehicle platforms.
- With the focus on net zero planning, we have been working with the US Marine Corps to develop and demonstrate capabilities to improve the management of energy supplies and better secure energy resources to reduce its overall carbon footprint.

GROWTH DRIVERS

- Decarbonisation and net zero planning focus within the US defense sector
- Demand for greater connectivity, communications and mobility within the field
- Increased digitisation for systems integration solutions

ORDER BOOK PROFILE



(1) The prior year results have been restated at current year FX rates.

VEHICLE HEALTH MANAGEMENT SYSTEM (VHMS)

The challenge

Provide a secure computing platform to support the collection, management and analysis of vehicle health data in a continually changing environment that encompasses the target vehicle, computing platform and enterprise.

Our solution

Develop and deliver a secure Operating System and Kiosk Manager software product that conforms with everchanging cybersecurity requirements and is capable of satisfying all stakeholder needs.

Customer benefits

Supports implementation of Prognostics/Predictive Maintenance (PPMx) capabilities as well as improved application software integration in a secure computing environment. The analysis of the collected vehicle data provides insight into future potentials for off-located VHMS data.



PERFORMANCE PRODUCTS (2)

Engineering specialists in transmission design and niche-volume manufacturing

Revenue
£73.7m
 2020/21: £70.0m (1)

Underlying operating profit
£7.2m
 2020/21: £6.7m (1)

Underlying operating profit margin
£9.8%
 2020/21: 9.6% (1)

Headcount
340

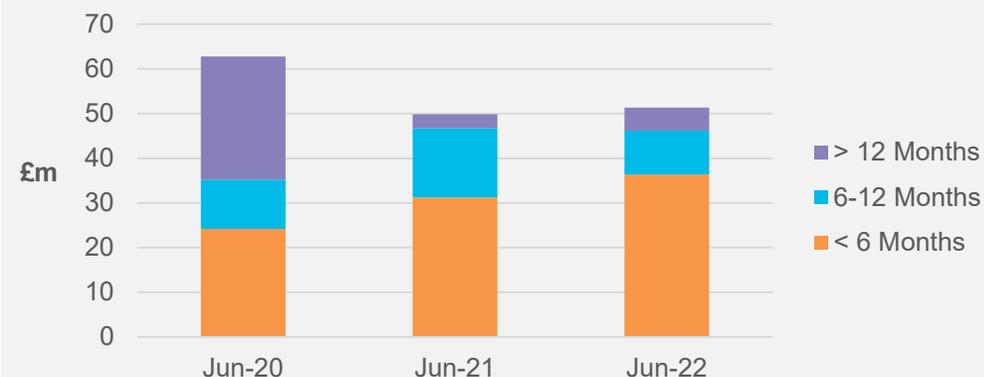
BUSINESS UNIT HIGHLIGHTS

- McLaren engine volumes increased modestly year-on-year, with an uptick in the last quarter in support of the launch of the new V6-powered Artura.
- Transmission programme revenue significantly increased year-on-year with the start of production of the Aston Martin Valkyrie, adding to the well-established Porsche Cup and Bugatti Chiron programmes.
- We continued to develop new projects in the zero-emission propulsion space, including electric drive units, industrial engineering services in EV production and concept work around battery systems and electric machines.
- Particular Motorsport focus on next-generation technology. During the year, we worked with Hyundai (on its hybrid-powered Rally 1 car), DS (on its the all-electric Formula E race car), Porsche (in GT racing), and with our long-standing customer in Formula 1.

GROWTH DRIVERS

- Accelerated adoption of electrified powertrains
- High demand for industrial engineering services
- Decarbonisation of transportation with increased focus on hydrogen and electrification systems

ORDER BOOK PROFILE



(1) The prior year results have been restated at current year FX rates.

(2) Continuing operations.

A CUTTING EDGE GEARBOX FOR THE WORLD'S FASTEST SINGLE-SEATER TRACK CAR, THE RODIN FZERO

The challenge

New Zealand-based automotive manufacturer Rodin Cars required support for the design and development of a fully integrated bespoke gearbox solution for use in the world's fastest single-seater track car, the Rodin FZERO.

Our solution

With a focus on new manufacturing and assembly techniques, the innovative new gearbox is created using cutting edge 3-D printing where possible, to create an eight-speed titanium-cased transmission system. Using our expertise in gearbox design, the new system seamlessly integrates with the rest of the vehicle.

Customer benefits

The result is a gearbox that meets the high requirements of the most demanding performance car made by Rodin, whilst also looking towards future technology, materials and, potentially, usage in more road-biased applications.

Concurrently, Ricardo is working to develop the transmission for Rodin Cars' first all-electric model.



Ricardo has worked with Rodin Cars to develop a fully integrated gearbox solution for its FZERO, as well as a new transmission for its first electric car

FIRMLY COMMITTED TO OUR ESG AGENDA

External recognitions and further improvements demonstrating our progress

Key highlights in FY21/22

- SBTi (Science Based Target Initiative) approved in 2021
- Scope 3 emissions being published in R&A'22
- Joined the UNGC (United Nations Global Compact) July'22
- Updated our Human Rights policy
- Introduced a new Supplier Code of Conduct May'22
- Launch of our new DEI policy August'22
- Formed a Sustainability Committee with report into NED
- Conduct regular ESG Forum meetings with business MD's
- ESG objectives are set, and the deployment process is on-going
- Strong engagement with ISS / Sustainalytics / FTSE Russell, CDP & LSEG

External recognition	Score
	C <i>Above industry average</i>
	Platinum (Rail – NL) Silver (Automotive - EMEA) Top 25%
	C – Average percentile
	16.8 low risk Tracking above the mean

INCOME STATEMENT – CONTINUING/DISCONTINUED OPERATIONS

Underlying and total Group

Year ended 30 June

£m	2022			2021			Year-on-year movement	
	Underlying	Specific adjusting items ⁽¹⁾	Total	Underlying	Specific adjusting items ⁽¹⁾	Total	Underlying	Total
Revenue	380.2	-	380.2	343.7	-	343.7	11%	11%
Gross profit	129.5	-	129.5	113.0	-	113.0	15%	15%
Indirect costs	(101.5)	(11.8)	(113.3)	(92.6)	(13.7)	(106.3)	10%	7%
Operating profit from continuing operations	28.0	(11.8)	16.2	20.4	(13.7)	6.7	37%	142%
Net finance costs	(3.8)	-	(3.8)	(4.7)	-	(4.7)	(19)%	(19)%
Profit before tax from continuing operations	24.2	(11.8)	12.4	15.7	(13.7)	2.0	54%	520%
Taxation charge	(6.5)	2.3	(4.2)	(4.4)	2.6	(1.8)	48%	133%
Profit from continuing operations	17.7	(9.5)	8.2	11.3	(11.1)	0.2	57%	4000%
Profit from discontinued operations, net of tax	1.7	(1.3)	0.4	1.9	(0.4)	1.5	(11)%	(73)%
Profit for the year	19.4	(10.8)	8.6	13.2	(11.5)	1.7	47%	406%

(1) Specific adjusting items comprise amortisation of acquired intangible assets, acquisition-related expenditure, ERP system implementation costs, reorganisation costs and non-recurring items.

FINANCIAL RESULTS BY OPERATING SEGMENT

New basis with plc costs not allocated

Year ended 30 June

£m	Underlying operating profit ⁽¹⁾			Underlying operating profit ⁽¹⁾ margin		
	2022	2021 at constant currency ⁽²⁾	% change constant currency ⁽²⁾	2022	2021 at constant currency ⁽²⁾	% change constant currency ⁽²⁾
Energy & Environment	11.0	9.8	12%	16.4%	17.2%	(80)bps
Automotive & Industrial	7.6	0.4	1800%	6.3%	0.4%	590bps
Rail	9.4	9.3	1%	12.7%	12.2%	50bps
Defense	6.6	6.0	10%	14.7%	15.7%	(100)bps
Performance Products	8.8	8.4	5%	11.9%	12.0%	(10)bps
Plc Costs	(15.4)	(13.5)	14%			
Total Continuing Operations	28.0	20.4	37%	7.4%	5.9%	150bps

(1) Excluding specific adjusting items, which comprise amortisation of acquired intangible assets, acquisition-related expenditure, reorganisation costs and non-recurring items.

(2) The prior period results have been restated at current period FX rates.

SPECIFIC ADJUSTING ITEMS

Year ended 30 June

£m	Income statement		Cash flow	
	2022	2021	2022	2021
Continuing operations				
Amortisation of acquisition-related intangible assets	4.5	5.0	-	-
Acquisition-related expenditure	0.8	1.7	10.3	5.3
ERP implementation costs	0.6	-	-	-
Reorganisation costs – Purchases and disposals	0.3	2.0	-	(0.2)
Other reorganisation costs	5.9	3.4	2.4	3.4
CEO exit costs	-	1.5	0.8	0.2
Revaluation gain	(0.3)	-	-	-
Guaranteed minimum pensions ('GMPs') equalisation	-	0.1	-	-
Total from continuing operations before tax	11.8	13.7	13.5	8.7
Tax credit on specific adjusting items	(2.3)	(2.6)	-	-
Total from continuing operations after tax	9.5	11.1	13.5	8.7
Discontinued operations – Purchases and disposals	1.3	0.4	0.8	0.4
Total after tax	10.8	11.5	14.3	9.1

BALANCE SHEET SUMMARY

30 June

£m	2022	2021
Tangible non-current assets	47.0	46.9
Intangible non-current assets	113.7	118.6
Right of use assets	18.3	19.5
Inventories, trade and other receivables	152.2	146.1
Net assets held for sale	6.2	-
Net debt ⁽²⁾	(36.5)	(46.9)
Trade and other payables	(78.2)	(76.6)
Lease liability	(23.3)	(24.3)
Pension surplus/(deficit)	15.2	6.8
Other ⁽¹⁾	(17.0)	(7.3)
Net assets	197.6	182.8

(1) Other includes provisions, deferred and current tax and derivative financial assets and liabilities.

(2) Total Group net debt £35.4m, including £1.1m of cash reported within assets held for sale.

M&A ACTIVITY

Our M&A strategy is focused on high growth, high margin, low capital intensity business

Acquisition: Inside Infrastructure

Acquired on	7 March 2022
Key locations	Adelaide, South Australia
Services	Water and sustainable resource consulting
Number of staff	27
Annual revenue (£m)	£3.2m (+11% vs PY)
Capital intensity	Low
Annual operating profit (£m)	£0.6m (+18% vs PY)
Operating profit margin %	18%
Cash consideration	Headline price of AUD 9.5m (£5.1m), increasing to max AUD 10.5m (£5.6m) – additional AUD 0.9m (£0.5m) paid for cash and working capital

Disposal: Ricardo Software

Sold on	1 August 2022
Key locations	UK, Prague, US
Services	Engineering software
Number of staff	90
Annual revenue (£m)	£9.4m (-9% vs PY) (including £2.3m of intercompany revenue with Ricardo Group)
Capital intensity	High
Annual operating profit (£m)	£1.8m* (-22% vs PY)
Operating profit margin %	19%
Cash consideration (£m)	\$17.5m (£14.3m), increasing to max \$20.5m (£16.7m)

*Includes £0.3m of amortisation which was not charged in FY 2021/22 as Ricardo Software was held for sale in June 2022

REVENUE BY CUSTOMER

A diverse customer mix, with a good level of multi-year business

Top customer profiles

1. Key client 1
2. Key client 2
3. Key client 3
4. Key client 4
5. Key client 5
6. Key client 6
7. Key client 7
8. Key client 8
9. Key client 9
10. Key client 10
11. Other UK clients
12. Other North America clients
13. Other Europe clients
14. Rest of the World clients

