

DEFENSE

Defense continues to provide solutions to meet the challenges our clients face in the integration of logistics and field support for complex and diverse systems. The demand for our services has increased as a result of escalating world conflict and the challenges arising in a contested logistic environment. Our wide range of engineering and software solutions provides system-integration engineering for the US Army's ground inventory, and we are the data-replication agent for the US Navy. We also specialise in niche manufacturing, adapting commercial industry products to deliver innovative sector applications that protect people and infrastructure.



Trusted expertise in delivering wide-ranging integrated mobility systems while optimising safety and addressing environmental concerns.

HIGHLIGHTS*

+40%
Order intake



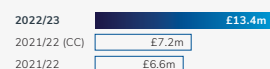
-9%
Order book



+78%
Revenue



+86%
Underlying operating profit



+0.6pp
Underlying operating profit margin



+17%
Headcount



* Prior period results have been restated to reflect the fact that a share of central plc costs are no longer included in the operating profit measure for operating segments. See [Note 5](#) to the Group Financial Statements.

Industry expertise across the entire defence system life cycle and product sustainment

We have a deep legacy in partnering with the US armed forces in the transition of innovative technologies from science to application, with a proven track record of successfully fielding, integrating and managing systems across the acquisition life cycles. Our primary operations are located in the USA, and we provide both product and technical service solutions to solve complex integration challenges across various defence platforms.

- **Technical service solutions** – We address the challenges our clients face in the maturation and integration of complex systems for legacy and emerging mobility platforms. With our depth of knowledge in military-system life cycle sustainment, combined with our digital engineering and software development capabilities, we integrate modernisation solutions across the US Department of Defense (DoD) and allied forces
- **Solution products** – We develop and deliver integrated products in response to identified client needs. We also develop complete integrated solutions as a lead systems integrator
- **Field service solutions** – We improve capabilities to support and sustain systems in the field throughout their life cycle to include life cycle sustainability analysis, electronic technical manual development, provisioning, total package fielding (TPF) and new equipment training (NET)

Transition of commercial and technology innovation to client application

The US DoD continues to move away from its traditional approach centred on original equipment manufacturers (OEM), with a strong focus on accelerating the transition of innovations to the fleet of vehicles in the field. It is also increasingly focused on decarbonisation and its net zero plans.

The work that we do in Defense concerns the improvement of safety to the US Army and allied forces, delivering solutions that support the energy transition, significantly reducing fossil-fuel usage and carbon emissions. One example is Ricardo's work with the US Marine Corps to develop capabilities that are aligned with the Department of the Navy's climate strategy to improve the management of energy, the security of energy resources and reduce its carbon footprint.

Our performance in FY 2022/23

Defense's order intake grew by £24.1m on a constant currency basis in FY 2022/23. Over the year, we received \$50m of orders from the US Army to provide antilock brake system/electronic stability control (ABS/ESC) retrofit kits to improve the safety of operation of the US Army's high mobility multi-purpose wheeled vehicle (HMMWV). Two contracts were extended beyond the original end date to ensure the continuance of Ricardo Defense in maintaining and updating Army mobility systems. Significant programmes included transitioning a commercial vehicle to the Army's inventory and providing an extended data-management enabler across the Navy's primary communications fleet.

Revenue increased by 78% year-on-year on a constant currency basis. Revenue growth was driven by increased ABS/ESC volumes – in total, we delivered 8,707 ABS/ESC kits in FY 2022/23 compared to 3,602 the previous year, including both retrofit kits and kits for new production vehicles – and a rise in orders for our technical and field support solutions.

Underlying operating profit of £13.4m was an increase of 86% compared to FY 2021/22 on a constant currency basis. Underlying operating profit margin increased by 0.6 basis points to 15.1%.

With the establishment of our digital acquisition framework – which enables an integrated management of US Army technical procurement initiatives – we can provide integrated solutions to our clients that cover the entire procurement life cycle for their vehicle platforms, from concept design and development through to production and sustainment through-life support.

Ricardo Defense continues to work with the US Marine Corps to develop and demonstrate capabilities to improve the management of energy supplies and better secure energy resources to reduce the US DoD's overall carbon footprint. Ricardo has expanded the work scope to develop an energy utilising dashboard to augment and deploy a metering and monitoring system. This enables the US Marine Corps to analyse changing electrical demand and logistical fuel constraints so that operators can make better informed command-and-control decisions on fuel and energy resiliency.

CASE STUDY

DIGITAL DATA FILE MANAGEMENT FOR THE US NAVY

The US Navy hosts a set of software services on the deployed fleet that provides for the transfer of technical data for maintainers and supply chain managers. Ricardo has developed an enterprise software solution that incorporates file transfer and messaging capabilities. We have demonstrated exceptional success by providing comprehensive sustainment and product improvement and by introducing new capabilities with each software release. These software products are deployed across the surface and subsurface fleet of the US Navy.

