

# Acquisition of E3 Advisory and the disposal of Ricardo Defense

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December 2024

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# AGENDA



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## Introduction

Execution in line with strategic ambition

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02

## Acquisition

High margin, high growth, environmental and energy consulting business

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## Divestment

Demonstration of ongoing commitment to shift our portfolio

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04

## Summary

Actioning our ambition

# INTRODUCTION

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## ACCELERATING OUR TRANSFORMATION TO BECOME A LEADER IN ENVIRONMENTAL AND ENERGY TRANSITION SOLUTIONS

The acquisition and divestment continues to simplify and focus the Group's portfolio on long-term sustainable growth

### Key highlights:

Acquisition of 85% shareholding of E3 Advisory for AUD \$101.4m (£51.0m<sup>^</sup>) , with remaining 15% expected to be acquired after 3 years

Completion of the acquisition is conditional upon the disposal of Ricardo Defense

The terms of the acquisition offer an attractive valuation for Ricardo at an adjusted c.8.6x EBITDA multiple based on FY 23/24\*

Acquisition of E3 Advisory increases the Group's international strategic advisory capability and creates scale in energy and transport infrastructure in Australia

Agreed sale of Ricardo Defense for US \$85million (£67.5m<sup>^^</sup>) on a cash free, debt free basis

Disposal timing optimises cash for the Group, balancing finite nature of ABS and status of future new programmes

Net disposal proceeds fund all the cash consideration for the initial 85% of Turbine

Transactions expected to close in the coming weeks

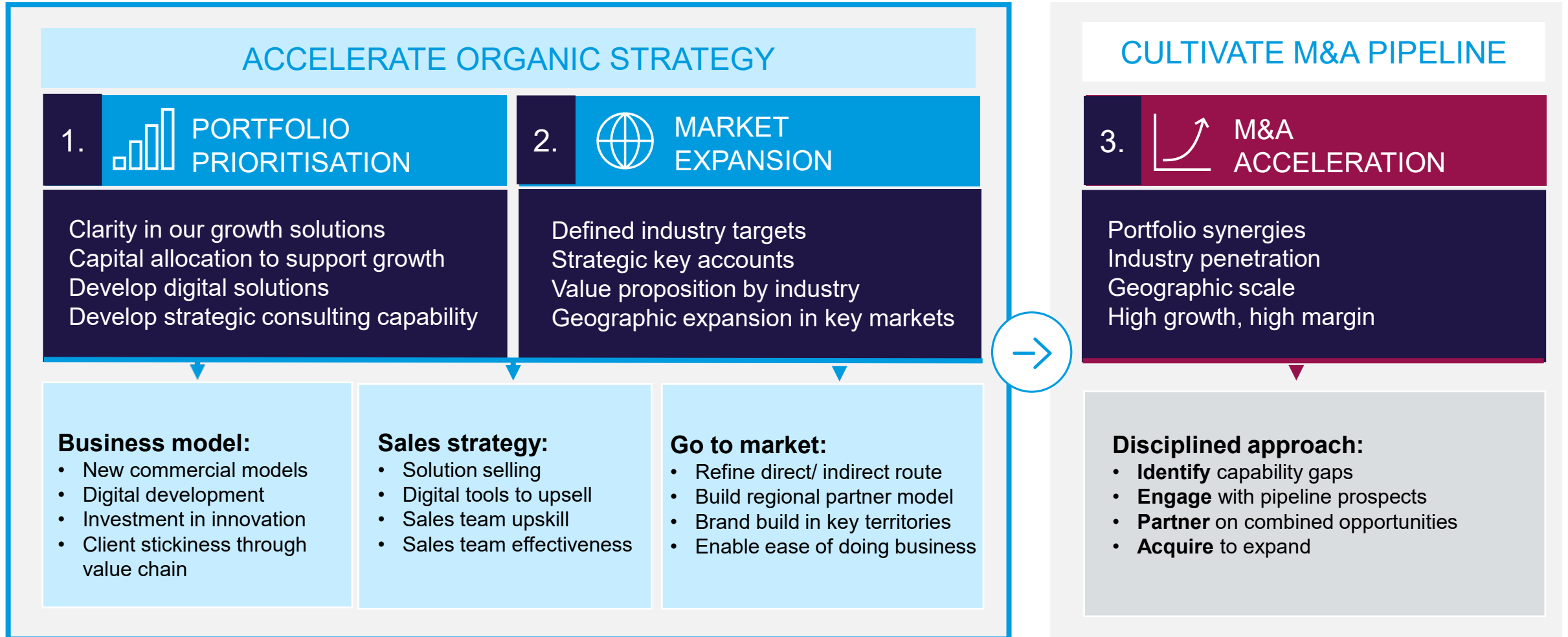
\*12 months to June 2024 on an IFRS unaudited basis; excludes transaction fees

<sup>^</sup> Rate of exchange AUD | GBP 1.99 on 13 December

<sup>^^</sup>Rate of exchange USD | GBP 1.26 on 13 December

# OUR STRATEGIC GROWTH FRAMEWORK

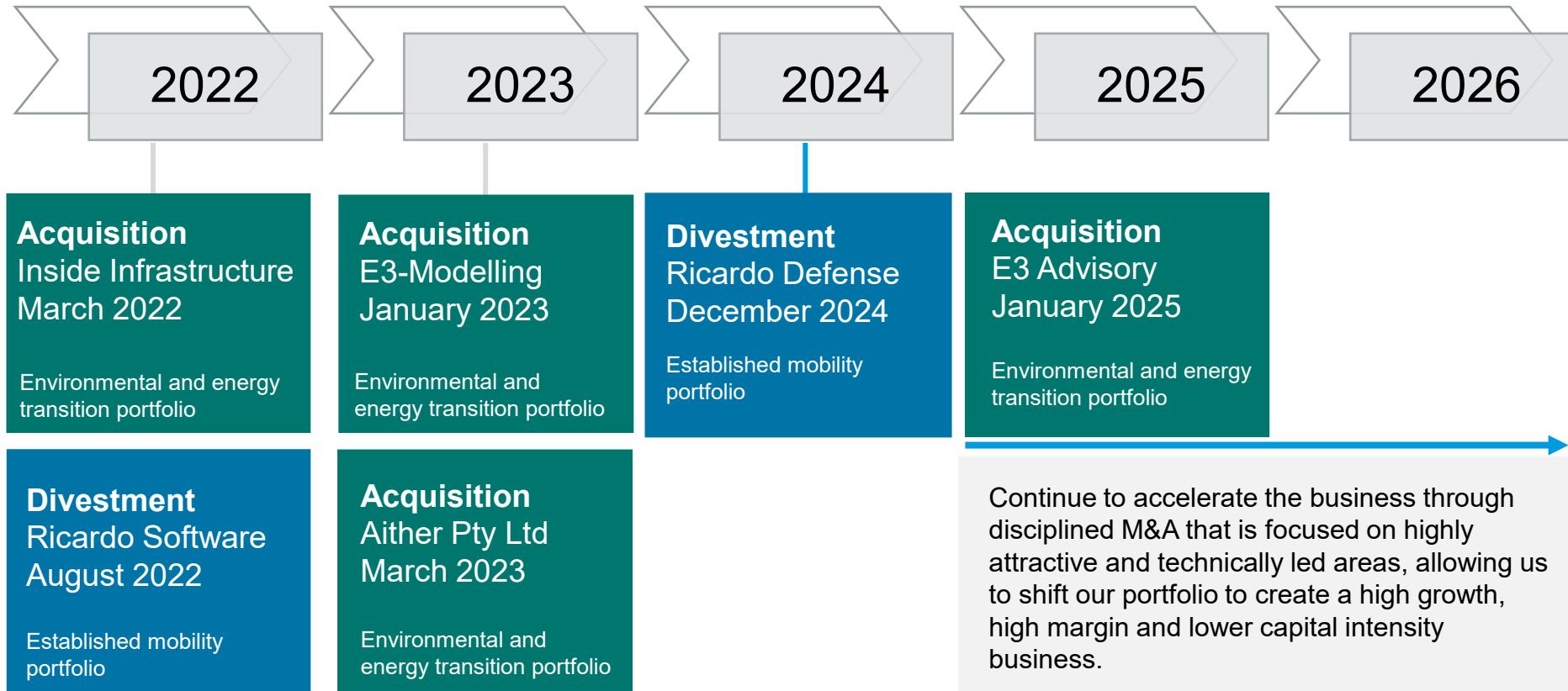
Disciplined M&A with strong cultural alignment for accelerated growth and margin



# ORGANIC GROWTH COMPLEMENTED BY DISCIPLINED M&A

M&A activities accelerates growth and margin in line with our strategic ambition

*New strategic direction set out in May 2022*



To become a world-leading strategic & engineering consultancy in environmental and energy-transition

ACQUISITION

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TURBINE



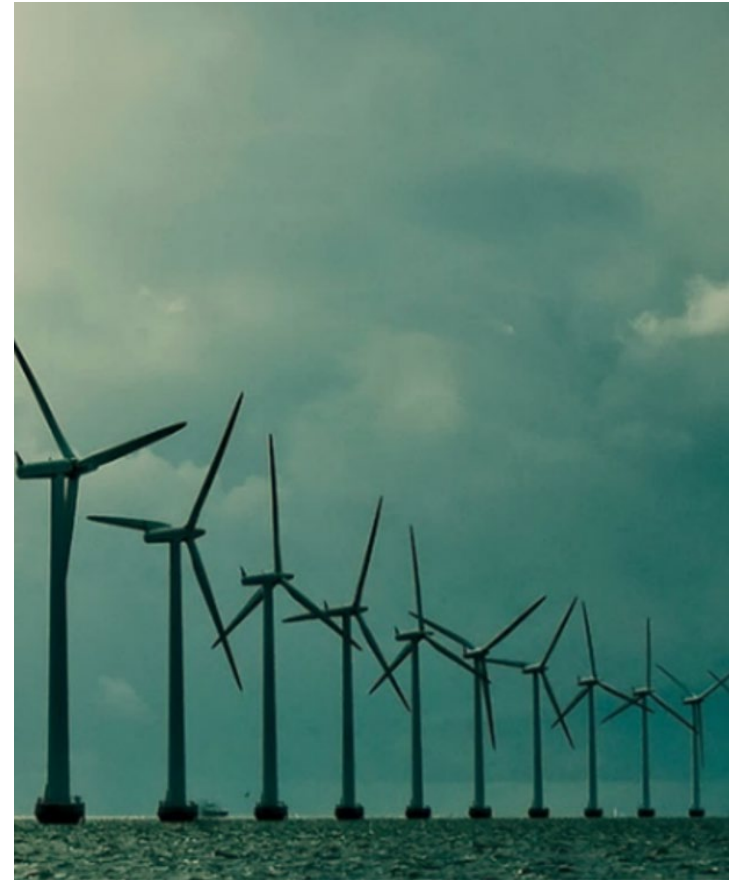
# TRANSACTION SUMMARY AND PRINCIPAL TRANSACTION TERMS

Complementary advisory and technical services to create long term value for both Ricardo and E3 Advisory

- Agreement to acquire an 85% shareholding of E3 Advisory for AUD \$101.4m (£51.0m\*)
- Attractive valuation for Ricardo at an adjusted c.8.6x EBITDA multiple based on FY 23/24\*
- Deal structure creates strong benefits for both parties through greater scale in energy and transport infrastructure in Australia, enhanced complementary strategic capability, and offering potential to scale internationally
- Phasing for AUD \$101.4m (£51.0m\*) payment
  - AUD \$69.0m (£34.7m\*) in January 2025
  - AUD \$22.6m (£11.4m\*) in January 2026
  - AUD \$9.8m (£4.9m\*) in January 2027
- Put option over the remaining 15% shareholding by January 2028 with phasing of payment over two instalments
- Completion expected within the coming weeks

\* AUD:GBP 1:1.99

\*\* 12 months to June 2024 on an IFRS unaudited basis; excludes transaction fees.



# E3 ADVISORY OVERVIEW

Expertise in solving complex problems across the spectrum of infrastructure

- E3 Advisory is an Australian infrastructure advisory firm founded in 2014 by Peter Byford, Peter Wood and Jason Malouf
- Advises government and private clients throughout the infrastructure project lifecycle
- Expertise in transport infrastructure, clean energy, water, mining & resources
- E3 Advisory is a principal-led advisory firm, headed by Jason Malouf as Board Chair and Sutina Tsang as Managing Principal
- Circa. 100 advisory staff, most of whom are located across its four key office locations in Perth, Melbourne, Sydney, and Brisbane
- E3 Advisory also services clients outside of Australia, including, New Zealand and Hong Kong

## Key locations



## Additional presence

Hobart (capital of Tasmania) and Auckland, New Zealand

# E3 ADVISORY BUSINESS OVERVIEW

Enhanced strategic advisory portfolio to compliment Ricardo's technical service capabilities

## Strategy

- Policy and strategy development
- Business case leadership
- Programme & project creation
- Governance and assurance
- Developing government policy

## Transactions

- Developing delivery strategies for infrastructure projects
- Procurement strategy
- Transaction & commercial management
- Interactive tendering processes
- Virtual data room management
- Time/cost/risk assessment

## Commercial (delivery)

- Project and commercial management
- Time/cost/risk management
- Commercial and contract
- Project health checks
- Post development reviews

## Disputes

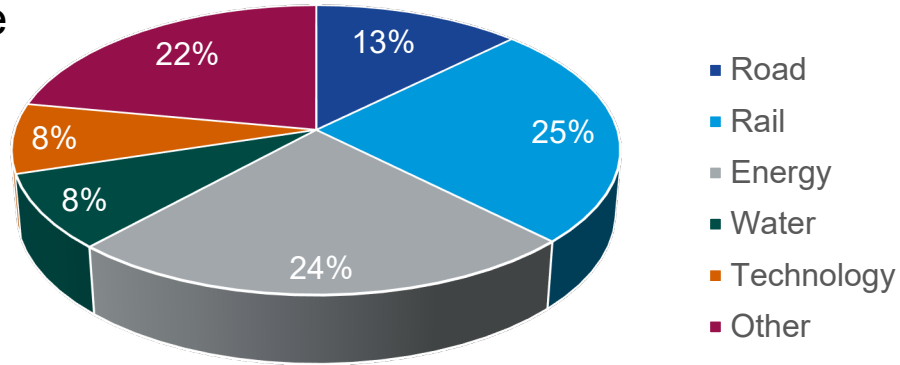
Expert opinion and advice on contractual disputes, providing advice on cost, time, 'constructability' and defects analysis

E3 Advisory provides services and engages with its customers throughout the life of an infrastructure project

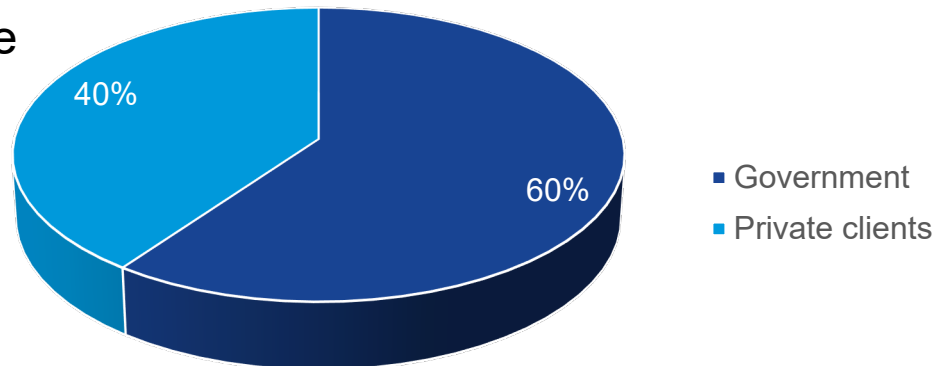
# E3 ADVISORY'S COMPLEMENTARY CUSTOMER AND INDUSTRY OVERVIEW

Balanced market and industry exposure offering attractive expansion opportunities

FY24 revenue by sector



FY24 revenue by client type



## Largest clients:

1. Major transport infrastructure authority
2. State capital agency
3. Electric utility company
4. State transport agency
5. Desalination company

# E3 ADVISORY FINANCIAL TRACK RECORD

Accretive high growth, high margin business

- Consistently profitable and generating strong operating cashflow
- Underlying operating profit adjusts for changes in remuneration of key personnel from dividends to bonus and non-recurring items such as transaction related costs and COVID grant income

## E3 Advisory Financials

	FY22	FY23	FY23 YoY Growth %		
<b>IAS – GBP (M)*</b>					
Revenue	19.8	22.3	12.6%		
Underlying operating profit~	5.0	5.7	14.0%		
Underlying operating profit %~	25.2%	25.4%	0.2 pp		
Gross assets	9.7	9.0	(7.6)%		
	FY22	FY23	FY24	FY23 YoY Growth %	FY24 YoY Growth %
<b>AAS - AUD (M)**</b>					
Revenue	36.4	39.9	46.2	9.6%	15.7%
Underlying operating profit~	9.2	10.1	13.2	9.8%	30.4%
Underlying operating profit %~	25.2%	25.4%	28.5%	0.2 pp	3.1 pp
Gross assets	17.2	17.2	20.4	-0.1%	18.5%

\* Financials based on Ricardo accounting policies under IFRS

\*\*Financials based on E3 Advisory accounting policies under AAS

~Management account extraction (unaudited)

# STRATEGIC RATIONALE

Strong track record and substantial growth potential aligned to Ricardo's strategy

## Growth priorities



### Portfolio prioritisation

- Brings complementary advisory and technical solutions in line with the Group's environmental and energy transition priorities
- Increases the Group's clean energy capabilities
- Increases the strategic advisory mix across the Group to underpin high margin growth

### Market expansion

- Brings the ability to offer an enhanced services portfolio to several common clients
- Provides further expansion opportunities in the rail and road sectors in Australia and more widely across the APAC region
- Delivers international potential across key growth markets including water, energy and transport infrastructure

## Growth enablers



- Good cultural fit with comparable values and purpose
- Retention focus to support the recognition of great talent
- Approximately 300 employees across Australia post-acquisition

# DIVESTMENT

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Ricardo Defense

# RICARDO DEFENSE DIVESTMENT

## Strategic rationale and key financial terms

- The disposal is part of Ricardo's ongoing priority to focus the Group's portfolio on its core consulting services in environmental and energy transition, offering higher growth, higher margin and lower capital intensity
- Ricardo Defense forms part of the Group's Established mobility portfolio which is expected to generate lower growth in the medium to long-term when compared to the Environmental and Energy transition portfolio
- Ricardo Defense reported total revenues of £123.4m in FY23/24, representing 26% of the Group's revenue, and 60% of the Group's operating profit
- Growth in Ricardo Defense in FY23/24 was primarily driven by the ABS\* extension contract awarded by the US Army for \$385m with deliveries expected to run to September 2027
- Timing for Ricardo Defense divestment is optimal as it provides Ricardo with value for the finite ABS contract
- The divestment accelerates the Group's transition in line with its strategic priorities to become a global leader in environmental and energy transition solutions

### Key financial terms

- The aggregate consideration payable by the Buyers in connection with the Disposal comprises US \$85 million (£67.5m\*) as adjusted on a cash-free, debt-free basis, normalised working capital adjustments, and expenses, as allocated to the Group under the terms of the Ricardo Defense Equity Purchase Agreement
- Completion expected in December 2024

\* Rate of exchange USD|GBP 1.26 on 13 December 2024



## RICARDO DEFENSE DIVESTMENT

Short term dilution but repositions group for long term high growth, high margin future

Expected to be dilutive to the Group's EPS in the near term, partly offset by earnings contribution from E3 Advisory

EPS dilution to reduce over time, given lower expected contribution from ABS programme and strong growth in the Group's continuing operations

Continuing Group operations positioned for long term growth with over 75% of operating profit from higher margin Environmental and Energy transition portfolio

Improves long term quality of earnings aligned to environmental and energy transition mega trends

Simplifies brand positioning as a leader in environmental and energy transition

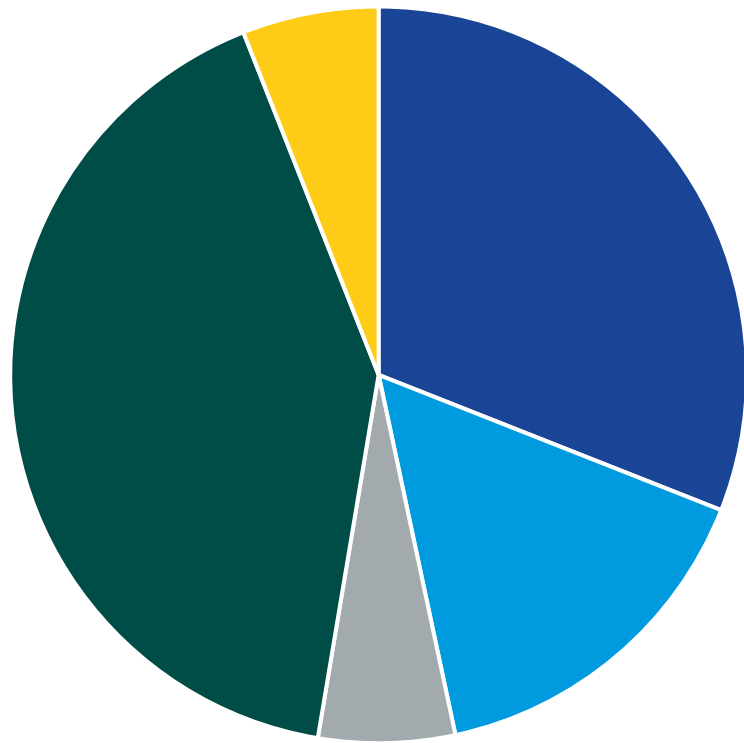
# SUMMARY

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# PROFORMA FINANCIAL INFORMATION

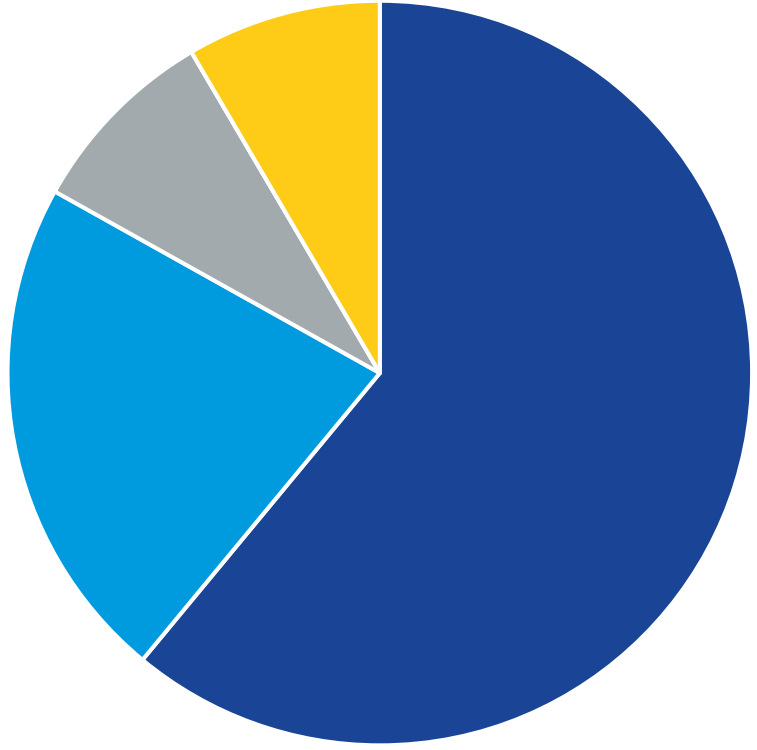
Accelerating our portfolio transformation to become a leader in environmental and energy transition

**Group today**  
FY24 reported operating profit

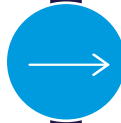


■ EE ■ Rail ■ A&I Emr ■ Defense ■ PP, A&I Est

**Proforma 2024**  
Post-acquisition of E3 Advisory and disposal of Ricardo Defense operating profit



■ EE ■ Rail ■ A&I Emr ■ PP, A&I Est



# VALUE CREATION IN RE-SHAPING THE RICARDO PORTFOLIO

Creating long-term sustainable value for all stakeholders as we continue to deliver our strategic plan

1.

## Acquiring a highly complementary business

- Accelerates commercial and operational scale in energy, environmental and transport infrastructure in Australia
- High growth, high margin, low capital intensity business

2.

## Optimal timing to divest Ricardo Defense

- Disposal timing optimises cash for the Group, balancing finite nature of ABS and status of future new programmes
- Will improve long term quality of earnings

3.

## Clear demonstration of strategic execution

- Consistent with Group's stated strategy to reposition from established mobility to environmental and energy transition