

## Chair's statement



# A year of taking action to achieve our long-term ambitions

Mark Clare | Chair

**Dear Shareholders,**  
**I am pleased to present to you the Ricardo plc Annual Report and Accounts for the financial year 2023/24.**

Good progress has been made in the year with the repositioning of our Company to take advantage of the growth opportunities ahead, by focusing on clients, our people and the capabilities necessary for future success. As a result, we are starting to see real momentum in a number of areas and, while there is still work to be done, the board has confidence that we can deliver against our strategic ambitions.

### Group performance

The Group saw underlying operating profit from continuing operations grow by 14% from £34.0m to £38.8m, in line with board expectations and on course to achieve our objective of doubling underlying operating profit over the five years to FY 2026/27. The Group's reported operating profit from continuing operations improved from a loss of £1.9m in FY 2022/23 to a profit of £12.8m in FY 2023/24.

After a challenging first half of the year which saw Emerging and Established Automotive and Industrial (A&I) making underlying operating losses, we were pleased to see a return to profit for both in the second half, following the additional restructuring actions taken. Our Defense business had a particularly strong year with an underlying operating profit growth of 82% (constant currency) driven by the ABS/ESC programme. Our Energy and Environment and Rail businesses have both shown good operating profit growth of 11% and 14% (constant currency), respectively.

Total orders received in the year were down (5%) against prior year, which was anticipated after a record order book in FY 2022/23 and the impact of delayed orders in A&I in FY 2023/24.

Cash performance was particularly strong with overall net debt falling in the year from £62.1m to £59.6m, despite having paid out the maximum earn outs for our E3-Modelling SA (E3M) and Aither Pty (Aither) acquisitions

based on their strong performance and the payment of reorganisation costs.

### Actioning our ambition

Ricardo has a clear ambition: to become a leading global strategic and engineering consultancy in environmental, energy transition and transport solutions.

It's an ambition which clearly aligns with our Company vision to create a safe and sustainable world. In just over two years since communicating our strategy, we have taken actions to make this a reality and are already seeing good progress. This includes the acquisitions of E3M and Aither in FY 2022/23 where we have seen strong performance in the current financial year; a refocusing on our key client relationships across the Group with much stronger levels of engagement; streamlining operations and support functions to optimise performance and reduce operating costs; and a stronger focus on the commercial disciplines required to win key business opportunities.

# Chair's statement continued

## The board

There have been a number of changes to the board that we have announced. In May, we said farewell to Laurie Bowen who served nine years on the board and, in July, Jack Boyer stepped down having served nearly six years with the Company. In addition, Bill Spencer will be stepping down after the AGM in November having served over seven years.

We are very grateful to Laurie, Jack and Bill for their significant contributions to the Company and we wish them well for the future.

I am delighted to have welcomed Carol Borg to the board from 1 July and Sian Lloyd Rees who will join the board from 1 October. Their significant combined experience and expertise will be very valuable to the board going forward.

## People and culture

The success of our Company continues to be in the hands of our c.3,000 colleagues across the business and significant steps have been taken to ensure communication throughout the organisation is as effective as it can be. There is no doubt that the strength and depth of talent that exists within Ricardo gives us real competitive advantage and management's role is to harness this for the benefit of our clients and ultimately our shareholders.

I was delighted to see a number of colleagues from across the business being recognised externally for their work during the year. In addition, great progress is being made in the hydrogen technology area, with Ricardo being recognised in the IET Excellence and Innovation Future Mobility awards for our propulsion inverter technology, and as a top 10 consultancy for green hydrogen by Reuters Top 100 Innovators in Hydrogen.

## Dividend

Given the financial performance of the Company, the board is proposing a final dividend of 8.9p in line with our distribution policy within the range of 2.5-3.0 times cover. Following the interim dividend of 3.8p, this will take the total dividend for the year to 12.7p, a 6.2% increase over the prior year.

## Outlook

As I have already said, good progress has been made in aligning the Company with its strategic plans to meet its long-term ambitions. There is still a considerable way to go and looking ahead the board will continue to focus on performance optimisation; growing our longer-term order book; delivering the benefits of the acquisitions made whilst critically reviewing further opportunities; developing our ESG agenda; and delivering a vision of 'One Ricardo' serving all our stakeholders.

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## Mark Clare Chair

10 September 2024

