

DELIVERING GOOD MOMENTUM WHILE ACCELERATING OUR TRANSFORMATION

By combining our mobility engineering and environmental consulting capability, and creating end-to-end delivery throughout the value chain, I believe we truly offer unique value, which can optimise and accelerate energy transition for our clients.

GRAHAM RITCHIE
CHIEF EXECUTIVE OFFICER



A year of execution and transformation

This has been a year of notable achievements for Ricardo as we continue to demonstrate substantial progress in transforming our culture, talent, portfolio and performance. We have achieved key milestones in our strategic ambitions, while delivering results in line with our Board's expectations.

Since joining Ricardo in October 2021, I have now visited most of our sites. In each visit, I am reminded of how immensely privileged I am to lead such a talented team of people who are motivated each and every day to deliver innovative and sustainable solutions that support our clients in creating a safe and sustainable world. During these visits, I have also had the opportunity to meet some of our clients, to understand their pressing challenges and ensure that we continue to support their changing needs as they navigate complexities in the very dynamic markets in which they operate.

From a cultural perspective, we have focused on further aligning ourselves around our purpose and values to bring our teams closer together. Many of our successes have been about improving our communications and ways of working through the rollout of our shared values, rigorous performance management and, most importantly, celebrating and recognising the great work that our teams are doing.

Over the year, we have also made material shifts to our portfolio, delivering in line with our three growth priorities: portfolio prioritisation, market expansion and M&A acceleration. From a portfolio perspective we have created a focus on our Environmental and Energy Transition, and Established Mobility portfolios. We have also defined our target markets and geographies and are developing differentiated industry value propositions combining our growth solutions from across different business units.

This has led to the divestment of Ricardo Software and to acquiring and welcoming both E3-Modelling and Aither to our team, strengthening our digital, water and advisory capabilities.

By focusing on our transformational growth to deliver sustained market outperformance and world-class delivery, we are delivering real value for our clients, our people and our communities.

Delivering good financial performance

Overall, we have executed well in a constantly changing environment. Our financial performance for this year was in line with the Board's expectations and, with a record order book, the Group has good visibility of future revenue as we move into the next fiscal year.

This is the first year that we have reported in line with our two main portfolios: Environmental and Energy Transition, and Established Mobility.

Our Environmental and Energy Transition portfolio is where we see high growth and high margin over the long term. Across the portfolio, we have delivered good order intake and growth with continued strong performance in our Energy and Environment business unit. Rail's order book includes strategic wins in new territories and supports our expansion, specifically in North America. Within Emerging Automotive and Industrial we see stronger profitability compared to the prior year with a robust pipeline thanks to the strong interest in green propulsion solutions.

Our Established Mobility portfolio provides the Group with long-term visibility of revenue and profit, albeit at lower margins, from longer-term contracts. Performance Products increased its order intake reflecting significant contract extensions, including McLaren for a further seven years, and winning a significant new two-year transmission programme. Our Defense business in the US maintained good progress, delivering strong volumes in its ABS braking solution programme for the US Army and the development of new projects. We have delivered the restructuring of the Established Automotive and Industrial business unit in the second half in line with expectations, providing confidence of improved operating profit performance in FY 2023/24.

Energy transition megatrends underpin market demand for sustainable growth

The global trends on government policy, funding for climate change, energy decarbonisation and the shift to safe and sustainable mobility create an unconstrained market demand which underpins our long-term growth.

In January 2023 BloombergNEF announced that annual investment in the clean energy transition exceeded USD 1 trillion in 2022. Of this total spend, about half a trillion is in electrification of transport and a similar level in renewable energy. We therefore believe this supports our global environmental and mobility solution strategy.

We expect to benefit from an increased focus in global policy and funding on energy decarbonisation because of the ever-increasing complexities associated with the production, storage, distribution and regulation of multiple new sources of energy.

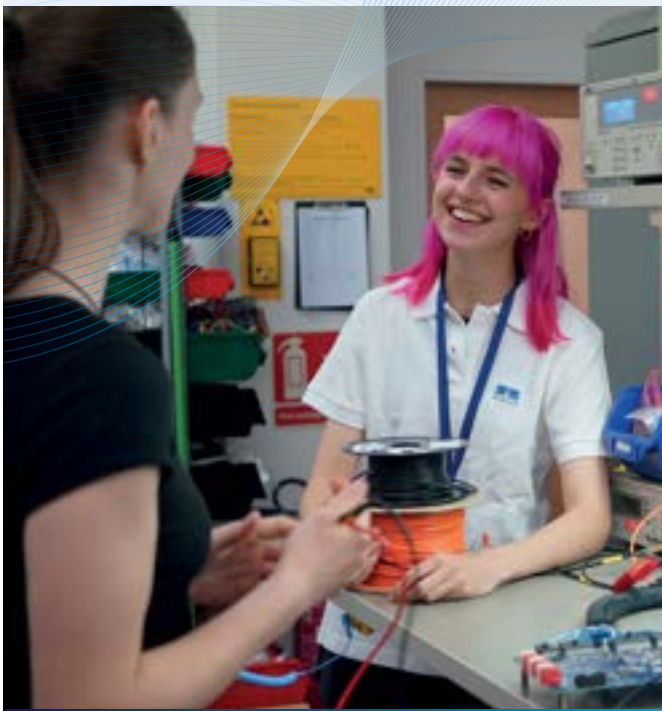
It is a similar picture in net zero propulsion, which is driving transformational change in all forms of transport. Again, the complexity that comes from the many competing propulsion technologies, the varying requirements of each industry, the supply chain and the speed of transition require technical and engineering expertise.

Our depth and breadth of capability in environmental, energy and mobility solutions combined with bringing digital capability to all our projects, ensures that we are well-positioned to create solutions to solve our clients' complex challenges.

CASE STUDY

BUILDING DIVERSE TEAMS: OUR CONVERSATIONS FOR CHANGE

To celebrate International Women in Engineering Day in June 2023, we facilitated conversations for change among our experienced and early career professionals across the entire Ricardo global community. By participating in, watching, or continuing these conversations in team meetings or on social media, our people contributed to building female technical networks and communities across the business, and demonstrated that everyone, no matter what stage of their career, can make a difference to creating high performing, collaborative, diverse teams.



Organisational and leadership changes to accelerate growth

During the year, we announced several leadership and organisational changes to support the effective execution of our strategy and allow us to accelerate our transformation.

Our leadership changes demonstrate our ongoing commitment to create a strong succession process, with the ability to attract and inspire the very best talent globally.

In December 2022, we welcomed Rachel White to the Executive Committee as President of Clean Energy and Environmental Solutions, overseeing our Rail and our Energy and Environment business units. We also announced the appointment of Judith Cottrell as Group Chief Financial Officer (CFO), who joined the Board in July 2023.

We continue to look at ways to deliver our growth ambition with an efficient indirect cost base. As part of this, we are aligning our functional teams such as Marketing, IT, HR and Finance across the Group to create additional scale and expertise through a shared operating model.

A sustainability framework to deliver our environmental, social and governance commitments

As a company, sustainability is at the heart of our purpose-led DNA. We deliver commercial solutions that support our clients in achieving their sustainable strategies and, therefore, we want to lead by example. We are passionate about creating a safe and sustainable world and delivering on our own environmental, social and governance (ESG) commitments is fundamental to each of our priorities.

Over the course of the year, we have refreshed our sustainability strategy to raise our performance across our ESG ambitions.

The strategy underpins our 2030 environmental targets, with additional clarity created this year on our Task Force on Climate-related Financial Disclosures (TCFD) reporting to ensure that we understand and address the risks and opportunities associated with climate change. We have reviewed the risks and opportunities in line with our overall Group strategy and Group risk register giving us confidence that we can take advantage of the global megatrends associated with energy transition while mitigating our own climate change risks.

We have also introduced our aligned social value plan, which is centred on the positive work we are doing across diversity, equity and inclusion (DEI) and our charitable commitments. Our DEI council and affinity groups provide support and insight to the business, and we have a full calendar of events and celebrations. I am also delighted to announce that we recently rolled out our global volunteering and funding programme, which is focused on promoting and supporting science, technology, engineering and maths (STEM) initiatives for our chosen charities across our geographic locations.

The establishment of our new Board responsible-business sub-committee ensures that we are intrinsically linking the Group strategy with our ESG strategy, and doing business the right way.

Looking forward

As we accelerate our transformation, I appreciate the level of change across the business and I am profoundly grateful to our teams across the globe for their commitment in continually delivering amazing work for our clients. Their hard work and dedication are delivering both short-term performance and creating our future growth potential.

With the continued transformation of our portfolio, the global market drivers of energy transition and climate change, and our clear focus on execution, Ricardo is confident of delivering significant value for all our stakeholders.



GRAHAM RITCHIE
CHIEF EXECUTIVE OFFICER
12 September 2023