



Ricardo plc

Preliminary Results Presentation

Year ended 30 June 2014

HIGHLIGHTS – for the year ended 30 June 2014

- A record year end order book up 17% to £142m (Jun 2013: £121m)
- Order intake up 19% to £259m (Jun 2013: £218m)
- Underlying⁽¹⁾ profit before tax up 8% to £24.6m (Jun 2013: £22.7m)
- Net funds up £6.5m to £12.6m (Jun 2013: £6.1m)
- Full year dividend up 9% to 15.2p per share (Jun 2013: 14.0p)
- Multi-year engine supply agreement signed with McLaren Automotive
- Strong balance sheet and good platform for further growth and expansion
- Outlook remains positive as we approach our centenary year

⁽¹⁾ excluding specific adjusting items, which comprise amortisation of acquired intangible assets and acquisition costs

Key indicators



	Year ended 30 June 2014	Year ended 30 June 2013 Restated ⁽¹⁾	Year on Year movement
Order intake	£259m	£218m	£41m
Order book	£142m	£121m	£21m
Operating profit % ⁽²⁾	10.8%	10.4%	0.4%
Tax rate	18.3%	18.8%	(0.5)%
EPS (basic) ⁽²⁾	38.7p	35.4p	3.3p
Full year dividend	15.2p	14.0p	1.2p
Net cash	£12.6m	£6.1m	£6.5m
Pension deficit (pre-tax)	£19.5m	£19.7m	£(0.2)m
Closing headcount (including subcontractors)	2,143	2,198	(55)

⁽¹⁾ on adoption of revised International Accounting Standard 19 Employee Benefits

⁽²⁾ excluding specific adjusting items, which comprise amortisation of acquired intangible assets and acquisition costs

Income statement



£m	Year ended 30 June 2014 Underlying ⁽²⁾	Year ended 30 June 2013 Underlying ⁽²⁾ Restated ⁽¹⁾	Year on Year movement Underlying
Revenue	236.2	229.7	3%
Gross profit	93.6	95.4	(2%)
Administration costs	(68.0)	(71.5)	(5%)
Operating profit	25.6	23.9	7%
Net finance costs	(1.0)	(1.2)	(17%)
Profit before tax	24.6	22.7	8%
Taxation charge	(4.5)	(4.4)	2%
Profit for the year	20.1	18.3	10%

⁽¹⁾ on adoption of revised International Accounting Standard 19 Employee Benefits

⁽²⁾ before specific adjusting items, which comprise amortisation of acquired intangible assets and acquisition costs

Revenue by customer location



External revenue	Year ended 30 June	Year ended 30 June
£m	2014	2013
UK	97.4	116.5
Germany	27.1	16.2
Rest of Europe	27.7	21.4
Europe total	152.2	154.1
US	38.0	36.4
China	14.0	8.0
Japan	17.0	18.3
Rest of Asia	13.9	11.6
Asia total	44.9	37.9
Rest of the World	1.1	1.3
Total	236.2	229.7

£m	Year ended 30 June					
	Revenue earned		Underlying operating profit ⁽²⁾		Underlying operating profit ⁽²⁾ margin	
	2014	2013	2014	2013 Restated ⁽¹⁾	2014	2013 Restated ⁽¹⁾
Technical Consulting	181.0	180.1	17.8	18.5	9.8%	10.3%
Performance Products	55.2	49.6	7.9	6.1	14.3%	12.3%
Unallocated head office costs ⁽³⁾	n/a	n/a	(0.1)	(0.7)	n/a	n/a
Total	236.2	229.7	25.6	23.9	10.8%	10.4%

⁽¹⁾ on adoption of revised International Accounting Standard 19 Employee Benefits

⁽²⁾ excluding specific adjusting items, which comprise amortisation of acquired intangible assets and acquisition costs

⁽³⁾ unallocated head office costs represent central costs not allocated to business segments

Cash flow



£m	Year ended 30 June	Year ended 30 June
	2014	2013
Operating profit	24.5	21.9
Depreciation and amortisation	9.5	9.3
Working capital (increase)/decrease	(7.4)	3.1
Dividends	(7.5)	(6.6)
Tax paid	(1.7)	(0.7)
Capital expenditure	(9.0)	(10.8)
Proceeds of sale and lease back of offices in Germany	-	3.7
Pension charge and funding	(4.5)	(4.6)
Forex movements/other	2.6	0.9
Cash inflow excluding AEA consideration	6.5	16.2
AEA consideration	-	(18.0)
Cash inflow/(outflow)	6.5	(1.8)

Balance sheet summary



£m	Year ended	Year ended
	30 June	30 June
	2014	2013
Tangible assets	48.3	48.2
Intangible assets	41.8	41.5
Inventory and receivables	74.5	62.6
Net funds	12.6	6.1
Trade and other payables	(56.3)	(47.3)
Pension deficit (net of tax)	(15.6)	(15.1)
Other	2.3	3.9
Net assets	107.6	99.9

New McLaren contract – base assumptions for planning



- Key contract win in Performance Products
- Demonstrates the confidence the customer has in Ricardo
- Utilising existing methodology and experience
- New volumes expected to be double existing contract volumes
- Initial capital requirement for PP – c£3.2m – building extension in 2014/15
- Initial working capital requirement – c£4.0m increase due to increased volumes in 2015/16
- Revenue from McLaren assembly contracts, currently c£20m pa, remaining broadly flat in 2015/16, growing to c£40m pa in 2016/17 and expected to continue for a further 6 years at this level

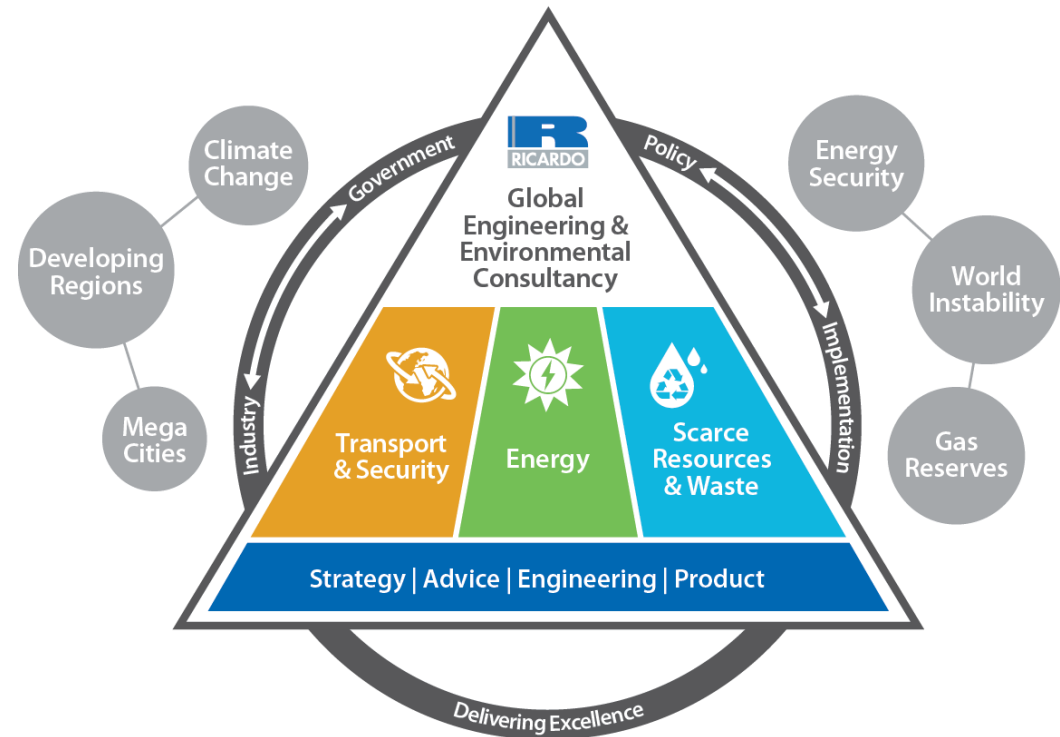
Reporting timetable 2014/15



- October 2014 – Interim Management Statement
- February 2015 – Interim Results Announcement
- May 2015 – Interim Management Statement
- September 2015 – Preliminary Results Announcement

The Ricardo strategy for growth is focused on global engineering and environmental consulting and the development of longer cycle revenues

- Strategy driven by global megatrends
 - Air Quality
 - Climate Change
 - Resource Scarcity (Oil, Water etc)
 - Developing Markets
 - Global Market Recovery
 - Urbanisation



Key focus on new product development and supply, emissions / CO₂ reduction, resource efficiency and changing energy mix

Global market backdrop for FY

- Increasing activity in China and Japan
- Tightening fuel economy and CO₂ regulation driving growth in next generation powertrains, energy recovery and lightweight solutions
- Global growth in turnkey complete motorcycle design and development
- Continued strong demand for 'halo' products to drive brand differentiation across the automotive sector
- Increasing international demand for solutions to environmental challenges – air quality, water shortages, climate change etc

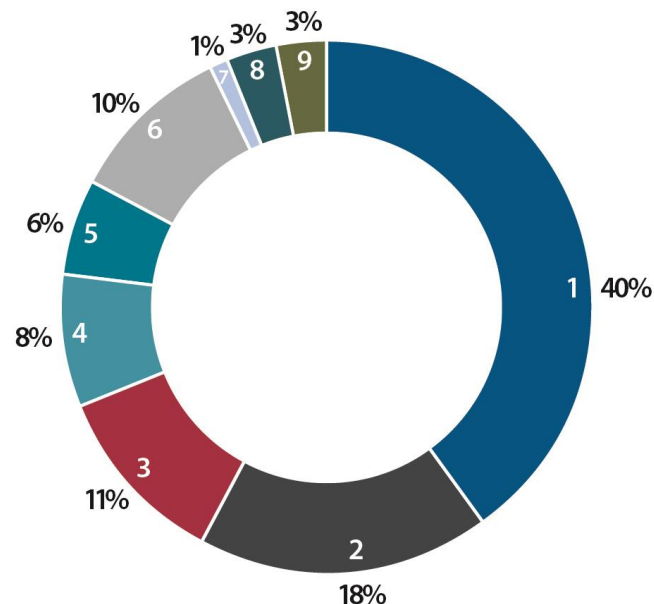


- Strong order intake growth:
 - **Market sectors** – high performance vehicles, motorcycle, environmental, commercial vehicle and rail
 - **China** – hybrid, engine and transmission activities
 - **Japan** – passenger car and commercial vehicle sectors
 - **North America** – large multi-year passenger car contract
- A very strong year in Performance Products:
 - Multi-year engine supply agreement signed with McLaren starting in 2016 with expected revenue ramping up to £40m pa
 - Another multi-year production supply contract starting in 2015/16 with total contract revenue over £35m
- AEA delivered to plan, with good international wins and continued growth in its chemical risk business



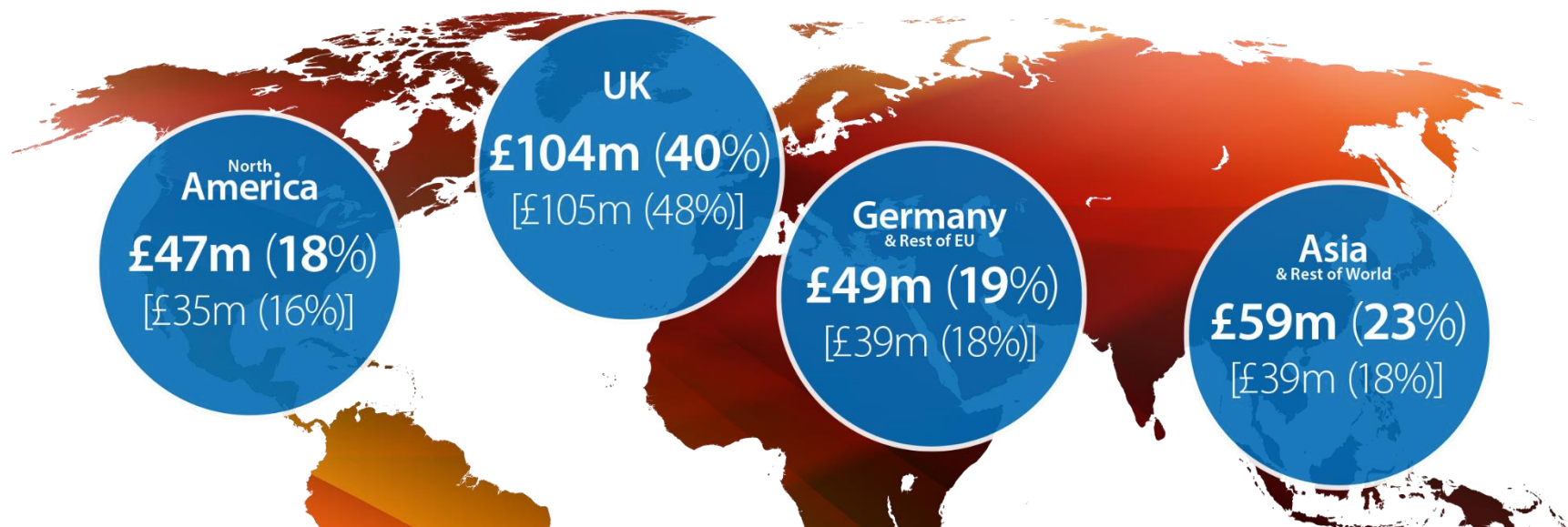
A good balance of order intake from across the globe with significant growth in Asia and North America

1. UK
2. North America
3. Germany
4. Rest of Europe
5. Japan
6. China
7. India
8. Rest of Asia
9. Rest of World



FY 2013/14
Order Intake £259m

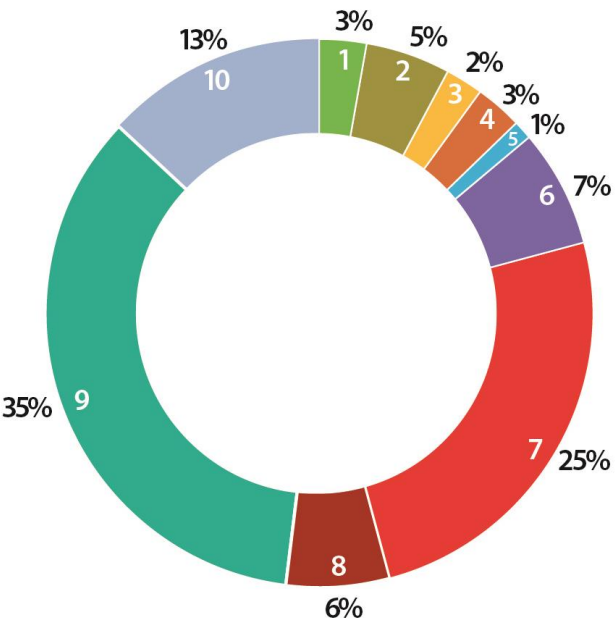
[FY 2012/13
Order Intake £218m]



Well balanced market sector order intake with a strong year for motorcycle and high performance vehicle sectors



1. Clean Energy & Power Generation
2. Defence
3. Agriculture & Industrial Vehicles
4. Rail
5. Marine
6. Commercial Vehicles
7. High Performance Vehicles & Motorsport
8. Motorcycle & Personal Transportation
9. Passenger Car
10. Government & Environmental



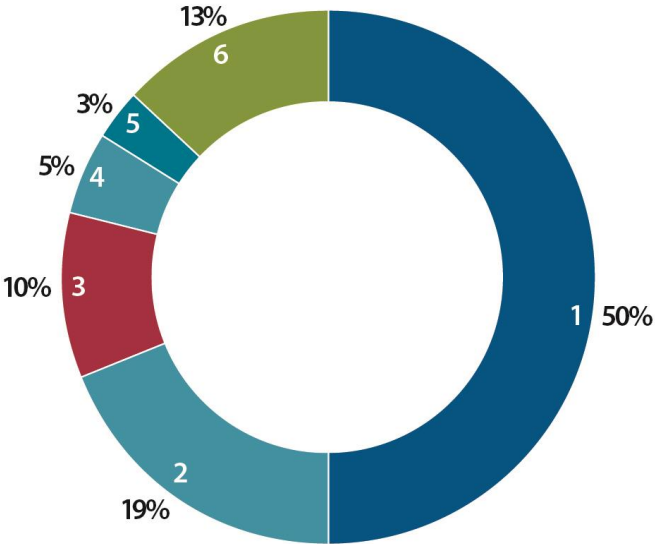
FY 2013/14
Order Intake £259m
 [FY 2012/13
 Order Intake £218m]

HPV & M	M & PT	G & E	CV	Rail	Defence	AIV	Marine	CE & PG	PC
£65m (25%) [£37m (17%)]	£15m (6%) [£4m (2%)]	£34m (13%) [£22m (10%)]	£18m (7%) [£9m (4%)]	£8m (3%) [£4m (2%)]	£13m (5%) [£15m (7%)]	£5m (2%) [£9m (4%)]	£3m (1%) [£7m (3%)]	£8m (3%) [£20m (9%)]	£90m (35%) [£91m (42%)]



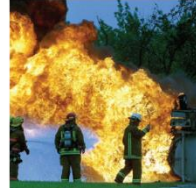



Strong engines orders driven by CO₂ legislation, developing markets, North America and engine assembly



- 1. Engines
- 2. Driveline & Transmission Systems
- 3. Vehicle Systems
- 4. Hybrid & Electric Systems
- 5. Strategic Consulting
- 6. Environmental Consulting

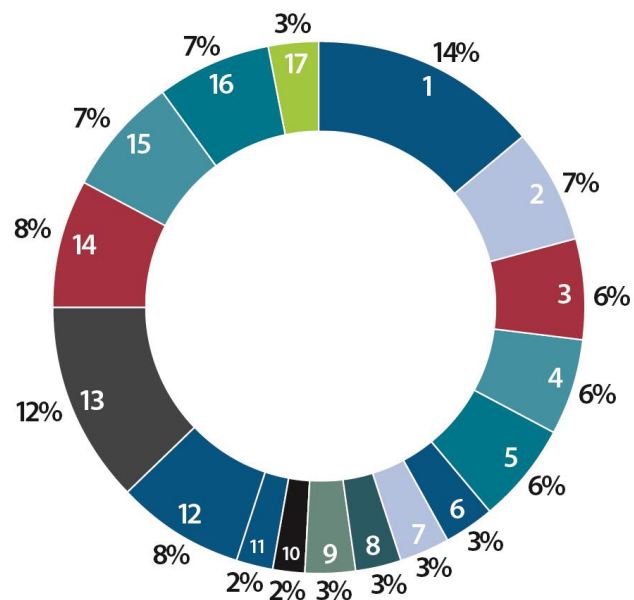


FY 2013/14
Order Intake £259m
 [FY 2012/13
 Order Intake £218m]

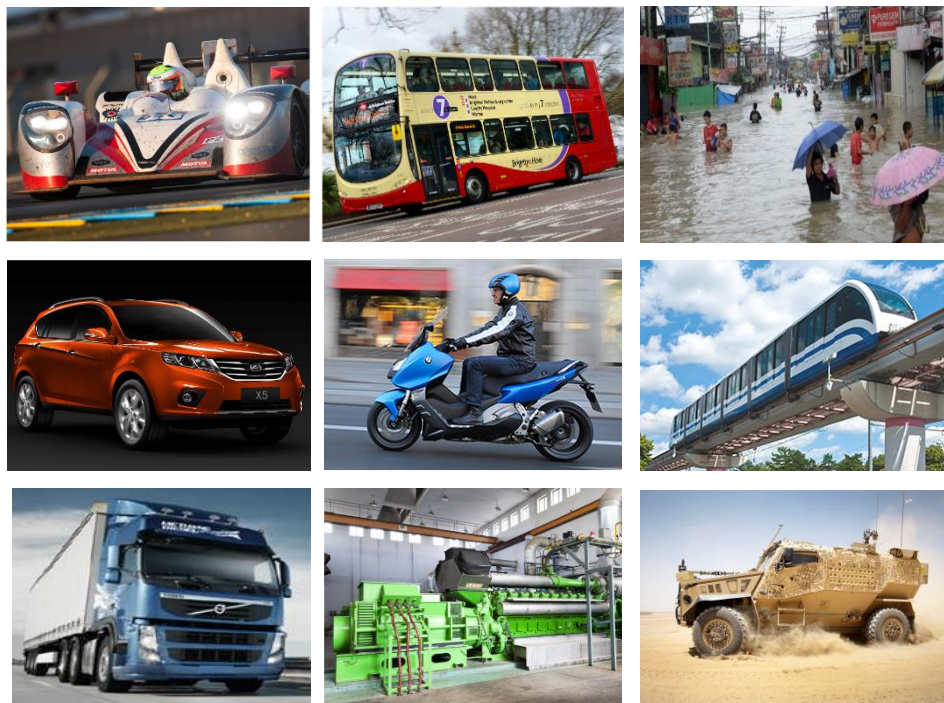
Engines	H&ES	EC	D&TS	SC	VS
					
£130m (50%) [£98m (45%)]	£13m (5%) [£7m (3%)]	£33m (13%) [£26m (12%)]	£49m (19%) [£41m (19%)]	£8m (3%) [£9m (4%)]	£26m (10%) [£37m (17%)]

The balance of products and good customer mix continues, with a good level of multi-year business returning

Ricardo plc External Order Intake by Key Client for the year ended 30 June 2014



- 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. Key Client 11
- 12. Rest of UK
- 13. Rest of Asia
- 14. Rest of Europe
- 15. Rest of North America
- 16. UK Government
- 17. US Defence



FY 2013/14
Order Intake **£259m**

[FY 2012/13
Order Intake **£218m**]

Summary for period and outlook

- Strategy and execution delivering continued growth in profits
- Strong balance sheet supporting organic and acquisition growth opportunities
- Global economic drivers of competition, CO₂ improvement and developing market growth remain at the top of clients' agenda
- Record year end order book and diversified future pipeline
- Good market conditions in Asia, improving in US
- European business underpinned by AEA, motorcycles and high performance engine and transmission assembly
- Improved long-term visibility with multi-year assembly contracts commencing 2015/16
- Outlook remains positive, with strong balance sheet, record year end order book and a good start to the year – providing a good platform for future growth and expansion

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Appendices

Income statement



£m	Year ended 30 June			Year ended 30 June			Year on Year growth	
	2014 Underlying	2014 Specific adjusting items ⁽²⁾	2014 Total	2013 Underlying Restated ⁽¹⁾	2013 Specific adjusting items ⁽²⁾	2013 Total Restated ⁽¹⁾	Underlying	Total
Revenue	236.2	-	236.2	229.7	-	229.7	3%	3%
Gross profit	93.6	-	93.6	95.4	-	95.4	(2%)	(2%)
Administration costs	(68.0)	(1.1)	(69.1)	(71.5)	(2.0)	(73.5)	(5%)	(6%)
Operating profit	25.6	(1.1)	24.5	23.9	(2.0)	21.9	7%	12%
Net finance costs	(1.0)	-	(1.0)	(1.2)	-	(1.2)	(17%)	(17%)
Profit before tax	24.6	(1.1)	23.5	22.7	(2.0)	20.7	8%	14%
Taxation (charge)/credit	(4.5)	0.2	(4.3)	(4.4)	0.5	(3.9)	2%	10%
Profit for the year	20.1	(0.9)	19.2	18.3	(1.5)	16.8	10%	14%

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⁽²⁾ specific adjusting items comprise amortisation of acquired intangible assets and acquisition costs

Global tailpipe and CO₂ emissions legislation



		2010	2015	2020	2025
Passenger car, LCV & HPV	Europe	Euro 5	Euro 6	Euro 7	
		Pass Car 130 g/km		Pass Car 95 g/km	
	US (49 States)	Tier 2		Tier 3	
		27.5/23.5 mpg Cars/LCVs		37.8/28.8 mpg Cars/LCVs	
	California	LEV II (2009)		LEV III	
		27.6/20.3 mpg Fleet/LCVs		43.4/26.8 mpg Fleet/Trucks	
China	Euro 4	Euro 5			
	18-45 mpg	24-50 mpg weight classed		56 mpg Fleet Average	
Japan	Post New Long Term				
	39.5/35.8 mpg Cars/LCVs			57/63 mpg Gasoline/Diesel	
Motorcycles & personal transportation	Europe	Euro 3	Euro 4	Euro 5	Euro 6
	US (49 States)	Classes I, II & III		Harmonisation with California	
	California	Tier 2			
	China	Stage III			
	Japan	ISO 6460 Limits 0 - 125cc / > 125 cc			
	Taiwan	13.1-48.2 km/litre			
Commercial vehicles (medium & heavy duty truck)	Europe	Euro V	Euro VI	Euro VII	
	US (49 States)	EPA 10			
	California	CARB 10			
		Federal CO ₂ emissions standards			
	China	Euro III	Euro IV	Euro V	
		Fuel economy standards in place			
Japan	Post New Long Term (decreasing NOx limits in stages)				
	World's first heavy duty fuel economy legislation				
Agricultural & industrial vehicles	Europe	Stage IIIA	Stage IIIB	Stage IV	
	US	Tier 4 Interim		Tier 4 Final	
	China	Stage II		Stage III	Stage IV
	Japan	S.I./Diesel Standards		New Standards Similar to Euro IIIB	
Rail	EU & Russia	Stage IIIA	Stage IIIB		
	US	Tier 2	Tier 3	Tier 4 Switch & Line Haul Locomotives	
	India	Planning adoption of US Tier 2 regulations			
	Australia	Not yet regulated			