



Ricardo plc

Interim results presentation

February 2015

HIGHLIGHTS – for the half year ended 31 December 2014

- Strong period end order book at £138m (Jun 2014: £142m)
- Revenue up 8% to £120.5m (Dec 2013: £111.9m)
- Underlying⁽¹⁾ profit before tax up 9% to £10.1m (Dec 2013: £9.3m)
- Underlying⁽¹⁾ basic earnings per share up 9% to 15.9p (Dec 2013: 14.6p)
- Net funds at £11.0m after £1.9m net acquisition expenditure (Jun 2014: £12.6m)
- Interim dividend up 8% to 4.65p per share (Dec 2013: 4.30p)
- Acquisition activity with Vepro and PPA concluded in the period
- Outlook remains positive, strong platform for further growth

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

Key indicators

	Half year ended 31 December		Year ended 30 June
	2014	2013	2014
Order book	£138m	£143m	£142m
Order intake	£113m	£135m	£259m
Operating profit % ⁽¹⁾	8.8%	8.8%	10.8%
Tax rate	18%	18%	18%
EPS (basic) ⁽¹⁾	15.9p	14.6p	38.7p
Dividend	4.65p	4.30p	15.20p
Net funds	£11.0m	£8.2m	£12.6m
Pension deficit (pre-tax)	£19.4m	£21.5m	£19.5m
Closing headcount (including subcontractors)	2,235	2,183	2,143

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

Income statement

£m	Half year ended 31 December		H1 2014/15 v H1 2013/14
	2014 Underlying ⁽¹⁾	2013 Underlying ⁽¹⁾	% change
Revenue	120.5	111.9	8%
Gross profit	45.3	43.6	4%
Administration costs	(34.7)	(33.8)	3%
Operating profit	10.6	9.8	8%
Net finance costs	(0.5)	(0.5)	-
Profit before tax	10.1	9.3	9%
Taxation charge	(1.8)	(1.7)	6%
Profit for the period	8.3	7.6	9%

(1) excluding specific adjusting items, which comprise amortisation of acquired intangible assets and acquisition costs.
A full income statement including these items is included in the Appendix.

Revenue by customer location

External revenue £m	Half year ended 31 December		Year ended 30 June
	2014	2013	2014
UK	52.5	49.5	97.4
Germany	12.8	11.7	27.1
Rest of Europe	11.7	11.7	27.7
Europe total	77.0	72.9	152.2
US	19.5	17.5	38.0
China	8.2	6.7	14.0
Japan	9.7	9.1	17.0
Rest of Asia	5.1	5.2	13.9
Asia total	23.0	21.0	44.9
Rest of the World	1.0	0.5	1.1
Total	120.5	111.9	236.2

Half year ended 31 December

£m	Revenue earned		Underlying operating profit ⁽¹⁾		Underlying operating profit ⁽¹⁾ margin	
	2014	2013	2014	2013	2014	2013
Technical Consulting	90.1	84.7	6.9	5.6	7.7%	6.6%
Performance Products	30.4	27.2	3.7	4.2	12.2%	15.4%
Total	120.5	111.9	10.6	9.8	8.8%	8.8%

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

Bolt-on acquisitions completed in H1



- Vepro acquired 8th October 2014 – 15 man motorcycle engineering business, now part of the global motorcycle and urban mobility business
- PPA acquired 13th November 2014 – 25 man energy and electricity consulting business, now an additional practice area of our environmental consulting business
- Combined H1 impact of £0.4m on revenue and £0.1m operating profit
- Combined annualised revenue of circa £3m
- Total combined consideration £3.6m (cost net of cash acquired is £3.0m of which £1.9m in H1)

Cash flow

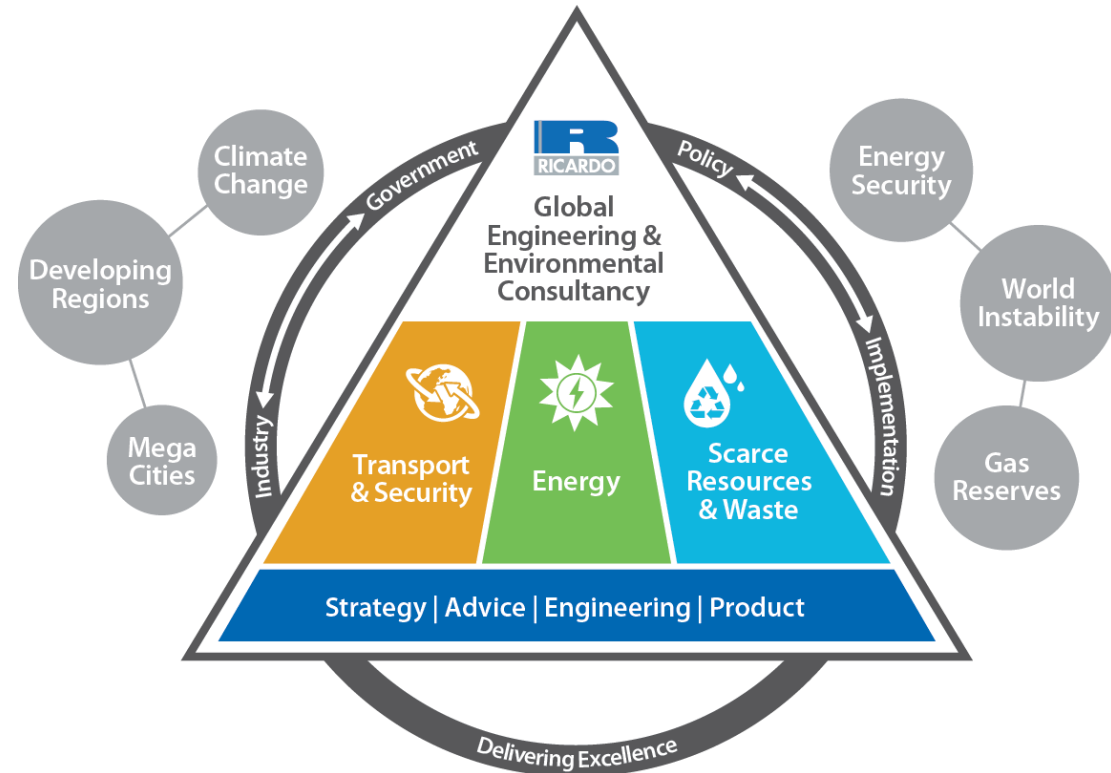
£m	Half year ended 31 December		Year ended 30 June
	2014	2013	2014
Underlying operating profit	10.6	9.8	25.6
Specific adjusting items	(1.1)	(0.5)	(1.1)
Reported operating profit	9.5	9.3	24.5
Depreciation and amortisation	5.0	5.0	9.5
Working capital decrease/(increase)	3.2	(2.0)	(7.4)
Dividends	(5.7)	(5.2)	(7.5)
Tax paid	(0.1)	(0.2)	(1.7)
Capital expenditure	(8.1)	(3.4)	(9.0)
Pension charge and funding	(2.2)	(2.3)	(4.5)
Net share related (costs)/credit	(1.0)	0.5	1.2
Forex movements/other	(0.3)	0.4	1.4
Cash inflow excluding Vepro and PPA consideration	0.3	2.1	6.5
Vepro and PPA consideration net of cash acquired	(1.9)	-	-
Cash (outflow)/inflow	(1.6)	2.1	6.5

Balance sheet summary

£m	31 December		30 June
	2014	2013	2014
Tangible assets	48.4	46.0	48.3
Intangible assets	45.5	40.7	41.8
Inventory and receivables	82.7	70.7	74.5
Net funds	11.0	8.2	12.6
Trade and other payables	(64.7)	(54.3)	(56.3)
Pension deficit (net of tax)	(15.5)	(17.2)	(15.6)
Other	1.7	3.9	2.3
Net assets	109.1	98.0	107.6




Supported by a team of over 2000, a strategy for growth focused on global technical consulting and longer cycle revenues

- Strategy driven by global megatrends
 - Air Quality
 - Climate Change
 - Resource Scarcity (Oil, Water etc)
 - Urbanisation
 - Developing markets
 - Legislation



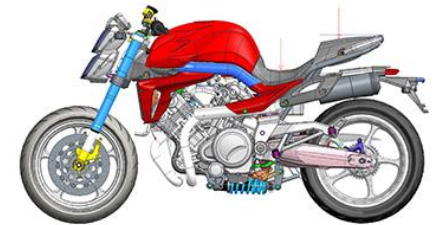
Global market backdrop for H1

- Auto industry developing new products for geographic expansion, competition and legislation adherence
- Demand for new technology and product development in Asia (passenger/commercial vehicle)
- Emerging market sector for personal urban mobility with automotive, motorcycle and new entrants all active
- Urban mobility sector creating opportunities for public transport solutions including monorail and Maglev
- Governments continue to assess, monitor and adapt to impacts of climate change/resource scarcity

 Engines	 Vehicle Engineering
 Transmissions & Driveline	 Hybrid/Electrical Systems
 Performance Products	RICARDO AEA Environmental Consulting
 Strategic Consulting	 Software

H1 2014/15 Highlights

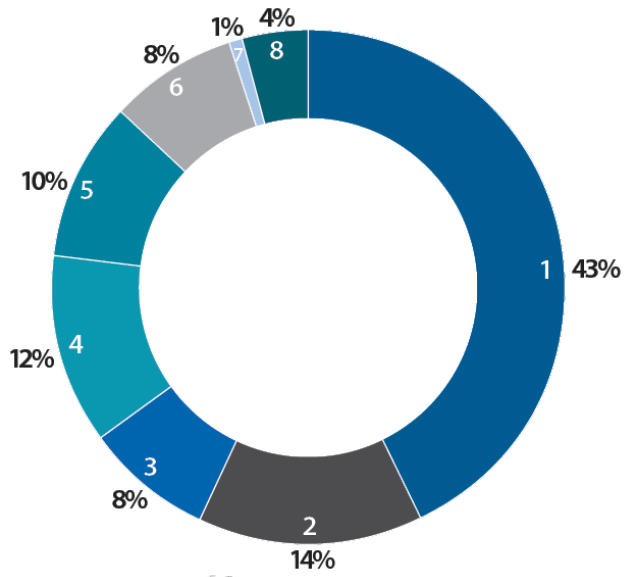
- Orders for new product development driven by CO₂/emissions reduction
- Japan and China continue to be active
- UK clients initiating multi year programmes with phased orders
- RSC has been busy driven by strategy and electric vehicle reviews
- Ricardo-AEA continues to develop overseas
- PP delivering to plan and preparing for new McLaren programme
- PPA and Vepro completed/integrated
- European restructuring
- Expansion of McLaren facility underway, VERC commissioned



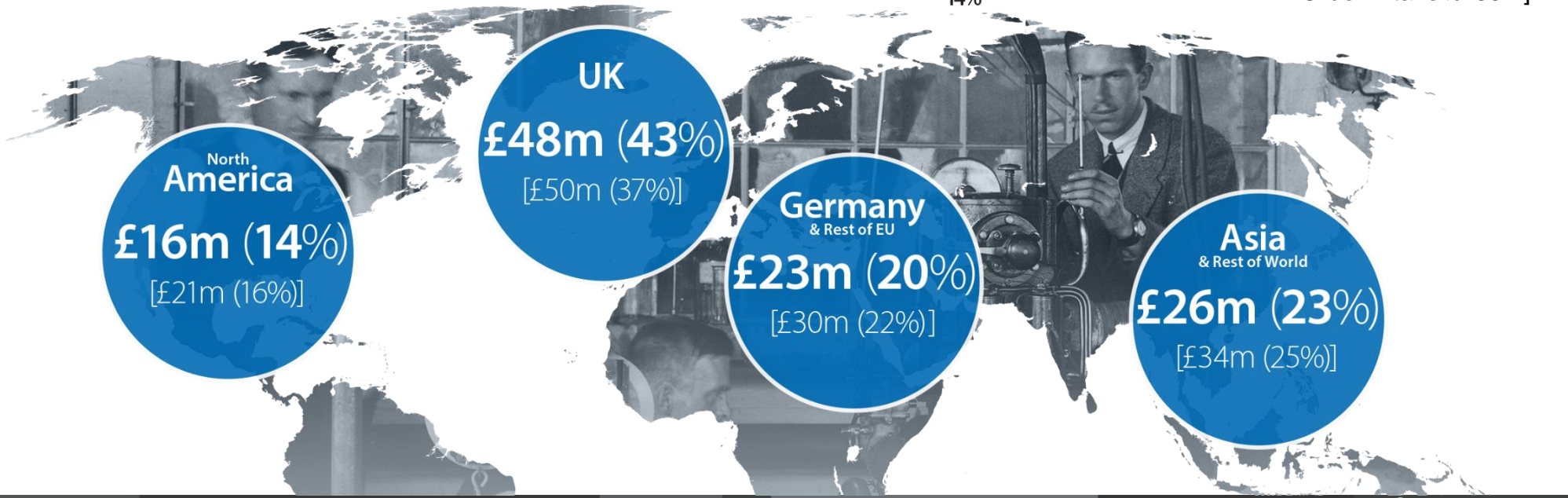
A continued good balance of order intake and pipeline from across the globe



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

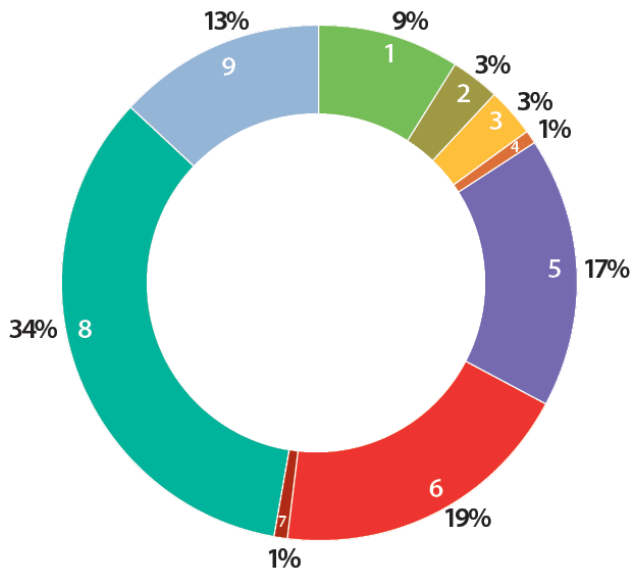


H1 2014/15
Order Intake £113m
 [H1 2013/14
 Order Intake £135m]













Well balanced market sector order intake with a strong period for Commercial Vehicles and Power Generation

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



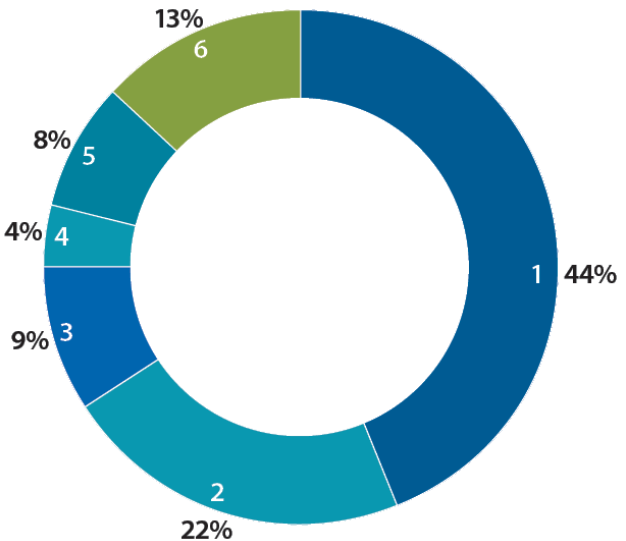
H1 2014/15
Order Intake **£113m**

[H1 2013/14
Order Intake **£135m**]

CV	CE&PG	PC	G & E	AIV	Marine	Defence	HPV&M	Rail	M&PT
									
£19m (17%) [£6m (4%)]	£10m (9%) [£5m (4%)]	£39m (34%) [£43m (32%)]	£15m (13%) [£15m (11%)]	£3m (3%) [£3m (2%)]	£0m (0%) [£1m (1%)]	£3m (3%) [£8m (6%)]	£22m (19%) [£31m (23%)]	£1m (1%) [£8m (6%)]	£1m (1%) [£15m (11%)]



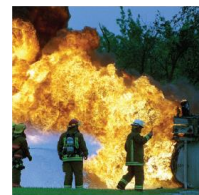



Orders and pipeline well balanced across product and service areas

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



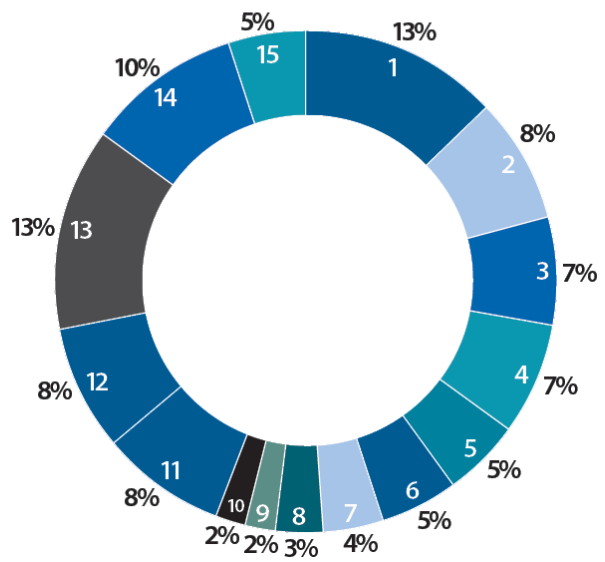
H1 2014/15
Order Intake £113m

[H1 2013/14
Order Intake £135m]

<p>RSC</p>  <p>£9m (8%) [£4m (3%)]</p>	<p>DTS</p>  <p>£25m (22%) [£27m (20%)]</p>	<p>Environmental Consulting</p>  <p>£15m (13%) [£15m (11%)]</p>	<p>HES</p>  <p>£4m (4%) [£4m (3%)]</p>	<p>VS</p>  <p>£10m (9%) [£11m (8%)]</p>	<p>Engines</p>  <p>£50m (44%) [£74m (55%)]</p>
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Diverse customer mix, with a good level of multi year business

Ricardo plc External Order Intake by Key Client for the six months ended 31 December 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. Rest of UK
- 12. Rest of Asia
- 13. Rest of Europe
- 14. Rest of North America
- 15. UK Government



H1 2014/15
Order Intake **£113m**

[H1 2013/14
Order Intake **£135m**]

Summary for period and outlook

- 8% growth in revenue and underlying operating profit delivered
- Strong period end order book, record order book of £152m at end of January 2015
- Strong balance sheet supporting ongoing investment and further growth
 - VERC commissioned to exploit future emissions legislation
 - McLaren engines facility expansion under construction
 - Acquisition activity with Vepro and PPA
- New market sector for public and private urban mobility emerging
- Pipeline remains strong, outlook positive



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1915–2015

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Appendix

Income statement

£m	Half year ended 31 December		H1 2014/15 v H1 2013/14	Year ended 30 June
	2014	2013	% change	2014
Revenue	120.5	111.9	8%	236.2
Gross profit	45.3	43.6	4%	93.6
Administration costs	(34.7)	(33.8)	3%	(68.0)
Underlying operating profit	10.6	9.8	8%	25.6
Specific adjusting items ⁽¹⁾	(1.1)	(0.5)	120%	(1.1)
Operating profit	9.5	9.3	2%	24.5
Net finance costs	(0.5)	(0.5)	-	(1.0)
Profit before tax	9.0	8.8	2%	23.5
Comprising:				
Underlying profit before tax	10.1	9.3	9%	24.6
Specific adjusting items ⁽¹⁾	(1.1)	(0.5)	120%	(1.1)
Taxation charge	(1.6)	(1.6)	-	(4.3)
Profit for the period	7.4	7.2	3%	19.2

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

Global tailpipe and CO₂ emissions legislation adherence are “must haves” in the development budget of many of our clients



		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		
				54.5 mpg Fleet (Combined Cars & LCVs)		
California	LEV II (2009)	LEV III				
	27.6/20.3 mpg Fleet/LCVs		43.4/26.8 mpg Fleet/Trucks		54.5 mpg Fleet (Combined Cars & LCVs)	
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		WMTC likely to be adopted with new emission limits		
	Japan	ISO 6460 Limits 0 - 125cc / > 125 cc		WMTC likely to be adopted with new emission limits		
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				
		Federal CO ₂ emissions standards				
	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				



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1915–2015

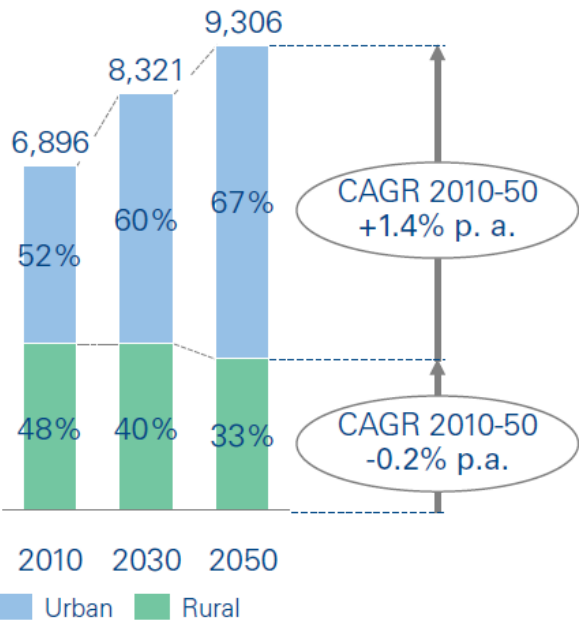
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Personal urban mobility

Megacities and increased urbanisation are predicted in the future

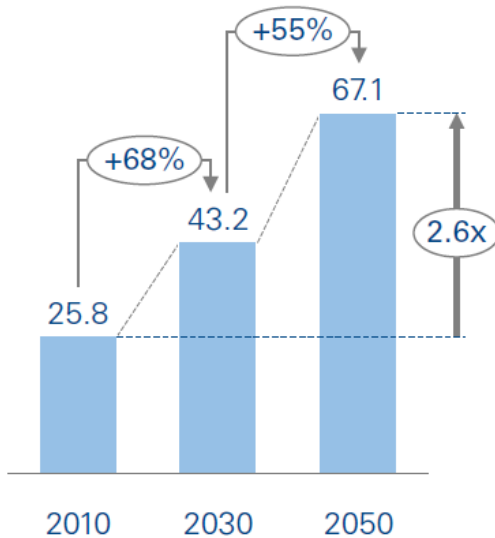
The world is becoming increasingly urban

Urban and rural population, 2010-2050 [m people; %]



Urban mobility demand explodes

Urban mobility demand, 2010-2050 [trillions pkm p.a.; %]



Cities are confronted with new challenges

Planet

- Air pollution
- CO₂ emissions
- Noise
- Increasing ecological footprint

People

- Traffic chaos
- Traffic security
- Traffic jam
- Decreasing quality of life and convenience

Profit

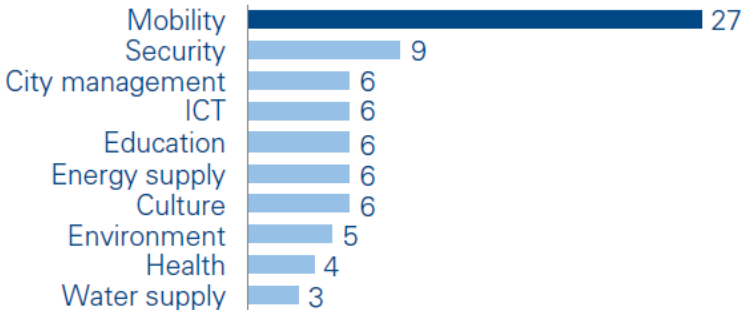
- Overloaded infrastructures
- Insufficient public transport capacities
- Increasing motorization
- Limited parking places

Source: UN Population Division, Schäfer/Victor 2000, Cosgrove/Cargett 2007, Arthur D. Little

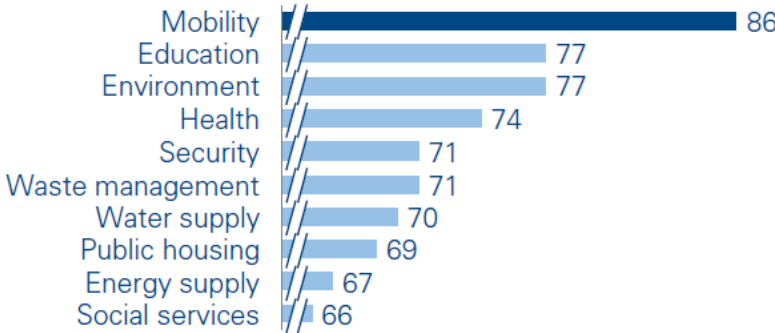
Mobility will be a priority for megacities

Mobility: Priority n°1 for cities

Urban mobility infrastructure is the n°1 priority area for cities in attracting investors ^{1) 3)}



Highest needs for investment in cities 2007-2017 ^{1) 2)}

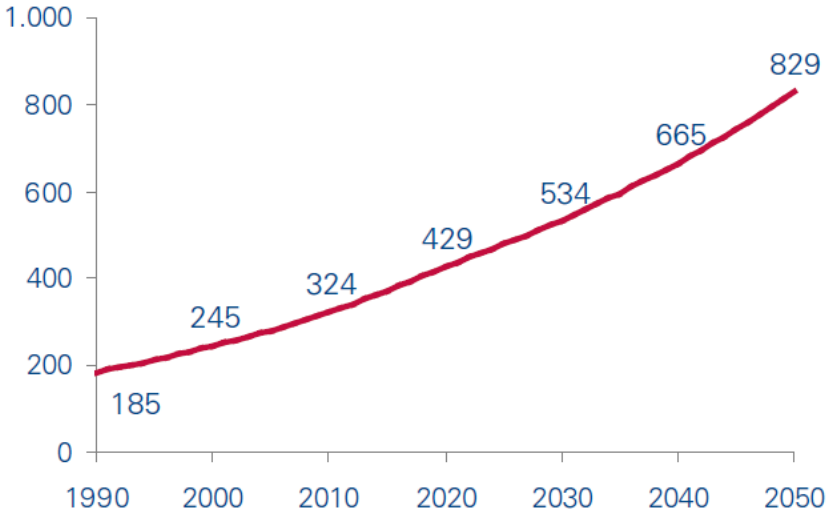


Source: Siemens, Bureau of Transport Statistics, Arthur D. Little

1) Siemens "Megacity Challenges Study" 2) % saying high need for investment 3) Percentage of respondents

Constant growth of investments in urban mobility

Global urban mobility investment volume in bn EUR

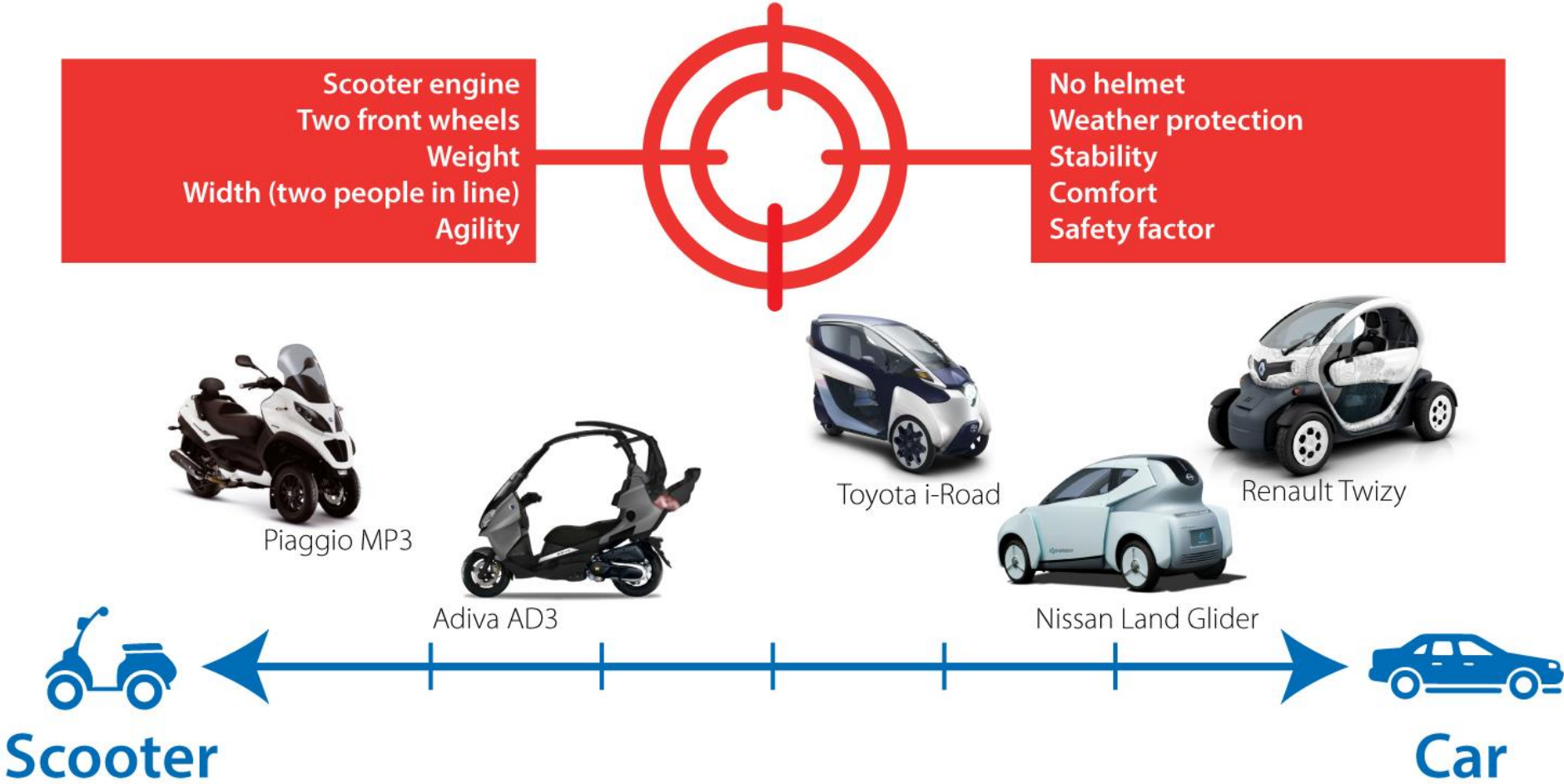


- In 1990 investment amount in global urban mobility equaled 185 bn EUR
- For 2050 the need of 829 bn EUR is being forecasted (growth by the factor 4.5)

Overcrowded regions and growth in megacities provide the backdrop for personal urban mobility



A new sector for personal urban mobility is emerging between passenger car and two-wheelers, attracting new entrant interest



Our integrated personal urban mobility offering

Concept to Production (incl. Niche Manufacture)

Ricardo

- Powertrain Design
- Powertrain Calibration
- Powertrain NVH
- Powertrain Test



VEPRO - Acquired

- Chassis
- Powertrain Integration
- Vehicle Build and Test
- Large Motorcycle and Cruiser Capability



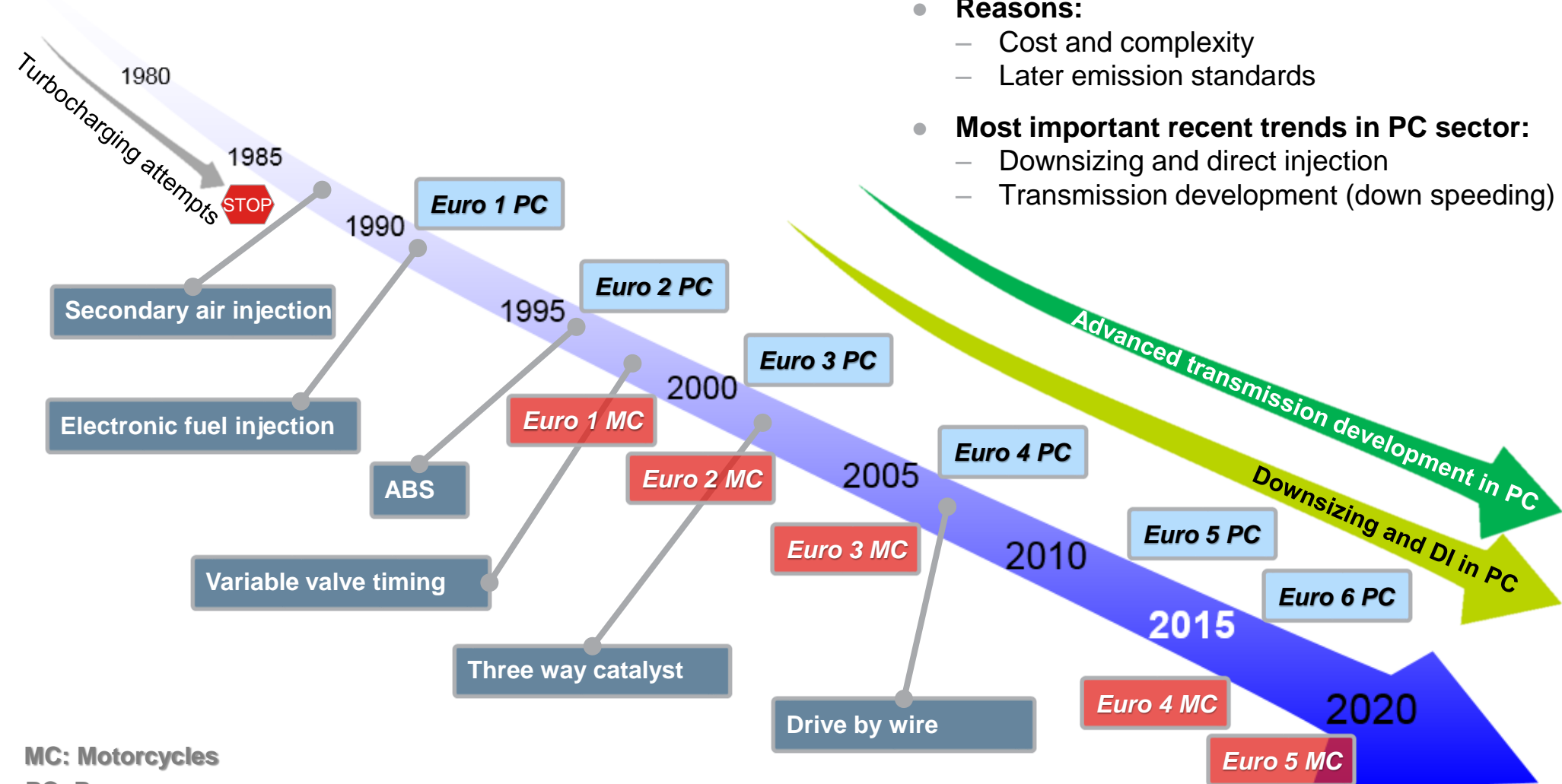
EXNOVO (MOU)

- Body
- Styling
- Electrical
- Vehicle Build and Test
- Scooter and Small Motorcycle Capability



Examples of automotive technology in motorcycles

- **MC technology always followed PC**
- **Reasons:**
 - Cost and complexity
 - Later emission standards
- **Most important recent trends in PC sector:**
 - Downsizing and direct injection
 - Transmission development (down speeding)



MC: Motorcycles
PC: Passenger cars

Asian markets are dominated by scooters and light motorcycles, with continued growth predicted

Powered 2-wheeler market (thousand units, non-electric vehicles)

