science group

28 May 2025

Dear Fellow Ricardo Shareholders,

Open Letter
Ricardo plc General Meeting

At the turn of the year, Ricardo plc ("Ricardo") completed the disposal of the USA Defense business and the acquisition of E3A in Australia. The market reaction was a decline in share price from 420p on 31 December 2024 to 352p by 29 January 2025. The Ricardo profit warning on 30 January 2025 then resulted in a rapid decline in value, with the share price reaching a 15 year low of 213p in early February 2025.

Science Group has long admired the heritage of Ricardo, the expertise of its staff and the fundamental value of the Ricardo brand. The Science Group investment, initiated on 16 February 2025, stemmed the Ricardo share price decline which progressively increased, stabilising at around 255p in early April. When Science Group achieved a 20% holding and suspended market purchases, the Ricardo share price fell back to 225p. Recently the share price increased to over 270p following Science Group's requisition of a general meeting to call a vote of no confidence in the leadership of the Ricardo Board as the market responded to positive action to reinvigorate this once great British company.

Ricardo issued its Interim Results on 5 March 2025, a Business & Strategy Update ("BSU") on 22 April 2025 and the Notice of General Meeting ("Ricardo Circular") on 21 May 2025. In all of these statements, Ricardo provides a rose-tinted perspective, ignoring the reality of the actual operating performance in recent years and the current precarious financial position of the company. The Ricardo Board has not only failed to address the serious issues raised but has tried to divert attention and blame external factors, rather than confront the poor performance and ineffective governance that has led to the destruction of Ricardo shareholder value. Despite, on 28 March 2025, the Ricardo Chair committing to provide "*a clear path to significant value creation*", neither the BSU nor the Ricardo Circular have set out the promised remedial strategy or a substantive action plan. With the Ricardo Board apparently in denial, the need for change to the leadership of the Board is now essential.

This open letter ("Open Letter") offers a detailed analysis and commentary to support a shared understanding of the current Ricardo situation, recognising that any effective corporate recovery must start with a clear diagnosis and a credible plan of action. The Open Letter also sets out the background to the requisition of the Ricardo General Meeting, scheduled for 18 June 2025, and the reasons why Ricardo shareholders should

Vote FOR the Resolution.

Science Group is an international science, technology & engineering consultancy and systems business, similar to Ricardo. In contrast to Ricardo, Science Group has a strong track record of consistent financial performance and delivering value to shareholders.

Science Group is the second largest shareholder in Ricardo with a holding of 21.8%. Despite the protestations of the Ricardo Board (who in aggregate hold less than 0.2%), it is very apparent that the Science Group shareholding has already been a positive catalyst and the alignment of Science Group with other Ricardo shareholders is both tangible and transparent.

1. Ricardo Operating Performance – The Reality

The Ricardo Circular and the BSU have sought to blame "*short term market challenges*" for the disappointing Ricardo performance, an assertion that does not explain the consistently poor financial results which have led to the significant destruction of shareholder value in recent years. This Open Letter dispels the myth that the Ricardo Board tries to promote, and demonstrates that

- **The poor performance, in absolute terms and relative to an independently analysed peer group, indicates the Ricardo issues are more fundamental, not short-term;**
- **The liberal use of "specific *adjusting items*" (and other adjustments) are inflating reported "*Underlying Operating Profit*", which is Ricardo's primary metric for commentary;**
- **The low productivity and high cost base are the key drivers of Ricardo poor profitability; and**
- **The failure to meet the self-declared strategic financial targets set in 2022 and the destruction of shareholder value is the result of poor execution and ineffective governance.**

On 10 March 2025, following the Ricardo Interim Results announcement (5 March 2025), Science Group highlighted the need for a review of the Ricardo strategy to recover value for all Ricardo shareholders. Further background exposing Ricardo's poor operating performance and the ineffective governance of the Ricardo Board, is set out in Science Group statements on 17 and 31 March, 24 April and 1 May 2025. It is disappointing that the Ricardo BSU and Circular have not substantively addressed the issues raised by Science Group, but notable that the Ricardo Board has not denied the validity of the Science Group critique.

1.1 "Underlying Operating Profit", "Specific Adjusting Items" and Forecast Downgrades

Ricardo released its Business & Strategy Update on 22 April 2025. Despite taking 4 weeks in preparation and the Ricardo Chair declaring that it would set out "*a clear path to significant value creation*", the underwhelming BSU failed to deliver on the promise. The 'Business Update' part of the BSU proclaimed to provide reassurance in relation to the current financial year, but the reality was in fact yet another well-camouflaged forecast downgrade. In relation to the BSU, a house broker reduced FY24/25 forecast for Underlying Operating Profit ("UOP") but more dramatically the previous forecast 'Reported EBIT' (which includes the "specific adjusting items" and was £18.6m at end of January and £3.2m at 10 March 2025) was revised to be a forecast loss of £5.1m. The forecast 'Reported PBT' (continuing operations) was reduced from £12.4m at end January to a loss of £13.3m.

Reality : Ricardo forecast FY24/25 'reported EBIT' loss of £5.1m

Unfortunately, the Ricardo practice of proclaiming "*underlying*" performance whilst progressively downgrading the Reported EBIT and PBT through the liberal use of "*specific adjusting items*" is a recurring feature of Ricardo financial reporting in recent years. A review of one of the house broker analyst reports over the period FY22/23, FY23/24 and FY24/25 together with actual reported results, records that Reported EBIT at the start of each financial year is consistently forecast to be around 10% (spread of 6% to 13%) below UOP, which would reflect normal adjustments (e.g. acquired intangibles amortisation). However, by the time of the Interim Results in March each year, the delta has increased to between 55% and 85%, deteriorating further as each year progresses with two of the three years reported/forecasted EBIT and PBT declining from profit into an actual loss. With such a poor track record, Ricardo shareholders can have little confidence in Ricardo rose-tinted forecasts and false assurances.

Examples of recurring "*specific adjusting items*" which Ricardo has repeatedly used include (1) restructuring charges for continuing businesses, every year for at least the past 5 years although the benefits of the restructuring actions have consistently failed to translate into tangible performance improvements; (2) material fees related to "*other strategic projects*" unrelated to completed acquisitions but with no explanation as to why such material fees were incurred or why they are not part of normal operating activities; and (3) IT system planning and implementation costs which are surely part of the normal operating costs of a business like Ricardo in the 21st Century.

Ricardo has also inflated reported UOP through R&D capitalisation (software and development costs). In FY23/24, Ricardo capitalised £7.2m of R&D costs incurred, with amortisation of capitalised R&D of £4.2m, giving a net £3.0m benefit to reported UOP in the year. In FY22/23, the net benefit was £0.9m but a "*specific adjusting item*" of £1.8m impairment of capitalised R&D was also charged but did not appear in reported UOP. The practice of capitalising R&D and then subsequently writing off the capitalised sum as a "specific *adjusting item*" produces a double benefit to Ricardo reported UOP.

Inflating UOP through "specific *adjusting items*" (for costs which would appear to be normal operating activities of a business of Ricardo's scale and type) can be misleading but requires detailed analysis to reconcile. However, while accounting policies and practices can be subjective, for Ricardo the harsh reality gets exposed by the consistently poor net cash generation, the <u>real</u> 'underlying' measure of a company's performance. To summarise, a house broker to Ricardo reduced its forecast cash generation as follows :

- December 2024 : FY24/25 forecast cash generated by operations of £17.8m.
- End January 2025 : Broker forecast reduced to £7.8m, incorporating impact of profit warning.
- March 2025 : Broker forecast reduced further to £6.1m, after Interim Results released.
- April 2025 : Broker forecast reduced to just £1.0m cash generation for the year, a dismal result for a business forecast to report revenue of £375m (from continuing businesses).

Reality : Operating cash generation forecast downgraded
from £17.8m (Dec. 24) to just £1.0m (April 25)

<u>1.2 Market Headwinds or Fundamental Issues</u>

Despite the woeful operating performance, the Ricardo Board has refused to accept responsibility and has sought to blame external market conditions for the situation. The January profit warning, the Ricardo Interim Results, the BSU, the Circular and other recent statements have repeatedly referred to "*short term headwinds*" as the excuse for the poor operating performance. Moreover, the Ricardo Circular tries to celebrate that the company expects "*to deliver trading within the range of analyst expectations*", but disingenuously ignores the multiple forecast downgrades which have occurred since 1 January 2025.

Reality : Ricardo "*analyst expectations*" have been materially downgraded
UOP, reported EBIT & PBT, and Cash Flow for FY24/25 have all been substantially reduced

The reasons declared for these material downgrades (extracted from Ricardo statements) are very wide ranging, including : global elections; sector demand variability; order phasing; California wildfires; programme completion; order mix; challenging market conditions; geopolitical uncertainties; market maturing; delayed customer investment; government procurement processes; private sector investment decisions; increasingly competitive market environment; order cancellation; project delays; and currency volatility. Incredibly, according to the Ricardo Board, these numerous and diverse issues and their impacts across Ricardo's businesses, caught the company by surprise in January 2025. Such an extraordinary excuse both stretches plausibility to the limits and raises serious concerns regarding processes and governance within Ricardo.

Notwithstanding the multiplicity of excuses for the poor performance, and the apparent governance failures that occurred without the Ricardo Board being aware, the Ricardo commentary emphasises short term external factors not fundamental market changes. Indeed, the Ricardo messaging on 30 January 2025 was "*confidence in our continued growth*". Yet, in March 2025, the Ricardo Board substantially diluted its FY26/27 strategic financial profitability targets (set in 2022) :

- "*Group underlying operating profit margin to mid-teens*" became a woolly UOP margin aspiration to "*trend towards 10% margin*"; and
- The 2022 core objective of "*doubling underlying operating profit*" was completely dropped.

This dilution (in March 2025) of strategic financial targets (which had been repeated as recently as September 2024) for FY26/27, two years in the future, is inconsistent with the Ricardo Board's declaration that the issues affecting Ricardo are due to "*short term headwinds*".

This is more than just misleading commentary. It is a fundamental issue impacting the future opportunity for Ricardo and its shareholders. The Ricardo Circular declared that its strategy "*offers a significant value creation opportunity*" and that "*Ricardo is executing well against its strategy*". If those statements are valid, there is no reason why "*short-term headwinds*" should disrupt the medium term financial targets. The Ricardo Board actions are inconsistent with the public statements.

Reality : "*Short-term headwinds*" do not justify significant downgrades to medium term targets

Furthermore, while the market environment for consultancy businesses was challenging in 2024 and early 2025, it is the responsibility of the Board to (1) have adequate processes to provide timely information; and (2) to take action to mitigate such external dynamics. An independent analyst report (12 March 2025) reviewed a peer group of similar companies, with exposure to similar market conditions, and placed Ricardo at the bottom of the peer group for Adjusted EBIT Margin and second from bottom ranking on ROIC. (Science Group ranked highest on both Adjusted EBIT Margin and ROIC of the peer group in the report.)

Reality : Ricardo ranked <u>bottom</u> in terms of profitability in an independent peer group analysis

In summary, the Ricardo Board needs to accept responsibility, stop the obfuscation and confront the real issues affecting the company (See 1.3 below also). Marketing 'spin' is not a substitute for operational execution and the false celebration of potentially hitting downgraded targets/forecasts is blatantly disingenuous.

<u>1.3 Productivity and Profitability</u>

In prior statements Science Group has highlighted the poor productivity (revenue per head) of Ricardo which in the FY23/24 Annual Report was £130k (excluding Defense), compared to Science Group FY23 of £163k and FY24 of £188k. The revenue per head differential could explain the failure of Ricardo to achieve its 2022 strategic financial targets.

Reality : If Ricardo delivered the same revenue/head as Science Group, Ricardo would have exceeded its strategic financial margin target

Ricardo has downgraded forecasts and ranked bottom in an independent peer group analysis. Yet, while a wide range of excuses has been articulated, the BSU and Ricardo Circular provide little real clarification on the operational impact of these external factors

In purely financial terms, consultancy businesses can be summarised by :

- Revenue = No of Consultants x Billed Hours per Consultant x Fee Rate
- Profit = Revenue – Direct Costs (Consultants) – Indirect Costs (O/H & Support Staff)

(‘Billed Hours’ is increasingly replacing ‘Utilisation’ as a management metric since while ‘Utilisation’ is often adjusted, eg. for sickness, vacation, training, admin tasks, etc, and can therefore exhibit some fluidity, ‘Billed Hours’ is an absolute metric.)

The Ricardo BSU only provided “*Utilisation*” information, ignoring the other elements in the formulae that impact productivity and profitability. However, based on the indicated Utilisation data and the modest anticipated increases in the future (Slide 11 of the BSU presentation), this does not explain the forecast downgrades and the consistently low profitability of Ricardo. On the contrary, an increase in Utilisation, as reported in the BSU for FY24/25, is inconsistent with the impact that would be anticipated from “*short-term headwinds*” and market disruption.

Reality : The Utilisation data provided in the BSU appears inconsistent with the “*short-term headwinds*” excuse for forecast downgrades, with implied risk for FY25/26

In summary, this inconsistency and apparently conflicting commentary raises more questions. Other explanations for the poor productivity/profitability could be (1) ‘leakage’ of hours for non-billable activity; (2) Utilisation reporting inflated by resources billing to a fixed price project exceeding the original estimate; and/or (3) fee rates and/or discounting. Since Slide 11 of the BSU indicates Utilisation next year to be only a modest increase on FY24/25, understanding these dynamics is also fundamental to shareholder confidence in FY25/26 forecasts.

In addition, the Ricardo Board makes no attempt to explain why the company ranks bottom in terms of profitability in the independent peer group analysis, nor what action is being taken to address the issues. Understanding root cause is the first step to fixing any operational (or engineering) problem.

2. Failure of Ricardo 5-Year Strategy (2022-2027)

The reality is that 3 years into the 5-year strategic plan, Ricardo is in a far worse financial position today than when the 2022 plan was initiated. The table below compares the results reported in FY21/22 with the house broker forecast for FY24/25. While revenue from continuing operations is broadly flat, every other key financial metric has deteriorated significantly. The Ricardo Board’s claim in the Circular that the company “*is executing well”* is clearly not supported by the facts.

Ricardo plc Continuing Operations (unless stated as Reported below)	**FY21/22 (Source : Annual Report)**	**FY24/25 (Latest House Broker Forecast)**	**Variance**
Revenue	£380m	£375m	-1%
Underlying Operating Profit	£28.0m	£20.8m	-26%
UOP Margin	7.4%	5.5%	
Underlying PBT	£24.2m	£12.6m	-48%
Reported EBIT	£16.2m	-£5.1m	FY25 Loss
Reported PBT	£12.4m	-£13.3m	FY25 Loss
Underlying Basic EPS	31.2p	14.2p	-54%
Reported Net Debt	£35.4m	£61.1m (forecast to increase to £84m in June 2026)	

To summarise, 3 years into the much-acclaimed corporate transformation strategy, the reality is :

- UOP margins have declined, contrary to the "mid-teens" target set in 2022;
- A significant reduction in Underlying Operating Profit and Underlying PBT, rather than the "doubling of UOP" target set in 2022;
- The £16m Reported EBIT (continuing operations) in FY21/22 is now forecast to be a £5m <u>loss</u> in FY24/25 and the £12m Reported PBT (continuing operations) is forecast a £13m <u>loss</u>; and
- Cash generated from operations in FY24/25 is forecast at a paltry £1m.

Reality : Ricardo has failed against virtually all of its key 2022 strategic financial targets

<u>2.1 Balance Sheet and Net Debt</u>

Ricardo's net debt is forecast by the house broker to increase significantly during FY24/25 and FY25/26, to reach £84 million in June 2026. This forecast includes c.£16m acquisition-related deferred payments in FY25/26 (E3A + 2023 acquisitions) but the outflows (and hence the net debt) could actually be higher. The Ricardo acquisition financing structure, with cash outflows extending to FY27/28, flatters short term financial reporting whilst creating a significant future liability.

The weak balance sheet and precarious financial position of Ricardo was completely avoidable if the Ricardo Board had retained the cash proceeds from the Defense disposal to stabilise the business, rather than immediately deploying the capital in a reckless and irresponsible manner at a time when the continuing operations were all experiencing market headwinds. As a result, a bank covenant has had to be amended and the Ricardo BSU reported that there is little covenant headroom at 30 June 2025. It is also notable that the Ricardo Board has not provided an update recently on the status of the Group's revolving credit facility which is due to expire in August 2026 - the renegotiation/extension of these facilities would likely need to be in place prior to the release of the results for FY24/25.

However, while 'Net Cash/Debt' is usually a reliable fact, it would appear that Ricardo is breaking new ground of obfuscation as the Ricardo BSU and the Ricardo Circular declare that the "*net debt is expected to be towards the lower end of analyst guidance…………<u>before any exceptional restructuring costs</u>…".* This attempt to further mislead Ricardo shareholders is extraordinary - a definition of 'Net Debt excluding debt related to restructuring charges' must surely set a new and very poor precedent for accounting 'adjustments'.

Reality : The deployment of the cash proceeds from the Defense disposal was a reckless and irresponsible action when the core businesses were under-performing and markets deteriorating

<u>2.2 Strategy what Strategy ?</u>

On 28 March 2025, the Ricardo Chair declared that the Business & Strategy Update would set out "*a clear path to significant value creation*". Far from providing the promised clarity and confidence in the future, the April 2025 BSU confirmed the concerns that Science Group had been highlighting in its statements (17 and 31 March 2025).

The strategy section of the BSU merely recycled the list of transactions undertaken and declared that the Board was "*evaluating a range of options*", an underwhelming statement of the raison d'etre of any corporate board and definitely not the reassuring "*clear path to significant value creation"* that shareholders were promised. As a result, the BSU merely reinforced that Ricardo lacks leadership and, having destroyed shareholder value and the company's balance sheet, the Ricardo Board has no clear strategy to remedy the dire situation they have created.

Reality : The Ricardo BSU did not provide the promised
"*clear path to significant value creation*", nor any substantive strategy for value recovery

3. Destruction of Shareholder Value

The Ricardo poor operating performance (absolute and relative to peer group), inadequate cost control and weak cash flow have been compounded by ineffective governance. Rather than ensuring the company had solid foundations and retaining the proceeds of the sale of the Defense business to strengthen the balance sheet, the Ricardo Board authorised the reckless allocation of capital on the most expensive acquisition in Ricardo's history (located in Australia), at a time when Ricardo continuing businesses were reportedly experiencing challenging market conditions.

Shareholder value is tangible and reported in real-time every day at the London Stock Exchange. Dividend returns can make a minor difference and while market fluctuations occur due to external factors, comparison against a relevant index normalises such anomalies. In summary, over a 1, 2, 3, 5, 10 or 15 year measurement period (Reference date : 30 April 2025), the performance of Ricardo has been very poor in comparison to the FTSE Small Cap Index. For reference, Science Group performance is also provided in the table below.

	1 Year	2 Year	3 Year	5 Year	10 Year	15 Year
Ricardo	**-46%**	**-59%**	**-32%**	**-37%**	**-71%**	**-18%**
FTSE Small Cap Index	+1%	+5%	-4%	+40%	+41%	+121%
Science Grp	+5%	+9%	+6%	+126%	+199%	+1014%

Source : LSEG Workspace (rounded to nearest %)

In reality, the Ricardo Board has failed its shareholders. It failed to achieve its own strategic financial targets set in 2022. It failed to ensure that the company had adequate processes to highlight the market deterioration. It failed to take action to mitigate the market deterioration. It failed in basic governance and proceeded with the largest acquisition in Ricardo history at the same time as the core businesses were underperforming and the market was deteriorating. It failed to exercise fundamental prudence in capital management. Yet, when all of the above was highlighted by Science Group, the Ricardo Board still failed to set out "*a clear path to significant value creation*" as promised by the Ricardo Chair on 28 March 2025.

4. Science Group plc – A Catalyst for Positive Change

The brazen assertion in the Ricardo Circular that the "*strategy offers a significant value creation opportunity*" and that "*Ricardo is executing well against its strategy*" is not supported by the evidence as set out above. Over the past two years, the share price has declined from over 600p to 213p, before Science Group initiated share purchases. The blinkered perspective and extraordinary denial of reality, reflect the misaligned priorities of the (highly remunerated) Ricardo Board, oblivious to the destruction in shareholder value for which they are ultimately responsible.

The alignment of a company's board with shareholder interests is paramount. The Ricardo Board's false assertion that Science Group "*is not aligned with other Ricardo shareholders*" is emotive, self-serving rhetoric. The reality is that the Ricardo Board has minimal 'skin-in-the-game' with an aggregate shareholding of less than 0.2% and, notably, none of the directors have acquired open-market shares in the company since the January 2025 profit warning. In contrast, Science Group has made a substantial investment and, as the second largest shareholder with a holding of 21.8%, the alignment of Science Group with all Ricardo shareholders is clear and transparent.

Unfortunately, rather than address the serious issues raised, the Ricardo BSU and Circular seek to distract by making ill-informed statements regarding Science Group. As previously stated, Science Group has no concerns regarding the integrity of its acquisition processes and is proud of its track record in turning around underperforming science, technology, regulatory and engineering companies. Furthermore, Ricardo has a concentrated shareholder base with 5 shareholders accounting for approaching 70% of the voting rights, including 4 major, well-respected UK institutional investors. Contrary to the rhetoric, it is abundantly clear that no party could unilaterally "*take control*".

Ironically, after failing to deliver the "*clear path to significant value creation"* promised by the Ricardo Chair on 28 March 2025, the Ricardo Circular incorrectly accuses Science Group of not offering an alternative. On the contrary, and by reference to prior statements in March, April and May 2025, Science Group has set out operational, organisational and strategic actions to recover value for Ricardo shareholders. Fundamentally, while Ricardo and Science Group both incorporate similar consultancy & systems businesses, it is readily apparent that there must be major differences in modus operandi and corporate priorities, as evidenced by the very different operating performance of the two companies and the value delivered (or in the case of Ricardo, sadly destroyed) for their shareholders.

5. Ricardo – The Future Opportunity

Ricardo is a great British company with a 100+ year history. Its engineering heritage is renowned and the Ricardo brand highly regarded. In 2018, the Ricardo share price was over 1,000p and as recently as July 2023, the share price exceeded 600p, before a steady decline to a 15 year low in February 2025 as shareholder confidence in the Ricardo Board eroded and the failure to deliver the Ricardo 5 year strategic plan became increasingly apparent.

Rebuilding Ricardo requires timely, positive action. The best scientists, engineers and managers want to work for a successful company and will be well aware of the deterioration in the corporate financial position for which the Ricardo Board are culpable.

5.1 Strategy and Structure

Following the January profit warning, a review of the Ricardo corporate strategy should have been undertaken, particularly since the acquisition strategy cannot realistically be pursued with the weak balance sheet resulting from the Ricardo Board's reckless and irresponsible actions. While the Ricardo Chair promised that the BSU would set out a "*clear path to significant value creation*", in fact it merely declared a vague and uninspiring intent "*to evaluate…a range of options…"* presumably hoping that Ricardo shareholders will blindly trust a board that has failed to deliver on its prior strategy.

In contrast, on 1 May 2025, Science Group set out the Ricardo corporate strategic options, together with the required actions for future optionality. In brief, to maximise value for Ricardo shareholders :

- Ricardo needs first to be simplified and structured in 3 divisions : E&E, Rail and A&I(incl PP);
- These divisions need to operate independently within Group-wide policies;
- The high central costs need to be significantly reduced; and
- These optimised, independent divisions require transparency of financial performance with full cost allocation.

Thereafter, once a firm foundation is established, the future strategy for each division can be evaluated and determined. But whether ultimately retained within Ricardo or divested, value to Ricardo shareholders requires each division to be delivering sustainable performance, at least comparable to the peer group, both as individual, independent operating divisions and for the Ricardo Group as a whole.

5.2 Operating Performance

In 2022, Ricardo set a strategic financial target of "*mid-teens*" UOP by FY26/27 but poor execution and ineffective governance resulted in the Ricardo Board decision in March 2025 substantially diluting this objective to a very weak "*trend towards 10% margin*", an action inconsistent with the claim that the profit downgrades were due to "*short term headwinds*".

In contrast, there are two key metrics/benchmarks that Science Group has repeatedly highlighted :

1. The independent peer group analysis indicates that a 10-12% adjusted EBIT target for the Ricardo Group would provide an appropriate near-term objective; and
2. Profitability is a function of productivity and the 10-12% adjusted EBIT target would require a revenue per head in the order of £150k, which is c.15% higher than Ricardo reported in FY23/24 (excluding Defense) but still c.20% lower than Science Group delivered in FY24.

It is not unreasonable to expect the Ricardo Board ambition (with realignment of executive remuneration) to at least target median peer group performance. Aspiration for the longer term of "*mid-teens*" UOP should also have been retained and Science Group has consistently achieved higher operating margins from similar business operations.

5.3 Implementation

The Ricardo Board priorities need to be realigned with shareholder interests. On 1 May 2025, Science Group set out clearly that the constitution of the Ricardo Board should be determined through consultation of the major shareholders (which is feasible due to the shareholder concentration).

Furthermore, effective governance at small cap companies requires far greater hands-on engagement than is typical in larger organisations and monthly board meetings are appropriate, rather than just the 7 scheduled board meetings per annum reported by Ricardo. Executive remuneration also needs to be realigned and the strategy, structure and systems need to be defined for each of the independent operating divisions, recognising the different characteristics of each of the businesses.

Science Group has a track record of delivering robust operating performance from consultancy & systems organisations, and translating that performance into value for shareholders. This expertise could support a programme of change at Ricardo. As the second largest shareholder, Science Group has strong and transparent alignment with all Ricardo shareholders.

6. Ricardo General Meeting

The Directors, and particularly the Chair, of any company are ultimately accountable to a company's shareholders. The responsibility of the Board is to promote and act in the best interests of the company's members and other stakeholders. In the case of Ricardo plc, the Board has failed through a combination of poor operational execution and ineffective governance, resulting in a substantial destruction in shareholder value, a weak balance sheet and a precarious financial position.

The Ricardo Circular sets out Mr Clare's background as a large company director - this is one of the fundamental problems. Mr Clare's experience at Barratt Developments, Grainger, Wickes and Ladbrokes Coral, all very different businesses to Ricardo, does not necessarily translate to the challenges of a small-cap science & engineering consultancy/systems business. Ricardo has a market capitalisation of around £180 million (but at its low in February 2025 was around £130 million) and it is the disconnect between the Ricardo Board's large company modus operandi and the small cap reality that is one of the key issues. Managing a small-cap company requires far greater hands-on engagement to ensure effective governance, as Ricardo has unfortunately demonstrated.

Science Group tried to engage in private dialogue with the Ricardo Board to effect changes. Unfortunately, Ricardo elected not to respect confidentiality and refused to engage in discussions related to the Ricardo Board structure. A further attempt to engage with the Senior Independent Director produced a public rejection from Ricardo on 28 March 2025 without any substantive direct feedback. Unfortunately, the Ricardo Board attitude towards Science Group as a shareholder reflects the disregard shown to the value destruction over which the board has presided.

Ultimately, in view of (1) the deteriorating financial position and weak balance sheet; (2) the failure of the Ricardo BSU to set out the promised recovery strategy; (3) the significant value destruction; and (4) the Ricardo Board's refusal to accept responsibility, Science Group was left with no alternative but to enable shareholders to determine whether or not to continue with a Ricardo Board that has clearly failed this British engineering company, its customers and employees. The mechanism to effect such change is through a general meeting of shareholders ("General Meeting"). By requisitioning a single resolution, the focus is entirely on shareholders confidence, or not, in the leadership of the Ricardo Board.

The single resolution at the General Meeting on 18 June 2025 is to

remove Mr Mark Clare as Director and Chair

Ricardo shareholders are encouraged to

Vote FOR the Resolution

If the resolution is passed at the General Meeting, it is proposed that the major Ricardo shareholders are engaged in determining the constitution of the Ricardo Board, with a mandate to deliver value to all Ricardo shareholders and a dynamic future for Ricardo employees and customers.

Science Group recommends that all Ricardo shareholders

Vote FOR Positive, Shareholder-Aligned Change.

Sincerely

The Board of Science Group plc