

CAPITAL MARKETS EVENT – 2 NOVEMBER 2021

Q&A

Investors and analysts were asked to type their questions in the chat facility of the virtual capital markets event. Most of these were answered in the meeting and a recording of these can be heard in the last room of the virtual space. However, we didn't manage to answer all the questions in the allotted time in the event. We promised to follow up and answer the others after the event. The responses to these are set out below:

ESG

1. **Are there sufficient experienced professionals to meet the increasing demand for ESG services? If not, how are you developing your own capacity?** *Our heritage and reputation in this field allows us to attract new experienced professionals. We have a number of new joiners and a number of adverts out for ESG professionals at the present time. Furthermore, we have the ability (and track record) of recruiting at Graduate level and training our consultants to the right standard.*
2. **How much more competitive is the market for ESG skill sets and what is happening to pay inflation?** *As the ESG market is growing, it is competitive at the present time but, as noted in our response to Q1, we are well positioned to attract and retain talent. We are not seeing pay inflation to be a significant factor, over and above market wages for experienced sustainability professionals. And any inflation that there is, we aim to pass on to our clients.*
3. **Can you explain why the front end is higher reward and lower risk?** *Front end services are geared to getting the right consents for a project to proceed. The fees involved (in relation to the whole project) are relatively modest, but the skills are scarce, and as such command good margins. These skills are contracted by straightforward consulting contracts, often our own contract model. As a project develops, there is a large requirement for detailed design work. Given the scale of this work, it is contracted through complex and often bespoke contract forms. Furthermore, the work is completed to aid the construction contractor to build the project. The thin margins in contracting and the adversarial nature of delivery, coupled with the complexity of design, is risky and often involves disputes.*
4. **Can you explain what you did at Glasgow airport to achieve an 83 per cent reduction?** *The details of our Glasgow work can be explored here: <https://www.rpsgroup.com/company/news/rps-wins-ices-first-ever-carbon-champion-award/>*

ENERGY

5. **Does shift to renewables accelerate shift to group margin target?** *The work we do in renewables is similar to other work we do for clients so we would expect similar margins.*
6. **Medium term at RPS do you expect storage to be bigger than offshore wind?** *Carbon capture storage (CCS) is clearly a necessary route for decarbonisation. Our clients are currently developing feasibility projects to validate this approach. Once we have sustainable carbon pricing and the economics of storage are attractive, we will see a ramping-up of this sector.*
7. **What is RPS' energy fee revenue mix between renewables and hydrocarbons and, of the hydrocarbon exposure how much of this is later life focused (e.g. decommissioning, carbon capture and storage)?** *As a share of the overall fee revenue mix within the Energy segment of*

RPS, renewables is growing rapidly and accounts for approximately 20% of the total Energy segment fees. Our Hydrocarbon fee revenue is derived mostly from upstream - midstream activities. These being exploration, development and production. We have a significant M&A advisory and annual CPR income also. Bulk fees for CCS largely fall within terrestrial facing consultancy and will feature heavily within our non-Energy segments.

- 8. In the medium term, what percentage of fees in Energy do you expect to come from renewables?** *At the moment, we expect ongoing demand for fossil fuels, but renewables should be half of Energy in 3-5 years and carbon capture could be half of that.*

CAPITAL ALLOCATION POLICY

- 9. Can you talk a little about some examples of areas in the Group where you need to add density and/or expand capacity/capability now M&A is back on the agenda?** *This is outlined in Judith's capital allocation policy slides.*
- 10. Can growth into other regions in AAP be achieved through organic growth or will this require bolt-on acquisitions?** *Initially we are doing this through organic means but this could lead to bolt-on acquisitions.*
- 11. To what extent does the business have a pipeline of potential bolt-on acquisitions and are there any particular regions that you would expect to prioritise for acquisitions?** *See the capital allocation policy slides for areas of interest.*
- 12. The current areas of M&A focus are in areas of significant opportunity and hence I would suspect attract higher multiples. How confident are you that you can deliver M&A which deliver returns in excess of WACC?** *Our target is to deliver returns in excess of WACC but we assess opportunities against all the criteria laid out in the capital allocation slides.*
- 13. Who will integrate acquisitions and how?** *Depends on where the acquisitions are but will be the leadership teams in each segment business.*

GENERAL

- 14. What do you see as the biggest challenges to delivering sustainable growth over the coming years?** *Growth is always bound by market opportunities or an ability to recruit and retain. At present we have a healthy order book and hence our constraint is around ability to recruit and retain.*
- 15. There has been very little mention of North America during the presentation. How do you see North America contributing to RPS's future growth?** *In 2020 we undertook a strategic review of the NAm business and reshaped the portfolio to sharpen the focus and improve margins.*
- 16. What is the Board's number one agenda item at present?** *Profitable organic growth*
- 17. What is the s in ebitdas?** *S stands for non-cash cost of share schemes.*
- 18. Can you please give us an update on the ERP roll-out globally?** *We gave an update on ERP at the time of the [half year results](#) in August and we will give a further update at our full year results in March.*