



Delivering strategic growth

AB Dynamics plc Preliminary results presentation – 23 November 2022

AB DYNAMICS™

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Summary and outlook



Dr James Routh, Chief Executive Officer



Sarah Matthews-DeMers, Chief Financial Officer

Strong track record of growth

Revenue growth

- 27% revenue CAGR from 2017 to 2022
- Recurring revenue increased from 8% in 2017 to 41% in 2022

Acquisitions

- 4 acquisitions since 2019 (1 post-year-end)
- All contributing to the Group's strategy

Diversification & international footprint

- 2017 – 2 facilities in 1 country
- 2022 – 11 facilities in 6 countries
- Launch of ABD Solutions

Capability & capacity

- 97 employees in 2017 to 428 in 2022
- Investment in:
 - Management, leadership & technical capability
 - New product development

- Resilient business model during times of macroeconomic uncertainty
- Ongoing growth supported by strong regulatory and structural growth drivers
- Revenue growth delivered through ongoing organic and inorganic investments
- Revenues diversified across a wide range of geographic territories
- Strong balance sheet with a net cash position and £15m revolving credit facility to February 2025

Highlights

Dr James Routh, Chief Executive Officer

Continued strong financial performance and strategic progress

Revenue

£80.3m

+23%

Adjusted* operating profit

£12.7m

+18%

Adjusted* operating margin

15.8%

-80 bps

EBITDA*

£16.4m

+21%

Adjusted* diluted EPS

44.5p

+19%

Net cash

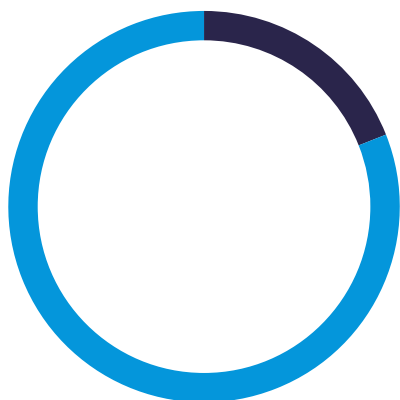
£29.2m

* Before amortisation of acquired intangibles, acquisition related charges and exceptional items.

Results overview

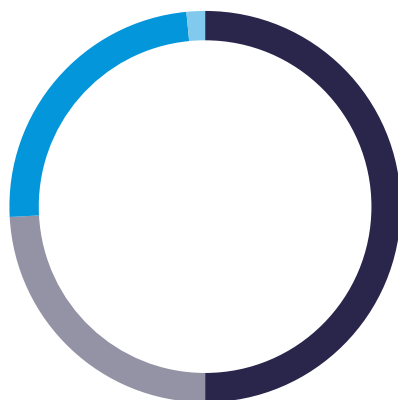
FY 2022 revenue of £80.3m +23%

Revenue by sector



| | Revenue (£m) | % of revenue |
|-----------------------------------|--------------|--------------|
| Laboratory testing and simulation | £15.6m | 19% |
| Track testing | £64.7m | 81% |

Revenue by geography



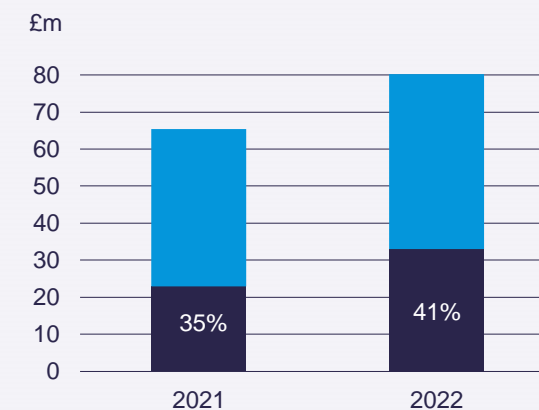
| Geography | Revenue (£m) | % of revenue | Change |
|---------------|--------------|--------------|--------|
| APAC | £41.0m | 51% | +25% |
| UK/EU | £19.1m | 24% | +21% |
| North America | £19.5m | 24% | +23% |
| ROW | £0.7m | 1% | -30% |

Revenue by customer category



| Customer Category | % of revenue |
|---------------------------------|--------------|
| Automotive OEMs | 73% |
| Service providers | 23% |
| Tier 1 suppliers and technology | 4% |

Proportion of recurring revenue



■ Recurring
■ Original equipment

Financial results

Sarah Matthews-DeMers, Chief Financial Officer

Highlights

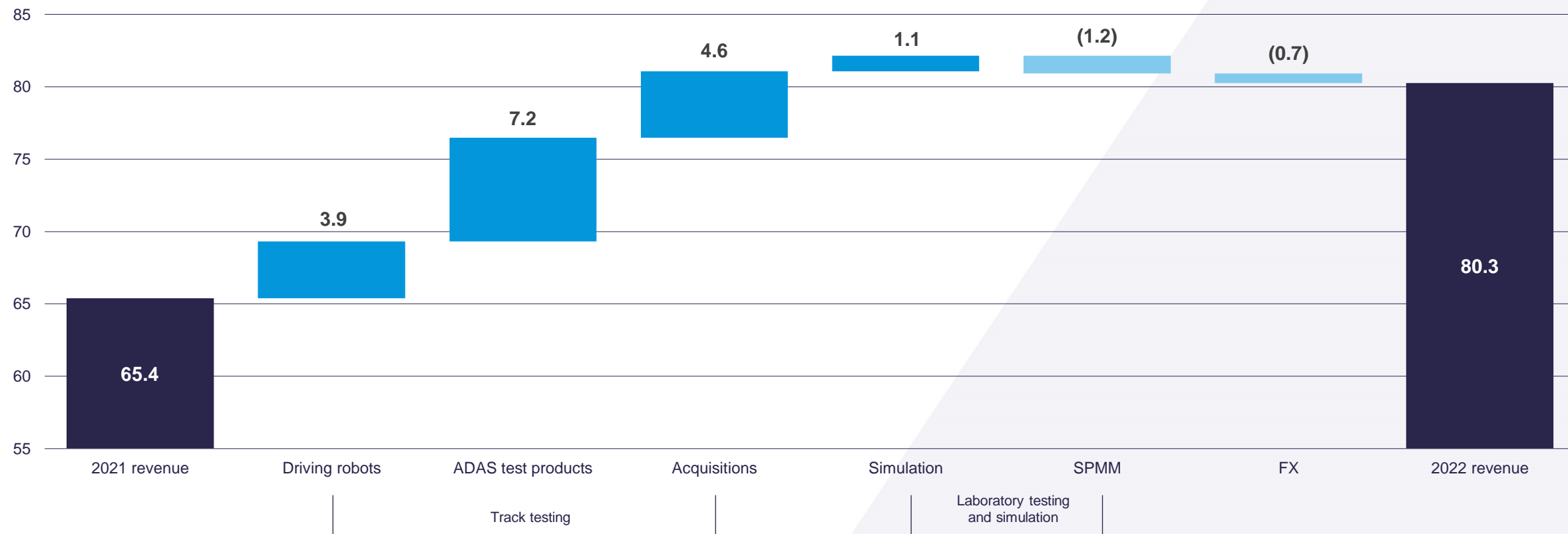
| | 2022 | 2021 | Change |
|--------------------------------------|---------------|--------|----------------|
| Revenue | £80.3m | £65.4m | +23% |
| Gross margin | 57.5% | 56.8% | +70 bps |
| EBITDA* | £16.4m | £13.5m | +21% |
| Adjusted* operating profit | £12.7m | £10.8m | +18% |
| Adjusted* operating margin | 15.8% | 16.6% | -80 bps |
| Adjusted* profit before tax | £12.4m | £10.4m | +19% |
| Tax charge* | £2.2m | £1.9m | +16% |
| Tax rate* | 17.7% | 18.3% | -50 bps |
| Adjusted* diluted earnings per share | 44.5p | 37.4p | +19% |
| Dividend per share | 5.3p | 4.8p | +10% |
| Cash flow from operations* | £20.7m | £16.0m | +29% |
| Cash conversion | 126% | 119% | |
| Net cash | £29.2m | £22.3m | |

* Before amortisation of acquired intangibles, acquisition related charges and exceptional items.

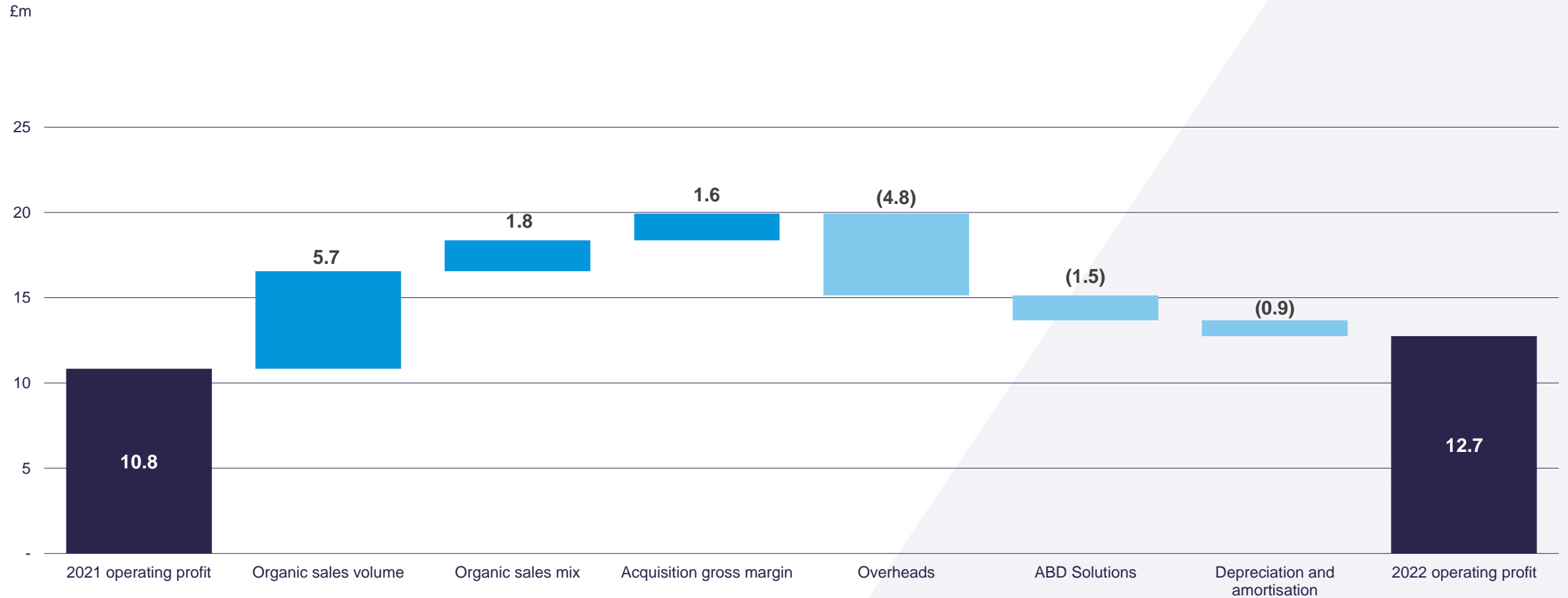
- Continued improvement in customer activity and full year of VadoTech acquisition resulted in strong revenue growth, albeit against a weak comparative for H1 2021
- Gross margin improved despite inflationary pressures
- Operating margin impacted by investment in ABD Solutions
- Cash conversion of 126% and net cash at year end of £29.2m.

Revenue

£m

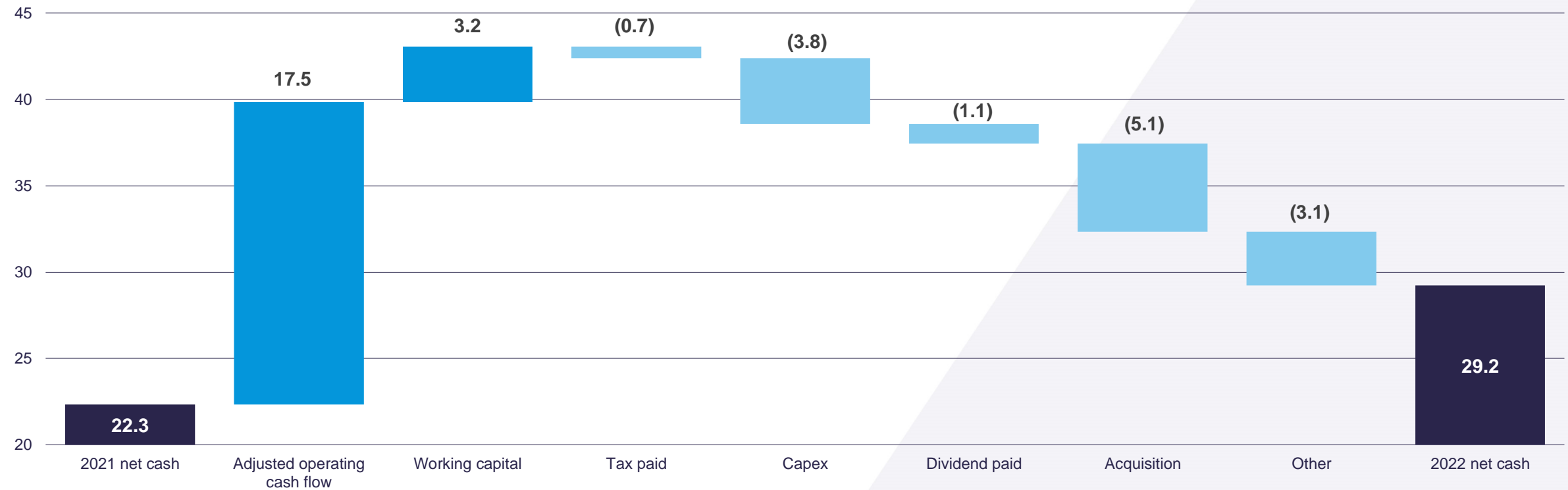


Operating profit bridge



Net cash bridge

£m



Constant currency

| | 2022 As reported £m | 2022 Restated at 2021 rates £m | 2021 £m | Change % |
|---------------------------|---------------------------|---|------------|-------------|
| Revenue | 80.3 | 81.0 | 65.4 | +24 |
| Adjusted operating profit | 12.7 | 12.8 | 10.8 | +19 |

| Average exchange rate | 2022 | 2021 |
|-----------------------|-------------|------|
| US\$ | 1.31 | 1.36 |
| Euro | 1.19 | 1.15 |
| Yen | 158 | 145 |

| | % of revenue | 10% movement impact on revenue £m | 10% movement impact on operating profit £m |
|--------------|--------------|---|--|
| US\$ | 20% | 1.5 | 0.2 |
| Euro | 25% | 1.8 | 0.3 |
| Yen | 10% | 0.7 | 0.1 |
| Total | 55% | 4.0 | 0.6 |

- Future guidance based on \$1.15, €1.15, ¥165

Financial summary

- Recovery in demand has enabled strong revenue and profit growth
- Ability to mitigate inflationary pressures through price increases
- Operating margin improvement pre investment in ABD Solutions
- Strong operating cash generation supports our robust balance sheet which enables investment in continuing to strengthen the business
- Post-year-end acquisition

Gross margin

57.5%

Cash conversion

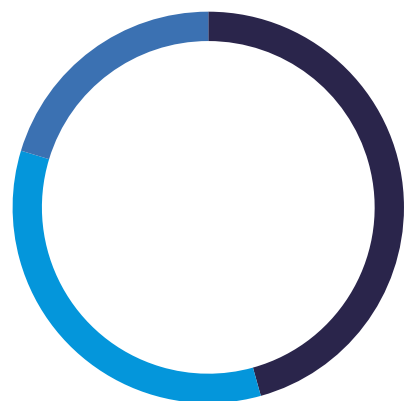
126%

Business review

The background is a deep blue gradient with abstract, glowing light streaks and geometric shapes in lighter shades of blue and white, creating a sense of motion and depth.

Track testing

Revenue by sector



- ADAS test products: £29.7m (+31%)
- Driving robots: £20.6m (+22%)
- Testing services: £14.4m (+43%)

£64.7m

+30%

Track testing revenue

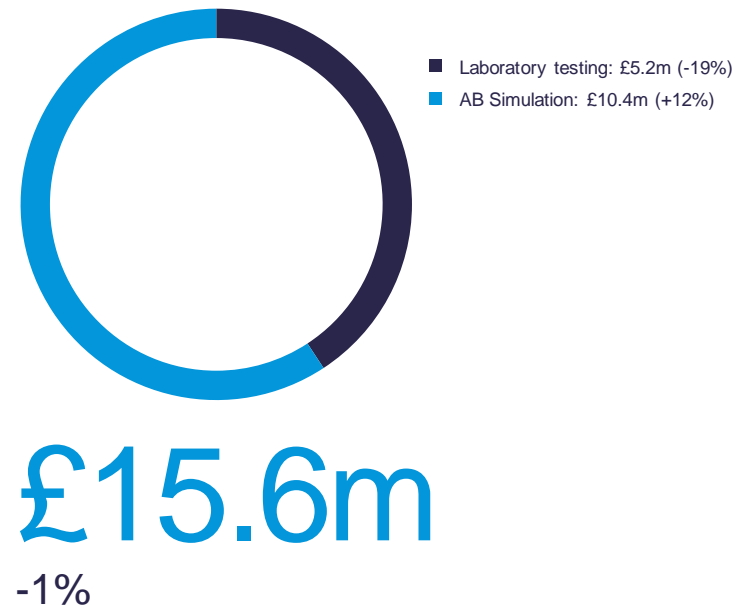


Highlights

- Market drivers supported significant demand with positive book to bill ratios across all product lines
- Strong growth in ADAS test products with notable growth in vehicle testing platforms (GST)
- Good recovery in driving robot sales delivering 22% growth
- Strong growth in testing services driven by acquisition of VadoTech and a flat performance for DRI testing services
- New product development in ADAS platform technologies and highly differentiated ADAS targets (Soft Motorcycle 360 and Articulating Pedestrian)

Laboratory testing and simulation

Revenue by sector



Laboratory testing and simulation



Highlights

- Good growth in simulation driven by delivery of new aVDS systems and very strong performance at rFpro
- Decline in laboratory testing revenues due to phasing of large SPMM contracts
- Overall positive book to bill ratio within laboratory testing and simulation with a strong order backlog for SPMM
- aVDS-HP development completed
- Commenced development of highly differentiated motion platform technology
- Acquisition of Ansible Motion completed September 2022, and the creation of a new market facing business unit, AB Simulation

Strategy update

The background is a solid blue color with a gradient. On the right side, there are several curved, glowing light streaks in shades of blue and white, creating a sense of motion and energy. The overall aesthetic is modern and professional.

ESG is an intrinsic part of our purpose

Our purpose

We accelerate our customers' drive towards net zero emissions, improving road safety and the automation of vehicle applications through leadership and innovation in engineering and technology.

- Fundamentally aligned to ESG through our mission to deliver ongoing improvements in road safety, including the reduction of road-based injuries and fatalities
- Further opportunity to support our sustainability objectives by assisting in the deployment of electric vehicles
- ABD Solutions offers opportunity for retrofit and recycling, improvements in mining safety and agricultural efficiency

Key facts

1.35m

annual road deaths globally

93%

of road deaths occur in low and middle-income countries

20–50m

road-based injuries per year

Greater than half

of road traffic deaths are pedestrians, cyclists and motorcyclists

Road traffic injuries

are the leading cause of death for children and young adults aged 5–29 years

Road traffic crashes

cost most countries 3% of their gross domestic product

ESG progress



Health and safety



- AB Dynamics' core mission is to reduce road fatalities and injuries
- ABD Solutions providing automation in safety critical industries
- Zero fatalities, reportable or lost time incidents in FY2022

Community partnerships



- Launched new CSR criteria: Environment, Community, Diversity & Inclusion, Industry, and Social Opportunity
- Numerous community projects

Sustainability



- Supporting global deployment of electric vehicles
- ABD Solutions automating vehicle applications

Our people



- Launch of the Group-wide Professional Development Programme
- Mid-year salary increases due to the cost-of-living crisis
- 40% of Board female and active engagement to promote women in STEM

Environmental leadership



- Medium-term plan on carbon neutrality by 2030
- ISO 14001 achieved in UK and Germany
- AB Dynamics UK uses renewable energy sources

Ethics and compliance

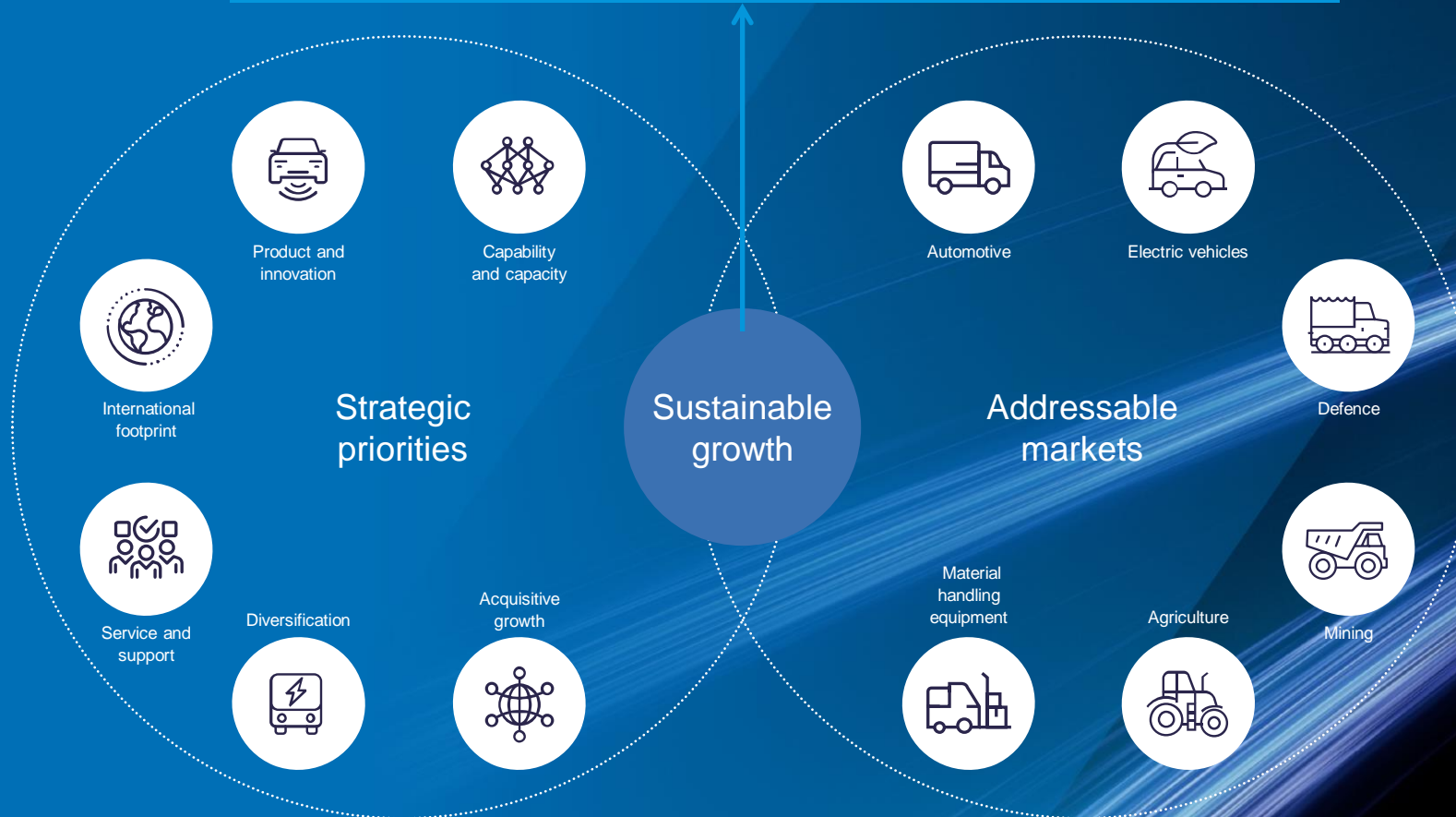


- Active training programme with 71% of global employees trained on Business Ethics
- Suite of policies and training in place including Anti-Bribery and Corruption, Anti-Money Laundering, Whistleblowing, Human Rights and Modern Slavery

Strategy

Our purpose

We accelerate our customers' drive towards net zero emissions, improving road safety and the automation of vehicle applications through leadership and innovation in engineering and technology.



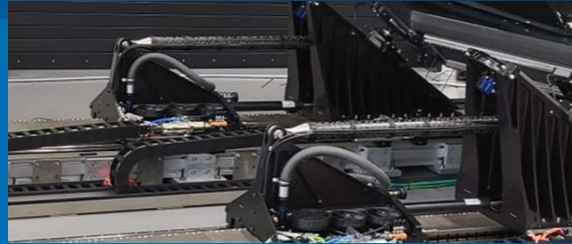
Building a broader based business to drive sustainable growth

Progress against strategic priorities



Product and innovation

- LaunchPad Spin development
- rFpro SaaS programme
- Motorcycle and articulating pedestrian ADAS dummies
- Completion of aVDS-HP simulator system
- New simulator technology development



Capability and capacity

- Organisational redesign and implementation
- Continued investment in leadership capability
- Addition of new manufacturing facility in Norfolk
- Operational improvement programme
- ERP system implementation



Diversification

- Continued development of ABD Solutions technology ecosystem
- Development of detect and stop capability for durability testing



Acquisitive growth

- Acquisition of Ansible Motion completed September 2022
- Good pipeline of further value-enhancing acquisitions

ABD Solutions progress

- Mission to accelerate the automation of vehicle applications in three primary market sectors with initial focus on mining, defence and specialist vehicles
- Focus on delivering against the 18-month R&D contract awarded for conversion of large mining trucks in the Japanese market
- Technology development on plan with system demonstrations on mining vehicles completed (including hydrostatically steered articulated vehicles)
- Strong potential for sales of technology stack (ECU plus software) for CAN-bus vehicle applications
- System branded as Indigo-Drive
- Signed Memorandum of Understanding with Amaroq Minerals PLC for mining applications in Greenland



ABD Solutions architecture



Vehicle Actuation

- Mechanical Robots
- Drive by Wire
- CAN
- J1939



Vehicle Communications

- Radio
- V2X
- Satellite
- GPS/GNSS
- Indoor and Outdoor



Vehicle Autonomy



Vehicle Management

Fleet Management System



Object Detection

- LiDAR
- Camera
- InfraRed
- Radar



Vehicle Diagnostics

- Telemetry
- OBD2
- CAN/J1939
- Sensors

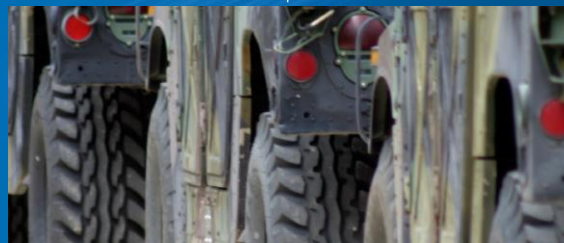


Technology Partners/Integration

- Indoor Positioning
- Electrification and Hybrid Propulsion
- Sensors
- OEMs
- Site Ops/ Management Systems
- Data Analytics



Mining and Heavy Industry



Defence



Agriculture

Capital allocation framework to deliver sustainable compounding growth as well as growing returns to shareholders

1

Continuous organic investment and innovation to protect and grow core business

2

Organic investment into ABD Solutions driving growth in adjacent markets by leveraging core technology

Disciplined approach to investment, returns and capital efficiency

3

Complementary acquisitions contributing to one or more of the Group's stated strategies

4

Progressive dividend policy resumed following a pause through COVID-19 pandemic

Highly targeted acquisitions remain an important part of our value creation strategy

Approach



- The market in which the Group operates for acquisitions is relatively large and fragmented
- The Group is active in identifying opportunities within the existing core automotive market, in addition to adjacent market sectors
- Any acquisition made by the Group should contribute to one or more of the Group's stated strategic priorities and should be value enhancing

Evaluation



- Central resources to drive strategic development and specifically acquisitions
- Businesses should have a track record of sustainable revenue growth and strong gross margins, indicating a competitive market position with differentiated products and/or services
- Hybrid model of acquisitions operating as independent businesses whilst exploiting the synergies of being part of a larger Group

Progress



- Average of one acquisition delivered per year between FY 2019 and FY 2022
- Acquisitions to date are rFpro (simulation software), DRI (track testing), VadoTech (testing services) and now Ansible Motion (DiL simulators)
- Good long-term pipeline of promising acquisition opportunities

Compounding organic growth through carefully selected, value-enhancing acquisitions

AB Dynamics end to end toolchain



Digital world simulation



Simulators and laboratory testing



Physical track testing and measurement



Real world testing (on road testing)

AB Dynamics

rFpro

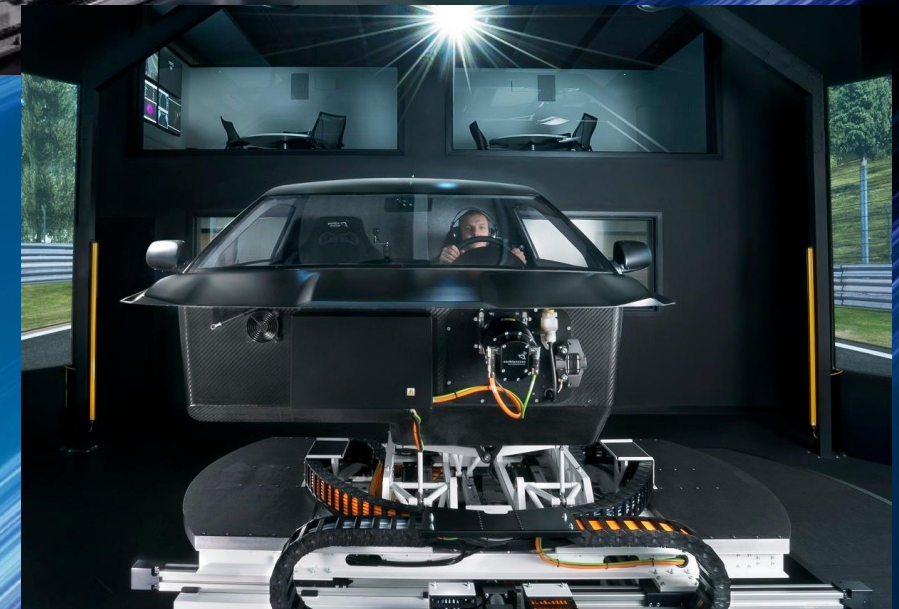
DRI

Ansible Motion

VadoTech

Acquisition case study – Ansible Motion

- Ansible Motion (AML) provides scalable full motion and static simulators using the existing rFpro physics-based simulation software
- Established business with strong customer base across OEMs, Tier 1 suppliers, motorsport and academic institutions
- Acquisition accelerates the build out of the simulator product family
 - Move into larger displacement applications
 - Full yaw rotation to 360 degrees
 - Supported by ongoing R&D to further expand portfolio
- Provides critical mass to the AB Dynamics simulator business
 - Formation of AB Simulation business unit (aVDS, rFpro and AML)
 - Addition of highly capable technical team and facilities in the UK
- Strong order book underpins FY 2023 financial expectations



AB Simulation product range

Static Simulators



aVDS Static

Entry level simulator with active steering and brake for early model development

£250k



Theta Cube

Extremely high-quality self-contained transportable simulator

£400k



Sigma

Fully immersive static simulator, featuring a real or replica vehicle cockpit and projection vision system

£750k



Alpha Series

New range of high frequency, low latency simulators currently under development. Designed specifically to address the gap in the market for competitively priced high-performance simulators offering significant advantages over high-end hexapod systems

Under development

£2.0m

Dynamic Simulators



aVDS

High dynamic response simulator primarily for motorsport applications with a pedigree from F1

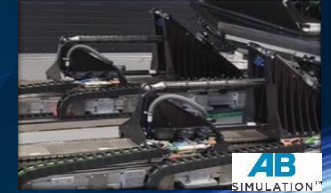
£2.8m



Delta S3

High fidelity simulator with exceptionally large motion envelope for sustained cueing (featuring 360° yaw and scalable surge and sway)

£3m



aVDS-HP

High dynamic response simulator with high payload capability (700 Kg) for automotive applications

£3.3m

Price

Summary and outlook

The background is a solid blue color with a gradient. On the right side, there are several curved, glowing light streaks in shades of blue and white, creating a sense of motion and depth. The overall aesthetic is modern and professional.

Summary

- Strong revenue and operating profit growth of 23% and 18% respectively
- Good recovery in track testing product sales
- Order intake remained strong with a positive book to bill ratio providing confidence for FY 2023
- Continued investment in new product development, capabilities, people and talent
- Technology developments at ABD Solutions on plan and Japan contract award for mining applications
- Post-year-end acquisition of Ansible Motion provides critical mass to simulation sector



Outlook

- Macroeconomic challenges
 - Supply chain disruption
 - Inflation
 - Geopolitical uncertainty
- Strategic and operational priorities
 - Integration of Ansible Motion
 - ABD Solutions
 - New product launches
- Medium-term drivers
 - Continued trading momentum provides confidence for FY 2023
 - Long-term structural and regulatory growth drivers remain supportive of continued growth
 - Strong balance sheet supports continued investment in innovation and value-enhancing acquisitions
 - The Board's expectations for FY 2023 remain unchanged



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Alternative performance measures

| | Cash flow impact | | | |
|--------------------------------------|------------------|------------|------------|------------|
| | 2022 £m | 2021 £m | 2022 £m | 2021 £m |
| Amortisation of acquired intangibles | 5.5 | 4.4 | – | – |
| Acquisition related costs | 0.3 | 0.8 | 0.3 | 0.3 |
| ERP development costs | 1.7 | 1.4 | 1.7 | 1.4 |
| Total adjustments | 7.5 | 6.6 | 2.0 | 1.7 |

Balance sheet

| | 2022 £m | 2021 £m |
|-------------------------------|--------------|--------------|
| Goodwill and intangibles | 50.5 | 52.1 |
| Property, plant and equipment | 26.6 | 26.7 |
| Fixed assets | 77.1 | 78.8 |
| Working capital | 9.3 | 12.9 |
| Asset held for sale | 1.9 | 1.9 |
| Net cash | 29.2 | 22.3 |
| Net current assets | 40.4 | 37.1 |
| Tax liabilities | (5.5) | (6.0) |
| Deferred consideration | – | (4.9) |
| Net assets | 112.0 | 105.0 |

- Balance sheet remains robust demonstrating the Group's resilience to macro-economic pressures
- Significant cash resources enable continued investment in growth opportunities, NPD and infrastructure
- Net cash position allows the Group to focus on its strategy for long-term sustainable growth
- Revolving credit facility of £15m to February 2025

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