

Driving delivery

Preliminary results presentation – 26 November 2024
Year ended 31 August 2024



Agenda

Highlights

Financial results

ABD's transformation

Growth strategy and value creation

- Organic growth drivers
- Margin expansion
- M&A
- ABD Solutions

Wrap up



Dr James Routh, Chief Executive Officer



Sarah Matthews-DeMers, Chief Financial Officer

Highlights

Dr James Routh, Chief Executive Officer



2024 operational and strategic highlights

Strong financial results:

- 10% growth in revenue
- 22% growth in operating profit

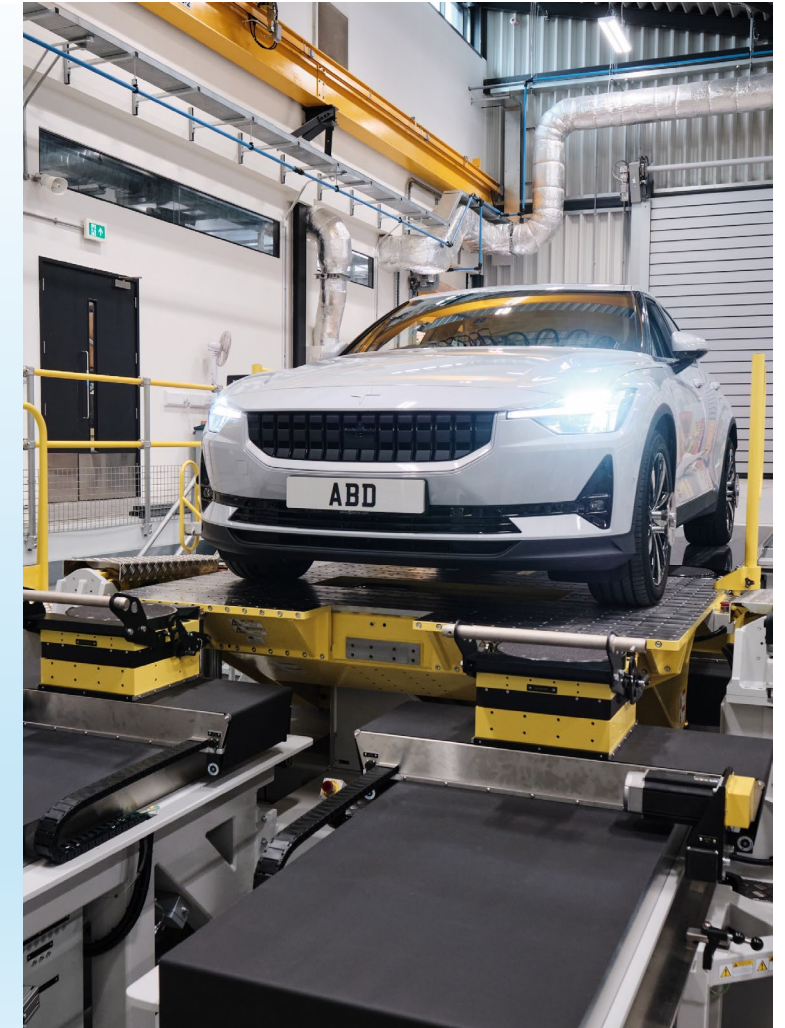
Market and customer activity levels positive

Product development and new product launches

Contract win for ABD Solutions for delivery in FY 2025

VTS acquisition completed, Bolab acquired post year end

MSCI AAA rating achieved



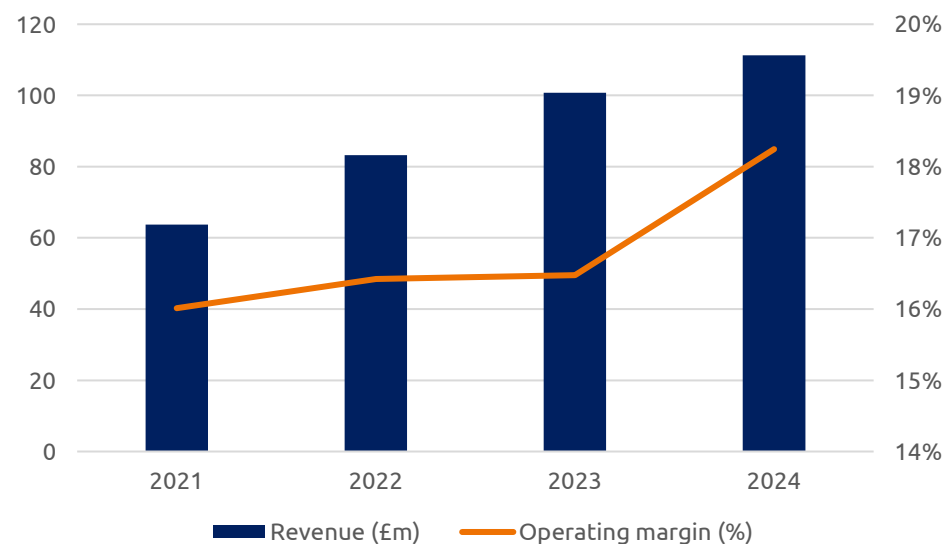
Financial results

Sarah Matthews-DeMers, Chief Financial Officer

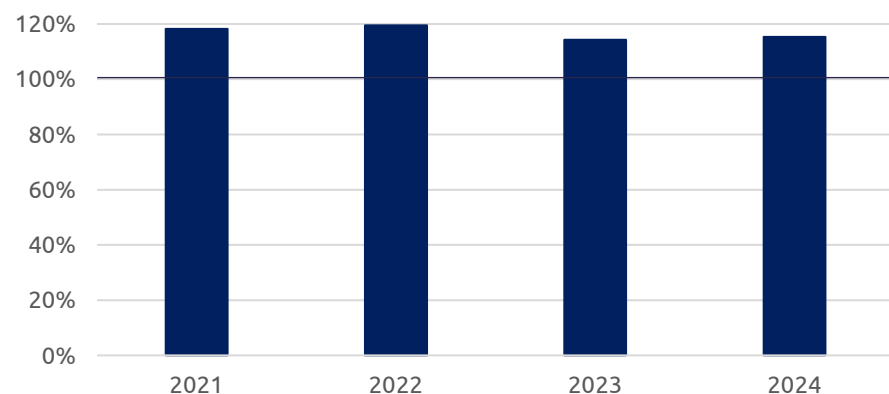


Continued strong financial performance

Revenue and operating margin



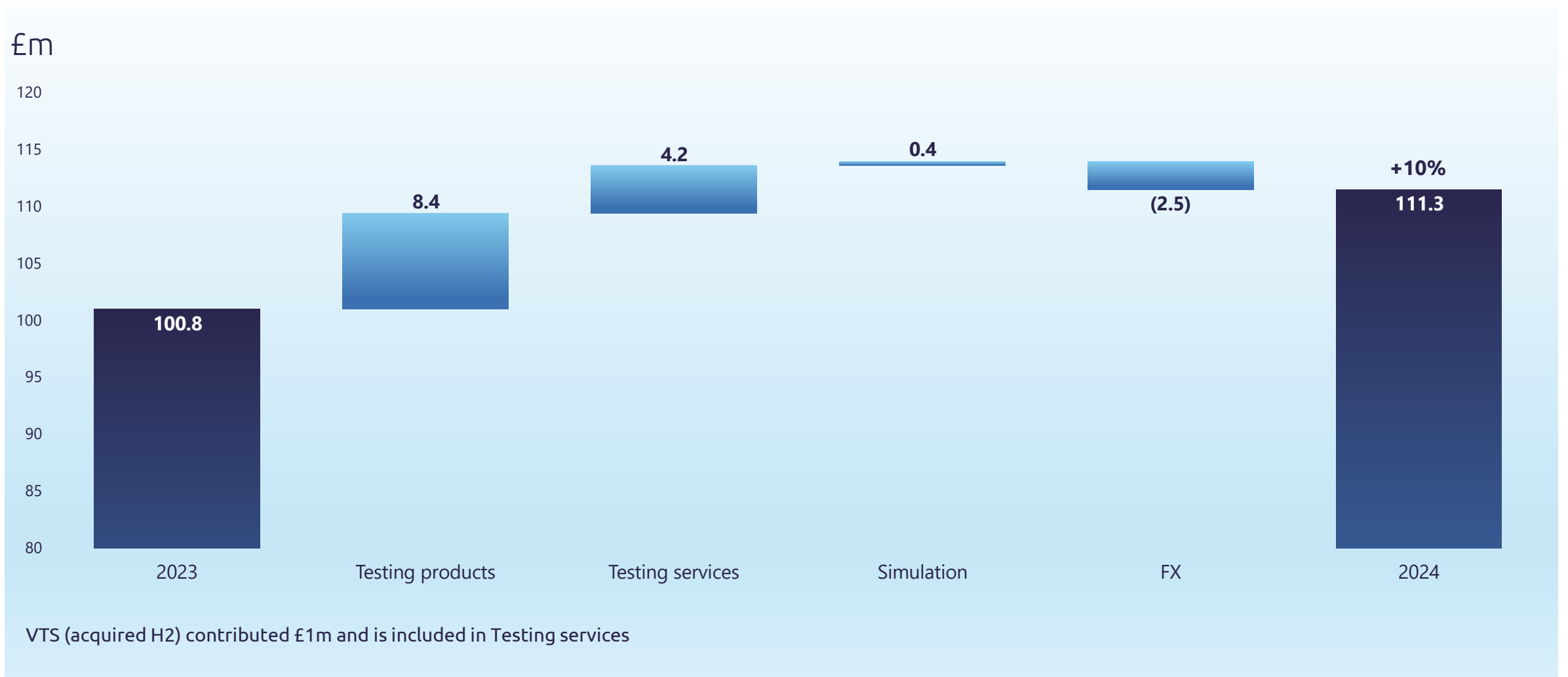
Cash conversion (%)



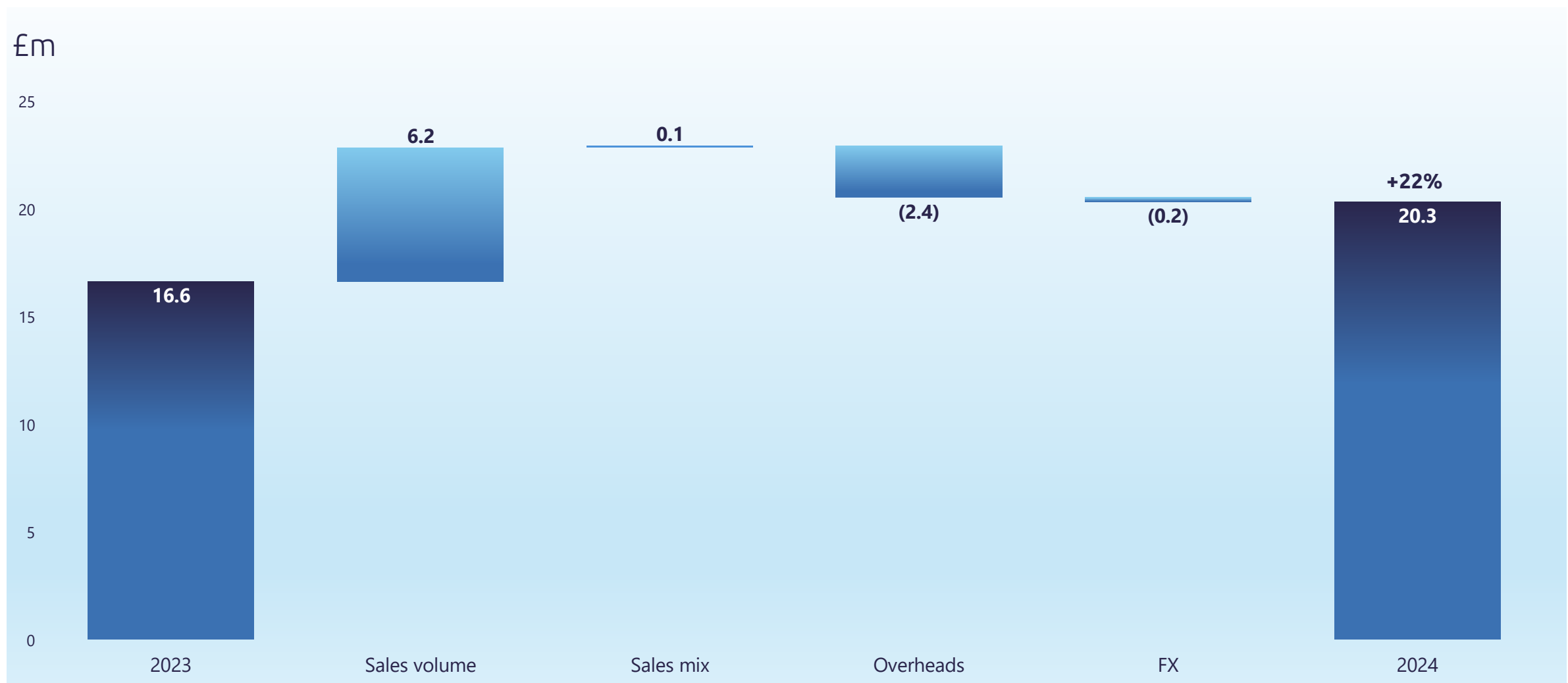
	2024	2023	Change
Revenue	£111.3m	£100.8m	↑ 10%
Adjusted* operating profit	£20.3m	£16.6m	↑ 22%
Adjusted* operating margin	18.2%	16.5%	↑ 170 bps
Adjusted* diluted EPS	70.0p	60.8p	↑ 15%
Cash conversion	115%	114%	
Order book	£30.3m	£42.9m	↓ 29%

- Revenue up 10% with strong growth across testing products and services
- Operating profit up 22% to £20.3m
- Operating margin expansion, up 170 bps to 18.2%, as a result of operating leverage and operational improvements
- Effective tax rate up to 18.7% due to increase in UK rate
- Diluted EPS up 15% to 70.0p
- Dividend up 20% to 7.63p
- Cash conversion of 115% with rolling three-year average of 116%
- Closing order book of £30.3m provides good visibility into FY 2025

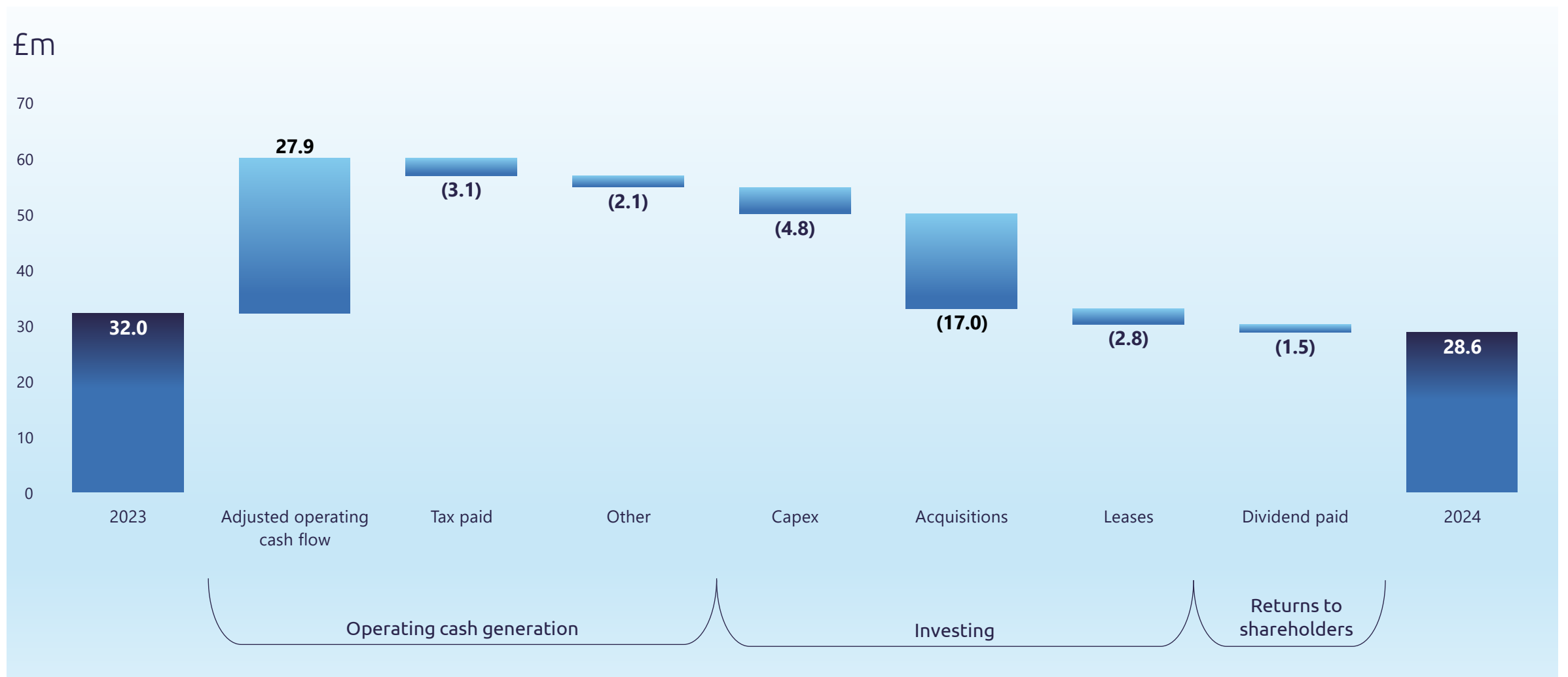
Revenue



Adjusted operating profit



Net cash



Testing products

	2024	2023	Change
Revenue	£69.4m	£63.0m	↑ 10%
EBITDA	£15.4m	£11.8m	↑ 31%
EBITDA margin	22.2%	18.7%	↑ 350 bps
Adjusted operating profit	£13.2m	£9.1m	↑ 45%
Adjusted operating margin	19.0%	14.4%	↑ 460 bps

Highlights

- Market drivers continue to support track testing activity levels
- Strong growth in driving robots and ADAS testing products
- Regulatory accreditation of LaunchPad Spin, Soft Motorcycle 360 and Soft Pedestrian 360 products
- Increase in margin demonstrates benefit of investment in business infrastructure and capability made in previous years



Testing services

	2024	2023	Change
Revenue	£16.7m	£12.9m	↑ 29%
EBITDA	£5.4m	£3.7m	↑ 46%
EBITDA margin	32.3%	28.7%	↑ 360 bps
Adjusted operating profit	£4.2m	£2.9m	↑ 45%
Adjusted operating margin	25.1%	22.5%	↑ 260 bps

Highlights

- Strong recovery in US activity levels with better availability of vehicles
- Recovery in market conditions in China
- Acquisition of VTS in H2 performed in line with expectations, integration progressing as planned
- Margin improvement driven by increase in volume



Simulation

	2024	2023	Change
Revenue	£25.2m	£24.9m	↑ 1%
EBITDA	£7.5m	£8.6m	↓ 13%
EBITDA margin	29.8%	34.5%	↓ 470 bps
Adjusted operating profit	£7.0m	£8.3m	↓ 16%
Adjusted operating margin	27.8%	33.3%	↓ 550 bps

Highlights

- Following the 2023 acquisition of Ansible, simulator product range now fully aligned and strong growth in simulation software
- Agreements established with key technical partners
- High value simulator sales are individually material and revenue recognition is impacted by timing of delivery
- Margins will be impacted by the mix of software and equipment sales in a given reporting period

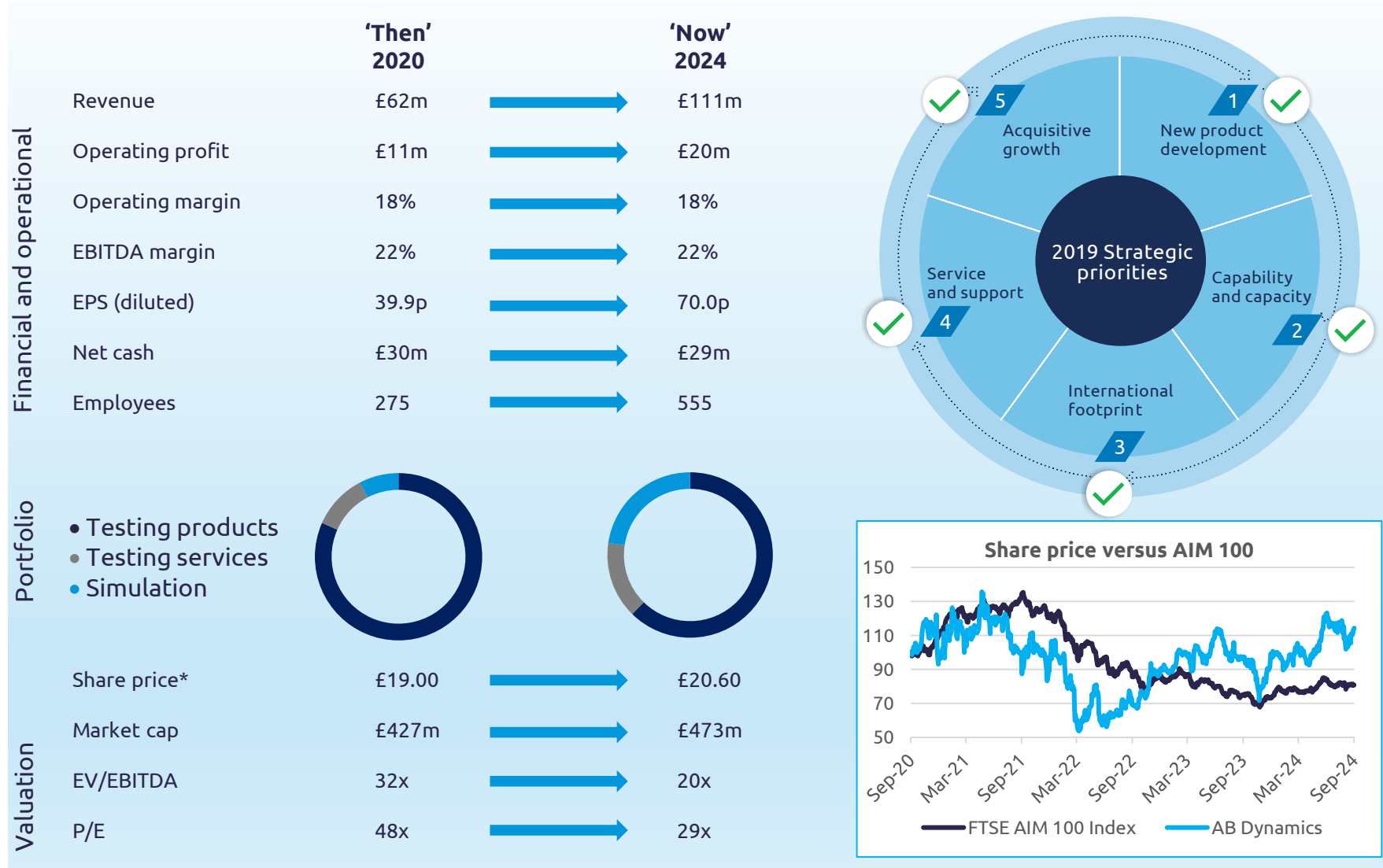


ABD's transformation

Sarah Matthews-DeMers, Chief Financial Officer



ABD's transformation



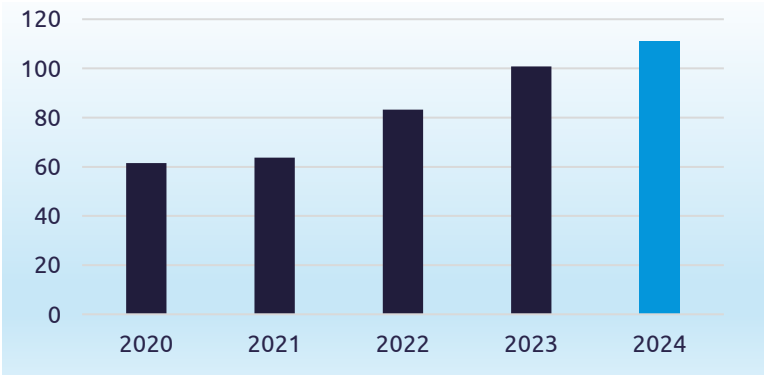
Achievements

- Investment in R&D has enhanced product range
- Investment in people, infrastructure, skills and capabilities
- Investment in geographical coverage
- Increase in recurring revenue from 8% to 45%
- Six acquisitions building out product and service portfolio
- Resilience enhanced by diversification
- Created a higher quality Group delivering sustainable organic growth, improving margins and strong cash generation

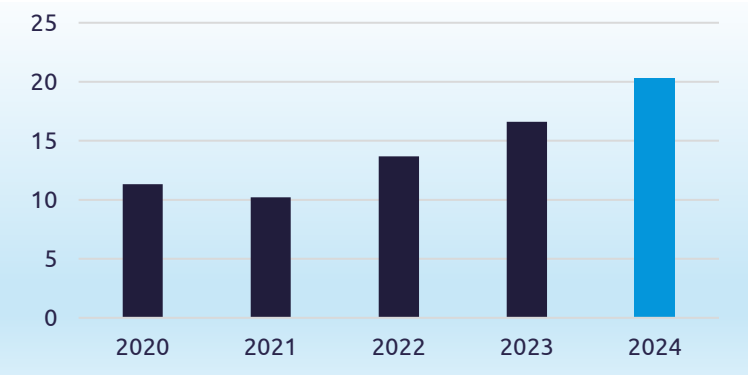
* Closing share price as at 31 August

ABD's transformation

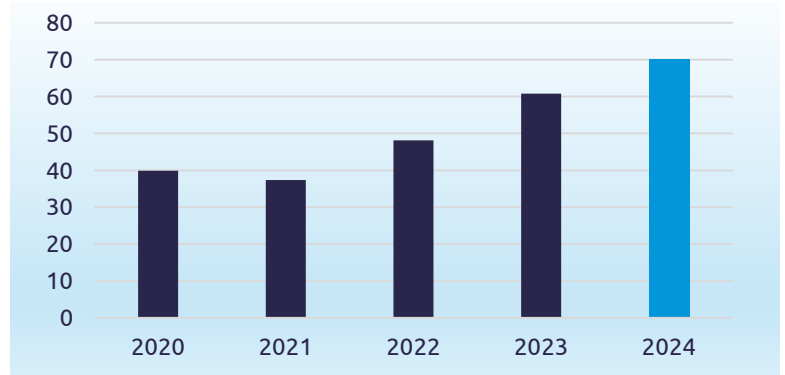
Revenue (£m)



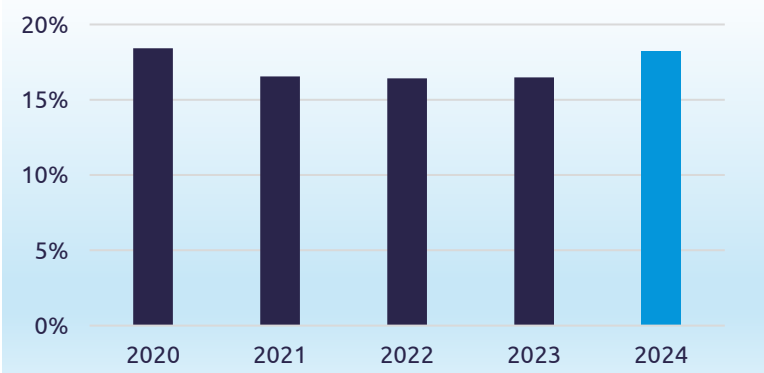
Operating profit (£m)



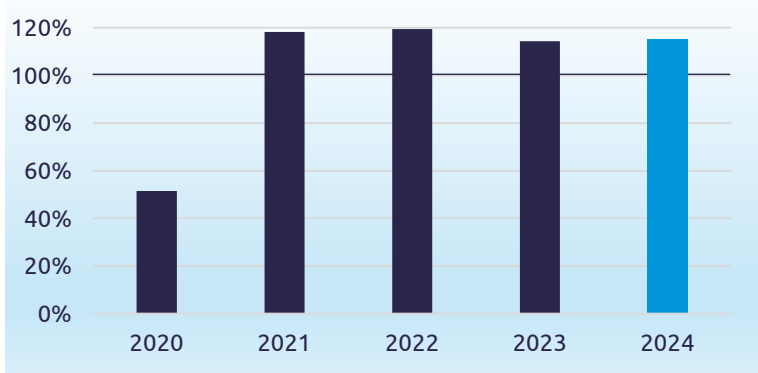
Earnings per share (pence)



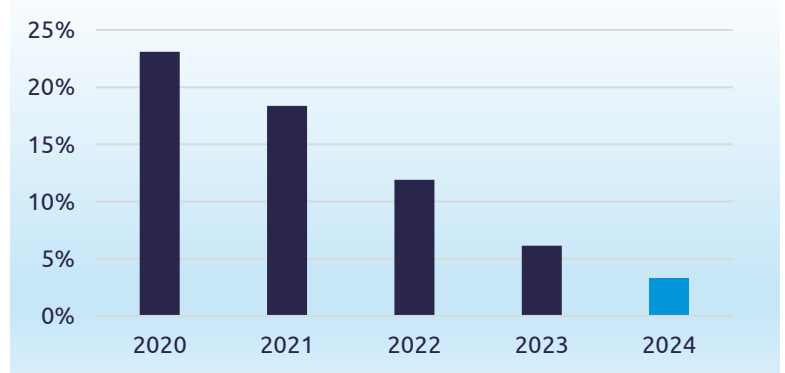
Operating margin (%)



Cash conversion (%)



NWC/revenue (%)



- Strong track record of improvement in key metrics since 2020
- Strong cash conversion over the period – rolling three-year average of 116%
- Investment in operating capability and capacity building robust foundations for profitable growth
- Significant cash resources provide capacity for further investment

Key financial enablers

Capital allocation

- Organic R&D and capex
- ABD Solutions
- M&A
- Dividends

Cash conversion

- Last three-year rolling average 116%
- Aim to continue at 100% through the cycle

Strong balance sheet

- Cash positive – c£30m
- RCF facility – £15m
- Debt capacity of 2x EBITDA – c£50m

Great people

- 555 global employees
- 200 qualified engineers and technicians
- c90% retention rate

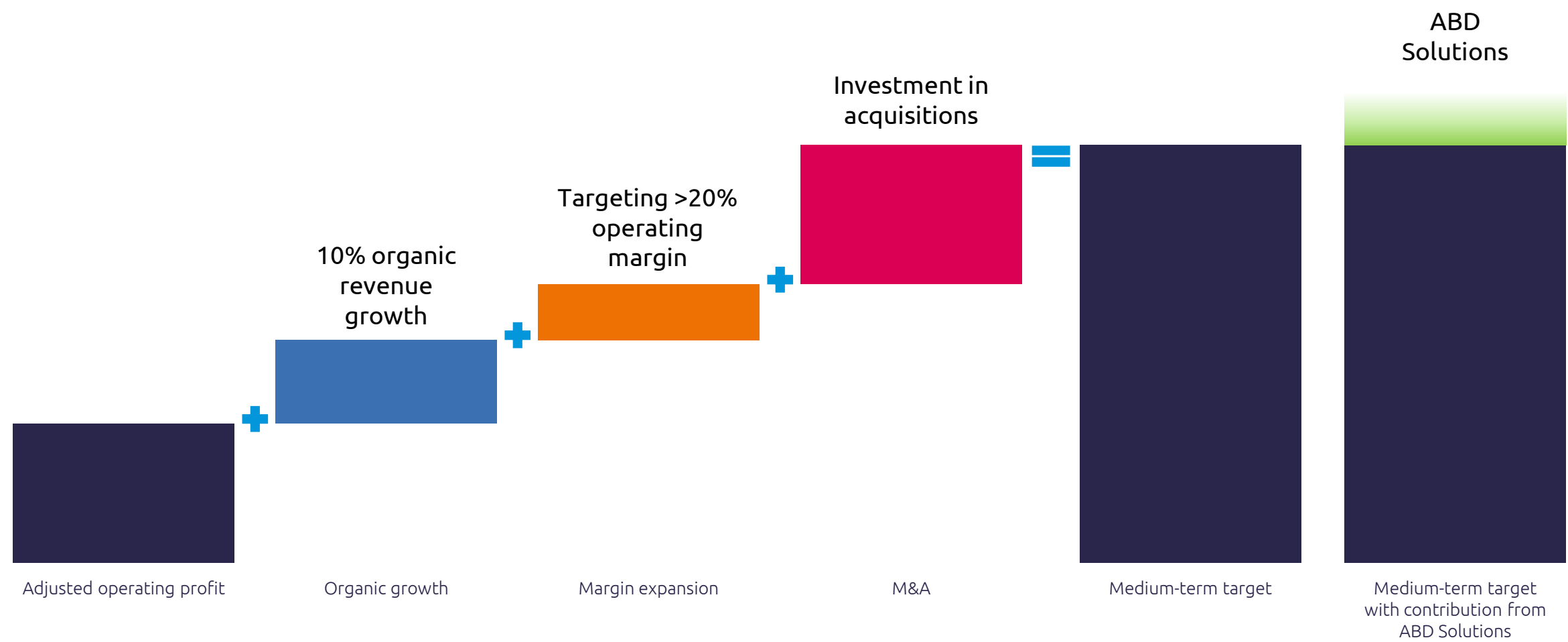
Growth strategy and value creation

Dr James Routh, Chief Executive Officer



Value creation roadmap

Our ambition is to double revenue and triple operating profit over the medium term



Organic growth drivers



Organic growth drivers

Market drivers			
Consumer ratings	Regulation	New vehicle models	New powertrains
<ul style="list-style-type: none">• Improving safety technology• Increasing number and complexity of tests• Euro NCAP standards becoming global• Standards expanded to multiple vehicle categories	<ul style="list-style-type: none">• US – NHTSA• Europe – UNECE• Japan• China	<ul style="list-style-type: none">• Development• Certification• Speed to market• Cost effectiveness• New sensor technology• Increasing automation	<ul style="list-style-type: none">• EVs• Hybrid• Hydrogen• Reduced emission fuels
1,000 NCAP tests by 2030 up from 450	>40,000 road deaths in the USA	c150 new model launches 2023	+400 OEMs developing EVs
Testing products			
Testing services			
Simulation			

Organic growth drivers – high quality long-term customer relationships

Customer experience with ABD throughout the development cycle from concept design to launch



Margin expansion



Margin expansion

A programme of incremental improvements underpinned by our new ERP

Three opportunities . . .

Scale

Simplify

Standardise

Across three core focus areas

Operational gearing

Improved supply chain

Operational efficiency

Gearing our business for growth whilst optimising production and servicing costs

Transforming our sourcing and purchasing capabilities and rationalising our product range

Aligning people, processes, design for manufacture and technology to underpin efficient operations

ERP platform

Culture

M&A



Inorganic growth driver – M&A

A strong financial framework delivering value enhancing M&A

- Our M&A pipeline is healthy and based on clear criteria
- Our initial focus is on bolt-on acquisitions, where the target is operating in a niche area at high margins, but is individually sub-scale
- Typically targets will offer new product or service capabilities that can be cross-sold through our existing sales channels and relationships
- We typically target profitable, cash generative businesses capable of achieving strong ROI, which are EPS accretive
- Strong track record of integrating businesses onto the ABD platform
- Highly disciplined approach to deal execution

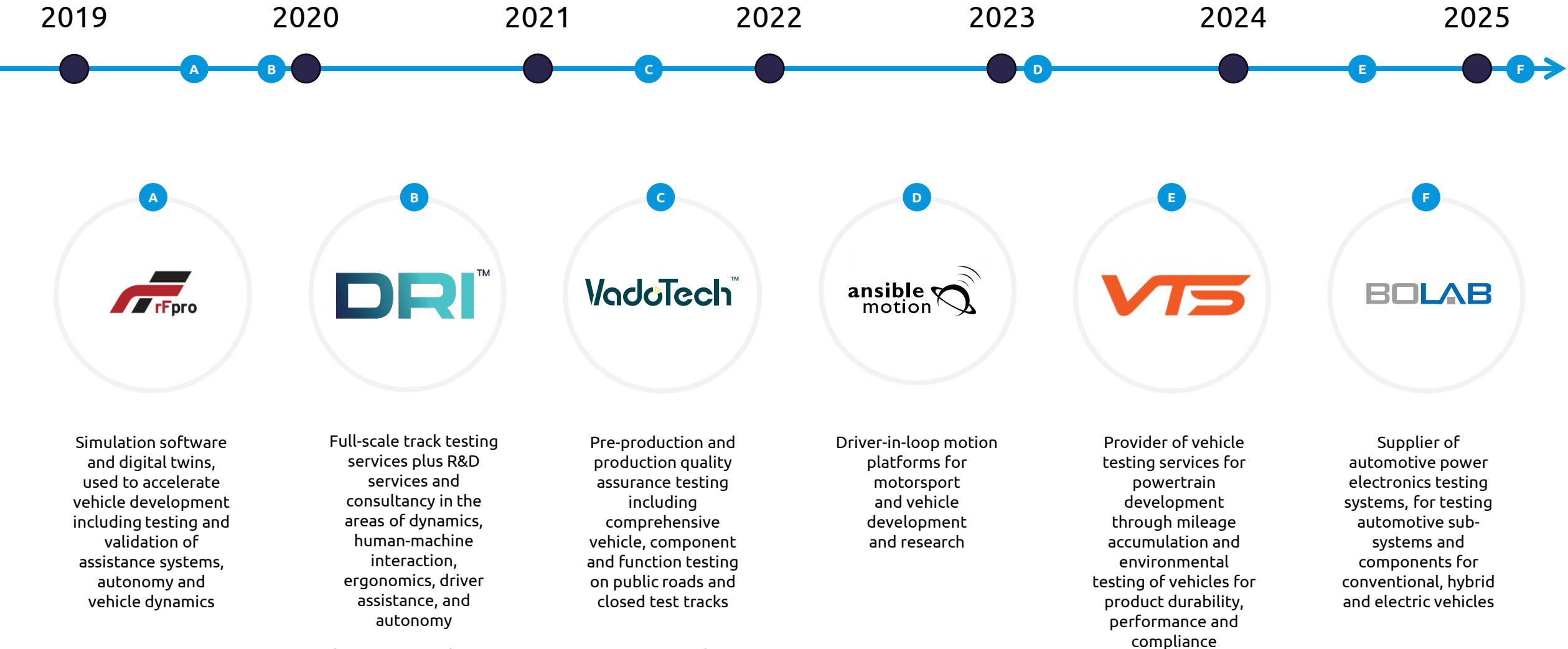
50 opportunities

25 focused relationships

Up to 4 active discussions
Preferred approach: transact off-market

Acquisition timeline

The team is experienced in successfully executing and integrating transactions

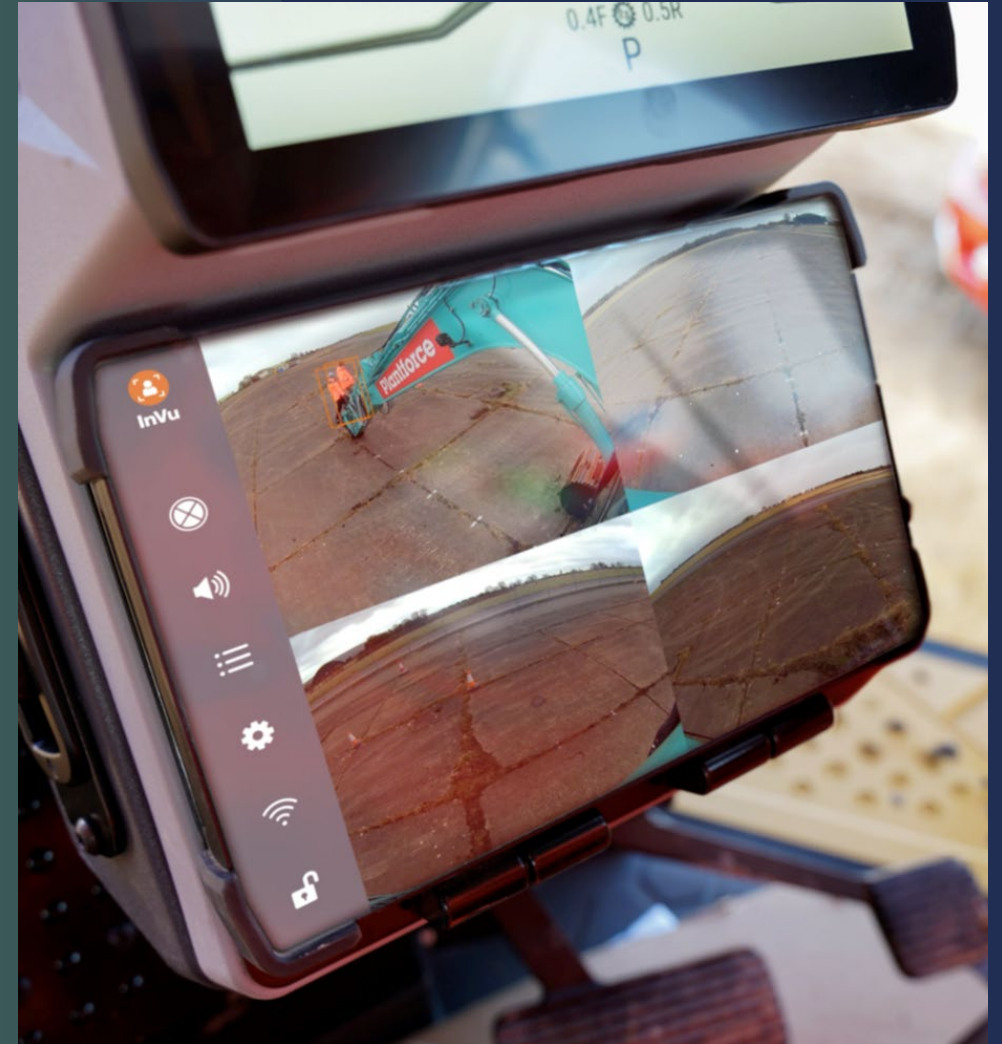


ABD Solutions



ABD Solutions

- Good progress in expanding into adjacent markets through ABD Solutions
- Initial units of product for construction vehicles delivered in FY 2024, with follow on order placed by customer for delivery in FY 2025
- Initial contract win of £2m for major automotive OEM for delivery in FY 2025 with potential for further follow on orders
- Several phase 1 feasibility contracts for mining customers
- Demonstrates capability as Group's technology accelerator unit
- Product development largely complete and focus on commercialisation is driving an improved pipeline
- Engineering team merged with wider Group function



Wrap up

Dr James Routh, Chief Executive Officer



FY 2024 summary and FY 2025 outlook

FY 2024 summary

- Strong strategic, financial and operational progress
- Double digit revenue and profit growth
- Further operating margin improvement
- Diluted EPS growth of 15%
- Continued strong cash conversion

FY 2025 outlook

- Long-term structural and regulatory growth drivers remain supportive of continued growth
- Market drivers and operational improvement initiatives support future margin expansion
- Good pipeline of acquisition opportunities
- Board expects FY 2025 to be slightly ahead of current expectations¹
- Underpins medium-term financial objectives for the Group²

Operating profit growth

22%

Operating margin

18.2%

3 year rolling average cash conversion

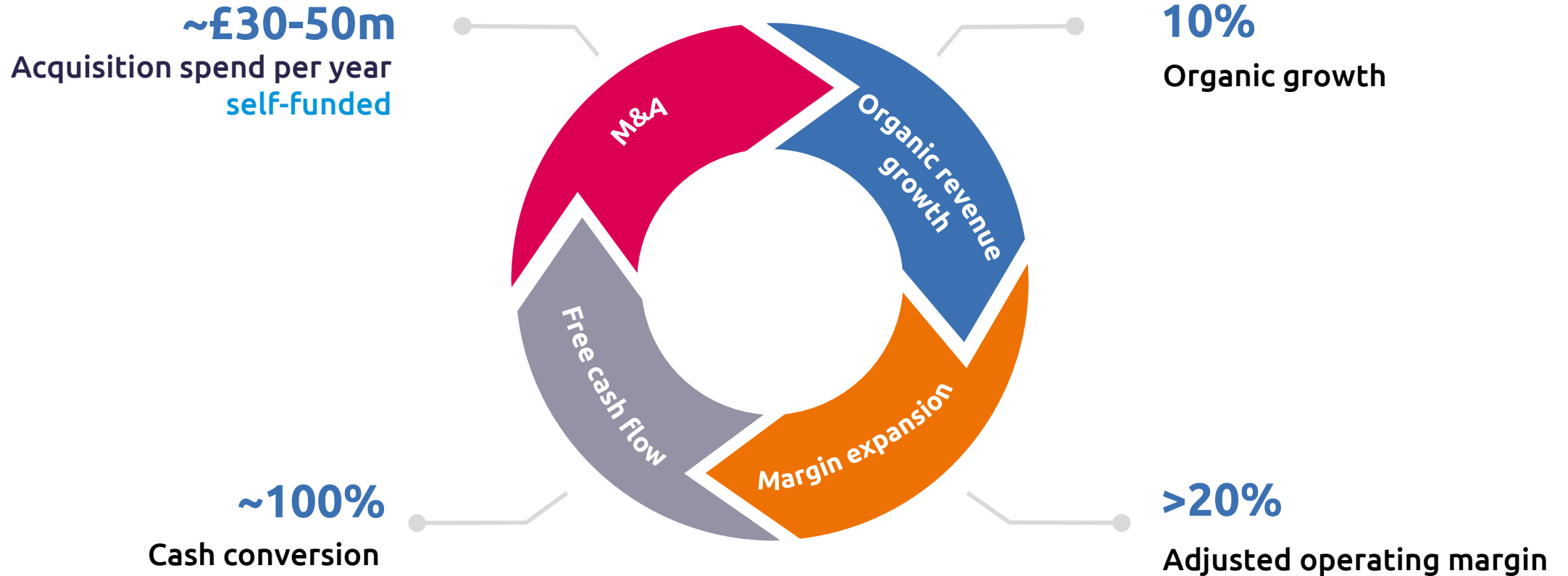
116%

¹ See slide 39 for current expectations

² See slide 33 for medium-term financial objectives

Summary of growth strategy and value creation

Our ambition is to double revenue and triple operating profit





Appendices



Medium-term financial assumptions and objectives

Medium-term targets:

Revenue (CAGR)	Adjusted operating margin
10% organic	>20%
Operating cash conversion	Net debt to EBITDA
100% through cycle	Up to 1.0x

Other financial guidance:

Capex % of revenue	R&D % of revenue
5% – 6%	Circa 5% (partly customer funded)
FX	Group underlying effective tax rate
10% weaker GBP = +5% revenue and profit	21% – 23%

Income statement

	2024	2023	Change
Revenue	£111.3m	£100.8m	↑ 10%
Gross margin	59.6%	59.5%	↑ 10 bps
EBITDA*	£24.2m	£20.5m	↑ 18%
Adjusted* operating profit	£20.3m	£16.6m	↑ 22%
Adjusted* operating margin	18.2%	16.5%	↑ 170 bps
Adjusted* tax rate	18.7%	13.2%	↑ 550 bps
Adjusted* diluted earnings per share	70.0p	60.8p	↑ 15%
Dividend per share	7.63p	6.36p	↑ 20%
Adjusted* cash flow from operations	£27.9m	£23.5m	↑ 19%
Cash conversion	115%	114%	

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

Sector revenue disclosure

Previous basis	2023	New basis	2023
	£m		£m
ADAS platforms	30.5	ADAS platforms	30.5
Driving robots	25.2	Driving robots	25.2
Testing services	12.9	Laboratory testing	7.3
Track testing	68.6	Testing products	63.0
Laboratory testing	7.3	Testing services	12.9
Simulation	24.9	Simulation	24.9
Laboratory testing and simulation	32.2		
Total revenue	100.8	Total revenue	100.8

Constant currency

Constant currency analysis	2024 as reported £m	2024 restated at 2023 rates £m	2023 £m	Change %
Revenue	111.3	113.8	100.8	+13%
Adjusted operating profit	20.3	20.5	16.6	+23%

Average exchange rate	2024	2023
US dollar	1.26	1.21
Euro	1.17	1.15
Yen	191	165

Sensitivity analysis	% of revenue	10% movement impact on revenue £m	10% movement impact on operating profit £m
US dollar	18%	1.8	0.3
Euro	29%	2.9	0.5
Yen	9%	1.0	0.2
Total	56%	5.7	1.0

- Future guidance based on \$1.26, €1.17, ¥191

Alternative performance measures

	Profit impact		Cash flow impact	
	2024 £m	2023 £m	2024 £m	2023 £m
Amortisation of acquired intangibles	6.4	7.2	—	—
Acquisition related costs / (credit)	0.2	(4.5)	0.2	0.7
ERP development costs	1.0	1.3	1.0	1.4
Acquisition related finance costs	0.4	0.8	—	—
Acquisition related bonus payment	—	—	—	2.1
Total adjustments	8.0	4.8	1.2	4.2

Balance sheet

	2024 £m	2023 £m
Goodwill and intangibles	78.4	72.5
Property, plant and equipment	32.5	27.2
Fixed assets	110.9	99.7
Working capital	3.6	6.2
Assets held for sale	1.9	1.9
Net cash	28.6	32.0
Net current assets	34.1	40.1
Deferred tax liabilities	(7.5)	(8.7)
Deferred consideration	(6.2)	(5.9)
Net assets	131.3	125.2

- Balance sheet remains robust demonstrating the Group's resilience to macroeconomic pressures
- Net cash position allows the Group to focus on its strategy for long-term sustainable growth
- Revolving credit facility of £15m runs to February 2026

Market consensus

- The Group is aware of seven analysts publishing independent research on the Group
- The Group has compiled consensus data* from the research it has been made aware of. The mean is set out below:

	2025	2026
Adjusted operating profit (£m)	21.5	23.6
Adjusted earnings per share (diluted) (pence)	69.9	76.0
Cash (£m)	29.7	34.6

** Compilation of data only, does not represent the Group's views of projections*

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