

Driving sustainability

Preliminary results – 25 November 2020



Preliminary results

Financial results

Business review

Strategy update

Summary and outlook



Dr James Routh, Chief Executive Officer



Sarah Matthews-DeMers, Chief Financial Officer

Highlights

Dr James Routh



Preliminary results

Revenue



£61.5m

+6%

Adjusted
Operating
Profit*



£11.3m

-12%

Adjusted
Operating
Margin*



18.4%

-390 bps

Adjusted
Diluted EPS



39.9p

-22%

Dividend
per Share



4.4p

+0%

Cash



£31.2m

-14%

* Includes Share Based Payment charge of £1.3m previously reported below the line
Adjusting for Share Based Payment charge, Adjusted Operating Profit was £12.6m (20.5% adjusted operating margin, -280bps)

A resilient performance against challenging market conditions

FY20 impact

- Strong performance in H1, pre COVID-19
- Core priority has been safety and wellbeing of staff
- Maintained operational continuity and supported customers in all territories
- Prudent cost and cash control
- Continued investment in R&D, facilities and infrastructure
- Significant disruption to customer track testing and motorsport operations
- Deferment of orders, particularly capital equipment

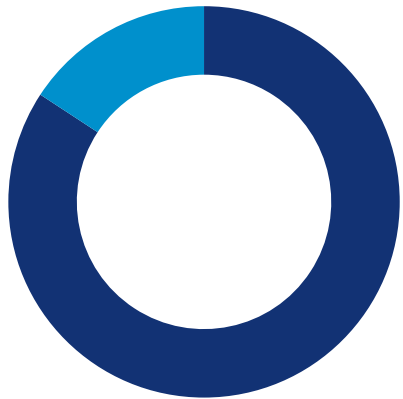
Market and outlook

- Gradual recovery through Q4 but still behind pre-COVID level in H1 FY21
- Customer activity and order intake recovering although timing uncertain
- Market position strengthened through this period and will emerge stronger
- Long term structural and regulatory growth drivers firmly intact
- Focus on strategic priorities with continued investment
- Acquisition pipeline re-engaged

Results overview

FY20 Full Year Revenue of £61.5m +6%

Revenue by sector



Track testing: £51.8m (+4%)
84% of revenue

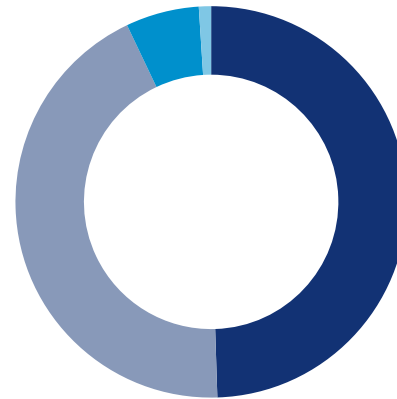
Laboratory testing and simulation:
£9.7m (+18%) 16% of revenue

Revenue by geography



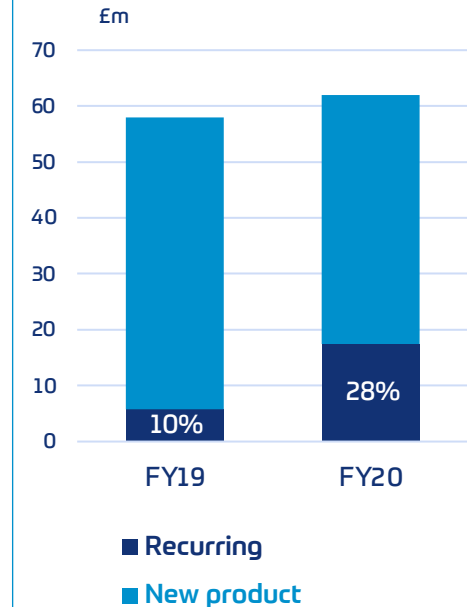
UK/Europe	£16.9m (-5%)
North America	£15.6m (+66%)
Asia Pacific	£27.8m (-4%)
Rest of World	£1.2m (-27%)

Revenue by customer type



Automotive OEMs	49%
Testing Services	43%
Tier 1	7%
Technology	1%

Proportion of recurring revenue



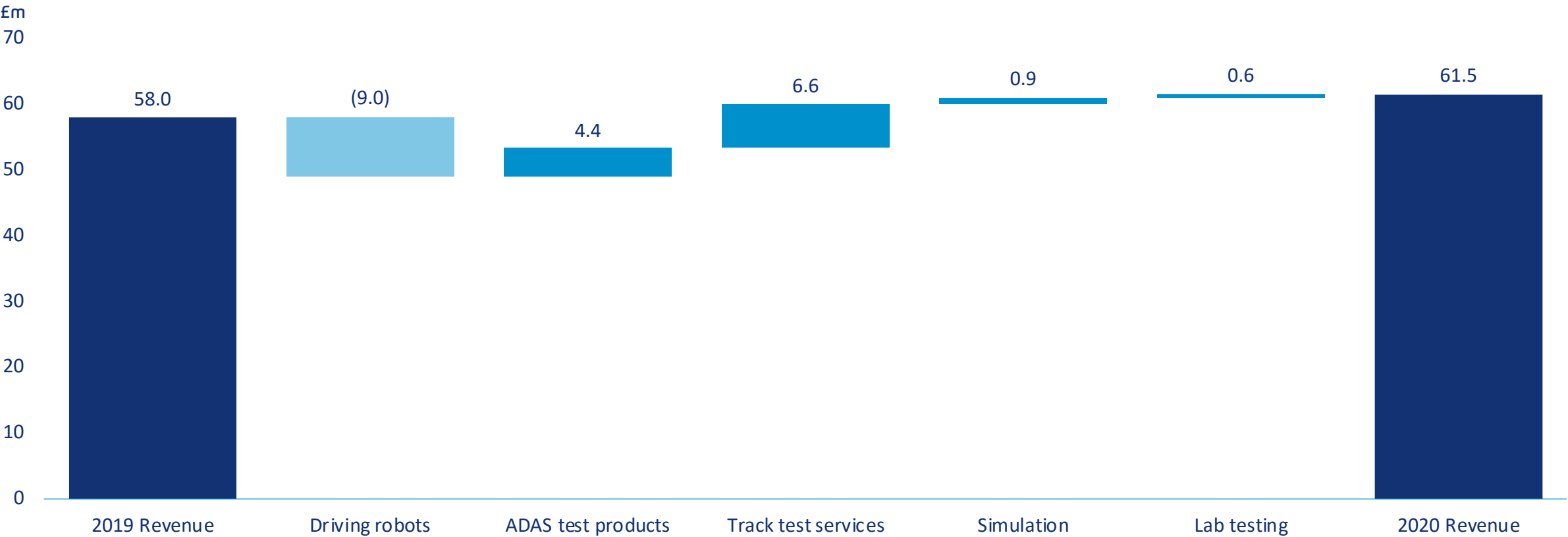


Financial results

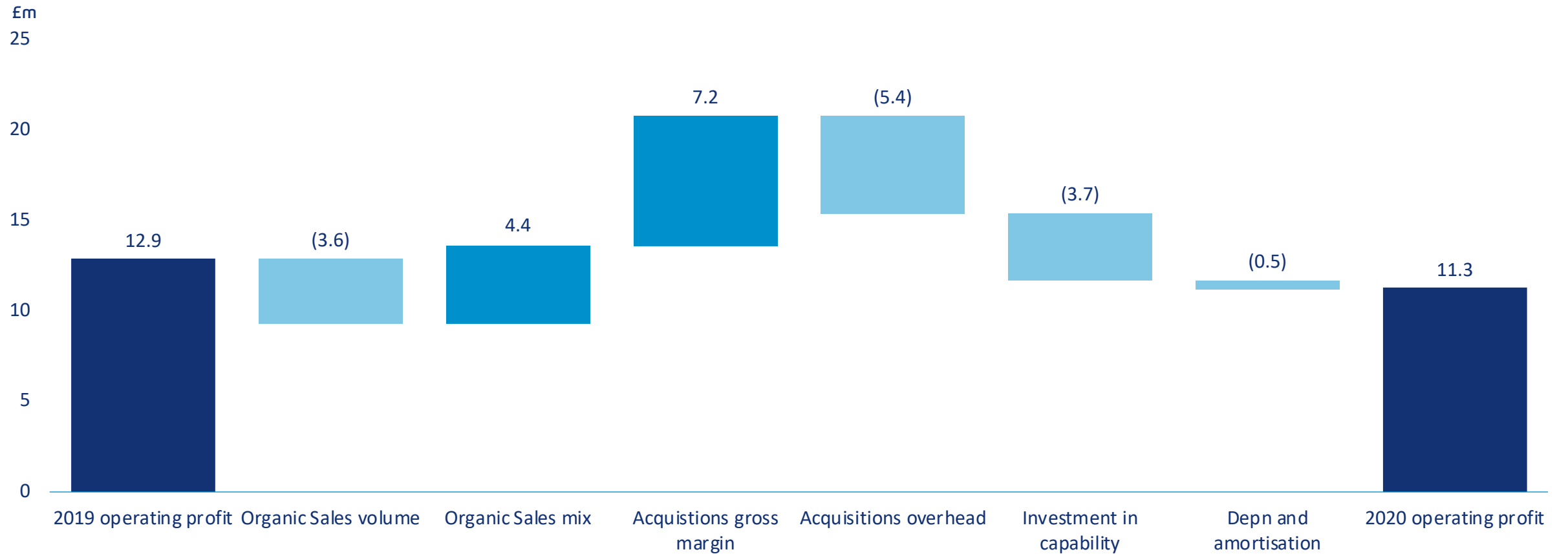
Sarah Matthews-DeMers

	2020	2019	% Change
Revenue	£61.5m	£58.0m	6%
Gross margin	58.4%	48.2%	1020 bps
Adjusted operating profit	£11.3m	£12.9m	-12%
Adjusted operating margin	18.4%	22.3%	-390 bps
Adjusted profit before tax	£11.0m	£13.1m	-16%
Adjusted tax charge	£1.9m	£2.5m	-23%
Adjusted tax rate	17.7%	19.3%	-160 bps
Adjusted diluted earnings per share	39.9p	51.4p	-22%
Cash flow from operations	£6.9m	£9.9m	-31%
Capital expenditure	£8.2m	£4.9m	67%
Cash funds	£31.2m	£36.2m	-14%

- Increase in revenue driven by acquisitions offset by COVID-19 disruption
- Revenue split H1: £34.7m/ H2: £26.8m
- Gross margin improvement from transition to direct sales model
- Operating margins impacted by investment in capability



Operating profit bridge



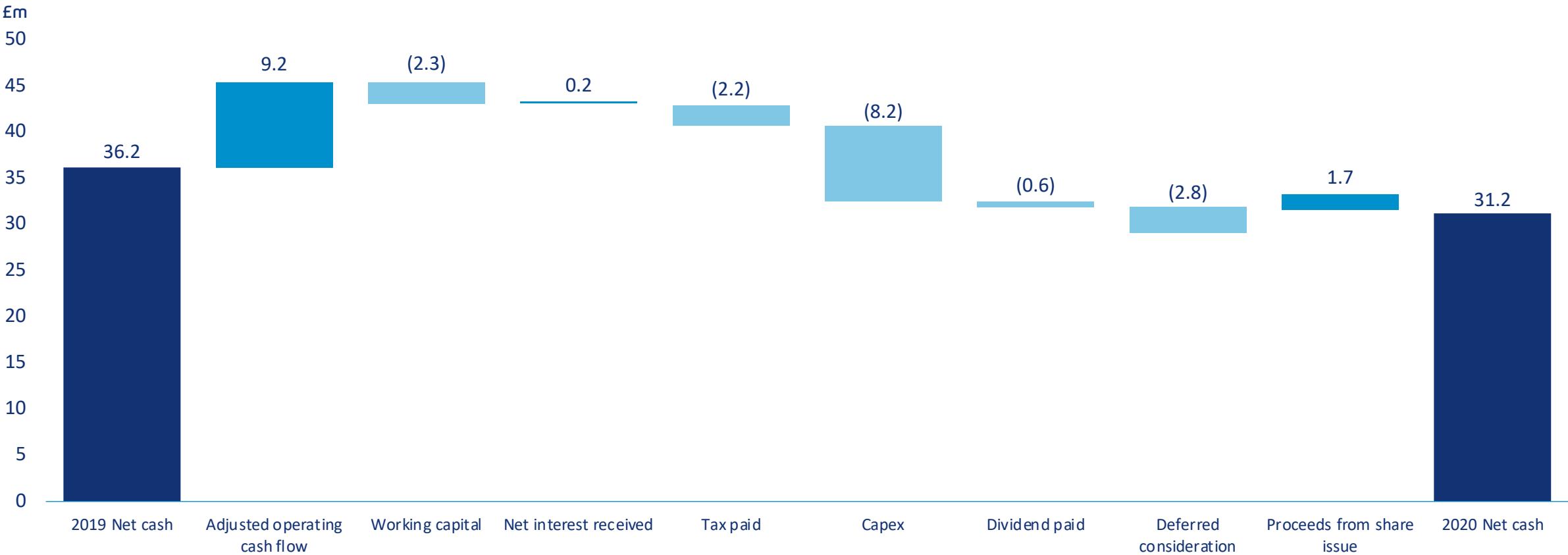
	FY20 £m	FY19* £m
Amortisation of acquired intangibles	3.5	0.3
Restructuring	1.0	0.5
Inventory impairment	3.3	–
Acquisition related (credit)/charge	(1.9)	1.3
Total adjustments	5.9	2.1

* Comparatives have been restated to reflect inclusion of the share based payment charge within the underlying figures as this is expected to be an ongoing cost for the Group

	2020 £m	2019 £m
Goodwill and intangibles	34.9	39.1
Property, plant and equipment	25.0	17.9
Fixed assets	59.9	57.0
Working capital	14.2	12.3
Cash	31.2	36.2
Net current assets	45.4	48.5
Tax liabilities	(2.5)	(1.2)
Deferred consideration	–	(5.5)
Net assets	102.8	98.8

- Balance sheet remains robust
- Significant cash resources enable continued investment in NPD and infrastructure
- Confidence to reinstate dividend and progress acquisition pipeline

Cash bridge



	2020 As reported £m	2020 Restated at 2019 rates £m	2019 £m	Change %
Revenue	61.5	61.0	58.0	+5%
Adjusted operating profit	11.3	11.3	12.9	-12%

Average exchange rate	2020	2019
US\$	1.27	1.28
Euro	1.14	1.13
Yen	137	142

- ca. 35% of revenue in foreign currency
- Little movement in average rates
- 5% movement in exchange rates would have a £1m impact on revenue and £0.2m impact on profit

Business review

The background image is a blue-tinted scene. In the foreground, there is a wireframe model of a car, possibly a sports car, shown from a side profile. In the background, there is a solid, dark-colored car model. To the right, a small figure of a person is standing on a raised platform or stage. The entire scene is overlaid with a semi-transparent blue rectangle that contains the text 'Business review' in a white, sans-serif font.

Revenue by sector



Laboratory testing and simulation:
£9.7m (+18%)

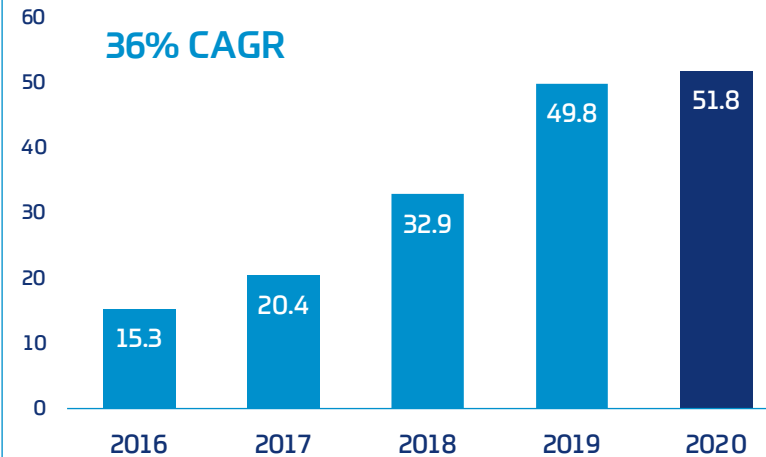
ADAS test products:
£24.1m (+22%)

Driving robots:
£21.1m (-30%)

Track test services:
£6.6m (+100%)

£51.8m +4%

Track testing revenue



36% CAGR

Highlights

- Strong growth in ADAS platform sales +22%
- ZalaZone Hungary contract win
- Halo Driving Robot
- Strong growth in US automotive sector
- NHTSA track testing for ADAS
- Multi vehicle concept demo with VW / Audi / Porsche

Track testing

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Case studies

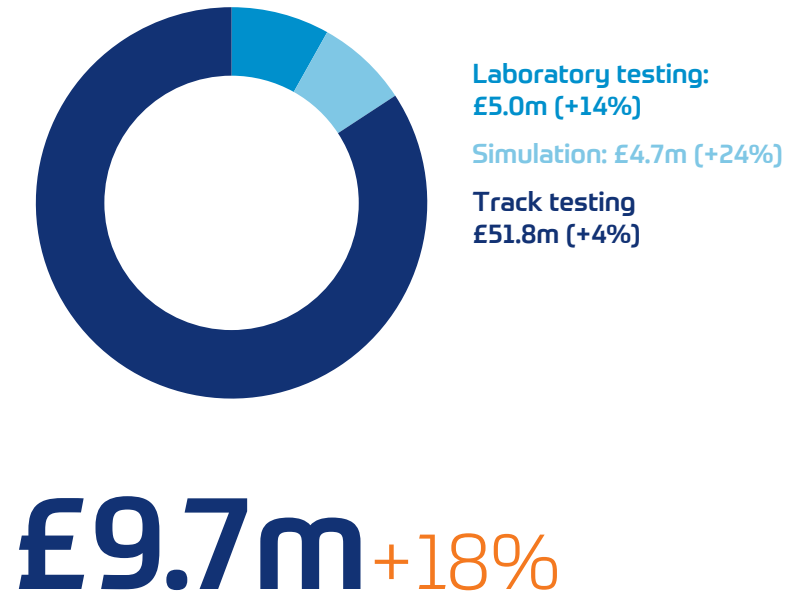


Track Test to Simulation

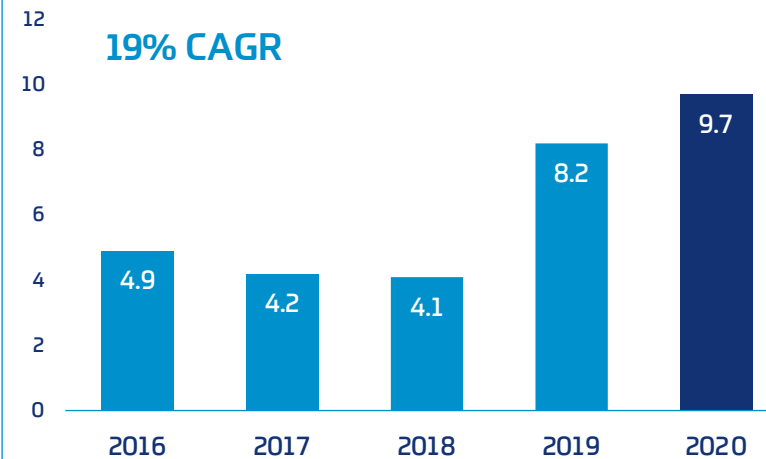


ZalaZone test facility

Revenue by sector



Laboratory testing and simulation revenue



Highlights

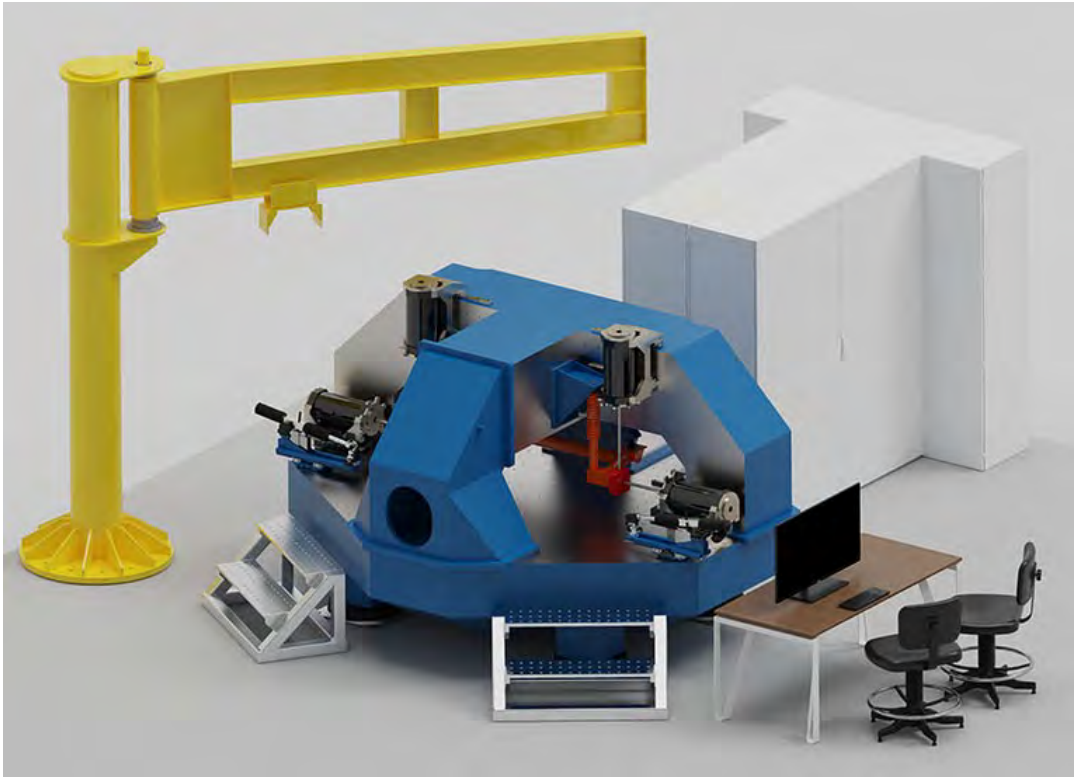
- Continued growth in SPMM sales +15%
- Contract for first aNVH axle level test rig
- Strong development of rFpro including data farming
- Launch of Static Simulator product line
- Active product development in the field of simulators

Track testing

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Case studies

aNVH 250 with patented high frequency linear actuator technology



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rFpro Data Farming





Strategy update

Market drivers

Regulatory

- UNECE regulation for ADAS from 2022
- Euro-NCAP roadmap for active safety
- Japanese requirement for AEB for elderly drivers
- US Moving Forwards Act and NHTSA
- Regulatory and legal framework for autonomy inadequately defined

Structural

- Changing provision of mobility and vehicle ownership
- Transition towards autonomy and automated driving functions
- Requirement to improve road safety
- Transition towards Electric Vehicles
- Conscious consumerism driving ethical buying behaviour

Technology challenges

- Adequate universal standards verification of safety in autonomy
- Physical testing alone cannot verify autonomy
- Sensor capabilities in all environments
- Manual data annotation for AI training
- Mixed mode environments (autonomous vs human)
- Infrastructure concept, requirements and investment



ca. 1.35m annual road fatalities

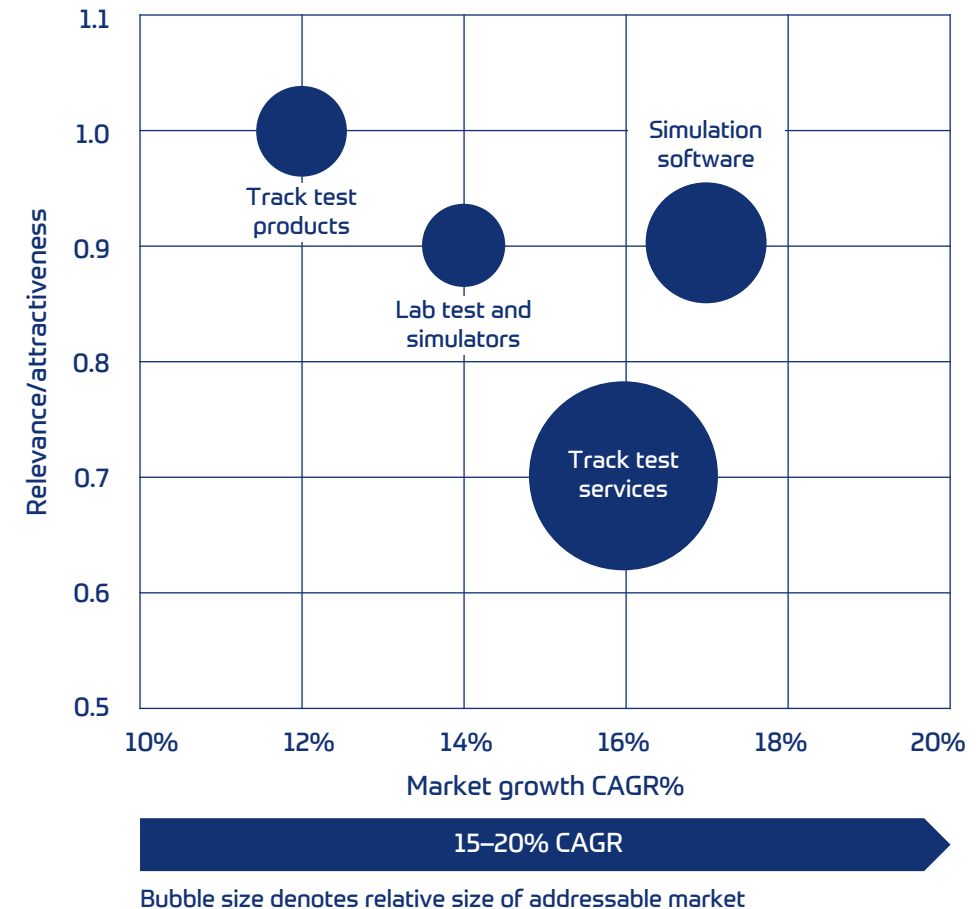
In 2018:

- | | |
|--------------|-----------------|
| • US: 36,560 | • China: 63,194 |
| • EU: 23,400 | • Japan: 4,166 |

- 20-50m road-based injuries per year
- 93% of road deaths occur in low and middle income countries

Market analysis

- Current addressable market ca. £1.2bn, overall market share ca. 5%
- Strong position in core Track Test products market (ca. 35% share)
- Underpenetrated in core attractive markets:
 - Simulation software (ca. 1% share)
 - Lab testing equipment and simulators (ca. 5% share)
 - Track test services (ca. 1% share)
- Asia Pacific and North America represent fastest growing market territories
- Fragmented market presents acquisition opportunities

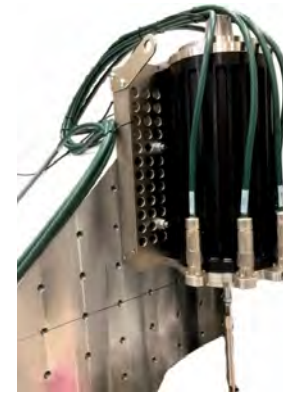


Products & innovation	Capability and capacity	International expansion	Service and support	Acquisitive growth
Market led new product development	Strong, capable senior management team	Direct sales channels driving improved margins	Source of higher margin, secure recurring revenue	Accelerate development of strategic priorities
Research and innovation	IT infrastructure and processes	Improved customer intimacy and market intelligence	Meets market need as requirements become more complex	Carefully selected, value enhancing acquisition criteria
Systems, software and skills	Well invested facilities and equipment	Enabler for increased service and support	Transition towards greater proportion of software	Organic growth compounds
Sustainable revenue growth	Foundations to support current and future growth	Direct sales channels and customer intimacy	Recurring revenue and margin enhancement	Growth compounds that add strategic value

Track testing

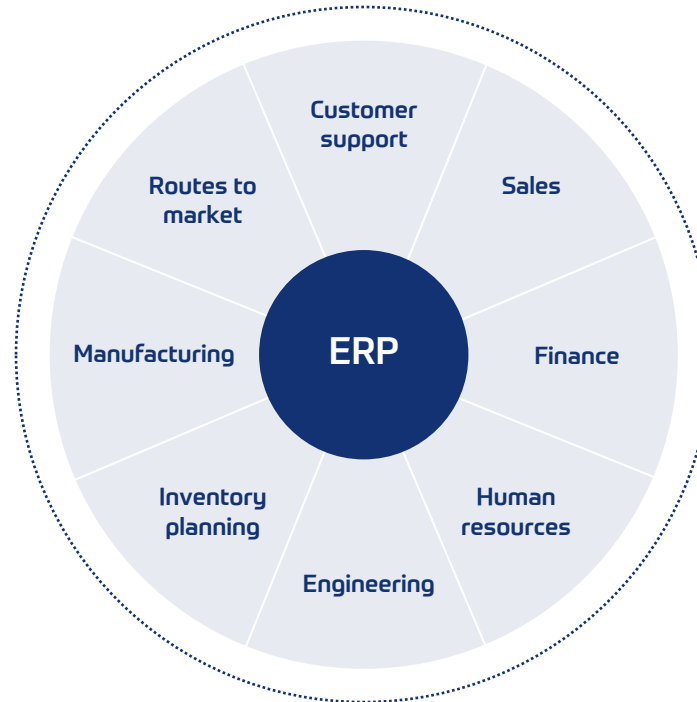


Laboratory testing and simulation



Market driven product and technology roadmaps

- Focus on development of talent and management capability
- Expansion of UK facilities through construction of Engineering Design Centre
- Commenced implementation of Group wide ERP system
- New product development software, systems and processes



- Strong performance from newly established offices in Japan and USA
- Successful launch of tiered service and support packages
- Strong performance in track testing in USA
- Commenced expansion of USA test track facility
- Benefits of local presence evident in customer service, intelligence and commercial effectiveness



- 2020 focus on integration of rFpro and DRI
- Acquisition activity paused due to COVID-19 but restarted
- Promising pipeline of acquisition opportunities
- Focus on growth areas and adjacent markets

Market

- Relatively large, fragmented market
- Opportunities due to current economic situation
- Software businesses drive higher acquisition multiples

Target attributes

- Value enhancing, earnings accretive
- Strong, capable management
- Track record of growth
- Facilitates Group strategic priorities
- Opportunity for sales synergies
- Broadens scope of Group offering

Financial

- Robust financial criteria
- Target has strong gross margins
- Minimum double digit operating margins
- Funding discipline

Pipeline management

- Market scoping and target identification
- Broker engagement
- Appropriate execution resources

Summary and outlook



- Strong first half growth offset by a challenging H2 due to COVID-19
- Continued investment and delivery of our strategic priorities
- Long-term structural and regulatory growth drivers remain intact
- Outlook remains positive:
 - Strong balance sheet enables continued investment
 - Product development and innovation
 - Development of management capability and business infrastructure
 - Pipeline of potential acquisition opportunities



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Contact

AB Dynamics plc

Middleton Drive
Bradford-on-Avon
Wiltshire
BA15 1GB England

Email: investors@abdplc.com

Tel: +44(0)1225 860 200

www.abdplc.com

