



# Driving a strategy for growth

AB Dynamics plc Preliminary results – 24 November 2021

# Agenda and contents

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**, Chief Executive Officer

# Robust performance supported by recovering demand and strategic progress

Revenue

£65.4m

+6%

Adjusted operating profit\*

£10.8m

-4%

Adjusted operating margin

16.6%

-180 bps

Adjusted diluted EPS

37.4p

-6%

Dividend per share

4.8p

+10%

Net cash\*\*

£22.3m

-26%

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

\*\* After cash outflows relating to acquisitions and capex of £21.0m.

# Long-term structural and regulatory market drivers

## Structural drivers

- Drive towards automated driving and electrification continues at pace
- Automation of other vehicle applications driven by need for improved safety and/or productivity

## Regulatory drivers

- Regulatory drivers remain in place
- Continued drive from consumer bodies (NCAP)
- US infrastructure bill includes SAFE Act to improve road safety

## Geographic

- Increased activity in Asia Pacific, driven by strong demand from China and Japan
- US market remains very active and supported by recent governmental changes and NHTSA

## Demand dynamics

- Order intake returned to pre-pandemic levels
- Lab test capital equipment orders returning
- Track testing impacted by travel and access to testing facilities but slowly returning

## Customer supply chain impact

- OEMs are being impacted by supply chain shortages
- Availability of both prototype and production standard vehicles constrained

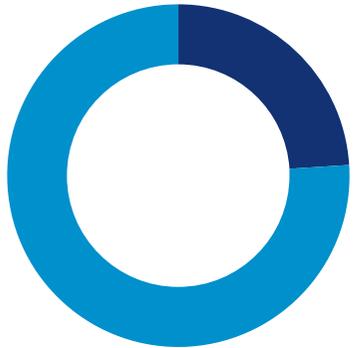
## ABD supply chain impact

- Increased input costs for most materials
- Market price increases initiated to match/offset impact of input cost increase
- Likely to be realised during H2

# Results overview

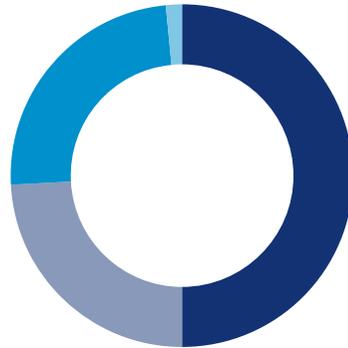
FY21 Full Year Revenue of £65.4m (+6%)

## Revenue by sector



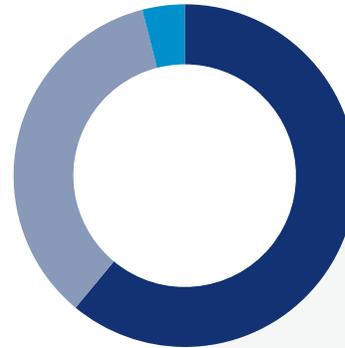
	Revenue (£m)	% of Revenue
Laboratory Testing & Simulation	£15.7m	24%
Track Testing	£49.7m	76%

## Revenue by geography



Geography	Revenue (£m)	Growth rates
Asia Pacific	£32.7m	+18%
UK/EU	£15.8m	-7%
North America	£15.9m	+2%
ROW	£1m	-18%

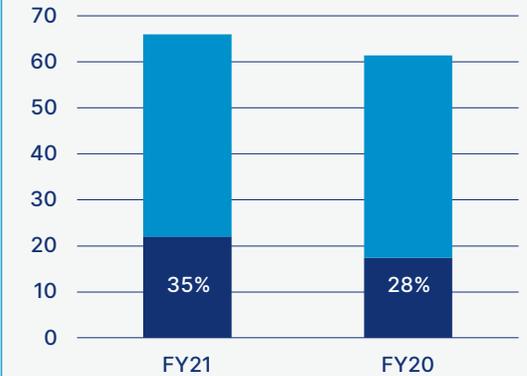
## Revenue by customer category



Customer Category	Revenue (£m)	% of Revenue
Automotive OEMs	£32.7m	61%
Service providers	£15.8m	35%
Tier 1 suppliers and technology	£1.9m	4%

## Proportion of recurring revenue

£m



■ Recurring  
■ New product

# 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 & technology.

- Fundamentally aligned to ESG through 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 roll out 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

# Our commitment to ESG

AB Dynamics is fully committed to contributing to a sustainable future and to the development and implementation of a highly effective ESG strategy

- ESG Committee established, chaired by Louise Evans, Non-Executive Director, with membership across the leaders of the business

## Environment

- Committed to environmental sustainability
- Our goal is to be carbon neutral by 2030

## Social

- Health and safety of our employees is of paramount importance
- Committed to providing a fair, equal, and inclusive environment for all our people

## Governance

- Committed to ensuring best practice and compliance with applicable laws and standards
- Zero-tolerance approach to slavery, human trafficking and bribery and corruption





# Financial results

**Sarah Matthews-DeMers**, Chief Financial Officer

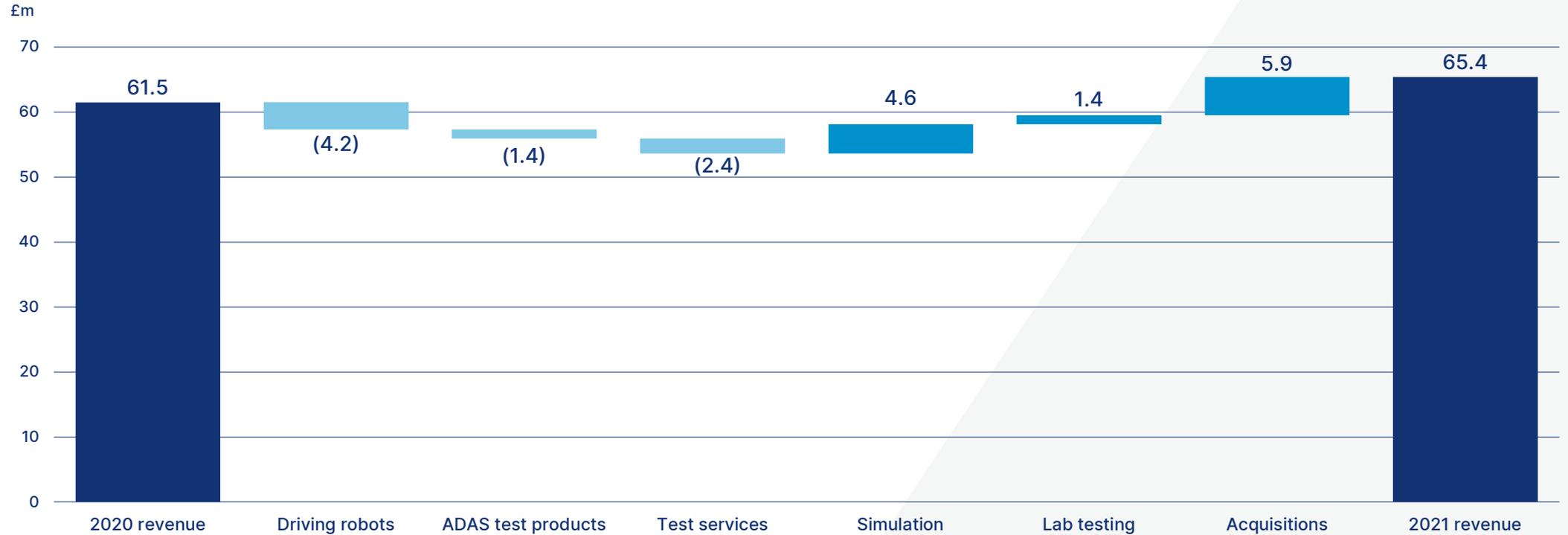
# Highlights

	2021	2020	% Change
Revenue	<b>£65.4m</b>	£61.5m	<b>+6%</b>
Gross margin	<b>56.8%</b>	58.4%	<b>-160 bps</b>
Operating profit*	<b>£10.8m</b>	£11.3m	<b>-4%</b>
Operating margin*	<b>16.6%</b>	18.4%	<b>-180 bps</b>
Profit before tax*	<b>£10.4m</b>	£10.9m	<b>-5%</b>
Tax charge*	<b>£1.9m</b>	£1.9m	<b>-2%</b>
Tax rate	<b>18.2%</b>	17.7%	<b>+50 bps</b>
Diluted earnings per share*	<b>37.4p</b>	39.9p	<b>-6%</b>
<hr/>			
Cash flow from operations*	<b>£16.0m</b>	£6.9m	<b>+131%</b>
Capital expenditure	<b>£6.6m</b>	£7.5m	<b>-12%</b>
Cash funds	<b>£22.3m</b>	£30.0m	<b>-26%</b>

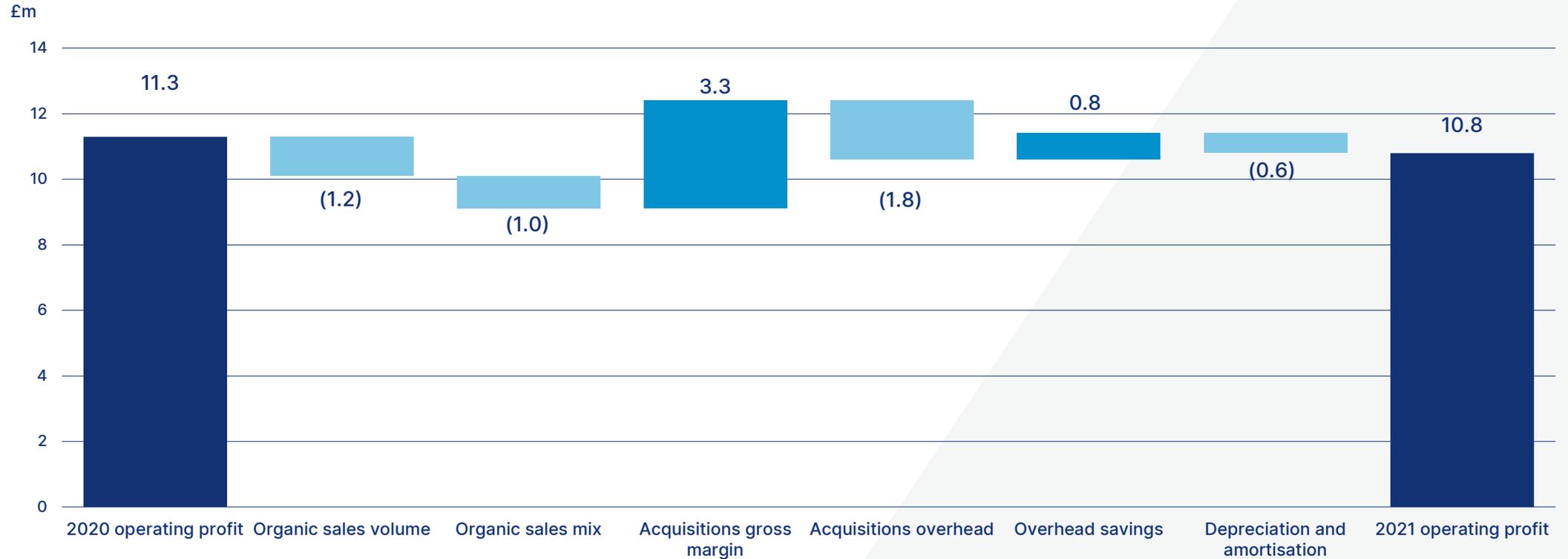
\* Before amortisation of acquired intangibles, acquisition related charges and exceptional items.

- Activity levels improved throughout the year with sequential improvement in revenue
- Gross margin impacted by higher proportion of lower margin laboratory testing and simulation sales
- Operating margins impacted by investment in capability

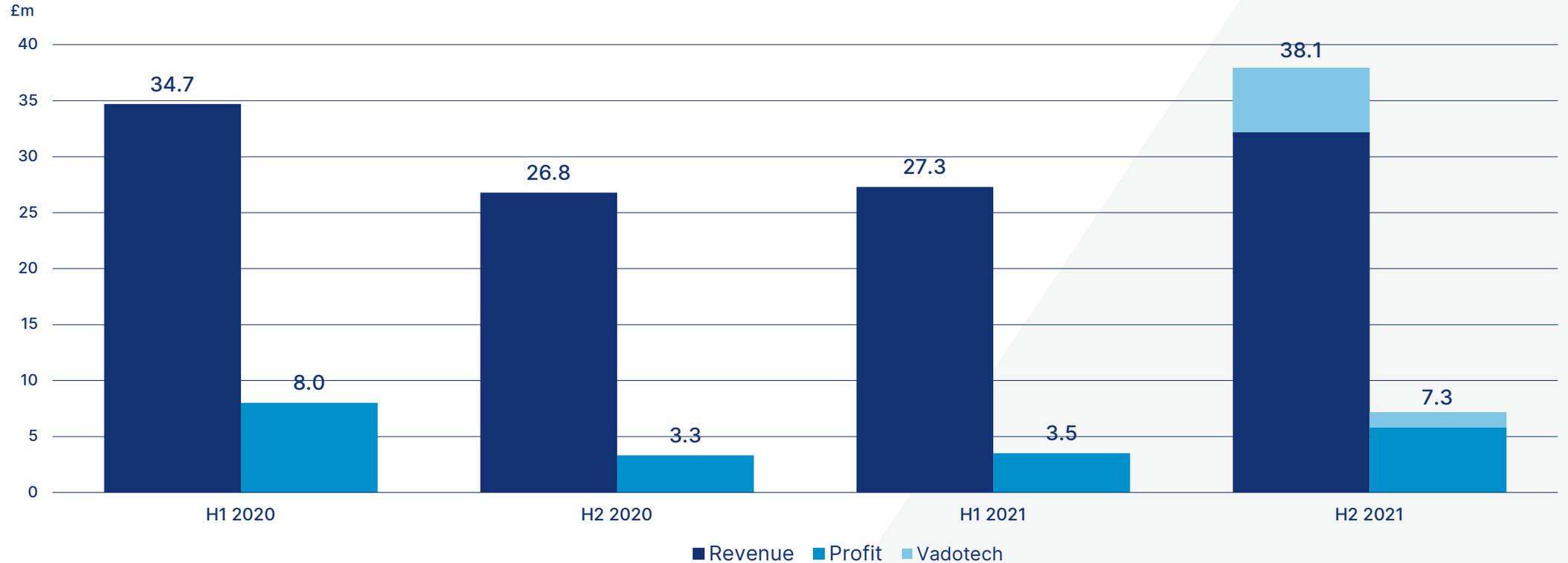
# Revenue



# Operating profit bridge



# Results by half year



# Alternative performance measures

	2021 £m	2020* £m
Amortisation of acquired intangibles	4.4	3.5
Acquisition related charge / (credit)	0.8	(1.9)
ERP development costs	1.4	0.7
Restructuring	–	1.0
Inventory impairment	–	3.3
<b>Total adjustments</b>	<b>6.6</b>	<b>6.6</b>

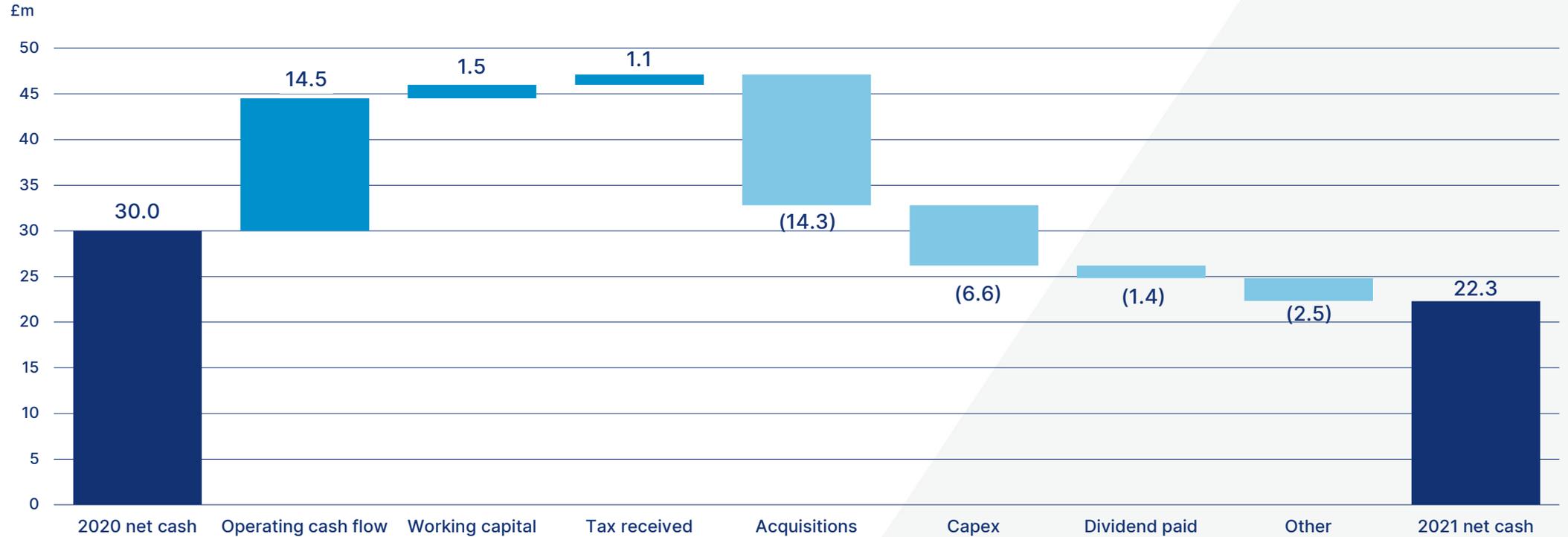
\* Comparatives have been restated to reflect the adoption of the IFRIC update on cloud computing arrangements which requires the write-off of cloud-based ERP development costs

# Balance sheet

	2021 £m	2020 £m
Goodwill and intangibles	52.1	34.3
Property, plant and equipment	28.6	25.0
<b>Fixed assets</b>	<b>80.7</b>	<b>59.3</b>
Working capital	12.0	12.5
Net cash	22.3	30.0
<b>Net current assets</b>	<b>34.3</b>	<b>42.5</b>
Tax (liabilities) / assets	(5.1)	0.4
Deferred consideration	(4.9)	-
<b>Net assets</b>	<b>105.0</b>	<b>102.2</b>

- Balance sheet remains robust
- Significant cash resources enable continued investment in future growth opportunities, NPD and infrastructure

# Cash bridge



# Constant currency

	2021 As reported £m	2021 Restated at 2020 rates £m	2020 £m	Change %
Revenue	<b>65.4</b>	66.9	61.5	+9%
Operating profit	<b>10.8</b>	11.0	11.3	-3%

- 50% of revenue in foreign currency (20% US dollar, 20% euro, 10% yen)
- 10% movement in exchange rates would have a £3m impact on revenue and £0.5m impact on operating profit

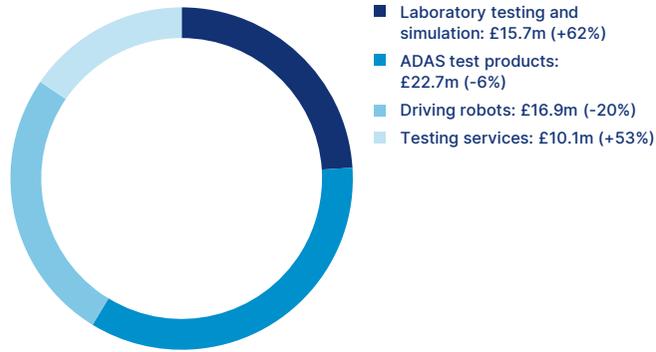
Average exchange rate	2021	2020
US\$	<b>1.36</b>	1.27
Euro	<b>1.15</b>	1.14
Yen	<b>145</b>	137



# Business review

# Track testing

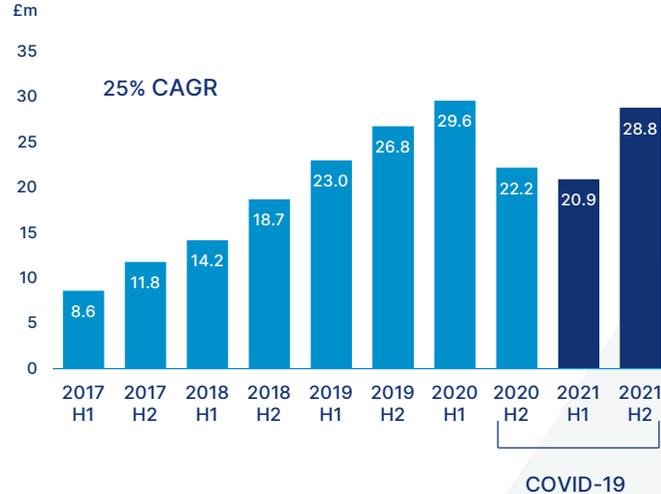
## Revenue by sector



£49.7m

-4%

## Track testing revenue

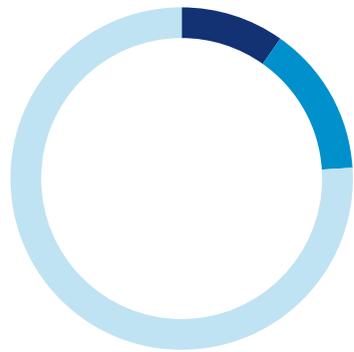


## Highlights

- Successful market launches of the fastest ADAS platforms in the market (LaunchPad 80 and Guided Soft Target 120)
- Strong performance from recently established direct sales and support facilities in Japan and the USA
- Strong recovery in order intake during the second half of the year providing positive book to bill ratio moving into FY 2022
- Continued growth in the proportion of recurring revenue
- Acquisition of Vadotech Group expanding into on-road vehicle testing and establishment of the Asia Pacific operating hub

# Laboratory testing and simulation

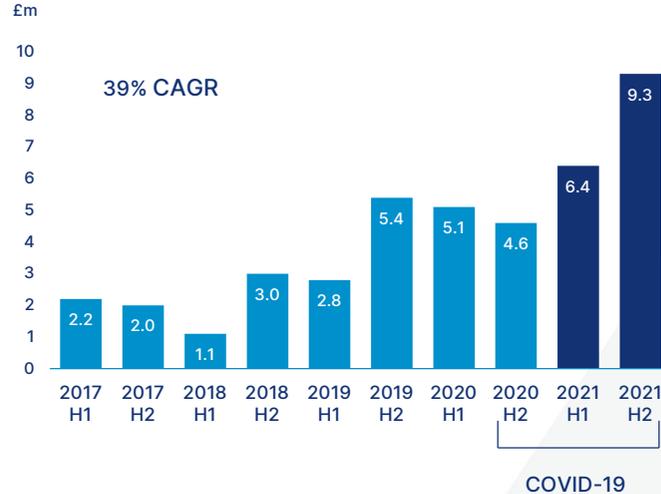
## Revenue by sector



£15.7m

+62%

## Laboratory testing and simulation



## Highlights

- Outstanding simulation growth of 98% through increased sales of aVDS full motion simulators and success in rFpro sales
- Strong growth in laboratory test equipment of 28% through SPMM sales and demand from Asia Pacific
- Solid order book at year end provides confidence for continued performance in FY 2022
- Continued product development in simulator technology and simulation software provides strong foundations for future performance



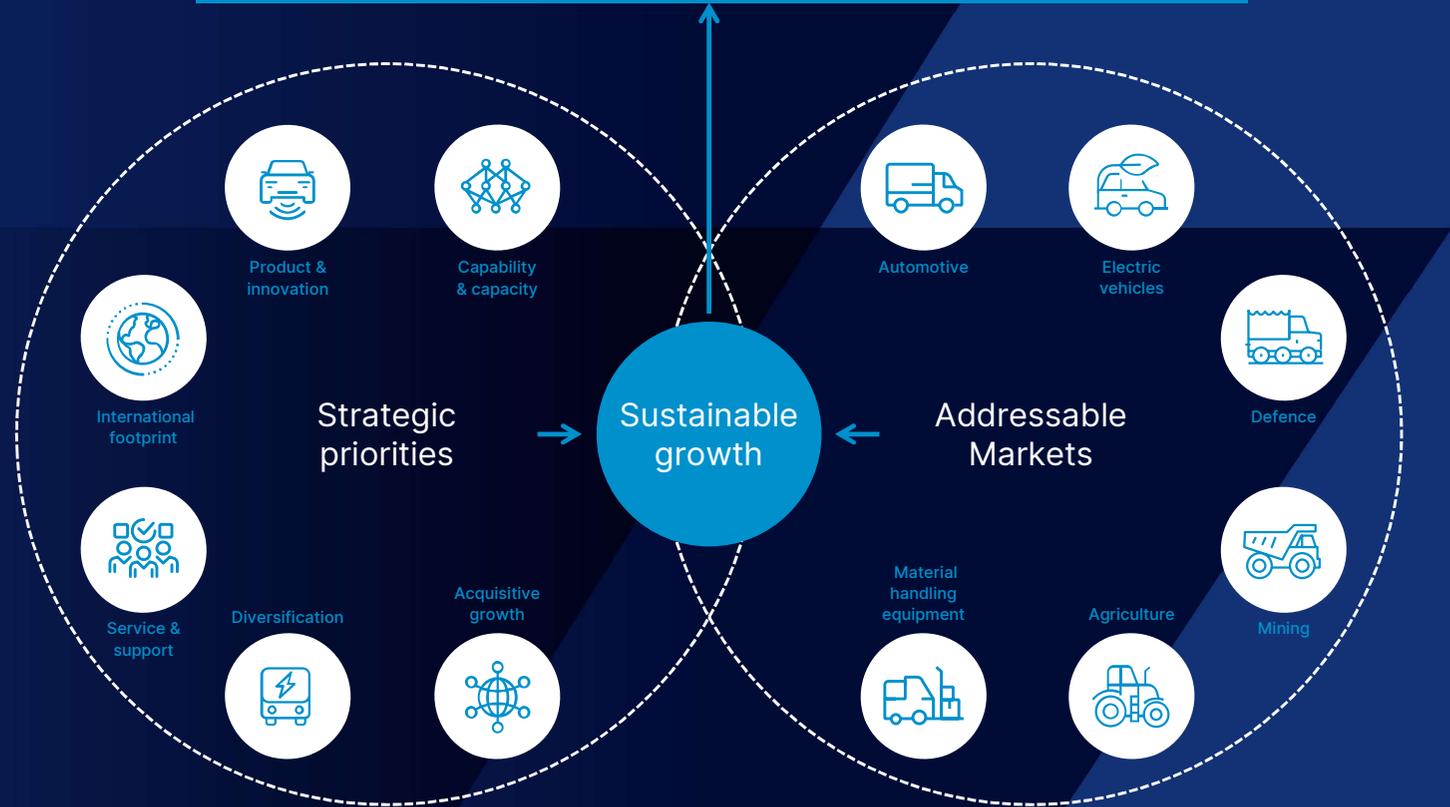
Strategy update

# 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.

- Addressable market size increases from £1.4bn to £6.2bn with a CAGR of 24%
- Currently underpenetrated with a market share of ca. 1%
- Revised strategy is incremental and builds on existing strategic priorities



Building a broader-based business to drive sustainable growth

# Strategic progress



## Product and innovation

- Successful market launch of major new ADAS platforms with the fastest and most capable products on the market
- Strong development of the simulation market securing significant order intake, including a new full motion simulator product



## International footprint

- Establishment of Asia Pacific operating hub and appointment of senior divisional leadership



## Capability and capacity

- Expanded track testing services offering by increasing capacity at California based test facility
- Completion of Engineering Design Centre



## Acquisitive growth

- Acquisition of Vadotech Group to enter the attractive on-road vehicle testing market, focussing on EV development in APAC
- Good pipeline of value-enhancing acquisition opportunities

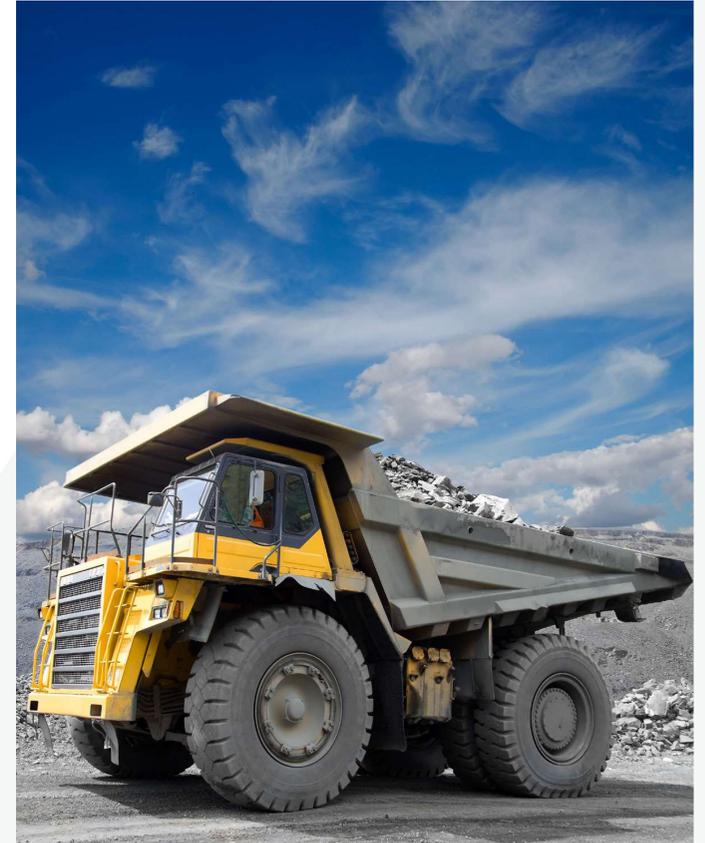




# Launch of ABD Solutions

- Mission to accelerate the automation of vehicle applications in the four primary market sectors
- Comprehensive market analysis highlighted key market drivers of safety and/or productivity
- End user applications and focus on functional safety
- Leverages existing core technologies in driving robotics, positioning and control with developments in sensor integration and technology stack (software)
- Good commercial traction with current projects in mining and defence
- Operating expenditure in FY22 of ca. £1.5m with initial product sales expected in FY23

	Mining	Defence	Agriculture	Materials Handling
Market Drivers	Safety/ Productivity	Safety	Productivity	Productivity
Market Size (\$bn)	1.0	0.8	1.5	3.4
CAGR	50%	16%	24%	14%
Complexity/Integration level	L	M	L	M
Unit Price	H	H	L	L
Volumes	L	L	H	H





# Summary and outlook

# Summary and outlook

- Improved order intake with positive book to bill ratio
- Growth in revenue despite continued impact of COVID-19, supply chain disruption and currency headwinds
- Solid performance from Vadotech acquisition
- Outlook remains positive
  - Launch of ABD Solutions to build a broader-based business across high growth, diversified markets
  - Continued product development and innovation
  - Strong balance sheet enables continued investment



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