



Driving a strategy for growth

AB Dynamics plc Interim results – 27 April 2022

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Dr James Routh, Chief Executive Officer



Sarah Matthews-DeMers, Chief Financial Officer

A photograph of a man with glasses and a dark sweater sitting at a desk with three computer monitors. He is looking at the middle monitor, which displays a software interface with various data fields and graphs. The right monitor shows a similar interface with a table of data. The left monitor is partially visible and shows a blue screen. The desk is cluttered with cables, a keyboard, a mouse, and a pair of headphones. The background shows a window with blinds. The image is overlaid with a dark blue geometric shape on the right side.

Highlights

Dr James Routh, Chief Executive Officer

Strong financial performance and strategic progress

Revenue

£37.8m

+39%

Adjusted operating profit*

£5.7m

+63%

Adjusted operating margin*

15.1%

+230 bps

Adjusted diluted EPS

19.9p

+52%

Dividend per share

1.76p

+10%

Net cash

£27.7m

+24%**

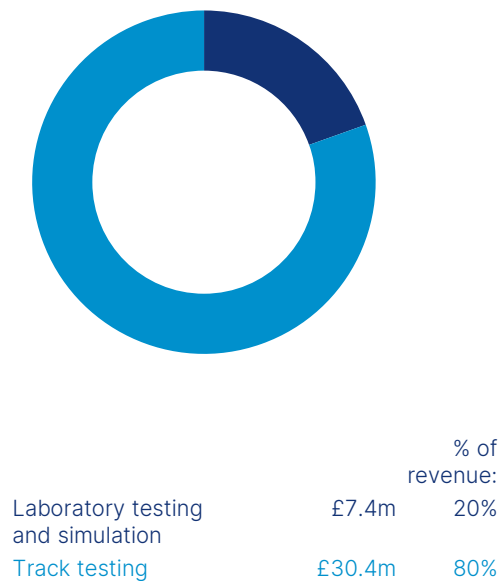
* Before amortisation of acquired intangibles, acquisition related charges and exceptional items.

** Increase from 31 August 2021.

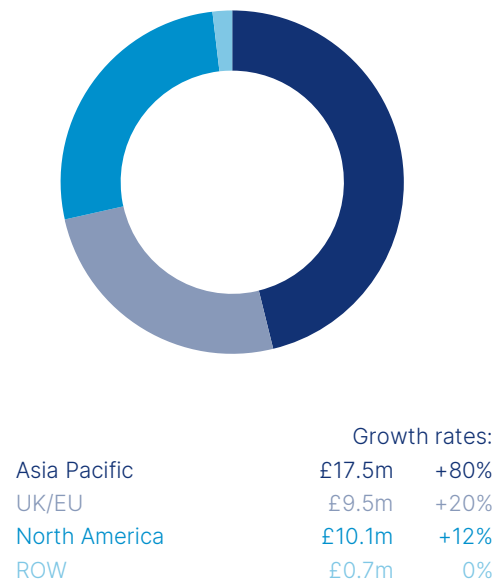
Results overview

H1 2022 half year revenue of £37.8m (+39%)

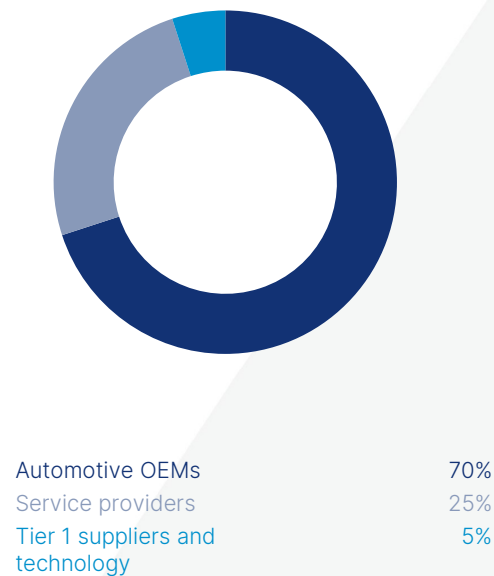
Revenue by sector



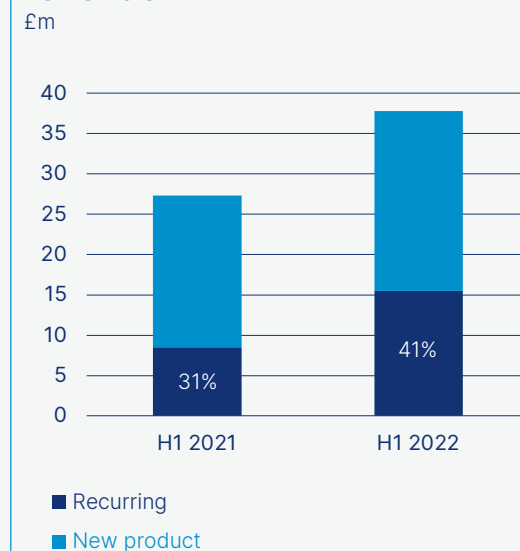
Revenue by geography



Revenue by customer category



Proportion of recurring revenue



A man with a beard and glasses, wearing a dark polo shirt, is shown in profile, looking intently at a large industrial machine in a factory. The machine has a red and yellow emergency stop button. The background is slightly blurred, showing other parts of the industrial environment. The entire image is overlaid with a dark blue gradient and a large, light blue diagonal shape on the right side.

Financial results

Sarah Matthews-DeMers, Chief Financial Officer

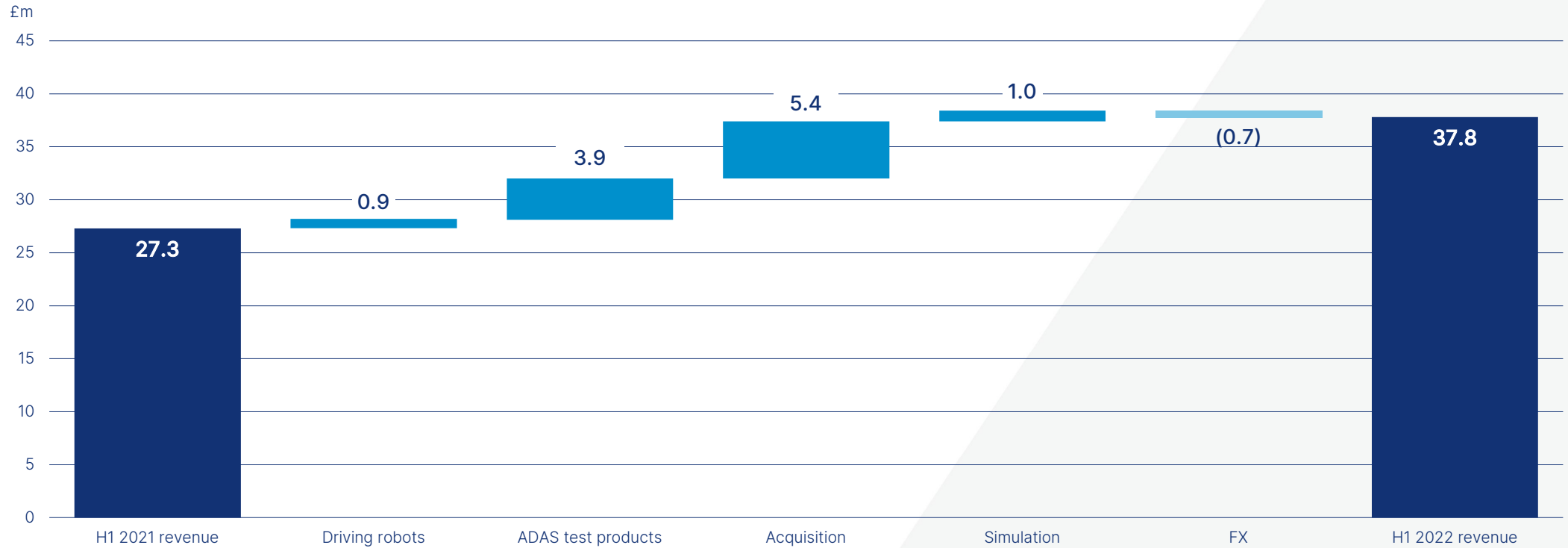
Highlights

| | H1 2022 £m | H1 2021 £m | Change |
|-----------------------------|---------------|---------------|----------|
| Revenue | 37.8 | 27.3 | +39% |
| Gross margin | 57.7% | 57.7% | – bps |
| Operating profit* | 5.7 | 3.5 | +63% |
| Operating margin* | 15.1% | 12.8% | +230 bps |
| Profit before tax* | 5.5 | 3.5 | +58% |
| Tax charge* | 1.0 | 0.5 | +94% |
| Tax rate* | 18.0% | 14.7% | +330 bps |
| Diluted earnings per share* | 19.9 | 13.1 | +52% |
| | | | |
| Cash flow from operations* | 8.5 | 8.0 | +6% |
| Cash conversion | 116% | 174% | |
| Net cash | 27.7 | 33.1 | |

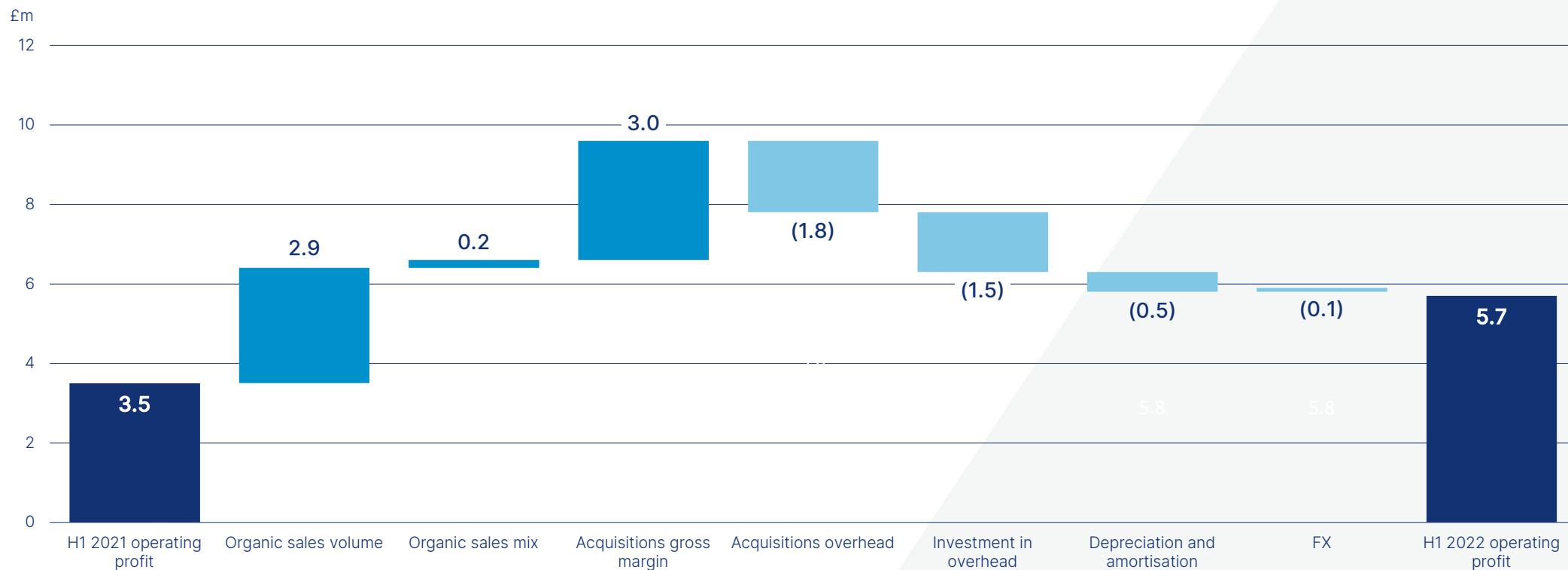
- Continued improvement in customer activity and Vadotech acquisition resulted in strong revenue growth albeit against a weak comparative period
- Gross margin maintained despite inflationary pressures
- Operating margins improved due to increase in activity levels
- Against H2 2021 constant currency revenue increased 3%

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

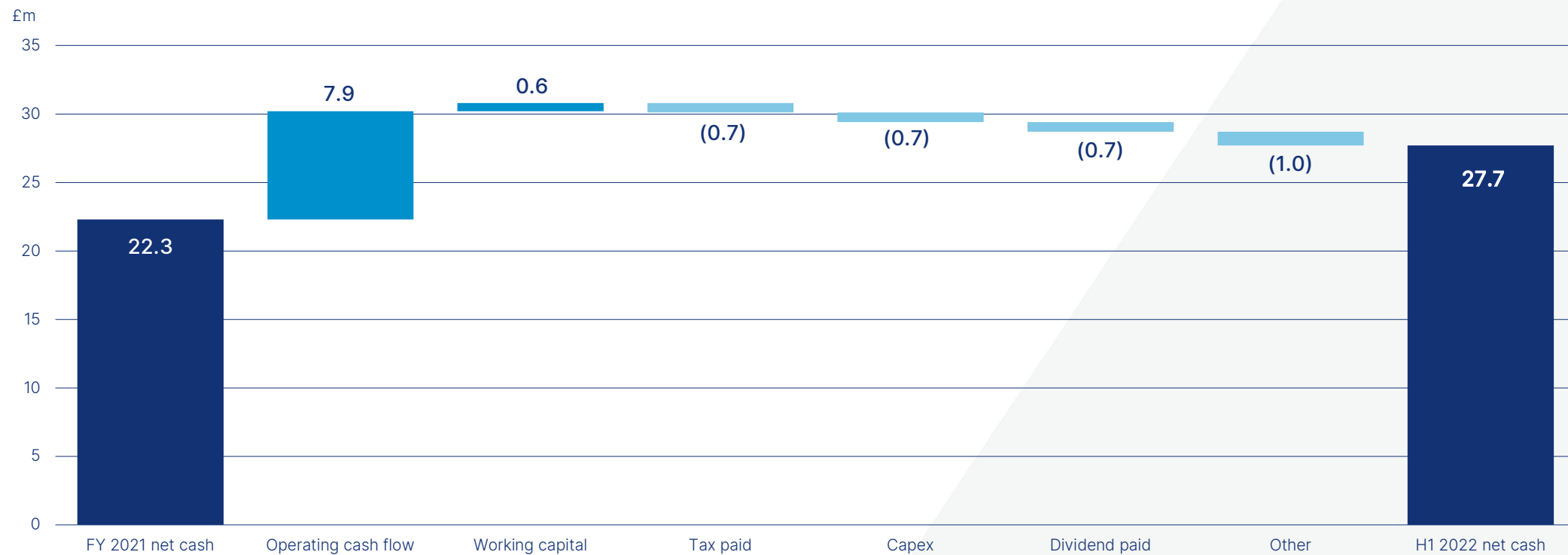
Revenue



Operating profit bridge



Cash bridge



Constant currency

| | H1 2022 As reported £m | H1 2022 Restated at 2021 rates £m | H1 2021 £m | Change % |
|------------------|------------------------------|--|---------------|-------------|
| Revenue | 37.8 | 38.5 | 27.3 | +41 |
| Operating profit | 5.7 | 5.8 | 3.5 | +66 |

- 55% of revenue in foreign currencies (20% US Dollar, 25% Euro, 10% Yen)
- 10% movement in exchange rates would have a £2m impact on half year revenue and £0.3m impact on half year operating profit

| Average exchange rate | H1 2022 | H1 2021 |
|-----------------------|---------|---------|
| US\$ | 1.35 | 1.34 |
| Euro | 1.19 | 1.11 |
| Yen | 154 | 140 |

Outlook for H2

- Recovery in demand has enabled strong revenue and profit growth in H1
- Majority of H2 revenue covered by existing order book
- Ability to mitigate inflationary pressures through price increases
- Strong operating cash generation supports our robust balance sheet which enables investment in continuing to strengthen the business

Gross margin

57.7%

Cash conversion

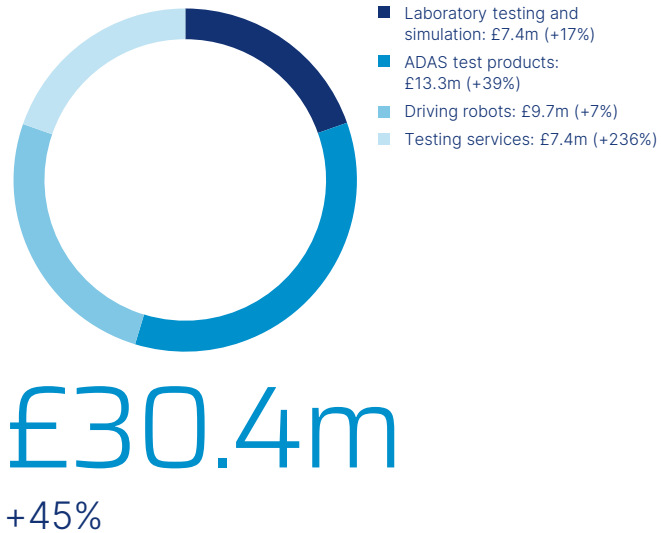
116%



Business review

Track testing

Revenue by sector



Track testing revenue



Highlights

- Market drivers support significant demand with positive book to bill ratios across all product lines
- Strong growth in ADAS test products driven by market launches of GST120 and LP80
- Good recovery in driving robot sales
- Strong growth in testing services driven by acquisition of Vadotech, offset by slower recovery in DRI testing services
- New product development in ADAS platform technologies continues

Laboratory testing and simulation

Revenue by sector

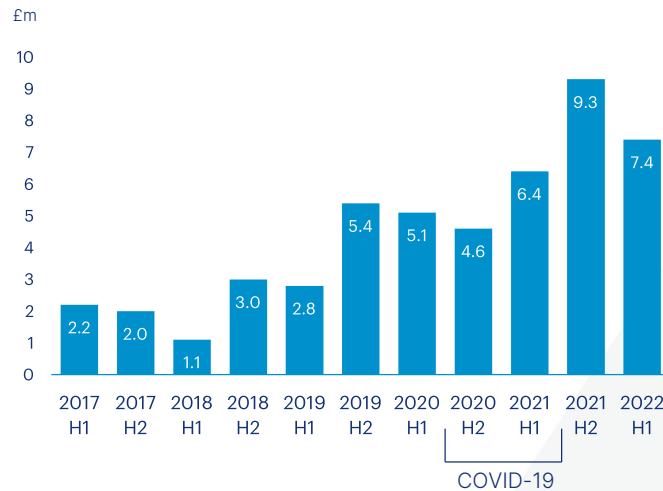


■ Laboratory testing: £2.0m (-5%)
■ Simulation: £5.4m (+26%)
■ Track testing: £30.4m (+45%)

£7.4m

+17%

Laboratory testing and simulation



Highlights

- Significant growth in simulation driven by delivery of new aVDS systems and growth in rFpro software sales
- Small decline in laboratory testing sales due to phasing of large SPMM contracts
- Strong book to bill ratio within laboratory testing and simulation
- aVDS Mk2 development nearing completion

A person with dark hair is shown in profile, looking at two computer monitors in a dimly lit office. The monitors display colorful data or code. The image has a blue color overlay and a diagonal split design. The text "Strategy update" is written in white on the left side.

Strategy update

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

Alignment to ESG megatrends

| UN Sustainability Goal | AB Dynamics' alignment to Goal | |
|---|---|---|
| <div>3</div> <div>GOOD HEALTH AND WELL-BEING</div> <div></div> | <ul style="list-style-type: none">Halve the number of global deaths and injuries from road traffic accidents | <ul style="list-style-type: none">AB Dynamics' core business model and purpose is to advance road safety through facilitating deployment of active safety, ADAS systems and automationBenefiting from regulatory tailwinds on all new vehicles to ensure OEM adherence |
| <div>5</div> <div>GENDER EQUALITY</div> <div></div> | <ul style="list-style-type: none">Achieve gender equality and empower all women and girls | <ul style="list-style-type: none">40% of the AB Dynamics board is female in line with best practiceIncreasing female representation across all levels throughout the businessSponsorship and support of women in STEM subjects |
| <div>7</div> <div>AFFORDABLE AND CLEAN ENERGY</div> <div></div> | <ul style="list-style-type: none">Accelerated action on modern renewable energy is needed – especially in heating and transport | <ul style="list-style-type: none">Rapid development of EV and autonomy has placed additional commercial pressures on OEMs to rapidly develop and deploy new technologies with a continued focus on R&D |
| <div>9</div> <div>INDUSTRY, INNOVATION AND INFRASTRUCTURE</div> <div></div> | <ul style="list-style-type: none">Build resilient infrastructure, promote inclusive and sustainable industrialisation and foster innovation | <ul style="list-style-type: none">Support to the development of EVs through on-road testing of battery technology and charging infrastructureABD Solutions' core mission is to accelerate the transition to autonomy by providing retrofit solutions that reuse existing vehicles to automate vehicle applications |
| <div>11</div> <div>SUSTAINABLE CITIES AND COMMUNITIES</div> <div></div> | <ul style="list-style-type: none">Increasing safety of transport networkReduce impact of cities, in particular air quality | <ul style="list-style-type: none">Aligned to the core mission of AB Dynamics to advance road safety and support vehicle electrification thereby reducing emissions within city centres |
| <div>13</div> <div>CLIMATE ACTION</div> <div></div> | <ul style="list-style-type: none">Take urgent action to combat climate change and its impactsIntegrate climate change measure into policies, strategies and planning | <ul style="list-style-type: none">Support to electrification of transport network critical to reducing greenhouse gas emissionsDetailed disclosure of Scope 1, 2 and 3 emissions in Annual Report provides clear evidence of integrating climate measures including installation of renewable energy, sourcing of energy from renewable only sources and revised travel policies |

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

Drivers of strong growth

Organic growth drivers

Internal

- New product development and patented IP
- Internal capability – systems, processes
- Operational strategy driving margin improvements
- Delivery of diversification strategy
- Direct sales model and close customer relationships
- Increased recurring revenue

External

- Regulation mandating use of ADAS systems
- Continued drive from consumer bodies (NCAP)
- Volume of new cars and quantity of testing required
- Drive towards automated driving and electrification
- Automation of vehicle applications driven by need for improved safety and/or productivity

Delivering double digit organic growth per annum



Drivers of strong growth

Inorganic growth drivers

Acquisitions that facilitate strategic priorities

- New/incremental technologies
- Increased geographic coverage
- Expand addressable market
- Deliver market diversification
- Increase proportion of recurring revenues



Disciplined capital allocation policy

Clearly defined acquisition criteria

Compounding organic growth through
value-enhancing acquisitions



Update on ABD Solutions

- Mission to accelerate the automation of vehicle applications in four primary market sectors with initial focus on mining and defence
- Recruitment and build out of ABD Solutions team on track
- Technology development on plan with good progress made in development of object detection and technology stack
- 18-month R&D contract awarded for conversion of large mining trucks in the Japanese market with potential for equipment sales thereafter
- Full system demonstrations to UK and German defence customers
- Commercial partnerships in progress with defence prime contractors



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

Opportunistic bolt-on acquisitions contributing to one or more of the Group's stated strategies

4

Progressive dividend policy resumed after 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



- During 2021 the Group acquired Vadotech Group, a company providing market-leading on-road vehicle testing services in the Asia Pacific region
- The acquisition facilitated several of the Group's strategic priorities
- Acquisitions in the prior years include rFpro (simulation software) and Dynamic Research (track testing)
- Good pipeline of promising acquisition opportunities

Compounding organic growth through carefully selected, value-enhancing acquisitions



Summary and outlook

Summary and outlook

- Strong recovery in H1 results following the COVID-19 impacted prior period comparative
- Good recovery in track testing product sales
- Order intake remains strong with a positive book to bill ratio across all product lines during H1
- Continued investment in new product development, capabilities, people and talent
- Developments at ABD Solutions in line with plan and Japan contract award for mining applications
- Outlook remains positive:
 - Long-term structural and regulatory growth drivers remain supportive of continued growth
 - Continued trading momentum provides confidence for H2
 - Pricing strength provides ability to manage inflation pressures
 - Strategic progress continues across all areas of the business
 - Strong balance sheet supports continued investment in innovation and value-enhancing acquisitions



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Appendix

Alternative performance measures

| | H1 2022 £m | H1 2021* £m |
|--------------------------------------|---------------|----------------|
| Amortisation of acquired intangibles | 2.7 | 1.6 |
| ERP development costs | 0.5 | 0.7 |
| Acquisition related charge | – | 0.5 |
| Total adjustments | 3.2 | 2.8 |

* 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

| | H1 2022 £m | FY 2021 £m |
|-------------------------------|---------------|---------------|
| Goodwill and intangibles | 49.2 | 52.1 |
| Property, plant and equipment | 28.1 | 28.6 |
| Fixed assets | 77.3 | 80.7 |
| Working capital | 12.3 | 12.9 |
| Net cash | 27.7 | 22.3 |
| Net current assets | 40.0 | 35.2 |
| Tax liabilities | (5.8) | (6.0) |
| Deferred consideration | (5.0) | (4.9) |
| Net assets | 106.5 | 105.0 |

- Balance sheet remains robust
- Increase in inventory levels to secure supply chain funded by improvements in working capital
- Significant cash resources enable continued investment in growth opportunities, NPD and infrastructure

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