Our markets

Market drivers support growth

"Our growth is supported by significant long-term structural and regulatory market drivers, such as road safety improvements, the introduction of new vehicle powertrains and development of driverless solutions, as well as our own initiatives in innovation and diversification."

Our market drivers

The automotive sector continues to evolve and adapt to the structural and regulatory changes driving rapid unprecedented change:

- The ongoing societal need for improvements in road safety is driving the development of active safety, ADAS and increasing levels of autonomous systems
- The global challenge of climate change is driving strong demand for the acceleration of the implementation of EVs, hybrids and development of other alternative powertrains
- New entrants into the automotive market, particularly in EVs and autonomy, have placed pressures on traditional automotive OEMs to rapidly develop new technologies which require more complex tests

Consequently, whilst the automotive sector is experiencing disruption to production volumes and a slower rate of increase in EV sales than anticipated, it remains fully committed to investing in R&D in these key areas as each OEM needs to respond to these challenges.

OEMs need AB Dynamics' testing products and services for development of vehicles and certification of active safety systems across all types of powertrains. The Group's simulation capabilities enable OEMs to accelerate the efficiency and speed of development by allowing customers to test in a virtual environment.

New vehicle models

New vehicle models launched during 2024

>200

Each new model needs development, optimisation, testing and certification, driving use of our products and services

New powertrains

Number of new EV models expected to nearly double from 2024 to 2035

1.8x

Increased number of different type of powertrains drives requirement for testing equipment and services

Consumer ratings

ADAS test scenarios performed per vehicle for Euro NCAP ratings expected to increase by 2030

>500 to >1,000

Leading to increased demand for our equipment

Regulation

Estimated road deaths per year

1.35m

Likely to lead to increased regulation to drive down number of incidents which will in turn lead to increased demand for our equipment

Our solutions Testing Products Testing Services Simulation

Our markets continued

Market trend	Impact on market	Opportunity for AB Dynamics
New vehicle models **Links to strategy** 1 2 3 4 5 6 READ MORE ON PAGE 13	The emergence of electric vehicles and new entrants into the automotive market as well as developments in autonomy has led to significant increases in the number of new model launches. While the volume of EVs sold is growing more slowly than originally predicted, the number of available EV models is expected to nearly double over the next ten years. In addition, the slower transition to EVs is leading to renewed growth in hybrid platform development, with ICE vehicles expected to be around for longer, supporting significant levels of activity in new platform development.	This has placed additional pressures on traditional automotive OEMs to rapidly develop new technologies. The need for increased speed to market and cost effectiveness has led to acceleration in the use of simulation in automotive development. Our rFpro simulation software and Ansible Motion dynamic simulators provide solutions that allow customers to test new models in a virtual environment. The emergence of new sensor technology and the added capabilities in active safety and autonomy which are a differentiating factor for vehicle sales are driving growth in the volume and complexity of our testing equipment used by the OEMs during development. Each variant of each new model requires certification that it meets the regulations of each country in which it is sold. In order to obtain an NCAP safety rating, each model must also be certified by the local NCAP body. This drives growth in the amount of equipment required by the OEMs, service providers and certification providers. The customers' need for efficiency savings, consistency of test results and an increased focus on driver health and safety has created an opportunity for us to combine driving robots with our new detect and warn capability to provide a multi-vehicle, driverless testing solution. This can be used for automated mileage accumulation and durability testing.
New powertrains **Links to strategy** 1 2 3 4 5 6 READ MORE ON PAGE 13	Increasing concerns about the environmental impact and the predicted scarcity of fossil fuel supply have made energy efficiency and reduced emissions a primary focus of OEMs and a primary selling point for new vehicles. OEMs are developing EVs and hybrid alternatives to the traditional internal combustion engines, and continued development of alternative fuel sources such as e-fuels and hydrogen, hybrid drivetrains and new technology continues to drive the market for vehicle development toolchains.	The Group's vehicle development tools and testing equipment are powertrain agnostic. OEMs are increasingly researching and developing alternative powertrains and drivetrain systems to meet growth sustainability challenges while balancing performance needs. Increased use of simulation during this process will reduce vehicle development timescales and costs by enabling meaningful testing earlier in the development process. The introduction of new powertrains changes the dynamics of vehicles, leading to evolution in the development of ADAS and further testing requirements. For example, EVs are heavier than conventional vehicles and require recalibrated ADAS sensors and adapted ADAS algorithms to account for altered braking distances and vehicle dynamics in collision scenarios. As a greater number of new powertrain models are introduced to the market in the coming years, we would expect this to drive a continuing requirement for our products in the development phase.

Our markets continued

Market trend	Impact on market	Opportunity for AB Dynamics
Consumer ratings **Links to strategy** 1 2 3 4 5 READ MORE ON PAGE 13	Consumer bodies such as Euro NCAP (New Car Assessment Programme), Japan NCAP and China NCAP are independent safety organisations that provide car safety ratings determined from a series of vehicle tests which represent real-life accident scenarios. In order to obtain an NCAP safety rating when launching a new vehicle model, each variant of that model must be certified by an NCAP test laboratory. The development of new technology means that certification requires an increasing number of increasingly complex tests. Many of our products and services are used in the development and certification of these vehicles.	Growth in demand for our test equipment and services is driven by: • Improving safety technology as customers use our equipment in the development of new assisted driving and autonomous functions • An increasing number of tests. Over the last ten years the number of ADAS test scenarios performed for Euro NCAP ratings has increased from 18 to in excess of 500 and is expected to grow further • Increasing complexity of tests, for example new test scenarios designed to protect motorcyclists including collision with the rear of a motorcycle braking in queuing traffic • Standards expanding to multiple vehicle categories, such as commercial vans and trucks • Globally there are ten NCAP programmes of which Euro NCAP is currently the most stringent. It is expected that other NCAPs will move towards adoption of these stricter standards The growth in testing volume and complexity continues to drive demand for ADAS platforms and driving robots that are both more capable and more versatile. It is also expected to drive growth in simulation as not all the growth in testing will be able to be met through physical tests.
Regulation **Links to strategy** 1 2 3 4 5 READ MORE ON PAGE 13	In addition to consumer ratings, the market for ADAS and active safety is driven by regulation from bodies such as the United Nations Economic Commission for Europe (UNECE) and the US regulator, the National Highway Traffic and Safety Administration (NHTSA). With an estimated 1.35m road deaths per year, of which a growing number are in the USA, there is growing pressure on regulators to improve standards, leading to further increases in the number of requirements and hence the number and complexity of tests required.	UNECE regulations mandate active safety equipment such as Automatic Emergency Braking (AEB) and emergency lane keeping assistance that must now be included on all new cars sold in countries including the UK, Europe and Japan. This requires testing the vehicle at a variety of approach speeds, offsets and loading and lighting conditions, driving increased need for our test equipment. The US government has committed to improving road safety and has begun to mandate the use of ADAS to assist in reducing injuries and fatalities. A new Federal Motor Vehicle Safety Standard requires all light-duty passenger vehicles to have AEB by 2029, but the capability mandated is significantly more challenging than in any other region and will affect all global OEMs who wish to sell into the US market. In order to meet the 2029 deadline OEMs need to start developing this capability now and despite the recent turbulence from tariffs, US OEM programmes are continuing at pace. This provides further demand for our equipment during the development phase and then later in the programme for formal testing and certification.

Our strategy

Delivering our strategy

"We accelerate our customers' drive towards net zero emissions, improving road safety and the automation of vehicle applications."

Over the last six years, AB Dynamics has grown significantly, delivering on our strategy to build a sustainable and resilient business with strong financial and operating performance. Building on the strength of our core business, coupled with value-enhancing acquisitions, the business has been transformed from a single entity in the UK to a multi-national group with twelve facilities in six countries across Europe, North America and Asia Pacific.

Key achievements

During FY 2025, the Group has expanded its portfolio in Testing Products, with the acquisition of Bolab and the launch of ClearTrack™, the LiDAR-based object detection system.

Testing Services have been strengthened through the integration of the recently acquired VTS, a provider of mileage accumulation, EV and environmental testing services in Michigan, USA.

In Simulation, we launched the Delta S3 Spin simulator in the year for the growing road car market and received the first order late in the second half of the year.

Recurring revenue has been maintained at 45% (2024: 45%).

As part of our diversification initiative, the Group has continued to develop new driverless solutions for new markets.

Future

Following significant investment in capability and capacity, the Group now has a solid and scalable operational and commercial platform from which to capitalise on an ambitious, multi-year, organic-led growth opportunity, supported by strong long-term structural and regulatory growth drivers and supplemented with value-enhancing acquisitions.

We will create value for shareholders through:

- Organic revenue growth supported by our market drivers
- Operating margin expansion from operational gearing, improvements in the supply chain and operational efficiency
- Value-enhancing acquisitions

From a 2024 baseline, our ambition is to double revenue and triple operating profit over the medium term, through the compounding effect of organic revenue growth of approximately 10% per year, an improvement in the operating margin to greater than 20% and investing cash generated into acquisitions.