

AB DYNAMICS™



AB DYNAMICS™ Halo™ Steering Robot

MAX
9.0 Nm

JOYSTICK MKII



P7903

Performance driven

AB Dynamics plc Half year results presentation - 23 April 2024

Agenda

Highlights

Financial results

Business review

Summary and outlook



Dr James Routh, Chief Executive Officer



Sarah Matthews-DeMers, Chief Financial Officer

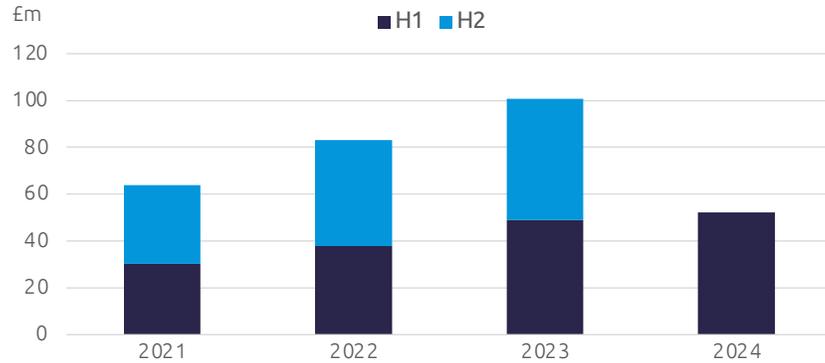
Highlights

Dr James Routh, Chief Executive Officer

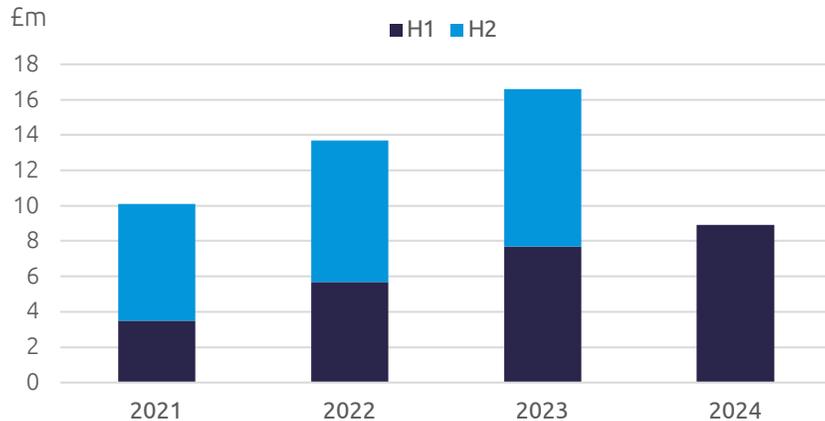


Continued strong financial performance and clear strategic progress

Revenue



Adjusted operating profit



Financial highlights

- Revenue up 8% to £52.3m
- Adjusted operating profit up 16% to £8.9m
- Continued margin expansion progress to 17.0%
- Net cash £29.1m

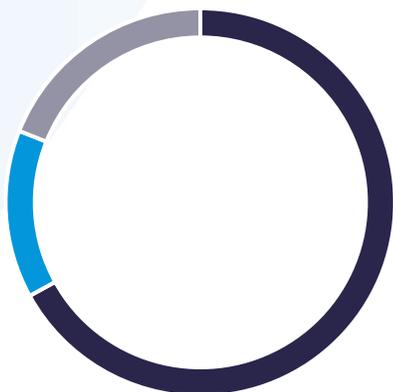
Operational highlights

- Post period end acquisition of Venshure Test Services for initial consideration of \$15m
- Strong growth in both Testing Products and Testing Services
- Continued investment in new products, technology and operational facilities

Results overview

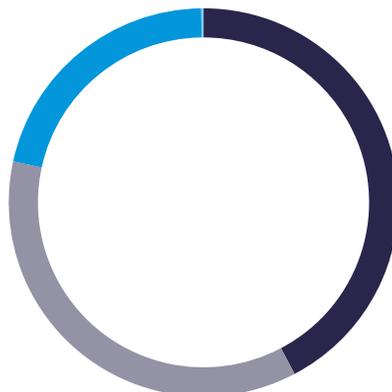
H1 2024 revenue of £52.3m +8%

Revenue by sector



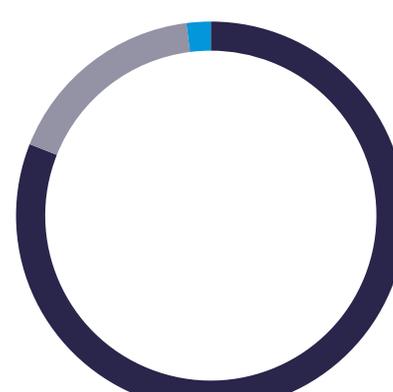
		% of revenue
Testing products	£34.9m	67%
Testing services	£7.5m	14%
Simulation	£9.9m	19%

Revenue by geography



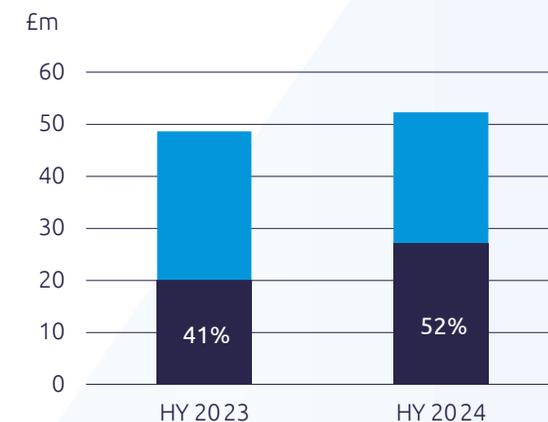
		% of revenue
APAC (+4%)	£22.1m	42%
UK/EU (+50%)	£18.9m	36%
North America (-17%)	£11.2m	21%
ROW (-92%)	£0.1m	1%

Revenue by customer category



	% of revenue
Automotive OEMs	81%
Service providers	17%
Tier 1 suppliers and technology	2%

Proportion of recurring revenue



■ Recurring
■ Original equipment

Financial results

Sarah Matthews-DeMers, Chief Financial Officer

Highlights

	H1 2024	**Restated H1 2023	Change
Revenue	£52.3m	£48.6m	↑ 8%
Gross margin	58.3%	57.4%	↑ 90 bps
EBITDA*	£10.6m	£9.5m	↑ 12%
Adjusted* operating profit	£8.9m	£7.7m	↑ 16%
Adjusted* operating margin	17.0%	15.9%	↑ 110 bps
Tax rate*	18.4%	16.7%	↑ 170 bps
Adjusted* diluted earnings per share	30.9p	27.1p	↑ 14%
Dividend per share	2.33p	1.94p	↑ 20%
Cash flow from operations*	£11.3m	£9.5m	↑ 19%
Cash conversion	107%	100%	
Net cash	£29.1m	£21.3m	

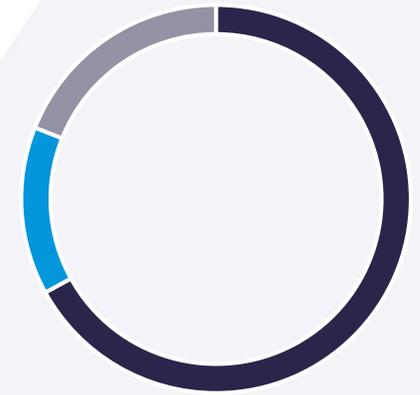
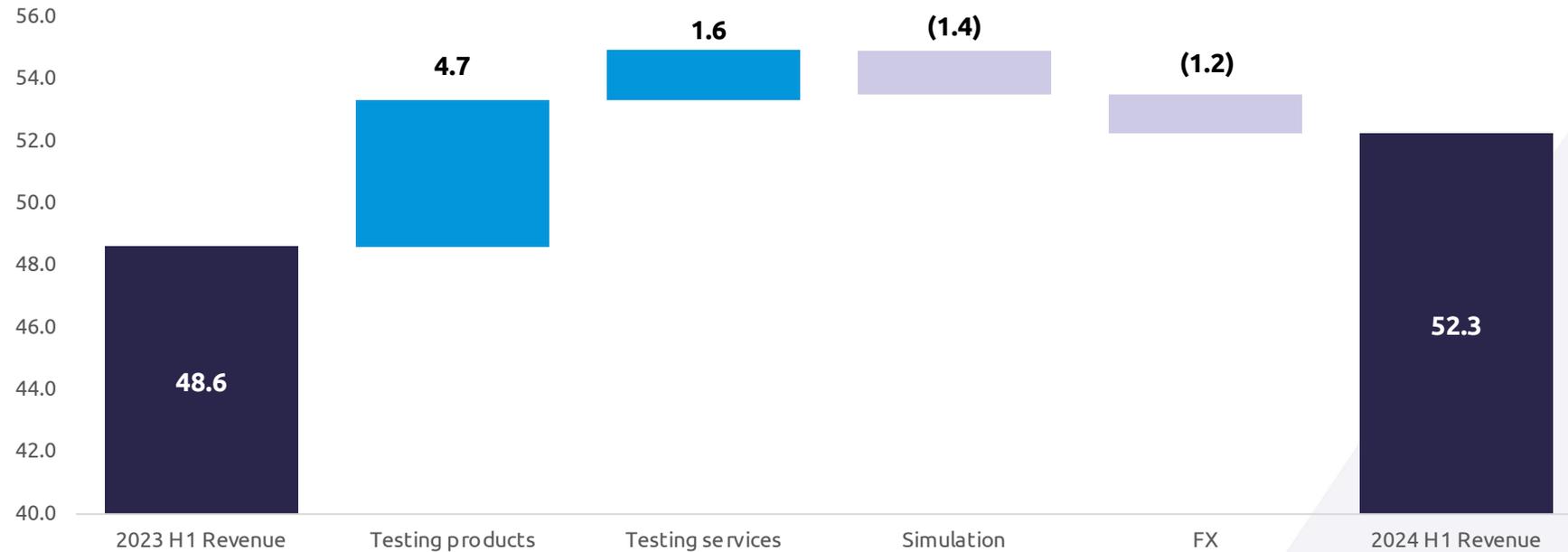
- Strong organic revenue growth from increases in testing products and testing services
- Gross margin increased 90 bps due to effective pricing and increased services revenue
- Operating margin improved by 110 bps as a result of increased activity levels and operational improvements, held back by the continued investment in ABD Solutions
- Continued focus on working capital disciplines delivered cash conversion of 107%
- Significant net cash at period end of £29.1m available to support strategic priorities

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

** Restated for change in interpretation of revenue recognition decreasing H1 2023 revenue (£0.4m) and operating profit (£0.1m).

Revenue

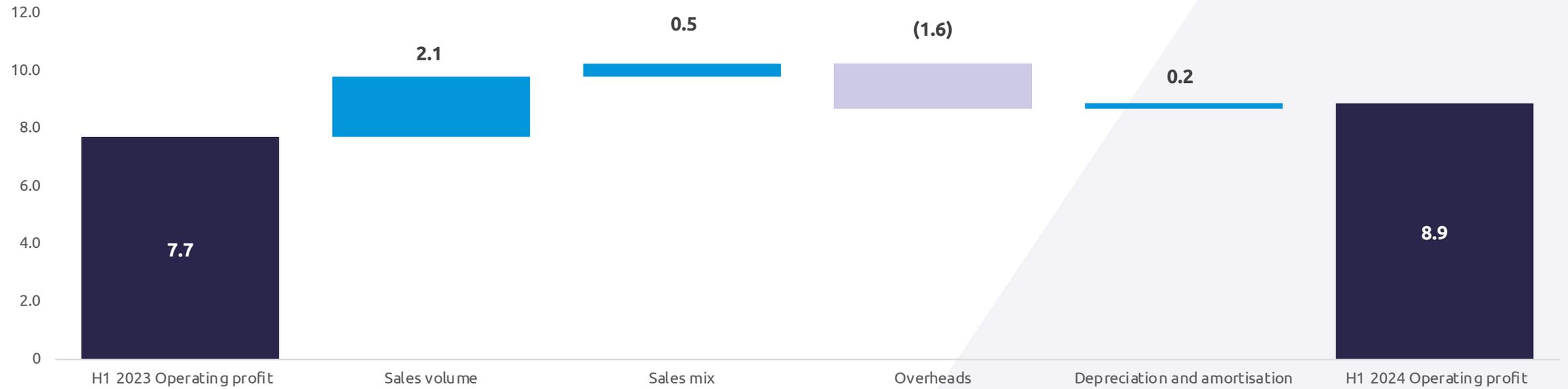
£m



	Value (£m)	% of revenue
Robots	£12.5m	
ADAS platforms	£19.5m	
Laboratory testing	£2.9m	
Testing products	£34.9m	67%
Testing services	£7.5m	14%
Simulation	£9.9m	19%

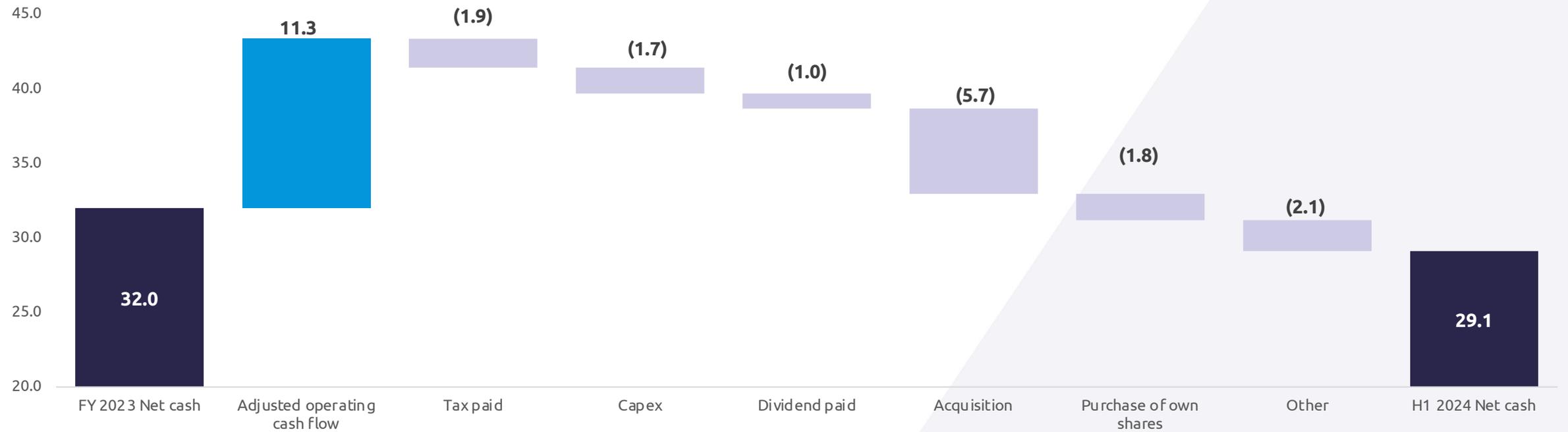
Operating profit

£m



Net cash

£m



Constant currency

Constant currency analysis	H1 2024 As reported £m	H1 2024 Restated at H1 2023 rates £m	H1 2023 £m	Change %
Revenue	52.3	53.5	48.6	+10
Adjusted operating profit	8.9	9.0	7.7	+17

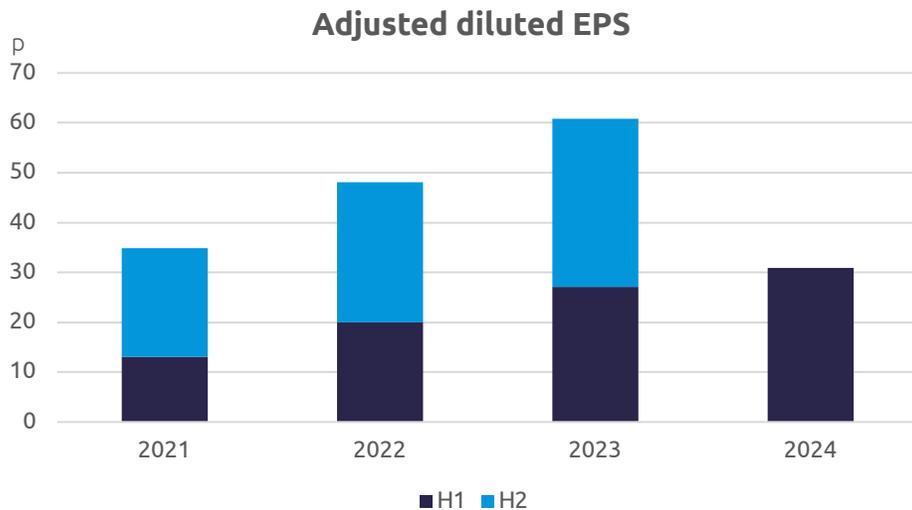
Average exchange rate	H1 2024	H1 2023
US\$	1.24	1.19
Euro	1.16	1.14
Yen	184	164

Sensitivity analysis	% of revenue	10% movement impact on H1 revenue £m	10% movement impact on adjusted H1 operating profit £m
US\$	15%	0.7	0.1
Euro	30%	1.4	0.2
Yen	10%	0.4	0.1
Total	55%	2.5	0.4

- Future guidance based on \$1.25, €1.17, ¥190

Financial summary

- Strong organic revenue and profit growth
- Operating margin improvement
- EPS growth of 14%
- Continued strong cash conversion, 3 year rolling average of 106%
- Our robust balance sheet enables investment in continuing to strengthen the business



Cash conversion

107%

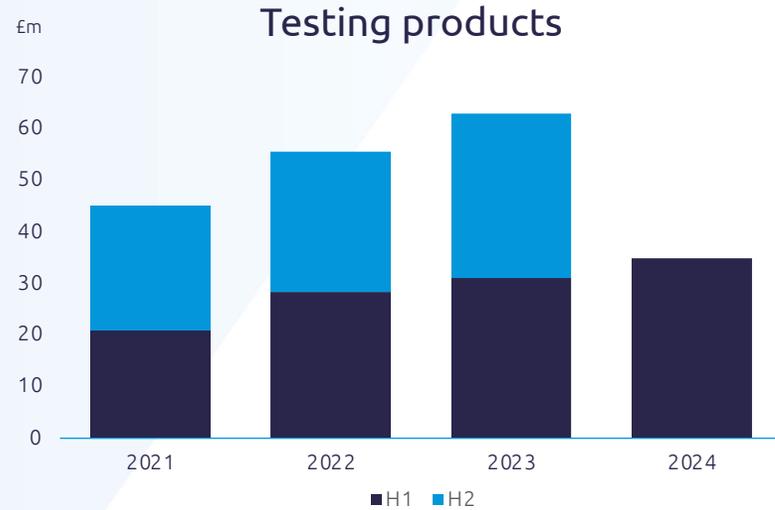
Operating margin
excluding ABD Solutions

18.6%

Business review



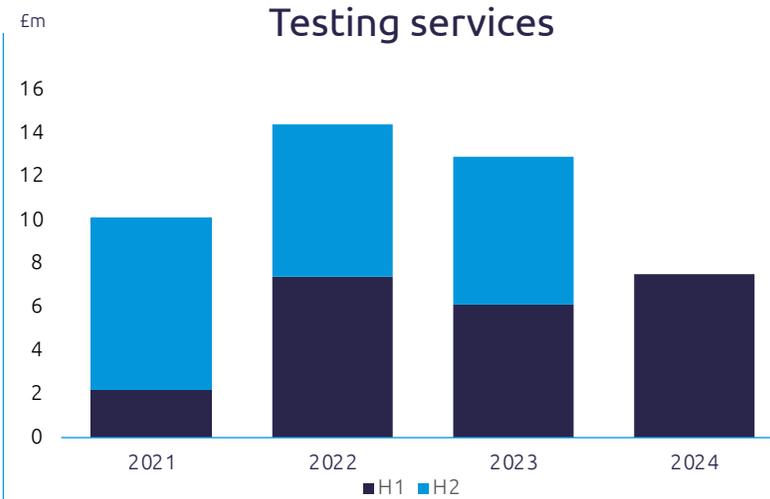
Sector revenue performance



- Market drivers continue to support testing product commercial activity
- Strong growth in ADAS test products across both GST and LaunchPad
- Euro NCAP approval of SP360 articulating pedestrian target and LaunchPad Spin

Revenue £34.9m

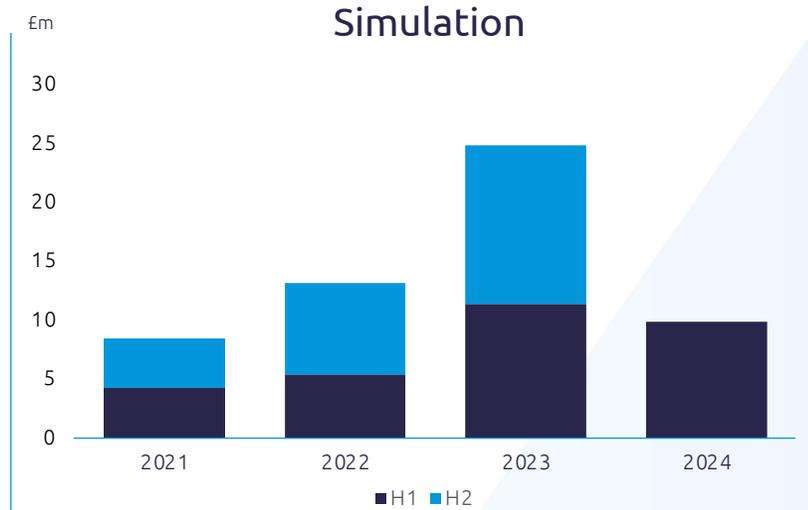
+12%



- Strong recovery in testing services across both the US and China based operations
- New contracts received for NHTSA in US
- New facility fit out complete in California
- Establishment of the new testing facility in Anhui, China

Revenue £7.5m

+23%



- Strong growth of rFpro simulation software
- Largest ever digital twin of 80km of Los Angeles for major OEM including 12,000 buildings & 13,000 additional items
- Driving simulator revenues H2 weighted
- Development of the new Delta T1 Sport simulator on track

Revenue £9.9m

-13%

Compelling near- and longer-term growth drivers underpin resilient business model

Near-term growth drivers

Continued organic demand driven by:

- Favourable regulatory requirements
- Consumer preference via Global NCAPs and US regulator NHTSA
- Providing solutions for customers' sustainability challenges
- Increased demand from new entrants into the EV market
- OEMs introducing higher levels of automated driving functions

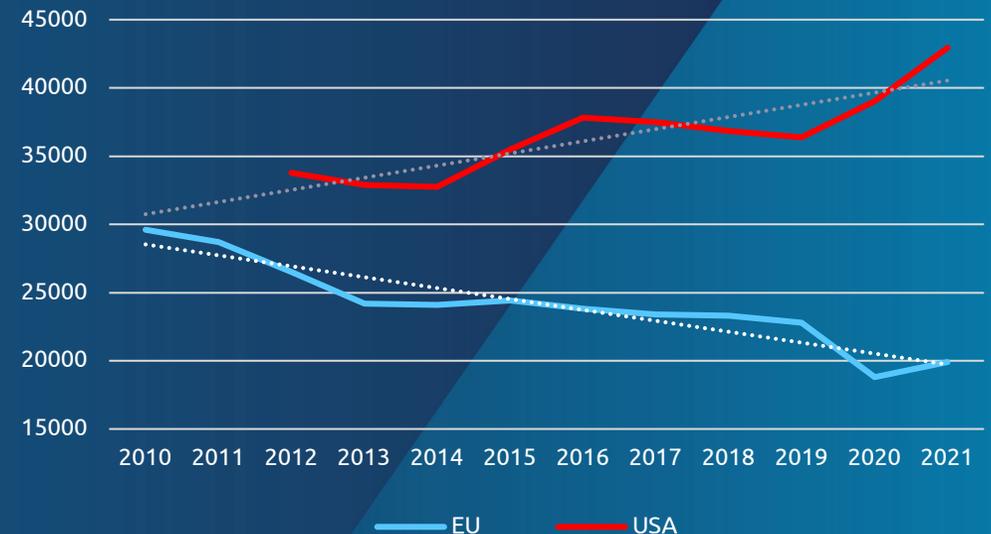
Longer-term growth drivers

- Attractive structural and regulatory growth drivers underpin all of our markets
- Increase in US regulation given commitment to road safety
- Growing use of simulation for ADAS development and preliminary testing
- Differentiated products and long-term relationships with customers support strong margins with a clear strategy for expansion
- Highly skilled sales teams adept at identifying our customers' unrecognised needs and presenting cross-sell solutions to solve their business challenges
- Significant incremental revenue opportunity from ABD Solutions
- Extensive pipeline of value-enhancing acquisitions

Euro NCAP test scenario volumes



Road Based Fatalities – USA & EU



Sources
NHTSA Traffic Safety Facts 2021 Data – published October 2023
European Commission Mobility & Transport – Road Safety Annual Statistical Report 13 March 2023

Differentiated product and long-term relationships with customers underpin strong and resilient margins with clear strategy for expansion

Portfolio

- Operating leverage from ongoing strong organic growth
- Ability to increase prices enables maintenance of gross margins during inflationary periods
- Continued investment in innovation that results in differentiated products and drives strong gross margins
- ABD Solutions and testing services expansion will provide positive contribution

Platform

- UK ERP implementation now substantially complete and commencement of global roll out programme underway
- Transformation of business processes to enhance operating efficiencies and the customer experience
- Innovation in product design, lean manufacturing and supply chain improvements will all deliver further expansion

People

- Investment in talent and capabilities to support growth plan with associated economies of scale benefits



ABD Solutions

- Product development largely complete
- 2 major contracts awarded to date
- Several phase 1 feasibility contracts awarded
- A pipeline of 10 – 15 opportunities ranging from £0.4m to £10m spread across the globe
- Commercial resources in place in Japan and Australia
- Additional route to market through commercial partnerships with specialist vehicle OEMs



Acquisition case study – Venshure Test Services

- Provider of vehicle testing services for powertrain development through mileage accumulation and environmental testing of vehicles for product durability, performance and compliance
- Established OEM and Tier 1 customer base
- Acquisition complements the Group's testing services offering and end to end vehicle development toolchain capabilities
- Opportunity for growth through expanded capabilities of two new vehicle test labs and potentially for replication across US facilities
- Utilisation of AB Dynamics' existing channels to market and strong OEM customer relationships
- Earnings enhancing from completion with strong gross and operating margins

VTS VENSHURE TEST SERVICES



A hand holding a white charging cable connector next to a blue car, with a green field in the background. The image is overlaid with a large blue diagonal shape on the left side.

Summary and outlook

Summary and outlook

- Strong revenue and operating profit growth of 8% and 16% respectively
- Particularly strong performance in Testing Products and Testing Services
- Continued investment in new product development, capabilities and operational improvements
- The Group has a solid order book providing visibility for FY2024
- Focus of ABD Solutions is near-term conversion of commercial opportunity pipeline
- Acquisition of VTS increases service capabilities of the Group
- Outlook
 - Expected to deliver full year adjusted operating profit ahead of current expectations
 - 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
 - Strong balance sheet supports continued investment in innovation and value-enhancing acquisitions



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Appendix

Sector revenue disclosure

	<u>Previous basis</u>		<u>New basis</u>
	H1 2023 £m		H1 2023 £m
ADAS platforms	14.0	ADAS platforms	14.0
Driving robots	14.2	Driving robots	14.2
Testing services	6.1	Laboratory testing	2.9
Track testing	34.3	Testing products	31.1
Laboratory testing	2.9	Testing services	6.1
Simulation	11.4	Simulation	11.4
Laboratory testing and simulation	14.3	Total revenue	48.6
Total revenue	48.6		

The Group previously reported two sectors, track testing and laboratory testing and simulation. Following the growth in testing services, these are now reported separately. Laboratory testing is now included within testing products, which better reflects the nature of the products.

Alternative performance measures

	Income statement impact		Cash flow impact	
	H1 2024 £m	H1 2023 £m	H1 2024 £m	H1 2023 £m
Amortisation of acquired intangibles	3.0	3.7	–	–
ERP development costs	0.3	0.8	0.3	0.8
Acquisition related costs	0.1	0.4	–	2.6
Acquisition related finance costs	0.3	0.8	–	–
Total adjustments	3.7	5.7	0.3	3.4

Balance sheet

	H1 2024 £m	Restated H1 2023 £m
Goodwill and intangibles	69.3	76.6
Property, plant and equipment	28.9	27.1
Fixed assets	98.2	103.7
Working capital	6.9	9.8
Asset held for sale	1.9	1.9
Net cash	29.1	21.3
Net current assets	37.9	33.0
Deferred tax liabilities	(8.6)	(9.2)
Deferred consideration	(0.5)	(11.2)
Net assets	127.0	116.3

- Balance sheet remains robust demonstrating the Group's resilience to macroeconomic pressures
- Significant cash resources enable continued investment in growth opportunities, NPD and infrastructure
- Net cash position allows the Group to focus on its strategy for long-term sustainable growth
- Revolving credit facility extension to February 2026
- Impact of H1 2023 restatement totalled £0.3m to net assets and £0.1m to profit in relation to a change in interpretation of the revenue recognition standard following a change in the Group's auditors to Grant Thornton

Strategic acquisitions have created global footprint enabling cross-sell opportunities



- Acquired in 2019
- rFpro is a pioneering developer and provider of engineering grade simulation software
- Bought to enable the expansion and acceleration of the simulator product line as well as simulation-based ADAS & autonomous system verification



- Acquired in 2019
- DRI is a leading supplier of automotive engineering products and services to the US automotive market
- Bought to amplify the Group's access to the US ADAS and autonomous vehicle testing markets and provide a West Coast location



- Acquired in 2022
- Ansible is a leading provider of advanced simulators to the global automotive sector
- Bought to increase the product range and capacity in the simulation market with R&D synergies



- Acquired in 2021
- VadoTech is a prominent supplier of vehicle testing services in the APAC region with strong connections to the German automotive market
- Bought to expand the reach into strategically important territories & expand high margin testing services business

Cross-sell in action

A highly successful example of how AB Dynamics' existing routes to market in Asia have enabled the cross-sale of Ansible Motion Simulators to China



Acquired in Sep-22

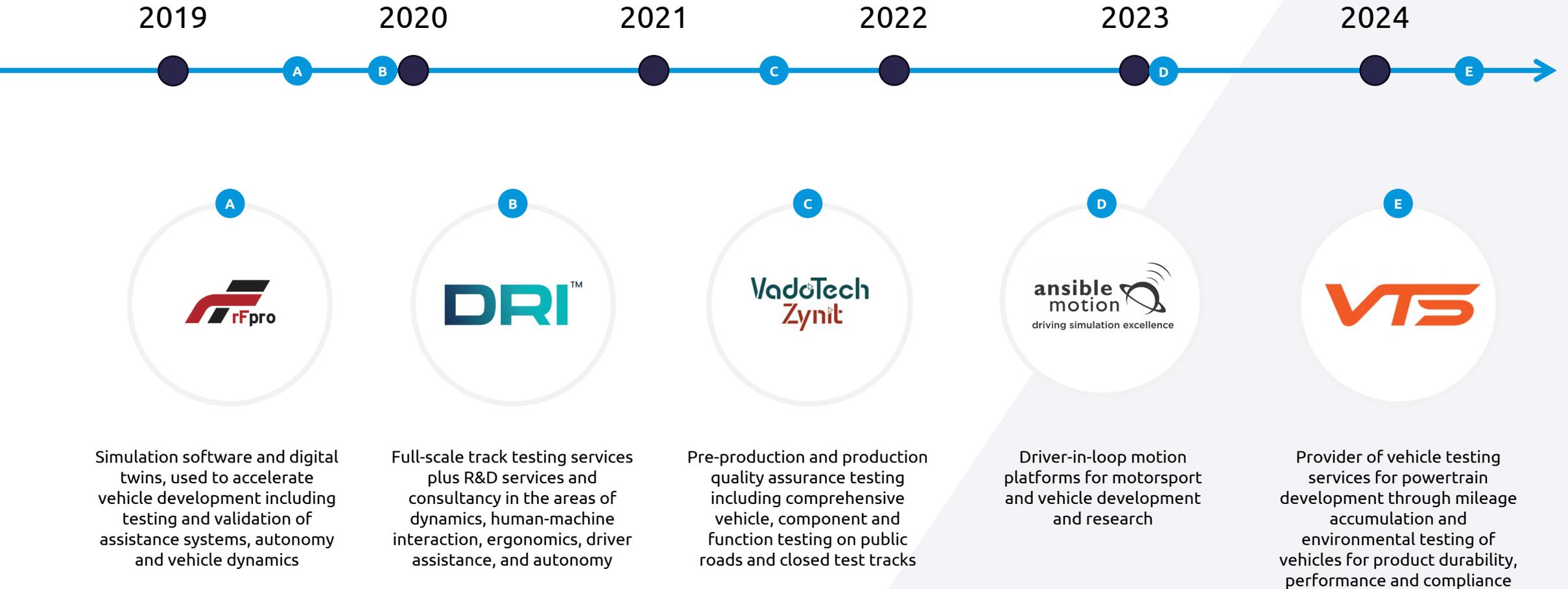
Fully integrated by Spring 23

AB Dynamics' highly skilled sales team begin identifying our customers' unrecognised needs and solutions to solve their business challenges



Existing routes to market in APAC have enabled order intake of two Ansible Motion simulators to China during FY23 with more international opportunities in the pipeline

Acquisition timeline



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



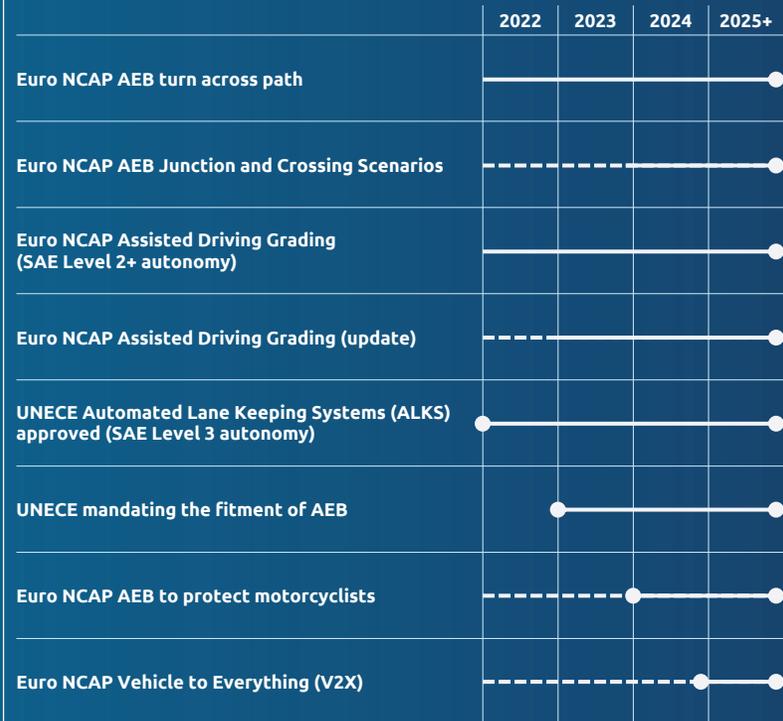
- Average of one acquisition delivered per year between FY 2019 and FY 2024
- Acquisitions to date are rFpro (simulation software), DRI (track testing), VadoTech (testing services) and Ansible Motion (DiL simulators), Venshure Test Services (testing services)
- Good long-term pipeline of promising acquisition opportunities

Compounding organic growth through carefully selected, value-enhancing acquisitions

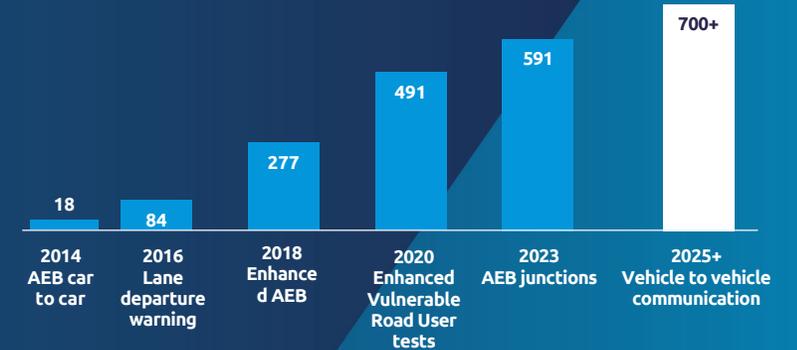
Regulatory growth drivers

- Product development driven by future test scenarios
- Euro NCAP roadmap 2025-2030 launched:
 - New tests for automated driving functions
 - Enhancements to vehicle safety assist functions
 - The inclusion of testing of heavy trucks, expanding the newly introduced commercial vehicle rating scheme
 - Additional and enhanced categories of test targets to complement diversity in road users and increased sophistication of sensors

Roadmap 2022–2025



Euro NCAP test scenarios



Regulatory growth drivers continued

Roadmap 2026–2032

	2026	2029	2032
Safe Driving			
M1: Beyond Intelligent speed assistance		●	
M2: Driver Awareness: impaired driving to cognitive distraction		●	●
M3: AD Grading: Domain extension and driver engagement		●	●
Crash Avoidance			
M4: Improved robustness and real-world effectiveness		●	●
M5: Leveraging vehicle connectivity			●
M6: Pedal misapplication		●	
Crash Protection			
M7: Senior protection: low severity testing with sled		●	
M8: Far-side and side pre-crash incentives		●	●
M9: Protection equity through modelling		●	●
M10: Whiplash protection parity		●	●
M11: Passive VRU protection – A-pillar and micro-mobility		●	●
Post-Crash Protection			
M12: Nest-gen updates including D-call and thermal scanning		●	●



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