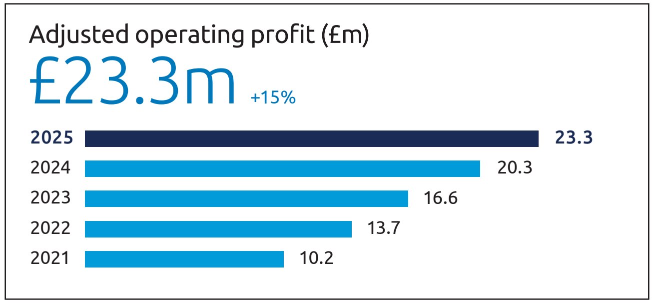
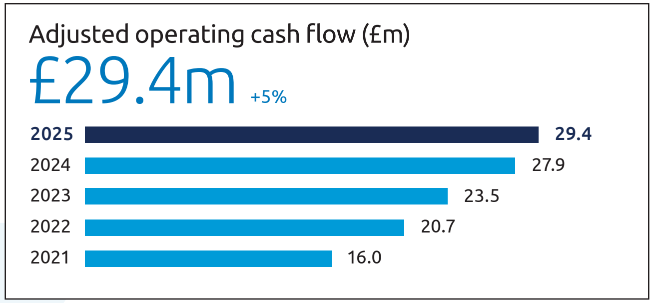
Chief Financial Officer's review

Strong start to executing the medium-term growth plan, margin improvement supported by strong cash generation

Sarah Matthews-DeMers
Chief Financial Officer





Overview

Our focus in 2025 has been on delivering the medium-term growth plan which we set out in November 2024. We are pleased to have made a strong start to executing this plan having delivered profit growth slightly ahead of expectations, margin improvement and the acquisition of Bolab, despite challenging macroeconomic circumstances.

In H1 2025 we delivered an 11% increase in revenue, expanded our operating margin to 18.6% and completed the acquisition of Bolab. H2 was tougher following the macroeconomic uncertainty which followed US-led tariff changes and revenue growth slowed. However, through delivery of our continuing programme of driving operational efficiency, aided by a positive mix impact, we delivered improvement in operating margin and operating profit slightly ahead of expectations. This performance demonstrates the resilience of the business.

Investments in our sales infrastructure, geographical coverage and R&D innovation have driven revenue growth, while our focus on operational skills, capabilities, systems and processes has enabled us to improve margins. These profits have been converted into cash through disciplined working capital management and capital allocation, enabling us to fund acquisitions to build out our product and service portfolio and enhance the resilience of the business.

Testing Products and Testing Services made strong progress, driven by good momentum coming into the year and sustained through supportive market drivers and the launch of new products and services. Simulation was impacted by the timing of order intake in H2.

The Group maintained its very strong financial position, with net cash at 31 August 2025 of £41.4m (2024: £28.6m) continuing the track record of excellent cash conversion, with in-year cash conversion of 106% and a three-year rolling average of 112%.

Chief Financial Officer's review continued

Trading performance

The Group delivered revenue growth in the year of 3% to £114.7m (2024: £111.3m) with double-digit growth in H1 offset by more challenging conditions in H2 as the timing of simulator orders was impacted by macroeconomic disruption. Testing Products and Testing Services both saw strong growth in the year, while Simulation revenue was lower due to the timing of order placement. Constant currency revenue growth was 4% as foreign exchange provided a minor headwind.

The proportion of recurring revenue was maintained at 45% (2024: 45%) demonstrating the resilience of the business model.

Gross margin was 62.0%, up 240 bps on 2024, and the adjusted operating margin increased to 20.3% (2024: 18.2%) achieved through operational improvements and a richer mix of revenue. While the operational improvements are now embedded in the business, the benefit of the revenue mix is not expected to be repeated in FY 2026. Group adjusted operating profit increased by 15% to £23.3m (2024: £20.3m).

Adjusted EBITDA increased by 15% to £27.8m (2024: £24.2m). Adjusted EBITDA margin was 24.2% (2024: 21.7%), an increase of 250 bps.

Adjusted net finance costs increased to £0.4m (2024: £0.3m).

Adjusted profit before tax was £22.9m (2024: £20.0m). The Group adjusted tax charge totalled £4.2m (2024: £3.7m), an adjusted effective tax rate of 18.3% (2024: 18.5%). The effective tax rate is lower than the current UK corporation tax rate due to Patent Box relief.

Adjusted diluted earnings per share was 80.3p (2024: 70.0p), an increase of 15%, reflecting the increase in operating profit.

The order book at 31 August 2025 was £32m (2024: £30m). This provides coverage of approximately a quarter of FY 2026 expected revenue.

Statutory operating profit increased 22% to £15.5m (2024: £12.7m) and after net finance costs of £0.9m (2024: £0.7m), statutory profit before tax increased by 22% from £12.0m to £14.6m. The statutory tax charge increased to £2.6m (2024: £2.3m). Statutory basic earnings per share was 52.2p (2024: 42.3p).

A reconciliation of statutory to underlying non-GAAP financial measures is provided in note 4 of the financial statements. The adjustments to operating profit of £7.8m (2024: £7.6m) comprise £6.2m (2024: £6.4m) of amortisation of acquired intangibles, £1.1m (2024: £1.0m) of ERP development costs and £0.5m (2024: £0.2m) in relation to acquisition costs. The £0.5m adjustment to the interest charge relates to the unwind of the discount on the contingent consideration for acquisitions (2024: £0.4m). The tax impact of these adjustments was £1.6m (2024: £1.4m).

Segment review

Testing Products revenue of £74.3m was up 7% against 2024 (£69.4m) with growth in driving robots and the contribution of Bolab offset by lower Suspension Parameter Measuring Machine (SPMM) sales.

Testing Services saw revenue growth of 8% to £18.0m (2024: £16.7m) driven by strong growth in the USA in advance of new regulatory requirements which require all light-duty passenger vehicles to have Automatic Emergency Braking by 2029.

Simulation revenue decreased by 11% to £22.4m (2024: £25.2m). The decrease in revenue was due to the timing of order intake for driving simulators.

Cash generation

The Group delivered strong adjusted operating cash flow of £29.4m (2024: £27.9m) with cash conversion of 106% (2024: 115%). The strong cash generation was used to fund the acquisition of Bolab, as well as £3.1m of investment in product development and property, plant and equipment and dividends of £1.9m.

Net cash at the end of the year was £41.4m (2024: £28.6m), underpinning a robust balance sheet. Along with the Group's £20.0m revolving credit facility which extends to February 2028, this provides significant funding headroom to continue the Group's investment programme.

The reconciliation of cash and cash equivalents to net cash is as follows:

	2025 £m	2024 £m
Cash and cash equivalents	**44.7**	31.8
Lease liabilities	**(3.3)**	(3.2)
	41.4	28.6

Chief Financial Officer's review continued

Group financial position

Non-current assets decreased by £1.4m from £110.9m to £109.5m, mainly due to depreciation and amortisation of £10.7m, offset by the acquisition of Bolab and capital investment in property, plant and equipment.

Working capital was £4.0m (2024: £3.6m), an increase of £0.4m in a year when revenue has grown by 3%. Working capital as a percentage of revenue has increased from 3.2% to 3.5%. The stability reflects our continued focus on commercial contracting, inventory levels and cash management, along with timing differences arising from long-term contracts.

Capital allocation

Our capital allocation framework aims to deliver sustainable compounding growth as well as growing returns to shareholders.

- Organic investment and innovation to protect and grow organic business
- Complementary acquisitions contributing to one or more of the Group's strategic priorities
- Progressive dividend policy

Return on capital employed (ROCE)

Our capital-efficient business and high margins enable generation of strong ROCE (defined as adjusted operating profit as a percentage of capital employed). During the year, ROCE has increased from 17.4% to 20.2% benefiting from further improvement in operating margin alongside disciplined capital management.

ROCE is calculated as follows:

	2025 £m	2024 £m
Adjusted operating profit	**23.3**	20.3
Shareholders' equity	**139.9**	131.3
Net cash	**(41.4)**	(28.6)
Deferred tax	**9.7**	7.5
Contingent consideration	**7.2**	6.2
Capital employed	**115.4**	116.4
Return on capital employed	**20.2%**	17.4%

Acquisitions

On 25 September 2024, the Group acquired 100% of Bolab for a total consideration of up to €11.0m (£9.2m). Bolab is a niche supplier of automotive power electronics testing solutions, based in Germany. The initial consideration was €3.9m (£3.3m), which comprised €4.5m (£3.8m) of cash consideration paid on completion plus €0.5m (£0.4m) retained against potential warranties, less the working capital adjustment of €1.1m (£0.9m) following completion in line with the closing mechanism agreed in the sale and purchase agreement. Contingent consideration of up to €6.0m (£5.0m) will become payable in cash across two tranches for the two years following completion, subject to meeting certain performance criteria for each year.

Bolab supplies low-voltage and high-voltage equipment for testing automotive sub-systems and components for conventional, hybrid and EVs. The acquisition supports the expansion of the Group's capabilities in the Testing Products segment and provides further alignment with the structural growth drivers in the sector.

Bolab has been integrated into the Group's Testing Products segment and has been earnings accretive, delivering £4.4m of revenue and £0.3m of adjusted operating profit during FY 2025.

Acquisitions have been, and will continue to be, a significant part of the overall strategy and there is a promising pipeline of potential value-enhancing and strategically compelling acquisition opportunities.

Dividends

The Board is recommending a final dividend of 6.36p per share, giving a total dividend for the year of 9.16p (2024: 7.63p) per share, which is an increase of 20% over the prior year.

Research and development

While research and development form a significant part of the Group's activities, a significant and increasing proportion relates to specific customer programmes which are included in the cost of the product. In addition to customer funded research and development, Group funded research and development costs were £1.0m (2024: £0.9m), which comprised £0.8m (2024: £0.2m) of costs that have been capitalised in relation to projects for which there are a number of near-term sales opportunities and £0.2m (2024: £0.7m) of other research and development costs, all of which have been written off to the income statement as incurred.

Foreign currency exposure

The Group faces currency exposure on its foreign currency transactions and maintains a natural hedge whenever possible to transactional exposure by matching the cash inflows and outflows in the respective currencies. Forward exchange contracts are used to manage transactional exposure where appropriate.

With significant overseas operations, the Group also has exposure to foreign currency translation risk. On a constant currency basis, revenue would have been £1.4m higher than reported and both adjusted and statutory operating profit would have been £0.2m higher as Sterling strengthened against the US Dollar, Euro and Yen. Constant currency revenue growth was 4% and growth in adjusted operating profit was 16%.

	2025	2024
Year-end rate		
US Dollar	**1.35**	1.32
Euro	**1.16**	1.19
Japanese Yen	**199**	191
Average rate		
US Dollar	**1.30**	1.26
Euro	**1.19**	1.17
Japanese Yen	**193**	191

Chief Financial Officer's review continued

Summary and outlook

The Group has made a strong start to delivering the medium-term growth plan which we set out in November 2024. Trading in the first half of FY 2025 was strong, with double-digit revenue and profit growth. Despite a more challenging backdrop during the second half caused by macroeconomic and political disruption, the Group delivered underlying earnings slightly ahead of expectations, with full-year profit growth of 15% and improved margin to 20.3%.

The Group is geographically diversified, OEM agnostic and powertrain agnostic, selling into R&D and testing functions, providing resilience against short-term automotive industry headwinds. Future growth prospects remain supported by long-term structural and regulatory growth drivers in active safety, autonomous systems and the automation of vehicle applications, underpinning our medium-term financial objectives. We are continuing to invest in new product development and have the capacity to accelerate progress with further value creating acquisitions.

Encouragingly, underlying demand drivers remain strong and customer activity increased towards the end of the year. As a result, the Group carries forward £32m (2024: £30m) of orders into FY 2026 providing good trading momentum into the first half of the year. Whilst mindful of short-term macroeconomic disruption, which may continue into the first half of FY 2026, the Board remains confident that the Group will make further financial and strategic progress this year and expects to deliver FY 2026 adjusted operating profit in line with current expectations, with an expected bias towards the second half of the year.

Our market drivers remain strong. This backdrop, along with a strong acquisition pipeline, provides confidence of delivering continued growth in revenue and profit in FY 2026 and beyond.

Sarah Matthews-DeMers
Chief Financial Officer
11 November 2025

We have a highly resilient business

- Our market drivers support increased demand for our products and services in the medium to long term as new technologies, regulation and increased adoption of simulation drive significant growth opportunities for the Group, supporting the aspirations set out in our value creation plan
- The Group's **geographic diversification** and broad customer base means we are **OEM agnostic**, providing protection against the current competitive environment between traditional manufacturers and new entrants
- The Group is also **powertrain agnostic**. With transition to EVs shifting to the right and a longer tail of ICE and hybrids, this supports an increase in the number of new models for a longer period from which we are well placed to benefit
- The Group's main market is the **automotive R&D sector** therefore production volumes are not directly relevant to us. OEMs need to innovate to get new models to market faster and more efficiently to remain competitive therefore even in periods of market disruption, R&D budgets remain resilient