

Chairman's statement

A strong start to delivering our medium-term growth plan



Richard Elsy CBE
Non-Executive Chairman

Highlights

- Appointment of Sarah Matthews-DeMers as CEO provides continuity for the Group into the next phase of its development
- Continued investment in new product development in our core markets
- Acquisition of Bolab strengthens our products offering
- Well placed to sustain growth momentum over the medium term as set out in our value creation plan

“We made a strong start to delivering our value creation plan with profit growth slightly ahead of expectations, margin improvement and the acquisition of Bolab, despite challenging macroeconomic circumstances.”

Overview

I am very pleased to report we have made a strong start to delivering our value creation plan with profit growth slightly ahead of expectations, margin improvement and the acquisition of Bolab, despite challenging macroeconomic circumstances.

In the first half of the year we delivered double-digit revenue growth which was followed by a more challenging second half as timing of simulator orders was impacted by macroeconomic and geopolitical disruption.

Cash generation and cash conversion were strong, resulting in net cash at year end of £41.4m (2024: £28.6m) culminating in a robust balance sheet to deploy further value-enhancing investments in FY 2026.

Encouragingly, underlying demand drivers remain strong and customer activity increased towards the end of the year. Macroeconomic disruption has had a short-term timing impact in the second half of FY 2025, which we expect to continue into the first half of FY 2026; however, the long-term market and regulatory drivers remain compelling. The Board remains confident in delivering FY 2026 adjusted operating profit in line with current expectations, albeit expecting a bias towards the second half of the year.

Financial performance

The Group delivered revenue growth in the year of 3% to £114.7m (2024: £111.3m) with double-digit growth in the first half offset by more challenging conditions in the second half 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.

Gross margin was 62.0%, up 240 bps on 2024 and the adjusted operating margin increased to 20.3% (2024: 18.2%) driven by operational improvements and revenue mix. 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 earnings before interest, tax, depreciation and amortisation (EBITDA) increased by 15% to £27.8m (2024: £24.2m). Adjusted EBITDA margin was 24.2% (2024: 21.7%), an increase of 250 bps.

The Group delivered strong adjusted operating cash flow of £29.4m (2024: £27.9m) with cash conversion of 106% (2024: 115%). After funding the acquisition of Bolab, net cash at the end of the year was £41.4m (2024: £28.6m), underpinning a robust balance sheet and providing the resources to continue the Group's investment programme.

Strategic progress

The Group made a strong start in the first year of delivering against the value creation plan. During FY 2025, the Simulation segment launched the Delta S3 Spin simulator with advanced capability for the growing road car market and received the first order late in the second half of the year.

Testing Products has been strengthened through the acquisition of Bolab, a niche supplier of automotive power electronics testing solutions.

The level of recurring revenue was maintained at 45% (2024: 45%), demonstrating the resilience of the Group's business model.

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.

Chairman's statement continued

Employees

I would like to take this opportunity to thank our global team of hard-working and committed employees who have all contributed to the successful results, responding to changing demands in what remains a challenging and fast-moving market. The Group attracts talent at all levels within the business and continues to invest in training all the way through from apprentices to graduates and continuing professional development.

The Group has grown strongly in recent years and we now have 553 employees, with around half located in the UK. The Board takes our responsibility towards employee engagement and development seriously and we were particularly pleased to complete our second Professional Development Programme for emerging talent to develop our future leaders.

Investments

The acquisition of Bolab during the year will continue to drive the Group strategy forward in order to deliver sustainable growth. Other investments included continued new product development and progress in the implementation of our ERP system.

Sustainability

I am pleased to report that the hard work and determination by the members of the Sustainability Committee and wider staff have delivered good progress on our sustainability strategy. The Board is committed to ongoing improvements in all aspects of sustainability.

Further information on our approach to sustainability can be found on pages 31 to 47 and the activities of the Sustainability Committee are summarised on page 83.

Corporate governance

Strong corporate governance and risk management are essential elements of the Board's activities and are key to ensuring the ongoing stability and growth of the Group. I am pleased to confirm that AB Dynamics plc is in compliance with the Quoted Companies Alliance Code (the QCA Code) as required under the AIM Rules. The Board takes into consideration feedback provided by various ratings agencies in setting policies and in developing our sustainability strategy as part of our continuous improvement in corporate governance. I report separately on the Group's approach to governance and its procedures in the Statement of corporate governance, which can be found on pages 68 to 78.

Dividends

The Board recognises that dividends continue to be an important component of total shareholder returns, balanced against maintaining a strong financial position, and intends to pursue a sustainable and growing dividend policy in the future having regard to the development of the Group.

Based on the strong financial performance and the Board's confidence in continued growth and delivery in 2026, the Board is recommending a final dividend of 6.36p per share, payable on 30 January 2026 subject to shareholder approval at the AGM. The ex-dividend date will be 15 January 2026 and the record date will be 16 January 2026. The total dividend for the year will therefore be 9.16p per share, which is an increase over the prior year of 20%, continuing the Board's progressive dividend policy.

Board changes

On 8 July 2025 we announced that Dr James Routh, our CEO, had informed the Board of his decision to stand down to take up the CEO position at FTSE 250 group Victrex plc. We thank James for his contribution to the Group over the last seven years and wish him well for the future.

On 21 October 2025 we announced the appointment of Sarah Matthews-DeMers as CEO. After completing a rigorous search process, the Board saw Sarah as the standout candidate to take the Group forward in the next phase of its development and to deliver the medium-term growth aspirations the Group has set out in its value creation plan. Sarah is our current CFO and will take up her new role from 1 December 2025. Dr James Routh will remain with the Group until 31 December 2025 to ensure a smooth handover, but will stand down from the Board on 30 November 2025.

On 14 May 2025 we announced the appointment of Julie Armstrong as a Non-Executive Director and Remuneration Committee Chair elect. Having served nine years, Richard Hickinbotham will stand down as a Director in August 2026 and at that time Julie will assume the position of Remuneration Committee Chair.

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.

Richard Elsy CBE
Non-Executive Chairman
11 November 2025

OUR STRATEGY AND THE DETAILED FINANCIAL RESULTS ARE COVERED
IN THE CHIEF FINANCIAL OFFICER'S REVIEW ON PAGES 18 TO 21