

AB Dynamics plc Interim results presentation – April 2020

Supporting safer mobility



AB
Dynamics

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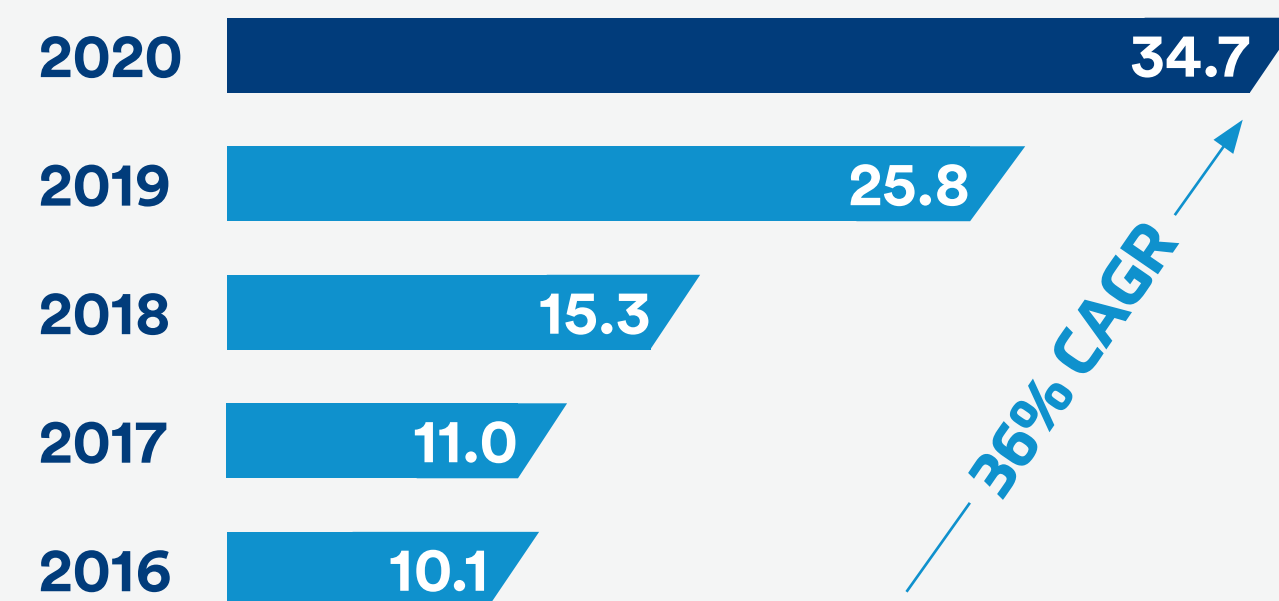


2020 Half year results

Revenue

£34.7m

+34%



- Strong revenue growth driven by acquisitions, international expansion and increased service/support
- Highest geographic growth in Asia Pacific, USA and UK
- Underlying revenue growth +11%

Adjusted operating profit

£8.6m

+34%



- Improved gross margin by +840bps to 58.5% due to acquisitions, direct routes to market and higher proportion of service and support
- Continued operating cost control delivering strong operating margins despite investments made during H2 of 2019

Adjusted operating margin

24.8%

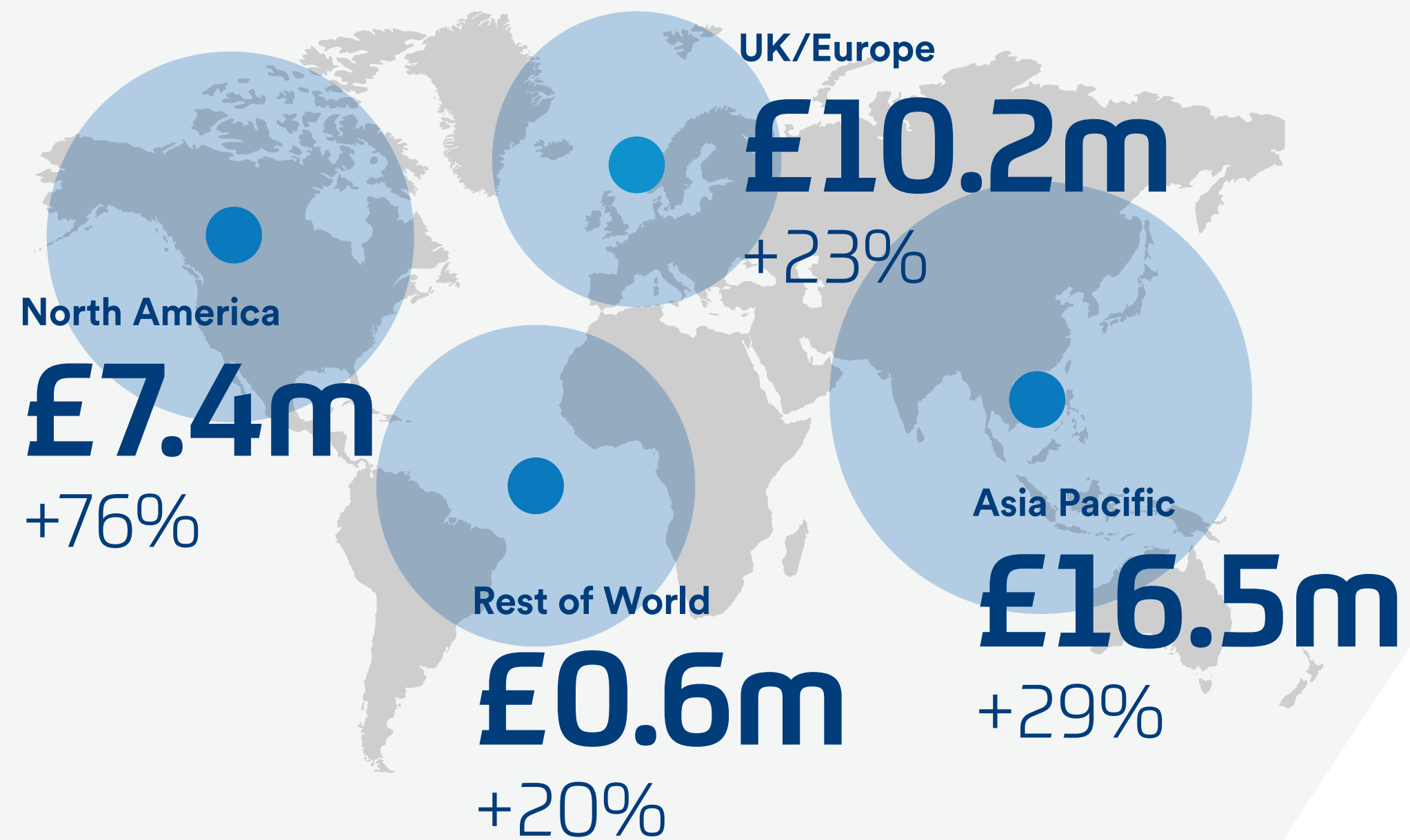
+10bps



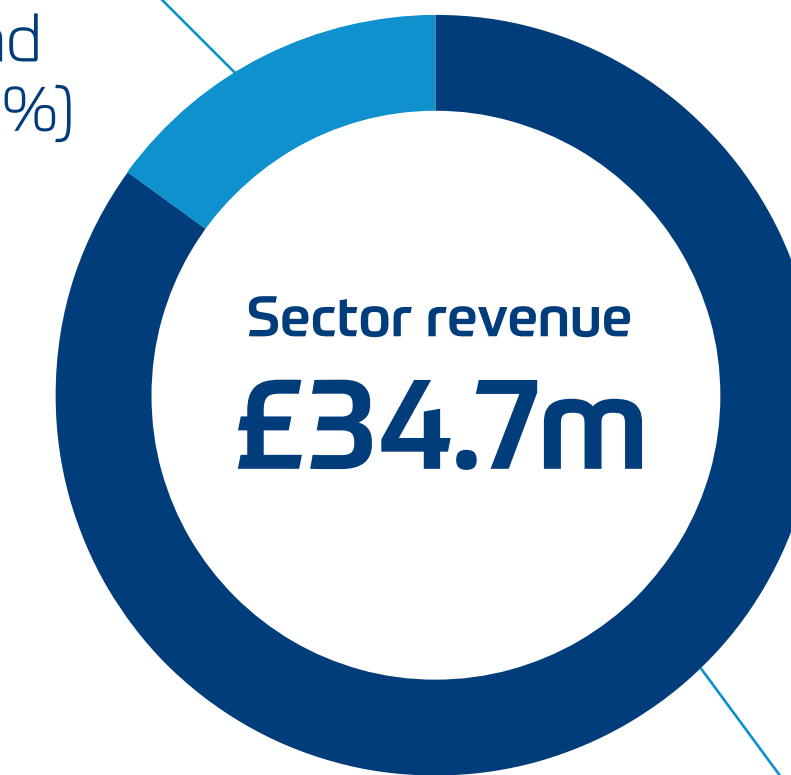
- Consistent, stable operating margins
- Small increase in operating margin of +10bps due to improved gross margins offset by full year effect of 2019 H2 opex investments

Results overview

H1 FY20 revenue of £34.7m

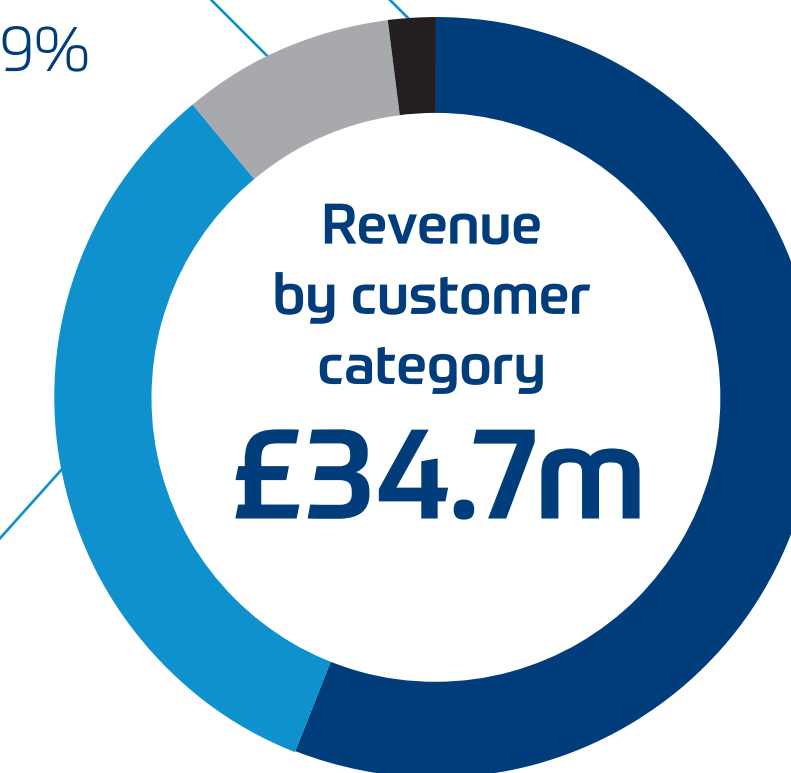


Laboratory testing and simulation: £5.1m (+82%)
15% of revenue



Track testing: £29.6m (+29%)
85% of revenue

Tech: 2%
Tier 1: 9%



Service provider: 33%

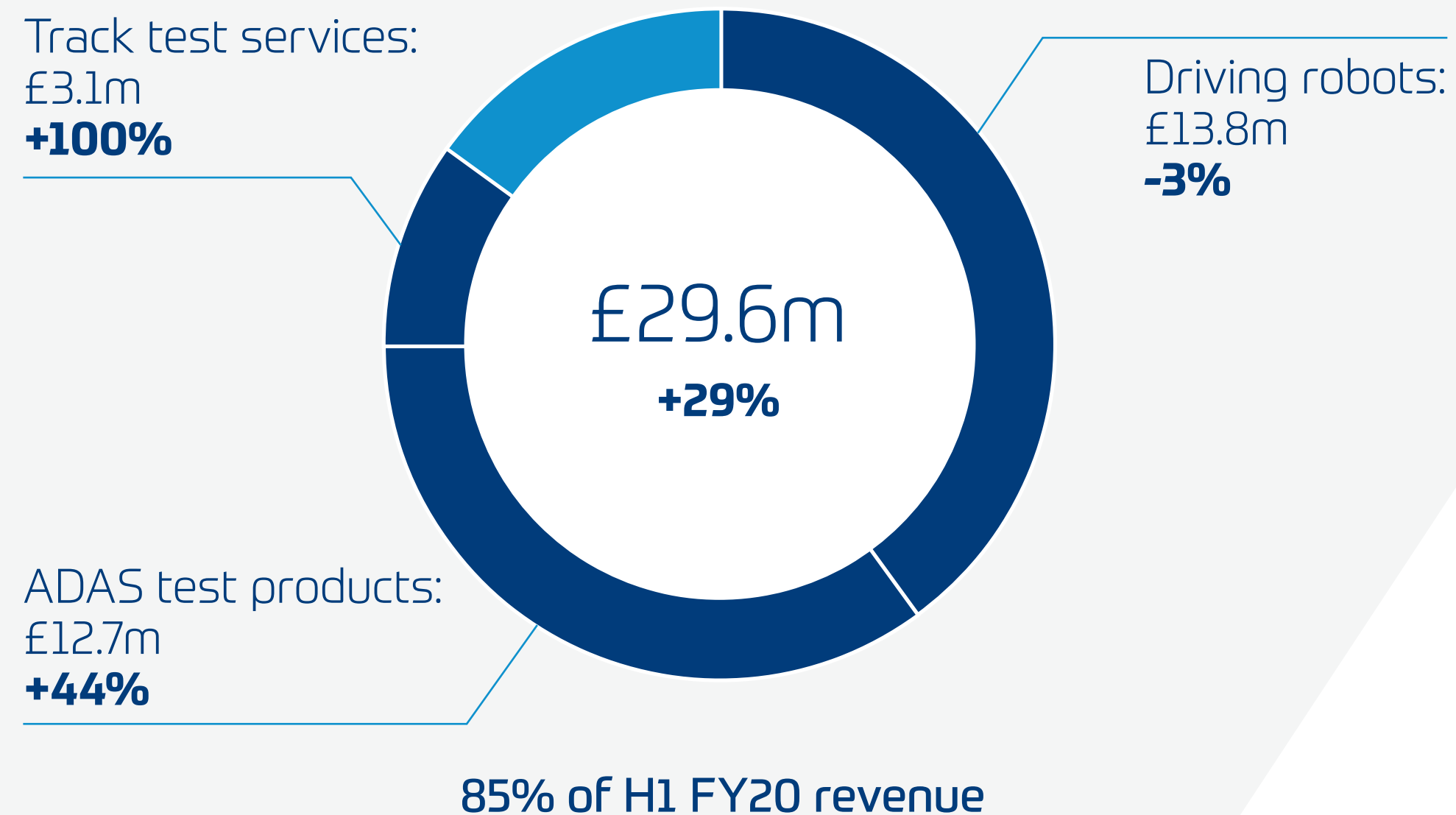
OEMs: 56%

Track testing



Products and services for the testing and development of Advanced Driver Assistance Systems ('ADAS'), autonomous vehicle technology and vehicle dynamics.

Revenue contribution to the Group



Operational highlights

Strong demand for ADAS platforms – GST and LaunchPad

Following acquisition of DRI, strong demand for track test services in the USA and launch of Radar Cart product

Significant increase in % recurring revenue, both underlying and through DRI acquisition

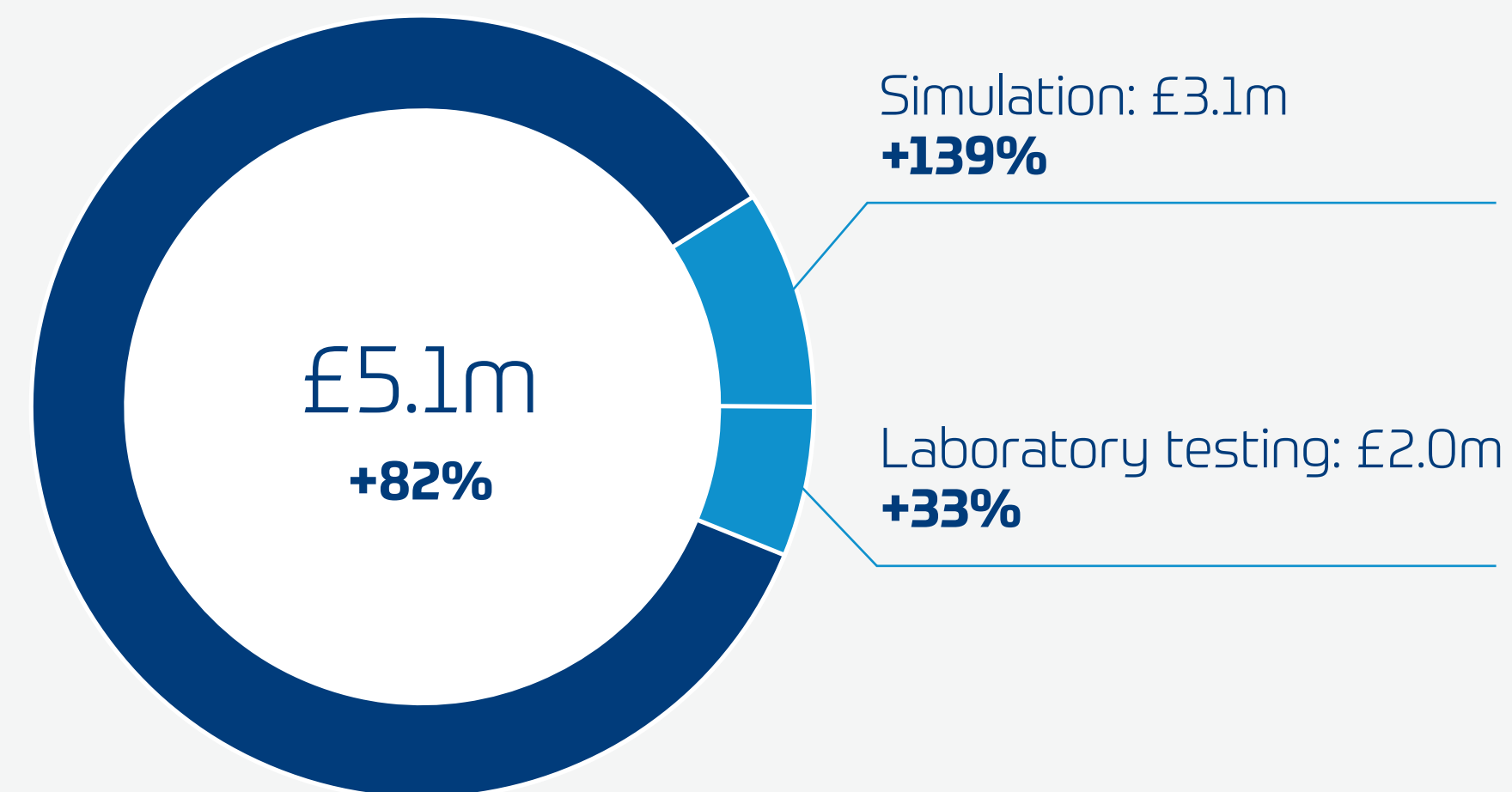
Continued product development including software improvements, new robot applications and ADAS target enhancements

Laboratory testing and simulation



Products and services to test dynamic characteristics, simulate vehicle dynamics and evaluate the performance of active safety systems across conventional vehicles, motorsport and autonomy.

Revenue contribution to the Group



15% of H1 FY20 revenue

Operational highlights

Contract for aNVH Axle Level NVH system for major OEM

Launch of static simulator product expanding simulator product family

Increased recurring revenue through rFpro software licensing and support

Significant pipeline of aVDS system sales opportunities

Macroeconomic factors

Automotive

ADAS/Active safety

- Structural and regulatory growth drivers remain intact
- COVID-19 may delay implementation in the short term

Multi-object scenarios

- Trend towards testing of multiple objects in specific scenarios
- Driving demand for ADAS platform products

Autonomy

- Government and private funding continues
- Challenges remain in verification trending towards simulation

Automated driving functions

- Increased specific automated driving functions
- Testing of automated driving functions has commenced

Geographic

USA

- US market demand buoyant
- Driven by West Coast technology customers and traditional automotive OEMs
- Risk of COVID-19 issues

Germany

- Significant impact of both COVID-19 and general automotive industry issues
- Evidence of order intake deferral

Japan

- Strong demand continues from H1
- Limited impact of COVID-19 to date

China

- Post US trade war improvement offset by COVID-19 issues in H1
- Starting to see orders returning

COVID-19 pandemic

COVID-19 pandemic

Customer demand

- No material reduction in order intake to date
- Differing customer demand by geography
- Some evidence of order deferral, primarily larger orders for capital equipment

UK manufacturing

- UK manufacturing fully operational
- Protective measures implemented

Supply chain

- Sufficient inventory for near-term requirements
- No evidence of constraints in supply chain to date

Overseas locations

- DRI continues to operate under exemption
- Sales/support offices all functional

Mitigating actions

- Investment in new product development and ERP system
- North Site and MMC construction projects delayed
- Cash conservation
- Suspension of interim dividend
- Acquisitions temporarily postponed but potential processes continuing

Group capability

AB Dynamics' capability



Digital world simulation

**Simulated environment
(User in the Loop)**

**Physical track testing
and measurement**

**Real world testing
(public roads)**

rFpro

AB Dynamics

DRI

Strategic progress



Strategic priorities

- Good performance from both DRI and rFpro
- Strong pipeline of acquisition opportunities

- Static simulator product launched, expanding the family of simulator products and broadening the addressable market
- aNVH test rig utilising proprietary novel actuator technology for assessment of noise, vibration and harshness in suspension
- Radar Cart launched to rapidly assess the radar properties of vehicles and ADAS targets used in track testing

- Introduction of tiered support contracts
- Increase in recurring revenue to 25% of sales
- Underlying recurring revenue increased from 10% to 13%
- Strong contribution to recurring revenue from rFpro and DRI



- ERP project initiated and on track to go live in FY21
- North Site construction on target but temporarily postponed due to COVID-19

- International offices delivering good early results
- Japan and USA strong

Financials

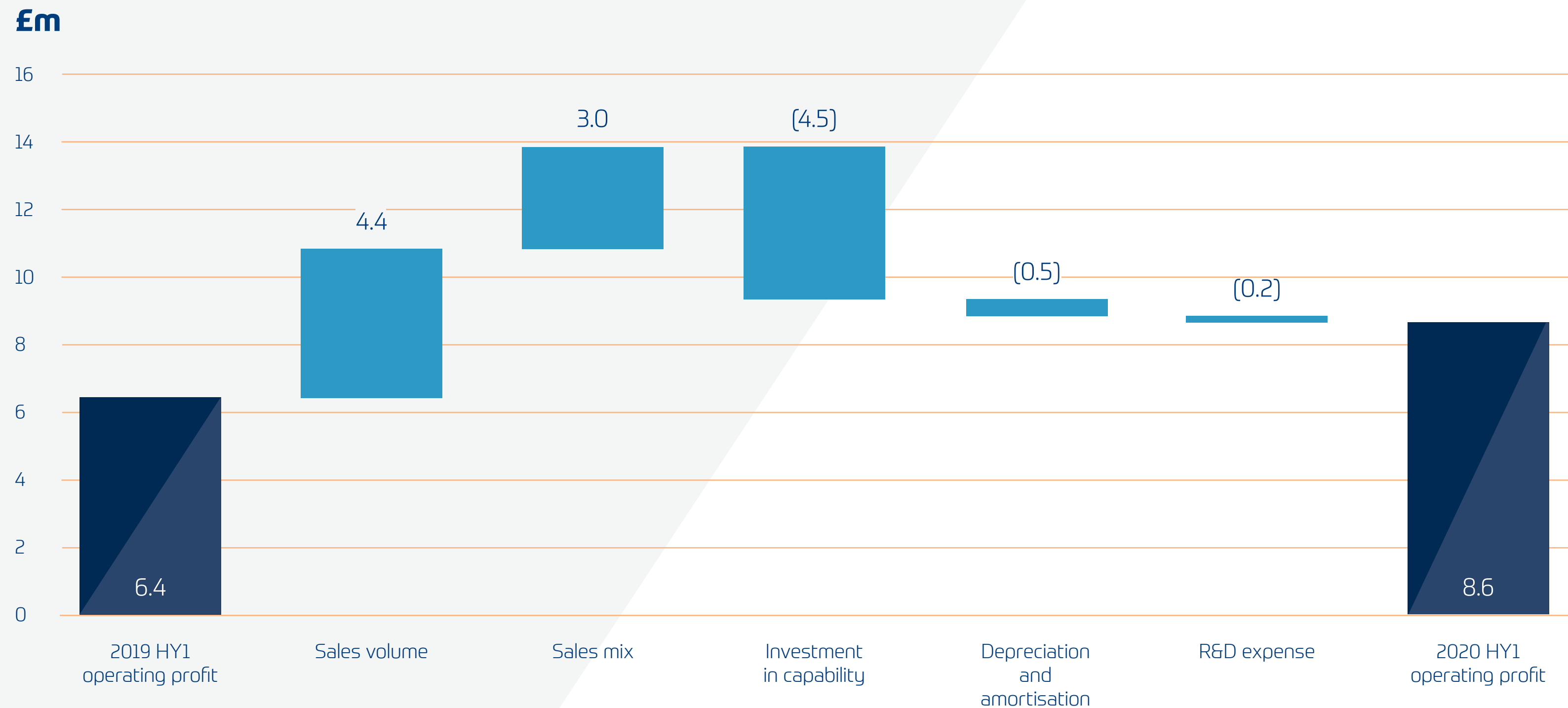


Overview

	2020 HY £m	2019 HY £m	Change
Revenue	£34.7m	£25.8m	+34%
Adjusted operating profit	£8.6m	£6.4m	+34%
Adjusted operating margin	24.8%	24.7%	+10bps
Adjusted profit before tax	£8.7m	£6.4m	+36%
Adjusted tax charge	£1.6m	£0.7m	+120%
Adjusted tax rate	18.5%	11.4%	+710bps
Adjusted diluted earnings per share	31.2p	28.4p	+10%
Cash flow from operations	£3.3m	£5.4m	-40%
Capital expenditure	£2.1m	£1.8m	+17%
Cash funds	£35.1m	£18.9m	+86%

- Increase in revenue and profit demonstrates benefit of revised strategy
- Increased margin despite investment in capability and capacity

Adjusted operating profit bridge



Alternative performance measures

	2020 HY £m	2019 HY £m
Amortisation of acquired intangibles	1.8	—
Inventory impairment	1.9	—
Acquisition related costs	0.6	—
Share based payments	0.5	0.2
Restructuring	0.2	—
Total adjustments	5.0	0.2

Balance sheet

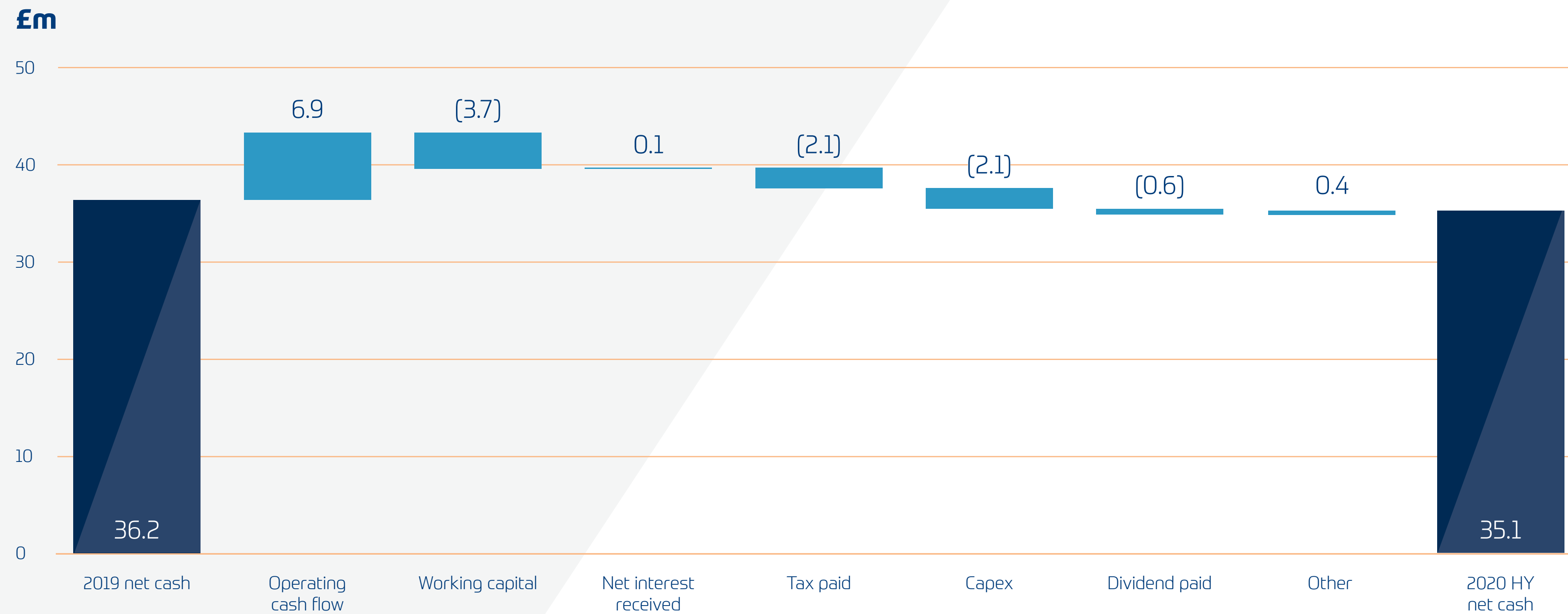
	2020 HY £m	2019 HY £m
Goodwill and intangibles	38.6	0.2
Property, plant and equipment	21.6	14.8
Fixed assets	60.2	15.0
Working capital	13.1	8.8
Cash	35.1	18.9
Net current assets	48.2	27.7
Tax (liabilities)/assets	(2.3)	1.4
Lease liability	(0.5)	–
Deferred consideration	(5.4)	–
Net assets	100.2	44.1

- Balance sheet remains robust
- Significant cash resources enable continued investment in NPD and new systems

Cash flow statement

	2020 HY £m	2019 HY £m
Cash flow from operations	3.3	5.4
Interest received	0.1	0.1
Tax paid	(2.1)	(0.3)
Capex	(2.1)	(1.8)
Dividends	(0.6)	(0.4)
Proceeds from share issue	0.8	0.6
Other	(0.4)	(0.6)
Net cash (outflow)/inflow	(1.0)	3.0

Cash bridge



FX and non-operating items

- FX
 - ca. 25% of revenue in foreign currency
 - Little movement in average rates
 - No material impact on H1
 - 5% movement in exchange rates would have a £0.5m H1 revenue impact and a £0.1m profit impact
- Tax rate for full year 18.5%
- Amortisation for full year £3.5m
- Share based payment charge for full year £1.3m
- rFpro acquisition staff retention payment £0.9m

Summary



Summary

- The strong first half performance shows the early benefit of the revised strategy and the acquisitions are performing well
- Second half remains uncertain due to the COVID-19 pandemic:
 - No material reduction in order intake to date but some deferment of larger orders
 - Continuing manufacturing, testing operations and customer support
 - Securing the existing strong cash position through disciplined control of discretionary spend and capital expenditure
 - Continued investment in new product development and business infrastructure
 - Withdrawal of guidance and suspension of interim dividend
- Future growth prospects remain supported by long-term structural and regulatory growth drivers in active safety and autonomous systems



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