

26 November 2024

AB Dynamics plc

Final results for the year ended 31 August 2024

“Strong revenue and profit growth with margin expansion”

AB Dynamics plc (“AB Dynamics”, the “Company” or the “Group”), the designer, manufacturer and supplier of advanced testing, simulation and measurement products to the global transport market, is pleased to announce its final results for the year ended 31 August 2024.

	<u>Audited</u> <u>2024</u> £m	<u>Audited</u> <u>2023</u> £m	
Revenue	111.3	100.8	+10%
Gross margin	59.6%	59.5%	+10bps
Adjusted EBITDA ¹	24.2	20.5	+18%
Adjusted operating profit ¹	20.3	16.6	+22%
Adjusted operating margin ¹	18.2%	16.5%	+170bps
Statutory operating profit	12.7	12.6	+1%
Adjusted cash flow from operations ¹	27.9	23.5	+19%
Net cash	28.6	32.0	
	Pence	Pence	
Adjusted diluted earnings per share ¹	70.0	60.8	+15%
Statutory diluted earnings per share	41.7	47.4	-12%
Total dividend per share	7.63	6.36	+20%

¹Before amortisation of acquired intangibles, acquisition related charges and exceptional items. A reconciliation to statutory measures is given below.

Financial highlights

- Revenue increased by 10% reflecting growth across all three sectors, with market and customer activity levels remaining positive through the year
- The proportion of recurring revenue increased to 45% (2023: 40%)
- Operating margin improved by 170bps to 18.2% as a result of operating leverage and operational improvements
- Significant operating cash generation of £27.9m (2023: £23.5m) with cash conversion of 115% (2023: 114%), resulting in net cash at year end of £28.6m (2023: £32.0m) after £17.0m of investment in acquisitions
- Proposed final dividend of 5.30p per share, bringing the total dividend for the year to 7.63p per share (2023: 6.36p per share), an increase of 20%, reflecting the Board’s confidence in the Group’s financial position and prospects

Operational and strategic highlights

- New product development continues at pace and in line with the technology roadmap for testing products and simulation markets, alongside development of the core technology for ABD Solutions

- The Group's pedestrian dummy, the Soft Pedestrian 360, the Soft Motorcycle 360 and the LaunchPad Spin have been approved by Euro NCAP
- ABD Solutions delivered the first units of the retrofit pedestrian detection system for the construction industry
- Initial contract win for ABD Solutions of £2m for an automated mileage accumulation solution for delivery in FY 2025 with potential for further follow-on orders
- The Group acquired Venshure Test Services (VTS), a provider of mileage accumulation, electric vehicle and environmental testing services in the US, with the integration progressing as planned
- Since the year end, the Group has acquired Bolab Systems GmbH (Bolab), a niche supplier of automotive power electronics testing solutions
- MSCI AAA rating achieved
- Well placed to sustain growth momentum over the medium term, supported by:
 - Target organic growth of 10% per year across core markets, supported by regulatory tailwinds and rapid technology change, with a significantly strengthened and scalable operational and commercial platform
 - Further margin expansion to 20% target, through operating leverage, supply chain improvements and operational efficiencies
 - Strong cash generation that provides scope for further value-enhancing investment in FY 2025 and beyond
 - The opportunity beyond automotive markets presented by ABD Solutions, transitioning from technology development to commercialisation

Current trading and outlook

- Trading in early FY 2025 has been strong, supported by a solid order book, providing good visibility into the new financial year
- Whilst being mindful of a potential slowdown in timing of pipeline conversion due to disruption in the automotive market and customer delivery schedules, the Board expects to deliver adjusted operating profit for FY 2025 slightly ahead of current expectations²
- Future growth prospects remain supported by long-term structural and regulatory growth drivers in active safety, autonomous systems and the automation of vehicle applications.

There will be a presentation for analysts this morning at 9.00am at Stifel, 150 Cheapside, London, EC2V 6ET. Please contact abdynamics@teneo.com if you would like to attend.

Commenting on the results, Dr James Routh, Chief Executive Officer said:

“The Group has delivered a very strong performance, with sustained high levels of demand across key markets, demonstrating the benefits of the investment made in recent years in the commercial and operating capability of the business.

“We see significant opportunity in our core markets in automotive, which are supported by long-term structural and regulatory growth drivers, and are continuing to invest in new product development and technology. In addition, we are investing in innovative technologies to diversify the business through our technology accelerator, ABD Solutions.

“Trading in the early part of FY 2025 has been strong, supported by a solid order book, providing good visibility into the new financial year. Whilst being mindful of a potential slowdown in timing of pipeline conversion due to disruption in the automotive market and customer delivery schedules, the Board remains confident that the Group will make further financial and strategic progress this year. With strong trading momentum entering FY 2025 and benefiting from the acquisition of Bolab and improving margins, the Board expects to deliver FY 2025 adjusted operating profit slightly ahead of current expectations².”

² The Company is aware of seven analysts publishing independent research. The Company compiled analyst expectations for the year ended 31 August 2025 is for a mean adjusted operating profit of £21.5m.

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Certain information contained in this announcement would have constituted inside information (as defined by Article 7 of Regulation (EU) No 596/2014 ("MAR")) prior to its release as part of this announcement and is disclosed in accordance with the Company's obligations under Article 17 of those Regulations.

The person responsible for arranging the release of this information is David Forbes, Company Secretary.

About AB Dynamics plc

AB Dynamics is a leading designer, manufacturer and supplier of advanced testing, simulation and measurement products to the global transport market.

AB Dynamics is an international group of companies headquartered in Bradford on Avon. AB Dynamics currently supplies all the major automotive manufacturers, Tier 1 suppliers and service providers, who routinely use the Group's products to test and verify vehicle safety systems and dynamics.

Group overview

The Group delivered a very strong set of results, continuing the trend of double-digit revenue growth and margin expansion. This was driven by improvements in its commercial and operating capabilities, underpinned by positive market dynamics in all three sectors.

During FY 2024, the Group continued to deliver against its strategic priorities by launching new products and services and through an initial contract award in ABD Solutions. The acquisition of VTS also expanded its presence in the testing services market, complementing the Group's existing offering.

Over the last five years, the Group has been transformed from a single entity in the UK to a multi-national group with 12 facilities in six countries across Europe, North America and Asia. Building on the strength of the core business, coupled with value enhancing acquisitions, the Group now has a solid and scalable platform from which to capitalise on a multi-year growth opportunity, supported by strong long-term structural and regulatory tailwinds.

The Group's mission is to accelerate its customers' drive towards net zero emissions, improving road safety and the automation of vehicle applications. Its market-leading position is driven by its technical capabilities and reputation. Its products must satisfy challenging and complex requirements meaning barriers to entry are high.

Market update

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 electric vehicles (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.

Financial performance

The Group delivered revenue growth in the year of 10% to £111.3m (2023: £100.8m) with increases across all three sectors, continuing the Group's track record of top-line growth due to improvements in road safety technology, new vehicle models and increased regulation.

Gross margin was 59.6%, up 10 bps on 2023, with operational efficiencies in testing products and increased utilisation in US testing services offset by a change in mix in simulation.

Group adjusted operating profit increased by 22% to £20.3m (2023: £16.6m). The adjusted operating margin increased to 18.2% (2023: 16.5%), as a result of operating leverage and operational efficiency.

Adjusted earnings before interest, tax, depreciation and amortisation (EBITDA) increased by 18% to £24.2m (2023: £20.5m). Adjusted EBITDA margin was 21.7% (2023: 20.4%), an increase of 130 bps.

Adjusted net finance costs reduced to £0.3m (2023: £0.4m).

Adjusted profit before tax was £20.0m (2023: £16.3m). The Group adjusted tax charge totalled £3.7m (2023: £2.2m), an adjusted effective tax rate of 18.7% (2023: 13.2%).

Adjusted diluted earnings per share was 70.0p (2023: 60.8p), an increase of 15%, reflecting the increase in operating profit offset by a higher tax charge.

The Group delivered strong adjusted operating cash flow of £27.9m (2023: £23.5m) with cash conversion of 115% (2023: 114%) and net cash at the end of the year of £28.6m (2023: £32.0m), underpinning a robust balance sheet and providing the resources to fund the post year-end acquisition of Bolab and continue the Group's investment programme.

The order book at 31 August 2024 was £30.3m (2023: £42.9m) covering approximately 25% of FY 2025 expected revenue, reflecting the standard lead time for testing products of approximately three months. The reduction on the prior year is due to timing of order intake in simulation.

Statutory operating profit was flat at £12.7m (2023: £12.6m) and after net finance costs of £0.7m (2023: £1.1m), statutory profit before tax increased by 4% from £11.5m to £12.0m. The statutory tax charge increased to £2.3m (2023: £0.5m), since the prior year benefited from a one-off non-taxable gain on the release of accrued contingent consideration on the acquisition of Ansible Motion. Statutory basic earnings per share was 42.3p (2023: 48.0p). A reconciliation of statutory to underlying non-GAAP financial measures is provided below.

Sector review

Revenue	2024	2023¹	
	£m	£m	
Driving robots	29.2	25.2	+16%
ADAS platforms	33.9	30.5	+11%
Laboratory testing	6.3	7.3	-14%
Testing products	69.4	63.0	+10%
Testing services	16.7	12.9	+29%
Simulation	25.2	24.9	+1%
Total revenue	111.3	100.8	+10%

¹The 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 to better reflect the nature of the products.

Testing products

The Group's testing products are used on proving grounds, test tracks and in the laboratory to evaluate the performance of vehicle active safety systems, autonomous technologies, EVs, vehicle durability and vehicle dynamics.

Testing products revenue of £69.4m was up 10% against 2023 (£63.0m) with growth in ADAS platforms and driving robots offset by a reduction in laboratory testing products.

Driving robot sales increased 16% to £29.2m (2023: £25.2m) and ADAS platform sales increased 11% to £33.9m (2023: £30.5m). The Group expects continued growth in this area as new regulatory requirements for evolving ADAS technologies are released, such as the recent launch of the Euro NCAP 2030 roadmap and its new Safer Trucks rating scheme. It is expected that there will be over 700 Euro NCAP test scenarios by 2025, up from 591 in 2023. New tests for commercial vehicles offer further opportunities for market expansion. The recent launch of a new range of soft targets including motorcycles and articulating pedestrians is expected to drive further growth.

Laboratory testing revenue relates to sales of our market-leading SPMM products, which are large-scale, high value testing rigs used to characterise the kinematics and compliance of vehicles under development. Revenue, which is dependent on the timing of order and delivery, was down 14% at £6.3m (2023: £7.3m). This long-standing product which has been supplied to global customers for the past 25 years has evolved significantly over this period, culminating in the launch of the SPMM Plus.

The Group continues to invest in new product development in the testing products sector in order to meet forthcoming regulatory requirements and to ensure we retain our market leadership in testing technology.

Testing services

Testing services includes revenue from the Group's test facility in California, USA, where testing of ADAS systems and vehicle dynamics is performed on behalf of OEMs, technology developers and government agencies.

VTS, the Group's recent acquisition based in Michigan, USA, performs laboratory-based mileage accumulation testing and assessment of EV powertrain and battery performance.

In China, the Group provides on-road vehicle testing services for the assessment of all aspects of vehicle performance, particularly focusing on EV performance, charging capability and vehicle connectivity.

This sector saw significant revenue growth of 29% to £16.7m (2023: £12.9m) in advance of new regulatory requirements, following the removal of external impediments that adversely impacted the prior year. In the Group's Californian operation, we saw improved access to vehicles for testing and in the China based operation there was a relaxation of pandemic restrictions.

Simulation

The Group provides both physical simulators and advanced, physics based simulation software. Simulators are used by both automotive manufacturers and motorsport teams to accurately represent the real world using the rFpro software, coupled with state-of-the-art motion platforms and static driving simulators to assist in development of new vehicles and improve performance.

Simulation revenue increased by 1% to £25.2m (2023: £24.9m). Growth in simulation software was offset by a decrease in revenue from simulator motion platforms due to the timing of order intake for these large capital items.

Strategic progress

The Group continues to make good progress against its organic-led growth strategy, supplemented with value-enhancing acquisitions.

During FY 2024, the Group has expanded its testing product offering, with new products such as the Soft Pedestrian 360, Soft Motorcycle 360 and the LaunchPad Spin having been approved by Euro NCAP.

Testing services have been strengthened through the acquisition of VTS.

In simulation, the integration of Ansible Motion, which was acquired in the previous year, positions the Group to benefit from a strengthened market position in this important area.

The increase in the level of recurring revenue to 45% (2023: 40%) enhances the resilience of the Group's business model.

The Group has continued to develop automated solutions for new markets and during the year delivered the initial units of a product for the construction industry and won a contract to supply an automated mileage accumulation solution.

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
- Further value-enhancing acquisitions

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 20% and investing cash generated into acquisitions.

Acquisitions

On 2 April 2024, the Group acquired VTS, a provider of vehicle testing services, including environmental testing and range certification for EVs. The initial consideration was \$15.0m (£11.9m). Contingent consideration of up to \$15.0m will become payable in cash subject to certain performance criteria being met for each of the two years following completion. The acquisition expands both the Group's capability and geographic coverage in the important and growing field of EV battery and powertrain performance evaluation. It also provides the opportunity to leverage AB Dynamics' existing sales capabilities to drive cross-selling. VTS has been integrated into the Group's testing services sector and since acquisition has been earnings accretive, delivering £1.0m of revenue and £0.4m of adjusted operating profit during FY 2024.

After the year end, on 25 September 2024, the Group acquired Bolab, a niche supplier of automotive power electronics testing solutions, based in Germany. Bolab supplies low-voltage and high-voltage equipment for testing automotive sub-systems and components for conventional, hybrid and EVs. The initial consideration was €5.0m (£4.2m). 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. The acquisition supports the expansion of the Group's capabilities in the testing products business and provides further alignment with the structural growth drivers in the sector.

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.

Sustainability

The Group is committed to environmental sustainability, both globally and in its local communities, and reducing its environmental impact. It is the Group's mission to empower its customers to accelerate the development of vehicles that are not only safer, but also more efficient with less of an impact on the environment. The Group is continually looking for opportunities to improve; environmental sustainability is essential.

The Group is committed to the goal of becoming net zero for market based Scope 1 and 2 emissions by 2040 and working to be a net zero organisation by 2050. This will include the further development of initiatives to reduce its carbon emissions, waste and water usage, using improved methods of data collection so that more achievable targets can be set in the future. It also gives priority to ensuring the health, safety and wellbeing of all employees across the Group.

Alternative performance measures

In the analysis of the Group's financial performance and position, operating results and cash flows, alternative performance measures are presented to provide readers with additional information. The principal measures presented are adjusted measures of earnings including adjusted operating profit, adjusted operating margin, adjusted EBITDA, adjusted profit before tax, adjusted earnings per share and adjusted cash flow from operations.

This financial information includes both statutory and adjusted non-GAAP financial measures, the latter of which the Directors believe better reflect the underlying performance of the business and provide a more meaningful comparison of how the business is managed and measured on a day-to-day basis. The Group's alternative performance measures and KPIs are aligned to the Group's strategy and together are used to measure the performance of the business and form the basis of the performance measures for remuneration. Adjusted results exclude certain items because if included, these items could distort the understanding of the performance for the year and the comparability between the periods.

The Group provides comparatives alongside all current year figures. The term 'adjusted' is not defined under IFRS and may not be comparable with similarly titled measures used by other companies. All profit and earnings per share figures in this financial information relate to underlying business performance (as defined above) unless otherwise stated.

A reconciliation of statutory measures to adjusted measures is provided below:

	2024			2023		
	Adjusted	Adjustments	Statutory	Adjusted	Adjustments	Statutory
EBITDA (£m)	24.2	(1.2)	23.0	20.5	3.1	23.6
Operating profit (£m)	20.3	(7.6)	12.7	16.6	(4.0)	12.6
Operating margin	18.2%		11.5%	16.5%		12.5%
Finance expense (£m)	(0.3)	(0.4)	(0.7)	(0.3)	(0.8)	(1.1)
Profit before tax (£m)	20.0	(8.0)	12.0	16.3	(4.8)	11.5
Taxation (£m)	(3.7)	1.4	(2.3)	(2.2)	1.7	(0.5)
Profit after tax (£m)	16.3	(6.6)	9.7	14.1	(3.1)	11.0
Diluted earnings per share (pence)	70.0		41.7	60.8		47.4
Cash flow from operations (£m)	27.9	(1.2)	26.7	23.5	(4.2)	19.3

The adjustments comprise:

	2024		2023	
	Profit impact £m	Cash flow impact £m	Profit impact £m	Cash flow impact £m
Amortisation of acquired intangibles	6.4	-	7.2	-
Acquisition related costs / (credit)	0.2	0.2	(4.5)	2.8
ERP development costs	1.0	1.0	1.3	1.4
Adjustments to operating profit	7.6	1.2	4.0	4.2
Acquisition related finance costs	0.4	-	0.8	-
Adjustments to profit before tax	8.0	1.2	4.8	4.2

The tax impact of these adjustments was a credit of £1.4m (2023: £1.7m).

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, being shareholders' equity less net cash plus deferred tax liabilities and contingent consideration). During the year, ROCE has increased from 15.4% to 17.4% benefitting from further improvement in operating leverage alongside continued investment discipline.

Capital allocation

Our capital allocation framework delivers sustainable compounding growth as well as growing returns to shareholders. Our priorities are:

- Continuous organic investment and innovation to protect and grow the core business
- Organic investment into ABD Solutions driving growth in adjacent markets by leveraging core technology
- Complementary acquisitions contributing to one or more of the Group's stated strategies
- Progressive dividend policy

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. Development costs of £0.2m (2023: £0.5m) have been capitalised in relation to projects for which there are a number of near-term sales opportunities. Other research and development costs, all of which have been expensed as incurred, totalled £0.7m (2023: £0.2m).

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.

With significant overseas operations, the Group also has exposure to foreign currency translation risk. On a constant currency basis, revenue would have been £2.5m 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 13% and growth in operating profit was 23%.

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.

The Board is recommending a final dividend of 5.30p per share, giving a total dividend for the year of 7.63p per share, which is an increase of 20% over the prior year.

Summary and outlook

The Group has delivered a very strong performance, with sustained high levels of demand across key markets, demonstrating the benefits of the investment made in recent years in the commercial and operating capability of the business.

We see significant opportunity in our core markets in automotive, which are supported by long-term structural and regulatory growth drivers, and are continuing to invest in new product development and technology. In addition, we are investing in innovative technologies to diversify the business through our technology accelerator, ABD Solutions.

Trading in the early part of FY 2025 has been strong, supported by a solid order book, providing good visibility into the new financial year. Whilst being mindful of a potential slowdown in timing of pipeline conversion due to disruption in the automotive market and customer delivery schedules, the Board remains confident that the Group will make further financial and strategic progress this year. With strong trading momentum entering FY 2025 and benefiting from the acquisition of Bolab and improving margins, the Board expects to deliver FY 2025 adjusted operating profit slightly ahead of current expectations².

Our market drivers remain strong. This backdrop, along with a strong acquisition pipeline, provides confidence of delivering continued growth in revenue and margin in FY 2025 and beyond.

² The Company is aware of seven analysts publishing independent research. The Company compiled analyst expectations for the year ended 31 August 2025 is for a mean adjusted operating profit of £21.5m.

Directors' Responsibility Statement on the Annual Report and Accounts

The responsibility statement below has been prepared in connection with the Company's full annual report and accounts for the year ended 31 August 2024. Certain parts thereof are not included within this announcement.

We confirm to the best of our knowledge:

1. the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
2. the strategic report and directors' report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

We consider the annual report and accounts, taken as a whole, are fair, balanced and understandable, and provide the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

This responsibility statement was approved by the Board of Directors on 26 November 2024 and has been signed on its behalf by James Routh and Richard Elsy CBE.

AB Dynamics plc**Consolidated statement of comprehensive income**

For the year ended 31 August 2024

	Note	2024			2023		
		Adjusted £'000	*Adjustments £000	Statutory £'000	Adjusted £'000	*Adjustments £'000	Statutory £'000
Revenue	2	111,253	-	111,253	100,767	-	100,767
Cost of sales		(44,972)	-	(44,972)	(40,837)	-	(40,837)
Gross profit		66,281	-	66,281	59,930	-	59,930
General and administrative expenses		(45,982)	(7,554)	(53,536)	(43,326)	(9,229)	(52,555)
Fair value gain on release of contingent consideration		-	-	-	-	5,180	5,180
Operating profit		20,299	(7,554)	12,745	16,604	(4,049)	12,555
Operating profit is analysed as:							
Before depreciation and amortisation		24,231	(1,203)	23,028	20,517	3,140	23,657
Depreciation and amortisation		(3,932)	(6,351)	(10,283)	(3,913)	(7,189)	(11,102)
Operating profit		20,299	(7,554)	12,745	16,604	(4,049)	12,555
Net finance expense		(272)	(447)	(719)	(354)	(713)	(1,067)
Profit before tax		20,027	(8,001)	12,026	16,250	(4,762)	11,488
Tax expense	4	(3,746)	1,426	(2,320)	(2,146)	1,644	(502)
Profit for the year		16,281	(6,575)	9,706	14,104	(3,118)	10,986
Other comprehensive expense							
Items that may be reclassified to consolidated income statement:							
Cash flow hedges		-	-	-	124	-	124
Exchange loss on foreign currency net investments		(1,767)	-	(1,767)	(2,059)	-	(2,059)
Total comprehensive income for the year		14,514	(6,575)	7,939	12,169	(3,118)	9,051

* See note 3

		2024		2023	
		Adjusted	Statutory	Adjusted	Statutory
Earnings per share					
Earnings per share – basic (pence)	5	71.0p	42.3p	61.6p	48.0p
Earnings per share – diluted (pence)	5	70.0p	41.7p	60.8p	47.4p

AB Dynamics plc
Consolidated statement of financial position
As at 31 August 2024

	Note	2024 £'000	2023 £'000
ASSETS			
Non-current assets			
Goodwill		44,568	36,939
Acquired intangible assets		31,293	32,831
Other intangible assets		2,491	2,746
Property, plant and equipment		29,684	25,739
Right-of-use assets		2,861	1,409
		<u>110,897</u>	<u>99,664</u>
Current assets			
Inventories		14,412	17,954
Trade and other receivables		14,655	14,494
Contract assets		2,295	3,152
Cash and cash equivalents	7	31,803	33,486
		<u>63,165</u>	<u>69,086</u>
Assets held for sale		<u>1,893</u>	<u>1,893</u>
LIABILITIES			
Current liabilities			
Trade and other payables		20,260	20,127
Contract liabilities		7,485	9,234
Short-term lease liabilities	7	1,031	570
Contingent consideration	10	2,770	5,943
		<u>31,546</u>	<u>35,874</u>
Non-current liabilities			
Deferred tax liabilities		7,507	8,708
Long-term lease liabilities	7	2,207	906
Contingent consideration	10	3,443	-
		<u>13,157</u>	<u>9,614</u>
Net assets		<u>131,252</u>	<u>125,155</u>
SHAREHOLDERS' EQUITY			
Share capital		230	229
Share premium		62,859	62,781
Other reserves	8	636	2,403
Retained earnings		67,527	59,742
Total equity		<u>131,252</u>	<u>125,155</u>

AB Dynamics plc
Consolidated statement of changes in equity
For the year ended 31 August 2024

	Share capital £'000	Share premium £'000	Other reserves £'000	Retained earnings £'000	Total equity £'000
At 1 September 2022	226	62,260	1,142	48,754	112,382
Total comprehensive income	-	-	(1,935)	10,986	9,051
Share based payments	-	-	-	1,064	1,064
Deferred tax on share based payments	-	-	-	193	193
Dividend paid	-	-	-	(1,255)	(1,255)
Issue of shares	3	521	3,196	-	3,720
At 31 August 2023	229	62,781	2,403	59,742	125,155
Total comprehensive income	-	-	(1,767)	9,706	7,939
Share based payments	-	-	-	1,175	1,175
Deferred tax on share based payments	-	-	-	219	219
Dividend paid	-	-	-	(1,542)	(1,542)
Issue of shares	1	78	-	-	79
Purchase of own shares	-	-	-	(1,773)	(1,773)
At 31 August 2024	230	62,859	636	67,527	131,252

AB Dynamics plc
Consolidated cash flow statement
For the year ended 31 August 2024

	2024	2023
Note	£'000	£'000
Profit before tax	12,026	11,488
Depreciation and amortisation	10,283	11,102
Finance expense	719	1,067
Share based payment	1,421	1,263
Release of contingent consideration	-	(5,180)
Operating cash flows before changes in working capital	24,449	19,740
Decrease / (increase) in inventories	3,542	(2,612)
Decrease in trade and other receivables	965	2,514
Decrease in trade and other payables	(2,221)	(369)
Cash flows from operations	26,735	19,273
Cash flows from operations are analysed as:		
Adjusted cash flows from operations	27,938	23,450
Cash impact of adjusting items	(1,203)	(4,177)
Cash flows from operations	26,735	19,273
Finance costs paid	(118)	(291)
Income tax (paid) / received	(3,114)	363
Net cash flows from operating activities	23,503	19,345
Cash flows used in investing activities		
Acquisition of businesses net of cash acquired	(16,970)	(10,656)
Purchase of property, plant and equipment	(3,638)	(2,930)
Capitalised development costs and purchased software	(189)	(469)
Net cash used in investing activities	(20,797)	(14,055)
Cash flows used in financing activities		
Drawdown of loans	3,928	6,000
Repayments of loans	(3,928)	(6,000)
Dividends paid	(1,542)	(1,255)
(Purchase of own shares) / proceeds from issue of share capital	(1,694)	457
Repayment of lease liabilities	(1,145)	(1,124)
Net cash used in financing activities	(4,381)	(1,922)
Net (decrease) / increase in cash and cash equivalents	(1,675)	3,368
Cash and cash equivalents at beginning of the year	33,486	30,141
Effects of exchange rate changes	(8)	(23)
Cash and cash equivalents at end of the year	31,803	33,486

AB Dynamics plc
Notes to the consolidated financial statements

For the year ended 31 August 2024

1. Basis of preparation

The Company is a public limited company limited by shares and registered in England and Wales with company number 08393914. The Company is domiciled in the United Kingdom and the registered office and principal place of business is Middleton Drive, Bradford on Avon, Wiltshire, BA15 1GB.

The principal activity of the Group is the design, manufacture and supply of advanced testing, simulation and measurement products to the global transport market. The Group's products and services are used primarily for the development of road vehicles, particularly in the areas of active safety and autonomous systems.

The annual financial statements of the Group are prepared in accordance with UK-adopted International Accounting Standards and applicable law.

The financial information set out above does not constitute the Company's statutory accounts for the year ended 31 August 2024 or 31 August 2023 but is derived from those accounts. A copy of the statutory accounts for the year ended 31 August 2023 has been delivered to the Registrar of Companies. The auditor's report on those accounts was unqualified and did not contain any statements under section 498(2) or (3) of the Companies Act 2006.

A number of new standards became applicable for the current reporting period. The application of these amendments has not had any material impact on the disclosures, net assets or results of the Group.

Going concern basis of accounting

The financial information has been prepared under the going concern basis, which assumes that the Group will continue to be able to meet its liabilities as they fall due for the foreseeable future.

The Directors have assessed the principal risks to the going concern assumption, including by modelling a severe but plausible downside scenario, whereby the Group experiences:

- A reduction in demand of 25% over the next two financial years
- A 10% increase in operating costs
- An increase in cash collection cycle
- An increase in input costs resulting in reduction in gross margins by 12%.

With £31.8m of cash at 31 August 2024 and a £15.0m undrawn revolving credit facility, in this severe downside scenario, the Group has sufficient headroom to be able to continue to operate for the foreseeable future. The Directors believe that the Group is well placed to manage its financing and other business risks satisfactorily, and have a reasonable expectation that the Group will have adequate resources to continue in operation for at least 12 months from the signing date of the financial statements. They therefore consider it appropriate to adopt the going concern basis of accounting in preparing the financial statements.

AB Dynamics plc**Consolidated statement of comprehensive income**

For the year ended 31 August 2024

2. Segment information

The Group derives revenue from the sale of its advanced measurement, simulation and testing products and services used in assisting the global transport market in the laboratory, on the test track and on-road. The Group has three segments.

The operating segments are based on internal reports about components of the Group, which are regularly reviewed and used by the Board of Directors being the Chief Operating Decision Maker.

	2024					2023				
	Testing products £'000	Testing services £'000	Simulation £'000	Unallocated* £'000	Total £'000	Testing products £'000	Testing services £'000	Simulation £'000	Unallocated* £'000	Total £'000
Revenue	69,350	16,697	25,206	-	111,253	63,016	12,858	24,893	-	100,767
Adjusted operating profit	13,160	4,219	7,025	(4,105)	20,299	9,079	2,878	8,296	(3,649)	16,604
Operating profit is analysed as:										
Before depreciation and amortisation	15,414	5,351	7,539	(4,073)	24,231	11,834	3,723	8,552	(3,592)	20,517
Depreciation and amortisation	(2,254)	(1,132)	(514)	(32)	(3,932)	(2,755)	(845)	(256)	(57)	(3,913)
Adjusted operating profit	13,160	4,219	7,025	(4,105)	20,299	9,079	2,878	8,296	(3,649)	16,604
Amortisation on acquired intangibles	-	(3,386)	(2,965)	-	(6,351)	-	(3,055)	(4,134)	-	(7,189)
Adjusting items	-	-	-	(1,203)	(1,203)	-	-	-	3,140	3,140
Operating profit	13,160	833	4,060	(5,308)	12,745	9,079	(177)	4,162	(509)	12,555
Net finance expense					(719)					(1,067)
Profit before tax					12,026					11,488
Tax expense					(2,320)					(502)
Profit for the year					9,706					10,986

*Unallocated items are head office costs that cannot be allocated to a business segment.

Analysis of revenue by destination:

	2024	2023
	£'000	£'000
Europe (including United Kingdom)	36,809	26,970
North America	25,867	25,171
Asia Pacific	48,407	46,409
Rest of World	170	2,217
	111,253	100,767

No customers individually represent more than 10% of total revenue for the year ended 31 August 2024 (2023: No customers individually represent more than 10% of total revenue).

Assets and liabilities by segment are not reported to the Board of Directors, therefore are not used as a key decision-making tool and are not disclosed here.

A disclosure of non-current assets by location is shown below:

	2024	2023
	£'000	£'000
Europe (including United Kingdom)	64,397	67,248
North America	30,797	15,508
Asia Pacific	15,703	16,908
	110,897	99,664

3. Alternative performance measures

In the analysis of the Group's financial performance and position, operating results and cash flows, alternative performance measures are presented to provide readers with additional information. The principal measures presented are adjusted measures of earnings including adjusted operating profit, adjusted operating margin, adjusted profit before tax, adjusted EBITDA and adjusted earnings per share.

The financial statements include both statutory and adjusted non-GAAP financial measures, the latter of which the Directors believe better reflect the underlying performance of the business and provide a more meaningful comparison of how the business is managed and measured on a day-to-day basis. The Group's alternative performance measures and KPIs are aligned to the Group's strategy and together are used to measure the performance of the business and form the basis of the performance measures for remuneration. Adjusted results exclude certain items because if included, these items could distort the understanding of the performance for the year and the comparability between the periods.

We provide comparatives alongside all current year figures. The term 'adjusted' is not defined under IFRS and may not be comparable with similarly titled measures used by other companies. All profit and earnings per share figures in this financial information relate to underlying business performance (as defined above) unless otherwise stated.

	2024	2023
	£'000	£'000
Amortisation of acquired intangibles	6,351	7,189
Acquisition related costs / (credit)	231	(4,502)
ERP development costs	972	1,362
Adjustments to operating profit	7,554	4,049
Acquisition related finance costs	447	713
Adjustments to profit before tax	8,001	4,762

Amortisation of acquired intangibles

The amortisation relates to the acquisition of Venshure Test Services on 2 April 2024, Ansible Motion Limited on 20 September 2022, and the businesses acquired in previous years, DRI, rFpro and VadoTech.

Acquisition related costs / (credit)

The costs in the current year relate to the acquisition of Venshure Test Services. The credit in the prior year relates to the release of contingent consideration on the acquisition of Ansible Motion (£5.2m), less acquisition costs (£0.7m).

ERP development costs

These costs relate to the development, configuration and customisation of the Group's new ERP system which is hosted on the cloud.

Acquisition related finance costs

Finance costs relate to the unwind of the discount on contingent consideration payable on the acquisition of Venshure Test Services and Ansible Motion (2023: Ansible Motion).

Tax

The tax impact of these adjustments was as follows: amortisation of acquired intangibles £1.1m (2023: £1.3m), acquisition related costs £0.1m (2023: £0.1m) and ERP development costs £0.2m (2023: £0.3m).

Cash impact

The operating cash flow impact of the adjustments was an outflow of £1.2m (2023: £4.2m) being £1.0m (2023: £1.4m) in relation to ERP development costs and £0.2m (2023: £2.8m) in relation to acquisition costs.

4. Tax

The statutory effective rate of tax for the year of 19.3% (2023: 4.4%) is lower than (2023: lower than) the standard rate of corporation tax in the UK of 25.0% (2023: 21.5%) due to patent box relief. In the prior year, the effective tax rate also benefited from the release of the accrual for contingent consideration on the acquisition of Ansible Motion which was not taxable.

The effective rate of tax on the adjusted profit before tax is 18.7% (2023: 13.2%). The increase in the year was due to the full-year effect of the increase in the UK corporation tax rate.

5. Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders by the weighted average number of ordinary shares in issue during the period.

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all potentially dilutive shares. The Company has one category of potentially dilutive shares, namely share options.

The calculation of earnings per share is based on the following earnings and number of shares:

	2024	2023
<i>Weighted average number of shares ('000)</i>		
Basic	22,944	22,886
Diluted	23,249	23,193
<i>Earnings per share</i>		
Profit for the year attributable to owners of the Group (£'000)	9,706	10,986
Basic earnings per share	42.3p	48.0p
Diluted earnings per share	41.7p	47.4p
<i>Adjusted earnings per share</i>		
Adjusted profit for the year attributable to owners of the Group (£'000)	16,281	14,104
Adjusted basic earnings per share	71.0p	61.6p
Adjusted diluted earnings per share	70.0p	60.8p

6. Dividends

	2024	2023
	£'000	£'000
Final 2022 dividend paid of 3.54p per share	-	811
Interim 2023 dividend paid of 1.94p per share	-	444
Final 2023 dividend paid of 4.42p per share	1,009	-
Interim 2024 dividend paid of 2.33p per share	533	-
	1,542	1,255

The Board has proposed a final dividend in respect of the year ended 31 August 2024 of 5.30p per share totalling £1,217,000. An interim dividend was paid of 2.33p per share totalling £533,000. If approved, the final dividend will be paid on 31 January 2025 to shareholders on the register on 17 January 2025.

7. Net cash

Net cash comprises cash and cash equivalents and lease liabilities.

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

	2024	2023
	£'000	£'000
Cash and cash equivalents	31,803	33,486
Lease liabilities	(3,238)	(1,476)
	28,565	32,010

The Group has a £15.0m revolving credit facility which extends to 4 February 2026.

8. Other reserves

	Merger relief reserve £'000	Reconstruction reserve £'000	Translation reserve £'000	Hedging reserve £'000	Other reserves £'000
At 1 September 2022	11,390	(11,284)	1,160	(124)	1,142
Other comprehensive expense	-	-	(2,059)	124	(1,935)
Issue of shares	3,196	-	-	-	3,196
At 31 August 2023	14,586	(11,284)	(899)	-	2,403
Other comprehensive expense	-	-	(1,767)	-	(1,767)
At 31 August 2024	14,586	(11,284)	(2,666)	-	636

9. Foreign exchange

The foreign exchange rates applied during the year were:

	2024	2023
Year-end rate		
US dollar	1.32	1.27
Euro	1.19	1.16
Yen	191	186
Average rate		
US dollar	1.26	1.21
Euro	1.17	1.15
Yen	191	165

10. Acquisition of subsidiary

On 2 April 2024, the Group acquired 100% of Venshure Test Services LLC for total cash consideration of up to \$30,000,000 (£23,872,000). The acquisition supports a number of the Group's strategic priorities, including expanding the Group's capabilities and broadening the scope of services in the testing services area and complementing the Group's existing California-based track testing services business with laboratory based testing.

The acquisition has been completed for an initial cash consideration of \$13,500,000 (£10,742,000), being \$15,000,000 (£11,936,000) initial consideration less \$1,500,000 (£1,085,000 discounted to present value) retained against potential warranties, funded from the Group's existing cash resources and short-term utilisation of part of the Group's revolving credit facility.

Contingent consideration of up to \$15,000,000 (£11,936,000) will be payable in cash across two tranches for the two years following completion, subject to meeting certain performance criteria for both years.

The carrying amount of each class of Venshure Test Services assets before combination is set out below:

	Fair value	Intangible asset adjustments	Provisional fair value
	£'000	£'000	£'000
Intangible assets	-	5,252	5,252
Property, plant and equipment	3,276	-	3,276
Right of use asset	504	-	504
Trade and other receivables	268	-	268
Trade and other payables	(217)	-	(217)
Lease liabilities	(808)	-	(808)
Net assets acquired	3,023	5,252	8,275
Goodwill arising on acquisition			8,462
			16,737
Initial cash consideration			10,742
Contingent consideration payable			4,910
Discounted retention against warranties			1,085
Total consideration			16,737
Contingent consideration			
Contingent consideration			4,910
Retention against warranties			1,085
At acquisition			5,995
Unwind of discount			162
Exchange differences			56
At 31 August 2024			6,213

The fair values set out above are provisional and will be finalised in the next financial year. Goodwill of £8,462,000 represents the amount paid for future sales growth from both new customers and new products and employee know-how.

No deferred tax has been recognised in relation to the intangible assets as the related amortisation is tax deductible in the US and therefore the tax base of the assets is equal to their fair value at the date of acquisition.

From the date of acquisition to 31 August 2024, the newly acquired business contributed £1,000,000 to revenue and £385,000 to adjusted operating profit. Had the acquisition been completed at the beginning of the period, Group revenue would have been £112,800,000 and adjusted operating profit would have been £20,800,000. £162,000 of the discount on the contingent consideration unwound in the period and has been included in finance expenses.

11. Principal risks

The principal risks and uncertainties impacting the Group are described on pages 58 to 62 of our Annual Report 2024. They include: downturn or instability in major geographic markets or market sectors (including inflation, conflicts and pandemics), supply chain disruption, loss of major customers and change in customer procurement processes, failure to deliver new products, dependence on external routes to market, acquisition integration and performance, cybersecurity and business interruption, competitor actions, loss of key personnel, threat of disruptive technology, product liability, failure to manage growth, foreign currency, counterparty risk, credit risk, tax risk, intellectual property/patents and environmental risk.

12. Post balance sheet event

On 25 September 2024, the Group acquired Bolab Systems GmbH, a niche supplier of automotive power electronics testing solutions, based in Germany. 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 business and provides further alignment with the structural growth drivers in the sector.

The initial consideration was €5,000,000 (£4,202,000), funded from the Group's existing cash resources. Contingent consideration of up to €6,000,000 (£5,042,000) will become payable in cash across two tranches for the two years following completion, subject to meeting certain performance criteria for each year.

The book value of the acquired assets and liabilities at the date of acquisition was approximately €1,500,000 (£1,260,000). The Group is currently in the process of determining the fair values of the assets and liabilities acquired.

13. 2024 Annual Report

The Annual Report for the year ended 31 August 2024 will be posted on the Company's website, www.abdplc.com, on 26 November 2024 and a copy will be posted to shareholders, as required, in advance of the Company's Annual General Meeting of 16 January 2025.