RNS Number : 4452J
AB Dynamics PLC
27 April 2022

AB Dynamics plc

Unaudited interim results for the six months ended 28 February 2022

"Strong financial performance and strategic progress"

AB Dynamics plc (AIM: ABDP, "ABD", "the Group"), the designer, manufacturer and supplier of advanced testing, simulation and measurement products to the global transport market, is pleased to announce its interim results for the six-month period to 28 February 2022 (the "period").

	H1 2022 £m	H1 2021 £m	**%**
Revenue	**37.8**	27.3	+39%
Gross margin	**57.7%**	57.7%	-
Adjusted operating profit[1]	**5.7**	3.5	*+63%*
Adjusted operating margin[1]	**15.1%**	12.8%	*+230bps*
Statutory operating profit	**2.5**	0.7[2]	*+264%*
Adjusted cash flow from operations[1]	**8.5**	8.0	*+6%*
Net cash	**27.7**	33.1	*-16%*
	Pence	Pence	
Adjusted diluted earnings per share[1]	**19.9**	13.1	*+52%*
Statutory diluted earnings per share	**8.5**	3.2[2]	*+166%*
Interim dividend per share	**1.76**	1.60	*+10%*

[1]Before amortisation of acquired intangibles, acquisition related charges, and exceptional items. A reconciliation to statutory measures is given in the Half Year Review.

[2] The prior year comparative has been restated to reflect the write off of previously capitalised ERP development costs on adoption of the IFRIC update on cloud computing arrangements. The impact was a £0.7m decrease in statutory operating profit.

Financial highlights

- Order intake momentum continued with strong growth, particularly in Asia Pacific. The Group's positive book to bill ratio provides confidence in delivery of H2 revenue expectations, a significant proportion of which is covered by the current order book.
- Revenue increased by 39% against H1 2021 and by 21% on an organic constant currency basis, albeit against a weak comparative period that was impacted by COVID-19.
- Constant currency revenue was slightly up against H2 2021 reflecting increased track testing activity. Track testing revenue was 45% higher than H1 2021, up 23% on an organic constant currency basis, and up 6% against H2 2021.
- Laboratory testing and simulation delivered revenue growth of 17% against H1 2021 driven by increased demand for simulation software.
- Operating margins of 15.1% improved by 230 bps as a result of the increased levels of activity.
- Strong adjusted cash flow from operations of £8.5m (H1 2021: £8.0m). Significant net cash balance of £27.7m at the period end (28 February 2021: £33.1m, 31 August 2021: £22.3m) providing scope for continued support to the Group's strategic growth objectives.
- Interim dividend of 1.76p per share (H1 2021: 1.6p), growth of 10%.

Operational and strategic highlights

- Market and customer activity levels have remained positive throughout H1, with strong activity in track testing driving significant improvements in both orders and revenues.
- Whilst the current macroeconomic operating environment still presents challenges in relation to supply chain disruption, operational output has not been adversely affected to date and the Group has been successful in mitigating inflationary cost pressures through price increases for new orders.
- Further progress made on the implementation of strategic initiatives targeting diversification alongside the established pillars and opening up new markets beyond automotive through the launch of ABD Solutions.
- ABD Solutions was awarded its first development contract by an industrial equipment supplier in Japan for a driverless retrofit solution for mining vehicles.
- Continued progress in growing the proportion of recurring and service-based sales, to 41% up from 31%, enhanced by the strengthening of our APAC regional footprint.
- New product development continues in line with our technology roadmap for existing track testing and simulation markets and development of the core technology for ABD Solutions.
- Vadotech Group has been successfully integrated into the Group and delivered a solid performance since it was acquired in H2 2021.

Current trading and outlook

- Performance in the first half of the year was as anticipated with good conversion of orders to sales.
- The positive order intake trend provides confidence for continued momentum into H2.
- Whilst mindful of ongoing geopolitical uncertainty, the Board now expects the financial results for the current year to be slightly ahead of market expectations.
- 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 9.30am at the London Stock Exchange. Please contact abdynamics@tulchangroup.com if you would like to attend.

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

"The Group has delivered a strong financial and operational performance in the first half of the year, with continued momentum in our key markets and progress against our strategic objectives.

Against the backdrop of external challenges in relation to supply chain disruption and inflationary pressures, the Group has, to date, successfully mitigated these effects and continued to invest in all areas of the business, supporting our ambitious growth plans.

Whilst mindful of ongoing geopolitical uncertainty and the risk of further logistics disruption and inflation, given the improvement in order intake, the Board now expects the financial results for the year to be slightly ahead of market expectations.

Our market drivers remain strong. Against that background and based on the recent track record of improving demand and continued strategic investment, the Board is confident of delivering progress during the second half of 2022 and beyond."

Enquiries:

AB Dynamics plc 01225 860 200

Dr James Routh, Chief Executive Officer

Sarah Matthews-DeMers, Chief Financial Officer

Peel Hunt LLP 0207 894 7000

Mike Bell

Mike Bell

Ed Allsopp

Tulchan Communications 0207 353 4200

James Macey White

Matt Low

Laura Marshall

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.

Half Year Review

Group overview

Against a backdrop of macroeconomic conditions that remain challenging, the Group has delivered a strong performance, whilst also continuing to invest to ensure AB Dynamics can capitalise on the significant long-term structural and regulatory growth drivers within its markets.

The Group has seen continued improvement in order intake through the first half of the year, including our first collaborative development contract for ABD Solutions with an industrial equipment supplier in Japan. The Group has managed supply chain disruptions through accelerating procurement and flexible production scheduling, with inflationary cost pressures managed through implementation of price increases for new orders.

Financial performance

Revenue increased by 39% against H1 2021, or 21% on an organic constant currency basis, albeit against a weak prior period comparative that was impacted by the COVID-19 pandemic. Constant currency revenue was slightly ahead of H2 2021.

Gross margins remained comparable to H1 2021 and up 90 bps on the full year at 57.7% (H1 2021: 57.7%, FY 2021: 56.8%), supported by effective pricing management and increased recurring revenue.

Group adjusted operating profit of £5.7m increased 63% against H1 2021 or 68% on a constant currency basis. The adjusted operating margin increased against H1 2021 to 15.1% (H1 2021: 12.8%), as a result of the increase in sales volumes.

Net finance costs were £0.2m (H1 2021: £nil, FY 2021: £0.4m).

Adjusted profit before tax was £5.5m (H1 2021: £3.5m). The Group adjusted tax charge totalled £1.0m (H1 2021: £0.5m), an adjusted effective tax rate of 18.0% (H1 2021: 14.7%).

Adjusted diluted earnings per share was 19.9p (H1 2021: 13.1p), an increase of 52%, reflecting the increase in operating profit.

Statutory operating profit increased by 264% to £2.5m and after net finance costs of £0.2m (H1 2021: £nil), statutory profit before tax was up 238% from £0.7m to £2.3m, giving statutory basic earnings per share of 8.6p (H1 2021: 3.2p). The statutory tax charge was £0.4m (H1 2021: £nil). A reconciliation of statutory to underlying non-GAAP financial measures is provided below. The adjustments of £3.2m comprise £2.7m of amortisation of acquired intangibles and £0.5m of ERP cloud computing costs (H1 2021: £2.8m comprising £1.7m of amortisation of acquired intangibles, £0.7m of ERP cloud computing costs and £0.4m of acquisition costs). The tax impact of these adjustments was £0.6m.

The Group delivered strong adjusted operating cash flow of £8.5m with the net cash position at the period end of £27.7m underpinning a robust balance sheet and providing the resources to continue the Group's investment programme.

Russia/Ukraine

At this stage the consequences for the global economy of the tragic events in Ukraine are uncertain. Whilst the Group has no operations in this part of the world and no direct exposure to customers and suppliers in the region, we continue to monitor the situation carefully and in particular any effects on wider supply chains. The Group has also reviewed the current sanctions regime relating to Russia and Ukraine and can confirm the Group has no exposure to any sanctioned entities or individuals.

Sector review

Track testing

Track testing revenue of £30.4m was up 45% against H1 2021 (£20.9m) and up 6% against H2 2021 (£28.7m). On an organic constant currency basis track testing revenue was up 23%.

Driving robot sales increased 7% against H1 2021 to £9.7m (H1 2021: £9.1m), following the recovery of order intake during H2 2021. The Group expects continued moderate growth in driving robots once new regulatory requirements for new ADAS technologies are released.

ADAS platform sales increased 39% to £13.3m in H1 2021 (H1 2021: £9.6m). Demand for these products, particularly the LaunchPad continues to build. The new higher speed versions of the GST and Launchpad, which can operate at speeds of up to 120kph and 80kph respectively, enable customers to perform a greater range of tests, particularly the assessment of automated lane keeping technology and vehicle interactions with Vulnerable Road Users such as motorcyclists. The trend towards multi-object test scenarios will further drive demand for a range of platforms that meet these test requirements, including platforms to carry a range of objects (e.g. pedestrian dummies, cyclists, scooters, motorcycles, etc.) that can operate at a range of speeds and can interact with a variety of test vehicles from passenger cars to commercial vehicles.

The acquisition of Vadotech in March 2021 saw revenue related to the provision of testing services increase to £7.4m (H1 2021: £2.2m).

Order intake for track testing products has continued to improve, providing confidence for the second half of the year.

ABD Solutions, the Group's new market-facing business unit that develops solutions to automate vehicle applications, was awarded its first collaborative development contract with an industrial equipment supplier in Japan for a driverless retrofit solution for mining vehicles. The contract, while not financially significant at £1.1m for delivery over eighteen months, will provide the opportunity to validate the technology for this specific application. This represents an encouraging first step in the Group's diversification strategy to reduce dependence on the traditional passenger vehicle automotive market.

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

Laboratory testing and simulation

The laboratory testing and simulation business delivered strong revenue growth to £7.4m, an increase of 17% on H1 2021 (£6.4m).

Simulation sales grew significantly reflecting high customer demand for our simulation software and aVDS simulators, with revenue of £5.4m, up 26% compared with H1 2021 (£4.3m). During the first half of the year, development continued on the new variant of our full motion simulator for a major automotive OEM.

SPMM revenue of £2.0m was in line with H1 2021 (£2.1m) and the division carries forward a solid order book, which provides good coverage for the remainder of the financial year alongside further opportunities in the pipeline.

Progress on our strategy

The Group continues to make good progress against its core strategic priorities, as well as further integrating ESG as a core tenet of our strategy and operating model.

As part of the objective to diversify into adjacent markets, the newly established ABD Solutions aims to accelerate the automation of vehicle applications in four new primary market sectors with an initial focus on mining and defence.

The recruitment and build out of the ABD Solutions team is on track, with good progress made against the technology development plan for object detection and the technology stack. In addition to the development contract for the retrofit solution for mining vehicles, demonstrations have been given to a number of potential customers and partners in the defence industry.

New product development continues across our core business to enhance our offering in these attractive markets.

Acquisitions

During the second half of 2021, the Group acquired Vadotech Group for a maximum consideration of up to €26m including two performance payments of €3m and €6m. The first performance targets were met and €3m was paid in H2 2021. The second performance payment is expected to be made in H2 2022. The acquisition provided a strategically important footprint in the Asia Pacific region, allowing the introduction of our new divisional operating hub in Singapore. Vadotech Group has performed well since acquisition and in line with the Board's expectations.

Acquisitions have and will continue to be a significant part of our overall strategy and we have a promising pipeline of potential acquisition opportunities.

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, EBITDA, adjusted operating margin, adjusted profit before tax and adjusted earnings per share.

The interim report 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.

We provide comparatives alongside all current period 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 interim report relate to underlying business performance (as defined above) unless otherwise stated.

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

	H1 2022			H1 2021		
	Adjusted	**Adjustments**	**Statutory**	Adjusted	Adjustments*	Statutory*
EBITDA (£m)	**7.3**	**(0.5)**	**6.8**	4.6	(1.1)	3.5
Operating profit (£m)	**5.7**	**(3.2)**	**2.5**	3.5	(2.8)	0.7
Operating margin (%)	**15.1**	**(8.5)**	**6.6**	12.8	(10.3)	2.5
Profit before tax (£m)	**5.5**	**(3.2)**	**2.3**	3.5	(2.8)	0.7
Tax expense (£m)	**(1.0)**	**0.6**	**(0.4)**	(0.5)	0.5	-
Profit after tax (£m)	**4.5**	**(2.6)**	**1.9**	3.0	(2.3)	0.7
Diluted earnings per share (pence)	**19.9**	**(11.4)**	**8.5**	13.1	(9.9)	3.2

The adjustments to operating profit comprise:

	H1 2022	H1 2021*
	£m	£m
Amortisation of acquired intangibles	**2.7**	1.7
ERP cloud computing costs	**0.5**	0.7
Acquisition related costs	**-**	0.4
Adjustments	**3.2**	2.8

* The prior year comparative has been restated to reflect the write off of previously capitalised ERP development costs on adoption of the IFRIC update on cloud computing arrangements.

Research and development

While research and development forms a significant part of the Group's activities, a significant proportion relates to specific customer programmes which are included in the cost of the product. Development costs of £0.1m (H1 2021: £0.6m) 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 to the profit and loss account as incurred, total £0.1m (H1 2021: £0.2m).

Foreign currency exposure

The Group faces currency exposure on its foreign currency transactions and with significant overseas operations, also has exposure to foreign currency translation risk.

The Group maintains a natural hedge whenever possible to transactional exposure by matching the cash inflows and outflows in the respective currencies.

There was no material difference between the reported profit for the year and that calculated on a constant currency basis as the impact of the strengthening US dollar was offset by the weakening Euro.

Dividends

The Board has declared an interim dividend of 1.76p per ordinary share (H1 2021: 1.6p) which will be paid on 20 May 2022 to shareholders on the register on 6 May 2022. A final dividend of 3.24p per share was paid in respect of the year ended 31 August 2021. It is the Board's intention to pursue a sustainable and growing dividend policy in the future having regard to the development of the Group.

Summary and Outlook

The Group has delivered a strong financial and operational performance in the first half of the year, with continued momentum in our key markets and progress against our strategic objectives.

Against the backdrop of challenges in relation to supply chain disruption and inflationary pressures, the Group has, to date, successfully mitigated these effects and continued to invest in all areas of the business, supporting our ambitious growth plans.

Whilst mindful of ongoing geopolitical uncertainty and the risk of further logistics disruption and inflation, given the improvement in order intake, the Board now expects the financial results for the year to be slightly ahead of market expectations.

Our market drivers remain strong. Against that background and based on the recent track record of improved demand and continued strategic investment, the Board is confident of delivering progress during the second half of 2022 and beyond.

Directors' Responsibility Statement

The Directors confirm that this condensed consolidated half year financial information has been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting' as adopted by the United Kingdom, and that the half year management report herein includes a fair review of the information required by DTR 4.2.7 and DTR 4.2.8, namely:

- an indication of important events that have occurred during the first six months and their impact on the condensed consolidated half year financial information, and a description of the principal risks and uncertainties for the remaining six months of the financial year; and
- material related party transactions in the first six months and any material changes in the related party transactions described in the last annual report.

By order of the Board
Dr James Routh
Chief Executive Officer
27 April 2022

AB Dynamics plc
Unaudited consolidated statement of comprehensive income

for the six months ended 28 February 2022

		Unaudited 6 months ended 28 February 2022			Unaudited 6 months ended 28 February 2021			Audited Year ended 31 August 2021		
		Adjusted	**Adjustments**	**Statutory**	Adjusted	Adjustments (Restated)*	Statutory (Restated)*	Adjusted	Adjustments	Statutory
	Note	**£'000**	**£'000**	**£'000**	£'000	£'000	£'000	£'000	£'000	£'000
Revenue	2	**37,826**	**-**	**37,826**	27,280	-	27,280	65,380	-	65,380
Cost of sales		**(16,011)**	**-**	**(16,011)**	(11,552)	-	(11,552)	(28,269)	-	(28,269)
Gross profit		**21,815**	**-**	**21,815**	15,728	-	15,728	37,111	-	37,111
General and administrative expenses		**(16,102)**	**(3,214)**	**(19,316)**	(12,231)	(2,810)	(15,041)	(26,288)	(6,630)	(32,918)
Operating profit		**5,713**	**(3,214)**	**2,499**	3,497	(2,810)	687	10,823	(6,630)	4,193
Operating profit is analysed as:										
Before depreciation and amortisation		**7,313**	**(480)**	**6,833**	4,598	(1,132)	3,466	13,500	(2,198)	11,302
Depreciation and amortisation		**(1,600)**	**(2,734)**	**(4,334)**	(1,101)	(1,678)	(2,779)	(2,677)	(4,432)	(7,109)
Operating profit		**5,713**	**(3,214)**	**2,499**	3,497	(2,810)	687	10,823	(6,630)	4,193
Finance income		**131**	**-**	**131**	21	-	21	15	-	15
Finance expense		**(86)**	**-**	**(86)**	(18)	-	(18)	(91)	-	(91)
Other finance expense		**(215)**	**-**	**(215)**	-	-	-	(332)	-	(332)
Profit before tax		**5,543**	**(3,214)**	**2,329**	3,500	(2,810)	690	10,415	(6,630)	3,785
Tax expense		**(999)**	**606**	**(393)**	(515)	555	40	(1,895)	1,095	(800)
Profit for the period		**4,544**	**(2,608)**	**1,936**	2,985	(2,255)	730	8,520	(5,535)	2,985
Other comprehensive income/(loss)										
Items that may be reclassified to consolidated income statement:										
Cash flow hedges		**30**	**-**	**30**	-	-	-	(31)	-	(31)
Exchange gain/(loss) on foreign currency net investments		**132**	**-**	**132**	(948)	-	(948)	(614)	-	(614)
Total comprehensive income/(loss) for the year		**4,706**	**(2,608)**	**2,098**	2,037	(2,255)	(218)	7,875	(5,535)	2,340
Earnings per share - basic (pence)	5	**20.1**	**(11.5)**	**8.6**	13.2	(10.0)	3.2	37.7	(24.5)	13.2
Earnings per share - diluted (pence)	5	**19.9**	**(11.4)**	**8.5**	13.1	(9.9)	3.2	37.4	(24.3)	13.1

* The prior year comparative has been restated to reflect the write off of previously capitalised ERP development costs on adoption of the IFRIC update on cloud computing arrangements (see note 3).

AB Dynamics plc
Unaudited consolidated statement of financial position

as at 28 February 2022

		Unaudited 28 February 2022	Unaudited 28 February 2021 (Restated)*	Audited 31 August 2021
		£'000	£'000	£'000
ASSETS	Note			
Non-current assets				
Goodwill		**22,269**	15,821	22,221
Acquired intangible assets		**25,304**	15,719	28,282
Other intangible assets		**1,618**	1,078	1,577
Property, plant and equipment		**25,210**	26,845	25,815
Right-of-use assets		**1,020**	466	913
		75,421	59,929	78,808
Current assets				
Inventories		**9,535**	9,090	6,771
Trade and other receivables		**17,641**	14,466	15,500
Contract assets		**3,728**	1,613	4,269
Taxation		**815**	1,119	1,443
Cash and cash equivalents	7	**28,772**	34,084	23,282
		60,491	60,372	51,265
Assets held for sale		**1,893**	-	1,893

LIABILITIES
Current liabilities

Borrowings		**-**	485	-
Trade and other payables		**10,607**	10,972	10,933
Contract liabilities		**8,184**	3,885	3,568
Derivative financial instruments		**1**	-	31
Short-term lease liabilities	7	**556**	246	456
Deferred consideration		**5,016**	-	4,929
		24,364	15,588	19,917
Non-current liabilities				
Deferred tax liabilities		**6,464**	2,927	6,552
Long-term lease liabilities	7	**511**	237	511
		6,975	3,164	7,063
Net assets		**106,466**	101,549	104,986
Shareholders' equity				
Share capital		**226**	230	226
Share premium		**62,210**	61,785	62,210
Other reserves	8	**(2,177)**	(2,642)	(2,339)
Retained earnings		**46,207**	42,176	44,889
Total equity		**106,466**	101,549	104,986

* The prior year comparative has been restated to reflect the write off of previously capitalised ERP development costs on adoption of the IFRIC update on cloud computing arrangements (see note 3).

AB Dynamics plc
Unaudited consolidated statement of changes in equity

for the six months ended 28 February 2022

	Share capital £'000	Share premium £'000	Other reserves £'000	Retained earnings £'000	Total equity £'000
At 1 September 2021	226	62,210	(2,339)	44,889	104,986
Share based payments	-	-	-	570	570
Total comprehensive income	-	-	162	1,936	2,098
Deferred tax on share based payments	-	-	-	(455)	(455)
Dividend paid	-	-	-	(733)	(733)
At 28 February 2022	**226**	**62,210**	**(2,177)**	**46,207**	**106,466**
At 1 September 2020	226	61,736	(1,694)	41,956*	102,224*
Share based payments	-	-	-	570	570
Total comprehensive income	-	-	(948)	730*	(218)*
Deferred tax on share based payments	-	-	-	(86)	(86)
Dividend paid	-	-	-	(994)	(994)
Issue of shares	4	49	-	-	53
At 28 February 2021	**230**	**61,785**	**(2,642)**	**42,176***	**101,549***
At 1 September 2020	226	61,736	(1,694)	41,956	102,224
Share based payments	**-**	**-**	-	1,139	1,139
Total comprehensive income	**-**	**-**	(645)	2,985	2,340
Deferred tax on share based payments	**-**	**-**	-	165	165
Dividend paid	**-**	**-**	-	(1,356)	(1,356)
Issue of shares	-	474	-	-	474
At 31 August 2021	**226**	**62,210**	**(2,339)**	**44,889**	**104,986**

* The prior year comparative has been restated to reflect the write off of previously capitalised ERP development costs on adoption of the IFRIC update on cloud computing arrangements.

AB Dynamics plc
Unaudited consolidated cash flow statement

for the six months ended 28 February 2022

Unaudited 6 months	Unaudited 6 months	Audited Year

	ended 28 February 2022 £'000	ended 28 February 2021 (Restated)* £'000	ended 31 August 2021 £'000
Profit before tax	**2,329**	690	3,785
Depreciation and amortisation	**4,334**	2,779	7,109
Net finance expense/(income)	**170**	(3)	408
Acquisition costs	**-**	-	304
Share based payments	**570**	570	1,240
Operating cash flows before changes in working capital	**7,403**	4,036	12,846
(Increase)/decrease in inventories	**(2,764)**	90	2,409
Increase in trade and other receivables	**(1,600)**	(298)	(3,913)
Increase in trade and other payables	**4,954**	3,285	2,956
Cash flows from operations	**7,993**	7,113	14,298
Cash impact of adjusting items	**480**	868	1,663
Adjusted cash flow from operations	**8,473**	7,981	15,961
Interest received	**131**	21	15
Finance costs paid	**(46)**	(113)	(154)
Income tax (paid)/received	**(707)**	1,570	1,062
Net cash flows from operating activities	**7,371**	8,591	15,221
Cash flows used in investing activities			
Acquisition of businesses	**-**	(560)	(14,329)
Purchase of property, plant and equipment	**(554)**	(3,363)	(5,536)
Capitalised development costs and purchased software	**(138)**	(589)	(1,104)
Net cash used in investing activities	**(692)**	(4,512)	(20,969)
Cash flows (used in)/generated from financing activities			
Movements in loans	**-**	(20)	(493)
Maturity of fixed term deposits	**-**	5,000	5,000
Dividends paid	**(733)**	(994)	(1,356)
Proceeds from issue of share capital	**-**	53	474
Repayment of lease liabilities	**(423)**	(249)	(656)
Net cash flow (used in)/generated from financing activities	**(1,156)**	3,790	2,969
Net increase/(decrease) in cash and cash equivalents	**5,523**	7,869	(2,779)
Cash and cash equivalents at beginning of the period	**23,282**	26,183	26,183
Effect of exchange rates on cash and cash equivalents	**(33)**	32	(122)
Cash and cash equivalents at end of period	**28,772**	34,084	23,282

* The prior year comparative has been restated to reflect the write off of previously capitalised ERP development costs on adoption of the IFRIC update on cloud computing arrangements.

AB Dynamics plc
Notes to the unaudited interim report

for the six months ended 28 February 2022

1. Basis of preparation

The Company is a public limited company limited by shares and incorporated under the UK Companies Act. 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 is the specialised area of design, manufacture and supply of advanced testing, simulation and measurement products to the global transport market.

The annual financial statements of the Group are prepared in accordance with International Financial Reporting Standards as adopted for use by the UK in conformity with the requirements of the Companies Act 2006. A copy of the statutory accounts for the year ended 31 August 2021 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.

The same accounting policies, presentation and methods of computation have been followed in this unaudited interim financial information as those which were applied in the preparation of the Group's annual financial statements for the year ended 31 August 2021.

Certain new standards, amendments to standards and interpretations are not yet effective for the year ended 31 August 2022 and have therefore not been applied in preparing this interim financial information.

The interim accounts are unaudited and do not constitute statutory accounts as defined in Section 434 of the Companies Act 2006.

Going concern basis of accounting

The Directors have assessed the principal risks discussed in note 9, including by modelling a number of severe but plausible downside economic scenarios, whereby the Group experiences:

- A reduction in demand of 25%
- A 10% increase in operating costs from supply chain disruption
- An increase in cash collection cycle

With £27.7m of net cash at 28 February 2022 and availability of a revolving credit facility of £15m, 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 this interim financial information. They therefore consider it appropriate to adopt the going concern basis of accounting in preparing the interim financial information.

The interim financial information for the six months ended 28 February 2022 was approved by the Board on 27 April 2022.

2. Segment information

Revenues attributable to individual foreign countries are as follows:

	Unaudited 6 months ended 28 February 2022 £'000	Unaudited 6 months ended 28 February 2021 £'000	Audited Year ended 31 August 2021 £'000
United Kingdom	**2,780**	3,191	4,449
Rest of Europe	**6,772**	4,763	11,352
North America	**10,105**	8,963	15,884
Asia Pacific	**17,501**	9,668	32,717
Rest of the World	**668**	695	978
	37,826	27,280	65,380
Revenues are disaggregated as follows:			
Track testing	**30,420**	20,937	49,680
Laboratory testing and simulation	**7,406**	6,343	15,700
	37,826	27,280	65,380

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, EBITDA, adjusted operating margin, adjusted profit before tax and adjusted earnings per share.

The interim 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.

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 interim report relate to underlying business performance (as defined above) unless otherwise stated.

A summary of the items which reconcile statutory to adjusted measures is included below:

	Unaudited 6 months ended 28 February 2022	Unaudited 6 months ended 28 February 2021 (Restated)*	Audited Year ended 31 August 2021
	£'000	£'000	£'000
Amortisation of acquired intangibles	**2,734**	1,678	4,432
ERP development costs	**480**	668	1,358
Acquisition related costs	**-**	464	840
	3,214	2,810	6,630

* The prior year comparative has been restated to reflect the write off of previously capitalised ERP development costs on adoption of the IFRIC update on cloud computing arrangements.

<u>Amortisation of acquired intangibles</u>
The amortisation relates to the acquisition of Vadotech Group on 3 March 2021 and the businesses acquired in 2019, DRI and rFpro.

<u>ERP Development costs</u>
During April 2021 the IFRS Interpretations Committee finalised its agenda decision regarding configuration and customisation costs in Cloud Computing Arrangements (Software as a Service (SaaS)) under IAS 38. The agenda decision specifies that where ERP systems are hosted on the cloud, no intangible asset arises and configuration and customisation costs should be expensed. The ERP system currently being implemented is hosted on the cloud; therefore, the capitalised expenditure for development costs has now been expensed.

<u>Acquisition related costs</u>
The prior year costs relate to the acquisition of the Vadotech Group as well as staff retention payments to the employees of rFpro.

4. Tax

The statutory effective tax rate for the period is a charge of 16.9% (H1 2021: tax credit of 6%), the difference from the prior period reflecting the availability of additional R&D credits and an increased patent box deduction.

The adjusted effective tax rate, adjusting both the tax charge and the profit before taxation is 18.0% (H1 2021: 14.7%).

5. Earnings per share

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

	Unaudited 6 months ended 28 February 2022	Unaudited 6 months ended 28 February 2021 (Restated)*	Audited Year ended 31 August 2021
Profit after tax attributable to owners of the Company (£'000)	**1,936**	730	2,985
Adjusted profit after tax attributable to owners of the Company (£'000)	**4,544**	2,985	8,520
Weighted average number of shares ('000)			
Basic	**22,624**	22,583	22,602
Diluted	**22,834**	22,781	22,782
Earnings per share (pence)			
Basic	**8.6**	3.2	13.2
Diluted	**8.5**	3.2	13.1
Adjusted basic	**20.1**	13.2	37.7
Adjusted diluted	**19.9**	13.1	37.4

* The prior year comparative has been restated to reflect the write off of previously capitalised ERP development costs on adoption of the IFRIC update on cloud computing

arrangements.

6. Dividends

An interim dividend of 1.6p per ordinary share in respect of the year ended 31 August 2021 was paid on 14 May 2021 to shareholders on the register on 30 April 2021.

At the Annual General Meeting the shareholders approved a final dividend in respect of the year ended 31 August 2021 of 3.24p per ordinary share totalling £733,000. This was paid on 28 January 2022 to shareholders on the register on 31 December 2021.

An interim dividend of 1.76p per ordinary share has been declared in respect of the year ending 31 August 2022 which will be paid on 20 May 2022 to shareholders on the register on 6 May 2022.

7. Net cash

Net cash comprises cash and cash equivalents, bank overdrafts and lease liabilities.

	Unaudited 28 February 2022 £'000	Unaudited 28 February 2021 £'000	Audited 31 August 2021 £'000
Cash and cash equivalents	**28,772**	34,084	23,282
Borrowings	**-**	(485)	-
Lease liabilities	**(1,067)**	(483)	(967)
	27,705	33,116	22,315

The Group has a £15m revolving credit facility with National Westminster Bank plc. The facility remained undrawn at 28 February 2022.

8. Other reserves

	Merger relief reserve £'000	Reconstruction reserve £'000	Translation reserve £'000	Hedging reserve £'000	Total £'000
At 1 September 2020	11,390	(11,284)	(1,800)	-	(1,694)
Total comprehensive income	-	-	(948)	-	(948)
At 28 February 2021	**11,390**	**(11,284)**	**(2,748)**	**-**	**(2,642)**
Total comprehensive income	-	-	334	(31)	303
At 31 August 2021	**11,390**	**(11,284)**	**(2,414)**	**(31)**	**(2,339)**
Total comprehensive income	-	-	132	30	162
At 28 February 2022	**11,390**	**(11,284)**	**(2,282)**	**(1)**	**(2,177)**

9. Principal risks

The principal risks and uncertainties impacting the Group are described on pages 56-58 of our Annual Report 2021 and remain unchanged at 28 February 2022.

They include: COVID-19 disruption, downturn or instability in major geographic markets or market sectors, loss of major customers and changes in customer procurement processes, failure to deliver new products, dependence on external routes to market, acquisitions integration and performance, supply chain, cybersecurity and business interruption, competitor actions, loss of key personnel, threat of disruptive technology, product liability, failure to manage growth, foreign currency, credit risk and intellectual property/patents.

This information is provided by RNS, the news service of the London Stock Exchange. RNS is approved by the Financial Conduct Authority to act as a Primary Information Provider in the United Kingdom. Terms and conditions relating to the use and distribution of this information may apply. For further information, please contact rns@lseg.com or visit www.rns.com.

RNS may use your IP address to confirm compliance with the terms and conditions, to analyse how you engage with the information contained in this communication, and to share such analysis on an anonymised basis with others as part of our commercial services. For further information about how RNS and the London Stock Exchange use the personal data you provide us, please see our Privacy Policy.

END

IR UNSWRUWUSUAR