

Our markets and strategy

Market drivers support growth

Our market drivers

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 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.

“Our growth is supported by significant long-term structural and regulatory market drivers, such as road safety improvements, the introduction of new vehicle powertrains and development of driverless solutions, as well as our own initiatives in innovation and diversification.”

Our solutions ● Testing products ● Testing services ● Simulation

Consumer ratings	Regulation	New vehicle models	New powertrains
<ul style="list-style-type: none"> • Improving safety technology • Increasing number and complexity of tests • Euro NCAP standards becoming global • Standards expanded to multiple vehicle categories 	<ul style="list-style-type: none"> • US – NHTSA • Europe – UNECE • Japan • China 	<ul style="list-style-type: none"> • Development • Certification • Speed to market • Cost effectiveness • New sensor technology • Increasing automation 	<ul style="list-style-type: none"> • EVs • Hybrid • Hydrogen • Reduced emission fuels
<p>Our solutions:</p> ● ●	<p>Our solutions:</p> ● ● ●	<p>Our solutions:</p> ● ● ●	<p>Our solutions:</p> ● ● ●

Euro NCAP roadmap 2030

Safe Driving

- M1: Beyond Intelligent speed assistance
- M2: Driver Awareness: impaired driving to cognitive distraction
- M3: AD Grading: Domain extension and driver engagement

Crash Avoidance

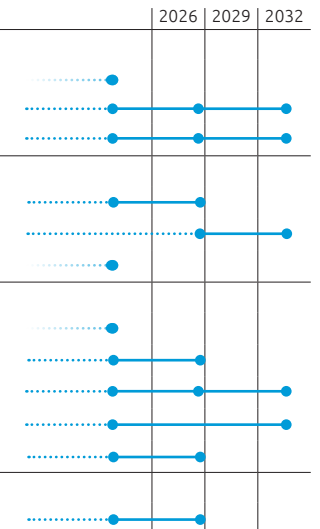
- M4: Improved robustness and real-world effectiveness
- M5: Leveraging vehicle connectivity
- M6: Pedal misapplication

Crash Protection

- M7: Senior protection: low severity testing with sled
- M8: Far-side and side pre-crash incentives
- M9: Protection equity through modelling
- M10: Whiplash protection parity
- M11: Passive Vulnerable Road User (VRU) protection – A-pillar and micro-mobility

Post-Crash Protection

- M12: Next-gen updates including D-call and thermal scanning



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CONSUMER RATINGS

Key trend

Consumer bodies such as Euro NCAP (New Car Assessment Programme), Japan NCAP and China NCAP are independent safety organisations that provide car safety ratings determined from a series of vehicle tests. These tests represent, in a simplified way, real-life accident scenarios.

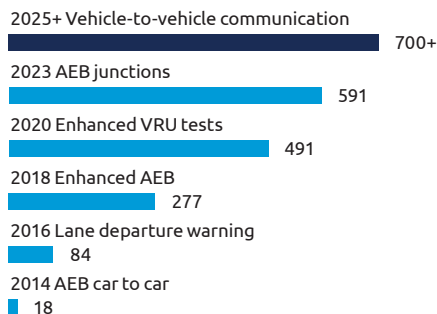
In order to obtain an NCAP safety rating when launching a new vehicle model, each variant of that model must be certified by an NCAP test laboratory. The development of new technology means that certification requires an increasing number of increasingly complex tests. Many of our products and services are used in the development and certification of these vehicles.

Progress

Our growth is driven by:

- Improving safety technology as customers use our equipment in the development of new assisted driving and autonomous functions
- An increasing number of tests. Over the last ten years, the number of ADAS test scenarios performed per vehicle for Euro NCAP ratings has increased from 18 to in excess of 500 and is expected to grow further
- Increasing complexity of tests, for example new test scenarios designed to protect motorcyclists including collision with the rear of a motorcycle braking in queueing traffic, detection of a motorcycle in a vehicle's blind spot and junction scenarios where an inattentive driver may turn in front of an oncoming motorcycle
- Standards expanding to multiple vehicle categories, such as commercial vans and trucks

Euro NCAP test scenarios



- Globally, there are nine NCAPs of which Euro NCAP is currently the most stringent. It is expected that other NCAPs will move towards adoption of these stricter standards

Future opportunities

Euro NCAP's 2030 roadmap confirms its commitment to drive further improvements in vehicle safety focused on four core areas: Safe Driving, Crash Avoidance, Crash Protection and Post-Crash Protection. The Group's testing products form a key part of the testing for two of the core areas – safe driving and crash avoidance technologies. The growth in testing volume and complexity continues to drive demand for ADAS platforms and driving robots that are both more capable and more versatile. The Group has responded by investing in new products such as the LaunchPad Spin, the Soft Pedestrian 360 and the Soft Motorcycle 360. It is also expected to drive growth in simulation as not all the growth in testing will be able to be met through physical tests.

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REGULATION

Key trend

In addition to consumer ratings, the market for ADAS and active safety is driven by regulation from bodies such as the United Nations Economic Commission for Europe (UNECE) and the US regulator, the National Highway Traffic and Safety Administration (NHTSA). With an estimated 1.35 million road deaths per year, of which a growing number are in the US, there is growing pressure on regulators to improve standards, leading to further increases in the number of requirements and hence the number and complexity of tests required.

Progress

UNECE regulations came into force in 2022 which all vehicle manufacturers must meet to sell their vehicles in the United Kingdom and Europe. In its first phase, Automatic Emergency Braking (AEB) was mandated on newly introduced car and van models, while the second phase, implemented in July 2024, extended this requirement to all new vehicle registrations in these classes. The regulations also include emergency lane keeping for cars and vans, blind spot information systems and moving off information systems for certain vehicle classes. This may include testing the vehicle at a variety of approach speeds, offsets and loading and lighting conditions, driving increased need for AB Dynamics' test equipment.

The US government has committed to improving road safety and has begun to mandate the use of ADAS to assist in reducing injuries and fatalities, with a particular focus on the upward trend in pedestrian injuries and fatalities in the USA over recent years. A new Federal Motor Vehicle

Safety Standard requires all light-duty passenger vehicles to have AEB by 2029. Testing of this capability is expected to closely mirror those functions tested by Euro NCAP with compliance mandated through federal regulation.

Future opportunities

Increasing regulation test requirements drives the development of new technology, innovation and solutions tailored to the needs of the Group's customers to meet the growth in testing volume and complexity.

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NEW VEHICLE MODELS

Key trend

The emergence of EVs and new entrants into the automotive market, as well as developments in autonomy, has led to significant increases in the number of new model launches. Over 150 new vehicle models were launched to the market during 2023.

Progress

This has placed additional pressures on traditional automotive OEMs to rapidly develop new technologies.

The need for increased speed to market and cost effectiveness has led to acceleration in the use of simulation in automotive development. Our rFpro simulation software and Ansible Motion dynamic simulators provide solutions that allow customers to test new models in a virtual environment.

The emergence of new sensor technology and the added capabilities in active safety and autonomy which are a differentiating factor for vehicle sales are driving growth in the volume and complexity of testing equipment used by the OEMs during development.

Each variant of each new model requires certification that it meets the regulations of each country in which it is sold. In order to obtain an NCAP safety rating, each model must also be certified by the local NCAP body. This drives growth in the amount of equipment required by the OEMs, service providers and certification providers.

Future opportunities

Future opportunities are driven by the continued release of new passenger and commercial vehicle models, the development of autonomous and automated driving functions, new entrants into the automotive market, the rapid adoption of environmentally sustainable automotive solutions brought on by global climate change challenges and the development of new safety features. The Group is well positioned to service the growing demand through the range of testing products, the capability and scope of testing services and its simulation hardware and software solutions.

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NEW POWERTRAINS

Key trend

Increasing concerns about the environmental impact and the predicted scarcity of fossil fuel supply have made energy efficiency and reduced emissions a primary focus of OEMs and a primary selling point for new vehicles. OEMs are developing EVs and hybrid alternatives to the traditional internal combustion engines, and continued development of alternative fuel sources such as e-fuels and hydrogen, hybrid drive trains and new technology continues to drive the market for vehicle development toolchains.

Progress

While the number of production vehicles of EVs is growing more slowly than predicted, the number of new models being developed continues to grow. Over 400 OEMs are currently developing EVs as well as alternative powertrains. New technology and innovation by the Group help accelerate our customers' R&D development activities. The Group's vehicle development tools are powertrain agnostic and the development solutions offered extend to Software in the Loop (SiL) and Hardware in the Loop (HiL) modelling which allow assessment of vehicle performance in a simulated environment, meeting the requirements of fast, efficient and effective development methods.

Future opportunities

As the focus remains on the development of EV technology, OEMs are also increasingly researching and developing alternative powertrains and drivetrain systems to meet growth sustainability challenges while balancing performance needs. As R&D development of new powertrains continues, so does the use of simulation during development to reduce vehicle development timescales and costs by enabling meaningful testing earlier in the development process.

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Delivering our strategy

“We accelerate our customers’ drive towards net zero emissions, improving road safety and the automation of vehicle applications.”

Over the last five years, AB Dynamics has grown significantly, delivering on our strategy to build a sustainable and resilient business with strong financial and operating performance. Building on the strength of our core business, coupled with value-enhancing acquisitions, the business has been transformed from a single entity in the UK to a multi-national group with twelve facilities in six countries across Europe, North America and Asia Pacific.

Key achievements

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

Testing services have been strengthened through the acquisition of VTS, a provider of mileage accumulation, EV and environmental testing services.

Simulation has benefited from a strengthened market position following the integration of Ansible Motion, which was acquired in the previous year.

Recurring revenue has increased to 45% (2023: 40%).

As part of our diversification initiative, the Group has continued to develop new driverless solutions for new markets.

Future

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
- 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.

