23 April 2024

AB Dynamics plc

Unaudited interim results for the six months ended 29 February 2024

"Strong financial performance and clear strategic progress"

AB Dynamics plc (AIM: ABDP, 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 interim results for the six-month period to 29 February 2024 (the "Period").

	H1 2024 £m	H1 2023[2] £m	
Revenue	**52.3**	48.6	**+8%**
Gross margin	**58.3%**	57.4%	**+90bps**
Adjusted EBITDA[1]	**10.6**	9.5	***+12%***
Adjusted operating profit[1]	**8.9**	7.7	***+16%***
Adjusted operating margin[1]	**17.0%**	15.9%	***+110bps***
Statutory operating profit	**5.5**	2.8	***+96%***
Adjusted cash flow from operations[1]	**11.3**	9.5	***+19%***
Net cash	**29.1**	21.3	
	Pence	Pence	
Adjusted diluted earnings per share[1]	**30.9**	27.1	***+14%***
Statutory diluted earnings per share	**18.0**	6.3	***+186%***
Interim dividend per share	**2.33**	1.94	***+20%***

[1]Before amortisation of acquired intangibles, acquisition related charges, and exceptional items. A reconciliation to statutory measures is given in the Alternative Performance Measures section of the Half Year Review.
[2]Restated for change in interpretation of revenue recognition, see note 10.

Financial highlights

- Strong growth in revenue and operating profit, delivered alongside an improved operating margin which reflected operating leverage, gross margin gains and improved efficiency
- Market and customer demand levels have remained positive throughout H1, with strong activity across all three sectors and all regions
- Revenue increased by 8% against H1 2023, or 10% on a constant currency basis, with good growth in testing products and testing services offset in part by a reduction in simulator revenue, where significant contracts are H2-weighted
    - Testing products revenue grew by 12% driven by an increase in ADAS platforms
    - Testing services revenue grew by 23% led by strong performances in both the US and Asia, albeit against a weak comparative which was impacted by Chinese lockdowns
    - Simulation revenue was down 13% as a result of the timing of revenue recognition, with several contracts due for delivery in H2
- The strong growth in testing services has increased the proportion of recurring and service-based sales to 52% (H1 2023: 41%) for the Period

- The Group has remained effective in mitigating inflationary cost pressures, with gross margins improving to 58.3% (H1 2023: 57.4%)
- Operating margin improved by 110bps to 17.0% as a result of the increased levels of activity and the benefits of enhanced performance initiatives, partially offset by the investment in ABD Solutions to support the strategic long-term growth drivers
  - Excluding ABD Solutions, the Group operating margin increased to 18.6% (H1 2023: 17.9%)
- Significant operating cash generation of £11.3m (H1 2023: £9.5m) with cash conversion of 107% (H1 2023: 100%), resulting in net cash at the period end of £29.1m (28 February 2023: £21.3m, 31 August 2023: £32.0m) after funding the final performance payment of £5.7m for the acquisition of Ansible Motion
- Interim dividend of 2.33p per share (H1 2023: 1.94p), an increase of 20%

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 and the LaunchPad Spin have been approved by Euro NCAP
  - ABD Solutions delivered the first units of the new durability testing solution and initial revenues from the retrofit pedestrian detection system for the construction industry expected during H2
- Since the period end, the Group has acquired Venshure Test Services ('VTS'), a provider of mileage accumulation, electric vehicle and environmental testing services in the US.
- Well placed to sustain growth momentum over the medium term, supported by:
  - Strong organic growth across automotive markets, supported by regulatory tailwinds and rapid technology change, with a significantly strengthened and scalable operational and commercial platform
  - The substantial opportunity beyond automotive markets presented by ABD Solutions, transitioning from technology development to commercialisation
  - A strong financial position that provides scope for further value-enhancing growth investment in FY 2024 and beyond

Current trading and outlook

- Performance in the first half of the year was strong, with good conversion of orders to revenue together with improved operational efficiency and effective cost management
- The Group has a solid order book, providing good visibility for the second half of the year
- Whilst mindful of timing of pipeline conversion and customer delivery schedules, the Board is confident that performance momentum in the first half margin can be sustained and, consequently, expects the Group to deliver full year adjusted operating profit ahead of its current 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

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

"The Group has delivered a strong performance in the first half of the year, capitalising on supportive conditions across key markets and 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 into attractive adjacent markets through ABD Solutions.

“Our solid order book provides good visibility for the second half of the year. Whilst being mindful of timing of pipeline conversion 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 H2 and benefiting from the acquisition of VTS and improved margins, the Board expects to deliver full year operating profit ahead of its expectations.”

There will be a presentation for analysts this morning at 9.00am at Teneo offices, 11 Pilgrim St, London EC4V 6RN. Please contact abdynamics@teneo.com if you would like to attend.

A presentation will also be provided on the Investor Meet Company platform on 24 April 2023 at 9.00am. Anyone wishing to attend should register their interest via https://www.investormeetcompany.com/ab-dynamics-plc/register-investor.

Certain information contained in this announcement would have constituted inside information (as defined by Article 7 of Regulation (EU) No 596/2014), as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018) ("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.

Enquiries:

AB Dynamics plc 01225 860 200
Dr James Routh, Chief Executive Officer
Sarah Matthews-DeMers, Chief Financial Officer

Peel Hunt LLP (Nominated Adviser and Joint Broker) 0207 894 7000
Mike Bell
Ed Allsopp

Stifel Nicolaus Europe Limited (Joint Broker) 0207 710 7600
Matthew Blawat
Harry Billen

Teneo 0207 353 4200
James Macey White
Matt Low

The person responsible for arranging the release of this information is Felicity Jackson, Group Legal Counsel.

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 top automotive manufacturers, Tier 1 suppliers and service providers, who routinely use the Group's products to test and verify vehicle safety systems and dynamics.

Half Year Review

Group overview

The Group has delivered a strong performance in the first half of the year, supported by recent investments in its capabilities to capitalise on the significant long-term structural and regulatory growth drivers within its markets.

The Group continued to deliver against its strategic priorities by launching new products, developing its service offering to drive recurring revenues and delivering on its diversification plans through progress in ABD Solutions. After the period end, the Group also expanded its presence in the testing services market with the acquisition of Venshure Test Services.

Financial performance in the Period

The Group delivered revenue growth of 8% to £52.3m, with increases in testing products and services offset by a reduction in simulation, which reflects the timing of delivery of customer projects.

Gross margin was 58.3%, up 90bps on H1 2023 due to effective pricing management and increased testing services revenue.

Group adjusted operating profit increased by 16% to £8.9m. The adjusted operating margin increased to 17.0% (H1 2023: 15.9%), as a result of the increase in sales volumes, the improved gross margin and operational efficiency. Excluding ABD Solutions, the adjusted operating margin increased to 18.6% (H1 2023: 17.9%).

Adjusted net finance costs were £0.1m (H1 2023: £0.2m).

Adjusted profit before tax was £8.8m (H1 2023: £7.5m). The Group adjusted tax charge totalled £1.6m (H1 2023: £1.3m), an adjusted effective tax rate of 18.4% (H1 2023: 16.7%).

Adjusted diluted earnings per share was 30.9p (H1 2023: 27.1p), an increase of 14%, reflecting the increase in operating profit offset by a higher tax rate.

Statutory operating profit increased by 96% to £5.5m and after net finance costs of £0.4m (H1 2023: £1.0m), statutory profit before tax was up 183% from £1.8m to £5.1m, giving statutory basic earnings per share of 18.2p (H1 2023: 6.4p). The statutory tax charge was £0.9m (H1 2023: £0.4m). A reconciliation of statutory to underlying non-GAAP financial measures is provided below. The adjustments to operating profit of £3.4m comprise £3.0m of amortisation of acquired intangibles, £0.3m of ERP cloud computing costs and £0.1m of acquisition related costs (H1 2023: £4.9m comprising £3.7m of amortisation of acquired intangibles, £0.8m of ERP cloud computing costs and £0.4m of acquisition costs). The £0.3m adjustment to the interest charge relates to the unwind of the discount on the deferred contingent consideration for Ansible Motion (H1 2023: £0.8m). The tax impact of these adjustments was a credit of £0.7m (H1 2023: £0.9m).

The Group delivered strong adjusted operating cash flow of £11.3m (H1 2023: £9.5m) with the net cash position at the period end of £29.1m (31 August 2023: £32.0m) underpinning a robust balance sheet and providing the resources to fund the acquisition of VTS and continue the Group's investment programme.

Sector review

	H1 2024 £m	H1 2023[1] £m	
Driving robots	**12.5**	14.2	-12%
ADAS platforms	**19.5**	14.0	+39%
Laboratory testing	**2.9**	2.9[2]	-
Testing products	**34.9**	31.1	+12%
Testing services	**7.5**	6.1	+23%
Simulation	**9.9**	11.4[2]	-13%
Total revenue	**52.3**	48.6	+8%

[1]The 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.
[2] Restated for change in revenue recognition, see note 10.

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, electric vehicles, vehicle durability and vehicle dynamics.

Testing products revenue of £34.9m was up 12% against H1 2023 (£31.1m) with growth in ADAS platforms offset by a reduction in driving robots.

Driving robot sales decreased 12% against H1 2023 to £12.5m (H1 2023: £14.2m). The Group expects continued growth in driving robots at more normalised levels, 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.

ADAS platform sales increased 39% to £19.5m in H1 2024 (H1 2023: £14.0m). 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 product, large-scale testing rigs used to characterise the kinematics and compliance of vehicles under development. Revenue was flat at £2.9m (H1 2023: £2.9m). 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 recent 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 Bakersfield, USA, where testing of ADAS systems and vehicle dynamics is performed on behalf of OEMs, technology developers and government agencies.

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

This sector saw significant growth of 23% to £7.5m (H1 2023: £6.1m) in advance of new regulatory requirements, albeit against a weak comparative period in H1 2023 that was impacted by local COVID restrictions delaying the provision of testing services in China and delays in availability of test vehicles more widely.

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 decreased by 13% to £9.9m (H1 2023: £11.4m). Growth in simulation software was offset by a decrease in revenue from simulator motion platforms due to the timing of revenue recognition, as much of the H1 activity will be recognised in revenue on delivery in H2.

Progress on our strategy

The Group continues to make good progress against its organic led growth strategy, supplemented with value enhancing acquisitions. The focus on building and growing the core business continued, coupled with delivering on the Group's diversification plans through ABD Solutions.

Investment continued in the core automotive sector, which is characterised by strong regulatory and structural growth drivers and rapid technology change. New product development and the strengthened operational and commercial platform leaves the Group well placed to benefit from increasing regulation and the increasing number and complexity of test scenarios required by NCAP bodies and regulators.

As part of the objective to diversify into adjacent markets, ABD Solutions continues to make significant progress in its mission to add automated solutions to existing vehicles fleets faster and more cost effectively. ABD Solutions has demonstrated its product offering in contrasting environments for potential customers in mining, defence and other specialist vehicles and successfully proved its concept and market solution, Indigo Drive. The first units of the Group's new durability testing solution were delivered during H1, with initial revenues from the retrofit pedestrian detection system for the construction industry expected during H2. Several small contracts for phase 1 feasibility studies have been awarded for delivery during H2 and FY2025, while the medium-term pipeline consists of 10-15 opportunities ranging from £0.4m to £10m.

Acquisitions

On 2 April 2024, the Group acquired the trade and assets of Venshure Test Services, LLC, a provider of vehicle testing services, including environmental testing and range certification for electric vehicles. The initial consideration was $15.0m (£11.8m). Contingent consideration of up to $15.0m will become payable in cash subject to certain performance criteria being met for the 2 years ending 2 April 2026. 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.

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.

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, adjusted earnings per share and adjusted cash flow from operations.

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.

Comparatives are provided 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 2024			H1 2023[1]		
	Adjusted	**Adjustments**	**Statutory**	Adjusted	Adjustments	Statutory
EBITDA (£m)	**10.6**	**(0.4)**	**10.2**	9.5	(1.2)	8.3
Operating profit (£m)	**8.9**	**(3.4)**	**5.5**	7.7	(4.9)	2.8
Operating margin	**17.0%**	**(6.5%)**	**10.5%**	15.9%	(10.2%)	5.7%
Finance expense (£m)	**(0.1)**	**(0.3)**	**(0.4)**	(0.2)	(0.8)	(1.0)
Profit before tax (£m)	**8.8**	**(3.7)**	**5.1**	7.5	(5.7)	1.8
Tax expense (£m)	**(1.6)**	**0.7**	**(0.9)**	(1.3)	0.9	(0.4)
Profit after tax (£m)	**7.2**	**(3.0)**	**4.2**	6.2	(4.8)	1.4
Diluted earnings per share (pence)	**30.9**	**(12.9)**	**18.0**	27.1	(20.8)	6.3
Cash flow from operations (£m)	**11.3**	**(0.3)**	**11.0**	9.5	(3.4)	6.1

[1] Restated, see note 10.

The adjustments comprise:

	H1 2024	H1 2023	**Cash flow impact H1 2024**	Cash flow impact H1 2023
	£m	£m	**£m**	£m
Amortisation of acquired intangibles	**3.0**	3.7	**-**	-
ERP development costs	**0.3**	0.8	**0.3**	0.8
Acquisition related costs	**0.1**	0.4	**-**	2.6
Adjustments to operating profit	**3.4**	4.9	**0.3**	3.4
Acquisition related finance costs	**0.3**	0.8	**-**	-
Adjustments to profit before tax	**3.7**	5.7	**0.3**	3.4

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.

On a constant currency basis, revenue would have been £1.2m higher than reported and operating profit would have been £0.1m higher as the US dollar, the Euro and Yen weakened against H1 2023. Constant currency revenue growth was 10% and growth in operating profit was 17%.

Dividends

The Board has declared an interim dividend of 2.33p per ordinary share (H1 2023: 1.94p) which will be paid on 17 May 2024 to shareholders on the register on 3 May 2024.

A final dividend of 4.42p per share was paid on 6 March 2024 in respect of the year ended 31 August 2023 totalling £1,014,000. 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.

Summary and Outlook

The Group has delivered a strong performance in the first half of the year, capitalising on supportive conditions across key markets and 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 into attractive adjacent markets through ABD Solutions.

Our solid order book provides good visibility for the second half of the year, with organic adjusted operating profit expected to be more evenly weighted across the two halves of the year than in previous years. Whilst being mindful of timing of pipeline conversion 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 H2 and benefiting from the acquisition of VTS and improved margins, the Board expects to deliver full year operating profit ahead of its current expectations.

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
23 April 2024

AB Dynamics plc

Unaudited condensed consolidated statement of comprehensive income

for the six months ended 29 February 2024

		Unaudited 6 months ended 29 February 2024			*Restated Unaudited 6 months ended 28 February 2023			Audited Year ended 31 August 2023		
	Note	**Adjusted £'000**	**Adjustments £'000**	**Statutory £'000**	Adjusted £'000	Adjustments £'000	Statutory £'000	Adjusted £'000	Adjustments £'000	Statutory £'000
Revenue	2	**52,254**	**-**	**52,254**	48,610	-	48,610	100,767	-	100,767
Cost of sales		**(21,794)**	**-**	**(21,794)**	(20,689)	-	(20,689)	(40,837)	-	(40,837)
Gross profit		**30,460**	**-**	**30,460**	27,921	-	27,921	59,930	-	59,930
General and administrative expenses		**(21,587)**	**(3,402)**	**(24,989)**	(20,214)	(4,933)	(25,147)	(43,326)	(9,229)	(52,555)
Fair value gain on release of contingent consideration		**-**	**-**	**-**	-	-	-	-	5,180	5,180
Operating profit		**8,873**	**(3,402)**	**5,471**	7,707	(4,933)	2,774	16,604	(4,049)	12,555
Operating profit is analysed as:										
Before depreciation and amortisation		**10,564**	**(354)**	**10,210**	9,540	(1,222)	8,318	20,517	3,140	23,657
Depreciation and amortisation		**(1,691)**	**(3,048)**	**(4,739)**	(1,833)	(3,711)	(5,544)	(3,913)	(7,189)	(11,102)
Operating profit		**8,873**	**(3,402)**	**5,471**	7,707	(4,933)	2,774	16,604	(4,049)	12,555
Net finance expense		**(84)**	**(285)**	**(369)**	(206)	(794)	(1,000)	(354)	(713)	(1,067)
Profit before tax		**8,789**	**(3,687)**	**5,102**	7,501	(5,727)	1,774	16,250	(4,762)	11,488
Tax expense		**(1,620)**	**692**	**(928)**	(1,253)	932	(321)	(2,146)	1,644	(502)
Profit for the period		**7,169**	**(2,995)**	**4,174**	6,248	(4,795)	1,453	14,104	(3,118)	10,986
Other comprehensive expense										
Items that may be reclassified to consolidated income statement:										
Cash flow hedges		**-**	**-**	**-**	136	-	136	124	-	124
Exchange loss on foreign currency net investments		**(309)**	**-**	**(309)**	(539)	-	(539)	(2,059)	-	(2,059)
Total comprehensive income for the period		**6,860**	**(2,995)**	**3,865**	5,845	(4,795)	1,050	12,169	(3,118)	9,051
Earnings per share – basic (pence)	5	**31.3**	**(13.1)**	**18.2**	27.3	(20.9)	6.4	61.6	(13.6)	48.0
Earnings per share – diluted (pence)	5	**30.9**	**(12.9)**	**18.0**	27.1	(20.8)	6.3	60.8	(13.4)	47.4

*See note 10

AB Dynamics plc

Unaudited condensed consolidated statement of financial position

as at 29 February 2024

		Unaudited 29 February 2024 £'000	*Restated Unaudited 28 February 2023 £'000	Audited 31 August 2023 £'000	*Restated Audited 31 August 2022 £'000
ASSETS	Note				
Non-current assets					
Goodwill		**36,946**	36,825	36,939	23,818
Acquired intangible assets		**29,768**	36,769	32,831	23,665
Other intangible assets		**2,610**	3,080	2,746	2,971
Property, plant and equipment		**26,207**	25,418	25,739	25,708
Right-of-use assets		**2,701**	1,648	1,409	876
		98,232	103,740	99,664	77,038
Current assets					
Inventories		**19,475**	15,966	17,954	13,651
Trade and other receivables		**17,061**	18,910	14,494	13,782
Contract assets		**1,995**	2,027	3,152	4,328
Taxation		**-**	140	-	890
Cash and cash equivalents	7	**31,875**	28,991	33,486	30,141
		70,406	66,034	69,086	62,792
Assets held for sale		**1,893**	1,893	1,893	1,893
LIABILITIES					
Current liabilities					
Borrowings	7	**-**	6,000	-	-
Trade and other payables		**17,109**	20,006	20,127	16,810
Contract liabilities		**14,545**	7,219	9,234	5,068
Derivative financial instruments		**-**	-	-	123
Short-term lease liabilities	7	**707**	784	570	628
Contingent consideration		**528**	11,190	5,943	-
		32,889	45,199	35,874	22,629
Non-current liabilities					
Deferred tax liabilities		**8,589**	9,236	8,708	6,397
Long-term lease liabilities	7	**2,064**	952	906	315
		10,653	10,188	9,614	6,712
Net assets		**126,989**	116,280	125,155	112,382
Shareholders' equity					
Share capital		**229**	229	229	226
Share premium		**62,781**	62,372	62,781	62,260
Other reserves	8	**2,094**	3,935	2,403	1,142
Retained earnings		**61,885**	49,744	59,742	48,754
Total equity		**126,989**	116,280	125,155	112,382

*See note 10

AB Dynamics plc
Unaudited condensed consolidated statement of changes in equity
for the six months ended 29 February 2024

	Share capital £'000	Share premium £'000	Other reserves £'000	Retained earnings £'000	Total equity £'000
At 1 September 2023	229	62,781	2,403	59,742	125,155
Total comprehensive income	-	-	(309)	4,174	3,865
Share based payments	-	-	-	698	698
Deferred tax on share based payments	-	-	-	58	58
Dividend paid	-	-	-	(1,014)	(1,014)
Purchase of own shares	-	-	-	(1,773)	(1,773)
At 29 February 2024	**229**	**62,781**	**2,094**	**61,885**	**126,989**
At 1 September 2022 as previously reported	226	62,260	1,142	48,333	111,961
Prior period adjustment	-	-	-	421	421
At 1 September 2022 restated	226	62,260	1,142	48,754	112,382
Total comprehensive income*	-	-	(403)	1,453	1,050
Share based payments	-	-	-	230	230
Deferred tax on share based payments	-	-	-	117	117
Dividend paid	-	-	-	(810)	(810)
Issue of shares	3	112	3,196	-	3,311
At 28 February 2023	**229**	**62,372**	**3,935**	**49,744**	**116,280**
At 1 September 2022 as previously reported	226	62,260	1,142	48,333	111,961
Prior period adjustment	-	-	-	421	421
At 1 September 2022 restated	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**

*See note 10

AB Dynamics plc
Unaudited condensed consolidated cash flow statement
for the six months ended 29 February 2024

	Unaudited 6 months ended 29 February 2024 £'000	*Restated Unaudited 6 months ended 28 February 2023 £'000	*Restated Audited Year ended 31 August 2023 £'000
Profit before tax	**5,102**	1,774	11,488
Depreciation and amortisation	**4,739**	5,544	11,102
Finance expense	**369**	1,000	1,067
Release of contingent consideration	**-**	-	(5,180)
Share based payment	**698**	230	1,263
Operating cash flows before changes in working capital	**10,908**	8,548	19,740
Increase in inventories	**(1,538)**	(1,263)	(2,612)
(Increase)/decrease in trade and other receivables	**(1,458)**	892	2,514
Increase/(decrease) in trade and other payables	**3,075**	(2,035)	(369)
Cash flows from operations	**10,987**	6,142	19,273
Cash flows from operations are analysed as:			
Adjusted cash flows from operations	**11,336**	9,480	23,450
Cash impact of adjusting items	**(349)**	(3,338)	(4,177)
Cash flows from operations	**10,987**	6,142	19,273
Finance costs paid	**(9)**	(12)	(291)
Income tax (paid)/ received	**(1,946)**	546	363
Net cash flows from operating activities	**9,032**	6,676	19,345
Cash flows used in investing activities			
Acquisition of businesses net of cash	**(5,700)**	(11,233)	(10,656)
Purchase of property, plant and equipment	**(1,602)**	(882)	(2,930)
Capitalised development costs and purchased software	**(49)**	(292)	(469)
Net cash used in investing activities	**(7,351)**	(12,407)	(14,055)
Cash flows (used in)/generated from financing activities			
Drawdown of loans	**-**	6,000	6,000
Repayment of loans	**-**	-	(6,000)
Dividends paid	**(1,014)**	(810)	(1,255)
(Purchase of own shares)/proceeds from issue of share capital	**(1,773)**	47	457
Repayment of lease liabilities	**(485)**	(602)	(1,124)
Net cash flow (used in)/generated from financing activities	**(3,272)**	4,635	(1,922)
Net (decrease)/increase in cash and cash equivalents	**(1,591)**	(1,096)	3,368
Cash and cash equivalents at beginning of the period	**33,486**	30,141	30,141
Effect of exchange rates on cash and cash equivalents	**(20)**	(54)	(23)
Cash and cash equivalents at end of period	**31,875**	28,991	33,486

*See note 10

AB Dynamics plc
Notes to the unaudited interim report
for the six months ended 29 February 2024

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 UK-adopted international accounting standards and applicable law. 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.

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 2023.

Certain new standards, amendments to standards and interpretations are not yet effective for the year ending 31 August 2024 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, 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 from supply chain disruption
- An increase in cash collection cycle
- An increase in input costs resulting in reduction in gross margins

At 29 February 2024 the Group had £29.1m of net cash and £15.0m undrawn revolving credit facility. Even after paying initial consideration of £11.8m after the period end for the acquisition of VTS and after modelling the above 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 twelve months from the signing date of this financial information. They therefore consider it appropriate to adopt the going concern basis of accounting in preparing the interim statements.

The interim financial information for the six months ended 29 February 2024 was approved by the Board on 23 April 2024.

2. Segment information

Revenues attributable to individual countries are as follows:

	Unaudited 6 months ended 29 February 2024 £'000	*Restated Unaudited 6 months ended 28 February 2023 £'000	Audited Year ended 31 August 2023 £'000
United Kingdom	**4,139**	1,991	4,875
Rest of Europe	**14,748**	10,568	22,095
North America	**11,145**	13,547	25,171
Asia Pacific	**22,115**	21,205	46,409
Rest of World	**107**	1,299	2,217
	52,254	48,610	100,767
Revenues are disaggregated as follows:			
Testing products	**34,861**	31,101	63,017
Testing services	**7,524**	6,139	12,858
Simulation	**9,869**	11,370	24,892
	52,254	48,610	100,767

*See note 10

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, adjusted earnings per share and adjusted cash flow from operations.

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 29 February 2024 £'000	Unaudited 6 months ended 28 February 2023 £'000	Audited Year ended 31 August 2023 £'000
Amortisation of acquired intangibles	**3,048**	3,711	7,189
ERP development costs	**270**	786	1,362
Acquisition related costs/(credit)	**84**	436	(4,502)
Adjustments to operating profit	**3,402**	4,933	4,049
Acquisition related finance costs	**285**	794	713
Adjustments to profit before tax	**3,687**	5,727	4,762

Amortisation of acquired intangibles
The amortisation relates to the acquisition of Ansible Motion Limited on 20 September 2022, Vadotech Group on 3 March 2021 and the businesses acquired in 2019, DRI and rFpro.

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

Acquisition related costs/(credit)
The prior year costs/(credit) relate to the costs of acquisition of Ansible Motion Limited net of the £5.2m release of contingent consideration in the second half of the year.

Acquisition related finance costs
Finance costs relate to the unwind of the discount on deferred contingent consideration payable on the acquisition of Ansible Motion.

Tax
The tax impact of these adjustments was as follows: amortisation £0.6m (H1 2023: £0.5m), acquisition related costs £Nil (H1 2023: £Nil), ERP £0.1m (H1 2023: £0.1m) and acquisition related finance costs £Nil (H1 2023: £Nil).

Cash impact
The operating cash flow impact of the adjustments was an outflow of £0.3m (H1 2023: £3.4m) being £0.3m (H1 2023: £0.8m) in relation to ERP development costs and £Nil (H1 2023: £2.6m) in relation to acquisition costs. The prior year acquisition costs included a bonus paid to employees of Ansible Motion Limited for pre-acquisition service.

4. Tax

The statutory effective tax rate for the period is a charge of 18.2% (H1 2023: 18.1%), the difference from the prior period reflecting the acquisition related finance costs which are not deductible for tax purposes.

The adjusted effective tax rate, adjusting both the tax charge and the profit before taxation is 18.4% (H1 2023: 16.7%). The increase reflects the full year effect of the increase in the rate of UK corporation tax on 1 April 2023 and changes to the UK R&D tax credit regime.

5. Earnings per share

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

	Unaudited 6 months ended 29 February 2024	*Restated Unaudited 6 months ended 28 February 2023	Audited Year ended 31 August 2023
Weighted average number of shares ('000)			
Basic	**22,934**	22,859	22,886
Diluted	**23,165**	23,036	23,193
Earnings per share (pence)			
Profit after tax attributable to owners of the Group (£'000)	**4,174**	1,453	10,986
Basic	**18.2**	6.4	48.0
Diluted	**18.0**	6.3	47.4
Adjusted earnings per share (pence)			
Adjusted profit after tax attributable to owners of the Group (£'000)	**7,169**	6,248	14,104
Adjusted basic	**31.3**	27.3	61.6
Adjusted diluted	**30.9**	27.1	60.8

*See note 10

6. Dividends

An interim dividend of 1.94p per ordinary share in respect of the year ended 31 August 2023 was paid on 19 May 2023 to shareholders on the register on 5 May 2023 totalling £445,000.

At the Annual General Meeting the shareholders approved a final dividend in respect of the year ended 31 August 2023 of 4.42p per ordinary share totalling £1,014,000. This was paid on 6 March 2024 to shareholders on the register on 9 February 2024.

An interim dividend of 2.33p per ordinary share totalling £534,000 has been declared in respect of the year ending 31 August 2024 which will be paid on 17 May 2024 to shareholders on the register on 3 May 2024.

7. Net cash

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

	Unaudited 29 February 2024 £'000	Unaudited 28 February 2023 £'000	Audited 31 August 2023 £'000
Cash and cash equivalents	**31,875**	28,991	33,486
Borrowings	**-**	(6,000)	-
Lease liabilities	**(2,771)**	(1,736)	(1,476)
	29,104	21,255	32,010

The Group has a £15.0m revolving credit facility with National Westminster Bank plc. The facility was extended on 7 February 2023 to 4 February 2026.

8. Other reserves

	Merger relief reserve £'000	Reconstruction reserve £'000	Translation reserve £'000	Hedging reserve £'000	Total other reserves £'000
At 1 September 2022	11,390	(11,284)	1,160	(124)	1,142
Other comprehensive expense	-	-	(539)	136	(403)
Issue of shares	3,196	-	-	-	3,196
At 28 February 2023	14,586	(11,284)	621	12	3,935
Other comprehensive expense	-	-	(1,520)	(12)	(1,532)
At 31 August 2023	14,586	(11,284)	(899)	-	2,403
Other comprehensive expense	-	-	(329)	20	(309)
At 29 February 2024	**14,586**	**(11,284)**	**(1,228)**	**20**	**2,094**

9. Foreign exchange

The foreign exchange rates applied during the period were:

	H1 2024	H1 2023
Period end rate		
US dollar	**1.266**	1.206
Euro	**1.168**	1.137
Yen	**191**	164
Average rate		
US dollar	**1.237**	1.187
Euro	**1.155**	1.143
Yen	**184**	164

10. Restatement of prior period balances

The comparatives for the prior period have been restated to reflect a different interpretation of the accounting standard regarding revenue recognition following challenge by the Group's new auditors, Grant Thornton. The restatement relates to timing differences on contracts with two customers under which revenue was previously recognised over time as the equipment was built and has been restated to reflect recognition at a point in time on delivery and installation. The change in interpretation relates to judgement applied in determining how much profit the Group would be entitled to in the unlikely event of a cancellation of the contract. None of these contracts were cancelled and all concluded during FY 2023 and payment has been received in full.

The impact is detailed in the tables below and has resulted in a decrease in revenue of £432,000 and profit after tax of £82,000 for the period ended 28 February 2023 and an increase in opening net assets at 1 September 2022 of £421,000.

Consolidated statement of financial position

	Unaudited 28 February 2023			31 August 2022		
	As reported £'000	Impact of restatement £'000	Restated £'000	As reported £'000	Impact of restatement £'000	Restated £'000
Non-current assets	103,740	-	103,740	77,038	-	77,038
Current assets						
Inventories	15,616	350	15,966	13,611	40	13,651
Taxation	140	-	140	882	8	890
Contract assets	2,037	(10)	2,027	3,917	411	4,328
Other current assets	47,901	-	47,901	43,923	-	43,923
	65,694	340	66,034	62,333	459	62,792
Assets held for sale	1,893	-	1,893	1,893	-	1,893
Current liabilities						
Contract liabilities	7,229	(10)	7,219	5,787	(719)	5,068
Other current liabilities	37,969	11	37,980	16,804	757	17,561
	45,198	1	45,199	22,591	38	22,629
Non-current liabilities	10,188	-	10,188	6,712	-	6,712
Net assets	115,941	339	116,280	111,961	421	112,382
Retained earnings	49,405	339	49,744	48,333	421	48,754
Share capital and other reserves	66,536	-	66,536	63,628	-	63,628
Total equity	115,941	339	116,280	111,961	421	112,382

Consolidated income statement	Unaudited 28 February 2023		
	As reported £'000	Impact of restatement £'000	Restated £'000
Revenue	49,042	(432)	48,610
Cost of sales	(21,039)	350	(20,689)
Gross profit	28,003	(82)	27,921
Operating profit	2,856	(82)	2,774
Profit before tax	1,856	(82)	1,774
Tax expense	(321)	-	(321)
Profit for the period	1,535	(82)	1,453

11. Acquisitions

During the period, the Group paid £5.7m in relation to the final contingent consideration for the acquisition of Ansible Motion Limited, which was acquired on 20 September 2022.

The initial £17.6m consideration comprised £14.4m of cash and £3.2m of new ordinary shares in AB Dynamics plc. A maximum additional £12.0m performance payment was available subject to certain performance criteria being met for the year ended 31 August 2023. An accrual for the contingent consideration was included in the balance sheet at net present value of £11.2m at 28 February 2023, which was adjusted at 31 August 2023 to £5.9m following completion of the performance period, with the gain on release of the accrual of £5.2m recognised in the income statement. During the period £0.3m discount unwind was recognised as an interest charge (H1 2023: £0.8m). £5.7m was paid in cash in January 2024, with £0.5m of the total consideration retained against any potential warranties.

12. Post balance sheet event

On 2 April 2024, the Group acquired 100% of Venshure Test Services LLC for total cash consideration of up to $30.0m. 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 on a cash free, debt free basis for an initial cash consideration of $15.0m (£11.8m), 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 $15.0m will be payable in cash across two tranches for the 2 years following completion, subject to meeting certain performance criteria for both years.

The book value of the acquired assets and liabilities at the date of acquisition was approximately $5m. The Group is currently in the process of determining the fair values of the assets and liabilities acquired.

13. Principal risks

The principal risks and uncertainties impacting the Group are described on pages 56-58 of our Annual Report 2023 and all other risks remain unchanged at 29 February 2024.

The risks include: Downturn or instability in major geographic markets or market sectors, supply chain disruption, 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, 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, intellectual property/patents and environmental risk.