

14 November 2018

AB Dynamics plc

("AB Dynamics" or "ABD" or the "Group")

Final Results for the year ended 31 August 2018

AB Dynamics plc (AIM:ABDP), the designer, manufacturer and supplier of advanced testing systems and measurement products to the global automotive industry, is pleased to announce its final results for the year ended 31 August 2018.

Financial highlights

- Revenue increased 51% to £37.05m (FY17: £24.57m)
- Reported profit before tax increased 78% to £7.95m (FY17: £4.47m)
- Profit before tax* increased 45% to £8.61m (FY17: £5.94m)
- Cash flow from operations increased by £7.8m to £9.9m (FY17: £2.1m)
- Basic EPS increased 74% to 36.29p (FY17: 20.83p), Diluted EPS increased 70% to 35.03p (FY17: 20.56p)
- Proposed final dividend increased 10% to 2.20p per ordinary share (FY17: 2.00p)
- Strong balance sheet with net cash of £15.94m as at 31 August 2018 (31 August 2017: £9.62m)

** Adjusted to exclude non-cash charges in respect of share options of £0.659m (FY17: £1.465m)*

Operational Highlights

- Dr. James Routh appointed CEO, with effect from 1 October 2018
- AB Dynamics Europe GmbH facility established and operational
- Received first order for Advanced Driving Simulator (aVDS) to be delivered in FY19
- First orders received for new LaunchPad ADAS (Advanced Driver Assistance System) platform
- Demand for track testing products continues at an all-time high
- Strong forward order book, providing visibility into Q3 FY19

Tony Best, Non-Executive Chairman of AB Dynamics, commented:

"I am pleased to be able to report that the Group has delivered another record year of revenue and adjusted profit. Our customers remain very active in introducing ever more complex ADAS equipment into their vehicles and in the development of semi- and fully-autonomous vehicles.

I am also particularly delighted to welcome Dr. James Routh as our new Chief Executive Officer. James joins the Group from Diploma PLC where he was responsible for the International Seals businesses outside North America. James has a track record of delivering strong growth, both organically and through carefully selected, value-enhancing acquisitions.

Despite our very strong growth, order intake has continued to run ahead of sales and this has provided the Group with a healthy order book into our new financial year and, as usual, visibility into our third quarter. Against this pleasing backdrop, our progress continues to require ever greater investment in systems and our operational capability to ensure that we are fully capable of supporting current and future growth. In the coming year, we expect to make further investment in new product development, marketing, service and support, our growing overseas footprint and, of course, our people, whose skills and energy remain so important to our future success. Inevitably this investment will provide some constraint to our operating margin, but the Board remains confident that, under the leadership of our new CEO, we are well positioned to deliver a year of solid progress.”

For further information please contact:

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A copy of this preliminary statement will be available to download on the Group's website www.abdynamics.com. Copies of the Annual Report and Accounts, together with the notice convening the Annual General Meeting, will be posted to shareholders in due course at which time the Annual Report and Accounts will be made available to download on the Group's website, www.abdynamics.com, in accordance with AIM Rule 26.

Chairman's Statement

Results Overview

I am very pleased to report that the Group has delivered another record year of revenue and adjusted profit that reflects the increased demand for our advanced test and measurement equipment. The development of new Advanced Driver Assistance Systems ("ADAS") technologies and standards and the drive towards semi- and fully-autonomous vehicles continues to provide a supportive market backdrop for the Group.

For the year ended 31 August 2018 the Group delivered revenues of £37.05m (2017: £24.57m), a growth of 50.8%. Revenue from Driving Robots was at an all-time high at £21.09m (2017: £13.95m) and similarly for our ADAS products at £11.85m (2017: £6.40m). As expected, revenue from Laboratory Test Systems was broadly unchanged at £3.75m (2017: £3.80m). Over 98% of our sales were exported to customers based outside the United Kingdom.

During the year, we increased investment in our facilities, new product development, marketing and personnel. This investment will ensure that we remain well positioned within our markets to benefit from the research and development spending of our automotive OEM customers, as they continue to develop vehicles with improved safety and driving characteristics. Vehicle complexity is increasing rapidly and there is an established need for faster and more efficient ways to develop these new vehicles. We are seeing significant interest in our advanced Vehicle Dynamic Simulator ("aVDS") as the automotive industry continues to adopt virtual prototyping to complement physical testing with the longer-term goal of developing fully autonomous vehicles.

As a result of increased investment in new products and operational capabilities, adjusted operating margins (excluding non-cash charges in respect of share-based payments) reduced slightly to 23.1% (2017: 23.9%). Reported profit before tax increased to £7.95m (2017: £4.47m), a growth of 77.9%. On a fully diluted basis, I am pleased to report that earnings per share increased by 70% to 35.03p (2017: 20.56p), with the added benefit of a reduction in the effective corporation tax rate to 11.7% (2017: 12.7%). Further detail and discussion of our financial performance can be found in the Chief Financial Officer's Statement in our Annual Report.

People

I would like to thank all our employees for their continued hard work and professionalism over the last year. AB Dynamics is a people business and it is the performance and dedication of our employees that underpins the strong achievements of the Group. I am pleased that we continue to attract first class engineering talent and over the last year the number of our employees has increased by ca. 25% to greater than 150.

New Facilities

Our new 3,070 m² state of the art factory and headquarters in Bradford on Avon is now fully operational. The facility has met all our expectations and has provided an attractive environment for both our employees and customers, who regularly spend time with us. We mostly occupied the building during the first quarter of the financial year and I am pleased to report that the first Suspension Parameter Measurement Machine ("SPMM") is now being assembled, following

completion of the bespoke and complex foundations in July 2018. The increased space brings added flexibility and capacity for the manufacture of our Laboratory Test equipment.

We have an increasingly large installed base of equipment and systems across the world and the Group, in conjunction with its reseller partners, remains focused on providing the high levels of support and service that our customers expect when working with our increasingly sophisticated products. In Germany, our wholly owned subsidiary, AB Dynamics Europe GmbH, recently leased 950m² of premises in Wetzlar, near Frankfurt, and we are in the process of optimising the space to meet our immediate needs. This is an important development for the Group and will enable us to offer improved levels of service and maintenance and assembly of our products within the German market. We expect the Group to benefit significantly from on-going investment in this market which will deepen our customer relationships and allow us to capture new business.

Despite the addition of over 4,000 m² of new space over the last year, we have previously announced the acquisition of further land on a site adjacent to our new headquarters for an additional factory of approximately 3,000 m² to meet our future expansion needs. This building is currently in the planning stage and it is anticipated that the factory will be completed in 2020. The Board continues to review the Group's capacity requirements against the expected future growth and remains confident that the business has sufficient manufacturing capacity until a new facility becomes available.

New Product Development

During the year, we significantly increased the level of resources applied to new product development and in particular the next phase of development work on our advanced vehicle driving simulator. In June 2018, we were delighted to announce the first order for the aVDS, valued at over £2m. The simulator is now being assembled and will be shipped to the customer, a Chinese test house, in FY19.

We recently introduced our new LaunchPad ADAS target product to the market which has been well received by the industry and we have already received multiple orders. LaunchPad is a highly manoeuvrable, compact powered platform that has been designed to carry Vulnerable Road User ("VRU") targets for ADAS development and autonomous vehicle testing and is fully compatible with Euro NCAP approved pedestrian, cyclist and moped dummies. We see LaunchPad as a significant addition to our comprehensive suite of track testing products where there is rapidly growing demand for complex testing scenarios with multiple moving objects. We remain the only supplier to offer a full suite of interactive track testing products managed from a sophisticated and comprehensive single software environment.

The Group continues to work on a number of innovative new products that we expect to bring to the market in the coming years and we continue to be pleased with the reaction of our customers to these exciting projects.

Corporate Governance

The Board firmly believes that robust corporate governance and risk management are essential to maintaining the stability of the Group and its financial health. During the year the Board decided to adopt the new Quoted Companies Alliance ("QCA") Corporate Governance Code and I am pleased to confirm that the Group is in full compliance with the QCA Code as required under the AIM Rules. I report separately on the Group's corporate governance approach and procedures in my Corporate Governance Statement which can be found in the Annual Report.

The Board

At the end of February 2018 Tim Rogers stepped down as Chief Executive Officer and left the Group. I would like to express my sincere thanks to him for his hard work over the previous five years in developing the business from a small private company into a thriving AIM quoted group.

Dr James Routh was appointed CEO with effect from 1 October 2018 and I am delighted to have him on board to lead the Group in our next phase of growth. James joins from Diploma PLC where he was responsible for the International Seals businesses outside North America. James brings extensive experience of delivering strong growth both organically and through carefully selected, value-enhancing acquisitions.

I assumed the role of interim Executive Chairman when Tim Rogers stepped down and until James' appointment and I would like to thank Rob Hart (CFO) and Mat Hubbard (COO) for their support and commitment during this time and also all our Non-Executive Directors for their continuing counsel.

Dividend

The combination of strong results, a robust balance sheet and a positive outlook supports an increased dividend. The Board is recommending a final dividend of 2.2p per ordinary share, payable on 14 December 2018, subject to shareholder approval at the AGM. The ex-dividend date will be 22 November 2018 and the record date will be 23 November 2018. The total dividend for the year will therefore be 3.665p representing an increase of 10% over the prior year.

Outlook

Since its formation in 1982, Anthony Best Dynamics has gone through many changes to establish itself as a market leader in its targeted segments within the automotive R&D market. Our customers remain very active in introducing ever more complex ADAS equipment into their vehicles and in the development of semi- and fully-autonomous vehicles. Vehicle safety standards continue to evolve under Euro NCAP and NHTSA and their safety ratings are expected to continue to include more and more ADAS and crash avoidance systems, such as future Autonomous Emergency Braking and Autonomous Emergency Steering developments.

Despite our very strong growth, order intake has continued to run ahead of sales and this has provided the Group with a healthy order book into our new financial year and, as usual, visibility into our third quarter. Against this pleasing backdrop, our progress continues to require ever greater investment in systems and our operational capability to ensure that we are fully capable of supporting current and future growth. In the coming year we expect to make further investment in new product development, marketing, service and support, our growing overseas footprint and, of course, our people, whose skills and energy remain so important to our future success. Inevitably this investment will provide some constraint to our operating margin, but the Board remains confident that, under the leadership of our new CEO, we are positioned to deliver a year of solid progress.

Tony Best

Non-Executive Chairman

13 November 2018

Consolidated statement of comprehensive income

	Note	Year ended 31 August 2018 £	Year ended 31 August 2017 £
<i>Continuing operations</i>			
Revenue	2	37,051,145	24,570,050
Cost of sales		(24,497,241)	(16,654,153)
Gross profit		12,553,904	7,915,897
Administrative expenses		(4,011,336)	(1,985,069)
Fair value loss in respect of foreign currency forward contracts		-	(59,241)
Operating profit before Share based payment costs		8,542,568	5,871,587
Share based payment costs		(659,167)	(1,464,817)
Operating profit		7,883,401	4,406,770
Finance income		63,167	65,257
Profit before taxation		7,946,568	4,472,027
Corporation tax expense		(931,900)	(569,286)
Profit after taxation		7,014,668	3,902,741
Other comprehensive income		-	-
Total comprehensive income for the year attributed to equity holders		7,014,668	3,902,741
Earnings per share - Basic (pence)	4	36.29p	20.83p
Earnings per share - Diluted (pence)	4	35.03p	20.56p

Consolidated statement of financial position

	Note	2018 £	2017 £
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment		13,679,409	10,464,904
Deferred tax assets		1,288,777	148,140
		<u>14,968,186</u>	<u>10,613,044</u>
CURRENT ASSETS			
Inventories		6,903,374	4,959,435
Trade receivables		6,489,393	7,115,351
Other receivables, deposits and prepayments		1,980,870	1,536,134
Amount owing by contract customers		2,188,770	1,675,508
Taxation		55,749	-
Cash and cash equivalents		15,941,961	9,619,345
		<u>33,560,117</u>	<u>24,905,773</u>
TOTAL ASSETS		<u>48,528,303</u>	<u>35,518,817</u>
EQUITY AND LIABILITIES			
Share capital	5	195,365	191,119
Share premium		10,257,615	8,579,265
Reconstruction reserve		(11,284,500)	(11,284,500)
Merger relief reserve		11,390,000	11,390,000
Retained profits		27,484,250	19,370,938
Total equity attributable to owners of the Company and total equity		<u>38,042,730</u>	<u>28,246,822</u>
NON-CURRENT LIABILITIES			
Deferred tax liabilities		<u>339,040</u>	<u>-</u>
CURRENT LIABILITIES			
Trade and other payables and accruals		10,146,533	6,951,803
Provision for taxation		-	320,192
		<u>10,146,533</u>	<u>7,271,995</u>
TOTAL LIABILITIES		<u>10,485,573</u>	<u>7,271,995</u>
TOTAL EQUITY AND LIABILITIES		<u>48,528,303</u>	<u>35,518,817</u>

Consolidated statement of changes in equity

	Share capital	Share premium	Merger relief reserve	Reconstruction reserve	Retained profits	Total equity
	£	£	£	£	£	£
Balance at 1 September 2016	177,646	2,590,267	11,390,000	(11,284,500)	14,580,185	17,453,598
Share based payment expense					1,464,817	1,464,817
Profit after taxation and total comprehensive income for the financial year					3,902,741	3,902,741
Dividend paid					(576,805)	(576,805)
Issue of shares, net of share issue costs	13,473	5,988,998				6,002,471
Balance at 31 August 2017	191,119	8,579,265	11,390,000	(11,284,500)	19,370,938	28,246,822
Balance at 1 September 2017	191,119	8,579,265	11,390,000	(11,284,500)	19,370,938	28,246,822
Share based payment expense					659,167	659,167
Profit after taxation and total comprehensive income for the financial year					7,014,668	7,014,668
Taxation on options					1,107,382	1,107,382
Dividend paid					(667,905)	(667,905)
Issue of shares, net of share issue costs	4,246	1,678,350				1,682,596
Balance at 31 August 2018	195,365	10,257,615	11,390,000	(11,284,500)	27,484,250	38,042,730

The share premium account is a non-distributable reserve representing the difference between the nominal value of shares in issue and the amounts subscribed for those shares.

The reconstruction reserve and merger relief reserve have arisen as follows:

The acquisition by the Company of the entire issued share capital of Anthony Best Dynamics Limited in 2013 was accounted for as a group reconstruction. Consequently, the assets and liabilities of the Group were recognised at their previous book values as if the Company had always been the parent company of the Group.

The share capital for the period covered by these consolidated financial statements and the comparative periods is stated at the nominal value of the shares issued pursuant to the above share arrangement. Any differences between the nominal value of these shares and previously reported

nominal values of shares and applicable share premium issued by Anthony Best Dynamics Limited were transferred to the reconstruction reserve.

Retained profits represent the cumulative value of the profits not distributed to shareholders but retained to finance the future capital requirements of the Group.

Consolidated statement of cash flows

	2018	2017
	£	£
Cash flow from operating activities		
Profit before taxation	7,946,568	4,472,027
Adjustments for: -		
Change in accounting policy	-	(78,562)
Depreciation of property, plant and equipment	462,994	266,856
Loss on sale of property, plant and equipment	14,606	4,243
Interest income	(63,167)	(65,257)
Share based payment	659,167	1,464,817
Operating profit before working capital changes	9,020,168	6,064,124
Increase in inventories	(1,943,939)	(1,767,793)
(Increase) in trade and other receivables	(332,040)	(5,432,557)
Increase in trade and other payables and accruals	3,194,730	3,342,941
Fair value loss / (gain) on derivative instruments	-	(90,434)
Cash flow from operations	9,938,919	2,116,281
Interest received	63,167	65,257
Income tax paid	(1,002,057)	(351,476)
Net cash flow from operating activities	9,000,029	1,830,062
Cash flow from investing activities		
Purchase of property, plant and equipment	(3,698,478)	(8,040,906)
Sale of property, plant and equipment	6,374	-
Cash flow used in investing activities	(3,692,104)	(8,040,906)
Cash flow from financing activities		
Dividends paid	(667,905)	(576,805)
Proceeds from issue of share capital, net of share issue costs	1,682,596	6,002,471
Net cash flow used in financing activities	1,014,691	5,425,666
Net increase in cash and cash equivalents	6,322,616	(785,178)
Cash and cash equivalents at beginning of the financial year	9,619,345	10,404,523
Cash and cash equivalents at end of the financial year	15,941,961	9,619,345

Notes to the consolidated financial statements

1. General information

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

The principal activity is the specialised area of design and manufacture of test equipment for vehicle suspension, steering, noise and vibration. The Company also offers a range of services which include analysis, design, prototype manufacture, testing and development.

Basis of preparation

The financial statements are measured and presented in sterling (£) and all values are rounded to the nearest pound, unless otherwise stated, which is the currency of the primary economic environment in which the entities operate. They have been prepared under the historical cost convention, except for financial instruments that have been measured at fair value through profit or loss.

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

The financial information has been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the EU including related interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC").

Standards, amendments and interpretations to published standards not yet effective

The Directors have considered those Standards and Interpretations, which have not been applied in the Financial Statements but are relevant to the Group's operations, that are in issue but not yet effective and do not consider that they will have a material impact on the future results of the Group.

The Directors are in the process of considering the potential changes that may occur to the financial statements under IFRS 9 'Financial Instruments' and IFRS 16 'Leases'. These will apply to periods commencing on or after 1 January 2018 and 1 January 2019 respectively. It is not expected that the application of IFRS 9 or IFRS 16 will have a material impact on the Group's results.

2. Segment reporting

The Group derives revenue from the sale of its advanced measurement and testing products derived in assisting the global automotive industry in the laboratory and on the test track. The income streams are all derived from the utilisation of these products which, in all aspects except details of revenue, are reviewed and managed together within the Group and as such are considered to be the only segment.

Per IFRS 8, the operating segment is based on internal reports about components of the group, which are regularly reviewed and used by the board of directors being the Chief Operating Decision Maker (“CODM”).

All of the Group’s non-current assets are held in the UK.

Material revenues attributable to individual foreign countries are as follows:

	2018	2017
	£	£
United Kingdom	616,964	1,174,643
Rest of the European Union	12,477,737	8,965,899
North America	5,093,783	3,299,671
Rest of the World	18,862,661	11,129,837
	<u>37,051,145</u>	<u>24,570,050</u>

No revenues derive from major customers, which individually represent 10% or more of total revenue.

Revenues are disaggregated, as required by IFRS 15, as follows:

Revenue from track testing systems	33,304,089	20,766,061
Revenue from laboratory test systems	3,747,056	3,803,989
	<u>37,051,145</u>	<u>24,570,050</u>

3. Dividends paid

	2018	2017
	£	£
Final 2016 dividend paid of £0.01815 per share	-	322,426
Interim dividend paid of £0.01331 per share	-	254,379
Final 2017 dividend paid of £0.02 per share	383,880	-
Interim dividend paid of £0.01465 per share	284,025	-
	<u>667,905</u>	<u>576,805</u>

The Board has proposed a final dividend of 2.20p per share totalling £429,804. Together with the interim dividend of 1.465p per share this gives a total Ordinary dividend of 3.665p for the year.

4. Earnings per share

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

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

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

	Years ended 31 August	
	2018	2017
Profit after tax attributable to owners of the Group (£)	7,014,668	3,902,741
Weighted average number of shares:		
Basic	19,330,494	18,734,960
Adjustments in respect of potentially dilutive share options		-
Diluted	20,023,754	18,982,585
Earnings per share (pence)		
Basic	36.29	20.83
Diluted	35.03	20.56

5. Share capital

The allotted, called up and full paid share capital is made up of 19,536,534 ordinary shares of £0.01 each.

	Note	Number of shares	Share Capital £	Share premium £	Total £
At 1 September 2016		17,764,578	177,646	2,590,267	2,767,913
On 9 December 2016	(i)	1,136,842	11,368	5,388,631	5,399,999
On 9 December 2016	(ii)			(393,478)	(393,478)
On 28 December 2016	(iii)	210,526	2,105	997,894	999,999
On 28 December 2016	(iv)			(4,048)	(4,048)
At 31 August 2017		<u>19,111,946</u>	<u>191,119</u>	<u>8,579,265</u>	<u>8,770,384</u>
On 13 September 2017	(v)	82,053	821	323,288	324,109
On 19 January 2018	(vi)	193,486	1,935	765,758	767,693
On 15 May 2018	(vii)	25,127	251	99,001	99,252
On 23 July 2018	(viii)	123,922	1,239	490,303	491,542
At 31 August 2018		<u>19,536,534</u>	<u>195,365</u>	<u>10,257,615</u>	<u>10,452,980</u>

- (i) On 9 December 2016, a total of 1,136,842 new ordinary shares were placed of £0.01 each for £4.75.
- (ii) Costs of £393,478 associated with the Placing on 9 December 2016 were incurred.
- (iii) On 28 December 2016, a total of 210,526 new ordinary shares were admitted to trading on AIM following the issue of Offer shares.
- (iv) Costs of £4,048 associated with the Offer in 28 December 2016 were incurred.
- (v) On 13 September 2017, a total of 82,053 share options were exercised of £0.01 each for £3.95.
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- (vi) On 19 January 2018, a total of 193,486 share options were exercised of £0.01 each for £3.95.
- (vii) On 15 May 2018, a total of 25,127 share options were exercised of £0.01 each for £3.95.
- (viii) On 23 July 2018, a total of 123,922 share options were exercised of £0.01 each for £3.95.

The information contained within this announcement is deemed by the Company to constitute inside information as stipulated under the Market Abuse Regulation (EU) No. 596/2014 ("MAR"). Upon the publication of this announcement via a Regulatory Information Service ("RIS"), this inside information is now considered to be in the public domain.