

For immediate release

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**2<sup>nd</sup> September 2019**

### **AB Dynamics plc**

(“AB Dynamics”, the “Company” or the “Group”)

### **Acquisition of Dynamic Research Incorporated**

AB Dynamics (AIM: ABDP), the designer, manufacturer and supplier of advanced testing systems and measurement products to the global automotive sector, is pleased to announce that it has completed the acquisition of California based Dynamic Research Incorporated (“DRI”) for a maximum consideration of up to \$24.7 million (the “Acquisition”).

DRI is a leading supplier of automotive engineering products and services to the US automotive market with long standing customer relationships. DRI has expertise in performing full-scale track testing of Advanced Driver Assistance Systems (“ADAS”) and vehicle dynamics tests, providing these services through a dedicated test facility and track near Bakersfield, California. Other services provided include applied research, human factors and simulation. DRI and its wholly owned subsidiary DRI Advanced Test Systems Inc. (“DRI-ATS”) also design and manufacture a range of products for use in track based ADAS testing.

### **Rationale for the Acquisition**

The Acquisition supports a number of the Group’s stated strategic priorities including:

- Expanding the Company’s international footprint by providing a sales and engineering facility in a strategically important territory close to both automotive OEMs and autonomous vehicle developers;
- Developing the Group’s capabilities by acquiring the ability to conduct ADAS testing services utilising a test track facility with a favourable climate for year-round testing, capacity for growth and the capabilities of a strong, focussed engineering and product development team;
- Additional resources in the US to support our growing installed base of products and provide ongoing services and support to existing and new customers;
- Enhancing the Group’s capabilities for organic growth by providing complementary experience in the development and use of driving simulator technology; and
- Securing commercially beneficial intellectual property in the field of ADAS testing products currently used by AB Dynamics.

### **Financial Considerations**

The Acquisition has been completed on a cash free, debt free basis for an initial cash consideration, provided from the Company’s existing resources, of \$21.0 million with a conditional cash payment of up to \$3.5 million subject to certain performance criteria being achieved for the year ending 31 May 2020. A further payment of up to a maximum of \$0.2 million may be made subject to determination of

the final closing Net Assets. The sellers will leave sufficient cash in the business to support the anticipated initial working capital requirements and have provided warranties and indemnities appropriate to a transaction of this nature.

Based on unaudited accounts, in the year ended 31 May 2019 DRI generated sales revenue of approximately \$13.7 million (2018: \$10.4 million) and normalised operating profit of \$3.7 million (2018: \$1.6 million) and they are currently trading in line with management's expectations. Net assets at 31 May 2019 were \$6.8 million.

### **About DRI**

DRI was founded in 1979 and has 45 staff, the majority of which are professional engineers. It is headquartered in Torrance, California and wholly owns the products focussed subsidiary DRI-ATS, which was founded in 2016. DRI operates a test track facility based near Bakersfield and two driving simulators located in Torrance. DRI has long standing customer relationships with automotive OEMs and government agencies and is a supplier to AB Dynamics in the field of ADAS products and technology.

Prior to acquisition, DRI was privately owned by the DRI Employee Stock Ownership Plan and the senior management team will remain with the business in their current roles. DRI will continue to operate as a stand-alone business with independent management with oversight and support provided from the Group.

### **Dr James Routh, CEO, said:**

*"The Acquisition supports our strategy to complement long term, sustainable organic growth with attractive acquisitions. This strategy is disciplined and highly targeted against defined strategic, operational, financial and cultural criteria and DRI clearly meets those criteria. DRI has an outstanding reputation in the field of ADAS testing product technology and is a business that AB Dynamics has known, worked with and respected for many years, significantly de-risking the process.*

*We believe the transaction will not only increase the Group's access in the growing US market for ADAS and autonomous vehicle testing and verification, but also complements our technical capabilities and facilities. Together we will be unrivalled in ADAS track testing products and well positioned for future growth in an evolving landscape.*

*We expect the Acquisition will be earnings enhancing in the first year following acquisition and we are pleased to welcome the DRI team to the Group."*

### **Enquires:**

#### **AB Dynamics plc**

Tony Best, Non-Executive Chairman  
Dr James Routh, Chief Executive Officer  
Mat Hubbard, Chief Technology Officer

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#### **Cantor Fitzgerald Europe (Broker)**

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The person responsible for arranging the release of this information is Dr James Routh, CEO of the Company.

**About AB Dynamics plc**

AB Dynamics is a leading designer, manufacturer and provider of advanced products for testing and verification of Advanced Driver Assistance Systems ("ADAS") technology, autonomous vehicle development and vehicle dynamics to the global automotive research and development sector.

The Group is headquartered in Bradford-on-Avon, UK, employing approximately 260 staff globally. AB Dynamics currently supplies all the top automotive manufacturers, Tier 1 suppliers and service providers, who routinely use the Group's products to test vehicle safety systems and dynamics.