

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

Final Results for the year ended 31 August 2017

AB Dynamics plc (AIM:ABDP), a 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 2017.

Financial highlights

- Revenue increased 20.0% to £24.6m* (2016: £20.5m)
- Adjusted operating profit increased 26.2% to £5.9m (2016: £4.7m)**
- Adjusted fully diluted EPS increased by 22.5% to 28.28p (2016: 23.09p)**
- Final dividend of 2.00p per ordinary share, 3.331p for the year up 10% (2016: 3.025p)
- Strong balance sheet with net cash of £9.6m (2016: £10.4m)***

** The adoption of IFRS 15 for revenue recognition has resulted in the deferral of approximately £1m of revenue from 2017 into 2018*

*** Adjusted to exclude share option costs of £1.5m (2016: £0.3m)*

**** After capital expenditure of £8.0m (2016: £1.6m) and £6.0m (net) equity fundraising in December 2016*

Operational Highlights

- Completing the move into new £8.4m state of the art factory and offices
- Demand for Driving Robots and Guided Soft Targets at an all-time high
- Advance Drive Assistance Systems ("ADAS") market continues to show strong growth as OEMs develop vehicle capabilities
- Conducting demonstrations of new advanced Vehicle Dynamic Simulator ("aVDS") as project moves towards commercial production
- Record order book providing visibility into Q3 FY2018
- Oversubscribed equity fundraising in December 2016, to support development of new products and services, new facilities and enhanced routes to market

Tim Rogers, CEO of AB Dynamics, commented:

"AB Dynamics has made considerable progress in the last financial year, with significant growth seen in both revenue and adjusted operating profit.

I am pleased to report a healthy forward order book with automotive OEM's continuing to advance their ADAS and autonomous vehicle programmes. This supportive backdrop, reinforced by regulatory change, has enabled the Group to build a strong order book that provides good forward visibility.

We have an extremely capable and dedicated team at AB Dynamics and I am very proud of what we have achieved over the last five years. We are continuing to invest in new products, our people and our processes, and the Group remains focused on the future business opportunities within our marketplace.

I believe there is a solid platform for the next phase of the Group's development and growth, and I wish the next Chief Executive every success in taking the Group forward.

I am very proud of what the Group has achieved since its IPO in 2013 and would like to thank our customers, employees and shareholders for their support over the last four years. I believe that the next Chief Executive of AB Dynamics has a fantastic foundation on which to build on and I wish them and the Company every success in the future. We will look to update the market on this recruitment shortly."

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.abd.uk.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.abd.uk.com, in accordance with AIM Rule 26.

Chairman's Statement

Overview

I am pleased to report that the Group has produced another year of record revenue and adjusted profit that reflects a growing demand for our products. Since our IPO in May 2013, we have delivered compound annual growth in revenue and adjusted profit before tax of 19% and 28% respectively.

In December 2016, the Group raised gross proceeds of £6.4m through a Placing and Offer for Subscription which were oversubscribed by over 3.5x and 4x respectively. We were delighted by this response and have welcomed a number of new and significant investors to our shareholder register. The net proceeds are being employed to support, and further advance, the development and future growth of the Group.

During the year, we have continued to invest heavily in our facilities, new product development and personnel, whose skills and energy remain so important to our future success. These investments 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 that are better and safer to drive. 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 aVDS as the automotive industry moves towards virtual prototyping and the longer-term goal of fully autonomous vehicles.

New Factory and Offices

Our new state of the art factory and offices are near to completion and most of our staff have moved in. This facility, which is located close to our original factory, provides us with an additional 3,070 m² of much needed space that will allow us to bring more of the team, including some assembly, design and support staff, together under one roof. The design of the building reflects more properly on the cutting-edge technology employed in our products and the use of extensive "natural north light" will provide a pleasing, forward looking environment for both our employees and customers, who regularly spend time with us on site.

The Group has continued to grow strongly since we determined the design and began construction of the new facility and we have acquired further land on an adjacent site for an additional factory to meet our expansion needs. The Board continues to review the Group's capacity requirements in light of its expectations for future demand.

New Product Development

I am pleased to report that we have a number of innovative and exciting programmes underway including our aVDS and LaunchPad products. During the year, we increased significantly the level of resourcing behind our new product development activity and we continue to improve our processes to ensure we properly position our product offering.

Dividend

The Group has a strong balance sheet and positive underlying cashflow that supports an increased dividend. The Board is recommending a final dividend of 2.0p per ordinary share, payable in December 2017 subject to shareholder approval at the AGM. The ex-dividend

date will be 23 November 2017 and the record date will be 24 November 2017. The total dividend for the year will therefore be 3.331p representing an increase of 10% against prior year.

Board Changes

In early August 2017, we announced that Tim Rogers had informed the Board of his decision to step down as Chief Executive Officer, after 5 years with the Group. Tim remains fully engaged as CEO and I am thankful that he has agreed to stay for the time required to ensure a smooth handover to his successor. In this regard, I am pleased to report that the recruitment process for our new CEO is well underway.

Tim's contribution to the business has been substantial since he first joined AB Dynamics in 2012. Under his leadership the Group has tripled earnings in five years and moved from a small private business of just 50 people to a mid-sized, AIM quoted Group of over 120 people. Tim has been a strong advocate for the Group, driving our commercial progress and development, whilst ensuring that we retained the respect of our customers for our traditional values and our reputation for technological excellence. I would like to thank Tim for his enormously valued contribution over the last 5 years.

Two new Directors were appointed to the Board in August 2017. Mat Hubbard, who has been an employee since 1999, joined the Board as Chief Operating Officer. Mat has made a major contribution to the growth of the business over many years, in particular in developing the Group's track testing products, and I am sure he will continue to help drive the development of AB Dynamics in the future.

Richard Hickinbotham also joined us as a Non-Executive Director. Richard has over 30 years' experience in the City and he was formerly Head of Research at Cantor Fitzgerald Europe, prior to which he held a number of senior positions at SG Warburg, Investec and Charles Stanley. He has known our business for over six years and was with us when we floated on AIM. He joins us now at an important time for the Group as it seeks to shape its Corporate Development Program. I welcome them both to the Board and look forward to working with them.

Employees

On behalf of the whole Board I would like to thank all our employees for their hard work during the year. The contribution of each employee is valued and appreciated and our success is due to their continued commitment and enthusiasm.

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 Advanced Driver Assistance Systems and in the development of semi and fully autonomous vehicles. Our order book is at a record level and we have visibility into the third quarter of our new financial year. Alongside our enhanced facilities and the potential of our new product pipeline, the Board remains confident that, under the leadership of a new CEO, we can continue to move forward with renewed vigour and enthusiasm.

Tony Best

Non-Executive Chairman

Chief Executive's Summary

Results for the Year

AB Dynamics has recorded another year of strong progress with the Group benefiting from increased levels of expenditure by customers for our advanced test and measurement equipment. Our growing range of products provides automotive OEMs with highly accurate, repeatable data and analysis that supports them in the development and introduction of new and increasingly sophisticated vehicles. We are proud of the reputation we have built for the high quality and performance of our products and our levels of customer support. It has been a busy year and we have continued to invest more than ever before in sales and marketing and in our new product development programs that are designed to meet our expectations for next generation test scenarios for both ADAS and autonomous vehicles.

The Group has produced an excellent set of results for the twelve months to 31 August 2017 with reported revenues ahead by 20% to £24.6m (2016: £20.5m). Our Track Testing Systems revenue grew by 33% with demand for Driving Robots and Guided Soft Targets at an all-time high and these activities now represent 83% of the Group's reported revenue. Laboratory Test Systems revenue reduced by 22%, primarily as a result of the phasing of contracts in hand.

The adoption of IFRS 15 revenue recognition this year has resulted in the deferral of £1m plus of revenue from 2017 into 2018, even with that the business met its revenue target. As in previous years, over 95% of our sales are exported to customers based outside the United Kingdom.

Adjusted profit before tax increased by over 25% to £5.9m (2016: £4.7m) and is adjusted to exclude a £1.5m (2016: £0.3m) non-cash charge made in respect of share based payments, which provides a more accurate reflection of the underlying performance of the business. Profit before tax increased from £4.45m to £4.47m.

The Group has a policy of offering share options to all staff which we believe aligns their interests with those of the business and, in turn, our shareholders. We employ highly talented and highly motivated engineers and retaining and rewarding them for their contribution is important to the future success of the business. On a fully diluted basis, I am pleased to report that adjusted EPS increased by 22.5% to 28.28p (2016: 23.09p). Further detail and discussion of our financial performance, including the adjusted profit before taxation and earnings per share figures referred to above, and our financial position can be found in the Chief Financial Officer's statement in our annual report.

New Products

The Group continues to spend more on research and development than in previous years with new product development accelerating as a direct result of the increased resources

now at our disposal following the £6m net Placing and Offer for Subscription in December 2016.

We are working on a number of innovative new products that we expect to bring to the market in the coming years and we have been pleased with the reaction of our customers to these exciting projects. During the year we completed an important upgrade to the control software for our track testing equipment and we are now embarking on a new software platform development. This is a major strategic initiative that will enable us to fully address the evolving complexities of multiple ADAS and autonomous vehicle interactions.

Whilst a number of our developments remain commercially sensitive, I am pleased to be able to report that we are making good progress with both our aVDS and have further expanded our Soft Target offering with the inclusion of “LaunchPad”, details of which can be found in our Strategic Report section of our Annual Report.

Marketing and Customer Support

The Group is expanding its sales support network and, over time, we expect to establish new operating entities overseas, as both our product offering grows and our customer list builds. Our marketing spend is well up on prior years as we continue to reach out to new customers and we have had good success hosting track testing events in Germany and elsewhere. We now have a 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. During the year, we established a new dedicated team of support engineers based at our main site in Bradford on Avon and we intend to invest further in this capacity and capability this year. As we grow and add further resource, we continue to evolve our structures and our business processes, and we expect to capture further operational efficiencies whilst also improving customer reach and service levels.

Facilities

Our new factory and headquarters is a notable development for the Group, allowing many of our employees to be housed in a single location. Despite the addition of over 3,070m² of new space, we will continue to lease and to occupy the majority of our existing smaller sites nearby in order to meet our anticipated capacity needs. We recently purchased additional land adjacent to the new facility and outline planning for the building of a similar sized unit has been granted. The Board remains confident that the business has sufficient manufacturing capacity until such time as a new facility becomes available.

We expect AB Dynamics GmbH, our new Germany entity, to be up and running shortly. We believe that a stronger Group presence in this market is now required to ensure improved levels of customer support and to provide a local engineering resource. Whilst this will involve some additional costs in the shorter term, we believe that the Group will be in a better position to deepen our customer relationships and to win new business.

The Future

I am pleased to report a healthy forward order book, with automotive OEM's continuing to advance their ADAS and autonomous vehicle programmes. This supportive backdrop, reinforced by regulatory change, has enabled the Group to build a strong order book that provides good forward visibility. We have an extremely capable and dedicated team at AB Dynamics and I am very proud of what we have achieved over the last five years. We are continuing to invest in new products, our people and our processes, and the Group remains focused on the future business opportunities within our marketplace. I believe there is a solid foundation for the next phase of the Group's development and growth, and I wish the next Chief Executive every success in taking the Group forward.

Tim Rogers

Chief Executive Officer

		Year ended 31 August 2017 £	Year ended 31 August 2016 £
<i>Continuing operations</i>			
Revenue	2	24,570,050	20,472,244
Cost of sales		<u>(16,654,153)</u>	<u>(14,067,356)</u>
Gross profit		7,915,897	6,404,888
Administrative expenses		(1,985,069)	(1,591,661)
Fair value loss in respect of foreign currency forward contracts		<u>(59,241)</u>	<u>(161,145)</u>
Operating profit before Share based payment costs		5,871,587	4,652,082
Share based payment costs		<u>(1,464,817)</u>	<u>(273,405)</u>
Operating profit		4,406,770	4,378,677
Finance income		<u>65,257</u>	<u>72,643</u>
Profit before taxation		4,472,027	4,451,320
Corporation tax expense		(569,286)	(576,935)
Profit after taxation		<u>3,902,741</u>	<u>3,874,385</u>
Other comprehensive income		-	-
Total comprehensive income for the year attributed to equity holders		<u><u>3,902,741</u></u>	<u><u>3,874,385</u></u>
Earnings per share - Basic (pence)	4	20.83p	22.25p
Earnings per share - Diluted (pence)	4	20.56p	22.25p

	Note	2017 £	2016 £
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment		10,464,904	2,695,097
Deferred tax assets		148,140	-
		<u>10,613,044</u>	<u>2,695,097</u>
CURRENT ASSETS			
Inventories		4,959,435	3,191,642
Trade receivables		7,115,351	2,601,857
Other receivables, deposits and prepayments		1,536,134	1,006,657
Amount owing by contract customers		1,675,508	1,285,922
Derivative financial instruments		-	-
Taxation		-	148,992
Cash and cash equivalents		9,619,345	10,404,523
		<u>24,905,773</u>	<u>18,639,593</u>
TOTAL ASSETS		<u>35,518,817</u>	<u>21,334,690</u>
EQUITY AND LIABILITIES			
Share capital	5	191,119	177,646
Share premium		8,579,265	2,590,267
Reconstruction reserve		(11,284,500)	(11,284,500)
Merger relief reserve		11,390,000	11,390,000
Retained profits		19,370,938	14,643,035
Total equity attributable to owners of the Company and total equity		<u>28,246,822</u>	<u>17,516,448</u>
NON-CURRENT LIABILITIES			
Deferred tax liabilities		-	118,946
CURRENT LIABILITIES			
Trade and other payables and accruals		6,951,803	3,608,862
Provision for taxation		320,192	-
Derivative financial instruments		-	90,434
		<u>7,271,995</u>	<u>3,699,296</u>
TOTAL LIABILITIES		<u>7,271,995</u>	<u>3,818,242</u>
TOTAL EQUITY AND LIABILITIES		<u>35,518,817</u>	<u>21,334,690</u>

	Share capital £	Share premium £	Merger relief reserve £	Reconstruction reserve £	Retained profits £	Total equity £
Balance at 1 September 2015	173,344	2,540,711	11,390,000	(11,284,500)	10,830,329	13,649,884
Share based payment expense					273,405	273,405
Deferred Tax on Share Options					(168,387)	(168,387)
Profit after taxation and total comprehensive income for the financial year					3,874,385	3,874,385
Tax impact of exercised Share Options					329,066	329,066
Dividend paid					(495,763)	(495,763)
Issue of shares, net of share issue costs	4,302	49,556				53,858
Balance at 31 August 2016	177,646	2,590,267	11,390,000	(11,284,500)	14,643,035	17,516,448
Balance at 1 September 2016 as originally reported	177,646	2,590,267	11,390,000	(11,284,500)	14,643,035	17,516,448
Change in accounting policy					(62,850)	(62,850)
Balance at 1 September 2016 as restated	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
Tax impact of exercised Share Options					-	-
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

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 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.

	2017	2016
	£	£
Cash flow from operating activities		
Profit before taxation	4,472,027	4,451,320
Adjustments for: -		
Change in accounting policy	(78,562)	-
Depreciation of property, plant and equipment	266,856	277,695
Loss on sale of property, plant and equipment	4,242	2,336
Interest income	(65,257)	(72,643)
Share based payment	1,464,817	273,405
	<hr/>	<hr/>
Operating profit before working capital changes	6,064,123	4,932,113
Increase in inventories	(1,767,793)	(649,939)
Decrease / (increase) in trade and other receivables	(5,432,557)	(303,657)
Increase in trade and other payables and accruals	3,342,941	519,375
Fair value loss / (gain) on derivative instruments	(90,434)	124,178
	<hr/>	<hr/>
Cash flow from operations	2,116,280	4,622,070
Interest received	65,257	72,643
Income tax paid	(351,476)	(568,314)
	<hr/>	<hr/>
Net cash flow from operating activities	1,830,061	4,126,399
	<hr/>	<hr/>
Cash flow from investing activities		
Purchase of property, plant and equipment	(8,040,905)	(1,608,527)
Sale of property, plant and equipment	-	360,748
	<hr/>	<hr/>
Cash flow used in investing activities	(8,040,905)	(1,247,779)
	<hr/>	<hr/>
Cash flow from financing activities		
Dividends paid	(576,805)	(495,763)
Proceeds from issue of share capital, net of share issue costs	6,002,471	53,858
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Net cash flow used in financing activities	5,425,666	(441,905)
	<hr/>	<hr/>
Net increase in cash and cash equivalents	(785,178)	2,436,715
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Cash and cash equivalents at beginning of the financial year	10,404,523	7,967,808
Cash and cash equivalents at end of the financial year	9,619,345	10,404,523

Notes to the consolidated financial statements

1. General information

The Company is a public 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 Holt Road, Bradford on Avon, Wiltshire, BA15 1AJ.

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 Company was incorporated on 7 February 2013 and on 8 May 2013 acquired the entire share capital of Anthony Best Dynamics Limited. As a result of this transaction, the ultimate shareholders in Anthony Best Dynamics Limited received shares in the Company in direct proportion to their original shareholdings in Anthony Best Dynamics Limited.

The financial statements are measured and presented in sterling (£), 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 as adopted by the EU ("IFRS") issued by the International Accounting Standards Board ("IASB"), including related interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC").

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:

	2017	2016
	£	£
United Kingdom	1,174,643	379,418
Rest of the European Union	8,965,899	6,241,564
North America	3,299,671	3,099,983
Rest of the World	11,129,837	10,751,279
	<u>24,570,050</u>	<u>20,472,244</u>

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

There were no material non-current assets located outside the United Kingdom.

Revenues are derived from the following:

Revenue from sale of goods	20,766,061	15,612,065
Revenue from construction contracts	3,803,989	4,860,179
	<u>24,570,050</u>	<u>20,472,244</u>

3. Dividends paid

	2017	2016
	£	£
Final 2015 dividend paid of £0.0165 per share	-	286,017
Interim dividend paid of £0.0121 per share	-	209,746
Final 2016 dividend paid of £0.01815 per share	322,426	-
Interim dividend paid of £0.01331 per share	254,379	-
	<u>576,805</u>	<u>495,763</u>

The Board has proposed a final dividend of 2.00p per share totalling £382,239. Together with the interim dividend of 1.331p per share this gives a total dividend of 3.331p 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	
	2017	2016
Profit after tax attributable to owners of the Group (£)	3,902,741	£3,874,385
Weighted average number of shares:		
Basic	18,734,960	17,414,329
Adjustments in respect of potentially dilutive share options		-
Diluted	18,982,585	17,414,329
Earnings per share (pence)		
Basic	20.83	22.25
Diluted	20.56	22.25

5. Share capital

The allotted, called up and full paid share capital is made up of 19,111,946 ordinary shares of £0.01 each.

	Note	Number of shares	Share Capital £	Share premium £	Total £
At 1 September 2015		17,334,406	173,344	2,540,711	2,714,055
On 24 June 2016	(i)	<u>430,172</u>	<u>4,302</u>	<u>49,556</u>	<u>53,858</u>
At 31 August 2016		<u>17,764,578</u>	<u>177,646</u>	<u>2,590,267</u>	<u>2,767,913</u>
On 9 December 2016	(ii)	1,136,842	11,368	5,388,631	5,399,999
On 9 December 2016	(iii)			(393,478)	(393,478)
On 28 December 2016	(iv)	210,526	2,105	997,893	999,998
On 28 December 2016	(v)			(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>

- (i) On 24 June 2016, a total of 430,172 share options were exercised of £0.01 each for £0.1252.
- (ii) On 9 December 2016, a total of 1,136,842 new ordinary shares were placed of £0.01 each for £4.75.
- (iii) Costs of £393,478 associated with the Placing on 9 December 2016 were incurred.
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- (iv) On 28 December 2016, a total of 210,526 new ordinary shares were admitted to trading on AIM following the issue of Offer shares.
- (v) Costs of £4,048 associated with the Offer in 28 December 2016 were incurred.

The information contained within this announcement is deemed by the Group to constitute inside information as stipulated under the Market Abuse Regulations (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.