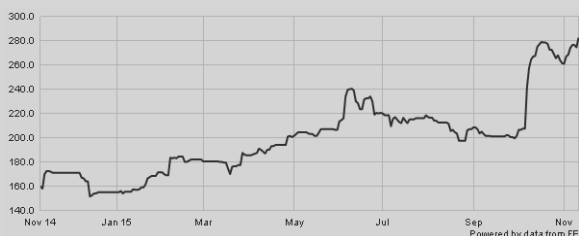




Key Statistics

Code	: ABDP
Listing	: AIM
Sector	: Automotive Systems
Market Cap	: £55.56m
Share in issue	: 17.33m
Current Price	: 319.50p
12 month High/Low:	: 320.50p/151.50p

Stock Performance



Source: InvestEgate

Financials

£'m	2015	2014	2013
Revenue	16.52	13.85	12.17
PBT	3.81	2.68	1.87
Profit	3.25	2.15	1.42
EPS (p)	19.16	13.08	12.23
Cash	7.97	4.89	5.99
Dividend (p)	2.75	2.50	n/a

Source: AB Dynamics Plc Final Results and DigitalLook

Company description

AB Dynamics PLC is a United Kingdom-based company engaged in the design, manufacture and supply to the global automotive industry of advanced testing and measurement products for vehicle suspension, brakes and steering both in the laboratory and on the test track. The Company's products service include Kinematics and compliance testing, Vehicle dynamics testing on the track, Driver assistance system testing, Driverless vehicle track testing, Steering system testing and Noise/vibration (NVH) testing of power train assemblies. The Company's products include Suspension Parameter Measurement Machine (SPMM), Steering System Test Machine (SSTM), Driving robots, Driverless Test Systems, Soft Crash Target Vehicles (SCTV) and Powertrain NVH Testing.

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Driving to success!

The automotive industry is one of the most competitive and most important economic sectors by revenue. This has led many car manufacturers to invest vast amounts of money into their R&D departments to gain that competitive edge and to be one step ahead of rivals in a low profit margin industry. This huge influx of cash into R&D plays right into the hands of AB Dynamics who design, manufacture and supply advanced testing systems and measurement products to the automotive industry, more specifically the R&D departments.

- **Profitable**
- **Dividend paying**
- **Strong cash balance**
- **New facility to increase capacity**
- **Promising pipeline**

The company has had an excellent year, with demand for their products and services increasing in line with, the previously mentioned, higher R&D spend by global car manufacturers.

Financial results showed an increase of 19.3% in revenues to £16.52m (2014:£13.85m), operating profit increased by 41% to £3.74m (2014:£2.65m) and operating margin improved to 22.6% (2014:19.1%). The company also recommended a final dividend of 1.65p taking the total dividend for the year to 2.75p, an increase of 10% on last year.

The group continue to grow organically through increasing capacity via a new factory, meeting increased demand for products and services with high quality recruitment and continuing product development to ensure high quality is maintained for customer satisfaction. Management have done extremely well in using internal resources to expand profits, but they have also seen demand for products and services sky rocket and they have acted swiftly to answer this by planning to build and locating to a new dedicated facility to cope with demand and recruiting highly talented staff.

For disclosures, refer to the Disclosure Section

Business

AB Dynamics Plc supplies the global automotive industry with advanced testing equipment for R&D and production quality control. The company specialises in machinery that tests the entire vehicle by combining: mechanical, electrical/electronic and software design/know how to produce necessary specialist testing equipment for the industry.

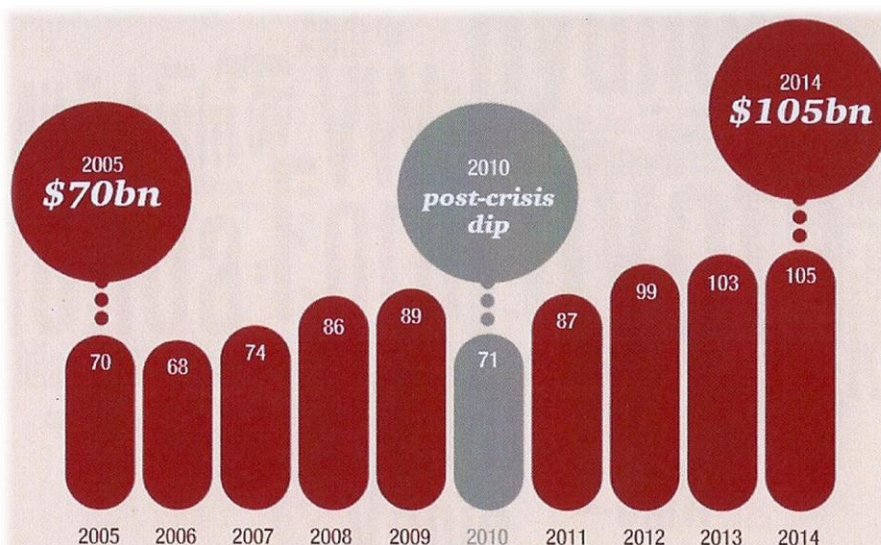
From facilities in Bradford on Avon, the group designs and manufactures specialised systems for the development of:

- Suspension, chassis and steering systems
- Vehicle dynamics on the track
- Next generation of advanced safety systems in vehicles (ADAS)
- Driverless cars
- Autonomous vehicle testing
- Noise/vibration testing of power train assemblies

Sector

The global automotive test systems market is evolving, and is evolving rapidly, mainly as a result of strict emission regulations, increasing safety requirements and the need for product differentiation in an industry that is the most competitive. The market is growing through a vital change between the mechatronic and electronic test systems to address the Original Equipment Manufacturers' (OEMs) needs.

According to Frost & Sullivan, the overall global automotive test systems market is expected to record a CAGR of 6.7% until 2021, the mechatronics area is expected to record a CAGR of



4.9% and the electronic area is expected to record a CAGR of 8.8% until 2021. This provides a fantastic opportunity for the company to target these areas and drive growth.

The diagram on the left shows the total

Sources: Bloomberg data; Capital IQ data; Strategy& analysis. Results reflect the previous fiscal year, as of June 30 of the respective year shown. More information about our methodology is available on p. 15 of our strategy+business (issue 77, Winter 2014) article, "Proven Paths to Innovation Success."

global automotive industry R&D spend year on year. Research, carried out by Strategy&, on publicly-traded companies worldwide that spent the most on R&D in 2014 resulted in 6 out of the top 20 being companies within the automotive industries, with Volkswagen at the top.

Now it may seem that after the Volkswagen emissions scandal, there would be severe pull back in terms of R&D spend. However, VW continues to remain at the top in terms of R&D spend and AB Dynamics has received orders for its products.






Key Activities

- Expansion of the group's manufacturing and final assembly capabilities, with additional production capability of 3,100 sq feet of office and factory space, almost doubling facility space since listing in May 2013;
- Active recruitment of high calibre personnel, now with 76 employees (engineers, production management and accounts/admin personnel);
- Improvements in the supply chain and product fulfilment, resulting from a reorganisation of the mechanical and electrical production units, with better utilisation of resources shortening delivery times and increasing units delivered; and
- Construction of new and enlarged facility on course for Q1 2017, with construction starting in early 2016.



NEW FACTORY 32,957 sq ft on stream early 2017

Products

<p>Track Testing (ADAS)</p>	<p>Guided Soft Target Vehicles</p> 	<p>Designed for use in the testing of vehicle ADAS, and is particularly suited to the testing of vehicle collision detection and crash mitigation systems. The GST is based upon a chassis designed and developed by DRI, with ABD supplying control system technology</p>
	<p>Pedestrian Targets</p> 	<p>The soft pedestrian target from ABD enables precision control of a dummy with respect to another vehicle. The pedestrian uses technology from ABD's driving robots to enable motion with another vehicle to be synchronised with 2cm accuracy.</p>
	<p>Steering Robots (Driverless Systems)</p> 	<p>The DTS builds upon the proven technology used in ABD's range of driving robots to allow accurate and high-speed test driving with no human driver in the vehicle. Driverless testing is used by ABD customers around the world to perform tests where there is a risk of injury to a human test driver.</p>
<p>Laboratory Test Equipment</p>	<p>Steering Rack Testing Machine (SSTM)</p> 	<p>The SSTM is a computer controlled machine for applying force and displacement inputs to a vehicle's steering system in the laboratory. The SSTM is used to characterise steering system performance both objectively, using quasi-static and dynamic tests, and subjectively.</p>
	<p>Suspension Parameter Measuring Machine (SPMM)</p> 	<p>Establish the kinematic characteristics of a vehicles suspension and steering system geometries, and the compliance characteristics of the suspension springs, anti-roll bars, elastomeric bushes and component deformations. Knowledge of these characteristics is an essential aid for engineers wishing to establish a total insight of the vehicles performance in terms of ride, impact isolation, steering/handling.</p>

Key Fundamentals

<i>Y/E</i>	<i>Rev (£m)</i>	<i>Pre-Tax (£m)</i>	<i>EPS</i>	<i>P/E</i>	<i>PEG</i>	<i>EPS Grth.</i>	<i>Div.</i>	<i>Yield</i>
31/08/2015	16.52	3.82	19.16p	10.8	0.2	46%	2.75p	1.3%
31/08/2014	13.85	2.68	13.08p	12.8	1.8	7%	2.50p	1.5%
31/08/2013	12.17	1.87	12.23p	10.8	0.0	n/a	n/a	0.0%

Source: DigitalLook

Outlook/Conclusion

It is a very exciting time for AB Dynamics; they have secured an additional 3,100 sq foot of space to meet increased demand, their new factory build is on track for completion in early 2017 (which will provide 32,957 sq feet of factory space) and a promising pipeline of orders. Moreover, to meet additional demand, but also to develop their products further, the company has attracted and retained the very best in talent in UK engineering, with continuous recruitment expected. All of this in place leaves the company looking very attractive, confident of the future and well worth keeping an eye on.

Management

Anthony Best - Executive Chairman

In 1957, he went to Cambridge University and graduated in Mechanical Sciences Tripos (Engineering). He joined Rolls-Royce Cars in 1960, initially as a graduate apprentice and then into the design department working on vehicle suspensions. In 1963, he moved to Avon Rubber Limited, initially as a Project Engineer working on the design and development of tyre manufacturing equipment, followed by a move into production management at the tyre plant in Melksham before becoming Production Manager in 1965. In 1967, he joined Dr Alex Moulton at Moulton Developments as Chief Engineer working on vehicle suspensions for cars, trucks and coaches. Following the closure of Moulton Developments in 1982, he founded Anthony Best Dynamics Limited. Tony has written a number of technical papers on vehicle suspension, ride and handling.

Timothy Rogers - Managing Director

For the past 15 years, Tim has had extensive experience managing companies in the engineering and chemical sectors. Between 2004 and 2011, he was CEO and Executive VP of Clean Diesel Technologies, Inc (CDT), which specialises in vehicle emission reduction technology. During this period, Tim gained capital market experience as CDT was admitted to trading on AIM between 2001 and 2009 and dual-listed on NASDAQ in 2007. Tim oversaw a two way merger of CDT with Catalytic Solutions, Inc in 2010, which resulted in a \$65m company. Prior to this, Mr Rogers worked at Exxon Corporation, Inc (1984-1990), Ethyl Petroleum Additives Limited (1990-1993)

and The Associated Octel Co. Ltd (1993-2002) before being appointed Director of Sales & Marketing at ADAS Consulting Limited, an environment research consultancy. Mr Rogers joined the Group in October 2012.

Robert Hart - Finance Director

Rob joined the Group in 2008 as Commercial Manager and is primarily responsible for all financial aspects of the business. Mr Hart has prior experience of working at public companies: he was a Commercial Financial Analyst at First Group plc from 2000 to 2002 before joining Unite Group plc, where he spent six years as Financial Controller of the manufacturing division.

Graham Eves - Non-Executive Director

Graham joined GKN plc in 1967 where he spent 13 years operating across multiple overseas jurisdictions including, for the last 5 years, setting up and running a special operation for GKN plc's head office in Switzerland. He returned to the UK in 1980 to work in venture capital and establish his own international business consultancy. His main activities covered advising a range of German, North American and Japanese automotive component/technology suppliers and he co-founded and was chairman of an automotive technology company, Mechadyne (now part of KolbenschmidtPierburg AG). He was also chairman of PCB manufacturer, Lyncolec Limited, chairman of a special security company and a director of 3PC Investment Trust. Graham was directly involved in the AIM flotations of Antonov plc and Transense Technologies plc.

Bryan Smart - Non-Executive Director

Bryan spent 25 years at DaimlerChrysler (UK) Limited, where he worked initially in internal audit before moving up from Financial Controller to Chief Financial Officer. He resigned from DaimlerChrysler in 2006 having overseen turnover increase from £1.3bn in 1995 to over £3.0bn in 2006 and managing the acquisition, assimilation and reorganisation of Chrysler & Jeep in the UK. Since leaving DaimlerChrysler, Bryan has advised a number of public and private companies. Between 2006 and 2010, he was Chairman of the supervisory board of CarboTech AG, a Salzburg-based designer and manufacturer of complex carbon fibre structures for automotive and industrial use. He has significant experience of AIM-quoted companies. Bryan is a Non-Executive Director and member of the audit and remuneration committees of Greka Drilling Limited and Greka Engineering & Technology Ltd, and until recently, Rangers International Football Club plc and SCOTTY Group SE. Bryan is a fellow of the Institute of Chartered Accounts in England and Wales.

Consolidated Statement of comprehensive income for year ended 31 August 2015

	Year ended 31 Aug 2015	Year ended 31 Aug 2014
	£	£
<i>Continuing operations</i>		
Revenue	16,522,627	13,846,562
Cost of sales	-11,172,617	-9,816,570
Gross profit	5,350,010	4,029,992
Administrative expenses	-1,609,448	-1,378,718
Operating profit	3,740,562	2,651,274
Finance income	76,432	25,692
Profit before taxation	3,816,994	2,676,966
Corporation tax expense	-570,986	-525,055
Profit after taxation	3,246,008	2,151,911
Other comprehensive income	-	-
Total comprehensive income for the year attributed to equity holders	3,246,008	2,151,911
Earnings per share - Basic (pence)	19.16p	13.08p
Earnings per share - Diluted (pence)	18.26p	12.11p

Sources: AB Dynamics Final Results

Consolidated Statement of Financial Position as at 31 August 2015

	2015	2014
	£	£
ASSETS		
NON-CURRENT ASSETS		
Property, plant and equipment	1,727,349	1,219,983
Deferred tax assets	48,548	-
	1,775,897	1,219,983
CURRENT ASSETS		
Inventories	2,541,704	1,998,831
Trade receivables	2,825,148	4,339,755
Other receivables, deposits and prepayments	464,462	185,007
Amount owing by contract customers	1,301,169	949,197
Derivative financial instruments	33,743	-
Cash and cash equivalents	7,967,808	4,896,206
	15,134,034	12,368,996
TOTAL ASSETS	16,909,931	13,588,979
EQUITY AND LIABILITIES		
Share capital	173,344	167,757
Share premium	2,540,711	2,385,910
Reconstruction reserve	-11,284,500	-
		11,284,500
Merger relief reserve	11,390,000	11,390,000
Retained profits	10,830,329	7,666,718
Total equity attributable to owners of the Company and total equity	13,649,884	10,325,885
NON-CURRENT LIABILITIES		
Deferred tax liabilities	-	79,273
CURRENT LIABILITIES		
Trade and other payables and accruals	3,089,487	2,913,843
Provision for taxation	170,560	269,978
	3,260,047	3,183,821
TOTAL LIABILITIES	3,260,047	3,263,094
TOTAL EQUITY AND LIABILITIES	16,909,931	13,588,979

Sources: AB Dynamics Final Results

Consolidated Statement of Cash Flow for year ended 31 August 2015

	2015	2014
	£	£
Cash flow from operating activities		
Profit before taxation	3,816,994	2,676,966
Adjustments for:-		
Depreciation of property, plant and equipment	183,836	135,645
Loss on sale of property, plant and equipment	42	257
Fair value gains on derivative instruments	-33,743	-
Interest income	-42,689	-25,692
Share based payment	13,410	27,861
Operating profit before working capital changes	3,937,850	2,815,037
Increase in inventories	-542,873	-512,441
Decrease / (increase) in trade and other receivables	883,180	-2,337,786
Increase / (decrease) in trade and other payables and accruals	175,644	-249,250
Cash flow from operations	4,453,801	-284,440
Interest received	42,689	25,692
Income tax paid	-457,206	-416,046
Net cash flow from operating activities	4,039,284	-674,794
Cash flow from investing activities		
Purchase of property, plant and equipment	-691,244	-344,942
Sale of property, plant and equipment	-	1,167
Cash flow used in investing activities	-691,244	-343,775
Cash flow from financing activities		
Dividends paid	-436,826	-163,470
Proceeds from issue of share capital, net of share issue costs	160,388	88,069
Net cash flow used in financing activities	-276,438	-75,401
Net increase / (decrease) in cash and cash equivalents	3,071,602	-1,093,970
Cash and cash equivalents at beginning of the financial year	4,896,206	5,990,176
Cash and cash equivalents at end of the financial year	7,967,808	4,896,206

Sources: AB Dynamics Final Results

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