# AB Dynamics

## Margin maintained despite weaker demand

**AB Dynamics supplies driving robots, test platforms and simulators used in vehicle development and safety testing. Increasing safety requirements and vehicle complexity support long-term demand, although pressure on carmakers' development budgets is delaying orders, particularly in Europe. FY26 continuing revenue fell 12% to £91.6m, but cost action helped sustain a 20.0% adjusted operating margin. The eMpulse acquisition broadens laboratory testing capabilities, while management plans to reinvest FY27/28 margin gains in innovation and sales resources. The board expects FY27 adjusted operating profit to meet market expectations, although recovery timing remains uncertain.**

### Deferred spending weighs on testing products

Tariff disruption and weakness at European carmakers lengthened procurement decisions, contributing to a 21% decline in Testing Products revenue to £58.4m. The division, which accounts for 64% of group revenue, was also affected by a substantial North American robot delivery in FY25 that did not recur. Simulation grew 10% and continuing Testing Services grew 13%, illustrating pockets of demand resilience. A higher gross margin, up 0.8pp to 64.5%, and early cost action limited the fall in adjusted operating profit to 18%, at £18.3m. The £31m order book (FY25: £32m) is equivalent to just under a third of FY27e consensus revenue.

### Margin gains to be reinvested in growth

Having reached its 20% operating margin target, the group will hold margins there and direct any surplus into product development, sales and routes to market. Growth therefore depends on demand, where regulatory drivers are intact: the European New Car Assessment Programme's 2026 protocols take test scenarios above 1,000 (from 500 today), and the US mandates automatic emergency braking by 2029. Expectations are modest. FY27e consensus revenue of £98.4m is under 1% above FY26 pro forma for eMpulse (£97.7m), the laboratory test systems business acquired in August for an initial $13.5m.

### Valuation: Re-rating depends on firmer expectations

The shares trade on a consensus FY1 P/E of 11.7x, a c 21% discount to UK small-cap specialist equipment and technology peers. Net cash of £24.5m, after £15.5m of acquisition spend, provides capacity for further investment, while a buyback authority will be sought at January's AGM. Cash conversion fell to 61% (FY25: 106%) on late-year deliveries. Firmer order intake and cash conversion returning towards the 100% through-cycle target would strengthen confidence in forecasts and could support a re-rating ahead of a sustained earnings recovery.

**Consensus estimates**

| Year end | Revenue (£m) | EBITDA (£m) | PBT (£m) | EPS (£) | P/E (x) | EV/EBITDA (x) |
|---|---|---|---|---|---|---|
| 8/26 | 91.6 | 22.4 | 18.3 | 0.60 | 11.8 | 7.3 |
| 8/27e | 97.8 | 24.1 | 19.3 | 0.61 | 11.7 | 6.8 |
| 8/28e | 103.5 | 25.8 | 20.5 | 0.67 | 10.5 | 6.3 |

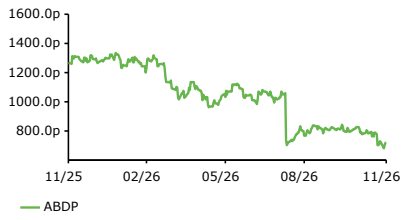
Source: Bloomberg Intelligence

**Industrials**

**20 November 2026**

| | |
|---|---|
| **Price** | **709.00p** |
| **Market cap** | **£163m** |

**Share price performance**




**Share details**

| | |
|---|---|
| Code | ABDP |
| Listing | LSE |
| Shares in issue | 23.0m |
| Net cash/(debt) at 31/08/26 | 24.5pm |

**Business description**

AB Dynamics designs and manufactures testing, simulation and measurement products and services for the global automotive industry. Its three segments, Testing Products, Testing Services and Simulation, serve more than 150 customers.

**Bull points**

- Increasing safety requirements support long-term testing demand.
- Simulation growth and acquisitions broaden revenue opportunities.
- Net cash supports investment through the downturn.

**Bear points**

- Weak automotive development spending delays orders.
- Timing of a sustained demand recovery remains uncertain.
- Acquisition integration and growing competition pose risks.

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