

FOR IMMEDIATE RELEASE

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PENNANT INTERNATIONAL GROUP PLC

Trading Update

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Notice of 2021 Interim Results

Pennant International Group plc (AIM: PEN) (the “**Group**” or “**Company**”), a leading global provider of training technology and integrated product support solutions, announces the following trading update ahead of the publication of its Interim Results for the six months ended 30 June 2021 (the “**First Half**”, or “**H1 2021**”) which are scheduled to be released on 22 September 2021.

First Half performance

In a financial year that is again predicted to be second half weighted, the Group expects to report revenues for the First Half of approximately £7.4m (2020: £6.3m) resulting in a loss before interest, taxation and amortisation of £1m (2020: EBITA loss of £2.5m). Net debt at the end of the period was £1.9m (2020: £2.0m net cash), reflecting the expected cash outflows from materials purchasing and production activities during the period.

The Group’s overall trading performance during the First Half was satisfactory, given the economic backdrop, with progress made across the majority of contracted programmes and with the cost savings implemented in prior periods starting to be realised.

Within the Integrated Product Support (“**IPS**”) division, performance was strong with revenues of £2.6m, with the division tracking revenue of £5.8m for the full year, and several new customers and contracts secured.

In the Technical Training division, delivery of the UK Helicopter trainer programme and the Qatar contract was in line with or ahead of budget. The division’s technical services contracts in the UK and Australia also continued to perform well.

However, the Group’s H1 performance was significantly impacted by factors relating to its contract with General Dynamics for the Ajax training devices including:

- the engineering complexity of emulating a vehicle which itself remains under ongoing review and development;
- deficiencies in the provision of OEM data and dependencies;
- challenges within Pennant’s own supply chain, including delays and increases in the prices of parts and materials due to global shortages; and
- workplace restrictions and residual impacts relating to Covid-19.

In resolving these challenges, Pennant anticipates that the Ajax programme will extend beyond the planned schedule (with the attendant cost implications) and the Company is working closely with General Dynamics to address the above issues and ensure a successful delivery.

Order Book & Pipeline

The contracted order book scheduled for delivery over the next three years stood at £25m at the end of the First Half (31 December 2020: £31m)

Pipeline conversion during the period has been suppressed by reduced customer procurement activity induced by the Covid-19 pandemic and, in the UK, the completion of the Integrated Review of Security, Defence, Development and Foreign Policy. For example, Pennant has been informed that further

substantial customer consideration of the 'Major Programme' will likely not take place until November this year, in which case any potential contract award might not take place until 2022.

The Group is working hard to accelerate pipeline conversion wherever possible and active negotiations are ongoing in relation to multiple new opportunities, including several potential sales of substantial software and services packages through the IPS division and significant bid activity within Technical Training division predominantly comprising software solutions for rail and aviation sector customers.

Outlook

The Company anticipates that its financial performance will improve significantly in the second half (as programme deliveries continue and forecast pipeline is converted) and expects to make an EBITA profit for the current six months to the 2021 year-end. On this basis, the Company's trading remains in line with market expectations for the year as a whole.

The Group will provide an update and further information when it publishes its Interim Results on 22 September 2021.

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