

Pennant

A stylized graphic of a pennant flag, composed of overlapping triangles in shades of blue and teal, with a thin orange outline.

Company Briefing
September 22

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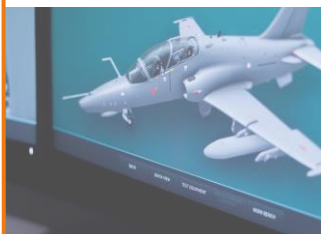
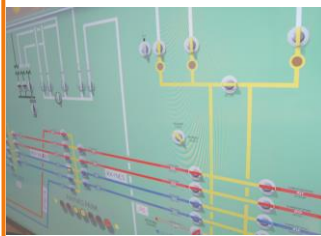
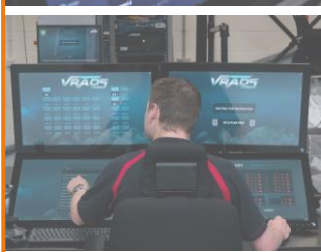
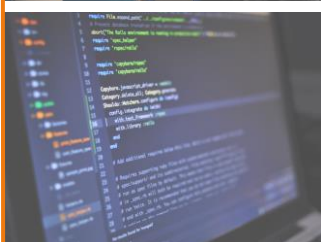
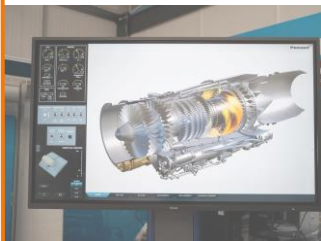
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Implementing our strategy

- Repositioned business, mix shift towards higher margin software-linked activities
- Increasing recurring revenue, diversifying global revenues
- Strategic backdrop evolving, order intake momentum
- Investing in the future:
 - New GenS software
 - Completion of the Engine Systems Start Trainer (ESST) – modular software training solution
 - Loadmaster virtual software training System developed for US market
- Developing partnering strategy to scale software business lines



Financial highlights



Group revenues for the period of £6.9 million (H1 2021: £7.4 million)



Gross profit margin of 41% (H1 2021: 21%)



Loss before tax of £0.8 million (H1 2021: loss before tax of £1.7 million)



Three-year contracted orderbook of £27million (H1 2021: £26 million)



EBITDA profit of £0.4 million (H1 2021: EBITDA loss of £0.7 million)



Basic loss per share of 2.21p (H1 2021: loss of 4.64p)



65% of revenues in period are recurring in nature (H1 2021: 53%)



Group net debt period-end of £4.1 million (H1 2021: £1.9 million)

What are we looking to achieve?

- Sustainable (recurring revenue) growth and profitability
- Focus on software and services – order lead time, revenue recognition and margin impact
- End to end solution - ‘Full spectrum’ of Pennant products and services offered and delivered in all key regions
- Corporate development – add scale, expanding partnerships and targeted acquisitions
- Successful launch and cementing of new GenS software solution
- Development of next generation of training aids – modular, software / technology led



Supportive strategic backdrop for our products and services

- We have few competitors that can provide our end to end solutions and services
- There is more we can do for existing customers and there are more customers in existing areas who need our services
- There are new and emerging areas, such as Space where IPS adoption has only just started
- Increasing defence budgets will see increased need for IPS and Technical Training solutions in the coming years as new and upgraded equipment programmes roll out
- The aviation sector is starting to return to its pre-pandemic levels and delayed investments are restarting
- Significant global investments in Rail sector is expected to continue
- There is more service we can provide to existing customers via organic development, acquisitions or partnerships
- The IPS process and the management of data is becoming evermore critical and the cost and complexity of programs is increasing.

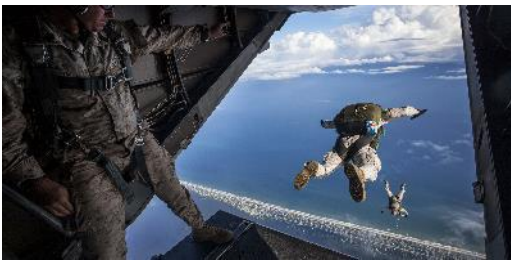
Global customers



Three year contracted order book - aggregate £27m

Contract (£m)	Scheduled for delivery			
	2022 H2	2023	2024	2025 H1
Engineered - General Dynamics – armoured vehicle trainer	0.1	-	-	-
Engineered - UK OEM – helicopter maintenance trainer	1.7	5.0	2.5	-
Software & services – NA commercial aerospace	0.5	-	-	-
Technical Services - BAE Australia 5 year rolling term / 20 year framework – secured until 2025	0.7	1.4	1.4	0.7
Software development & services – HMRC rolling annual supply arrangement, commenced 2009	0.4	0.8	0.8	0.4
Technical services – Track Access and Wildcat support	0.3	0.4	0.4	0.2
Software services - Ottawa DND, 5 year contract award to Dec 2023, awaiting renewal	1.8	3.0	-	-
Software maintenance	0.8	1.6	1.7	0.8
TOTAL	6.3	12.2	6.8	2.1

Selected Group Opportunities – active pipeline > £50m:



Single Source / Formally notified

- Services (Aus) – long term programme supporting ILS partner with Technical Publications (5-10 years)
- Courseware development (Aus) – OEM, long term project to develop training material to support programme (5-10 years)

2023/2024

- Software – significant global activity building on recent wins
- Middle East – existing customers, additional rotary and stores loading capabilities
- Australia – existing customer, adding rotary training school
- UK MOD
 - New medium lift helicopter training capability
 - Rotary platform requires virtual maintenance trainer
 - New land vehicle maintenance training solution
 - Next generation of technical training opportunity

2025 & beyond

- Middle East – provision of suite of generic training aids to a new technical training facility

There is no certainty as to timing, value or success of the pipeline opportunities.

Financials

H1 2022 Revenue analysis

- First half revenues of £6.9 million of which circa 65% are recurring (H1 2021: 53%)
- 52% of revenues generated from software licensing and associated activities (H1 2021: 35%)
- Revenue by region and by workstream during the First half were as follows:

Revenue by Region	£ m
UK, Europe & Middle East	2.7
North America	2.4
Australasia	1.8
Total	6.9

Revenue by business line	Non-recurring	Recurring	Total (£ m)
Engineered-to-order (Technical Training)	1.4	-	1.4
Generic Products (Technical Training)	0.4	-	0.4
Technical Services (Technical Training)	-	1.5	1.5
Software Licences (IPS)	0.6	-	0.6
Software Maintenance (IPS)	-	0.8	0.8
Software Services (IPS)	-	2.2	2.2
Total	2.4	4.5	6.9

Consolidated income statement

£m	30 th June 2022 (Unaudited)	30 th June 2021 (Unaudited)	31 st Dec 2021 (Audited)
Revenue	6.95	7.43	16.0
Gross profit	2.84	1.59	4.36
Administrative expenses	(2.82)	(2.57)	5.34
Other income	0.05	-	0.20
EBITA / PBITA	0.07	(0.98)	(0.78)
Amortisation	(0.74)	(0.65)	1.37
Operating (Loss)	(0.67)	(1.63)	(2.15)
Net finance costs	(0.14)	(0.07)	(0.33)
Tax	-	-	0.87
(Loss) for the period	(0.81)	(1.70)	(1.61)

- Improved profitability on lower revenues in period
- Significant increase in gross margin percentage due to shift in product mix towards software related sales
- GD MTE impact of circa £0.06m loss in H1 2022

Consolidated balance sheet

£m	30 th June 2022 (Unaudited)	30 th June 2021 (Unaudited)	31 Dec 2021 (Audited)
Non-current assets	14.4	14.2	15.0
Current assets	7.4	6.4	6.6
Current liabilities	(10.1)	(7.7)	(9.0)
Non-current liabilities	(1.0)	(2.1)	(1.4)
Shareholders funds	10.7	10.9	11.1

- Current assets include trade and other receivables of £5.1m – expected to unwind in H2 2022
- Current liabilities include bank overdraft of £4.7m - net debt position of £4.1m at period end
- Post period-end sale of property generated cash inflow of £2.1m
- Non-current liabilities include the contingent consideration of the acquisition of ADG £0.4m (2021: £0.8m)

Consolidated cash flow

£m	30 th June 2022 (Unaudited)	31 st December 2021 (Audited)
Net cash from operations	0.05	(0.13)
Investing activities	(0.91)	(1.63)
Financing activities	(0.08)	(0.25)
Net decrease in cash and cash equivalents	(0.94)	(2.00)
Cash and cash equivalents brought forward	(3.54)	(1.45)
Impact of foreign exchange	0.33	(0.09)
Cash and cash equivalents at end of period	(4.16)	(3.54)

- Cash position reflects stage of completion on engineered solutions contracts with milestone payments forecast to unwind in H2 2022 with the majority of associated cash outflows satisfied in the first half of the year

Net cash generated from operations

Cash generated from operations (£m)	30 th June 2022 (Unaudited)	31 st December 2021 (Audited)
(Loss) for the period	(0.81)	(1.61)
Depreciation	0.30	0.70
Amortisation	0.74	1.37
Share based payments	0.01	0.03
Other – finance, tax, etc	0.08	(0.78)
Operating cash flow before working capital	0.33	(0.29)
Working capital movement	0.16	0.05
Cash generated generated from operations	0.49	(0.24)
Tax (paid) / received	(0.28)	0.44
Interest paid	(0.16)	(0.33)
Net cash generated from operations	0.05	(0.13)

Appendix



Our Vision:

To be the leading provider of world-class integrated training technologies and product support for the defence, aerospace, rail and other safety critical industries.

Pennant International Group was established over 60 years ago.

The company has evolved over the past six decades to become a market-leading, technology-led business with a truly global customer base.

Our capabilities encompass the conversion of full-size aircraft into training tools, immersive virtual reality experiences, small devices to improve hand skills, interactive 3D courseware and LPD and S1000D software tools to create, manage and publish vast amounts of technical data.

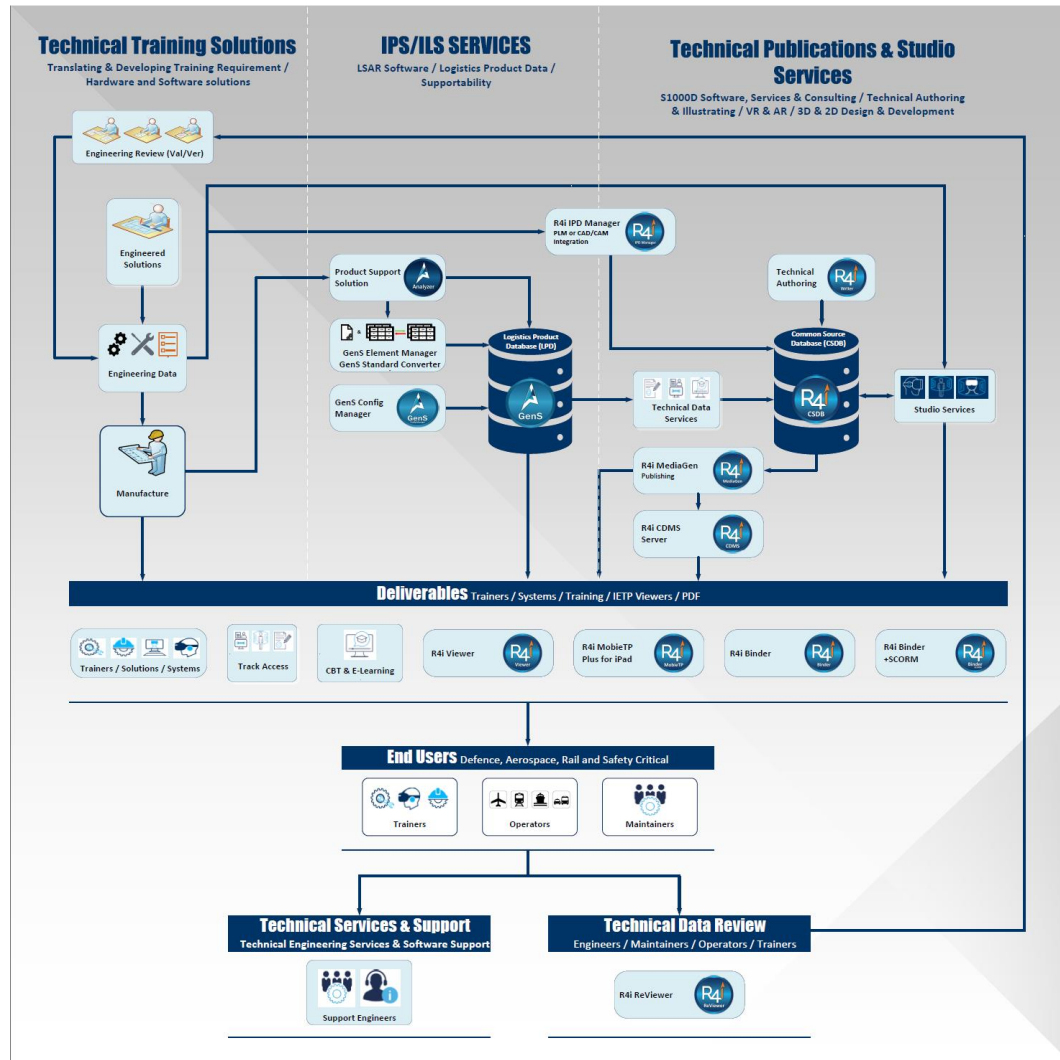
Pennant is listed on the AIM Stock Market, working to a set of core values, defining the way we act as individuals and as a business.

We focus on Innovation, Performance, Quality, Respect and Teamwork.



Pennant Ecosystem

End to end unique capability offered globally



GenS Product Suite

- Manages Logistics Support Analysis data
- Maintain detailed configuration of complex equipment
- Interfaces with ERP Systems
- Compatible with S1000D delivery standard for R4i and data-sharing with Analyzer



Analyzer

- Fast, accurate and user-friendly optimisation tool
- Identifies preferred product sustainment strategies through options analysis
- Supports operational readiness at an affordable life cycle cost



R4i Product Suite

- Creates, manages and leverages S1000D, ATA and MIL-STD information vital to the operation and maintenance of complex equipment
- Producing an end-to-end IPS solution, R4i Suite of tools is designed to be modular and most importantly, robust



Generic Trainers

- Modern off the shelf training aids
- Reduced safety issues
- Operation and maintenance savings



Engineered Solutions

- Bespoke solutions
- Platform specific or custom-built
- Simulators, part-task trainers & procedural trainers
- Defence & civil customer base



Computer Based Training

- Web & server-based e-learning
- Collaboration with government departments & global industry
- Access to anytime, anywhere training modules



Virtual Reality Trainers

- Multiple users at one time
- Real-time faults and emergency solutions
- Ability to record responses



Track Access Systems

- Products & services include Track Access Portal, Railway Survey, Signal Sighting, Driver Training



Technical Services & Support

- Facilities Mapping to EASA, GACA, EMAR, City of Guilds etc.
- Consultancy
- Dismantling and Disposal
- Technical Publications



30,000 SQ.FT IN UK FACILITIES

140+ EMPLOYEES



HEAD OFFICE

Unit D1,
Staverton Connection,
Cheltenham, UK



STAFF AND FACILITIES ACROSS THE UK, USA, CANADA & AUSTRALIA



Share Capital

Total shares in issue	36,790,447
AIM securities held in treasury	NIL
Percentage of AIM securities not held in public hands	43.52%

Significant Shareholders

Stakeholder	Percentage holding
Mr Christopher Powell	17.06%
Premier Miton Group	13.90%
BGF Investment Management Limited	11.12%
Panna Capital	8.21%
Killik & Co LLP	4.89%
Canaccord Genuity Group	4.57%

Board of Directors

John Ponsonby Chairman	Philip Walker CEO	Philip Cotton NED	David Clements Commercial Director
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