



PENNANT INTERNATIONAL GROUP PLC

Acquisition of UK Rail Services Business

Significantly enhances existing Rail offering, adds recurring revenues and further diversifies Group business lines

Pennant International Group plc (AIM: PEN) (the “**Company**”, the “**Group**”), a leading global provider of training technology and integrated product support solutions, is pleased to announce that it has acquired the entire issued share capital of Track Access Productions Limited (“**TAP**”, the “**Acquisition**”).

About TAP

- Based in Bedfordshire, TAP was established in 2001 and provides driver training, route mapping and route familiarisation services to the UK rail industry. Clients comprise train operating companies, freight operating companies, engineering prime contractors and infrastructure providers.
- Revenues are generated through a subscription-based web portal and through project-specific route mapping services.
- For the financial year ended 31 March 2023 (“**FY23**”), TAP’s management accounts indicate:
 - revenues of circa £600,000 (FY22: £481,000) of which 50% is recurring, relating to portal subscriptions; and
 - profit before tax (“**PBT**”) of circa £200,000 (FY22: PBT of £180,821).
- The vendors, Ian and Jill Heys, the founders and owner/managers of TAP, will work a short transitional period to ensure a smooth handover. The rest of TAP’s employees and consultants are expected to remain with the business.

Summary of the key terms of the Acquisition

- The consideration payable in respect of the Acquisition comprises an enterprise value of £585,000, plus an amount of circa £389,000 in respect of TAP’s ‘free cash’ after allowing for normalised working capital and repayment of debt (“**Cash Free, Debt Free Adjustment**”).
- The initial consideration payable is circa £798,500 (being 70% of the enterprise value, i.e. £409,500, plus the Cash Free, Debt Free Adjustment).
- A completion payment of £638,610 has been settled, based on verified estimates of the Cash Free, Debt Free Adjustment, with a balancing payment of circa £160,000 within the next two months following the production of completion accounts (to allow for any correction of estimates).
- The balance of the overall consideration, comprising a deferred payment of £175,500 (being the remaining 30% of the enterprise value) is due 12 months after completion.
- The acquisition agreement contains customary warranties and indemnities in respect of title, tax and various commercial matters as well as buyer protections in the form of restrictions on the future activities of the vendors and rights of setoff.
- The Acquisition is being funded entirely from the Group’s existing cash resources.

Benefits of the Acquisition

- TAP's business aligns closely with Pennant's existing Track Access business unit and the Acquisition will consolidate the Group's presence in this market. The combined unit is expected to generate revenues for 2023 in the region of £850,000 and will be able to provide an enhanced offering to a broader customer base.
- The Acquisition also aligns with the Company's strategy, in particular it enhances the Group's recurring revenues, further diversifying into civilian markets, whilst bolstering the Group's 'third pillar' of rail products and services, complementing the Group's traditional core of IPS software and training technology.

Phil Walker, Group CEO, commented: "I am delighted to confirm the acquisition and to welcome the TAP team into the Pennant Group. TAP is an excellent business with a long-standing, trusted reputation in the UK rail market and we look forward to working together to integrate TAP into Pennant's growing rail offering."

This announcement contains inside information for the purposes of Article 7 of the UK version of Regulation (EU) No 596/2014 which is part of UK law by virtue of the European Union (Withdrawal) Act 2018, as amended ("MAR"). Upon the publication of this announcement via a Regulatory Information Service, this inside information is now considered to be in the public domain.

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