

Pennant

The logo graphic for Pennant, featuring a stylized, multi-pointed star or pennant shape. It is composed of several overlapping triangles in shades of blue and teal, with a thin orange outline. The shape is positioned behind the letter 'n' in the word 'Pennant'.

The Integrated Product Support (IPS)
Software and Services Company
September 2023

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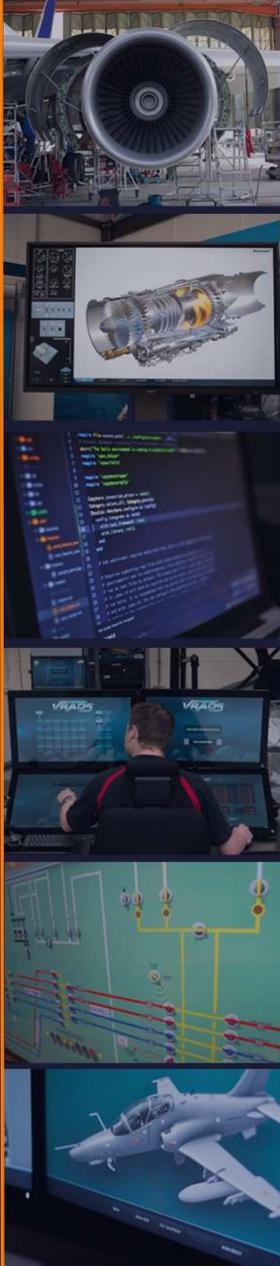
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Overview of the period

- Results inline, improved performance, momentum building - fourth consecutive trading period reporting a positive EBITA
- On track to meet full year expectations
- Record gross margin – 47% (H1 2022: 41%)
- Net debt at period end of £1.9 million (H1 2022: net debt of £4.1 million)
- £6.5m of new business secured in H1, period end three-year contracted order book stood at £25 million (H1 2022: £27 million)
- Good progress on the c.£9 million Apache upgrade programme
- Acquisition of Track Access Productions
- Version 2 of GenS / IPS software suite released and first commercial sale achieved



Pennant International Group was established over 65 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, working in the Defence, Rail, Aerospace, Shipping, Nuclear Power and Space sectors.

As an SME, the Pennant Group has grown significantly over the years, through a combination of organic growth and through several acquisitions. In addition to our operational centres worldwide, the Group has collaborative arrangements with a strategic range of partners in many countries across the globe.

Pennant continues to be an established supplier to the UK MoD, Canadian DnD, Australian DoD and other defence organisations. We work with major defence “Primes”, such as BAE Systems, Boeing Defence, General Dynamics, Leonardo.

The Group has been listed on the London Stock Exchange AIM Market since 1996.

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



HEAD OFFICE
Cheltenham, UK



30,000 SQ.FT IN UK FACILITIES

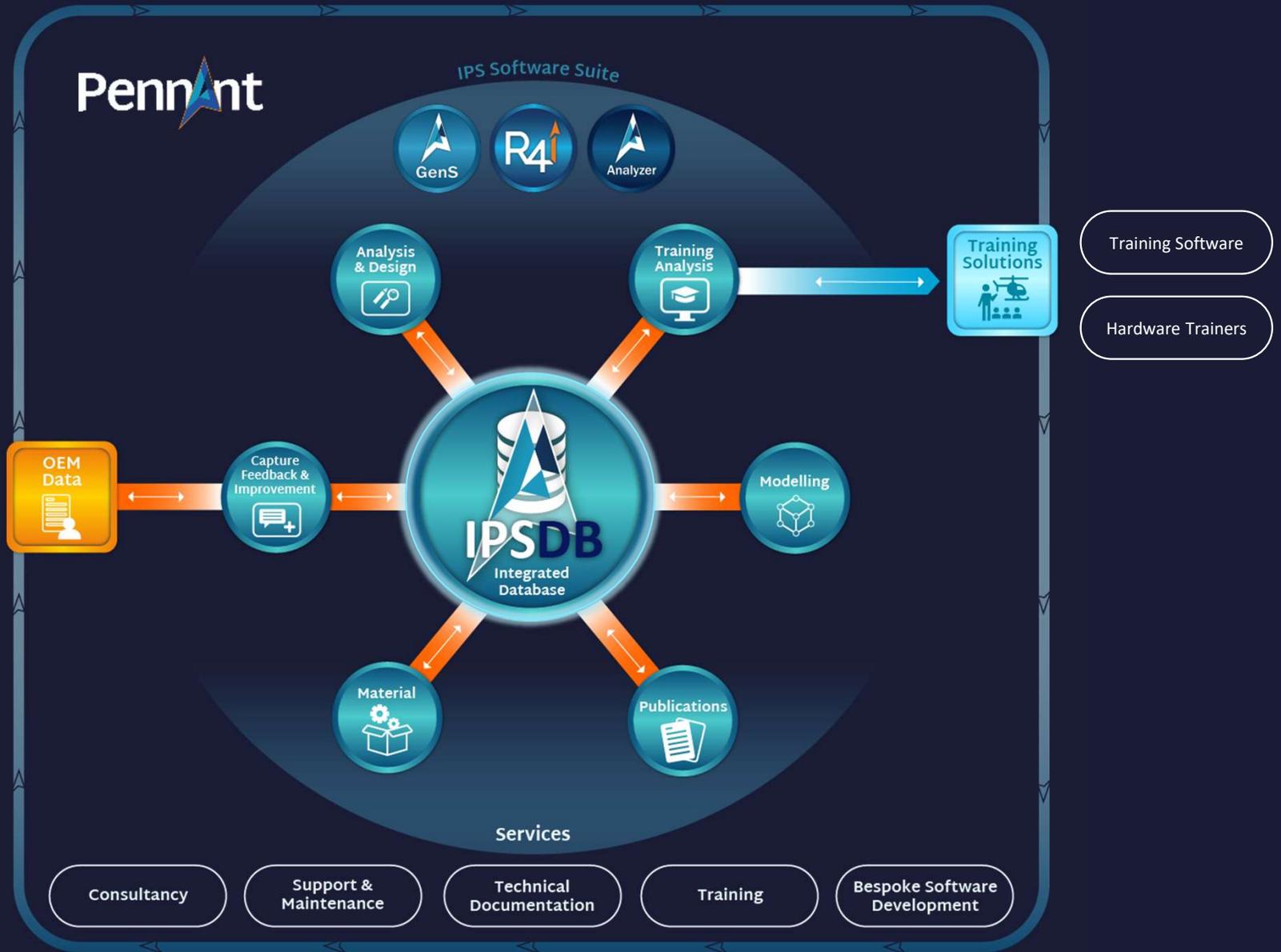
140+ EMPLOYEES

Our Vision:

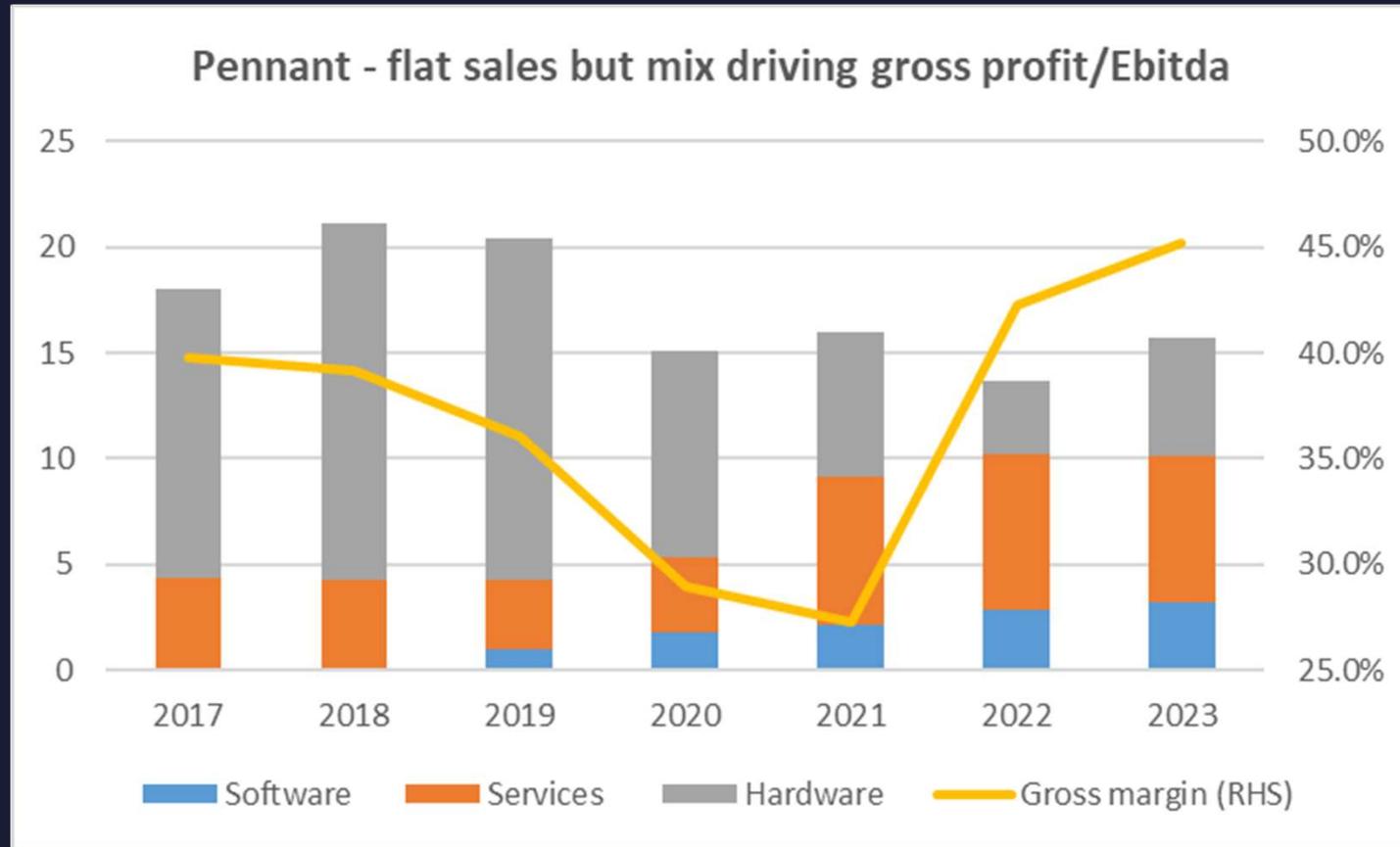
Pennant provides a suite of market leading software solutions and technical services that support the design, development, operation, maintenance and training of assets (“Integrated Product Support”) in defence, rail, commercial aerospace, space and shipping.

End-to-end solution

Defence, Aerospace, Rail, Shipping, Space, Nuclear Power



The story so far...



Supportive strategic backdrop for our products and services

- Few competitors that can provide our end-to-end solutions and services.
- New and emerging areas, such as Space where IPS adoption has only just started.
- Global uncertainty (Europe / Indo Pacific) is resulting in increasing defence budgets will see a greater 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.
- Interoperability of systems and data is becoming critical, for example AUKUS.
- More service we can provide to existing customers via organic development, acquisitions or partnerships.
- The IPS process and the management of data is becoming ever more critical and the cost and complexity of programs increasing.

Global customers



Financial Results



Financial highlights for the period



**Group revenues of £7.1 million
(H1 2022: £6.9 million)**



**Gross profit margin of 47%
(H1 2022: 41%)**



**EBITDA profit of £0.8 million
(H1 2022: EBITDA profit of
£0.4 million)**



**Three-year contracted
orderbook of £25million
(H1 2022: £27 million)**



**55% of revenues are
recurring in nature
(H1 2022: 63%)**



**Basic loss per share of 1.02p
(H1 2022: loss of 2.21p)**



**Loss before tax of £0.4
million (H1 2022: loss before
tax of £0.8 million)**



**Group net debt of
£1.9 million
(H1 2022: £4.1 million)**

Analysis of revenues for the period

Revenue by region	H1 2023 £m	H1 2022 £m
UK & Europe	3.7	2.7
North America	2.2	2.4
Australasia	1.2	1.8
Total	7.1	6.9

Revenue by workstream	H1 2023 £m	H1 2022 £m
Software licences & products	0.7	0.6
Software maintenance	0.7	0.8
Software and technical services	3.3	3.7
Sub-total Software and Services	4.7	5.1
Engineered solutions	1.9	1.4
Generic products	0.5	0.4
Sub-total Training Solutions	2.4	1.8
Total	7.1	6.9

- Revenues diversified across regions
- 46% of revenues generated from software & services

Consolidated Income Statement

£m	30 June 2023 (Unaudited)	30 June 2022 (Unaudited)	31 Dec 2022 (Audited)
Revenue	7.09	6.95	13.69
Gross profit	3.34	2.84	5.79
Administrative expenses	(2.91)	(2.82)	(6.90)
Other income	-	0.05	0.12
EBITA / PBITA	0.51	0.07	0.53
Amortisation	(0.71)	(0.74)	(1.52)
Operating (Loss)	(0.20)	(0.67)	(0.99)
Net finance costs	(0.18)	(0.14)	(0.38)
Tax	-	-	0.46
(Loss) for the period	(0.38)	(0.81)	(0.90)

- Much improved EBITA profitability as sales mix transforms
- Costs controlled despite inflationary pressures

Consolidated Balance Sheet

£m	30 June 2023 (Unaudited)	30 June 2022 (Unaudited)	31 Dec 2022 (Audited)
Non-current assets	13.8	14.4	13.2
Current assets	6.7	7.4	6.6
Current liabilities	(9.7)	(10.1)	(8.1)
Non-current liabilities	(0.6)	(1.0)	(1.0)
Shareholders funds	10.2	10.7	10.7

- Non-current assets increased through TAP acquisition
- Current assets include trade and other receivables of £4.2m
- Current liabilities include bank overdraft of £2.7m (offset by £0.8m of cash and cash equivalents)
- Non-current liabilities reducing as ADG acquisition deferred payments being cleared

Consolidated Cash Flow

£m	30 June 2023 (Unaudited)	31 Dec 2022 (Audited)
Net cash from operations	0.16	2.57
Investing activities	(1.83)	0.36
Financing activities	(0.10)	(0.24)
Net increase / (decrease) in cash and cash equivalents	(1.77)	2.69
Cash and cash equivalents brought forward	(0.43)	(3.54)
Impact of foreign exchange	0.28	0.42
Cash and cash equivalents at end of period	(1.92)	(0.43)

- Investing activities relate to acquisition payments and development of the S Series Software product

Net cash generated from operations

Cash generated from operations (£m)	30 June 2023 (Unaudited)	31 Dec 2022 (Audited)
(Loss) for the period	(0.38)	(0.90)
Depreciation	0.24	0.56
Amortisation	0.71	1.52
Share based payments	0.04	0.03
Other – finance, tax, RDEC etc	0.10	(0.58)
Operating cash flow before working capital	0.71	0.63
Working capital movement	(0.19)	2.51
Cash generated from operations	0.52	3.14
Tax (paid) / received	(0.14)	(0.31)
Interest paid	(0.22)	(0.26)
Net cash generated from operations	0.16	2.57

Outlook



Three-year contracted order book - aggregate £25m

Contract (£m)	Scheduled for delivery			
	H2 2023	2024	2025	H1 2026
Engineered - General Dynamics – armoured vehicle trainer	-	-	-	-
Engineered - UK OEM – helicopter maintenance trainer	3.1	3.5	-	-
Software & services – NA commercial aerospace	0.4	-	-	-
Technical Services - BAE Australia 5 year rolling term / 20 year framework – secured until 2025	0.75	1.5	1.5	0.75
Software development & services – HMRC rolling annual supply arrangement, commenced 2009	0.5	1.0	1.0	0.5
Technical services – Track Access and Wildcat support	0.2	0.4	0.4	0.2
Software services - Ottawa DND, 5 year contract award to Dec 2023, awaiting renewal	1.5	-	-	-
Software maintenance	0.8	1.7	1.8	1.0
Tec docs – Aus, 6 year contract to 2029	0.3	0.6	0.6	0.3
Other	0.5	-	-	-
TOTAL	8.05	8.7	5.3	2.75

Selected Group Opportunities – active pipeline > £70m:

Single Source / Formally notified

- Services (Aus) – long term programme supporting ILS partner with Technical Publications
- Software licences – circa £1m of R4i and GenS software licences, North America & Europe

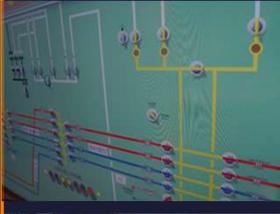
2024/2025

- Australia – existing customer
 - Training aid refresh
 - Weapons and rotary training capability
- New Zealand
 - provision of suite of generic training aids to a new technical training facility
- UK MOD
 - New medium lift helicopter training capability
 - New land vehicle maintenance training solution
 - Next generation of army training

2026 & beyond

- Eastern Europe - provision of suite of generic training aids to a new technical training facility
- 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.



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 – including AI, Augmented Reality and enhancing our software product suite
- Successful launch and cementing of new GenS software solution / IPS suite
- Development of next generation of training aids – modular, software / technology led



Pennant

The logo for Pennant, featuring a stylized star or pennant shape in blue and orange, positioned behind the letter 'n' in the word 'Pennant'.

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