

SEPTEMBER 2024



INVESTOR BRIEFING

INTERIM RESULTS FOR PERIOD ENDED 30 JUNE 2024



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EXECUTIVE SUMMARY

- Results inline; increase in software & services revenue - 68% of H1 revenue (H1 2023: 66%)
- Continued investment in Auxilium software suite
 - Successful launch of configuration software (GenS)
- Excellent progress on UK Apache contract
- Impact of Strategic Defence Review
 - Procurement delays
 - Focus on upgrades and enhancements
- Strategic re-positioning of training business
- Strengthening of Board - including post period end appointments



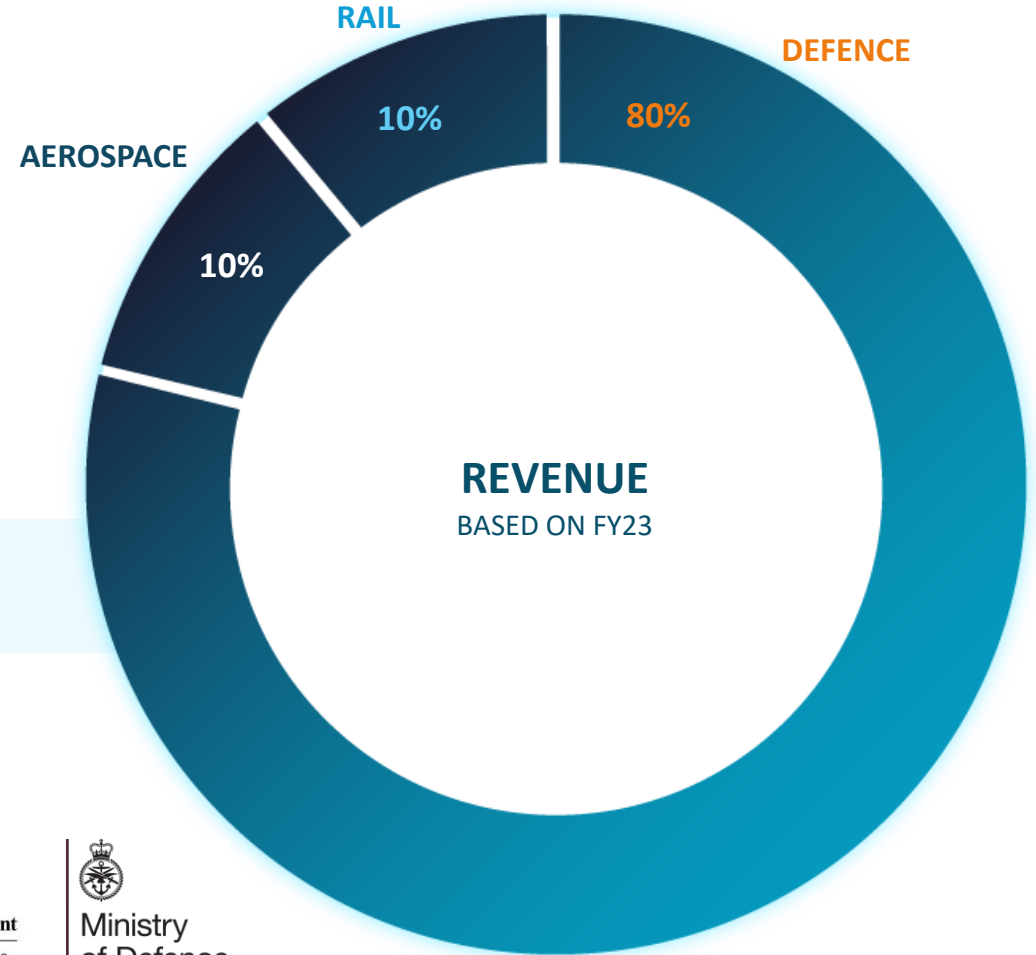


WHO WE ARE

Pennant is a market leading, technology driven business with a global customer base.

Our software and training solutions are designed to enable users to maximize operational and maintenance efficiency.

Our mission is to ensure systems are where they are needed, when they are needed and that they work.



GLOBAL BUSINESS
UK (HQ), Canada, USA,
Australia



140+
Employees
(UK circa 80)

STRATEGIC PARTNERS

BAE SYSTEMS

RHEINMETALL

BOEING





WHAT PENNANT DOES

Pennant provides systems support software and training solutions to defence departments and major OEMs worldwide to maximise operational and maintenance efficiency

We address the market through three key business lines:



SYSTEMS SUPPORT

Our software tools are designed to help clients:

- manage and use complex data.
- ensure equipment availability at optimal cost
- comply with industry standards



TRAINING SOLUTIONS

Our training solutions provide:

- hardware, software and virtual solutions
- critical skills training for maintainers and operators of aircraft, ships and land systems



TECHNICAL SERVICES

Our services support all our software and training solutions, including:

- consultancy
- support & maintenance
- training
- bespoke development



OUR SOLUTIONS IN ACTION

Documentation management



Database management



Modelling and analysis



Training Solutions

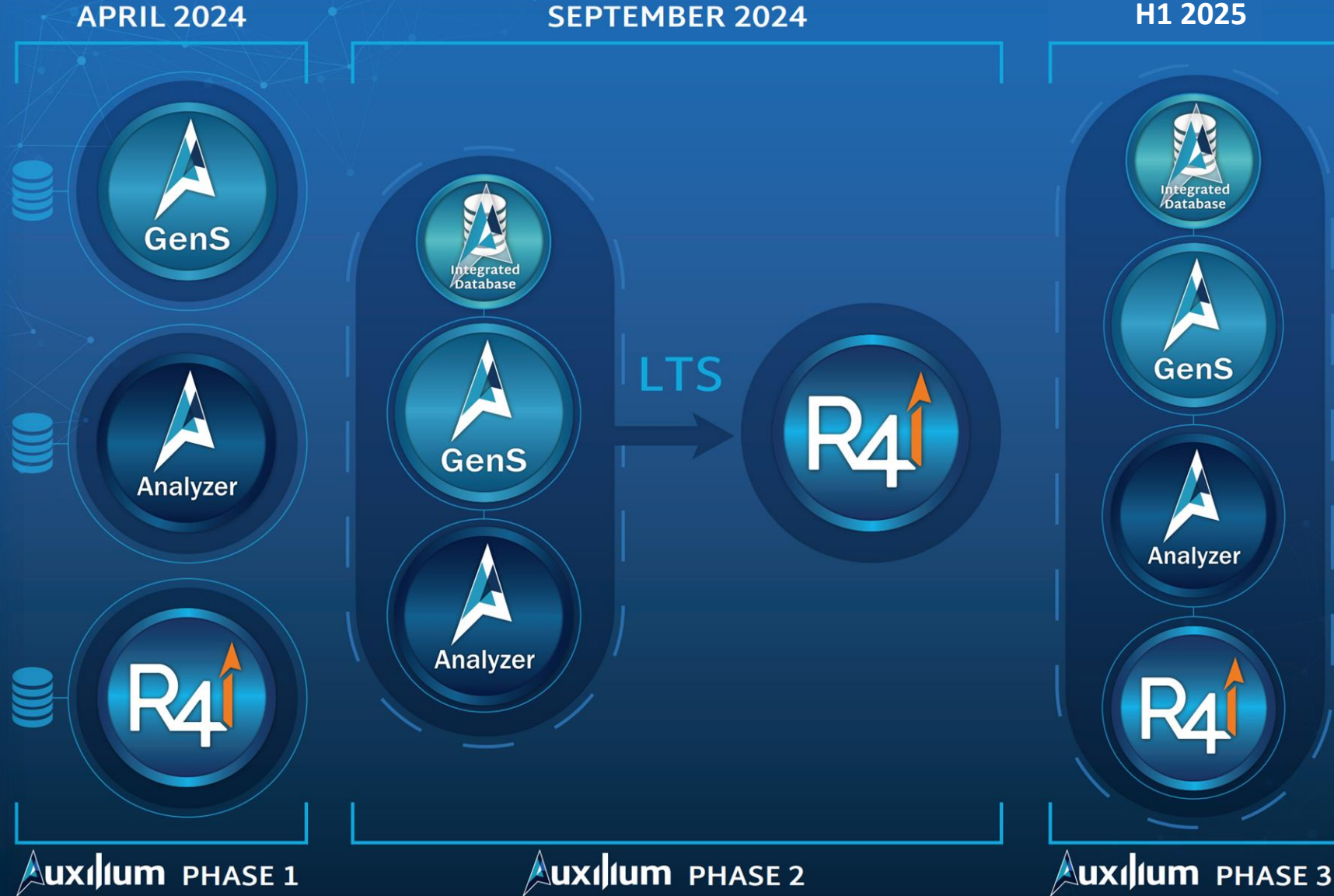


Configuration management





AUXILIUM GROWTH STRATEGY



RESULTS



FINANCIAL HIGHLIGHTS – H1 2024

- Results inline; Trading ahead of prior year - Revenue +4% (£7.4m v £7.1m)
 - Software segments flat YoY
 - Training segments up 8% despite a difficult trading environment for the UK business
- EBITA (adjusted for one-off items) of £0.6m (H1 23: £0.6m)
- IFRS loss before tax of £(0.4)m
- Pennant generated £0.1m of cash from underlying operations
- Investments in software developments, PP&E and prior year acquisitions are offset by an equity raise meaning overall cash generated +£0.3m
- Net debt of £1.6m excluding lease liabilities (H1 23: £1.9m)
- Restructuring charges expected in H2 due to downsizing UK training business

Note – from full year 2024 financial releases Pennant will be promoting adjusted Profit before tax as a KPI (adjusted for one off items and amortisation on acquired intangibles). For H1 24 adjusted PBT on this basis is £(0.2)m and for FY 23 is £0.5m.





CONSOLIDATED INCOME STATEMENT - IFRS

£m	Six months to 30 June 2024 (Unaudited)	Six months to 30 June 2023 (Unaudited)	Change	31 Dec 2023 (Audited)
Revenue	7.4	7.1	4%	15.6
Gross profit	3.5	3.3		7.8
Administrative expenses	(2.9)	(3.5)		(7.8)
EBITA	0.6	0.5	17%	1.4
Amortisation	(0.8)	(0.7)		(1.3)
Operating (Loss)/Profit	(0.2)	(0.2)		0.1
Net finance costs	(0.2)	(0.2)		(0.5)
Tax	-	-		(0.6)
(Loss) for the period	(0.4)	(0.5)	12%	(0.9)



CONSOLIDATED BALANCE SHEET - IFRS

£m	Six months to 30 June 2024 (Unaudited)	Six months to 30 June 2023 (Unaudited)	31 Dec 2023 (Audited)
Non-current assets	12.8	13.8	13.3
Current assets	5.2	6.7	5.4
Current liabilities	(6.7)	(9.7)	(8.0)
Non-current liabilities	(0.7)	(0.6)	(0.9)
Shareholders funds	10.5	10.2	9.8

- Non-current assets as at 30 June 2024 include freehold property with a market value of £3.1m (Nov 2023)
- Current assets include net debt of £1.6m, comprising £2.8m of bank overdraft and £1.2m of cash



CONSOLIDATED CASH FLOW - IFRS

£m	Six months to 30 June 2024 (Unaudited)	Six months to 30 June 2023 (Unaudited)	31 Dec 2023 (Audited)
Net cash from operations	0.1	0.1	1.3
Investing activities	(1.0)	(1.8)	(2.3)
Financing activities	1.1	(0.1)	(0.2)
Net increase / (decrease) in cash and cash equivalents	0.3	(1.8)	(1.2)
Cash and cash equivalents brought forward	(1.9)	(0.4)	(0.4)
Impact of foreign exchange	-	0.3	(0.3)
Cash and cash equivalents at end of year	(1.6)	(1.9)	(1.9)

- Continued cash generation from underlying operations
- Significant ongoing investment in Auxilium IPS software suite
- Financing activities reflect £1.4m capital raise (before fees)



NET CASH GENERATED FROM OPERATIONS - IFRS

Cash Generated From Operations (£m)	Six months to 30 June 2024 (Unaudited)	Six months to 30 June 2023 (Unaudited)	31 Dec 2023 (Audited)
(Loss) for the period	(0.4)	(0.4)	(0.9)
Depreciation	0.3	0.3	0.5
Amortisation	0.8	0.8	1.3
Share based payments	-	-	0.1
Other – finance, tax, profit on disposal	(0.1)	-	0.8
Operating cash flow before working capital	0.6	0.7	1.8
Working capital movement	(0.2)	(0.2)	(0.2)
Cash generated from operations	0.4	0.5	1.5
Tax (paid) / received	-	(0.1)	0.1
Interest paid	(0.2)	(0.2)	(0.4)
Net cash generated from operations	0.1	0.2	1.3

OUTLOOK





OUTLOOK

- Delivery of FY24 result – 90%+ revenue coverage of consensus forecast
- Strategic focus on systems support software – execute re-positioning
 - lower cost base
 - reduced working capital profile
 - cash generative
- Launch of upgraded Analysis software (Analyzer) and introduction to Auxilium Suite in September
- Full launch of Auxilium software suite in H1 FY25



APPENDICES





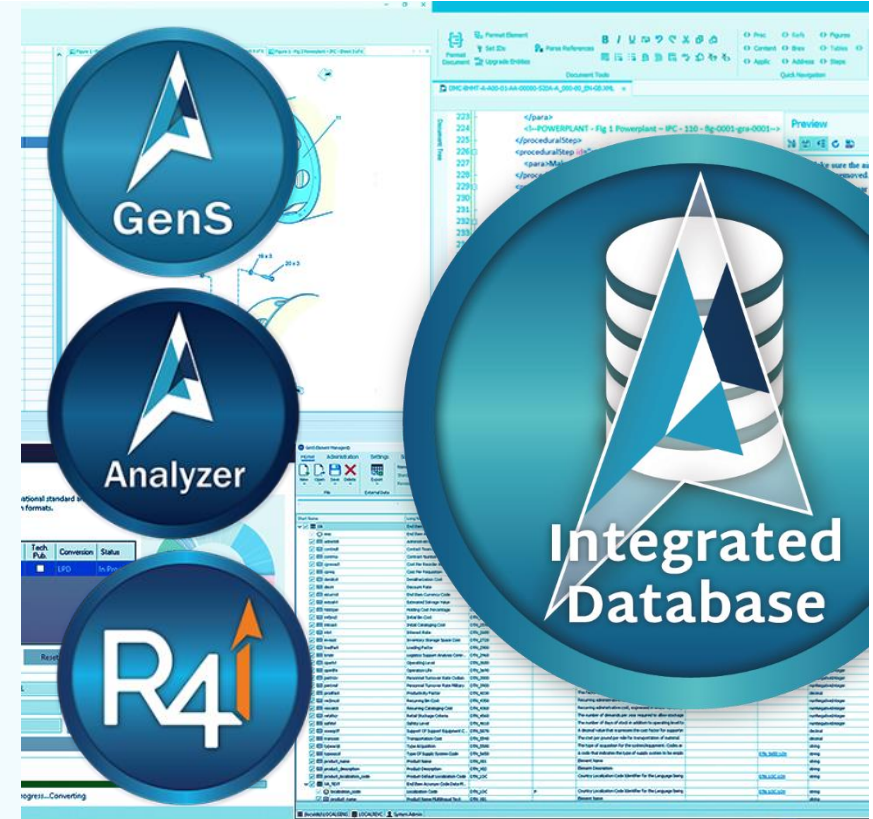
SYSTEMS SUPPORT **Auxilium**

Pennant's Auxilium IPS software suite offers a comprehensive package of tools that include:

- **Configuration** - logistics support analysis (LSA)
- **Modelling & analysis** - model-based product support
- **Documentation** - technical authoring and publication

Combined into a single **Integrated Database**:

- uses a common backend; maximising efficiency
- aligned to global standards & specifications
- ensures traceability and integrity of data



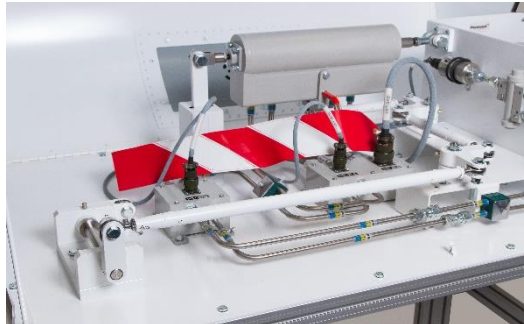
Whether you design, build, operate, train or maintain complex systems you need a comprehensive support solution.



TRAINING SOLUTIONS

Pennant provides training solutions that develop and refine skills and confidence, aligned to global standards and regulation. They are used in a safe and controlled environment, without the risks associated with real-world scenarios.

We address the market through the following solutions:



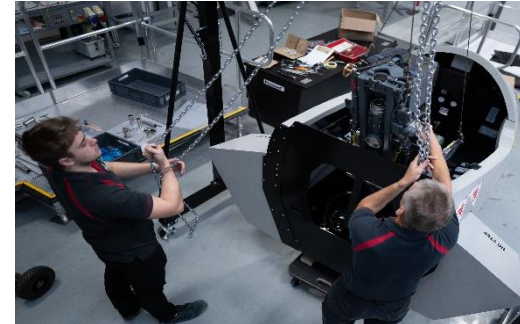
HAND SKILLS TRAINERS

- 'Off the shelf' training aids to support practical and theoretical training
- Designed to build confidence and develop the fundamental transferable skills all students need
- Aligned to global standards and regulations



PART TASK TRAINERS

- Replicate a specific part or aspect of a larger system or procedure
- Refine abilities in a targeted manner
- A safe and controlled environment without the risks associated with real-world scenarios.



PROCEDURAL TRAINERS

- Develop and maintain high levels of procedural proficiency
- Realistic and immersive training experience
- Leverage software-based trainers to provide feedback and enhance maintenance training programs.



SYSTEM TRAINERS

- Realistic and immersive training experience
- Self-paced learning options available
- Familiarity with specific procedures
- Modular and adaptive approach

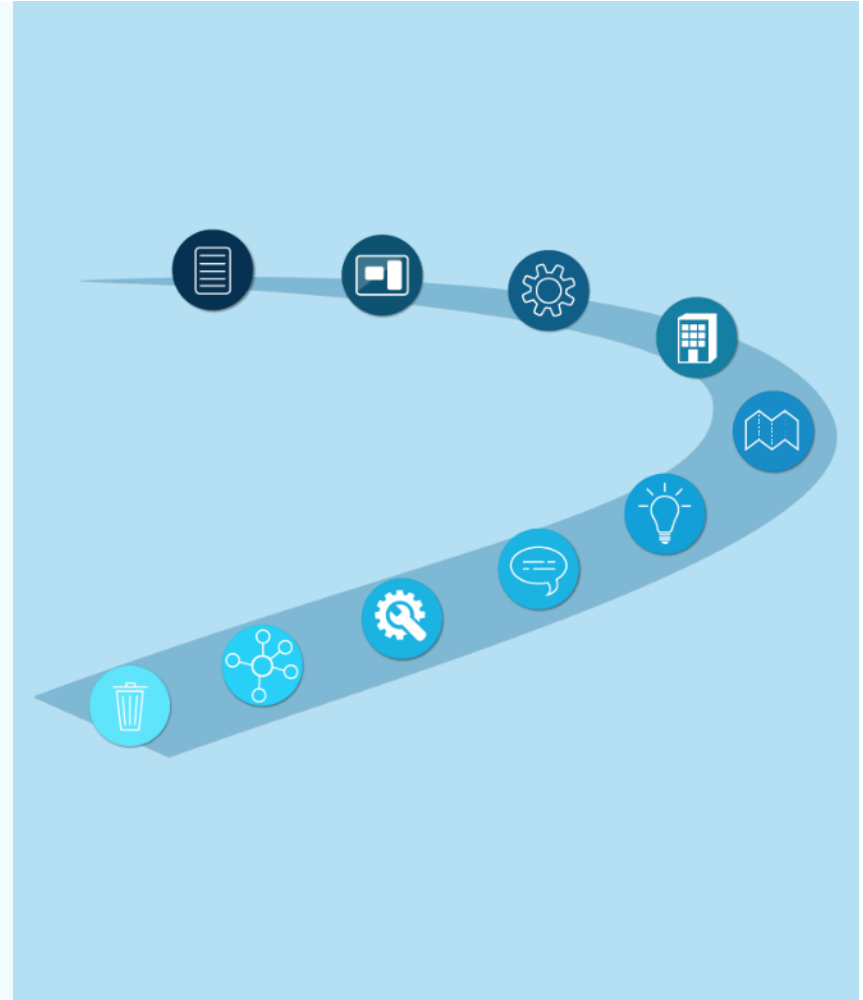


TECHNICAL SERVICES

Pennant's dedicated service departments deliver highly professional, reliable and cost-effective services for our customers.

We are able to support in everything from consultancy, technical publication, training services, bespoke solutions and maintenance of our training devices.

- Training Needs Analysis (TNA)
- Technical Publications, IETMS, S1000D etc.
- Competency Mapping to EASA, EMAR, City of Guilds
- In Service Support and Maintenance
- Instruction and Training
- Bespoke Software Development
- Consultancy





CASE STUDY – AUSTRALIAN DEFENCE

CLIENT NEED

Defence Australia ('DA') needed to improve efficiencies and reduce costs through the better management of equipment relating to the operation of their air platforms

PENNANT'S SOLUTION

Pennant provided its configuration management software to manage the platform data

RESULT

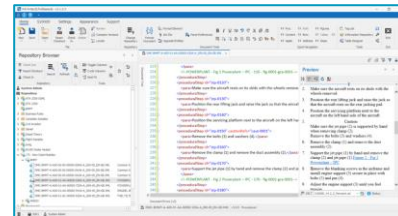
Pennant software is now embedded with the client – We have subsequently installed a suite of training systems (circa £10.0m) and supplied our technical documentation software alongside professional authoring services.

OPPORTUNITY

We are in negotiations to enhance the training system capability, upgrade the DA database and documentation software to a subscription basis model.

LONGEVITY OF CLIENT

DA has been a client since 2003 and services are contracted until at least 2027, with the aim of extending this until 2033. Annual recurring software and services revenues from Australian Defence currently total £1.75m.



“Pennant’s ongoing support in the design, development and maintenance of innovative training assets continues to be a major factor behind our continued success.” – BAE Systems Australia



MARKET OPPORTUNITY

The latest defence spending figures for our regional markets:



UK (2022)

\$68.46 Bn



US (2022)

\$876.94 Bn



Canada (2022)

\$26.9 Bn



Australia (2022)

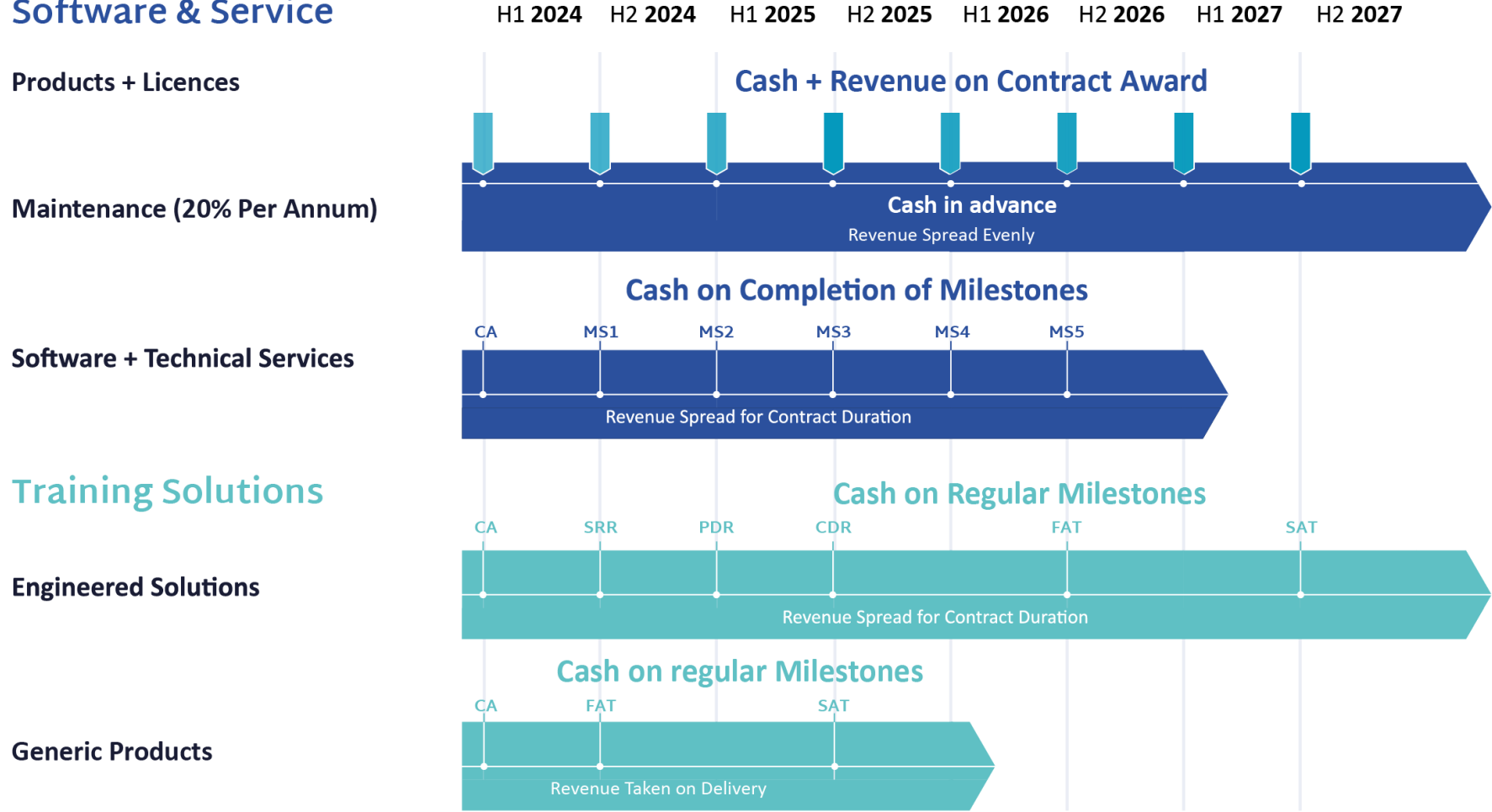
\$32.3 Bn

- **Defence market trends: increased NATO spend; move towards Performance Based Logistics; Ukraine showing importance of sustainment.**
- **Total Defence Spending in our markets is circa \$1004.6Bn p.a.**



REVENUE RECOGNITION

Software & Service



- Glossary:**
- CA - Contract Award
 - FAT - Factor Acceptance Testing
 - SRR - Systems Requirement Review
 - SAT - Site Acceptance Testing
 - PDR - Preliminary Design Review
 - CDR - Critical Design Review

