

APRIL 2025



INVESTOR BRIEFING

FULL YEAR RESULTS TO 31 DECEMBER 2024



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PRESENTATION TEAM



Philip Walker – Chief Executive Officer

- Originated and implemented strategy to transition Pennant from a project based, capital intensive operation to a high margin software and technical services business



Darren Wiggins – Chief Financial Officer

- Chartered accountant with significant financial and operational management experience
- Previously worked for Melrose plc and latterly Meggit Aerospace in the UK and Singapore
- Joined the company in November 2024

FY24 OVERVIEW

- 2024 results in line with market expectations
- Launched Auxilium software
- Repositioned for growth - decisive action taken, pivot towards highly scalable Software and Technical Services model
- Training Systems business streamlined
- Introduced regional operating model
- Developing 'go to market' channels
- Significantly strengthened the Board



PENNANT



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PENNANT OVERVIEW



GLOBAL BUSINESS

UK (HQ), Canada,
USA, Australia



100+
Employees



REVENUE
80% Defence, 10% Rail,
10% Aerospace



**GEOGRAPHIES
(% REV)**
53% EMEA, 27% APAC, 20% NA

Group aspirations:

- Auxilium software to be the systems support enterprise solution of choice
- Increase market share at an improved rate of return with a high operating cash conversion in chosen markets



HOW WE OPERATE

We address the market through three key segments:

Recurring, Repeatable & Predictable Revenue



SYSTEMS SUPPORT SOFTWARE

Our software tools are designed to help clients:

- Comply with industry standards.
- Manage and use complex data.
- Ensure equipment availability at optimal cost.



TECHNICAL SERVICES

Provision of expert services to support users of Pennant or third party solutions, including:

- Consultancy
- Support & maintenance
- Training
- Bespoke development

Project Based Revenues



TRAINING SYSTEMS

Our training solutions provide:

- Hardware, software and virtual solutions.
- Critical skills training for maintainers and operators of aircraft, ships and land systems.

SYSTEMS SUPPORT SOFTWARE



Integration

Common data repository
Single source of truth that ensures traceability and integrity, that support a range of global standards & specifications



Configuration

Logistic Support Analysis (LSA) improves the availability and reliability of systems, by ensuring that maintenance and support are well-planned to optimise cost



Analysis

Model-based supportability and analysis tool to make informed decisions for an asset's life cycle support solution



Authoring & Publishing

For rapid creation of S1000D and ATA Technical manuals, published in PDF or IETP

Auxilium



OUR SOLUTIONS IN ACTION



Database management



Configuration management



Modelling and analysis



Documentation management



Training Systems

“We ensure mission critical systems are where they are needed, when they are needed and that they work.”

FINANCIALS





HIGHLIGHTS

	Adjusted ⁽¹⁾ results		Statutory results	
	2024	2023	2024	2023
	£m	£m	£m	£m
Revenue	13.8	15.5	13.8	15.5
EBITA	1.2	1.8	(1.0)	1.4
(Loss)/profit before tax	(0.3)	0.6	(3.0)	(0.4)
Net Assets			8.3	9.8
Net Debt			(2.3)	(1.9)

- Trading results in line with market expectations
- Adjusted EBITA of £1.2m, down 34% on prior year
- Successfully completed the delivery under a 3-year contract with Boeing Defence UK for updates to AH Mk1 Apache training equipment - revenue recognised, in the Training Systems segment, in year £3.5m (2023: £5.2m)
- Software & Services (recurring and repeatable revenue) stable at £9.6m (2023: £9.6m) and 69% of Group total
- Gross profit margin for the Period of 50% (2023: 50%)
- Capitalised investment into Auxilium software of £1.4m funded by H1 equity raise
- Post Period-end, the Group has taken actions to strengthen the balance sheet and ensure that ongoing operations are appropriately funded

⁽¹⁾ Adjusted to exclude one off or non-recurring items – see next slide for reconciliation



STATUTORY INCOME STATEMENT

Income Statement			
£m		2024	2023
Revenue		13.8	15.5
Cost of sales		(6.9)	(7.8)
Gross Profit		6.9	7.7
	Exceptional costs	(2.3)	(0.3)
	Profit on sale of Land & Buildings	0.2	-
	Other administrative expenses	(7.6)	(7.5)
Administrative expenses		(9.7)	(7.8)
Other income		0.2	0.2
Operating Loss		(2.6)	0.1
Net Finance costs		(0.4)	(0.5)
Loss before taxation		(3.0)	(0.4)
Tax credit / (charge)		0.5	(0.6)
Loss for the year		(2.5)	(1.0)



RECONCILIATION BETWEEN STATUTORY & ADJUSTED RESULTS

Reconciliation statutory to adjusted EBITA	
£m	2024
Statutory EBITA (operating loss less amortisation charges)	(1.0)
Restructuring expense	2.1
Aborted transaction costs	0.2
Share based payments	0.1
Profit on sale of land & buildings	(0.2)
Adjusted EBITA	1.2



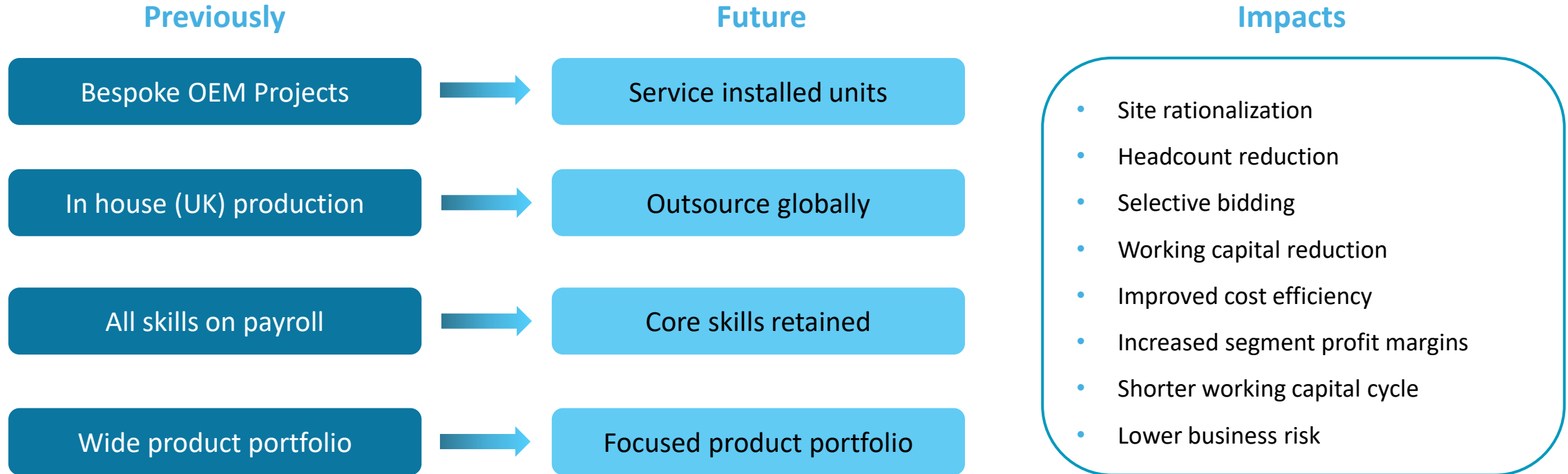
Adjusted results

- The Pennant Board considers the adjusted results to be an important measure to exclude non-trading or non-recurring items and therefore better monitor and compare performance between reporting periods

Restructuring expenses		
£m	P&L charge	Cash
Impairment of capitalized development costs	0.8	-
Impairment of fixed assets	0.3	-
Write down of inventory	0.4	-
Termination costs	0.4	0.4
Professional fees	0.1	0.1
Total restructuring expense	2.1	0.5



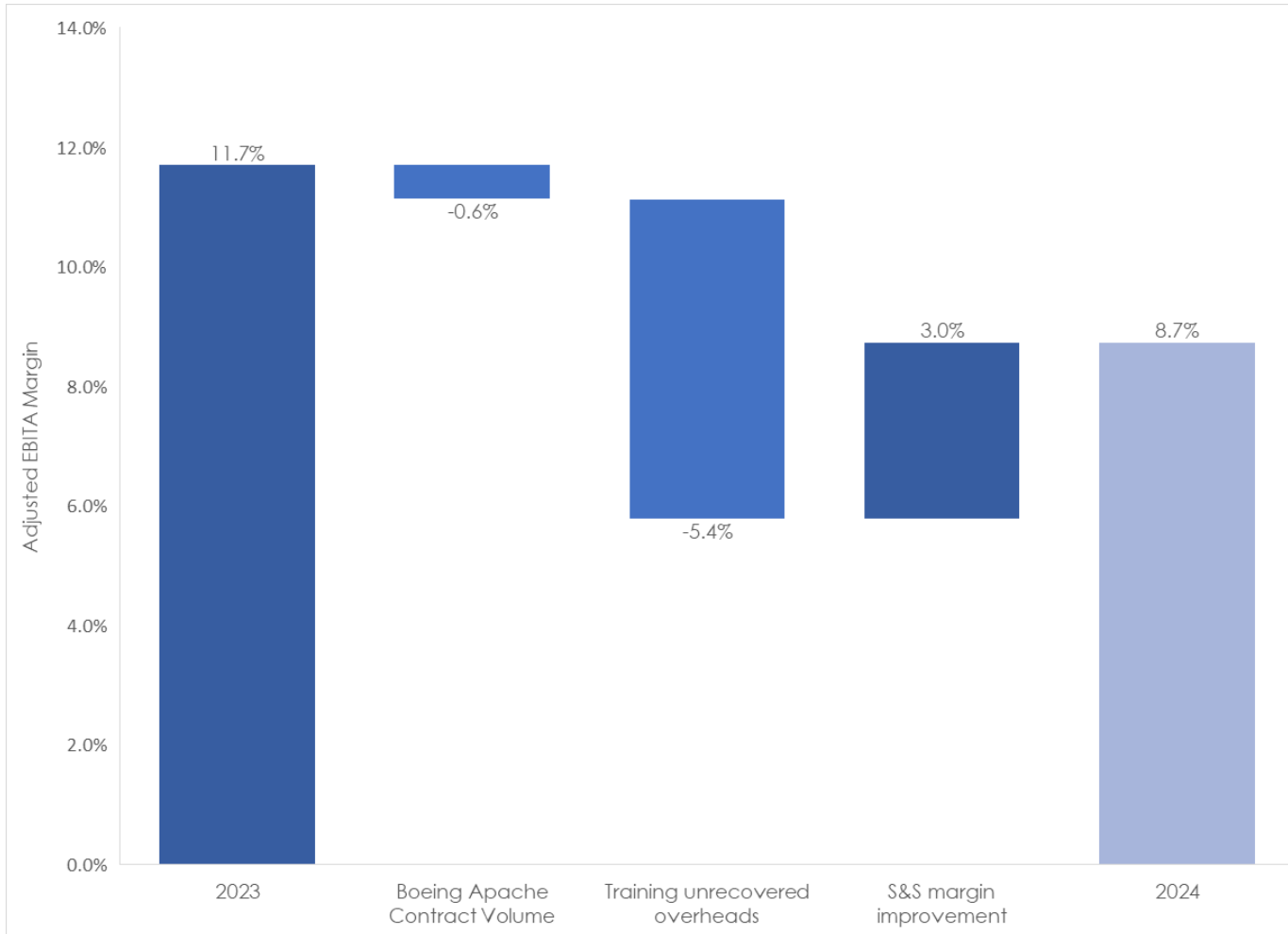
TRAINING SYSTEMS – RESTRUCTURING RATIONALE



- Cash cost of restructuring exercise £0.5m
- Headcount reduced from 140 to circa 110 going into Q1 2025
- Estimated annual cost savings £2.0m (£1.8m from staff costs)
- Property sales will serve to improve our current ratio from c.50% to c.90% by H1 2025



ADJUSTED EBITA MARGIN BRIDGE



- Downturn in Training Systems demand leading to unrecovered overheads
- Restructuring exercise undertaken in Q4 has removed £2m of costs from the business which will protect profit margins in 2025
- Boeing Apache contract was high gross margin
- Bullish on future margins due to
 - Cost reduction exercise completed
 - Bids on Training System contracts are aftermarket and therefore lower material content
 - Continued growth of high margin Software and Services segment



STATEMENT OF FINANCIAL POSITION

£m	2024	2023
Current assets	7.6	5.4
Non-current assets	8.3	13.3
Total assets	15.9	18.7
Current liabilities	7.0	8.0
Non-current liabilities	0.6	0.9
Total liabilities	7.6	8.9
Net Assets	8.3	9.8

- UK freehold land & buildings (£3.0m) reclassified to current assets in accordance with IFRS 5
- Training assets impaired following restructuring exercise undertaken in H2
- Net working capital -£0.3m (2023: -£0.5m)



CASH GENERATION IN THE YEAR

Operating Cash Flow	
£m	2024
Operating cash before changes in working capital	0.4
Changes in working capital	(0.2)
Tax received	0.4
Interest paid	(0.4)
Net cash from operations	0.2

Reconciliation of net debt	
£m	2024
Opening net debt	(1.9)
Net cash from operations	0.2
Net cash used in investing activities	(1.6)
Net cash from financing activities	1.1
FX	0.1
Closing net debt	(2.3)

- Positive cash generation from operations highlights management's focus on working capital discipline
- Cash cost of restructuring exercise £0.5m
- Further investment in the development of our integrated Auxilium software £1.4m (2023: £1.5m)
- Equity raise £1.35m (existing shareholders) net of fees to fund the continued product development program
- Operating within the HSBC overdraft facility limit of £3.5m (2023: £4m)
- Post balance sheet events have strengthened the balance sheet
 - Completion of the sale of UK properties, £2m cash proceeds net of costs (profit on disposal of £0.1m)
 - Renewal of the existing HSBC overdraft facility on an unsecured basis (following the bank's release of charges on the UK property assets) up to an available limit of £2m



SEGMENTAL REVENUE PERFORMANCE

Revenue			
£m	2024	2023	Movement
Software licenses & products	0.4	1.1	(0.7)
Software maintenance	1.9	1.6	0.3
Technical services	7.3	6.9	0.4
Software & Services	9.6	9.6	-
Engineered solutions	3.6	5.2	(1.6)
Generic products	0.6	0.7	(0.1)
Training Systems	4.2	5.9	(1.7)
Total Revenue	13.8	15.5	(1.7)

- Revenues contributed by the Software and Services CGU remained flat at £9.6 million year over year and represented 69% of the total revenue for the period (2023: 62%)
- The reduction in Training Systems revenue is explained by the successful completion of the Apache program



FINANCE COSTS AND TAX

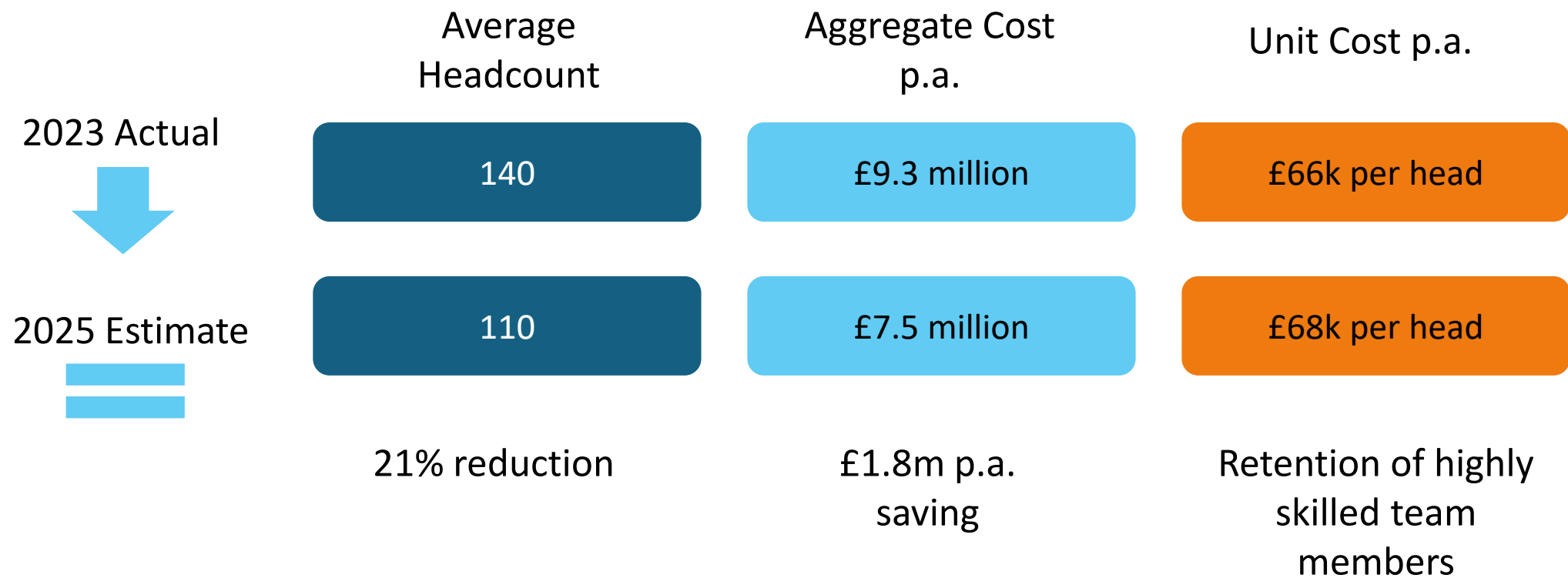
Finance costs	£'000
Interest expense for bank overdraft	(195)
Lease interest	(77)
Interest payable on deferred consideration	(36)
Movement in discounting	(105)
Other interest expense	(31)
Total finance cost	(444)

Tax credit	£'000
Current tax credit	249
Current tax prior year adjustment	44
Deferred tax credit current year	182
Deferred tax charge prior year adjustment	(13)
Exchange difference	4
Total tax credit	466

- HSBC overdraft facility carries interest at 2.50% (2023: 2.50%) plus the bank's base rate
- Cash costs of finance are consistent with prior year
- The tax credit in 2024 includes:
 - R&D claims under UK incentive plans
 - Release of deferred tax liabilities relating to change in use of UK land & buildings
 - Deferred tax credit in Pennant America Inc. due to temporary timing differences
- The Group has total unrelieved UK tax losses carried forward of £7.0 million (2023: £6.8 million)



HUMAN RESOURCES



LOOKING FORWARD



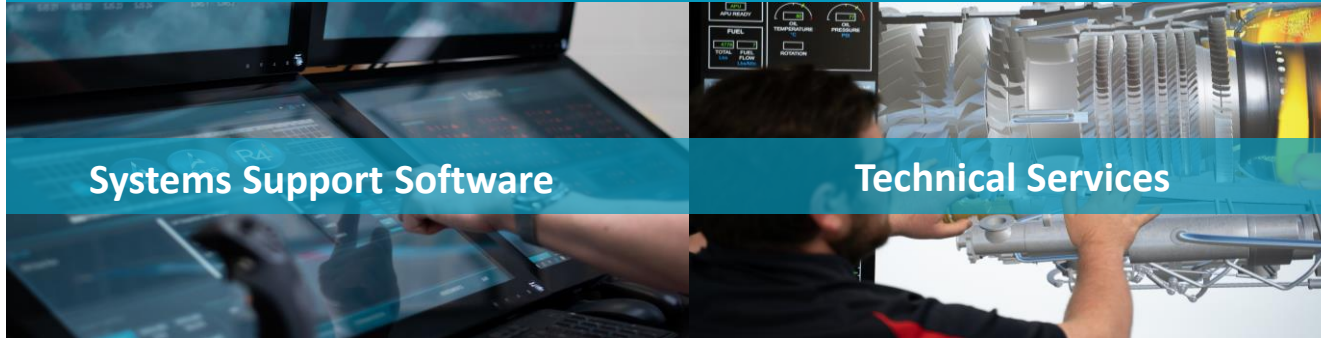
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STRATEGIC PRIORITIES

Recurring, Repeatable & Predictable Revenue



Systems Support Software

Technical Services

Organic

- Expanding reseller, agent and partnership relationships to globally expand market channel beyond UK, North America and Australia
- Enhancing support software functionality, including upgrades to support portal and customer tools

Opportunities

- Adding coverage of the global standards
- Up and downstream software products capable of integration
- Accessing opportunities in adjacent territories and / or markets with embedded customers

Project Based Revenue



Training Systems

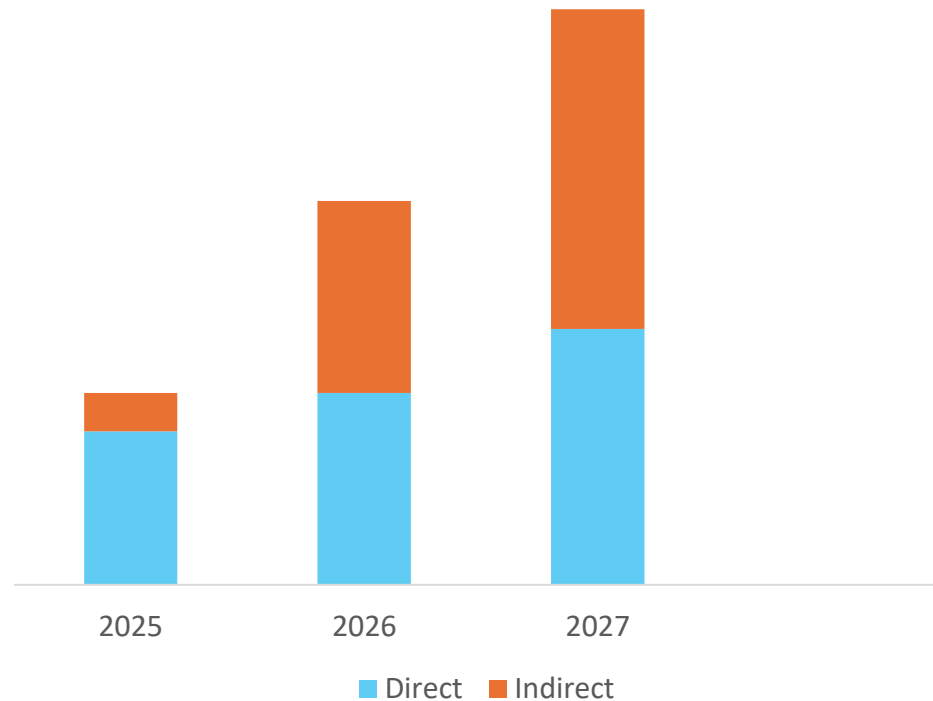
- Winning higher margin after market contracts
- Servicing installed base



SOFTWARE GROWTH TARGETS

23% CAGR 2024-2027

Cumulative Net New Users



Relies on Partnerships

- Auxilium software – Q1 licence sales on track
- New pricing model
- Continued investment in Auxilium, customer experience and business winning
- Go to market – developing indirect channel model in new markets and new territories
- Cross selling opportunities with applications integrated into holistic solution



OUTLOOK FY25

- As per market expectations, expecting a return to a positive (modest) PBT following completion of restructuring exercise
- Strong conversion of operating profit to operating cash
- Implementing go to market strategies to service new territories and markets
- Auxilium Q1 license sales on track
- Revenue in the training segment will reduce due to the successful completion of the Apache program. Training segment rationalisation completed.



