

PENNANT INTERNATIONAL GROUP PLC**Acquisition of Australian Software business for up to AUD\$6.5million (£3.44 million)**

- will form part of an enlarged, enhanced 'Integrated Logistics Support' offering
- provides increased presence in Pennant's target growth markets of North America and Australasia.

Pennant International Group plc ("**Pennant**", the "**Group**", or the "**Company**"), the AIM quoted supplier of integrated training and support solutions, products and services which train and assist operators and maintainers in the defence and regulated civilian sectors, is pleased to announce that it has exchanged contracts to acquire the entire issued share capital of Absolute Data Group Pty Ltd ("**ADG**") (the "**Acquisition**").

The maximum consideration for the Acquisition is \$6.5 million Australian dollars (£3.44 million), subject to adjustment on completion for cash, working capital and debt. 50% of the price is payable upfront (taking into account the aforementioned adjustment) with \$0.325 million (£0.172 million) to be settled by the issue of ordinary Pennant shares and the remainder in cash. The remaining 50% is payable in the five years following completion of the Acquisition (at 10% per year, settled in cash) subject, in each year, to the satisfaction of a financial performance hurdle.

Completion of the Acquisition is subject to the vendors' satisfaction of pre-conditions contained in the acquisition agreement and to finalisation of financing arrangements. The Group anticipates that the Acquisition will complete before the end of February 2020.

Acquisition Highlights

- ADG is an Australian business based in Brisbane which owns the 'R4i' suite of technical documentation software ("**R4i**").
- For its last financial year (which ended 30 June 2019), ADG reported (after adjustment to align with Pennant's IFRS15 compliant reporting):
 - Revenues of \$2.2 million (£1.22 million).
 - Profit before tax of \$0.890 million (£0.47 million).
 - Net assets of \$3.5 million (£1.85 million).
- ADG has a well-established US trading subsidiary which accounts for approximately 65% of the target group's sales.
- The Acquisition will provide Pennant with an expanded presence in its target growth markets of North America and Australasia.
- R4i provides its users with a dynamic, S1000D-compliant publication solution. ADG licences the software and provides related support, maintenance and consultancy services.
- The Acquisition will enable the integration of R4i with the Group's OmegaPS product, providing users with an end-to-end database and documentation solution.
- The ADG business will form part of an enlarged, enhanced 'Integrated Logistics Support' offering focused on the provision of software and other support services.
- The Acquisition aligns with the Company's strategy, in particular it diversifies and enhances the Group's revenues and reduces reliance on substantial engineered-to-order contracts.
- The Acquisition is expected to be earnings enhancing in the first year (before integration costs).
- ADG operates at higher gross margins than Pennant's existing business lines.

A further announcement will be made once the Acquisition has completed.

Commenting on the Acquisition, **Phil Walker (Pennant CEO)** said: “We have known and admired the ADG business for some time so we are delighted to have exchanged contracts for its purchase by Pennant. There are clear synergies between our respective businesses and numerous opportunities to provide an end-to-end solution to the users of our products. We are looking forward to working with the vendors, Tammy and Michael, as ADG moves into an exciting new phase.”

Certain information contained in this announcement would have constituted inside information (as defined by Article 7 of Regulation (EU) No 596/2014) ("MAR") prior to its release as part of this announcement and is disclosed in accordance with the Company's obligations under Article 17 of MAR.

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Additional information on ADG

- ADG was founded in 1997 by its current owner/managers Tammy and Michael Halter (who will enter into new service agreements with the Group on completion of the Acquisition).
- ADG's key markets are currently North America and Australia.
- Current customers include defence departments and major OEMs.
- Pennant and ADG have been working together since 2019 on complementary opportunities and have already successfully launched a joint product (R4i-LTS) that interfaces directly from OmegaPS to R4i.

Notes to the announcement

- The target company under the Acquisition is Halter Holdings Pty Ltd, the holding company of ADG.
- The Acquisition will be transacted in Australian dollars.
- All sterling amounts stated in this announcement have been converted from the Australian denominated amount at a notional rate of exchange of £1 : \$1.89.