

FOR IMMEDIATE RELEASE

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PENNANT INTERNATIONAL GROUP PLC

Completion of Australian Acquisition for up to £3.44 million

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 confirm that, further to its announcement on 21 January 2020, it has now completed the acquisition of the entire issued share capital of Absolute Data Group Pty Ltd ("**ADG**") (the "**Acquisition**").

About ADG

- ADG is an Australian business based in Brisbane which owns the 'R4i' suite of technical documentation software ("**R4i**").
- R4i provides its users with a dynamic, S1000D-compliant technical documentation solution. ADG licences the software and provides related support, maintenance and consultancy services.
- ADG was founded in 1997 by the vendors, Tammy Halter and Michael Halter.
- ADG's key markets are currently North America and Australia. ADG has a well-established US trading subsidiary which accounts for approximately 65% of its sales.
- Current customers include defence departments and major OEMs.

Summary of the key terms of the Acquisition

- The maximum consideration for the Acquisition is \$6.5 million Australian dollars (£3.44 million), subject to adjustment for cash, working capital and debt based on a set of completion accounts to be prepared shortly.
- 50% of the price is payable upfront (taking into account the aforementioned adjustment) with \$0.325 million (£0.172 million) being settled by the issue of 214,035 ordinary shares of 5p each in the capital of the Company ("**Consideration Shares**") (see 'Issue of Equity' section below). The remainder has been settled via the issue of a redeemable loan note paying an interest coupon of 10% per annum. The notes are non-transferable and will not be listed on AIM.
- The other 50% is payable in the five years following completion of the Acquisition (\$650,000 per year, settled in cash) subject, in each year, to the satisfaction of a financial performance hurdle.
- 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.
- Tammy Halter (ADG's managing director) and Michael Halter (ADG's product manager and senior developer) each entered into a new service agreement upon completion of the Acquisition.
- Tammy has been appointed as Pennant's regional managing director for Australasia.

Financial Impacts

- 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).
- The Acquisition is expected to be earnings enhancing in the first year (before integration costs).
- Following the Acquisition, Pennant's projected annualised turnover for the Australasia region will be in the region of \$5.5 million (£2.9 million).

Benefits of the Acquisition

- 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 provides Pennant with an expanded presence in its target growth markets of North America and Australasia.
- The ADG business now forms part of an enlarged, enhanced 'Integrated Logistics Support' offering focused on the provision of software and other support services.
- The Acquisition enables the integration of R4i with the Group's OmegaPS product, providing users with an end-to-end database and documentation solution.

Issue of Equity

Application for admission to trading on AIM for the 214,035 Consideration Shares has been made and admission is expected to take place on 5 March 2020. The Consideration Shares will rank pari passu with the existing ordinary shares in issue. The Consideration Shares will represent approximately 0.59% per cent. of the Company's enlarged issued share capital on admission.

In accordance with the provision of the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority, the Company confirms that, following the issue of the Consideration Shares, its issued ordinary share capital will comprise 36,328,631 ordinary shares of 5 pence each. All of the ordinary shares have equal voting rights and none of the ordinary shares are held in Treasury. The total number of voting rights in the Company will therefore be 36,328,631 on admission of the Consideration Shares. The above figure may be used by shareholders as the denominator for the calculations to determine if they are required to notify their interests in, or change to their interest in the Company.

Commenting on the Acquisition, **Phil Walker (Pennant CEO)** said: "I am delighted to confirm the acquisition and welcome Tammy, Michael and the ADG team into the Pennant Group. We look forward to working together to integrate and grow this exciting business."

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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Notes to the announcement

- The target company under the Acquisition is Halter Holdings Pty Ltd, the holding company of ADG.
- The Acquisition is 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.