

PENNANT INTERNATIONAL GROUP PLC

Trading Update & Notice of Interim Results

Return to positive EBITA; business mix transformed; significant gross margin improvement

Pennant International Group plc (AIM:PEN) (“**Pennant**”, the “**Group**” or “**Company**”), a leading global provider of training technology and integrated product support solutions, issues the following trading update for the six months ended 30 June 2022 (the “**First Half**”). The Company expects to publish its Interim Results on 21 September 2022.

Financial Summary

A preliminary unaudited assessment of the Group's trading for the First Half indicates:

- revenues of £6.9 million (H1 2021: £7.4 million) of which circa 65% are recurring;
- 52% of revenues generated from software licensing and associated activities (H1 2021: 35%);
- gross margin of 41% (H1 2021: 21%);
- earnings before interest, taxation and amortisation of £0.1 million (H1 2021: EBITA loss of £1.0 million);
- net debt at period end of £4.1 million (H1 2021: £1.9 million), see ‘Working Capital’ section below; and
- three-year order book at period end of £27 million (H1 2021: £26 million).

Revenue Composition

Revenues by region and by workstream during the First Half were as follows:

Revenue by region	£m
UK, Europe & Middle East	2.7
North America	2.4
Australasia	1.8
Total	6.9

Revenue by workstream	£m
Engineered Solutions	1.4
Generic Products	0.4
Technical Services	1.5
Software Product/Licences	0.6
Software Maintenance	0.8
Software Services	2.2
Total	6.9

Programme Delivery

An update is provided below on the Group's key ‘engineered-to-order’ programmes:

GD MTE: the first two devices were delivered to the end user's site during the First Half. One of the devices has successfully passed site acceptance testing while the other enters testing early next month. The second two devices are scheduled to be delivered to an alternative site in September once the relevant facility has been commissioned ready for their arrival. The programme is on schedule to be completed before year-end.

UK Helicopter programme: Under this contract with a UK OEM (worth c. £3.5 million), Pennant is required to convert a real helicopter airframe into a systems trainer. The finished training device was delivered to the end user's site during the First Half and has successfully passed site acceptance. All events and milestones to date have been passed and paid in full and the programme is scheduled to complete shortly.

UK Apache upgrade programme: Pennant has been contracted by Boeing Defence United Kingdom Limited to upgrade Apache Mk 1 training devices to align with the Mk 2 variant (contract value: £8.8 million). The first engineering event was held and passed during the First Half, and the associated milestone payment has been invoiced and paid in full post period end.

Working Capital

The Group's net debt position is expected to materially improve during the second half, as invoices on the above three programmes, and other contracts, are raised and settled. The sale of the Group's under-utilised Pennant Court facility is well-progressed, with exchange of contracts imminent. The sale value is in excess of the bank's security value and the transaction is anticipated to be significantly cash positive, providing additional working capital and funds for product investment if needed.

Global Economic Situation

Like most businesses, the Group is experiencing certain pressures from inflation in all key regions. The Group is keeping its pricing policy and supply chain arrangements under review and where contracts contain escalation mechanisms to respond to inflation these are being monitored. To help our staff during this time, and to ensure key employees can be recruited and retained during this period of intense wage competition, the Group has awarded all staff a mid-year pay rise.

This announcement contains inside information for the purposes of Article 7 of the UK version of Regulation (EU) No 596/2014 which is part of UK law by virtue of the European Union (Withdrawal) Act 2018, as amended ("MAR"). Upon the publication of this announcement via a Regulatory Information Service, this inside information is now considered to be in the public domain.

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