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Company Briefing

Pennant International Group Plc

Cheltenham | Manchester | Fareham | Hertfordshire | Ottawa | Brisbane | Melbourne | Wagga Wagga

Pennant 



Summary

- Challenging trading conditions; signs of improving trading momentum in H2;
- Successful acquisition and integration of R4i software suite; expanded geographical footprint;
- Operational restructuring; improved efficiencies; over £1m net annualised cost savings to be realised;
- Net debt (£1.4m); receipts of £2.5m due in Dec 20 received in first week of Jan 21;
- Impact of Covid and Integrated Review on pipeline – Major Programme;
- Board changes.



Strategic framework

STRATEGIC OBJECTIVES

- 1

Continuously review and enhance the Group's product range
- 2

To grow and improve our service offering
- 3

Accelerate the Group's presence in civilian training and regulated engineering markets
- 4

Expand the Group's business in innovative ways

OUR STRATEGY IN ACTION



Completion of the Basic Helicopter Maintenance Trainer (BHMT)



Acquisition and integration of R4i software suite



Completion of the Generic Stores Loader Trainer (GSLT)



Pennant Customer Care Portal



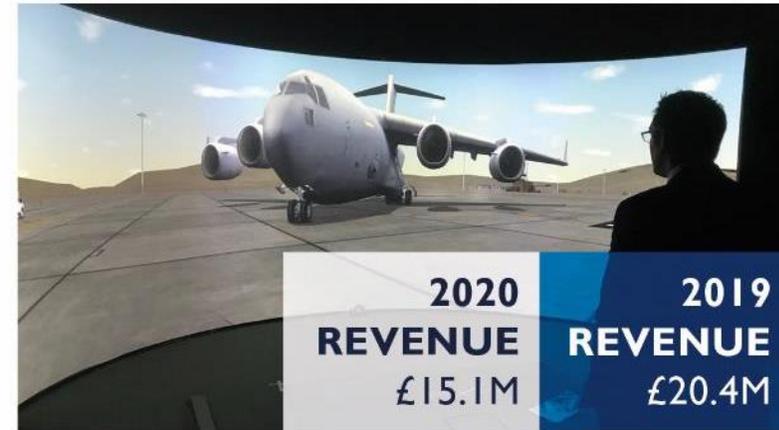
New GenS product launched at the User Forum



IPS Website launched



Headline numbers





Summary – 31st December 2020

- ▶ Group revenues for the period of £15.1 million (2019: £20.4 million);
- ▶ Gross profit margin of 29% (2019: 36%);
- ▶ Loss before tax of £3.1 million (2019: loss before tax of £1.6 million);
- ▶ Underlying EBITA loss of £1.0 million (2019: underlying EBITA profit of £1.6 million);
- ▶ Loss for the year attributable to shareholders was £(2.6) million (2019: loss of £1.5 million);
- ▶ Basic loss per share of 7.22p (2019: loss of 4.16p);
- ▶ Group net assets at year-end of £12.5 million (2019: £14.9 million);
- ▶ Net debt at year-end of £1.4 million (2019: net debt of £2.2 million);
- ▶ No final dividend recommended (2019: £NIL);
- ▶ Three-year order book at year-end stood at £31 million (2019: £33 million).



Consolidated Income Statement

| £m | 31 Dec 2018 (Audited) | 31 Dec 2019 (Audited) | 31 Dec 2020 (Audited) |
|---------------------------------------|--------------------------|--------------------------|--------------------------|
| Revenue | 21.07 | 20.43 | 15.06 |
| Gross profit | 8.26 | 7.35 | 4.38 |
| Administrative expenses | (5.10) | (9.19) | (7.92) |
| EBITA / PBITA | 3.33 | 0.12 | (1.64) |
| Amortisation | (0.15) | (1.64) | (1.37) |
| Operating profit / (loss) | 3.18 | (1.52) | (3.01) |
| Net finance costs | - | (0.11) | (0.13) |
| Tax | 0.03 | (0.13) | (0.51) |
| Profit / (loss) for the period | 3.15 | (1.49) | (2.63) |



H1 v H2 Performance

| £m | H1 | H2 | 2020 |
|-------------------------|--------------|------------|--------------|
| Revenue | 6.0 | 9.1 | 15.1 |
| Gross profit | 1.1 | 3.3 | 4.4 |
| Operating margin | (3.2) | 0.2 | (3.0) |
| Non-underlying costs | 0.4 | 0.2 | 0.6 |
| Underlying EBITA | (2.0) | 1.0 | (1.0) |

- Signs of improved trading momentum in H2
- Non-underlying costs relate to the operational restructuring expense incurred and aborted acquisition costs
- Net annualised cost savings of over £1m to be realised in 2021



Consolidated Balance Sheet

| £m | 31 Dec 2018 (Audited) | 31 Dec 2019 (Audited) | 31 Dec 2020 (Audited) |
|-------------------------|--------------------------|--------------------------|--------------------------|
| Non-current assets | 9.7 | 11.6 | 14.8 |
| Current assets | 8.9 | 11.3 | 7.9 |
| Current liabilities | (4.5) | (6.9) | (7.8) |
| Non-current liabilities | (0.1) | (1.2) | (2.5) |
| Shareholders funds | 14.0 | 14.9 | 12.5 |

- Non-current assets reflect the Goodwill recognised on the acquisition of ADG (£1.5m) plus the related software asset addition (£2.2m) and capitalisation of development costs (£1.3m)
- Current assets include trade and other receivables of £4.9m - £2.5m settled in first week of Jan 21
- Current liabilities include bank overdraft of £2.9m
- Non-current liabilities include the contingent consideration of the acquisition of ADG (£1.4m)



Consolidated Cash Flow

| £m | 31 Dec 2019 (Audited) | 31 Dec 2020 (Audited) |
|--|--------------------------|--------------------------|
| Net cash from operations | (2.21) | 3.15 |
| Investing activities | (3.01) | (2.19) |
| Financing activities | 1.18 | 0.23 |
| Net increase / (decrease) in cash and cash equivalents | (4.04) | 0.72 |
| Cash and cash equivalents brought forward | 1.85 | (2.24) |
| Impact of foreign exchange | (0.05) | 0.07 |
| Cash and cash equivalents at end of year | (2.24) | (1.45) |

- Net cash from operations reflects the positive cashflows from contract milestone achievement
- Investing activities includes circa £1.6m spent on ADG (£0.8m net of cash acquired) acquisition and £1.3m from investment in intangible assets



Net cash generated from operations

| Cash generated from operations (£m) | 31 Dec 2019 (Audited) | 31 Dec 2020 (Audited) |
|--|-----------------------|-----------------------|
| (Loss) for the year | (1.49) | (2.62) |
| Depreciation | 0.81 | 0.72 |
| Amortisation | 1.64 | 1.36 |
| Share based payments | 0.09 | 0.08 |
| Other – finance, tax, profit on disposal | 0.47 | (0.70) |
| Operating cash flow before working capital | 1.53 | (1.16) |
| Working capital movement | (3.66) | 3.77 |
| Cash generated (used in) / from operations | (2.09) | 2.61 |
| Tax (paid) / received | (0.09) | 0.57 |
| Interest paid | (0.03) | 0.04 |
| Net cash (used in) / generated from operations | (2.21) | 3.15 |



Outlook & Order Book



Three year “period end” order book - *aggregate £31m*

| Contract (£m) | Scheduled for delivery | | | |
|--|------------------------|------------|------------|------------|
| | 2021 H1 | 2021 H2 | 2022 | 2023 |
| BAE Systems Australia 5 Year Rolling Term / 20 Year Framework – secured until 2025 | 0.8 | 0.8 | 1.6 | 1.6 |
| HMRC – rolling annual supply arrangement, commenced 2009 | 0.3 | 0.3 | 0.6 | 0.6 |
| General Dynamics – armoured vehicle trainer | 2.1 | 0.6 | - | - |
| R4i software maintenance | 0.4 | 0.4 | 1.1 | 1.2 |
| UK OEM – helicopter maintenance trainer | 0.8 | 1.2 | 0.5 | - |
| Middle East – installation of training aids | - | 0.3 | - | - |
| Ottawa DND - 5 year contract award to Dec 2023 | 1.8 | 1.8 | 3.6 | 3.6 |
| Middle East – generic product suite | 0.4 | 0.7 | - | - |
| Other – helicopter trainer support, R4i services, Morocco, Poseidon | 0.9 | 0.5 | 1.4 | 1.1 |
| TOTAL | 7.5 | 6.6 | 8.8 | 8.1 |



Selected Group Opportunities – active pipeline >£50m



TECHNICAL TRAINING SOLUTIONS

Single Source / Formally notified

- Major programme – circa £15m - £20m, meaningful progress achieved
- Middle East – initial order secured (£1.5m), remaining balance of circa £3m expected to be converted H2 2021
- UK MOD – capability upgrade to existing trainers

2021/2022

- UK MOD – mid-life update to existing solution
- Aus – mid-life update including capability enhancements
- Asia – provision of virtual parachute training solution

2023 & beyond

- Middle East – provision of suite of generic training aids to a new technical training facility



INTEGRATED PRODUCT SUPPORT

Single Source

- Canadian DND – extension of LSA / OmegaPS services contract, circa £3.5m per annum
- Australia ADF – extension of OmegaPS software licence, circa £150k per annum

2021/2022

- Canadian DND (Army) – R4i software
- ADF – services contract, S1000D data conversion
- North American OEM – R4i software
- US OEM – R4i software
- Global Aerospace & Defence Group – R4i software

2023 & beyond

- Canada DND – renewal of 5 year single source OmegaPS / LSA services contract

There is no certainty as to timing, value or success of the pipeline opportunities.



Business Priorities

- ▶ Implement and accelerate the Strategic plan, including:
 - ▶ Complete development and launch Omega GenS software solution
 - ▶ Progress corporate development activity – UK rail software and services
 - ▶ Establish US training partner / distributor
- ▶ Appoint new Chair
- ▶ Convert pipeline; increase contracted order book - £14.1m for FY21, £8.8m for FY22 and £8.1m for FY23



About Pennant



Ownership and Management

5p Ordinary Shares

| | |
|---|------------|
| Total shares in issue | 36,640,357 |
| AIM securities held in treasury | NIL |
| Percentage of AIM securities not held in public hands | 52.56% |

Significant Shareholders

| Stakeholder | Percentage holding |
|-----------------------------------|--------------------|
| C C Powell Concert Party | 17.13% |
| Premier Miton Group | 14.37% |
| BGF Investment Management Limited | 11.17% |
| Canaccord Genuity Group | 9.88% |
| Killik & Co LLP | 4.91% |

Board of Directors

Simon Moore
Chairman

Philip Walker
CEO

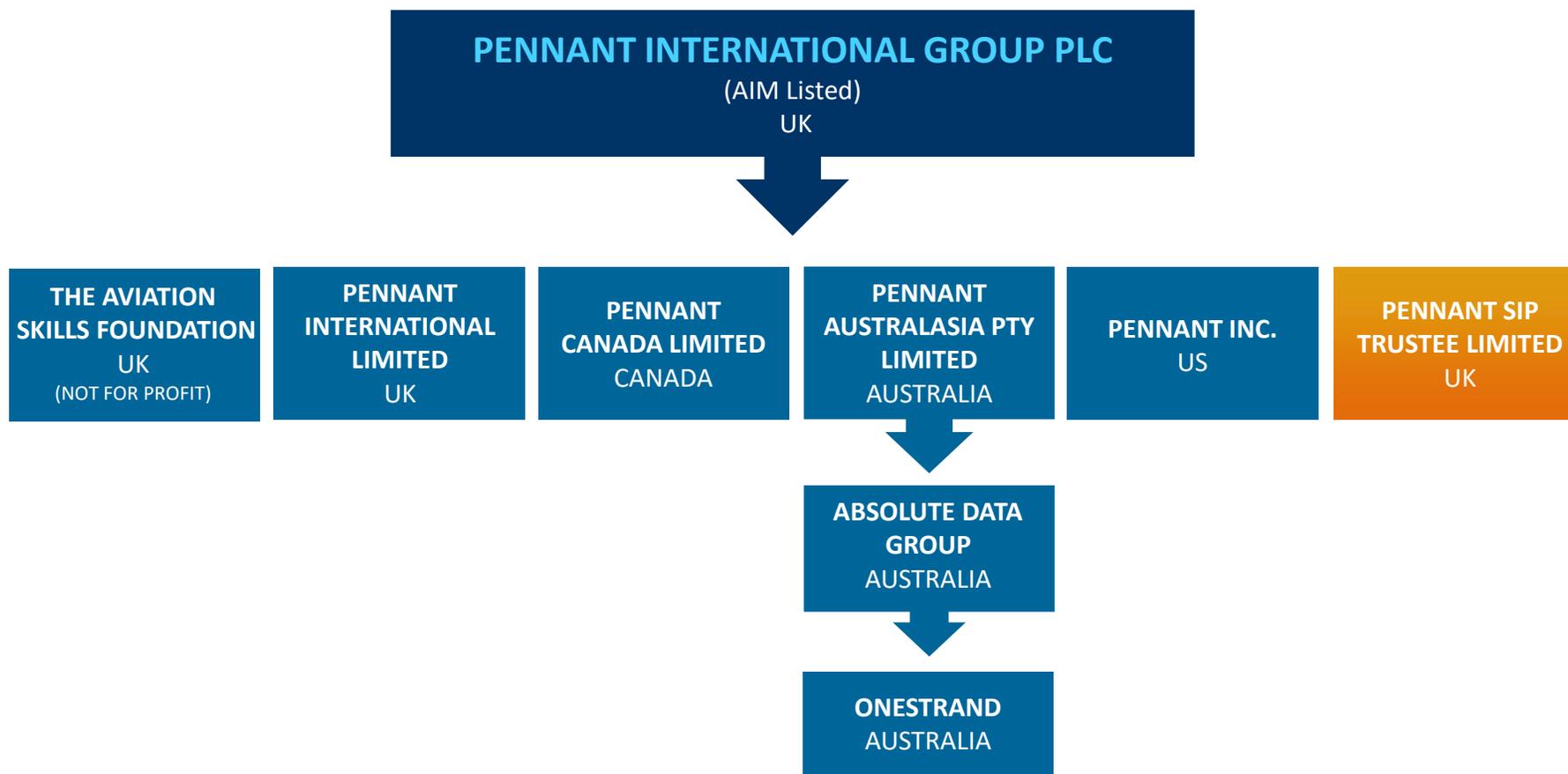
David Clements
Commercial Director

Mervyn Skates
Ops Director

Philip Cotton
NED

John Ponsonby
Vice Chair

Group Legal Structure



Our Facilities



Head Office
Cheltenham, UK



Manchester, UK



Fareham, UK



Hertfordshire, UK



Ottawa
Canada



Pennant Australia
Brisbane



Pennant Australia
Wagga, Wagga



Pennant Australia
Melbourne

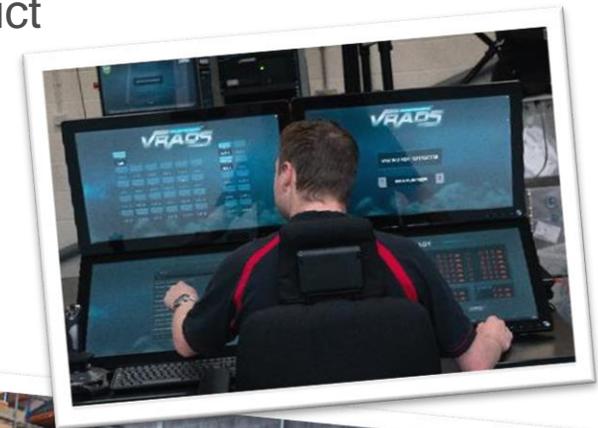


Operations



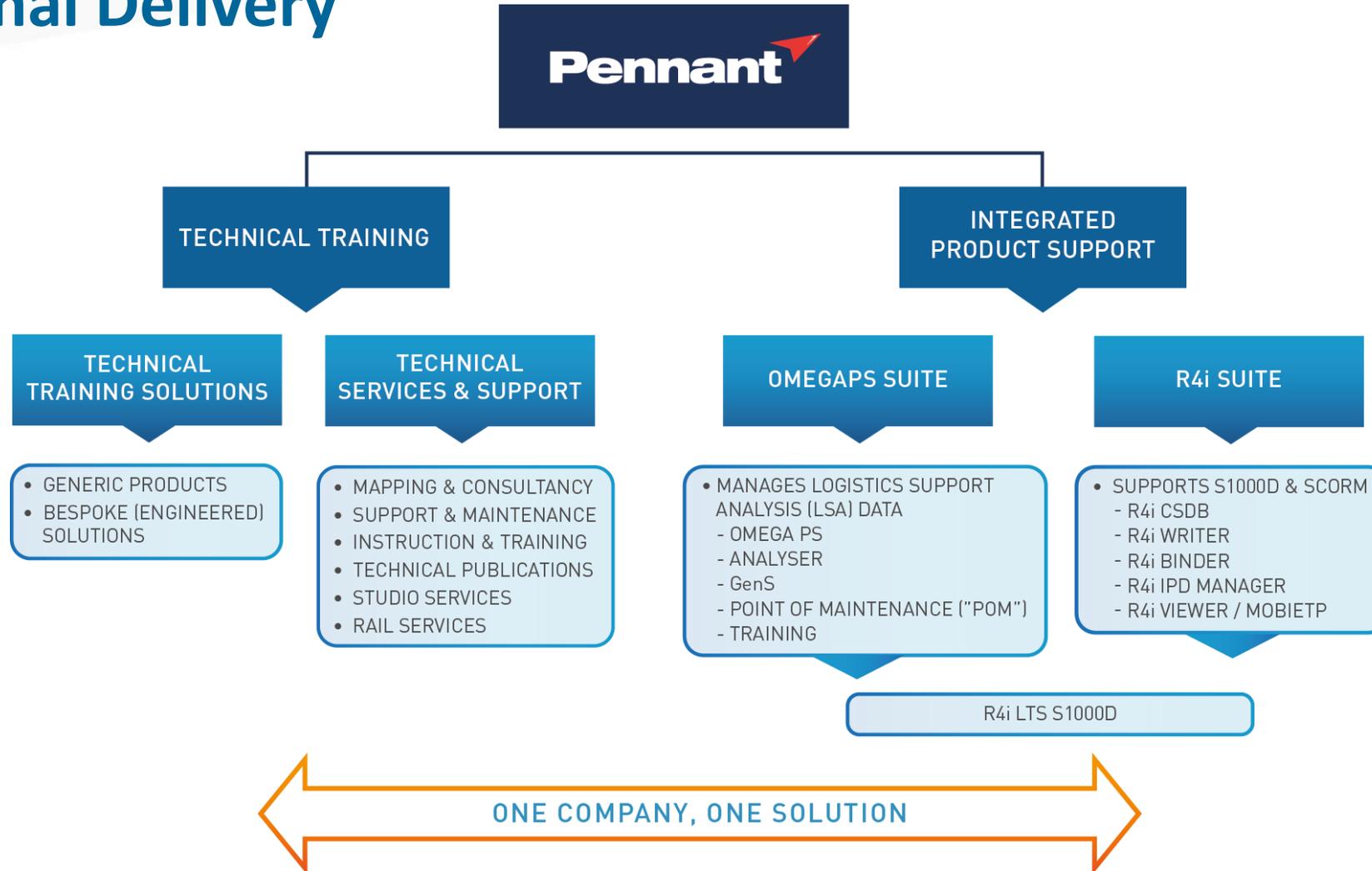
Core Capabilities

- Translating and developing complex training requirements into a deliverable product
- Providing subject matter expertise in specialist and technical areas
- Operator and maintainer training within an engineering or related environment
- Hardware and Software capabilities
- Through Life Support & Services (ILS)



Operational Delivery

Pennant



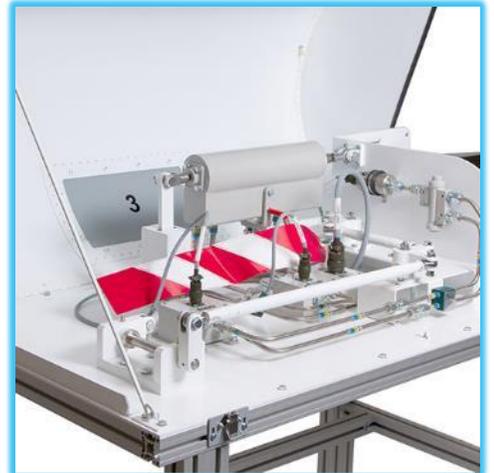


Technical Training



Generic Trainers

- Modern, off the shelf training aids
- Operation and maintenance savings
- Reduced safety issues
- Includes hand skill devices, VR procedure trainers and desktop emulators





Engineered Solutions

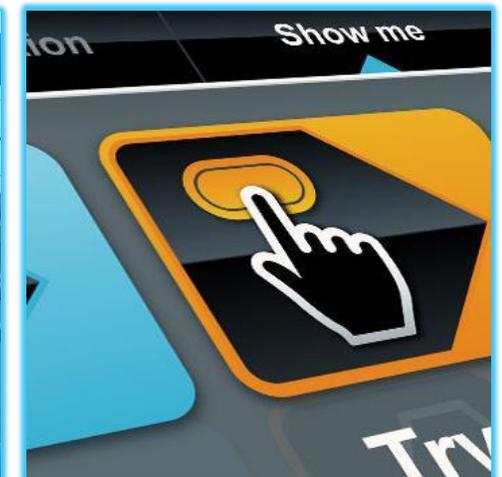
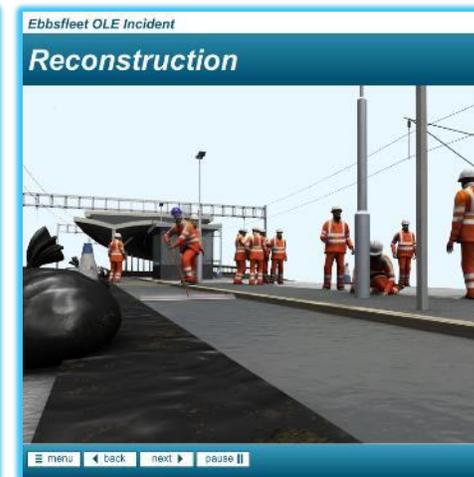
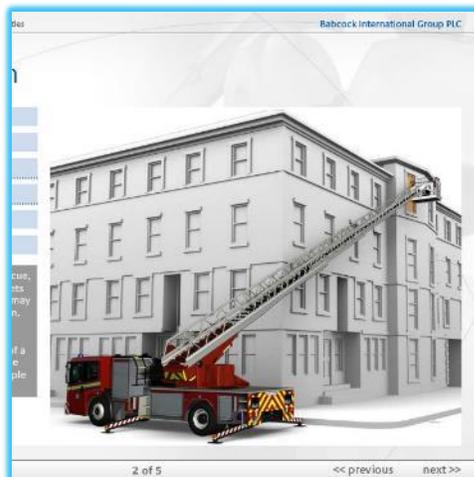
- Bespoke engineering solutions
- Platform specific or custom-built
- Can be simulators, part-task trainers and procedural trainers
- Defence and Civil customer base





Computer Based Training (CBT)

- Web and server-based e-learning
- Collaboration with government departments and global industry
- Provides consultancy and develops new strategies
- Access to anytime, anywhere training modules





Virtual Reality Trainers

- Award winning suite of solutions to provide effective training
- Training in a safe environment
- Multiple users at one time
- Multiple scenarios to improve learning
- Real-time faults and emergency solutions
- Ability to record responses and review activity



Track Access Systems (TAS)



➤ Operating in the UK since 2002

➤ Products & Services include:

- Track Access Portal
- Railway Survey
- Signal Sighting
- Railway Simulation
- Driver training



➤ Complementary to Pennants existing rail capabilities which include Technical publications, Rail Sims, OmegaPS Rail etc.

Technical Publications

Compiling technical documentation and procedural data can be complex and time-consuming, yet it is crucial to the understanding and delivery of a product, having a major impact on the image, reliability and value of an organisation.

- User guides
- Operating and maintenance manuals
- Illustrated Parts Catalogues
- Publicity material
- S1000D – IETM
- On-line Documentation

We have worked in partnership with:

AIRBUS

BAE SYSTEMS

ALSTOM

Kawasaki



KMW
KRAUSS-MAFFEI WEGMANN



STADLER

SIEMENS



CAF



Ministry
of Defence



Railway Industry Association



Integrated Product Support (IPS)

Pennant own the rights to two of the market leading LSAR & S1000D software products: Omega PS and R4i, both being sold world-wide and used in major defence contracts and by defence authorities in Canada and Australia.

IPS - OmegaPS LSAR



Database Tool which:

- Manages Logistics Support Analysis (LSA) data in accordance with relevant standards:
 - GEIA 0007,
 - Mil Std 1388-2B,
 - Def Stan 0060
 - Def Aust 5692; and
 - Compatible with S3000L Standards
- Maintain detailed configuration of complex assets
- Identifies how to fix or prevent failures (planned maintenance tasks)
- Identifies how often each maintenance action will occur
- Interfaces with ERP Systems
- Compatible with S1000D publishing Standard



Major Contracts

- Consultancy agreement with Canadian Department of Defence to maximise the use of Omega PS in the DND
 - **5 year contract to December 2023**
- Consultancy agreement with Babcock in support of their property for the Royal Canadian Navy
 - **3 year contract to September 2021**
- Support contract with Australian Department of Defence. In respect of their implementation of Omega
 - **annual renewal**



OmegaPS - Current Users



AIRBUS

BOEING

FUJITSU

LEONARDO DRS

**RHEINMETALL
DEFENCE**

BAE SYSTEMS

fleetway
Discover the world for less

COBHAM

CAE

MBDA
MISSILE SYSTEMS

T-Systems

indra

Défense nationale National Defence

BMT Fleet Technology

IMP GROUP

L3 Technologies

sigma logistics

L3HARRIS™

STADLER

THALES

osi
Maritime Systems

seaspan

babcock
trusted to deliver

Australian Government
Department of Defence

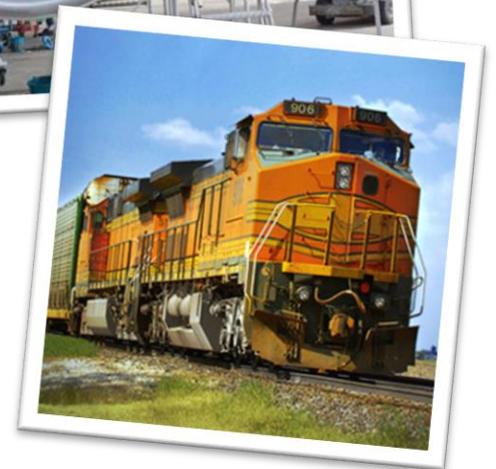
serco

LOCKHEED MARTIN

R4i Product Suite



- Specializes in creating, managing and leveraging technical data and maintenance information for clients across a variety of industries.
- Helps customers to create, manage and leverage information vital to the build, operation and maintenance of their complex assets.



R4i – Product Suite



The R4i Suite includes:

- R4i Common Source Database (CSDB) Server
- R4i Binder
- R4i Viewer
- R4i ReViewer
- R4i MobieTP
- R4i Content Distribution Management System (CDMS)
- R4i Writer
- R4i IPD Manager
- R4i LTS



R4i Air

The R4i AIR S1000D hosted solution provides authoring teams with a turnkey, ready to write S1000D product suite without the upfront costs.

Features of R4i Air:

- ▶ Fast and robust
- ▶ Operating in the Amazon Cloud instead of installed on the customers servers
- ▶ Has the same S1000D capability that customers install locally on their networks but in a secure online environment





R4i - Current Users

A collection of logos for current users of R4i, arranged in a grid-like fashion within a blue-bordered box. The logos include:

- AIRBUS GROUP**
- Elbit Systems of Australia**
- MacLean Engineering**
- HERSTAL group** (FN HERSTAL - BROWNING)
- CHAND** (service is our passion)
- GENERAL ATOMICS**
- ISA LOGISTIC SOLUTIONS AUSTRALASIA**
- KESTREL AIRCRAFT**
- SAFRAN Engineering Services**
- NORTHROP GRUMMAN**
- ZODIAC AEROSPACE**
- THE SPACESHIP COMPANY**
- Raytheon Australia**
- Lufthansa Technik**
- BOEING**
- NOSKE-KAESER** (Get the Technology)
- ZODIAC AEROSPACE**
- Virgin australia**
- MIZ**
- SAFRAN**
- GGS**
- THALES**
- DIRGANTARA INDONESIA INDOONESIAN AEROSPACE (IAe)**
- GALACTIC**
- SONOVISION** (INNOVATIVE SOLUTIONS ORTEC GROUP)
- STI-TEC**
- Virgin blue**
- babcock**
- AEC**

Pennant



Thank you for your attention

Cheltenham | Manchester | Fareham | Hertfordshire | Ottawa | Brisbane | Melbourne | Wagga Wagga