

FOR IMMEDIATE RELEASE

23 September 2024



PENNANT INTERNATIONAL GROUP PLC
("Pennant", the "Company" or the "Group")

Interim Results

Pennant International Group plc (AIM:PEN), the systems support software and training solutions company, announces its Interim Results for the six months ended 30 June 2024 (the "**First Half**", the "**Period**", or "**H1 2024**").

Commenting on the results, Chairman Ian Dighé said:

"I am pleased to report that the Group has maintained positive earnings before interest, taxation and amortisation for the First Half."

"We remain firm in our strategic direction, and with the impending launch of our Auxilium software suite, we believe we are well-placed to deliver growth. The necessary restructuring of the Group's training systems business will allow us to focus on longer-term opportunities for our software, systems and services offerings in the defence space and beyond."

Financial Summary

ADJUSTED RESULTS (1) - GROUP	H1 24	H1 23	Change
Revenue	£7.4m	£7.1m	4%
EBITA	£0.6m	£0.6m	-4%
Loss before tax	£(0.4)m	£(0.3)m	-57%
Loss per share - basic	£(1.11)p	£(0.74)p	-50%
Net debt (excluding lease liabilities)	£1.6m	£1.9m	19%
IFRS RESULTS - GROUP	H1 24	H1 23	Change
Revenue	£7.4m	£7.1m	4%
EBITA	£0.6m	£0.5m	17%
Loss before tax	£(0.4)m	£(0.4)m	-12%
Loss per share - basic	£(1.08)p	£(1.01)p	-7%
Net debt (including lease liabilities)	£2.2m	£2.6m	14%

- (1) Note: the 'Adjusted Results' exclude the impact of (1) circa £0.3 million of exceptional aborted transaction costs and (2) other income from the sale of one the Group's properties in March 2024 (£0.2m) See note 4 to the Notes for a reconciliation between operating loss and EBITA

Business Operations & Strategy

- Continuing investment in the Group's new Auxilium software suite, funded by a successful placing in May raising £1.36 million (as well as a further share subscription by the Directors post Period end). Auxilium will be a market-leading suite of integrated product support applications.
- Appointment of a new, highly-experienced Chair, Ian Dighé, and (post Period end) strengthening of the Board through the appointments of Jon Kempster and Klaas van der Leest as independent Non-Executive Directors.
- Excellent progress on the UK Apache contract (which is scheduled to complete in October 2024) including further contract uplifts bringing the total contract value to £9.2 million.
- Strong revenue growth in the Indo-Pacific region, up 60% over H1 2023, primarily due to growing services contracts.
- Post Period end, plan underway to re-shape the UK training systems business, retaining capability within the Group while significantly reducing costs.

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Notes to editors:

Pennant International Group plc (AIM: PEN) is a technology driven, leading global provider of system support software and services, technical services, and training solutions. It supports its global customer base in the design, development, operation, maintenance, and training of complex assets, to maximise operational and maintenance efficiency.

Its key markets include Aerospace, Defence and Rail, and adjacent safety-critical markets such as Shipping, Nuclear and Space.

The Group addresses the market through three key business lines:

- **Systems support software:** a suite of software tools designed to help clients: manage and use complex data; ensure equipment availability at optimal cost; and comply with industry standards. Its Integrated Product Support (IPS) and Integrated Logistics Support (ILS) software and services equips customers with powerful market-leading toolsets to manage, model and utilise complex equipment data.
- **Training systems:** provide hardware, software and virtual solutions, critical skills training for maintainers and operators of aircraft, ships and land systems.
- **Technical services:** support all Pennant's software and training solutions including consultancy, support and maintenance, training and bespoke development.

The Company's full product suite encompasses consultancy, technical documentation, rail services, training services, and bespoke engineering solutions.

Pennant is strategically focused on sustainable recurring revenue and profitability growth, shifting its model towards high margin software and services. Against a climate of rising defence budgets and the burgeoning technological complexity of military, aviation and rail platforms, the demand for these solutions is expected to grow substantially.

Headquartered in Cheltenham, UK, the Group operates worldwide, with offices in Europe, North America and Indo-Pacific, serving markets with high barriers to entry often in regulated industries.

Pennant International Group plc

Interim Report for the six months ended 30 June 2024

Chairman's Statement

Results and dividend

On behalf of the Board of Directors, I am pleased to report the Group's Interim Results for the six months ended 30 June 2024.

The Group recorded revenues for the Period of £7.4 million (H1 2023: £7.1 million), generating adjusted EBITA of £0.6 million (H1 2023: £0.6 million). The gross profit margin for the Period was 48% (H1 2023: 47%) .

The adjusted pre-tax loss for the Period was £0.4 million which compares with a pre-tax loss of £0.3 million in H1 2023.

Administrative costs for the Period were £4.0 million (H1 2023: £3.6 million), although this includes £0.3 million of exceptional costs relating to aborted corporate activity, so a modest net increase.

At the Period-end net debt stood at £2.2 million (H1 2023: net debt of £2.6 million), inclusive of £0.7 million of liabilities relating to leasing. Total assets at Period end stood at £17.9 million (H1 2023: £20.5 million).

The adjusted basic loss per share for the First Half was (1.11)p compared to a loss of (0.74)p for the same period last year.

Corporation taxes payable for the full year are expected to be reduced by unrelieved tax losses of £6.8 million as at Period end (H1 2023: £7.1 million) and with R&D tax credit claims in progress.

The Directors have concluded that it is in the best interests of the Company and its shareholders to retain cash at this time for expected working capital requirements, particularly as the Auxilium software development reaches its critical later stages.

The Board will therefore not be declaring an interim dividend but will continue to review the Group's dividend policy based on performance, cash generation and working capital and investment requirements.

Board evolution

With Phil Cotton departing the Board at the recent AGM, I assumed the role of Chair on 14 May 2024, and was delighted to secure the services of Jon Kempster as chair of the Audit & Risk Committee, whose appointment commenced in July, and (more recently) Klaas van der Leest as an independent Non-Executive Director who has a great track record in successfully growing software businesses. As Chair, I am committed to keeping the Board's composition and skills under review, to ensure we have the best mix of experience and abilities to help Pennant realise its full potential. With the departure of Michael Brinson post Period end, we also welcome as interim CFO, Darren Wiggins, a chartered accountant with extensive financial and operational experience in executive roles.

Performance Review

The contribution made by each region and business line during the Period is shown in the tables below:

	H1 2024	H1 2023
Revenue by Region	£ m	£ m
UK & Europe	4.1	3.7
North America	1.4	2.2
Indo-Pacific	1.9	1.2
Total	7.4	7.1

Revenues in the UK & Europe region were strong, reflecting significant progress on the UK Apache contract as it moved into its final stages. Similarly, the Indo-Pacific region saw respectable revenue growth through growing services contracts. North American revenues reduced, which was expected given that the long-standing overarching contract with General Dynamics ended in the second half of 2023. With the Company's revenue of

consultancy contract with Canadian Defence had expired in the second half of 2023, with the Group in the process of re-building that workstream through individual contract wins during the Period.

	H1 2024	H1 2023
Revenue by business line	£ m	£ m
Software Licences	0.2	0.7
Software Maintenance	1.0	0.7
Software Services	2.1	1.9
Engineered-to-order training solutions	2.4	1.9
Generic training solutions	0.1	0.5
Technical Services	1.6	1.4
Total	7.4	7.1

All business lines saw revenue growth, bar (1) software licensing (with the new Auxilium suite in the process of development, minimal licence income was expected from the legacy OmegaPS and Analyzer products in the meantime), and (2) generic training solutions, reflecting lower-than-expected sales of smaller generic training aids such as the GenSkills.

I would like to thank all Pennant employees for their efforts during the First Half.

Post Period End

As detailed in the 'Business Update' announcement on 14 May 2024, the Group was engaged in significant bid activity during the First Half, although increasingly protracted procurement timeframes were identified as a risk in that announcement.

Since then, this challenge has persisted and it seems clear that the recently-announced Strategic Defence Review in the UK has resulted in contract awards being deferred pending the outcome of the review (expected mid-2025), and this includes prospective programmes for which Pennant is a potential supplier.

In light of this situation and the imminent conclusion of the UK Apache programme (and taking into account the Group's focus on its Auxilium software suite), management has undertaken a comprehensive review of the UK training systems business, and determined a plan to reshape it to reflect the much-reduced workflow while retaining the skills, intellectual property and know-how to enable the delivery of future programmes, training software and associated services contracts in the UK and overseas.

As a result, the Group has entered into collective consultation with its UK workforce re potential redundancies and (subject to consultation) is expecting to reduce headcount by approximately 20 roles. It is anticipated that this will generate annualised cost savings of circa £1.2 million. Furthermore, the Group will imminently commence marketing of its freehold properties in Cheltenham with the intention of reducing its real estate footprint given its decreased focus on space-intensive equipment programmes, and thereby further reducing operating costs. The one-off cash cost of implementing this plan is currently estimated to be in the region of £0.4 million and the Company's bankers have agreed in principle to provide a short term facility to assist with this expenditure, if required.

At the same time, the Group is ensuring that the appropriate skilled resource is in place to accelerate and complete the development of the Auxilium suite (including through redeployment of software engineers from other parts of the business where possible) and to enable the roll out and deployment of the suite to customers.

The integration of the GenS and updated Analyzer applications will be previewed to industry at the IPS User Forum later this month. The fully integrated suite (comprising GenS, Analyzer and R4i) is now expected to be released in the first quarter of 2025 and will, we believe, address significant industry demand for an integrated, data-driven enterprise solution which supports capital equipment programmes through life.

Outlook

The Group has contracted revenue for the full year in the region of £13 million, and has a high level of confidence of generating revenue of not less than £0.5m in the fourth quarter, and on that basis the Board considers that the Group is currently on track to meet market expectations for the year as a whole.

While we pro-actively address the short-term challenges of restructuring and re-positioning the Group, we remain firm in our strategic direction and the growth opportunity we are targeting. With the impending launch of the Auxilium

in our strategic direction and the growth opportunity we are targeting. With the impending launch of the 7x7 program suite, we believe we are extremely well-placed to capitalise on the longer-term opportunities for our software, systems and services offerings in the defence space and beyond.

Ian Dighé
Chairman

PENNANT INTERNATIONAL GROUP plc

CONSOLIDATED INCOME STATEMENT for the six months ended 30 June 2024

	Notes	Six months ended 30 June 2024 Unaudited	Six months ended 30 June 2023 Unaudited	Year ended 31 December 2023 Audited
		£000s	£000s	£000s
Revenue		7,382	7,092	15,535
Cost of sales		(3,871)	(3,750)	(7,808)
Gross profit		3,511	3,342	7,727
Administration expenses		(3,828)	(3,516)	(7,516)
Exceptional costs		(218)	(100)	(325)
Profit on sale of land and buildings		231	-	-
Other income		75	75	209
Operating (loss)/profit		(229)	(199)	95
Finance costs		(190)	(176)	(463)
Finance income		-	-	1
(Loss) before taxation		(419)	(375)	(367)
Taxation		-	-	(566)
(Loss) for the period		(419)	(375)	(933)
<i>Loss per share</i>	2			
Basic		(1.08p)	(1.01p)	(2.53p)
Diluted		(1.08p)	(1.01p)	(2.53p)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the six months ended 30 June 2024

	Six months ended 30 June 2024 Unaudited £000s	Six months ended 30 June 2023 Unaudited £000s	Year ended 31 December 2023 Audited £000s
(Loss) attributable to equity holders of the parent	(419)	(375)	(933)
Other comprehensive income			
Exchange differences on translation of foreign operations	(79)	(124)	(120)
Net revaluation gain	-	-	113
Deferred tax credit - property, plant and equipment and intangibles	-	-	(28)
(Loss) attributable to equity holders of the parent	(498)	(499)	(968)

PENNANT INTERNATIONAL GROUP plc

CONSOLIDATED STATEMENT OF FINANCIAL POSITION as at 30 June 2024

	Six months ended 30 June 2024 Unaudited £000s	Six months ended 30 June 2023 Unaudited £000s	Year ended 31 December 2023 Audited £000s
Non-current assets			
Goodwill	2,574	2,459	2,595
Other intangible assets	5,216	5,251	5,335
Property plant and equipment	3,974	3,958	4,155
Right Of use asset	618	624	860
Deferred tax asset	400	1,530	399
Total non-current assets	12,782	13,822	13,344
Current assets			
Inventories / work-in-progress	1,013	1,207	980
Trade and other receivables	2,238	4,204	2,647
Cash and cash equivalents	1,282	749	1,099
Current tax asset	629	492	641
Total current assets	5,162	6,652	5,367
Total assets	17,944	20,474	18,711
Current liabilities			
Trade and other payables	3,487	5,871	4,099
Current tax liabilities	-	151	1
Lease liabilities	141	351	420
Bank overdraft	2,844	2,668	2,978
Deferred consideration on acquisition	245	615	468
Total current liabilities	6,717	9,656	7,966
Net current (liabilities) / assets	(1,555)	(3,004)	(2,599)
Non-current liabilities			
Lease liabilities	534	323	501
Deferred consideration on acquisition	-	152	283
Warranty provisions	159	108	144
Total non-current liabilities	693	583	928
Total liabilities	7,410	10,239	8,894
Net assets	10,534	10,235	9,817
Equity			
Share capital	2,116	1,840	1,844
Share premium	6,291	5,366	5,383
Capital redemption reserve	200	200	200
Retained earnings	1,618	2,508	1,990
Translation reserve	136	211	215
Revaluation reserve	173	110	185
Total equity	10,534	10,235	9,817

PENNANT INTERNATIONAL GROUP plc

CONSOLIDATED STATEMENT OF CASH FLOWS for the six months ended 30 June 2024

	Six months ended 30 June 2024 Unaudited £000s	Six months ended 30 June 2023 Unaudited £000s	Year ended 31 December 2023 Audited £000s
Net cash generated from	144	150	1,204

operating activities	144	133	1,234
Investing activities			
Interest received	-	-	1
Payment for acquisition of subsidiary, net of cash acquired	-	(643)	(214)
Deferred consideration paid in respect of prior year acquisition	(511)	(352)	(352)
Purchase of intangible assets	(703)	(730)	(1,453)
Purchase of property plant and equipment	(226)	(107)	(305)
Proceeds from disposal of property, plant and equipment	465	-	-
Net cash used in investing activities	(975)	(1,832)	(2,323)
Financing activities			
Proceeds from issue of ordinary shares	1,358	-	21
Issue costs	(178)	-	-
Net repayment of lease liabilities	(38)	(97)	(195)
Net cash generated from/(used) in financing activities	1,142	(97)	(174)
Net increase/(decrease) in cash and cash equivalents	311	(1,770)	(1,203)
Cash and cash equivalents at beginning of period	(1,879)	(426)	(426)
Effect of foreign exchange rates	6	277	(250)
Cash and cash equivalents at end of period	(1,562)	(1,919)	(1,879)

PENNANT INTERNATIONAL GROUP plc

STATEMENT OF CHANGES IN EQUITY for the six months ended 30 June 2024

	Share capital	Share premium	Capital redemption reserve	Retained earnings	Translation reserve	Revaluation reserve	Total equity
At 1 January 2024	1,844	5,383	200	1,990	215	185	9,817
(Loss) for the period	-	-	-	(419)	-	-	(419)
Other comprehensive (loss)	-	-	-	-	(79)	-	(79)
	1,844	5,383	200	1,571	136	185	9,319
Issue of new ordinary shares	272	1,086	-	-	-	-	1,358
Issue costs	-	(178)	-	-	-	-	(178)
Recognition of share based payment	-	-	-	35	-	-	35
Transfer from revaluation reserve	-	-	-	12	-	(12)	-
At 30 June 2024	2,116	6,291	200	1,618	136	173	10,534

	Share capital	Share premium	Capital redemption reserve	Retained earnings	Translation reserve	Revaluation reserve	Total equity
At 1 January 2023	1,840	5,366	200	2,844	335	110	10,695
(Loss) for the period	-	-	-	(375)	-	-	(375)
Other comprehensive (loss)	-	-	-	-	(124)	-	(124)
	1,840	5,366	200	2,469	211	110	10,196
Recognition of share based payment	-	-	-	39	-	-	39
At 30 June 2023	1,840	5,366	200	2,508	211	110	10,235

	Share capital	Share premium	Capital redemption reserve	Retained earnings	Translation reserve	Revaluation reserve	Total equity
At 1 January 2023	1,840	5,366	200	2,844	335	110	10,695
(Loss) for the period	-	-	-	(933)	-	-	(933)
Other comprehensive (loss)	-	-	-	-	(120)	85	(35)
	1,840	5,366	200	1,911	215	195	9,727
Issue of new ordinary shares	4	17	-	-	-	-	21
Recognition of share based payment	-	-	-	69	-	-	69
Transfer from revaluation reserve	-	-	-	10	-	(10)	-
At 31 December 2023	1,844	5,383	200	1,990	215	185	9,817

PENNANT INTERNATIONAL GROUP plc

NOTES TO THE FINANCIAL INFORMATION for the six months ended 30 June 2024

1. Basis of preparation

This condensed set of financial statements has been prepared using accounting policies expected to be adopted for the year ending 31 December 2024.

The interim financial information in this report has been prepared using accounting policies consistent with International Financial Reporting Standards (IFRS) as adopted by the United Kingdom.

The comparative figures for the year ended 31 December 2023 set out in this Interim Report are not statutory accounts within the meaning of section 434 of the Companies Act 2006 ("the Act"). A copy of the statutory accounts for that year has been delivered to the Registrar of Companies. The auditors reported on those accounts; their report was unqualified and did not contain a statement under s498 (2) or s498(3) of the Companies Act 2006. The audit report drew attention by way of emphasis to a material uncertainty relating to going concern. Whilst the underlying conditions behind that uncertainty remain, the Directors have, at the time of approving these interim results, a reasonable expectation that the Group has or will have adequate resources to continue in operational existence for at least the next 12 months.

AIM-quoted companies are not required to comply with IAS34 'Interim Financial Reporting' and the Company has taken advantage of this exemption.

2. Loss per share

Basic loss per share are calculated by dividing the loss for the period attributable to the shareholders by the weighted average number of shares in issue. The calculation of diluted loss per share does not take into account the potentially diluting effect of share options as this impact would be antildilutive to the losses attributable to equity shareholders.

	Six months ended 30 June 2024 Unaudited	Six months ended 30 June 2023 Unaudited	Year ended 31 December 2023 Audited
	£000s	£000s	£000s
Loss			
Loss attributable to equity shareholders	(419)	(375)	(933)
Adjusted loss attributable to equity shareholders	(432)	(275)	(608)
Number of shares	Number	Number	Number
Weighted average number of ordinary shares	38,693,027	36,790,447	36,836,443
Diluting effect of share options	1,655,000	1,626,667	1,610,000
Weighted average number of			

ordinary shares for the purpose of dilutive loss per share	40,348,027	38,417,114	38,446,443
Loss per share (basic)	(1.08p)	(1.01p)	(2.53p)
Loss per share (diluted)	(1.08p)	(1.01p)	(2.53p)
Adjusted loss per share (basic)	(1.11p)	(0.74p)	(1.65p)
Adjusted loss per share (diluted)	(1.11p)	(0.74p)	(1.65p)

3. Cash generated from operations

	Six months ended 30 June 2024 Unaudited	Six months ended 30 June 2023 Unaudited	Year ended 31 December 2023 Audited
	£000s	£000s	£000s
(Loss) for the period	(419)	(375)	(933)
Finance income	-	-	(1)
Finance costs	190	176	463
Income tax credit	-	-	566
Depreciation of property, plant and equipment	164	151	305
Depreciation of right of use assets	108	91	200
Profit on disposal of property	(231)	-	-
Amortisation of other intangible assets	822	705	1,330
Reversal of impairment on land and building valuation	-	-	(39)
Other income - RDEC	(75)	(75)	(205)
Share-based payment	35	39	69
Operating cash flows before movement in working capital	594	712	1,755
Decrease / (increase) in receivables	409	(75)	1,482
(Increase) / decrease in inventories	(33)	(206)	21
(Decrease) / increase in payables and provisions	(596)	85	(1,726)
Cash generated from operations	374	516	1,532
Tax (paid) / received	-	(142)	117
Interest paid	(230)	(215)	(355)
Net cash generated from operations	144	159	1,294

4. Reconciliation of operating loss to EBITA for the Period

	Six months ended 30 June 2024 Unaudited	Six months ended 30 June 2023 Unaudited	Year ended 31 December 2023 Unaudited
	£'000s	£'000s	£'000s
Loss for the period	(419)	(375)	(933)
Exceptional costs	218	100	325
Profit from sale of land and buildings	(231)	-	-

Adjusted loss for the period	(432)	(275)	(608)
Interest (net)	190	176	462
Taxation	-	-	566
Amortisation	822	705	1,330
Adjusted EBITA	580	606	1,750
Exceptional costs	(218)	(100)	(325)
Income from sale of land and buildings	231	-	-
EBITA	593	506	1,425

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