FOR IMMEDIATE RELEASE 21 September 2020

PENNANT INTERNATIONAL GROUP PLC

Interim Results for the six months ended 30 June 2020

Revenues delayed by Covid-19 but strong cash generation and improved working capital position;

£2 million net cash at period-end; £36 million contracted order book;

Cost reduction programme successfully implemented

Pennant International Group plc ("**Pennant**", the "**Group**", or the "**Company**"), a leading global provider of technology-based maintainer training and integrated product support solutions, announces its Interim Results for the six months ended 30 June 2020 (the "**First Half**", the "**Period**", or "**H1 2020**").

Commenting on the results, Chairman Simon Moore said:

"The First Half was challenging, with Covid-19 having a significant impact on revenues across the Group, resulting in an operating loss being recorded at the end of the Period.

However, cash generated from operations was strong amounting to £3.8 million and the Group also secured increased borrowing facilities totalling £4m (undrawn at Period end).

Having navigated this exceptional period, material improvements in performance are anticipated in the second half as revenues across the Group improve."

Key points: Financial

- Group revenues for the Period of £6.3 million (H1 2019: £7.3 million);
- cash generated from operations of £3.8 million (H1 2019: cash used in operations of (£2.7million));
- net cash at Period end of £2 million (H1 2019: net debt of £0.4 million at Period end excluding finance leases and FY2019 net debt of £2.2 million);
- three-year order book (to 30 June 2023) remains strong at £36.0 million (H1 2019: £36.1 million);
- underlying EBITA loss of £2.0 million (H1 2019: loss before interest, taxation and amortisation of £1.5 million);
- loss before tax of £3.2 million (H1 2019: loss before tax of £1.8 million);
- gross margin of 18% after Covid-19 provision (26% before)(H1 2019: 25%);
- trade and other receivables of £4.1 million (H1 2019: £5.2 million);
- basic (loss) per share of (8.88)p per share (H1 2019: basic (loss) per share of (5.07)p per share);
- unrelieved tax losses of £2.8 million carried forward (H1 2019: £5.3 million).

Key points: Operational

- Acquisition of Absolute Data Group Pty Ltd ("**ADG**") for initial consideration of c. £1.7 million, adding high-margin software product and recurring services revenues to the Group;
- amendment executed on the General Dynamic contract, with £1.5 million uplift agreed;
- key design review on the General Dynamics contract held and successfully passed with £2 million invoice raised and paid during the Period;
- completion of various aspects of the Qatar contract, including the achievement of design and testing events on the newly developed generic helicopter and loading products;
- Group banking facilities transferred to HSBC with an increased overdraft of £4 million arranged;
- costs review completed resulting in circa £1 million of annualised savings from 2021;
- Covid-19 measures successfully implemented, with home working deployed. Sites now re-opened following completion of Covid-secure assessments.

Commenting on the Group's prospects, Simon Moore added:

"*The Board anticipates that trading will improve significantly in the second half, and the Group now expects to make an EBITA profit of approximately £1.0 million (operating profit of circa £300,000) for the six months ending 31 December 2020.*

While a loss for the year as a whole is still expected, the Group's prospects are positive, with a lean, optimised cost base (the full benefit of which will be realised in 2021) and a contracted three-year order book of £36 million, including £14 million of revenues scheduled for delivery in 2021.

Furthermore, across our well-developed domestic and international markets the Group has a sizeable and maturing active pipeline of prospects for potential contracts worth in excess of £40 million which include opportunities with long-standing customers, single-source contracts, major software licences and long-term services contracts"

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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Pennant International Group plc

Interim Report for the six months ended 30 June 2020

Chairman's Statement

On behalf of the Board of Directors, I can report that the Group recorded a pre-tax loss for the six months ended 30 June 2020 of £3.2 million (H1 2019: pre-tax loss of £1.8 million).

Results and dividend

Revenues for the Period were lower than the equivalent period in 2019 at £6.3 million (H1 2019: £7.3 million).

This reduction was largely attributable to Covid-19, the effects of which the Company has detailed in previous announcements on 25 March 2020 and 22 May 2020, and which resulted in the delaying of revenues across the Group.

Recognising the ongoing risk that Covid-19 could pose to the delivery of certain contracts, the Group set aside a provision of £500,000 at the end of the First Half against further Covid-19 impact.

The gross profit margin for the Period was 18% (H1 2019: 25%). Without the Covid-19 provision, gross profit margin would have been in the region of 26%.

Administrative costs for the Period were £4.3 million (H1 2019: £3.5 million). The increase was predominantly due to: an increased amortisation charge (arising on the acquisition of ADG's proprietary software); termination expenditure in relation to roles removed during the costs reduction exercise; and aborted transaction costs (relating to a potential acquisition which was halted when the relevant sector (commercial aviation training) was severely impacted by Covid-19).

Management undertook a comprehensive costs review during the Period and, following the removal of various roles, annualised savings of circa £1 million have been achieved, whilst retaining the capacity to deliver contracted programmes. These savings will mainly be realised from 2021.

Underlying EBITA was (£2.04) million. Details are given below:

	£m
Operating Loss	(3.16)
Restructuring expense	0.40
Aborted transaction costs	0.09
Amortisation	0.62
Underlying EBITA loss	**(2.04)**

Investment in facilities and infrastructure during previous periods means that the Group is well-positioned to deliver current and future contracts without requiring further capital expenditure.

The Group ended the Period in a strong working capital position, with net cash of £2 million and an undrawn overdraft facility of £4 million. The Directors were also granted authority during the Period to issue up to 7.2 million new shares to raise equity capital if necessary.

Total assets at Period end were £21.3 million (H1 2019: £20.4 million) as the valuable intellectual property in ADG's proprietary software was brought onto the Company's balance sheet.

The basic loss per share for the Half Year was (8.88)p compared a loss of (5.07)p for the same period last year.

A minimal effective tax rate is expected for the full year due to unrelieved tax losses of £2.8 million carried forward at the Half Year and with R&D tax credit claims in progress.

The Group has a robust Order Book, with contracted revenues scheduled for delivery over the next three years amounting to £36.0 million at the Period end (H1 2019: £36.1 million).

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 given the ongoing pandemic. 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.

Operational Commentary

Delivering Key Contracts

General Dynamics Contract

The contract for electro-mechanical trainers for the Ajax armoured fighting vehicle was awarded to the Group by General Dynamics in 2015.

During the First Half, an amendment to the contract was agreed with the customer including a price uplift of £1.5 million and a re-profiling of the cash milestones on the programme.

The Group successfully passed a key design review for the Hull trainer during the Period and an associated invoice for £2 million was raised and paid.

Post-Period end, the Company passed a second key design review (this one for the Turret trainer) which has also now been invoiced.

Qatar

The production of training aids for Qatar is on budget and the programme is progressing well.

All contractual milestones to date have been achieved in accordance with the agreed schedule with the associated invoices issued to and paid by the customer save for two relatively small milestones relating to on-site installation which have been delayed due to pandemic restrictions.

Integrated Product Support division

The Group's IPS division continued to provide long-term recurring consultancy, support and maintenance services on the Omega PS software product to the Canadian and Australian defence departments and their respective supply bases, contributing like for like revenues for the Period of £2.3 million (H1 2019: £2.4 million). The reduction is due to Covid-19 restrictions which prevented the rendering of chargeable services on-site. This position has now improved.

The IPS division was bolstered during the Period by the addition of ADG (see below). The enlarged IPS divisional revenue following the acquisition was £2.8m for the Period, including £500,000 from ADG.

Further, ADG's CEO (Tammy Halter) was appointed divisional managing director and has been leading the integration into the Pennant Group which has progressed smoothly.

Acquisition of Absolute Data Group

Pennant acquired Absolute Data Group on 3 March 2020.

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's key markets are currently North America and Australia and it has a well-established US trading subsidiary which accounts for approximately 65% of its sales. Customers include defence departments and major OEMs

The acquisition aligns with the Company's strategy, in particular it diversifies and enhances the Group's recurring 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, with the ADG business forming part of an enlarged and enhanced 'Integrated Solutions & Services' 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.

The Board is delighted with the contribution that ADG is making to the Group.

Contract Wins and Pipeline

The key focus during the First Half was to progress certain larger opportunities with prime contractors for training aids (including the 'Major Programme' announced in August 2018 and the 'Statement of Intent' announced in February 2020), secure significant new software licensing and services opportunities and develop and enhance the Group's own training delivery capability.

Notwithstanding the challenges posed by the Covid-19 pandemic, meaningful progress has been achieved on all these objectives, including the award to Pennant Australasia Pty Ltd (the Group's wholly-owned Australian subsidiary) of a contract for the supply of Pennant training aids and associated services for aviation technician training for the Australian Defence Force at a new training facility in Nowra, Australia.

Post-Period End

Since the end of the Period, the Group has received circa £3 million of new orders, including:

- An order from a long-standing Middle East customer for £1.5 million of new training aids, with the expectation of further purchases to follow up to a value £5 million in total.

- Additional orders from General Dynamics for virtual training and computer learning modules, with an aggregate order value of circa £900,000.

- An add-on for the Qatar contract with an order value of circa £500,000.

- Sales of new OmegaPS licences in Canada and Australia.

Outlook

On behalf of the Board, I wish to thank all staff across the Group for their hard work and dedication in meeting the challenges of Covid-19 in the Period.

The First Half was challenging for Pennant, as it has been for many businesses. However, looking to the second half and beyond the Group is on a sound financial footing, with a strong cash position and a lean, realigned cost base.

With a contracted order book of £36 million, including £14m of revenues scheduled for delivery in 2021 and a sizeable and maturing pipeline of new opportunities, the Company's prospects remain positive.

S A Moore
Chairman

PENNANT INTERNATIONAL GROUP plc
CONSOLIDATED INCOME STATEMENT for the six months ended 30 June 2020

	Notes	Six months ended 30 June 2020 Unaudited	Six months ended 30 June 2019 Unaudited	Year ended 31 December 2019 Audited
		£	£	£
Revenue		6,258,287	7,251,631	20,429,990
Cost of sales		(5,152,349)	(5,443,075)	(13,079,052)
Gross profit		1,105,938	1,808,556	7,350,938
Administration expenses		(4,269,311)	(3,568,007)	(9,188,256)
Other income		-	-	319,663
Operating (loss)		(3,163,373)	(1,759,451)	(1,517,655)
Finance costs		(70,578)	(48,299)	(110,655)
Finance income		-	-	156
(Loss) before taxation		(3,233,951)	(1,807,750)	(1,628,154)
Taxation	**2**	-	-	133,812
(Loss) for the period		(3,233,951)	(1,807,750)	(1,494,342)
Earnings per share	**3**			
Basic		(8.88p)	(5.07p)	(4.16p)
Diluted		(8.42p)	(4.75p)	(4.16p)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the six months ended 30 June 2020

	Six months ended 30 June 2020 Unaudited	Six months ended 30 June 2019 Unaudited	Year ended 31 December 2019 Audited
	£	£	£
(Loss) attributable to equity holders of the parent	(3,233,951)	(1,807,750)	(1,494,342)
Other comprehensive income			
Exchange differences on translation of foreign operations	(56,659)	72,997	(49,259)
Deferred tax charge - share based payments	-	-	(102,762)
Net revaluation gain Deferred tax credit - property, plant and equipment and intangibles	-	-	370,197
Deferred tax credit - property, plant and equipment and intangibles	-	-	(62,933)
(Loss) attributable to equity holders of the parent	(3,290,590)	(1,734,753)	(1,339,099)

PENNANT INTERNATIONAL GROUP plc
CONSOLIDATED STATEMENT OF FINANCIAL POSITION as at 30 June 2020

	Six months ended 30 June 2020 Unaudited	Six months ended 30 June 2019 Unaudited	Year ended 31 December 2019 Audited
	£	£	£
Non-current assets			
Goodwill	2,133,644	2,253,845	923,349
Other intangible assets	5,352,018	2,029,054	3,391,411
Property plant and equipment	6,094,194	6,979,443	6,284,769
Right Of Use Asset	871,768	1,053,046	971,296
Deferred tax asset	-	198,484	-
Total non-current assets	14,451,624	12,513,872	11,570,825
Current assets			
Inventories / work-in-progress	623,909	2,722,707	570,724
Trade and other receivables	4,098,009	5,190,869	9,372,767
Cash and cash equivalents	2,033,059	-	497,039
Current tax asset	82,274	3,637	869,247
Total current assets	6,837,251	7,917,213	11,309,777
Total assets	21,288,875	20,431,085	22,880,602
Current liabilities			
Trade and other payables	2,584,650	4,286,032	3,929,527
Current tax liabilities	1,503,483	-	-
Obligations under finance and operating leases	286,720	190,593	209,113
Bank overdraft	-	413,977	2,739,278
Other loans	-	7,149	-
Earn out on acquisition	1,198,128	200,000	-
Provisions	513,500	-	-
Total current liabilities	6,086,481	5,097,751	6,877,918
Net current assets	750,770	2,819,462	4,431,859
Non-current liabilities			
Obligations under finance and operating leases	667,593	903,140	833,616
Deferred tax liabilities	1,020,728	-	325,215
Earn out on acquisition	1,699,123	-	-
Warranty provisions	-	25,000	-
Total non-current liabilities	3,387,444	928,140	1,158,831
Total liabilities	9,473,925	6,025,891	8,036,749
Net assets	11,814,950	14,405,194	14,843,853
Equity			
Share capital	1,822,319	1,805,730	1,805,730
Share premium	5,295,371	5,100,253	5,100,253
Capital redemption reserve	200,000	200,000	200,000
Retained earnings	3,510,550	6,481,716	6,686,581
Translation reserve	192,008	370,923	248,667
Revaluation reserve	794,702	446,572	802,622
Total equity	11,814,950	14,405,194	14,843,853

PENNANT INTERNATIONAL GROUP plc
CONSOLIDATED STATEMENT OF CASH FLOWS for the six months ended 30 June 2020

	Six months ended 30 June 2020 Unaudited £	**Six months ended 30 June 2019 Unaudited £**	**Year ended 31 December 2019 Audited £**
Net cash generated from / (used in) operating activities	4,498,226	(2,712,559)	(2,210,706)
Investing activities			
Interest received	-	-	156
Payment for acquisition of subsidiary, net of cash acquired	47,308	(359,001)	(406,496)
Purchase of intangible assets	(313,334)	(634,383)	(2,200,775)
Purchase of property plant and equipment	(50,597)	(336,901)	(405,095)
Net cash used in investing activities	(316,623)	(1,330,285)	(3,012,210)
Financing activities			
Proceeds from sale of ordinary shares	45,707	2,051,936	2,051,936
Net (repayment of) obligations under operating lease	(88,416)	(106,606)	(272,178)
Net (repayment of) loans	-	(162,601)	(598,776)
Net cash used in financing activities	(42,709)	1,782,729	1,180,982
Net increase / (decrease) in cash and cash equivalents	4,138,894	(2,260,115)	(4,041,934)
Cash and cash equivalents at beginning of period	(2,242,239)	1,848,954	1,848,954
Effect of foreign exchange rates	136,404	71,892	(49,259)
Cash and cash equivalents at end of period	2,033,059	(339,269)	(2,242,239)

PENNANT INTERNATIONAL GROUP plc
STATEMENT OF CHANGES IN EQUITY for the six months ended 30 June 2020

	Share capital	Share premium	Capital redemption reserve	Retained earnings	Translation reserve	Revaluation reserve	Total equity
	£	£	£	£	£	£	£
At 31 December 2018	1,685,177	3,168,870	200,000	8,225,321	297,926	460,717	14,038,011
Total comprehensive income	-	-	-	(1,494,342)	-	-	(1,494,342)
Other comprehensive income	-	-	-	(165,695)	(49,259)	370,197	155,243
Total comprehensive income	1,685,177	3,168,870	200,000	6,565,284	248,667	830,914	12,698,912
Issue of New Ordinary Shares	120,553	1,931,383	-	-	-	-	2,051,936
Recognition of share based payment	-	-	-	93,005	-	-	93,005
Transfer from revaluation reserve	-	-	-	28,292	-	(28,292)	-
At 31 December 2019	1,805,730	5,100,253	200,000	6,686,581	248,667	802,622	14,843,853
Total comprehensive income	-	-	-	(3,233,951)	-	-	(3,233,951)
Other comprehensive income	-	-	-	-	(56,659)	-	(56,659)
Total comprehensive income	1,805,730	5,100,253	200,000	3,452,630	192,008	802,622	11,553,243
Issue of New Ordinary Shares	16,589	195,118	-	-	-	-	211,707
Recognition of share based payment	-	-	-	50,000	-	-	50,000
Transfer from revaluation reserve	-	-	-	7,920	-	(7,920)	-
At 30 June 2020	1,822,319	5,295,371	200,000	3,510,550	192,008	794,702	11,814,950

PENNANT INTERNATIONAL GROUP plc
NOTES TO THE FINANCIAL INFORMATION for the six months ended 30 June 2020

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 2020. These policies are different to those used for the last set of audited accounts due to the Company's revision of its amortisation policies regarding product development.

These accounting policies are drawn up in accordance with International Accounting Standards and International Financial Reporting Standards as issued by the International Accounting Standards Board and adopted by the EU.

The comparative figures for the year ended 31 December 2019 set out in this Interim Report are not statutory accounts. 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, did not draw attention to any matters by way of emphasis and did not contain a statement under s498 (2) or s498(3) of the Companies Act 2006.

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

2. Taxation

The taxation charge for the Period is based on the estimated rate of tax that is likely to be effective for the full year to 31 December 2020.

3. Earnings per share

Basic earnings per share are calculated by dividing the profit for the Period attributable to the shareholders by the weighted average number of shares in issue. The calculation of diluted earnings per share takes into account the potentially diluting effect of share options.

	Six months ended 30 June 2020 Unaudited	**Six months ended 30 June 2019 Unaudited**	**Year ended 31 December 2019 Audited**
	£	**£**	**£**
Earnings			
Net (loss) attributable to equity shareholders	(3,233,951)	(1,807,750)	(1,494,392)
Number of shares	Number	Number	Number
Weighted average number of ordinary shares	36,446,380	35,688,118	35,901,357
Diluting effect of share options	1,939,043	2,382,587	2,321,543
Weighted average number of ordinary shares for the purpose of dilutive earnings per share	38,385,423	38,070,705	38,222,900

4. Cash generated from operations

	Six months ended 30 June 2020 Unaudited	Six months ended 30 June 2019 Unaudited	Year ended 31 December 2019 Audited
	£	£	£
(Loss) for the period	(3,233,951)	(1,807,750)	(1,494,342)
Finance income	-	-	(156)
Finance costs	70,578	48,299	110,657
Income tax expense	-	-	(133,813)
Depreciation of property, plant and equipment	374,699	376,501	815,145
Amortisation of other intangible assets	625,592	265,665	469,688
Impairment of assets	-	-	1,988,568
Profit on disposal of property, plant and equipment	-	-	-
R&D tax credit	-	-	(319,663)
Share-based payment	50,000	50,000	93,005
Operating cash flows before movement in working capital	(2,113,082)	(1,067,285)	1,529,089
Decrease / (increase) in receivables	5,274,758	1,388,288	(4,096,287)
(Increase) / decrease in work-in-progress	(53,185)	(799,068)	1,352,915
Increase / (decrease) in payables	158,606	(2,154,075)	(879,611)
Increase in provisions	513,500	-	-
Cash generated from / (used in) operations	3,780,597	(2,632,140)	(2,093,894)
Tax credit / (paid)	788,207	(32,120)	(87,874)
Interest paid	(70,578)	(48,299)	(28,938)
Net cash generated from / (used in) operations	4,498,226	(2,712,559)	(2,210,716)