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PENNANT INTERNATIONAL GROUP PLC

Trading Update

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, announces the following trading update in respect of its financial year ending 31 December 2019 ("**FY2019**"). The Group's audited results for FY2019 are scheduled to be released on 23 March 2020.

Preliminary unaudited assessment of the Group's trading for FY2019 indicates that Pennant will report:

- Revenues of circa £20 million;
- Underlying earnings before interest, taxation and amortisation (EBITA) of circa £1.6 million;
- Underlying earnings before interest, taxation, depreciation and amortisation (EBITDA) of circa £2.4 million;
- Net debt at year-end of £2.2 million;
- Three-year order book at year-end of £33 million of which circa £16 million is scheduled for delivery in 2020.

Underlying EBITA is stated after the add-back of a one-off restructuring expense and a charge relating to the impairment of the Group's freehold property portfolio (amounting to £0.7 million and £0.8 million respectively) both described in more detail below.

Impairment of freehold properties

In order to gear up for major contracts, the Group invested over £3 million in freehold property. The properties acquired are currently being utilised on the Qatar programme and on the helicopter maintenance trainer contract announced on 31 October 2019 and are necessary for the further expansion of the business.

Following a revaluation for the purposes of the annual accounts, it has become apparent that, due to the general softening of the commercial property market both locally and more broadly, certain of the properties are currently overvalued in the Company's books. While the net effect of the revaluation across Pennant's freehold portfolio is a reduction of £0.4 million (being an impairment of £0.8 million against certain properties and an increase in value of £0.4 million against others), due to applicable accounting standards the Group is required to expense the gross amount of the impairment (£0.8 million), which is regarded as non-underlying, with the upwards revaluations being credited to reserves.

Restructuring expense

As outlined in its announcement of 2 May 2019, the Group has been implementing a wide-ranging cost reduction exercise and various roles have been removed from the business. The aggregate cost associated with terminations of employment resulting from this exercise is £0.7 million which is regarded as a non-underlying expense.

It is anticipated that this programme will realise gross annualised savings of over £1 million. Taking into account new roles and capabilities implemented in the revised structure, the net annualised cost saving will be circa £0.6 million.

Strategy and Outlook

The Group continues to focus on its strategic objective of increasing the proportion of its revenues which derive from software and services, particularly those of a recurring nature.

Recent steps taken include an agreement to acquire Absolute Data Group (announced on 21 January 2020) which will form part of an enlarged, enhanced 'Integrated Logistics Support' offering as well as providing an increased presence in Pennant's target growth markets of North America and Australasia.

Pennant is actively considering other strategic opportunities to partner with or acquire complementary businesses and will continue to invest in developing its product range and its ability to deliver complementary services.

With a contracted order book of £33 million scheduled for delivery over the next three years, together with a sizeable pipeline of single-source opportunities, the Board remains confident of future prospects and of building and delivering long-term shareholder value.

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.

Enquiries:

Pennant International Group plc	www.pennantplc.co.uk
Philip Walker, CEO	+44 (0) 1452 714 914
David Clements, Commercial & Risk Director	
WH Ireland Limited (Nomad and Broker)	www.whirelandcb.com
Mike Coe	+44 (0) 117 945 3470
Chris Savidge	
Walbrook PR (Financial PR)	paul.vann@walbrookpr.com
Paul Vann	+44 (0)20 7933 8780
Tom Cooper	Mob: +44 (0)7768 807631