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Company Briefing

Pennant International Group Plc

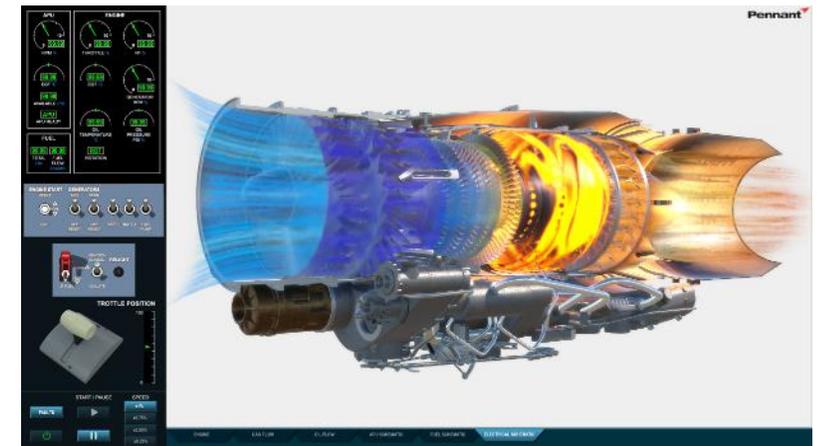
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2021 - Half Year Highlights

- Challenging H1; improved outlook for second half; trading in line for year as a whole;
- H1 gross margin impacted by MTE programme;
- Investment commenced in GenS; first software release successfully achieved post period end;
- Over £1m net annualised savings in admin costs being realised;
- Expansion of IPS business; including enhanced operational footprint in US;
- Achievement of operational milestones on key programmes;
- Development of innovative technology-based training solutions;
- Impact of Covid and Integrated Review on pipeline – Major Programme;
- New Chair appointed





Financial Headlines – 30th June 2021



HI 2021 REVENUE £7.4M	HI 2020 REVENUE £6.3M
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HI 2021 GROSS MARGIN 21%	HI 2020 GROSS MARGIN 18%
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HI 2021 ADMIN COSTS £3.2M	HI 2020 ADMIN COSTS £4.3M
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HI 2021 NET ASSETS £10.9M	HI 2020 NET ASSETS £11.8M
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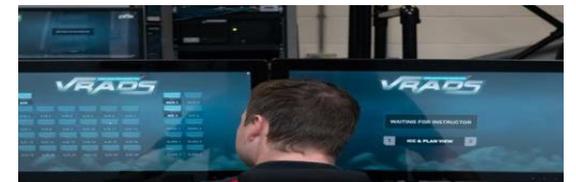
HI 2021 EBITA (£1.0M)	HI 2020 EBITA (£2.5M)
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HI 2021 ORDERBOOK £26M	HI 2020 ORDERBOOK £36M
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HI 2021 NET DEBT (£1.9M)	HI 2020 NET CASH £2.0M
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HI 2021 EPS (4.64p)	HI 2020 EPS (8.91p)
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Consolidated Income Statement

£000	30 June 2021 (Unaudited)	30 June 2020 (Unaudited)	31 Dec 2020 (Audited)
Revenue	7.43	6.26	15.06
Gross profit	1.59	1.11	4.38
Administrative expenses	(2.57)	(3.64)	(7.92)
EBITA / PBITA (loss)	(0.98)	(2.53)	(1.64)
Amortisation	(0.65)	(0.63)	(1.37)
Operating (loss)	(1.63)	(3.16)	(3.01)
Net Finance costs	(0.07)	(0.07)	(0.13)
Tax	-	-	(0.51)
(Loss) for the period	(1.70)	(3.23)	(2.63)



Consolidated Balance Sheet

£m	30 June 2021 (Unaudited)	30 June 2020 (Unaudited)	31 Dec 2020 (Audited)
Non-current assets	14.2	14.5	14.8
Current assets	6.4	6.8	7.9
Current liabilities	(7.7)	(6.1)	(7.8)
Non-current liabilities	(2.0)	(3.4)	(2.5)
Shareholders funds	10.9	11.8	12.5

- Non-current assets reflect the amortisation and depreciation of assets
- Current assets include cash of £0.7m (2020 H1: £2.0m), trade and other receivables of £3.7m (2020 H1: £3.7m) and work in progress of £1.0m (2020 H1: £0.6m) reflecting the current position of contracts
- Current liabilities includes bank overdraft of £2.7m (2020 H1: £Nil) and the earn out provision for the ADG acquisition of £0.4m (2020 H1: £1.2m)
- Non-current liabilities includes £1.1m relating to payments due during the earn-out period of the ADG acquisition (2020 H1: £1.7m)



Consolidated Cash Flow

£m	Six months ended 30 June 2021 (Unaudited)	Six months ended 30 June 2020 (Unaudited)
Net cash generated from operations	0.23	4.50
Investing activities	(0.84)	(0.32)
Financing activities	(0.06)	(0.04)
Net (decrease) / increase in cash and cash equivalents	(0.67)	4.14
Cash and cash equivalents brought forward	(1.45)	(2.24)
Impact of foreign exchange	0.20	0.14
Cash and cash equivalents at end of period	(1.92)	2.03

➤ Cashflow position reflects phase of production (material purchasing) on engineered solutions contracts



Net Cash Generated From Operations

Cash generated from operations (£m)	Six months ended 30 June 2021 (Unaudited)	Six months ended 30 June 2020 (Unaudited)
(Loss) for the period	(1.70)	(3.23)
Depreciation	0.33	0.37
Amortisation	0.65	0.63
Share based payments	0.04	0.05
Other – finance, tax	0.07	0.07
Operating cash flow before working capital	(0.61)	(2.11)
Working capital movement	0.73	5.90
Cash generated from operations	0.12	3.78
Tax credit	0.18	0.79
Interest paid	(0.07)	(0.07)
Net cash generated from operations	0.23	4.50



IPS Performance

£m	30 June 2021 (Unaudited)	30 June 2020 (Unaudited)
Revenue		
Products / licences	0.4	0.3
Maintenance	0.6	0.5
Services	1.6	1.7
Total	2.6	2.5
Divisional contribution	0.4	0.2
Allocation of Group costs	(0.4)	(0.3)
Profit / (loss) for the period	0.0	(0.1)

➤ 2021 H1 shows incremental growth in products, licences and maintenance revenues with services remaining broadly in line with prior periods



TTD Performance

£m	30 June 2021 (Unaudited)	30 June 2020 (Unaudited)
Revenue		
Engineered	2.7	1.2
Generic	0.3	0.8
Technical Services and Support	1.8	1.8
Total	4.8	3.8
Divisional contribution	(1.1)	(2.5)
Allocation of Group costs	(0.6)	(0.6)
Loss for the period	(1.7)	(3.1)

- 2021 H1 performance significantly impacted by MTE programme; accounting for a significant proportion of revenue, trading at a low margin



Looking Forward



Three Year “Period End” Order Book - Aggregate £26m

Contract (£m)	Scheduled for delivery			
	2021 H2	2022	2023	2024 H1
TTD Engineered - General Dynamics – armoured vehicle trainer	1.0	-	-	-
TTD Engineered - UK OEM – helicopter maintenance trainer	0.8	1.0	-	-
TTD Generic - Middle East – installation of training aids	0.3	-	-	-
TTD Generic - Middle East – generic product suite	1.3	-	-	-
TTD Services - BAE Australia 5 year rolling term / 20 year framework – secured until 2025	0.8	1.6	1.6	0.8
TTD Services – HMRC rolling annual supply arrangement, commenced 2009	0.3	0.6	0.6	0.3
TTD Services – Track Access and Wildcat support	0.5	0.5	0.5	0.3
IPS Services & Maintenance - Ottawa DND, 5 year contract award to Dec 2023	1.8	3.8	3.8	-
IPS Maintenance - R4i software maintenance	0.4	1.2	1.3	0.7
TOTAL *	7.2	8.7	7.8	2.1

* Excludes post period end contract wins



Look Forward – Integrated Product Support

- Strong active pipeline > £14m
- Focus on North American and Australasia markets – leveraging existing footprint
- Post period end orders secured – circa £1.5m, over 12 months
- On track for revenues of £5.8m for full year
- Launch of GenS solution – providing end to end integrated secure digital capability



SELECTED IPS OPPORTUNITIES

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

2022

- ADF – phase 2, services contract, S1000D data conversion
- North American OEM – R4i software
- US OEM – R4i software
- Commercial Space – R4i services

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.



Look Forward – Technical Training

- Active pipeline of over £25m (exc. major programme)
- Evolution of TTD business model
- Cost savings continue to be realised
- Completion of MTE programme – impact on margins
- Focus on utilisation of smart technologies; new innovative technology-based solutions
- Reassessment of resources allocated to division – potential reallocation of capital within wider business



SELECTED TTD OPPORTUNITIES

Single Source / Formally notified

- Major programme – circa £25
- Middle East – helicopter trainer, circa £1m
- Middle East – avionics trainers, circa £2.5m
- Rail – completion of prototype

2022

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

2023 & beyond

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

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



Group Outlook

- Implement and accelerate the Strategic plan, including:
 - Complete development of full GenS software solution
 - Progress corporate development activity – UK rail software and services
 - Evolution of TTD business – focus on training software, services and proprietary generic training aids
- Ensure Pennant IBP aligns with global trends; utilising Pennant's innovative, technology-focused solutions
- Leverage position as an independent SME in all geographical territories, e.g., UK DSIS



Pennant



Thank you for your attention