



### Investment Profile

- Global economic and geo-political backdrop, with increased defence spending positions the Group favourably for long term growth
- Transformed business mix - moving away from capital intensive engineering projects - focussing on sustainable, recurring revenue growth focussing on high-margin software and technical services now delivering improved financial results
- Gross margins at record levels as Group emphasis is on profitability
- Realigned operations enable efficient global delivery of end-to-end solutions to defense and growing civilian sectors, such as Rail
- Strong order book of £25m (Dec 22) providing good and growing pipeline visibility
- Strong positions in key markets - trusted reputation and long standing customer relationships

### Share Information

<b>Ticker</b>	AIM: PEN
<b>Share Price</b> (GB pence)	37.0
<b>Shares in issue</b> (m)	36.8
<b>Market Cap</b> (£m)	13.6
<b>12m Hi/Low</b> (GB pence)	42.0/28.5

(Source: The London Stock Exchange, June 2023)

### 12-Month Share Price



(Source: The London Stock Exchange, June 2023)

### Major Shareholders (as of June 2023)

Name	%
CC Powell Concert Party	17.06
Premier Miton Group	13.90
Brett Gordon	9.04
Rockwood Strategic plc	7.47
Killik & Co LLP	4.89
Cannacord Genuity Group	4.57

(Source: company website)

### Company Overview

Established in 1958, Pennant International Group plc is a leading provider of world-class integrated training technologies and product support for the defence, aerospace, rail and other safety critical industries, across the globe, offering a turn-key solution for any requirement.



**TECHNICAL TRAINING SOLUTIONS**

Our generic & bespoke training aids offer operation and maintenance savings and improved safety outcomes. These training aids complement training on real equipment and include basic hand skills devices, VR trainers & maintenance emulators for regulated sectors.



**TECHNICAL TRAINING SERVICES & SUPPORT**

Our experienced support team can deliver professional, reliable and cost-effective solutions and customer support services, for Pennant or third-party equipment.



**GENS, R4i & OmegaPS**

We are a leading, worldwide provider of IPS/LS software and services to the Defence, Aerospace, Space and safety critical industries. Our products and services are exported around the world to assist current and future generations of operators and maintainers.



**RAIL & TRACK ACCESS SERVICES**

We supply a wide variety of services across the globe, such as; Operational Surveys, Rail Driver Training, Film & Media Production, Online Content Delivery, 3D Track Models and Signal Sighting Simulations.



**STUDIO SERVICES**

Studio Services is a collective of highly skilled experts covering 2D & 3D Design, VR media development, film production, E-learning & CBT, illustration, copywriting, and translation.

### What's New?

Pennant's strategic shift towards a **higher-margin business mix** of software and technical services has yielded positive financial outcomes, marked by **growing efficiencies across the Group**.

The full-year results for the period ending 31 December 2022 showcased a **significantly strengthened gross profit margin** of 42% (2021: 27%), **further growth in recurring revenues**, which now account for 56% of the Group's total revenues (2021: 46%), and a **robust order book** standing at £25m (2021: £22m), £13m of which is expected to be delivered in 2023. Consequently, the Group has announced an **EBITA profit for the third consecutive six-month** trading period.

**The global economic and geo-political landscape, along with a supportive strategic environment, are highly congruent with Pennant's capabilities** and present significant prospects for long-term success.

Simultaneously, Pennant is **strengthening its reach in several heavy equipment sectors**. Its acquisition of Track Access Productions, a long standing business with a trusted reputation, adds to the Rail offering and is expected to contribute c.£850k in 2023. The Group is well positioned for meaningful growth in both the defence and civilian markets.

## Supportive Strategic Environment

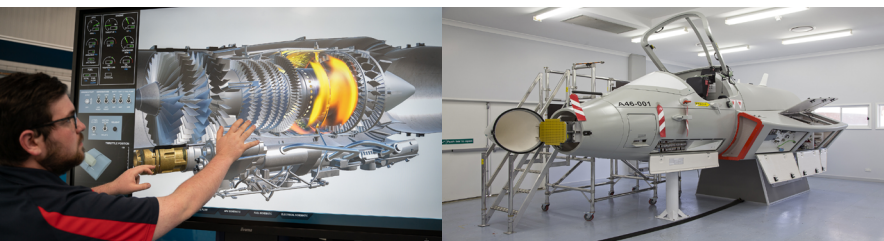
The current macro-economic backdrop is supportive of Pennant's end-to-end solutions. It has a **competitive advantage due to the scarcity of competitors that can provide comparable services**. In addition, new and emerging areas such as space present opportunities for growth as the adoption of integrated logistics support (IPS) is gaining momentum.

The current global climate of uncertainty, particularly in Europe and the Indo Pacific regions, is **driving an increase in defence budgets, which will create a greater demand for IPS and technical training solutions in the coming years** as new and upgraded equipment programs are rolled out.

As the aviation sector returns to pre-pandemic levels, **delayed investments are restarting. Furthermore, significant global investments in the rail sector are expected to continue.**

**Interoperability of systems and data is becoming increasingly critical**, as demonstrated by recent developments such as AUKUS and Pennant's ability to offer additional services to existing customers through organic development, acquisitions, or partnerships is also a key advantage.

Similarly, the **IPS process and the management of data are becoming more crucial**, as the cost and complexity of programs increase. **The logistics sector is increasingly using IPS as a strategic planning tool, providing further opportunities for Pennant's growth and expansion.**



## Group Strategy

Pennant's **strategic focus on sustainable, recurring revenue growth and profitability** is supported by several key initiatives. As it has shifted its **focus towards software and services**, the Group is beginning to see **improved order lead times, revenue recognition, and margins**.

Having realigned its operations to enable effective and efficient global delivery, Pennant aims to provide a **holistic end-to-end solution offering its full range of products and services in its three key regions** (UK & Europe, North America, and Australasia).

The Company is committed to corporate development and **aims to add scale by expanding partnerships and pursuing further targeted complementary acquisitions** that align with the Group's strategy.

Pennant has successfully launched and established its new GenS software solution and IPS suite and is developing the next generation of modular, software, and technology-led training aids. **The new training aids are expected to be more customisable, cost-effective, and accessible** than traditional training methods, allowing Pennant to **better serve its customers' needs while also enhancing its own competitive advantage in the market**. These initiatives reflect **Pennant's commitment to innovation and position the company for long-term success**.

## Key Newsflow

**Apr: Notice of AGM & Posting of 2022 Ann. Accounts**

**Apr: 2022 Final Results**

**Apr: Strategic Acquisition of UK Rail Services Business**

**Feb: Appointment of Chair**

**Jan 2023: Appointment of Director**

## Management Team

### Phil Walker, Chief Executive Officer

Mr Walker joined Pennant in 2014, initially as CFO, before being promoted to CEO in 2017. He is a chartered accountant and qualified corporate finance professional. Before joining Pennant Mr Walker worked with Grant Thornton and Barclays.

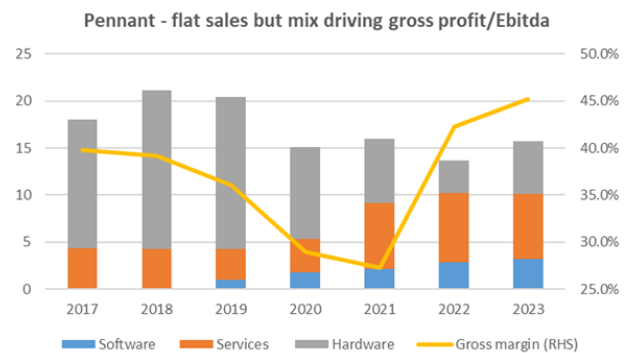


### Mike Brinson, Chief Financial Officer

Mr Brinson is a chartered accountant with significant financial experience of the engineering, manufacturing, defence, and training industries. Prior to joining Pennant in 2020, he was the Financial Controller responsible for Customer Support and Training at Leonardo Helicopters UK.



## Changing Revenue Mix



## ESG

Pennant believes that a commitment to the principles of Corporate Social Responsibility and Social Values not only makes good business sense but also complements the core business strategy and corporate values.

Pennant are currently reviewing their policy which will focus on several areas which include reducing CO2 footprint, support for local communities, challenging in-equality, and promoting equal opportunities.

Pennant are making small steps and aim to deliver gradual but continuous improvements in performance every year.

## Consensus Forecasts (Source: Factset)

	Dec '21 (A)	Dec '22 (A)	Dec '23 (E)	Dec '24(E)
Sales (£m)	16.0	13.7	16.6	16.1
Pretax income (£m)	(0.8)	0.2	1.3	1.6
EPS	(4.4)	(2.5)	3.5	4.2

