

PENNANT INTERNATIONAL GROUP PLC

Completion of Acquisition of Aviation Skills Holdings Limited

Pennant International Group plc ("**Pennant**", the "**Company**" or the "**Group**"), 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, is pleased to announce that it has completed the acquisition of the entire issued share capital of Aviation Skills Holdings Limited (the "**Target**", the "**Acquisition**").

About the Target

The Target is the holding company for the Aviation Skills Partnership business ("**ASP**"), an organisation established in 2013 to help identify, create, develop and implement the skills urgently required by the aviation and aerospace industries in partnership with other training organisations, educators, employers and other potential stakeholders. The vendors are Simon Witts, founder and CEO of ASP, and his wife, Michelle Witts.

ASP is committed to the facilitation and delivery of aviation skills training across many disciplines including Pilots, Air Traffic Control, Airport Operations, Crewing, Engineering and Maintenance across the UK.

ASP executes this strategy by promoting the establishment, and then the management, of aviation skills academies. The first such academy, International Aviation Academy – Norwich, operates from Norwich International Airport. Three more academies are currently being established and are expected to be fully operational from 2020.

Summary of the Acquisition terms

The initial consideration payable for the Acquisition comprises a cash payment of £250,000 on completion with a further cash payment based on completion accounts, which together will not exceed £750,000.

Additional consideration based on a multi-year earn-out may be payable based on the Target's profits over the next five financial years (subject to potential acceleration at Pennant's option during the term).

The earn-out payments will be determined by reference to the profits of the Target and, subject to a performance hurdle, will comprise a proportion of those profits on a sliding scale.

The maximum aggregate consideration payable by Pennant in respect of the Acquisition (including the initial payments of consideration on completion) will not exceed £6.75 million and in order to reach that cap the Target would, at minimum, need to significantly exceed forecast adjusted profit before tax for the 2019 financial year and then achieve profits of at least £14 million during the earn-out period.

The acquisition agreement contains customary warranties and indemnities in respect of title, tax and various commercial matters as well as buyer protections and termination rights in respect of the earn-out in the case of vendor default.

Simon Witts entered into a new service agreement with ASP upon completion of the Acquisition.



Financial Impacts

The Target's unaudited accounts for the financial year ended 31 January 2018 showed turnover of £398,000, net profit of £27,000 and net assets of £151,000. For the financial year just ended (31 January 2019), it expects to report profit before tax of circa £175,000.

The initial consideration payable in respect of the Acquisition is financed by a proportion of the proceeds generated from the Company's placing of new ordinary shares (as announced on 29 January 2019). Future earn-out payments will be funded from, and are conditional upon, the successful trading of ASP post-Acquisition.

Benefits of the Acquisition

The Board of Pennant believes that the ASP business is highly complementary to the Group's existing business and that the Acquisition will:

- materially increase the proportion of Group revenues from commercial aviation;
- diversify the Group's business, reducing its defence-sector concentration;
- add long-term recurring, contracted revenue to the Group's order book;
- accelerate the Group's strategic objective of increasing and enhancing its services offering, reducing reliance on product sales;
- allow the Group to develop and deliver solutions (products, services and courseware) better tailored to the large and growing commercial aviation sector;
- allow the Group to develop a replicable, exportable model of aviation skills training, integrated with high-quality Pennant solutions;
- in doing so, better align the Group with the needs and interests of its end-users, other stakeholders and applicable regulators.
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Commenting on the Acquisition, **Phil Walker, CEO of Pennant commented**

"As part of Pennant, ASP will develop and deploy training programmes necessary to address the aviation and aerospace skills shortages across the UK through a network of academies, providing the Group with valuable additional training capabilities which ultimately could be rolled out internationally. The ASP business also offers a strong recurring revenue stream to complement our existing long-term international contracts. We look forward to working with Simon and his team."

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