

Petards Group plc
("Petards", the "Group" or the "Company")

Trading Update

Petards Group plc (AIM: PEG) the AIM listed Petards, the AIM quoted software developer of advanced security and surveillance systems, announces a trading update for the year ended 31 December 2020.

Trading Update:

As reported in September 2020, trading was proving extremely challenging which continued to be the case for the remainder of the year. This was particularly pertinent in respect of our *eyeTrain* operations for which customer scheduling was subject to change and deferral at very short notice, exacerbating the impact on revenue and delays in placement of new customer orders. On a brighter note, one of those delayed orders, for £1.3m was placed in October and will be delivered in the first quarter of 2021.

The planned reorganisation of *eyeTrain* activities I referred to in 2019, was a major priority in 2020, re-aligning the cost base following the substantial completion of the large software engineering developments that have been a feature of recent years. To put this into perspective, this enabled the Group to reduce its *eyeTrain* workforce by 40% during the course of the year while incurring substantial exceptional costs which will be recognised in the results for 2020. These actions will preserve future cash and improve operational efficiency thereby providing a better focus for future business.

We have recently created a virtual Petards Technology Centre to capitalise upon the wider Group's technical and development expertise. Our strategic objective is to enhance *eyeTrain*'s technically advanced on-train sensing systems. This is envisaged to be achieved through use of "best of breed" third party applications, particularly those related to data capture, transmission and analytics.

While the Group's defence activities have had a moderately profitable year, they too were affected by customer agreed supplier delivery schedule changes with £0.5m of revenue being delayed into 2021 impacting profitability for 2020.

QRO had a record year, trading profitably and growing revenues by 35% having acquired the NASBox product line in April 2020. The year culminated in it securing its largest ever order (£0.8m) in December 2020 for a UK police force, the majority of which will be delivered in the first half of 2021.

RTS our real time safety critical rail infrastructure software business has performed well since its acquisition and maintained a similar level of profitability in 2020 compared with the prior year. Its future revenues are underpinned having in May 2020 secured the 4-year renewal of a significant software support contract that now runs until April 2024. The digitalisation of rail infrastructure processes provides growth opportunities for RTS, and we are planning additional investment in software to capitalise on these and add value to the business.

The Group expects to report, subject to audit, revenue of approximately £13m for the year (2019: £15.7m) and a slightly improved result compared with the prior year at the adjusted EBITDA level (2019: £0.3m loss). After amortisation, depreciation, reorganisation and financing charges, the Group expects, subject to audit, to report a loss before tax similar to that of 2019.

Closing year end cash balances were £2.2m (2019: £0.8m) and the Company has an unused and unutilised £0.75m revolving credit facility with its bank whose term runs until June 2022. Debt at the year-end was £1.0m (2019: £1.4m), including right-of-use asset liabilities of £0.4m (2019: £0.5m), resulting in net cash at 31 December 2020 of £1.2m (2019: £0.5 net debt). During the second quarter of 2020 the Group utilised the UK Government's VAT deferment scheme under which £0.36m of VAT payments have been deferred to 2021. The Group continued making its bank loan repayments as they fell due with £0.25m being repaid in the year.

The year-end order book stood at over £12m of which £10m is currently scheduled for delivery in 2021 with a weighting to the first half of the year.

In March 2020, the Group implemented a pandemic action plan taking all practical precautions, ensuring safe working conditions were in place for its employees, customers and suppliers. Consequently, all our sites have remained open for business since that time. The action plan also focussed on cash generation resulting in a much stronger cash position at year end.

Over the past five years we have acquired two relatively small businesses which have both proven very successful. As well as continuing to build upon these and the Group's other activities, the current economic conditions are presenting good quality acquisition opportunities, particularly in the privately owned sector. While any such acquisition would have a material impact on the size of the Group and its earnings capabilities, it would also add scale to the Group.

Against a background of the difficulties encountered by ourselves and our customers due to the impact and disruption caused by Covid-19, the Board consider the results for the year represent a credible performance. However, we believe that the benefits arising from the restructured *eyeTrain* business and the establishment of the Petards Technology Centre, places the Group in much stronger position for 2021 and beyond.

While it is presently too early in the year to re-instate market guidance, the Board is cautiously hopeful of improved results in 2021.

This announcement includes inside information as defined in Article 7 of the Market Abuse Regulation No. 596/2014 and is disclosed in accordance with the Company's obligations under Article 17 of those Regulations.

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