

PENTANET LEVELS UP AUSTRALIAN INTERNET WITH CLOUD GAMING LAUNCH

HIGHLIGHTS:

- \$3.7 million in quarterly cash receipts from customers, up 61% YoY (+16% QoQ).
- 70% YoY increase in revenue to \$3.9m (+18% QoQ).
- 13,823 subscribers as at 30 September 2021, up 65% YoY.
- 1,684 new subscribers were added to the network in the September 2021 quarter, representing an annualised growth rate of 65% and a quarterly growth rate of 11% from the June 2021 quarter. On-net (fixed wireless) customers made up 41% of total subscribers.
- Scaled deployment of Terragraph equipment across neXus commenced in Q1 FY22.
- GeForce NOW successfully progressed to commercial launch:
 - Practical completion milestone reached in September 2021 in the rollout of the cloud gaming infrastructure in Australia. The initial 18 RTX servers fully installed in Perth and Sydney, with the additional 18 server capacity installation underway.
 - Beta program successfully completed in October 2021. Data from the program was used to calibrate and optimise the cloud gaming hardware and service, and delivered a solid technical outcome.
 - Australian commercial launch occurred as planned on 19 October 2021.
 - Commercial launch triggers an initial 12-month exclusivity period for GeForce NOW in Australia, with a further 12-month extension possible with additional capacity expansion.

Pentanet Limited (**ASX:5GG, Pentanet or Company**) is pleased to provide its Quarterly Activities Report for the three months ended 30 September 2021.

Pentanet Managing Director, Mr Stephen Cornish, said that a major focus in the September Quarter was on progressing the GeForce NOW cloud gaming service towards commercial launch.

"The RTX cloud gaming hardware was installed and operational in early September and was thoroughly tested during the Beta Play program. The enthusiasm and support from gamers solidifies our business case for cloud gaming in Australia, with almost 20,000 Beta users playing over 174,000 sessions totalling nearly 5 million minutes of game time in just 4 weeks.

"GeForce NOW Powered by Pentanet successfully launched on 19 October, with the premier cloud-based game streaming service now open for paying subscribers in the region. We are now on the road expanding our community, and so far have a high level of support from gamers across the country using the service.

"At the same time our fixed wireless business has continued to grow strongly, and we are well positioned to deliver sustained growth with two business segments delivering recurring revenue, growing brand awareness, a strong balance sheet, and a motivated and committed team."

OPERATIONAL

The first quarter of FY22 was a transformational period for Pentanet Ltd. Significant milestones were achieved in the scale of the fixed wireless network, the successful launch of GeForce NOW Beta Play program, and completion of PentaCore

upgrades. The Company is now actively building out neXus, combining the power of 5G mmWave and Terragraph technology to deliver a multi-gigabit capable service for Perth.

Pentanet's ongoing investment in brand awareness and community engagement continues to attract new subscribers. The Company achieved favourable customer metrics and subscriber growth up 65% YoY and 11% QoQ to 13,823 at 30 September 2021. In addition, continued investment in new technology to improve customer experience has seen customer monthly churn decreasing from 0.91% in Q4 FY21 to 0.80% in Q1 FY22.

Continuing the strong organic growth trajectory seen in FY21, total revenue increased by 18% QoQ in Q1 FY22 to \$3.9m, driven by recurring revenue growth of 14% QoQ and \$0.2m one-off new revenue generated by Pentanet.GG from prize money and sponsorship income. Telco subscriber numbers continue to drive growth in recurring revenue, which now represents 85% of total revenue.

A 28% YoY increase in gross margin to 50% (+9% QoQ) and 122% YoY increase in gross profit to \$2.0m (+33% QoQ) reflects the increasing scale and cost efficiencies from core upgrades, automation, non-recurring new income generated by Pentanet.GG, and further gradual improvement in ARPU from \$91 in Q4 FY21 to \$92 in Q1 FY22.

Advertising cost remained at 10% of revenue, with Telco customer acquisition cost increasing from \$189 in Q4 FY21 to \$217 in Q1 FY22. Strong focus was placed on commercial acquisition campaigns, which will drive ARPU growth and further expansion of our service offering. Ongoing investment in brand positioning campaigns and community engagement programs continues to deliver growth in awareness and lead generation.

Fixed Wireless

On-net fixed wireless subscribers represented 41% of total fixed wireless subscribers, which was a slight reduction on the prior quarter. The Company's significant network infrastructure and core upgrades in the quarter to support our new next-generation services, created some minor short-term impact to fixed wireless sales in a small number of areas in the network.

Fixed wireless gross profit and margins continue to trend upwards (helped by 76 off-net to on-net customer transfers), further solidifying the Company's progress towards expansion of the fixed wireless service offering. Fixed wireless gross profit improved by 86% YoY and fixed wireless gross margin improved from 86% in Q4 FY21 to 87% in Q1 FY22 (+10% YoY). In addition, further gradual improvement in fixed wireless ARPU from \$86 to \$88 also supported gross profit and margin improvements.

neXus

Scaled deployment of Terragraph equipment across neXus commenced in Q1 FY22 combining the power of both 5G mmWave and Terragraph technology, giving the network multi-gigabit capability and increasing scale and coverage significantly. In the coming quarter, strategic focus and prioritisation will shift to accelerate the deployment of Terragraph equipment, which expands coverage and enables the commercial launch of neXus later this financial year. In addition, registrations of interest for neXus were opened to the public in Q1 FY22.

Cloud Gaming

Cloud gaming activities during the Quarter focussed on progressing GeForce NOW to the planned commercial launch in mid-October. Practical completion of the cloud gaming infrastructure rollout was announced on 8 September. The initial RTX servers installed in Perth and Sydney were tested across a rigorous six-week program that demonstrated a solid technical outcome of the Beta.



Pentanet's public Beta Play program commenced on 22 September 2021, with over 4.7 million minutes (9 years) played ahead of commercial launch. Almost 20,000 Beta Players actively tested the service across more than 174,000 sessions. Data from the program was used to gain insight on player behaviour and optimise the cloud gaming hardware and service.

The Australian commercial launch occurred on 19 October 2021. GeForce NOW Powered by Pentanet offers two membership options, 'Basic' and 'Priority'. The 'Priority' account will allow players to truly unleash the power of the service, with RTX-ON enabled gaming and extended play sessions for a limited Founders price of \$19.99 per month, or a 12-month subscription paid upfront in advance for \$17.99 per month. If there's a queue to play GeForce NOW, Priority members will always be right at the front. The Australian commercial launch enacted the Company's initial exclusivity period as the only GFN Alliance partner for GeForce NOW in Australia.

FINANCIAL AND CORPORATE

Cash receipts from customers were \$3.7m in the three months to 30 September 2021, compared to \$2.3m in the same period in 2020 and a 16% increase on the June 2021 quarter. This was in line with the reported growth in subscribers and revenue.

Total capital expenditure was \$2.2m, comprising NVIDIA cloud gaming infrastructure, core network upgrades, new towers and upgrade of existing towers, and Terragraph equipment. Additional Terragraph equipment was bought ahead of the planned accelerated deployment schedule in light of the global chip shortage.

The Company has a robust balance sheet with a closing cash balance of \$29.7m at the end of the quarter, remaining in a strong position to fund the growth of both its fixed wireless and emerging cloud gaming businesses in a timely and disciplined manner.

USE OF FUNDS AND RELATED PARTY TRANSACTIONS

The Company raised approximately \$22.5 million dollars (before costs) through its initial public offering (**IPO**) in January 2021, and an additional \$20 million (before costs) through a placement in June 2021 (**Placement**). The September 2021 quarter is included in a period covered by the use of funds statement contained in the IPO prospectus lodged with ASX under Listing Rule 1.1 condition 3.

The following table shows the source of funds (before costs) outlined in the Company's IPO prospectus compared to actual sources of funds available (before costs) to the Company during the period commencing 27 January 2021 to 30 September 2021:

Source of funds	Prospectus	Actual
	<i>\$'000</i>	<i>\$'000</i>
Approximate cash as at the date of the IPO prospectus / opening cash balance	1,508	1,508
Proceeds from the IPO Offer	22,460	22,460
Proceeds from Placement – June 2021	-	20,000
Proceeds from exercise of Options	-	501
Total funds available (before costs)	23,968	44,469

In accordance with ASX listing rule 4.7C.2, the Company provides below a use of funds comparison table showing actual expenditure for the period commencing on 27 January 2021 to 30 September 2021 compared to the estimated expenditure in the use of funds statement contained in the Company's IPO prospectus. The Company was admitted to the Official List of the ASX on 27 January 2021. The use of funds table contained in the Company's IPO prospectus did not include the anticipated access to additional sources of funding (set out above), including the proceeds from the Placement.

The following table shows the intended use of funds in the two-year period following admission to the ASX (as outlined in the Company's IPO prospectus) compared to the actual expenditure to 30 September 2021:

Use of Funds	Prospectus	Actual to Date (27 Jan to 30 Jun 2021)	Comment
	<i>\$'000</i>	<i>\$'000</i>	
Wireless infrastructure	8,990	2,161	In line with schedule
Network infrastructure	1,500	1,175	In line with schedule
NVIDIA cloud gaming infrastructure	4,000	3,610	In line with schedule
Working capital and administration	6,500	1,865	In line with schedule
Costs of the Offers	1,450	1,284	In line with schedule
Total funds allocated	22,460	10,095	

In accordance with ASX Listing Rule 4.7C.3, payments in the September 2021 quarter to related parties (and their associates) of \$197,714 included at Item 6 in the Appendix 4C consisted of directors fees and director associate fees and rent and accounting services paid to associates of directors.

This announcement has been authorised for release by the Managing Director of Pentanet Limited, Mr Stephen Cornish.

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About Pentanet

Pentanet is a Perth-based, growth-focused telco delivering high-speed internet to a growing number of subscribers by providing them with next-generation internet speeds. This is achieved through Pentanet's market-leading private fixed-wireless network, the largest in Perth, as well as reselling fixed-line services such as NBN, where its wireless is not yet available.



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Pentanet's flagship fixed wireless network has benefits for both customers and investors, offering an outstanding customer experience and a fixed-wireless product that is technically superior to most of the NBN – with attractive margins for investors. This sets Pentanet apart from most broadband providers, which only resell the NBN.

Pentanet will also be part of the rollout of the next wave of subscription-based entertainment services – cloud gaming. The Company's Alliance Partner Agreement with NASDAQ listed NVIDIA – one of the world's largest producers of specialised graphic chips used in gaming – allows Pentanet to be the first to bring their GeForce NOW technology to Australia in 2021.

Pentanet was listed as #28 in the Deloitte Technology Fast 500™ Asia Pacific 2020, a ranking of the region's 500 fastest growing technology companies. On top of the Company's #28 overall ranking, Pentanet also ranked #3 for Australian companies on the list.

Appendix 4C

Quarterly cash flow report for entities
subject to Listing Rule 4.7B

Name of entity

PENTANET LTD

ABN

29 617 506 579

Quarter ended ("current quarter")

September 2021

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
1.	Cash flows from operating activities		
1.1	Receipts from customers	3,672	3,672
1.2	Payments for		
	(a) research and development	-	-
	(b) product manufacturing and operating costs	(1,946)	(1,946)
	(c) advertising and marketing	(339)	(339)
	(d) leased assets	(7)	(7)
	(e) staff costs	(1,416)	(1,416)
	(f) administration and corporate costs	(703)	(703)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	-	-
1.5	Interest and other costs of finance paid	(26)	(26)
1.6	Income taxes paid	-	-
1.7	Government grants and tax incentives	47	47
1.8	Other (provide details if material)	-	-
1.9	Net cash from / (used in) operating activities	(718)	(718)
2.	Cash flows from investing activities		
2.1	Payments to acquire or for:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	(2,094)	(2,094)
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	(147)	(147)
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) intellectual property	-	-

Quarterly cash flow report for entities subject to Listing Rule 4.7B

(f) other non-current assets	-	-
2.3 Cash flows from loans to other entities	-	-
2.4 Dividends received (see note 3)	-	-
2.5 Other (provide details if material)	-	-
2.6 Net cash from / (used in) investing activities	(2,241)	(2,241)

3. Cash flows from financing activities		
3.1 Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
3.2 Proceeds from issue of convertible debt securities	-	-
3.3 Proceeds from exercise of options	-	-
3.4 Transaction costs related to issues of equity securities or convertible debt securities	-	-
3.5 Proceeds from borrowings	-	-
3.6 Repayment of borrowings	-	-
3.7 Transaction costs related to loans and borrowings	-	-
3.8 Dividends paid	-	-
3.9 Other (provide details if material)	-	-
3.10 Net cash from / (used in) financing activities	-	-

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of period	32,705	32,705
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(718)	(718)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(2,241)	(2,241)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	-	-
4.5 Effect of movement in exchange rates on cash held	-	-
4.6 Cash and cash equivalents at end of period	29,746	29,746

5. Reconciliation of cash and cash equivalents	Current quarter	Previous quarter
at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	\$A'000	\$A'000
5.1 Bank balances	29,746	29,746
5.2 Call deposits	-	-
5.3 Bank overdrafts	-	-
5.4 Other (provide details)	-	-

Quarterly cash flow report for entities subject to Listing Rule 4.7B

5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	29,746	29,746
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6.	Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	198
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.

7.	Financing facilities	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
	<i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>		
7.1	Loan facilities	800	367
7.2	Credit standby arrangements		
7.3	Other (please specify)		
7.4	Total financing facilities		
7.5	Unused financing facilities available at quarter end		433
7.6	Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.		
	Loan facility is a secured revolving credit facility to the value of \$800,000 with Toyota Fleet Management and relates to fleet and installation vehicles. The loan is secured.		

8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (item 1.9)	(718)
8.2	Cash and cash equivalents at quarter end (item 4.6)	29,746
8.3	Unused finance facilities available at quarter end (item 7.5)	433
8.4	Total available funding (item 8.2 + item 8.3)	30,179
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	42
	<i>Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.</i>	
8.6	If item 8.5 is less than 2 quarters, please provide answers to the following questions:	
	8.6.1	Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?
	Answer: Not applicable	
	8.6.2	Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?
	Answer: Not applicable	

Quarterly cash flow report for entities subject to Listing Rule 4.7B

8.6.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer: Not applicable

Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: 27/10/2021

Authorised by: 
(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.