



## PENTANET DEMONSTRATES DEMAND FOR NEXT-GENERATION WIRELESS NETWORK WITH NEXUS LAUNCH

### HIGHLIGHTS

- 40% YoY increase in revenue to \$4.6m (+5% QoQ)
- \$4.7m in quarterly cash receipts from subscribers, up 48% YoY
- 16,674 telecommunications subscribers on 30 June 2022, up 34% YoY (+5% QoQ)
- 1,281 subscribers were added to the network in the June 2022 quarter
- On-net (fixed wireless) customers made up 39% of total subscribers
- neXus launched on 23 June 2022, with over 11,000+ registrations of interest to the end of June 2022, providing support for coverage expansion efforts
- GeForce NOW cloud gaming memberships exceeded 182,000+ with over 115 million minutes of streamed gameplay

Pentanet Managing Director, Mr Stephen Cornish, said "Q4FY22 saw us achieve revenue growth despite the challenges the Company faced regarding our on-net capacity and current network reach to onboard the demand that is out there for neXus. As we alleviate these issues daily, I look forward to increasing our growth rate in FY23. I'm confident that FY23 will be transformational for the business as neXus and GeForce NOW begin to deliver increased growth."

### OPERATIONAL

#### GeForce NOW Cloud Gaming

The GeForce NOW Powered by Pentanet memberships continue to rise across Australia, reaching 182,000 registered members at 30 June 2022, up by 44% QoQ. The cloud gaming platform has since surpassed the 200,000 registered members milestone, with 5.6 million game sessions accounting for over 130 million minutes played on the platform since launch. Platform utilisation remains relatively constant, leading to no significant change in operating costs as the platform continues to accrue Basic (free) and Priority (paid) users. The Company anticipates Basic to Priority conversions to increase with the upcoming refresh of the platform's membership types, with mid-tier plans expected to drive growth in recurring service revenue and earnings.

Channels for growth kept expanding with Samsung Gaming Hub rolling out to all of the brand's Smart TVs in Q4, delivering GeForce NOW Powered By Pentanet natively on 2022 Samsung Smart TVs. Additionally, more titles are being added to the GeForce NOW library monthly, with the platform boasting over 1,300 titles.

#### Telecommunications

Before the commercial launch of neXus, registrations of interest (ROIs) exceeded 11,000, setting the strong foundation for the Company's coverage expansion efforts. On 23 June 2022, Pentanet officially launched neXus with the focus on building out coverage to support higher margin on-net subscriber growth.

Pentanet has ramped up operational capacity to address the growing demand for neXus. To date, Pentanet's field team has deployed 580 'Meshy Boi' distribution points, creating additional coverage for 11,600 neXus subscribers to increase the network's coverage. Demand for neXus remains high, with over 240 in-coverage applications received for the service by the end of Q4 FY22, and a growing waitlist for suburbs not yet in coverage.

Challenges around temporary capacity constraints are ongoing on the Company's legacy fixed wireless network and is expected to start easing as the team navigates continued upgrades and creates more coverage with neXus. Additional coverage created by neXus will allow the Company to leverage more value from the existing infrastructure whilst preserving network quality by alleviating high-demand capacity constraints and ultimately improving the quality of service and experience. Overall subscriber growth increased by 5% QoQ (34% YoY) to 16,674 despite the foundation fixed wireless network constraint challenges.

Monthly customer churn has increased marginally from 1.02% to 1.09%. The main category for churn notices received remains relocations, with most churn relating to low margin off-net nbn™ subscribers.

5% subscriber growth in Q4 supported revenue growth for the quarter. The \$4.6 million revenue reported in Q4 grew by 5% QoQ (+40% YoY) compared to Q3FY22. Strong growth in recurring revenue of \$4.2 million, up by 7% QoQ (+47% YoY), continues to drive scale and support earnings growth. Recurring revenue comprised 92% of total revenue. Blended ARPU remained consistent at \$89 in Q4FY22, and ARPU across various service types has remained stable throughout the quarter. Key metrics across fixed wireless have improved marginally, with fixed wireless ARPU increasing from \$87 to \$88 QoQ and the gross margin remaining consistent at 86% QoQ.

Gross profit decreased marginally by 0.9% QoQ to \$2.06 million (+37% YoY). Gross margin decreased from 48% to 45%, impacted mainly by lower growth of on-net subscribers as the demand remains substantially above the Company's legacy fixed wireless network capacity. With neXus launched in late June, the Company has identified an increase in the demand for on-net services. However, the growth rate for on-net services is still heavily dependent on coverage and capacity.

As a percentage of revenue, advertising and marketing costs decreased from 15% to 10% in Q4FY22 mainly due to neXus ROIs generating spend included in Q3FY22. Interest in neXus continues to rise, and the Company remains focused on growing the network as fast as is reasonably possible. Coverage expansion is core to the Company's decision-making to address the growing demand for neXus.

The Company has secured the equipment and capital to deploy neXus rapidly at scale across Perth.

## FINANCIAL AND CORPORATE

Cash received from customers continued to rise, from \$4.4 million in Q3FY22 to \$4.7 million in Q4FY22 (+8% QoQ, +48% YoY), supported by 5% QoQ subscriber growth.

Operating cash payments are up from \$6.3 million in Q3FY22 to \$6.6 million in Q4FY22. The 14% increase to \$2.9 million for product manufacturing and operating costs is mainly due to increased stock levels to mitigate supply chain shortages. The 15% increase in staff cost to \$1.9 million is due to additional hires as we continue to scale operations for the rollout of neXus. Administrative and corporate costs remained at \$1.2 million QoQ. Finally, the 40% decrease in advertising and marketing to \$0.4 million was mainly due to the upfront neXus campaign launch cost included in Q3FY22. The Company continues to invest in our people, products and platforms to support growth and further position itself to expand the network and increase market share in the gaming and telecommunications segments.

Net cash used in investing activities increased from \$1.4 million in Q3FY22 to \$1.7 million in Q4FY22 (24% QoQ). The increase is mainly attributable to network infrastructure investment in anticipation of the scaled neXus network rollout in Q4FY22 and wireless infrastructure expansion and upgrades.

The Company has cash reserves of \$13 million available to dynamically scale its higher-margin on-net services as it continues to level up Australia's internet and gaming sectors.

## 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 June 2022 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 June 2022.

Source of funds	Prospectus	Actual
	\$'000	\$'000
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 the exercise of options	-	501
<b>Total fund available (before costs)</b>	<b>23,968</b>	<b>44,469</b>

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 June 2022 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 June 2022:

Use of funds	Prospectus	Actual to Date (27 January to 30 June 2022)	Comment
	\$'000	\$'000	
Wireless infrastructure	8,990	8,827	Ahead of schedule refer to Note 1
Network infrastructure	1,500	1,298	In line with schedule
NVIDIA cloud gaming infrastructure	4,020	6,827	Ahead of schedule refer to Note 1

CloudGG software development & gaming opportunities	-	4,000	Refer to Note 1
Working capital and administration <sup>2</sup>	6,500	4,613	In line with schedule
Costs of the Offers <sup>3</sup>	1,450	2,305	Refer to Note 1
Total Funds allocated	22,460	27,781	

Comments:

1. The proposed use of funds outlined in the Company's initial listing prospectus did not include anticipated access to additional sources of capital funding as outlined above in the proceeds from a placement to sophisticated and institutional investors of \$20 million (before costs) in June 2021. With the receipt of additional source of funds, the Company was able to purchase additional NVIDIA's GeForce NOW infrastructure, purchase additional wireless infrastructure equipment and acquire a 13.4% stake in CANOPUS Networks for \$4m in cash.

In accordance with ASX Listing Rule 4.7C.3, payments in the June 2022 quarter to related parties (and their associates) of \$346,303 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. These payments were made on normal commercial terms.

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

**FOR FURTHER INFORMATION, PLEASE CONTACT:**

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## About Pentanet

Pentanet (ASX: 5GG) is a Perth-based telecommunications cloud gaming provider delivering next-generation internet services and online experiences to a growing number of subscribers. The Company's market-leading private fixed wireless network is the largest in Perth and remains unrivalled in terms of connection quality, reliability and network design. With the network nearing capacity due to its popularity in Perth, the Company's focus is now the development and deployment of neXus — Pentanet's next-generation, gigabit-enabled wireless mesh network.

In 2021, Pentanet partnered with global tech giant NVIDIA (NASDAQ: NVDA) to democratise Australian access to cloud gaming and became the sole provider of NVIDIA's premier cloud gaming platform in Australia, co-branded GeForce NOW Powered by Pentanet. GeForce NOW as a product offering aligns with Pentanet's evocative brand and gamer-focused identity, but the platform offers an added benefit in complementing the Company's expanding internet services and its vision for a better connected Australia.

Pentanet ranked #28 in the Deloitte Technology Fast 500™ Asia Pacific list of the region's 500 fastest growing technology companies in 2021, the third-highest rank achieved by an Australian company. The Company also ranked #19 in the 2021 AFR Fast Starters list of fastest-growing start-ups in Australia and #30 on the Deloitte Technology Fast 50 Australia 2022.

## 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")**

June 2022

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (12 months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	4,745	17,084
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(2,972)	(9,641)
(c) advertising and marketing	(413)	(1,793)
(d) leased assets	(25)	(42)
(e) staff costs	(1,926)	(6,606)
(f) administration and corporate costs	(1,240)	(3,734)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	1	7
1.5 Interest and other costs of finance paid	(42)	(146)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	47
1.8 Other (provide details if material)	-	-
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(1,872)</b>	<b>(4,824)</b>
<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(1,564)	(10,162)
(d) investments	-	(4,000)
(e) intellectual property	-	-
(f) other non-current assets	(138)	(465)

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (12 months) \$A'000</b>
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) intellectual property	-	-
	(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)	-	-
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>(1,702)</b>	<b>(14,627)</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
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	4	134
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)	-	-
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>4</b>	<b>134</b>

<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	16,958	32,705
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,872)	(4,825)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(1,702)	(14,626)

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (12 months) \$A'000</b>
4.4	Net cash from / (used in) financing activities (item 3.10 above)	4	134
4.5	Effect of movement in exchange rates on cash held	-	-
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>13,388</b>	<b>13,388</b>

<b>5.</b>	<b>Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	<b>Current quarter \$A'000</b>	<b>Previous quarter \$A'000</b>
5.1	Bank balances	13,388	16,958
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>13,388</b>	<b>16,958</b>

<b>6.</b>	<b>Payments to related parties of the entity and their associates</b>	<b>Current quarter \$A'000</b>
6.1	Aggregate amount of payments to related parties and their associates included in item 1	346
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.*

<b>7.</b>	<b>Financing facilities</b> <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>	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
7.1	Loan facilities	800	489
7.2	Credit standby arrangements		
7.3	Other (please specify)		
7.4	<b>Total financing facilities</b>		
7.5	<b>Unused financing facilities available at quarter end</b>		311
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. Interest rates range between 3 and 4.2%

<b>8. Estimated cash available for future operating activities</b>	<b>\$A'000</b>
8.1 Net cash from / (used in) operating activities (item 1.9)	(1,873)
8.2 Cash and cash equivalents at quarter end (item 4.6)	13,388
8.3 Unused finance facilities available at quarter end (item 7.5)	311
8.4 Total available funding (item 8.2 + item 8.3)	13,699
<b>8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1)</b>	<b>7</b>

*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.*

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

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: 29/07/2022.....

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.