

PENTANET DELIVERS CONTINUED GROWTH IN FY22 ON NETWORK AND PRODUCT EXPANSION

HIGHLIGHTS:

- Pentanet delivered improved financial results in FY22 with continued strong growth in revenue and margins:
 - Revenue of \$16.8 million, up 54% on FY21
 - Gross profit of \$7.4 million up 55% on FY21
 - Gross margin increased to 44% (FY21 43%)
 - Underlying EBITDA -\$4.4 million (FY21 -\$2.4 million)
 - Reported Net Loss after Tax of \$7.9 million (FY21 Reported Net Loss after Tax of \$13.7 million, including one off costs of \$8.4 million related to the IPO funding and staff equity payments).
- Telecommunications subscribers were up 34% to 16,674 with churn remaining low at 0.95%.
- On-Net (Fixed Wireless) customers made up 39% of total subscribers at 30 June 2022.
- Recurring revenue increased by 59% to \$15.2 million, representing 90% of total revenue in FY22 (FY21 87%).
- Balance sheet has significant growth funding capacity with \$13.4 million in net cash at 30 June 2022, after significant investment in expanded network capacity and cloud gaming in FY22.
- Cloud gaming presence in Australia continued to grow rapidly with over 182,000 users as at 30 June 2022. Focus on boosting recurring service revenue in FY23.

Pentanet Limited (**ASX:5GG, Pentanet or Company**) has delivered improved financial results in FY22, with strong subscriber growth in the telco business continuing to drive increased revenue and gross earnings for the 12 months ended 30 June 2022.

Telco subscribers were up 34% to 16,674 driving 59% growth in revenue to \$16.8 million and 55% growth in gross profit to \$7.4 million, demonstrating improving financial results as the business continues to build scale. Gross margin for the period was 44% versus 43% for FY21. Reported Net Loss after Tax for FY22 reduced to \$7.9 million from \$13.7 million in FY21 (FY21 included one off costs of \$8.4 million related to the Company's IPO and retiring pre-IPO funding).

Pentanet Managing Director, Mr Stephen Cornish, said that Pentanet's improved FY22 financial result was achieved during a period of significant investment in network capacity and in establishing the first to market cloud gaming business.

"The last 12 months have seen Pentanet secure its place as a leader in both telecommunications, cloud gaming and esports in Australia. We seized the opportunity to bring new products and technology to market, and now the foundations have been laid for accelerated sustainable growth across our complementary business sectors.

"At the same time the business continued to deliver substantial growth in subscriber numbers, which generated a strong uplift in revenue and gross profit. Earnings quality remained high with recurring earnings making up 90% of revenue and the churn rate remaining below 1%.

"I've said it before and I want to reiterate for you today - Pentanet is so much more than just another telco. With our ongoing focus on impactful innovation, we are not only contributing to the development of Australia's digital future but also improving and increasing the ways we connect digitally and IRL.

"We aim to continue the growth of our active audience by attracting and retaining subscribers, while deploying cutting-edge technology to our owned and operated wireless network to deliver next-level customer experience. By continuing to invest in our business in line with our strategy, we will continue to increase margins across our suite of complementary products and services. We are wholly focused on delivering the best customer experience and network performance to drive positive shareholder returns."

OPERATING AND FINANCIAL UPDATE

The Reported Net Loss after Tax for the Period was \$7.9 million versus a loss of \$13.7 million in FY21. The FY21 loss included one-off significant items of around \$8.4 million associated with the IPO, pre IPO funding and staff equity payments.

Earnings before interest, tax, depreciation, and amortisation (EBITDA) were (\$4.4) million compared to (\$2.4) million in the prior financial year. This reflected increased operating expenses primarily around investment in people, marketing and network coverage expansion efforts.

Subscribers, revenue and gross profit review

The Company increased its subscriber base by 34% YoY by adding 4,188 new subscribers to the network organically, resulting in 16,674 subscribers at 30 June 2022. This was somewhat impacted by capacity constraints on the Company's traditional fixed wireless network in the second half. These are expected to ease with the commercial launch and deployment of neXus resulting in upgraded and extended network coverage. Notwithstanding the capacity constraints, growth in the subscriber bases was the primary driver of 54% YoY revenue growth to \$16.8 million.

Revenue quality remained high with recurring revenue of \$15.2 million accounting for 90% of total revenue, and growth in recurring revenue outpacing total revenue at 59%. Customer churn remained low at 0.95%, relating mainly to customer relocations from lower margin-off-net NBN customers. Pentanet maintains strong customer satisfaction results across internal and external feedback metrics.

The Average Recurring Revenue Per User (ARPU) on recurring revenue increased from \$80 in FY21 to \$82 in FY22, driven by a marginal increase in demand for higher speed tier plans. ARPU for off-net nbn™ services improved by 2%, from \$71 to \$73. Fixed wireless services ARPU remained consistent at \$87 for FY21 and FY22.

Gross profit is up by 55% to \$7.4 million. The Company has seen a further gradual improvement in gross margin from 43% in FY21 to 44% in FY22, helped mainly by the strengthening margin of on-net fixed wireless services from 83% in FY21 to 86% in FY22.

The Fixed Wireless service offering provided strong margin growth. Margins increased from 83% in FY21 to 86% in FY22, further highlighting the benefits of the on-net service offering and the potential for future margin expansion as the Company's coverage increases.

6,535 on-net fixed wireless customers accounted for 39% of subscribers in FY22, down from 43% in FY21. The decline was mainly impacted by lower growth of on-net subscribers in the third and the fourth quarters of FY22, as

demand for on-net services remained substantially above the Company's traditional fixed wireless network capacity. Conversion of subscribers from off-net to on-net remains a focus for the Company

Marketing

The Company continued to build the Pentanet brands in FY22, cementing today's key positioning as a leader in next-level customer experience across the telecommunications, gaming and esports sectors, while advocating for technology advancements in Australia's digital future.

In FY22, increased marketing investment was incurred by the Company's brand and product expansion efforts with a national launch of GeForce NOW Powered by Pentanet cloud gaming, and the introduction of neXus, the Company's next-generation intelligent mesh wireless network for Perth.

GeForce NOW Powered by Pentanet was launched in October 2021, and since then the cloud gaming platform ecosystem has continued to grow across Australia with the user base reaching over 182,000 subscribers by end June, up 404% YoY. The 'Operation neXus' campaign launch in December 2021 generated more than 11,000 registrations from the community keen to form part of the initial rollout of neXus. Of the 11,000 registrations of interest generated, 59% related to residential and commercial consumers without existing Pentanet services.

As a percentage of revenue, marketing investment increased from 10% in FY21 to 14% in FY22, and Customer Acquisition Cost (CAC) increased from \$174 in FY21 to \$227 following the investment in these new services.

Network Investments

Pentanet invested approximately \$7 million in network infrastructure and other investments in FY22. This investment will allow the Company to expand and diversify the service offering and expand revenue streams in the short and long term. The three key investment areas for Pentanet in FY22 were:

- Telecommunications infrastructure to secure hardware in anticipation of the scaled neXus network rollout;
- Cloud gaming servers for GeForce NOW Powered by Pentanet; and
- The Company's \$4 million investment in CANOPUS Networks.

neXus is Pentanet's next-generation wireless mesh network for Perth, and delivers an ultra high-speed wireless internet connection using innovative mesh technology. neXus employs intelligent Terragraph technology, created by global leaders at Meta (Facebook) Connectivity to provide subscribers with multiple points of connection that can bounce around obstacles, removing traditional fixed wireless line of sight barriers. The Operation neXus campaign expression of interest phase was used to determine areas of demand, laying the foundation for scaling coverage density across the Perth metro area.

Pentanet has ramped up operational capacity to address the growing demand for neXus with over 580 'Meshy Boi' distribution points deployed at the end of June, creating additional coverage for 11,600 neXus potential subscribers to increase the network's coverage. Demand for neXus remains high, with the Company building a growing waitlist for suburbs not yet in coverage as field teams continue the targeted infrastructure rollout activating the first wave of revenue-generating connections to Perth homes.

The Company's focus remains on successfully deploying neXus across Perth, ramping up infrastructure and capacity to a new level of scale for Pentanet.

With a strong cash balance at year-end of \$13.4m, Pentanet is well-positioned to continue on its strong growth trajectory.

Cloud Gaming

In October 2021, Pentanet successfully launched GeForce NOW, NVIDIA's premiere cloud-based game streaming service, to an eager market of gamers across Australia and New Zealand. The GeForce NOW cloud gaming platform allows gamers to play supported titles in the cloud, streaming gameplay directly from the Company's cutting-edge RTX Blade Servers to a user's device. GeForce NOW removes the need for expensive gaming hardware by the user and delivers a high quality gaming experience.

GeForce NOW continues to make it easier to game with native apps, now part of a new range of Smart TVs from LG and Samsung. In addition, channels for the platform keep expanding with Samsung Gaming Hub rolling out to all of the brand's Smart TVs in Q4 FY22, delivering GeForce NOW Powered By Pentanet natively on 2022 Samsung Smart TVs. More titles are being added to the GeForce NOW library monthly, with the platform already boasting over 1,300 titles.

To 30 June, the free Basic subscription has been instrumental in generating over 182,000 registered members, with an average monthly growth of 30%, and has been successfully used to capture this brand new market. Additionally, the audience captured in just over eight months since the commercial launch provides the Company with a now 200,000-strong membership base to launch the upcoming refresh of the platform's membership plans. By looking to introduce new mid-tier plans priced between the existing Basic and Priority plans, the Company is expected to drive scale and growth in recurring service revenue and earnings on the platform.

With strong continued growth since commercial launch, variable platform utilisation costs remained relatively constant, leading to no significant change in underlying operating costs of the service as the platform continues to accrue Basic and Priority users. As such, the Company is confident that the introduction of mid-tier plans can deliver a step-change in the platform's earnings profile.

The Company remains committed to delivering a superior gaming experience for its users and will continue to leverage its high-performance network and partner relationship with NVIDIA to invest in building a significant and sustainable market share.

Cloud.GG

Complementing its investment in GeForce NOW, Pentanet is developing Cloud.GG, a unique gamified network loyalty, rewards and incentive program. Once built, integrations of the platform have the potential to generate dynamic new revenue streams for any network with Cloud.GG enabled by allowing their subscribers to earn digital currency for every action they take online.

In December 2021, the Company announced that it had acquired a 13.4% stake in CANOPUS Networks (CANOPUS) for \$4m in cash and has executed a Memorandum of Understanding to enter a strategic partnership. CANOPUS is a future market leader in providing deep, application-aware network visibility using Artificial Intelligence and Machine Learning.

The agreement included a commitment for CANOPUS to invest \$1.5m in the co-development of Cloud.GG, with Pentanet using CANOPUS' FlowPulse analytics technology to create a rewards and loyalty platform enabled by deep visibility into real-time network traffic.

The CANOPUS server and passive taps have since been deployed in Sydney. The FlowPulse machine learning model is currently being trained with GeForce NOW game stream data to be used in the later development of the Cloud.GG platform.

STRATEGY AND OUTLOOK

The three pillars of Pentanet's strategy remain unchanged.

The introduction of new technology will increase on-net coverage to expand and grow the Company's on-net subscriber base and deliver superior network performance to maintain a low churn rate and provide a competitive service offering, turning subscribers into brand advocates.

The expansion of the existing Pentanet network with neXus will increase available coverage through the large scale mmWave wireless deployment to increase potential market size and penetration.

To increase margins, the Company will continue its focus on attracting more off-net customers to higher margin on-net services, and diversify their complementary product offering, including GeForce NOW cloud gaming subscription services.

A results presentation and Q&A stream session will be held by Managing Director Stephen Cornish, Executive Director Timothy Cornish, and CFO Mart-Marie Derman on Friday 19 August 2022 at 9:30am AWST (Perth) time / 11:30am AEST (Sydney) time. An accompanying presentation will be made available via the ASX announcement platform prior to the stream. Participants may join the stream at:

https://us06web.zoom.us/webinar/register/WN_fSX9b1bFSAW4WraKvJxT0Q

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

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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 wireless network is the largest in Perth, delivering outstanding customer experience and on-net wireless plans with attractive margins for investors. This sets Pentanet apart from most broadband providers, which only resell the nbn™. With the traditional 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 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 was 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.