

INTERIM RESULTS ANNOUNCEMENT

KEY FINANCIAL AND OPERATIONAL METRICS:

- H1 FY23 revenue up 22% YoY to \$9.7m (+9% pcp)
- HY FY23 telecommunication revenue up 23% YoY (+8% pcp)
- On-net (Fixed Wireless) customers made up 39% of total subscribers
- 17,056 telecommunications subscribers on 31 December 2022, up 15% YoY (+2% pcp)
- neXus launch issues resolved, and service is working with uptime >98.8%
- On-net subscriber growth 9% YoY despite lower sales pause during neXus launch in first half
- Successful installation of the Company's first 5G-enabled tower. 5G is projected to add 1,000 on-net capacity to each tower installed
- 311,676 CloudGG accounts on 31 December 2022, up 405% YoY (+66% pcp)

***pcp is prior corresponding period**

Pentanet Ltd (ASX:5GG) is pleased to report its interim results for the half-year ended 31 December 2022, with revenue increasing in both business segments. Revenue reached \$9.7 million for the half year ending 31 December 2022, representing 22% YoY growth. Telecommunications recurring network revenue saw a similar increase of 23% to \$9.2 million. Consolidated gross profit increased by 5% YoY and 13% pcp (prior corresponding period) to \$4.1 million, with gains in Telecommunications margins offset by increased investment in the gaming segment versus prior periods.

Net loss after tax for the half-year was \$4.8 million, compared to \$3.3 million at 31 December 2021. Higher gross margins were offset by an increase in employee cost and accompanying overheads as the Company scaled up for new product launches from June 2022.

With lower operating costs and capital investment expected going forward, combined with the additional \$5.0 million Westpac capital financing facility implemented in October 2022, the Company's existing cash balance of \$6.1m will enable implementation of continued growth plans through the remainder of the financial year 2023.

UNDERLYING RESULTS OVERVIEW:

	HY1 FY23	HY1 FY22	
	\$'000	\$'000	% Change
Revenue	9,717	7,954	22%
Gross profit	4,087	3,882	5%
Other income	240	47	411%
Operating expenses	(6,875)	(5,674)	(21%)
Underlying EBITDA¹	(2,548)	(1,745)	(46%)

Depreciation and amortisation	(2,061)	(1,493)	(38%)
Underlying EBIT	(4,609)	(3,239)	(42%)
Net finance cost	(163)	(66)	(147%)
Underlying net loss before tax	(4,772)	(3,305)	(44%)

Note ¹ EBITDA is a financial measure which is not prescribed by Australian Accounting Standard ('AAS') and represents the profit under AAS adjusted for depreciation, amortization, interest and tax.

RECONCILIATION OF REPORTED UNDERLYING RESULTS:

	HY1 FY23	HY1 FY22	
	S'000	S'000	% Change
Underlying EBITDA	(2,548)	(1,745)	(46%)
Significant items	-	-	-
Reported EBITDA	(2,548)	(1,745)	(46%)
Depreciation and amortisation	(2,061)	(1,493)	(38%)
Net Finance cost	(163)	(66)	(147%)
Reported net profit after tax	(4,772)	(3,305)	(44%)

Telecommunications

On-net (Fixed Wireless) customers made up 39% of total subscribers with 17,056 telecommunications subscribers on 31 December 2022, up 15% YoY (+2% pcp), and HY FY23 telecommunication revenue is up 23% YoY (+8% pcp). The off-net service pricing increase (effective from 1 October 2022) resulted in an 11% increase in total gross profit to \$4.2 million and margin expansion from 43% to 46% from the prior comparative period. This delivered a \$4 YoY improvement to average revenue per user (ARPU) for off-net services up to \$77, with gross profit on off-net services improving by 63% pcp and Fixed Wireless ARPU improving from \$87 to \$88.

Advertising and marketing costs decreased from 12% to 6% as a percentage of revenue but are expected to increase in H2 FY23 as the Company returns to stronger growth levels. While other overheads and employee costs increased in the half, the Company reduced overhead costs late in the second quarter, which will be reflected in the next half of FY23.

We remain focused on furthering this growth in H2 FY23 as the Company continues to build infrastructure and expand coverage of the on-net services offering.

Telecommunications - neXus & 5G

Pentanet's Operations team installed and began testing its first 5G enabled telecommunications infrastructure in the half, utilising the Company's licensed 5G spectrum. Each 5G enabled tower is anticipated to increase on-net coverage by creating average capacity for an additional 1000 subscribers per tower. The Company aims to upgrade key strategic tower sites, based on demand, in a staged and controlled approach. The rollout of 5G infrastructure will enhance Pentanet's Perth-based wireless network coverage and will seek to elevate the existing customer service experience by alleviating capacity constraints on the traditional fixed wireless network. This will allow the Company to extract more value from existing infrastructure, increase coverage in key strategic areas, and expand the on-net service offering.

Significant progress on the neXus network rollout was made in Q2FY23, and neXus is now performing well, with an average of 98.8% service uptime over the last month. The Pentanet team have worked hard with vendors to remediate the hardware issues identified in the phase one rollout. The Company will now continue to activate all installed units, of which 319 units are online as at the end of January 2023, and resume the staged deployment of new neXus connections in H2 FY23.

GeForce NOW Cloud Gaming

As at 31 December 2022, more than 311,676 gamers across Australia and New Zealand have registered as members. GeForce NOW Powered by Pentanet delivered impressive growth metrics following the launch of four new subscription plans in the half. Revenue increased by 57% pcp as the platform continues to gain significant momentum, with registered memberships growing 405% YoY to 311,676 (+66% pcp). The Company continues to focus on converting more registered members into paying subscribers for GeForce NOW. In addition, the Company has started expanding its wholesale offering on the platform following its first wholesale deal with Google's Chromebook, with the potential to significantly grow activity and revenue generated on the platform.

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 continue to invest in building a significant and sustainable market share. In November 2022, Pentanet confirmed discussions are ongoing to further the GeForce NOW Alliance Agreement and exclusivity in Australia under new commercial terms that will allow the introduction of next-gen RTX3080 hardware and higher-tier plans. New Zealand will also be formally recognised as a Pentanet serviceable territory with a pathway to include new neighbouring territories. Pentanet will continue investing in the next-generation cloud gaming infrastructure by purchasing the RTX 3080 SuperPODs funded by the five-year term Westpac Banking Corporation loan facilities.

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

FOR FURTHER INFORMATION, PLEASE CONTACT:

Mr. Stephen Cornish
Managing Director

Mr. Patrick Holywell
Company Secretary

Ms. Mart-Marie Derman
Chief Financial Officer

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 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.

