



PENTANET

# 5GG INVESTOR UPDATE

FY23 ANNUAL REPORT



# DISCLAIMER

IMPORTANT: You must read the following before continuing.

Summary information in relation to Pentanet Limited.

This presentation contains summary information about Pentanet Limited (ACN 617 506 279) ("Company"), its subsidiaries and their activities which is current as at the date of this presentation, unless otherwise indicated. The information in this presentation remains subject to change without notice, and the Company is not responsible for updating, nor does it undertake to update, it.

Industry data - Certain market and industry data used in connection with or referenced in this presentation, including in relation to other companies in the Company's peer group, may have been obtained from public filings, research, surveys or studies made or conducted by third parties, including as published in industry-specific or general publications. Neither the Company nor its advisors or their respective representatives, have independently verified any such market or industry data.

Not financial product advice - This presentation, and the information provided in it, does not constitute, investment or financial product advice (nor tax, accounting or legal advice). This presentation should not be relied upon as advice to investors or potential investors and has been prepared without taking account of any person's individual investment objectives, financial situation or particular needs. Any investment decision should be made based solely upon appropriate due diligence. Before making an investment decision, prospective investors should consider the appropriateness of the information having regard to their own investment objectives, financial situation and needs and seek legal, accounting and taxation advice appropriate to their jurisdiction. Recipients of this presentation are advised to consult their own professional advisers. An investment in the Company is subject to significant risks, both known and unknown and including (without limitation) risks of loss of income and capital. A number of risks are beyond the control of the Company.

Future performance, forward-looking statements and key risks - This presentation contains certain "forward-looking statements". Forward-looking statements can generally be identified by the use of forward looking words such as "forecast", "likely", "believe", "future", "project", "opinion", "guidance", "should", "could", "target", "propose", "to be", "foresee", "aim", "may", "will", "expect", "intend", "plan", "estimate", "anticipate", "continue", "indicative" and "guidance", and other similar words and expressions, which may include, without limitation, statements regarding plans, strategies and objectives of management, anticipated dates, expected costs or outputs for the Company. To the extent that this presentation contains forward-looking information (including forward-looking statements, opinions or estimates), the forward-looking information is subject to a number of risk factors, including those generally associated with the telecommunications industry. Any such forward-looking statement also inherently involves known and unknown risks, uncertainties and other factors that may cause actual results, performance and achievements to be materially greater or less than estimated.

Any forward-looking statements are also based on assumptions and contingencies which are subject to change without notice and which may ultimately prove to be materially incorrect, as are statements about market and industry trends, which are based on interpretations of current market conditions. Investors should consider the forward-looking statements contained in this presentation in light of those disclosures and not place reliance on such statements. The forward-looking statements in this presentation are not guarantees or predictions of future performance and may involve significant elements of subjective judgment, assumptions as to future events that may not be correct, known and unknown risks, uncertainties and other factors, many of which are outside the control of the Company. As a result, there can be no assurance that actual outcomes will not materially differ from these forward-looking statements. The forward-looking statements are based on information available to the Company as at the date of this presentation. Except as required by law or regulation, the Company undertakes no obligation to provide any additional or updated information or update any forward-looking statements, whether as a result of new information, future events or results or otherwise.

Indications of, and guidance on, future performance are also forward-looking statements, and include statements in this presentation regarding expected or indicative costs, indicative revenues, indicative outputs and anticipated dates. To the maximum extent permitted by law, the Company, its advisors and their respective directors, officers, employees, advisers, agents and intermediaries (together, "Relevant Parties") disclaim any obligation or undertaking to release any updates or revisions to the information to reflect any change in expectations or assumptions, or any change in events, conditions or circumstances on which any such information or statement is based. Nothing in this presentation will, under any circumstances (including by reason of this presentation remaining available and not being superseded or replaced by any other presentation or publication with respect to the Company or the subject matter of this presentation), create an implication that there has been no change in the affairs of the Company since the date of this presentation.

To the maximum extent permitted by law, the Relevant Parties make no representation or warranty (express or implied) as to the fairness, accuracy, reliability, currency, reasonableness or completeness of the contents of this presentation or any other information (whether written or verbal) that the Relevant Parties otherwise provide to the recipient. The recipient may not rely on the contents of the presentation or any information in it in making any decision to invest or acquire an interest in the Company or its assets. To the maximum extent permitted by law, the Relevant Parties are not liable for any direct, indirect or consequential loss or damage suffered (whether foreseeable or not) by any person (whether arising from negligence or otherwise) as a result of relying on this presentation or the information in it, any errors therein or omissions therefrom, or any other written or oral communications transmitted to the recipient in the course of its evaluation of the Company, or otherwise in connection with this presentation or the information in it.

Investment risk - As noted above, an investment in the Company's securities is subject to investment and other known and unknown risks, a number of which are beyond the control of the Company. The Company (nor its related bodies corporate) does not guarantee any particular rate of return or the performance of the Company, nor does it guarantee the repayment of capital from the Company or any particular tax treatment. Prospective investors should make their own enquiries and investigations regarding all information in this presentation, including but not limited to the assumptions, uncertainties and contingencies which may affect future operations of the Company and the impact that different future outcomes may have on the Company.

Not an offer - This presentation is for information purposes only and does not constitute or form any part of any offer or invitation to sell or issue, or any solicitation of any offer to purchase or subscribe for, any securities in the Company in any jurisdiction. This presentation and its contents must not be distributed, transmitted or viewed by any person in any jurisdiction where the distribution, transmission or viewing of this document would be unlawful under the securities or other laws of that or any other jurisdiction.

# About Us



## OUR VISION

To build a market leading telecommunications network utilises cutting-edge technologies with an emphasis on speed, quality and local support.

## WHAT WE DO

Pentanet is a licensed telecommunications carrier based in Perth, delivering high-speed, reliable internet with a focus on outstanding customer service and support.

Since inception in 2017, Pentanet has built the largest Fixed Wireless (FW) telecommunications network across the Perth metro area. With towers connected by rings of dark fibre, Pentanet has purposefully designed our network with enough capacity for next-generation, bandwidth-heavy applications – including cloud gaming.

- ◆ **Next-gen capable network**
- ◆ **Market leading brand**
- ◆ **Perth-based local team with global esports presence**
- ◆ **National cloud gaming alliance partner**

## OUR COMPANY VALUES

### Impactful Innovation

We dare to introduce new ideas and technology that can positively impact the world around us, not just the screens in front of us.

### Good Connections

We bring people together both digitally and IRL for shared experiences and memorable moments. Next-level service is just a given.

### We Meme Business

Genuinely hyped on what we do, we take fun stuff seriously, and make serious stuff fun. Unapologetically us, we use our unique attributes and abilities to get shit done.

### PentaFam First

We do whatever it takes for our team and community to know they are safe, protected, and valued as part of the Pentanet family.

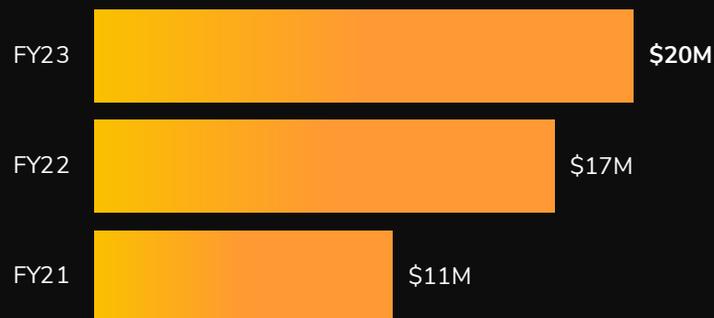
### Be The Supercar

The world moves fast, so we move faster with our speed, agility and expertise. High performance is in our DNA, and we bet on ourselves every time.



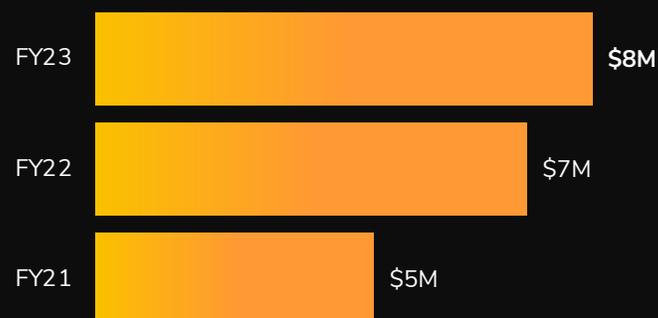
# FY23 Financial Summary

## REVENUE +17%



- Revenue increased 17% YoY to \$19.7 million
- Gaming segment revenue grew by 43% YoY to \$1 million due to an increase in paid GeForce NOW subscribers
- Telecommunications revenue rose 16% YoY to \$18.7 million

## GROSS PROFIT +15%



- Consolidated gross profit increased by 15% YoY to \$8.5 million, with a gross margin of 43%
- Telecommunications sector's gross margin rose by 4.4% YoY to 47%
- Gross profit improvement mainly due to higher-margin on-net customers and off-net service price increases

## EBITDA +29%



- EBITDA Breakeven exit run rate in June 2023
- EBITDA loss reduced by 29% to \$3.1 million through successful execution of strategic initiatives to improve profitability

EBITDA is a financial measure which is not prescribed by Australian Accounting Standard ('AAS') and represents the profit under AAS adjusted for depreciation, amortisation, interest and tax. Underlying EBITDA is EBITDA adjusted to exclude share-based payments, options exercised on behalf of employees and IPO cost.



# Profit and Loss

Profit and Loss	FY23	FY22	change
	\$'000	\$'000	%
Revenue	19,733	16,829	17%
Gross Profit	8,469	7,368	15%
Gross Margin	43%	44%	(2%)
Other income	1,223	300	307%
Operating expenses	(12,806)	(12,066)	(6%)
EBITDA	(3,114)	(4,397)	29%
Depreciation and amortisation	(4,088)	(3,381)	(21%)
EBIT	(7,202)	(7,778)	7%
Net finance cost	(367)	(146)	(151%)
Net loss before tax	(7,569)	(7,925)	4%

## PROFIT AND LOSS SUMMARY

- Revenue increased by 17% helped by 25% YoY increase in off-net recurring revenue from price increases.
- Other income increased by 307% driven by a \$670k cash rebate from the Research and Development Tax Incentive scheme.
- Gross margin of 43% decreased slightly due to \$1m investment in gaming segment with telecommunications gross margin of 47% increasing by 4.4% YoY.
- Overheads increased by 6% YoY due to 1HFY23 team expansion and associated costs but fell from 72% to 65% of revenue due to successful cost management.
- EBITDA loss reduced by 29% to \$3.1 million due to strategic initiatives improving profitability, revenue growth, and overhead management.

EBITDA is a financial measure which is not prescribed by Australian Accounting Standard ('AAS') and represents the profit under AAS adjusted for depreciation, amortisation, interest and tax. Underlying EBITDA is EBITDA adjusted to exclude share-based payments, options exercised on behalf of employees and IPO cost.



# Balance Sheet Summary

Balance Sheet	FY23 \$'000	FY22 \$'000	change %
Cash and cash equivalents	7,368	13,388	-45%
Trade and other receivables	3,875	653	493%
Inventories	407	334	22%
Deposits and prepayments	483	726	-33%
Plant and equipment	19,647	16,171	21%
Right of use assets	5,171	2,298	125%
Intangible assets	7,967	8,568	-7%
Investment	3,180	4,000	-21%
<b>Total Assets</b>	<b>48,098</b>	<b>46,138</b>	
Trade and other payables	3,870	3,684	5%
Contract liabilities	80	100	-19%
Employee benefits	339	404	-16%
Other liabilities	4,554	6,084	-25%
Lease liabilities	5,492	2,305	138%
Borrowings	2,607	-	
<b>Total liabilities</b>	<b>7,902</b>	<b>7,461</b>	<b>6%</b>
<b>Net assets</b>	<b>31,156</b>	<b>33,561</b>	<b>-7%</b>

## BALANCE SHEET SUMMARY

- The year-end cash balance of \$7.4 million does not include a \$2.5m term deposit set to mature on October 10, 2023. The term deposit serves as security for the Company's Westpac Business loan.
- Included in trade and other receivables is an a \$2.5m term deposit and \$0.57m representing the early payment of an off-net telecommunications wholesale account bill.
- Investment consists of a 13.4% interest in Canopus Network Pty Ltd for \$4m. During the year Canopus issued a SAFE (Simple Agreement for Future Equity of the Company) note of \$4.20 per note from Investors, resulting in a recognised fair value reduction of \$0.8m.
- The increase in right of use assets and lease liabilities increased due to a 10-year Master Access Agreement with Axicom Pty Ltd starting 1 July 2022, with an option to extend for five years, resulting in \$4.7m lease liabilities and right of use assets as of 1 July 2022.
- Borrowings increased following a \$2.4m drawdown from a \$5m loan facility provided by Westpac Banking Corporation to acquire Gen3 servers. The loan has a 5-year term, variable interest rate with a year-end exit rate of 7.38%, and standard terms and conditions.
- Other liabilities include a 15-year Spectrum license acquired in the April 2021 ACMA auction for \$8m (Cost). The license fee was payable over five equal instalments per ACMA's allocation determination, with the first instalment paid on 25 June 2021. The remaining two instalments will be paid over the next two years.

# Telecommunications Highlights

			FY23	FY22
<b>Subscribers</b>	<b>On-net</b>	<b>Off-net</b>	<b>Total</b>	<b>Total</b>
Opening Balance	6,537	10,137	16,674	12,486
Sales	976	2,077	3,053	5,758
Churn	(821)	(1,852)	(2,673)	(1,570)
Average Monthly Churn %	1.0%	1.5%	1.3%	0.86%
Closing Balance	6,692	10,362	17,054	16,674

- Subscriber growth of 2% driven by network capacity shortages and delayed full scale rollout of neXus mesh service. 5G expansion now underway to alleviate shortages.
- Off-net churn increased to 1.5%, however this was offset by a 67% profitability improvement following price increases in October 2022.
- Churn was primarily due to the relocation of subscribers outside serviceable areas.

**\$17.2m**

Recurring Revenue  
in FY23

**95%**

Recurring Revenue,  
+3% YoY

**39%**

of total subscriber base  
are on-net

**47%**

Telecommunications  
gross margin,  
+4.4% YoY

**\$89**

On-net ARPU, +2% YoY

**87%**

On-net gross margin,  
+1% YoY

**\$79**

Off-net ARRP, +8% YoY

**\$91**

ARRPU, +2% YoY

# Wireless Network Expansion

## EXPANDING ON-NET SERVICE OFFERING

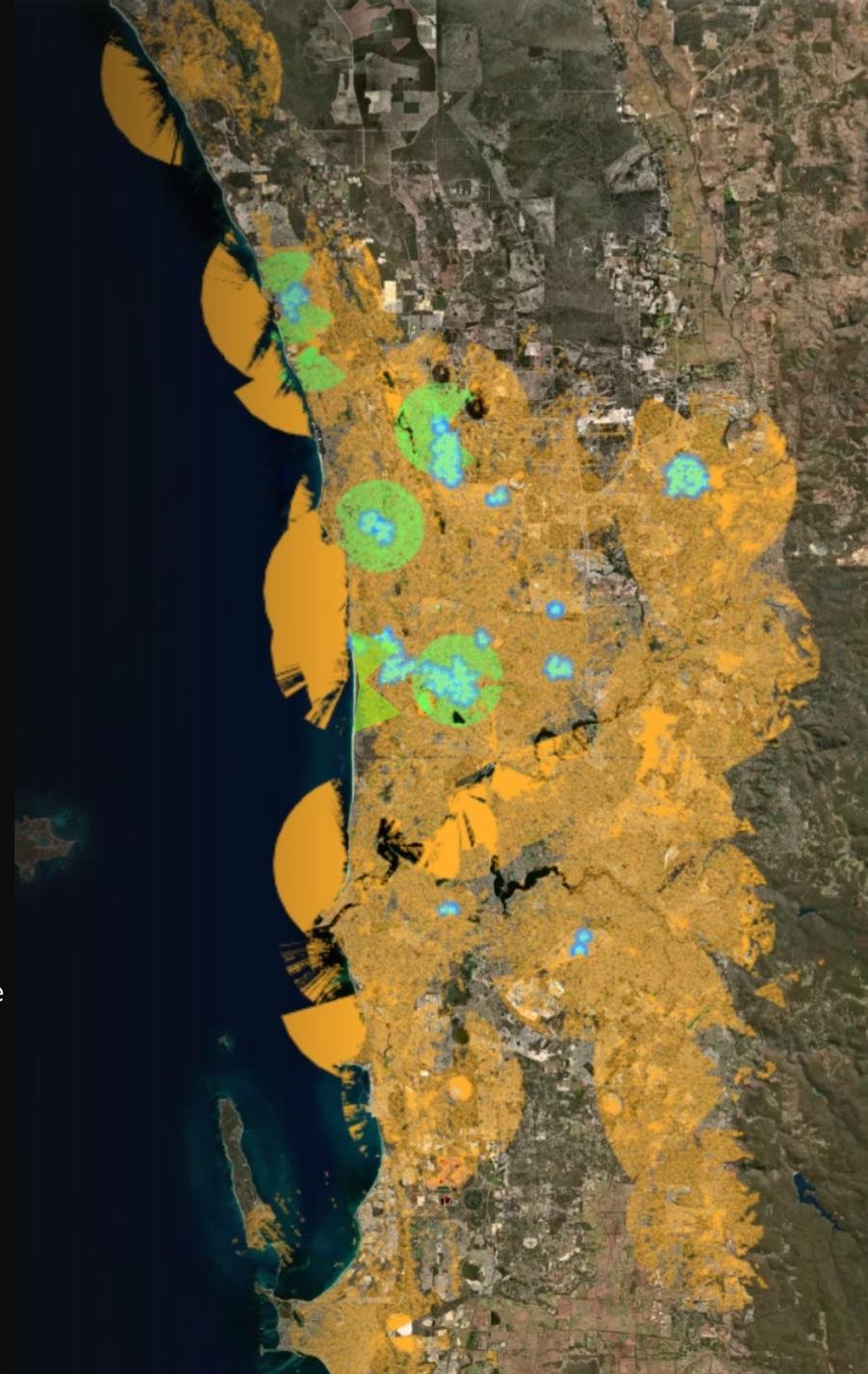
- FY23 initiated 5G network expansion utilising 5G 26GHz mm Wave Spectrum
- Four towers with 5G Infrastructure installed and operational
- Increasing coverage to 8 towers to enable 5G product launch in 1HFY24
- Plan for greenfields neXus rollout to increase neXus footprint

## TARGETED INFRASTRUCTURE DEPLOYMENT

- High-demand sites across existing tower footprint selected for initial deployments
- Aim is to increase coverage in these areas to drive on-net subscriber growth
- Alleviate capacity constraints for on-net services

## FINANCIAL STRATEGY

- Utilise \$5.95m Cambium 'Network-as-a-Service' (NaaS) vendor financing for 5G rollout
- NaaS model spreads 5G CAPEX over 48 months and covers both tower and customer infrastructure
- neXus rollout utilises existing hardware stock
- Targeting to retain average +85% Gross Margin and ~\$89 ARRPU for on-net services





# Cloud Gaming Operational Update

- 370,000 CloudGG users to end FY23
- Over 350 million minutes of gameplay with now over 1,600 titles
- Achieved EBITDA breakeven in June 2023, with significant capacity for future paid growth.
- YoY subscription revenue increased by 126%
- Additional \$2.2 million of second POD of new Gen 3 infrastructure acquired for NVIDIA's next-generation cloud gaming rollout
- Installation underway for GeForce NOW RTX3080 SuperPOD infrastructure for 4K gameplay experiences
- Current ARPU of \$13 across blended plans, with Gen3 3080 plans expected to increase ARPU





# Cloud Gaming Strategic Partnerships & Integration

- Collaboration Agreement with Optus expected to accelerate paid user growth and will be launched in 1HFY24.
- Exclusive distribution right for GeForce NOW in Australia still maintained
- Integration with Samsung Gaming Hub, LG TVs, Google Chromebook, and Microsoft's Xbox PC Game Pass expands the potential user base and library of supported games
- Positioned for expansion with new Gen 3 infrastructure and higher-tier plans
- Capitalise on upcoming Microsoft's owned-content via Xbox Game Pass integration





# THANK YOU

Unit 2, 8 Corbusier Place  
Balcatta WA 6021

+61 8 9466 2672  
[investors@pentanet.com.au](mailto:investors@pentanet.com.au)

ASX: 5GG  
[pentanet.com.au/investor-centre](http://pentanet.com.au/investor-centre)



PENTANET