



PENTANET FOCUSES ON LEVERAGING 5G EXPANSION AND GPU OPTIMISATION FOR FY25

KEY FY24 HIGHLIGHTS:

- Gaming revenue growth up 80% YoY to \$1.8m
- Gaming segment gross profit increased by 199% YoY to \$0.4m
- CloudGG paid membership growth of 79% YoY
- CloudGG membership growth of 54% to over 589,000
- Consolidated revenue increased 6% YoY to \$20.9m
- Consolidated gross profit increased 13% YoY to \$9.6m
- EBITDA loss decreased by 59% YoY to \$1.3m, helped by strong margin and cost improvements.

Pentanet Managing Director, Mr Stephen Cornish, said: "FY24 was a pivotal year for Pentanet as we navigated a challenging competitive landscape, particularly in the telecommunications sector. The nbn's® significant investments and pricing changes required us to adapt quickly. I'm proud of how our team responded by simplifying our wireless plans, launching new 5G higher-speed offerings, and initiating the 'Fibre Connect' campaign. These efforts have already begun to show positive results, with reduced churn and increased subscriber growth in the second half of the year.

We also made substantial progress in expanding our 5G Fixed Wireless network, successfully upgrading ten towers and connecting 400 net new on-net subscribers since the service launch. Additionally, our integration with NVIDIA's Graphics Delivery Network marks a strategic expansion, allowing us to access new markets beyond gaming. These developments not only strengthen our service offerings but also unlock new revenue opportunities as we continue to optimise our infrastructure.

As we move into FY25, our focus remains on leveraging these advancements to drive growth across our telecommunications and gaming segments. With a solid foundation and a clear strategy, we are confident in our ability to continue delivering value to our subscribers and stakeholders, ensuring that Pentanet remains at the forefront of Australia's digital future."

OPERATIONAL UPDATE:

Telecommunications:

Pentanet encountered slower telecommunications growth due to heightened competition from wholesale Fibre to the Premises offers by the nbn. In response, the Company launched the 'Fibre Connect' campaign, simplified wireless plans, and adjusted nbn prices to better align with the competitive landscape. These efforts have begun yielding positive results, including reduced churn and increased sales volumes. In the second half of FY24, subscribers increasingly opted for higher-speed plans, contributing to a 5% YoY increase in Telecommunication Gross Profit to \$9.2 million, with gross margins improving from 47% to 48%.



Investment in the Company's 5G network facilitated the rollout of new 5G infrastructure to ten wireless towers in high-demand areas across Perth, where traditional fixed wireless services had previously been unavailable. Since launching the 5G Fixed Wireless service in September 2023, the Company has connected 400 net new on-net subscribers, achieving a current average ROI of 110%, with the potential to exceed 254% with full tower customer utilisation. With 5G coverage now reaching 19% of its tower footprint, Pentanet plans further expansion next year, supported by a Network-as-a-Service (NaaS) agreement that spreads Capital expenditure over four years with minimal upfront costs.

Pentanet's neXus network, a Terragraph-based mesh system, continued to evolve, delivering high-speed, reliable connections in dense suburban areas. Over FY24, the Company refined this technology and its rollout processes, achieving greater stability.

Aligned with the Company's strategy, Pentanet is focused on expanding 5G on-net subscriber growth by enhancing coverage. By expanding 5G coverage, Pentanet aims to also reduce Customer Acquisition Cost (CAC), decrease the need for geotargeted marketing, and maintain its competitive edge, targeting a reduction in average monthly churn of 1.2%.

Cloud Gaming:

Pentanet's Alliance Partner Agreement with NASDAQ-listed NVIDIA, a global leader in specialised gaming graphics chips, made it the first to introduce NVIDIA's GeForce NOW technology to Australia in 2021. This platform transforms devices into high-performance gaming rigs, eliminating the need for expensive hardware.

Since launching GeForce NOW in Australia, Pentanet has quickly aligned with NVIDIA-controlled regions in streaming technology. In FY24, the service was rebranded as GeForce NOW Powered by CloudGG, and a wholesale partnership with Optus was launched, expanding its audience. In March 2024, Pentanet extended its Agreement with NVIDIA to include New Zealand as a serviceable territory while maintaining exclusive distributor status in Australia.

Pentanet secured \$4.28 million of share capital in FY24 for cloud server infrastructure and working capital to support its cloud gaming expansion with the deployment of GeForce NOW RTX 3080 'Gen 3' infrastructure and the introduction of the 'Ultra' membership tier. The second half brought upgrades to NVIDIA L40 GPUs, leading to the new 'Ultimate' tier offering RTX 4080 performance and 4K visuals at 120 frames per second (fps).

Pentanet also integrated its infrastructure into the NVIDIA Graphics Delivery Network (GDN), enabling expansion into new industrial and commercial markets to diversify revenue streams and strengthen its position in the industry. This strategic move allows Pentanet to add GDN to its existing GeForce NOW Alliance service, earning a revenue share based on global GDN pricing set by NVIDIA. This advances the Company's strategy with NVIDIA investment, introducing potential new revenue opportunities and optimising infrastructure, with commercial prospects available through both Pentanet's local channels and NVIDIA globally.

The Company aims to increase margins by increasing revenue on fixed infrastructure, raising plan prices, and promoting higher-end plans. Strategies to be deployed include more effective trials of premium plans, increased marketing, and encouraging paid plan conversions. By optimising capacity and oversubscription with scaled infrastructure, Pentanet seeks to further enhance margins and utilise available capacity through commercial and enterprise revenue.

FINANCIAL UPDATE:

Profit and Loss	30-Jun-24	30-Jun-23	Change
	\$'000	\$'000	%
Revenue	20,882	19,733	6%
Gross Profit	9,610	8,468	13%
Gross margin	46%	43%	7%
Other income	636	1,223	(48%)
Operating Expenses	(11,513)	(12,805)	10%
Underlying EBITDA	(1,127)	(3,114)	65%
Share-based payments	(171)	-	0%
Reported EBITDA	(1,267)	(3,114)	59%
Depreciation and amortisation	(4,486)	(4,088)	(10%)
EBIT	(5,753)	(7,202)	20%
Net finance cost	(631)	(367)	(72%)
Net loss before tax	(6,384)	(7,569)	16%

Revenue increased by 6% YoY to \$20.9 million across Pentanet's two business segments, with recurring revenue now accounting for 96% of total revenue. Telecommunications revenue grew by 2% YoY to \$19 million, driven by a 2% increase in subscribers. The gaming segment saw a significant increase, with gaming segment revenue growth up 80% YoY to \$1.8m, reflecting a 79% increase in paid memberships and a 54% YoY growth in total CloudGG membership, now exceeding 589,000 users.

Consolidated gross profit increased by 13% YoY to \$9.6 million, with gross margin increasing from 43% to 46%. This was largely due to the strong performance of the gaming segment, where a solid base of paying subscribers effectively covered the platform's fixed monthly costs. Gross profit from gaming segment increased by 199% YoY to \$0.4 million. The telecommunications segment also grew, with gross profit increasing by 5% YoY to \$9.2 million and margins improving from 47% to 48% as subscribers shifted to higher-speed and higher-revenue plans.

Operating expenses decreased significantly by 10% YoY to \$11.5 million, with marginal reductions in employee-related costs, marketing, and general overheads contributing to this decrease. The reported EBITDA loss for the year was \$1.3 million, down 59% YoY. Excluding non-cash costs of employee share incentives, the Company's underlying EBITDA loss was \$1.1 million, down 65% YoY. Until Q3, both the Telecommunications and Gaming segment maintained EBITDA breakeven, reflecting steady financial improvements. However, in Q4, costs increased in the Telecommunications segment due to end-of-financial-year promotions, while operating costs in the gaming segment increased due to capacity expansion with the installation of NVIDIA RTX 4080 servers. These investments are geared towards future growth despite the short-term financial impact.

In Q3FY24, Pentanet successfully completed a share placement, raising \$4.28 million before costs. These funds were used to further invest in the cloud gaming segment, including the purchase of NVIDIA RTX 4080 servers and to support working capital requirements. The Company ended the year with \$5.3 million in cash reserves and available financing facilities of \$8.9 million, positioning it well to continue pursuing top-line growth by leveraging 5G opportunities and optimising GPU capacity.

INVESTOR WEBINAR BEING HELD TODAY Stephen Cornish (Founder & Managing Director) will host an investor webinar at 10:30 am AWST today. Participants will have an opportunity to submit questions for a Q&A session following the presentation. To attend the webinar, please register at:

<https://us06web.zoom.us/j/87543266783?pwd=ZZe7ysTiwyAWcUeioTm2Gllfi8D0qD.1>

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 next-generation internet speeds. This is achieved through Pentanet's market-leading private wireless network, the largest in Perth, as well as reselling fixed-line services such as nbn® and Opticomm.

The Company's flagship 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 typically only resell the nbn.

Pentanet is also 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 – allowed Pentanet to be the first to bring their GeForce NOW technology to Australia in 2021.