

PENTANET POSITIONED FOR LONG-TERM GROWTH AFTER TELECOMMUNICATIONS AND GAMING SEGMENTS REACH EBITDA BREAKEVEN GOING INTO FY24

KEY FY23 HIGHLIGHTS:

- Revenue of \$19.7m increased by 17% YoY
- 15% YoY increase in gross profit to \$8.5m
- 29% YoY EBITDA loss improvement to \$3.1m
- Positive EBITDA exit 'run-rates' achieved in both operating segments end FY23
- Successful \$6.4m capital raise to support on-net network expansion for FY24
- Four towers have been successfully connected for 5G services as at 30 June 2023
- Memorandum of Understanding executed with Cambium Networks to deploy 5G network infrastructure under a \$5.95 million 'Network-as-a-Service' (NaaS) agreement
- Collaboration Agreement signed with Optus to deliver NVIDIA GeForce NOW cloud gaming via Optus SubHub
- \$5m Westpac Facility to fund Gen 3 deployment with Gen 3 hardware now acquired

Pentanet Limited (ASX:5GG, Pentanet or Company) is pleased to announce its 2023 Financial Year results.

Pentanet Managing Director, Mr Stephen Cornish, said "While the Company's growth presented challenges in FY23, it also brought us exciting new opportunities to explore. We remain advocates for next-generation technologies that lead the way for Australia's digital future, and we're committed to driving advancement in gaming and high-performance connectivity to influence this emerging sector.

"Looking back at the past year, despite its challenges, we're incredibly proud of the advances we've made across our segments. There was a clear theme around positioning the company to achieve its long-term growth objectives in both the Telecommunications and Gaming segments.

"We achieved several significant milestones, including successfully deploying four 5G enabled towers, securing a \$6.4m capital placement for telecommunication infrastructure and 5G spectrum, and entering a Network-as-a-Service agreement to reduce upfront capital expenditure on the 5G rollout. We signed a collaboration agreement with Optus to integrate GeForce NOW cloud gaming into the Optus Sub-Hub ecosystem. With these developments, we aim to drive momentum to increase subscriber growth and profitability in FY24 and beyond.

"June 2023 also marked a pivotal moment in our financial journey, as we achieved EBITDA breakeven independently for both our telecommunications and cloud gaming sectors. Looking ahead, we are confident in Pentanet's strong foundations, with our dedicated team and strategic partnerships coming together to deliver on our operational goal to significantly and sustainably accelerate growth across both segments."

OPERATIONAL UPDATE:

Telecommunications:

In FY23, the Company initiated the deployment of its 5G network utilising the licensed 26GHz mmWave Spectrum. The on-net wireless network coverage expansion is driven by targeted infrastructure deployment, focusing on high-demand sites within the Company's existing tower footprint. The Company equipped four towers with 5G infrastructure with plans to extend coverage to eight towers to increase on-net coverage, alleviate capacity constraints and drive high-margin on-net subscriber growth for the upcoming 5G product launch in 1HFY24. To finance the network expansion, the Company will utilise the \$5.95 million Cambium 'Network-as-a-Service' (NaaS) financing model, spreading the 5G Capex over 48 months, which covers both tower and customer infrastructure.

The neXus rollout is progressing with a controlled and measured approach while integrating insights from the beta phase and launch to enhance resilience and redundancy. With a dedicated team now solely focused on the expansion of the neXus network, the continued rollout will utilise the existing 2,000 units in stock to increase coverage across areas serviced by the neXus mesh network.

Cloud Gaming:

The Company's Collaboration Agreement with Optus Mobile Pty Ltd (Optus) represents a significant milestone in Pentanet's goal to commercialise GeForce NOW, with the service set to be integrated into the Optus SubHub subscription management platform in FY24. This strategic partnership will deliver cloud gaming access to Optus customers with the potential for mutual accelerated paid subscriber growth.

The deployment of NVIDIA's cutting-edge 'Gen 3' cloud gaming infrastructure lays the foundation for a new premium plan offering in FY24. These advancements, coupled with exclusive rights and integrations with major platforms, plus the recent addition of Microsoft-owned content via Xbox PC Game Pass, position Pentanet to fully leverage the expanding landscape of cloud gaming.

FINANCIAL UPDATE:

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%

Revenue increased by 17% YoY to \$19.7 million. Telecommunications revenue increased by 16% YoY to \$18.7 million, with an off-net services price increase driving a 25% YoY increase in off-net recurring revenue and a 10% increase in on-net subscription revenue as off-net subscribers were migrated to on-net services and neXus services coming online. Recurring gaming segment revenue increased by 43% YoY to \$1.0 million, attributed to a growing number of paid GeForce NOW subscribers.

Other income increased by 307%, primarily driven by a cash rebate of \$670k from the Australian Tax Office through the Research and Development Tax Incentive scheme.

Consolidated gross profit increased by 15% YoY, reaching \$8.5 million and reflecting a gross margin of 43%. In the Telecommunications sector, the gross margin saw a strong uplift of 4.4% YoY to 47%. A combination of factors drove this improvement: successful contract renegotiations leading to a cost of sales reduction, an uptick in higher-margin on-net customers from recent activations of neXus services, and price increases of off-net services. Early-stage investment of approximately \$1.0m in the Company's gaming services offset the improved Telecommunications segment profitability. Despite this investment, cloud gaming services also reached EBITDA breakeven for Q4FY23 through increased paid subscriber growth, operating costs reaching economic scale, and revenue from the Optus collaboration agreement. Significant additional capacity remains available for paid user growth.

Although overheads increased 6% YoY, primarily due to team expansion in 1HFY23 and other associated costs, opex % of revenue decreased from 72% to 65% YoY driven by cost management initiatives. Advertising and marketing expenses decreased by 21% YoY, largely influenced by the costs incurred at the end of the previous financial year for the neXus and GeForce NOW launch campaigns.

EBITDA loss decreased by 29% to \$3.1 million due to the successful execution of strategic initiatives aimed at improving profitability and increasing revenue growth while prudently managing underlying overheads.

In Q4FY23, Pentanet completed a successful share placement of \$6.4 million, which will enable the upgrade of existing tower sites with 5G infrastructure, ultimately contributing to the growth and expansion of on-net services.

With a strong cash balance, the Company is positioned to significantly accelerate growth in FY24.

INVESTOR WEBINAR BEING HELD TODAY Stephen Cornish (founder & managing director) will host an investor webinar at 10:00am 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/webinar/register/WN_KdDda9-3Timzs4Oxigb6SA

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 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.

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PENTANET

investors@pentanet.com.au
+61 8 9466 2672

Unit 2, 8 Corbusier Place,
Balcatta WA 6021

ABN: 29 617 506 279