



## PENTANET EXITS FY23 WITH BOTH TELECOMMUNICATIONS AND CLOUD GAMING REACHING EBITDA BREAK-EVEN

### KEY HIGHLIGHTS Q4FY23

- Consolidated revenue increased by 17% YoY to \$19.7m
- Consolidated EBITDA breakeven exit run rate achieved in June 2023
- 16% YoY increase in cash receipts from customers to \$20m
- 15% YoY increase in gross profit to \$8.5m and an increased Telecommunications gross margin of 47.2%
- Successful deployment of the Company's fourth 5G enabled tower, with four more to come in H1 FY24
- Cloud gaming revenue up 125% YoY

Pentanet Managing Director, Mr Stephen Cornish, said, "Even though FY23 was a challenging year with network capacity constraints, we were able to achieve double-digit growth in both revenue and gross profit. June 2023 marked a substantial milestone for the Company as we achieved EBITDA breakeven across both telecommunications and cloud gaming independently for the first time.

"The Telecommunications business is now in the best position it has ever been, reaching operating breakeven in the lead up to significant additional capacity turning on to drive new subscriber growth in H1FY24.

"We are also incredibly proud of bringing a world-leading cloud gaming platform technology to Australia and have grown that business to where it can already cover costs whilst still having a significant amount of additional capacity for paid user growth. With the upcoming launch of Gen 3 performance plans, the Optus SubHub integration, and more Microsoft content coming to the platform this year, we aim to continue momentum with paid subscriber growth and profitability.

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

### OPERATIONAL UPDATE

#### Telecommunications

The Company installed its fourth tower with 5G infrastructure, which is now fully operational and ready for adding on-net services. High-demand sites were strategically chosen for the initial infrastructure deployment to provide additional coverage to drive on-net subscriber growth into FY24.

With this additional capacity coming online, Pentanet launched an end-of-financial-year offer for new subscribers which proved very successful, resulting in an 18% month-on-month increase in new gross on-net subscribers and a 62% increase in hardware sales. Q4FY23 churn rate increased marginally to 1.39%, primarily driven by subscriber new home relocations, particularly in lower-margin off-net homes.

The rollout of Pentanet neXus continues to progress in a measured and controlled manner. Using insights gathered from the previous quarters, the Company has adopted a revised approach to ensure a more resilient network built with efficient redundancy, with a dedicated team now solely focused on the expansion of the neXus network.

## GeForce NOW Cloud Gaming

Pentanet has procured NVIDIA's new Gen 3 servers and is to deploy these in the first quarter of FY24. In parallel, the integration of Optus SubHub is progressing smoothly and is on track for its scheduled launch in the first half of FY24.

The GeForce NOW cloud gaming subscription service reached a significant milestone by achieving positive EBITDA for the first time since the service was launched in October 2021. As the Company moves into FY24, the objective is to sustain this positive momentum and to grow and scale up the number of paying subscribers.

## FINANCIAL UPDATE

### Revenue

Revenue increased by 17% YoY to \$19.7 million. The growth was mainly attributed to off-net service price increases, which increased off-net recurring revenue by 25% YoY and an increase in on-net subscription revenue, which rose by 10% YoY with neXus services coming online and concerted efforts to convert off-net subscribers to on-net.

Furthermore, the Company's cloud gaming business recorded 126% YoY revenue growth, although this is still small compared to Telecommunication segment revenue.

### Gross Profit

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%. This improvement was driven by a combination of factors; 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. These results underscore the effectiveness of the Company's strategic initiatives aimed at improving profitability. 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 reached EBITDA break-even for Q4 FY23 through increased revenues and other recurring cost-saving initiatives.

### Expenses

Overheads increased 5% YoY primarily due to team expansion in H1FY23 and other associated costs. Conversely, advertising and marketing expenses decreased by 20% YoY, largely influenced by the costs incurred at the end of the previous financial year for the neXus and GeForce NOW launch campaigns. Additionally, there was a modest 2% YoY increase in overall company overheads.

### Other Income

Pentanet has been granted a cash rebate of \$670k from the Australian Tax Office under the Research and Development Tax Incentive scheme. This rebate represents Pentanet's continuous commitment to bringing next-

level internet services to Perth. This rebate helped the Company achieve a positive EBITDA for Q4FY24, however, EBITDA break-even was still achieved in the month of June 2023 on a normalised basis without the once-off income.

## Q4 CASH FLOW

Q4 FY23 cash receipts from customers increased by 10% to \$5.4m, compared to the prior comparative period (PcP) and the prior quarter (QoQ) basis, in line with revenue growth.

Operating cash payments rose by 16% QoQ, largely influenced by a 22% increase in product manufacturing and operational costs due to a discounted early settlement of a \$0.57m off-net telecommunications wholesale account bill not due until July 2023, together with the early-stage investment in new gaming services.

Staff costs decreased by 5% to \$1.9m QoQ, attributed to cost control measures implemented and executed throughout Q2 and Q3.

The investment in property, plant, and equipment rose QoQ to \$2.8m, primarily driven by the acquisition of new NVIDIA Gen 3 GeForce NOW servers and costs associated with 5G tower upgrades. Cash from financing activities rose to \$8.3m due to the utilisation of the Company's financing facility to finance the Gen 3 server purchase and the successful share placement of \$6.4 million completed in Q4FY23, leaving a healthy cash balance of \$9.9m at the end of FY23 to fund the growth of 5G, neXus and gaming services in FY24 and beyond.

## USE OF FUNDS AND RELATED PARTY TRANSACTIONS

In accordance with ASX Listing Rule 4.7C.1, a summary of expenditure incurred on business activities for the quarter ended June 2023 are as follows:

<b>Expenditure on business activities for the quarter ended June 2023</b>	<b>\$'000</b>
Wireless infrastructure	\$364
Network infrastructure	\$126
NVIDIA cloud gaming infrastructure	\$1,988
CloudGG software development & gaming opportunities	-

In accordance with ASX Listing Rule 4.7C.3, payments in the June 2023 quarter to related parties (and their associates) of \$328,285 included in Item 6 in the Appendix 4C consisted of directors' fees and director associate fees and rent and accounting services paid to associates of directors.

**Q4 FY23 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\\_kSPTG0QBQ52B3QjEqugkxg](https://us06web.zoom.us/webinar/register/WN_kSPTG0QBQ52B3QjEqugkxg)

*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<sup>TM</sup> and Opticomm.

Pentanet'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<sup>TM</sup> with attractive margins for investors. This sets Pentanet apart from most broadband providers, which only resell the nbn<sup>TM</sup>.

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.