



## 5G TELCO LAUNCHED READY FOR Q2 GROWTH CLOUD GAMING LEVELS UP: 38% INCREASED PAID MEMBERSHIP QoQ AND EBITDA+

### KEY HIGHLIGHTS Q1FY24

- Consolidated revenue increased by 10% PcP to \$5.2m
- Consolidated gross profit increased by 24% on PcP to \$2.4m
- Consolidated EBITDA breakeven maintained in Q1FY24
- 57% PcP improvement in net cash used in operating activities to \$0.4m, inclusive of \$0.57m prepayment
- 11% PcP increase in cash receipts from customers to \$5.2m
- 5G plans now launched in Q2 with eight towers enabled and gross new on-net subscribers already increasing 37% QoQ with targeted marketing campaigns just commencing now
- 38% QoQ CloudGG paid membership growth
- Launch of new GeForce NOW™ Powered by CloudGG 'Ultra' cloud gaming membership tier following successful NVIDIA RTX 3080 infrastructure deployment, with APRU and capacity upside
- 11% QoQ CloudGG membership growth to over 420,000

**Pentanet Managing Director, Mr Stephen Cornish**, said, "Our focus across Q1 was preparing the 5G network for its Q2 launch, as well as installing and releasing our new 'Ultra' tier cloud gaming subscription. This was met with success with eight 5G towers deployed and ready for service and early sales growth coming through at the end of the quarter. We anticipate that the expansion of coverage and additional capacity will see us return to growth in telco from Q2.

"The Q1 launch of the new NVIDIA GeForce NOW RTX 3080 powered 'Ultra' membership has broadened the market for high-performance cloud gaming and helped to drive a 38% increase in cloud gaming revenue QoQ. We have always stood by the idea that one day cloud gaming will become the industry standard for consumers, and we are pleased with the momentum this quarter, indicating that that day is drawing nearer, with Pentanet firmly sitting as a market leader in Australia.

"With the Optus SubHub still to come in Q2FY23, we anticipate cloud gaming still has a lot of positive momentum to come."

## OPERATIONAL UPDATE

### Telecommunications

The Company installed its eight towers with 5G infrastructure, with the 5G Fixed Wireless network upgrades now fully operational and ready for service. The Company has launched a new wireless plan suite and 5G Fixed Wireless services, which is anticipated to deliver an increase in on-net activations from new subscribers and converting off-net subscribers in coverage to new on-net services. The Company has launched a new marketing campaign targeting the 5G new coverage areas with the goal of increasing brand awareness and new on-net subscribers. The new wireless plans have been simplified and are more aligned with the competitive landscape, which the Company anticipates will positively impact subscriber churn and increase its on-net sales run rate.

Blended ARPU remained stable at \$92. On-net ARPU held steady at \$88 for the quarter, and on-net margin increased to 90%, up from 87% in Q4FY23. Off-net ARPU remained stable at \$82 with a margin of 19%, consistent with the previous quarter. Hardware sales have also shown strong growth, increasing by 44% QoQ. Q1FY24 churn rate increased marginally to 1.46%, primarily driven by subscriber new home relocations, mostly in lower-margin off-net services.

The rollout of Pentanet neXus continues to progress in a measured and controlled manner, utilising the existing units of stock on hand to extend the network footprint within the current coverage areas. Simultaneously, the Company is also formulating a greenfields deployment strategy, which involves the comprehensive targeting and planning of entire suburbs. This will entail network topology pre-design to ensure ample redundancy to complete network deployment, ensuring the best experience and service for customers using neXus.

### GeForce NOW Cloud Gaming

Pentanet has successfully installed new RTX 3080 servers and launched a new top-tier membership plan for NVIDIA GeForce NOW™ cloud gaming in Australia. The launch of the 'Ultra' membership tier followed the successful rollout and Internal Beta testing of NVIDIA GeForce NOW RTX 3080 'Gen 3' cloud gaming infrastructure. This infrastructure is operational and available for use by GeForce NOW Powered by CloudGG subscribers.

Since the launch of the 'Ultra' membership tier, the Company has seen an impressive uptake on the plans priced at \$29.99/month, which also drove a 3% improvement in ARPU from \$11 to \$12 from the uptake to date. The Company saw a 22% increase in MoM paid subscriptions from new content being added to the GeForce NOW platform.

With GeForce NOW cloud gaming subscription service maintaining positive EBITDA, the objective is to sustain this positive momentum, grow and scale up the number of paying subscribers on the platform and expand new revenue-generating activities to monetise the 430,000 market of CloudGG members to date.

## FINANCIAL UPDATE

### Revenue

Revenue increased solidly by 10% on PcP to \$5.2 million. Telecommunications segment revenue is up 5% PcP to \$4.7 million, mainly impacted by an increase in the number of higher ARPU Fibre services. Gross new subscribers are up 25% QoQ, on-net subscribers are up 37% QoQ and off-net subscribers are up 19% QoQ, although this was offset by marginally increased churn of 1.46%, resulting in 17,126 subscribers at the close of the quarter. An invoice of \$0.2 million for Optus development funding on the practical completion of the GeForce NOW SubHub integration and a 123% PcP paid membership growth combined to deliver a 134% PcP increase in Gaming segment revenue.

### Gross Profit

The consolidated gross profit increased by 24% PcP, reaching \$2.4 million and reflecting a gross margin of 46%, up by 13% on PcP.

The Telecommunications segment gross profit increased 12% on PcP, reaching \$2.3 million and reflecting a gross margin of 48%. This improvement can be attributed to successful backhaul and transit contract renegotiations on longer commercial terms, effectively reducing the cost of sales.

The Gaming segment gross profit experienced a significant increase of 216% on PcP, reaching \$0.1 million, parallel with a 123% PcP growth in paid GeForce NOW cloud gaming memberships. The Company now has a solid base of paid memberships, effectively covering the fixed monthly recurring costs incurred in the early stages when the service was launched. Consequently, the gross profit margin for the gaming segment has reached 26%, a 159% improvement on PcP.

### Expenses

Overhead costs decreased 26% on PcP to \$2.6 million. This reduction was primarily driven by a 53% PcP decrease in marketing expenses, excluding the prior year's neXus campaign launch costs and the conclusion of the Perth Wildcats sponsorship contract. Additionally, there was a 28% PcP decrease in general company overheads, mainly impacted by reduced office lease costs in Q4FY24 and an 18% PcP reduction in employee-related costs.

Most pleasingly, each of the Company's Telecommunications and Gaming segments recorded a second quarter of breakeven EBITDA as a result of these key financial improvements.

### Q4 CASH FLOW

Q4FY23 cash receipts from customers increased by 11% on PcP to \$5.2 million in line with revenue growth.

Operating cash payments decreased by 1% on PcP, despite 13% higher product manufacturing and operating costs (of \$3 million) in line with revenue growth of 11% and also including a second discounted early settlement of a \$0.57 million off-net telecommunications wholesale account bill not due until October 2023. Significant administration and corporate cost reductions helped offset these cost increases, allowing total operating costs to fall slightly on PcP.

Cash flow from investing activities of \$2.5 million includes the third annual payment of \$1.6 million for the \$8 million 15-year license for high band 5G Spectrum in the 26 GHz band. It also includes capital invested in upgrading existing tower infrastructure with 5G equipment to provide additional coverage and capacity to the network footprint.

The Company closed the quarter with a cash balance of \$6.8m and available financing facilities of \$9.1 million to fund future capital expansion for the 5G rollout and the purchase of additional NVIDIA RTX 3080 servers.

## USE OF FUNDS AND RELATED PARTY TRANSACTIONS

In accordance with ASX Listing Rule 4.7C.1, the major expenditure items, including product manufacturing and operating cost, staff cost and other non-current asset payments, have been addressed in the report.

In accordance with ASX Listing Rule 4.7C.3, payments in the September 2023 quarter to related parties (and their associates) of \$381,131 included in Item 6 in Appendix 4C consisted of directors' fees and director associate fees, rent paid and received 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\\_Cmol--tmQemXoiK9SQYGhQ#/registration](https://us06web.zoom.us/webinar/register/WN_Cmol--tmQemXoiK9SQYGhQ#/registration)

*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 NVIDIA allowed Pentanet to be the first to bring their GeForce NOW technology to Australia in 2021. Since launch, the platform has amassed over 400,000 users.