

PENTANET CONTINUES STRONG ORGANIC GROWTH AND SETS FOUNDATION FOR NEXT MAJOR INFRASTRUCTURE MILESTONES.

HIGHLIGHTS:

- \$3.2 million in quarterly cash receipts from customers, up 79% YoY (+10% QoQ).
- 12,486 subscribers as at 30 June 2021, up 77% YoY.
- 1,885 new subscribers were added to the network in the June 2021 quarter. 854 new on-net customers were installed during the Q (inclusive of 50 off-net to on-net transfers) representing an annualised growth rate of 35% and a quarterly growth rate of 28% from the March 2021 quarter. On-net (fixed wireless) customers made up 43% of total subscribers.
- Recurring revenue represented 87% of total revenue.
- Positive testing of Terragraph technology in the field, achieving speeds between 1-2Gbps across multiple mesh points, and so far reaching more than 3km from the nearest backhaul tower site.
- 45,000+ expressions of interest received in GeForce NOW before converting users onto the CloudGG portal, to handle custom interactive user management through quests for Beta selection. Over 67,800 Quests towards Beta Play were completed by users in three weeks to end June. Quests provide the company meaningful information on the user base.
- Successful in securing 15 year licence for high band 5G spectrum in Western Australia, providing scope to significantly increase network coverage and reduce backhaul cost.
- \$20m of new capital raised from institutional investors to fund expected growth in cloud gaming and accelerated network rollout plans.
- Pentanet.GG League of Legends esports team knocked out North America to make it to the Rumble stages at the MSI (Mid-Season Invitational) international tournament held in Iceland, continuing to build awareness of gaming and esports in Australia.

Pentanet Limited (**ASX:5GG, Pentanet or Company**) is pleased to provide its Quarterly Activities Report for the three months ended 30 June 2021.

Pentanet Managing Director, Mr Stephen Cornish, said that the focus in the June Quarter was on continuing momentum of business growth, while completing major infrastructure upgrades as the foundation for the next stage of the Company's acceleration.

"This Quarter has seen the culmination of several projects that form the footprint for our future. Since the IPO in January, we have been working towards the deployment of infrastructure to upgrade the core of our network in preparation for the launch of our 5G wireless services in Perth and GeForce NOW cloud-gaming across the country.

"We have completed testing and firmware formation for our gigabit-capable mesh network, completed the integration of software for our custom-built CloudGG platform, and are deploying Australia's first NVIDIA cloud-gaming infrastructure across two cities. The next phase of our journey will be to bring our new hardware online and launch into the next chapter of commercialisation.

"At the same time as progressing infrastructure upgrades and establishing GeForce NOW hardware, the business has continued to grow its subscriber base, cash receipts and revenue. We continue to deliver excellent service to our customers and growth for our shareholders, with a strong balance sheet and positive momentum in our fixed wireless business as we grow brand awareness, and are first to bring to Australia the significant market opportunity in cloud gaming."

OPERATIONAL

Organic growth remained strong in the period with 12,486 total active telecommunications subscribers as at 30 June 2021. Strong sales momentum was maintained throughout the year resulting in a 77% increase in subscribers as at 30 June 2021, net of churn.

Solid execution of Pentanet's growth strategy has yielded positive results. The business has delivered strong organic growth demonstrating the strength of its compelling brand and demand for services, with YoY Revenue up by 118%, from \$5 million to \$10.9 million. The recurring revenue base continues to strengthen, with YoY recurring revenue up by 132%.

Gross profit improved by 153% YoY, validating the Company's strategy to direct significant resources to increase coverage and strengthen brand to scale with a specific focus on the fixed wireless service offering. With an emphasis on higher-margin yielding service offering and cost efficiencies on lower-margin yielding service offering, YoY gross margin has improved from 37% in FY20 to 43% in FY21.

The telco churn rate during the quarter was 0.91%, in-line with historical levels for the Company and well below the industry average of around 2%.

The introduction of new fixed-line speed tier plans of 100/20 Mbps and a \$10 price increase on existing 100/40 Mbps plans presented a significant internal opportunity to improve margins on the off-net service offering. The process was handled with due care and diligence, with a significant value uplift in gross margin in June 2021 from 45% to 48%.

Pentanet reports a continuing reduction in telco customer acquisition cost, and customer growth metrics are trending favourably. In support of the Company's organic growth strategy to increase subscribers and revenue, significant investments have been made to expand marketing execution resources for branding and lead-generation campaigns. Validating the effectiveness of this strategy is the 25% decrease in our YoY Customer Acquisition Cost (CAC) from \$231 in FY20 to \$174 in FY21. Additionally, as a percentage of revenue, marketing cost has decreased from 24% in FY20 to 10% in FY21.

Fixed Wireless

On-net fixed wireless subscribers remain the primary focus for the Company and represent 43% of total subscribers. This compared to 42% as at the March 2021 quarter. Customers on contract made up 93% of total active subscribers, providing a solid base of recurring revenue.

The fixed wireless results remain particularly strong, supporting the YoY improvement in gross margin from 37% to 43% in FY21. In addition, fixed wireless gross profit improved by 125% YoY and fixed wireless gross margin improved from 85% in the March 2021 quarter to 86% in the June 2021 quarter.

Pentanet has successfully secured a 15-year high band 5G spectrum license in the 26 GHz auction conducted by the Australian Communication and Media Authority (ACMA). The license fee of \$8.0 million will be paid in equal instalments over five years, with the first instalment of \$1.3 million paid in June 2021.

The spectrum license acquired will support Pentanet's business strategy to accelerate the Terragraph network deployment. Furthermore, the 26 GHz band will improve existing wireless network efficiencies, coverage and support backhaul cost savings.

In line with the Company's business strategy, there is a sharp focus on accelerating and commercialising the Terragraph network once coverage allows. Recent firmware deployment and testing has delivered last-mile speeds of 1-2Gbps across multiple mesh points reaching more than 3km from the nearest backhaul tower site.

Cloud Gaming

Cloud gaming activities during the Quarter transitioned from marketing to deployment, with registrations of interest exceeding 45,000 in May. Pentanet reached a key milestone in the launch of GeForce NOW with the commencement of the Beta Quest Program in June. This formally commenced the first part of a three-stage rollout leading towards the Australian launch of the service planned for October 2021.

The three stages include Beta Quests, Beta Play, then national release, with the scalable program designed to provide Pentanet with insights into usage patterns and infrastructure demand, to manage and optimise its hardware and infrastructure rollout.

Pentanet is committed to delivering the best gaming experience for its users and has partnered with NEXTDC (ASX:NXT) for the cloud gaming infrastructure deployment via its Perth and Sydney data centres. Under the partnership the Companies will work together to formulate a working commercial model within the data centre for GeForce NOW in Australia.

FINANCIAL AND CORPORATE

Cash receipts from customers were \$3.2 million in the three months to 30 June 2021, compared to \$1.8 million in the same period in 2020 and a 10% increase from the March 2021 quarter, consistent with the strong organic growth in subscribers and revenue. Recurring revenue represented 87% of total revenue.

Total capital expenditure was \$2 million, comprising \$1.34 million on spectrum, \$0.66 million for fixed wireless infrastructure including the initial cost for the Terragraph Network, and core network upgrades.

In June Pentanet successfully raised \$20m in new capital to fund an acceleration of its cloud gaming growth and its fixed wireless infrastructure rollout. This includes the expansion of the gaming hardware purchases from NVIDIA and the acquisition of 5G spectrum in Western Australia. The capital raising was well supported by existing and new institutional and sophisticated investors.

The Company had \$32.7 million in cash at the end of the Quarter, placing it in a very strong position to fund the growth of both its fixed wireless and emerging cloud gaming businesses in a timely and disciplined manner.

USE OF FUNDS AND RELATED PARTY TRANSACTIONS

The Company raised approximately \$22.5 million dollars (before costs) through its initial public offering (IPO) in January 2021, and an additional \$20 million (before costs) through a placement in June 2021 (Placement). The June 2021 quarter is included in a period covered by the use of funds statement contained in the IPO prospectus lodged with ASX under Listing Rule 1.1 condition 3.

The following table shows the source of funds (before costs) outlined in the Company's IPO prospectus compared to actual sources of funds available (before costs) to the Company during the period commencing 27 January 2021 to 30 June 2021:

Source of funds (before costs)	Prospectus	Actual
	\$'000	\$'000
Approximate cash as at the date of the IPO prospectus / opening cash balance	1,508	1,508
Proceeds from the IPO Offer	22,460	22,460
Proceeds from Placement – June 2021	-	20,000
Proceeds from exercise of Options	-	501
Total funds available (before costs)	23,968	44,469

In accordance with ASX listing rule 4.7C.2, the Company provides below a use of funds comparison table showing actual expenditure for the period commencing on 27 January 2021 to 30 June 2021 compared to the estimated expenditure in the use of funds statement contained in the Company's IPO prospectus. The Company was admitted to the Official List of the ASX on 27 January 2021. The use of funds table contained in the Company's IPO prospectus did not include the anticipated access to additional sources of funding (set out above), including the proceeds from the Placement.

The following table shows the intended use of funds in the two-year period following admission to the ASX (as outlined in the Company's IPO prospectus) compared to the actual expenditure to 30 June 2021.

Use of Funds	Prospectus	Actual to Date (27 Jan to 30 Jun 2021)	Comment
	\$'000	\$'000	
Wireless infrastructure	8,990	1,271	In line with schedule
Network infrastructure	1,500	939	In line with schedule
NVIDIA cloud gaming infrastructure	4,000	3,078	In line with schedule
Working capital and administration	6,500	1,764	In line with schedule
Costs of the Offers	1,450	1,284	In line with schedule
Total funds allocated	22,460	8,335	

In accordance with ASX Listing Rule 4.7C.3, payments in the June 2021 quarter to related parties (and their associates) of \$479,963 included at Item 6 in the Appendix 4C consisted of directors fees and director associate fees and rent and accounting services paid to associates of directors.

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

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

Mr. Patrick Holywell
Company Secretary

+61 (0) 401 407 357
patrick.holywell@pentanet.com.au

Mr. Shane Murphy
Media Relations, FTI Consulting

+61 (0) 420 945 291
shane.murphy@fticonsulting.com.au

About Pentanet

Pentanet is a Perth-based, growth-focused telco delivering high-speed internet to a growing number of subscribers by providing them with next-generation internet speeds. This is achieved through Pentanet's market-leading private fixed-wireless network, the largest in Perth, as well as reselling fixed-line services such as NBN, where its wireless is not yet available.

Pentanet's flagship fixed 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 only resell the NBN.

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

Pentanet was listed as #28 in the Deloitte Technology Fast 500™ Asia Pacific 2020, a ranking of the region's 500 fastest growing technology companies. On top of the Company's #28 overall ranking, Pentanet also ranked #3 for Australian companies on the list.

Appendix 4C

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Name of entity

PENTANET LTD

ABN

29 617 506 279

Quarter ended ("current quarter")

30 June 2021

Consolidated statement of cash flows	Current quarter \$A'000	Year to date \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	3,206	10,865
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(1,782)	(6,175)
(c) advertising and marketing	(367)	(1,119)
(d) leased assets	(8)	(35)
(e) staff costs	(1,613)	(4,880)
(f) administration and corporate costs	(506)	(1,965)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	(11)	(76)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	166
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(1,081)	(3,219)

2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(663)	(5,415)
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	(1,359)	(1,828)

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Consolidated statement of cash flows		Current quarter \$A'000	Year to date \$A'000
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	(2,022)	(7,243)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	20,000	43,698
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	501	501
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(1,021)	(2,305)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	19,480	41,894

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	16,328	1,273
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,081)	(3,219)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(2,022)	(7,243)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	19,480	41,894

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Consolidated statement of cash flows		Current quarter \$A'000	Year to date \$A'000
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	32,705	32,705

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	32,705	32,705
5.2	Call deposits		
5.3	Bank overdrafts		
5.4	Other (provide details)		
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	32,705	32,705

6.	Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	480
6.2	Aggregate amount of payments to related parties and their associates included in item 2	

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.

7.	Financing facilities <i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1	Loan facilities	500	408
7.2	Credit standby arrangements		
7.3	Other (please specify)		
7.4	Total financing facilities		
7.5	Unused financing facilities available at quarter end		92
7.6	Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.		
	Loan facility is a secured revolving credit facility to the value of \$500,000 with Toyota Fleet Management and relates to fleet and installation vehicles. The loan is secured.		

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (item 1.9)	(1,081)
8.2 Cash and cash equivalents at quarter end (item 4.6)	32,705
8.3 Unused finance facilities available at quarter end (item 7.5)	92
8.4 Total available funding (item 8.2 + item 8.3)	32,797
8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1)	30

Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.

8.6 If item 8.5 is less than 2 quarters, please provide answers to the following questions:

8.6.1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

Answer: Not applicable

8.6.2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer: Not applicable

8.6.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?


Answer: Not applicable

Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: 28/7/2021

Authorised by: 
(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.

3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.