

PENTANET MORE THAN DOUBLES REVENUE ON STRONG SUBSCRIBER GROWTH IN FY21

HIGHLIGHTS:

- Pentanet delivered strong revenue growth and margins in FY21:
 - Revenue of \$10.9 million, up 118% on FY20
 - Gross profit of \$4.74 million up 153% on FY20
 - Underlying EBITDA (\$2.4 million), 13% improvement on (\$2.8 million) in FY20
 - Reported Net Loss after Tax of \$13.7 million. FY20 Reported Net Loss after Tax of \$5.1 million.
 - FY21 included one-off costs of \$9.7 million related to the IPO and retiring pre-IPO funding.
- Organic growth in customer numbers was the primary driver with 12,486 subscribers at 30 June 2021, up 77% on FY21
- On-net (Fixed Wireless) customers made up 43% of total subscribers
- Recurring revenue represented 87% of total revenue in FY21
- Strong balance sheet capacity to fund continued growth with \$32.7 million in net cash at 30 June 2021
- Progressed the development and planned launch of Australia's first cloud gaming business with 45,000+ expressions of interest received for GeForce NOW

Pentanet Limited (**ASX:5GG, Pentanet or Company**) has delivered strong growth in subscribers and revenue for the 12 months ended 30 June 2021. A 77% increase in total subscribers to 12,486 was the primary driver for an 118% increase in revenue to \$10.9 million.

Gross profit improved by 153% reflecting the benefits of cost efficiencies as the business builds scale. Gross profit margin for the period was 43% versus 37% for FY20. Net Loss after Tax for FY21 was \$13.7 million. This included one off costs of \$9.7 million related to the Company's IPO in January and retiring pre-IPO funding.

Pentanet Managing Director, Mr Stephen Cornish, said that Pentanet's FY21 financial result has shown the benefits of increasing scale as the business rapidly builds its subscriber base.

"Pentanet's revenue and gross margins performed very strongly in FY21 as the business has scaled up, and we expect this growth to continue in FY22. Our efforts in increasing brand recognition and delivering excellent network performance and customer service have been delivering outstanding results, with industry leading growth rates and customer churn rates at below half of the industry average.

"During the year we invested significantly in both our Fixed Wireless business and our emerging cloud gaming business to position the company for continued strong growth in the future. Pentanet will focus on executing the Company's Fixed Wireless and Cloud Gaming growth strategy. Central to this strategy is the accelerated deployment of the Terragraph Network. The recently acquired 5G spectrum licence will level up the Company's capabilities to accelerate the expansion of the Terragraph network.

NVIDIA GeForce NOW Cloud gaming commercial launch date is scheduled for October 2021. The beta stage of the three-stage roll-out prior will allow the Company to refine its user acquisition and monetisation strategies. We are confident that we will sustain the positive trend in interest we've seen over the past few months and maintain this trend by leveraging the popularity and synergies between the Pentanet brand and NVIDIA GeForce NOW.

"Pentanet is very well positioned to continue delivering growth for our shareholders. We have a clear growth strategy, a strong balance sheet with over \$30m of cash to fund our growth, growing customer awareness in our fixed wireless business, and are first to market in a huge market opportunity in cloud gaming."

Operating and financial update

The loss of \$13.7m includes significant items incurred as part of listing on the ASX, \$4.5m share-based payment, \$3.8m finance cost relating to the exercise of convertible note options, \$1.1m of cost for options exercise on behalf of staff pre-IPO and IPO related cost of \$0.3m.

After adjusting for significant items, the loss after tax for the consolidated entity was \$4m. The earnings before interest, tax, depreciation, and amortisation (EBITDA) after adjustments for significant items was (\$2.4m) compared to (\$2.8m) in the prior financial year.

Subscribers, revenue and gross profit review

In line with Pentanet's stated strategy, the Company increased its subscriber base by 77% YoY by adding 5,446 new subscribers to the network organically. Additionally, the Company maintained an average monthly churn rate of 0.82% for FY20 and FY21, indicating growing customer stickiness that speaks to the quality of the service offering. Consequently, Pentanet delivered solid results in revenue with a 118% YoY increase from \$5m to \$11m. In addition, YoY recurring network revenue increased by 131%, from \$4.1m to \$9.5m, highlighting the strength of the recurring revenue model. Off-net ARPU improved from \$65 in FY20 to \$71 in FY21, and on-net ARPU marginally decreased from \$89 in FY20 to \$87 in FY21.

Gross profit increased from \$1.9m to \$4.7m, representing 153% YOY growth. Pentanet improved YoY gross margins by 16% to 43%, due to emphasis on higher-margin yielding service offerings and cost efficiencies on lower-margin yielding service offerings.

An 18% YoY improvement in the fixed wireless gross margin from 69% in FY20 to 83% in FY21 represents the true earnings power of Pentanet's fixed wireless service offering, the strength of the company owned and operated fixed wireless infrastructure and growing brand in Western Australia.

Conversion of subscribers from off-net to on-net remains a focus for the Company, with on-net subscribers representing 43% of total subscribers in FY21.

Targeted operational and marketing strategies focusing on the fixed wireless service offering has yielded positive results, with YoY on-net subscribers growing by 68%, with an average monthly churn of 0.82% in FY21.

The current fixed wireless investment strategy entails directing significant resources to increase coverage to scale the network and strengthen the fixed wireless service offering and brand, positioning the Company well for organic on-net subscriber growth.

Marketing

The Pentanet brand continues to build in-market, positioned around high-performance, speed, gaming, and next-generation technology. The Company maintains strong customer satisfaction results with a weighted average of 4.6 stars across Facebook, Google and Product Review for telecommunications services.

Pentanet's integrated marketing approach continues to engage residential and commercial subscribers, supported by a developing range of services designed to offer flexibility and value for Perth. Growing brand awareness should help sustain positive trends going forward.

The Company reports a continuing reduction in telco customer acquisition cost, and customer growth metrics are trending favourably. As a percentage of revenue, marketing cost has decreased from 24% in FY20 to 10% in FY21 whilst expanding marketing resources for branding and lead-generation campaigns. The focused and disciplined execution of Pentanet's marketing strategy in FY21 has delivered a 25% decrease in the YoY Customer Acquisition Cost (CAC) from \$231 in FY20 to \$174 in FY21.

Network

To capitalise on the growth and expansion opportunity that the accelerated deployment of the Terragraph network will bring to the business, during FY21, Pentanet secured a 15-year high band 5G spectrum license in the 26 GHz band auction conducted by the Australian Communication and Media Authority (ACMA). The 26GHz band is optimal for delivering 5G wireless broadband services. Additionally, the 26 GHz band will improve wireless network efficiencies, coverage, support backhaul cost savings, and provide the capability to roll out the network at a larger scale.

The \$8.0 million license fee will be paid in equal instalments over five years, with the first instalment of \$1.3 million paid in June 2021.

Accelerating the deployment and commercialisation of the Terragraph network remains a key business priority. In FY21, Pentanet successfully deployed the Terragraph trial mesh network and secured the hardware for mass deployment. Recent firmware deployment and testing have delivered last-mile speeds of 1-2Gbps across multiple mesh points reaching more than 3km from the nearest backhaul tower site.

Another critical investment area is the Pentanet Core. Consisting of upgraded routing, switching, and server capacity across the country, the upgraded Core will be capable of terrabits of traffic every second, integration with cloud gaming, 5G, automation of subscriber provisioning, and enable a scaled deployment for Terragraph equipment across the Pentanet neXus.

With a strong cash balance at year-end of \$32.7m, Pentanet is well-positioned to continue on its strong growth trajectory.

Cloud gaming

In late January 2021, Pentanet announced an Alliance Partner Agreement with NASDAQ-listed NVIDIA – one of the world's largest producers of specialised graphic chips used in gaming – to bring their GeForce NOW technology to Australia this year. Pentanet opened online registrations of interest by allowing future Australian users of GeForce NOW to reserve their usernames and register for an invitation to the Beta Program, to capture a good understanding of potential market demand for the service across the country.

Market interest in GeForce NOW exceeded initial expectations with registrations of interest exceeding 45,000 by May. As a result, an expanded hardware order was placed with NVIDIA for an additional 18 RTX game servers (up from the original order of 18 servers).

In June 2021, Pentanet launched its CloudGG portal, which is the first part of a three-stage rollout leading towards a national launch for the GeForce NOW service planned for October 2021. Across the months leading up to launch, players have completed Beta Quests designed to provide Pentanet with further insight 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.

Ongoing strategy

The three pillars of Pentanet's strategy remain unchanged.

Introduction of new technology is expected to increase on-net coverage, grow the Company's subscriber base, and deliver superior network performance to maintain a low churn rate.

The expansion of the existing Pentanet network with neXus, increasing available wireless speeds to over 1Gbps through the large scale mmWave wireless deployment. Creating greater wireless coverage across the Perth metro area will increase potential market size and penetration.

To increase margins, the Company will continue its focus on attracting more off-net customers to higher margin on-net services, and diversify their complementary product offering, including GeForce NOW cloud gaming subscription services.

A results presentation and Q&A stream session will be held by Managing Director Stephen Cornish, Executive Director Timothy Cornish, and CFO Mart-Marie Derman on Thursday 26 August 2021 at 10:00am AWST (Perth) time / 12:00pm AEST (Sydney) time. An accompanying presentation will be made available via the ASX announcement platform prior to the stream. Participants may join the stream at: https://zoom.us/webinar/register/WN_hm1eIXWvTwK8O0csgRigzQ

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.



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

Unit 2, 8 Corbusier Place,
Balcatta WA 6021

ABN: 29 617 506 279