



PENTANET'S NEXT-GENERATION UPGRADE PATH HAS CLEAR LINE OF SIGHT

HIGHLIGHTS

- 38% YoY increase in revenue to \$4 million (+3% QoQ).
- \$4.3 million in quarterly cash receipts from customers, up 41% YoY (+16% QoQ).
- 14,798 subscribers on 31 December 2021, up 36% YoY (7% QoQ).
- 1,349 new subscribers were added to the network in the December 2021 quarter.
- On-net (fixed wireless) customers made up 41% of total subscribers.
- Commencement of the neXus campaign in December 2021 generated 4,907 total registrations of interest to end December 2021, providing a significant ramp-up roadmap.
- Pentanet partners with Canopus Networks to create additional revenue opportunities in Cloud.gg.
- GeForce NOW successfully launched on 19 October 2021 with over 58,000 active members as of 31 December 2021 and over 30 million minutes of streamed gameplay.

Pentanet Limited (ASX:5GG, Pentanet or Company) is pleased to provide its Quarterly Activities Report for the three months ended 31 December 2021.

Pentanet Managing Director, Mr Stephen Cornish, said the Company continued to develop its new revenue generating platforms in the December Quarter to supplement its growing fixed wireless internet business.

"Following a very successful launch of GeForce NOW in October, increased investment in marketing in December saw membership numbers growing by 50% for the month, providing a very strong base from which to grow paying subscribers. The strong market interest continues to support our enthusiasm to lead this exciting new market segment.

"The December quarter was also a crucial step-change for the deployment of the Company's next generation neXus gigabit mesh network. Thousands of expressions of interest already received give us the path forward to continue the targeted deployment of this cutting-edge technology in early 2022.

I'm looking forward to continuing to expand our revenue base as we build our network capability and product offerings which will cement Pentanet as a leader in telecommunications innovation. With this quarter we have put in place additional foundations for continued growth across multiple areas both in the short to medium term with GeForce NOW and neXus, and in the medium term through CANOPUS Networks and Cloud.GG."

OPERATIONAL

Cloud.GG

Pentanet has acquired a 13.4% stake in CANOPUS Networks (CANOPUS) for \$4m in cash and has executed a Memorandum of Understanding to enter a strategic partnership. The agreement includes a commitment for CANOPUS to invest \$1.5M in the co-development of Pentanet Ltd's unique gamified telecommunications and gaming loyalty platform, Cloud.GG, using CANOPUS' FlowPulse analytics technology.

The partnership aligns with Pentanet's strategy to create additional revenue-generating opportunities by further developing the Cloud.GG portal into a gamified network loyalty, rewards and incentive program to create Pentanet's new telco meta currency.

GeForce NOW Cloud Gaming

The December quarter was marked by the execution of another significant milestone with the successful commercial launch of GeForce NOW Powered by Pentanet, NVIDIA's premiere cloud-based game streaming service.

At launch on 19 October 2021, two limited-time Founders subscription tiers were released. The 'Priority' account allows players to truly unleash the power of the service, with RTX-ON enabled gaming and extended play sessions for \$19.99 per month, or a 12-month subscription paid upfront in advance for \$17.99 per month. Basic memberships are also available for a limited time, allowing players to check out a limited version of the service for free to experience some of the power of real-time game streaming. Basic sessions are limited to an hour and do not support RTX features.

As at 31 December 2021, more than 58,000 gamers across Australia and New Zealand have enjoyed over 30 million minutes of streamed game time. Initial interest received after commercial launch boosted confidence that the demand for the service will continue to accelerate, underscoring the inherent opportunity to capture and build a large and sustainable market share for the GeForce NOW service in Australia.

Increased investment in marketing in December 2021 yielded significant activity on the platform, with membership numbers growing by 50% for the month. The platform's growing popularity continues to provide Pentanet with an engaged channel for growth of paid Priority subscriptions, with continued marketing focus on increasing upgrade conversions.

Pentanet aims to introduce a new mid-tier market plan to gain more paid subscribers from the broader active user base.

Telecommunications

Upgrades, expansion and optimisation of the wireless and core network created temporary capacity constraints on the Company's foundation fixed wireless network together with supply chain issues, which led to marginally slower subscriber growth and a marginal increase in monthly customer churn from 0.80% in Q1 FY22 to 0.89% in Q2FY22 but supported the business case for the deployment of neXus technology to infill network gaps. Total subscriber growth increased by 7% QoQ (36% YoY) to 14,798.

This marginally slower growth of subscriber numbers in Q2 impacted revenue for the quarter. The \$4 million revenue in Q2 grew by 3% QoQ (+38% YoY), compared to Q1FY22. Recurring revenue of \$3.6 million was still up by 9% QoQ (+38% YoY), compared to Q1FY22, and made up 88% of total revenue.

Set-up services directly correlate to new subscriber growth, and mirrored the marginally lower subscriber growth which directly impacted non-recurring revenue growth. Additionally, the continuing impact of COVID-19 on the supply chain and global chip shortages reduced equipment availability, resulting in slightly lower non-recurring revenue due to lower equipment sales volume. As a result, blended ARPU decreased from \$92 in Q1FY22 to \$89 in Q2FY22.

Gross profit of \$1.9 million decreased by 2% QoQ but increased +45% YoY driven by continued subscriber growth on a high-margin fixed wireless network.

As a percentage of revenue, advertising and marketing costs remained at 10% in Q2FY22, despite the temporary capacity constraints due to the wireless and core network upgrades, expansion, and optimisation for the launch of the neXus network. The efficient and effective marketing effort for the neXus rollout has delivered strong results with 4,907 total pre-registrations from 6 to 31 December 2021, 2,676 of which have no active service yet on Pentanet's network. These positive results will kick-start the mass deployment of the neXus service in 2022 in Perth.

With the nature of a mesh network, scalability will facilitate the rapid deployment of neXus and the interest expressed in neXus plays a fundamental role in establishing and enabling the deployment of this next-generation network. The pre-

registrations of interest received to date will support Pentanet's ambition to scale the network more rapidly, aligning with Pentanet's ongoing strategy to grow the subscriber base, expand the network and increase margins. Based on the initial positive demand for neXus which will continue to accelerate, the Company has secured the equipment and capital to deploy neXus rapidly at scale across Perth.

Fixed Wireless

Pentanet maintained an on-net fixed wireless subscriber ratio of 41% despite facing short term capacity constraints on the the Company's fixed wireless network and also maintained an 87% gross margin in Q2FY22.

Through the December quarter, the focus remained on scaling the fixed wireless network more efficiently in light of the planned neXus rollout, allowing the Company to capitalise on the significant growth opportunities of the next-generation network whilst also servicing demand for the Company's wireless infrastructure.

FINANCIAL AND CORPORATE

Cash received from customers continued to rise from \$3.7 million in Q1FY22 to \$4.3 million in Q2FY22, +16%QoQ (and 41% YoY) despite marginally lower QoQ revenue and subscriber growth. Additionally, \$4.3 million cash receipts included \$0.2 million one-off cash generated by Pentanet.GG from prize money received in Q2FY22.

Operating cash payments are up by 6% from \$4.4 million in Q1FY22 to \$4.6 million in Q2FY22, including \$2.1 million for product manufacturing and operating costs, \$1.6 million in staff costs, \$0.3 million in advertising and marketing. The Company continues to invest in driving growth and further position itself to expand the network and increase market share in the gaming and telecommunications segments.

Net cash used in investing activities increased from \$2.2 million in Q1FY22 to \$9.3 million in Q2FY22 (and +315% QoQ). The increase is mainly attributable to \$4 million investment in Canopus, \$3.4 million paid for NVIDIA Cloud gaming infrastructure, and network infrastructure investment in anticipation of the scaled neXus network rollout.

The Company is in a strong financial position with cash reserves of \$20.2 million available to dynamically scale the higher-margin on-net service offering as the Company continues to level up Australia's internet and gaming sectors.

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 December 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 31 December 2021.

Source of funds	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 the exercise of options	-	501
Total fund 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 31 December 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 September 2021:

Use of funds	Prospectus	Actual to Date (27 January to 31 Decembers 2021)	Comment
	\$'000	\$'000	
Wireless infrastructure	8,990	3,151	In line with schedule
Network infrastructure	1,500	1,153	In line with schedule
NVIDIA cloud gaming infrastructure	4,020	6,657	Ahead of schedule refer to Note. 1
Working capital and administration ²	6,500	2,570	In line with schedule
Costs of the Offers ³	1,450	1,284	In line with schedule
Total Funds allocated	22,460	14,815	

Comments:

1. The proposed use of funds outlined in the Company's initial listing prospectus did not include anticipated access to additional sources of capital funding as outlined above in the proceeds from a placement to sophisticated and institutional investors of \$20 million (before costs) in June 2021. With the receipt of additional source of funds, the Company was able to purchase additional NVIDIA's GeForce NOW infrastructure.

In accordance with ASX Listing Rule 4.7C.3, payments in the December 2021 quarter to related parties (and their associates) of \$318,093 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:

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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 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

29 617 506 579

Quarter ended ("current quarter")

December 2021

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	4,264	7,936
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(2,072)	(4,018)
(c) advertising and marketing	(343)	(681)
(d) leased assets	(8)	(15)
(e) staff costs	(1,583)	(2,998)
(f) administration and corporate costs	(597)	(1,301)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	(40)	(66)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	47
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(379)	(1,096)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(5,133)	(7,228)
(d) investments	(4,000)	(4,000)
(e) intellectual property	-	-
(f) other non-current assets	(178)	(325)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$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	(9,311)	(11,553)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	130	130
3.4	Transaction costs related to issues of equity securities or convertible debt securities	4	4
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	134	134

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	29,746	32,705
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(379)	(1,096)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(9,311)	(11,553)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	134	134
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	20,190	20,190

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	20,190	29,746
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)	20,190	29,746

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	318
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	800	333
7.2 Credit standby arrangements		
7.3 Other (please specify)		
7.4 Total financing facilities		
7.5 Unused financing facilities available at quarter end		467
7.6 Loan facility is a secured revolving credit facility to the value of \$800,000 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)	(378)
8.2 Cash and cash equivalents at quarter end (item 4.6)	20,190
8.3 Unused finance facilities available at quarter end (item 7.5)	467
8.4 Total available funding (item 8.2 + item 8.3)	20,658
8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1)	55
<i>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.</i>	
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	
<i>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.</i>	

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: 28/01/2022

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.