

INTERIM RESULTS ANNOUNCEMENT – HIFY24

KEY FINANCIAL AND OPERATIONAL METRICS H1 FY24:

- Consolidated revenue up by 7% on PcP to \$10.4m
- Telecommunications revenue up by 3% on PcP to \$9.5m
- Gaming revenue up by 88% on PcP to \$0.9m
- Consolidated gross profit up by 22% on PcP to \$4.9m
- Gross margin of 47%, up 13% on PcP
- 17,100 telecommunications subscribers as at 31 December 2023
- On-net subscribers comprise 40% of the subscriber base, up from 39% on PcP
- CloudGG cloud gaming paid membership growth up 83% on PcP
- CloudGG total membership growth of 60% on PcP to over 490,000

*PcP is prior corresponding period

Pentanet Limited (**ASX:5GG or Pentanet or Company**) is pleased to report its interim results for the half-year ended 31 December 2023, with revenue increasing in both business segments. Consolidated revenue reached \$10.4 million for the half year ending 31 December 2023, representing a 7% increase on PcP. Telecommunications recurring network revenue increased by 5% to \$9.1 million. The increase in recurring revenue was due to increases in fibre revenue, up 45% on PcP, and on-net revenue, up 3% on PcP. Gaming segment revenue increased by 88% to \$0.9 million, in line with strong paid membership growth of 83% on PcP and development funding for the Optus SubHub integration of \$0.16 million.

The consolidated gross profit increased by 22% on PcP, reaching \$4.9 million with a gross margin of 47%, up 13% on PcP. The telecommunications segment gross margin increased 8% on PcP to 48%. This improvement was attributed to the successful off-to-on-net conversion campaign with the launch of the new 5G Fixed Wireless plans. Additionally, the gaming segment saw a 212% improvement in the gross profit on PcP, supported by a solid base of paid memberships that covers the fixed monthly recurring cost incurred in the early stages when the service was launched.

The Company's net loss after tax for the half-year improved by 42%, decreasing from \$4.8 million to \$2.7 million. Normalised EBITDA¹ loss improved by 91% from \$2.5 million to \$0.2 million. The improvement in EBITDA loss was driven by gaming segment revenue growth, as well as an 11% decrease in employee costs and a 35% reduction in other expenses.

Note¹ EBITDA is a financial measure which is not prescribed by Australian Accounting Standard Board ('AASB') and represents the profit/loss under AASB's adjusted for depreciation, amortization, interest and tax.

UNDERLYING RESULTS OVERVIEW:

	H1 FY24	H1 FY23	
	S'000	S'000	% Change
Revenue	10,402	9,717	7%
Gross Profit	4,870	4,087	19%
Other Income	375	240	56%
Operating Expenses	(5,439)	(6,875)	21%
Underlying EBITDA¹	(194)	(2,548)	92%
Depreciation and amortisation	(2,144)	(2,061)	(4%)
EBIT	(2,338)	(4,609)	49%
Net finance cost	(363)	(163)	(123%)
Net loss before tax	(2,701)	(4,772)	43%

Note¹ EBITDA is a financial measure that is not prescribed by the Australian Accounting Standard Board ('AASB') and represents the profit/loss under AASB's adjusted for depreciation, amortisation, interest and tax.

RECONCILIATION OF REPORTED UNDERLYING RESULTS:

	H1 FY24	H1 FY23	
	S'000	S'000	% Change
Underlying EBITDA	(194)	(2,548)	92%
Significant items			
Share-based payments	(47)	-	0%
Reported EBITDA	(241)	(2,548)	91%
Depreciation and amortisation	(2,144)	(2,061)	(4%)
Net finance cost	(363)	(163)	(123%)
Reported net loss after tax	(2,748)	(4,772)	42%

Telecommunications

	H1 FY24			H1 FY23		
	On-net	Off-net	Total	On-net	Off-net	Total
Opening Balance:	6,692	10,362	17,054	6,537	10,137	16,676
Sales	677	854	1,531	481	1,233	1,714
Churn	(487)	(998)	(1,485)	(408)	(924)	(1,332)
Average Monthly Churn	1.2%	1.6%	1.4%	1%	1.5%	1.3%
Closing Balance:	6,882	10,218	17,100	6,610	10,446	17,056

In H1, the Company completed the upgrade of eight towers with 5G infrastructure and launched its new simplified wireless plan suite and 5G Fixed Wireless plans, more aligned with the competitive landscape. Gross on-net subscriber sales increased by 24% in Q2FY24, driven by increased sales and marketing activity following the 5G Fixed Wireless launch in late October 2023. Gross off-net subscriber sales decreased by 35% QoQ, as operational efforts and marketing resources were directed to increase the higher-margin on-net subscriber base. The on-net net new subscriber run rate showed improvement within the six-week window since launch, with on-net customers constituting 40% of total subscribers, up from 39% in Q1FY24.

Blended ARPU increased to \$93, up from \$91 on PcP. On-net ARPU remained stable at \$88 on PcP, and on-net gross margin improved from 87% to 90% with increased network efficiency and a growing

subscriber base. Off-net margin improved from 13% to 20% on PcP with the price increases implemented in H1FY23.

Q2FY24 churn rate decreased marginally to 1.43% per month, primarily affected by customer relocations. This figure is expected to decrease with new products in market and ongoing retention initiatives.

The rollout of Pentanet neXus continues to progress in a measured and controlled manner in H1, utilising the existing units of stock on hand to extend the network footprint within the current coverage areas. The neXus greenfield deployment strategy has commenced based on the finalised network topology design for optimal performance and redundancy, leveraging the company's IP, stock on hand, and improved performance expected from the new design.

The Company is well-positioned to return to net subscriber growth with the Pentanet product suite now aligned with the competitive landscape and expanding offerings in both on and off-net services.

GeForce NOW Cloud Gaming

Pentanet has successfully installed and launched NVIDIA's new RTX 3080 servers and a new top-tier membership plan for NVIDIA GeForce NOW™ cloud gaming in Australia. Since the launch of the 'Ultra' membership tier, the Company has seen an impressive uptake on the plans priced at \$29.99/month.

Paid memberships increased by 83% on PcP, with subscription revenue up 75% on PcP to \$0.7 million. ARPU has consistently increased since the launch of the 'Ultra' membership tier, reaching \$13 ARPU. The overall growth on the platform is driven by a more diverse membership offering with the introduction of the 'Ultra' membership tier, marketing efforts, new content additions, and additional growth from the launch of GeForce NOW Powered by CloudGG on the Optus SubHub platform.

CloudGG users continued to grow at 4% per month and with the GeForce NOW Powered by CloudGG cloud gaming subscription service maintaining positive EBITDA, the objective remains to grow the number of paying subscribers on the platform and expand new revenue-generating activities to monetise the over 490,000 captured audience of CloudGG members to date.

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 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 490,000 users.