



PENTANET REPORTS INCREASED TELCO SALES AND ANOTHER QUARTER OF SOLID CLOUD GAMING GROWTH

KEY HIGHLIGHTS Q3FY24

- Consolidated revenue increased by 4% on PcP to \$5.2m
- Consolidated gross profit increased by 12% on PcP to \$2.4m
- Consolidated EBITDA breakeven maintained for Q3
- Increase in cash receipts from customers by 12% on PcP to \$5.2m for Q3FY24
- Breakeven net cash used in operating activities in Q3FY24
- Telco sales increased by 10% QoQ with new on-net marketing campaigns to come in Q4FY24
- Launch and marketing of Fibre Connect product to drive sales and reduce churn in Q3 and beyond
- Gaming subscription revenue growth up 15% QoQ to \$0.5m
- Gaming subscription gross profit increased 31% QoQ to \$0.12m
- CloudGG paid membership growth up 15% QoQ
- CloudGG membership growth up 11% QoQ to over 555,000
- Successful completion of a \$4.28m share placement on 2 April 2024

Pentanet Managing Director, Mr Stephen Cornish, said, “In Q3, we achieved a 10% QoQ increase in gross sales, helped by adjustments to our pricing to align with the competitive landscape and the initiation of the Fibre Connect campaign to actively compete in the full fibre race. As a result, we have achieved a 53% increase in off-net services and a 9% QoQ reduction in off-net churn.

“In Q4, we will direct additional resources to launch a new campaign focusing on increasing on-net subscriber growth with a renewed emphasis on refining the customer experience to improve customer satisfaction and reduce churn.

“The gaming segment continued to perform well, with 15% QoQ revenue and paid subscriber growth. Revenue increased by 113% on PcP, and paid subscriber growth is up by 123% on PcP. We have invested in additional one-off CAPEX for gaming hardware and marketing initiatives to support this growth.

“Our recently announced inclusion in NVIDIA’s Graphic Delivery Network (GDN) also gives us the opportunity to expand our compute capabilities and will open a pathway to new commercial opportunities beyond GeForce NOW (GFN) cloud gaming.

“These initiatives are part of our strategy to bring growth back in the Telecommunications segment and increase returns on the Gaming segment infrastructure, which is expected to support top-line revenue growth in Q4 and beyond.”

OPERATIONAL UPDATE

Telecommunications

Telecommunications	Q2FY24			Q3FY24			Change	
Subscribers	On-net	Off-net	Total	On-net	Off-net	Total	On-net	Off-net
Opening Balance	6,762	10,364	17,126	6,882	10,218	17,100		
Sales	375	335	710	237	513	750	(37%)	53%
Churn	(255)	(481)	(736)	(290)	(440)	(730)	14%	(9%)
Average Monthly Churn	1.26%	1.56%	1.43%	1.46%	1.43%	1.42%	16%	(8%)
Closing Balance	6,882	10,218	17,100	6,829	10,291	17,120		
Subscriber Split	40%	60%		40%	60%			

In Q3, the focus remained on returning to growth and minimising churn. As part of this strategy, the Company realigned its off-net offering and adjusted pricing to better align with the current competitive environment. The new off-net pricing strategy and launch of the Fibre Connect program increased gross off-net subscribers by 53% QoQ, helping to retain subscribers. The introduction of Fibre offers, with their longer connection lead times, only began impacting revenue in March 2024, with the full impact on revenue expected to materialise in Q4. Currently, circa 200 fibre applications are still in progress and are expected to come online in Q4. While off-net subscriber growth has been positive, total on-net subscriber numbers remained flat due to the marketing shift towards Fibre offers for Q3.

Looking ahead to Q4, product and marketing focus will shift to enhancing the company's on-net offerings to increase subscriber growth. Additionally, strategies to refine customer experiences are being developed to improve satisfaction and reduce churn.

In Q3FY24, the monthly churn rate decreased marginally for the second consecutive quarter, reaching 1.42%, with an exit monthly churn rate of 1.3% as of March 2024. The launch of the Fibre Connect program and the realignment of off-net pricing contributed to reduced churn. Additionally, an increased focus on customer retention and expanding customer retention offers further supported this improvement.

Blended ARPU decreased marginally to \$92 (Q2FY24: \$93), and ARRPU decreased from \$89 to \$88. Despite the decrease in ARPU, we saw the gross margin on recurring revenue increase to 50% (Q2FY24: 49%).

With increasing sales momentum, the Pentanet product suite now aligned with the competitive landscape and new campaigns for both on and off-net services set to launch in Q4, the Company is looking forward to increased telco growth in the remainder of 2024.

GeForce NOW Cloud Gaming

Paid memberships increased by 15% QoQ, and subscription revenue was up 15% QoQ to \$0.5 million. The average revenue per user (ARPU) has remained stable at \$13, while gross profit increased QoQ to \$0.12m. The overall growth of the cloud.GG platform is attributed to a broader range of membership

options and increased marketing investment to support revenue-generating activities to monetise the over 550,000 captured audience of CloudGG members to date.

The company recently announced that it will be part of NVIDIA Graphic Delivery Network (GDN). The infrastructure upgrade will enable Pentanet to provide substantial computing power to users, suitable for even the most intensive rendering tasks, regardless of the dataset's size or complexity. Pentanet aims to extend the use case for the hardware to commercial and enterprise customers for applications such as running digital twins, configuring photorealistic 3D models and simulations, supporting ultra-high-resolution augmented reality (AR) wearables, and powering interactive 3D experiences.

By joining the NVIDIA GDN, Pentanet will extend its reach beyond its existing GeForce NOW cloud gaming operations to explore new industrial and commercial markets. This expansion has the potential to diversify revenue streams and establish Pentanet in the supply ecosystem of an expanding industry.

FINANCIAL UPDATE

Revenue

Q3 consolidated revenue of \$5.2m is up 4% on PcP. Telecommunications segment revenue decreased marginally QoQ to \$4.7m (Q2FY24: \$4.8m) due to the impact of a price reduction for NBN plans. This was partially offset by increased subscriber growth and subscribers opting for higher ARPU NBN plans through the Fibre Connect campaign. The on-net ARPU increased to \$89 (Q2 FY24: \$87), attributed to uptake on higher-speed 5G fixed wireless plans.

GeForce NOW revenue increased 15% QoQ to \$0.5m and 113% on PcP, in line with a 15% QoQ increase in paid GeForce NOW cloud gaming memberships.

Gross Profit

Consolidated gross profit remained steady QoQ at \$2.4m, up 12% on PcP. Gross margin for the quarter was 46%, up 8% on PcP.

The telecommunications segment maintained a gross profit of \$2.3 million QoQ, with the gross margin decreasing from 49% to 48% in Q3FY24. The effect of the price reduction for NBN plans was counterbalanced by new NBN wholesale pricing, resulting in a minimal impact on the margin.

Q3 GeForce NOW gross profit increased 31% QoQ, reaching \$0.12m, and gross margin increased from 20% to 24% with an overall reduction in variable platform cost.

Expenses

Overhead costs decreased 5% QoQ to \$2.7m, with marginal reductions in employee-related costs and general overheads.



The company's Telecommunications and Gaming segments remained at the EBITDA breakeven line for a third quarter, reflecting steady financial improvements as it positions itself for growth.

Q3 CASH FLOW

Q3 cash receipts from customers increased by 6% QoQ to \$5.5 million, and 12% on PcP. Although revenue remained consistent, cash collection was strong as receivables decreased \$0.3m QoQ.

Net cash from operating activities remained positive for a second consecutive quarter despite an increase of 56% in product manufacturing and operating costs. This was due to the timing of a monthly \$0.6m wholesale bill, which was not included in the last quarter. Additionally, staff costs decreased 16% QoQ as an extra fortnightly payment was included in Q2.

The company successfully completed a share placement to raise funds of \$4.28m before costs, allowing further investment into growing the cloud gaming segment through the purchase of NVIDIA RTX 4080 servers and assisting with working capital requirements.

The Company closed the quarter with a cash balance of \$9.5m and available financing facilities of \$9m.

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 March 2024 quarter to related parties (and their associates) of \$349,440 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.

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 550,000 users.

Pentanet invites existing and prospective shareholders to join the conversation within the Company's interactive Investor Hub at investorhub.pentanet.com.au/