



5GG INVESTOR UPDATE

FY23 ANNUAL REPORT



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About Us



PENTANET

OUR VISION

To build a market leading telecommunications network utilises cutting-edge technologies with an emphasis on speed, quality and local support.

WHAT WE DO

Pentanet is a licensed telecommunications carrier based in Perth, delivering high-speed, reliable internet with a focus on outstanding customer service and support.

Since inception in 2017, Pentanet has built the largest Fixed Wireless (FW) telecommunications network across the Perth metro area. With towers connected by rings of dark fibre, Pentanet has purposefully designed our network with enough capacity for next-generation, bandwidth-heavy applications – including cloud gaming.

- ◆ **Next-gen capable network**
- ◆ **Market leading brand**
- ◆ **Perth-based local team with global esports presence**
- ◆ **National cloud gaming alliance partner**

OUR COMPANY VALUES

Impactful Innovation

We dare to introduce new ideas and technology that can positively impact the world around us, not just the screens in front of us.

Good Connections

We bring people together both digitally and IRL for shared experiences and memorable moments. Next-level service is just a given.

We Meme Business

Genuinely hyped on what we do, we take fun stuff seriously, and make serious stuff fun. Unapologetically us, we use our unique attributes and abilities to get shit done.

PentaFam First

We do whatever it takes for our team and community to know they are safe, protected, and valued as part of the Pentanet family.

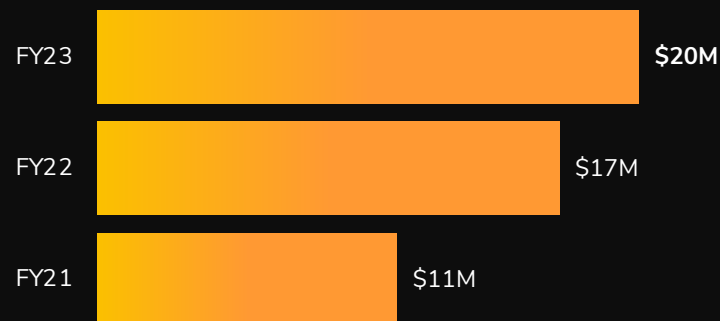
Be The Supercar

The world moves fast, so we move faster with our speed, agility and expertise. High performance is in our DNA, and we bet on ourselves every time.



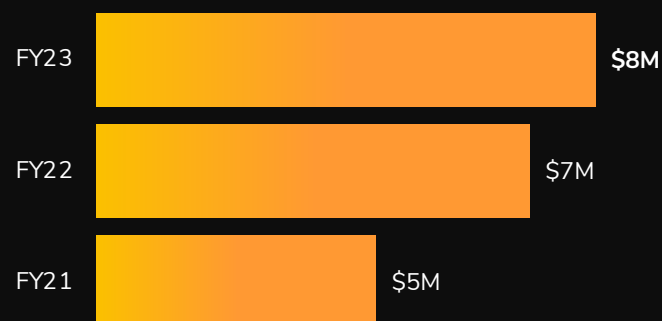
FY23 Financial Summary

REVENUE +17%



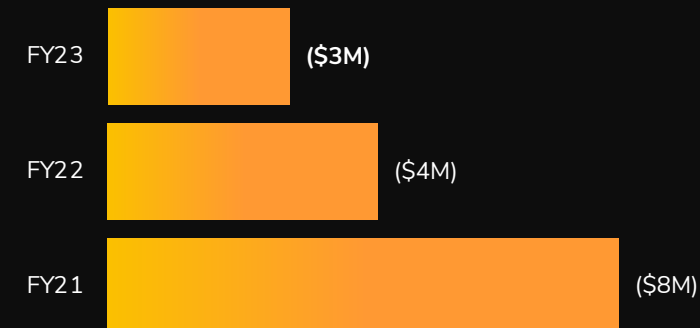
- Revenue increased 17% YoY to \$19.7 million
- Gaming segment revenue grew by 43% YoY to \$1 million due to an increase in paid GeForce NOW subscribers
- Telecommunications revenue rose 16% YoY to \$18.7 million

GROSS PROFIT +15%



- Consolidated gross profit increased by 15% YoY to \$8.5 million, with a gross margin of 43%
- Telecommunications sector's gross margin rose by 4.4% YoY to 47%
- Gross profit improvement mainly due to higher-margin on-net customers and off-net service price increases

EBITDA +29%



- EBITDA Breakeven exit run rate in June 2023
- EBITDA loss reduced by 29% to \$3.1 million through successful execution of strategic initiatives to improve profitability

EBITDA is a financial measure which is not prescribed by Australian Accounting Standard ('AAS') and represents the profit under AAS adjusted for depreciation, amortisation, interest and tax. Underlying EBITDA is EBITDA adjusted to exclude share-based payments, options exercised on behalf of employees and IPO cost.



Profit and Loss

Profit and Loss	FY23 \$'000	FY22 \$'000	change %
Revenue	19,733	16,829	17%
Gross Profit	8,469	7,368	15%
Gross Margin	43%	44%	(2%)
Other income	1,223	300	307%
Operating expenses	(12,806)	(12,066)	(6%)
EBITDA	(3,114)	(4,397)	29%
Depreciation and amortisation	(4,088)	(3,381)	(21%)
EBIT	(7,202)	(7,778)	7%
Net finance cost	(367)	(146)	(151%)
Net loss before tax	(7,569)	(7,925)	4%

PROFIT AND LOSS SUMMARY

- Revenue increased by 17% helped by 25% YoY increase in off-net recurring revenue from price increases.
- Other income increased by 307% driven by a \$670k cash rebate from the Research and Development Tax Incentive scheme.
- Gross margin of 43% decreased slightly due to \$1m investment in gaming segment with telecommunications gross margin of 47% increasing by 4.4% YoY.
- Overheads increased by 6% YoY due to 1HFY23 team expansion and associated costs but fell from 72% to 65% of revenue due to successful cost management.
- EBITDA loss reduced by 29% to \$3.1 million due to strategic initiatives improving profitability, revenue growth, and overhead management.

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Balance Sheet Summary

Balance Sheet	FY23 \$'000	FY22 \$'000	change %
Cash and cash equivalents	7,368	13,388	-45%
Trade and other receivables	3,875	653	493%
Inventories	407	334	22%
Deposits and prepayments	483	726	-33%
Plant and equipment	19,647	16,171	21%
Right of use assets	5,171	2,298	125%
Intangible assets	7,967	8,568	-7%
Investment	3,180	4,000	-21%
Total Assets	48,098	46,138	
Trade and other payables	3,870	3,684	5%
Contract liabilities	80	100	-19%
Employee benefits	339	404	-16%
Other liabilities	4,554	6,084	-25%
Lease liabilities	5,492	2,305	138%
Borrowings	2,607	-	
Total liabilities	7,902	7,461	6%
Net assets	31,156	33,561	-7%

BALANCE SHEET SUMMARY

- The year-end cash balance of \$7.4 million does not include a \$2.5m term deposit set to mature on October 10, 2023. The term deposit serves as security for the Company's Westpac Business loan.
- Included in trade and other receivables is an a \$2.5m term deposit and \$0.57m representing the early payment of an off-net telecommunications wholesale account bill.
- Investment consists of a 13.4% interest in Canopus Network Pty Ltd for \$4m. During the year Canopus issued a SAFE (Simple Agreement for Future Equity of the Company) note of \$4.20 per note from Investors, resulting in a recognised fair value reduction of \$0.8m.
- The increase in right of use assets and lease liabilities increased due to a 10-year Master Access Agreement with Axicom Pty Ltd starting 1 July 2022, with an option to extend for five years, resulting in \$4.7m lease liabilities and right of use assets as of 1 July 2022.
- Borrowings increased following a \$2.4m drawdown from a \$5m loan facility provided by Westpac Banking Corporation to acquire Gen3 servers. The loan has a 5-year term, variable interest rate with a year-end exit rate of 7.38%, and standard terms and conditions.
- Other liabilities include a 15-year Spectrum license acquired in the April 2021 ACMA auction for \$8m (Cost). The license fee was payable over five equal instalments per ACMA's allocation determination, with the first instalment paid on 25 June 2021. The remaining two instalments will be paid over the next two years.

Telecommunications Highlights

			FY23	FY22
Subscribers	On-net	Off-net	Total	Total
Opening Balance	6,537	10,137	16,674	12,486
Sales	976	2,077	3,053	5,758
Churn	(821)	(1,852)	(2,673)	(1,570)
Average Monthly Churn %	1.0%	1.5%	1.3%	0.86%
Closing Balance	6,692	10,362	17,054	16,674

- Subscriber growth of 2% driven by network capacity shortages and delayed full scale rollout of neXus mesh service. 5G expansion now underway to alleviate shortages.
- Off-net churn increased to 1.5%, however this was offset by a 67% profitability improvement following price increases in October 2022.
- Churn was primarily due to the relocation of subscribers outside serviceable areas.

\$17.2m

Recurring Revenue
in FY23

95%

Recurring Revenue,
+3% YoY

39%

of total subscriber base
are on-net

47%

Telecommunications
gross margin,
+4.4% YoY

\$89

On-net ARPU, +2% YoY

87%

On-net gross margin,
+1% YoY

\$79

Off-net ARRPU,
+8% YoY

\$91

ARRPU, +2% YoY



Wireless Network Expansion

EXPANDING ON-NET SERVICE OFFERING

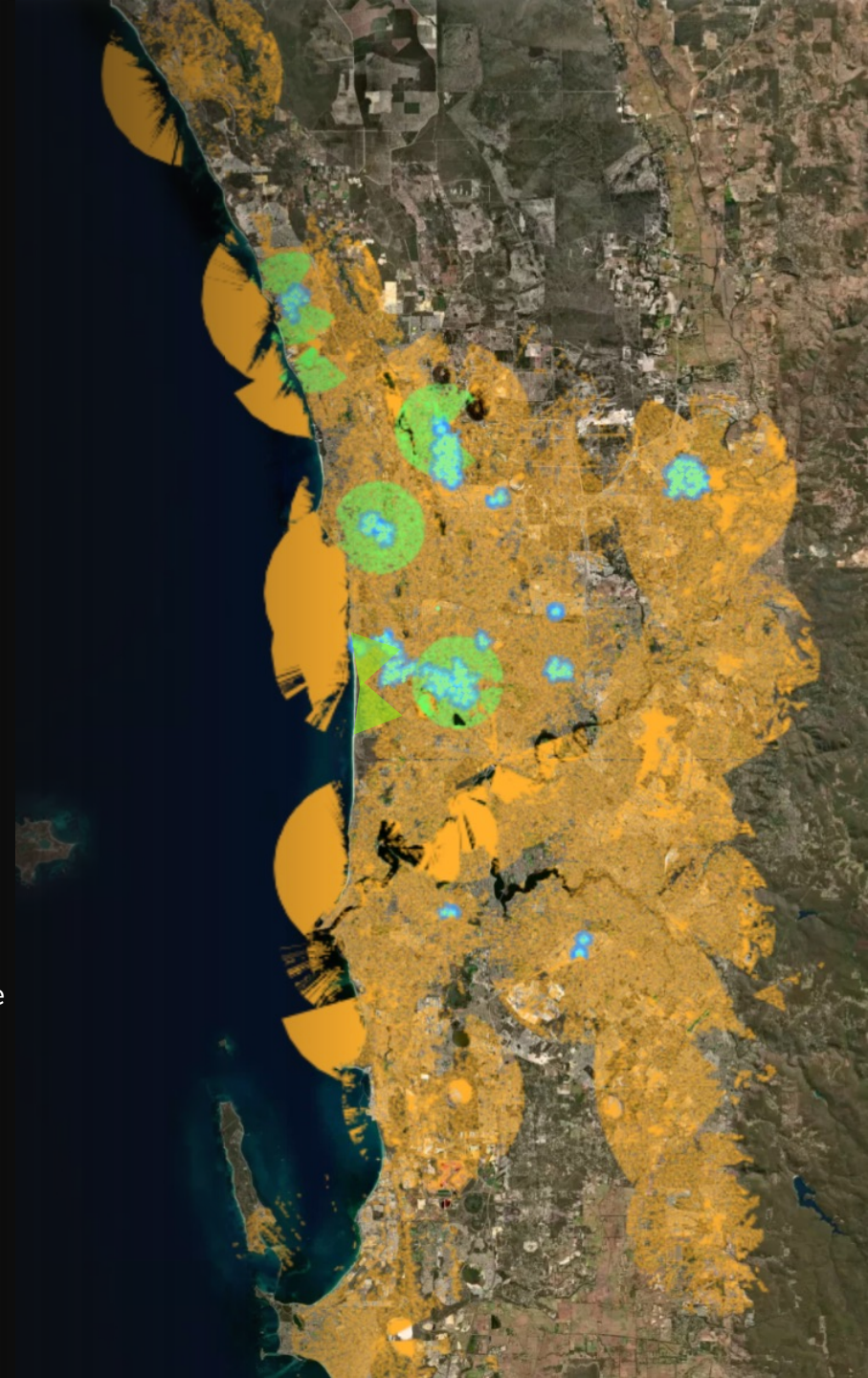
- FY23 initiated 5G network expansion utilising 5G 26GHz mm Wave Spectrum
- Four towers with 5G Infrastructure installed and operational
- Increasing coverage to 8 towers to enable 5G product launch in 1H FY24
- Plan for greenfields neXus rollout to increase neXus footprint

TARGETED INFRASTRUCTURE DEPLOYMENT

- High-demand sites across existing tower footprint selected for initial deployments
- Aim is to increase coverage in these areas to drive on-net subscriber growth
- Alleviate capacity constraints for on-net services

FINANCIAL STRATEGY

- Utilise \$5.95m Cambium 'Network-as-a-Service' (NaaS) vendor financing for 5G rollout
- NaaS model spreads 5G CAPEX over 48 months and covers both tower and customer infrastructure
- neXus rollout utilises existing hardware stock
- Targeting to retain average +85% Gross Margin and ~\$89 ARRPU for on-net services





Cloud Gaming Operational Update

- 370,000 CloudGG users to end FY23
- Over 350 million minutes of gameplay with now over 1,600 titles
- Achieved EBITDA breakeven in June 2023, with significant capacity for future paid growth.
- YoY subscription revenue increased by 126%
- Additional \$2.2 million of second POD of new Gen 3 infrastructure acquired for NVIDIA's next-generation cloud gaming rollout
- Installation underway for GeForce NOW RTX3080 SuperPOD infrastructure for 4K gameplay experiences
- Current ARPU of \$13 across blended plans, with Gen3 3080 plans expected to increase ARPU





Cloud Gaming Strategic Partnerships & Integration

- Collaboration Agreement with Optus expected to accelerate paid user growth and will be launched in 1HFY24.
- Exclusive distribution right for GeForce NOW in Australia still maintained
- Integration with Samsung Gaming Hub, LG TVs, Google Chromebook, and Microsoft's Xbox PC Game Pass expands the potential user base and library of supported games
- Positioned for expansion with new Gen 3 infrastructure and higher-tier plans
- Capitalise on upcoming Microsoft's owned-content via Xbox Game Pass integration



The background is a stylized illustration of a city skyline at sunset. A large, bright orange sun is positioned in the center-right, casting a warm glow over the scene. Several skyscrapers are visible, including one with a clock tower on the left. Overlaid on the city is a large, orange line graph with multiple peaks and valleys, connected by thin white lines. The graph starts from the left and extends towards the top right. The overall color palette is dominated by oranges, yellows, and dark blues.

THANK YOU

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