



PENTANET GEARS UP TO EXPAND FIXED WIRELESS AND CLOUD GAMING SERVICE OFFERINGS

HIGHLIGHTS:

- 16% YoY increase in revenue to \$5.0m.
- \$4.9m in quarterly cash receipts from subscribers, up 11% YoY.
- Growth being restored to on-net with gross additions increasing 40% QoQ to gross 363 new subscribers.
- 17,110 telecommunications subscribers on 31 March 2023, up 7% YoY.
- On-net (Fixed Wireless) customers made up 39% of total subscribers.
- On-net churn decreased from 1.11% to 0.95% QoQ.
- Off-net churn now reduced back to normalised level QoQ, post Q2 FY23 price increase, but sales are now impacted by increased prices in a competitive NBN environment.
- 407 neXus subscribers are now online.
- Successful installation of the Company's second 5G enabled tower.
- 351,344 GeForce NOW cloud gaming memberships on 31 March 2023, up 160% YoY (+13% QoQ).
- Successful completion of a \$6.1m Share Placement on 27 April 2023 with \$2.5m Share Purchase Plan to follow.

Pentanet Managing Director, Mr Stephen Cornish, said, "We are moving towards achieving operating break-even and have reduced the Telecommunications EBITDA loss by a strong 75% QoQ. Consolidated EBITDA loss has been reduced by 45% QoQ.

We have completed the successful deployment of our second 5G enabled tower. The 5G deployment is progressing on schedule as the Company gears up to expand its on-net service offerings and bridge the coverage and technology gap further. The Company has been working on the testing phases for its 5G fixed-wireless technology, which is expected to be ready for service in the first areas early next financial year. This development will not only serve to expand on-net service offerings but will also expand coverage for higher-margin services."

We have also started working on integrating the GeForce NOW cloud gaming service into the Optus Sub Hub subscription platform, with the GeForce NOW cloud gaming service estimated to go live on the platform in the first half of FY24.

With the upcoming deployment of new Gen 3 cloud gaming infrastructure and adding another product to our fixed wireless product stack, Pentanet is well-capitalised and positioned to getting back to delivering growth."

OPERATIONAL

Telecommunications

The Company's telecommunications recurring revenue increased by 2% to \$4.5 million QoQ (+18% YoY) and made up 96% of total revenue. This growth is largely attributable to new neXus customers coming back online following the resolution of issues encountered earlier this financial year. Although revenue for Q3 FY23 declined marginally by 2% QoQ to \$4.7 million due to lower once of early termination fees included in Q2 FY23. Total revenue increased by 12% YoY due mainly to subscriber growth and off-net price increases.

Gross profit increased by 3% QoQ, reaching over \$2.3 million (+21% YoY), with gross margin increasing from 47% to 49%, due to cost of sales reduction through renegotiations of contracts with service providers and an increase in higher margin on-net customers as result of the recent neXus service activations.

The Company achieved a strong improvement in its financial performance, with the EBITDA loss decreasing by 75% QoQ, from \$0.8 million to \$0.2 million, demonstrating the Company's ability to close the operating break-even gap. The positive trend can be attributed to a strengthening gross margin and a 16% decrease in overheads.

The Company continues to focus on retaining customers, especially on-net customers. In Q3 FY23, the Company reduced overall customer churn from 1.38% to 1.22% QoQ, while QoQ on-net churn showed a further improvement, decreasing from 1.11% to 0.95% in the same quarter. Relocation out of serviceable areas remained the primary reason for cancellations.

Telecommunications – neXus & 5G

Pentanet's Operations team installed and started testing their second 5G tower that utilises the Company's licensed 5G spectrum. With the completion of the \$6.1 million Share Placement, the Company aims to rapidly expand its services throughout the existing network footprint by upgrading high-demand key strategic tower sites, with the third tower set to come online in Q4. The implementation of 5G infrastructure will significantly enhance Pentanet's Perth-based wireless network coverage, elevating the current customer service experience while relieving capacity constraints on the traditional fixed wireless network. The Company will have three fixed wireless service offers allowing it to extract more value from the existing infrastructure with the launch of its 5G Fixed wireless services offering.

The Company plans to continue the rollout of neXus, utilising the existing 2,000 units in stock to increase coverage from the areas served by the neXus mesh network. By combining neXus and 5G Fixed Wireless, the Company expects to accelerate on-net growth and network expansion, offering improved connectivity to more areas and subscribers. This approach is expected to benefit both new and existing subscribers by delivering faster next-generation internet connectivity as a considered alternative to the National Broadband Network.

GeForce NOW Cloud Gaming

The platform continues to gain significant momentum, with registered memberships growing 13% QoQ to 351,344 (+160% YoY). The Company has also commenced the integration of GeForce NOW into the SubHub subscription platform following the successful wholesale agreement execution with Optus Mobile Pty Limited. The service is expected to go live in the first half of FY24, expanding Pentanet's cloud gaming offering even further.

By expanding the cloud gaming audience, Pentanet can collect valuable insights into gaming behaviour and preferences, which will enable the Company to tailor and improve the cloud gaming service offering with the objective of increasing paid membership conversation by delivering a better experience for users while boosting member satisfaction and driving growth for the Company.

Pentanet plans to deploy NVIDIA's 'Gen 3' cloud gaming infrastructure by the second half of FY23, allowing gamers to access a dedicated 3080 GPU in the cloud for better performance. This will enable games to run up to 4K 60fps or 1440p at 120fps on PC and Mac, 4K HDR at 60fps on NVIDIA SHIELD® TV, and up to 120fps on Android devices. With the deployment of new Gen 3 cloud gaming infrastructure and higher-tier plans, Pentanet is well-positioned to take advantage of this expanding opportunity and bring more value to users, driving sustainable growth on the platform in the long term.

FINANCIAL AND CORPORATE

Cash received from customers remained at \$4.9 million QoQ with strong growth of 15% YoY. In Q3 FY23, the Company was able to reduce operating cash payments by 13% QoQ to \$5.5 million. This was driven mainly by a decrease of 41% in administrative and corporate costs and a decrease of 11% in staff costs attributed to cost control measures implemented and executed throughout Q2 and Q3.

The Company also saw a significant QoQ reduction of 63% in net cash in investing activities, mainly impacted by the financing of on-net Customer Premises Equipment through its vendors. Q3 FY23 net cash used in investing activities of \$0.6 million was mainly invested towards tower capacity upgrades and optimisation.

With lower operating costs and capital investment going forward, combined with the additional \$5.0 million Westpac loan and \$5.95 million Cambium Network as a Service vendor financing facility, the 'Company's existing cash balance of \$4.8 million and funds recently secured through the Placement of \$6.1 million will allow the Company to continue to meet its growth plans through FY24.

USE OF FUNDS AND RELATED PARTY TRANSACTIONS

The Company raised approximately \$22.5 million before costs through its initial public offering (IPO) in January 2021 and an additional \$20.0 million before costs through placement in June 2021 (Placement). The March 2023 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 period covered in this quarterly report is 27 January 2021 to 27 January 2023, being a total of eight quarters after admission (Actual Period).

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 Actual Period (i.e. 27 January 2021 to 27 January 2023).

Source of funds	Prospectus	Actual Period
	\$'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 funds available (before costs)	23,968	44,469

In accordance with ASX listing rule 4.7C.2, the Company provides below the use of funds comparison table showing Actual Period expenditure 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 Period expenditure:

Use of funds	Prospectus	Actual Period Expenditure (27 January 2021 to 27 January 2023)	Comment
	\$'000	\$'000	
Wireless infrastructure	8,990	10,794	Ahead of schedule refer to Note 1
Network infrastructure	1,500	1,411	In line with schedule
NVIDIA cloud gaming infrastructure	4,020	6,825	Ahead of schedule refer to Note 1
CloudGG software development & gaming opportunities	-	4,000	Ahead of schedule refer to Note 1
Working capital and administration	6,500	8,779	Ahead of schedule refer to Note 1
Costs of the Offer	1,450	2,305	Refer to Note 1
Total Funds allocated	22,460	34,114	

Note 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, secure additional Terragraph equipment for the accelerated rollout of neXus and accompanying tower upgrades, successfully bid for 5G Spectrum in Perth and acquire a 13.4% stake in CANOPUS Networks for \$4 million in cash.

In accordance with ASX Listing Rule 4.7C.1, a summary of expenditure incurred on business activities for the quarter ended March 2023 are as follows:

Expenditure on business activities for the quarter ended March 2023	\$'000
Wireless infrastructure	\$392
Network infrastructure	\$216
NVIDIA cloud gaming infrastructure	\$198
CloudGG software development & gaming opportunities	-

In accordance with ASX Listing Rule 4.7C.3, payments in the March 2023 quarter to related parties (and their associates) of \$475,143 included in 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:

Mr. Stephen Cornish
Managing Director

Mr. Patrick Holywell
Company Secretary

Ms. Mart-Marie Derman
Chief Financial Officer

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 is also 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")

March 2023

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	4,933	14,599
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(2,725)	(8,340)
(c) advertising and marketing	(225)	(926)
(d) leased assets	(26)	(72)
(e) staff costs	(2,010)	(5,859)
(f) administration and corporate costs	(534)	(2,430)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	7
1.5 Interest and other costs of finance paid	(81)	(225)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	78
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(668)	(3,168)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(806)	(3,632)
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	246	(1,568)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 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	(560)	(5,200)

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	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	-
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	(101)	(222)
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	(101)	(222)

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	6,127	13,388
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(668)	(3,168)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(560)	(5,200)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(101)	(222)
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	4,798	4,798

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	4,798	6,127
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)	4,798	6,127

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	475
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-
<i>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.</i>		

7.	Financing facilities <i>Note: the term "facility" includes all forms of financing arrangements available to the entity.</i> <i>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	11,750	267
7.2	Credit standby arrangements		
7.3	Other (please specify)		
7.4	Total financing facilities		
7.5	Unused financing facilities available at quarter end		11,483
7.6	<p>Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.</p> <div style="border: 1px solid black; padding: 10px; margin-top: 10px;"> <ul style="list-style-type: none"> The loan facility is a secured revolving credit facility to the value of \$800,000 with Toyota Fleet Management and relates to the fleet and installation vehicles. The loan is secured. Interest rates range between 3 and 4.2%. The maturity date range between October 2023 to October 2025. Westpac Banking Corporation loan facilities to an aggregate of \$5 million for capital expenditure. The loan is secured. The interest rate is 4.13% p.a. This is a variable rate. The loan matures from 5 year from when funds are drawn down, Cambium Networks Ltd Network-as-a-Service (NaaS) is a variable vendor facility worth up to \$5.95m to purchase network infrastructure bundle that will be funded over a four-year term at an annual interest rate of 13.3%. The loan matures 4 years from when funds are drawn down and can be repaid in full at any point during the term without any penalties. </div>		

8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (item 1.9)	(668)
8.2	Cash and cash equivalents at quarter end (item 4.6)	4,798
8.3	Unused finance facilities available at quarter end (item 7.5)	11,483
8.4	Total available funding (item 8.2 + item 8.3)	16,280
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	24
	<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	<p>If item 8.5 is less than 2 quarters, please provide answers to the following questions:</p> <p>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?</p> <div style="border: 1px solid black; padding: 5px; margin-top: 5px;"> <p>Answer: Not applicable</p> </div> <p>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?</p> <div style="border: 1px solid black; padding: 5px; margin-top: 5px;"> <p>Answer: Not applicable</p> </div>	

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

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.

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.April.2023.....

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.