



PENTANET MAINTAINS STRONG GROWTH IN MARCH QUARTER 2021

HIGHLIGHTS:

- \$2.9 million in quarterly cash receipts from customers, which represents a 112% YoY increase (+19% QoQ)
- 10,993 subscribers at 31 March 2021, up 15% on 31 December 2020. Net new subscriber growth rate up 21% QoQ.
- On-net customers made up 42% of total subscribers. On-net new subscribers up 54%, with 596 in March 2021 quarter compared to 386 in December 2020 quarter.
- 35,224 gamers have claimed their username with GeForce NOW in Australia as at 31 March 2021, confirming strong market interest in NVIDIA's premier cloud-based game streaming service powered by Pentanet.
- Recurring customers represented 87% of total revenue.
- \$0.9 million committed to expansion of the Fixed Wireless network and core network infrastructure during the quarter, and \$2.9 million to cloud gaming following an upgrade of the initial purchase order with NVIDIA from 12 RTX servers to 18 servers.

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

Pentanet Managing Director, Mr Stephen Cornish, said that following Pentanet's successful listing on the ASX in January 2021, the Company pursued its growth plans for both fixed wireless and cloud gaming.

"Positive growth in subscriber numbers has continued in the March quarter, with healthy conversion to on-net subscribers that will ultimately drive our profit margins and earnings," Mr Cornish said.

"We are particularly pleased with the market's reception to GeForce NOW, with over 35,000 gamers claiming their unique username since we opened for registrations in late January. This has significantly exceeded our initial expectations and has provided us with the confidence to scale up our growth plans for the new service. We increased our initial hardware purchase order from 12 RTX servers to 18 servers, and are working with NVIDIA to progress the rollout and launch as quickly as possible.

OPERATIONAL

Pentanet continued its strong organic growth in the period with 10,993 total active subscribers as at 31 March 2021. This was a 21% QoQ increase in net new subscribers as at 31 December 2020, net of churn. The churn rate during the quarter was 0.78%, in-line with historical levels for the Company and below the industry average of around 1-2%.

Supported by strong subscriber growth, Pentanet achieved 113% YoY increase in quarterly revenue to \$2.9 million (+15% QoQ). ARPU is up from \$91 in the December 2020 quarter to \$92 in the March 2021 quarter.

Recurring network revenue is up by 13% from the December quarter, and non-recurring revenue is up by 24% from the December quarter.

Overall gross margin improved from 42% in the December 2020 quarter, to 45% in the March 2021 quarter. Fixed wireless service revenue continues to improve gross profit margin, with the recent uptake in on-net services brought on by successful targeted marketing and pricing campaigns.

FIXED WIRELESS

Pentanet's fixed wireless service offering continues to be a primary contributor to overall gross margin strength, with fixed wireless gross margin increasing from December 2020 reported 80% to 85% in the March 2021 quarter. Net new fixed wireless subscribers are up by 54% from the December 2020 quarter, with targeted operational, marketing, and promotional activities driving the increase of net new fixed wireless subscribers. The churn rate on fixed wireless services is 0.4% for the March 2021 quarter, significantly below the industry average of between 1-2%. The low churn rates and increased demand are indicative of the quality of the service offering.

During the quarter, the Company increased capacity on towers in high demand areas and added three new telecommunications towers to its fixed wireless network, bringing the total servicing the Perth region to 43 towers. This has strategically increased network coverage and capacity to meet current technology demand, with the Company continuing to build capacity ahead of the demand curve. Pentanet is also in the process of upgrading its core network infrastructure across Perth and Sydney, which will significantly increase capacity for the total subscriber base and improve network efficiency.

Testing of Terragraph technology continues to show impressive results, as Pentanet assists in improving firmware and routing capability with vendors across the test mesh network, which now consists of over 15 distribution installations.

The Pentanet brand continues to gain market share, positioned around high-performance, speed, gaming, and next-generation technology. The Company maintains strong customer satisfaction results with a lifetime weighted average of 4.57 stars across Facebook, Google and Product Review for its telecommunications services.

Marketing spend relative to revenue has decreased from 12% in the December 2020 quarter to 9% in the March quarter despite the recent step-up in marketing cost with the launch of the new FLASH campaign from December 2020.

Leads generated from the continuing FLASH campaign and Pentanet's partnership with RAC have visibly yielded positive results, contributing to the strong subscriber and revenue growth momentum, which led to a 21% increase in net new subscribers.

CLOUD GAMING

Pentanet commenced online registrations for its GeForce NOW cloud gaming service on 27 January 2021. The Company received 24,300 expressions of interest from gamers registering their usernames in the first month to 26 February 2021. As a result of the positive market response, the Company proceeded with the placement of an initial hardware order with NVIDIA in line with the cloud gaming strategy outlined in the Company's Initial Public Offer Prospectus.

The strong market interest in the service has continued and justified an increase in the initial purchase order for 18 RTX servers, up from the planned 12. The servers will be split across two deployments in Perth and Sydney, with the increased capex spend allocated from working capital reserves. Market interest in GeForce NOW has remained very strong, with over 35,000 usernames registered to 31 March 2021.

Pentanet aims to roll out the Australian GeForce NOW beta product this year, with a commercial launch to follow. The invite-only beta will be for users who have pre-registered at gfn.pentanet.gg, with Pentanet customers to receive priority access. Pricing is to be announced at a later date. The beta testing program will give the Company further insight regarding usage patterns, and how many users each server can support, enabling Pentanet to build the cloud gaming business case further.

FINANCIAL AND CORPORATE

Cash receipts from customers were \$2.9 million in the three months to 31 March 2021, versus \$4.9 million in the six months to 31 December 2020, consistent with the strong growth in subscribers and revenue. Recurring customers represented 87% of total revenue.



Included in item 1.2 (f) is IPO related cost of \$292,965.

Included in section 2.1 of the accompanying Appendix 4C is a capital cost of \$2.9 million for the purchase of cloud gaming equipment. Total growth capital expenditure was \$0.9 million, comprising \$0.5 million for Fixed Wireless. Another \$0.8 million has been committed to cloud gaming equipment but has not yet been paid. The Company had \$16.3 million in cash at the end of the March 2021 quarter.

USE OF FUNDS AND RELATED PARTY TRANSACTIONS

Pentanet was admitted to the official list of the ASX on 27 January 2021 following completion of an Initial Public Offering (IPO), raising approximately \$22.5 million. The March 2021 quarter is included in a period covered by the use of funds statement in the IPO prospectus lodged with ASX under Listing Rule 1.1 condition 3. A comparison of the Company's actual expenditure to 31 March 2021 against the estimated expenditure in the use of funds statement since the date of its admission to the official list of the ASX is set out below, as required by ASX Listing Rule 4.7C.2.

Use of Funds	Prospectus (\$)	Actual to Date (27 Jan 21 to 31 Mar 21) (\$)	Comment
Wireless infrastructure	8,990,000	515,750	In line with expectations
Network infrastructure	1,500,000	344,931	In line with expectations
NVIDIA cloud gaming infrastructure	4,000,000	2,937,397	In line with expectations
Working capital and administration	6,500,000	653,663	In line with expectations
Costs of the Offers	1,450,000	1,283,886	In line with expectations
Total Expenditure	22,460,000	5,735,627	

In accordance with ASX Listing Rule 4.7C.3, payments in the March 2021 quarter to related parties (and their associates) of \$526,812 included at Item 6 in the Appendix 4C comprised of directors fees and director associate fees and rent 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

29 617 506 279

Quarter ended ("current quarter")

March 21

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	2,905	7,658
1.2	Payments for		
	(a) research and development	-	-
	(b) product manufacturing and operating costs	(1,580)	(4,394)
	(c) advertising and marketing	(257)	(752)
	(d) leased assets	(4)	(26)
	(e) staff costs	(1,023)	(3,267)
	(f) administration and corporate costs	(1,734)	(1,511)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	-	-
1.5	Interest and other costs of finance paid	(14)	(65)
1.6	Income taxes paid	-	-
1.7	Government grants and tax incentives	-	166
1.8	Other (provide details if material)	-	-
1.9	Net cash from / (used in) operating activities	(1,707)	(2,191)
2.	Cash flows from investing activities		
2.1	Payments to acquire or for:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	(3,886)	(4,509)
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	(408)	(469)

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	(4,294)	(4,978)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	17,188	23,698
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	(1,284)	(1,284)
3.5	Proceeds from borrowings	143	-
3.6	Repayment of borrowings	-	(190)
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	16,046	22,224

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	6,283	1,273
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,707)	(2,191)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(4,294)	(4,978)
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)	16,046	22,224

4.5	Effect of movement in exchange rates on cash held		
4.6	Cash and cash equivalents at end of period	16,328	16,328

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	16,328	16,328
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)	16,328	16,328

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	221	
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>			
Item 6.1: This sum of \$220,882 consists of salaries paid to executive directors and fees paid to non-executive directors plus related super contributions, associates salaries and rent.			
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	250	202
7.2	Credit standby arrangements		
7.3	Other (please specify)		
7.4	Total financing facilities		
7.5	Unused financing facilities available at quarter end		
7.6	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.		
Loan facility is a secured revolving credit facility to the value of \$250,000 with TFM and relates to fleet and installation vehicles. The loan is secured. The facility has been increased to \$500,000 after the quarter end.			

8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (item 1.9)	(1,707)
8.2	Cash and cash equivalents at quarter end (item 4.6)	16,328
8.3	Unused finance facilities available at quarter end (item 7.5)	48

8.4	Total available funding (item 8.2 + item 8.3)	16,376
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	9.60
<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: 22 April 2021

Authorised by: Managing Director of Pentanet Limited, Mr Stephen Cornish

(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.