



PENTANET RETURNS TO TELCO GROWTH IN Q4FY24

KEY HIGHLIGHTS Q4FY24

- Gross Telco sales growth continues to accelerate, and increased by 26% QoQ
- Gaming subscription revenue growth up 114% YoY to \$1.7m
- Gaming subscription gross profit increased by 195% YoY to \$0.4m
- CloudGG paid membership growth of 79% YoY
- CloudGG membership growth of 54% to over 589,000
- Consolidated revenue increased 6% YoY to \$20.9m
- Consolidated gross profit increased 13% YoY to \$9.6m
- EBITDA loss decreased by 67% YoY to \$1.2m, helped by strong margin and opex improvement in breakeven Telco segment
- Increase in cash receipts from customers by 6% YoY to \$21.2m
- Net cash used in operating activities decreased 82% YoY to \$0.6m

Pentanet Managing Director, Mr Stephen Cornish, said, "In Q4, we returned to growth in the telecommunications business, driven by our End of Financial Year (EOFY) promotion. This promotion resulted in a 26% QoQ increase in gross Telco sales, adding 263 net new subscribers. Additionally, we've observed a shift in subscriber trends towards higher-speed plans with Average Revenue per user (ARPU) and Gross Profit (GP).

We are pleased to report a 46% QoQ increase in net new 5G subscribers. Since deploying ten 5G-enabled towers and launching the service in October 2023, we have added 400 subscribers to this network, with 31% of that total in Q4. This supports the business case for future expansion of our 5G network footprint when combined with the strong improvement in sales of our lower margin off-net products where we don't yet have coverage.

We are also very invested with NVIDIA, and since the platform launch, have seen consistent growth in revenue and paying gaming subscribers. In FY24, we achieved a 79% YoY growth in paid memberships, contributing to a 114% YoY increase in revenue to \$1.7 million and a 54% increase in overall membership, reaching over 589,000 members.

Our recently announced inclusion in NVIDIA's Graphic Delivery Network (GDN) provides us with the opportunity to expand our compute capabilities and explore new commercial opportunities beyond GeForce NOW (GFN) cloud gaming. We're committed to leveraging our Graphics Processing Unit (GPU) computing capabilities with NVIDIA to further expand the platform's revenue-generating potential.



Financially, we achieved a 6% YoY increase in consolidated revenue to \$20.9 million, and a 13% YoY increase in gross profit to \$9.6 million. Our EBITDA loss decreased by 67% YoY to \$1.1 million, and net cash used in operating activities reduced by 82% YoY to \$0.6 million.

Looking ahead, we remain focused on refining the customer experience to improve satisfaction and reduce churn. With our expanded product suite and strategic initiatives, we're well-positioned to drive growth in our telecommunications and gaming segments through 2025 and beyond."

OPERATIONAL UPDATE

Telecommunications

Telecommunications	FY23			FY24			Change	
	On-net	Off-net	Total	On-net	Off-net	Total	On-net	Off-net
Subscribers								
Opening Balance	6,537	10,137	16,674	6,692	10,362	17,054		
Sales	976	2,077	3,053	1,171	2,054	3,225	20%	(1%)
Churn	(821)	(1,852)	(2,673)	(1,069)	(1,827)	(2,896)	(30%)	1%
Average Monthly Churn	1.02%	1.49%	1.31%	1.31%	1.44%	1.39%	(28%)	3%
Closing Balance	6,692	10,362	17,054	6,794	10,589	17,383		
Subscriber Split	39%	61%		39%	61%			

In Q4FY24, Pentanet launched its End of Financial Year (EOFY) promotions which contributed to an increase of 263 net new subscribers for the quarter, up from 20 in Q3FY24, and 5G subscriber growth increased by 46% QoQ from 274 to 400 subscribers. Existing subscribers were also offered these deals if they recontracted for 12 months, a strategy to improve customer retention and reduce churn. The momentum from this growth is expected to continue with the extended EOFY promotion.

Since deploying ten 5G-enabled towers and launching the 5G offering in October 2023, the company has added 400 subscribers to the 5G network. The average Return on Investment (ROI) for these towers is currently 110%, with projections indicating it could reach up to 254% once fully subscribed. The 200/20Mbps plan emerged as the most popular choice among new subscribers, signalling a clear shift in customer preference towards higher-speed internet plans.

In Q4, the focus remained on returning to growth and minimising churn. Strategies to refine customer experiences to improve satisfaction and reduce churn have been successful, with decreased churn for a third consecutive quarter from 1.42% to 1.31%. An increased focus on customer retention, and expanding customer retention offers as part of the EOFY deal, further supported this improvement.

Blended ARPU increased to \$93 (Q2FY24: \$92) as subscriber growth trends shifted towards higher-speed plans. ARRPU (Average Recurring Revenue Per User) remained stable at \$88, and we anticipate improvement with discount offer customers being contracted for twelve months.

With increasing sales momentum, Pentanet's product suite is now aligned with the competitive landscape and with new campaigns for both on and off-net services, the Company is poised to drive further telco growth for the remainder of 2025.

GeForce NOW Cloud Gaming

GeForce NOW's paid memberships increased by 79% YoY, resulting in a 114% YoY increase in gaming subscription revenue to \$1.7 million. The ARPU remained stable at \$13, while gross profit increased by 195% YoY to \$0.4 million.

The launch of the 'Ultimate' membership plans, supported by the deployment of RTX 4080 servers, has been positive. The 'Ultimate' membership plans have become an increasingly popular choice among paying subscribers, with a steady uptake in their initial months, driven by interest in the 4080 infrastructure.

GeForce NOW Powered by CloudGG continues to expand its library with popular titles from top developers, contributing to overall membership growth. CloudGG membership is up 54% YoY, reaching over 589,000 members.

Additionally, Pentanet's recent inclusion in the NVIDIA Graphic Delivery Network (GDN) marks a future potential strategic expansion. By joining the NVIDIA GDN, Pentanet will be able to extend its reach beyond its existing GeForce NOW cloud gaming operations, exploring new industrial and commercial markets to diversify revenue streams and solidify Pentanet's position within the growing industry supply ecosystem.

FINANCIAL UPDATE

Revenue

YoY consolidated Revenue increased 6% to \$20.9 million across Pentanet's two product segments. Telecommunications revenue has increased by 2% YoY to \$19 million, reflecting a 2% YoY growth in subscribers. A noticeable trend in H2 FY24 shows subscribers opting for higher-speed on-net and off-net plans. Recurring revenue now constitutes 96% of total revenue.

Telecommunication growth was slower than anticipated in a more competitive environment off the launch of wholesale FTTP offers by the nbn®. In response, the Company launched a 'Fibre Connect' campaign, simplified its wireless plans, and adjusted nbn prices to align more closely with the competitive landscape. The new plan structure is better positioned to meet market demands. These initiatives are already yielding positive results, with reduced churn and increased sales volumes.

GeForce NOW revenue increased 120% YoY to \$1.8 million, in line with a 79% YoY increase in paid GeForce NOW cloud gaming memberships.

Gross Profit

YoY consolidated gross profit increased by 13% to \$9.6 million, and the gross margin improved from 43% to 46%. This improvement was driven mainly by the gaming segment, which has a solid paying subscriber base that effectively covers the platform's fixed monthly recurring cost. The Gaming subscription gross profit increased by 195% YoY to \$0.4 million.

The Telecommunication Gross Profit increased by 5% YoY to \$9.2 million, and the margin increased from 47% to 48% due to subscribers opting for higher speed and revenue plans.

Expenses

Overhead costs decreased significantly by 11% YoY to \$11.2 million, with marginal reductions in employee-related costs, marketing, and general overheads. The quarter's EBITDA loss was \$0.7 million, which includes a \$0.2 million long service leave provision and a \$0.1 million movement in the employee share incentive scheme. Additionally, there was increased marketing spending for the EOFY promotion, which included upfront campaign costs.

Despite these extra costs in Q4, the Telecommunication segment achieved break-even EBITDA for all of FY24 versus a \$2 million EBITDA loss in FY23. Growth investment in the Gaming segment also continues to drive strong revenue growth with the GFN service also achieving break-even in the financial year.

Q4 CASH FLOW

Cash receipts from customers increased by 6% YoY to \$21.2 million.

Net cash used in operating activities increased in Q4 FY24, primarily impacted by an 18% QoQ increase in staff costs due to additional fortnightly payments in May 2024.

Cash used in investing activities was \$3.6 million, primarily due to the purchase of NVIDIA RTX 4080 servers. This expenditure was funded by a successful share placement in Q3 FY24, which raised \$4.28 million before costs. In Q4, the company allocated \$2.7 million of these funds for the servers. Additionally, \$0.6 million was spent on 5G customer-premise equipment, funded through the Cambium Network as a Service agreement.

The company closed the quarter with a cash balance of \$5.3 million and available financing facilities of \$8.9 million.

Subsequent to year-end, Pentanet terminated \$2.5 million Westpac Business Loan facilities, secured by a \$2.5 million term deposit, to release the term deposit and additional security over property.

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 June 2024 quarter to related parties (and their associates) of \$377,081 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.

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 589,000 users.

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