PENTANET

5GG INVESTOR UPDATE

Q2FY24

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1HFY24 Key Strategic Objectives Update

TELECOMMUNICATIONS

- EBITDA+ *(breakeven maintained across 1HFY24)*
- Rollout of 5G infrastructure to a total of 8 towers to enable 5G launch
- Commercial launch of 5G wireless services for residential and business subscribers
- Greenfield neXus deployment planning completed
- Overhaul/simplification of plans and launch of new website for optimised user experience and automation

CLOUD GAMING

- EBITDA+
- Installation and commercial launch of Gen3 GeForce NOW hardware, allowing higher tier plans
- Launch of Optus SubHub integration for retail push of paid subscriber growth

Telecommunications Update

RETURNING TO GROWTH

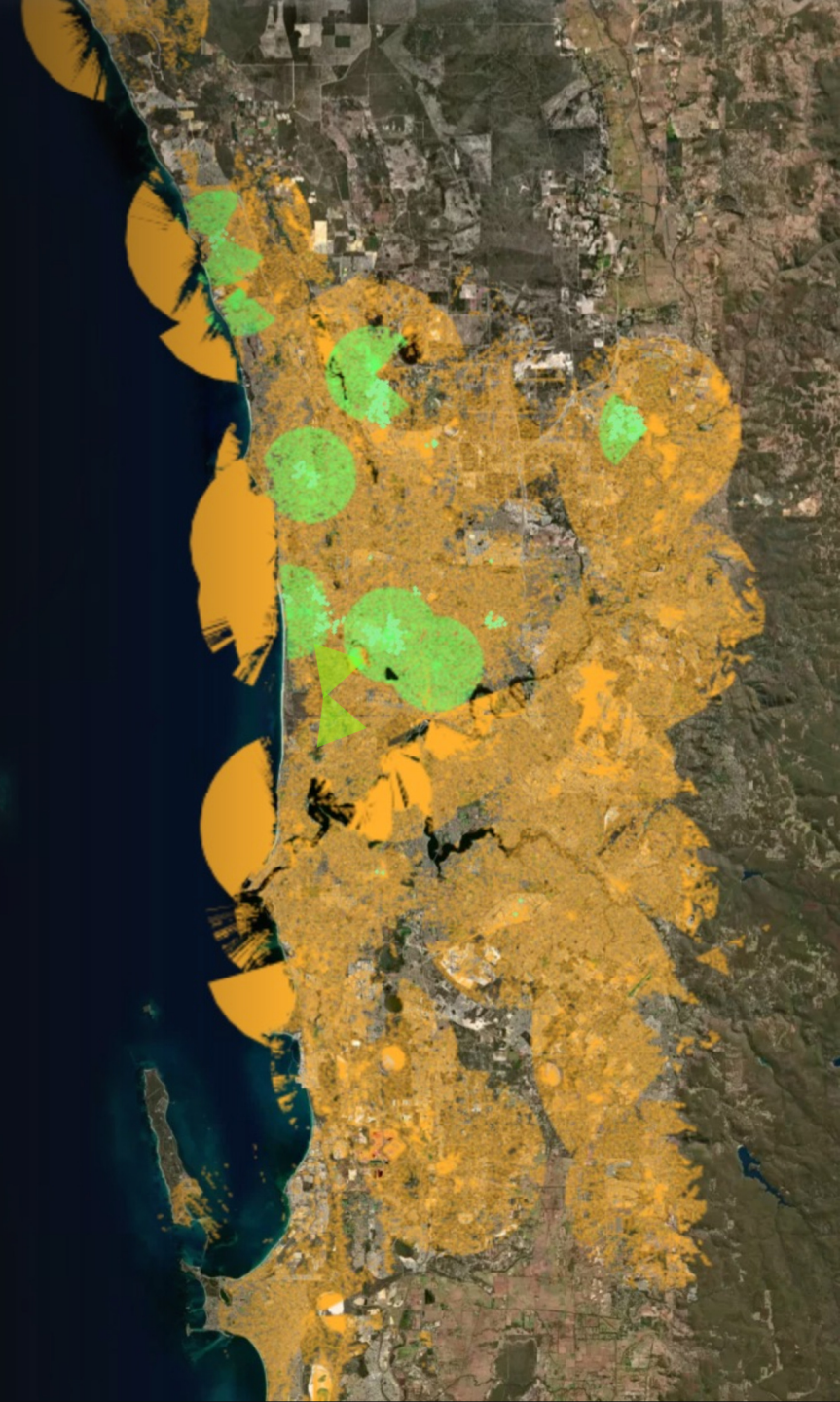
- On-net run rate showed improvement within the six-week window from 5G launch
- Overall churn slowed marginally, expected to decrease with new retention initiatives
- New nbn® pricing launched 1 Jan 2024 in line with Special Access Undertaking (SAU)
- Fibre to the Premises upgrade program now live for off-net areas

ON-NET SERVICE OFFERING

- 8 towers with 5G Infrastructure utilising 5G 26GHz mm Wave Spectrum deployed and live
- New wireless plans launched end October 2023 allowing six-week installation period before Xmas
- neXus greenfield deployment strategy has commenced based on the finalised network topology design for optimal performance and redundancy

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 ARPU for on-net services



Telecommunications Growth

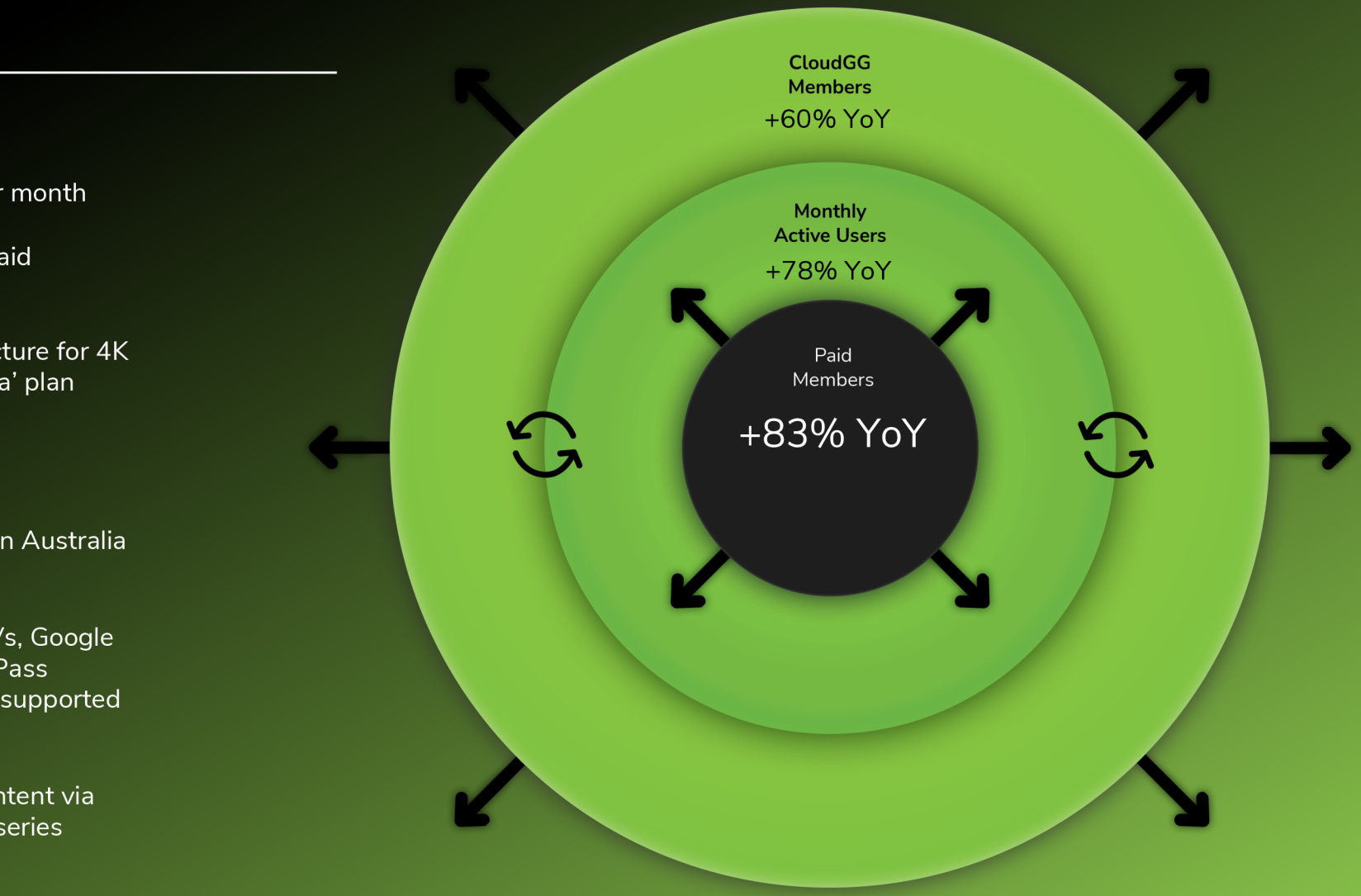
KEY METRICS

- Q2FY24 closed with a total of 17,100 subscribers
- On-net subscriber installs were up 24% QoQ, for the six weeks following 5G Fixed Wireless launch end October 2023 - Xmas
- On-net customers now constitute 40% of total subscribers (39%: Q1FY24)
- Churn rate decreased to 1.43% per month.
- Strategies in place to further decrease churn, with retention initiatives and new pricing strategies in 2HFY24
- Blended ARPU increased to $93 (Q1FY24: $91)
- On-net ARPU decreased to $87 (Q1FY24: $88) due to new competitive on-net plans
- On-net margin remained stable at 90%
- Offnet (nbn®) growth expected to return 2HFY24 with new pricing launched Jan 1st, in-line with more competitive wholesale costs
- Off-net margin increased to 21% (Q1FY24: 19%) with new nbn® SAU pricing

	Q1FY24			Q2FY24		
Subscribers	On-net	Off-net	Total	On-net	Off-net	Total
Opening Balance	**6,692**	**10,362**	*17,054*	6,762	10,364	17,126
Gross New Subscribers	**302**	**519**	*821*	375	335	710
Churn	**(232)**	**(517)**	*(749)*	(255)	(481)	(736)
Average Monthly Churn	**1.15%**	**1.66%**	*1.5%*	1.24%	1.56%	1.43%
Closing Balance	**6,762**	**10,364**	*17,126*	6,882	10,218	17,100

Gaming Update

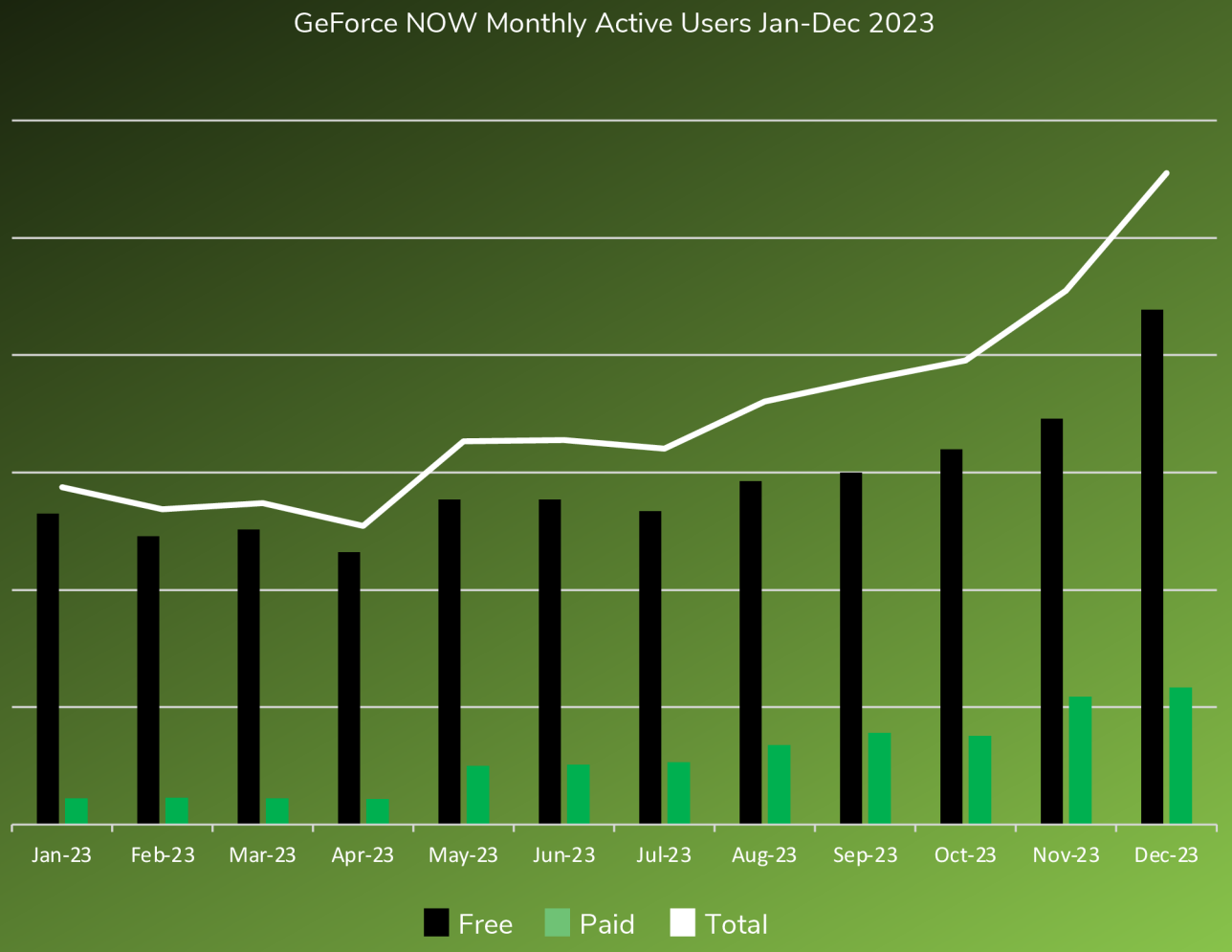
- CloudGG users grow between 3% and 4% per month
- CloudGG users cycle between active Trial or paid memberships
- GeForce NOW RTX3080 SuperPOD infrastructure for 4K gameplay experiences now live with new ‘Ultra’ plan launched
- GeForce NOW now live on Optus SubHub
- Exclusive distribution right for GeForce NOW in Australia 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
- Capitalise on upcoming Microsoft's owned-content via Xbox Game Pass integration, like Call of Duty series (launched December 2023)



Gaming Revenue Growth

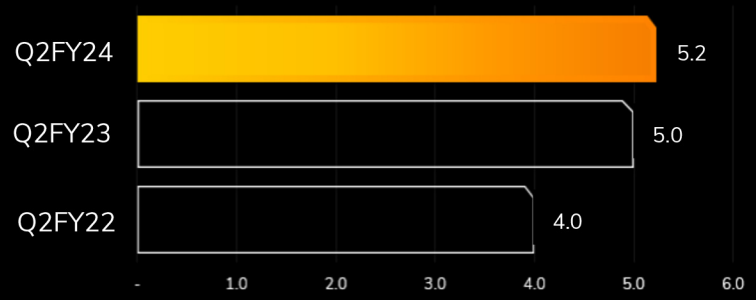
KEY METRICS

- EBITDA+ achieved in Q2FY24
- ARPU remained consistent at $13
- Gaming subscription revenue up 51% to $0.4m QoQ
- CloudGG paid subscriptions increased by 52% QoQ
- CloudGG total membership growth up 52% QoQ to 490,000+



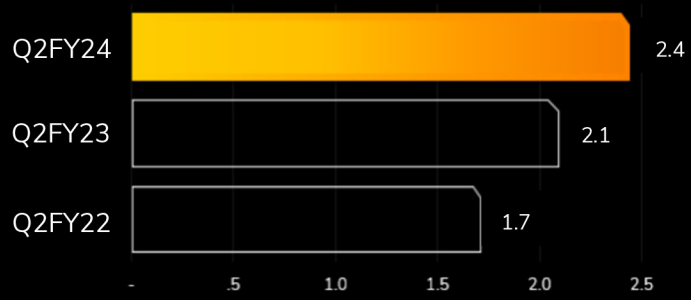
Q2 Financial Update

REVENUE $'M (PcP)



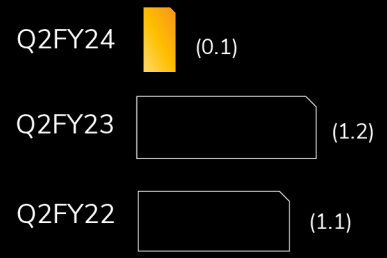
- Revenue up 5% to $5.2m.
- Telco revenue up 1% to $4.6m.
- Telco recurring revenue up 2%, impacted by increase in neXus and fibre service revenue.
- Gaming segment revenue up 86% to $0.4m, impacted by 83% growth in paid memberships.
- Gaming segment revenue includes SubHub development funding.

GROSS PROFIT $'M (PcP)



- Consolidated gross profit increased by 17% on PcP to $2.4m.
- Gross margin of 47%, up 13% on PcP with off-net to on-net conversions and off-net price increases .
- Gaming segment gross profit increased by 178% on PcP to $0.1m.
- Gaming segment paid membership base covering fixed monthly recurring cost.

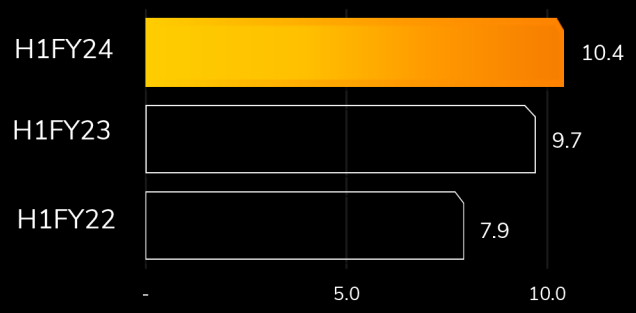
EBITDA $'M (PcP)



- 93% decrease in EBITDA loss.
- 18% decrease in overheads.
- 33% decrease in marketing expenses.
- 29% decrease in general company overheads.
- 14% reduction in employee-related costs.

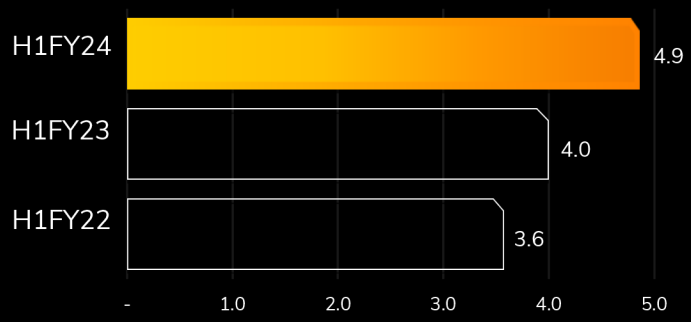
H1 Financial Update

REVENUE $'M (PcP)



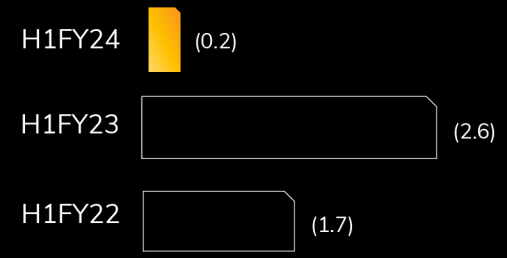
- H1 revenue increased by 7% to $10.4m.
- Telco segment revenue grew by 3% to $9.5m,
- Telco segment saw 5% increase in recurring. revenue to $9.1m, attributed to 45% increase in fibre and 3% increase in on-net revenue.
- Recurring revenue now constitutes 96% of total revenue.
- GFN subscription revenue increased by 75% to $0.7m, aligning with paid memberships growth.

GROSS PROFIT $'M (PcP)



- H1 gross profit up 22% on PcP to $4.9 million, with a gross margin of 47%.
- Telco gross profit increased 8% to $4.6m with a 48% gross margin, impacted by off-to-on-net conversion and reduced wholesale costs.
- Gaming gross profit increased 212% to $0.3 million with a 30% gross margin, driven by an 83% growth in paid GFN memberships exceeding early-stage fixed costs.

EBITDA $'M (PcP)



- Telecommunications and gaming segments achieved a third consecutive quarter of breakeven EBITDA.
- Overhead costs decreased 22% to $5.4m
- Reduction in EBITDA led by a 43% decrease in marketing expenses and a 28% decrease in general company overheads.
- Result of key financial improvements driven by reduced overhead costs.

2HFY24 Key Strategic Summary

TELECOMMUNICATIONS

- EBITDA+
- Accelerated marketing investment for new on-net/off-net product offerings.
- Install and commercialise neXus builds in planned greenfield deployment areas.
- Improved customer retention and churn management strategies.

CLOUD GAMING

- EBITDA+ *(& Continued paid user growth)*
- Leverage additional revenue streams/commercialisation opportunities.
- Ongoing marketing strategies around new key titles coming to the platform.

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