



**PENTANET LIMITED (ASX: 5GG)**

**20/12/21**



**Pentanet** is a Perth-based, growth-focused telecommunications company that delivers high-speed internet to a growing number of subscribers by providing 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 nbnTM, where its wireless network is not yet available.

**Cloud gaming and esports**

Pentanet has made significant progress over a short period. The Company announced an Alliance Partner Agreement with NASDAQ-listed NVIDIA in late January 2021 to bring their GeForce NOW technology to Australia. The platform was successfully launched in October and is now open for paying subscribers to experience [real-time tracing](#) with RTX technology.

**Highlights**

- 65% YoY increase in subscribers to 13,823 (+11% QoQ).
- Customer churn decreased from 0.91% per month in Q4 FY21 to 0.80% Q1 FY22 indicating customer stickiness.
- On-net (fixed wireless) customers made up 41% of total subscribers.
- ARPU increased from A\$91 in Q4 FY21 to A\$92 Q1 FY22.
- Fixed wireless ARPU increased from A\$86 Q4 FY21 to \$88 Q1 FY22.

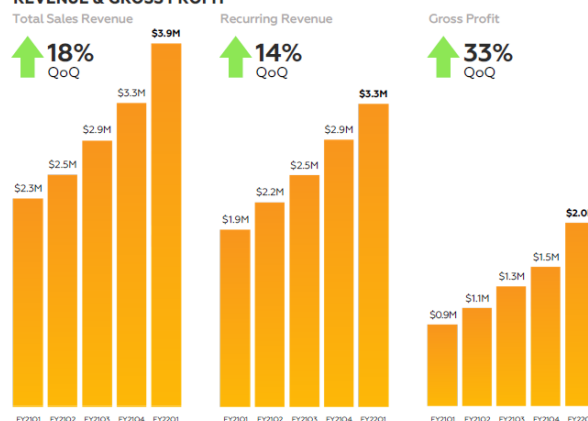
**The opportunity**

Pentanet is a high-risk investment, and is dependent upon the company being able to gain early traction with the distribution of NVIDIA’s GeForce NOW technology. GeForce NOW offers two membership options ‘Basic’ and ‘Priority’. ‘Priority’ allows players extended play sessions for A\$19.99 per month, or A\$17.99 for a 12-month subscription paid upfront. The unit economics of cloud gaming is where the opportunity lies. With scale the business has potential to deliver strong returns given the recurring nature of cash flows. Fortunately, the Company is a first mover in what is anticipated to be high growth industry (currently with 12 million gamers domestically). The coming months will be crucial to see if the Company can deliver a rapid uptake in gamers to the platform.

**Financials**

Pentanet listed on the ASX January 27, 2021 at a price of A\$0.25 cents, achieving a 52 week high of A\$1.10 to subsequently decline over the following months to the current share price of A\$0.49 cents. The Company has a market capitalisation of A\$165m (fully diluted including options and restricted stock) and has an enterprise value of A\$145m (cash 28m debt 8m). We place the Company on around A\$15m in revenue at today’s date and a revenue/EV multiple of 9.7x. The Company has reported a statutory loss of A\$5m and A\$13.5m for FY20 and FY21 respectively.

**REVENUE & GROSS PROFIT**



1D | 5D | 1M | 6M | YTD | **1Y** | 5Y | Max



**Top 10 share holders**

Shareholder	Percentage
Stephen Cornish	14.66
Zero Nominees Pty Ltd	11.79
National Nominees Limited	4.80
UBS Nominees Pty Ltd	2.94
Peter and Susan Cornish <Cornish Superfund>	2.79
J P Morgan Nominees Australia Pty Ltd	2.48
Timothy Cornish	2.11
PRM Property Holdings Pty Ltd	1.87
HSBC Custody Nominees Limited	1.77
Mr Peter John Cornish <The Cornish Family>	1.40

Additional information can be found [here](#), [here](#) and [here](#).

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