



## **Appendix 4C**

Quarterly report for entities subject to Listing Rule 4.7B

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27th April 2017

#### March 2017 Quarter Cash Flow Report and Performance Highlights

Megaport Limited (ASX: MP1) has today released the March quarter Appendix 4C.

#### 3Q FY17 Performance Highlights

##### Key Insights

- Revenue for the period was \$2.94M, an increase of 17% from the last quarter.
- Total monthly recurring revenue at the end of the quarter was \$1M, an increase of \$93K, 10% QoQ.
- Total data centres were 150 at the end of the quarter.
- Customers increased by 9% QoQ to a total of 676 customers.
- Total Ports increased in the quarter to 1,658, or 12% QoQ.
- Total Services<sup>1</sup> increased in the quarter to 3,269, or 18% in the period due to a substantial uplift in Virtual Cross Connections (VXCs), 36% QoQ.
- Average Revenue per Port is \$605. Prior period was \$615.
- The Asia-Pacific and Europe business units are generating a profit after direct network costs<sup>2</sup>.
- At the end of March 2017, the Company's cash position was \$16.6M.

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<sup>1</sup> Total services comprise of Ports, Virtual Cross Connections (VXCs), and Internet Exchange (IX).

<sup>2</sup> Direct network costs comprise data centre power and space costs, physical cross connect fees, bandwidth and dark fibre costs, network operation and maintenance fees, and channel commissions, which are directly related to generating the service revenue of Megaport Group.

### **3Q FY17 Cash Flow Commentary**

Appendix 4C Quarterly report for entities subject to Listing Rule 4.7B

There is \$976K of funds held in escrow for future settlement of acquisitions. This amount is included in the closing cash and cash equivalents total at the end of the quarter.

#### **Operating Activities**

Receipts from customers were \$3.5M for the quarter representing an increase of \$553K, 19% QoQ. The increase on the previous quarter resulted from growth in revenue attributable to geographic expansion, organic growth and recent acquisitions, and an improvement in management of working capital.

Network operating costs cash outflows of \$3.9M up by 18% on previous quarter representing bandwidth, colocation, and cross connect expenses across our expanding network. A total of nine new data centres were added during the quarter.

Advertising and marketing spend was \$217K in the quarter, a \$29K decrease from the previous quarter. These savings were driven by a reduction in events expenses and the leveraging of partner resources in go to market activities.

Staff costs of \$3.8M have increased by \$140K from previous quarter to enable ecosystem development and support geographic expansion.

Administration and corporate costs were \$2.2M, averaging \$2M per quarter for the year. 3Q included extra travel costs for global conference, and corporate travel costs in line with geographical expansion.

#### **Investing activities**

Capital Expenditure was \$632K, a decrease of \$848K on the previous quarter, reflecting the completion of the majority of the European network expansion in 2Q and a smaller number of new site additions in North America. Current capital investment is for locations being deployed in the Americas, Europe and Asia-Pacific

There was an acquisition related cash outflow of \$158K which captures release of first payment of the deferred consideration payable for conditions met on the acquisition of OMNIX Group AD, and also minor acquisition valuation costs for reporting purposes.

#### **Financing activities**

There were no financing activities during the quarter.

#### **Cash Position**

The Closing Cash at the end of the Quarter was \$16.6M.

### Estimated Cash Outflow for 4Q

Leased assets include \$2M forecasted partial payment related to a new 10 year Indefeasible Right of Use (IRU) and a Long Lease which was entered into at the beginning of April with Superloop (ASX:SLC) across Australia, Singapore and Hong Kong. This reflects 50% of the total payment with the remainder due in 12 months. The IRU will yield monthly Direct Network savings over the life of the agreement.

Cash inflows for the quarter are forecasted to be approximately \$3.5M.

#### Name of entity

Megaport Limited

#### ABN

46 607 301 959

#### Quarter ended ("current quarter")

31 March 2017

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
<b>1.</b>	<b>Cash flows from operating activities</b>		
1.1	Receipts from customers	3,452	8,592
1.2	Payments for		
	(a) research and development	(87)	(250)
	(b) product manufacturing and operating costs	(3,921)	(10,510)
	(c) advertising and marketing	(217)	(744)
	(d) leased assets	(67)	(160)
	(e) staff costs	(3,837)	(10,838)
	(f) administration and corporate costs	(2,150)	(6,035)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	46	172
1.5	Interest and other costs of finance paid	(28)	(73)
1.6	Income taxes paid	(71)	(189)
1.7	Government grants and tax incentives	-	-
1.8	Other (provide details if material)	-	-
<b>1.9</b>	<b>Net cash from / (used in) operating activities</b>	<b>(6,881)</b>	<b>(20,034)</b>

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
<b>2.</b>	<b>Cash flows from investing activities</b>		
2.1	Payments to acquire:		
	(a) property, plant and equipment	(632)	(3,409)
	(b) businesses (see item 10)	(158)	(1,279)
	(c) investments	-	-
	(d) intellectual property	(162)	(651)
	(e) other non-current assets	-	(151)
2.2	Proceeds from disposal of:		
	(a) property, plant and equipment	-	-
	(b) businesses (see item 10)	-	-
	(c) investments	-	-
	(d) intellectual property	-	-
	(e) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (cash received on acquisition of business)	-	107
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>(952)</b>	<b>(5,382)</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of shares	-	30,999
3.2	Proceeds from issue of convertible notes	-	-
3.3	Proceeds from exercise of share options	-	-
3.4	Transaction costs related to issues of shares, convertible notes or options	-	(974)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>-</b>	<b>30,025</b>

## Quarterly report for entities subject to Listing Rule 4.7B

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of quarter/year to date	24,185	11,870
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(6,881)	(20,034)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(952)	(5,382)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	30,025
4.5	Effect of movement in exchange rates on cash held	216	89
<b>4.6</b>	<b>Cash and cash equivalents at end of quarter</b>	<b>16,569</b>	<b>16,569</b>

<b>5.</b>	<b>Reconciliation of cash and cash equivalents</b> 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	15,435	22,849
5.2	Call deposits	157	167
5.3	Bank overdrafts	-	-
5.4	Other (provide details) – Funds held in escrow for future settlement of acquisitions	976	1,169
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>16,569</b>	<b>24,185</b>

**6. Payments to directors of the entity and their associates**

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

Current quarter \$A'000
133
-

**7. Payments to related entities of the entity and their associates**

- 7.1 Aggregate amount of payments to these parties included in item 1.2
- 7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

Current quarter \$A'000
424
-

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**8. Financing facilities available**

*Add notes as necessary for an understanding of the position*

Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
-	-
-	-
-	-

8.1 Loan facilities

8.2 Credit standby arrangements

8.3 Other (please specify)

8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.

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9. Estimated cash outflows for next quarter	\$A'000
9.1 Research and development	121
9.2 Product manufacturing and operating costs	3,921
9.3 Advertising and marketing	308
9.4 Leased assets	2,067
9.5 Staff costs	3,914
9.6 Administration and corporate costs	2,047
9.7 Other (provide details if material)	
Property, plant & equipment	1,066
Intellectual property	203
<b>9.8 Total estimated cash outflows</b>	<b>13,647</b>

10. Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)	Acquisitions	Disposals
10.1 Name of entity	Peering GmbH	-
10.2 Place of incorporation or registration	Germany	-
10.3 Consideration for acquisition or disposal	AUD\$1,903,200	-
10.4 Total net assets	AUD\$79,515	-
10.5 Nature of business	Internet exchange operator	-

**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.

Sign here: Vincent English Date: 27 April 2017  
(Director)

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Print name: Vincent English

**Notes**

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly 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 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.