



Appendix 4C

Quarterly report for entities subject to Listing Rule 4.7B

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28th July 2017

June 2017 Quarter Cash Flow Report and Performance Highlights

Megaport Limited (ASX: MP1) has today released the June 2017 quarter Appendix 4C.

4Q FY17 Performance Highlights

Key Insights

- Revenue for the period was \$3.47M, an increase of 18% from the last quarter.
- Total monthly recurring revenue at the end of the quarter was \$1.22M, an increase of \$217K, 22% QoQ.
- Total data centres were 165 at the end of the quarter.
- Customers increased by 9% QoQ to a total of 738 customers.
- Total Ports increased in the quarter to 1,829, or 10% QoQ.
- Total Services¹ increased in the quarter to 3,764, or 15% in the period due to a substantial uplift in Virtual Cross Connections (VXCs), 25% QoQ.
- Average Revenue per Port increased to \$667 due to increased usage during the period. Prior period was \$605.
- The total global business is now generating a profit after direct network costs² during this current reporting period.
- Completed a successful capital raising on 28 June raising \$27.8M (inclusive of capital raising expenses \$417K), of which \$11.4M was received from US investors before 30 June and the remaining \$16.3M less capital raising costs was received on 3 July 2017.
- At the end of June 2017, the Company's cash position was \$21.2M.

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

² 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.

4Q FY17 Cash Flow Commentary

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There is \$1.0M 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 up slightly for the quarter representing an increase of 2% QoQ. The increase is attributable to an improvement in management of working capital.

Network operating costs cash outflows of \$2.5M down by 35% on previous quarter representing bandwidth, colocation, and cross connect expenses across our expanding network. This included savings from implementation of IRUs - bandwidth/fibre costs. Direct network costs also decreased due to credits received included in partnership agreements in the United States. A total of fifteen new data centres were added during the quarter.

Advertising and marketing spend was \$334K in the quarter, a \$116K increase from the previous quarter representing the increase in marketing activities during the quarter.

Staff costs of \$3.8M have decreased slightly by \$113K from previous quarter.

Administration and corporate costs were \$1.5M, down \$0.7M from the previous quarter. Cost savings initiatives in areas such as corporate office costs, travel, and professional fees were realised due to a general focus in all areas to reduce expenses in the final quarter of the financial year, along with periodic timing of cash outflows.

Investing activities

Capital Expenditure was \$971K, a increase of \$339K on the previous quarter, reflecting the addition of 15 new sites to the network. Current capital investment is for locations being deployed in the Americas, Europe and Asia-Pacific.

Intellectual Property increased to \$852K for the period relating to the reclassification of acquisition (employee benefits) to intangibles, increasing investment in software development with the European integration.

Other non-current assets reflects \$367K for partial Australian IRU payment during the period.

Financing activities

The Company completed a \$27.8 Million capital raising split between an Institutional

Placement and a Strategic Placement with an issue price of \$2.10 per share. More information regarding the capital raising can be found in the market announcement and investor presentation released to the ASX on 29 June 2017.

Cash Position

The Closing Cash at the end of the Quarter was \$21.2M. This includes the US capital placement fund received of \$11.4M. The balance of the capital raising was received on 3 July 2017, after the reporting period.

Name of entity

Megaport Limited

ABN

46 607 301 959

Quarter ended ("current quarter")

30 June 2017

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
1. Cash flows from operating activities			
1.1 Receipts from customers		3,506	12,098
1.2 Payments for			
(a) research and development		-	(250)
(b) product manufacturing and operating costs		(2,530)	(13,041)
(c) advertising and marketing		(334)	(1,077)
(d) leased assets		(37)	(197)
(e) staff costs		(3,724)	(14,562)
(f) administration and corporate costs		(1,488)	(7,523)
1.3 Dividends received (see note 3)		-	-
1.4 Interest received		23	195
1.5 Interest and other costs of finance paid		(28)	(101)
1.6 Income taxes paid		(56)	(245)
1.7 Government grants and tax incentives		103	103
1.8 Other (provide details if material)		-	-
1.9 Net cash from / (used in) operating activities		(4,565)	(24,599)

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Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
2.	Cash flows from investing activities		
2.1	Payments to acquire:		
	(a) property, plant and equipment	(971)	(4,380)
	(b) businesses (see item 10)	-	(1,279)
	(c) investments	-	-
	(d) intellectual property	(852)	(1,503)
	(e) other non-current assets	(367)	(518)
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)	-	108
2.6	Net cash from / (used in) investing activities	(2,190)	(7,572)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	11,441	42,441
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)	-	-
3.10	Net cash from / (used in) financing activities	11,441	41,467

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Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of quarter/year to date	16,569	11,870
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(4,565)	(24,812)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(2,190)	(7,359)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	11,441	41,467
4.5	Effect of movement in exchange rates on cash held	(71)	18
4.6	Cash and cash equivalents at end of quarter	21,184	21,184

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	20,012	15,436
5.2	Call deposits	157	157
5.3	Bank overdrafts	-	-
5.4	Other (provide details) – Funds held in escrow for future settlement of acquisitions	1,015	976
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	21,184	16,569

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
226
-

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
194
-

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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	65
9.2 Product manufacturing and operating costs	3,300
9.3 Advertising and marketing	270
9.4 Leased assets	50
9.5 Staff costs	3,640
9.6 Administration and corporate costs	1,900
9.7 Other (provide details if material)	
Property, plant & equipment	1,080
Intellectual property	335
Other intangible assets	1,650
9.8 Total estimated cash outflows	12,290

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:
Company Secretary

Date: 28 July 2017

Print name: Celia Pheasant

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.