H1FY18 Half Year Market Update

21 February 2018

Megaport

Megaport Limited
ACN 607 301 959
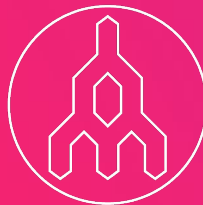
About Megaport

More information: megaport.com/investor

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Who is Megaport?

Pay for what you use

Ease of use

Point → Click → Connect

Secure and On-demand

Leading service providers

IBM Cloud   Alibaba Cloud   ORACLE CLOUD

salesforce   aws   Google Cloud Platform   Azure   Office 365
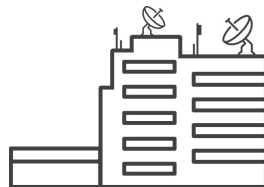
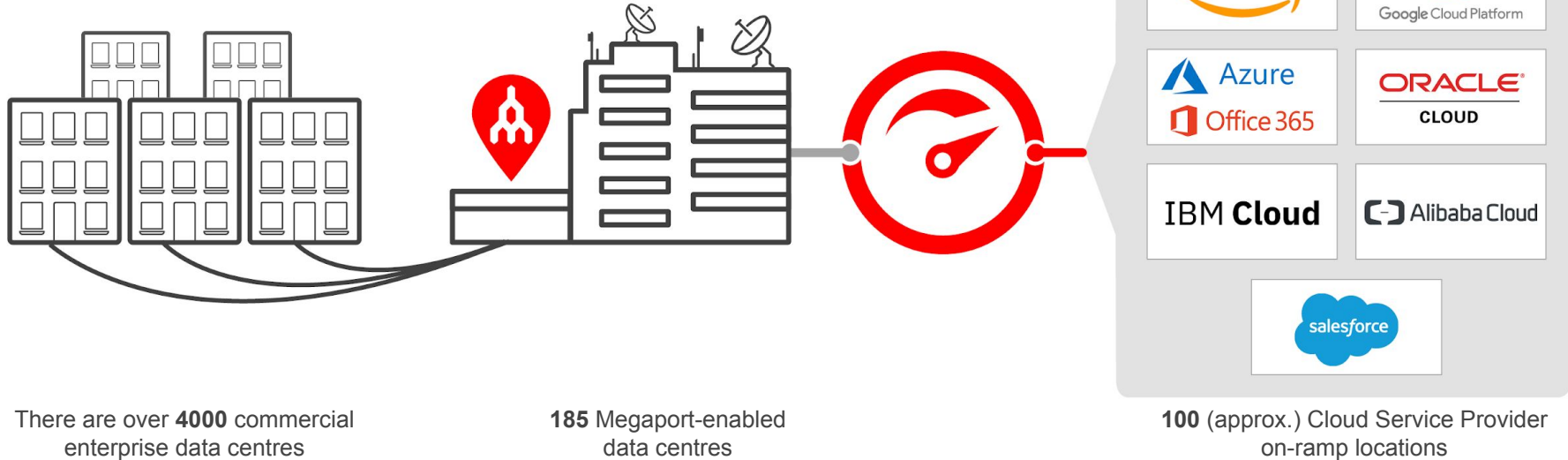## Who we connect

Enterprises

Cloud service providers

Data centre operators

Network service providers

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Connecting everyone to everything

The Megaport Software Defined Network (SDN) brings greater cloud connectivity to the enterprise.

There are over **4000** commercial enterprise data centres

185 Megaport-enabled data centres

100 (approx.) Cloud Service Provider on-ramp locations

Our Competitive Advantage

	Megaport's Network on Demand	Traditional Network
Pricing	Pay for what you use, no setup fees	Expensive locked-in pricing model Expensive setup costs
Speed	Real-time provisioning (59 seconds)	Long setup times (1 week - several months)
Capacity	Elastic, right-sized capacity	Fixed capacity
Terms	Flexible terms, month to month contract	Locked-in long term contracts
Providers	Neutral, one-stop shop featuring all service providers	Limited Service Providers
Ease of Use	Intuitive portal to manage network	Multiple emails, calls to vendors, and paper contracts

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Highlights

H1FY18

Total number of data centres

165	185
30 JUNE 2017	31 DEC 2017

Total number of ports

1829	2259
30 JUNE 2017	31 DEC 2017

Total number of services

3764	5041
30 JUNE 2017	31 DEC 2017

Total number of customers

738	860
30 JUNE 2017	31 DEC 2017

Monthly Recurring Revenue*

$1.2M	$1.6M
30 JUNE 2017	31 DEC 2017

Annualised Revenue

$14.6M	$19.2M
30 JUNE 2017	31 DEC 2017

*Monthly Recurring Revenue is closing monthly revenue for the reporting period end month

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Revenue Performance

Asia Pacific

31 DEC 2017

$3.7M

⬆ Inc: **$1.4M (up 57%)**

31 Dec 2016: **$2.3M**

North America

31 DEC 2017

$2.3M

⬆ Inc: **$2.1M (up 856%)**

31 Dec 2016: **$0.2M**

Europe

31 DEC 2017

$2.8M

⬆ Inc: **$0.9M (up 50%)**

31 Dec 2016: **$1.9M**

GLOBAL

31 DEC 2017

$8.8M

⬆ Inc: **$4.4M (up 98%)**

31 Dec 2016: **$4.4M**
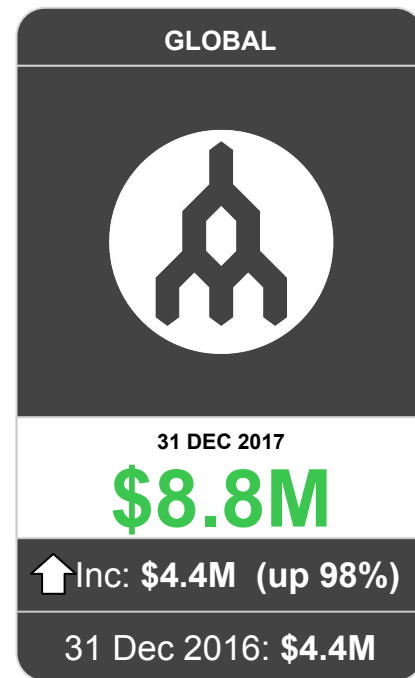
Growth rate is calculated using the full $ values

Regional Update

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APAC Highlights

Total number of data centres

52
At 31 DEC 2017

Total number of Ports

1126
At 31 DEC 2017

Total number of Services

3016
At 31 DEC 2017

Total number of customers

468
At 31 DEC 2017

Monthly Recurring Revenue

710K
For the Month
DEC 2017

Profit after direct network costs

45%
For the Month
DEC 2017

$630
Average Revenue / Port

22
No. of Ports / Data centre

57%
Port Utilisation*

2.7
Services per Port

6.4
Services per Customer

Stats as at 31 December 2017

1HFY18 Highlights

- Expansion into new markets Adelaide, Wellington & Hamilton
- Execution of HKT and NTT Strategic Partnerships
- Consistent adoption and growth across the region

2HFY18 Focus

- Further Expansion into ASEAN markets
- Net new Customer Acquisition via new product set and wider total addressable market
- Increase average revenue per port

*Ports sold/used divided by total ports available

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North America Highlights

Total number of data centres

76

At 31 DEC 2017

Total number of Ports

569

At 31 DEC 2017

Total number of Services

1315

At 31 DEC 2017

Total number of customers

216

At 31 DEC 2017

Monthly Recurring Revenue

402K

For the Month
DEC 2017

Profit after direct network costs

-35%

For the Month
DEC 2017

$707

Average Revenue / Port

8

No. of Ports / Data centre

35%

Port Utilisation*

2.3

Services per Port

6.1

Services per Customer

Stats as at 31 December 2017

1HFY18 Highlights

- Number of total services increased within the 6 month period
- Number of multi-cloud growth within region
- Deployed 15 new data centres

2HFY18 Focus

- Expansion of Ecosystem
- Deeper Data Centre penetration with Data Centre Partners and additional expansion in new markets
- Growth in key partnerships in Agent, Data Centre and Reseller verticals

*Ports sold/used divided by total ports available

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Europe Highlights

Total number of data centres

57

At 31 DEC 2017

Total number of Ports

564

At 31 DEC 2017

Total number of Services

710

At 31 DEC 2017

Total number of customers

235

At 31 DEC 2017

Monthly Recurring Revenue

485K

For the Month
DEC 2017

Profit after direct network costs

53%

For the Month
DEC 2017

$860

Average Revenue / Port

10

No. of Ports / Data centre

65%

Port Utilisation*

1.3

Services per Port

3

Services per Customer

Stats as at 31 December 2017

1HFY18 Highlights

- Consistent MRR growth in period
- Strategic Network Partner Agreements
- Demand-driven network upgrade

2HFY18 Focus

- Net new customer acquisition and Reseller partner growth in key markets
- Cloud Partner development and continued delivery of cloud connectivity to the enterprise
- Strategic IX growth in Europe

*Ports sold/used divided by total ports available

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Half Year
Financial Results and Position

Financial Results

Consolidated Income Statement	1 July 2017 - 31 December 2017 (H1FY18) $	1 July 2016 - 31 December 2016 (H1FY17) $
Revenue	**8,832,995**	**4,458,704**
Direct network costs[1]	(6,743,900)	(5,289,857)
Profit/(loss) after direct network costs[1]	**2,089,095**	**(831,153)**
Employee costs	(9,872,183)	(7,813,796)
Professional fees	(1,042,063)	(1,666,517)
Depreciation and amortisation expense	(2,153,751)	(1,835,632)
Other costs[2]	(2,343,096)	(1,625,592)
Net profit/(loss)	**(13,321,998)**	**(13,772,690)**

1. Revenue less direct network costs, which comprise of data centre power and space, physical cross connect fees, bandwidth and dark fibre, network operation and maintenance, and channel commissions which are directly related to generating the service revenue of Megaport Group.
2. Other costs includes travel and marketing expenses, finance expenses, tax and other income and costs to the business.

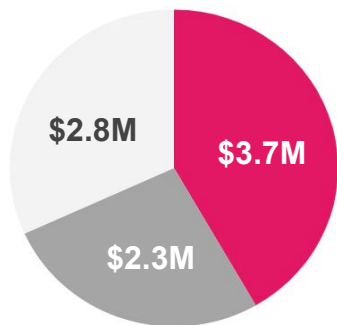## Financial Results

For the six months ended 31 December 2017

Revenue $8.8M up 98% compared to same period last year
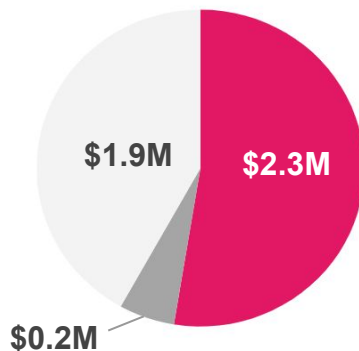
Profit after direct network costs for the Group of $2.1M

Global business in H1FY18 has generated a profit after direct network costs

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Revenue

H1FY18

$2.8M
$3.7M
$2.3M

H1FY17

$1.9M
$2.3M
$0.2M

■ Asia Pacific □ Europe ■ North America

REVENUE: $8.8M	UP 98%	from H1FY17
MRR: *$1.6M	UP 78%	from H1FY17

*Monthly Recurring Revenue is closing monthly revenue for the month of December

Revenue of $8.8M, up 98%, compared to same period last year, driven by acquisitions in Europe and organic growth in Asia Pacific and North America

42% from Asia Pacific
32% from Europe
26% from North America

Monthly recurring revenue was $1.6M for December 2017, up 78%, driven by increased utilisation of Megaport Services globally

⬡ Megaport

Operating Costs

	H1FY17 $ (DEC 2016)	H2FY17 $ (JUNE 2017)	HY1FY18 $ (DEC 2017)
Direct network costs[1]	5,289,857	5,956,418	6,743,900
Profit/(loss) after direct network costs[1]	**(831,153)**	**253,491**	**2,089,095**
Total operating expense (OPEX)	**12,908,255**	**16,494,427**	**15,374,464**
Employee costs	7,813,796	8,723,590	9,872,183
Professional fees	1,666,517	1,364,580	1,042,063
Depreciation and amortisation expense	1,835,632	2,320,322	2,153,751

1. Revenue less direct network costs, which comprise of data centre power and space, physical cross connect fees, bandwidth and dark fibre, network operation and maintenance, and channel commissions which are directly related to generating the service revenue of Megaport Group.

Financial Results

For the six months ended 31 December 2017

Global business in H2FY17 and H1FY18 is generating a profit after direct network costs

OPEX for H1FY18 is now consistent run rate for the business

OPEX per dollar of Revenue generated has continued to decrease compared to the corresponding periods:
- H1FY17 - $2.90
- H2FY17 - $2.66
- H1FY18 - $1.74

Megaport Cloud Router

Financial Position

Consolidated Financial Position	31 December 2017 $	30 June 2017 $
Current Assets	24,148,883	23,958,983
Non-current Assets	19,034,721	16,885,215
Total Assets	**43,183,604**	**40,844,198**
Current Liabilities	(8,099,634)	(9,344,376)
Non-current Liabilities	(1,221,004)	(1,276,622)
Total Liabilities	**(9,320,638)**	**(10,620,998)**
Equity	**33,862,966**	**30,223,200**

Cash Position	31 December 2017 $	30 June 2017 $
Cash and bank balances at end of period*	**21,099,425**	**21,527,943**

*including bank term deposits

Financial Position

At 31 December 2017

Successful Capital Raise $27.8M completed in July 2017

Investment in assets to facilitate network and Ecosystem expansion (incl. IRUs), and product development (MCR) to grow revenue
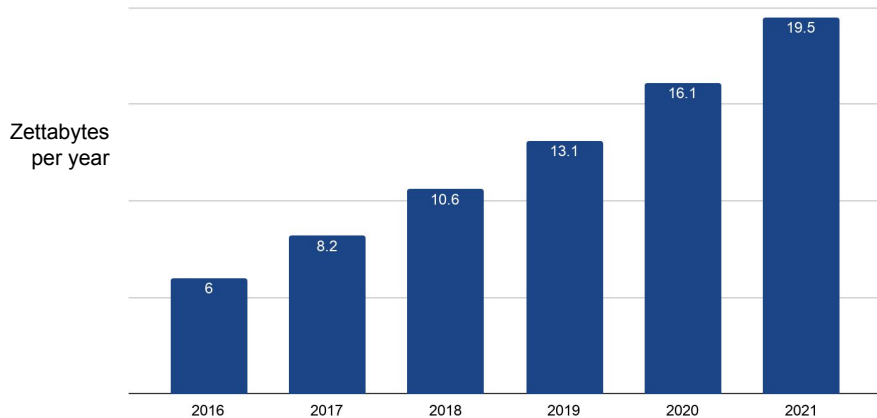
Closing cash at the end of December 2017 was $21.1M

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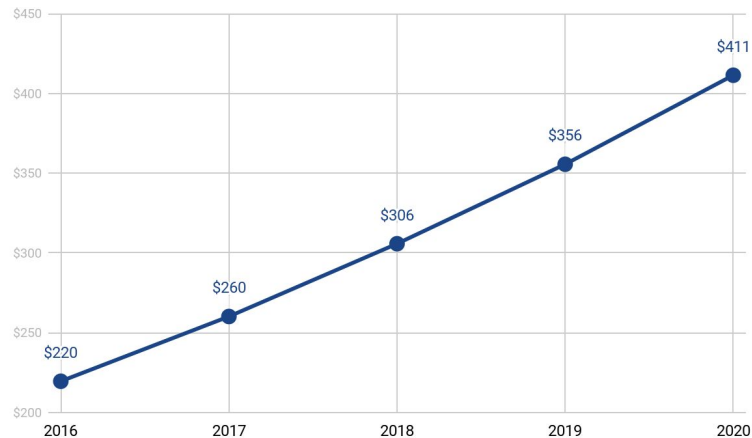
Business Update

Industry Growth Trends

Cloud Data Centre Traffic Growth

Zettabytes per year

- 2016: 6
- 2017: 8.2
- 2018: 10.6
- 2019: 13.1
- 2020: 16.1
- 2021: 19.5

27% Compound Annual Growth Rate 2016-2021

Source: Cisco Global Cloud Index, 2018.

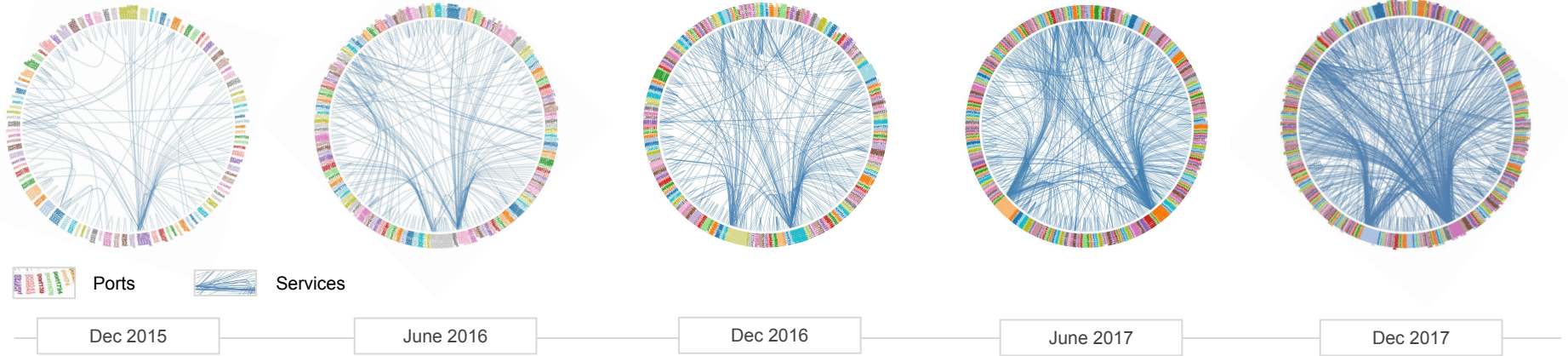## Worldwide Public Cloud Service Provider Revenue Forecast (Billions of U.S. Dollars)

- 2016: $220
- 2017: $260
- 2018: $306
- 2019: $356
- 2020: $411

Source: Gartner (October 2017)

79% of companies surveyed use two or more cloud or hosting providers.

Source: 451 Research 2016
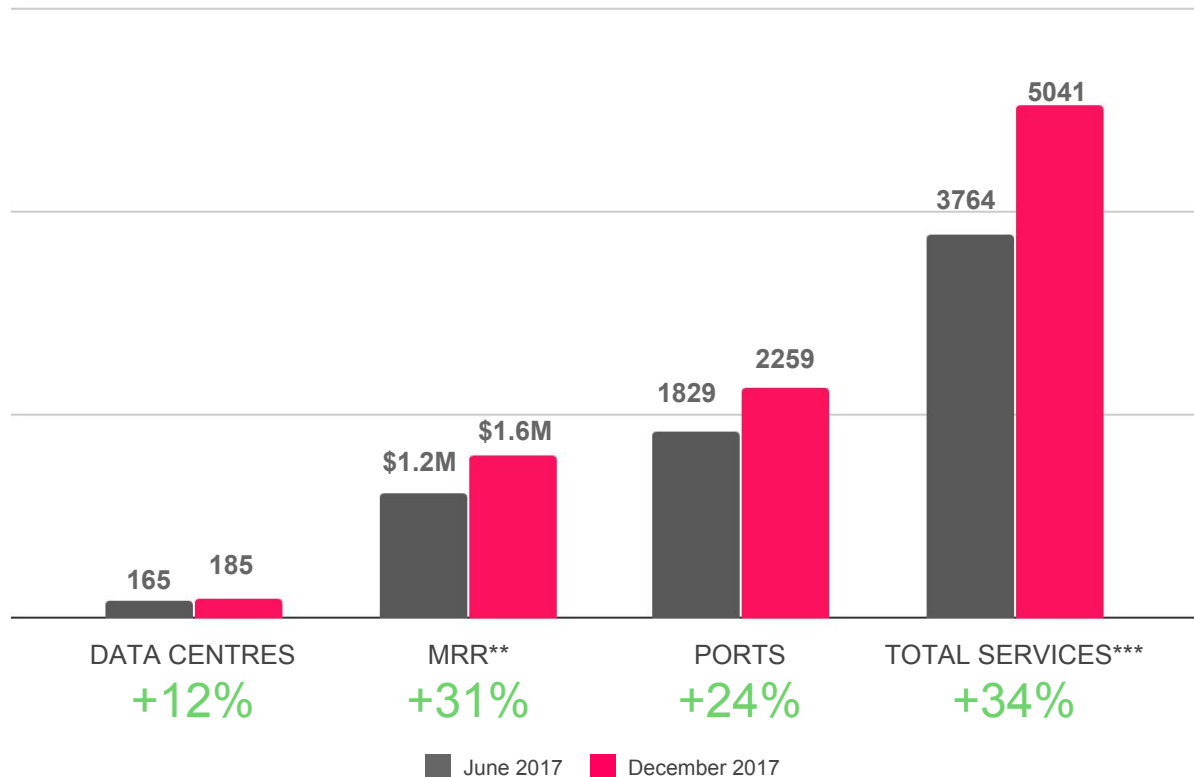
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Building the Network Effect

Megaport Service Connections:

Ports   Services

| Dec 2015 | June 2016 | Dec 2016 | June 2017 | Dec 2017 |

Service Connection Types:

Dec 2015: 24% / 30% / 46%
June 2016: 24% / 29% / 47%
Dec 2016: 24% / 38% / 38%
June 2017: 24% / 45% / 31%
Dec 2017: 25% / 51% / 24%

Direct Public Cloud   Internet Exchange   Private

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Growth Trends

What's driving revenue growth?

Average Revenue per Port*	
June 2017	**Dec 2017**
$667	**$707**

+$40
GROWTH

The increase in services per Port directly increases Port value
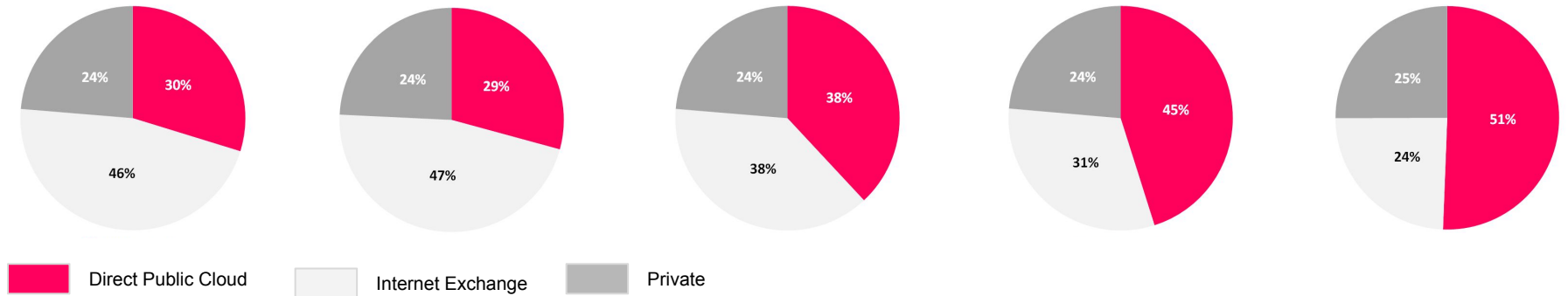
*Average Revenue per Port is MRR divided by number of Ports at reporting period end date.

**Monthly Recurring Revenue is closing monthly revenue for the reporting period end month.

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

Growth Trends

Annualised MRR Dec17 - $19.2M*

Chart: Stacked bar chart showing Port (grey) and VXC + IX (pink) with Monthly Recurring Revenue (MRR) line.

Quarter	Port	VXC + IX	MRR	QoQ
Dec-16	1,479	1,289	$0.91M	
Mar-17	1,658	1,611	$1.00M	10% QoQ
Jun-17	1,829	1,935	$1.22M	22% QoQ
Sep-17	2,064	2,358	$1.31M	8% QoQ
Dec-17	2,259	2,782	$1.60M	22% QoQ

Legend: Port, VXC + IX, Monthly Recurring Revenue (MRR)

Ecosystem richness drives greater service connection opportunities

Growth in services is an indicator of overall customer usage on the network

Increased services per port drives greater Monthly Recurring Revenue (MRR) growth and increased revenue per port

31% increase MRR in past 6 months to 31 December 2017.

*Annualised MRR = December 2017 MRR x 12

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Cloud Service Provider Update

aws competency

Megaport recognised within one of highest AWS partner program tiers

Possess deep AWS expertise and deliver solutions seamlessly on AWS

Proven customer success and deep technical proficiency

IBM Cloud

Global partner agreement enabling Megaport as a Direct Link exchange provider

Direct integration at IBM Data centres across North America, Asia-Pacific, and Europe

Optimised for AI, analytics, blockchain, Internet of Things, serverless, and more

salesforce

Global agreement supporting Salesforce Express Connect (SEC)

Enables ease of use and connectivity over private, predictable paths

Historically only available over best-effort internet

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Megaport Cloud Enablement

102
Total onramps

40 new onramps since 30 June 2017. Up 65%

	Total Onramps
Amazon Web Services	27
Microsoft Azure	25
Oracle Cloud	11
Google Cloud	17
Alibaba Cloud	8
IBM Cloud	11
Salesforce	3

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Cloud regions

Alibaba Cloud

US West 1 (Silicon Valley)
US East 1 (Virginia)
Asia Pacific SE1 (Singapore)
Asia Pacific SE2 (Sydney)
CN-Hong Kong
EU Central 1 (Frankfurt)

IBM Cloud

Asia Pacific South
EU central
UK South
US East
US South

salesforce

US East US
Central EU
Central

aws

AWS GovCloud
EU Frankfurt
US Ohio
US East N.Virginia
US West (N.California)
US West (Oregon)
Canada (Central)
Asia Pacific (Sydney)
Asia Pacific (Singapore)
EU London
EU Ireland

Azure

US DoD East
US Gov Texas
US Gov Iowa
US West
West US 2
South Central USl
North Central US
UK South
North Europe
West Europe
Germany Central
Canada East
Canada Centra
Australia South East
Australia East
East Asia
Southeast Asia

ORACLE CLOUD

EMEA - Frankfurt
EMEA - Slough
EMEA - Amsterdam
US - Ashburn
US Chicago
APAC Sydney

Google Cloud Platform

US West 1
US Central 1
US East 4
Europe West 2
Europe West 3
Europe West 4
Asia Southeast 1
Australia South East 1

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Key Customer Wins

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Data Centre Growth

MEGAPORT CONNECTED

Data centre partnerships reflect continued focus on Enterprise markets

Empowering underserved Tier 2 and Tier 3 markets with cloud connectivity and the Megaport Ecosystem

Extending the reach of cloud service provider onramps and accelerating revenue recognition for cloud service providers

Megaport Cloud Router (MCR)

Existing Addressable Market

VXC

MX 250+ Service Providers

ORACLE CLOUD
aws
Azure
IBM Cloud
Google Cloud Platform
salesforce
Alibaba Cloud
Office 365

Megaport SDN

MCR

New Addressable Market

Born in the Cloud

On-prem Enterprises

Service Providers
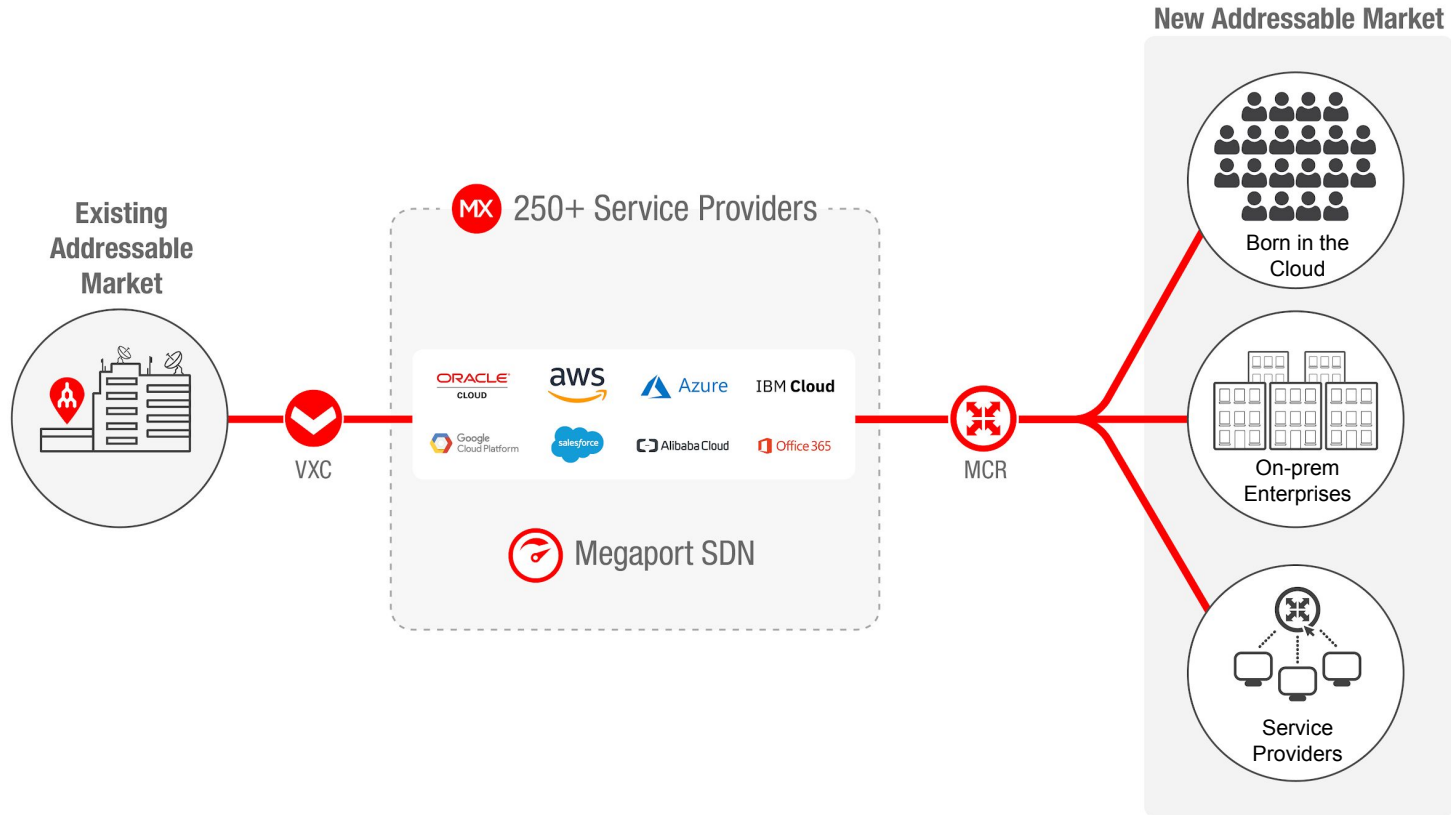
Virtual router product expands Megaport's capability to service customers with greater connectivity options at layer 3

Continued enhancement and innovation of our SDN to address the needs of wider customer base outside of Megaported data centres

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Megaport Cloud Router (MCR)

Solutions

Cloud to Cloud Networking

Hybrid Cloud at Layer 3

Virtual Networking

Localised Traffic

Managed Layer 3 Connectivity

Key Features

Global Reach

Reduced Ownership Costs

Easy Design and Provisioning

Private, Scalable, and Secure

Unlocks powerful networking capabilities traditionally unavailable to enterprises

Seamless, easy to use, and integrated into Megaport's SDN and Ecosystem

Rapidly, privately, and securely connect to one or more Service Providers on the Megaport SDN without the need for physical networking

Key use cases
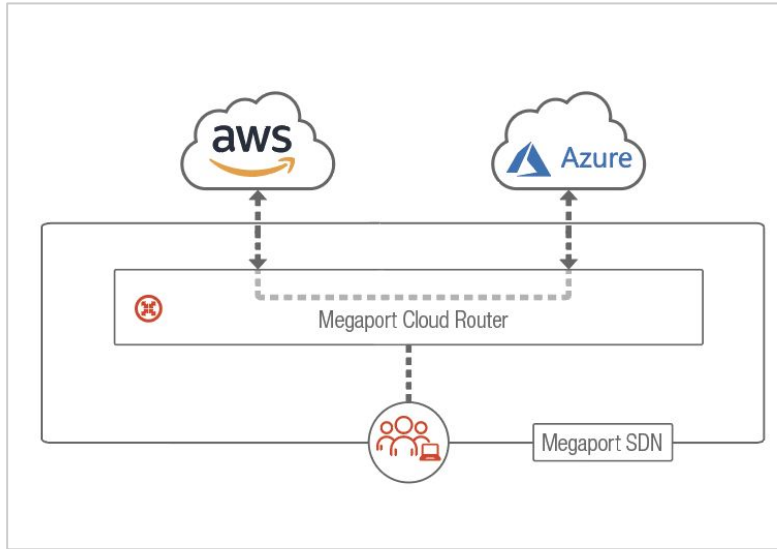
Megaport Cloud Router   Enterprise User

Service Provider   Partner VOIP Provider   Customers

Cloud to Cloud Connectivity

An MCR bridges the connectivity gap between CSPs
Connect cloud services together for interoperability without the
need to own or manage physical network infrastructure.

Extending Service Reach

An MCR expands the reach of service providers.
A company can virtually 'pop' a new region, opening up service
reach beyond their current network infrastructure.

Executive Team Update

Vincent English
Chief Executive Officer

Belle Lajoie
Chief Commercial Officer

Eric Troyer
Chief Marketing Officer

Tim Hoffman
Chief Technical Officer

Anna Tichborne
General Counsel

Helen Storckmeijer
People & Culture Manager

Steve Loxton
Chief Financial Officer

Joined MP1
19 February 2018

27 years in leadership roles across finance and investment, including:
- Canada Pension Plan Investment Board
- Transfield Services Infrastructure Fund
- Goldman Sachs, ABN AMRO and Macquarie

Important Information

Thank you

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