



## **Appendix 4C**

Quarterly report for entities subject to Listing Rule 4.7B

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**26th April 2018**

#### **March 2018 Quarter Cash Flow Report and Performance Highlights**

**Megaport Limited (ASX: MP1) has today released the March 2018 quarter Appendix 4C.**

#### **3Q FY18 Performance Highlights**

3Q FY18 performance highlights (from Global Update):

- Revenue for the period was \$5.14M, an increase of 10% from the last quarter.
- Total Monthly Recurring Revenue (MRR) for March 2018 was \$1.8M, an increase of \$193K, 12% QoQ.
- Total data centres enabled was 206 at the end of the quarter, an increase of 21 across 3 regions, 11% QoQ.
- Customers increased by 11% QoQ to a total of 951.
- Total Ports increased in the quarter to 2,520, or 12% increase QoQ.
- Total Services<sup>1</sup> increased in the quarter to 5,731 or 14% increase QoQ, of which VXC's increased in the quarter to 2,513 or 17% increase QoQ.
- Average Revenue per Port in March 2018 has marginally improved to \$710.
- At the end of March 2018, the Company's cash position was \$57.1M (including bank term deposits). This does not include the \$10M proceeds of the Share Purchase Plan, which completed on 20 April 2018.

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<sup>1</sup> Total services comprise of Ports, Virtual Cross Connections (VXC's), Megaport Cloud Router (MCR) and Internet Exchange (IX).

### **3Q FY18 Cash Flow Commentary**

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##### **Operating Activities**

Receipts from customers for Q3 was \$4.5M (Q2: \$5.2M). Revenue for Q3 increased by 10% QoQ, with the reduction in receipts from customers primarily attributable to the timing of cash flows.

Network operating costs cash outflows were \$3.6M, steady QoQ (Q2: \$3.6M) representing bandwidth, colocation, and cross connect expenses across our expanding network.

Advertising and marketing spend for Q3 was \$165K (Q2: \$201K), a decrease from Q2 reflecting fewer marketing events and conferences compared to Q2.

Staff costs for Q3 were \$5.3M (Q2: \$4.0M), an increase from Q2 that is primarily attributable to the increased headcount and some movements in staff.

Administration and corporate costs for Q3 were \$1.8M (Q2: \$1.5M), up slightly due to the increase in operational activities in line with business growth.

##### **Investing activities**

Capital expenditure for Q3 was \$5.0M (Q2: \$2.3M), an increase of \$2.7M from Q2, reflecting the addition of 21 new data centres and the 100GB upgrade to the network infrastructure in North America.

Addition to Intellectual Property in Q3 was \$1.0M (Q2: \$0.6M), bringing YTD expenditure to \$3.6M, reflecting increasing investment in software development and product innovation.

##### **Financing activities**

Net cash from financing activities for Q3 was \$48.4M (Q2: negative \$144K), reflecting the successful completion of a \$50 million placement to high quality institutional investors based in the US and Australia and the exercise of share options by employees.

##### **Cash Position**

Cash and cash equivalents at the end of the Quarter was \$57.1M (including bank term deposits of \$0.5M included in the investing activities). There is \$1.0M of funds held in escrow for future settlement of prior year acquisition of business. This amount is included in the closing cash and cash equivalents.

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**Name of entity**

MegaPort Limited

**ABN**

46 607 301 959

**Quarter ended ("current quarter")**

31 March 2018

<b>Consolidated statement of cash flows</b>		<b>Current quarter</b>	<b>Year to date</b>
		<b>\$A'000</b>	<b>(9 months)</b>
			<b>\$A'000</b>
<b>1. Cash flows from operating activities</b>			
1.1 Receipts from customers		4,544	13,698
1.2 Payments for			
(a) research and development		(116)	(315)
(b) product manufacturing and operating costs		(3,622)	(10,848)
(c) advertising and marketing		(165)	(612)
(d) leased assets		(13)	(97)
(e) staff costs		(5,294)	(13,529)
(f) administration and corporate costs		(1,798)	(4,959)
1.3 Dividends received (see note 3)		-	-
1.4 Interest received		39	169
1.5 Interest and other costs of finance paid		(32)	(95)
1.6 Income taxes paid		(20)	(67)
1.7 Government grants and tax incentives		-	-
1.8 Other (provide details if material)		-	-
<b>1.9 Net cash from / (used in) operating activities</b>		<b>(6,477)</b>	<b>(16,655)</b>

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<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (9 months) \$A'000</b>
<b>2.</b>	<b>Cash flows from investing activities</b>		
2.1	Payments to acquire:		
	(a) property, plant and equipment	(4,999)	(8,611)
	(b) businesses (see item 10)	-	-
	(c) investments	-	-
	(d) intellectual property	(1,025)	(1,939)
	(e) other non-current assets	-	(1,630)
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 (Net movement in term deposits)	(3)	(3)
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>(6,027)</b>	<b>(12,183)</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of shares	50,199	66,554
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	(1,837)	(2,249)
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>48,362</b>	<b>64,305</b>

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<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (9 months) \$A'000</b>
<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	20,599	21,027
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(6,477)	(16,655)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(6,027)	(12,183)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	48,362	64,305
4.5	Effect of movement in exchange rates on cash held	159	122
<b>4.6</b>	<b>Cash and cash equivalents at end of quarter</b>	<b>56,616</b>	<b>56,616</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	<b>Current quarter \$A'000</b>	<b>Previous quarter \$A'000</b>
5.1	Bank balances	55,598	19,633
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details) – Funds held in escrow for future settlement of acquisitions	1,018	966
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>56,616</b>	<b>20,599</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

<b>Current quarter \$A'000</b>
112
-

**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

<b>Current quarter \$A'000</b>
191
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7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

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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	127
9.2 Product manufacturing and operating costs	4,084
9.3 Advertising and marketing	127
9.4 Leased assets	32
9.5 Staff costs	5,177
9.6 Administration and corporate costs	1,463
9.7 Other (provide details if material)	
Property, plant & equipment	6,467
Intellectual property	390
<b>9.8 Total estimated cash outflows</b>	<b>17,867</b>

10. Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)	Acquisitions	Disposals
10.1 Name of entity	-	-
10.2 Place of incorporation or registration	-	-
10.3 Consideration for acquisition or disposal	-	-
10.4 Total net assets	-	-
10.5 Nature of business	-	-

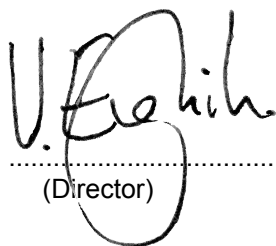
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**Compliance statement**

- 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:



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(Director)

Date: 26 April 2018

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.