



## **Appendix 4C**

Quarterly report for entities subject to Listing Rule 4.7B

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**17 January 2019**

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

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

#### **2Q FY19 Performance Highlights**

2Q FY19 highlights:

- Revenue for the period was \$8.32M, an increase of 21% from the last quarter.
- Total Monthly Recurring Revenue (MRR) for December 2018 was \$2.72M, an increase of \$331K, 14% QoQ.
- Total Installed Data Centres was 245 at the end of the quarter, an increase of 11 across three regions, or 5% QoQ.
- Customers increased by 10% QoQ to a total of 1,277.
- Total Ports increased in the quarter to 3,344, 11% QoQ.
- Total Services<sup>1</sup> increased in the quarter to 8,735, or 14% QoQ, of which VXC's increased in the quarter to 4,488, or 19% QoQ.
- Average Revenue per Port in December 2018 increased to \$812 or 3% QoQ.
- At the end of December 2018, the Company's cash position was \$38.1M (including bank term deposits).

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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)

## **2Q FY19 Cash Flow Commentary**

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#### **Operating Activities**

Receipts from customers were \$7.3M (Previous quarter: \$6.6M), an increase of \$0.7M or 11% QoQ, reflecting revenue growth compared to the previous quarter.

Network operating cost cash outflows were \$5.3M (Previous quarter: \$4.8M), representing bandwidth, colocation, and cross connect expenses supporting our expanded Network, an increase of \$0.5M or 11% QoQ.

Advertising and marketing spend was \$371K (Previous quarter: \$282K), an increase of \$89K, reflecting increased investments in targeted advertising, digital marketing campaigns, and global industry events and conferences compared to the previous quarter, particularly initiatives aimed at driving customer growth in North America.

Staff cost cash outflows were \$5.2M, steady QoQ (Previous quarter: \$5.3M).

Administration and corporate cost cash outflows were \$2.1M (Previous quarter: \$1.7M), an increase of \$0.4M, principally due to the payment of annual insurance premiums (\$0.4m) in the current quarter.

#### **Investing Activities**

Capital expenditure spend was \$3.1M (Previous quarter: \$2.2M), an increase of \$0.9M. This was primarily due to \$0.9M in payments for equipment which enables the upgraded 100 Gbps global network during the current quarter. The remaining capital expenditure was due to investments supporting network expansion to new data centres in the second quarter of 2019.

Investment in intellectual property was \$924K, reflecting increasing investment in software development and product innovation.

#### **Financing Activities**

Net cash inflow from financing activities was \$972K, reflecting the exercise of share options by employees.

#### **Cash Position**

Cash and bank balances at the end of the quarter was \$38.1M (including bank term deposits of \$0.5M included in the investing activities).

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**Name of entity**

Megaport Limited

**ABN**

46 607 301 959

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

31 December 2018

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (6 months) \$A'000</b>
<b>1. Cash flows from operating activities</b>			
1.1 Receipts from customers		7,307	13,917
1.2 Payments for			
(a) research and development		(113)	(258)
(b) product manufacturing and operating costs		(5,349)	(10,182)
(c) advertising and marketing		(371)	(653)
(d) leased assets		(15)	(50)
(e) staff costs		(5,211)	(10,527)
(f) administration and corporate costs		(2,142)	(3,872)
1.3 Dividends received (see note 3)		-	-
1.4 Interest received		256	564
1.5 Interest and other costs of finance paid		(43)	(80)
1.6 Income taxes received/(paid)		12	11
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>(5,669)</b>	<b>(11,130)</b>

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<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (6 months) \$A'000</b>
<b>2.</b>	<b>Cash flows from investing activities</b>		
2.1	Payments to acquire:		
	(a) property, plant and equipment	(3,128)	(5,342)
	(b) businesses (see item 10)	-	-
	(c) investments	-	-
	(d) intellectual property	(924)	(1,550)
	(e) other non-current assets <sup>2</sup>	-	(1,640)
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)	(5)	(9)
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>(4,057)</b>	<b>(8,541)</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of shares	987	1,290
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	(15)	(22)
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>972</b>	<b>1,268</b>

*2. Other non-current assets of \$1.64M incurred in the previous quarter reflects the payment of \$1.0M in contingent consideration for the acquisition of Peering GmbH (ECIX business) and the last \$0.6M payment for an IRU in Asia Pacific.*

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<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (6 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	46,234	55,761
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(5,669)	(11,130)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(4,057)	(8,541)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	972	1,268
4.5	Effect of movement in exchange rates on cash held	109	231
<b>4.6</b>	<b>Cash and cash equivalents at end of quarter<sup>3</sup></b>	<b>37,589</b>	<b>37,589</b>

*3. Cash and bank balances of \$38.1M includes Cash and cash equivalents of \$37.6M plus bank term deposits of \$0.5M included in the investing activities*

<b>5.</b>	<b>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</b>	<b>Current quarter \$A'000</b>	<b>Previous quarter \$A'000</b>
5.1	Bank balances	37,589	46,234
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details) – Funds held in escrow for future settlement of acquisitions	-	-
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>37,589</b>	<b>46,234</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**

289

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7. Payments to related entities of the entity and their associates	Current quarter \$A'000
7.1 Aggregate amount of payments to these parties included in item 1.2	51
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	

8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	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.		

9. Estimated cash outflows for next quarter	\$A'000
9.1 Research and development	125
9.2 Product manufacturing and operating costs	5,778
9.3 Advertising and marketing	408
9.4 Leased assets	48
9.5 Staff costs	5,471
9.6 Administration and corporate costs	2,297
9.7 Other (provide details if material)	
Property, plant & equipment <sup>4</sup>	4,675
Intellectual property	970
<b>9.8 Total estimated cash outflows <sup>5</sup></b>	<b>19,772</b>

4. Includes \$1.7M for 100 Gbps network upgrade

5. Total estimated cash outflows represents gross outflows for the next quarter, and does not include estimated receipts from customers, interest received and proceeds from issue of shares from exercise of employee options

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<b>10. Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)</b>	<b>Acquisitions</b>	<b>Disposals</b>
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	-	-

**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:



(Director)

Date: 17 January 2019

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.