

ASX Release

12 February 2019

1HFY19 Results and Global Update

Megaport continues growth trajectory with solid 1HFY19 performance, including new and expanded data centre and network partnerships, while increasing reported revenue by 72% and Monthly Recurring Revenue 70%.

Megaport Limited (ASX:MP1) today reported its first half earnings to 31 December 2018 including a general market update.

Performance Highlights

1HFY19 Financial Highlights

- The Company's revenue for the half-year period ended 31 December 2018 was \$15.2M, an increase of 72% from the same period ended 31 December 2017.
- Total Monthly Recurring Revenue (MRR) for the month of December 2018 was \$2.7M, an increase of \$1.1M or 70% from the month of December 2017.
- The business generated a profit after direct network costs¹ of \$4.8M for the half-year period ended 31 December 2018, an increase of \$2.7M or 131% from the same period ended 31 December 2017 (\$2.1M).
- Net loss for the half-year period ended 31 December 2018 was \$16.6M.
- At 31 December 2018, the Company's cash position was \$38.1M.

Vincent English, Chief Executive Officer, Megaport Limited said: "Megaport had a solid performance during the first half of Fiscal Year 2019. During the period, we made significant investments in our sales and go-to-market engine while continuing to expand our footprint to new data centres and integrating with more cloud onramps. These recent investments are at the early stages of positively impacting revenue performance. In North America, revenue increased 80% in the first half of the year. In Europe, average services per customer increased by 20% as a result of increased adoption of cloud connectivity services. Asia Pacific drove consistent revenue growth with an expanded footprint and is EBITDA positive."

Key Performance Metrics

In December 2018, Megaport achieved 1,277 customers across 386 Enabled Data Centres in 82 cities. Of these data centres, 78 were located in Asia Pacific, 209 in North America, and 99 in Europe.

Megaport's North America region increased its MRR from \$0.55M, in June 2018, to \$1.0M in December 2018 representing an 80% uplift during the half-year. This achievement represents a major growth milestone for the Group with MRR in North America doubling in the eight months to December 2018.

¹ Direct network costs are comprised of 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.

The key metrics to the end of December 2018 are:

	December 2018	June 2018	Change
Installed Data Centres	245	221	+11%
Cloud Onramps	115	108	+6%
Customers	1,277	1,038	+23%
Ports	3,344	2,755	+21%
Services ²	8,735	6,567	+33%
Monthly Recurring Revenue	\$2.7M	\$2.0M	+37%

1H FY19 Operating Highlights

- Total Services increased from June 2018 to December 2018 by 2,168, or 33%.
- Average Revenue per Port increased to \$812 in December 2018 or 13% growth from June 2018.

Market Update

Megaport entered into several new strategic partnerships including: Cavern Technologies, DataBank, DataMSP, eStruxture, Linxdatacenter, OneAsia, Orixcom, Root, and STT GDC.

Since the launch of Megaport Cloud Router (MCR) in January of 2018, the company has 116 MCRs provisioned at 31 January 2019. MCR has been a strong driver of connectivity with MCR-enabled customers utilising an average of 10.9 services compared to other customers that utilise an average of 6.7 services.

Vincent English, Chief Executive Officer, Megaport Limited said: “We are very excited by the performance of Megaport Cloud Router. MCR-enabled customers use over 60% more services as a result of MCR’s capability to unlock use cases like cloud to cloud, hybrid cloud connectivity, and virtual points of presence. Combined with our industry-leading integrations with 115 cloud onramps, Megaport is driving further cloud adoption in the IT services space. 64% of the connections on Megaport’s Software Defined Network are to Cloud Service Providers.”

Executive Update

The Board of Directors is pleased to announce that Megaport has entered into an employment agreement with Mr Peter Hase, who will be appointed as Chief Commercial Officer (CCO) of the Company, effective 12 February 2019.

A summary of the key terms and conditions of Mr Hase’s CCO employment agreement are attached to this announcement. Mr Hase’s consultancy services agreement, under which Mr Hase has provided sales

² Services comprise of Ports, Virtual Cross Connections (VXCs), Megaport Cloud Router (MCR), and Internet Exchange (IX)

leadership and tactical assistance to the CEO since August 2018, will cease effective today. Mr Hase will continue as an Executive Director of the Board, but will step down from his role on the Audit and Risk Committee, effective immediately.

The Board of Directors is also pleased to announce that Mr Simon Moore, the current Chair of the Audit and Risk Committee, will be appointed as Lead Independent Director of the Company, effective 12 February 2019. It is envisaged that the role of Lead Independent Director will be to provide leadership to other independent directors and, in circumstances where there may be an actual or perceived conflict of interest, to act as chair of the Board.

The Board today announced the appointment of Jay Adelson (https://en.wikipedia.org/wiki/Jay_Adelson) as a Non-Executive Board Member, effective from 1 March 2019 (see ASX Announcement “Director Appointment”). Mr Adelson has over 25 years of experience in technology and internet businesses globally. Among his achievements was the founding of data centre company Equinix (NASDAQ: EQIX) in 1998 as well as the build and operations of the original Palo Alto Internet Exchange.

Conclusions and Outlook

Vincent English, Chief Executive Officer, Megaport Limited said: “With the addition of Peter Hase leading our commercial organisation, and Jay Adelson joining the Board and chairing our Innovation Committee, Megaport is well-positioned to capture the opportunity driven by the ever-growing demand for cloud connectivity. Megaport is on target to enable 300 Installed Data Centres by the end of Fiscal Year 2019. As our recent go-to-market investments continue to ramp up and contribute further to our revenue performance, we are excited about the strong momentum going into the second half of the year.”

More information can be found in the FY18 Half-Year Market Update lodged with the ASX on 12 February 2019.

Supporting Resources

- Visit Megaport: <https://megaport.com/>
- Follow Megaport on Twitter: [@megaportnetwork](https://twitter.com/megaportnetwork)
- Like Megaport on [Facebook](https://www.facebook.com/megaport)
- Follow Megaport on [LinkedIn](https://www.linkedin.com/company/megaport)

About Megaport

Megaport is the global leading provider of Elastic Interconnection services. Using Software Defined Networking (SDN), the Company’s global platform enables customers to rapidly connect their network to other services across the Megaport Network. Services can be directly controlled by customers via mobile devices, their computer, or our open API. Megaport connects over 1,275 customers in 386 enabled data centres globally. Megaport is an Alibaba Cloud Technology Partner, Oracle Cloud Partner, AWS Technology Partner, AWS Networking Competency Partner, Microsoft Azure ExpressRoute Partner, Google Cloud Interconnect Partner, IBM Direct Link Cloud Exchange provider, and Salesforce Express Connect Partner.

Megaport, Virtual Cross Connect, VXC, and MegaIX are registered trademarks of Megaport (Services)

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Summary of key terms of CCO Employment Agreement

Commencement date:	12 February 2019
Term:	Mr Hase's CCO employment agreement is 'at will,' which means it continues until either the Company or Mr Hase terminates the employment agreement.
Notice:	Megaport or Mr Hase may terminate the employment agreement by providing three months' written notice. Megaport may, at its own election, make payment in lieu of notice. Megaport may terminate Mr Hase's employment immediately without notice or payment in lieu of notice for serious misconduct or other specific circumstances warranting summary dismissal.
Base Salary:	Mr Hase will be paid a fixed salary of £234,000 per annum (plus pension contributions of 3%).
Performance Based Incentive:	Mr Hase is eligible to receive performance based incentives (PBI) in the form of an annual cash bonus, subject to achievement of certain key performance indicators, to be determined by the Company. Mr Hase's PBI opportunity is 30% of his Base Salary.
Option Grant:	Subject to shareholder approval, Mr Hase will be granted employee share options, on terms to be agreed within 30 days of the commencement of his employment.
Payments on Termination:	No severance benefits are payable if Mr Hase's employment is terminated for any reason.
Restraint:	Under the CCO employment agreement, Mr Hase is subject to certain restrictive covenants, including a 12 month non-compete restriction post-termination of his employment, and a 12 month non-solicitation restriction. The latter prevents Mr Hase from soliciting Megaport employees or persuading people who do business with Megaport to cease or reduce their business with Megaport during the period of the restraint. The enforceability of the restraint provisions contained in Mr Hase's employment agreement is subject to all usual legal requirements.
Other terms:	Mr Hase's CCO employment agreement otherwise contains standard terms and conditions for agreements of its nature, including confidentiality, retention of intellectual property and leave. Mr Hase's CCO employment agreement is governed by UK law.