

5 December 2019

Listings Compliance  
ASX Compliance Pty Ltd

### **Megaport Limited - Share Placement**

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Attached is a copy of an investor presentation titled "Share Placement" lodged by Megaport Limited ACN 607 301 959 (ASX: MP1) (**Megaport**).

The attached presentation is authorised by the Board of Megaport.

Yours faithfully



**Celia Pheasant**  
Company Secretary  
Megaport Limited



# Share Placement

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DECEMBER 5, 2019

*Not for release to US wire services or distribution in the United States*

# Important information

This presentation has been prepared by Megaport Limited (ACN 607 301 959) (**Megaport or Company**) in connection with an institutional placement of new fully paid ordinary shares in Megaport (**Placement**). The Placement is fully underwritten by Royal Bank of Canada (trading as RBC Capital Markets) (ABN 86 076 940 880) and UBS AG, Australia Branch (ABN 47 088 129 613) (together, the **Joint Lead Managers**).

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## Limited disclosure

This presentation contains summary information about Megaport and its activities which is current at the date of this presentation. The information contained in this presentation is of a general nature. This presentation does not purport to contain all the information that a prospective investor may require in evaluating an investment in Megaport, nor does it contain all the information which would be required to be included in a disclosure document prepared in accordance with the requirements of the *Corporations Act 2001* (Cth) (**Corporations Act**). This presentation will not be lodged with the Australian Securities and Investments Commission. This presentation should not be used in isolation as a basis to invest in Megaport. It should be read in conjunction with Megaport's other periodic and continuous disclosure announcements lodged with the Australian Securities Exchange, which are available at [www.asx.com.au](http://www.asx.com.au).

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The information in this presentation is not an offer or recommendation to purchase or subscribe for securities in Megaport, or to retain or sell any existing securities in Megaport that are currently held.

## Forward-looking statements

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# Important information (cont'd)

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- meets the investment activity criteria specified in clause 38 of Schedule 1 of the FMC Act;
- is large within the meaning of clause 39 of Schedule 1 of the FMC Act;
- is a government agency within the meaning of clause 40 of Schedule 1 of the FMC Act; or
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# Important information (cont'd)

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The Joint Lead Managers and other Limited Parties may have interests in shares in Megaport, including by being directors of, or providing investment banking services to, Megaport. Further, they may act as market maker or buy or sell those shares in Megaport or associated derivatives as principal or agent. Such persons may receive fees for acting in their capacities as lead managers and/or bookrunners, as applicable.

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# Investment Opportunity

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# The Opportunity

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MegaPort is a **leading global Interconnection Platform** that:

- Enables Network-as-a-Service: on-demand, elastic, self-serve interconnection aligned to cloud consumption models
- Simplifies real-world networking problems and unlocks next generation IT use cases like Cloud-to-Cloud and Hyperconverged
- Directly, rapidly interconnects digital supply chains from Digital Media and Finance to Government and Energy
- Drives interconnection capabilities further to the network edge, closer to the enterprise and into more markets
- Extends the reach of Cloud services to underserved locations with over 141 cloud onramps globally including AWS, Microsoft Azure, IBM Cloud, Oracle Cloud, Google Cloud, Alibaba Cloud, Nutanix, and Salesforce
- Empowers over 535 enabled data centres with an Ecosystem of over 350 service providers in over 100 markets in 21 countries

# Capital Raising - Accelerating Growth

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Consolidating and accelerating first mover advantage:

- **Accelerate expansion of markets** within North America, Europe and Asia Pacific as well as new markets such as recently announced Japan. Growing from 21 countries to 30 over the next 18 months
- **Accelerate revenue and market share** through alignment of staff and program resourcing to overall market opportunity in which cloud adoption and direct interconnection models continue to increase exponentially
- **Accelerate innovation** in the product suite to enable more services, and deepen end-to-end integration with providers to drive enhanced customer experience. The Megaport interconnection platform enables seamless, automated flow of data between locations, services, supply chains, and customers.
- **Fund capital expenditure** to accelerate expansion of Megaport Interconnection Platform including MCR into more locations and more markets globally
- **Fund operating costs** until the business reaches EBITDA breakeven through an accelerated expansion model



# Placement Details

## Placement Details

Fully underwritten institutional placement to raise approximately \$62 million via the issue of 7.1 million fully paid ordinary shares (**Placement**).

Issue price of \$8.70 per share, represents a 4.8% discount to the closing price on 4 December 2019 of \$9.14 per share, being the last trading day before Megaport announced the Placement.

The Placement is within Megaport's existing placement capacity under ASX Listing Rule 7.1.

## Indicative Timetable <sup>1</sup>

2019

Trading Halt and Announcement of Placement	Thursday 5 December
Trading Halt Lifted	Friday 6 December
Settlement of Placement Shares	Tuesday 10 December
Allotment, quotation and trading of Placement Shares	Wednesday 11 December

1. Note the above dates are equivalent to Sydney, Australia time. The above timetable is indicative only and may change without notice.

# Use of Proceeds

Source of funds	A\$ (million)	US\$ <sup>1</sup> (million)
Cash on hand	\$66	\$45
Placement proceeds (net of fees)	\$60	\$41
<b>TOTAL</b>	<b>\$126</b>	<b>\$86</b>
<b>Use of Funds</b>		
<b>Capital Expenditure to 30-Jun-22</b>		
New locations, new markets & capacity upgrades	\$22	\$15
Innovation & internal development of new technology	\$21	\$14
Other capex	\$11	\$7
<b>Total Capital Expenditure</b>	<b>\$54</b>	<b>\$36</b>
Accelerate revenue growth	\$12	\$8
Funding for Operating Costs and Working Capital <sup>2</sup>	\$60	\$41
<b>TOTAL</b>	<b>\$126</b>	<b>\$86</b>

Cash position at  
31 October 2019

**\$65.6M**

~US\$44.5M

Placement <sup>2</sup>

**~\$62M**

~US\$42M

1. Assumes A\$1.00 = US\$0.68. Numbers converted into USD may not add due to rounding

2. Surplus cash will be applied to Working Capital

# Outlook

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- Megaport's investment in its sales, growing data centre footprint and integration with more cloud onramps position the business for growth.
- Further investment into technology, like Megaport Cloud Router, provide an opportunity to build on the strong momentum to further leverage the Megaport platform in key markets and drive increased adoption of cloud connectivity services.
- Add additional services on the Megaport Interconnection Platform driven by customer demand and further investment in innovation and development
- Continued investment and focus on various channels to support increased sales activities
- Accelerated expansion with data centre and network partners to extend reach and expand Megaport's target addressable market while continuing to capitalise on its first mover advantage.
- Drive customer growth by supporting acceleration of digital transformation of supply chains and value chains through interconnection of key services and locations.
- Expansion of neutral interconnection capabilities to existing, new, and underserved markets to support the current and next generation of data consumption models.

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# Key Risks

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# Key Risks

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These risks are a summary of the key risks to Megaport, and are not an exhaustive list of all possible risks faced by Megaport. Shareholders could consult their stockbroker, solicitor, accountant or other professional adviser to evaluate whether or not to participate in the Placement.

## Breach of information security

Megaport is exposed to the risk of a material breach of information security that could result in reputational damage, lost customers and revenue, fines, other sanctions that could materially adversely affect Megaport's future financial performance and financial position and require the business to incur additional compliance costs.

An example would include unauthorised access to Megaport's systems, processes and/or infrastructure that compromises the accuracy and availability of production and/or customer data and systems or disclosure of confidential information. This could result in loss of control (integrity) or availability of Megaport's network service (product) or supporting infrastructure/systems, or inadvertent disclosure of sensitive or personally identifiable information.

## Funding and capital

Whilst Megaport's business is not capital intensive in nature, the continued growth of the Company relies on the development of new markets, new locations, customer acquisition, sale of ports and additional services to existing and new customers, and customer retention. Megaport may require continued access to capital if these do not occur, or if they occur more slowly than anticipated. Failure to obtain capital on favourable terms may hinder Megaport's ability to expand and pursue growth opportunities, which may reduce its competitiveness and have an adverse effect on the financial performance, position and growth prospects of the Company.

Megaport's continued ability to implement its business plans effectively over time may depend in part on its ability to raise future funding. There is no assurance that additional funding will be available in the future, and/or be secured on reasonable commercial terms. If adequate funds are not available or not available on reasonable commercial terms in the future, then Megaport may not be able to take advantage of opportunities, develop new ideas or otherwise respond to competitive pressures.

## Competitive landscape and action of others

Megaport operates in a competitive landscape alongside a number of other service providers with competing technologies, network reach and capabilities, product and service offerings, and geographic presence.

Megaport currently enjoys early mover advantage in many of its deployed markets. However, Megaport may face increased competition from new entrants to the network-as-a-service and elastic interconnection markets who may have significant advantages including greater name recognition, longer operating history, existing market presence in similar or adjacent markets, lower operating costs, pre-existing relationships with current or potential customers, an ability to bundle with existing products and services, and greater financial, marketing and other resources. This could include increased competition from the software defined networking (SDN) solutions for enterprise customers being rolled out by data centre operators (e.g. Equinix's Cloud Exchange, NextDC's AXON and CoreSite's Open Cloud), from telecommunications service providers (e.g. Zayo CloudLink) or the development of a direct connect solution by the Cloud Service Providers that reduces demand for Megaport's services.

Megaport is seeking to disrupt the conventional telecommunications service provider model by offering customers fast, flexible and secure connectivity to the cloud using a pricing model aligned to how customers are acquiring cloud today. This includes incumbent telco operators as well as competitive carriers. Many of the telecommunications service providers and data centre operators (DCOs) have developed or are developing their own SDN solutions.

In addition, Megaport also competes with a small number of competitors that are utilising SDNs to offer similar cloud connection services.

If competitor product and service offerings are perceived to be superior to Megaport's, or competitors are able to offer better value or more flexible or efficient connection than Megaport, Megaport may lose existing or potential new customers, incur additional costs to improve its services, or be forced to reduce prices. Megaport may also find that it is unable to gain access to or continue accessing key data centres (or to do so on commercial terms), or secure capacity from infrastructure providers to connect its network (or to do so on commercial terms).

# Key Risks

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## **Protection of intellectual property**

Megaport's ability to leverage the value of network-as-a-service and SDN technology depends on its ability to secure ownership of and protect its intellectual property including any improvements to existing intellectual property. The intellectual property may not be capable of being legally protected or Megaport may incur substantial costs in asserting or defending its intellectual property rights. Megaport's intellectual property may also be lost, stolen or compromised as a result of an unauthorised electronic security breach.

## **Reputational damage**

The reputation of Megaport could be adversely impacted by a number of factors including failure to provide customers with the quality of service they expect, significant network issues, a significant privacy or information security breach, disputes or litigation with third parties such as customers, employees, or suppliers or adverse media coverage. Such a significant reputational event would likely have an adverse effect on Megaport (e.g. on the existing customer base and revenues, ability to sign up new customers, ability to secure reasonable credit terms, etc.) and its future financial performance and position.

## **Ability to attract and retain employees**

Megaport depends on the skills and experience of its staff and employees. With a relatively small number of employees for a global company, it is essential that appropriately skilled staff be available in sufficient numbers to support the Company's business. Megaport requires staff to have a variety of skills and expertise, some of which may be considered niche specialties in which there are limited practitioners available for recruitment. While the Company has initiatives to mitigate this risk, the loss of staff in key positions may have a negative impact on Megaport. The loss of key staff to a competitor may amplify this impact.

Megaport's ability to meet these needs while controlling costs associated with hiring and training new employees is subject to external factors such as unemployment rates, prevailing wage legislation and changing demographics in its operating markets as well as other factors such as Megaport's brand and reputation as an employer. Changes that adversely impact Megaport's ability to attract and retain quality employees could materially adversely affect Megaport's future financial performance and position.

## **Short operating record**

Megaport was established in 2013 and has a relatively short operational track record. As a result, the execution of Megaport's business plan may take longer to achieve than planned, and the costs of doing so may be higher than budgeted.

Megaport's business plan requires upfront capital investment, and there can be no assurance that future operational objectives (e.g. global network roll-out, accelerated revenue growth, and continued technological innovation) will be achieved. Failure to achieve operational objectives may also have a material adverse impact on the financial performance and/or position of the Company. Accordingly, the Company may need to raise additional capital, or raise capital sooner than expected, and with fewer operational objectives achieved, which may have an adverse effect on the Company's share price.

## **Doing business outside of Australia**

Megaport currently has operations in numerous countries, and has plans to expand to more countries over the next 12 to 18 months. Accordingly, Megaport is exposed to a range of multi-jurisdictional risks such as risks relating to licensing requirements, labour practices, environmental matters, difficulty in enforcing contracts, changes to or uncertainty in the relevant legal and regulatory regime (including in relation to taxation and foreign investment and practices of government and regulatory authorities) and other issues in foreign jurisdictions in which Megaport operates. Businesses that operate across multiple jurisdictions, such as Megaport, face additional complexities from the unique business requirements in each jurisdiction.

# Key Risks

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## **Interruptions to operations, including infrastructure, and technology failure**

Megaport could be exposed to short-, medium- or long-term interruptions to its operations as it relies on infrastructure and technology to provide its services. Megaport may be unable deliver a service as a result of numerous factors, including:

- human error;
- power loss;
- improper maintenance by entities not related to Megaport;
- physical or electronic security breaches;
- fire, earthquake, hurricane, flood and other natural disasters;
- water damage;
- intentional damage to the networks from vandalism;
- accidental damage to the networks from civil works;
- war, terrorism and any related conflicts or similar events worldwide; and
- sabotage and vandalism.

## **Exchange rate movements**

Megaport's global operations, sales in an expanding list of countries and markets, purchases of network equipment from overseas suppliers, and provision of services in international jurisdictions means that it is exposed to potentially adverse movements in exchange rates. This means that exchange rate movements, particularly the A\$/US\$ and A\$/EUR, may have an adverse impact on Megaport's financial performance and position.

## **Counterparty obligations**

Megaport relies on third parties, such as customers, suppliers, landlords, contractors, financial institutions, intellectual property licensors, technology alliance partners, resellers (strategic partners), joint venture partners and other counterparties to operate its business. Megaport is exposed to counterparty risks in respect of its relationships with each of these parties. Whilst the Group seeks to deal with reputable and highly creditworthy counterparties where possible, this may fail to mitigate the risk of damage to Megaport's business, financial performance and position or reputation from its relationship with one or more of these counterparties.

Where contracts are in place, some third parties may not be willing or able to perform their obligations to Megaport. Periods of economic uncertainty increase the risk of defaults by counterparties. If one or more key counterparties default on their obligations to Megaport or encounter financial difficulties, this would have an adverse effect on Megaport's future financial performance and position.

Even where counterparties perform their contractual obligations, the relevant agreements may have insufficient protections for Megaport.

## **Reliance on renewal of key contracts**

There is a risk that Megaport is unable to negotiate / re-negotiate / extend key contracts due to expire in the next 12 to 24 months. Megaport has some DCO co-location leases which are due for renewal in the next 12 months. This is normal practice as some contracts are less than 3 years and others are greater than 3 years. Each DCO has different terms and conditions in each jurisdiction, and almost all data centres operate a "carrier neutral" policy.

## **Loss of revenue due to churn**

Megaport's business model is to offer flexible connectivity arrangements without a requirement for customers to sign up to long (or medium) term contracts, which could see customers decommission services in large numbers at short notice or disconnect altogether without penalty. This is a particular risk should Megaport suffer a material increase in network outages or impact to its reputation raising doubt about its reliability as a service provider.

# Key Risks

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## Regulatory compliance

Megaport is required to comply with the laws governing telecommunications and related sectors in each jurisdiction in which it operates, which may require Megaport to hold certain licences or submit a notification to the relevant regulator.

Megaport must comply with a complex range of laws and regulations across each jurisdiction in which it operates. Regulatory areas which are of particular significance to Megaport include laws governing telecommunications and related sectors, information security, data protection, privacy, employment, occupational health and safety, property and environmental, customs and international trade, competition and taxation. These regulations also give rise to significant compliance requirements and costs for Megaport.

Non-compliance with laws, licensing requirements and regulations, changes in the interpretation of laws and current regulations, loss or failure to secure renewal of a licence or accreditation, or the introduction of new laws or regulations may lead to fines imposed on Megaport by the relevant regulatory authority or Governmental body, revocation of permits or licences, or damage to Megaport's reputation and may have a material adverse effect on Megaport's costs, business model and competitive environment and therefore could materially adversely affect Megaport's future financial performance and position.

## Investment risks

Factors affecting the price at which Megaport shares are traded on ASX could include domestic and international economic conditions. General movements in local and international stock markets, exchange rates, prevailing economic conditions, investor sentiment and interest rates could all affect the market price of Megaport's securities. These risks apply generally to any investment on the stock market. In addition, the prices of a listed entity's securities are affected by factors that might be unrelated to its operating performance, such as general market sentiment.

## Macroeconomic risks

Megaport's operational and financial performance is affected by the Australian and other international economies. General and business conditions, inflation, interest rates, monetary and fiscal policy and political circumstances are all matters which may affect Megaport's operating and financial performance. Megaport operates in foreign jurisdictions and as a result, fluctuations in applicable exchange rates could also have an impact on the financial position and performance of Megaport.

## Taxation and accounting risks

Tax and accounting laws and other regulations are complex and subject to regular change. A change to the Australian Accounting Standards or the current taxation regime in Australia or in overseas jurisdictions in which Megaport operates may affect Megaport and its shareholders.

## Bribery, corruption, and other improper acts

Megaport may incur fines or penalties, damage to its reputation or suffer other adverse consequences if its directors, officers, employees, consultants, agents, service providers or business partners violate, or are alleged to have violated, anti-bribery and corruption laws in any of the jurisdictions in which it operates. Megaport cannot guarantee that its internal policies and controls will be effective in each case to ensure that this does not occur.



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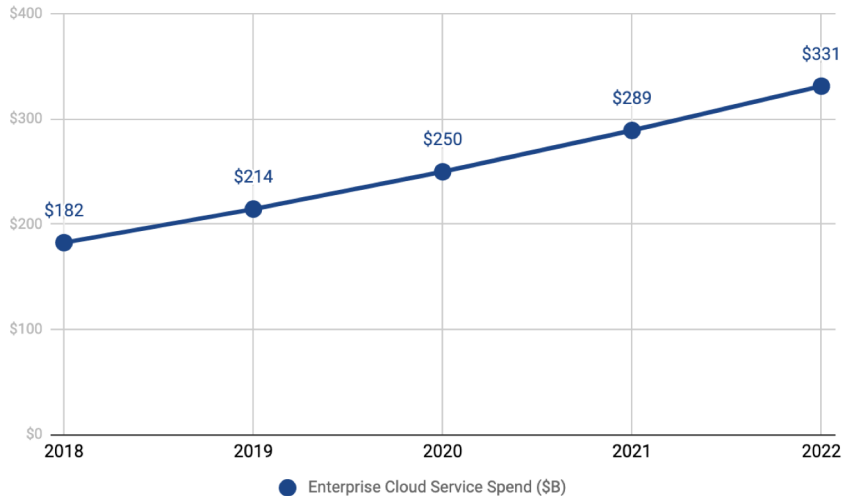
# Appendix

## About Megaport



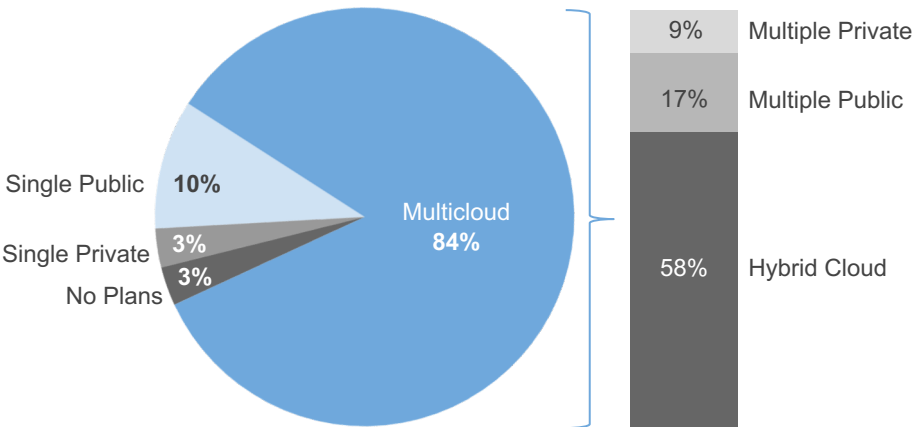
# Industry Growth Trends

Enterprise Cloud Service Spend (\$B)



Total of: BPaaS, PaaS, SaaS, Cloud Management & Security Services, Source: Gartner, 2019

Enterprise Cloud Strategy  
1000+ Employees



Source: RightScale 2019 State of the Cloud Report



Megaport customers accessing multicloud increased 100% in FY19

# Who is Megaport?

Pay for what you use



Ease of use



Secure and on-demand



Leading service providers

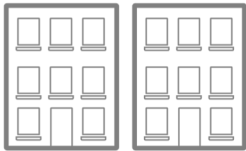


Google Cloud



## Who we connect

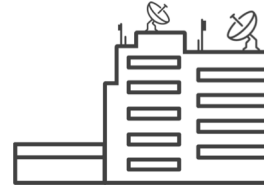
Enterprises



Cloud service providers



Data centre operators



Network service providers



# The Leader in Network as a Service (NaaS)



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

# Connectivity Ecosystem



1,584+ Customers



90 Unique Data Centre Operators



Megaport's Unique Value Proposition



346+ Service Providers

**AON**

**inMOBI**

*News Corp*

**gettyimages**

**Breville**



**DIGITAL REALTY**



**DigiPlex**



Scalable and on demand



Multicloud connectivity



Private and Secure



Flexible Terms



Google Cloud



**IBM Cloud**



Alibaba Cloud

SHARE PLACEMENT

# Appendix

## FY19 Financial Performance



# Financial Results

## Consolidated Profit & Loss

	FY19 \$'000	FY18 \$'000
<b>Revenue</b>	<b>35,065</b>	<b>19,753</b>
Direct network costs <sup>1</sup>	(23,117)	(15,264)
<b>Profit after direct network costs <sup>1</sup></b>	<b>11,948</b>	<b>4,489</b>
Operating Expenses (OPEX)	(36,643)	(26,633)
<b>Normalised EBITDA <sup>2</sup></b>	<b>(24,695)</b>	<b>(22,144)</b>
Depreciation and amortisation expense	(9,051)	(4,936)
Equity-settled employee costs	(4,966)	(934)
Foreign exchange gains	4,263	2,443
Non-operating income <sup>3</sup>	894	245
Tax (expense)/benefit	(9)	863
<b>Net loss for the year</b>	<b>(33,564)</b>	<b>(24,463)</b>

## Financial Results

For year ended 30 June 2019

**Revenue** \$35.1M up 78%

**Profit** after direct network costs <sup>1</sup> of \$11.9M improved by \$7.5M

**Profit %** after direct network costs <sup>1</sup> of 34% improved from 23% in FY18

**Normalised EBITDA** loss of \$24.7M, 70% of revenue (FY18: 112% of revenue)

1. Direct network costs comprise 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. Normalised Earnings Before Interest Tax Depreciation and Amortisation (Normalised EBITDA) represents operating results excluding equity-settled employee costs, foreign exchange gains and loss on disposal of property, plant and equipment. Including these amounts, EBITDA would be (\$25,406) in FY19 and (\$20,662) in FY18

3. Represents interest income offset by finance costs and loss on disposal of property, plant and equipment

# Operating Costs

	FY19 \$'000	FY18 \$'000
Direct network costs	23,117	15,264
<b>Profit after direct network costs <sup>1</sup></b>	<b>11,948</b>	<b>4,489</b>
Employee costs <sup>2</sup>	26,031	19,597
Professional fees <sup>3</sup>	3,179	2,160
Marketing costs	1,653	859
Travel costs	2,417	1,461
General and administrative costs	3,363	2,556
<b>Total OPEX</b>	<b>36,643</b>	<b>26,633</b>

## Financial Results

For year ended 30 June 2019

**Average direct network cost <sup>1</sup>** per data centre per month is \$7.4K in FY19 (up 3% compared to FY18 after excluding 100G network costs)

**Employee costs <sup>2</sup>** increased due to investment in headcount to support business growth

**Travel costs** increased with business development opportunities in NAM

**Other OPEX** increased in line with business growth and entering new markets

1. Direct network costs comprise 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. Excludes equity-settled employee costs

3. Excludes business acquisition costs



# Financial Position

Consolidated Financial Position	30 June 2019 \$'000	30 June 2018 \$'000
Current assets	85,134	61,355
Non-current assets	41,811	30,802
<b>Total assets</b>	<b>126,945</b>	<b>92,157</b>
Current liabilities	(14,236)	(11,703)
Non-current liabilities	(2,119)	(250)
<b>Total liabilities</b>	<b>(16,355)</b>	<b>(11,953)</b>
<b>Equity</b>	<b>110,590</b>	<b>80,204</b>

Cash position	30 June 2019 \$'000	30 June 2018 \$'000
<b>Cash at end of the year</b>	<b>74,879</b>	<b>56,270</b>

## Financial Results

For year ended 30 June 2019

**\$60M in equity raised** in 2H FY19

Capital invested in deploying to new data centres globally, network expansion, and software and product development

**Cash at 30 June 2019 was \$74.9M**

# Important Information

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## MegaPort Limited ACN 607 301 959

Nothing in this presentation should be construed as either an offer to sell or a solicitation of an offer to buy or sell MegaPort securities in any jurisdiction. No representation or warranty, expressed or implied, is made as to the accuracy, completeness or thoroughness of the information, whether as to the past or future. Recipients of the document must make their own independent investigations, consideration and evaluation. The information contained in this presentation is subject to change without notification.

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All references to "\$" are to Australian currency (AUD) unless otherwise noted.

Direct network costs: 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.

Normalised Earnings Before Interest Tax Depreciation and Amortisation (Normalised EBITDA) represents operating results excluding equity-settled employee benefits, foreign exchange gains/(losses) and non-operating expenses.

# Thank you

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ASX: MP1

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