



Appendix 4C

Quarterly cash flow report for entities subject to Listing Rule 4.7B

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23 July 2020

June 2020 Quarter Cash Flow Report and Performance Highlights

Megaport Limited (ASX: MP1) has today released the June 2020 quarter Appendix 4C.

4Q FY20 Performance Highlights

- Revenue for the period was \$17.0M, an increase of 12% QoQ and 66% YoY.
- Total MRR for the month of June 2020 was \$5.7M, an increase of \$0.3M, or 4% QoQ and 57% YoY.
- Total Installed Data Centres was 366 at the end of the quarter, an increase of 37, or 11% QoQ and 22% YoY.
- Total Enabled Data Centres was 669 at the end of the quarter, an increase of 68, or 11% QoQ and 27% YoY.
- Customers increased by 4% QoQ and 24% YoY to a total of 1,842.
- Total Ports increased in the quarter to 5,767, or 7% QoQ and 42% YoY.
- Total MCR increased in the quarter to 307, or 15% QoQ and 75% YoY.
- Total Services increased in the quarter to 16,712, or 8% QoQ and 45% YoY, of which VXC's increased in the quarter to 9,248, or 8% QoQ and 53% YoY.
- Average Revenue per Port in June 2020 decreased 3% QoQ to \$980, and increased 10% YoY.
- At the end of June 2020, the Company's cash position was \$166.9M.

Please refer to the Global Update lodged with ASX on 23 July 2020 for a more detailed business update.

4Q FY20 Cash Flow Commentary

Operating Activities

Receipts from customers were \$20.0M (previous quarter: \$13.9M), an increase of \$6.1M or 44% QoQ (revenue growth 12% QoQ), reflecting an increase in customer cash collections and an improvement in Days Sales Outstanding from 54 to 43 compared to the previous quarter.

Product manufacturing and operating costs comprise costs for 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 service revenue. Network operating cash outflows were \$7.9M (previous quarter: \$7.5M), an increase of \$0.5M. Network related cash outflows for the quarter were up \$0.2M reflecting the additional 37 locations deployed in the quarter and full impact of the 12 locations added in the previous quarter. The quarter includes a reclassification of \$0.6M from section 1.2(f) administration and corporate costs relating to hosting costs.

Advertising and marketing spend is \$463K (Previous quarter: \$748K), a reduction of \$285K reflecting a reduction in conference and related travel expenditure.

Payments for leased assets increased by \$0.6M to \$1.6M due to a reclassification to section 1.2(b) in the previous quarter and additional lease contracts entered in the quarter. Interest and other costs of finance \$0.4M paid in the quarter is in line with the previous quarter. The total \$1.9M represents the principal and interest cash outflows related to the contracts that are classified as "leases" under AASB 16 Leases.

Staff costs were \$9.5M (Previous quarter: \$9.6M), steady QoQ.

Administration and corporate cost cash outflows were \$2.1M for the quarter (previous quarter: \$4.6M), a decrease of \$2.5M. The decrease in cash outflows is due to a reduction in travel expenditure due to COVID-19 travel restrictions, significant prepayments in the previous quarter for insurance, software and license fees \$1.3M and a \$0.4M reduction in tax and recruitment fees.

Investing Activities

Capital expenditure was \$10.2M (previous quarter: \$5.4M), which includes \$1.5M relating to the 37 new sites deployed in the quarter, \$1.0M for 26 sites to be deployed in Q1 FY21, \$2.3M for core and capacity upgrades of existing sites, and \$2.1M to replace equipment nearing the end of its useful life. In addition, the Company deployed equipment to enable 100G customer ports in 18 metros, and incurred additional investment to support network expansion to new locations. \$4.8M of capital expenditure was financed through the vendor financing facility, outlined in Section 3.5 below.

Investment in intellectual property was \$1.6M (previous quarter: \$1.1M), an increase of \$0.5M reflecting continued investment in software development and product innovation.

Financing Activities

Proceeds from issues of equity securities of \$72.5M in the quarter represent the completion of a \$50M fully underwritten placement to institutional, experienced, sophisticated, and professional investors, as well as a \$22.5M Share Purchase Plan for existing shareholders.

Proceeds from exercise of options of \$1.1M represent the exercise of share options by employees.

Proceeds from borrowings of \$4.8M represent the drawdown under the vendor financing facility (refer to item 7 below for more details). The \$12 million vendor financing facility was fully drawn as at 30 June 2020.

Repayments on borrowings was \$0.8M (previous quarter: \$0.5M), reflecting the instalment payments of the amount drawn under the vendor financing facility (refer to Item 7 below for more details).

Cash Position

Cash and bank balances at the end of the quarter were \$166.9M.

Appendix 4C
Quarterly cash flow report for entities subject to Listing Rule 4.7B

Name of entity

Megaport Limited

ABN

46 607 301 959

Quarter ended ("current quarter")

30 June 2020

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	20,014	59,203
1.2 Payments for		
(a) research and development	(130)	(538)
(b) product manufacturing and operating costs	(7,943)	(29,261)
(c) advertising and marketing	(463)	(2,199)
(d) leased assets	(1,551)	(4,773)
(e) staff costs	(9,493)	(34,917)
(f) administration and corporate costs	(2,143)	(11,735)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	85	1,345
1.5 Interest and other costs of finance paid	(392)	(1,232)
1.6 Income taxes received/(paid)	(16)	109
1.7 Government grants and tax incentives	-	612
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(2,032)	(23,386)

Appendix 4C
Quarterly cash flow report for entities subject to Listing Rule 4.7B

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
2.	Cash flows from investing activities		
2.1	Payments to acquire:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	(10,232)	(24,723)
	(d) investments	-	-
	(e) intellectual property	(1,584)	(4,603)
	(f) other non-current assets	-	-
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	5
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	(11,816)	(29,321)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	72,495	134,266
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	1,124	10,557
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(2,150)	(4,232)
3.5	Proceeds from borrowings	4,779	9,243
3.6	Repayment of borrowings	(777)	(2,227)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-

Appendix 4C**Quarterly cash flow report for entities subject to Listing Rule 4.7B**

3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	75,471	147,607

Appendix 4C
Quarterly cash flow report for entities subject to Listing Rule 4.7B

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	108,699	74,879
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(2,032)	(23,386)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(11,816)	(29,321)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	75,471	147,607
4.5	Effect of movement in exchange rates on cash held	(3,445)	(2,902)
4.6	Cash and cash equivalents at end of period	166,877	166,877

5.	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	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	166,877	108,699
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	166,877	108,699

6. Payments to to related parties of the entity and their associates

- 6.1 Aggregate amount of payments to related parties and their associates included in item 1
- 6.2 Aggregate amount of payments to related parties and their associates included in item 2

Current quarter \$A'000
618
-

The amounts included in item 6.1 relates to the remuneration of directors and their associates, and the shared services and network operating services provided by the companies controlled by the Chairman.

Appendix 4C
Quarterly cash flow report for entities subject to Listing Rule 4.7B

7. Financing facilities available

Note: the term "facility" includes all forms of financing arrangements available to the entity.

Add notes as necessary for an understanding of the sources of finance available to the entity

7.1 Loan facilities

7.2 Credit standby arrangements

7.3 Other (vendor financing facility)

7.4 Total financing facilities

Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
-	-
-	-
12,000	12,000
12,000	12,000

7.5 Unused financing facilities available at quarter end

-

7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.

The Group has a \$12.0M vendor financing facility to fund the purchase of network equipment and payment of software licenses. The facility is governed by an Instalment Purchase Agreement. The facility does not carry interest and is repayable via equal instalments over 36 months from the drawdown date. The loan is secured by a bank guarantee charged over \$5.7M in cash and cash equivalents. The vendor financing facility was fully drawn at the reporting date (Previous quarter: \$7.4M), and \$0.8M was repaid in the quarter (Previous quarter: \$0.5M).

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (Item 1.9)	(2,032)
8.2 Cash and cash equivalents at quarter end (Item 4.6)	166,877
8.3 Unused finance facilities available at quarter end (Item 7.5)	-
8.4 Total available funding (Item 8.2 + Item 8.3)	166,877
8.5 Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	82

Appendix 4C

Quarterly cash flow report for entities subject to Listing Rule 4.7B

8.6 If Item 8.5 is less than 2 quarters, please provide answers to the following questions:

1. Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

Answer:

2. Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer:

3. Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer:

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.

Date: 23 July 2020

Authorised by the Board.

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow 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 cash flow 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.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can

Appendix 4C

Quarterly cash flow report for entities subject to Listing Rule 4.7B

insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".

5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.