



Appendix 4C and Quarterly Activities Report

Quarterly report for entities subject to Listing Rules 4.7B and 4.7C

21 April 2022

March 2022 Quarterly activities report

MegaPort Limited (ASX: MP1) has today released the March 2022 quarter Appendix 4C and Quarterly activities report.

In 3Q FY22, MegaPort drove strong underlying Monthly Recurring Revenue (MRR) growth, up \$0.6M and 6% QoQ. Foreign exchange headwinds from a strengthening Australian dollar resulted in reported MRR growth of \$0.3M, 3%, to \$9.5M in March 2022. Total revenue for the quarter was \$27.9M, up 5% compared to 2Q FY22. Annualised recurring revenue at 31 March 2022 was \$114M.

During the quarter ended 31 March 2022, MegaPort sold 1,577 new services, up 6% QoQ for total services of 25,936. Average number of services per port of 2.88 is a record high and indicates increasing usage of our network by customers driven by value added services from MegaPort Cloud Router (MCR) and MegaPort Virtual Edge (MVE) making it easier for customers to enable multi-cloud and cloud-to-cloud IT architectures on the MegaPort platform.

The company sold 19 MVEs, increasing 48% QoQ for a total of 59 sold MVEs with initial sales through Cisco's Global Price List and the indirect sales channel closing in the quarter. On 31 March MVE hosted active SD-WAN services for all five MegaPort SD-WAN technology partners.

Performance Highlights

3Q FY22 highlights:

- MRR for the month of March 2022 was \$9.5M, an increase of \$0.3M, or 3% QoQ.
- Revenue for the quarter was \$27.9M, an increase of \$1.4M or 5% QoQ.
- Customers at the end of the quarter were 2,541, an increase of 86, or 4% QoQ.
- Total Ports at the end of the quarter were 9,012, an increase of 489, or 6% QoQ.
- Total VXC's at the end of the quarter were 14,706, an increase of 993, or 7% QoQ.
- Total MCR's at the end of the quarter were 670, an increase of 67, or 11% QoQ.
- Total MVE's at the end of the quarter were 59, an increase of 19, or 48% QoQ.
- Total Services¹ at the end of the quarter were 25,936, an increase of 1,577, or 6% QoQ.
- Average Revenue per Port in March 2022 was \$1,049, a decrease of \$25, or 2.3% QoQ.
- At the end of March 2022, the Company's cash position was \$88.8M.

3Q FY22 saw continued growth in MRR, up \$299K and 3% QoQ, to \$9.5M in March 2022, a result heavily impacted by foreign exchange from the strengthening of the Australian dollar. Underlying MRR² grew \$585k for the quarter, an increase of 13% over the growth achieved in 2Q. Strong Customer growth continued in the quarter with the Company exceeding 2,500

¹ Total Services comprise Ports, Virtual Cross Connections (VXC's), MegaPort Cloud Router (MCR), MegaPort Virtual Edge (MVE) and Internet Exchange (IX).

² Underlying Growth in MRR is the QoQ growth in MRR excluding the estimated impact of FX movements.
ASX Listing Rules Appendix 4C (17/07/20) + See chapter 19 of the ASX Listing Rules for defined terms.

Quarterly activities report

customers. Of contracts closed in the quarter, 46% were on terms of 12 months or greater, indicating continued reliance on Megaport's services as an integral part of IT architectures.

Megaport Cloud Router drove increased multicloud connectivity on Megaport's platform and grew with 67 MCRs sold in the quarter, an increase of 11% over 31 December. At quarter end, 14% of Megaport's customers had adopted MCR and 37% of customers connected to more than one cloud providers.

Product Updates

On 14 April 2022, the Company launched its full suite of products and services in Mexico, the 2nd largest IT spending market in Latin America and the 25th country enabled on Megaport's global platform.

Megaport's partnership with Kio Networks supports the initial launch of two core metros, Mexico City and Queretaro, with support for on-demand connectivity to the leading cloud service providers. Alejandro Rios Huerta, Chief Technology Officer of KIO Networks, commented, "KIO Networks is delighted to offer our customers a fast and easy way to connect on-demand to cloud services inside our data centres in Mexico. Megaport's leading global Network as a Service platform gives our customers the network agility, flexibility, and scalability they need to optimize their hybrid cloud and/or multicloud strategies."

The Company launched Megaport ONE in January 2022, a white-label, multi-tenant SaaS platform for data centre, managed service, and network service providers, to orchestrate, network, and enable connectivity and cloud services. Megaport ONE is the culmination of integrating services from the acquisition of InnovoEdge in August 2021. After completing the full integration of InnovoEdge services and the alignment of InnovoEdge's talent base into Megaport's innovation and product groups, the company also announced the appointment of Jim Brinksma as Chief Technology Officer on 9 March 2022. Mr. Brinksma was an InnovoEdge co-founder and CTO.

Please refer to the 3Q FY22 Global Update lodged with ASX on 21 April 2022 for a more detailed business update.

3Q FY22 Cash Flow Commentary

Operating Activities

Receipts from customers were \$29.0M (previous quarter: \$28.7M), an increase of \$0.3M or 1% QoQ. DSO remained stable QoQ at 23 days.

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 directly relate to generating service revenue. Network operating cash outflows were \$12.4M (previous quarter: \$10.3M), an increase of \$2.1M, or 21% QoQ. Product manufacturing and operating costs marginally increased by \$0.4M, revenue increased by \$1.4M resulting in a gross profit increase of \$1M and a stable gross margin of 62% QoQ. The cash outflow increase is primarily due to timing of payments to a strategic partner, accounting for a cash outflow of \$1.8M in 3Q. There were no significant network expansion costs.

Advertising and marketing payments were \$0.9M (previous quarter: \$0.6M), an increase of 0.3M or 65% QoQ. During the quarter Megaport launched Megaport ONE, a white label multi tenant SaaS platform, announced Megaport's entry to the Mexican market and continued to drive activities associated with the build of the Indirect Sales Channel. Travel and conference activities accelerated in 3Q as the global Covid-19 restrictions continue to ease. Key events in 3Q included the annual Pacific Telecommunications Council (PTC), a global annual event where Megaport joins other ICT industry leaders to network and showcase our innovative products.

Payments for leased assets were \$2.0M (previous quarter: \$1.8M), an increase of \$0.2M or 12% QoQ. This represents the principal and interest cash outflows related to the contracts that are classified as "Leases" under AASB 16 Leases.

Staff costs paid were \$14.3M (previous quarter: \$13.2M), an increase of \$1.1M or 8% QoQ. The increase primarily relates to the addition of new staff in the quarter as well as full impact of the 2Q hires that included staff acquired along with InnovoEdge Inc. Headcount increased by a net of 35 QoQ.

Administration and corporate payments were \$4.6M (previous quarter: \$6.7M), a decrease of \$2.1M or 31% QoQ. 2Q included the annual insurance prepayment of \$2.8M, 3Q includes \$1M annual licences renewal of our key business support systems that include Salesforce and HRIS.

Investing Activities

Capital expenditure was \$5.4M (previous quarter: \$4.1M), an increase of \$1.3M or 31% QoQ. \$2.5M of this quarter's payments relate to core and capacity upgrades of existing network, \$2.1M vendor financed equipment purchases in support of network capacity expansions. Other spend in 3Q relates to purchase of inventory stock to ensure that the business operations are not affected by ongoing supply chain issues experienced as the world continues to deal with the Covid-19 pandemic.

Quarterly activities report

Investment in intellectual property was \$3.6M (previous quarter: \$3.2M), an increase of \$0.4M or 13% QoQ. 3Q spend includes \$0.6M spent on continued development of the VantageTransact the PartnerVantage portal, and \$0.5M spent on Megaport ONE. PartnerVantage is Megaport's scale up, scale out channel partner program that was initiated in March 2021 and launched in 2Q. Megaport ONE is a white-label, multi-tenant SaaS platform for data centre operators (DCOs), network service providers (NSPs) and managed service providers (MSPs) to help their customers connect and control their infrastructure and operations in one place. Both investments are aligned with Megaport's strategy of growing the business via channel sales by supporting Megaport's indirect partners to resell Megaport services.

Financing Activities

There were no options exercised in the current quarter (previous quarter: \$3.5M).

Proceeds from borrowings of \$1.9M (previous quarter: \$1.3M) represent the latest drawdown under the vendor financing facility (refer to item 7 below for more details). \$8.6M of the \$35M vendor financing facility was undrawn as at the end of the quarter.

Repayments of borrowings was \$1.3M (previous quarter: \$1.8M), reflecting the instalment payments of the amount drawn under the 0% vendor financing facility (refer to Item 7 below for more details).

Cash Position

Cash and bank balances at the end of the quarter were \$88.8M.

Payments to related parties of the entity and their associates

The amounts included in item 6 relate to the remuneration of directors and their associates, and the shared services and network operating services provided by companies controlled by or associated with the Chairman.

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")

31 March 2022

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	28,992	84,034
1.2 Payments for		
(a) research and development	(322)	(959)
(b) product manufacturing and operating costs	(12,459)	(32,840)
(c) advertising and marketing	(931)	(2,114)
(d) leased assets	(2,078)	(5,374)
(e) staff costs	(14,310)	(42,446)
(f) administration and corporate costs	(4,609)	(16,927)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	10	46
1.5 Interest and other costs of finance paid	(547)	(1,345)
1.6 Income taxes (paid)/received	(18)	(35)
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	-	-
1.9 Net cash used in operating activities	(6,272)	(17,960)

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	-	(10,401)
(b) businesses	-	-
(c) property, plant and equipment	(5,399)	(20,510)
(d) investments	-	-
(e) intellectual property	(3,572)	(9,822)
(f) other non-current assets	-	-
2.2 Proceeds from disposal of:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	4	20
(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 used in investing activities	(8,967)	(40,713)

3. Cash flows from financing activities		
3.1 Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
3.2 Proceeds from issue of convertible debt securities	-	-
3.3 Proceeds from exercise of options	-	5,232
3.4 Transaction costs related to issues of equity securities or convertible debt securities	(20)	(104)
3.5 Proceeds from borrowings	1,894	10,990
3.6 Repayment of borrowings	(1,349)	(4,441)
3.7 Transaction costs related to loans and borrowings	-	-
3.8 Dividends paid	-	-
3.9 Other (provide details if material)	-	-
3.10 Net cash from financing activities	525	11,677

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	104,626	136,312
4.2	Net cash from /(used in) operating activities (item 1.9 above)	(6,272)	(17,960)
4.3	Net cash used in investing activities (item 2.6 above)	(8,967)	(40,713)
4.4	Net cash from financing activities (item 3.10 above)	525	11,677
4.5	Effect of movement in exchange rates on cash held	(1,118)	(522)
4.6	Cash and cash equivalents at end of period	88,794	88,794

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	88,794	104,626
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)	88,794	104,626

6. Payments 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	612
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

Current quarter \$A'000
612
-

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

	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1 Loan facilities	-	-
7.2 Credit standby arrangements	-	-
7.3 Other (vendor financing facility)	35,000	26,438
7.4 Total financing facilities	35,000	26,438

7.5 Unused financing facilities available at quarter end**8,562**

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 \$35.0M 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 each drawdown date. The loan is secured by a bank guarantee charged over \$5.7M in cash and cash equivalents. The vendor financing facility outstanding balance at the reporting date was \$13.2M (Previous quarter: \$13.6M), and \$1.3M was repaid in the quarter (previous quarter: \$1.8M).

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash used in operating activities (Item 1.9)	(6,272)
8.2 Cash and cash equivalents at quarter end (Item 4.6)	88,794
8.3 Unused finance facilities available at quarter end (Item 7.5)	8,562
8.4 Total available funding (Item 8.2 + Item 8.3)	97,356
8.5 Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	16

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

8.6.1 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:

n.a.

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

8.6.2 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:

n.a.

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

Answer:

n.a.

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: 21 April 2022

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 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.