



## **Appendix 4C and Quarterly Activities Report**

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

## 20 July 2022

### June 2022 Quarterly activities report

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

In 4Q FY22, Megaport drove record Monthly Recurring Revenue (MRR) growth of 13% QoQ, up \$1.2M to \$10.7M in June 2022. Excluding the impact of foreign exchange tailwinds from a weakening Australian dollar, underlying MRR grew \$1.0M, 10%, to \$10.7M in June 2022.

Total revenue for the quarter was \$30.6M, up 10% compared to 3Q FY22. Annualised recurring revenue at 30 June 2022 was \$128M.

Megaport delivered EBITDA profit for 4Q FY22 as a whole, a first for the Company. During the quarter two new markets, Canada and Japan, became individually profitable ahead of schedule, contributing to the Group EBITDA performance.

During the quarter ended 30 June 2022, Megaport sold 1,447 new services, up 6% QoQ for total services of 27,383. Net new ports increased by 533, an increase of 6% to 9,545. Strong port sales combined with a 7% increase in average revenue per port to \$1,120 per month supported record MRR growth in the quarter.

### Performance Highlights

4Q FY22 highlights:

- MRR for the month of June 2022 was \$10.7M, an increase of \$1.2M, or 13% QoQ.
- Revenue for the quarter was \$30.6M, an increase of \$2.7M or 10% QoQ.
- Customers at the end of the quarter were 2,643, an increase of 102, or 4% QoQ.
- Total Ports at the end of the quarter were 9,545, an increase of 533, or 6% QoQ.
- Total VXC's at the end of the quarter were 15,545, an increase of 839, or 6% QoQ.
- Total MCR's at the end of the quarter were 731, an increase of 61, or 9% QoQ.
- Total MVE's at the end of the quarter were 73, an increase of 14, or 24% QoQ.
- Total Services<sup>1</sup> at the end of the quarter were 27,383, an increase of 1,447, or 6% QoQ.
- Average Revenue per Port in June 2022 was \$1,120, an increase of \$71, or 6.8% QoQ.
- At the end of June 2022, the Company's cash position was \$82.5M.

4Q FY22 saw continued growth in MRR, up \$1.2M and 13% QoQ, to \$10.7M in June 2022, a result assisted by foreign exchange from the weakening of the Australian dollar. Underlying MRR<sup>2</sup> grew \$961k for the quarter, an increase of 64% over the underlying growth achieved in

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

<sup>2</sup> 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**

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3Q FY22. Strong customer acquisition continued in the quarter with the Company exceeding 2,600 total customers at quarter end.

Megaport Cloud Router drove increased multicloud connectivity on Megaport's platform and grew with 61 MCRs sold in the quarter, an increase of 9% over 30 June. At quarter end, 14% of Megaport's customers had adopted MCR with 40% of customers connected to more than one cloud provider as multicloud IT environments become best practice.

## **Business Update**

Following the launch in Mexico on 14 April 2022, strong local interest has resulted in sales of core products ahead of plan through our partnership with KIO Networks with support from Megaport's local team. Mexico is the second largest IT spending market in Latin America and cloud connectivity is becoming increasingly critical to enterprise as the leading cloud service providers establish dedicated, in-country cloud regions to address market demand.

The launch in Mexico contributed to 4 of the additional 16 data centres enabled by the Megaport network. Now at scale, Megaport's enabled data centre footprint, combined with the leading ecosystem of on-demand cloud onramp connectivity and leading IT service providers is a strategic differentiator. The combined opportunity for interconnection within the Megaport IT services ecosystem is the primary driving factor for revenue growth, as opposed to enabled data centre metrics alone.

*Please refer to the 4Q FY22 Global Update lodged with ASX on 20 July 2022 for a more detailed business update.*

## 4Q FY22 Cash Flow Commentary

### Operating Activities

Receipts from customers were \$31.6M (previous quarter: \$29.0M), an increase of \$2.6M or 9% QoQ. DSO slightly increased QoQ from 23 days to 25 days, but remains well below standard terms. Debtors' ageing profile is stable with 88% of outstanding accounts less than 30 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 \$7.2M (previous quarter: \$12.4M), a decrease of \$5.2M, or 42% QoQ. The cash outflow decrease is primarily due to timing of payments to a strategic partner, 3Q included a payment of \$1.8M. There were no significant network expansion costs coming through in the quarter.

Advertising and marketing payments were \$0.7M (previous quarter: \$0.9M), an decrease of 0.2M or 22% QoQ. Payments were higher in Q3 as a result of the launch of Megaport ONE, the entry into the Mexican market, and travel costs associated with key marketing and conference events in the United States and Europe.

Payments for leased assets were \$2.4M (previous quarter: \$2.0M), an increase of \$0.4M or 20% 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 \$15.1M (previous quarter: \$14.3M), an increase of \$0.8M or 6% QoQ. The increase primarily relates to the addition of new staff and a number of one off payments made during the quarter. Headcount increased by a net of 15 QoQ.

Administration and corporate payments were \$3.8M (previous quarter: \$4.6M), a decrease of \$0.8M or 17% QoQ. 3Q includes \$1.0M annual licences renewal of our key business support systems that include Salesforce and HRIS, 4Q includes \$0.3M for systems comprising Amazon Sumo Logic and JumpCloud, as well as one payment for professional services in relation to InnovoEdge and Megaport Mexico .

### Investing Activities

Capital expenditure was in line with 3Q at \$5.4M (previous quarter: \$5.4M). \$1.9M of this quarter's payments relate to core and capacity upgrades of existing network, and \$2.0M vendor financed equipment purchases in support of network capacity expansions. Other spend in 4Q 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.

Investment in intellectual property was \$4.1M (previous quarter: \$3.6M), an increase of \$0.5M or 14% QoQ. 4Q spend includes \$0.3M spent on continued development of VantageTransact

## **Quarterly activities report**

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the PartnerVantage portal, and \$0.6M 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 while-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: none).

Proceeds from borrowings of \$2.2M (previous quarter: \$1.9M) represent the latest drawdown under vendor financing (refer to item 7 below for more details).

Repayments of borrowings was \$1.5M (previous quarter: \$1.3M), 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 \$82.5M.

### **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")**

30 June 2022

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (12 months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	31,555	115,589
1.2 Payments for		
(a) research and development	(286)	(1,245)
(b) product manufacturing and operating costs	(7,157)	(39,997)
(c) advertising and marketing	(682)	(2,796)
(d) leased assets	(2,406)	(7,780)
(e) staff costs	(15,102)	(57,548)
(f) administration and corporate costs	(3,787)	(20,714)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	7	53
1.5 Interest and other costs of finance paid	(524)	(1,869)
1.6 Income taxes (paid)/received	(33)	(68)
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>1,585</b>	<b>(16,375)</b>

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

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (12 months) \$A'000</b>
<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) entities	-	(10,401)
(b) businesses	-	-
(c) property, plant and equipment	(5,441)	(25,951)
(d) investments	-	-
(e) intellectual property	(4,060)	(13,882)
(f) other non-current assets	-	-
2.2 Proceeds from disposal of:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	1	21
(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)	-	-
<b>2.6 Net cash used in investing activities</b>	<b>(9,500)</b>	<b>(50,213)</b>
<b>3. Cash flows from financing activities</b>		
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	(19)	(123)
3.5 Proceeds from borrowings	2,247	13,237
3.6 Repayment of borrowings	(1,540)	(5,981)
3.7 Transaction costs related to loans and borrowings	-	-
3.8 Dividends paid	-	-
3.9 Other (provide details if material)	-	-
<b>3.10 Net cash from financing activities</b>	<b>688</b>	<b>12,365</b>

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

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (12 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 period	88,794	136,312
4.2	Net cash from /(used in) operating activities (item 1.9 above)	1,585	(16,375)
4.3	Net cash used in investing activities (item 2.6 above)	(9,500)	(50,213)
4.4	Net cash from financing activities (item 3.10 above)	688	12,365
4.5	Effect of movement in exchange rates on cash held	978	456
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>82,545</b>	<b>82,545</b>

<b>5.</b>	<b>Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	<b>Current quarter \$A'000</b>	<b>Previous quarter \$A'000</b>
5.1	Bank balances	82,545	88,794
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>82,545</b>	<b>88,794</b>

**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	531
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

<b>Current quarter \$A'000</b>
531
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**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)

**7.4 Total financing facilities**

	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
7.1	-	-
7.2	-	-
7.3	35,000	28,684
<b>7.4</b>	<b>35,000</b>	<b>26,684</b>

**7.5 Unused financing facilities available at quarter end****6,316**

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's Board of Directors has approved for the company to avail of up to \$35.0M vendor financing to fund the purchase of network equipment and payment of software licences. This is governed by a number of Instalment Purchase Agreements. These agreements do not carry interest and are separately repayable via equal instalments over 36 months from each drawdown date. The agreements are collectively secured by a bank guarantee charged over \$5.7M in cash and cash equivalents. The vendor financing outstanding balance at the reporting date was \$13.7M (Previous quarter: \$13.2M), and \$1.5M was repaid in the quarter (previous quarter: \$1.3M).

<b>8. Estimated cash available for future operating activities</b>	<b>\$A'000</b>
8.1 Net cash from operating activities (Item 1.9)	1,585
8.2 Cash and cash equivalents at quarter end (Item 4.6)	82,545
8.3 Unused finance facilities available at quarter end (Item 7.5)	6,316
8.4 Total available funding (Item 8.2 + Item 8.3)	88,861
<b>8.5 Estimated quarters of funding available (Item 8.4 divided by Item 8.1)</b>	<b>N/A</b>

*Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.*

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**

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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: 20 July 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.