



Global Update

Megaport reports second consecutive quarterly EBITDA profit and cash generated from operating activities for 1Q FY23.

Brisbane, AUSTRALIA 19 October, 2022 Megaport Limited (**ASX:MP1**) today reports its quarterly Key Performance Indicators to 30 September 2022, and provides a global market update.

The Group has changed its reporting currency to US Dollars ("US\$") from 1 July 2022; this Global Update provides figures in both US\$ with figures in Australian Dollars ("A\$") for comparative purposes.

Section 1: Presentation in A\$

Executive Summary

In 1Q FY23, Megaport drove solid Monthly Recurring Revenue (MRR) growth of 9% QoQ, up A\$913k to A\$11.6M in September 2022. Excluding the foreign exchange impact of a strengthening US\$, underlying MRR grew A\$637k, 6%, to A\$11.3M in September 2022.

Total revenue for the quarter was A\$33.7M, up 10% compared to 4Q FY22. Annualised recurring revenue at 30 September 2022 was A\$139M.

Megaport delivered EBITDA profit for 1Q FY23 a second consecutive period, building on the move to profitability at the end of last fiscal year.

During the quarter ended 30 September 2022, Megaport sold 943 new services, up 3% QoQ for total services of 28,326. New ports increased 286 in the quarter with a net increase of 61 (due to strategic and customer port consolidation) an increase of 1% to 9,606. The quarter saw an 8.3% increase in average revenue per port to A\$1,214, a new record, and an increase in the average number of services per port to 2.95 up from 2.87 in June.

Performance Highlights

1Q FY23 highlights:

- MRR for the month of September 2022 was A\$11.6M, an increase of A\$913k, or 9% QoQ.
- Revenue for the quarter was A\$33.7M, an increase of A\$3.1M or 10% QoQ.
- Customers at the end of the quarter were 2,700, an increase of 57, or 2% QoQ.
- Total Ports at the end of the quarter were 9,606, an increase of 61, or 1% QoQ.
- Total VXC's at the end of the quarter were 16,384, an increase of 839, or 5% QoQ.

- Total MCRs at the end of the quarter were 772, an increase of 41, or 6% QoQ.
- Total MVEs at the end of the quarter were 95, an increase of 22, or 30% QoQ.
- Total Services¹ at the end of the quarter were 28,326, an increase of 943, or 3% QoQ.
- Average Revenue per Port in September 2022 was A\$1,214, an increase of A\$94, or 8.3% QoQ.
- At the end of September 2022, the Company's cash position was A\$69.4M.

1Q FY23 saw continued growth in MRR, up A\$913k and 9% QoQ, to A\$11.6M in September 2022, the A\$ result assisted by foreign exchange from the strengthening of the US dollar. Underlying MRR² grew A\$637k for the quarter. Strong customer acquisition continued in the quarter with the Company achieving 2,700 total customers at quarter end.

Megaport Cloud Router drove increased multicloud connectivity on Megaport's platform and grew with 41 MCRs sold in the quarter, an increase of 6% over 30 June.

A\$000s	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22
Reported MRR in A\$	6,251	6,752	7,487	8,552	9,157	9,456	10,695	11,608
Reported MRR growth in A\$	468	501	735	1,065	605	299	1,239	913
Reported QoQ growth in MRR	8%	8%	11%	14%	7%	3%	13%	9%
Estimated impact of FX movements	(139)	(130)	68	243	87	(286)	278	276
Underlying Growth in MRR³	606	631	667	822	518	585	961	637
QoQ Growth in Underlying MRR	10%	10%	10%	11%	6%	6%	10%	6%

¹ Total Services comprise Ports, Virtual Cross Connections (VXCs), 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.

³ Underlying Growth in MRR is the QoQ growth in MRR excluding the estimated impact of FX movements.

Section 2: Presentation in US\$

Executive Summary

In 1Q FY23, Megaport drove solid Monthly Recurring Revenue (MRR) growth of 3% QoQ, up US\$252k to US\$7.8M in September 2022. Excluding the foreign exchange impact of a strengthening US\$, underlying MRR grew US\$447k, 6%, to US\$8.0M in September 2022.

Total revenue for the quarter was US\$23.0M, up 5% compared to 4Q FY22. Annualised recurring revenue at 30 September 2022 was US\$93M.

Megaport delivered EBITDA profit for 1Q FY23 a second consecutive period, building on the move to profitability at the end of last fiscal year.

During the quarter ended 30 September 2022, Megaport sold 943 new services, up 3% QoQ for total services of 28,326. New ports increased 286 in the quarter with a net increase of 61 (due to strategic and customer port consolidation) an increase of 1% to 9,606. The quarter saw a 3.2% increase in average revenue per port to US\$812 per month, a new record, and an increase in the average number of services per port to 2.95 up from 2.87 in June.

Performance Highlights

1Q FY23 highlights:

- MRR for the month of September 2022 was US\$7.8M, an increase of US\$252k, or 3% QoQ.
- Revenue for the quarter was US\$23.0M, an increase of US\$1.1M, or 5% QoQ.
- Customers at the end of the quarter were 2,700, an increase of 57, or 2% QoQ.
- Total Ports at the end of the quarter were 9,606, an increase of 61, or 1% QoQ.
- Total VXC's at the end of the quarter were 16,384, an increase of 839, or 5% QoQ.
- Total MCR's at the end of the quarter were 772, an increase of 41, or 6% QoQ.
- Total MVE's at the end of the quarter were 95, an increase of 22, or 30% QoQ.
- Total Services⁴ at the end of the quarter were 28,326, an increase of 943, or 3% QoQ.
- Average Revenue per Port in September 2022 was US\$812, an increase of US\$25, or 3.2% QoQ.
- At the end of September 2022, the Company's cash position was US\$44.9M.

1Q FY23 saw continued growth in MRR, up US\$252k and 3% QoQ, to US\$7.8M in September 2022, the US\$ result assisted by foreign exchange from the strengthening of the US dollar. Underlying MRR⁵ grew US\$447k for the quarter. Strong customer acquisition continued in the quarter with the Company achieving 2,700 total customers at quarter end.

⁴ Total Services comprise Ports, Virtual Cross Connections (VXC's), Megaport Cloud Router (MCR), Megaport Virtual Edge (MVE) and Internet Exchange (IX).

⁵ Underlying Growth in MRR is the QoQ growth in MRR excluding the estimated impact of FX movements.

MegaPort Cloud Router drove increased multicloud connectivity on MegaPort's platform and grew with 41 MCRs sold in the quarter, an increase of 6% over 30 June.

US\$000s	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22
Reported MRR in US\$	4,709	5,202	5,719	6,260	6,549	6,991	7,515	7,767
Reported MRR growth in US\$	529	493	517	541	289	442	524	252
Reported QoQ growth in MRR	13%	10%	10%	9%	5%	7%	7%	3%
Estimated impact of FX movements	91	19	3	(87)	(90)	24	(182)	(195)
Underlying Growth in MRR⁶	438	474	514	628	379	418	706	447
QoQ Growth in Underlying MRR	10%	10%	10%	11%	6%	6%	10%	6%

Business Update

On 12 October MegaPort announced a new strategic partnership with Zenlayer which gives MegaPort customer access to new and emerging markets, as well as transforming the coverage extended to Zenlayer customers on MegaPort's global network.

Throughout the quarter, MegaPort has been increasing capacity on its cloud connections with 100 Gbps on-ramps. This has led to some non-revenue impacting port consolidation with a net reduction of 123 ports.

Repricing of 1 Gbps ports in ANZ, to enable a globally consistent pricing structure, has resulted in some customer-related port consolidation, leading to a net reduction of 102 ports. These changes have made our customer networks more cost effective and efficient. By adopting 10 Gbps ports, these customers have enabled more capacity to support increasing workloads to the cloud. Some additional strategic and customer port consolidation is expected through Q2FY23.

In Q1FY23 MegaPort delivered two commercial deployments of MegaPortONE. With one of these more focussed on cloud architecture orchestration and management, and the other more focused on activation of core software defined networking capabilities, it is clear that the broad capability afforded by MegaPortONE can address a wide range of customer requirements across service provider segments.

⁶ Underlying Growth in MRR is the QoQ growth in MRR excluding the estimated impact of FX movements.

Momentum in building the Indirect sales channel continues with new channel partners transacting through PartnerVantage increasing 77% in the quarter delivering a 54% increase in MRR from this avenue to market.

MegaPort's Chief Executive Officer, Vincent English, commented, "The initial deployments of MegaPortONE within the service provider segment highlight the extensibility of the platform. MegaPortONE customers are taking advantage of the ability to discover and orchestrate network and compute resources and provide those services directly to their customers through whitelabel environments and managing customer solution delivery through the platform front-end. Our business development team will continue to focus on the service provider segment to drive more uptake of MegaPortONE.

We are very excited to have announced our partnership with Zenlayer. Working with Zenlayer, MegaPort is able to provide their customers with greater global reach and connections to more cloud onramps around the world. Additionally, Zenlayer's services and reach into emerging markets compliments MegaPort's footprint and provides MegaPort customers with greater options in building global solutions that align to markets that drive their business.

Our indirect sales strategy is yielding results as the PartnerVantage programme grows with an increase in MRR contribution of 54% in the quarter. The indirect channel continues to be a major focus in our overall sales strategy to drive more revenue and bring MegaPort to more enterprises globally."

Key Performance Metrics

MegaPort continues to drive growth in customers and services across all regions as the world's leading Network as a Service provider, through greater access for enterprises.

Key metrics⁷:

	Quarterly Performance						YoY% Change ⁸
	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	QoQ % Change	
Enabled Data Centres	763	768	771	787	795	1%	4%
Installed Data Centres	406	411	409	423	422	-1%	4%
Cloud On-Ramps	236	240	244	278	281	1%	19%
Customers	2,332	2,455	2,541	2,643	2,700	2%	16%
Ports	8,084	8,523	9,012	9,545	9,606	1%	19%
MCR	543	603	670	731	772	6%	42%
MVE	28	40	59	73	95	30%	239%
Total Services	23,171	24,359	25,936	27,383	28,326	3%	22%
Revenue (A\$ - M)	\$24.6	\$26.6	\$28.0	\$30.6	\$33.7	10%	37%
MRR - Total (A\$ - M)	\$8.6	\$9.2	\$9.5	\$10.7	\$11.6	9%	35%
Revenue (US\$ - M)	\$18.1	\$19.3	\$20.2	\$21.9	\$23.0	5%	32%
MRR - Total (US\$ - M)	\$6.3	\$6.5	\$7.0	\$7.5	\$7.8	3%	24%
MRR - Direct (%)	68%	66%	65%	64%	65%	1%	(3%)
MRR - Indirect (%)	32%	34%	35%	36%	35%	(1%)	3%
% MRR from MVE	0.8%	1.6%	2.4%	2.2%	3.2%	1.0%	2.4%

Conclusions and Outlook

Vincent English said, "With strong revenue fundamentals, and proven operating leverage built into our model, MegaPort has delivered our second quarterly EBITDA profit consecutively. This is a significant team achievement as we continue to stay focused on our journey to profitability and cash generation. We have aligned our product suite with globally standardised port pricing and capacity. This has enabled a portion of our existing customer base with greater port capacity and positioned future customers with greater capacity the moment they join our platform.

⁷ As at 30 September 2022.

⁸ Change in the yearly performance at 30 September 2022 to the prior corresponding period ended 30 September 2021.

We are advanced in our sales leadership recruitment and expect to announce the addition of a new Chief Revenue Officer in due course. This key position will focus on executing our indirect channel strategy while keeping our proven direct sales capabilities performing.”

Supporting Resources

- Visit Megaport: <https://megaport.com>
- Subscribe for ASX announcements [here](#)
- Follow Megaport on Twitter: [@megaportnetwork](#)
- Like Megaport on [Facebook](#)
- Follow Megaport on [LinkedIn](#)
- Learn more about [MCR](#) and [MVE](#)
- More information about Megaport [PartnerVantage](#)
- For definitions refer to the [Glossary for Investors](#) in our [Business Overview](#)

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 more than 2,600 customers in over 790 enabled data centres globally. Megaport is an Alibaba Cloud Technology Partner, AWS Technology Partner, AWS Networking Competency Partner, Cloudflare Network Interconnect Partner, Google Cloud Interconnect Partner, IBM Direct Link Cloud Exchange provider, Microsoft Azure Express Route Partner, Nutanix Direct Connect Partner, Oracle Cloud Partner, OVHcloud Partner, Rackspace RackConnect Partner, Salesforce Express Connect Partner, and SAP PartnerEdge Open Ecosystem Partner.

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