Appendix 4C and Quarterly Activities Report

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

31 January 2023

The Group has changed its reporting currency to US Dollars from 1 July 2022, this Quarterly activities report and Cash flow commentary provides figures in US Dollars (“$”)

December 2022 Quarterly activities report

In 2Q FY23, Megaport drove solid Monthly Recurring Revenue (MRR) growth of 7% QoQ, up US$0.5M to US$8.3M in December 2022. Excluding the foreign exchange impact of a weakening US$, underlying MRR grew US$0.4M, or 6%.

Total revenue for the quarter was US$24.4M, up 6% compared to 1Q FY23 and 26% up on the comparable period last year. Annualised recurring revenue at 31 December 2022 was US$100.1M. Note revenue in the quarter exceeds that achieved for the full year FY19.

Megaport delivered EBITDA profit for 2Q FY23, a third consecutive period, building on the move to profitability at the end of last fiscal year.

During the quarter ended 31 December 2022, Megaport sold 762 new services, up 3% QoQ to total services of 29,088. Underlying net port growth of 368 represents growth of 29% over underlying Q1 net additions. Strategic port consolidation as part of our transition to 100Gb cloud on-ramp interconnections and resultant cost saving initiative has led to a net reduction of 165 legacy 10G ports. This reduction in legacy cloud ports is not revenue impacting, as services are migrated to 100G on-ramps where possible. Net ports added in the quarter of 203 was an increase of 2% to finish on 9,809 active ports.. The quarter saw a 4.7% increase in average revenue per port to US$850 per month, a new record, and an increase in the average number of services per port to 2.97 up from 2.95 in September.

Performance Highlights

2Q FY23 highlights:

- MRR for the month of December 2022 was US$8.3M, an increase of US$0.5M, or 7% QoQ.
- Revenue for the quarter was US$24.4M, an increase of US$1.4M, or 6% QoQ.
- Customers at the end of the quarter were 2,739, an increase of 39, or 1% QoQ.
- Total Ports at the end of the quarter were 9,809, an increase of 203, (underlying growth of 368, less 165 legacy ports transitioned) or 2% QoQQ.
- Total VXCs at the end of the quarter were 16,977, an increase of 593, or 4% QoQ.
- Total MCRs at the end of the quarter were 768, a decrease of 4, or (1%) QoQ.
- Total MVEs at the end of the quarter were 94, a decrease of 1, or (1%) QoQ.
- Total Services[1] at the end of the quarter were 29,088, an increase of 762, or 3% QoQ.
- Average Revenue per Port in December 2022 was US$850, an increase of US$38, or 4.7%

[1] *Total Services comprise Ports, Virtual Cross Connections (VXCs), Megaport Cloud Router (MCR), Megaport Virtual Edge (MVE) and Internet Exchange (IX).*

QoQ.
- At the end of December 2022, the Company's cash position was US$39.2M.

2Q FY23 saw continued growth in MRR, up US$0.5M and 7% QoQ, to US$8.3M in December 2022. The US$ result was impacted by foreign exchange from the weakening of the US dollar. Underlying MRR[2] grew US$0.4M for the quarter. Steady customer acquisition continued in the quarter with the Company achieving 2,739 total customers at quarter end.

Interest in Megaport products remains high, as evidenced with continued strong sales pipelines, however current economic uncertainty seems to be delaying customer decision making, lengthening sales cycles. It is anticipated that sales trends will improve when the global economic outlook stabilises.

Megaport is not seeing any noticeable increase in customer or product churn which is a signifier of the stickiness of Megaports services and the perceived value delivered.

Of the 39 new customers brought on in the quarter, 12 were PartnerVantage (reseller) partners, such as Orange Business Systems, which represent a significantly higher number of end users of Megaport. The direct enterprises introduced include a number of global brands, such as BorgWarner, Daimler Truck, AG, and UPS, who trust Megaport to deliver their critical networking infrastructure.

The $25M Australian Dollar denominated revolving credit facility with Megaport's main banking partner, HSBC, was finalised in the quarter with the result that, subject to meeting certain EBITDA hurdles additional credit of US$17.0M will be available later in the calendar year.

Business Update

During the quarter Megaport continued with the optimisation of the network to more efficiently deliver cloud connections to our customers through 100Gbps on-ramps. Although this impacts some reported KPIs, reducing net port additions by 165, this is not revenue impacting but rather delivers considerable cost efficiencies for the company. This process will continue to impact KPIs through H2 before completion before the end of the current financial year.

Following on from the expansion during '*Scale Up, Scale Out'* phase, the company has undertaken a review across all business areas to ensure it operates at improved efficiency. The strategic port consolidation, including actively transitioning customers from 10Gbps to 100Gbps on-ramp ports, noted above is one aspect of this optimisation work. Megaport continues to review network architecture to ensure the company is positioned to deliver the fastest, most secure network for our growing customer base in the most cost effective way. Individual data

[2] *Underlying Growth in MRR is the QoQ growth in MRR excluding the estimated impact of FX movements.*

centre profitability is being regularly assessed to drive overall gross margin, and to ensure we continue to have our network nodes in the optimal locations.

Megaport has recently signed a deal to provide the fabric and underlying connectivity to progressive and growing Data Centre Operator, Databank, the first of a number of such deals that is expected to be serviced through a MegaportONE white label solution. This product is a well tailored solution for Network Service Providers, and discussions with a number of global enterprises are in progress. One of the recent commercial deployments of MegaportONE to a Managed Service Provider. While currently delivering A$2k in MRR, deals closed in January are expected to add A$10k in MRR. Currently more than more than A$100k MRR in further deals are in discussion.

Momentum in growing the Indirect sales channel has continued with new channel partners transacting through PartnerVantage increasing 31% in the quarter delivering a 26% increase in MRR from this avenue to market.

In November 2022 Megaport announced it had appointed Jeff Tworek as Chief Revenue Officer. Jeff has 30 years experience in cloud and networking, including 20 years at Akamai. He joins Megaport from Contrast Security, where as CRO, he helped build a successful team to deliver scale and growth.

In January 2023, Megaport achieved the AWS Outposts ready partner designation. Using Megaport, enterprises can greatly simplify the outposts deployment, offering greater flexibility in network architecture using less physical infrastructure.

Please refer to the 2Q FY23 Global Update lodged with ASX on 31 January 2023 for a more detailed business update.

2Q FY23 Cash Flow Commentary

Operating Activities

Receipts from customers were $23.6M (previous quarter: $25.7M), a decrease of $2.1M or 8% QoQ. Days sales outstanding, ("DSO"), increased from 24 days to 26 days but still remain under Megaport's standard payment terms of 30 days. Debtors' ageing profile weakened with balances greater than 90 days increasing by $1.3M. The key driver of these increases was delayed payment from a key customer, with overdue amounts being paid post period close in January 2023. 70% of outstanding accounts were aged less than 30 days.

Megaport's 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 a total of $8.8M (previous quarter: $5.6M), an increase of $3.2M or 57% QoQ. Cash outflows included back payments of some revenue share and commissions (pre PartnerVantage) following an internal review of partner agreements of $0.4M and invoices received later in the quarter for Q1 resulted in payment for additional months in Q2 for circa $1.1M. There were no significant network expansion costs incurred in the quarter.

Advertising and marketing payments were $1.2M (previous quarter: $0.9M), an increase of $0.3M QoQ. Payments during Q2 included payments for subscription services, and payments in relation to various conference events further supporting the build of the indirect sales channel.

Staff costs paid were $10.3M (previous quarter: $13.7M), a decrease of $3.4M or 25% QoQ. The decrease primarily relates to the cash settlement of the FY22 annual performance based incentives that occurred during Q1, and the full quarter impact of headcount reductions that were implemented in Q1.

Administration and corporate payments were $4.9M (previous quarter: $3.0M), an increase of $1.9M or 64% QoQ. In Q2 these included the first instalment of the annual insurance prepayment of $0.3M, as well as the payment for other annual subscription fees of $0.1M. Other drivers of the QoQ increase include recruitment costs in relation to the selection of Megaport's new Chief Revenue Officer, consultancy fees in relation to new market entry in Brazil, and other professional fees incurred during the period.

Investing Activities

Net capital expenditure was $1.3M (previous quarter: $6.0M). During the quarter, $1.1M of payments were made in relation to core and capacity upgrades of the existing network. Other spend in Q2 relates to the purchase of inventory stock, fit out of the Brisbane head office, and purchases of computer equipment. An amount of $2.3M previously recognised as capital was reclassified as network costs, an operating expense, effecting a reversal in the period.

Investment in intellectual property was $2.9M (previous quarter: $2.6M), an increase of $0.3M or 12% QoQ. Q2 expenditure included spend on key projects including $0.5M in further development of MegaportONE and $0.5M in security enhancements.

Financing Activities

Net proceeds from borrowings were an outflow of $2.5M (previous quarter: $4.0M inflow). This was due to the de-recognition of the financing element of a support contract previously classified as capital expenditure, as noted above (refer to item 7 below for more details).

Repayments of borrowings was $1.2M (previous quarter: $1.2M), reflecting the instalment payments of the amount drawn under interest free vendor financing (refer to item 7 below for more details).

Payments of the principal portion of lease liabilities were $1.8M (previous quarter: $1.7M). This represents the principal cash outflows related to the contracts that are classified as “Leases” under AASB 16 Leases.

Cash Position

Cash and bank balances at the end of the quarter were US$39.2M.

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.

Name of entity

Megaport Limited

ABN	Quarter ended ("current quarter")
46 607 301 959	31 December 2022

Consolidated statement of cash flows		Current quarter $US'000	Year to date (6 months) $US'000
1.	**Cash flows from operating activities**		
1.1	Receipts from customers	23,633	49,295
1.2	Payments for		
	(a) research and development	(86)	(212)
	(b) product manufacturing and operating costs	(8,843)	(14,466)
	(c) advertising and marketing	(1,169)	(2,059)
	(d) staff costs	(10,277)	(23,948)
	(e) administration and corporate costs	(4,910)	(7,911)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	79	198
1.5	Income taxes paid	(4)	(37)
1.6	Government grants and tax incentives	-	-
1.7	**Net cash (used in)/ from operating activities**	**(1,577)**	**860**

Consolidated statement of cash flows		**Current quarter $US'000**	**Year to date (6 months) $US'000**
2.	**Cash flows from investing activities**		
2.1	Payments to acquire:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	(1,318)	(7,329)
	(d) investments	-	-
	(e) intellectual property	(2,910)	(5,496)
	(f) other non-current assets	-	-
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	1	4
	(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**	**(4,227)**	**(12,821)**

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	-	47
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	(16)
3.5	Proceeds from borrowings	(2,538)	1,435
3.6	Repayment of borrowings	(1,235)	(2,423)
3.7	Transaction costs related to loans and borrowings	(128)	(128)
3.8	Dividends paid	-	-
3.9	Payments of the principal portion of lease liabilities	(1,778)	(3,467)
3.10	Interest and other costs of finance paid	(367)	(764)
3.11	**Net cash used in financing activities**	**(6,046)**	**(5,316)**

Consolidated statement of cash flows		Current quarter $US'000	Year to date (6 months) $US'000
4.	**Net increase / (decrease) in cash and cash equivalents for the period**		
4.1	Cash and cash equivalents at beginning of period	44,853	56,884
4.2	Net cash (used in)/from operating activities (item 1.7 above)	(1,577)	860
4.3	Net cash used in investing activities (item 2.6 above)	(4,227)	(12,821)
4.4	Net cash used in financing activities (item 3.11 above)	(6,046)	(5,316)
4.5	Effect of movement in exchange rates on cash held	6,194	(410)
4.6	**Cash and cash equivalents at end of period**	**39,197**	**39,197**

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 $US'000**	**Previous quarter $US'000**
5.1	Bank balances	39,197	44,853
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)**	**39,197**	**44,853**

6.	**Payments to related parties of the entity and their associates**	**Current quarter $US'000**
6.1	Aggregate amount of payments to related parties and their associates included in item 1	398
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

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 $US'000**	**Amount drawn at quarter end $US'000**
7.1	Loan facilities	-	-
7.2	Credit standby arrangements	-	-
7.3	Other (vendor financing)	23,857	16,596
7.4	**Total financing facilities**	**23,857**	**16,596**

7.5	**Unused financing facilities available at quarter end**	**7,261**

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 $23.9M vendor financing to fund the purchase of network equipment and payment of software licences. This is governed by a number of Instalment Payment Agreements, (IPAs). 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 $3.9M in cash and cash equivalents. The vendor financing outstanding balance at the reporting date was $8.2M (Previous quarter: $11.3M), and $1.2M was repaid in the quarter (previous quarter: $1.2M).

Two similar arrangements that match the payments for a 36 month support contract to its term is not considered a financing arrangement.

Undrawn financing available, represents the gross (initial) amount of new Instalment Payment Agreements the Company can avail of under the self-imposed limit. On termination of an existing IPA on the 36th payment, the gross (initial) amount of that IPA replenishes this available amount.

8.	**Estimated cash available for future operating activities**	**$US'000**
8.1	Net cash used in operating activities (Item 1.7)	(1,577)
8.2	Cash and cash equivalents at quarter end (Item 4.6)	39,197
8.3	Unused finance facilities available at quarter end (Item 7.5)	7,261
8.4	Total available funding (Item 8.2 + Item 8.3)	46,458
8.5	**Estimated quarters of funding available (Item 8.4 divided by Item 8.1)**	**29**

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.

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: 31 January 2023

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.