



Appendix 4C and Quarterly Activities Report

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

30 January 2024

Megaport reports Revenue of \$48.6M, EBITDA¹ of \$15.1M, and an increase in Net Cash² of \$6.9M in 2Q FY24, with targeted expenditure to reignite the go-to-market engine offset by continued growth in revenue.

Brisbane, AUSTRALIA 30 January 2024 Megaport Limited (ASX: MP1) has today released the December 2023 quarter Appendix 4C and Quarterly Activities Report which includes its quarterly Revenue-Generating Key Performance Indicators (KPIs)³ to 31 December 2023, and provides a global market update.

Executive Summary

Total revenue for the quarter was \$48.6M, up \$2.1M or 5% compared to 1Q FY24. Megaport exited 2Q FY24 with Annual Recurring Revenue (ARR)⁴ of \$191.7M in December 2023, up \$1.9M or 1% QoQ, which was negatively impacted by significant foreign exchange headwinds from a strengthening Australian dollar. Underlying ARR excluding the impact of foreign exchange grew \$7.6M or 4% in the quarter.

The strong turnaround in profitability while investing in growth saw Megaport deliver positive EBITDA¹ of \$15.1M for 2Q FY24, flat QoQ reflecting the increase in expenditure to reignite the go-to-market engine including additional costs for sales, marketing and customer success staff, events, marketing and travel, offset by the growth in revenue. EBITDA¹ was up \$12.7M compared to 2Q FY23 EBITDA¹ of \$2.4M.

Megaport generated positive Net Cash Flow² of \$6.9M in 2Q FY24, up \$1.3M or 23% compared to 1Q FY24, and up \$18.0M compared to 2Q FY23. Total Cash Flow⁵ for 2Q FY24 was an inflow of \$7.3M, up \$0.6M or 9% compared to 1Q FY24, and up \$19.2M compared to 2Q FY23. Cash Flow from Operating Activities⁶ was an inflow of \$15.2M in 2Q FY24, an increase of \$4.5M or 42% QoQ and \$15.0M compared to Q2 FY23.

Megaport has disclosed revenue-generating metrics, being services that billed revenue during the quarter. During 2Q FY24, Megaport added 39 net new revenue-generating customers³,

¹ Earnings Before Interest Tax Depreciation and Amortisation represents operating results excluding equity-settled employee and related costs, foreign exchange gains and losses, gains and losses on disposal of property, plant and equipment, and certain non-recurring non-operational expenses. Prior to 1Q FY24, EBITDA was normalised (adjusted or reduced) for certain one-off accrual reversals.

² Net Cash Flow is the change in Net Cash over the period. Net cash is cash at bank less debt (including vendor finance facility). As at 31 December 2023 Net Cash comprised cash at bank of \$62.5M less the amount outstanding under vendor finance facility of \$16.7M.

³ Revenue-generating key performance metrics are those with billed revenue in the quarter. Megaport's historical Revenue-generating KPIs can be found on our website at <https://www.megaport.com/investor/business-overview/#kpis>.

⁴ Annual Recurring Revenue (ARR) is the recurring revenue expected over a 12 month period, calculated as Monthly Recurring Revenue for the last month of the period x 12, and excludes any non-recurring or one-off revenue.

⁵ Total Cash Flow is the movement in cash at bank over the period.

⁶ Cash Flow from Operating Activities is calculated in line with the consolidated statement of cash flows reported in the half-year and year end financial statements.

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lifting total revenue-generating customers by 1% to 2,816. Total revenue-generating services^{3,7} increased by 748, up 3% QoQ to 28,516. Revenue-generating ports³ were 8,602, up 155 or 2%.

Revenue-Generating Key Performance Indicators³

MegaPort delivered continued growth in recurring revenue, customers and total services across all regions as the world's leading Network as a Service provider. ARR per customer decreased by 0.4% to \$68,083, reflecting the impact of foreign exchange headwinds.

Revenue-generating KPIs³ to 31 December 2023:

	Quarterly Performance						YoY% Change ⁸
	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	QoQ % Change	
Customers	2,637	2,675	2,739	2,777	2,816	1%	7%
Total Services ⁷	25,381	26,029	26,976	27,768	28,516	3%	12%
Ports	7,975	8,052	8,294	8,447	8,602	2%	8%
VXCs and IX	16,599	17,124	17,757	18,336	18,858	3%	14%
MCR	733	763	808	847	886	5%	21%
MVE	74	90	117	138	170	23%	130%

Business Update

The investment in our go-to-market (GTM) engine to drive future top-line growth is continuing, with North American Sales team hiring now complete and all roles "in seat". New team members are undergoing onboarding and training, and are expected to ramp over the next few quarters. With the team now successfully built out, focus has shifted towards improving the effectiveness of the GTM engine. This includes optimising lead generation, nurturing the pipeline of opportunities, and simplifying and elevating both the sales process and GTM operating models and tools.

Our focus on delivering Global WAN as a Service is gaining traction with customers, as evidenced by a three-year agreement signed with a major US healthcare provider. With operations spanning multiple US states, this project enabled the customer to overhaul their IT infrastructure to connect eight data centres, modernise their point-to-point connectivity, and deliver diversity at the port level. This Global WAN solution enabled a significantly larger deal size, generating \$1.4M in ARR and \$4.2M in total contract value.

⁷ Services comprise revenue-generating Ports, Virtual Cross Connections (VXCs), Internet Exchange (IX), MegaPort Cloud Router (MCR), and MegaPort Virtual Edge (MVE).

⁸ Change in the yearly performance at 31 December 2023 to the prior corresponding period ended 31 December 2022.

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MegaPort's 400G backbone continues to grow, enabling 100G services to expand across the globe. This backbone capacity upgrade coupled with Project Centurion's 100G port rollout has not only facilitated the acceleration of 100G port sales, but has also enabled 25G VXC's across most major locations and up to 100G VXC's across key locations in North America, EMEA, and APAC.

We launched a new partnership with FibreconX during the quarter, which is set to transform the way businesses connect. Australian CBD-based businesses can now connect directly to MegaPort at speeds of up to 100G, with on-demand provisioning that equips customers with the connectivity they need in order to address their rapidly growing network requirements.

The Internet Exchange (IX) expansion throughout the US continues to accelerate, having launched five new IX locations in recent months, with Charlotte, New York, Atlanta, Miami, and Denver all now live.

We also officially launched MegaPort Internet, providing our customers with a scalable, dedicated internet connection in 60 seconds. This service allows businesses to bypass third-party vendors and manage their network in-house, with the flexibility to scale bandwidth on-demand and utilise a stable enterprise connection.

Conclusions and Outlook

Michael Reid, MegaPort CEO, stated, "We spent 2Q FY24 considerably expanding our product offerings and laying the groundwork for sustainable, profitable growth. With a 5% revenue increase QoQ, our investment in innovative new products and go-to-market strategies is proving profitable and will support ongoing success.

"In 2Q FY24, we completed hiring for our North American sales team and now have all seats filled. We also welcomed our first-ever Chief Digital Officer, Henry Wagner, to hire and lead a multi-skilled digital team to support product and sales growth. With our sales and digital functions well positioned and aligned, we've laid the foundation for reigniting MegaPort's go-to-market engine.

"Project Centurion is 80% complete, and we now have 100G ports expanding across the globe. The substantial upgrade to our 400G backbone has provided us the capacity to offer these high speed ports, as well as 100G VXC's in key locations to further enhance our customers' multicloud, hybrid cloud, and cross-cloud capabilities. This is a significant advancement, resulting in 10 times the speed for our customers, enabling them to ride the current AI wave.

"Our newly launched Global WAN as a Service has been well received by the market, and saw us close the largest deal in MegaPort's history on an impressive three-year term. This is further evidence that our ongoing product innovations are providing tremendous value to customers, and growing the potential spend of our existing customers. MegaPort Internet is another great

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example of this product expansion, which we're also proud to have launched during the quarter, providing our customers a scalable, dedicated internet connection in 60 seconds.

"I'm excited to see our IX expansion accelerating across the US, with the launch of five new locations in Charlotte, New York, Atlanta, Miami, and Denver. We are seeing the traditional content delivery networks and creators connect as well as new logos to us such as TikTok, New York Internet, and Cachefly to name a few. Finally, our new partnership with FibreconX provides direct branch-to-Megaport connectivity to CBD-based businesses at speeds of up to 100G, equipping customers to embrace the AI boom with high-capacity connectivity for any workload.

"As we keep go-to-market investment our top priority, we're shifting operational focus to simplifying and elevating the sales process, including customer segmentation, lead generation, and pipeline opportunities. This focus will in turn build GTM momentum, enhance customer satisfaction, and enable us to drive strong, sustainable and profitable growth."

2Q FY24 Cash Flow Commentary

Operating Activities

Receipts from customers were \$51.7M (previous quarter: \$47.9M), an increase of \$3.8M or 8% QoQ due to higher billing for recurring revenue during the quarter. Days sales outstanding remained stable QoQ.

Network operating cash outflows were a total of \$16.0M (previous quarter: \$17.7M), a decrease of \$1.7M or 10% QoQ. 1Q FY24 cash outflows included back payments to a key revenue share partner, and a 12-month prepayment to a new network supplier. Total cash outflows during the quarter included approximately \$10.2M of network costs and \$5.3M of partner commissions and revenue share.

Advertising and marketing payments were \$1.4M (previous quarter: \$0.7M), an increase of \$0.7M or 100% QoQ. 2Q FY24 included payments for annual subscription services, and payments related to marketing, event planning and advertising services.

Staff costs paid were \$13.7M (previous quarter: \$13.3M), an increase of \$0.4M or 3% QoQ. The QoQ increase primarily relates to phased hiring between September and December to build out the Company's go-to-market capability.

Administration and corporate payments were \$5.0M (previous quarter: \$5.0M), remaining stable QoQ. Significant payments in 2Q FY24 included \$1.0M of travel and accommodation, \$0.5M of consulting and professional services, \$0.5M of annual licence and subscription fees, and \$0.7M of insurance instalments.

Investing Activities

Capital expenditure on property, plant, and equipment (PPE) was \$3.6M (previous quarter: \$3.4M), a slight increase of \$0.2M QoQ. \$2.2M of the spend during the quarter related to the purchase of inventory that was funded under a vendor financing arrangement, with the remaining expenditure for upgrades to existing capacity.

Investment in intellectual property predominantly related to internal staff time that was capitalised towards key projects. 2Q FY24 expenditure was \$2.1M (previous quarter: \$2.5M), a slight decrease of \$0.4M QoQ. The quarterly expenditure included \$0.5M of beta testing and portal development and \$0.7M relating to internal improvement projects for software and network architecture.

Financing Activities

There were no proceeds from the exercise of employee options during the quarter (previous quarter: \$1.3M).

Proceeds from borrowings in 2Q FY24 of \$3.0M represent the most recent drawdowns under the vendor finance facility (previous quarter: \$3.8M) related to financing of PPE capital expenditure.

Repayments of borrowings were \$2.0M (previous quarter: \$2.0M), reflecting instalment payments under the vendor finance facility. Refer to item 7 below for more details.

Payments of the principal portion of lease liabilities were \$1.3M (previous quarter: \$1.4M). This represents the principal cash outflows related to the contracts that are classified as "Leases" under AASB 16 *Leases*.

Cash Position

Megaport's cash balance at 31 December 2023 was \$62.5M, up \$7.3M from 30 September 2023. The vendor financing facility⁹ saw drawdowns of \$3.0M and repayments of \$2.6M during the quarter, resulting in a net increase of \$0.4M to \$16.7M. The overall net cash position at the end of the quarter was \$45.8M, up \$6.9M or 18% compared to the previous quarter.

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.

⁹ Amounts owing under the vendor financing differ slightly from the amounts included in liabilities in the statement of financial position due to the impact of imputed interest.

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 December 2023

Consolidated statement of cash flows	Current quarter \$AU'000	Year to date (6 months) \$AU'000
1. Cash flows from operating activities		
1.1 Receipts from customers	51,681	99,612
1.2 Payments for		
(a) research and development	(364)	(674)
(b) product manufacturing and operating costs	(16,002)	(33,704)
(c) advertising and marketing	(1,427)	(2,091)
(d) staff costs	(13,741)	(26,989)
(e) administration and corporate costs	(5,036)	(10,018)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	108	265
1.5 Income taxes paid	(9)	(538)
1.6 Government grants and tax incentives	-	-
1.7 Net cash from operating activities	15,210	25,863

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

Consolidated statement of cash flows		Current quarter	Year to date
		\$AU'000	(6 months)
			\$AU'000
2.	Cash flows from investing activities		
2.1	Payments to acquire:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	(3,609)	(6,995)
	(d) investments	-	-
	(e) intellectual property	(2,128)	(4,643)
	(f) other non-current assets	-	-
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	2	3
	(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	(5,735)	(11,635)

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

Consolidated statement of cash flows		Current quarter	Year to date
		\$AU'000	(6 months)
			\$AU'000
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	-	1,327
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	-
3.5	Proceeds from borrowings	3,000	6,798
3.6	Repayment of borrowings	(1,996)	(4,008)
3.7	Transaction costs related to loans and borrowings	(62)	(156)
3.8	Dividends paid	-	-
3.9	Payments of the principal portion of lease liabilities	(1,330)	(2,701)
3.10	Interest and other costs of finance paid	(356)	(820)
3.11	Net cash (used in)/from financing activities	(744)	440

Consolidated statement of cash flows		Current quarter	Year to date
		\$AU'000	(6 months)
			\$AU'000
4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	55,164	48,455
4.2	Net cash from operating activities (item 1.7 above)	15,210	25,863
4.3	Net cash used in investing activities (item 2.6 above)	(5,735)	(11,635)
4.4	Net cash (used in)/from financing activities (item 3.11 above)	(744)	440
4.5	Effect of movement in exchange rates on cash held	(1,437)	(665)
4.6	Cash and cash equivalents at end of period	62,458	62,458

Appendix 4C

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

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 \$AU'000	Previous quarter \$AU'000
5.1 Bank balances	62,458	55,164
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)	62,458	55,164

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

Current quarter \$AU'000
583
-

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**

Total facility amount at quarter end \$AU'000	Amount drawn at quarter end \$AU'000
-	-
-	-
33,850	16,648
33,850	16,648

7.5 Unused financing facilities available at quarter end

-

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

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 aggregate facilities of \$33.9M represent amounts provided by the vendor for financing equipment. This is governed by a number of Instalment Payment Agreements (IPAs). These IPAs are each repayable via equal instalments over 36 months from the drawdown date. The agreements are collectively secured by a bank guarantee of \$5.7M in cash and cash equivalents.

The drawn facility amount of \$16.7M represents the net amount of the facility outstanding after repayments.

The Board has approved a total of drawn facilities of up to \$25M to fund the purchase of network equipment and payment of software licences, which is \$8.3M in excess of the amount drawn under the vendor facility. Megaport expects further funding to be available if required.

8.	Estimated cash available for future operating activities	\$AU'000
8.1	Net cash from operating activities (Item 1.7)	15,210
8.2	Cash and cash equivalents at quarter end (Item 4.6)	62,458
8.3	Unused finance facilities available at quarter end (Item 7.5)	-
8.4	Total available funding (Item 8.2 + Item 8.3)	62,458
8.5	Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	n/a

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.

Appendix 4C

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

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: 30 January 2024

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.