



Appendix 4C

Quarterly report for entities subject to Listing Rule 4.7B

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31st January 2017

December 2016 Quarter Cash Flow Report and Performance Highlights

Megaport Limited (ASX: MP1) has today released the December 2016 quarter Appendix 4C.

2Q FY17 Performance Highlights

Key Insights

- 9 new data centres went live via organic expansion in Australia and North America, with a total of 141 data centres at the end of the quarter.
- On 4th November, 16 Digital Realty (NYSE:DLR) data centre locations across the USA went live with Megaport as part of their Service Exchange, providing elastic interconnection and cloud networking services using Megaport's Software Defined Network (SDN) enabled infrastructure.
- Total Services increased in the quarter to 2,768, or 15% in the period due to a substantial uplift in Virtual Cross Connections (VXC's), 40% QoQ.
- As a result, the Average Revenue per Port increased to \$615, up \$107 or 21%.
- Customers increased by 60 or 11% QoQ to a total of 621 customers.
- Revenue for the period was \$2.51M, an increase of 39% from the last quarter reflecting both the first full quarter of acquisition revenue and organic growth.
- Total monthly recurring revenue at the end of December was \$909K, an increase of \$115K 14% QoQ, annualised monthly recurring revenue based on December was \$10.9M.

Partnerships

Seaborn Networks: In January 2017, Megaport announced its intention to enter into a global platform and exclusive South American strategic alliance with Seaborn Networks. As a result, Seaborn Networks will have exclusive use of Megaport-enabled broadband on demand solutions in South America, with global reach for Seaborn customers and Megaport accessibility to Seaborn's US-Brazil cable (Seabras-1). These services are planned to be live in June 2017.

EdgeConnex: In January 2017, Megaport entered into a partnership with EdgeConnex, enabling the deployment of the Megaport, SDN-based elastic interconnection services in Edge Data Centres (EDCs) across North America and Europe. EdgeConnex's customers will be able to access Megaport services, including scalable, private, and direct connections to key Cloud Service Providers.

2Q FY17 Cash Flow Commentary

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There is \$1.2M of funds held in escrow for future settlement of acquisitions. This amount is included in the closing cash and cash equivalents total at the end of the quarter.

Operating Activities

Receipts from customers were \$2.9M for the quarter representing an increase of \$657K, 29%. The increase on the previous quarter resulted from growth in revenue attributable to geographic expansion, organic growth and recent acquisitions, with a focused approach to improve working capital.

Network operating costs cash outflows of \$3.3M in line with previous quarter which represents bandwidth, colocation and cross connects for the entire network. The network footprint increased to incorporate 9 new data centres during the quarter.

Advertising and marketing spend was \$246K in the quarter showing a \$34K decrease from the previous quarter. This was attributable to savings in events expenses, and leveraging partner resources for go to market activities.

Staff costs of \$3.7M have increased by \$393K from previous quarter due to general growth globally to enable ecosystem development and support geographic expansion.

Administration and corporate costs were \$1.1M. This represents a saving of \$1.6M on the previous quarter with corporate and administration expenses normalising with minimal corporate set up and legal costs.

Investing activities

Capital Expenditure was \$1.5M, an increase of \$184K on the previous quarter, as a result of the completion of the initial European rollout and continued expansion in North America. Current capital investment is for locations being deployed in the Americas, Europe and Asia-Pacific.

There was a cash outflow of \$59K, finalising the acquisition transactions of Peering GmbH in Germany.

Financing activities

There were no significant financing activities during the quarter.

Cash Position

The Closing Cash at the end of the Quarter was \$24.2M.

Name of entity

Megaport Limited

ABN

46 607 301 959

Quarter ended ("current quarter")

31 December 2016

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	2,899	5,141
1.2 Payments for		
(a) research and development	(9)	(163)
(b) product manufacturing and operating costs	(3,306)	(6,589)
(c) advertising and marketing	(246)	(527)
(d) leased assets	(59)	(93)
(e) staff costs	(3,697)	(7,000)
(f) administration and corporate costs	(1,140)	(3,886)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	68	126
1.5 Interest and other costs of finance paid	(45)	(45)
1.6 Income taxes paid	(109)	(117)
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(5,644)	(13,153)

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Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
2.	Cash flows from investing activities		
2.1	Payments to acquire:		
	(a) property, plant and equipment	(1,480)	(2,776)
	(b) businesses (see item 10)	(59)	(1,121)
	(c) investments	-	-
	(d) intellectual property	(192)	(489)
	(e) other non-current assets	-	(151)
2.2	Proceeds from disposal of:		
	(a) property, plant and equipment	-	-
	(b) businesses (see item 10)	-	-
	(c) investments	-	-
	(d) intellectual property	-	-
	(e) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (cash received on acquisition of business)	107	107
2.6	Net cash from / (used in) investing activities	(1,624)	(4,430)
3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	-	30,999
3.2	Proceeds from issue of convertible notes	-	-
3.3	Proceeds from exercise of share options	-	-
3.4	Transaction costs related to issues of shares, convertible notes or options	(3)	(974)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-

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Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
3.9 Other (provide details if material)	-	-
3.10 Net cash from / (used in) financing activities	(3)	30,025

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of quarter/year to date	31,611	11,870
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(5,644)	(13,153)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(1,624)	(4,430)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	(3)	30,025
4.5 Effect of movement in exchange rates on cash held	(155)	(127)
4.6 Cash and cash equivalents at end of quarter	24,185	24,185

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	22,849	30,298
5.2 Call deposits	167	157
5.3 Bank overdrafts	-	-
5.4 Other (provide details) – Funds held in escrow for future settlement of acquisitions	1,169	1,156
5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)	24,185	31,611

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6.	Payments to directors of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to these parties included in item 1.2	166
6.2	Aggregate amount of cash flow from loans to these parties included in item 2.3	-
6.3	Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2	

7.	Payments to related entities of the entity and their associates	Current quarter \$A'000
7.1	Aggregate amount of payments to these parties included in item 1.2	449
7.2	Aggregate amount of cash flow from loans to these parties included in item 2.3	-
7.3	Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2	

8.	Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1	Loan facilities	-	-
8.2	Credit standby arrangements	-	-
8.3	Other (please specify)	-	-
8.4	Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

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9.	Estimated cash outflows for next quarter	\$A'000
9.1	Research and development	154
9.2	Product manufacturing and operating costs	3,328
9.3	Advertising and marketing	398
9.4	Leased assets	60
9.5	Staff costs	3,828
9.6	Administration and corporate costs	1,943
9.7	Other (provide details if material)	
	Property, plant & equipment	1,500
	Intellectual property	247
9.8	Total estimated cash outflows	11,458

10.	Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)	Acquisitions	Disposals
10.1	Name of entity	Peering GmbH	-
10.2	Place of incorporation or registration	Germany	-
10.3	Consideration for acquisition or disposal	AUD\$1,903,200	-
10.4	Total net assets	AUD\$79,515	-
10.5	Nature of business	Internet exchange operator	-

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.

Sign here:
Company secretary

Date: 31 January 2017

Print name: Celia Pheasant

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly 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 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.