



Global Update

Megaport cements its position as the global leading provider of Elastic Interconnection services. Megaport expands ecosystem, enters new strategic partnerships, and increases revenue 39% QoQ.

Brisbane, AUSTRALIA 31 January 2017 Megaport Limited (**ASX:MP1**) provides global market update.

2Q FY17 Performance Highlights

- 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 the quarter was \$909K, an increase of \$115K, 14% QoQ.
- Total Services¹ increased in the quarter to 2,768, or 15% in the period due to a substantial uplift in Virtual Cross Connections (VXCs), 40% QoQ.
- As a result, Average Revenue per Port increased to \$615, up \$107 or 21%.
- The Asia-Pacific and Europe business units are generating a profit after direct network costs².
- At the end of December 2016, the company's cash position was \$24.2M.

Megaport's Chief Financial Officer, Haidee Van Ruth, said, "The second quarter of Fiscal Year 2017 has resulted in 39% growth reflecting the first full quarter of acquisition revenue and organic growth for Megaport. This is a result of a strong contribution from North America with a 272% net increase, along with continued growth in Australia and Europe. Of particular note, there was a 40% increase in VXCs during the period, which improved the average revenue per Port and overall revenue. This indicates that Megaport customers are leading the trend of cloud compute adoption, and increasing their consumption of cloud connectivity."

¹ Total services comprise of Ports, Virtual Cross Connections (VXCs), and Internet Exchange (IX).

² Direct network costs comprise data centre power and space costs, physical cross connect fees, bandwidth and dark fibre costs, network operation and maintenance fees, and channel commissions, which are directly related to generating the service revenue of Megaport Group.

Key Performance Metrics

	December 2015	September 2016	December 2016
Ports	504	1,409	1,479
Total Services	940	2,412	2,768
Data Centres	46	132	141
Countries	4	19	19
Customers	253	561	621
Monthly Recurring Revenue	\$221k	\$794k	\$909k

Ecosystem Expansion Update

- **Asia-Pacific:** 45 total data centres, with the addition of three new data centres in Australia and Singapore. Australia is Operating EBITDA³ positive. At the end of the quarter, Megaport launched additional capacity through a trans-pacific link to support global multi-cloud interconnection. Connecting Hong Kong to Los Angeles, and adding a secondary path from Singapore to Hong Kong, driven by customer demand.
- **North America:** 39 total data centres, with the addition of six new data centres in the period. Additionally, Digital Realty's Service Exchange went live in November following the successful deployment of Megaport across 16 Digital Realty data centres and completion of White-label integration. Eight new cloud on-ramps were established, with the first Azure GovCloud locations in Dallas and Chicago. Current expansion is underway in two new markets in Canada, the New York/New Jersey metropolitan areas, and in ten new CyrusOne locations.
- **Europe:** 57 total data centres. The region is Operating EBITDA³ positive. Network integration is underway and on track to complete this financial year. Megaport is the first to offer the Microsoft German Cloud on-ramp, located in Berlin and available across all Megaported German locations. In addition, six new cloud on-ramps were established with Microsoft, Amazon, and Google.

Partnership Update

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. This is the first agreement that Megaport has undertaken, wherein services are licensed to a network provider. The focus in the coming quarter is the rollout and implementation of this agreement.

³ Operating EBITDA for a particular geography is the earnings in that geography before interest, taxes, depreciation and amortisation, but excludes, in the calculation of earnings, group and corporate overheads.

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.

Rackspace (NYSE:RAX): In December 2016, Megaport entered into a partnership with Rackspace, a managed cloud computing company. Customers in any Megaport enabled data centre can now establish a dedicated RackConnect Global circuit to Rackspace data centres in the United States. Additionally, this marked the first time that Rackspace customers could leverage connectivity to U.S. West Coast data centres and public cloud regions, such as Amazon Web Services (AWS) U.S. West 1 and 2.

Aqua Comms DAC: In November 2016, Aqua Comms granted Megaport access to their America-Europe Connect ("AEConnect") to enable elastic interconnectivity to its transatlantic subsea cable network. Customers can now link services between North America and Europe, each way, without requiring a physical presence in either location, with consumption based on cloud computing models.

Digital Realty Trust, Inc (NYSE:DLR): Following the partnership announcement in 2016, sales efforts are well underway. The focus over the last quarter has been the successful completion of deployment and sales enablement to position Megaport for upcoming quarters. Over the course of 2017, Megaport will expand into 10 new data centres, including two new markets.

CyrusOne (NYSE:CONE): In the last quarter, there has been a tremendous amount of traction from existing sites. As a result of this partnership, Megaport has also expanded its focus to a new customer vertical in the North America, as it has garnered the attraction of many government cloud customers. The expansion will continue in 2017 into ten additional data centres.

Vincent English, Chief Operating Officer, said: "South America, particularly Brazil has historically been a complex market. High tariffs, difficulty in procuring network equipment, and local sales capabilities have proved problematic for even the biggest companies. Our agreement with Seaborn Networks enables us to expand the Megaport SDN into this highly-sought after market while avoiding these challenges. Layering Megaport's services across Seaborn's unique network infrastructure is proving to be both a successful pilot program and a great use case for how we would like to utilise this new style of partnership in the future. This year, we have worked with new and existing partners to further enable expansion, increase our global coverage, and access additional capacity and value to our customers."

Conclusions and Outlook

Denver Maddux, Chief Executive Officer, said: "The first half of FY17 has been a very successful one for the company on all fronts – revenue, locations, ports, and services. We are committed to the vigorous execution of our strategy to ensure we remain the undisputed leader in the provision of elastic connectivity to cloud users the world over."

More information can be found in the company's Appendix 4C lodged with the ASX on 31 January 2017.

Supporting Resources

- Visit Megaport: <https://megaport.com/>
- Follow Megaport on Twitter: [@megaportnetwork](https://twitter.com/megaportnetwork)
- Like Megaport on [Facebook](#)
- Follow Megaport on [LinkedIn](#)

About Megaport

Megaport is the global leading provider of Elastic Interconnection services. Using Software Defined Networking, the Company's global platform enables customers to rapidly connect their network to other services across the Megaport Fabric. Services can be directly controlled by customers via mobile devices, their computer or our open API. The Company's extensive footprint in Australia, Asia Pacific, North America, and Europe provides a neutral platform that spans many key data centre providers across various markets.

Established in 2013 and founded by Bevan Slattery, Megaport built the world's first SDN -based elastic interconnection platform designed to provide the most secure, seamless and on-demand way for enterprises, networks and services to interconnect. Led by industry veteran Denver Maddux, Megaport has been built by a highly experienced team with extensive knowledge in building large scale global carrier networks and connects over 621 customers throughout its 141 data centres in 37 cities across 19 countries. Megaport is an Amazon AWS Technology Partner, Microsoft Azure ExpressRoute Partner, and Google Cloud Interconnect Partner.

To learn more about Megaport, please visit: www.megaport.com.

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