

An abstract graphic on a red background. It features a central globe-like sphere composed of a dense network of white lines and dots. Overlaid on the sphere is a pattern of white hexagons, some of which are solid and others are outlines. From the sphere, several clusters of network lines and dots extend outwards, resembling a molecular or digital structure.

# Half Year 2017 Market update

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21 February 2017

# Half Year Numbers

As of December 2016

Total number of data centres



102

30 JUNE 2016

141

31 DEC 2016

Total number of ports



736

30 JUNE 2016

1479

31 DEC 2016

Total number of services



1500

30 JUNE 2016

2768

31 DEC 2016

Total number of customers



314

30 JUNE 2016

621

31 DEC 2016

Monthly Recurring Revenue



\$308k

30 JUNE 2016

\*\$909k

31 DEC 2016

Annualised Revenue



\$3.7m

30 JUNE 2016

\$10.9m

31 DEC 2016

# Who is Megaport?

We make connectivity easy



**Pay for what you use**



**Ease of use**



**Fast, Instant, and Secure**



**Leading Service Providers**

## Who do we connect?



**Enterprises**



**Cloud Service Providers**









**Data Centre Operators**



**Network Service Providers**

*We are network on demand*

# Why Megaport?

	Megaport's Network on Demand	Traditional Network
 <b>Pricing</b>	Pay for what you use, no setup fees	Expensive locked-in pricing model Expensive setup costs
 <b>Speed</b>	Real-time provisioning (59 seconds or less)	Long setup times (1 week - several months)
 <b>Capacity</b>	Elastic, right-sized capacity	Fixed capacity
 <b>Terms</b>	Flexible terms, month to month contract	Locked-in long term contracts
 <b>Providers</b>	Neutral, one-stop shop featuring all service providers	Limited Service Providers
 <b>Ease of Use</b>	Intuitive portal to manage network	Multiple emails, calls to vendors, and paper contracts

# Megaport is the reason cloud connectivity will scale



There are **4000+** enterprise data centres

**149** Megaported data centres

Megaport SDN

Only about **80** cloud on-ramp locations

Megaport is the leading Software Defined Network (SDN) connecting data centres to cloud, and cloud to enterprise

# Half Year Results 1H FY17



# 1HFY17 Financial Results

	1 July 2016 - 31 December 2016	27 July 2015 - 31 December 2015
<b>Revenue</b>	<b>4,458,704</b>	<b>1,001,079</b>
Direct network costs <sup>1</sup>	5,289,857	1,150,534
<b>Profit/(loss) after direct network costs<sup>1</sup></b>	<b>(831,153)</b>	<b>(149,455)</b>
Employee costs	(7,813,796)	(5,875,993)
Professional fees	(1,666,517)	(1,409,005)
Depreciation & amortisation expense	(1,835,632)	(444,013)
Other costs <sup>2</sup>	(1,625,592)	(2,061,051)
<b>Net profit/(loss)</b>	<b>(13,772,690)</b>	<b>(9,939,517)</b>

1. Revenue less direct network costs, which comprise of data centre power and space, physical cross connect fees, bandwidth and dark fibre, network operation and maintenance, and channel commissions which are directly related to generating the service revenue of Megaport Group.
2. Total Other costs includes travel and marketing expenses, finance expenses, and other income and costs to the business.

## Financial Results

For half-year ended 31 December 2016

Revenue \$4,458,704, up 345%

Loss after direct network costs for the Group of \$831,153

Asia-Pacific and Europe business units are generating a profit after direct network costs



# 1H FY17 Revenue Growth

	1 July 2016 - 31 December 2016	27 July 2015 - 31 December 2015	Change	%
Asia-Pacific	2,345,183	1,001,079	1,344,104	
Europe	1,868,481	-	1,868,481	
North America	245,040	-	245,040	
<b>TOTAL REVENUE</b>	<b>4,458,704</b>	<b>1,001,079</b>	<b>3,457,625</b>	<b>345%</b>

**REVENUE**  
**\$4.5M**

Up 345% from Dec 2015

**MRR**  
**\*\$909K**

Up 311% from Dec 2015

## Financial Results

For half-year ended 31 December 2016

Revenue was \$4,458,704 driven by acquisitions in Europe, and organic growth in APAC and North America.

42% from Asia-Pacific business

53% from Europe business

Monthly recurring revenue was \$909k for December 2016, up 311% from December 2015, driven by increased utilisation of Megaport Services globally.

\*Monthly Recurring Revenue is closing monthly revenue for the month of December.



# 1H FY17 Managing Costs

## Heavy Lifting Complete

Costs managed to maximise efficiency whilst enabling support of revenue generating activities

MegaPort leveraging cost base going forward with most of the heavy lifting done in 2016:

- Major Network Rollout
- Foundational Staffing
- Sales Enablement Tools

Direct Network Costs include bandwidth, colocation, and cross connect costs

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## Operating Expenses

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Employee costs represent growth in global resources to facilitate ecosystem development and geographic expansion

Professional costs represent corporate set up and legal expenses required to set up MegaPort entities global - now at a total of 19 reporting entities

# 1HFY17 Cashflow

## Cash Burn Stabilised

Following investment in network, people, and infrastructure in 2016

## 2HFY17 Focus

Aligned to significant revenue growth with prudent cost management  
to deliver meaningful reduction in cash burn

Closing cash position **\$24.2M** as at 31 Dec 2016

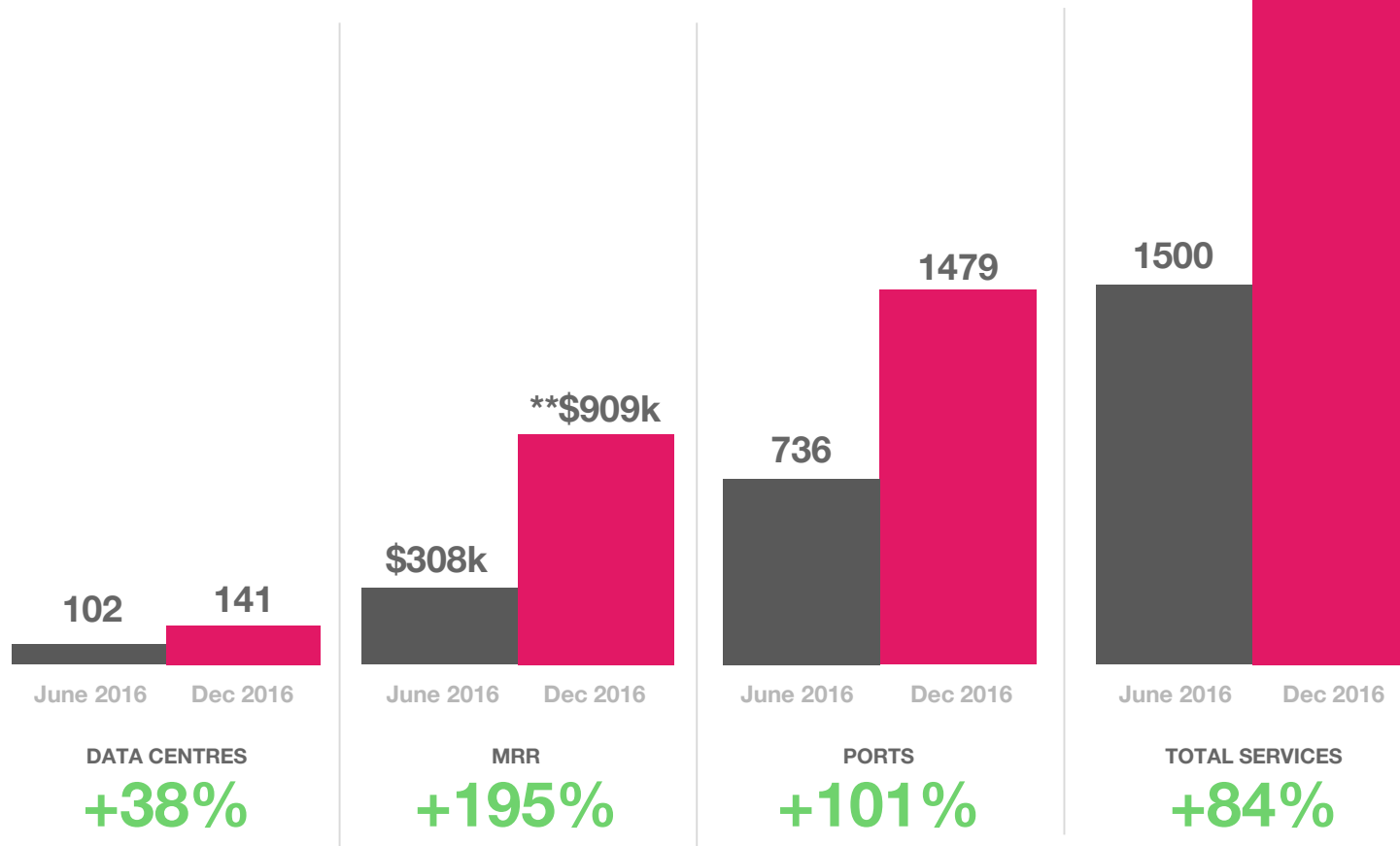
# Business update



# The Megaport Network



# H1FY17 - Growth & Momentum



What's driving revenue growth?

Average Revenue per Port (2016)\*

June	December
\$418	\$615

GROWTH

+47%

The increase in services per-port directly increases Port value.

\*Total revenue divided by number of Ports at reporting period end date.

\*\*Monthly Recurring Revenue is closing monthly revenue for the month of December. Total services comprise of Ports, Virtual Cross Connections (VXCs), and Internet Exchange (IX).

# Path to Revenue



<b>December 2016</b>	141	621	1479	2768	<b>\$909k</b>
<b>September 2016</b>	132	561	1409	2412	<b>\$794k</b>
<b>June 2016</b>	102	314	736	1500	<b>\$308k</b>

# The Network Effect

Megaport's strategy is to rapidly expand our network, expand our addressable market, and expand our revenue opportunity.

*"A network effect occurs when a product or service becomes more valuable to its users as more people use it."*

- **Tren Griffin**<sup>1</sup>

*"Getting big fast matters, not only because it creates more value, but also because it assures that competing networks never take hold."*

- **Michael Mauboussin**<sup>2</sup>

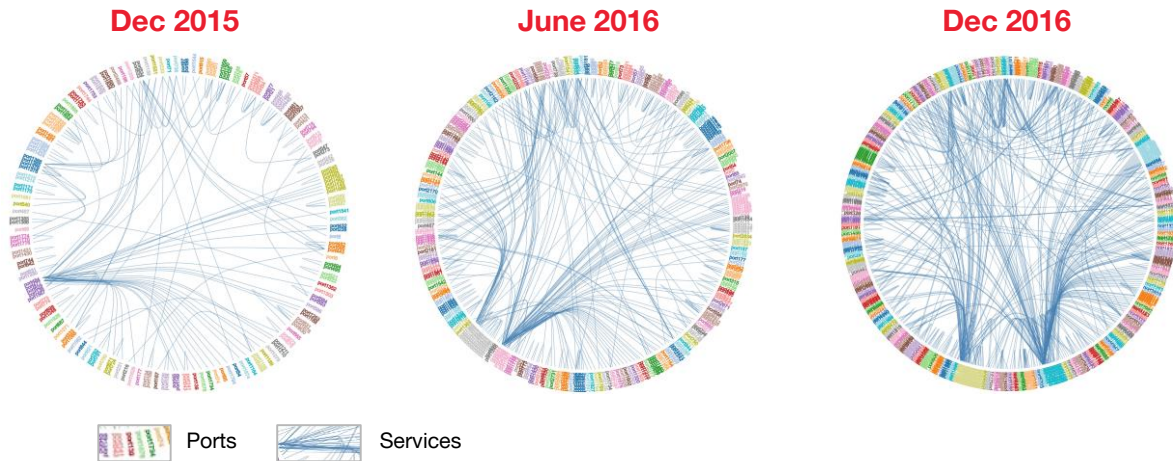
<sup>1</sup> Hariharan, Anu. "Network Effects." LinkedIn. N.p., 07 Mar. 2016. Web. 2 Jan. 2017.

<sup>2</sup> Griffin, Tren. "Two Powerful Mental Models: Network Effects and Critical Mass." *Andreessen Horowitz*. N.p., 7 Mar. 2016. Web. 7 Jan. 2017.



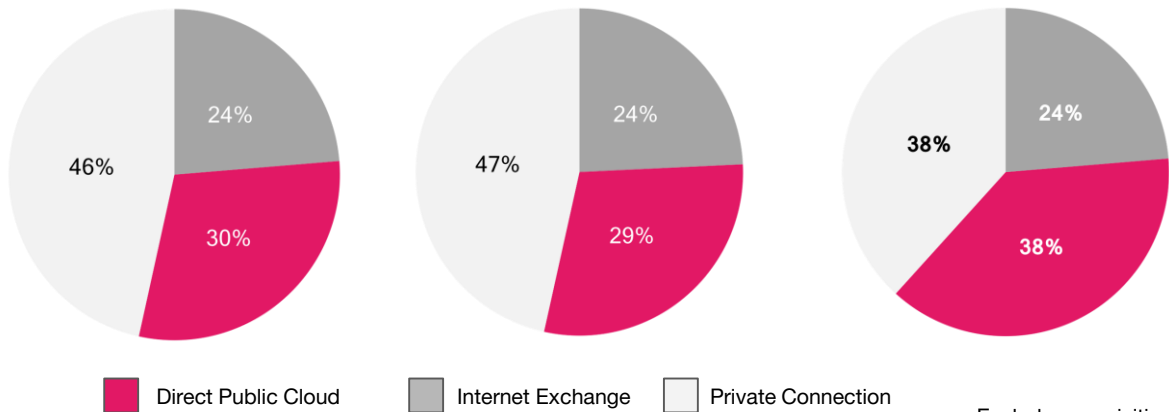
# Adoption of Megaport Services

Megaport  
Service  
Connections



Megaport  
connectivity  
mirrors cloud  
adoption  
trends

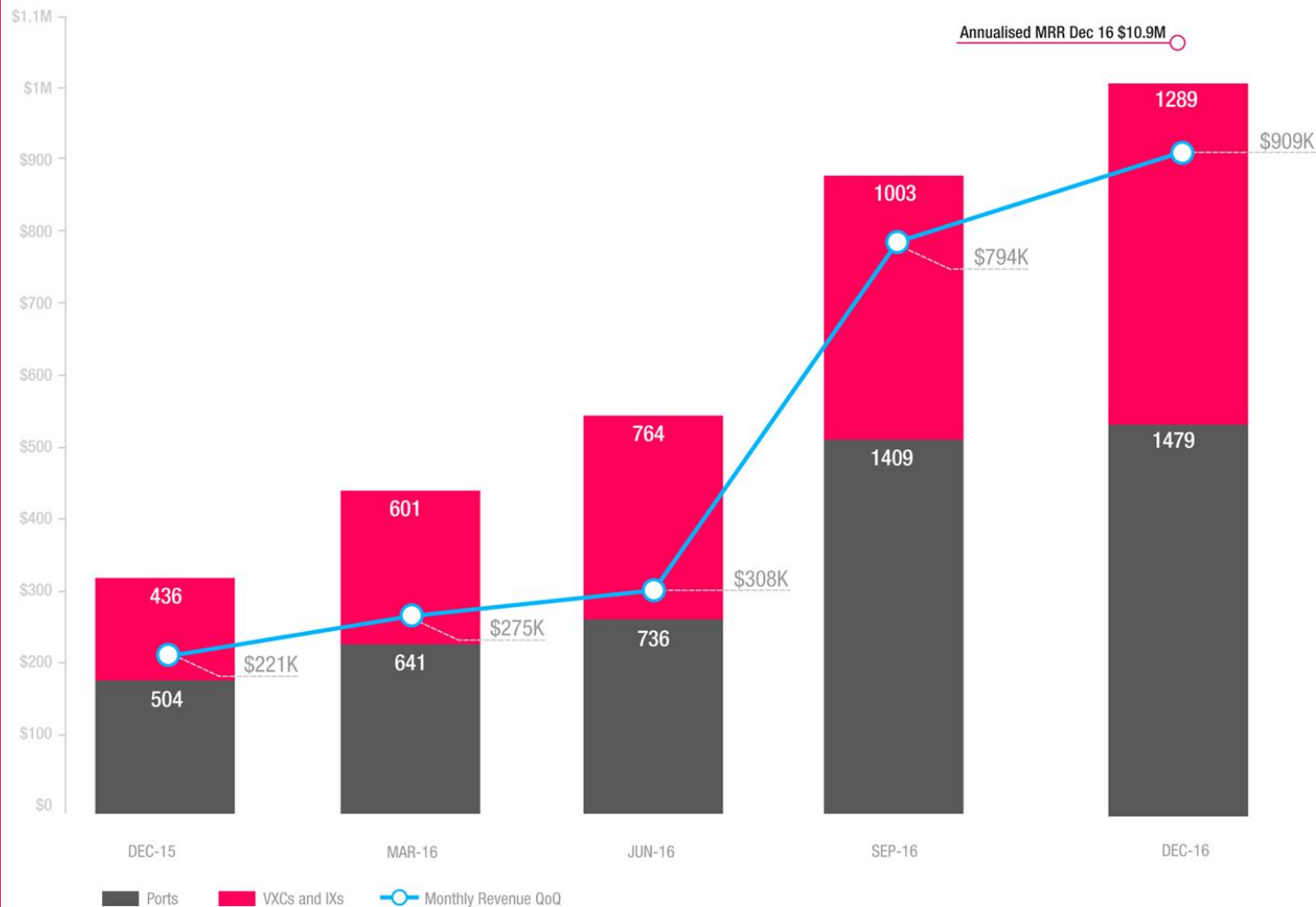
Service  
Connections  
Types



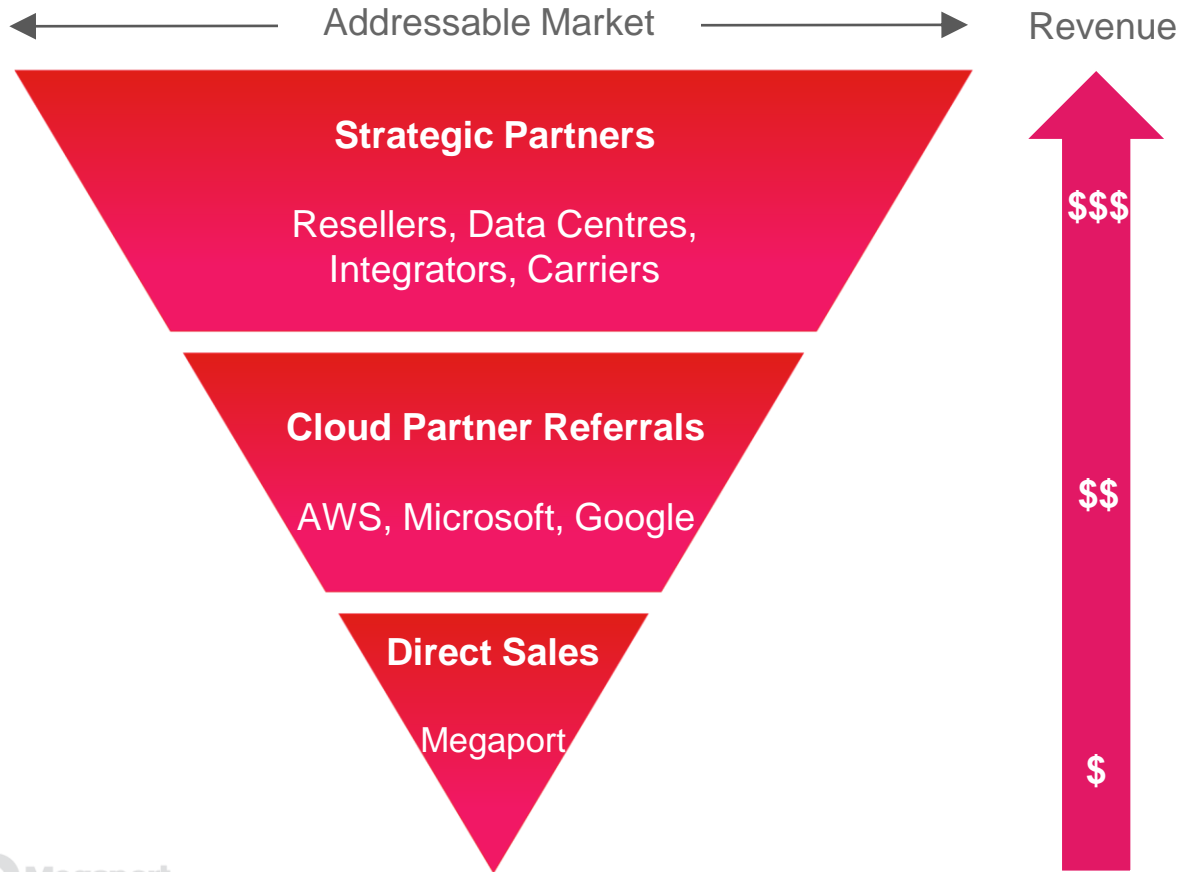
Excludes acquisitions

# Growth Trends

*Increased services per port drives greater monthly recurring revenue growth*



# Revenue Channels / Go To Market



Expand reach to more Enterprise prospects

Increase number of people selling Megaport by an order of magnitude




Solutions and Sales Engineering support

Megaport positioned as part of holistic IT solution

Rapid deal qualification

Greater marketing resources

# Partnership Benefits

Cloud Service Providers	Data Centre Operators	Network and Managed Service Providers
Cloud Service Providers can reach a larger customer base that could not traditionally access and consume cloud services directly.	Data Centre partners can access instant cloud connectivity to offer their customers a differentiated service.	Physical reach of Network partners' infrastructure can be extended, while allowing operators the ability to offer elastic connectivity to their customers.
 <p>Microsoft Azure</p> <p>Office 365</p> <p>amazon web services</p> <p>Google Cloud Platform</p>	 <p>DIGITAL REALTY</p> <p>CyrusOne</p> <p>edgeconnex</p> <p>4° DATA CENTERS</p>	 <p>AQUACOMMS</p> <p>Seaborn NETWORKS</p> <p>rackspace the #1 managed cloud company</p> <p>GT ACTIVE company</p>

## Megaport Benefits:

- Enables larger, distributed sales force for Megaport services
- Rapid speed to market
- Minimise go to market complexities and costs



# DIGITAL REALTY

*Digital Realty is a leading full scale data centre provider offering colocation, interconnection, and cloud connectivity services with 150+ data centres globally.*

**The Partnership:** Global agreement to provide elastic interconnection capabilities for Service Exchange in 24 data centres across 15 global markets.

**The Solution:** Service Exchange, Powered by Megaport is a multi-cloud, multi-services interconnection solution enabling Digital Realty's customers to rapidly connect to a broad ecosystem of service providers around the world. It is enabled by the Megaport SDN via full integration with the Digital Realty's MarketplacePORTAL.

**Update on Progress:**

1. 16 of 24 data centres launched
2. Go to market activities underway to drive sales

*"One of the core reasons we chose to partner with Megaport is the advanced elastic SDN architecture they've been able to bring to market."*

**Chris Sharp, CTO Digital Realty**



*Service Exchange Simplifies  
Global Data Centre and  
Cloud Interconnection*



*Seaborn Networks, a leading developer-owner-operator of independent submarine fiber optic cable systems, including Seabras-1 between New York and Sao Paulo.*

**The Partnership:** Global Platform and Licensing Agreement enabling Seaborn Networks to offer Megaport's elastic interconnection services across their infrastructure.

**The Solution:** Transformation of legacy, subsea capacity model to dynamic usage; unlocking powerful connectivity options to new customers.

**Unique MP1 Benefits:**

1. First example of partnership model to replicate in other markets with similar regional go to market risks.
2. Enables oceanic capacity between continents.

*"Megaport has transformed the static legacy model that was previously the only option for sub-sea cable providers. We are partnering with Megaport because we share their vision to unlock these new flexible connectivity options for the market."*

**Larry Schwartz**, Chairman & CEO of Seaborn Networks



# Regional update



45

Data Centres

**Demand-led  
capacity**

HK-LA Trans-Pacific link  
SG-HK Secondary path

IX

**Jun - Dec Traffic growth:**  
+25% SYD, +63% AKL, +53% SG



39

Data Centres

8

New cloud  
on-ramp locations

1st

Azure GovCloud locations in  
Dallas and Chicago



57

Data Centres

6

New cloud on-ramp  
locations

1st

To offer Microsoft Azure  
German Cloud



# H2 FY17 Priorities

## **EXPAND**

Deeper into enterprise markets through partnership and organically, adding 30 new data centres

## **CONNECT**

Industry leading Cloud Providers onto our SDN and to our customers

## **DRIVE**

Sales enablement through expanded direct sales and channel engagements

## **DELIVER**

Revenue Growth with prudent cost management with meaningful reduction in cash burn

# Thank you

## On the Web:

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