



Appendix 4C

Quarterly report for entities admitted
on the basis of commitments

29 July 2016

June 2016 Quarter Cash Flow Report and Performance Highlights

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

4Q FY16 Performance Highlights

Key Insights

- 12 New sites went live with 4 facilities in Canada, 3 in New Zealand, 3 in Australia and 2 in USA, bringing a total of 71 new sites as at June 30 2016. This represents a 97% increase since IPO
- 95 additional NET ports increased in the quarter representing a 15% increase QoQ to a total of 736 ports as at June 30, 2016. This represents a net increase of 46% since IPO.
- Total monthly recurring revenue at the end of the quarter was \$308k an increase of \$34k (12%) from last quarter, with June's gross recurring revenue (excluding promotions) at \$380k per month.
- All initial sites in North America went live this quarter inline with the prospectus and generated revenue in June North America (\$16k). This is expected to grow as pre-signed customers roll-off promotion incentives including free periods and trials as well as general customer growth.
- Total Ports increased by 15% in the quarter, while customers increased by 11% to 314.

4Q FY16 Cash Flow Commentary

Revenue

Receipts from customers were \$621k for the quarter. While this is marginally below last quarter as a result of timing of cash receipts, the underlying monthly revenue has continued to grow every month since listing and has grown from \$274k for the month of March 2016 to \$308k for the month of June 2016.

The majority of the revenue receipts for the quarter are from the Asia Pacific region as earlier noted initial billing for North America customers only commenced late this quarter.

Operating Costs

Staff costs of \$1.99m have dropped slightly due to capitalising labour for the development of the Megaport software (*see Intellectual Property below for more details*).

Advertising and marketing spend was \$0.5m in the quarter and consistent with the previous quarter.

Other Working Capital costs were \$1.63m and have decreased by \$1.81m on the previous quarter due to the following factors:

- Q3 was higher than usual due to a foreign currency depreciation loss of \$540k on funds transferred to USD.
- Q3 also had \$460k of prepayments specific to the North American rollout to be utilised in Q4.

- Q4 had a foreign currency gain of \$747k as the USD translation rate improved in Australia's favour.

Normalised quarterly Other Working Capital \$2.2m

Acquisition

In Q4, Megaport acquired OMNIX Group AD, a Bulgarian based business which is a carrier-grade Pan-European transport services provider with access to key interconnection buildings and an extensive Balkans footprint. The cash consideration was \$723k.

For further information, please see ASX Release "Megaport Acquires OMNIX Group AD, Signs Purchase Agreement for PEERING GmbH, and Launches Services in Europe".

Intellectual Property

In the quarter Megaport has recognised the software the Megaport engineering team is developing as an asset. This asset is a key driver in the Megaport business and the labour incurred in its development of \$746k is being capitalised to recognise the asset.

Capital Expenditure

Capital Expenditure was \$1.96m an increase of \$746k on the previous quarter and included the last major capital investments for the initial European rollout in accordance with the prospectus. The rollout of the Europe network has concluded with the Europe sites expected to go live in 2017FY Q1.

Capital expenditure in this quarter was incurred to open six new sites in the USA, three new sites in New Zealand and three new sites in Australia. Of these new sites, **eleven are incremental to the network rollout plans as set out in the December IPO prospectus.**

Cash Position

The Closing Cash at the end of Quarter 4 is \$11.83m.

Investment in network assets, new site locations and the acquisition accounted for approximately half of the total cash use in the quarter.

Name of entity

Megaport Limited

ABN

46 607 301 959

Quarter ended ("current quarter")

30 June 2016

Consolidated statement of cash flows

| | Current quarter \$A'000 | Year to date (11 months) \$A'000 |
|---|----------------------------|--|
| Cash flows related to operating activities | | |
| 1.1 Receipts from customers | 621 | 2,085 |
| 1.2 Payments for (a) staff costs | (1,994) | (7,694) |
| (b) advertising and marketing | (495) | (1,544) |
| (c) research and development | - | - |
| (d) leased assets | - | - |
| (e) other working capital | (1,625) | (7,738) |
| 1.3 Dividends received | - | - |
| 1.4 Interest and other items of a similar nature received | 42 | 146 |
| 1.5 Interest and other costs of finance paid | - | - |
| 1.6 Income taxes paid | - | - |
| 1.7 Other – Payments for ASX listing costs | - | (509) |
| Net operating cash flows | (3,451) | (15,254) |
| Cash flows related to investing activities | | |
| 1.9 Payment for acquisition of: | | |
| (a) businesses (item 5) | (723) | (723) |
| (b) equity investments | - | - |
| (c) intellectual property | (746) | (746) |
| (d) physical non-current assets | (1,955) | (5,492) |
| (e) other non-current assets | - | - |
| 1.10 Proceeds from disposal of: | | |
| (a) businesses (item 5) | - | - |
| (b) equity investments | - | - |
| (c) intellectual property | - | - |
| (d) physical non-current assets | - | - |
| (e) other non-current assets | - | - |
| 1.11 Loans to other entities | - | - |
| 1.12 Loans repaid by other entities | - | - |
| 1.13 Other – Cash acquired from purchase of subsidiary | 4 | 310 |
| Net investing cash flows | (3,420) | (6,651) |
| 1.14 Total operating and investing cash flows | (6,871) | (21,905) |
| Cash flows related to financing activities | | |
| 1.15 Proceeds from issues of shares, options, etc. | - | 35,000 |
| 1.16 Proceeds from sale of forfeited shares | - | - |
| 1.17 Proceeds from borrowings | - | - |
| 1.18 Repayment of borrowings | - | (376) |
| 1.19 Dividends paid | - | - |
| 1.20 Other – Payment for share issue costs | - | (890) |
| Net financing cash flows | - | 33,734 |
| Net increase (decrease) in cash held | (6,871) | 11,829 |
| 1.21 Cash at beginning of quarter/year to date | 18,700 | - |
| 1.22 Exchange rate adjustments to item 1.20 | - | - |
| 1.23 Cash at end of quarter | 11,829 | 11,829 |

Payments to directors of the entity and associates of the directors Payments to related entities of the entity and associates of the related entities

| | | Current quarter \$A'000 |
|------|--|----------------------------|
| 1.24 | Aggregate amount of payments to the parties included in item 1.2 | 438 |
| 1.25 | Aggregate amount of loans to the parties included in item 1.11 | - |
| 1.26 | Explanation necessary for an understanding of the transactions | - |

Non-cash financing and investing activities

- 2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

In the quarter ended 30 June 2016, there were no non-cash flow financing and investing transactions having a material effect on consolidated assets and liabilities.

However, as published in the Prospectus dated 20 November 2015, there were 2 material non-cash transactions in the year-to-date. Details of these transactions are:

1. The purchase of wholly-owned subsidiaries (Megaport (Australia), (Singapore), (Hong Kong), (USA), and (UK)) from Bevan Slattery, Founding Shareholder & Executive Director, was settled via an issue of shares in August 2015.
2. These subsidiaries were originally funded by Mr Slattery through a Director's loan, which was settled via a debt to equity conversion in August 2015.

- 2.2 Details of outlays made by other entities to establish or increase their share in businesses in which the reporting entity has an interest

Nil

Financing facilities available

| | Amount available \$A'000 | Amount used \$A'000 |
|-----|--------------------------------|---------------------------|
| 3.1 | Loan facilities | - |
| 3.2 | Credit standby arrangements | - |

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.

| | Current quarter \$A'000 | Previous quarter \$A'000 |
|--|-------------------------------|--------------------------------|
| 4.1 | Cash on hand and at bank | 11,331 |
| 4.2 | Deposits at call | 498 |
| 4.3 | Bank overdraft | - |
| 4.4 | Other (provide details) | - |
| Total: cash at end of quarter (item 1.23) | | 11,829 |
| | | 18,700 |

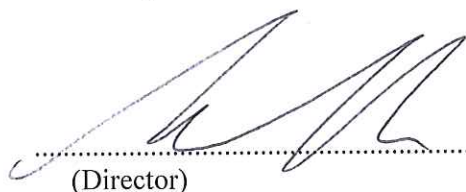
Acquisitions and disposals of business entities

| | Acquisitions (Item 1.9(a)) | Disposals (Item 1.10(a)) |
|---|----------------------------|--------------------------|
| 5.1 Name of entity | OMNIX Group AD | - |
| 5.2 Place of incorporation or registration | Republic of Bulgaria | - |
| 5.3 Consideration for acquisition or disposal | AUD \$722,893 | - |
| 5.4 Total net assets | AUD \$36,855 | - |
| 5.5 Nature of business | Internet exchange | - |

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act (except to the extent that information is not required because of note 2) or other standards acceptable to ASX.
- 2 This statement does give a true and fair view of the matters disclosed.

Sign here:



(Director)

Date: 29 July 2016

Print name:

Michael Denver Maddux