



## **Appendix 4C**

Quarterly report for entities subject to Listing Rule 4.7B

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31 October 2016

**September 2016 Quarter Cash Flow Report and Performance Highlights**

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

**1Q FY17 Performance Highlights**

**Key Insights**

- 13 new Megaport enabled data centres went live as a result of organic expansion in Australia, USA and Europe. The acquisitions in Europe added 48 data centres for a total of 132 data centres globally.
- Megaport launched services in two new cities in North America, becoming the first elastic interconnection provider in Las Vegas, Nevada and Portland, Oregon.
- 673 ports were added in the quarter resulting from organic growth and acquisitions. This represents an 88% increase QoQ to a total of 1409 ports.
- Customers increased by 247 or 83% QoQ to a total of 561 customers.
- Total monthly recurring revenue at the end of the quarter was \$794K, an increase of \$486K (158% QoQ), with September's gross recurring revenue (excluding promotions) at \$831K per month. Annualised monthly recurring revenue at the end of the quarter was \$9.5M.

**Partnerships**

During the quarter, Megaport Limited executed a global partnership with Digital Realty Trust, Inc. to provide elastic interconnection services for its Service Exchange platform around the world.

On 4 November 2016, 16 Digital Realty data centres across the USA will go live with Service Exchange powered by Megaport, providing elastic interconnection and cloud networking services using Megaport's software defined network (SDN).

Megaport's SDN is an integral part of Service Exchange, providing Digital Realty Trust customers access to the Megaport network and ecosystem of service providers globally.

Megaport executed an Open Alliance Agreement with 4Degrees Data Centres to provide elastic interconnection services in two of its data centres in Montreal and Quebec City, Canada.

**Acquisition**

In August Megaport acquired Peering GmbH, an internet exchange operator in Germany known as ECIX (European Commercial Internet Exchange), based in Berlin. The cash consideration was AUD\$1.9M and added an additional 180 customers in 30 data centres (28 in Germany) and seven cities to the Megaport network.

The combined revenue of this acquisition, and the preceding OMNIX acquisition in June 2016 adds approximately \$4.5M AUD to Megaport's annual revenue. The combined acquisitions are EBITDA positive.

For further information, please see ASX Release "Megaport Acquires OMNIX Group AD, Signs Purchase Agreement for Peering GmbH, and Launches Services in Europe" dated 29 July 2016 .

The total one-off cash outflow for acquisitions during the quarter were \$1.4M which includes the partial settlement of acquisitions and related expenditure.

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

## **1Q FY17 Cash Flow Commentary**

During the quarter ending 30 September 2016, there was a total one-off cash outflow for acquisitions of \$1.4M. This includes the partial settlement of acquisitions of \$1.1M and associated acquisition related expenditure \$322k. 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 \$2.2M for the quarter representing an increase of \$1.6M. The increase on the previous quarter resulted from acquisitions, organic growth, and catch up in collections from the previous quarter. The European business, including acquisitions, accounted for \$945K of all receipts for the quarter.

Network operating costs cash outflows were \$3.3M representing bandwidth, colocation and cross connect costs for the entire network including European acquisitions.

Advertising and marketing spend was \$280K in the quarter showing a \$215K 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 \$3.3M have increased from the previous quarter due to acquisitions, and general growth globally to enable expansion.

Administration and corporate costs were \$2.7M, of which one off extraordinary items accounted for \$0.5M for acquisition, corporate set up costs and legal fees.

### **Investing activities**

Capital Expenditure was \$1.3M, a decrease of \$659K on the previous quarter, as a result of the completion of the initial European rollout. Current capital investment is for data centres being deployed in North America and Australia.

There was a cash outflow of \$1.1M for the partial settlement of Peering GmbH in Germany.

### **Financing activities**

Megaport undertook two initiatives to raise capital in Q1 including a private placement, and share purchase plan. For further information, please see ASX Release, "Megaport Limited Results of Share Purchase Plan" dated 19 August 2016.

Megaport successfully undertook a private placement of 10,500,000 fully paid ordinary shares to sophisticated and institutional investors raising \$17.9M.

Megaport capped shares issued under the Share Purchase Plan at \$13.2M (7,735,294 fully paid ordinary shares) after receiving applications in excess of \$27.2M.

Capital raising initiatives added \$31M to cash in August and associated capital raising costs were \$971K. The net cash from the capital raising was \$30M.

**Appendix 4C**  
**Quarterly report for entities subject to Listing Rule 4.7B**  
**Cash Position**

The Closing Cash at the end of the quarter was \$31.6M. A total of \$1.6M was spent in the quarter related to one-off cash outflows.

**Name of entity**

Megaport Limited

**ABN**

46 607 301 959

**Quarter ended ("current quarter")**

30 September 2016

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (3 months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	2,242	2,242
1.2 Payments for		
(a) research and development	(154)	(154)
(b) product manufacturing and operating costs	(3,283)	(3,283)
(c) advertising and marketing	(280)	(280)
(d) leased assets	(34)	(34)
(e) staff costs	(3,304)	(3,304)
(f) administration and corporate costs	(2,745)	(2,745)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	58	58
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	(9)	(9)
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	-	-
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(7,509)</b>	<b>(7,509)</b>

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

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (3 months) \$A'000</b>
<b>2.</b>	<b>Cash flows from investing activities</b>		
2.1	Payments to acquire:		
	(a) property, plant and equipment	(1,296)	(1,296)
	(b) businesses (see item 10)	(1,062)	(1,062)
	(c) investments	-	-
	(d) intellectual property	(297)	(297)
	(e) other non-current assets	(151)	(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 (provide details if material)	-	-
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>(2,806)</b>	<b>(2,806)</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of shares	30,999	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	(971)	(971)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>30,028</b>	<b>30,028</b>

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

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (3 months) \$A'000</b>
<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of quarter/year to date	11,870	11,870
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(7,509)	(7,509)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(2,806)	(2,806)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	30,028	30,028
4.5	Effect of movement in exchange rates on cash held	28	28
<b>4.6</b>	<b>Cash and cash equivalents at end of quarter</b>	<b>31,611</b>	<b>31,611</b>

<b>5.</b>	<b>Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	<b>Current quarter \$A'000</b>	<b>Previous quarter \$A'000</b>
5.1	Bank balances	30,298	11,485
5.2	Call deposits	157	161
5.3	Bank overdrafts	-	-
5.4	Other (provide details) – Funds held in escrow for future settlement of acquisitions	1,156	224
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>31,611</b>	<b>11,870</b>

**6. Payments to directors of the entity and their associates**

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3

<b>Current quarter \$A'000</b>
153
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- 6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

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

**7. Payments to related entities of the entity and their associates**

<b>Current quarter \$A'000</b>	
7.1	Aggregate amount of payments to these parties included in item 1.2
7.2	Aggregate amount of cash flow from loans to these parties included in item 2.3

412

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7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

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**8. Financing facilities available**

*Add notes as necessary for an understanding of the position*

<b>Total facility amount at quarter end \$A'000</b>		<b>Amount drawn at quarter end \$A'000</b>
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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<b>9. Estimated cash outflows for next quarter</b>		<b>\$A'000</b>
9.1	Research and development	150
9.2	Product manufacturing and operating costs	2,700
9.3	Advertising and marketing	400
9.4	Leased assets	50
9.5	Staff costs	3,600
9.6	Administration and corporate costs	1,050
9.7	Other (provide details if material)	
	Property, plant & equipment	1,300
	Intellectual property	350
<b>9.8</b>	<b>Total estimated cash outflows</b>	<b>9,600</b>

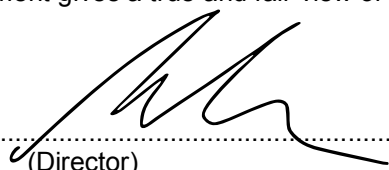
**Appendix 4C**  
**Quarterly report for entities subject to Listing Rule 4.7B**

<b>10.</b>	<b>Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)</b>	<b>Acquisitions</b>	<b>Disposals</b>
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\$219,600	-
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:

  
 (Director)

Date: 31 October 2016

Print name: Denver Maddux

**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.