



Appendix 4C

Quarterly cash flow report for entities subject to Listing Rule 4.7B

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22 April 2021

March 2021 Quarter Cash Flow Report and Performance Highlights

Megaport Limited (ASX: MP1) has today released the March 2021 quarter Appendix 4C.

In 3Q FY21, Megaport saw continued growth in Monthly Recurring Revenue (MRR), up 8% QoQ to \$6.8M in March 2021. Total revenue for the quarter was \$19.6M, up 5% compared to 2Q FY21. In March 2021, Megaport achieved 2,117 customers, up 4% QoQ, 7,037 Ports up 5% QoQ, total services of 20,056 up 4% QoQ, and 422 Megaport Cloud Routers, up 10% QoQ.

Megaport delivered \$0.6M in quarterly growth in underlying MRR¹, the 2nd highest to date. Growth in both Underlying MRR and Total Revenue in 3Q FY21 were up 10% and 9% respectively, with reported growth figures impacted by the continued appreciation in the Australian dollar, particularly against the US dollar and Euro.

Megaport announced the launch of Megaport Virtual Edge (MVE), an on-demand vendor-neutral Network Function Virtualization (NFV) service that enables branch-to-cloud connectivity on Megaport's global Software Defined Network (SDN). MVE immediately supports Cisco SD-WAN integration and was featured at Cisco Live!, Cisco's annual global event at the end of March.

MVE enables Megaport to address enterprise customer needs beyond data centre locations and connect their critical branch locations to the services that power their IT solutions, thereby expanding the company's addressable market for connectivity and interconnection services. Additional leading SD-WAN platforms are currently being integrated with MVE and future partnerships will be announced in the 4QFY21. MVE technology partners, like Cisco, will provide a foundation to further the company's channel strategy through leading global reseller relationships focused on holistic IT enablement.

Megaport accelerated deployment of 100Gbps port speeds for direct customer consumption in the quarter. While the Megaport backbone has been 100Gbps enabled for several years, demand for 100Gbps customer access ports has steadily increased and the company is positioning port inventory to stay ahead of demand.

¹ *Monthly Recurring Revenue (MRR) is the recurring revenue (excluding one-off and non-recurring revenue) for the last month of the quarter. Underlying MRR excludes the estimated impact of FX movements.*

3Q FY21 highlights:

- MRR for the month of March 2021 was \$6.8M, an increase of \$0.5M, or 8% QoQ.
- Revenue for the quarter was \$19.58M, an increase of \$0.9M or 5% QoQ.
- Total Installed Data Centres was 390 at the end of the quarter, a net increase of four QoQ. This was the net result of the addition of five new sites and the decommissioning of one site.
- Total Enabled Data Centres was 741 at the end of the quarter, an increase of 25, or 3% QoQ.
- Customers at the end of the quarter were 2,117, an increase of 74, or 4% QoQ.
- Total Ports at the end of the quarter were 7,037, an increase of 346, or 5% QoQ.
- Total VXC's at the end of the quarter were 11,141, an increase of 400, or 4% QoQ.
- Total MCRs at the end of the quarter were 422, an increase of 40, or 10% QoQ.
- Total Services² at the end of the quarter were 20,056, an increase of 778, or 4% QoQ.
- Average Revenue per Port in March 2021 was \$959, an increase of \$25, or 3% QoQ.
- At the end of March 2021, the Company's cash position was \$141.5M.

Please refer to the 3Q FY21 Global Update lodged with ASX on 22 April 2021 for a more detailed business update.

² Total Services comprise Ports, Virtual Cross Connections (VXC's), Megaport Cloud Router (MCR), and Internet Exchange (IX).
ASX Listing Rules Appendix 4C (01/12/19) + See chapter 19 of the ASX Listing Rules for defined terms.

3Q FY21 Cash Flow Commentary

Operating Activities

Receipts from customers were \$20.2M (previous quarter: \$25.8M), a decrease of \$5.6M or -22% from a record high in the previous quarter. The collections momentum witnessed in 2Q has continued in 3Q with noted further improvement in the aging quality and a further reduction in DSO to 25 days (36 days in 2Q).

Product manufacturing and operating costs comprise costs for data centre power and space, physical cross connect fees, bandwidth and dark fibre, network operation and maintenance, and channel commissions which directly relate to generating service revenue. Network operating cash outflows were \$8.7M (previous quarter: \$10.7M), a decrease of \$2M. The decrease is primarily due to cost savings initiatives that have resulted in ~\$0.9M saving QoQ. The remainder of the decrease is due to timing of settlements, key among them an annual licence fee of \$500K prepaid in 2Q.

Advertising and marketing payments were \$0.3M (previous quarter: \$0.4M), a decrease of 0.1m QoQ. Payments in 3Q relate to brand building and product awareness activities. Conference activities and related travel expenditure is still on hold due to the impact of Covid-19.

Payments for leased assets were steady QoQ at \$1.4M (previous quarter \$1.5M). This represents the principal and interest cash outflows related to the contracts that are classified as "Leases" under AASB 16 Leases.

Staff costs paid were \$9.8M (previous quarter: \$10.2M), a decrease of \$0.3M QoQ. Headcount increased by a net of 7 QoQ, with minimal impact QoQ. The reduction in staff related payments is attributed to a higher number of staff involved in new products and sites development resulting in a slightly higher capitalisation of staff costs.

Administration and corporate payments were \$4.3M (previous quarter: \$1.6M), an increase of \$2.7M QoQ. 3Q included an annual insurance prepayment of \$2.3M, with additional prepayments of \$0.5m for business operations IT platforms.

Investing Activities

Capital expenditure was \$2.8M (previous quarter: \$3.4M), a decrease of \$0.6M QoQ. \$1.8M of this quarter's payments relate to core and capacity upgrades of existing network, of which \$0.4M is related to the MVE platform just launched, \$0.3M vendor financed equipment purchases and \$0.3M on new sites under development. The remainder relates to inventory purchases for future expansion.

Investment in intellectual property was \$1.7M (previous quarter: \$2.4M), a decrease of \$0.8M QoQ. 3Q spend mainly relates to MVE platform development.

Financing Activities

Proceeds from the exercise of options of \$5.6M (previous quarter: \$1.4M) represent the exercise of share options by employees.

Repayments on borrowings was \$1.0M (previous quarter: \$1.0M), reflecting the instalment payments of the amount drawn under the vendor financing facility (refer to Item 7 below for more details). \$6M of the \$20M vendor financing facility was undrawn at the end of the quarter.

Cash Position

Cash and bank balances at the end of the quarter were \$141.5M.

Payments to related parties of the entity and their associates

The amounts included in item 6 relate to the remuneration of directors and their associates, and the shared services and network operating services provided by companies controlled by or associated with the Chairman.

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Name of entity

Megaport Limited

ABN

46 607 301 959

Quarter ended ("current quarter")

31 March 2021

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
1. Cash flows from operating activities			
1.1 Receipts from customers		20,195	63,275
1.2 Payments for			
(a) research and development		(338)	(963)
(b) product manufacturing and operating costs		(8,734)	(30,129)
(c) advertising and marketing		(274)	(795)
(d) leased assets		(1,401)	(4,418)
(e) staff costs		(9,829)	(31,063)
(f) administration and corporate costs		(4,278)	(7,618)
1.3 Dividends received (see note 3)		-	-
1.4 Interest received		49	313
1.5 Interest and other costs of finance paid		(332)	(1,105)
1.6 Income taxes (paid)/received		-	(132)
1.7 Government grants and tax incentives		-	-
1.8 Other (provide details if material)		-	-
1.9 Net cash used in operating activities		(4,942)	(12,635)

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Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
2.	Cash flows from investing activities		
2.1	Payments to acquire:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	(2,847)	(10,573)
	(d) investments	-	-
	(e) intellectual property	(1,654)	(6,270)
	(f) other non-current assets	-	-
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) 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)	-	-
2.6	Net cash used in investing activities	(4,501)	(16,843)
3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	5,639	10,587
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(266)	(323)
3.5	Proceeds from borrowings	1,532	1,839
3.6	Repayment of borrowings	(983)	(2,787)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from financing activities	5,922	9,316

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Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	144,828	166,877
4.2	Net cash from /(used in) operating activities (item 1.9 above)	(4,942)	(12,635)
4.3	Net cash used in investing activities (item 2.6 above)	(4,501)	(16,843)
4.4	Net cash from financing activities (item 3.10 above)	5,922	9,316
4.5	Effect of movement in exchange rates on cash held	229	(5,179)
4.6	Cash and cash equivalents at end of period	141,536	141,536

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	141,536	144,828
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	141,536	144,828

6. Payments to related parties of the entity and their associates

- 6.1 Aggregate amount of payments to related parties and their associates included in item 1
- 6.2 Aggregate amount of payments to related parties and their associates included in item 2

Current quarter \$A'000
446
-

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Note: the term "facility" includes all forms of financing arrangements available to the entity.

Add notes as necessary for an understanding of the sources of finance available to the entity

7.1 Loan facilities

7.2 Credit standby arrangements

7.3 Other (vendor financing facility)

7.4 Total financing facilities

Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
-	-
-	-
20,000	13,981
20,000	13,981

7.5 Unused financing facilities available at quarter end

6,019

7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.

The Group has a \$20.0M vendor financing facility to fund the purchase of network equipment and payment of software licenses. The facility is governed by an Instalment Purchase Agreement. The facility does not carry interest and is repayable via equal instalments over 36 months from the each drawdown date. The loan is secured by a bank guarantee charged over \$5.7M in cash and cash equivalents. The vendor financing facility outstanding balance at the reporting date was \$7.7M (Previous quarter: \$7.3M), and \$1.0M was repaid in the quarter (previous quarter: \$1M).

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash used in operating activities (Item 1.9)	4,942
8.2 Cash and cash equivalents at quarter end (Item 4.6)	141,536
8.3 Unused finance facilities available at quarter end (Item 7.5)	6,019
8.4 Total available funding (Item 8.2 + Item 8.3)	147,555
8.5 Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	30

8.6 If Item 8.5 is less than 2 quarters, please provide answers to the following questions:

- Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

Answer:

n.a.

- Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

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Answer:

n.a.

3. Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer:

n.a.

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.

Date: 22 April 2021

Authorised by the Board.

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow 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 cash flow 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.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.