



Appendix 4C

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

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19 January 2021

December 2020 Quarter Cash Flow Report and Performance Highlights

Megaport Limited (ASX: MP1) has today released the December 2020 quarter Appendix 4C.

In 2Q FY21, Megaport saw continued growth in Monthly Recurring Revenue (MRR), up 8% QoQ to \$6.3M in December 2020. Total revenue for the quarter was \$18.7M, up 8% compared to 1Q FY21. In December 2020, Megaport achieved 2,043 customers, up 3% QoQ, 6,691 Ports and total services of 19,278, both up 6% QoQ, and 382 Megaport Cloud Routers, up 11% QoQ.

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

Megaport will launch Megaport Virtual Edge (MVE) in 2H FY21. As announced on 17 August 2020, MVE will provide a platform to virtualise network functionality – for example, SD-WAN – to enable businesses to connect to services through Megaport from more locations around the globe – including branch offices, corporate campuses, and point-of-sale locations. Cisco is the first technology partner to announce MVE integration with more integration partners planned in the coming quarters.

Megaport's Chief Executive Officer, Vincent English, commented, "The addition of OVHcloud to our ecosystem provides our customers with greater service provider choice and positions us to capture more opportunities for local cloud enablement in France. Additionally, we're excited for the upcoming release of Megaport Virtual Edge which will allow more businesses to access Megaport's leading ecosystem of service providers from more locations globally. MVE is a perfect example of the convergence of our innovation roadmap and our channel strategy. Technology partners, like Cisco, will be empowered to offer their customers and resellers a single pane of glass solution to connect branch locations to services and locations in real-time."

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.*

2Q FY21 Performance Highlights

- Positive net cash from operations of \$0.9M for the quarter.
- Revenue for the quarter was \$18.7M, an increase of \$1.4M or 8% QoQ.
- MRR for the month of December 2020 was \$6.3M, an increase of \$0.5M, or 8% QoQ.
- Total Installed Data Centres was 386 at the end of the quarter, an increase of one QoQ. This was the net result of the addition of four new sites and the decommissioning of three sites.
- Total Enabled Data Centres was 716 at the end of the quarter, an increase of 14, or 2% QoQ.
- Customers at the end of the quarter were 2,043, an increase of 63, or 3% QoQ.
- Total Ports at the end of the quarter were 6,691, an increase of 358, or 6% QoQ.
- Total VXC's at the end of the quarter were 10,741, an increase of 695, or 7% QoQ.
- Total MCRs at the end of the quarter were 382, an increase of 39, or 11% QoQ.
- Total Services at the end of the quarter were 19,278, an increase of 1,133, or 6% QoQ.
- Average Revenue per Port in December 2020 was \$934, an increase of \$21, or 2% QoQ.
- At the end of December 2020, the Company's cash position was \$144.8M.

Please refer to the Global Update lodged with ASX on 19 January 2021 for a more detailed business update.

2Q FY21 Cash Flow Commentary

Operating Activities

Receipts from customers were \$25.8M (previous quarter: \$17.2M), an increase of \$8.6M or 50% QoQ. A record performance that has resulted in reduction of the debtor balance from \$10.1m to \$5.5m QoQ, and an improvement of the aging quality. This increase in collections from customers has resulted in a positive net cash generated from operations of \$0.9m, a first for the group and represents an increase of \$9.4M QoQ. In 3Q FY21, the Company expects some one-off annual prepayments for insurance before reverting back to positive cashflow from operations on a recurring basis in FY22.

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 \$10.7M (previous quarter: \$10.7M). Network related cash outflows were steady QoQ.

Advertising and marketing payments were \$0.4M (previous quarter: \$0.2M), an increase of 0.2m QoQ. Payments in 2Q 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. The total \$1.5M represents the principal and interest cash outflows related to the contracts that are classified as "Leases" under AASB 16 Leases.

Staff costs paid were \$10.2M (previous quarter: \$11.1M), a decrease of \$0.9M QoQ. 1Q included an amount of \$1.1m relating to the cash settlement of the FY20 annual performance based incentives, this is partly offset by hires in 2Q, with headcount increasing by net 11 QoQ.

Administration and corporate payments were \$1.6M (previous quarter: \$1.7M), a decrease of \$0.1M QoQ, with no significant movements.

Income taxes received were \$0.08M compared to tax paid of \$0.2m in the previous quarter. Current quarter refund relates to FY19 corporate tax for a European subsidiary, previous quarter relates to tax paid by Megaport New Zealand in relation to FY20.

Investing Activities

Capital expenditure was \$3.3M (previous quarter: \$4.2M), a decrease of \$0.9M QoQ. \$0.9M of this quarter's payments relate to new sites under development, \$0.3M to Megaport Virtual Edge (MVE) hardware equipment, and a further 0.8M held in inventory for future expansion. The remainder relates to core and capacity upgrades of the existing network.

Investment in intellectual property was \$2.4M (previous quarter: \$2.2M), an increase of \$0.2M QoQ, reflecting continued investment in MVE product.

Financing Activities

Proceeds from the exercise of options of \$1.4M (previous quarter: \$3.6M) 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). \$7.6M of the \$20M vendor financing facility was undrawn at end of the quarter.

Cash Position

Cash and bank balances at the end of the quarter were \$144.8M.

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 the Chairman.

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Name of entity

Megaport Limited

ABN

46 607 301 959

Quarter ended ("current quarter")

31 December 2020

| Consolidated statement of cash flows | Current quarter \$A'000 | Year to date (6 months) \$A'000 |
|--|------------------------------------|--|
| 1. Cash flows from operating activities | | |
| 1.1 Receipts from customers | 25,839 | 43,080 |
| 1.2 Payments for | | |
| (a) research and development | (416) | (625) |
| (b) product manufacturing and operating costs | (10,730) | (21,395) |
| (c) advertising and marketing | (359) | (521) |
| (d) leased assets | (1,480) | (3,017) |
| (e) staff costs | (10,167) | (21,234) |
| (f) administration and corporate costs | (1,621) | (3,340) |
| 1.3 Dividends received (see note 3) | - | - |
| 1.4 Interest received | 131 | 264 |
| 1.5 Interest and other costs of finance paid | (379) | (773) |
| 1.6 Income taxes (paid)/received | 76 | (132) |
| 1.7 Government grants and tax incentives | - | - |
| 1.8 Other (provide details if material) | - | - |
| 1.9 Net cash from /(used in) operating activities | 894 | (7,693) |

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| Consolidated statement of cash flows | | Current quarter | Year to date |
|---|--|------------------------|---------------------|
| | | \$A'000 | (6 months) |
| | | | \$A'000 |
| 2. | Cash flows from investing activities | | |
| 2.1 | Payments to acquire: | | |
| | (a) entities | - | - |
| | (b) businesses | - | - |
| | (c) property, plant and equipment | (3,298) | (7,481) |
| | (d) investments | - | - |
| | (e) intellectual property | (2,417) | (4,616) |
| | (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 | (5,715) | (12,097) |

| | | | |
|-------------|---|------------|--------------|
| 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 | 1,380 | 4,948 |
| 3.4 | Transaction costs related to issues of equity securities or convertible debt securities | (44) | (57) |
| 3.5 | Proceeds from borrowings | - | 307 |
| 3.6 | Repayment of borrowings | (1,037) | (2,049) |
| 3.7 | Transaction costs related to loans and borrowings | - | - |
| 3.8 | Dividends paid | - | - |
| 3.9 | Other (provide details if material) | - | - |
| 3.10 | Net cash used in financing activities | 299 | 3,149 |

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| Consolidated statement of cash flows | | Current quarter \$A'000 | Year to date (6 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 | 152,792 | 166,877 |
| 4.2 | Net cash from /(used in) operating activities (item 1.9 above) | 894 | (7,693) |
| 4.3 | Net cash used in investing activities (item 2.6 above) | (5,715) | (12,097) |
| 4.4 | Net cash from financing activities (item 3.10 above) | 299 | 3,149 |
| 4.5 | Effect of movement in exchange rates on cash held | (3,442) | (5,408) |
| 4.6 | Cash and cash equivalents at end of period | 144,828 | 144,828 |

| 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 | 144,828 | 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) | 144,828 | 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 |
|------------------------------------|
| 552 |
| - |

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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 | 12,450 |
| 20,000 | 12,450 |

7.5 Unused financing facilities available at quarter end**7,550**

- 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 \$8.2M (Previous quarter: \$8.8M), and \$1.0M was repaid in the quarter (previous quarter: \$0.8M).

| 8. Estimated cash available for future operating activities | \$A'000 |
|---|----------------|
| 8.1 Net cash from operating activities (Item 1.9) | 894 |
| 8.2 Cash and cash equivalents at quarter end (Item 4.6) | 144,828 |
| 8.3 Unused finance facilities available at quarter end (Item 7.5) | 7,550 |
| 8.4 Total available funding (Item 8.2 + Item 8.3) | 152,378 |
| 8.5 Estimated quarters of funding available (Item 8.4 divided by Item 8.1) | *n/a |

**Net cash from operations was positive for the Quarter, the Group's operating activities were fully funded.*

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

1. 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.

2. 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: 19 January 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.