



## **Appendix 4C**

Quarterly report for entities subject to Listing Rule 4.7B

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**30th January 2018**

#### **December 2017 Quarter Cash Flow Report and Performance Highlights**

**Megaport Limited (ASX: MP1) has today released the December 2017 quarter Appendix 4C.**

#### **2Q FY18 Performance Highlights**

- Revenue for the period was \$4.68M, an increase of 12.7% from the last quarter.
- Total Monthly Recurring Revenue (MRR) for December 2017 was \$1.6M, an increase of \$284K, 22% QoQ.
- Total Data Centres enabled increased by 6.9% QoQ to a total of 185 at the end of the quarter.
- Customers increased by 10% QoQ to a total of 860.
- Total Ports increased in the quarter to 2,259, or 9% increase QoQ.
- Total Services<sup>1</sup> increased in the quarter to 5,041 or 14% increase QoQ, of which VXC's increased in the quarter to 2,155 or 22% increase QoQ.
- Average Revenue per Port in December 2017 was \$707.
- At the end of December 2017, the Company's cash position was \$21.1M (including bank term deposits of \$0.5M).

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<sup>1</sup> Total services comprise of Ports, Virtual Cross Connections (VXC's), and Internet Exchange (IX).  
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## **2Q FY18 Cash Flow Commentary**

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#### **Operating Activities**

Receipts from customers were up for the quarter to \$5.2M, representing an increase of 27.2% QoQ. The increase is attributable to increase in monthly recurring revenue QoQ and improvement in management of working capital.

Network operating costs cash outflows of \$3.6M are down slightly by 1.7% on previous quarter representing bandwidth, colocation, and cross connect expenses across our expanding network. The network operating costs remain steady QoQ.

Advertising and marketing spend was \$201K in the quarter, a \$46K decrease from the previous quarter reflecting the move to more cost effective digital marketing strategies.

Staff costs of \$4.0M have decreased by \$228K from previous quarter representing savings in headcount and some movements in staff.

Administration and corporate costs were \$1.5M, down slightly by \$151K from the previous quarter, reflecting an improvement in cost management.

#### **Investing activities**

Capital Expenditure was \$2.3M, an increase of \$972K on the previous quarter, reflecting the addition of 12 new data centres to the network. Current capital investment is for locations being deployed in the Americas, Europe and Asia-Pacific. There is a strong pipeline of data centres in deployment which are scheduled to go live in the next quarter.

Intellectual Property increased to \$617K for the period, reflecting increasing investment in software development and product innovation, including the Company's recently launched Megaport Cloud Router (MCR). More information on MCR can be found in the Company's announcement lodged with the ASX on 24 January 2018.

Other non-current assets primarily represent the IRU payment and any contingent consideration payment arising from the business combination. The cash outflow in the current quarter largely reflects the contingent consideration payment arising from the acquisition of a subsidiary, OMNIX Group EAD in the previous year.

#### **Financing activities**

The movement of \$141K represents the net adjustment to the final settlement of capital raising placements took place in June 2017 and the exercise of share options by an employee.

#### **Cash Position**

The cash and cash equivalents at the end of the Quarter was \$20.6M (excluding bank term deposits of \$0.5M included in the investing activities). There is \$1.0M of funds held in escrow for future settlement of prior year acquisition of business. This amount is included in the closing cash and cash equivalents.

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**Name of entity**

Megaport Limited

**ABN**

46 607 301 959

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

31 December 2017

<b>Consolidated statement of cash flows</b>		<b>Current quarter</b> <b>\$A'000</b>	<b>Year to date</b> <b>(6 months)</b> <b>\$A'000</b>
<b>1. Cash flows from operating activities</b>			
1.1 Receipts from customers	5,125	9,154	
1.2 Payments for			
(a) research and development	(128)	(199)	
(b) product manufacturing and operating costs	(3,582)	(7,227)	
(c) advertising and marketing	(201)	(447)	
(d) leased assets	(37)	(83)	
(e) staff costs	(4,003)	(8,235)	
(f) administration and corporate costs	(1,505)	(3,161)	
1.3 Dividends received (see note 3)	-	-	
1.4 Interest received	57	130	
1.5 Interest and other costs of finance paid	(32)	(63)	
1.6 Income taxes paid	(31)	(47)	
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>(4,337)</b>	<b>(10,178)</b>	

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<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (6 months) \$A'000</b>
<b>2.</b>	<b>Cash flows from investing activities</b>		
2.1	Payments to acquire:		
	(a) property, plant and equipment	(2,292)	(3,611)
	(b) businesses (see item 10)	-	-
	(c) investments	-	-
	(d) intellectual property	(617)	(914)
	(e) other non-current assets	(62)	(1,630)
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 (Net movement in term deposits)	(3)	-
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>(2,974)</b>	<b>(6,155)</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of shares	(141)	16,355
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	(3)	(412)
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>(144)</b>	<b>15,943</b>

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<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (6 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	28,052	21,027
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(4,337)	(10,178)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(2,974)	(6,155)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(144)	15,943
4.5	Effect of movement in exchange rates on cash held	2	(38)
<b>4.6</b>	<b>Cash and cash equivalents at end of quarter</b>	<b>20,599</b>	<b>20,599</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	19,633	27,097
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details) – Funds held in escrow for future settlement of acquisitions	966	955
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>20,599</b>	<b>28,052</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
- 6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

<b>Current quarter \$A'000</b>
222
-

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

- 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

<b>Current quarter \$A'000</b>
225
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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*

	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
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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9. Estimated cash outflows for next quarter	\$A'000
9.1 Research and development	85
9.2 Product manufacturing and operating costs	3,861
9.3 Advertising and marketing	210
9.4 Leased assets	47
9.5 Staff costs	4,434
9.6 Administration and corporate costs	1,708
9.7 Other (provide details if material)	
Property, plant & equipment	1,833
Intellectual property	741
<b>9.8 Total estimated cash outflows</b>	<b>12,919</b>

10. Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)	Acquisitions	Disposals
10.1 Name of entity	-	-
10.2 Place of incorporation or registration	-	-
10.3 Consideration for acquisition or disposal	-	-
10.4 Total net assets	-	-
10.5 Nature of business	-	-

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**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:

  
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(Company Secretary)

Date: 30 January 2018

Print name: Celia Pheasant

**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.