



## **Appendix 4C**

Quarterly report for entities subject to Listing Rule 4.7B

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**17 April 2019**

#### **March 2019 Quarter Cash Flow Report and Performance Highlights**

**Megaport Limited (ASX: MP1) has today released the March 2019 quarter Appendix 4C.**

#### **3Q FY19 Performance Highlights**

3Q FY19 highlights:

- Revenue for the period was \$8.96M, an increase of 8% from the last quarter.
- Total Monthly Recurring Revenue (MRR) for March 2019 was \$3.11M, an increase of \$395K, 15% QoQ.
- Total Installed Data Centres was 264 at the end of the quarter, an increase of 19 across three regions, or 8% QoQ.
- Total Enabled Data Centres was 465 at the end of the quarter, an increase of 79 across three regions, or 20% QoQ.
- Customers increased by 7% QoQ to a total of 1,367.
- Total Ports increased in the quarter to 3,668, or 10% QoQ.
- Total Services<sup>1</sup> increased in the quarter to 10,374, or 19% QoQ, of which VXC's increased in the quarter to 5,312, or 18% QoQ.
- Average Revenue per Port in December 2018 increased to \$848, or 4% QoQ.
- At the end of March 2019, the Company's cash position was \$73.8M (including bank term deposits but excluding the up to \$10M in proceeds from the Share Purchase Plan announced to ASX on 13 March 2019, which is expected to close on 26 April 2019).

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<sup>1</sup> Total Services comprises of Ports, Virtual Cross Connections (VXC's), Megaport Cloud Router (MCR), and Internet Exchange (IX)

### **3Q FY19 Cash Flow Commentary**

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

##### **Operating Activities**

Receipts from customers were \$8.7M (Previous quarter: \$7.3M), an increase of \$1.4M, or 19% QoQ (Previous quarter: \$0.7M or 11% QoQ).

Network operating cost cash outflows were \$8.5M (Previous quarter: \$5.3M), including a one-off prepayment of \$2M for ongoing equipment services as well as an increase in bandwidth, colocation, and operational expenses related to the growth in new DC locations.

Advertising and marketing spend was \$679K (Previous quarter: \$371K), an increase of \$308K, reflecting additional investments in targeted advertising, content generation, digital marketing campaigns, and global industry events and conferences compared to the previous quarter, particularly initiatives aimed at driving customer growth globally and strengthening go to market initiatives with key cloud service partners.

Staff costs were \$6.8M (Previous quarter: \$5.2M) an increase due to new headcount, primarily in Sales and Marketing, in the quarter (the current quarter also reflects the full cost impact of the previous quarter's staffing increases). Megaport's PAYG payments also increased as its status has changed to "Large Withholder" with the Australian Taxation Office resulting in earlier remittances in the quarter.

Administration and corporate cost cash outflows were \$2.4M (Previous quarter: \$2.1M), an increase of \$234K, which represents tax return fees, legal fees in relation to General Data Protection Regulation, and advice regarding entering new markets.

##### **Investing Activities**

Capital expenditure was \$3.2M (Previous quarter: \$3.1M), steady QoQ. Current quarter expenditure relates to network equipment purchases of \$1.8M and the addition of 19 new data centres, and investment supporting network expansion to new data centres.

Investment in intellectual property was \$853K, reflecting increasing investment in software development and product innovation.

##### **Financing Activities**

Net cash from financing activities was \$49.4M (Previous quarter: \$1.0M), reflecting the successful completion of a \$50 million placement to institutional and sophisticated investors (less fees) and the exercise of share options by employees.

##### **Cash Position**

Cash and bank balances at the end of the quarter was \$73.8M (including bank term deposits of \$0.5M included in Investing Activities).

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

**Name of entity**

Megaport Limited

**ABN**

46 607 301 959

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

31 March 2019

<b>Consolidated statement of cash flows</b>		<b>Current quarter</b> <b>\$A'000</b>	<b>Year to date</b> <b>(9 months)</b> <b>\$A'000</b>
<b>1. Cash flows from operating activities</b>			
1.1 Receipts from customers	8,651	22,568	
1.2 Payments for			
(a) research and development	(119)	(377)	
(b) product manufacturing and operating costs	(8,483)	(18,666)	
(c) advertising and marketing	(679)	(1,331)	
(d) leased assets	(15)	(66)	
(e) staff costs	(6,751)	(17,278)	
(f) administration and corporate costs	(2,376)	(6,248)	
1.3 Dividends received (see note 3)	-	-	
1.4 Interest received	224	788	
1.5 Interest and other costs of finance paid	(48)	(128)	
1.6 Income taxes received/(paid)	(21)	(10)	
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>(9,617)</b>	<b>(20,748)</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 (9 months) \$A'000</b>
<b>2.</b>	<b>Cash flows from investing activities</b>		
2.1	Payments to acquire:		
	(a) property, plant and equipment	(3,177)	(8,520)
	(b) businesses (see item 10)	-	-
	(c) investments	-	-
	(d) intellectual property	(853)	(2,403)
	(e) other non-current assets <sup>2</sup>	-	(1,640)
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)	2	(7)
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>(4,028)</b>	<b>(12,570)</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of shares	51,176	52,467
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	(1,769)	(1,791)
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>49,407</b>	<b>50,676</b>

2. Other non-current assets of \$1.64M incurred in the previous quarter reflects the payment of \$1.0M in contingent consideration for the acquisition of Peering GmbH (ECIX business) and the last \$0.6M payment for an IRU in Asia Pacific.

**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 (9 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	37,589	55,761
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(9,617)	(20,748)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(4,028)	(12,570)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	49,407	50,676
4.5	Effect of movement in exchange rates on cash held	(95)	137
<b>4.6</b>	<b>Cash and cash equivalents at end of quarter<sup>3</sup></b>	<b>73,256</b>	<b>73,256</b>

3. Cash and bank balances of \$73.8M includes Cash and cash equivalents of \$73.3M plus bank term deposits of \$0.5M included in Investing Activities.

<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	73,256	37,589
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)<sup>4</sup></b>	<b>73,256</b>	<b>37,589</b>

4. Does not include bank term deposits. Total cash and bank balances amounts to \$73.8M, comprising Cash and cash equivalents of \$73.3M and bank term deposits of \$0.5M.

<b>6.</b>	<b>Payments to directors of the entity and their associates</b>	<b>Current quarter \$A'000</b>
6.1	Aggregate amount of payments to these parties included in item 1.2	311
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	

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

<b>7. Payments to related entities of the entity and their associates</b>		<b>Current quarter \$A'000</b>
7.1	Aggregate amount of payments to these parties included in item 1.2	174
7.2	Aggregate amount of cash flow from loans to these parties included in item 2.3	-
7.3	Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2	

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<b>8. Financing facilities available</b> <i>Add notes as necessary for an understanding of the position</i>		<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	125
9.2	Product manufacturing and operating costs	7,445
9.3	Advertising and marketing	746
9.4	Leased assets	48
9.5	Staff costs	6,969
9.6	Administration and corporate costs	2,358
9.7	Other (provide details if material)	
	Property, plant & equipment	3,296
	Intellectual property	939
	Repayment of borrowings	132
<b>9.8</b>	<b>Total estimated cash outflows <sup>5</sup></b>	<b>22,058</b>

*5. Total estimated cash outflows represents gross outflows for the next quarter and does not include estimated receipts from customers, interest received, or proceeds from issue of shares.*

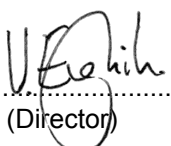
**Appendix 4C**  
**Quarterly report for entities subject to Listing Rule 4.7B**

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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	-	-

**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: 17 April 2019

Print name: Vincent English

**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.