



## **Appendix 4C**

Quarterly report for entities subject to Listing Rule 4.7B

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**23 July 2019**

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

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

#### **4Q FY19 Performance Highlights**

4Q FY19 highlights:

- Revenue for the period was \$10.92M, an increase of 22% from the last quarter.
- Total MRR for June 2019 was \$3.6M, an increase of \$0.5M, 16% QoQ.
- Total Installed Data Centres was 300 at the end of the quarter, an increase of 36 across three regions, or 14% QoQ.
- Total Enabled Data Centres was 528 at the end of the quarter, an increase of 63 across three regions, or 14% QoQ.
- Customers increased by 9% QoQ to a total of 1,490.
- Total Ports increased in the quarter to 4,069, or 11% QoQ.
- Total Services increased in the quarter to 11,561, or 11% QoQ, of which VXC's increased in the quarter to 6,025, or 13% QoQ.
- Average Revenue per Port in June 2019 increased to \$887, or 5% QoQ and 23% YoY.
- At the end of June 2019, the Company's cash position was \$74.9M (including bank term deposits).

## **4Q FY19 Cash Flow Commentary**

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

#### **Operating Activities**

Receipts from customers were \$10.5M (Previous quarter: \$8.7M), an increase of \$1.8M, or 22% QoQ (Previous quarter: up \$1.4M or 19% QoQ).

Network operating cost cash outflows were \$7.6M (Previous quarter: \$8.5M), a decrease of \$0.9M. This reflects increased bandwidth, colocation, and operational expenditure related to growth in new data centres (36 new locations deployed in Q4) offset by the non-recurrence of the one-off prepayment of \$2M for ongoing equipment services paid in Q3.

Advertising and marketing spend was \$579K (Previous quarter: \$679K), continuing to reflect the investment in targeted advertising, digital marketing campaigns, and global industry events and conferences, particularly initiatives aimed at driving customer growth globally and strengthening go to market initiatives with key cloud service partners.

Staff costs were \$6.3M (Previous quarter: \$6.8M), a decrease of \$0.5M, which is due to a slight increase in headcount and non-recurrence of the higher PAYG payments in Q3 as Megaport's status changed to "Large Withholder" with the Australian Taxation Office.

Administration and corporate cost cash outflows were \$2.4M (Previous quarter: \$2.4M), steady QoQ. Current quarter expenditure also includes the legal fees for setting up and advice on entering new markets.

#### **Investing Activities**

Capital expenditure was \$5.6M (Previous quarter: \$3.2M), an increase of \$2.4M. Current quarter expenditure relate to equipment purchases for the 36 new site rollouts in Q4, purchase of MCR 2.0 equipment, capacity upgrade for existing sites, and investment supporting network expansion to new data centres.

Investment in intellectual property was \$985K, reflecting increasing investment in software development and product innovation.

#### **Financing Activities**

Current quarter proceeds from issues of shares (less fees) represents the successful completion of a \$10M Share Purchase Plan and the exercise of share options by employees.

Proceeds from borrowings of \$2.9M represent the drawn down amount under the \$5.7M vendor financing facility (refer to item 8 below for more details).

#### **Cash Position**

Cash and bank balances at the end of the quarter were \$74.9M (including bank term deposits of \$0.5M included in Investing Activities).

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**Name of entity**

Megaport Limited

**ABN**

46 607 301 959

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

30 June 2019

<b>Consolidated statement of cash flows</b>		<b>Current quarter</b> <b>\$A'000</b>	<b>Year to date</b> <b>(12 months)</b> <b>\$A'000</b>
<b>1. Cash flows from operating activities</b>			
1.1 Receipts from customers	10,544	33,113	
1.2 Payments for			
(a) research and development	(108)	(485)	
(b) product manufacturing and operating costs	(7,644)	(26,310)	
(c) advertising and marketing	(579)	(1,911)	
(d) leased assets	(15)	(81)	
(e) staff costs	(6,331)	(23,609)	
(f) administration and corporate costs	(2,398)	(8,646)	
1.3 Dividends received (see note 3)	-	-	
1.4 Interest received	168	957	
1.5 Interest and other costs of finance paid	(98)	(226)	
1.6 Income taxes received/(paid)	(21)	(31)	
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>(6,482)</b>	<b>(27,229)</b>	

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<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (12 months) \$A'000</b>
<b>2.</b>	<b>Cash flows from investing activities</b>		
2.1	Payments to acquire:		
	(a) property, plant and equipment	(5,579)	(14,099)
	(b) businesses (see item 10)	-	-
	(c) investments	-	-
	(d) intellectual property	(985)	(3,388)
	(e) other non-current assets <sup>2</sup>	-	(1,640)
2.2	Proceeds from disposal of:		
	(a) property, plant and equipment	2	2
	(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)	(11)	(18)
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>(6,573)</b>	<b>(19,143)</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of shares	11,666	64,133
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	(441)	(2,232)
3.5	Proceeds from borrowings	2,900	2,900
3.6	Repayment of borrowings	(67)	(67)
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>14,058</b>	<b>64,734</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.

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<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (12 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	73,256	55,761
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(6,482)	(27,229)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(6,573)	(19,143)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	14,058	64,734
4.5	Effect of movement in exchange rates on cash held	93	229
<b>4.6</b>	<b>Cash and cash equivalents at end of quarter<sup>3</sup></b>	<b>74,352</b>	<b>74,352</b>

3. Cash and bank balances of \$74.9M includes Cash and cash equivalents of \$74.4M 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	74,352	73,256
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>74,352</b>	<b>73,256</b>

4. Does not include bank term deposits. Total cash and bank balances amounts to \$74.9M, comprising Cash and cash equivalents of \$74.4M 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	287
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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<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	160
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	

<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 (vendor financing facility)	5,722	2,900
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.		

The Group entered into a \$5.7M vendor financing facility to fund the purchase of network equipment and payment of software licenses. The facility is governed by an Instalment Purchase Agreement and drawn down under four instalments. The facility does not carry interest and is repayable via equal instalments over 36 months from the drawdown date. The loan is secured by a bank guarantee charged over the cash and cash equivalents.

<b>9. Estimated cash outflows for next quarter</b>	<b>\$A'000</b>
9.1 Research and development	119
9.2 Product manufacturing and operating costs <sup>5</sup>	7,249
9.3 Advertising and marketing	570
9.4 Leased assets <sup>5</sup>	682
9.5 Staff costs	7,125
9.6 Administration and corporate costs	2,788
9.7 Other (provide details if material)	
Property, plant & equipment <sup>6</sup>	5,060
Intellectual property	1,584
Repayment of borrowings	402
Interest and other finance costs	204
<b>9.8 Total estimated cash outflows <sup>7</sup></b>	<b>25,783</b>

5. The estimated expenditure on leased assets represents the reclassification of cash flow as a result of adopting AASB 16 "Leases" effective 1 July 2019. An equivalent reduction is reflected in product manufacturing and operating costs.

6. Includes remaining equipment to be funded under the existing \$5.7M vendor finance facility.

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

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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:   
(Company Secretary)

Date: 23 July 2019

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.