



Appendix 4C

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

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20 April 2020

March 2020 Quarter Cash Flow Report and Performance Highlights

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

3Q FY20 Performance Highlights

3Q FY20 highlights:

- Revenue for the period was \$15.19M, an increase of 10% QoQ.
- Total MRR for March 2020 was \$5.4M, an increase of \$0.9M, or 19% QoQ.
- Total Installed Data Centres was 329 at the end of the quarter, an increase of 12, or 4% QoQ.
- Total Enabled Data Centres was 601 at the end of the quarter, an increase of 49, or 9% QoQ.
- Customers increased by 6% QoQ to a total of 1,777.
- Total Ports increased in the quarter to 5,375, or 11% QoQ.
- Total MCR increased in the quarter to 268, or 18% QoQ
- Total Services¹ increased in the quarter to 15,531, or 12% QoQ, of which VXC's increased in the quarter to 8,529, or 14% QoQ.
- Average Revenue per Port in March 2020 increased to \$1,008, or 8% QoQ.
- At the end of March 2020, the Company's cash position was \$108.7M.

Please refer to the Global Update lodged with ASX on 6 April 2020 for a more detailed business update.

¹ Total Services comprises of 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 FY20 Cash Flow Commentary

Operating Activities

Receipts from customers were \$13.9M (Previous quarter: \$14.0M). Receipts are constant quarter on quarter with some internal delays in collections after a successful new ERP implementation. There was significant focus on collections and receivables during the close of Q2 and the half year, which resulted in high collections for the prior quarter. Revenues for Q3 were earned later in the quarter and expected collections will be higher at the beginning of Q4. During the first 2 weeks of April, \$1.5M has already been received.

Product manufacturing and operating costs ("network 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 are directly related to generating the service revenue. Network operating cash outflows were \$7.5M (Previous quarter: \$6.9M), an increase of \$0.6M. Network related cash outflows for Q3 were up \$0.3M reflecting the additional 12 locations deployed in the current quarter and full impact of the 13 locations added in the previous quarter. There was also a reclassification of \$0.3M from section 1.2(d) leased assets, to network operating costs.

Advertising and marketing spend is \$748K (Previous quarter: \$397K), reflecting \$0.3M additional spend on the Pacific Telecommunications Council conference in January, one of the key conferences for the industry.

Payments for leased assets \$1.0M reduced by \$0.3M due to a reclassification to section 1.2(b) network operating costs. Interest and other costs of finance \$0.3M paid in the current quarter, is in line with the prior quarter. The total \$1.3M represents the principal and interest cash outflows related to the contracts that are classified as "leases" under AASB 16.

Staff costs were \$9.6M (Previous quarter: \$8.0M), reflecting the full quarter impact of headcount increase of 18 in Q2. This included the full impact of the Japanese team which launched in late Q2, and 10 additional sales staff to drive future revenue growth.

Administration and corporate cost cash outflows were \$4.6M (Previous quarter: \$2.6M), an increase of \$2.0M mainly reflecting annual prepayments of \$1.2M for insurance and software licences; and increased professional fees \$0.6M covering audit, tax and recruitment fees. These costs are seasonal and will be substantially lower in Q4.

Investing Activities

Capital expenditure was \$5.4M (Previous quarter: \$4.9M). Current quarter expenditure relates to equipment purchased for new data centre deployments, to ensure there were no supply disruptions to the new locations through to the end of 2H FY20. It is expected Capital expenditure cash outflows will be lower in Q4.

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Investment in intellectual property was \$1.1M (Previous quarter: \$1.0), steady QoQ reflecting continued investment in software development and product innovation.

Financing Activities

Proceeds from exercise of options in the current quarter of \$4.6M represent the exercise of share options by employees.

Repayments on borrowings in the current quarter was \$0.5M (Previous quarter: \$0.5M), reflecting the instalment payments of the amount drawn under the vendor financing facility (refer to item 7 below for more details).

Cash Position

Cash and bank balances at the end of the quarter were \$108.7M.

The cash and bank balances do not include the proceeds of the successful \$50M placement, completed on 8 April 2020, or the Share Purchase Plan (SPP) to raise up to a total of \$15M.

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Name of entity

Megaport Limited

ABN

46 607 301 959

Quarter ended ("current quarter")

31 March 2020

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		13,908	39,188
1.2 Payments for			
(a) research and development		(148)	(408)
(b) product manufacturing and operating costs		(7,455)	(21,318)
(c) advertising and marketing		(748)	(1,736)
(d) leased assets		(991)	(3,223)
(e) staff costs		(9,567)	(25,423)
(f) administration and corporate costs		(4,572)	(9,592)
1.3 Dividends received (see note 3)		-	-
1.4 Interest received		429	1,260
1.5 Interest and other costs of finance paid		(310)	(840)
1.6 Income taxes received/(paid)		34	125
1.7 Government grants and tax incentives		95	612
1.8 Other (provide details if material)		-	-
1.9 Net cash from / (used in) operating activities		(9,325)	(21,355)

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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	(5,361)	(14,491)
	(d) investments	-	-
	(e) intellectual property	(1,061)	(3,019)
	(f) other non-current assets	-	-
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	5
	(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 from / (used in) investing activities	(6,422)	(17,505)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	61,770
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	4,629	9,434
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(52)	(2,082)
3.5	Proceeds from borrowings	-	4,464
3.6	Repayment of borrowings	(530)	(1,450)
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 / (used in) financing activities	4,047	72,136

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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	119,862	74,879
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(9,325)	(21,355)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(6,422)	(17,505)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	4,047	72,136
4.5	Effect of movement in exchange rates on cash held	537	544
4.6	Cash and cash equivalents at end of period	108,699	108,699

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	108,699	119,862
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)	108,699	119,862

6. Payments to 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
413
-

The amounts included in item 6.1 relates to the remuneration of directors and their associates, and the share services and network operating services provided by the companies controlled by the Chairman.

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7. Financing facilities available

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
-	-
-	-
12,000	7,364
12,000	7,364

7.5 Unused financing facilities available at quarter end

4,636

- 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 \$12.0M 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 drawdown date. The loan is secured by a bank guarantee charged over \$5.7M in cash and cash equivalents. The vendor financing facility was drawn to \$7.4M at reporting date (Previous quarter: \$7.4M), and \$0.5M was repaid in the current quarter (Previous quarter: \$0.5M).

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (Item 1.9)	(9,325)
8.2 Cash and cash equivalents at quarter end (Item 4.6)	108,699
8.3 Unused finance facilities available at quarter end (Item 7.5)	4,636
8.4 Total available funding (Item 8.2 + Item 8.3)	113,335
8.5 Estimated quarters of funding available (Item 8.4 divided by Item 8.1)*	12

*The number of quarters reported in 8.5 does not include the \$50M equity capital raising completed on 8 April 2020, and does not factor in any reduction in cash used in operating activities.

- 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:

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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?

Answer:

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:

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: 20 April 2020

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.