



## **Appendix 4C and Quarterly Activities Report**

Quarterly report for entities subject to Listing Rules 4.7B and 4.7C

## 21 October 2021

### September 2021 Quarterly activities report

Megaport Limited (ASX: MP1) has today released the September 2021 quarter Appendix 4C and Quarterly activities report.

In 1Q FY22, Megaport accelerated Monthly Recurring Revenue (MRR) growth, up \$1.1M and 14% QoQ, to \$8.6M in September 2021. Underlying MRR<sup>1</sup> grew \$822k for the quarter – a record high for the Company. Total revenue for the quarter was \$24.6M, up 8% compared to 4Q FY21.

During the first quarter, Megaport sold 1,459 new services, up 7% QoQ for total services of 23,171. The company sold 7 Megaport Virtual Edges (MVEs), increasing 33% QoQ for a total of 28 sold MVEs in advance of going live on Cisco's Global Price List (GPL). Megaport is now included on the Cisco GPL as of September 29, 2021. GPL inclusion is a key component of an ongoing partnership between Cisco and Megaport to make it easy for Cisco SD-WAN customers to use Megaport to enable Software Defined Cloud Interconnect (SDCI) for rapid cloud connectivity.

#### 1Q FY22 highlights:

- MRR for the month of September 2021 was \$8.6M, an increase of \$1.1M, or 14% QoQ.
- Revenue for the quarter was \$24.6M, an increase of \$1.9M or 8% QoQ.
- Customers at the end of the quarter were 2,332, an increase of 47, or 2.1% QoQ.
- Total Ports at the end of the quarter were 8,084, an increase of 395, or 5.1% QoQ.
- Total VXC's at the end of the quarter were 13,036, an increase of 1,007, or 8.4% QoQ.
- Total MCRs at the end of the quarter were 543, an increase of 41, or 8.2% QoQ.
- Total MVEs at the end of the quarter were 28, an increase of 7, or 33.3% QoQ.
- Total Services<sup>2</sup> at the end of the quarter were 23,171, an increase of 1,459, or 6.7% QoQ.
- Average Revenue per Port in September 2021 was \$1,058, an increase of \$76, or 8% QoQ.
- At the end of September 2021, the Company's cash position was \$114M.

Long-term deal commitments reached a record in the quarter with 52% of net new Ports in the quarter being acquired with committed terms of between 12 and 36 months. This represents a growing trend of customers using Megaport to connect long-term IT solutions and taking advantage of the ability to rapidly connect those services.

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<sup>1</sup> Underlying MRR is the QoQ growth in MRR excluding the estimated impact of FX movements.

<sup>2</sup> Total Services comprise Ports, Virtual Cross Connections (VXC's), Megaport Cloud Router (MCR), Megaport Virtual Edge (MVE) and Internet Exchange (IX).

1Q FY22 saw continued growth in Monthly Recurring Revenue (MRR), up \$1,065k and 14% QoQ, to \$8.6M in September 2021. Underlying MRR<sup>3</sup> grew \$822k for the quarter – a record high for the Company. Total revenue for the quarter was \$24.6M, up 8% compared to 4Q FY21, and an increase of 42% over 1Q FY21.

The Company has sold 28 MVEs as of 30 September, supporting SD-WAN connectivity services for 16 customers utilising integrations with multiple Megaport SD-WAN partners as customers connect branch locations to the Megaport Software Defined Network for on-demand connectivity.

### Product Updates

With the addition of Versa SASE, announced September 29, there are currently three major SD-WAN providers commercially available on the MVE platform which together address more than 50%<sup>4</sup> of the SD-WAN infrastructure market share. A further two SD-WAN providers are technically integrated and will commercially launch in 2Q FY22 bringing our coverage of the SD-WAN infrastructure market share to more than 70%<sup>4</sup>. In the quarter, the MVE product went live on Cisco's Global Price List.

Demand for 100 Gbps customer access ports has steadily increased as customers utilise Megaport's carrier-grade backbone for critical connectivity services. In response, the Company is positioning additional port inventory to stay ahead of demand. Megaport accelerated deployment of 100 Gbps port speeds for direct customer consumption with availability in 81 sites across 25 of the major metros of our network in all three regions. In addition, to support the additional capacity demands expected on our network, Megaport has begun to deploy a new 400Gbps backbone in the NAM region.

The Company announced the acquisition of InnovoEdge on August 10, 2021. Integration of InnovoEdge services with the Megaport platform is underway and will provide more orchestration and automation for greater end-to-end control of network and IT resources.

The company has continued to build multi-region capabilities in the channel to grow indirect sales opportunities throughout the quarter. Commercial arrangements and technical integration were completed in the quarter with the Company's first major Value Added Distributor (VAD), Arrow, and a second major partner to be completed in the coming weeks. Megaport PartnerVantage, announced on August 3, 2021, will launch in 2Q FY22 and provide a world-class channel programme that brings the power of Megaport's NaaS platform to a variety of segments within the channel to accelerate service adoption.

*Please refer to the 1Q FY22 Global Update lodged with ASX on 21 October 2021 for a more detailed business update.*

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<sup>3</sup> Underlying Growth in MRR is the QoQ growth in MRR excluding the estimated impact of FX movements.

<sup>4</sup> Per IDC report: Worldwide SD-WAN Infrastructure Market Shares, 2020: Growth Remains Strong as Market Evolutions Continue - May 2021

## 1Q FY22 Cash Flow Commentary

### Operating Activities

Receipts from customers were \$26.4M (previous quarter: \$23.2M), an increase of \$3.2M or 13% QoQ. The higher collections are attributed to revenue growth and the continued improvement in collections. The DSO improved from 25 days to 24 days QoQ.

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 \$10.1M (previous quarter: \$8.4M), an increase of \$1.7M, or 20% QoQ. The increase is primarily due to timing of payments, a number of 4Q invoices were settled in the first month of 1Q accounting for a cash outflow of \$1.5M in 1Q. There were no significant network expansion costs, installed Data centres count was 406, an increase of 1 QoQ, the full quarter impact of new DCs added late in 4Q was about \$62k.

Advertising and marketing payments were \$0.6M (previous quarter: \$1.2M), a decrease of \$0.6M, or 50% QoQ. Payments in 4Q mainly relate to the build of the Channel (indirect sales) program. Conference activities and related travel expenditure remains limited due to the impact of Covid-19.

Payments for leased assets were \$1.4M (previous quarter \$1.9M), a decrease of \$0.5M or 24% QoQ. This represents the principal and interest cash outflows related to the contracts that are classified as "Leases" under AASB 16 Leases.

Staff costs paid were \$14.9M (previous quarter: \$9.4M), an increase of \$5.7M or 58% QoQ, of which \$4.2M relates to the cash settlement of the FY21 annual performance based incentives and 4Q sales commissions (accrued in FY21 financial statements). Other increase relates to the addition of new staff in the quarter to support business growth. Headcount increased by a net of 30 QoQ, with an impact of about \$1.2M QoQ. Staff increases were mainly in areas focussed on supporting the build out of the indirect Channel program and also includes the staff acquired along with InnovoEdge Inc.

Administration and corporate payments were \$5.7M (previous quarter: \$1.9M), an increase of \$3.7M or 190% QoQ. 1Q includes \$1.4M prepayment for the administrative element of multi year licenses to operate our network. 1Q also includes \$0.6M professional fees related to the InnovoEdge Inc. acquisition. Other increase is attributed to settlement of professional fees following the completion of FY21 audit, various annual licences and services that are paid at the beginning of the financial year such as Workcover premiums, ASX listing fees as well as costs relating to onboarding of new Channel program partners.

### Investing Activities

Payment to acquire entities of \$10.4M (previous quarter: nil), represents the cash element of the total purchase price of \$20.4M (US \$15M) paid on acquisition of InnovoEdge Inc. The remaining amount (US\$7.5 million) is to be equity settled, contingent on the achievement of certain technological and commercial milestones agreed at the commencement of the transaction. Refer to the ASX announcement of 10 August 2021 for further details.

Capital expenditure was \$11M (previous quarter: \$4.7M), an increase of \$6.3M or 136% QoQ. \$1.7M of this quarter's payments relate to core and capacity upgrades of existing network, \$7.8M vendor financed equipment purchases for the extension of MVE capability and capacity on our network and upgrades of end of life equipment in advance of our implementation of the next generation SDN.

Investment in intellectual property was \$3.1M (previous quarter: \$1.9M), an increase of \$1.2M or 60% QoQ. 1Q spend includes \$1.2M spent on the development of the VantageTransact, the PartnerVantage portal. PartnerVantage is Megaport's scale up, scale out program aimed at driving revenue and business growth via channel sales. Other spend in 1Q mainly relates to phase 2 of the MVE platform development and other ongoing internal projects.

### Financing Activities

Proceeds from the exercise of options of \$1.7M (previous quarter: \$1.0M) represent the exercise of share options by employees.

Proceeds from borrowings of \$7.8M (previous quarter: \$1.2M) represent the latest drawdown under the vendor financing facility (refer to item 7 below for more details). The vendor financing facility was increased to \$35M in the quarter (previous quarter: \$20M). \$12M of the \$35M vendor financing facility was undrawn as at the end of the quarter.

Repayments of borrowings was \$1.3M (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).

### Cash Position

Cash and bank balances at the end of the quarter were \$114.2M.

### 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 or associated with the Chairman.

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

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**Name of entity**

Megaport Limited

**ABN**

46 607 301 959

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

30 September 2021

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (12 months) \$A'000</b>
<b>1. Cash flows from operating activities</b>			
1.1 Receipts from customers		26,377	26,377
1.2 Payments for			
(a) research and development		(283)	(283)
(b) product manufacturing and operating costs		(10,052)	(10,052)
(c) advertising and marketing		(618)	(618)
(d) leased assets		(1,445)	(1,445)
(e) staff costs		(14,901)	(14,901)
(f) administration and corporate costs		(5,648)	(5,648)
1.3 Dividends received (see note 3)		-	-
1.4 Interest received		18	18
1.5 Interest and other costs of finance paid		(367)	(367)
1.6 Income taxes (paid)/received		-	-
1.7 Government grants and tax incentives		-	-
1.8 Other (provide details if material)		-	-
<b>1.9 Net cash used in operating activities</b>		<b>(6,919)</b>	<b>(6,919)</b>

**Appendix 4C**
**Quarterly cash flow 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 (12 months) \$A'000</b>
<b>2. Cash flows from investing activities</b>			
2.1 Payments to acquire:			
(a) entities	(10,401)	(10,401)	
(b) businesses	-	-	
(c) property, plant and equipment	(10,988)	(10,988)	
(d) investments	-	-	
(e) intellectual property	(3,075)	(3,075)	
(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)	-	-	
<b>2.6 Net cash used in investing activities</b>	<b>(24,464)</b>	<b>(24,464)</b>	

<b>3. Cash flows from financing activities</b>			
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	1,710	1,710	
3.4 Transaction costs related to issues of equity securities or convertible debt securities	(51)	(51)	
3.5 Proceeds from borrowings	7,811	7,811	
3.6 Repayment of borrowings	(1,336)	(1,336)	
3.7 Transaction costs related to loans and borrowings	-	-	
3.8 Dividends paid	-	-	
3.9 Other (provide details if material)	-	-	
<b>3.10 Net cash from financing activities</b>	<b>8,134</b>	<b>8,134</b>	

**Appendix 4C**
**Quarterly cash flow 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 (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 period	<b>136,312</b>	<b>136,312</b>
4.2	Net cash from /(used in) operating activities (item 1.9 above)	(6,919)	(6,919)
4.3	Net cash used in investing activities (item 2.6 above)	(24,464)	(24,464)
4.4	Net cash from financing activities (item 3.10 above)	8,134	8,134
4.5	Effect of movement in exchange rates on cash held	1,142	1,142
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>114,205</b>	<b>114,205</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	114,205	136,312
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)</b>	<b>114,205</b>	<b>136,312</b>

**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

<b>Current quarter \$A'000</b>
1,036
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## Appendix 4C

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

#### 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
-	-
-	-
35,000	22,978
<b>35,000</b>	<b>22,978</b>

7.5 Unused financing facilities available at quarter end

**12,022**

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 \$35.0M 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 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 \$13.6M (Previous quarter: \$7.7M), and \$1.3M was repaid in the quarter (previous quarter: \$1.1M).

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash used in operating activities (Item 1.9)	(6,919)
8.2 Cash and cash equivalents at quarter end (Item 4.6)	114,205
8.3 Unused finance facilities available at quarter end (Item 7.5)	12,022
8.4 Total available funding (Item 8.2 + Item 8.3)	126,227
<b>8.5 Estimated quarters of funding available (Item 8.4 divided by Item 8.1)</b>	<b>18</b>

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

8.6.1 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.

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

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8.6.2 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:

n.a.

8.6.3 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: 21 October 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.