



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

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

### 19 October 2022

The Group has changed its reporting currency to US Dollars from 1 July 2022, this Quarterly activities report and Cash flow commentary provides figures in US Dollars (“\$”)

### September 2022 Quarterly activities report

Megaport Limited (ASX: MP1) has today released the September 2022 quarter Appendix 4C and Quarterly activities report.

In 1Q FY23, Megaport drove solid Monthly Recurring Revenue (MRR) growth of 3% QoQ, up \$252k to \$7.8M in September 2022. Excluding the foreign exchange impact of a strengthening US dollar, underlying MRR grew \$447k, 6%, to \$8.0M in September 2022.

Total revenue for the quarter was \$23.0M, up 5% compared to 4Q FY22. Annualised recurring revenue at 30 September 2022 was \$93M.

Megaport delivered EBITDA profit for 1Q FY23 a second consecutive period, building on the move to profitability at the end of last fiscal year.

During the quarter ended 30 September 2022, Megaport sold 943 new services, up 3% QoQ for total services of 28,326. New ports increased 286 in the quarter with a net increase of 61 (due to strategic and customer port consolidation) an increase of 1% to 9,606. The quarter saw a 3.2% increase in average revenue per port to \$812 per month, a new record, and an increase in the average number of services per port to 2.95 up from 2.87 in June.

### Performance Highlights

1Q FY23 highlights:

- MRR for the month of September 2022 was \$7.8M, an increase of \$252k, or 3% QoQ.
- Revenue for the quarter was \$23.0M, an increase of \$1.1M, or 5% QoQ.
- Customers at the end of the quarter were 2,700, an increase of 57, or 2% QoQ.
- Total Ports at the end of the quarter were 9,606, an increase of 61, or 1% QoQ.
- Total VXC's at the end of the quarter were 16,384, an increase of 839, or 5% QoQ.
- Total MCRs at the end of the quarter were 772, an increase of 41, or 6% QoQ.
- Total MVEs at the end of the quarter were 95, an increase of 22, or 30% QoQ.
- Total Services<sup>1</sup> at the end of the quarter were 28,326, an increase of 943, or 3% QoQ.
- Average Revenue per Port in September 2022 was \$812, an increase of \$25, or 3.2% QoQ.
- At the end of September 2022, the Company's cash position was \$44.9M.

---

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

1Q FY23 saw continued growth in MRR, up \$252k and 3% QoQ, to \$7.8M in September 2022, assisted by foreign exchange from the strengthening of the US dollar. Underlying MRR<sup>2</sup> grew \$447k for the quarter. Strong customer acquisition continued in the quarter with the Company achieving 2,700 total customers at quarter end.

MegaPort Cloud Router drove increased multicloud connectivity on MegaPort's platform and grew with 41 MCRs sold in the quarter, an increase of 6% over 30 June.

### Business Update

On 12 October MegaPort announced a new strategic partnership with Zenlayer which gives MegaPort customer access to new and emerging markets, as well as transforming the coverage extended to Zenlayer customers on MegaPorts global network.

Throughout the quarter, MegaPort has been increasing capacity on its cloud connections with 100 Gbps on-ramps. This has led to some non-revenue impacting port consolidation with a net reduction of 123 ports.

Repricing of 1 Gbps ports in ANZ, to enable a globally consistent pricing structure, has resulted in some customer-related port consolidation, leading to a net reduction of 102 ports. These changes have made our customer networks more cost effective and efficient. By adopting 10 Gbps ports, these customers have enabled more capacity to support increasing workloads to the cloud. Some additional strategic and customer port consolidation is expected through Q2FY23.

In Q1FY23 MegaPort delivered two commercial deployments of MegaPortONE. With one of these more focussed on cloud architecture orchestration and management, and the other more focused on activation of core software defined networking capabilities, it is clear that the broad capability afforded by MegaPortONE can address a wide range of customer requirements across service provider segments.

Momentum in building the Indirect sales channel continues with new channel partners transacting through PartnerVantage increasing 77% in the quarter delivering a 54% increase in MRR from this avenue to market.

*Please refer to the 1Q FY23 Global Update lodged with ASX on 19 October 2022 for a more detailed business update.*

---

<sup>2</sup> Underlying Growth in MRR is the QoQ growth in MRR excluding the estimated impact of FX movements.  
ASX Listing Rules Appendix 4C (17/07/20) + See chapter 19 of the ASX Listing Rules for defined terms.

## 1Q FY23 Cash Flow Commentary

### Operating Activities

Receipts from customers were \$25.7M (previous quarter: \$22.6M), an increase of \$3.1M or 14% QoQ. DSO decreased from 25 days to 24 days. Debtors' ageing profile improved with balance >90 days reducing by 17% QoQ and 88% of outstanding accounts aged less than 30 days.

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 \$5.6M (previous quarter: \$5.1M), an increase of \$0.5M, or 10% QoQ. The cash outflow increase is primarily due to timing of payments to a strategic partner, 1Q included a payment of \$2.0M (previous quarter: none). There were no significant network expansion costs coming through in the quarter.

Advertising and marketing payments were \$0.9M (previous quarter: \$0.5M), an increase of \$0.4M or 83% QoQ. Payments were higher in 1Q as a result of conference events in the United States and Europe, supporting the build in the indirect sales channel.

Staff costs paid were \$13.7M (previous quarter: \$10.8M), an increase of \$2.9M or 27% QoQ. The increase primarily relates to the cash settlement of the FY22 annual performance based incentives and 4Q sales commissions (accrued in FY22 financial statements).

Administration and corporate payments were \$3.0M (previous quarter: \$2.7M), an increase of \$0.3M or 11% QoQ. 4Q includes \$0.3M for prepayment on systems comprising Amazon Sumo Logic and JumpCloud, as well as one payment for professional services in relation to InnovoEdge and Megaport Mexico. Increase in 1Q is attributed to settlement of professional fees following the completion of FY22 audit and consultancy fees in designing sales compensation plans, various annual licences and services that are paid at the beginning of the financial year such as Workcover premiums and ASX listing fees.

### Investing Activities

Capital expenditure was \$6.0M (previous quarter: \$3.9M). \$1.9M of this quarter's payments relate to core and capacity upgrades of existing network, and \$3.6M vendor financed equipment purchases in support of network capacity expansions. Other spend in 1Q relates to purchase of inventory stock to ensure that the business operations are not affected by ongoing supply chain issues. Any equipment required for continued upgrade and expansion of our network has been largely complete for the year.

Investment in intellectual property was \$2.6M (previous quarter: \$2.9M), a decrease of \$0.3M or 11% QoQ. 1Q spend includes \$0.5M spent on MegaportONE. MegaportONE is a white-label, multi-tenant SaaS platform for data centre operators (DCOs), network service providers (NSPs) and managed service providers (MSPs) to help their customers connect and control their infrastructure and operations in one place. This is aligned with Megaport's strategy of growing

## **Quarterly activities report**

---

the business via channel sales by supporting Megaport's indirect partners to resell Megaport services. The first commercial contracts for MegaportONE were activated in the quarter.

### **Financing Activities**

Proceeds from borrowings of \$4.0M (previous quarter: \$1.6M) represent the latest drawdown under interest free vendor financing (refer to item 7 below for more details).

Repayments of borrowings was \$1.2M (previous quarter: \$1.1M), reflecting the instalment payments of the amount drawn under interest free vendor financing (refer to item 7 below for more details).

Payments of the principal portion of lease liabilities was \$1.7M (previous quarter: \$1.7M). This represents the principal cash outflows related to the contracts that are classified as "Leases" under AASB 16 *Leases*. In previous quarters, these payments were presented in item 1.2(d) payments for leased assets in operating activities, however they have been classified as financing activities in line with the cashflow treatment in the Group's half year report and annual report.

### **Cash Position**

Cash and bank balances at the end of the quarter were \$44.9M.

### **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**

**Name of entity**

MegaPort Limited

**ABN**

46 607 301 959

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

30 September 2022

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$US'000</b>	<b>Year to date (3 months) \$US'000</b>
<b>1. Cash flows from operating activities</b>			
1.1 Receipts from customers		25,662	25,662
1.2 Payments for			
(a) research and development		(126)	(126)
(b) product manufacturing and operating costs		(5,623)	(5,623)
(c) advertising and marketing		(890)	(890)
(d) staff costs		(13,671)	(13,671)
(e) administration and corporate costs		(3,001)	(3,001)
1.3 Dividends received (see note 3)		-	-
1.4 Interest received		119	119
1.5 Interest and other costs of finance paid		(397)	(397)
1.6 Income taxes paid		(33)	(33)
1.7 Government grants and tax incentives		-	-
1.8 Other (provide details if material)		-	-
<b>1.9 Net cash from operating activities</b>		<b>2,040</b>	<b>2,040</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</b> <b>\$US'000</b>	<b>Year to date</b> <b>(3 months)</b> <b>\$US'000</b>
<b>2. Cash flows from investing activities</b>			
2.1 Payments to acquire:			
(a) entities	-	-	-
(b) businesses	-	-	-
(c) property, plant and equipment	(6,011)	(6,011)	(6,011)
(d) investments	-	-	-
(e) intellectual property	(2,586)	(2,586)	(2,586)
(f) other non-current assets	-	-	-
2.2 Proceeds from disposal of:			
(a) entities	-	-	-
(b) businesses	-	-	-
(c) property, plant and equipment	3	3	3
(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>(8,594)</b>	<b>(8,594)</b>	<b>(8,594)</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	47	47	47
3.4 Transaction costs related to issues of equity securities or convertible debt securities	(16)	(16)	(16)
3.5 Proceeds from borrowings	3,973	3,973	3,973
3.6 Repayment of borrowings	(1,188)	(1,188)	(1,188)
3.7 Transaction costs related to loans and borrowings	-	-	-
3.8 Dividends paid	-	-	-
3.9 Payments of the principal portion of lease liabilities	(1,689)	(1,689)	(1,689)
<b>3.10 Net cash from financing activities</b>	<b>1,127</b>	<b>1,127</b>	<b>1,127</b>

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$US'000</b>	<b>Year to date (3 months) \$US'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	56,884	56,884
4.2	Net cash from operating activities (item 1.9 above)	2,040	2,040
4.3	Net cash used in investing activities (item 2.6 above)	(8,594)	(8,594)
4.4	Net cash from financing activities (item 3.10 above)	1,127	1,127
4.5	Effect of movement in exchange rates on cash held	(6,604)	(6,604)
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>44,853</b>	<b>44,853</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 \$US'000</b>	<b>Previous quarter \$US'000</b>
5.1	Bank balances	44,853	56,884
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>44,853</b>	<b>56,884</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 \$US'000</b>
740
-



**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)

**7.4 Total financing facilities**

<b>Total facility amount at quarter end \$US'000</b>	<b>Amount drawn at quarter end \$US'000</b>
-	-
-	-
22,607	19,349
<b>22,607</b>	<b>19,349</b>

**7.5 Unused financing facilities available at quarter end**

**3,258**

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's Board of Directors has approved for the company to avail of up to \$22.6M vendor financing to fund the purchase of network equipment and payment of software licences. This is governed by a number of Instalment Purchase Agreements. These agreements do not carry interest and are separately repayable via equal instalments over 36 months from each drawdown date. The agreements are collectively secured by a bank guarantee charged over \$3.7M in cash and cash equivalents. The vendor financing outstanding balance at the reporting date was \$11.3M (Previous quarter: \$9.4M), and \$1.2M was repaid in the quarter (previous quarter: \$1.1M).

<b>8. Estimated cash available for future operating activities</b>	<b>\$US'000</b>
8.1 Net cash from operating activities (Item 1.9)	2,040
8.2 Cash and cash equivalents at quarter end (Item 4.6)	44,853
8.3 Unused finance facilities available at quarter end (Item 7.5)	3,258
8.4 Total available funding (Item 8.2 + Item 8.3)	48,111
<b>8.5 Estimated quarters of funding available (Item 8.4 divided by Item 8.1)</b>	<b>N/A</b>

*Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.*

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**

---

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: 19 October 2022

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.