



Global Update

Megaport reports third consecutive quarterly EBITDA profit for 2Q FY23.

Brisbane, AUSTRALIA 31 January 2023 Megaport Limited (**ASX:MP1**) today reports its quarterly Key Performance Indicators to 31 December 2022, and provides a global market update.

The Group has changed its reporting currency to US Dollars ("US\$") from 1 July 2022; this Global Update provides figures in both US\$ with figures in Australian Dollars ("A\$") for comparative purposes.

Section 1: Presentation in A\$

Executive Summary

In 2Q FY23, Megaport drove solid Monthly Recurring Revenue (MRR) growth of 6% QoQ, up A\$0.8M to A\$12.4M in December 2022. Excluding the foreign exchange impact of a weakening US\$, underlying MRR grew A\$0.7M, or 6%.

Total revenue for the quarter was A\$37.0M, up 10% compared to 1Q FY23. Annualised recurring revenue at 31 December 2022 was A\$148.0M. Note revenue in the quarter exceeds that achieved for the full year FY19.

Megaport delivered EBITDA profit for 2Q FY23, a third consecutive period, building on the move to profitability at the end of last fiscal year.

During the quarter ended 31 December 2022, Megaport sold 762 new services, up 3% QoQ to total services of 29,088. Underlying net port growth of 368 represents growth of 29% over underlying Q1 net additions. Strategic port consolidation as part of our transition to 100Gb cloud on-ramp interconnections and resultant cost saving initiative has led to a net reduction of 165 legacy 10G ports. This reduction in legacy cloud ports is not revenue impacting, as services are migrated to 100G on-ramps where possible. Net ports added in the quarter of 203 was an increase of 2% to finish on 9,809 active ports. The quarter saw a 3.7% increase in average revenue per port to A\$1,260, a new record, and an increase in the average number of services per port to 2.97 up from 2.95 in September. Steady customer acquisition continued in the quarter with the Company achieving 2,739 total customers at quarter end.

Performance Highlights

2Q FY23 highlights:

- MRR for the month of December 2022 was A\$12.4M, an increase of A\$0.8M, or 6% QoQ.
- Revenue for the quarter was A\$37.0M, an increase of A\$3.3M or 10% QoQ.
- Customers at the end of the quarter were 2,739, an increase of 39, or 1% QoQ.
- Total Ports at the end of the quarter were 9,809, an increase of 203, (underlying growth of 368, less 165 legacy ports transitioned), or 2% QoQ.
- Total VXC^s at the end of the quarter were 16,977, an increase of 593, or 4% QoQ.
- Total MCRs at the end of the quarter were 768, a decrease of 4, or (1%) QoQ.
- Total MVEs at the end of the quarter were 94, a decrease of 1, or (1%) QoQ.
- Total Services¹ at the end of the quarter were 29,088, an increase of 762, or 3% QoQ.
- Average Revenue per Port in December 2022 was A\$1,260, an increase of A\$46, or 3.8% QoQ.
- At the end of December 2022, the Company's cash position was A\$57.5M.

2Q FY23 saw continued growth in MRR, up A\$0.8M and 6% QoQ, to A\$12.4M in December 2022, the A\$ result was impacted by foreign exchange from the weakening of the US dollar. Underlying MRR² grew A\$0.7M for the quarter.

Interest in Megaport products remains high, as evidenced with continued strong sales pipelines, however current economic uncertainty seems to be delaying customer decision making, lengthening sales cycles. It is anticipated that sales trends will improve when the global economic outlook stabilises.

Megaport is not seeing any noticeable increase in customer or product churn which is a signifier of the stickiness of Megaports services and the perceived value delivered.

Of the 39 new customers brought on in the quarter, 12 were PartnerVantage (reseller) partners, such as Orange Business Systems, which will represent a significantly higher number of end users of Megaport. The direct enterprises introduced include a number of global brands, such as BorgWarner, Daimler Truck, AG, and UPS, who trust Megaport to deliver their critical networking infrastructure.

The A\$25M dollar revolving credit facility with Megaport's main banking partner, HSBC, was finalised in the quarter with the result that, subject to meeting certain EBITDA hurdles, additional credit available of A\$25.0M will be available later in the calendar year.

¹ Total Services comprise Ports, Virtual Cross Connects (VXC^s), Megaport Cloud Router (MCR), Megaport Virtual Edge (MVE) and Internet Exchange (IX).

² Underlying Growth in MRR is the QoQ growth in MRR excluding the estimated impact of FX movements.

A\$000s	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22
Reported MRR in A\$	6,752	7,487	8,552	9,157	9,456	10,695	11,608	12,358
Reported MRR growth in A\$	501	735	1,065	605	299	1,239	913	750
Reported QoQ growth in MRR	8%	11%	14%	7%	3%	13%	9%	6%
Estimated impact of FX movements	(130)	68	243	87	(286)	278	276	88
Underlying Growth in MRR³	631	667	822	518	585	961	637	661
QoQ Growth in Underlying MRR	10%	10%	11%	6%	6%	10%	6%	6%

Section 2: Presentation in US\$

Executive Summary

In 2Q FY23, Megaport drove solid Monthly Recurring Revenue (MRR) growth of 7% QoQ, up US\$0.5M to US\$8.3M in December 2022. Excluding the foreign exchange impact of a weakening US\$, underlying MRR grew US\$0.4M, or 6%.

Total revenue for the quarter was US\$24.4M, up 6% compared to 1Q FY23 and 26% up on the comparable period last year. Annualised recurring revenue at 31 December 2022 was US\$100.1M.

Megaport delivered EBITDA profit for 2Q FY23, a third consecutive period, building on the move to profitability at the end of last fiscal year.

During the quarter ended 31 December 2022, Megaport sold 762 new services, up 3% QoQ to total services of 29,088. Underlying net port growth of 368 represents growth of 29% over underlying Q1 net additions. Strategic port consolidation as part of our transition to 100Gb cloud on-ramp interconnections and resultant cost saving initiative has led to a net reduction of 165 legacy 10G ports. This reduction in legacy cloud ports is not revenue impacting, as services are migrated to 100G on-ramps where possible. Net ports added in the quarter of 203

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was an increase of 2% to finish on 9,809 active ports.. The quarter saw a 4.7% increase in average revenue per port to US\$850 per month, a new record, and an increase in the average number of services per port to 2.97 up from 2.95 in September.

Performance Highlights

2Q FY23 highlights:

- MRR for the month of December 2022 was US\$8.3M, an increase of US\$0.5M, or 7% QoQ.
- Revenue for the quarter was US\$24.4M, an increase of US\$1.4M, or 6% QoQ.
- Customers at the end of the quarter were 2,739, an increase of 39, or 1% QoQ.
- Total Ports at the end of the quarter were 9,809, an increase of 203, (underlying growth of 368, less 165 legacy ports transitioned) or 2% QoQ.
- Total VXC's at the end of the quarter were 16,977, an increase of 593, or 4% QoQ.
- Total MCRs at the end of the quarter were 768, a decrease of 4, or (1%) QoQ.
- Total MVEs at the end of the quarter were 94, a decrease of 1, or (1%) QoQ.
- Total Services⁴ at the end of the quarter were 29,088, an increase of 762, or 3% QoQ.
- Average Revenue per Port in December 2022 was US\$850, an increase of US\$38, or 4.7% QoQ.
- At the end of December 2022, the Company's cash position was US\$39.2M.

2Q FY23 saw continued growth in MRR, up US\$0.5M and 7% QoQ, to US\$8.3M in December 2022. The US\$ result was impacted by foreign exchange from the weakening of the US dollar. Underlying MRR⁵ grew US\$0.4M for the quarter. Steady customer acquisition continued in the quarter with the Company achieving 2,739 total customers at quarter end.

Interest in Megaport products remains high, as evidenced with continued strong sales pipelines, however current economic uncertainty seems to be delaying customer decision making, lengthening sales cycles. It is anticipated that sales trends will improve when the global economic outlook stabilises.

Megaport is not seeing any noticeable increase in customer or product churn which is a signifier of the stickiness of Megaport's services and the perceived value delivered.

Of the 39 new customers brought on in the quarter, 12 were PartnerVantage (reseller) partners, such as Orange Business Systems, which represent a significantly higher number of end users of Megaport. The direct enterprises introduced include a number of global brands, such as BorgWarner, Daimler Truck, AG, and UPS, who trust Megaport to deliver their critical networking infrastructure.

⁴ Total Services comprise Ports, Virtual Cross Connects (VXC's), Megaport Cloud Router (MCR), Megaport Virtual Edge (MVE) and Internet Exchange (IX).

⁵ Underlying Growth in MRR is the QoQ growth in MRR excluding the estimated impact of FX movements.

The \$25M Australian Dollar denominated revolving credit facility with Megaport's main banking partner, HSBC, was finalised in the quarter with the result that, subject to meeting certain EBITDA hurdles additional credit of US\$17.0M will be available later in the calendar year.

US\$000s	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22
Reported MRR in US\$	5,202	5,719	6,260	6,549	6,991	7,515	7,767	8,341
Reported MRR growth in US\$	493	517	541	289	442	524	252	574
Reported QoQ growth in MRR	10%	10%	9%	5%	7%	7%	3%	7%
Estimated impact of FX movements	19	3	(87)	(90)	24	(182)	(195)	132
Underlying Growth in MRR⁶	474	514	628	379	418	706	447	442
QoQ Growth in Underlying MRR	10%	10%	11%	6%	6%	10%	6%	6%

Business Update

During the quarter Megaport continued with the optimisation of the network to more efficiently deliver cloud connections to our customers through 100Gbps on-ramps. Although this impacts some reported KPIs, reducing net port additions by 165, this is not revenue impacting but rather delivers considerable cost efficiencies for the company. This process will continue to impact KPIs through H2 before completion before the end of the current financial year.

Following on from the expansion during 'Scale Up, Scale Out' phase, the company has undertaken a review across all business areas to ensure it operates at improved efficiency. The strategic port consolidation, including actively transitioning customers from 10Gbps to 100Gbps on-ramp ports, noted above is one aspect of this optimisation work. Megaport continues to review network architecture to ensure the company is positioned to deliver the fastest, most secure network for our growing customer base in the most cost effective way. Individual data centre profitability is being regularly assessed to drive overall gross margin, and to ensure we continue to have our network nodes in the optimal locations.

Megaport has recently signed a deal to provide the fabric and underlying connectivity to progressive and growing Data Centre Operator, Databank, the first of a number of such deals that is expected to be serviced through a MegaportONE white label solution. This product is a well tailored solution for Network Service Providers, and discussions with a number of global enterprises are in progress. One of the recent commercial deployments of MegaportONE to a

⁶ Underlying Growth in MRR is the QoQ growth in MRR excluding the estimated impact of FX movements.

Managed Service Provider. While currently delivering A\$2k in MRR, deals closed in January are expected to add A\$10k in MRR. Currently more than more than A\$100k MRR in further deals are in discussion.

Momentum in growing the Indirect sales channel has continued with new channel partners transacting through PartnerVantage increasing 31% in the quarter delivering a 26% increase in MRR from this avenue to market.

In November 2022 Megaport announced it had appointed Jeff Tworek as Chief Revenue Officer. Jeff has 30 years experience in cloud and networking, including 20 years at Akamai. He joins Megaport from Contrast Security, where as CRO, he helped build a successful team to deliver scale and growth.

In January 2023, Megaport achieved the AWS Outposts ready partner designation. Using Megaport, enterprises can greatly simplify the outposts deployment, offering greater flexibility in network architecture using less physical infrastructure.

Key Performance Metrics

MegaPort continues to drive growth in customers and services across all regions as the world's leading Network as a Service provider, through greater access for enterprises.

Key metrics⁷:

	Quarterly Performance						YoY% Change ⁸
	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	QoQ % Change	
Enabled Data Centres	768	771	787	795	802	1%	4%
Installed Data Centres	411	409	423	422	423	1%	3%
Cloud On-Ramps	240	244	278	281	282	1%	18%
Customers	2,455	2,541	2,643	2,700	2,739	1%	12%
Ports	8,523	9,012	9,545	9,606	9,809	2%	15%
MCR	603	670	731	772	768	(1%)	27%
MVE	40	59	73	95	94	(1%)	135%
Total Services	24,359	25,936	27,383	28,326	29,088	3%	19%
Revenue (A\$ - M)	\$26.6	\$28.0	\$30.6	\$33.7	\$37.0	10%	39%
MRR - Total (A\$ - M)	\$9.2	\$9.5	\$10.7	\$11.6	\$12.4	6%	35%
Revenue (US\$ - M)	\$19.3	\$20.2	\$21.9	\$23.0	\$24.4	6%	26%
MRR - Total (US\$ - M)	\$6.5	\$7.0	\$7.5	\$7.8	\$8.3	7%	28%
MRR - Direct (%)	66%	65%	64%	65%	66%	1%	0%
MRR - Indirect (%)	34%	35%	36%	35%	34%	(1%)	0%
% MRR from MVE	1.6%	2.4%	2.2%	3.2%	2.8%	(0.4%)	1.2%

Conclusions and Outlook

Vincent English said, "MegaPort exited the second quarter in a strong financial position and delivered our third quarter in a row of EBITDA profit. With growing revenue and a cash position of A\$57.5M, we are well positioned to continue to grow.

More data centre partners are realising the significant value MegaPort brings to their facilities. Several partners have expanded our relationship beyond cloud connect to providing interconnection fabric services between facilities. Harnessing the power of MegaPort to connect customers, services, and locations provides data centres a competitive advantage through a

⁷ As at 31 December 2022.

⁸ Change in the yearly performance at 31 December 2022 to the prior corresponding period ended 31 December 2021.

common platform that unifies customer experience. With our MegaportONE service offering, those customers access interconnection services via white label portals that align to our partners brand and service requirements.

We continue to strengthen our relationship and available services with cloud partners. By achieving AWS Outposts Ready Service Designation, Megaport is positioned to provide connectivity to Outpost deployments that power applications dependent on low latency, local data processing workflows, and data residency regulatory compliance requirements, among others. We will continue to stay focused on providing secure, scalable connections to the newest and industry-leading services our cloud partners bring to market to stay out in front of our customers' evolving needs."

Supporting Resources

- Visit Megaport: <https://megaport.com>
- Subscribe for ASX announcements [here](#)
- Follow Megaport on Twitter: [@megaportnetwork](#)
- Like Megaport on [Facebook](#)
- Follow Megaport on [LinkedIn](#)
- Learn more about [MCR](#) and [MVE](#)
- More information about Megaport [PartnerVantage](#)
- For definitions refer to the [Glossary for Investors](#) in our [Business Overview](#)

About Megaport

Megaport is the global leading provider of Elastic Interconnection services. Using Software Defined Networking (SDN), the Company's global platform enables customers to rapidly connect their network to other services across the Megaport Network. Services can be directly controlled by customers via mobile devices, their computer, or our open API. Megaport connects more than 2,700 customers in over 800 enabled data centres globally. Megaport is an Alibaba Cloud Technology Partner, AWS Technology Partner, AWS Networking Competency Partner, Cloudflare Network Interconnect Partner, Google Cloud Interconnect Partner, IBM Direct Link Cloud Exchange provider, Microsoft Azure Express Route Partner, Nutanix Direct Connect Partner, Oracle Cloud Partner, OVHcloud Partner, Rackspace RackConnect Partner, Salesforce Express Connect Partner, and SAP PartnerEdge Open Ecosystem Partner.

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