



Appendix 4C and Quarterly Activities Report

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

27 July 2023

Megaport Limited (ASX: MP1) has today released the June 2023 quarter Appendix 4C and Quarterly Activities Report.

Performance Highlights

During 4Q FY23, the Company achieved transformational improvements in EBITDA and Net Cash flow. These were the result of significant top line revenue growth and a continued focus on cost control within the business. The revenue growth was driven by the full impact of the Cloud VXC repricing for a full quarter and organic growth in recurring revenue. Following continued improvement in the Company's operating and financial performance in 4Q FY23, on 11 July 2023 the Company upgraded its guidance for FY23 Normalised EBITDA¹ to be in the range of \$19M to \$21M².

Megaport delivered 4Q FY23 Normalised EBITDA of \$11.8M, and FY23 Normalised EBITDA of \$20.2M, which is within the upgraded guidance range. Reported FY23 EBITDA³ is \$25.2M, which is also within the upgraded guidance range of \$24M to \$26M².

For the first quarter in its history, Megaport has delivered a positive Net Cash result. Net Cash⁴ at 30 June 2023 was \$33.3M, up \$2.3M over the quarter including payments to impacted employees as part of the reduction in force of \$2.6M. The strong net cash flow generated saw repayments of \$2.4M made to the vendor financing facility. The Board has decided to terminate its \$25M HSBC debt facility due to a lack of requirement and to reduce costs.

Annual Recurring Revenue⁵ (ARR) for June 2023 was \$178.6M, up 6% from ARR for March 2023 and up 39% compared to ARR for June 2022.

Organisational Review and Executive Changes

Michael Reid commenced as new CEO on 15 May 2023, and brings 19 years of industry experience. He joins Megaport from Cisco, where he served as Chief Revenue Officer for ThousandEyes, one of Cisco's fastest growing SaaS businesses.

¹ Normalised Earnings Before Interest Tax Depreciation and Amortisation ("Normalised EBITDA") represents Reported EBITDA that has been adjusted (reduced) for certain one-off accrual reversals.

² As per ASX release titled "[Upgrading EBITDA Guidance FY2023 and FY2024](#)" dated 11 July 2023.

³ Reported Earnings Before Interest Tax Depreciation and Amortisation ("Reported EBITDA") represents operating results excluding equity-settled employee and related costs, foreign exchange gains and losses, gains and losses on disposal of property, plant and equipment, and certain non-recurring non-operational expenses including the costs of one-time redundancy charges of approximately \$4.9M for FY23.

⁴ Net Cash comprises cash at bank of \$48.5M less amounts owing under the vendor financing facility of \$15.2M. Amounts owing under the vendor financing facility differ from the amounts included in liabilities in the statement of financial position due to the impact of imputed interest.

⁵ Annual Recurring Revenue is the recurring revenue expected over a 12 month period, calculated as Monthly Recurring Revenue for the last month of the period x 12, and excludes any non-recurring or one-off revenue.

Conclusions and Outlook

Megaport is in a strong financial position, and delivered FY23 Normalised EBITDA in line with upgraded guidance.

More detailed FY24 guidance will be provided no later than the release of the FY23 full year results on 22 August 2023, noting that the Company expects this guidance to be higher than the previous guidance of \$41M to \$46M.

Megaport expects to be Net Cash positive⁶ for FY24 after taking into account the planned incremental growth in sales headcount and planned capital expenditure. Further details will also be provided with the FY23 full year results presentation.

⁶ *Net cash flow is defined as movement in Net Cash. Net cash is cash at bank less debt including the vendor financing facility. This expectation does not include any future strategic initiatives the Company may decide to undertake.*

4Q FY23 Cash Flow Commentary

Operating Activities

Receipts from customers were \$44.0M (previous quarter: \$40.9M), an increase of \$3.1M or 8% QoQ. Days sales outstanding ("DSO") remained stable at 29 days which is within Megaport's standard payment terms of 30 days.

Network operating cash outflows were a total of \$16.1M (previous quarter: \$15.3M), an increase of \$0.8M or 5% QoQ. This result was impacted by a one-off reclassification of \$1.5M for year to date amounts previously accounted for under AASB 16 Leases. There were no significant network expansion costs incurred in the quarter. Total cash outflows during the quarter included approximately \$10.6M of network costs, \$3.3M of partner commissions and revenue share, and \$0.5M of payments relating to a support contract.

Advertising and marketing payments were \$0.7M (previous quarter: \$1.5M), a decrease of \$0.8M QoQ.

Staff costs paid were \$16.6M (previous quarter: \$14.3M), an increase of \$2.3M or 16% QoQ. The increase primarily relates to the settlement of termination benefits to employees impacted by the Company's organisational restructure.

Administration and corporate payments were \$4.0M (previous quarter: \$7.2M), a decrease of \$3.2M or 44% QoQ. The reduction in payments is the result of overall reduced spend which was driven by the cost-out program. Significant payments in 4Q FY23 included \$0.9M of consulting and professional services including audit, tax, risk advisory and legal services, \$1.4M of insurance instalment payments, \$0.5M of annual licence and subscription fees, \$0.5M of rent related expenses and \$0.2M relating to travel and accommodation.

Investing Activities

Capital expenditure on property, plant and equipment was \$1.4M (previous quarter: \$5.3M), a decrease of \$3.9M or 74%. Expenditure during 4Q FY23 predominantly consisted of upgrades to existing capacity.

Investment in intellectual property predominantly relates to internal staff time that has been capitalised towards key projects. 4Q FY23 expenditure was \$3.5M (previous quarter: \$3.5M), remaining stable QoQ. 4Q FY23 expenditure included \$0.7M in further development of MegaportONE, \$0.4M in security enhancements, \$1.2M relating to other internal improvement projects in relation to software and network architecture, and \$0.3M relating to the development of the corporate website.

Financing Activities

There were no proceeds from borrowings in 4Q FY23 (previous quarter: \$2.1M which represents the most recent drawdown under the vendor financing facility).

Repayments of borrowings were \$1.7M (previous quarter: \$1.9M), reflecting instalment payments under the vendor financing facility. Refer to item 7 below for more details.

Payments of the principal portion of lease liabilities were \$0.1M (previous quarter: \$2.1M). This represents the principal cash outflows related to the contracts that are classified as “Leases” under AASB 16 Leases. 4Q FY23 included a one off reclassification of \$1.5M for amounts previously accounted for as leases that have been reclassified to operating expenditure. When excluding the impact of this reclassification, 4Q FY23 cash payments for leases were \$1.6M.

Cash Position

The net cash position at the end of the quarter was \$33.3M (cash balances of \$48.5M less amounts owing under the vendor financing facility⁷ of \$15.2M), up \$2.3m compared to the previous quarter. During the quarter total repayments of \$2.4M were made under the vendor financing facility.

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 (and interim CEO up until 15 May 2023).

⁷ Amounts owing under the vendor financing differ from the amounts included in liabilities in the statement of financial position due to the impact of imputed interest.

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 June 2023

Consolidated statement of cash flows		Current quarter \$AU'000	Year to date (12 months) \$AU'000
1. Cash flows from operating activities			
1.1 Receipts from customers		43,956	158,372
1.2 Payments for			
(a) research and development		(421)	(980)
(b) product manufacturing and operating costs		(16,053)	(53,060)
(c) advertising and marketing		(666)	(5,270)
(d) staff costs		(16,639)	(66,547)
(e) administration and corporate costs		(3,996)	(22,920)
1.3 Dividends received (see note 3)		-	-
1.4 Interest received		283	720
1.5 Income taxes paid		(54)	(125)
1.6 Government grants and tax incentives		-	-
1.7 Net cash from operating activities		6,410	10,190

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

Consolidated statement of cash flows		Current quarter \$AU'000	Year to date (12 months) \$AU'000
2.	Cash flows from investing activities		
2.1	Payments to acquire:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	(1,443)	(17,594)
	(d) investments	-	-
	(e) intellectual property	(3,492)	(15,200)
	(f) other non-current assets	-	-
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	61	68
	(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 used in investing activities	(4,874)	(32,726)

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

Consolidated statement of cash flows		Current quarter \$AU'000	Year to date (12 months) \$AU'000
3.	Cash flows from financing activities		
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	483	562
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	(23)
3.5	Proceeds from borrowings	-	4,210
3.6	Repayment of borrowings	(1,745)	(7,236)
3.7	Transaction costs related to loans and borrowings	-	(447)
3.8	Dividends paid	-	-
3.9	Payments of the principal portion of lease liabilities	(133)	(7,471)
3.10	Interest and other costs of finance paid	(345)	(1,964)
3.11	Net cash used in financing activities	(1,740)	(12,369)

Consolidated statement of cash flows		Current quarter \$AU'000	Year to date (12 months) \$AU'000
4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	48,638	82,545
4.2	Net cash from operating activities (item 1.7 above)	6,410	10,190
4.3	Net cash used in investing activities (item 2.6 above)	(4,874)	(32,726)
4.4	Net cash used in financing activities (item 3.11 above)	(1,740)	(12,369)
4.5	Effect of movement in exchange rates on cash held	21	815
4.6	Cash and cash equivalents at end of period	48,455	48,455

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 \$AU'000	Previous quarter \$AU'000
5.1	Bank balances	48,455	48,638
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)	48,455	48,638

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

Current quarter \$AU'000
762
-

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**

Total facility amount at quarter end \$AU'000	Amount drawn at quarter end \$AU'000
-	-
-	-
27,359	15,206
27,359	15,206

7.5 Unused financing facilities available at quarter end

-

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

- 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 total facility of \$27.4M represents aggregate facilities provided by the vendor for financing equipment. This is governed by a number of Instalment Payment Agreements (IPAs). These are separately repayable via equal instalments over 36 months from each drawdown date. The agreements are collectively secured by a bank guarantee charged over \$5.7M in cash and cash equivalents. The drawn amount of \$15.2M represents the net amount of the facility outstanding after repayments.

Unused financing amount of \$0 represents the amount able to be redrawn on the existing facilities. While this amount is \$0, the Company is able to add new facilities with its vendors subject to Board approval. The Board has approved a total aggregate of no greater than \$35M of total debt using vendor facilities to fund the purchase of network equipment and payment of software licences.

8.	Estimated cash available for future operating activities	\$AU'000
8.1	Net cash from operating activities (Item 1.7)	6,410
8.2	Cash and cash equivalents at quarter end (Item 4.6)	48,455
8.3	Unused finance facilities available at quarter end (Item 7.5)	-
8.4	Total available funding (Item 8.2 + Item 8.3)	48,455
8.5	Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	n/a

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.

- 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?

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

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: 27 July 2023

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.