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## Appendix 4C

Quarterly report for entities subject to Listing Rule 4.7B

## **Appendix 4C**

### **Quarterly report for entities subject to Listing Rule 4.7B**

**22 October 2019**

#### **September 2019 Quarter Cash Flow Report and Performance Highlights**

**Megaport Limited (ASX: MP1) has today released the September 2019 quarter Appendix 4C.**

#### **1Q FY20 Performance Highlights**

1Q FY20 highlights:

- Revenue for the period was \$12.03M, an increase of 10% versus last quarter.
- Total Monthly Recurring Revenue (MRR) for September 2019 was \$4.1M, an increase of \$0.5M, or 13% QoQ.
- Total Installed Data Centres was 304 at the end of the quarter, an increase of 4, or 1% QoQ.
- Total Enabled Data Centres was 535 at the end of the quarter, an increase of 7, or 1% QoQ.
- Total Customers increased by 6% QoQ to 1,584.
- Total Ports increased in the quarter to 4,455, or 9% QoQ.
- Total Services increased in the quarter to 12,815, or 11% QoQ, of which VXC's increased in the quarter to 6,866, or 14% QoQ.
- Average Revenue per Port in September 2019 increased to \$914, or 3% QoQ.
- At the end of September 2019, the Company's cash position was \$69.2M.

*Please refer to the Global Update lodged with ASX on October 22, 2019 for more details.*

## **1Q FY20 Cash Flow Commentary**

### **Appendix 4C quarterly report for entities subject to Listing Rule 4.7B**

#### **Operating Activities**

Receipts from customers were \$11.3M (Previous quarter: \$10.5M), an increase of \$0.8M, or 8% QoQ, reflecting revenue growth compared to the previous quarter.

Product manufacturing and operating costs (“network operating costs”) comprise of 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 \$6.9M (Previous quarter: \$7.6M), a decrease of \$0.7M. The reduction mainly reflects the reclassification of cash outflow to leased assets and finance costs as a result of adopting AASB 16 “Leases” effective 1 July 2019.

Advertising and marketing spend was \$591K (Previous quarter: \$579K), reflecting continued investment in targeted advertising, digital marketing campaigns, and global industry events and conferences, particularly initiatives aimed at driving customer growth globally.

Staff costs were \$7.9M (Previous quarter: \$6.3M), an increase of \$1.5M, of which \$1.3M relates to the cash settlement of the FY19 annual performance based incentives (included in the FY19 financial statements) based on exceeding budget KPIs. The remainder of the increase relates to headcount increases during the quarter.

Administration and corporate cost cash outflows were \$2.5M (Previous quarter: \$2.4M), steady QoQ.

Government grants relate to tax incentives received from the Australian Tax Office for the costs incurred in eligible technological research or development programmes.

#### **Investing Activities**

Capital expenditure was \$4.2M (Previous quarter: \$5.6M), a decrease of \$1.4M. Current quarter expenditure relates to new equipment purchased (including MCR 2.0 equipment), capacity upgrades for existing sites, and investment supporting network expansion to new data centres.

Investment in intellectual property was \$953K, reflecting increasing investment in software development and product innovation.

#### **Financing Activities**

Proceeds from issue of shares represents the exercise of share options by employees.

Proceeds from borrowings of \$2.8M represent the draw down of the balance of the \$5.7M vendor financing facility (refer to item 8 below for more details). Repayments on borrowings in the current quarter was \$0.4M.

#### **Cash Position**

Cash and bank balances at the end of the quarter were \$69.2M.

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**Name of entity**

Megaport Limited

**ABN**

46 607 301 959

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

30 September 2019

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (3 months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	11,319	11,319
1.2 Payments for		
(a) research and development	(121)	(121)
(b) product manufacturing and operating costs	(6,934)	(6,934)
(c) advertising and marketing	(591)	(591)
(d) leased assets	(741)	(741)
(e) staff costs	(7,861)	(7,861)
(f) administration and corporate costs	(2,462)	(2,462)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	599	599
1.5 Interest and other costs of finance paid	(247)	(247)
1.6 Income taxes received/(paid)	(19)	(19)
1.7 Government grants and tax incentives	516	516
1.8 Other (provide details if material)	-	-
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(6,542)</b>	<b>(6,542)</b>

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<b>Consolidated statement of cash flows</b>		<b>Current quarter</b>	<b>Year to date</b>
		<b>\$A'000</b>	<b>(3 months)</b>
			<b>\$A'000</b>
<b>2.</b>	<b>Cash flows from investing activities</b>		
2.1	Payments to acquire:		
	(a) property, plant and equipment	(4,239)	(4,239)
	(b) businesses (see item 10)	-	-
	(c) investments	-	-
	(d) intellectual property	(953)	(953)
	(e) other non-current assets	-	-
2.2	Proceeds from disposal of:		
	(a) property, plant and equipment	5	5
	(b) businesses (see item 10)	-	-
	(c) investments	-	-
	(d) intellectual property	-	-
	(e) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (Net movement in term deposits)	-	-
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>(5,187)</b>	<b>(5,187)</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issue of shares	3,652	3,652
3.2	Proceeds from issue of convertible notes	-	-
3.3	Proceeds from exercise of share options	-	-
3.4	Transaction costs related to issues of shares, convertible notes or options	(53)	(53)
3.5	Proceeds from borrowings	2,822	2,822
3.6	Repayment of borrowings	(435)	(435)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>5,986</b>	<b>5,986</b>

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<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (3 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 quarter/year to date <sup>2</sup>	74,879	74,879
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(6,542)	(6,542)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(5,187)	(5,187)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	5,986	5,986
4.5	Effect of movement in exchange rates on cash held	107	107
<b>4.6</b>	<b>Cash and cash equivalents at end of quarter</b>	<b>69,243</b>	<b>69,243</b>

2. Audited cash and cash equivalents balance at 30 June 2019

<b>5.</b>	<b>Reconciliation of cash and cash equivalents</b>	<b>Current quarter \$A'000</b>	<b>Previous quarter \$A'000</b>
	at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts		
5.1	Bank balances	69,243	74,879
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>69,243</b>	<b>74,879</b>

<b>6.</b>	<b>Payments to directors of the entity and their associates</b>	<b>Current quarter \$A'000</b>
6.1	Aggregate amount of payments to these parties included in item 1.2	439
6.2	Aggregate amount of cash flow from loans to these parties included in item 2.3	-
6.3	Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2	

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<b>7. Payments to related entities of the entity and their associates</b>		<b>Current quarter \$A'000</b>
7.1	Aggregate amount of payments to these parties included in item 1.2	123
7.2	Aggregate amount of cash flow from loans to these parties included in item 2.3	-
7.3	Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2	

<b>8. Financing facilities available</b> <i>Add notes as necessary for an understanding of the position</i>		<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
8.1	Loan facilities	-	-
8.2	Credit standby arrangements	-	-
8.3	Other (vendor financing facility)	5,722	5,722
8.4	Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

The Group has a \$5.7M vendor financing facility to fund the purchase of network equipment and payment of software licenses. The facility is governed by an Instalment Purchase Agreement and was drawn down under four instalments. 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 the cash and cash equivalents. The vendor financing facility was fully drawn, and \$0.4M was repaid in the current quarter.

<b>9. Estimated cash outflows for next quarter</b>		<b>\$A'000</b>
9.1	Research and development	133
9.2	Product manufacturing and operating costs	7,064
9.3	Advertising and marketing	734
9.4	Leased assets	764
9.5	Staff costs	7,451
9.6	Administration and corporate costs	2,585
9.7	Other (provide details if material)	
	Property, plant & equipment	5,211
	Intellectual property	1,231
	Repayment of borrowings	498
	Interest and other finance costs	252
<b>9.8</b>	<b>Total estimated cash outflows <sup>3</sup></b>	<b>25,923</b>

<sup>3</sup> Total estimated cash outflows represents gross outflows for the next quarter and does not include estimated receipts from customers, interest received, government grants, proceeds from vendor financing facility or proceeds from issue of shares.

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10.	Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)	Acquisitions	Disposals
10.1	Name of entity	-	-
10.2	Place of incorporation or registration	-	-
10.3	Consideration for acquisition or disposal	-	-
10.4	Total net assets	-	-
10.5	Nature of business	-	-

### 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.

Sign here:



(Company Secretary)

Date: 22 October 2019

Print name: Celia Pheasant

### Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so in a note or notes included in, or attached to, this report.
2. If this quarterly 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 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.