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## Appendix 4C

Quarterly report for entities subject to Listing Rule 4.7B

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16 January 2020

### December 2019 Quarter Cash Flow Report and Performance Highlights

MegaPort Limited (ASX: MP1) has today released the December 2019 quarter Appendix 4C.

### 2Q FY20 Performance Highlights

2Q FY20 highlights:

- Revenue for the period was \$13.82M, an increase of 15% from the last quarter.
- Total MRR for December 2019 was \$4.6M, an increase of \$0.5M, or 12% QoQ.
- Total Installed Data Centres was 317 at the end of the quarter, an increase of 13, or 4% QoQ.
- Total Enabled Data Centres was 552 at the end of the quarter, an increase of 17, or 3% QoQ.
- Customers increased by 6% QoQ to a total of 1,679.
- Total Ports increased in the quarter to 4,863, or 9% QoQ.
- Total MCR increased in the quarter to 228, or 15% QoQ
- Total Services<sup>1</sup> increased in the quarter to 13,914, or 9% QoQ, of which VXC's increased in the quarter to 7,488, or 9% QoQ.
- Average Revenue per Port in December 2019 increased to \$936, or 2% QoQ.
- At the end of December 2019, the Company's cash position was \$119.9M.

*Please refer to the Global Update lodged with the ASX on 16 January 2020 for more details.*

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<sup>1</sup> Total Services comprises of Ports, Virtual Cross Connections (VXC's), MegaPort Cloud Router (MCR), and Internet Exchange (IX)

## 2Q FY20 Cash Flow Commentary

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#### Operating Activities

Receipts from customers were \$14.0M (Previous quarter: \$11.3M), an increase of \$2.7M, or 24% QoQ, reflecting improved cash collections and revenue growth compared to the previous quarter.

Product manufacturing and operating costs (“network 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 are directly related to generating the service revenue. Network operating cash outflows were \$6.9M (Previous quarter: \$6.9M), steady QoQ.

Advertising and marketing spend was \$397K (Previous quarter: \$591K), reflecting seasonality in investment in targeted advertising, digital marketing campaigns, and global industry events and conferences, particularly initiatives aimed at driving customer growth globally.

Payments for leased assets and Interest and other costs of finance paid represents the principal and interest cash outflows related to the contracts that are classified as “leases” under AASB 16.

Staff costs were \$8.0M (Previous quarter: \$7.9M), reflecting headcount increases during the quarter. The previous quarter included \$1.3M for the cash settlement of the FY19 annual performance based incentives.

Administration and corporate cost cash outflows were \$2.6M (Previous quarter: \$2.5M), steady QoQ.

#### Investing Activities

Capital expenditure was \$4.9M (Previous quarter: \$4.2M), an increase of \$0.7M. Current quarter expenditure relates to new equipment purchased, capacity upgrades for existing sites, and investment supporting network expansion to new data centres.

Investment in intellectual property was \$1.0M (Previous quarter: \$953K), reflecting continued investment in software development and product innovation.

#### Financing Activities

Proceeds from issue of shares in the current quarter represents the successful completion of approximately \$62 million fully underwritten share placement to institutional, sophisticated, and professional investors and the exercise of share options by employees. The related fees and charges are included in “Transaction costs related to issues of shares, convertible notes or options”.

Proceeds from borrowings of \$1.6M in the current quarter represent the draw down under the vendor financing facility (refer to item 8 below for more details). Repayments on borrowings in the current quarter was \$0.5M (Previous quarter: \$0.4M).

#### Cash Position

Cash and bank balances at the end of the quarter were \$119.9M.

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**Name of entity**

Megaport Limited

**ABN**

46 607 301 959

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

31 December 2019

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (6 months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	13,961	25,280
1.2 Payments for		
(a) research and development	(139)	(259)
(b) product manufacturing and operating costs	(6,929)	(13,864)
(c) advertising and marketing	(397)	(988)
(d) leased assets	(1,491)	(2,231)
(e) staff costs	(7,995)	(15,856)
(f) administration and corporate costs	(2,557)	(5,020)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	231	831
1.5 Interest and other costs of finance paid	(283)	(531)
1.6 Income taxes received/(paid)	111	92
1.7 Government grants and tax incentives	-	517
1.8 Other (provide details if material)	-	-
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(5,488)</b>	<b>(12,029)</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>(6 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	(4,891)	(9,130)
	(b) businesses (see item 10)	-	-
	(c) investments	-	-
	(d) intellectual property	(1,005)	(1,958)
	(e) other non-current assets	-	-
2.2	Proceeds from disposal of:		
	(a) property, plant and equipment	-	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>(5,896)</b>	<b>(11,083)</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issue of shares	62,923	66,575
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	(1,977)	(2,029)
3.5	Proceeds from borrowings	1,642	4,464
3.6	Repayment of borrowings	(484)	(921)
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>62,104</b>	<b>68,089</b>

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<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (6 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	69,243	74,879
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(5,488)	(12,029)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(5,896)	(11,083)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	62,104	68,089
4.5	Effect of movement in exchange rates on cash held	(101)	6
<b>4.6</b>	<b>Cash and cash equivalents at end of quarter</b>	<b>119,862</b>	<b>119,862</b>

<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	119,862	69,243
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>119,862</b>	<b>69,243</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	175
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	99
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)	12,000	7,364
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 \$12.0M 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 the drawdown date. The loan is secured by a bank guarantee charged over \$5.7M in cash and cash equivalents. The vendor financing facility was drawn to \$7.4M at reporting date (Previous quarter: \$5.7M), and \$0.5M was repaid in the current quarter (Previous quarter: \$0.4M).

<b>9. Estimated cash outflows for next quarter</b>	<b>\$A'000</b>
9.1 Research and development	146
9.2 Product manufacturing and operating costs	7,017
9.3 Advertising and marketing	591
9.4 Leased assets	1,540
9.5 Staff costs	8,018
9.6 Administration and corporate costs	2,588
9.7 Other (provide details if material)	
Property, plant & equipment	4,038
Intellectual property	1,112
Repayment of borrowings	532
Interest and other finance costs	312
<b>9.8 Total estimated cash outflows <sup>2</sup></b>	<b>25,894</b>

<sup>2</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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<b>10. Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)</b>	<b>Acquisitions</b>	<b>Disposals</b>
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:

  
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(Company Secretary)

Date: 16 January 2020

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.