



22 April 2021

Dear Shareholders,

Since my last letter to you, our valued shareholders, we have experienced a year unlike any other. The global COVID-19 pandemic has tested the limits of businesses, governments, families, and individuals. We have all experienced its impact and have lived through and are coping with many regrettable losses. At the same time, we have witnessed great progress and perseverance as we come together as a global community to overcome the pandemic so we can look forward to brighter days ahead.

### **Looking Back**

Well before stay-at-home orders were mandated in cities and countries around the world, our immediate focus shifted to ensuring our team's safety and Megaport's readiness to serve our customers and partners. During those initial days of the pandemic, when workforces shifted to remote work, the fundamental profile of data traffic shifted dramatically. Businesses immediately had to solve for new data and workflow challenges they had not previously experienced. The shift to Virtual Desktop Infrastructure and scaling of workforce productivity applications took centre stage as many of our customers quickly increased capacity to key cloud and data centre endpoints connected via Megaport's network.

As the pandemic wore on, the global community consumed more digital media, streamed more content, and engaged in more online activities while sheltering in place. Production of digital-only and animated content, which relies heavily on visual effects and compute-based rendering services in the public cloud, increased sharply as in-person and live-action production was limited or completely shut down. Digital effects studios and content houses ramped up connections to cloud services across Megaport to satisfy this increased demand. Broadband networks that provide connections to residential subscribers consumed more capacity on Megaport's Internet Exchange service, driven by higher subscriber demand for streaming and online content. The healthcare industry spun up more public cloud services and securely connected to them with Megaport to better serve patients.

While businesses and services that made life and work at home possible through the pandemic saw marked increases in IT and connectivity demand, other sectors experienced a drop in activity. The travel and hospitality industries, not surprisingly, were negatively impacted by the pandemic and some have needed to dial-down their services.

Looking back at the last 14 months, it's clear that our customers used Megaport exactly the way it was designed. They scaled capacity quickly and easily to meet unexpected traffic increases and turned up new services on demand to respond to customer and staffing

needs. Conversely, other businesses were able to right-size their capacity to manage their IT needs and costs as demand decreased. This is a testament to the Network as a Service (NaaS) model that Megaport pioneered eight years ago and has continued to innovate upon as the industry leader.

## **Annual Performance**

I am pleased to advise that we are on track to achieve EBITDA breakeven, on a run rate basis, by June 2021, which represents a \$25m turnaround on an annualised basis. We have already achieved a full quarter's positive cashflow from operations early in Q2 FY21, signed a record number of new logos in Q1 FY21 and delivered a 43% increase in monthly recurring revenues (adjusted for currency changes) over the past 12 months. These are some of the key performance indicators we present to the market each quarter.

In the past 12 months, Megaport as a company has become fit and focused while demonstrating its capability to generate strong cash flows from the existing platform.

The pandemic has shown that Megaport's technology and platform are resilient enablers for digital businesses. However, it has also highlighted the strength, courage, and resilience of our team and leadership. None more so than Megaport CEO, Vincent English. Mr. English is an inspiration to the entire team. I speak for the Board and all of the Megaport employees around the world when I thank him for his leadership, dedication, and inspiration.

## **Innovating for What's Next**

As we approach the end of Fiscal Year 2021, we are seeing a healthy pipeline build that indicates a shift back towards larger digital transformation initiatives. We are seeing projects that enable cloud competency centres, support for bridging IoT devices into public and private clouds, and initiatives with systems integrators needing access to large-scale compute platforms to support managed services. Signs point to businesses accelerating digital transformation while optimising their remote workforces.

While we supported our customers through significant changes brought on by the global pandemic, we also primed our innovation engine and delivered new service capabilities that increased our platform value. We have invested in key areas that will drive further business impact and keep Megaport well out in front as the leader and innovator in the NaaS sector – connecting the services and locations that power today and tomorrow's IT applications.

Megaport has the vision, plan, and team to execute on what's next. Here are the three key focus areas for the next three years of growth at Megaport.

### **1. Megaport Virtual Edge (MVE)**

With the explosive growth of cloud connectivity and SD-WAN, Megaport Virtual Edge (MVE) is uniquely positioned to be the glue between the two. After two years of development, I am pleased to announce that MVE is live and available to customers, initially supporting Cisco

SD-WAN as the first integrated service. We have commenced building integrations with VMWare and Fortinet, and over the next few months, we will announce additional partnerships with other global leaders in SD-WAN. These partnerships will ultimately allow enterprises to quickly spin up SD-WAN virtual appliances on MVE and seamlessly connect their SD-WAN enabled branch locations like offices, corporate campuses, stores and warehouses, among others, to the Cloud, and to tap into Megaport's leading Network as a Service capability to build on-demand, secure connections to the services that power their IT. This will let businesses modernise their network and move away from legacy architectures that impede growth.

Megaport's SDN connects more than 2,100 customers to 225+ cloud on-ramps allowing service providers and enterprises the confidence to connect their critical and sensitive workloads securely over a private network rather than the public internet. With the sheer number of branch locations needing more secure, higher performance connections to cloud-based services, I have no doubt that MVE will surpass the success of Megaport Cloud Router in short order, and become the preferred and seamless way to connect branch locations to the resources, sites, Cloud and services they need.

## **2. Global Sales Leadership and Structure to Leverage Channel**

Megaport was fundamentally designed for frictionless, low-touch, high-volume connectivity scenarios. Our software defined network, open API, and deep integration with service providers has driven many enterprise success stories. This same model aligns perfectly with the channel-selling environment where managed service providers, systems integrators, and resellers enable end-to-end IT solutions globally.

Our original sales and business development model was tailored to a concept I called "Terraforming." This model allowed Megaport to rapidly deploy a global network footprint to crucial locations, build an ecosystem of leading service providers, and also directly engage enterprise customers to consume those services over our innovative platform. This model served us well and allowed us to consolidate our first-mover advantage and anticipate the needs of our customers and partners as IT workloads increasingly shifted to the cloud.

Now, with the most cloud on-ramps connected of any interconnection fabric or NaaS platform, coupled with MVE's capability to spin up edge services and provide end-to-end connections that align to IT service bundles, our platform has grown to become well-suited for channel sales opportunities.

Under the leadership of Rodney Foreman, recently appointed as Chief Revenue Officer, we are aligning our sales structure to better service the needs of the broader IT community and to focus on channel. Rodney is one of the most impressive sales leaders I have had the privilege to meet. His professionalism, network, and considerable experience in establishing and running major global teams has allowed us to align our sales strategy to scale up and accelerate the creation of the systems, processes, and teams needed to take the sales function of Megaport to the next level – in FY22 and beyond.

Historically, 70% of our revenues have been generated from our direct sales team, and 30% via channel. With the introduction of MVE, and our integration with service providers like Cisco, we have unlocked routes to world-class resellers, distributors, and integrators. We have launched a product that is designed to “sell through” or “sell with” rather than “sell to.”

**3. Positioning for Success**

MegaPort is built and operated by a small, high-performance team. Our footprint covers 23 countries, and we are deeply integrated and partnered with the biggest technology companies in the world. Our platform is efficient, cost-effective, and designed to scale massively while keeping operating and capital costs low. That said, we have never held back on investment in innovation, R&D, and our next phase of major growth. By continuing the development of our platform, managing cash burn, and preserving a cash balance of almost \$141.5m, we will be entering the next stage of growth in FY22.

**Summary**

This last year has proved that ‘as a service’ models allow businesses to adapt quickly to market changes and align their capability to their customer needs and business conditions – whether those are health care providers scaling up infrastructure to support patient care, or entertainment platforms streaming content to residential users.

We have a phenomenal opportunity to help businesses across the world modernise their network and change the way they operate and succeed in this cloud-enabled world. Our focus is to help our customers discover, connect to, and consume the services that will transform their businesses for the better. But fundamentally we would not have this opportunity if weren’t for our amazing MegaPort team who are as passionate about transformation as they are about caring for each other, our customers who trust our services every day, and you, our valued shareholders, who support our vision.

Thank you all for your continued support, and I wish you all good health and look forward to the year ahead.



Bevan Slattery  
Chairman