



Global Update

Megaport reports strong growth across all operating metrics over previous quarter, with 123 new customers added and an increase of 8% in total revenue growth in the quarter. During the quarter, the Company launched the PartnerVantage portal supporting indirect partners to resell Megaport services, and as at 31 December 2021, 22 additional indirect channel partnership arrangements have been signed.

Brisbane, AUSTRALIA 19 January, 2022 Megaport Limited (**ASX:MP1**) today reports its quarterly Key Performance Indicators to 31 December 2021, and provides a global market update.

Executive Summary

In 2Q FY22, Megaport drove strong Monthly Recurring Revenue (MRR) growth, up \$0.6M and 7% QoQ, to \$9.2M in December 2021. Underlying MRR¹ grew \$518K for the quarter. Total revenue for the quarter was \$26.6M, up 8% compared to 1Q FY22. Annualised recurring revenue at 31 December 2021 was \$110M.

During the quarter ended 31 December 2021, Megaport sold 1,191 new services, up 5% QoQ for total services of 24,362. The company sold 12 Megaport Virtual Edges (MVE), increasing 42.9% QoQ for a total of 40 sold MVEs via Megaport's direct sales initiatives. The company has positioned MVE to support indirect channel growth with the launch of MVE on Cisco's Global Price List (GPL), and the announcement of two additional SD-WAN partners in the quarter – VMware and Aruba.

Megaport announced a partnership with its second major Value Added Distributor (VAD), TD SYNEX in the quarter ended 31 December 2021. With the completion and launch of the PartnerVantage programme, Megaport has on-boarded 22 indirect channel partners up to 31 December 2021.

Performance Highlights

2Q FY22 highlights:

- MRR for the month of December 2021 was \$9.2M, an increase of \$0.6M, or 7% QoQ.
- Revenue for the quarter was \$26.6M, an increase of \$2.0M or 8% QoQ.
- Customers at the end of the quarter were 2,455, an increase of 123, or 5% QoQ.
- Total Ports at the end of the quarter were 8,523, an increase of 439, or 5% QoQ.

¹ Underlying MRR is the QoQ growth in MRR excluding the estimated impact of FX movements.

- Total VXC's at the end of the quarter were 13,713, an increase of 677, or 5% QoQ.
- Total MCRs at the end of the quarter were 603, an increase of 60, or 11% QoQ.
- Total MVEs at the end of the quarter were 40, an increase of 12, or 43% QoQ.
- Total Services² at the end of the quarter were 24,362, an increase of 1,191, or 5% QoQ.
- Average Revenue per Port in December 2021 was \$1,074, an increase of \$16, or 2% QoQ.
- At the end of December 2021, the Company's cash position was \$105M.

Long-term deal commitments formed a majority of net new additions in the quarter with 64% of net new Ports being acquired with committed terms of between 12 and 36 months. This represents a growing trend of customers using Megaport to connect long-term IT solutions and taking advantage of the ability to rapidly connect those services.

2Q FY22 saw continued growth in Monthly Recurring Revenue (MRR), up \$605K and 7% QoQ, to \$9.2M in December 2021. Underlying MRR³ grew \$518k for the quarter. New customer and Port growth was the strongest of any 2Q performance. The second quarter is prone to seasonal buying patterns limited by holiday periods and end-of-year budget cycles. Strong new customer and Port growth has historically established a foundation for subsequent services revenue growth.

The Company has sold 40 MVEs as of 31 December, supporting SD-WAN connectivity services for 16 customers utilising integrations with all five Megaport SD-WAN partners as customers connect branch locations to the Megaport Software Defined Network for on-demand connectivity.

000s	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21
Reported MRR in AUD	5,416	5,651	5,783	6,251	6,752	7,487	8,552	9,157
Reported MRR growth in AUD	865	235	132	468	501	735	1,065	605
Reported QoQ growth in MRR	19%	4%	2%	8%	8%	11%	14%	7%
Estimated impact of FX movements	348	(424)	(155)	(139)	(130)	68	243	87
Underlying Growth in MRR⁴	517	659	286	606	631	667	822	518
QoQ Growth in Underlying MRR	11%	12%	5%	10%	10%	10%	11%	6%

² Total Services comprise Ports, Virtual Cross Connections (VXC's), Megaport Cloud Router (MCR), Megaport Virtual Edge (MVE) and Internet Exchange (IX).

³ Underlying Growth in MRR is the QoQ growth in MRR excluding the estimated impact of FX movements.

⁴ Underlying Growth in MRR is the QoQ growth in MRR excluding the estimated impact of FX movements.

Product Updates

In the Quarter, Megaport announced an additional two SD-WAN partners, Aruba and VMware, bringing the total number of providers available on the MVE platform to five. Combined, these providers cover more than 70%⁵ of the SD-WAN infrastructure market.

The Company launched its PartnerVantage portal, VantageHub, for indirect channel partners. PartnerVantage is a world-class partner programme that enables indirect channel partners to sell and provision Megaport services on behalf of their customers, with all the requisite materials, commercial terms and conditions, co-marketing support, education, and billing information on one platform to facilitate an easy process for the partners to grow their business. With development initiated in March 2021, the PartnerVantage programme reimaged the indirect channel experience for reselling NaaS and incorporating Megaport services into a holistic offering that makes cloud consumption easy.

Megaport signed partnership agreements with two of the leading global Value Added Distributors (VAD), Arrow and TD SYNEX in the quarter.

Integration of InnovoEdge following the acquisition on 10 August, 2021 continues at pace, and we expect to be showcasing the capability for additional orchestration and automation for greater end-to-end control of network and IT resources at our upcoming technical demonstration day.

Megaport's Chief Executive Officer, Vincent English, commented, "In the second quarter, we continued to stay very focused on executing to achieve our targets and aligning the business for greater channel growth. In addition to delivering the strongest second quarter for new customers and Ports, the team also delivered key new partnerships in the indirect channel and technology alliance space. Additionally, we launched VantageHub, a one-stop platform for indirect channel partners to manage their Megaport business.

The PartnerVantage programme has enabled us to completely transform our ability to support indirect channel partners and be the first NaaS provider to integrate with leading VADs. Our channel transformation has included hiring and training staff, building the requisite technical infrastructure, upgrading back-office systems, enabling new go-to-market programmes, and signing and onboarding additional strategic providers. The team delivered all of this while executing on our sales targets and capturing additional market share through our direct go-to-market efforts – delivering a strong performance in Q2 and the first half of the year."

⁵ IDC Worldwide SD-WAN Infrastructure Market Shares, 2020

Key Performance Metrics

While continuing to grow the Company's ecosystem and product capabilities as the world's leading Network as a Service provider, Megaport drove consistent increases in all metrics across all regions in 2Q FY22.

Key metrics⁶:

	Quarterly Performance						YoY% Change ⁷
	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	QoQ % Change	
Enabled Data Centres	716	741	761	763	768	0.7%	7.3%
Installed Data Centres	386	390	405	406	411	1.2%	6.5%
Cloud On-Ramps	220	227	233	236	240	1.7%	9.1%
Customers	2,043	2,117	2,285	2,332	2,455	5.3%	20.2%
Ports	6,691	7,037	7,689	8,084	8,523	5.4%	27.4%
MCR	382	422	502	543	603	11.0%	57.9%
MVE	n/a	n/a	21	28	40	42.9%	n/a
Total Services	19,278	20,056	21,712	23,171	24,359	5.1%	26.4%
Revenue (M)	\$18.71	\$19.58	\$22.70	\$24.59	\$26.57	8.1%	42.0%
MRR ⁸ - Total (M)	\$6.3	\$6.8	\$7.5	\$8.6	\$9.2	7.0%	46.0%
MRR - Direct (%)	-	68%	68%	68%	66%	-	-
MRR - Indirect (%)	-	32%	32%	32%	34%	-	-
% MRR from MVE	-	-	0.4%	0.8%	1.6%	-	-

⁶ As at 31 December 2021.

⁷ Change in the yearly performance at 31 December 2021 to the prior corresponding period ended 30 December 2020.

⁸ Monthly Recurring Revenue is revenue (excluding one-off and non-recurring revenue) for the last month of the relevant period.

Conclusions and Outlook

Vincent English said, “Customers and partners continue to rely on Megaport as a critical service provider, with longer-term contracts representing the majority of new service additions in the quarter. We’ve strengthened our partnerships with our MVE technology alliance partners, aligned our entire sales motion for solution selling – including how branches get connected – and with MCR adoption remaining strong, it’s clear that our customers are using Megaport to connect and control their broader portfolio of IT services. As a trusted, neutral platform with a reach from branch to data centre, to cloud, and through the cloud, Megaport continues to fundamentally change the way IT gets done.

Ongoing investments in people and technology have completely transformed our go-to-market. We are well positioned to capture indirect channel opportunities coming into the second half of the financial year and beyond. Integration of InnovoEdge following the acquisition last August is well underway and we expect to showcase the capability for additional orchestration and automation for greater end-to-end control of network and IT resources in the next quarter.”

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 2,400 customers in over 760 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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Appendix: Megaport Regional Monthly Recurring Revenue¹ in Local Currency

APAC

000s	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21
MRR in AUD	1,903	1,963	2,014	2,158	2,214	2,380	2,608	2,882
QoQ Growth in AUD	11%	3%	3%	7%	3%	7%	10%	11%

NAM

000s	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21
MRR in USD	1,534	1,771	1,967	2,228	2,506	2,907	3,233	3,287
QoQ Growth in USD	14%	15%	11%	13%	12%	16%	11%	5%
USD/AUD cents ²	62.25	68.91	72.28	75.33	77.05	76.39	73.20	71.51
MRR in AUD	2,464	2,570	2,721	2,958	3,253	3,806	4,416	4,736
QoQ Growth in AUD	26%	4%	6%	9%	10%	17%	16%	7%

EU

000s	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21
MRR in EUR	590	685	643	703	832	825	950	974
QoQ Growth in EUR	7%	16%	-6%	9%	18%	-1%	15%	3%
EUR/AUD cents ²	56.25	61.24	61.30	61.90	64.75	63.44	62.17	63.27
MRR in AUD	1,049	1,119	1,048	1,135	1,285	1,301	1,528	1,539
QoQ Growth in AUD	18%	7%	-6%	8%	13%	1%	17%	1%

Notes

1. Monthly Recurring Revenue (MRR) is the recurring revenue (excluding one-off and non-recurring revenue) for the last month of the quarter.
2. Exchange rates are the average rate for the last month of the quarter.