Megaport

Appendix 4D

Half-year financial report

For the half-year ended
31 December 2023

Megaport Limited

ABN: 46 607 301 959

For the period from 1 July 2023 to 31 December 2023

Appendix 4D

The following information sets out the requirements of the Appendix 4D of Megaport Limited ('the Company') and its controlled entities ('the Group') with the stipulated information either provided here or cross referenced to the report for the half-year ended 31 December 2023 ('half-year financial report').

This Appendix 4D covers the reporting period from 1 July 2023 to 31 December 2023. The previous corresponding period is 1 July 2022 to 31 December 2022.

Results for Announcement to the Market

Summary of Financial Information

	1 July 2023 to 31 December 2023 $'000	1 July 2022 to 31 December 2022 $'000	Change $'000	Change %
Revenue from ordinary activities	95,116	70,707	24,409	35%
Gross profit	66,632	46,495	20,137	43%
EBITDA	30,152	3,445	26,707	775%
Net profit/(loss) after tax	4,449	(13,479)	17,928	n.m.

n.m. not meaningful

Dividends

No dividend has been proposed or declared in respect of the period ended 31 December 2023.

Explanation of revenue and loss from ordinary activities

Refer to the Director's Report 'Review of Operations' section in the half-year financial report for commentary on the results for the period and explanations to understand the Group's revenue and profit from ordinary activities.

Net tangible asset backing

	31 December 2023 cents	31 December 2022 cents
Net tangible assets per ordinary share	58.93	48.90

The comparative information for the period ended 31 December 2022 has been restated for the change in presentation currency as explained in Note 1(c) to the attached half-year financial statements.

The number of Megaport shares on issue at 31 December 2023 was 159,124,810 shares (31 December 2022: 158,165,115 shares).

Entities over which control has been gained or lost during the period

During the half-year period, the Group liquidated 100% control of Eastern Voice Link EOOD (2022: No control has been gained or lost during the period).

The information provided in the Appendix 4D is based on the half-year financial report, which has been prepared in accordance with Australian Accounting Standards and has been reviewed by the Group's auditor, Deloitte Touche Tohmatsu. A copy of the auditor's unqualified review report is included as part of the financial statements.

HALF-YEAR REPORT

For the Half-year ended 31 December 2023

Registered Office:
Level 3, 825 Ann Street
Fortitude Valley QLD 4006

Megaport Limited

ABN: 46 607 301 959

For the Half-year ended 31 December 2023

Contents

Directors' Report

The Directors present their report on the consolidated entity consisting of Megaport Limited (referred to as 'the Company') and the entities it controlled (referred to as 'the Group' or 'consolidated entity' or 'Megaport') at the end of, or during, the half-year ended 31 December 2023.

Directors and Company Secretary

The following persons were Directors of Megaport Limited during the whole period and up to the date of this report:

Bevan Slattery
Michael Reid
Jay Adelson
Naomi Seddon
Michael Klayko
Melinda Snowden
Glo Gordon

Celia Pheasant was the Company Secretary during the period.

Principal activities

During the period, the Group engaged in its principal activities, being:

- the provisioning of on-demand elastic interconnection services;
- the provisioning of internet exchange services;
- the addition and integration of new service providers into the Ecosystem;
- the development of new product and features, and API integration with key partners; and
- continuing to expand the geographic footprint of its Network and Marketplace.

Review of operations

Group overview

Megaport's vision is to revolutionise global connectivity. The Group's mission is to be the global leading Network as a Service ('NaaS') provider and enable customers with an agile networking methodology through the Megaport Connected Edge Strategy.

Megaport's platform uses Software Defined Networking to enable customers to rapidly connect to more than 380 leading service providers in a flexible, on-demand, and cost-effective way. The first of its kind and the leader in the market, the Group's platform has changed the way businesses consume connectivity services by creating a model that mirrors cloud-buying capabilities and is therefore more intuitive and customer-centric than the offerings from traditional telecommunications companies.

In order to align its services closely with cloud compute and storage consumption models, the Group provides a self-serve environment for interconnection. Megaport enables customers to rapidly and flexibly connect to its partner data centres, cloud service providers, network service providers, and managed service providers, collectively known as the Ecosystem.

Customers connect to the Ecosystem by acquiring 'Megaport's' (Ports) and building Virtual Cross Connects ('VXCs') to their chosen destinations or services across the Megaport Network. Connectivity services can be directly controlled by customers via mobile devices and desktop environments through Megaport's portal, and its open Application Programming Interface ('API').

Megaport Cloud Router ('MCR') enables customers to instantly provision and control virtual routers through Megaport's web-based portal. Enterprises and service providers can unlock powerful use cases such as cloud-to-cloud networking and deploy Virtual Points of Presence ('VPoPs') without the need to purchase or maintain physical routing equipment. MCR enables customers to rapidly deploy services, granularly control traffic, and reduce total cost of ownership. Leading cloud service providers advocate MCR as a reference service for enabling connectivity between their cloud solutions and third-party cloud platforms.

Megaport Virtual Edge ('MVE') takes our platform beyond data centres and helps enterprises accelerate their journey into SD-WAN and Secure Access Service Edge ('SASE'). MVE enables customers to connect branch locations like office buildings, corporate campuses, and storefronts to the Megaport ecosystem of service providers.

Megaport generates its revenue directly from end-user customers and indirectly through or from external partner resellers. Megaport partners with the world's top cloud service providers, including AWS, Microsoft Azure, and Google Cloud, as well as the largest data centre operators, systems integrators and managed service providers. Megaport is an ISO/IEC 27001-certified company.

Revenue-Generating Key Performance Indicators[1]

	Half-yearly Performance			**Trailing 12 Month Performance**		
	Jan-23 to Jun-23	**Jul-23 to Dec-23**	Change[2]	Jan-22 to Dec-22	**Jan-23 to Dec-23**	Change[3]
Customers	2,739	**2,816**	3%	2,637	**2,816**	7%
Customer Logos[4]	2,545	**2,615**	3%	2,448	**2,615**	7%
Ports	8,294	**8,602**	4%	7,975	**8,602**	8%
VXCs and IX	17,757	**18,858**	6%	16,599	**18,858**	14%
MCR[5]	792	**865**	9%	712	**865**	21%
Megaport Virtual Edge ('MVE')	117	**170**	45%	74	**170**	130%
Total Services[6]	26,960	**28,495**	6%	25,360	**28,495**	12%
Revenue in millions	$82.4	**$95.1**	15%	$129.3	**$177.5**	37%
Annual Recurring Revenue ('ARR') in millions[7]	$178.6	**$191.7**	7%	$148.3	**$191.7**	29%

In December 2023, Megaport reached 2,616 customer logos[4] and generated annual recurring revenue ('ARR') of $191.7 million.

During the half-year ended 31 December 2023:

- Megaport launched Megaport Reach as a rapid, cost-effective way for data centre operators to deploy to new locations, bringing the cloud to their facilities in under 90 days. This edge deployment strategy is designed to be an attractive proposition to data centre operators looking to have quick and efficient cloud connectivity available to their customers.

1 Revenue-generating key performance metrics are those with billed revenue in the quarter. Megaport's historical Revenue-generating KPIs can be found on our website at https://www.megaport.com/investor/business-overview/#kpis
2 Change in the 6-month performance at 31 December 2023 to the prior corresponding period ended 30 June 2023.
3 Change in the 12-month performance at 31 December 2023 to the prior corresponding period ended 31 December 2022.
4 Customer Logos reflect a consolidation of revenue generating customer accounts, where those accounts are owned by the parent company.
5 The comparative MCR numbers have been restated from what was previously reported to exclude MCRs which were used for ongoing customer training purposes. The number of MCRs used for customer training purposes at 31 December 2023, 30 June 2023, and 31 December 2022 was 21, 16, and 21 respectively.
6 Services comprise revenue-generating Ports, Virtual Cross Connections (VXCs), Internet Exchange (IX), Megaport Cloud Router (MCR), and Megaport Virtual Edge (MVE).
7 Annual Recurring Revenue (ARR) 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.

- Megaport launched Global WAN as a Service, offering customers a holistic approach to networking, combining three solutions: Hybrid Cloud Connectivity, Cross-Cloud Connectivity, and Virtual PoPs (Points of Presence) across the globe. This gives customers an agile, secure network that is ready to meet the high-speed demands of the digital and AI age.
- Megaport delivered Project Centurion, providing customers the ability to upgrade to 100G ports, enhancing their cloud connection capacity tenfold and catering to the world's increasing AI connectivity needs.
- Megaport announced the availability of VXCs up to 25G across most major locations globally.
- Megaport launched its Megaport Enterprise Internet product, allowing customers to add enterprise internet to their networks in less than 60 seconds.
- Megaport invested in reigniting its go-to-market (GTM) engine to drive future top-line growth, which included more than 20 new sales and marketing roles, with more than half quota-bearing sales roles. As at 31 December, the hiring for the North American Sales team rebuild was complete with all roles 'in seat'.
- Megaport announced a partnership with FibreConX. Australian CBD-based businesses can now connect directly to Megaport at speeds of up to 100G, with on-demand provisioning that equips customers with the connectivity they need in order to address their rapidly growing network requirements.
- Megaport announced IX expansion throughout the US, having launched five new locations being Charlotte, New York, Atlanta, Miami and Denver.
- Megaport continued to expand its network footprint to new cities while deepening its reach within existing metros.

Financial performance

Reported revenue by operating segment for the period and half-year ended 31 December is set out below:

	31 December 2023		31 December 2022	
Operating segment	**$M**	**%**	**$M**	**%**
North America	53.8	57%	39.5	56%
Asia Pacific	25.8	27%	20.3	29%
Europe	15.5	16%	10.9	15%
Total	**95.1**	**100%**	**70.7**	**100%**

During the half-year ended 31 December 2023, Megaport drove consistent growth across key metrics including the number of Customers, Ports, Services, MVE and ARR. The Group's revenue for the period was $95.1 million (31 December 2022: $70.7 million), an increase of $24.4 million or 35%. North America grew by 36%, Asia Pacific by 27%, and Europe by 42%.

Gross profit for the half-year ended 31 December 2023 was $66.6 million (31 December 2022: $46.5 million), an increase of 43%. The Group has reported a gross margin of 70% for the period ended 31 December 2023 (31 December 2022: 66%).

EBITDA[8] for the period was $30.1 million (2022: $3.4 million). The Group's net profit for the period amounted to $4.4 million (2022: net loss of $13.5 million).

Financial position

Megaport holds a strong financial position with net current assets of $46.5 million (30 June 2023: $27.0 million), cash and cash equivalents balance of $62.5 million (30 June 2023: $48.5 million), net cash[9] of $45.8 million (30 June 2023: $33.3 million) and total equity of $144.7 million (30 June 2023: $127.9 million).

8 Earnings Before Interest Tax Depreciation and Amortisation represents operating results excluding equity-settled employee benefits, foreign exchange gains/(losses) and non-operating income/(expenses). Refer Note 2 'Segment information' in the Financial Statements for the reconciliation from EBITDA to the net profit/(loss) for the half year.
9 Net cash is cash at bank less debt (including vendor finance facility). As at 31 December 2023 Net Cash comprised cash at bank of $62.5M less the amount outstanding under vendor finance facility of $16.7M.

Rounding off of amounts

The Company is a company of the kind referred to in ASIC Corporations (Rounding in Financials/Directors' Reports) Instrument 2016/191, dated 24 March 2016. In accordance with that Corporations Instrument, amounts in this report and the half-year financial statements are rounded off to the nearest thousand dollars ($'000), unless otherwise indicated.

Auditor's Independence Declaration

A copy of the auditor's independence declaration is required under section 307C of the Corporations Act 2001 and is set out on page 6.

Signed in accordance with a resolution of the Directors made pursuant to s306(3) of the *Corporations Act 2001.*

On behalf of the Directors

Michael Reid
Executive Director and Chief Executive Officer
20 February 2024

Deloitte.

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The Board of Directors
Megaport Limited
Level 3, 825 Ann Street
Fortitude Valley, QLD 4006

20 February 2024

Dear Board Members

Auditor's Independence Declaration to Megaport Limited

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Megaport Limited.

As lead audit partner for the review of the half year financial report of Megaport Limited for the half-year ended 31 December 2023, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the review; and

(ii) any applicable code of professional conduct in relation to the review.

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

R. D. Wanstall

Richard Wanstall
Partner
Chartered Accountants

ABN: 46 607 301 959

For the Half-year ended 31 December 2023

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

	Notes	31 December 2023 $'000	Restated# 31 December 2022 $'000
Continuing operations			
Revenue	2, 3	95,116	70,707
Direct network costs		(18,184)	(16,205)
Partner commissions		(10,300)	(8,007)
Gross profit		**66,632**	**46,495**
Other income		342	326
Employee expenses		(27,691)	(32,398)
Professional fees		(2,147)	(3,779)
Marketing expenses		(1,134)	(2,673)
IT costs		(1,427)	(1,762)
Travel expenses		(1,225)	(1,508)
Equity-settled employee costs and related tax costs		(5,609)	(192)
Depreciation and amortisation expense		(18,727)	(19,337)
Finance costs		(975)	(1,170)
Foreign exchange (losses)/gains	10	(5,614)	3,776
Other expenses		(3,238)	(2,800)
Loss before income tax		**(813)**	**(15,021)**
Income tax benefit		5,262	1,542
Net profit/(loss) for the period		**4,449**	**(13,479)**
Other comprehensive income/(loss), net of tax			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on the translation of foreign operations		3,362	(1,298)
Total other comprehensive income/(loss), net of income tax		**3,362**	**(1,298)**
Total comprehensive income/(loss) for the period		**7,811**	**(14,777)**

Earnings/(loss) per share		**$**	**$**
Basic earnings/(loss) per share		0.03	(0.09)
Diluted earnings/(loss) per share		0.03	(0.09)

Restated due to change in presentation currency. Refer to Note 1(c) for further details.

The above Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

Megaport Limited

ABN: 46 607 301 959

As at 31 December 2023

Condensed Consolidated Statement of Financial Position

	Notes	31 December 2023 $'000	Restated^ 30 June 2023 $'000
Assets			
Current assets			
Cash and cash equivalents		62,458	48,455
Trade and other receivables		19,703	17,063
Contract assets		10,151	8,911
Income tax receivable		286	258
Other assets		4,967	3,767
Total current assets		**97,565**	**78,454**
Non-current assets			
Property, plant and equipment	4	41,242	44,810
Intangible assets	5	50,887	54,170
Right-of-use assets	6	7,323	9,093
Deferred tax assets		15,078	14,023
Other assets		2,934	3,812
Total non-current assets		**117,464**	**125,908**
Total assets		**215,029**	**204,362**
Liabilities			
Current liabilities			
Trade and other payables	7	35,816	36,292
Borrowings	8	7,256	6,468
Lease liabilities	6	4,485	4,744
Provisions		3,397	3,578
Income tax payable		143	72
Other liabilities		-	343
Total current liabilities		**51,097**	**51,497**
Non-current liabilities			
Trade and other payables	7	1,481	2,436
Borrowings	8	5,234	3,823
Lease liabilities	6	3,387	4,924
Provisions		410	341
Deferred tax liabilities		8,766	13,414
Total non-current liabilities		**19,278**	**24,938**
Total liabilities		**70,375**	**76,435**
Net assets		**144,654**	**127,927**
Equity			
Issued capital	9	418,284	412,844
Reserves		2,481	(4,281)
Other equity		(11,914)	(11,914)
Accumulated losses		(264,197)	(268,722)
Total equity		**144,654**	**127,927**

^ Restated due to change in accounting policy. Refer to Note 1(b) for further details.

The above Condensed Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

Megaport Limited

ABN: 46 607 301 959

As at 31 December 2023

Condensed Consolidated Statement of Changes in Equity

	Issued capital $'000	Reserves $'000	Other equity^ $'000	Accumulated losses $'000	Total equity $'000
Balance at 1 July 2022 (Restated#)	407,405	8,270	(11,914)	(261,513)	142,248
Loss for the period	-	-	-	(13,479)	(13,479)
Other comprehensive loss net of income tax	-	(1,298)	-	-	(1,298)
Total comprehensive loss for the period	**-**	**(1,298)**	**-**	**(13,479)**	**(14,777)**
Issue of ordinary share capital	251	-	-	-	251
InnovoEdge – Milestone 2	2,718	(2,718)	-	-	-
Transfer from equity-settled employee benefits reserves	49	(2,193)	-	2,144	-
Equity settled share based payments	-	222	-	-	222
Balance at 31 December 2022 (Restated#)	**410,423**	**2,283**	**(11,914)**	**(272,848)**	**127,944**
Balance at 1 July 2023	412,844	(4,281)	(11,914)	(268,722)	127,927
Profit for the period	-	-	-	4,449	4,449
Other comprehensive income net of income tax	-	3,362	-	-	3,362
Total comprehensive income for the period	**-**	**3,362**	**-**	**4,449**	**7,811**
Issue of ordinary share capital	1,327	-	-	-	1,327
Transfer from equity-settled employee benefits reserves	4,113	(4,189)	-	76	-
Equity settled share based payments	-	4,488	-	-	4,488
Equity settled share based payments accrued for in the prior period	-	3,101	-	-	3,101
Balance at 31 December 2023	**418,284**	**2,481**	**(11,914)**	**(264,197)**	**144,654**

^ Represents adjustment arising from common-control transactions

Restated due to change in presentation currency. Refer to Note 1(c) for further details.

The above Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Condensed Consolidated Statement of Cash Flows

	Notes	31 December 2023 $'000	Restated# 31 December 2022 $'000
Cash flows from operating activities			
Receipts from customers		99,612	73,528
Payments to suppliers and employees		(73,769)	(77,716)
Interest received		265	296
Income taxes paid		(538)	(54)
Vendor financing proceeds		2,146	5,728
Payment of vendor financing instalments		(1,853)	(425)
Net cash flows from operating activities		**25,863**	**1,357**
Cash flows from investing activities			
Proceeds from disposal of property, plant and equipment		3	6
Payments for property, plant and equipment		(6,995)	(10,859)
Payments for intangible assets		(4,643)	(8,165)
Net cash flows used in investing activities		**(11,635)**	**(19,018)**
Cash flows from financing activities			
Proceeds from issue of new shares		1,327	68
Share issue transaction costs		-	(23)
Proceeds from borrowings		6,798	2,148
Repayment of borrowings		(4,008)	(3,621)
Payment of principal portion of lease liabilities		(2,701)	(5,195)
Interest and other costs of finance paid		(820)	(1,131)
Transaction costs related to loans and borrowings		(156)	(188)
Net cash flows from/(used in) financing activities		**440**	**(7,942)**
Net increase/(decrease) in cash and cash equivalents held		14,668	(25,603)
Effects of exchange rate changes on cash and cash equivalents		(665)	564
Cash and cash equivalents at beginning of the period		48,455	82,545
Cash and cash equivalents at end of the period		**62,458**	**57,506**

Restated due to change in presentation currency. Refer to Note 1(c) for further details.

The above Condensed Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

Notes to the Condensed Consolidated Financial Statements

1 Significant accounting policies

(a) Statement of compliance

The half-year Condensed Consolidated Financial Statements ('half-year financial statements') are general purpose financial statements prepared in accordance with the Corporations Act 2001 and AASB 134 *Interim Financial Reporting*. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*.

(b) Basis of preparation

The half-year financial statements do not include notes of the type normally included in an annual financial report and should be read in conjunction with the most recent annual financial report.

The accounting policies and methods of computation adopted in the preparation of the half-year financial statements are consistent with those adopted and disclosed in the Group's annual financial report for the year ended 30 June 2023, unless otherwise indicated. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

In the current half-year, the Group has applied the below amendments to Australian Accounting Standards issued by the Australian Accounting Standards Board that are effective for the Group's annual reporting period that began on 1 July 2023.

Pronouncement	Impact
AASB 2021-2 *Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates*	Requires the disclosure of material accounting policy information and clarifies how entities should distinguish changes in accounting policies and changes in accounting estimates. The application of the amendments did not have a material impact on the Group's consolidated financial statements but has changed the disclosure of accounting policy information in the financial statements.
AASB 2021-5 *Amendments to Australian Accounting Standards – Deferred Tax related to Assets and Liabilities arising from a Single Transaction*	Clarifies that deferred taxes must be recognised where, on initial recognition of an asset or liability, the transaction gives rise to equal taxable and deductible temporary differences. The Group has recognised an increase of $2.1 million in deferred tax liabilities for right-of-use assets and an increase of $2.2 million in deferred tax assets for lease liabilities as at 30 June 2023. The previously recognised net deferred tax asset of $0.1 million was derecognised. In accordance with the transition provisions, similar adjustments were made at 1 July 2022 in respect of right-of-use assets and lease liabilities. There was no impact on the statement of cash flows or profit or loss in the current or preceding period.

1 Significant accounting policies (continued)

(b) Basis of preparation (continued)

Pronouncement	Impact
AASB 2023-2 *Amendments to Australian Accounting Standards – International Tax Reform – Pillar Two Model Rules*	Prohibits the recognition and disclosure of deferred taxes arising from OECD Pillar Two income taxes and requires certain disclosures related to those taxes. The Group has applied the mandatory exception to the recognition and disclosure of deferred taxes arising from OECD Pillar Two income taxes. The Group will disclose any known or reasonably estimable information that helps users of financial statements understand the entity's exposure to Pillar Two income taxes arising from Pillar Two legislation that is substantively enacted in any jurisdiction in which the entity operates. As at 31 December 2023, substantive enactment has not occurred in any of those jurisdictions. Furthermore, the entity will separately disclose the amount of current tax arising from Pillar Two taxes in periods where the Pillar Two legislation is operative.

The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

The Company is a company of the kind referred to in *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191*, dated 24 March 2016, and in accordance with that Corporations Instrument amounts in the financial report are rounded off to the nearest thousand dollars ($'000), unless otherwise indicated.

(c) Change in presentation currency

The Group lodged its financial statements for the half-year ended 31 December 2022 in US Dollars. During April 2023, the Board reassessed the appropriate reporting currency based on the transactions and balances that make up the Group's financial information, the users of the Group financial information, and the Group's overall organisational strategic focus which was driven by the change in the Group key's management personnel during the financial year ended 30 June 2023. As a result of the reassessment, the Group reverted to Australian Dollars as its reporting currency for the year ended 30 June 2023 onwards. Therefore, all amounts in these financial statements are presented in Australian Dollars, unless otherwise noted.

To satisfy the requirements of AASB 121 *The Effects of Changes in Foreign Exchange Rates,* with respect to a change in presentation currency, the statutory financial information included in the financial statements for the half-year ended 31 December 2022 previously reported in US Dollars has been retrospectively restated into Australian Dollars using the procedures outlined below:

- Assets and liabilities denominated in non-AUD currencies were translated into AUD at the closing rates of exchange on the relevant balance sheet date;
- Non-AUD income and expenditure were translated at the average rates of exchange prevailing for the relevant period;
- Equity accounts were translated at the historical rates of exchange prevailing on the date of the transaction;
- Earnings per share has also been translated to reflect the change in reporting currency; and
- All exchange rates used were extracted from the Group's underlying financial records.

1 Significant accounting policies (continued)

(d) Going concern

Determining whether the Group is a going concern has been evaluated through detailed budgets and cash flow forecasts which include key assumptions around future cash flows including consideration of forecast results and margins from operations. The Group has sufficient cash reserves and monitors reserves through these budgets and cash flow forecasts to ensure there are sufficient available funds for its operations and any planned expansion. As a result, the Directors are satisfied that the Group is able to maintain sufficient resources to continue in operation for the foreseeable future. Accordingly, they have adopted the going concern basis in preparing the half-year financial statements.

2 Segment information

The following tables present revenue, results and assets information for the Group's operating segments.

Half-year ended 31 December 2023	North America $'000	Asia Pacific $'000	Europe $'000	Total operating segments $'000	Other[1] $'000	Total $'000
Revenue[2]	**53,793**	**25,779**	**15,544**	**95,116**	**-**	**95,116**
Gross profit	**34,554**	**20,621**	**11,457**	**66,632**	**-**	**66,632**
EBITDA[3]	**25,507**	**17,327**	**7,248**	**50,082**	**(19,930)**	**30,152**
Other income	3	139	-	142	200	342
Depreciation and amortisation expense	(4,827)	(2,791)	(1,878)	(9,496)	(9,231)	(18,727)
Equity-settled employee costs and related tax costs	-	-	-	-	(5,609)	(5,609)
Finance costs	(31)	(541)	(42)	(614)	(361)	(975)
Foreign exchange (losses)/gains	(3,881)	878	(831)	(3,834)	(1,780)	(5,614)
Non-operating income/(expenses)[4]	1	(2)	-	(1)	(381)	(382)
Income tax benefit/(expense)	2,952	(190)	(74)	2,688	2,574	5,262
Net profit/(loss)	**19,724**	**14,820**	**4,423**	**38,967**	**(34,518)**	**4,449**

1. 'Other' represents head office and group services costs, whose function is to support the operating segments and growth of the global business.
2. Segment revenue reported above represents revenue generated from external customers. There were no intersegment sales during the half-year ended 31 December 2023 and 31 December 2022.
3. Earnings Before Interest Tax Depreciation and Amortisation represents operating results excluding equity-settled employee costs and related tax costs, foreign exchange gains/(losses) and non-operating income/(expenses).
4. Non-operating expenses represent restructuring costs, gain/loss on disposal/write off of intangible assets, property, plant and equipment and right of use assets.

2 Segment information (continued)

Half-year ended 31 December 2022[1]	North America $'000	Asia Pacific $'000	Europe $'000	Total operating segments $'000	Other[2] $'000	Total $'000
Revenue[3]	**39,463**	**20,300**	**10,944**	**70,707**	**-**	**70,707**
Gross profit	**22,825**	**15,745**	**7,925**	**46,495**	**-**	**46,495**
EBITDA[4]	**12,291**	**11,262**	**2,663**	**26,216**	**(22,771)**	**3,445**
Other income	2	57	-	59	267	326
Depreciation and amortisation expense	(5,883)	(2,886)	(1,754)	(10,523)	(8,814)	(19,337)
Equity-settled employee benefits and related tax costs	-	-	-	-	(192)	(192)
Finance costs	(32)	(496)	(53)	(581)	(589)	(1,170)
Foreign exchange gains	999	744	707	2,450	1,326	3,776
Non-operating expenses[5]	(358)	(98)	(301)	(757)	(1,112)	(1,869)
Income tax benefit/(expense)	2,433	140	15	2,588	(1,046)	1,542
Net profit/(loss)	**9,452**	**8,723**	**1,277**	**19,452**	**(32,931)**	**(13,479)**
Total segment assets						
At 31 December 2023	101,034	47,512	25,103	**173,649**	44,380	**215,029**
At 30 June 2023	85,733	50,797	25,504	**162,034**	42,328	**204,362**

1. Restated due to change in presentation currency. Refer to Note 1(c) for further details.
2. 'Other' represents head office and group services costs, whose function is to support the operating segments and growth of the global business.
3. Segment revenue reported above represents revenue generated from external customers. There were no intersegment sales during the half-year ended 31 December 2023 and 31 December 2022.
4. Earnings Before Interest Tax Depreciation and Amortisation represents operating results excluding equity-settled employee costs and related tax costs, foreign exchange gains/(losses) and non-operating income/(expenses).
5. Non-operating expenses represent gain/loss on disposal/write off of intangible assets, property, plant and equipment and right of use assets.

3 Revenue

The Group derived the following type of revenue for the period from contracts with customers (disaggregated by geographic region).

	31 December 2023 $'000	31 December 2022 $'000
North America	53,793	39,463
Asia Pacific	25,779	20,300
Europe	15,544	10,944
Total	**95,116**	**70,707**

During the half-year ended 31 December 2023, the Group reassessed its disaggregation of revenue disclosures in light of changes to the Group's strategies and to better align with how revenue information is presented for other purposes. In the previous year-end and half-year financial reports, revenue was disaggregated on the basis of both geographic region and sales channel (direct or indirect). Reporting of revenue by sales channel is no longer considered to provide meaningful information to users of the financial statements as it no longer aligns with the Group's strategic focus, and is inconsistent with the way in which revenue is monitored and presented internally and externally. Taking into account the nature of Megaport's integrated 'NaaS' services, and the way in which those services are billed to customers, disaggregation of revenue on the basis of the one category, geographic region, is considered to be the basis which best depicts how the nature, amount, timing and uncertainty of the Group's revenue and cash flows are affected by economic factors.

4 Property, plant and equipment

	$'000
Year ended 30 June 2023	
Net book value at 1 July 2022	47,544
Additions	15,288
Disposals/write-down	(73)
Depreciation charge	(19,030)
Exchange differences	1,081
Net book value as at 30 June 2023	**44,810**
Period ended 31 December 2023	
Net book value at 1 July 2023	44,810
Additions	6,651
Disposals/write-down	(254)
Depreciation charge	(9,260)
Exchange differences	(705)
Net book value at 31 December 2023	**41,242**

5 Intangible assets

	$'000
Year ended 30 June 2023	
Net book value at 1 July 2022	46,138
Additions	15,276
Disposals	(73)
Amortisation charge	(9,687)
Exchange differences	2,516
Net book value as at 30 June 2023	**54,170**

	$'000
Period ended 31 December 2023	
Net book value at 1 July 2023	54,170
Additions	4,666
Transfers from property, plant and equipment	-
Disposals	(474)
Amortisation charge	(6,738)
Exchange differences	(737)
Net book value as at 31 December 2023	**50,887**

6 Leases

(a) Right-of-use assets

	$'000
Year ended 30 June 2023	
Net book value at 1 July 2022	13,068
Additions	4,799
Depreciation charge	(7,584)
Terminations	(1,247)
Exchange differences	57
Net book value as at 30 June 2023	**9,093**
Period ended 31 December 2023	
Net book value at 1 July 2023	9,093
Additions	1,033
Depreciation charge	(2,729)
Terminations	(18)
Exchange differences	(56)
Net book value at 31 December 2023	**7,323**

6 Leases

(b) Lease liabilities

	31 December 2023 $'000	30 June 2023 $'000
Current	4,485	4,744
Non-current	3,387	4,924
Total lease liabilities	**7,872**	**9,668**

7 Trade and other payables

	Notes	31 December 2023 $'000	30 June 2023 $'000
Current			
Trade payables		393	2,703
Accrued expenses		20,527	18,498
Employee entitlements		7,161	8,962
Goods and services tax payable		4,123	3,761
Other payables		222	231
Vendor financing – working capital	(a)	3,390	2,137
		35,816	**36,292**
Non-current			
Vendor financing – working capital	(a)	1,481	2,436
		1,481	**2,436**
Total trade and other payables		**37,297**	**38,728**

Notes:

(a) Vendor financing – working capital: represents the outstanding balance for support and maintenance costs and insurance premiums that have been prepaid on behalf of the Group via vendor financing agreements. The balance does not carry interest. For agreements relating to support and maintenance costs, the balance is repayable via equal instalments over 36 months from each prepayment date. For agreements relating to insurance premiums, the balance is repayable via equal instalments over 12 months. Due to the nature and timing of the services being received as well as the repayment life cycle of these agreements, these arrangements are considered part of the working capital used in the Group's normal operating cycle. The Group has therefore classified these costs under trade and other payables to reflect the substance of the arrangement. The associated cash inflows and outflows of the arrangement have been included in operating cash flows.

8 Borrowings

	Notes	31 December 2023 $'000	30 June 2023 $'000
Current			
Vendor financing – capital expenditure	(b)	7,256	6,468
		7,256	**6,468**
Non-current			
Vendor financing – capital expenditure	(b)	5,234	3,823
		5,234	**3,823**
Total borrowings		**12,490**	**10,291**

Notes:

(b) Vendor financing – capital expenditure: represents the outstanding balance of the drawn vendor financing to fund the purchase of network equipment and payment of software licenses. This is governed by a number of Instalment Purchase Agreements. These agreements do not carry interest and 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. At inception the fair value of the loan is recognised using an estimate of a market borrowing rate. The associated cash inflows and outflows of the arrangement have been included in financing cash flows. Arrangements relating to maintenance and support contracts are not included in this balance and are classified as trade and other payables, refer to Note 7 for further information.

9 Issued capital

Movements in ordinary share capital:

Details	Number of shares	Total $'000
Balance at 1 July 2022	157,949,016	407,405
InnovoEdge consideration shares	161,233	2,718
Shares issued – Employee share plan	29,866	184
Shares issued – Employee share options exercised	178,334	562
Shares issued – Restricted stock units settlement	274,717	1,641
Transfer from equity-settled employee benefits reserve	-	334
Balance at 30 June 2023	**158,593,166**	**412,844**
Shares issued – Employee share plan	12,054	100
Shares issued – Employee share options exercised	166,668	1,327
Shares issued – Restricted stock units settlement	352,922	3,312
Transfer from equity-settled employee benefits reserve	-	701
Balance at 31 December 2023	**159,124,810**	**418,284**

10 Foreign exchange differences

(a) Exchange differences on monetary items recognised in profit or loss

The Group operates internationally and is subject to foreign exchange risk arising from exposure to foreign currencies. The Group's earnings and cash flows are influenced by a wide variety of currencies due to the geographic diversity of the countries in which the Group operates. The US Dollar ('USD'), Australian Dollar ('AUD'), Euro ('EUR') and Pound Sterling ('GBP') are the main currencies in which the majority of the Group's sales and costs are denominated. In any particular year, currency fluctuations may have a significant impact on the Group's financial results.

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency).

Certain cash reserves, other financial assets and liabilities, including intercompany balances, are held in currencies other than the functional currency of the relevant subsidiary. This results in an accounting exposure to exchange gains and losses as the financial assets and liabilities are translated into the functional currency of the subsidiary that holds those assets and liabilities. These exchange gains or losses are recorded on the Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income.

The table below summarises the Group's foreign exchange gain/(loss). The fluctuation during the period is mainly attributed to the strengthening of the AUD against the USD and results from the revaluation of the USD denominated cash and intercompany balances.

	31 December 2023 $'000	Restated# 31 December 2022 $'000
Realised foreign exchange loss	(31)	(106)
Unrealised foreign exchange (loss)/gain	(5,583)	3,882
Net foreign exchange (loss)/gain	**(5,614)**	**3,776**

Restated due to change in presentation currency. Refer to Note 1(c) for further details.

(b) Foreign currency translation reserve movement

For the purpose of presenting these Condensed Consolidated Financial Statements, the assets and liabilities of the Group's operations are translated into Australian Dollars using exchange rates prevailing at the end of the reporting period.

Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity.

10 Foreign exchange differences (continued)

(b) Foreign currency translation reserve movement (continued)

The table below summarises the movement of the foreign currency translation reserve during the period.

	Foreign currency translation reserve $'000
Balance at 30 June 2022	**(6,121)**
Exchange differences arising on translation of foreign operations	(6,540)
Balance at 30 June 2023	**(12,661)**
Exchange differences arising on translation of foreign operations	3,362
Balance at 31 December 2023	**(9,299)**

11 Equity-settled employee costs and related tax costs

Employee share option plan (ESOP General)

The Company has a share option scheme for executives and employees of the Company and its subsidiaries. In accordance with the terms of the plan, as approved by the Directors on 2 November 2015, executives and employees of the Group may be granted options to purchase ordinary shares at the Board's discretion.

During the half-year, the Company issued 166,668 ordinary shares for $1.3 million on exercise of 166,668 share options issued under its executive share option plan (31 December 2022: 25,000 ordinary shares for $68,000 on exercise of 25,000 options). As a result of this share issue, $701,635 was transferred from the equity-settled employee benefits reserve to issued capital (31 December 2022: $49,000).

The Company issued no share options (31 December 2022: No share options) over ordinary shares under its employee share option plan throughout the half-year.

Once vested, the options remain exercisable for 12 months. When exercisable, each option is convertible into one ordinary share. The exercise price is set at the share option grant date.

Employee share plan (ESP)

The Company has a share scheme for employees of the Company and its subsidiaries. Under the ESP eligible employees on 1 June of the relevant financial year are granted $1,000 in Megaport shares for no consideration. Shares are issued subsequent to year end to the eligible employees who are still employed and have not rendered their resignation on the issuance date. During the half-year ended 31 December 2023, the Company did not issue any shares to employees under the ESP in respect of the year ended 30 June 2023.

Once vested, shares are issued under the ESP carry the same dividend and voting rights as existing shares. However, the ESP shares are subject to a holding lock until the earlier of three years from the date of issue and the date on which the participant ceases to be employed by the Group.

Deferred Shares Plan – Non-Executive Directors

On 23 November 2022, resolutions were passed by the shareholders in the FY22 Annual General Meeting to issue, transfer or allocate 6,027 Megaport shares worth $50,000 to each non-executive director in three tranches under the ESP for no consideration. The first tranche of shares were issued on 23 November 2023. This grant of shares forms part of their remuneration for services provided as members of the Board.

11 Equity-settled employee costs and related tax costs (continued)

Deferred Shares Plan – Non-Executive Directors (continued)

During the half-year, the Company issued 12,054 ordinary shares under its deferred shares plan (31 December 2022: None). $100,000 was transferred from the equity-settled employee benefits reserve to issued capital (31 December 2022: None).

Restricted stock units (RSU)

The Company has restricted stock units plans for executives and employees of the Company and its subsidiaries. The number of RSUs granted is specific to that executive and employee's RSU plan agreement and is granted at the Board's discretion. The RSUs reward executives and employees subject to meeting agreed service conditions or performance conditions specific to the individual's agreement.

The RSUs are equity settled and are settled in full on the vesting date.

(a) Restricted stock units issued at a monetary value

The Group has one RSU plan where employees are issued a fair value of RSUs that will convert to shares upon vesting, the RSU General Plan ('RSU General'). The following reconciles the total fair value of RSU General at the beginning and end of the half year:

	31 December 2023	Restated# 31 December 2022
In $ fair value		
Balance at beginning of the period	4,196,476	7,240,862
Issued during the period	-	1,960,742
Forfeited during the period	(229,590)	(931,328)
Exercised during the period	(768,049)	-
Balance at end of the period	**3,198,836**	**8,270,276**

Restated due to change in presentation currency. Refer to Note 1(c) for further details.

The number of shares granted in the future will equal a fixed monetary amount. The fair value is determined based on fixed monetary amount to be received discounted for the time value of money. The equivalent units at 31 December 2023 was 301,522 (31 December 2022: 800,642).

(b) Restricted stock units issued as a number of units

The Group has three RSU plans where employees and executives are issued a fixed number of units. These plans are the Restricted Stock Units Executive Plan ('RSU Executive'), the Restricted Stock Units Employee Bonus Plan ('RSU Bonus') and the Restricted Stock Units General Units Plan ('RSU General Units').

11 Equity-settled employee costs and related tax costs (continued)

(b) Restricted stock units issued as a number of units (continued)

The following reconciles outstanding RSU units at the beginning and end of the half year:

	31 December 2023	31 December 2022
In units		
Balance at beginning of the period	341,648	-
Issued during the period	2,411,267	825,415
Forfeited during the period	(218,501)	-
Exercised during the period	(251,163)	-
Balance at end of the period	**2,283,251**	**825,415**

The number of shares granted in the future will equal a fixed number of RSUs.

12 Related party transactions

(a) Key management personnel

Remuneration arrangements of key management personnel are disclosed in the Group annual financial report.

(b) Transactions with other related parties

During the half-year, group entities entered into the following transactions with related parties that are not members of the Group:

	31 December 2023 $	Restated# 31 December 2022 $
Sales and purchases of goods and services		
Purchase of shared services from entities controlled by key management personnel	202,906	45,505
Legal services from entities controlled by key management personnel	26,916	-
Sale of network services to entities related to key management personnel	6,960	-
Sale of network related equipment to entities related to key management personnel	-	54,516

Restated due to change in presentation currency. Refer to Note 1(c) for further details.

Arrangements with related parties are on similar arm's length terms as other customers and suppliers.

13 Events occurring after the reporting period

The Group is not aware of any matters or circumstances that have arisen since the end of the half year which have significantly affected or may significantly affect the operations and results of the Group.

Directors' Declaration

In the directors' opinion:

a. the Condensed Consolidated Financial Statements and notes set out on pages 8 to 23 of Megaport Limited ('the Company') and its controlled entities ('the Group') are in accordance with the Corporations Act 2001, including:
   i. complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements, and
   ii. giving a true and fair view of the Group's financial position as at 31 December 2023 and its performance for the half-year ended on that date and

b. At the date of this declaration, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Note 1(a) confirms that the Condensed Consolidated Financial Statements also comply with the relevant International Financial Reporting Standards applicable for interim reporting as issued by the International Accounting Standards Board.

This declaration is made in accordance with a resolution of the directors made pursuant to s303(5) of the *Corporations Act 2001*.

On behalf of the Directors

Michael Reid
Executive Director and Chief Executive Officer

Brisbane
20 February 2024

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Independent Auditor's Review Report to the Members of Megaport Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of Megaport Limited (the "Company") and its subsidiaries ("the Group"), which comprises the condensed consolidated statement of financial position as at 31 December 2023, and the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of cash flows and the condensed consolidated statement of changes in equity for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of the Megaport Limited is not in accordance with the *Corporations Act 2001*, including:

- Giving a true and fair view of the Group's financial position as at 31 December 2023 and of its performance for the half-year ended on that date; and
- Complying with Accounting Standard AASB 134 Interim Financial Reporting and the *Corporations Regulations 2001.*

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 Review of a *Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Half-year Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards) ("the Code") that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001* which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's review report.

Directors' Responsibilities for the Half-year Financial Report

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Deloitte.

Auditor's Responsibilities for the Review of the Half-year Financial Report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the Corporations Act 2001 including giving a true and fair view of the Group's financial position as at 31 December 2023 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

R.D. Wanstall

Richard Wanstall
Partner
Chartered Accountants
Brisbane, 20 February 2024