ANALYST
Chris Savage
Indy Mackenzie-Wood (Associate)
AUTHORISATION
Thomas Wakim

RECOMMENDATION (initiation)
BUY
*See key risks on Page 20.

PRICE
A$20.25

TARGET (12 MONTHS)
A$27.00 (initiation)

Expected return	
Capital growth	**33.3%**
Dividend yield	**0.0%**
Total expected return	**33.3%**

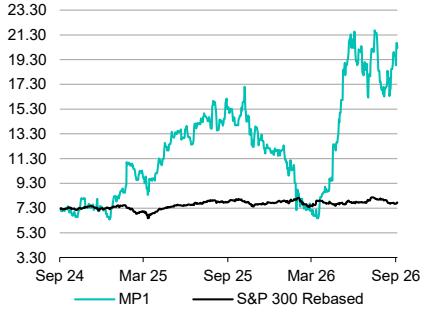
Sector
Software & Services

Capital structure & trading data	
Enterprise value	**A$4,614m**
Market cap	**A$4,819m**
Issued capital	**238.0m**
Free float	**100%**
Avg. daily val. (52wk)	**A$25.4m**
12 month price range	**A$6.18-22.98**

Price performance

	(1m)	(3m)	(12m)
Price (A$)	17.11	20.77	14.97
Absolute (%)	18.4	-2.5	35.3
Rel market (%)	21.4	-3.2	36.2

Share price (A$/sh) vs. XKO



Source: IRESS

MEGAPORT (MP1)

A different kind of neocloud

Exposure to neocloud

Megaport provides one of the few direct exposures on the ASX to a neocloud provider and, in particular, the strong growth in inference compute demand. Even if and when other neocloud providers like Firmus and/or Sharon AI list on the ASX, Megaport provides differentiated exposure as it is building a globally distributed AI inference cloud – which is less capital intensive – rather than building the physical AI factories or data centres themselves.

Collaboration with NVIDIA

Last month NVIDIA announced it was "collaborating with a growing ecosystem of Australian NVIDIA Cloud Partners (NCPs) and AI infrastructure partners to expand land, power and shell capacity" and Megaport was named as one of the partners. This collaboration provides numerous advantages – including better access to GPUs and improved ability to sell to AI native companies – and also validates Megaport's model and its differentiated approach to providing inference compute.

Forecast strong growth

We forecast underlying EBITDA to grow from $77m in FY26 to $329m in FY27 and $726m in FY28. This forecast strong growth is largely underpinned by strategic contracts which are being rolled out this year. Our forecasts are also supported by Megaport saying the annualised EBITDA run-rate will be >$650m once all the strategic contracts are billing. Importantly, all the capex required for the roll out of the strategic contracts is fully funded.

Investment thesis: Initiate with Buy, TP $27.00

We initiate coverage of Megaport with a BUY recommendation and $27.00 target price. The TP is generated through a blend of an EV/EBITDA and DCF valuation where we apply a 10.0x multiple to our underlying FY28 forecast in the former and a 10.1% WACC and 3.5% terminal growth rate in the latter. In our view Megaport looks value trading on an FY28 EV/EBITDA multiple of c.7x when the median multiple of the domestic comps is c.15x (based on FY28 forecasts) and international comps is c.11x (based on 2027 forecasts).

Earnings estimates

Year ending 30 June	2026	2027e	2028e	2029e
Sales (A$m)	312.2	765.0	1,356.1	1,670.6
EBITDA (underlying) (A$m)	77.1	329.4	726.0	915.5
NPAT (reported) (A$m)	(39.0)	2.9	129.0	215.0
NPAT (underlying) (A$m)	17.5	45.4	173.6	261.8
EPS (underlying) (A¢ps)	(21.8)	1.3	54.1	90.1
EPS growth (%)	nm	nm	>100%	66.7%
P/E (x)	nm	>100	37.5	22.5
FCF Yield (%)	-6.9%	-21.9%	5.7%	7.1%
EV/EBITDA (underlying) (x)	59.9	14.0	6.4	5.0
Dividend (A¢ps)	-	-	-	-
Yield (%)	-	-	-	-
Franking (%)	-	-	-	-

Source: Bell Potter Securities estimates

Investment Case

Megaport is an infrastructure-as-a-service (IaaS) provider that operates a global platform for deploying, connecting and scaling network, compute and storage on demand. Initially the company was a network-as-a-service (NaaS) provider that operated a global software defined network which allowed businesses to set up and manage private, high speed network connections to data centres and cloud providers on demand. Megaport then acquired Latitude.sh in late 2025 which expanded its service offering to also include compute-as-a-service (CaaS) and then established partnerships with Wasabi Technologies and VAST to also provide storage-as-a-service (STaaS). The company now effectively offers the neocloud stack of network, compute and storage.

Megaport was founded in 2013 by Bevan Slattery who notably also founded PIPE Networks, NEXTDC and Superloop. He was the company's Non-Executive Chairman from inception until stepping down from the board in June 2024. The company is headquartered in Fortitude Valley, Queensland.

Investment Thesis

We initiate coverage of Megaport with a BUY recommendation. Our investment thesis is based on:

- **Exposure to neocloud**: Megaport provides one of the few direct exposures on the ASX to a neocloud provider and, in particular, the strong growth in inference compute demand. Even if and when other neocloud providers like Firmus and/or Sharon AI list on the ASX, Megaport provides differentiated exposure as it is building a globally distributed AI inference cloud – which is less capital intensive – rather than building the physical AI factories or data centres themselves.
- **Collaboration with NVIDIA**: Last month NVIDIA announced it was "collaborating with a growing ecosystem of Australian NVIDIA Cloud Partners (NCPs) and AI infrastructure partners to expand land, power and shell capacity" and Megaport was named as one of the partners. This relationship with NVIDIA provides numerous advantages – including better access to GPUs and improved ability to sell to AI native companies – and also validates Megaport's model and its differentiated approach to providing inference compute.
- **Forecast strong growth**: We forecast underlying EBITDA to grow from $77m in FY26 to $329m in FY27 and $726m in FY28. This forecast strong growth is largely underpinned by strategic contracts which are being rolled out this year. Our forecasts are also supported by Megaport saying the annualised EBITDA run-rate will be >$650m once all the strategic contracts are billing.
- **Fully funded for existing contracts**: Megaport is fully funded for the existing strategic contracts it currently has and this comes from an $827m equity raising in June/July and the establishment of a new $825m debt facility in August which was upsized to $845m in September. We therefore see no need for another equity raising to fund the forecast growth we have and additional funding would only be required if the company wins further material strategic contracts.
- **Looks value**: Megaport is trading on an FY28 EV/EBITDA multiple of c.7x which is a discount to the median multiple of c.15x for domestic comps (based on FY28 forecasts) and c.11x for international comps (based on 2027 forecasts). The domestic comps are more data centre providers like NEXTDC, DigiCo Infrastructure REIT and Macquarie Technology Group and we argue Megaport deserves to trade at a much narrower discount given it is less capital intensive and has higher forecast growth.

Key Risks

Key downside risks to our estimates and valuation include (but are not limited to):

- **Competition risk:** Megaport operates in a competitive market alongside incumbent telcos, data centre operators and a growing number of Network-as-a-Service providers, several of which have greater scale and the ability to bundle connectivity with existing products and services. Megaport has an early mover advantage in most of its deployed markets but there is risk this is eroded by aggressive pricing from new entrants and/or comparable offerings from the incumbents which would negatively impact both revenue and margins.
- **Disintermediation risk:** Megaport's platform relies on cloud service providers continuing to see third party connectivity as the more efficient path for their customers. There is risk one or more of the hyperscalers develops a direct connectivity solution which reduces demand for Megaport's services or that a new technology is developed which supersedes the SDN model.
- **Technology and network risk:** Megaport is a global automated infrastructure platform and is reliant on hardware and software, some of which is supplied by third parties, to deliver its services. A major network, hardware or software failure – whether due to human error, power loss, physical damage to the network or a natural disaster – may prevent Megaport delivering its services and adversely affect both revenue and reputation.
- **Information security risk:** Megaport is exposed to the risk of an information security incident which could disrupt customer and network services, breach regulatory obligations and/or result in the disclosure of sensitive or personally identifiable information. Such an incident could have an adverse effect on operating and financial performance as well as reputation, though compliance with ISO/IEC 27001 and SOC 2 Type 2 and an executive level Cyber Security Committee reporting to the Board quarterly provide some mitigation.
- **Acquisition and business model risk:** Megaport has recently acquired both Latitude.sh and Extreme IX and there is risk the integration of either is delayed and/or does not perform to expectations. The Latitude.sh acquisition also changes the business model of Megaport – from purely network connectivity to now network, compute and storage – and this increases the risk profile given it is different and widens the competitive landscape.
- **Funding risk:** The acquisition of Latitude.sh and entry into compute has materially increased the capital intensity of the business and short term funding requirements. Megaport has said debt will now become a permanent part of a more diversified capital structure. Higher debt means higher risk but that is mitigated somewhat by the assets (GPUs) and/or take-or-pay contracts. Additional contracts may also require additional funding which may weaken the Balance Sheet and/or change the risk profile.
- **Currency risk:** Megaport's revenue is predominantly billed in foreign currency and the company also purchases network equipment from overseas suppliers so adverse movements in exchange rates – particularly the AUD/USD and to a lesser degree the AUD/EUR – may negatively impact financial performance. A reasonable portion of the cost base is incurred in the same currencies which provides some natural hedge but this does not completely offset the exposure.
- **Regulatory risk:** Megaport has legal entities registered in 20 jurisdictions and is required to comply with a complex range of laws and regulations in each jurisdiction in with it operates. Regulatory areas which are of particular significance to Megaport include laws governing telecommunications, information security, critical infrastructure, AI and machine learning, data protection, privacy, employment and tax laws. Failure to comply could result in the loss of a licence to operate, financial penalties, reputational damage and/or the loss of customers, and the complexity of these tax environments also gives rise to the risk of an adverse tax finding or assessment.

Company Overview

Description

Megaport is an infrastructure-as-a-service (IaaS) provider that operates a global platform for deploying, connecting and scaling network, compute and storage on demand. Initially the company was a network-as-a-service (NaaS) provider that operated a global software defined network which allowed businesses to set up and manage private, high speed network connections to data centres and cloud providers on demand. Megaport then acquired Latitude.sh in late 2025 which expanded its service offering to also include compute-as-a-service (CaaS) and then established partnerships with Wasabi Technologies and VAST to also provide storage-as-a-service (STaaS). The company now effectively offers the neocloud stack of network, compute and storage.

Megaport was founded in 2013 by Bevan Slattery who notably also founded PIPE Networks, NEXTDC and Superloop. He was the company's Non-Executive Chairman from inception until stepping down from the board in June 2024. The company is headquartered in Fortitude Valley, Queensland.

History

The key events in Megaport's history are:

- **2013**: Megaport is founded by Bevan Slattery with the aim of becoming a global leader in the elastic interconnection services market.
- **2015**: Megaport lists on the ASX at an offer price of $1.25 and a market capitalisation of $87.5m.
- **2017**: CEO Denver Maddux resigns; COO Vincent English appointed new CEO.
- **2020**: Megaport is added to the S&P/ASX 200 index.
- **2023**: CEO Vincent English resigns; Bevan Slattery is appointed interim CEO then Michael Reid is appointed permanent CEO shortly thereafter.
- **2024**: Bevan Slattery steps down as Chair and non-executive director Melinda Snowden is appointed as new Chair.
- **2025**: Megaport acquires compute business Latitude.sh in November and network operator internet exchange business Extreme IX in December.
- **2026**: Megaport announces several large strategic contracts for network, compute and storage. Also announces partnerships with Wasabi Technologies and VAST for storage in July and a collaboration with NVIDIA and a number of NVIDIA Cloud Partners and AI Infrastructure Partners.

Figure 1: Key recent events



Source: Company data

Platform

Megaport operates a global platform for deploying, connecting and scaling network, compute and storage on demand. The platform is a software defined network (SDN) which initially allowed businesses to set up and manage private, high speed network connections to data centres and cloud providers on demand. The key components of the network included:

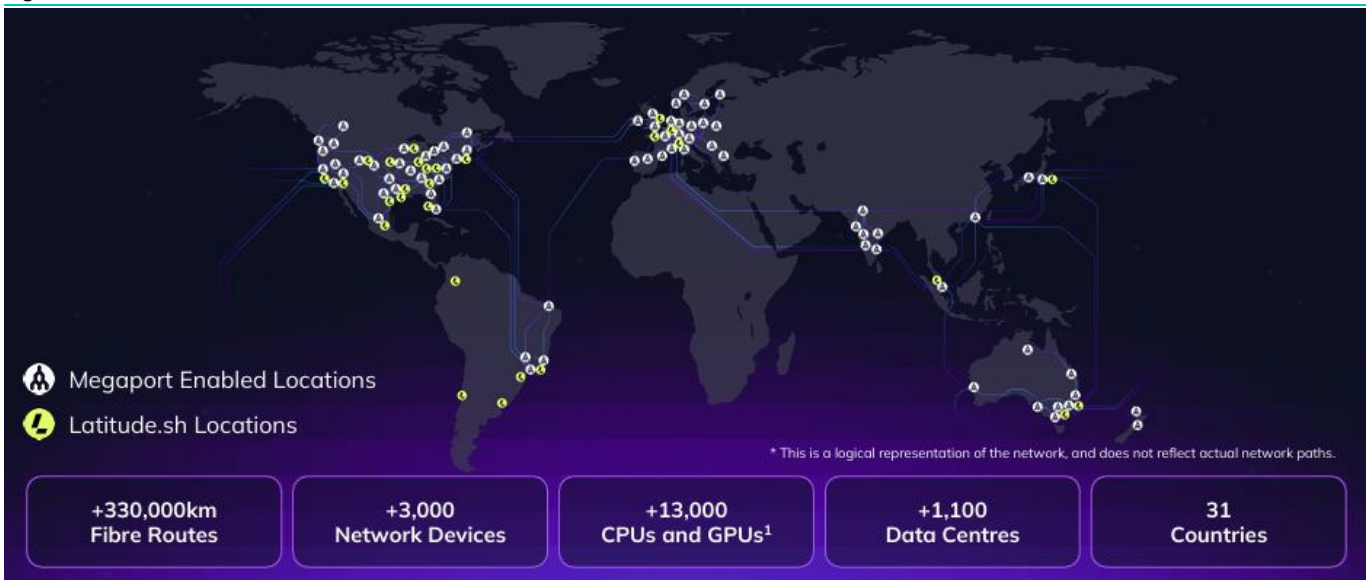
- **Data centres**: Leased space (i.e. racks, trays, etc.) in ~1,200 data centres around the world;
- **Network devices**: Switches, routers, fabric nodes, etc. which sit in the data centre; and
- **Fibre routes**: Leased fibre capacity (short- and long-haul).

Note Megaport does not own the data centres or fibre routes but leases both, which means the network business has a relatively capital-light business model. The company does, however, own and operate the network devices and once installed in the data centres these are referred to as "Megaport Enabled Locations". The platform is effectively the software layer on top of the network – referred to as the orchestration layer – which allows customers to set up network connections to a cloud provider (like AWS, Azure or Google Cloud) or another data centre through a web portal or an API. Importantly, that connection can be done in quick time (i.e. minutes) and with no manual human intervention.

The platform has now expanded to include compute and this was achieved through the acquisition of Latitude.sh in late 2025. The acquisition enabled Megaport to provide CPUs and GPUs on-demand and then the company also established a GPU pool for immediate access and/or burst capacity. The approach, however, is the same: Owned CPUs or GPUs are installed in leased data centres and are provided on an on-demand basis via the SDN. The platform now also provides storage through recently established partnerships with Wasabi Technologies and VAST.

A representation of the global network which sits below the platform is shown below. The key feature is the global reach and distribution so that one connection point gives access to major cloud providers and other networks.

Figure 2: Global network



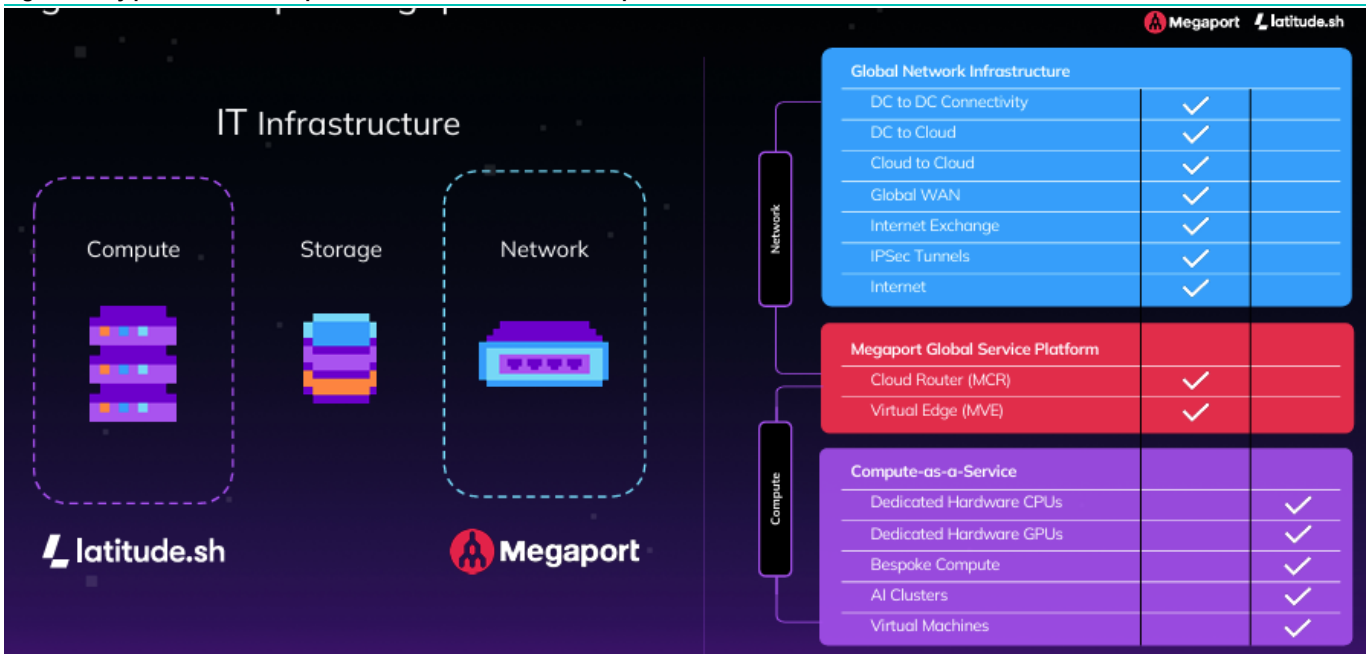
Source: Company data

Note the network has expanded further since the publication of the above in August and, for instance, now connects to >1,200 data centres in more than 185 cities throughout 31 countries.

Products/Services

The key products or services provided by Megaport across network and compute are shown below.

Figure 3: Key products/services provided across network and compute



Source: Company data

NETWORK

The key products or services provided in network are those shown in blue which are effectively virtual connections between two endpoints (e.g. DC to DC, DC to Cloud and Cloud to Cloud). Megaport also enables virtual connections over the public internet but then also provides IPSec tunnels for encryption and authentication. The products which provide these services are called **Virtual Cross Connect (VXC)** and **Internet Exchange (IX)** and together generate a large portion of the network revenue.

The two products/services in red originated within network but can also be used or applied in compute. **Megaport Cloud Router (MCR)** is a virtual router that lets customers connect to multiple cloud providers and networks simultaneously. **Megaport Virtual Edge (MVE)** allows virtual network functions (e.g. SD-WAN, firewalls, routing) that can be deployed at the network edge.

COMPUTE

The key products or services provided in compute are dedicated CPUs and GPUs which form what are called “bare metal servers”. These are fully automated, dedicated physical servers that, like the network services, can be deployed globally in seconds via an API or dashboard.

More recent offerings – particularly post the acquisition of Latitude.sh by Megaport – are bespoke compute and AI clusters. These are dedicated GPU servers and clusters (NVIDIA powered) for AI model training, fine-tuning and inference but more so the latter. This effectively now positions Megaport as an infrastructure provider for AI-native companies.

STORAGE

Megaport also recently started providing storage on demand through partnerships with Wasabi Technologies and VAST. Services provided include object, block and file storage which are integrated with network and compute.

Revenue Model

Megaport applies a usage-based recurring revenue model to network connectivity and Latitude.sh adopts the same model to its core compute-as-a-service business. Contracts are typically not long term but are core to the networks of enterprise customers and so churn has been very low. A recent change, however, is Megaport has started booking large multi-year contracts with committed (i.e. non-usage dependent) revenue from AI/GPU infrastructure customers. There is, therefore, now a hybrid of usage-based fees plus fixed take-or-pay infrastructure contracts.

NETWORK

Network operates a pure usage-based recurring revenue model similar to a cloud provider. Services are provided on a flexible, pay-as-you-go basis with no setup fees. The two key fees charged on a monthly basis are:

- **Port**: Fixed charge – typically $500 – for connecting a customer's network hardware into Megaport's global SDN fabric.
- **Products**: Fixed fee plus a bandwidth-based rate for each core product (e.g. VXC, MCR, MVE and IX). Note the bandwidth fee is only applied for the time the connection is active. The typical fee is $200-300 per VXC per month within the same metro, with higher charges for long-haul services.

The total fee for both the port and product is typically $700-800 per month. Megaport now provides >40,000 services across >3,000 customers and, as shown below, this equates to ARR of c.$90k per customer and c.$7k per service.

Figure 4: Historical ARR per customer and service

Year end 30 June	Unit	2023	2024	2025	2026
Network services					
Customer logos	#	2,545	2,637	2,873	3,206
ARR per customer logo	A$	$70,177	$77,323	$84,859	$90,331
Total services	#	26,960	29,816	33,894	40,735
ARR per service	A$	$6,625	$6,839	$7,193	$7,109

Source: Company data

COMPUTE

Compute has until recently also operated a usage-based recurring revenue model for both bare metal servers (CPUs) and more recently GPU compute. As mentioned, however, there has been a recent shift toward large multi-year committed contracts where revenue is fixed and locked in over the contract term rather than tied to actual usage.

The two key revenue models now in compute are:

- **Pay-as-you-go**: Customers are charged per active hour of compute and are typically $0.26/hour or $190/month for entry level CPU configurations or $0.74/hour or $533/month for budget GPUs up to $19.50/hour or $14k/month for higher-end configs.
- **Enterprise/AI infrastructure**: Multi-year take-or-pay contracts with AI infrastructure customers.

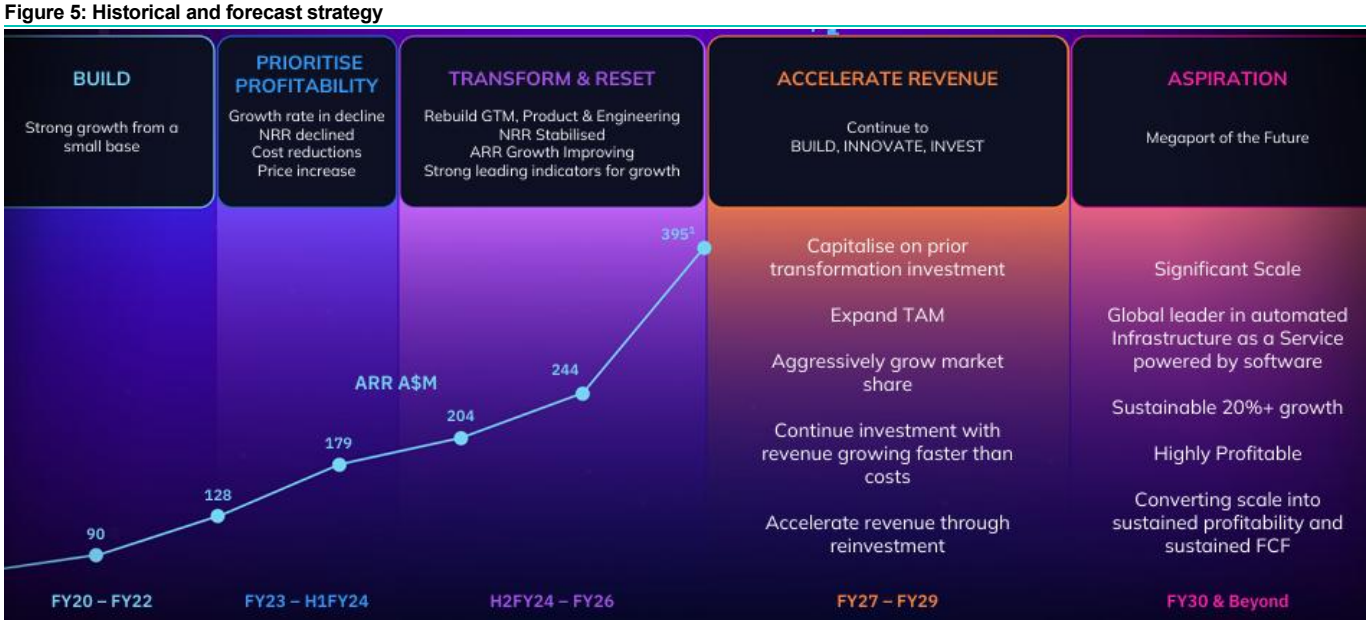
Compute – or Latitude.sh – was generating ARR of c.US$43m in September 2025 just prior to Megaport acquiring the business. This ARR was all generated through pay-as-you-go or legacy contracts and spread across 1,150 customers. This equates to ARR per customer of around $37k.

Compute ARR grew to c.US$74m (A$106m) at 30 June 2026 which was an increase of 72% since the acquisition. Around two-thirds of the growth was driven by an increase in pay-as-you-go contracts and the remainder was driven by enterprise or strategic customer contracts. Post 30 June the company has announced further strategic contracts so that there are now 14 in total and the ARR of these contracts collectively is >$650m.

Strategy

Megaport has recently shifted from the two-and-a-half year "transform and reset" phase of its strategy to now a planned "accelerate revenue" phase over the next three years. This is shown below.

Figure 5: Historical and forecast strategy



Source: Company data

Note the "transform and reset" period was driven by and coincided with the appointment of current CEO Michael Reid in May 2023. The priorities were:

- Rebuilt go-to-market (GTM);
- Invest in product, network and footprint;
- Recalibrate pricing; and
- Stabilise NRR and grow ARR.

These objectives were all largely achieved and focus now has shifted to an acceleration of revenue through a combination of building, innovating and investing. This has resulted in a significant uplift in capex from $140m in FY26 to between $1.8-1.9bn in FY27. This planned capex spend, however, is fully funded through an $827m equity raising in June and a new $825m debt facility in August which was upsized to $845m in September. There is also prepayment by customers of $323m from the recently announced additional strategic contracts in September.

Note one driver of the "accelerate revenue" phase is the establishment of an on-demand GPU pool which is designed to provide enterprise customers with access to AI infrastructure through both contracted and commercial-based models. This pool is being supported by a $360m investment – which is part of the $1.8-1.9bn capex forecast for FY27 – and is separate to the GPUs required as part of the strategic contracts. The key metrics for the GPU pool are:

- **Time to procure and deploy**: 6-9 months;
- **Ramp from deployment**: 3-6 months; and
- **Payback target**: 16-22 months (based on EBITDA).

The metrics imply that the pool will not contribute much to the FY27 result and indeed Megaport said GPUs previously ordered for the pool will now be deployed to recently announced strategic contracts. The deployment should start in 4QFY27 and ramp up in 1HFY28 and so be a key revenue driver in both FY28 and FY29.

Competitive Strengths/Differentiators

The key competitive strengths or differentiators of Megaport are:

- **Vendor neutrality**: Megaport is not tied to any single cloud provider, carrier or data centre operator. Rather, it is an independent, neutral fabric connecting to >300 cloud on-ramps and >1,200 data centres. This is a key differentiator to Equinix Fabric or AWS Direct Connect who are oriented towards their own ecosystems. Megaport's approach is therefore suited to enterprises building multi-cloud and multi-vendor strategies.
- **Speed and elasticity**: Megaport was founded on the concept of provisioning in minutes via an API/portal rather than the weeks' long process of traditional leased-line telecom circuits. That same concept still applies today across network, compute and storage.
- **Global footprint and network effects**: Megaport now has a global network spanning >1,200 data centres and >300 cloud-on ramps which is difficult and time consuming for a new entrant to replicate. Every new data centre and on-ramp added increases the value of the network for existing customers (i.e. network effect).
- **Sticky and recurring revenue**: Switching costs are relatively high for customers who are wired into Megaport's fabric – especially multi-cloud architectures – meaning that churn is relatively low and revenue is sticky. It also means that net revenue retention (NRR) is >100% as customers grow and consume more bandwidth and/or take more products.
- **Software defined network and cost structure**: The key network of Megaport is a software layer meaning it can scale and add services at relatively low cost. This means the margin will grow as the network matures and utilisation increases.
- **Neocloud type offering**: The move into compute and storage means Megaport is now able to offer customers the neocloud stack of network, storage and compute. The company is, however, more suited to inference rather than training given it is not looking to deploy dense clusters of GPUs in a single data centre or AI factory. Megaport itself now describes its compute offering as a "globally-distributed AI inference cloud" and so provides an alternative to the neoclouds for inference.
- **Collaboration with NVIDIA**: Megaport is collaborating with NVIDIA and several NVIDIA Cloud Partners (NCPs) and AI infrastructure partners which effectively validates its move into compute and storage. These relationships provide numerous advantages including better access to GPUs, reduced platform risk and improved ability to sell to AI native companies.

One other differentiator (which may or may not be a strength) is the ability to return contracted CPUs and GPUs into the pool once a strategic contract finishes (assuming the contract is not extended or renewed). The strategic contracts are typically for three years and the CPUs and GPUs have effectively been paid back over that period. The successful redeployment of those GPUs into the pool will then in theory generate very high margin revenue.

One strength or differentiator of Megaport in the past has been it is a capital light business due to its software defined networking model. This has now changed somewhat with the move into compute and storage and now the company is more capital intensive due to AI infrastructure buildouts. This change is highlighted below with the increase in capex in FY26 and forecast further increase in FY27.

Figure 6: Historical and forecast capex

Year end 30 June	Unit	2024	2025	2026	2027e
Payments for PPE	A$m	-10.6	-21.5	-139.9	-1,675.0
Advanced payments for PPE	A$m	0.0	0.0	-172.2	0.0
Total payments for PPE	**A$m**	**-10.6**	**-21.5**	**-312.1**	**-1,675.0**

Source: Company data

Industry Overview

Key Market

Megaport competes in the broad **Infrastructure-as-a-Service (IaaS)** market which typically includes the following segments:

- Managed hosting;
- Storage-as-a-Service (STaaS);
- Disaster Recovery-as-a-Service (DRaaS) and Backup;
- Compute-as-a-Service (CaaS);
- Network-as-a-Service (NaaS);
- Content Delivery Services; and
- High-Performance Computing-as-a-Service (HPCaaS).

Megaport originally only competed in the NaaS segment but now also competes in the CaaS segment following the acquisition of Latitude.sh in 2025 and the STaaS segment following the strategic partnerships with Wasabi Technologies and VAST in 2026. Notably these three segments collectively form the basis of an AI infrastructure platform. The services they provide – network, compute and storage – are also what is called the full "neocloud stack".

Market Trends

Recent trends in the IaaS market include:

- **Segments merging**: Historically the segments within the IaaS market were generally provided on a stand-alone basis by dedicated providers. Today, providers like Megaport are offering multiple services and the segments are increasingly merging.
- **More like neocloud operators**: The move towards increased services and the merging of segments means some IaaS providers like Megaport are increasingly looking like and starting to compete with neocloud operators. An important distinction, however, is an IaaS provider like Megaport is more suited for inference workloads that can be spread across multiple locations rather than large-scale training which requires concentrated GPU-clusters. Megaport does not, therefore, directly compete with neoclouds.
- **Also selling to neoclouds**: IaaS providers like Megaport are also now selling their services to neoclouds. This is evidenced by recent contract wins for AI applications and inference workloads where the neocloud or enterprise customer is using Megaport's connectivity layer to wire GPUs to data.
- **Increased hybrid deployments**: Enterprise customers are increasingly running critical workloads globally with low latency. IaaS providers like Megaport are complementing cloud providers by enabling optimised, high-performance hybrid developments across multiple locations.

Market Size

The size of the global IaaS market is large and estimates range between US$170-230bn in 2025/26. The projected CAGR over the medium term ranges from high teens to the mid twenties percentages. This implies the market is expected be around US$1,000bn by 2034.

As explained, Megaport does not compete in each segment of the IaaS market. The estimated addressable for each segment it competes in is detailed below.

NETWORK-AS-A-SERVICE (NAAS)

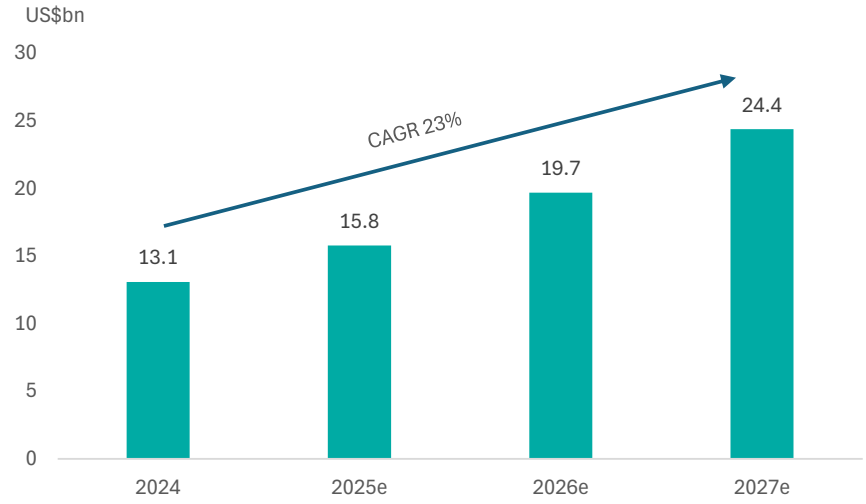
The total addressable market for network-as-a-service globally is estimated to be between US$35-43bn (*source: Fortune Business Insights*). We estimate the addressable market for Megaport is more than half this range given its global presence (i.e. >1,200 data centres in 31 countries) and range of services provided (e.g. cloud connectivity, virtual edge, global WAN, DC Interconnect, etc.).

The NaaS market is forecast to grow at a CAGR of >20% for the next decade. This would increase the size of the global market to between US$187bn and US$211bn by the mid 2030's.

COMPUTE-AS-A-SERVICE MARKET (CAAS)

The total addressable market for compute-as-a-service globally was c.US$203bn in 2024 (*source: Megaport, Equity Raising Presentation, November 2025*). This figure includes hyperscaler compute and GPU capacity offered through large cloud providers including AWS, Azure and Google Cloud. Excluding the hyperscalers, the addressable market for Megaport was c.US$13bn in 2024 and this is estimated to have grown to c.US$24bn in 2027 which equates to a CAGR of >20%.

Figure 7: Compute-as-a-service addressable market



Source: Company data

STORAGE-AS-A-SERVICE MARKET (STAAS)

The total addressable market for storage-as-a-service globally is estimated to be between US$45-83bn. The market is dominated by the large cloud providers/hyperscalers as well the more traditional networking companies – like AT&T, HP and IBM – who provide services like cloud backup, data protection and cloud archiving. Megaport – through its partnerships with Wasabi and VAST – provides a cloud object storage layer as part of its integrated AI infrastructure platform and so effectively offers a cost-predictable alternative to the hyperscalers.

Key Competitors

The key competitors of Megaport are IaaS companies who provide one or more of NaaS, CaaS and/or STaaS. We do not consider neocloud companies like CoreWeave to be key competitors as, as mentioned, Megaport is more focusing on inference workloads rather than the training of AI models. Similarly we do not consider the large cloud providers or hyperscalers as key competitors as they are more partners or complementary as Megaport's key proposition is to provide connectivity into the likes of AWS, Azure and Google Cloud.

The key competitors are shown below. Most have NaaS as their core service but also provide CaaS and/or STaaS. Interestingly, Equinix – who is or was Megaport's most direct competitor – recently exited CaaS and STaaS and is now pure NaaS again.

Figure 8: Key competitors

Company	Public/Private	NaaS/CaaS/STaaS	Key similarities	Key differences
Equinix	Public (NYSE: EQIX)	NaaS only	Provides similar software-defined interconnection between clouds, carriers and enterprises	Also operates the physical data centres Megaport connects into
PacketFabric	Private	NaaS, CaaS & STaaS	Offers similar on-demand, software defined network connectivity	Focused mainly on North America and parts of Western Europe
Console Connect	Private (owned by PCCW Global)	NaaS, CaaS & STaaS	Offers a software-defined interconnection platform with a similar on-demand model	Connected to a traditional carrier (PCCW Global) while Megaport is vendor neutral
Zayo	Private	NaaS, CaaS & STaaS	Has recently moved into NaaS-style offerings	Has a large fibre/network infrastructure
Lumen	Public (NYSE: LUMN)	NaaS and STaaS	Repositioning around a consumption based NaaS model	Has one of the largest fibre footprints in North America

Source: Company data

Key points:

- **Equinix recently exited CaaS and STaaS**: Equinix did offer CaaS and STaaS via Equinix Metal but elected to cease these services on 30 June 2026. The reason for exiting was that Metal only made up c.1% of total revenue. Equinix has said it wants to focus on colocation, interconnection and hyperscale services rather than compete directly with hyperscalers' native bare-metal/cloud offerings.
- **PacketFabric provides CaaS via a partnership**: PacketFabric's core business is NaaS but announced a partnership in January 2026 with Massed Compute to provide an integrated GPUaaS + NaaS offering. PacketFabric also provides STaaS via the acquisition of RSTOR in February 2022.
- **Console Connect uses partners for both CaaS and STaaS**: Console Connect's core business is NaaS but also provides CaaS and STaaS through third-party marketplace partners. For instance, customers can price, order and manage bare metal and compute across multiple locations from providers like Vultr, Zenlayer and VPSie. The same marketplace offers storage from providers including Wasabi, who Megaport also partners with for its own STaaS offering.
- **Zayo uses a single partner for CaaS and STaaS**: Zayo's core business is also NaaS and uses a single third-party partner, Zadara, for the delivery of CaaS and STaaS. Zadara was originally a STaaS specialist but then acquired NeoKarm in 2021 to also offer CaaS.
- **Lumen offers backup/storage**: Lumen's core focus is NaaS but also provides storage and backup services. Lumen also recently acquired Alkira which was an emerging NaaS competitor.

Financials

Segments

Megaport provides segment reporting on a geographical basis and provides revenue, gross profit and EBITDA for three areas:

- The Americas;
- Asia Pacific; and
- Europe.

Post the acquisition of Latitude.sh, however, the company also now provides a breakdown of revenue between network and compute services. Notably all of the compute services revenue from Latitude.sh in FY26 was generated in the Americas.

For forecasting purposes we choose to estimate network and compute services revenue separately but we do not break each down by geography. We note the company is now also providing storage services but at this stage we expect revenue from these services to be included in compute services.

The recent historical split between network and compute services revenue is shown below. The key take-out is network services revenue growth slowed in FY24 and FY25 but then increased in FY26.

Figure 9: Historical revenue breakdown between network and compute services

Year end 30 June	Unit	2023	2024	2025	2026
Revenue					
Network services	A$m	153.1	195.3	227.1	268.3
Compute services	A$m	0.0	0.0	0.0	43.9
Total	**A$m**	**153.1**	**195.3**	**227.1**	**312.2**
Growth					
Network services	*%*	*40%*	*28%*	*16%*	*18%*
Compute services	*%*	*nm*	*nm*	*nm*	*nm*
Total	*%*	***40%***	***28%***	***16%***	***37%***

Source: Company data

ARR

Megaport provides ARR at a group level at the end of each six month period. Notably, post the acquisition of Latitude.sh, the company now provides ARR for both network and compute services.

Megaport also provides other data for network services including net revenue retention (NRR), customer logos and total services. These are the key drivers of ARR growth. At this stage the company does not provide this sort of data for compute services but does provide total contract value (TCV) for strategic contracts.

The recent historical ARR at financial year end for network and compute services is shown below. Historical NRR, customer logos and total services for network services is also provided, along with calculations for ARR per logo and service.

Figure 10: Historical ARR for network and compute services

Year end 30 June	Unit	2023	2024	2025	2026
ARR					
Network services	A$m	178.6	203.9	243.8	289.6
Compute services	A$m	0.0	0.0	0.0	105.6
Total	**A$m**	**178.6**	**203.9**	**243.8**	**395.2**
Growth					
Network services	*%*	*40%*	*14%*	*20%*	*19%*
Compute services	*%*	*nm*	*nm*	*nm*	*nm*
Total	*%*	***40%***	***14%***	***20%***	***62%***
Network services					
Customer logos	#	2,545	2,637	2,873	3,206
ARR per customer logo	A$	$70,177	$77,323	$84,859	$90,331
Total services	#	26,960	29,816	33,894	40,735
ARR per service	A$	$6,625	$6,839	$7,193	$7,109

Source: Company data

Revenue vs ARR

Megaport generates mostly recurring revenue so the ARR at year end provides a good guide to revenue in the following year before growth. The figure below shows the relationship between network services revenue and the previous years' ARR. For the last three years revenue has been c.110% of the previous years' ARR.

Figure 11: Network services revenue as % of previous years' NRR

Year end 30 June	Unit	2023	2024	2025	2026
Network services					
Revenue	A$m	153.1	195.3	227.1	268.3
ARR	A$m	178.6	203.9	243.8	289.6
Revenue as % of previous years' ARR	%	*120%*	*109%*	*111%*	*110%*

Source: Company data

Key Assumptions

We choose to forecast revenue for both the network and compute services divisions based on the previous years' ARR. To do this, we need to forecast the ARR at year end for each division and then assume what percentage of that ARR equates to revenue in the following year.

NETWORK SERVICES

Our forecasts for both ARR and revenue in network services are shown below. We have assumed that ARR grows in the high teens percentages in each of the next three years which is consistent with the growth in FY26. We have also assumed that revenue equates to around 112% of the previous years' ARR which is slightly higher than the previous three years. Note Megaport has provided FY27 revenue guidance of $325-335m for network and our forecast is consistent with that guidance.

Figure 12: Forecast ARR and revenue for network services

Year end 30 June	Unit	2026	2027e	2028e	2029e
Network services					
ARR	A$m	289.6	347.5	412.7	484.9
Growth	%	*19%*	*20%*	*19%*	*18%*
Revenue	A$m	268.3	329.4	389.2	458.1
Revenue as % of previous years' ARR	%	*110%*	*114%*	*112%*	*111%*

Source: Company data and Bell Potter Securities estimates

COMPUTE SERVICES

Our forecasts for both ARR and revenue in compute services are shown below. Both are more difficult to forecast due to the lack of history. We have assumed significant ARR growth in the first two years on the back of a full 12 months' contribution from Latitude.sh in FY27, the material investment in CPUs/GPUs and the fulfillment of the strategic contracts announced thus far. We then assume a more normal but still strong growth rate in FY28 driven more by the GPUs-in-the-pool. We have also assumed that revenue equates to a materially higher percentage than 110% in the first two years due to the rollout and fulfilment of the strategic contracts and then assume 110% in FY29. Note Megaport has provided FY27 revenue guidance of $395-475m for compute and our forecast is consistent with that.

Figure 13: Forecast ARR and revenue for compute services

Year end 30 June	Unit	2026	2027e	2028e	2029e
Compute services					
ARR	A$m	105.6	773.5	1,102.3	1,295.2
Growth	%		*633%*	*43%*	*18%*
Revenue	A$m	43.9	435.6	966.9	1,212.5
Revenue as % of previous years' ARR	%		*413%*	*125%*	*110%*

Source: Company data and Bell Potter Securities estimates

Note that, while the jump in forecast ARR from $105.6m at the end of FY26 to $773.5m at the end of FY27 looks significant, Megaport did say in its FY26 result presentation that the total ARR of all the strategic contracts had risen to $435m post the securing of new deals in August. A further three strategic contracts announced in September lifted ARR by a further $232m implying a total >$660m.

Forecast P&L

Our forecast P&L for the next three years using the revenue forecasts shown above for services and compute is shown below. The FY27 guidance provided by Megaport is revenue between $720-810m and an underlying EBITDA margin between 42-44% and our forecasts are consistent with that guidance.

Figure 14: Forecast P&L

Year end 30 June	Unit	2026	2027e	2028e	2029e
Revenue	**A$m**	**312.2**	**765.0**	**1,356.1**	**1,670.6**
Growth	*%*	*37%*	*145%*	*77%*	*23%*
Total COGS	A$m	-83.1	-206.6	-352.6	-426.0
Gross profit	**A$m**	**229.0**	**558.5**	**1,003.5**	**1,244.6**
Gross margin	*%*	*73.4%*	*73.0%*	*74.0%*	*74.5%*
Total operating expenses	**A$m**	**-208.5**	**-271.6**	**-322.1**	**-375.9**
as % of revenue	*%*	*-66.8%*	*-35.5%*	*-23.8%*	*-22.5%*
EBITDA (statutory)	**A$m**	**20.6**	**286.9**	**681.5**	**868.7**
D&A	A$m	-75.1	-262.9	-460.0	-529.0
EBIT	**A$m**	**-54.5**	**24.0**	**221.4**	**339.6**
Net interest expense	A$m	-2.6	-19.8	-37.2	-32.5
PBT	**A$m**	**-57.2**	**4.2**	**184.3**	**307.1**
Tax expense	A$m	18.2	-1.3	-55.3	-92.1
NPAT	**A$m**	**-39.0**	**2.9**	**129.0**	**215.0**
EBITDA margin (statutory)	*%*	*6.6%*	*37.5%*	*50.3%*	*52.0%*
EBITDA (underlying)	**A$m**	**77.1**	**329.4**	**726.0**	**915.5**
EBITDA margin (underlying)	*%*	*24.7%*	*43.1%*	*53.5%*	*54.8%*

Source: Company data and Bell Potter Securities estimates

Forecast Balance Sheet and Cash Flow

Our forecast key items from both the Balance Sheet and Cash Flow are shown below. The FY27 guidance provided by Megaport is capex will be between $1.78-1.88bn and our forecast is consistent with that after allowing for the prepayment of $172m in FY26.

Figure 15: Forecast key items from Balance Sheet and Cash Flow

Year end 30 June	Unit	2026	2027e	2028e	2029e
Balance Sheet					
Cash	A$m	435.4	245.3	210.4	199.3
PPE	A$m	201.3	1,854.2	1,834.1	1,787.4
Borrowings (current & non-current)	A$m	22.4	672.4	497.4	272.4
Contingent consideration (current & non-current)	A$m	208.1	137.0	68.7	0.5
Net debt (incl. contingent consideration)	**A$m**	**-204.8**	**564.2**	**355.8**	**73.6**
Cash Flow					
Operating cash flow	A$m	82.1	671.8	635.5	734.7
Payments for PPE (incl. advance payments)	A$m	-312.1	-1,675.0	-325.0	-350.0
Payments for intangibles	A$m	-18.4	-25.0	-35.0	-40.0
Free cash flow	**A$m**	**-248.4**	**-1,028.2**	**275.5**	**344.7**
Proceeds from issue of shares	A$m	737.2	309.0	0.0	0.0
Proceeds/repayment of borrowings	A$m	6.3	650.0	-175.0	-225.0
Net change in cash	**A$m**	**329.3**	**-190.1**	**-34.9**	**-11.0**

Source: Company data and Bell Potter Securities estimates

The key question perhaps is what the level of capex will be in FY28 and FY29. We have assumed a material drop versus FY27 but still a reasonable level which we assume is to fund further AI infrastructure buildouts (i.e. GPUs). The actual level, however, will be driven by the level of new strategic contracts and, if there are more announced over the short to medium term, the level of capex is likely to be much higher. But this is a good thing in our view as the returns on those strategic contracts are so good and well above the cost of capital.

But note that, if the capex is consistent with our forecasts in FY28 and FY29 then there is strong free cash flow in each of those two years (>$250m) and this can be used to very quickly reduce the debt. In fact by FY29 we forecast the net debt will be <$100m, again assuming our capex forecasts are accurate.

Valuation

We determine the price target for Megaport through a blend of two methodologies:

- EV/EBITDA; and
- DCF

We choose not to apply a PE ratio methodology given the very low NPAT we forecast in FY27 though we do expect it to grow materially in FY28 and FY29 so the methodology may become applicable in the short to medium term.

EV/EBITDA

EV/EBITDA is a relative valuation approach and so requires a group of listed comparable companies (comps) to provide a guide towards the appropriate multiple to apply to forecast EBITDA. There are no particularly close comps to Megaport in Australia but there are some companies that compete in the same sector – at least in Australia – and are subject to similar market drivers such as the shift to cloud and increasing compute demand. The EV/EBITDA multiples of those companies are shown below.

Figure 16: EV/EBITDA multiples of domestic comps

Company	Ticker	Year end	Share price as at	Market cap	FY27 EV	FY28 EV	EV/EBITDA	
			01-Oct-26	A$	A$	A$	FY27	FY28
NEXTDC	NXT	Jun	$10.60	$8,052m	$13,204m	$17,481m	32.8x	23.1x
Macquarie Technology Group	MAQ	Jun	$52.80	$1,361m	$1,591m	$1,761m	13.1x	12.1x
DigiCo Infrastructure REIT	DGT	Jun	$2.52	$1,409m	$2,706m	$2,732m	21.9x	17.0x
Superloop	SLC	Jun	$2.52	$1,298m	$1,422m	$1,366m	9.1x	7.6x
Median							**17.5x**	**14.6x**
Average							**19.2x**	**14.9x**

Source: Company data and Visible Alpha

The key take-out is there is a wide range in the multiples in each of FY27 and FY28 (9-33x in the former and 8-23x in the latter). Interestingly, the pure data centre providers – NEXTDC and DigiCo – have much higher multiples than the more hybrid Macquarie Technology (which provides data centres, cloud services and telecommunications services) and more traditional telco Superloop. There is no comp, however, that Megaport is particularly close to.

The lack of close comps to Megaport in Australia means it is appropriate to look at comps offshore. Two reasonable comps in our view are Equinix and Lumen Technologies though, as mentioned, Equinix has recently exited compute and storage and Lumen is predominantly a NaaS provider. Other reasonable comps are the large neocloud providers – CoreWeave, Nebius and IREN – but these obviously are much larger than Megaport and more capital/infrastructure intensive. We have also included two compute companies as comps – Akamai Technologies and DigitalOcean – given the recent Latitude.sh acquisition. The EV/EBITDA multiples of these companies are shown below.

Figure 17: EV/EBITDA multiples of offshore comps

Company	Ticker	Year end	Share price as at	Market cap	CY27 EV	CY28 EV	EV/EBITDA	
			30-Sep-26	US$	US$	US$	2027	2028
Equinix	EQIX	Dec	$1,011.58	$99,815m	$124,898m	$127,651m	21.1x	19.2x
Lumen Technologies	LUMN	Dec	$5.60	$5,776m	$17,687m	$17,035m	5.5x	5.2x
CoreWeave	CRWV	Dec	$87.12	$48,050m	$113,978m	$138,342m	6.8x	4.9x
Nebius Group	NBIS	Dec	$235.88	$64,125m	$88,444m	$111,435m	13.1x	7.1x
IREN	IREN	Dec	$40.88	$16,109m	$38,367m	$49,096m	10.4x	6.2x
Akamai Technologies	AKAM	Dec	$106.35	$15,314m	$23,245m	$23,474m	11.4x	10.2x
DigitalOcean Holdings	DOCN	Dec	$133.39	$15,684m	$16,204m	$15,964m	22.0x	14.2x
Median							**11.4x**	**7.1x**
Average							**12.9x**	**9.6x**

Source: Company data and Bloomberg

The key take-out is, again, there is a wide range in the multiples. Interestingly, there is a wide difference between Equinix and Lumen and the compute companies trade on higher multiples than the neoclouds. Again, there is no close comp to Megaport in our view and these companies are also much larger in terms of market cap.

The lack of close comps both domestically and internationally leads us to use an average of the two groups in determining an appropriate multiple to apply for Megaport. We focus on the FY28 multiples for the domestic comps to be consistent with a one-year price target and also given that will be the first full year that captures the earnings uplift from the significant capex spend in FY27. The focus for the international comps is on the 2027 multiples given the December year end. Notably there is some similarity between the median and average multiples of the domestic comps in FY28 and the international comps in 2027.

We choose to apply a conservative multiple of 10.0x in the EV/EBITDA valuation for Megaport which is around a 30% discount to the median multiples for the domestic comps in FY28 and a 12% discount to the median for the international comps in 2027. The valuation is shown below. Note the net debt we have used in the calculation of the equity value is that at the end of FY27 which reflects the significant capex spend during the period.

Figure 18: EV/EBITDA valuation

	FY28 EBITDA forecast	EV/EBITDA multiple	Enterprise value	Net debt/ (cash)	Equity value	Equity value per share
EV/EBITDA	$726.0m	**10.0x**	$7,269.5m	$564.2m	$6,705.3m	**$28.11**

Source: Bell Potter Securities estimates

The figure shows an EV/EBITDA valuation of $28.11.

DCF

DCF is an absolute valuation approach and so is appropriate to consider in conjunction with a relative valuation. It is also good for high growth companies like Megaport as it can better capture the value of future cash flows in the medium term.

Our DCF valuation is shown below along with the calculation of the WACC we have used. The DCF is a year from now to be consistent with a one-year price target. We choose to use only five forecast periods given the difficulty or uncertainty with forecasting any longer, especially in a rapidly changing market. One short fall, perhaps, of only using five forecast periods is it does not capture a full GPU replacement cycle and the next spike in capex and for that reason we use a lower terminal growth rate than we would typically apply to a high growth technology company.

Figure 19: DCF valuation

WACC calculation	
Risk free rate	4.8%
Market risk premium	5.5%
Beta	1.13
Borrowing rate	7.5%
Tax rate	30.0%
Target gearing	15.0%
Cost of equity	10.9%
Cost of debt	5.3%
WACC	**10.1%**

Key assumptions	
Valuation as at	01-Oct-27
Terminal growth rate	3.5%

	FY28e	FY29e	FY30e	FY31e	FY32e	Beyond
Operating cash flow (A$m)	605.5	704.7	828.8	1,037.6	1,115.5	
Capex	-1,700.0	-360.0	-390.0	-400.0	-425.0	
Free cash flow	**-1,094.5**	**344.7**	**438.8**	**637.6**	**690.5**	**10,854.1**
Present value of cash flows	-1,018.7	291.5	337.0	444.9	437.5	6,247.3
Sum of present values	**6,739.4**					
Market value of investments	0.0					
Net debt/(cash)	564.2					
Equity value	**6,175.3**					
Equity value per share	**$25.89**					

Source: Bell Potter Securities estimates

The figure shows a DCF valuation of $25.89 using a WACC of 10.1% and terminal growth rate of 3.5%. This is an 8% discount to the EV/EBITDA which is not that material and so provides some support for each valuation and the assumptions we have made. We would also perhaps expect the DCF to be slightly lower given the relatively conservative terminal growth rate we have employed. A more aggressive terminal growth rate, for instance, of around 4.0% would bring the DCF closer to in line with the EV/EBITDA.

Target Price

We use a blend of the two valuations we have applied to determine a price target for Megaport and this is shown below. We apply an equal weighting to both valuations given we only use two and each has its advantages and disadvantages as discussed.

Figure 20: Target price calculation

	Valuation	%weighting	Price target
Methodology			
EV/EBITDA	$28.11	50%	$14.06
DCF	$25.89	50%	$12.94
Total			**$27.00**

Source: Bell Potter Securities estimates

The figure shows our target price for Megaport is $27.00 which is a 33% premium to the share price.

Board and Management

The Board of Directors for Megaport is shown below.

Figure 21: Board of Directors

Name	Title
Melinda Snowden	Chair & Non-Executive Director
Michael Reid	Managing Director & Chief Executive Officer
Gio Gordon	Non-Executive Director
Michael Klayko	Non-Executive Director
Jay Adelson	Non-Executive Director
Mohit Lad	Non-Executive Director
Jon Gidney	Non-Executive Director

Source: Company data

Key points:

- **Melinda Snowden Chair since 2024**: Melinda Snowden joined the board as a Non-Executive Director in 2021 and became Chair in 2024, replacing Bevan Slattery. She is also a Non-Executive Director of Temple & Webster (TPW) and WAM Leaders (WLE).
- **Michael Reid CEO since 2023**: Michael Reid was appointed Managing Director and Chief Executive Officer in May 2023, replacing Vincent English. He was previously Chief Revenue Officer of ThousandEyes – which was acquired by Cisco in 2020 – and before that Worldwide Head of Sales of Cisco.
- **Jay Adelson co-founded Equinix**: Jay Adelson joined the board as a Non-Executive Director in 2020. He co-founded Equinix in 1998 and served as the Chief Technology Officer until 2005.
- **Directors own <1%**: The directors collectively own c.395,000 shares which is <1% of issued capital. Michael Reid holds the most with c.335,000 shares. Founder Bevan Slattery – who is no longer a director – is now not a significant shareholder in the company.

Key Management

The key senior executives and company secretary for Megaport is shown below.

Figure 22: Key management

Name	Title
Michael Reid	Managing Director & Chief Executive Officer
Celia Pheasant	Special Counsel & Company Secretary
Leticia Dorman	Chief Financial Officer
Darren Wilson	Chief Operating Officer
Cameron Daniel	Chief Technology Officer
Guilherme Soubihe	Chief Executive Officer - Compute

Source: Company data

Key points:

- **Latitude.sh founder runs compute:** Guilherme Soubihe co-founded Latitude.sh and is now Chief Executive Officer – Compute, following the acquisition in 2025. He is a recognised expert in the bare metal industry with experience across cloud infrastructure, data centre operations and scaling compute.
- **Leticia Dorman was promoted internally:** Leticia Dorman joined Megaport in October 2021 as Head of Finance and was appointed CFO in October 2023. She has over 15 years' finance experience including external audit at KPMG and as Head of Commercial Revenue at Brisbane Airport.
- **Cameron Daniel was a founding engineer:** Cameron Daniel was one of Megaport's founding engineers, joining in 2013 as VP of Technology. He left in 2017 to join Telia Carrier – now Arelion – and was an early employee at Graphiant before rejoining Megaport in 2023. He previously also held roles at PIPE Networks and TPG.

Megaport (MP1)

BUSINESS OVERVIEW

Megaport is an infrastructure-as-a-service (IaaS) provider that operates a global platform for deploying, connecting and scaling network, compute and storage on demand. Initially the company was a network-as-a-service (NaaS) provider that operated a global software defined network which allowed businesses to set up and manage private, high speed network connections to data centres and cloud providers on demand. Megaport then acquired Latitude.sh in late 2025 which expanded its service offering to also include compute-as-a-service (CaaS) and then established a partnership with Wasabi Technologies in mid 2026 to also provide storage-as-a-service (STaaS). The company now effectively offers the neocloud stack of network, compute and storage.

VALUATION METHOD

We determine the target price for Megaport through a blend of two valuation methodologies: EV/EBITDA and DCF. We apply a multiple of 10.0x to forecast FY28 underlying EBITDA in the former and a WACC of 10.1% and 3.5% terminal growth rate in the latter.

RISKS

Risks to an investment in MP1 include but are not limited to:

Competition risk: Megaport operates in a competitive market alongside incumbent telcos, data centre operators and a growing number of Network-as-a-Service providers, several of which have greater scale and the ability to bundle connectivity with existing products and services. Megaport has an early mover advantage in most of its deployed markets but there is risk this is eroded by aggressive pricing from new entrants and/or comparable offerings from the incumbents which would negatively impact both revenue and margins.

Disintermediation risk: Megaport's platform relies on cloud service providers continuing to see third party connectivity as the more efficient path for their customers. There is risk one or more of the hyperscalers develops a direct connectivity solution which reduces demand for Megaport's services or that a new technology is developed which supersedes the SDN model.

Technology and network risk: Megaport is a global automated infrastructure platform and is reliant on hardware and software, some of which is supplied by third parties, to deliver its services. A major network, hardware or software failure – whether due to human error, power loss, physical damage to the network or a natural disaster – may prevent Megaport delivering its services and adversely affect both revenue and reputation.

Information security risk: Megaport is exposed to the risk of an information security incident which could disrupt customer and network services, breach regulatory obligations and/or result in the disclosure of sensitive or personally identifiable information. Such an incident could have an adverse effect on operating and financial performance as well as reputation, though compliance with ISO/IEC 27001 and SOC 2 Type 2 and an executive level Cyber Security Committee reporting to the Board quarterly provide some mitigation.

Acquisition and business model risk: Megaport has recently acquired both Latitude.sh and Extreme IX and there is risk the integration of either is delayed and/or does not perform to expectations. The Latitude.sh acquisition also changes the business model of Megaport – from purely network connectivity to now network, compute and storage – and this increases the risk profile given it is different and widens the competitive landscape.

RECOMMENDATION (initiation) PRICE TARGET (12 MONTHS)

Buy **A$20.25** **A$27.00** (initiation)

Table 1: Financial summary

Date		**1/10/26**
Price	**A$/sh**	**20.25**
Target price	**A$/sh**	**27.00**

Bell Potter Securities
Chris Savage (csavage@bellpotter.com.au)

PROFIT AND LOSS						
Year end 30 June	**Unit**	**2025**	**2026**	**2027e**	**2028e**	**2029e**
Revenue	**A$m**	**227.1**	**312.2**	**765.0**	**1,356.1**	**1,670.6**
Growth	*%*	*16%*	*37%*	*145%*	*77%*	*23%*
Cost of sales	A$m	-65.0	-83.1	-206.6	-352.6	-426.0
Gross profit	**A$m**	**162.0**	**229.0**	**558.5**	**1,003.5**	**1,244.6**
Gross margin	*%*	*71%*	*73%*	*73%*	*74%*	*75%*
Operating expenses	**A$m**	**-119.8**	**-208.5**	**-271.6**	**-322.1**	**-375.9**
% of revenue	*%*	*-53%*	*-67%*	*-36%*	*-24%*	*-23%*
EBITDA (statutory)	**A$m**	**42.3**	**20.6**	**286.9**	**681.5**	**868.7**
D&A	A$m	-43.3	-75.1	-262.9	-460.0	-529.0
EBIT	**A$m**	**-1.0**	**-54.5**	**24.0**	**221.4**	**339.6**
Net interest	A$m	-0.1	-2.6	-19.8	-37.2	-32.5
PBT	**A$m**	**-1.1**	**-57.2**	**4.2**	**184.3**	**307.1**
Income tax	A$m	0.8	18.2	-1.3	-55.3	-92.1
NPAT	**A$m**	**-0.3**	**-39.0**	**2.9**	**129.0**	**215.0**

CASH FLOW STATEMENT						
Year end 30 June	**Unit**	**2025**	**2026**	**2027e**	**2028e**	**2029e**
EBITDA	A$m	42.3	20.6	286.9	681.5	868.7
Change in working capital	A$m	25.1	53.8	386.2	9.4	-41.8
Gross cash flow	**A$m**	**67.4**	**74.4**	**673.0**	**690.8**	**826.9**
Interest received	A$m	1.6	3.9	0.0	0.0	0.0
Income tax paid	A$m	-0.8	-1.7	-1.3	-55.3	-92.1
Operating cash flow	**A$m**	**68.2**	**82.1**	**671.8**	**635.5**	**734.7**
Payments for acquisitions	A$m	0.0	-115.2	-71.1	-68.3	-68.3
Payments for PPE	A$m	-21.5	-312.1	-1,675.0	-325.0	-350.0
Payments for intangibles	A$m	-12.8	-18.4	-25.0	-35.0	-40.0
Investing cash flow	**A$m**	**-34.3**	**-445.6**	**-1,771.1**	**-428.3**	**-458.3**
Proceeds from issue of shares	A$m	0.0	720.8	309.0	0.0	0.0
Proceeds from borrowings	A$m	11.8	166.0	650.0	0.0	0.0
Repayment of borrowings	A$m	-6.8	-159.7	0.0	-175.0	-225.0
Repayment of lease liabilities	A$m	-9.1	-27.4	-30.0	-30.0	-30.0
Interest paid	A$m	-1.6	-6.5	-19.8	-37.2	-32.5
Financing cash flows	**A$m**	**-6.0**	**692.9**	**909.2**	**-242.2**	**-287.5**
Net change in cash	**A$m**	**27.9**	**329.3**	**-190.1**	**-34.9**	**-11.0**
Cash at start of period	A$m	72.4	102.1	435.4	245.3	210.4
Cash at end of period	**A$m**	**102.1**	**435.4**	**245.3**	**210.4**	**199.3**

BALANCE SHEET						
Year end 30 June	**Unit**	**2025**	**2026**	**2027e**	**2028e**	**2029e**
Cash	A$m	102.1	435.4	245.3	210.4	199.3
Current receivables	A$m	16.0	24.2	57.4	101.7	125.3
Contract assets	A$m	11.1	13.4	13.4	13.4	13.4
Other current assets	A$m	5.9	15.2	15.2	15.2	15.2
PPE + ROUA	A$m	56.4	279.9	1,932.8	1,912.7	1,866.0
Intangibles	A$m	46.5	470.1	429.4	349.4	257.1
Other non-current assets	A$m	22.2	225.8	50.8	50.8	50.8
Total assets	**A$m**	**260.2**	**1,464.0**	**2,744.2**	**2,653.6**	**2,527.1**
Payables	A$m	36.1	76.4	191.3	339.0	417.6
Current borrowings	A$m	6.5	10.2	10.2	10.2	10.2
Current lease liabilities	A$m	8.4	40.0	40.0	10.0	10.0
Current cont. & def. consideration	A$m	0.0	71.1	71.1	68.7	0.5
Other current liabilities	A$m	6.1	21.7	21.7	21.7	21.7
Non-current borrowings	A$m	6.7	12.3	662.3	487.3	262.3
Non-current lease liabilities	A$m	6.6	37.9	7.9	7.9	7.9
Non-current cont. & def. consid.	A$m	0.0	137.0	65.9	0.0	0.0
Other non-current liabilities	A$m	10.4	51.4	351.4	251.4	151.4
Total liabilities	**A$m**	**81.5**	**462.7**	**1,430.9**	**1,211.3**	**899.8**
Issued capital	A$m	440.9	1,180.2	1,489.2	1,489.2	1,489.2
Reserves	A$m	-3.0	119.3	119.3	119.3	89.3
Accumulated losses	A$m	-259.2	-298.1	-295.2	-166.2	48.8
Total equity	**A$m**	**178.7**	**1,001.4**	**1,313.3**	**1,442.3**	**1,627.3**

VALUATION DATA						
Year end 30 June	**Unit**	**2025**	**2026**	**2027e**	**2028e**	**2029e**
Diluted EPS	**Ac/sh**	**-0.2**	**-21.8**	**1.3**	**54.1**	**90.1**
Growth	*%*	*NM*	*NM*	*NM*	*NM*	*67%*
P/E ratio	**x**	**NM**	**NM**	**NM**	**37.5**	**22.5**
CFPS	Ac/sh	41.1	45.9	289.6	266.4	308.0
Price/CF	**x**	**49.2**	**44.1**	**7.0**	**7.6**	**6.6**
Free cash flow	A$m	33.9	-248.4	-1,028.2	275.5	344.7
FCF yield	**%**	**0.7%**	**NM**	**NM**	**5.7%**	**7.2%**
DPS	Ac/sh	0.0	0.0	0.0	0.0	0.0
Yield	**%**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
EV/EBITDA (statutory)	**x**	**109.1**	**224.1**	**16.1**	**6.8**	**5.3**
NTA per share	Ac/sh	82.2	248.2	370.6	458.2	574.4
Price/NTA	**x**	**24.6**	**8.2**	**5.5**	**4.4**	**3.5**
EBITDA (underlying)	**A$m**	**62.3**	**77.1**	**329.4**	**726.0**	**915.5**
EV/EBITDA (underlying)	**x**	**74.1**	**59.9**	**14.0**	**6.4**	**5.0**

PERFORMANCE RATIOS						
Year end 30 June	**Unit**	**2025**	**2026**	**2027e**	**2028e**	**2029e**
EBITDA margin	%	18.6%	6.6%	37.5%	50.3%	52.0%
Return on assets	%	-0.1%	-2.7%	0.1%	4.9%	8.5%
Return on equity	**%**	**-0.2%**	**-3.9%**	**0.2%**	**8.9%**	**13.2%**
Payout ratio	%	0.0%	0.0%	0.0%	0.0%	0.0%
Effective tax rate	%	-74.1%	-31.8%	-30.0%	-30.0%	-30.0%

LEVERAGE RATIOS						
Year end 30 June	**Unit**	**2025**	**2026**	**2027e**	**2028e**	**2029e**
Net debt/(cash)	A$m	-88.8	-204.8	564.2	355.8	73.6
Net debt/equity	**%**	**NM**	**NM**	**43%**	**25%**	**5%**
Gearing	%	**NM**	**NM**	**30%**	**20%**	**4%**
Net debt/EBITDA	x	NM	NM	2.0	0.5	0.1
Net interest cover	x	NM	NM	1.2	6.0	10.4

SEGMENTS						
Year end 30 June	**Unit**	**2025**	**2026**	**2027e**	**2028e**	**2029e**
Revenue						
Network Services	A$m	227.1	268.3	329.4	389.2	458.1
Compute Services	A$m	0.0	43.9	435.6	966.9	1,212.5
Total revenue	**A$m**	**227.1**	**312.2**	**765.0**	**1,356.1**	**1,670.6**
Growth						
Network Services	*%*	*16%*	*18%*	*23%*	*18%*	*18%*
Compute Services	*%*	*0%*	*0%*	*892%*	*122%*	*25%*
Total growth	**%**	*16%*	*37%*	*145%*	*77%*	*23%*

INTERIMS					
Year end 30 June	**Unit**	**1H2026**	**2H2026**	**1H2027e**	**2H2027e**
Revenue	**A$m**	**134.9**	**177.3**	**263.8**	**501.2**
Growth	*%*	*26%*	*47%*	*96%*	*183%*
Cost of sales	A$m	-37.2	-45.9	-73.9	-132.7
Gross profit	**A$m**	**97.6**	**131.4**	**190.0**	**368.5**
Gross margin	*%*	*72%*	*74%*	*72%*	*74%*
Operating expenses	**A$m**	**-89.4**	**-119.0**	**-131.9**	**-139.7**
% of revenue	*%*	*-66%*	*-67%*	*-50%*	*-28%*
EBITDA (statutory)	**A$m**	**8.2**	**12.4**	**58.0**	**228.8**
D&A	A$m	-26.2	-48.9	-98.6	-164.3
EBIT	**A$m**	**-18.0**	**-36.6**	**-40.5**	**64.5**
Net interest	A$m	-0.2	-2.4	-5.0	-14.9
PBT	**A$m**	**-18.2**	**-39.0**	**-45.5**	**49.7**
Income tax	A$m	-0.9	19.1	13.6	-14.9
NPAT	**A$m**	**-19.1**	**-19.9**	**-31.8**	**34.8**
EBITDA (underlying)	**A$m**	**35.3**	**41.8**	**78.2**	**251.1**

Source: Bell Potter Securities estimates

RECOMMENDATION STRUCTURE

BUY	Expect >15% total return on a 12 month view. For stocks regarded as 'Speculative' a return of >30% is expected.
HOLD	Expect total return between -5% and 15% on a 12 month view.
SELL	Expect <-5% total return on a 12 month view.

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