

Megaport 2024 AGM Report

ASX code	MP1
Meeting date	Friday, 22 November 2024
Type of meeting	Hybrid
Monitor	Paul Donohue
Pre AGM-meeting	No

Meeting Statistics

Number of holdings represented by ASA	17
Number of shares represented by ASA	55,990
Value of shares represented by ASA	\$424k
Total number attending meeting	25 in person An unknown number online or on telephone
Market capitalisation	\$1.2 billion
ASA open proxies voted	ASA voted in favour of the resolutions. The conditional resolution to hold a spill meeting was not required. ASA would have voted against it.

The Megaport AGM started with a downbeat vibe. Perhaps it was the rainy weather or maybe it was in response to the CEO address, which was released to the ASX just before the meeting. This reaffirmed Megaport's previous cautious guidance and suggested the growth might be similar in FY26. This sent the shares down 10% at the open.

The formal part of the meeting was uneventful. No directors spoke in support of their re-election and there weren't many questions. All resolutions were passed with yes votes upwards of 96%. The exception was the remuneration report, which had a 12% protest vote. That was not enough to trigger the spill motion.

The annual report detailed the steps taken by the board to address the concerns, which triggered last year's first strike. These included tweaking some of the incentive hurdles and introducing a minimum shareholding for directors. But they held firm on some concerns especially those related to the attractive package required to lure Michael Reid (CEO) from the USA.

ASA asked about the "future pricing strategy", which was cryptically mentioned in the CEO letter to shareholders but not explained. We were surprised to learn it is an automated pricing engine that will provide much more flexibility in how they charge for their services. This sounds like a strategic advantage, and we suggested it should have been explained in the annual report.

We questioned why North American customers are worth 25% more than those in Asia Pacific or Europe. Apparently, the Americans tend to have larger, more complex ecosystems requiring more Megaport services.

Why are total services growing so much faster (11%) than the number of customers (4%)? They are going after higher value customers who tend to buy more services. Also, existing customers are adding additional services. The CEO stressed that not all customers are equal, so be cautious about using the simple “number of customers” metric. The best metric to measure growth is annual recurring revenue.

Our last question asked if they experience any resistance from data centre owners when they try to install the network connectivity technology that underpins the Megaport service offering? No, they don't. The data centre owners think it is a huge value add to their customers and welcome them with open arms.

Our questions were expertly answered by the CEO. He is very skilled at explaining complex technology concepts in simple terms and has been instrumental in revamping the way Megaport markets, sells, and supports their products.

The AGM was followed by a BBQ lunch with Megaport staff, board, and investors. This was a great opportunity to mingle with the technical folk who were all passionate about the organisation, its leadership, and its future prospects.

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