INVESTMENT RESEARCH

BRIDGE STREET CAPITAL PARTNERS

7 February 2022

ActivePort Group Ltd (ATV)

December Quarter: Strategic Momentum Builds

74% Sales Growth for the Quarter: ActivePort reported $4.3m of sales for the December quarter which represents 74% sequential growth on the prior September quarter. Reported sales growth was driven by the Australian managed services business, with high margin software license sales expected to begin to materialise towards the latter part of the current March quarter. 1H FY22 sales of $6.8m are well on track to achieve our FY22 estimate of $13.8m.

Global Telco Rollout Underway: During the quarter, the company has established a strong pipeline of telco channel partners straddling a mix of APAC and global telecommunications companies. Once fully deployed and activated, monthly recurring subscription fees are incurred by telco channel partners and the broader sales execution strategy kicks off in earnest targeting enterprise and SME customers of the respective telcos. Reflecting this momentum, management commentary highlights that "*license revenue is expected to build through the second half of FY22*".

Large Scale Opportunity: As the strategic focus shifts towards conversion of software sales during the current half, the scale of the market opportunity being targeted by ActivePort should become more apparent. Management noted on the analyst call that most of the currently engaged telcos are dominant companies in their respective markets and many are larger than Telstra. Furthermore, the company noted that "*some of the deals we are working on are close to $1m in license revenue, and one is potentially paid upfront*". The addressable market for ActivePort's product is very large, and during the current half we expect the company will begin to demonstrate both the effectiveness of the competitive edge articulated by the leadership team as well as the trajectory of growth in high margin software licensing fees to be anticipated over the near-term.

Financial Position: Cash at the end of the quarter was $8.2m. Management flagged that going forwards the cash burn rate of $1.5m/quarter provides a funding runway for another 5-6 quarters, excluding any allowance for incremental revenue growth. As good traction is evident concerning the establishment of sales agreements with very large global telco channel partners, we think that the realisation of high-margin software licencing sales during the current half in conjunction with the current cash position provides a strong financial position and scope to effectively execute on the growth strategy currently underway.

Revisions: We have updated our valuation for the cash position at 31-Dec as well as the current balance of options and performance rights on issue which was higher than our prior estimate. Our valuation has been revised to A$0.33/share (A$0.36/share prior).

Valuation & Recommendation: ActivePort provides investors with exposure to a software company with a strong competitive edge and a highly experienced and capable management team. The shares are trading at a material discount to our A$0.33/share (AUD) valuation set based on EV/Sales methodology. As such we reiterate our Buy rating. Key risks include the availability of funding, competition, technological change and data security.

Recommendation	Buy
Target Price (AUD)	0.33
Share Price (AUD)	0.16
Forecast Capital Return	109%
Forecast Dividend Yield	0.0%
Estimated 12mth Total Return	**109%**
Market Cap	39.6
Enterprise Value	31.4
Shares On Issue	247.5

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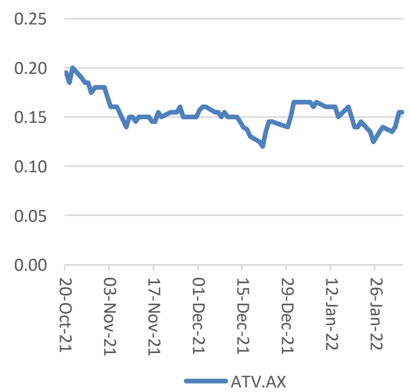
Market Data	
Ticker	ATV
52-week range	A$0.11 - $0.205
Free Float	36.7%
Sector	Technology

Key Personnel	
Non-Executive Chair	Peter Christie
CEO & Managing Director	Karim Nejaim
CTO	Mark Middleton
CFO	Robert Molkenthin



BRIDGE STREET
CAPITAL PARTNERS

FINANCIAL SUMMARY — ActivePort Group Limited (ATV)

Share Price	A$/sh	0.16
Shares on Issue	m	247
Market Cap	A$m	39.6
Net Debt / (Cash)	A$m	(8.2)
Enterprise Value	A$m	31.4

Rating	Buy
Valuation	0.33
Upside / (Downside)	109%
Dividend Yield	0%
Total Return Forecast	109%

Profit & Loss	Units	Jun-21	Jun-22e	Jun-23e	Jun-24e
Sales	A$m	8.4	13.8	26.8	42.1
Expenses	A$m	n/a	(18.7)	(27.7)	(38.2)
EBITDA	A$m	**n/a**	**(4.9)**	**(1.0)**	**3.9**
D&A	A$m	n/a	(0.4)	(0.8)	(1.3)
EBIT	A$m	**n/a**	**(5.3)**	**(1.8)**	**2.6**
Net Interest	A$m	n/a	(0.1)	-	-
Tax	A$m	n/a	-	-	(0.8)
NPAT	A$m	**n/a**	**(5.4)**	**(1.8)**	**1.8**

Cashflow	Units	Jun-21	Jun-22e	Jun-23e	Jun-24e
Cash From Operations	A$m	n/a	(8.0)	(1.0)	3.9
Interest	A$m	n/a	-	-	-
Tax	A$m	n/a	-	-	(0.8)
Net Cash From Operations	A$m	**n/a**	**(8.0)**	**(1.0)**	**3.1**
Capex	A$m	n/a	(0.3)	(1.0)	(1.1)
Acquisitions & Investments	A$m	n/a	0.8	-	-
Free Cash Flow	A$m	**n/a**	**(7.5)**	**(2.0)**	**2.0**
Borrowings	A$m	n/a	(0.1)	-	-
Equity	A$m	n/a	11.2	-	-
Dividend	A$m	n/a	-	-	-
Net Increase / (Decrease) in Cash	A$m	**n/a**	**3.6**	**(2.0)**	**2.0**

Balance Sheet	Units	Jun-21*	Jun-22e	Jun-23e	Jun-24e
Cash	A$m	12.0	4.5	2.5	4.6
Receivables	A$m	1.7	0.6	1.2	1.9
PP&E	A$m	0.2	0.1	0.3	0.1
Intangibles	A$m	13.8	13.8	13.8	13.8
Other	A$m	-	-	-	-
ASSETS	**A$m**	**27.8**	**19.0**	**17.9**	**20.4**
Creditors	A$m	2.8	0.6	1.2	1.9
Debt	A$m	2.0	-	-	-
Leases	A$m	-	-	-	-
Provisions	A$m	0.3	-	-	-
Other	A$m	-	-	-	-
LIABILITIES	**A$m**	**5.1**	**0.6**	**1.2**	**1.9**
NET ASSETS	**A$m**	**22.6**	**18.4**	**16.6**	**18.5**

Liquidity & Leverage	Units	Jun-21	Jun-22e	Jun-23e	Jun-24e
Net Debt / (Cash)	A$m	(9.9)	(4.5)	(2.5)	(4.6)
Net Debt / EBITDA (x)	x	n/m	0.9x	2.6x	(1.2)x
EBIT Interest Cover (x)	x	n/m	n/m	n/m	n/m
Net Debt / Equity (%)	%	n/m	n/m	-15%	-25%

Per Share Data (¢)	Jun-21	Jun-22e	Jun-23e	Jun-24e
Shares Out (m)	113	247	247	247
EPS (¢)	-	(2.2¢)	(0.7¢)	0.7¢
Growth (%)	n/a	n/a	-67%	-203%
Dividend (¢)	n/a	-	-	-
Payout Ratio (%)	n/a	0%	0%	0%
Net Tangible Assets (A$)	n/a	0.02	0.01	0.02
Book Value (A$)	n/a	0.07	0.07	0.07
Free Cash Flow (A$)	n/a	(0.03)	(0.01)	0.01

Valuation Metrics	Jun-21	Jun-22e	Jun-23e	Jun-24e
EV / Sales	n/a	2.3x	1.2x	0.7x
EV / EBITDA	n/a	n/a	(31.9)x	8.1x
EV / EBIT	n/a	n/a	(17.6)x	11.9x
P/E (x)	n/a	n/a	(22.1)x	21.5x
Dividend Yield (%)	n/a	n/a	0.0%	0.0%
FCF (%)	n/a	n/a	-5.1%	5.1%

Operating Metrics (%)	Jun-21	Jun-22e	Jun-23e	Jun-24e
EBITDA Margin	n/a	n/a	-4%	9%
EBIT Margin	n/a	n/a	-7%	6%
Net Profit Margin	n/a	n/a	-7%	4%
ROIC	n/a	n/a	-13%	19%
Return on Assets	n/a	n/a	-10%	9%
Return on Equity	n/a	n/a	-11%	10%
Effective Tax Rate	n/a	n/a	0%	30%

Valuation		
Managed Services Sales FY23e	A$m	15.3
EV/Sales Multiple Applied	x	3.0
Segment EV	A$m	45.8
Ports & Software Sales FY23e	A$m	11.5
EV/Sales Multiple Applied	x	5.0
Segment EV	A$m	57.5
Group Enterprise Value	A$m	103
Net Debt / (Cash)	A$m	(8.2)
Shares Out	m	247
Options & Perf Rights Out	m	37
Diluted Share Count	m	284
Equity Value Per Share	A$/sh	0.33

***Pro forma & includes $12m IPO funds raised, n/a = not available**

GROWTH STRATEGY TAKES SHAPE

ActivePort's growth strategy over the near-term is centred upon sales achieving sales of the core network orchestration software globally, via a broad network of channel partners which are primarily represented by telecommunications companies and network service providers.

As such the prerequisite for assessing the potential for sales execution is the delivery of contracted channel partners, at which point a process of engagement and training follows to drive sales of ActivePort software to the underlying network of existing customers.

ActivePort provided a detailed overview of the status of the array of telecommunications network partner contracts in the December quarterly update as follows:

Status of ActivePort's Telecommunications Partner Roll-Out:

Telecommunications carrier installation location	**Software deployment status** **("Activating" is the last installation phase before fully operational)**
USA (Miami)	Activating
Netherlands	Activating
Indonesia	Deployed
Malaysia	Deployed
Brazil (Rio de Janeiro)	Deployed
Brazil (Sao Paulo)	Deployed
Vietnam	Deployed
Macau	Shipped
Singapore	Shipped
Bahrain	Planning
Cambodia	Planning
Thailand	Planning

Source: Company Reports

In addition to these 10 companies management commentary noted that an additional 17 are in the pipeline and "*completing negotiations with Radian Arc to receive ActivePort technology*".

Underpinning these deployments with global telcos, network service providers are concurrently being appointed to assist within markets in order to provide capability in:

- Pre-sales engineering
- Field deployment
- Technical support

Traction appears strong in driving this strategy given the breadth of the telecommunications carrier installations disclosed as well as commentary in the December quarterly report which notes that network service providers have now been appointed across Australia, SouthEast Asia, Africa, India and the Middle East.

As a reminder there are 2 primary segments which are expected to account for the near-term growth in sales, these being:

- Software licensing fees

- Managed Services

During the December quarter it is evident that while significant momentum is building within software sales, managed services remains the key driver of growth. However looking ahead into the second half of the year we expect software sales to start to materialise in financial reporting. The realisation of initial software sales revenues within the business marks a key milestone in the growth of the business and furthermore validates the strategy being executed by ActivePort's leadership team. As such we believe the second half of the year is a crucial inflection point for the validation of the growth strategy.

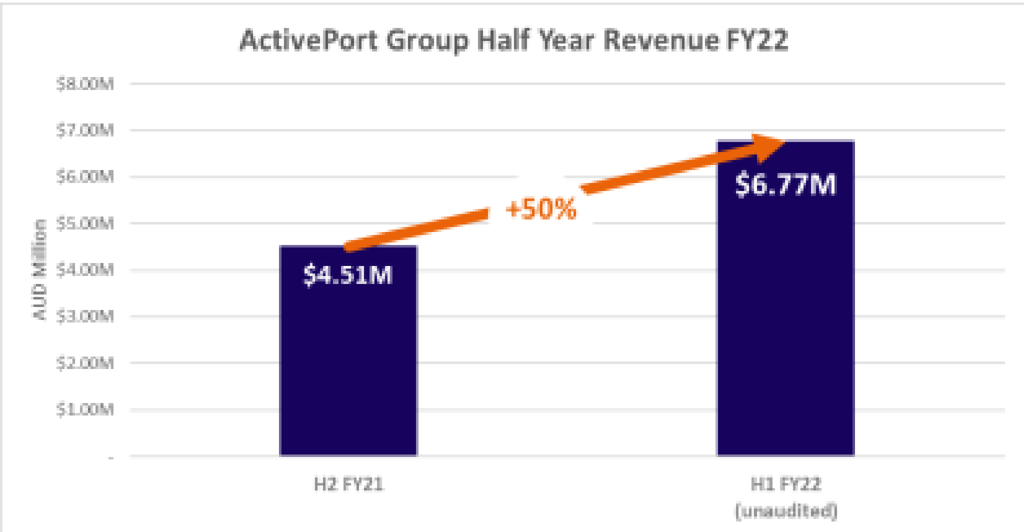
FINANCIALS

At the end of the December quarter ActivePort's cash reserves were reported at $8.2m, after consuming $3.8m during the quarter in operating activities.

This was in line with our expectations (our 31-Dec-21 forecast was $8.6m).

Activeport also reported sales for the first half of FY22 of $6.8m which was ahead of our $5.7m forecast.

ActivePort's 1H FY22 sales vs pcp



Source: Company Reports

Note: The revenues shown in the charts above are proforma and assume the consolidated group was in place during those periods. The effective date of consolidation was 27 September 2021

The sales growth for the half was driven by the managed services business.

In addition the company outlined a summary of the use of funds to the end of the December quarter relative to what was disclosed in the prospectus. This summary table is illustrated below:

ActivePort's Use of Funds To Date vs Prospectus Estimates

Use of Funds under Prospectus[1]		Funds allocated under the Prospectus	Funds expended to 31 December 2021
Business growth and acquisitions		1,700,000	881,000
Global sales development		4,200,000	1,229,000
Product engineering and tech support		2,400,000	1,250,000
Capital raising and listing costs		870,000	837,000
Administration and other corporate costs		375,000	249,000
Working capital		2,595,000	427,000
		12,140,000	**4,873,000**

Source: Company Reports

Management have previously indicated that the company's funding position (in the wake of the IPO where $12m of capital was successfully raised) is sufficient to provide for delivery of the strategic growth plan for approximately 2 years. The IPO funds primarily go into sales and marketing, as well as international expansion as is outlined in the use of funds table above.

Going forwards the cash burn rate from the December quarter (-$3.8m) will moderate to around $1.5 million per quarter providing a runway for 5-6 quarters excluding any contribution from incremental revenue.

The ongoing deployment pipeline across global telcos requires up-front investment in equipment to support and activate (~$50k/installation), however once activated the installed equipment incurs recurring receipts of ~$800/month (under minimum monthly guarantees) and facilitates the roll-out of SD-WAN and other network features to the customer base.

Furthermore in the medium-term we expect that these contracts provide the potential to finance capital equipment installations via a debt facility, once ActivePort is further progressed and proves up a track record and critical mass of activated customers paying the minimum monthly guarantees.

We understand the broad timeline for advancing contracts with global telcos through to realising very high margin software sales is approximately 6 months, with the system installation and activation requiring approximately 3 months at the outset. During this period of activation ActivePort is able to kick off engagement with the internal sales team within a global telco and begin a focused strategy of engagement to drive sales of software licensing revenues once deployments go live.

With this in mind and with reference to the installation pipeline disclosed in the December quarterly report, we expect the company should start to realise initial software license sales during the fourth quarter of FY22. In the interim the managed services business should continue to grow, particularly in light of the gradual normalisation of business conditions post-covid. As such, the broad strategic traction and the outlook over the next 12-24 months indicates that ActivePort remains in a solid position to continue to execute and grow.

Given the breadth of the customers that underlie the large telco channel partners which are in the pipeline, we think the possibility of ActivePort achieving success within the identified suite of potential customers is high, as the scale of any one customer could generate reasonable cashflows if ActivePort's network solutions gain traction across the underlying SME and Enterprise customers.

To put this into context, larger customers could represent up to $10k/month in software licensing revenues (at the small end this could be approximately $300/month) at very high gross margins given the very limited variable costs that are associated with incremental sales of software licences.

Overall ActivePort's financial position remains solid and we think the company remains well funded to deliver on the growth strategy which is well underway.

WHAT'S NEXT

ActivePort outlined the forthcoming release (during the second half) of new products and features which follows on from the completion of field trials. These include:

- Private cloud orchestration features
- Last-mile network provisioning interfaces targeted at Australian telcos
- An edge router operating system
- A high-security virtual edge solution

The high-security virtual edge solution is notable given the distinct features it carries which are arguably more advanced compared to comparable products which have had strong success in the marketplace.

The last mile provisioning interface is also a capability addition which carries the potential to generate software sales faster.

The market potential for telcos and ISP's to look to use ActivePort's software for orchestration of their network could represent significant leverage given the larger upfront license fees associated with these products which also earn an ongoing percentage payment of fees.

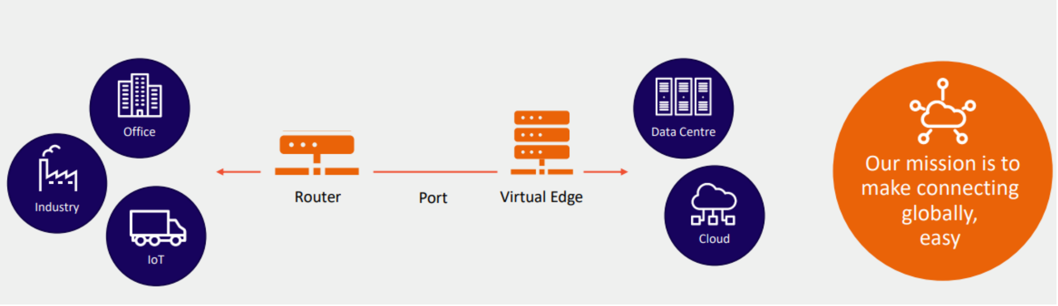
The key operational focus in the near-term is securing signed contracts, followed by driving deployments, and commencing active engagement with the sales teams of channel partners to drive software license revenue realisation.

However ongoing innovation and capability expansion within ActivePort's suite of products continues. Over time, we are optimistic that this may lead to the emergence of an expanded market opportunity and strengthened competitive position, as the value proposition which has been outlined and established with channel partners is active and more easily expanded to incorporate additional products.

INVESTMENT VIEW

ActivePort Group Ltd (ATV) is a software company which facilitates data connections between company premises (such as offices, factories and remote workplaces), known as the "edge" of enterprise IT networks, to essential cloud computing services.

Typical Global IT Network Connection Design:



Source: Company Reports

Utilising its network of aggregator nodes deployed in strategic locations, ATV can connect customers to ActivePort services including SD-WAN and other enterprise cloud services. The essence of ATV's capability is a simple software-based user interface which consolidates highly complex and disparate enterprise IT services into a single user gateway, provided on a flexible as-a-service revenue model.

The company earns revenue as follows:

- Selling software licenses (base fee + per-connection fees)
- Selling data transit capacity on its SD-WAN aggregator network (charged on a per gigabit transferred basis)
- Providing managed services to assist customers to operate their networks

Should ATV succeed in scaling its business in accordance with its defined strategic vision, we foresee a very large global opportunity for the business in a sector benefiting from structural tailwinds and rapid-growth rates. The potential returns for shareholders are very significant.

However ATV is also an early-stage company and therefore is subject to a higher risk profile, including risk of aggressive competition from larger players, and the risk of availability of growth capital given the company is currently small scale and investing heavily in expansion, and therefore cashflow negative.

The company is in a sound financial position after the recent IPO which raised $12m which management have stated is sufficient to provide for the company's strategic growth plans for the next 2 years. The IPO funds primarily go into sales and marketing, as well as international expansion.

Competing in the global market for cloud and networking services requires a global vision, hand-in-hand with a critical mass of connected global technological infrastructure. Achieving scale quickly is an important determinant of success, and we anticipate ATV's near-term strategy will be one of accelerated growth.

Importantly, ATV's management team is highly experienced, capable and aligned, which is a critical element of any investment consideration in small companies.

Why ActivePort Can Succeed

- ActivePort has an innovative, unique software offering which seeks to address a clearly identified problem faced by global enterprise customers across a range of industries
- ATV's solution sits on the "edge" of enterprise IT networks, a critical and rapidly growing frontier in cloud computing connectivity
- The product has already gained significant traction with local and international telecommunications customers
- ActivePort has deployed its own network of SD-WAN aggregator nodes in strategic locations which provides customers with portal access almost anywhere in the world
- ATV's products and services are network independent and device agnostic, facilitating maximum flexibility and choice of services and technologies
- The company is positioned in a substantial and rapidly growing global market for connectivity and cloud computing services
- Strong scalability and operating leverage, as well as a capital light global expansion strategy
- The business is lead by a highly experienced and aligned management team with deep telco and software industry experience and contacts

Key Catalysts To Watch:

- Acquisitions in key markets
- Major customer wins

Earnings Estimates & Valuation:

We value ATV at $0.33/share using EV/Sales valuation methodology based on the following key assumptions.

- Managed Services FY23 sales of $15.3m based on 35% growth from FY21 of $8.4m
- Software licences & port sales in FY23 of $11.5m based on indicative management commentary around the growth trajectory of the segment
- EV/Sales multiple applied of 3.0x for Managed Services revenue and 5.0x for Software/Port revenue, assumed with reference to industry and peer averages

VALUATION SUMMARY

We adopt EV/Sales multiple methodology as our primary valuation framework for ATV, given the higher degree of confidence we can assign to sales projections versus free cash flows, given the early stage, high growth strategy being undertaken by the company.

We apply a separate multiple for each of the core segments being Managed Services and Software/Port license fees given the distinct nature of each of these categories as discussed in the section above.

Our sales assumptions are:

- Managed Services FY23 sales of $15.3m based on 35% growth from FY21 of $8.4m
- Software licences & port sales in FY23 of $11.5m based on indicative management commentary around the growth trajectory of the segment
- EV/Sales multiple applied of 3.0x for Managed Services revenue and 5.0x for Software/Port revenue, assumed with reference to industry and peer averages

We have updated our valuation for the company's cash position at 31-December, as well as the updated options and performance rights which was higher than our prior estimate.

A summary of our updated valuation is outlined below:

Valuation		
Managed Services Sales FY23e	A$m	15.3
EV/Sales Multiple Applied	x	3.0
Segment EV	A$m	45.8
Ports & Software Sales FY23e	A$m	11.5
EV/Sales Multiple Applied	x	5.0
Segment EV	A$m	57.5
Group Enterprise Value	A$m	103
Net Debt / (Cash)	A$m	(8.2)
Shares Out	m	247
Options & Perf Rights Out	m	37
Diluted Share Count	m	284
Equity Value Per Share	A$/sh	0.33

We set our 12-month target price equal to the valuation derived in the analysis presented above of A$0.33/share.

BOARD OF DIRECTORS

Peter Christie – Non-Executive Chairman

Peter is a technology specialist with 30 years across all aspects of the IT industry including software development, global network management and enterprise systems implementation. Extensive experience in capital raising, IPO's and senior management of listed technology companies. Peter's long career includes global technology companies such as Kodak, Unisys, IBM, Logica, Mincom and Orange. Chairman of Nexion Group and RadianArc.

Karim Nejaim – Managing Director & CEO

Karim has a background of 25 years in telecommunications, most recently with Telstra as Executive Director - Product Engineering. Previously Karim held positions of Dir. Global Enterprise Product Engineering and Dir. Network Services and Facilities. Prior to Telstra, Karim was Group VP, IP Core at Optus having held positions including VP, Converged Services Engineering, Head of Strategy and Planning, Networks and GM, IP Services Engineering.

Chris Daly – Non-Executive Director

Chris has 30 years of management experience operating in the contracting, fabrication, equipment rental, mining and construction sectors. Chris has extensive experience in managing businesses with a keen focus on financial management, job costing, business processes and safety and standards accreditation. Chris was previously owner of a multifaceted mining services provider, DSA that was sold to ASX-listed REL in 2011.

Kathryn Soares – Non-Executive Director

Kathryn is an information technology business owner and manager with 30 years of experience in delivering ICT solutions across multiple industry sectors. Kathryn started her career with Platinum Technology in Chicago (later CA technologies) before moving to Sun Microsystems in Melbourne. Kathryn's various roles included technical delivery, pre-sales engineer, project management and later Pre-Sales Manager. Kathryn then accepted a role within Siemens as WA Branch Manager going on to work within the local ICT market. In 2009, Kathryn established Vizstone, a Perth based ICT provider looking after the Energy Market. Kathryn has a Masters in Digital Communications from Monash University and is a champion for Women in STEM.

KEY MANAGEMENT PERSONNEL

Mark Middleton – Chief Technology Officer

Mark has a 34-year career as a technologist well versed in all aspects of software development, network engineering and data centre infrastructure development. Mark worked for Novell in the 90's before establishing Rescue Technology and Acure which he later sold to Amcom (now Vocus). Mark is an expert in wide area networks and architect of the ActivePort software.

Robert Molkenthin – Chief Financial Officer

Robert brings over 25 years of corporate finance experience from senior CFO positions across Australia, Europe and the USA. Previous experience includes raising capital, completing IPOs and managing ASX compliance. Robert's track record also includes building international businesses and operating within a globally distributed executive team.

Steven Norris – Head of Global Sales

Steven has a 26-year career in Sales, Marketing and Product Management in the IT&T sector. Steven worked at TPG Telecom for 14 years in several roles, most recently as Northern Region Manager, with prior roles as State Manager and Head of Business and Corporate. Previously, Steven was the Solution Sales Manager at Netcomm, the Business Unit Manager at Unitel, and ran product for the system Integration business unit at Commander.

Steven brings experience of multi-channel sales with roles responsible for Direct, Wholesale and Dealer in the Systems Integration, Hardware Distribution and Telecommunications sectors.

Simon Love – Global Head of Infrastructure

Simon began his career as a Transmission Engineer 28 years ago and has built a career in leadership roles including Vice-President Fixed and Satellite Services, General Manager Technology Strategy & Planning and Director of Transmission & Access Engineering for Optus. Simon joined ActivePort from his role as General Manager, Fixed Networks for Visionstream. Simon has a Bachelor of Applied Science, Physics from the University of Technology, Sydney.

Jack Toby – Company Secretary

Jack is a Fellow of the Institute of Chartered Accountants in Australia, a Fellow of the Institute of Chartered Accountants in England and Wales and an Associate member of the Australian Computer Society. Jack has extensive experience as Company Secretary and Chief Financial Officer of several listed public companies and major corporations for over the last 30 years.

COMPANY SPECIFIC RISKS

The following risks are important factors for investors to be mindful of when considering an investment in shares of the company. This list is by no means exhaustive and should be read carefully in conjunction with the body of the report.

Limited History

ActivePort has a limited history and track record. Past growth rates may not be a reliable indication of future growth rates.

Customer Relationships

The growth of ActivePort depends in part on increasing the number of its customers and retaining existing customers. ActivePort's ability to maintain levels of customer numbers, or to increase the number of customers, could result in ActivePort's revenue or margin declining or operating results being materially and adversely affected.

Reputational Risk

Extended disruption to ActivePort's services within or beyond its control could cause customers to view ActivePort as an operational risk and this could adversely affect ActivePort's ability to retain existing customers or attract new ones.

Supplier Relationships

ActivePort is dependent on ongoing relationships with key suppliers, including wholesale suppliers of data and voice networks, power suppliers, product vendors including software component developers and third-party data centre operators. Termination or failure to renew agreements with key suppliers could have a material adverse effect on ActivePort's price-points, operations and financial position.

Competition Risk

ActivePort provides software and services that are similar to those available from other suppliers. Competition from suppliers that offer an improved or cheaper service could negatively impact ActivePort's revenue and growth.

Changes to Laws & Regulations

ActivePort is subject to local laws and regulations in each jurisdiction in which it provides its services. Changes in or extensions of laws and regulations affecting ActivePort's business could restrict or complicate ActivePort's operations. In conducting its operations, the Group is required to comply with a range of laws and regulations applicable to the telecommunications, consumer protection, privacy, competition, employment and workplace safety. A failure to comply with applicable laws and regulations could result in restrictions or fines being imposed on the Group, or legal proceedings being commenced against the Group.

COVID-19 risks

The coronavirus disease (COVID-19) is impacting global economic markets. The Company's Share price may be adversely affected in the short to medium term by the economic uncertainty caused by COVID-19. Further, any governmental or industry measures taken in response to COVID19 may adversely impact the Company's operations and are likely to be beyond the control of the Company. The impact of COVID-19 on Australian business has also had an impact on sales of internet services in Australia. The small to medium business market segment has been adversely affected to a greater extent than other market segments, resulting in reduced new customer sales and higher customer cancellations than pre-COVID-19 averages in this segment. The decrease in customers in this segment has been offset to an extent by increased sales in wholesale and residential markets, however there is a risk that the ongoing impact of COVID-19 on customer demand in the small to medium business market (or in the market for internet services generally) could have an adverse impact on the performance of the Group.

Technology Risks

A failure by ActivePort to adapt to technological changes could have an adverse effect on ActivePort's business, operating results and financial position. The telecommunications and communications industry continues to experience rapid technological change and development. ActivePort is at risk from major technological improvements in alternative services or on its ability to access and adapt to technological changes in a cost-effective manner.

Technology Performance

Whilst ActivePort believes it is using proven technologies and has established systems to efficiently carry out its operations, the viability of its endeavours can be affected by force majeure circumstances, incompatibility of hardware or software with customer systems, market access constraints, cost overruns, the performance of associated parties or unforeseen claims and events

Hacking & Vandalism

ActivePort may be adversely affected by malicious third-party applications that interfere with or exploit potential security flaws in its software and infrastructure, which may result in a material adverse effect on ActivePort's reputation, operations and financial position.

Catastrophic Loss

Computer viruses, fire and other natural disasters, break-in or other security problems, a failure of power supply, information systems, hardware, software or telecommunication systems or other catastrophic events could lead to interruption, delays or cessation in service to ActivePort's customers and subsequent adverse impact on ActivePort's revenue.

Acquisitions

ActivePort's sales targets may be impacted if it is unable to find suitable businesses and acquire them on reasonable terms. Once acquired, businesses might perform worse than expected. As part of its growth strategy, ActivePort may make further acquisitions of complementary businesses or enter into strategic alliances with third parties. Any such future transactions are accompanied by the risks commonly encountered in making acquisitions of companies or assets, such as integrating cultures and systems of operation, relocation of operations, short term strain on working capital requirements, and retaining key staff.

Growth

There is a risk that ActivePort may be unable to grow its business through acquisition of new customers or increasing revenue generated from existing customers. A lack of growth may cause future losses.

International Expansion

ActivePort has and will continue to attempt to acquire customers in foreign jurisdictions. There is no guarantee that ActivePort will be able to retain or continue to grow its revenues in those jurisdictions. As ActivePort expands into existing or new jurisdictions, there are risks that these initiatives may result in additional operating complexities, new and unique regulatory requirements, unforeseen costs, failure to achieve expected revenue or to achieve the intended outcomes.

Insurance

ActivePort will maintain adequate insurance coverage in line with industry practice, but there may be some losses against which it cannot be protected or claims that are refused. If ActivePort incurs uninsured losses or liabilities, its business may be materially, adversely affected.

Requirement to Raise Additional Funds

ActivePort may be required to raise additional equity or debt capital in the future. There is no assurance that it will be able to raise that capital when it is required or, even if available, the terms may be un-satisfactory.

Economic Risks

ActivePort's performance will be dependent on the general conditions and outlook of the local and global economies. These economies may in turn be affected by levels of business spending, inflation, interest rates, exchange rates and access to debt and capital markets. A prolonged or significant downturn in general economic conditions may have a material adverse impact upon ActivePort's financial performance.

Reliance on Key Management

ActivePort's success relies to a significant extent on its key technical experts, management and staff. There is a risk that ActivePort may not be able to find similarly skilled replacements should any of these individuals be unable to fulfill their roles.

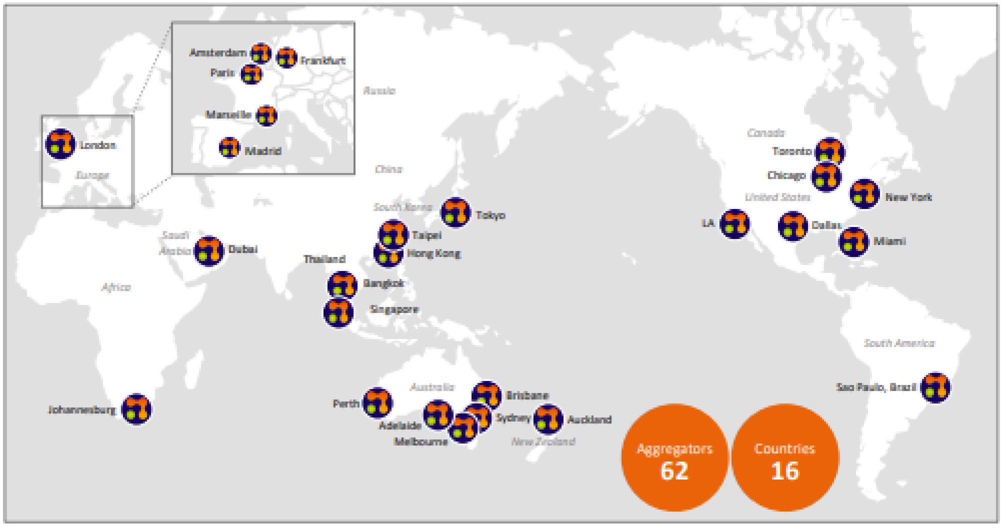
Other Risks

There are a range of other risks with respect to the industry in which the Company operates and general investment risks, many of which are largely beyond the control of the Company and its Directors.

COMPANY DESCRIPTION

ActivePort Group Limited (ATV) offers a software defined wide area network (SD-WAN) orchestration solution to the global telecommunications industry. ActivePort's software lets customers create network connections, deliver cloud services and manage their networks at a local, national or global scale. The result is simplicity, agility, speed and reduced costs.

<u>ActivePort's Global SD-WAN Edge Aggregation Network:</u>



Source: Company Reports

ActivePort generates revenue by licensing its software on a per-connection basis, selling data transit capacity on its SD-WAN aggregator network, and providing managed services to assist customers in operating their networks. ActivePort is network independent and device agnostic allowing our customers to create global networks from a blend of services and technologies.

The company's strategic plan is to expand quickly around the globe to take advantage of the rapidly growing SD-WAN and cloud orchestration markets.

APPENDIX 1

By downloading this report you acknowledge receipt of our Financial Services Guide, available on our web page www.bridgestreetcapital.com.au.

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DISCLOSURE

Daniel Seeney, an authorised representative of BSCP, certifies that the advice in this report reflects his honest view of the company. He has over 15 years investment experience in wholesale capital markets. He worked as an equity research analyst for J.P. Morgan, Citigroup & Investors Mutual Limited. He now provides equity research services. He may own securities in companies he recommends but will declare this when providing advice. He does not own shares in ATV. He is paid a fee for providing this report. BSCP are Corporate Advisors to ATV and receives fees from services provided. BSCP, its directors and consultants may own shares and options in ATV and may, from time to time, buy and sell the securities of ATV.

Bridge Street Capital Partners Pty Ltd (BSCP) acted as lead manager and received fees from the IPO of ActivePort (ATV) including (a) a lead management fee of 2% of all funds raised under the Offer; (b) a placement fee of 4% of all funds raised under the Offer; (c) a retainer of AUD$6,000 plus GST per quarter; and (d) 9,811,475 Lead Manager Options exercisable at $0.40 on or before 30 September 2024.

BSCP has an interest in the securities and options of ATV and may earn brokerage, commissions, fees and other benefits and advantages in connection with the making of a recommendation or a dealing by a client in these securities and has done business with the company covered in this report. Investors should consider

investment risks and conflicts highlighted at the end of this report and not only consider this report in making an investment decision.

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