

9 March 2017

Spark Offer is woefully inadequate TeamTalk recommends shareholders - take no action

TeamTalk Limited (NZX: TTK) shareholders will shortly receive an offer document from Spark New Zealand Trading Limited (Spark) seeking to acquire their shares for 80c each. TeamTalk recommends shareholders **TAKE NO ACTION** in respect of the offer from Spark until they receive TeamTalk's Target Company Statement. This will be released by 23 March 2017 and will include an Independent Adviser's report and the TeamTalk directors' recommendation.

Roger Sowry, Chairman of TeamTalk said: "We provided Spark with confidential and sensitive due diligence information to assist them to increase their offer significantly above \$22.7 million for all the shares of TeamTalk. We also updated the market with profit guidance to 30 June 2018 last week as part of our interim results and turnaround plan update. Spark appears to have ignored the information we have made available. Their tactics continue to be predatory and highly opportunistic."

"Grant Samuel has been appointed by TeamTalk to act as the Independent Adviser who will provide an independent assessment of the merits of the Spark offer and a value range for TeamTalk shares."

The directors of TeamTalk are firmly of the view that the Spark offer is inadequate and significantly below fair value for TeamTalk:

- The timing of the Spark offer is opportunistic - TeamTalk is making excellent progress on its turnaround strategy as shown by TeamTalk's interim results last week. TeamTalk's earnings are forecast to grow strongly over the next two years and reach a profit after tax in the range of \$4.1 million to \$5.6 million by 30 June 2018. TeamTalk's new management team is delivering to the plan. TeamTalk has indicated previously that it will consider a resumption of dividends in the financial year starting 1 July 2017.
- The Spark offer is woefully low - it represents a price earnings ratio (PE ratio) of between 4.1 and 5.5 times for TeamTalk's profit after tax forecast for the year to 30 June 2018. Spark is currently trading on a PE ratio of around 16 times for the year to 30 June 2018. Spark is, therefore offering TeamTalk shareholders a very large discount to Spark's own valuation rating.
- Spark is attempting to capture the upside benefits of TeamTalk's business plan before it is implemented to the detriment and expense of TeamTalk's shareholders through a one-time cash pay-out at a low value. Share market analysts are forecasting low profit growth for Spark between 2017 and 2018¹. TeamTalk is forecasting strong profit growth which Spark is attempting to capture for its own benefit.

¹ Source: *Craigs Investment Partners brokers note, dated 16 February 2017.*

- Spark has stated they will conduct a strategic integration review and assessment of TeamTalk with the likely intention of implementing synergy and cost out initiatives and focus on growing TeamTalk's business, leveraging Spark's capabilities and sector expertise. The Spark offer does not include any value for the synergy benefits that TeamTalk would deliver to Spark - these are likely to be significant.
- The Spark offer contains over 20 conditions. These conditions include a Commerce Commission approval process which could take several months and could result in Spark's application being declined. Given these conditions to the Spark offer, TeamTalk shareholders may not know for several months whether or not the offer will be successful and whether they will receive their pay-outs from Spark. The timing of any pay-out, if made, may be uncertain.

Andrew Miller, CEO of TeamTalk said; "I am amazed that Spark talks of implementing synergy and cost out initiatives and growing TeamTalk's business if they are successful, but are not able to put forward an offer that demonstrates more value. The additional synergy benefits that TeamTalk delivers to Spark are valuable and would sit in Spark's pockets and not those of our shareholders."

"Spark are too busy looking backwards at the last few years and not the full history of TeamTalk where it has been successful and paid out good dividends to its shareholders. A company should be valued on its expected future earnings and cash flows. I have successfully led turnarounds before and I know that TeamTalk is off the bottom and going back up. We have learnt from experience in setting the new business plan which we are now delivering. TeamTalk today is in much better shape than it was even five months ago when I joined. A share price of 80c is a fabulous deal for Spark and a poor one for TeamTalk's shareholders."

TeamTalk will release its Target Company Statement by 23 March 2017 which will include the Independent Adviser's assessment of the merits of the Spark offer and place a valuation range on the TeamTalk shares.

TeamTalk can confirm it is in discussion with a number of parties with respect to transactions and will make the required announcements when appropriate. We believe that these transactions have the potential to provide a better outcome for our shareholders.

Spark does not currently own any shares in TeamTalk. TeamTalk has over 1,500 shareholders and Spark has confirmed in its offer document that not a single one of them has agreed to sell any of their shares to Spark.

The current view of the directors of TeamTalk is that the Spark offer is inadequate and significantly below fair value for TeamTalk. The directors will make a final recommendation when the Target Company Statement is released to TeamTalk shareholders.

There is no benefit or advantage to TeamTalk shareholders in accepting the Spark offer early. The offer cannot be closed early or withdrawn (except with the consent of the Takeovers Panel) and the offer price cannot be reduced. However, once given, your acceptance cannot be withdrawn. TeamTalk shareholders who accept the offer will not be paid unless and until the offer becomes unconditional. This could be several months from now, if ever.

The TeamTalk board has advised shareholders to take no action until they receive the company's Target Company Statement.

Ends

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