



News Release

Friday, 24 March 2017

Vodafone New Zealand to acquire 70 per cent stake in TeamTalk's Farmside for \$10 million in cash

Vodafone New Zealand Limited (**Vodafone NZ**) and TeamTalk Limited (**TeamTalk**) (NZX: TTK) have reached an agreement that would see Vodafone NZ acquire 70 per cent of the shares in BayCity Communications Limited for \$10 million in cash. BayCity Communications and its wholly owned subsidiaries (trading as **Farmside**) own and operate TeamTalk's rural broadband and satellite business.

The transaction includes a put option that enables TeamTalk to sell its remaining 30 per cent to Vodafone for \$3 million at any time in the next three years. Vodafone NZ would hold a call option which enables it to acquire the remaining 30 per cent of the shares in Farmside for \$3 million in certain circumstances.

The transaction builds on the longstanding relationship between the two companies and offers the opportunity for synergies beyond Farmside. TeamTalk will continue to manage Farmside under a management contract.

Andrew Miller, TeamTalk Chief Executive said, "For TeamTalk, this transaction will enable a substantial reduction in debt, provides a clear path forward for Farmside, and further assists TeamTalk to consider the resumption of dividends to shareholders in calendar year 2018.

"It also enables us to strengthen our partnership with Vodafone, a significant provider to rural New Zealand.

"The Independent Adviser's Report which was released on 23 March 2017 as part of TeamTalk's Target Company Statement valued Farmside in the range of NZ\$9.6 million to NZ\$12.0 million. The proposed transaction values Farmside at \$13.0 million".

Russell Stanners, Vodafone NZ Chief Executive said, "This is an opportunity to deliver better outcomes for rural customers, to increase our presence in the rural broadband market and to utilise the skillsets of the two complementary companies.

"The proposed investment by Vodafone in Farmside further deepens the strategic relationship between ourselves and TeamTalk. There are other opportunities for us to partner, for instance sharing fibre including future upgrade and maintenance costs".

The transaction is subject to approval by TeamTalk shareholders. It is expected that a Notice of Meeting will be sent to TeamTalk shareholders next week seeking their approval of the proposed sale of the 70% stake in Farmside to Vodafone NZ, and the Board recommends that shareholders vote in favour of this transaction.

Roger Sowry, TeamTalk's Chairman said, "Today's announcement provides further validation of the strategic nature of TeamTalk's assets and the Board's recommendation that shareholders reject Spark's offer of 80 cents per TeamTalk share.

"The Farmside transaction comes on top of the company's strategy re-set and transformation programme that saw a return to profitability in the six months ending 31 December 2016. It further demonstrates that TeamTalk's executive team, led by Chief Executive Andrew Miller, are successfully implementing the turnaround strategy to realise the company's inherent potential and to maximise shareholder value."

The TeamTalk Board reiterates its earlier advice to shareholders that the Spark Offer is without merit and not in the interests of TeamTalk shareholders.

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