

12 May 2017

TeamTalk enters agreements with Powerco and Wellington Cable Car which reduce and defer major capital expenditure for its CityLink network

[TeamTalk](#) Limited (NZX: TTK) today announced that its wholly owned subsidiary, CityLink Limited, has entered agreements with Powerco and Wellington Cable Car Limited (WCCL) which reduce and defer major capital expenditure items relating to its CityLink fibre-optic network in Wellington.

Roger Sowry, Chairman of TeamTalk said, "TeamTalk's management has been working on these deals following the appointment of new CEO, Andrew Miller, in September 2016. The completion of both agreements will increase TeamTalk's cash flows by reducing the amount of capital expenditure and then moving this reduced capital requirement to future years. The CityLink network continues to be a valuable and strategic asset."

Powerco owns and operates gas and electricity distribution networks and owns or has rights of use to underground ducts in Wellington. Powerco has agreed to grant CityLink the exclusive right to undertake confirmatory due diligence on the suitability of the ducts for carrying CityLinks fibre-optic cable and to negotiate a commercial deal for their exclusive use.

A separate agreement with WCCL enables CityLink to continue to use building stays (comprising a substantial part of WCCL's trolley bus infrastructure) to maintain above ground-support for the CityLink fibre-optic network until 31 January 2021.

TeamTalk's chief executive Andrew Miller said, "One of the risks TeamTalk faced was the need to migrate part of our CityLink network off the trolleybus infrastructure in the next 12 months due to the imminent shutdown of the trolleybus service. Although only 32Km of our 250Km of fibre in Wellington needs to be moved off the trolleybus infrastructure and put underground, the network is dependent upon that infrastructure.

"The WCCL agreement extends the timeframe for the transition out until 31 January 2021 and means that the capital expenditure required for this change can be deferred until later years. TeamTalk will now not start incurring such capital expenditure until the financial year ending 30 June 2020."

If, as CityLink expects, the Powerco ducts are suitable for fibre-optic cable, the ability to secure exclusive rights from Powerco potentially provides access to existing underground ducts for the CityLink network as it transitions from the above ground WCCL network, reducing previously anticipated capital expenditure whilst enabling an extension of its network coverage.

“TeamTalk expects the final agreement to reduce the cost of taking the remaining above-ground infrastructure underground which will help to secure the long-term future of the company’s valuable CityLink network in Wellington.”

TeamTalk welcomes the goodwill extended by Powerco and WCCL and appreciates the support of both companies in facilitating these agreements.

“These agreements have significant strategic value and strengthen TeamTalk’s position as a wholesale fibre provider. The WCCL agreement enables the company to defer and substantially reduce the quantum of our capital expenditure while the PowerCo agreement provides TeamTalk with exclusive access to existing underground ducting,” Andrew Miller said.

Ends

For further information, please contact:

Andrew Miller

Chief Executive M: +64 27 458 4525

TeamTalk E: andrew.miller@teamtalk.co.nz