



Chairman's TeamTalk Annual Meeting Presentation

Welcome Ladies and Gentlemen, to the 2016 Annual Meeting of TeamTalk.

I want to acknowledge the TeamTalk Directors sitting here,

- Tone Borren
- Reg Barrett
- Geoff Davis
- George Paterson
- Nathan York

Our new Chief Executive Andrew Miller who will speak to you later.

Our Auditors, KPMG and our legal advisors Crengle, Shreves & Ratner are also present.

We also have several of our senior staff present.

The TeamTalk group has had a difficult year but the results do need to be viewed against a backdrop of considerable group-wide transition, significant investment in infrastructure and a challenging environment. At \$12.60 million EBITDA was a bit lower than expectations. There were a number of non-cash charges relating to accelerated depreciation and the impairment of a number of fixed assets and intangibles which means that the full year bottom line result is a loss.

To briefly re-cap the results of our 3 business units last year.

CityLink – a niche business broadband service provider – continued to make gains with an EBITDA result of over \$7.2 million which was almost 11% up on the year before.

CityLink made good progress on the delivery of the Government contract known as Telecommunications as a Service (TaaS) GNet Carrier Interconnect (Peering) Service.

In this contract CityLink is responsible for installing, commissioning, operating, and managing interconnect (peering) services in all the datacentres, right across the country, that are part of the wider TaaS contract. So far, the service has been deployed into datacentres in Trentham, Hamilton, Takanini and Auckland with more to be commissioned in the coming year.

Farmside – Providing leading broadband services to rural New Zealand – has had another challenging year with EBITDA down substantially on the previous year.

Despite the poor result there are some positives to take from the year.

The launch of an RBI (digital) voice product which has been taken up by the majority of Farmside's RBI customers and the launch, near the very end of the financial year, of a 4G RBI service in a range of regional centres.

The biggest driver of Farmside's fortunes over the last few years has been the greater than expected loss of satellite customers and decline in profitability from the remaining users. To that end the announcement we made, in early June, of the successful negotiation of an alternative satellite provider is a material step forward for the business.

TeamTalk Wireless – provider of nationwide mobile radio and wireless broadband services – finished the period with EBITDA marginally down on the previous year.

In the 'new product category' was the launch of RTmax which is an affordable, entry-level digital mobile radio network, based on Motorola's Linked Capacity Plus technology. The initial release in Auckland has already attracted hundreds of customers and planning is well underway to increase capacity in that market as well as extending coverage later this year into the Waikato, Bay of Plenty, Wellington and potentially beyond.

We farewelled David Ware, the company's founder and Managing Director, who made an enormous contribution to the group over his more than 20 years at the helm.

Our new Chief Executive Officer Andrew Miller commenced his role in September. Andrew joins us from Callaghan Innovation and brings a wealth of knowledge and experience of the telco sector from his impressive background including a period as Managing Director of Alcatel Lucent NZ & Pacific Islands.

The board is confident that Andrew's commitment to innovation and his agenda to get more from our assets, while working more closely with industry partners, makes him a good fit for the group as we prepare for the future.

The arrival of a new CEO is an opportune time to consider the group and its wider corporate strategies with a 'fresh set of eyes'. Accordingly, as previously announced, the board engaged Cameron Partners to assist with a review of the group's strategy.

Cameron Partners' analysis indicated that the underlying value of the business was not reflected in the current depressed share price, and there potentially existed a range of opportunities and options to add significant value to the firm. Their work has been followed by a deep analysis of the business which Andrew Miller has led with his team.

This has led to the development of a High Level strategy that has been signed off by the Board.

An important element of the strategic review is consideration of the group's cash flows, capex requirements and dividend policy.

Two significant capex requirements are the Farmside's satellite customer migration to the new Optus service and within CityLink the need to migrate parts of its Wellington fibre network off the city's trolley bus infrastructure.

There are a number of options in relation to this that are being worked through which Andrew will elaborate on shortly.

Over the past 6 months the Board and Cameron Partners have fielded inquiries of general interest by firms interested in partnering with us on different parts of our business. Some of these discussions are ongoing.

There have also been some unsolicited and opportunistic enquiries whether parts, or all, of TeamTalk may be for sale. This has helped us to understand, and inform, our strategic options.

We are confident that the new strategy will unlock significant value for shareholders. The Board and senior management team are firm in their belief that the current share price undervalues the company on a standalone basis.

As I stated earlier the Board took the decision to write off a substantial amount of assets in Farmside around the IP Star customers. This write off coincided with our decision to move to the better, in both bandwidth and cost, Optus service. This decision meant we finished the year with a small deficit and we were unable to pay an end of year dividend.

The Boards priority for 2016 – 17 is to return a profit, reduce debt and meet our capital requirements. A resumption of dividends will be considered as soon as we have done this.

We will keep you, our shareholders, updated as our strategy is progressed.

Roger Sowry
TeamTalk Board Chairman