



## **MARKET RELEASE**

**7 February 2017**

### **Spark files notice of intention to acquire TeamTalk**

Spark New Zealand Trading Limited today advised it has filed a notice of its intention to make a full takeover offer for 100% of the fully paid ordinary shares in TeamTalk Limited at an offer price of 80 cents per share.

TeamTalk is comprised of three operating businesses; TeamTalk (mobile radio services), CityLink (provision of metro fibre services primarily in the Wellington CBD), and Farmside (internet service provider focused on the rural market).

This notice is consistent with Spark's strategy to achieve greater control of the end-to-end customer experience for our business customers, as outlined in the FY16 Full Year Results announcement to the market. Spark has also indicated it will make selective acquisitions of complementary businesses that support Spark's revenue and earnings growth, and TeamTalk fits this criteria.

Spark believes this offer is attractive for TeamTalk shareholders, being a significant premium to TeamTalk's latest share price and previous trading. Specifically, it represents a:

- 78% premium to the closing price of TeamTalk shares on the 3rd of February 2017;
- 71% premium to the one-month volume weighted average price of TeamTalk shares;
- 82% premium to the three-month volume weighted average price of TeamTalk shares.

Spark Managing Director Simon Moutter said, "We believe this is a compelling offer, at a significant premium to the current TeamTalk share price, which is unlikely to be achieved by other means. This offer is advantageous to TeamTalk shareholders in being an offer for the full TeamTalk business.

"TeamTalk is a small operator in the New Zealand telco market. Its financial performance has declined over the last few years, with a number of profit downgrades, and it faces significant re-investment requirements across its businesses. Given TeamTalk's debt position (last reported bank debt was \$33.6m with a maturity date of September 2017), and small market capitalisation (approximately \$12.8m), its ability to fund this investment is constrained. This has been reflected in TeamTalk's decision not to pay a final dividend to shareholders in FY16.



"Spark, as a digital services company with its own extensive networks, distribution channels and customer base, has the ability to provide a more positive pathway forward for TeamTalk customers and staff.

"The reality is TeamTalk shares have significantly underperformed relative to the New Zealand market over the last three years, with much lower total returns for investors than the NZX50 gross return index on a Total Shareholder Return (TSR) basis.

"This offer allows TeamTalk shareholders who have held shares over a long period the opportunity to make up some of this underperformance, with a certain cash payment if the offer becomes unconditional. We believe Spark is also able to provide certainty for TeamTalk's people and customers."

To assist Spark in determining whether to proceed with the proposed offer, Spark requests that TeamTalk permit Spark to complete due diligence.

-ENDS-

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