



## **MARKET RELEASE**

**9 March 2017**

### **Spark New Zealand launches formal takeover offer of NZ\$0.80 per share to TeamTalk shareholders**

Spark New Zealand confirmed today it is making a formal offer to TeamTalk shareholders to acquire 100% of their TeamTalk shares at a price of NZ\$0.80 per share.

Spark's Chief Financial Officer, David Chalmers, said, "We strongly believe this offer is in the best interests of TeamTalk shareholders, many of whom have seen the value of their investment in TeamTalk relentlessly decline over recent years.

"This offer allows TeamTalk shareholders to achieve a price for their shares that is 78% higher than the last closing price before Spark issued its Notice of Intention, and an 82% premium on a three-month volume weighted average price basis. This is one of the highest premiums over the pre-offer market price for any Code takeover on the NZX in at least the last decade.

"So we are somewhat surprised that, given extensive efforts to engage in good faith with the TeamTalk Board, they have been dismissive of Spark's interest and the opportunity to unlock value for their shareholders. TeamTalk agreed to provide Spark with limited due diligence, but much of the information that was requested was never delivered and what was provided was of little substance.

"The TeamTalk Board has suggested there may be significant value in the business above Spark's offer price, based on the promise of a new strategic business plan. We have yet to see any concrete evidence of such a plan, or receive a summary or copy of it from the TeamTalk Board.

We also note no other proposals for a partial or full sale of TeamTalk have been put to shareholders at any time in the nine months Spark has been attempting to engage with TeamTalk, and there is no sign that any such offers will eventuate.

"Spark's offer provides significantly greater and more immediate certainty than the alternatives advocated by the TeamTalk Board, such as holding shares in the



belief that performance may significantly improve, or a series of possible sales based on a potential break-up of TeamTalk assets.

“The New Zealand telecommunications market continues to change rapidly, and as a result TeamTalk faces many headwinds. In particular, the UFB network has created pressure for the owners of competing fibre, including CityLink, which also needs to invest significant sums to underground portions of its Wellington fibre due to the retirement of the trolley-bus network.

“Farmside is competing in an intensely competitive broadband market, and the extension of rural communication networks has reduced the market for niche satellite services. The increasing coverage and performance of mobile networks is also challenging the role of mobile radio networks, a core element of TeamTalk’s business.

“For TeamTalk, the cumulative impact of these challenges has resulted in a series of earnings downgrades as margins have come under increasing pressure. This was highlighted in TeamTalk’s first half result for FY17. Despite attempts to characterise the result as pleasing, revenue and underlying net profits before tax<sup>1</sup> were down on the first half result for FY16. The TeamTalk Board has also indicated the need to fund significant capital requirements across TeamTalk in the coming years at a time when the company’s debt facilities are being reduced.

“With all these factors in mind, we simply do not believe TeamTalk can deliver a better outcome for its shareholders than Spark’s offer.”

The full details of the Spark offer are available at [investors.sparknz.co.nz](http://investors.sparknz.co.nz)

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<sup>1</sup> Reported profit and earnings per share includes realised and non-realised gains/(losses) on the fair value of TeamTalk’s finance derivatives. These movements are driven by changes in interest rates and not operating performance. Removal of these in both periods (a \$451k gain in 1H17 and a loss of \$75k in 1H16) meant Net Profit Before Tax was down 16.6% between 1H17 and 1H16.



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