



**2<sup>nd</sup> November 2012**

## **NZX ANNOUNCEMENT**

### **CONDITIONAL ACQUISITION OF THE FARMSIDE GROUP BY TEAMTALK**

TeamTalk Limited has today entered into a conditional Share Sale Agreement with all of the shareholders of BayCity Communications Limited for the acquisition by TeamTalk of all of the shares in BayCity (referred to as “the Farmside Group Shares”).

BayCity is the parent company of the entities collectively known as the “Farmside Group” which is comprised of BayCity and its five wholly-owned subsidiaries.

#### **About the Farmside Group**

The Farmside Group has two trading divisions.

The Farmside ISP Division is New Zealand's leading dedicated rural telecommunications provider and connectivity specialist. The Farmside ISP Division currently provides broadband, calling and associated telecommunications services to over 15,000 predominantly retail customers. This division employs around 80 staff mainly at its head office in Timaru.

The Technology Division (“BCT”), based in Christchurch, provides on-farm technology focusing on intelligent data management and monitoring solutions. BCT’s integrated hardware and software solutions deliver productivity, environmental and compliance data for management of on-farm activities.

#### **The Purchase Price**

The purchase price is made up of an initial \$31.0 million payable on settlement and an earn-out amount of up to \$11.05 million (“the Earn-Out Consideration”) which is payable only if certain earnings thresholds are met. The gross purchase price payable for the Farmside Group Shares is a maximum of \$42.05 million.

#### *Initial Purchase Price*

The initial purchase price of \$31.0 million is payable on settlement. This will comprise:

- (a) The issue of approximately 4.55 million TeamTalk ordinary shares to the Vendors having a value of \$12.0 million (issued at \$2.64, being the volume-weighted average TeamTalk share price in the 20 Business

Days prior to 2 November 2012) and comprising 16.2% of the total post issue capital of TeamTalk. The TeamTalk shares to be issued to the Vendors will rank equally in all respects with all other ordinary shares in the capital of TeamTalk; and

- (b) A cash payment of \$19.0 million less an amount equal to the Farmside Group's Borrowed Money Indebtedness and Transaction Costs. Together these are expected to be close to \$7.0 million.

The Farmside Group's Borrowed Money Indebtedness is intended to be repaid on settlement and replaced with borrowings from TeamTalk's own increased banking facilities.

#### *Earn-Out Consideration*

The Earn-Out Consideration is only payable if certain EBITDA thresholds are achieved by the Farmside Group in respect of the 12 month periods ending on 31 March 2013 and 31 March 2014.

In respect of the 12 month period ending on 31 March 2013, TeamTalk will pay Earn-Out Consideration in cash of \$8.75 for each dollar of Farmside Group EBITDA above \$6.60 million. The payment is limited to a maximum of \$7.0 million.

In respect of the 12 month period ending on 31 March 2014, if the Farmside Group achieves EBITDA of \$13.0 million then:

- (a) TeamTalk will first pay Earn-Out Consideration consisting of a cash amount equal to \$7.0 million less such amount (if any) as was paid in respect of the 2013 Earn-Out; and
- (b) Up to a further \$4.050 million will be payable depending on the amount of EBITDA achieved, such payment (if any) will be made by the issue of ordinary shares in the capital of TeamTalk.

The issue price for these TeamTalk shares will be the volume-weighted average price of shares in TeamTalk Limited on the 20 Business Days prior to 31 March 2014. Any TeamTalk shares to be issued to the Vendors will rank equally in all respects with all other ordinary shares in the capital of TeamTalk. If the maximum Earn-Out Consideration becomes payable and if there is no increase or reduction in the total number of TeamTalk shares on issue before 31 March 2014 then, based on the volume-weighted average price of TeamTalk's shares in the 20 Business Days prior to 2 November 2012 of \$2.64, the maximum number of shares which would be issued to the Vendors would be 1.53 million shares and the Vendors would collectively hold a total of 20.6% of the total 2014 post issue capital of TeamTalk.

There are provisions in the Agreement limiting the number of TeamTalk shares to be issued to any of the Vendors if the issue would result in those Vendors and any "associated persons" acquiring more than 19.99% of TeamTalk's shares in breach of the Takeovers Code.

## Settlement and Conditions

Settlement is anticipated to occur on 14 December 2012.

Certain conditions must be satisfied and if they are not then the transaction will not go forward. The conditions are:

That by 11 December 2012:

- (a) TeamTalk must obtain the approval by special resolution of its shareholders to the acquisition of the Farmside Group and to the additional finance facilities from its bank as a major transaction pursuant to section 129 of the Companies Act 1993;
- (b) TeamTalk must obtain the approval by ordinary resolution of its shareholders to the issue of the TeamTalk Shares to be issued to the Vendors at Settlement and the TeamTalk Shares which may be issued to the Vendors as part of the Earn-Out Consideration pursuant to rule 7.3.1 of the NZSX Rules;
- (c) TeamTalk must obtain a waiver from NZX of the need to comply with rule 7.3.2(b) of the NZSX Rules in respect of the TeamTalk Shares which may be issued to the Vendors more than 12 months after the date of shareholder approval as part of the Earn-Out Consideration;
- (d) TeamTalk arranges the requisite finance from its bankers, Westpac New Zealand;

(It is anticipated that a Special Meeting of TeamTalk's shareholders will be held on 11 December 2012 and that the notice of meeting will be sent mid to late November 2012).

That by 12 December 2012 the Vendors must obtain:

- (a) All necessary approvals for the change of control of the Farmside Group to the Purchaser from the lessors of property leased by the Farmside Group;
- (b) All necessary consents to the change of control of the Farmside Group to the Purchaser from the counterparties of certain key contracts; and
- (c) The agreement of certain persons to continue employment with, or to provide services to, the Farmside Group after Settlement.

If a matter arises between the date the Agreement is signed and the anticipated Settlement date that would or could give rise to a breach of any of the Vendors' warranties, or that could have a material adverse effect on the Farmside Group, the Vendors must notify TeamTalk, and in certain circumstances TeamTalk will have the right to cancel the Agreement.

At Settlement the TeamTalk Board will appoint a person nominated by the Vendors as a director of TeamTalk. In accordance with TeamTalk's constitution their term will end at the next TeamTalk AGM but he or she will be eligible for re-election.

#### **TeamTalk Shares – Embargo Period**

The TeamTalk shares issued to the Vendors at Settlement are embargoed for 12 months and the TeamTalk shares issued in 2014 (if any) are embargoed until 31 December 2014. There are certain limited exceptions to the embargo – for example, for transfers to family trusts.

#### **Non-Compete**

The Agreement provides that the Vendors will not compete with the Farmside Group's business before 31 December 2014.

#### **Vendors' Warranties**

The Vendors have given warranties in relation to the Farmside Group's business which include tax warranties and an indemnity against any taxation or taxation claims.

#### **Additional Information**

Further information is included in the presentation attached.

Northington Partners managed the transaction and provided investment banking advice to TeamTalk.

TeamTalk obtained legal advice from Crengle, Shreves & Ratner and tax and financial due diligence advice from KPMG.

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