

Market Release



18 June 2014

Telecom acquires Business Cloud specialist Appserv

Move further enhances Telecom's leadership in Cloud computing

Telecom announced today it has signed a conditional agreement to purchase all of the shares in leading business Cloud services specialist Appserv Limited. The agreement is subject to conditions which are expected to be completed by early July 2014.

Telecom New Zealand Chief Executive Simon Moutter said that the acquisition of Appserv adds to the significant investment across Telecom and Gen-i in Cloud services and provides a major new piece in the Cloud jigsaw.

"We see this as a strategic business move giving the Telecom group a very strong New Zealand Cloud services portfolio. The acquisition of Appserv is an excellent complement to the purchase in 2013 of Revera and the ongoing investment we are making in data centres."

Telecom Retail CEO Chris Quin said, "We pursued this opportunity because many thousands of businesses already supported by Telecom Business Hubs, and other channels within Telecom Retail and Gen-i, want to take advantage of the Cloud but need a hand to get there.

"We know that the benefits of Cloud computing are still largely untapped by New Zealand business, particularly at the small and medium sized enterprise level. Cloud computing makes it easier for New Zealanders to conduct their business, anywhere, anytime, helping to reduce the hassle and complexity of IT systems.

"Through Appserv, Telecom can help more New Zealand businesses fulfil their potential using the power of Cloud computing and IT as-a-service."

Appserv is a growing business that has proven and market leading capability in providing Cloud and Desktop 'as-a-service' offerings, with customers across New Zealand ranging from early stage to listed companies and in private and government sectors.

Appserv Managing Director, Graham Clarke, says "We're pleased to combine the leading Cloud solutions capability of Appserv with the ambition and reach of the Telecom Group. We're ambitious ourselves, and we see a perfect fit with our aspirations and how Telecom intends to transform itself to Spark and help more New Zealand businesses grow."

Mr Moutter said, "The combined capabilities of Appserv and Revera mean we can now offer leading Cloud computing expertise to all New Zealand businesses, through Telecom and Gen-i sales channels.

“Revera is a Cloud computing specialist that provides Cloud solutions predominantly for Government and corporates, while Appserv brings specialist Cloud Desktop-as-a-Service solutions for a range of business sizes, particularly small to medium sized.

“It’s a powerful combination that adds to our existing strengths in Cloud infrastructure, mobility, managed ICT and platform as a service. Gen-i is making big strides in all these areas. We have secured a number of significant new IT as-a-service contracts. We have added new or imminent data centre business totalling in excess of 250 racks since the beginning of 2014. Revera is continuing to grow strongly and perform well.

“Our investment in data centres has continued. In Wellington, a new Revera centre opened last year that is now 100% allocated, with a 3rd centre due to open in October. In Christchurch, a new green-fields centre opened in August and is already over 30% full. In Auckland, a new high resiliency data centre in Takanini is due to open in October, with 38% of capacity already allocated.

“We’re confident that the addition of Appserv to the group portfolio gives us the ability to meet the needs of even more customers.”

The move is consistent with Telecom’s growth strategy, in particular its priority to win the future by investing in data, mobility and Cloud services.

Mr Moutter added, “As we transform to Spark, we think this puts us in an outstanding position to help New Zealand businesses navigate a digital future in which Cloud computing will become increasingly important.”

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For media queries, please contact:

Richard Llewellyn

Head of Corporate Communications

+64 (0) 27 523 2362

For investor relations queries, please contact:

Mark Laing

General Manager Corporate Finance

+64 (0) 27 227 5890

Background:

About the Cloud computing market in New Zealand

- Independent research by Ovum for the MYOB Business Monitor shows that only 16% of NZ SME's use the Cloud.
- SME's that do use the Cloud are 16% more likely to be growing than those that don't.

About Appserv

- Appserv offers a complete IT infrastructure service to businesses that require reliability, security and flexibility.
- Appserv's customers range from big to small across a range of industries including professional services, importers, healthcare, retail, government, manufacturing and more. This is supported by a purpose built data centre.
- Best of breed Auckland based end-to-end Cloud services company
- Strong word of mouth relationship and solutions based business
- 14 years plus of consistent growth
- The purchase price for the shares is \$17 million.