Financing Update, Property Disposal, Gatemore Loan

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DX (Group) PLC
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AIM: DX.

DX (Group) plc
("DX" or "the Company")

Financing Update,
Property Disposal
and
Related Party Loan

DX announces that it has exchanged contracts with ChanceryGate (Livingston) Limited to sell and leaseback certain freehold properties (the "Properties") for an aggregate cash consideration of £4.5m (the "Property Transaction"). At the same time, the Company has entered into an unsecured loan agreement with GCM Partners II, a fund controlled by its major shareholder Gatemore Capital Management LLP ("Gatemore"), for a loan to the Company of £2.0m (the "Gatemore Loan").

As previously announced, the Company has been in discussions with Gatemore and HSBC, its bankers, with regards to financing options for the Company's standalone transformation strategy. The proceeds of the Property Transaction and the Gatemore Loan will be used principally to repay the Company's term loan with HSBC, which is the first step of an essential comprehensive refinancing of the Company. The Company is currently in close and constructive discussions with certain key shareholders regarding this broader refinancing. This is necessary because the Board has identified a near term material funding requirement, over and above the Company's existing resources, to address a working capital shortfall, caused by the Company's recently reduced levels of profitability, and to provide funds for the planned investment into improving the financial performance of the DX business.

A further announcement on financing will be made within coming weeks.

Details of the Property Transaction

The Properties subject to the sale and leaseback transaction comprise the Company's sites at Thatcham, Basildon, Rotherham, Northampton (Kyoto Close) and Nottingham (Woolsthorpe Close). The aggregate sale proceeds are £4.5m and the Properties have an aggregate book value of £5.0m. The lease terms for the Properties provide for an aggregate rent of c£450k per annum with lease terms of between 2 and 10 years.

Completion of the Property Transaction is expected on 29 September 2017.

Details of the Gatemore Loan and related party transaction

The Gatemore Loan is an unsecured £2.0 million bullet loan with simple interest of 10% per annum rolling up from date of advance, which is expected to be 29 September 2017. Repayment of the loan is due by 30 November 2017, with no early repayment penalties.

The Board had initially included the freight and logistics hub at Willenhall (the "Willenhall Hub") in the portfolio for sale but, following discussions with the proposed directors, management and other stakeholders, it was considered that the Willenhall Hub was a site of potential strategic value to the Company and it would be beneficial to retain the flexibility of continuing to hold the freehold. Gatemore, as a key supporter of the Company's transformation strategy, has agreed to provide the Gatemore Loan, which facilitates the repayment of the Company's term loan with HSBC (described below).

Gatemore, as a substantial shareholder of the Company, is a related party and therefore the Gatemore Loan constitutes a "related party transaction" under the AIM Rules.

The Directors of the Company consider, having consulted with the Company's nominated adviser, Zeus Capital, that the terms of the transaction are fair and reasonable insofar as the Company's shareholders are concerned.

Use of Proceeds

The proceeds of the Property Transaction and the Gatemore Loan will be used to repay the Company's c£5.8m term loan with HSBC, with the balance used for working capital purposes. The repayment of the term loan is part of DX's continuing discussions with HSBC regarding extending the term of its invoice discounting facility and the wider financing of its business.

Bob Holt, Chairman, DX (Group) plc, commented:

"We welcome the support of our shareholder, Gatemore, alongside that of our bank, HSBC, as we proceed with our standalone transformation strategy, and will provide a further update on the Company's financing arrangements within coming weeks."

Liad Meidar, CIO and Managing Partner of Gatemore Capital Management:

"*The Gatemore loan has enabled the Company to pay down HSBC's term loan while retaining the freight hub in Willenhall. This gives the Company greater financial and operational flexibility, setting the stage for the refinancing. We expect to roll our loan shortly into the new financing, positioning DX with a healthy balance sheet and a new start under proven leadership*."

The information communicated in this announcement is inside information for the purposes of Article 7 of Market Abuse Regulation No. 596/2014

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