

Re: John Menzies' Distribution Division

RNS Number : 1006B
DX (Group) PLC
31 March 2017

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31 March 2017

Potential combination of DX and John Menzies' Distribution division

The boards of DX (Group) plc ("DX") and John Menzies plc ("John Menzies") today announce that they are in discussions regarding the potential combination of DX and John Menzies' Distribution division ("Menzies Distribution") (the "Transaction" and together the "Enlarged Group").

The boards of DX and John Menzies believe that the combination has strong strategic logic for all stakeholders and represents an opportunity to deliver significant value to both companies' shareholders. The boards of DX and John Menzies believe that the combination would benefit the customers of DX and Menzies Distribution through the creation of a logistics and parcel carrier of enhanced scale and capability operating through a 24 hour UK wide logistics network. Based on a preliminary joint assessment, the boards of DX and John Menzies estimate that the combination would generate cost synergies in the range of £8 million to £12 million per annum.

It is currently envisaged that the Transaction would be effected by DX acquiring Menzies Distribution for consideration, on a cash and debt free basis, comprising £60 million in cash and the issue of new DX ordinary shares (the "New DX Shares") representing 80% of DX's issued share capital as enlarged by the Transaction. The cash consideration will be satisfied by new borrowings by the Enlarged Group.

As part of the Transaction, it is proposed that approximately 17% of John Menzies' defined benefit pension scheme would transfer to the Enlarged Group. John Menzies' pension scheme would receive New DX Shares amounting to up to 5% of DX's issued share capital as enlarged by the Transaction as part of the transfer arrangements agreed with the John Menzies pension trustees.

It is intended that the balance of the New DX Shares would be issued by DX to John Menzies' shareholders pro rata to their holdings of shares in John Menzies at the relevant date. On this basis, current DX shareholders would own, in aggregate, 20% of DX's issued share capital, John Menzies shareholders would own, in aggregate, at least 75% of DX's issued share capital and up to 5% of DX's issued share capital would be owned directly by John Menzies' pension scheme.

The boards of DX and John Menzies believe the proposed Transaction structure enables both DX and John Menzies shareholders to share in the significant value created by the combination of DX and Menzies Distribution, whilst increasing significantly the liquidity of DX's ordinary shares and enabling the divestment of Menzies Distribution into a separately quoted company in line with John Menzies' strategy.

On completion of the Transaction, it is intended that the composition of the board of the Enlarged Group would comprise a new chairman and new independent non-executive directors. Greg Michael and Paul McCourt, currently Managing Director and Finance Director, respectively, of Menzies Distribution, would become Group Chief Executive Officer and Chief Financial Officer of DX. Daljit Basi, currently Finance Director of DX, will become an Executive Director.

The Boards of DX and John Menzies currently anticipate the Transaction will be completed during the summer of 2017. Discussions are ongoing and there can be no certainty that a transaction will occur.

Zeus Capital is acting as financial adviser to DX and Rothschild is acting as financial adviser to John Menzies.

Greg Michael (Managing Director of Menzies Distribution) was appointed Managing Director of Menzies Distribution on 1 January 2017. He has previously held senior positions in DHL and Deutsche Post and has a successful track record in managing and driving companies' growth performance within the logistics sector.

Paul McCourt (Finance Director of Menzies Distribution) joined Menzies Distribution in 2014 from Ingenico Northern Europe and Iberia where he was Finance and Operations Director. Before that Paul

spent 10 years with PricewaterhouseCoopers as a senior manager followed by 3 years at Grant Thornton as a Director.

If the Transaction proceeds, it will constitute a reverse takeover by DX in accordance with Rule 14 of the AIM Rules for Companies. Accordingly, ordinary shares in DX are expected to be suspended from trading on AIM as of 7.30am today, pending either publication of an admission document containing detailed information on the proposed transaction in accordance with AIM Rule 14 or the termination of discussions regarding the proposed transaction.

A further announcement will be made when appropriate.

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Important notice

N M Rothschild & Sons Limited ("Rothschild"), which is authorised and regulated by the Financial Conduct Authority ("FCA") in the United Kingdom, is acting as sponsor and financial adviser to John Menzies in connection with the Transaction referred to in this announcement. Rothschild is acting exclusively for John Menzies and no one else in connection with the Transaction and save for any responsibilities and liabilities, if any, which may be imposed on Rothschild, in its capacity as sponsor by the Financial Services and Markets Act 2000, as amended, Rothschild will not be responsible to anyone other than John Menzies for providing the protections afforded to clients of Rothschild or for providing advice in relation to the Transaction or the contents of this announcement or any transaction, arrangement or matter referred to herein.

Zeus Capital Limited ("Zeus Capital"), which is authorised and regulated in the United Kingdom by the FCA is acting as nominated adviser and financial adviser to DX in connection with the Transaction referred to in this announcement. Zeus is acting exclusively for DX and no one else in connection with the Transaction and will not be responsible to anyone other than DX for providing the protections afforded to clients of Zeus Capital or for providing advice in relation to the Transaction or the contents of this announcement or any transaction, arrangement or matter referred to herein.

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This announcement has been issued by and is the responsibility of DX.

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Neither the content of John Menzies' nor DX's website, nor any website accessible by hyperlinks on John Menzies' or DX's website is incorporated in, or forms part of, this announcement.

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