

# Update on Proposed Combination

RNS Number : 0889H  
Menzies(John) PLC  
05 June 2017

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5 June 2017

## **Update on the proposed combination of DX and John Menzies' Distribution division**

Further to the announcement made on 31 March 2017 by DX (Group) plc ("DX") and John Menzies plc ("John Menzies") regarding the potential combination of DX and John Menzies' Distribution division ("Menzies Distribution" and together with DX the "Enlarged Group") (the "Transaction"), the boards of DX and John Menzies today announce agreed revised terms of the Transaction.

The boards of DX and John Menzies continue to believe that the combination has strong strategic logic for all stakeholders and that the Transaction, on the agreed revised terms, 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 logistics network across the UK and Ireland. Based on a joint assessment, the boards of DX and John Menzies estimate that the combination would generate cost synergies of around £10 million per annum.

Under the revised terms of the Transaction, it is envisaged that DX would acquire Menzies Distribution for consideration, on a cash and debt free basis, comprising £40 million in cash and the issue of new DX ordinary shares (the "New DX Shares") representing 65% of DX's issued share capital as enlarged by the Transaction. The cash consideration would be satisfied by new borrowings by the Enlarged Group.

On this basis, on completion of the Transaction, current DX shareholders would therefore own, in aggregate, 35% of DX's enlarged issued share capital. It is intended that 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 such that John Menzies shareholders would own, in aggregate, 60% of DX's enlarged issued share capital and 5% of DX's enlarged issued share capital would be owned directly by John Menzies' pension scheme as retained by John Menzies.

As previously announced, it is proposed that approximately 17% of John Menzies' defined benefit pension scheme would transfer to the Enlarged Group as part of the Transaction. The receipt by John Menzies' pension scheme, as retained by John Menzies, of 5% of DX's enlarged issued share capital is part of the transfer arrangements agreed with the John Menzies pension trustees.

In addition, the boards of DX and John Menzies recognise the importance of a dividend to shareholders of the Enlarged Group. It is intended that the Enlarged Group will reinstate the payment of a regular dividend on completion of the Transaction, taking into account the leverage, earnings growth and investment requirements of the business.

Alongside the Transaction, John Menzies intends to raise gross proceeds of approximately £30 million by way of a conditional cash placing of new John Menzies shares primarily to institutional investors, the proceeds of which would be retained by John Menzies post completion of the Transaction.

The boards of DX and John Menzies believe the proposed Transaction structure enables both DX and John Menzies shareholders to share in the significant potential value created by the combination of DX and Menzies Distribution, whilst increasing substantially 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. The boards of DX and John Menzies believe respectively that the Transaction would create strategically focussed companies, each of which would have a strong balance sheet and the financial resources to invest in the future of their respective businesses for the benefit of each company's stakeholders.

In light of the revised terms, GCM Partners II, L.P., acting by its investment manager Gatemore Capital Management LLP ("Gatemore"), which is the beneficial owner of 21.3% of DX's issued share capital, has entered into an irrevocable undertaking with DX, dated 4 June 2017, to vote in favour of the resolutions implementing the Transaction at the general meeting of DX shareholders to be held to approve the

Transaction in due course.

The Transaction would be subject, inter alia, to the approvals of both DX and John Menzies shareholders at respective general meetings.

The boards of DX and John Menzies continue to 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.

Bob Holt, Chairman of DX, and Dermot Smurfit, Chairman of John Menzies, said:

*"We are pleased to have reached this agreement and believe that the revised terms of the proposed transaction represent an attractive opportunity for all stakeholders of both companies."*

A further announcement will be made when appropriate.

Contacts:

DX (Group) plc

Bob Holt, Chairman

M: 07778 798816

Zeus Capital (Financial Adviser and Nominated Adviser to DX)

T: 020 3829 5000

Nick How, Giles Balleny (Corporate Finance)

Dominic King (Corporate Broking)

KTZ Communications

T: 020 3178 6378

Katie Tzouliadis

Emma Pearson

John Menzies plc

T: 0131 459 8018

Giles Wilson, Chief Financial Officer  
John Geddes, Group Company Secretary & Corporate Affairs  
Director

Rothschild (Financial Adviser to John Menzies)

T: 020 7280 5000

Neil Thwaites

Sabina Pennings

Numis Securities (Joint Broker to John Menzies)

T: 020 7260 1000

Christopher Wilkinson

Michael Burke

Shore Capital (Joint Broker to John Menzies)

T: 020 7408 4090

Bidhi Bhoma

FTI Consulting

T: 020 3727 1000

Jonathon Brill

Alex Beagley

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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.

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

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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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