

The information contained in this announcement is inside information for the purposes of article 7 of Regulation 596/2014.

26 July 2018

John Menzies plc

Menzies creates pure play aviation services group

John Menzies plc ("Menzies") today announces that it has achieved its strategic goal of creating a pure play aviation services group by entering into a conditional agreement to sell Menzies Distribution, its print media division, to investment funds managed by Endless LLP, for an enterprise value of £74.5 million on a cash and debt free basis (the "Disposal").

As part of the Disposal, Menzies will retain a 10 per cent. equity stake in the business, while Menzies Distribution will be responsible for the funding of Section B of the Menzies defined benefit pension scheme, which represents 17 per cent. of the assets and liabilities of that scheme (as at 31 December 2017).

The proposed Disposal creates a pure play global aviation services business that is operating in a structural growth market and marks Menzies' exit from the market for print media and retail logistics.

Benefits of the Disposal

The Menzies Board believes the proposed Disposal will:

- create a pure play, focused global leader in aviation services;
- allow Menzies to focus its management and capital resources entirely on expanding its position in the structurally growing aviation services market;
- remove Menzies' exposure to the structurally declining print media market; and
- allow Menzies Distribution to pursue its own growth ambitions.

Current Trading

Menzies Aviation continues to trade positively and we remain on track to deliver our full year expectations. Labour issues within North America continue to prevail but are being addressed and are more than offset by positive trading and continuing contract gain momentum across the rest of the network. Overall group net debt is in line with our expectations. Menzies will announce its interim results for the six months ended 30 June 2018 on 14 August 2018.

Board Structure and Remuneration Policy

Upon completion of the Disposal, Menzies will revert to a more standard executive structure. Accordingly, Forsyth Black, currently President & Managing Director of Menzies Aviation, will be appointed Chief Executive Officer of John Menzies plc and he will be supported by Giles Wilson, Chief Financial Officer and John Geddes, Group Company Secretary & Corporate Affairs Director.

To ensure that management incentives are aligned to the growth ambitions of the business as a pure play aviation services group, a revised remuneration policy will be proposed at the forthcoming general meeting, together with a new incentive scheme, with full details being published in a shareholder circular.

Dividend Policy

The Board recognises the importance of regular semi-annual dividends to Menzies shareholders. For the half year ended 30 June 2017 the Board paid an interim dividend of 6.0 pence per share and for the financial year ended 31 December 2017 paid a final dividend of 14.5 pence per share, giving a total of 20.5 pence per share for the year, up 11% on the prior year.

It is the Board's current intention to at least maintain the interim and full year dividend in line with last year. Going forward Menzies will look to maintain a progressive dividend policy with dividend cover between two and three times.

Circular

In view of its size in relation to Menzies, the Disposal constitutes a Class 1 transaction (as defined in the Listing Rules) and will therefore, inter alia, require the approval of the shareholders of Menzies.

Menzies has received confirmations of intention to vote in favour of the resolutions to be proposed at the ordinary shareholders' general meeting from certain shareholders representing, in aggregate, approximately 33 per cent. of the ordinary shares in issue, comprising irrevocable undertakings in respect of an aggregate of 12,501,866 ordinary shares, representing approximately 15 per cent. of the ordinary shares in issue and non-binding letters of intent in respect of an aggregate of 15,074,921 ordinary shares, representing approximately 18 per cent. of the ordinary shares in issue.

A circular containing further information on the Disposal, the revised remuneration policy and the new incentive scheme, along with a notice convening general meetings, will be sent to Menzies shareholders shortly.

Dr Dermot F Smurfit, Chairman of John Menzies plc, commented:

"I am delighted to announce today the sale of Menzies Distribution. In doing so we create a pure play aviation services business that operates in a structural growth market and is very well placed to take advantage of the many exciting opportunities that exist.

"In his role as Menzies CEO, Forsyth Black will now focus on growing our market share in the aviation services market, increasing our operating margins and continuing to deliver excellent services to our customers."

Contacts:

John Menzies plc

Giles Wilson, Chief Financial Officer

John Geddes, Group Company Secretary & Corporate Affairs Director

T: 0131 459 8018

Rothschild & Co (Financial Adviser and Sponsor to Menzies)

Neil Thwaites, Sabina Pennings

T: 020 7280 5000

Numis Securities (Joint Broker to Menzies)

Christopher Wilkinson, Michael Burke

T: 020 7260 1000

Shore Capital (Joint Broker to Menzies)

Mark Percy, Toby Gibbs

T: 020 7408 4090

FTI Consulting

Jonathon Brill, Alex Beagley

T: 020 3727 1000

John Menzies plc

Menzies creates pure play aviation services group

1. Introduction

The Board of John Menzies plc ("Menzies" or the "Group") today announces that it has entered into a conditional agreement to sell the entire issued share capital of Menzies Distribution Limited, the main trading company and holding company in respect of Menzies Distribution, to investment funds managed by Endless LLP. Under the terms of the Sale and Purchase Agreement, investment funds managed by Endless LLP, through a newly formed company, Endless NewCo 1 Limited, ("Endless HoldCo"), will acquire Menzies Distribution Limited for an enterprise value of £74.5 million on a cash and debt free basis including the allotment and issue to Menzies by Endless HoldCo of B ordinary shares in its capital equal to 10 per cent. of its issued share capital (on a fully diluted basis). On completion, following adjustments for debt and debt-like items transferring with Menzies Distribution Limited, Menzies will receive cash proceeds of approximately £49.5 million, which will be subject to post-completion adjustments typical for a transaction of this nature.

The proposed Disposal creates a pure play global aviation services business that is operating in a structural growth market and marks Menzies' exit from the market for print media and retail logistics.

The terms and conditions of the Disposal are contained in the Disposal Agreements, which are summarised in the circular to be sent to shareholders. In view of its size in relation to Menzies, the Disposal constitutes a Class 1 transaction (as defined in the Listing Rules) and will therefore, inter alia, require the approval of shareholders. The Disposal is expected to complete in September 2018.

In addition, to ensure that management incentives are aligned to the growth ambitions of the business as a pure play aviation services group, it is proposed that a new incentive plan is adopted for the management team, conditional on the approval of the Disposal by Menzies shareholders. The adoption of the new incentive plan would require an amendment to the remuneration policy. Resolutions to approve a revised remuneration policy and the adoption of the new long term incentive plan will be proposed at the General Meeting and these are both conditional on the passing of the resolutions proposed for the approval of the Disposal.

A circular containing further information on the Disposal along with a notice convening general meetings will be sent to Menzies shareholders shortly.

2. Background to and Reasons for the Disposal

The Group has a long and proud history in print media distribution having led and shaped that market in the UK for over 150 years.

However, since entering the aviation services market in the mid 1990s and subsequently becoming an international player through the acquisition of Ogden Ground Services in 2000, the Group has increasingly focused on diversifying its business away from print media distribution as that market entered into a period of structural decline.

During this time, Menzies Distribution has been a contributor of capital to enable Menzies Aviation to grow rapidly and develop significant financial scale as a standalone business. Following the ASIG acquisition in 2017, which transformed Menzies Aviation into a global leader in aviation services, and as the print media distribution market has continued to decline, the rationale for keeping both businesses within the Group no longer applies.

As previously announced, the Board has, for some time, been focused on its strategic goal of creating a pure play aviation services business. The Disposal follows a detailed strategic review of the available options for Menzies Distribution Limited and Menzies, including the potential combination with DX (Group) plc and a demerger of Menzies Distribution Limited into a separately listed company, and is the result of a full, comprehensively marketed and publicly announced competitive auction process.

The Menzies Board believes the proposed Disposal will:

- create a pure play, focused global leader in aviation services;
- allow Menzies to focus its management and capital resources entirely on expanding its position in the structurally growing aviation services market;
- remove Menzies' exposure to the structurally declining print media market; and
- allow Menzies Distribution to pursue its own growth ambitions.

Whilst the Board acknowledges that the cash element of the consideration payable by Endless HoldCo reflects the risks inherent in Menzies Distribution, the terms of the Disposal allow Menzies to benefit from any potential future upside value of Menzies Distribution under its new ownership through the retention of an equity stake in the business going forward.

The Menzies Board concludes that the Disposal achieves the Group's stated strategy to effect the separation of Menzies Aviation and Menzies Distribution, and that a sale on the announced terms of this transaction will make Menzies a materially more attractive investment proposition, creating significant value overall for shareholders in the medium and long term.

3. Principal Terms of the Disposal

Under the terms of the Sale and Purchase Agreement, investment funds managed by Endless LLP, through a newly formed company Endless HoldCo, will acquire the entire issued share capital of Menzies Distribution Limited for an enterprise value of £74.5 million on a cash and debt free basis including the allotment and issue to Menzies by Endless HoldCo of B ordinary shares in Endless HoldCo's capital equal to 10 per cent. of its issued share capital (on a fully diluted basis).

On completion of the Disposal, following adjustments for debt and debt-like items transferring with Menzies Distribution Limited, Menzies will receive cash proceeds of approximately £49.5 million which will be subject to post completion adjustments typical for a transaction of this nature. Completion is conditional upon: (i) the approval of the Disposal by the shareholders through the passing of resolutions in general meetings of the ordinary shareholders and the preference shareholders; (ii) the approval of the Disposal by the Irish Competition and Consumer Protection Commission; and (iii) the transfer of six freehold and two long leasehold properties (currently used by Menzies Distribution Limited in its day to day operations) to Menzies Distribution Limited or one of its subsidiaries.

4. Menzies Distribution

Menzies Distribution operates one of the largest overnight logistics networks in the UK, providing final mile delivery and serving customers in the press, travel and third-party logistics sectors. The division employs approximately 3,700 people at 54 sites throughout the UK and the Republic of Ireland and distributes over 6.5 million newspapers and magazines each day, with deliveries to retailers in the UK and the Republic of Ireland.

During the 2017 financial year, Menzies Distribution delivered a stable performance with underlying operating profit before corporate costs of £25.9 million. Menzies Distribution had total combined assets of £376.6 million as at 31 December 2017.

5. Pensions

On 30 June 2017, the Menzies Pension Scheme was sectioned into two: Section B, equating to approximately 17 per cent. of the assets and liabilities of the Menzies Pension Scheme (“Section B”), was sectioned within the main Menzies Pension Scheme with only Menzies Distribution as the participating employer, and Menzies Distribution was removed from the remaining Menzies Pension Scheme, covering 83 per cent. of the assets and liabilities of the Menzies Pension Scheme (“Section A”), as a participating employer. The membership of Section B comprises solely pensioner members whereas the membership of Section A comprises pensioner members, current employees and former employees who are yet to draw their pension. Menzies Distribution will continue to be the statutory employer in relation to Section B after completion.

The Trustee entered into the PIC Contract on 6 June 2018 whereby, in exchange for the assets of Section B, PIC has undertaken to provide cash flows to Section B that match the pension benefits being paid to members of Section B. As part of this, PIC has agreed that the Trustee can pay £15.0 million of its total premium over five years, repayable in quarterly instalments at an interest rate of 3.25 per cent. per annum. The Trustee has the option to move to a buyout of all of the pension liabilities of Section B with PIC once all of the repayments have been settled. The funding of the repayments is to be met by cash payments by Menzies Distribution to Section B, as detailed in a revised Section B schedule of contributions and in the PIC Contract. On the basis of International Accounting Standard 19, as at 31 December 2017, the defined benefit pension scheme deficit for Menzies was £49.5 million, of which £42.5 million related to Section A and £7.0 million related to Section B.

6. Use of Proceeds

The net proceeds of the Disposal will provide Menzies with additional working capital and capital resources to maintain an appropriate level of gearing following completion. It has been agreed between Menzies and the Trustee that, as part of the Disposal, Menzies will provide Section A with £10.0 million, settled in cash, as an additional payment over and above its existing agreed deficit funding plan and Section B will be transferred along with Menzies Distribution to Endless HoldCo. After this payment, Menzies is expected to have a net debt position of approximately 2x historical standalone Menzies Aviation EBITDA, which the Board believes is an appropriate balance sheet position to allow Menzies to execute its strategy and growth plans for the future.

7. Financial Effects of the Disposal

The Disposal is expected to be dilutive to Menzies earnings per share. As at 31 December 2017, Menzies had consolidated net assets of £132.5 million (extracted without material adjustment from the 31 December 2017 audited financial statements of Menzies). On a pro forma basis and adjusted to reflect the Disposal as if completion had occurred as at 31 December 2017, the illustrative unaudited consolidated net assets of the Group would have been £117.1 million.

8. Board, Management and Employees

Following completion of the Disposal, Menzies will revert to a more standard executive structure. Accordingly, Forsyth Black, currently President & Managing Director of Menzies Aviation, will be formally appointed as Chief Executive Officer of John Menzies plc.

Greg Michael, Managing Director of Menzies Distribution and Paul McCourt, Finance Director of Menzies Distribution are deemed key to the operation of Menzies Distribution and will remain with Menzies Distribution upon the Disposal.

9. Director’s Recommendation

The Board considers the Disposal and the resolutions to be in the best interests of shareholders as a whole. Accordingly, the Board recommends that shareholders vote in favour of the resolutions to be put

to the General Meeting, as each of the Directors intends to do in respect of their own entire legal and beneficial holdings of ordinary shares.

Note to editors

Endless LLP, which was established in December 2005, is a UK-based private equity fund manager with offices in Leeds, Manchester, and London.

Endless is currently investing its fourth fund of £525 million, and focuses primarily on supporting buyouts, non-core acquisitions from larger groups, turnarounds and financial restructurings. Endless's investors consist of blue chip US and European institutions and include top universities, philanthropic organizations, endowment funds and medical institutions. Endless typically invests up to £75 million per investment across a broad range of sectors in businesses with turnover of up to £1.5 billion.

Endless has won widespread recognition for the speed, flexibility and deliverability of its approach. Once invested, Endless is a pro-active, hands-on investor, working in partnership with management teams to successfully drive business improvement.

Important notice

N M Rothschild & Sons Limited ("Rothschild & Co"), which is authorised and regulated by the Financial Conduct Authority ("FCA") in the United Kingdom, is acting as sponsor and financial adviser to Menzies in connection with the Transaction referred to in this announcement. Rothschild & Co is acting exclusively for 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 & Co, in its capacity as sponsor by the Financial Services and Markets Act 2000, as amended, Rothschild & Co will not be responsible to anyone other than Menzies for providing the protections afforded to clients of Rothschild & Co or for providing advice in relation to the Transaction or the contents of this announcement or any transaction, arrangement or matter referred to herein.

Numis Securities Limited ("Numis Securities") is authorised and regulated by the FCA in the United Kingdom, is acting solely for Menzies and nobody else in relation to the Transaction and will not be responsible to anyone other than Menzies for providing the protections afforded to its clients nor for providing advice in relation to the Transaction or any other matter referred to in this.

Shore Capital Stockbrokers Limited ("Shore Capital") is authorised and regulated by the FCA in the United Kingdom, is acting solely for Menzies and nobody else in relation to the Transaction and will not be responsible to anyone other than Menzies for providing the protections afforded to its clients nor for providing advice in relation to the Transaction or any other matter referred to in this.

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

Disclaimers

Market Abuse Regulation

The information contained within this announcement is deemed by the Group to constitute inside information as stipulated under the Market Abuse Regulation. Upon the publication of this

announcement via a regulatory information service, this inside information is now considered to be in the public domain.

This announcement contains statements which are, or may be deemed to be, "forward-looking statements" which are prospective in nature. All statements other than statements of historical fact are forward-looking statements. They are based on current expectations and projections about future events, and are therefore subject to risks and uncertainties which could cause actual results to differ materially from the future results expressed or implied by the forward-looking statements. Often, but not always, forward-looking statements can be identified by the use of forward-looking words such as "plans", "expects", "is expected", "is subject to", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates", "believes", "targets", "aims", "projects" or words or terms of similar substance or the negative thereof, are forward-looking statements, as well as variations of such words and phrases or statements that certain actions, events or results "may", "could", "should", "would", "might" or "will" be taken, occur or be achieved. Such statements are qualified in their entirety by the inherent risks and uncertainties surrounding future expectations. Forward-looking statements include statements relating to (a) future capital expenditures, expenses, revenues, earnings, economic performance, indebtedness, financial condition, dividend policy, losses and future prospects, (b) business and management strategies and the expansion and growth of John Menzies plc's operations, and (c) the effects of global economic conditions on John Menzies plc's business.

Such forward-looking statements involve known and unknown risks and uncertainties that could significantly affect expected results and are based on certain key assumptions. Many factors may cause actual results, performance or achievements of Menzies to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Important factors that could cause actual results, performance or achievements of Menzies to differ materially from the expectations of Menzies, include, among other things, general business and economic conditions globally, industry trends, competition, changes in government and other regulation and policy, including in relation to the environment, health and safety and taxation, labour relations and work stoppages, interest rates and currency fluctuations, changes in its business strategy, political and economic uncertainty and other factors as may be identified in relation to the disposal. Such forward-looking statements should therefore be construed in light of such factors. Neither Menzies nor any of its directors, officers or advisers provides any representation, assurance or guarantee that the occurrence of the events expressed or implied in any forward-looking statements in this announcement will actually occur. You are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof. Other than in accordance with its legal or regulatory obligations (including under the UK Listing Rules and the Disclosure Guidance and Transparency Rules), Menzies is not under any obligation and it expressly disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.