



NZX Announcement

25th October 2017

Fliway announces proposed acquisition by Yang Kee Group of Singapore

Fliway Group Limited (NZX:FLI, “Fliway”) is pleased to announce that it has entered into a Scheme Implementation Agreement (“SIA”) with Yang Kee Logistics Pte Limited (“Yang Kee”), one of Singapore’s largest privately owned logistics companies with operations in Australia, the United States, China and South East Asia. Under the SIA, a wholly-owned NZ subsidiary of Yang Kee will acquire all the outstanding shares in Fliway for NZ\$1.22 cash per share by way of a scheme of arrangement (“Scheme”).

The Scheme is conditional on the approval of Fliway’s shareholders and the High Court (amongst other things).

The Independent Directors of Fliway (Craig Stobo and Alan Isaac) have commissioned KordaMentha to prepare an independent adviser’s report to assist them, and Fliway’s shareholders, in assessing the merits of the Scheme. That report is expected to be sent to shareholders with Fliway’s Notice of Meeting.

Subject to KordaMentha’s report concluding that the proposed consideration of NZ\$1.22 per Fliway share is within KordaMentha’s valuation range, and no Superior Proposal arising, both of Fliway’s Independent Directors intend to:

- recommend to Fliway’s shareholders that the Scheme be approved; and
- vote their Fliway shares (or those of their associates) in favour of the Scheme.

Fliway’s majority shareholder The D&G Hawkesby Trust intends to vote all of its Fliway shares in favour of the Scheme, subject to no Superior Proposal arising. The D&G Hawkesby Trust is associated with Fliway’s Managing Director Duncan Hawkesby and holds approximately 54.2% of Fliway’s total shares on issue.

The SIA follows a confidential approach from Yang Kee regarding the acquisition of Fliway into Yang Kee’s portfolio of companies. Fliway and Yang Kee are complementary businesses, with similar values and growth aspirations that are well aligned. Following the initial approach, the Board, advised by FNZC and Bell Gully, entered into discussions, which were strictly confidential and inconclusive. Since the initial offer, and after negotiations, Fliway and Yang Kee have signed a SIA based on the Scheme Consideration of NZ\$1.22.

A summary of the key terms of the SIA is attached to this announcement.

Subject to reviewing KordaMentha's report, the Independent Directors of Fliway believe that the Scheme represents a strong offer based on recent trading performance. In addition, the Scheme provides an opportunity for Shareholders to realise the full value of their Fliway Shares now for 100% cash consideration, while the Scheme Consideration of NZ\$1.22 values Fliway's earnings favourably when compared with other comparable change of control transactions. The Scheme Consideration represents:

- An EV/EBIT¹ multiple (last 12 months to 30 June 2017) of 10.6x;
- A premium of 13.0% to Fliway's closing price of NZ\$1.08 on 25 October, 2017, the last trading day before the SIA was announced; and
- A premium of 16.0% to its volume weighted average price for the one month ended 25 October 2016.

Fliway Chairman Craig Stobo said the Independent Directors considered the advantages and disadvantages of the Scheme proposal and concluded that the Scheme provides certainty regarding the future value of the shares.

"Duncan Hawkesby, who has indicated he intends to vote in favour of the Yang Kee proposal, will continue to be Managing Director for FY18 and Fliway will have the support of a large family-owned, fast growing, multinational business. If the Scheme is approved, Fliway will become a subsidiary of Yang Kee and delist with the composition of Fliway's Board changing. Duncan Hawkesby will continue as a Director of Fliway, and both he and Fliway CFO, Jim Sybertsma, have agreed transitional roles beyond FY18. It is not envisaged there will be any other changes to Fliway's management, network arrangements, supplier or customer relationships, as these are all highly valued by Yang Kee."

A scheme of arrangement is a court-approved process and the exact details of the Fliway shareholder meeting to approve the Scheme will be determined by the High Court. However, a Fliway shareholder meeting to consider the Scheme is expected to be held later this year, likely in early December. Before then, shareholders will receive a detailed Notice of Meeting and Explanatory Memorandum, as well as a copy of the KordaMentha independent adviser report. The Scheme requires the approval of both (i) 75% of all votes cast by shareholders; and (ii) 50% of the total voting rights attaching to Fliway shares (whether or not voted).

Mr Stobo said: "The Independent Directors strongly encourage shareholders to consider the materials that will be provided and to exercise their right to vote either in person or by proxy. As the owners of Fliway, by voting, shareholders can have their say in determining the future of their investment in Fliway."

Ends

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¹ Enterprise Value divided by underlying EBIT (Earnings before interest, tax and significant items, associates and minority interest). Underlying EBIT includes the 50% share of UPS-Fliway joint venture NPAT earnings, grossed up for tax to make it an EBIT number.

Appendix 1 – Indicative timetable:

These dates are subject to change. References to timing are indicative only. Fliway will advise shareholders if these dates are to change substantially.

Event	Indicative timing
First Court date	Mid November 2017
Notice of Meeting and Scheme Booklet dispatched to Fliway shareholders	Late November 2017
Special Meeting to vote on the Scheme	Early December 2017
Second Court Date	Late December 2017
Implementation & Payment Date	Mid January 2018
The final date the Scheme can be implemented unless agreed by the parties	31 May 2018

About Fliway

Fliway is one of New Zealand's largest independent and locally owned specialised transport and logistics companies with a nationwide presence and strong global freight forwarding relationships. Domestically, Fliway delivers approx. 1.6 million pieces of freight per annum and processes, on average, 49,000 units of freight per day across 36,000 metres of warehousing facilities. Fliway also handles approximately 8,800 international shipments and 108,000 customs clearance per annum. Fliway services over 1,000 customers across specialised domestic transport, warehousing and international freight forwarding. These services are provided by approximately 400 team members, a fleet of over 150 vehicles and a footprint of 12 branches and 5 warehouses across the country.

About Yang Kee

Yang Kee is one of Singapore's largest privately owned logistics companies. Over the past 10 years, Yang Kee has developed from a small, two-truck firm, into an industry leader, complementing its operations with warehousing and freight. In 2017, the Yang Kee Group is expected to generate revenues in excess of S\$200m with approximately S\$300m in net assets. It employs more than 600 people in 32 offices across 12 countries. Yang Kee provides services and solutions in warehousing, transportation, freight forwarding, customs clearance and project logistics management. Specialty services include the handling of hazardous cargo, specialty chemicals, lubricants and general industrial products.

Appendix 2 – SIA summary

1. Date and parties

The SIA is dated 25 October 2017 and is between Yang Kee Group (New Zealand) Pty Ltd (**BidCo**), Yang Kee and Fliway.

2. Conditions

Implementation of the Scheme is subject to the following conditions, which must be satisfied or waived (as applicable) prior to the Scheme being implemented:

- High Court approval of the Scheme in accordance with section 236 of the New Zealand Companies Act;
- approval of the Scheme by Fliway's shareholders by:
 - a majority of 75% of the votes of the shareholders in each interest class entitled to vote and voting; and
 - a simple majority of the votes of all shareholders entitled to vote (whether or not voting);
- no judgment, order, restraint or prohibition being enforced or issued by any government agency prior to implementation that prohibits, prevents or restricts the implementation of the Scheme;
- no material adverse change occurring in relation to Fliway prior to 8.00am on the implementation date for the Scheme; and
- no Fliway "prescribed occurrence" occurring (this covers matters such as changes to Fliway's capital structure or business, or insolvency events) prior to 8.00am on the implementation date for the Scheme.

The last date by which the High Court approval and shareholder approval conditions must have been satisfied or waived (if capable of waiver) is 31 May 2018 or such later date as Fliway and Yang Kee may agree (the **End Date**). If any event or change in circumstances occurs that prevents a condition being satisfied, Fliway and Yang Kee must consult in good faith to determine whether to change the End Date to a later date or proceed with an alternative transaction that results in a member of the Yang Kee group acquiring all of the shares in Fliway or all or substantially all of the assets of Fliway.

The Scheme must be implemented by the End Date. If the Scheme has not been implemented by the End Date, either Fliway or Yang Kee may terminate the SIA. Neither party would be required to pay a reimbursement fee to the other party in those circumstances.

3. Recommendation and voting intentions

Fliway has agreed to ensure that each of its Independent Directors will recommend that shareholders vote in favour of the Scheme and that each of its directors will undertake to vote all of the Fliway Shares held or controlled by him in favour of the Scheme, subject to there being no Superior Proposal and KordaMentha's independent adviser's report concluding that the proposed consideration is within or above KordaMentha's valuation range for the Fliway Shares.

4. Exclusivity

The SIA contains certain exclusivity arrangements in favour of Yang Kee. These arrangements apply until the earlier of termination of the SIA, the date the Scheme is implemented and the End Date (the **Exclusivity Period**).

In summary, Fliway has granted Yang Kee the following exclusivity rights during the Exclusivity Period:

- **No Shop:** Fliway must not solicit any competing transaction or any proposal that may reasonably be expected to lead to a competing transaction;
- **No Talk:** Fliway must not enter into negotiations in relation to a competing transaction that may reasonably be expected to lead to a competing transaction;
- **No Due Diligence:** Fliway must not make available to a third party any non-public information relating to Fliway that may reasonably be expected to assist a third party to formulate a competing transaction;
- **Notification:** if Fliway receives a potentially competing transaction, or any request to do anything referred to in the no talk or no due diligence provisions (as described above), Fliway must immediately notify Yang Kee; and
- **Matching Right:** if Fliway receives a potentially competing transaction, it must give Yang Kee five business days to provide an equivalent or Superior Proposal to the terms of the competing transaction.

However, Fliway is not required to comply with its no talk and no due diligence obligations if it receives an unsolicited bona fide competing transaction and the directors, acting in good faith and having received advice, consider that failing to respond to such competing transaction would be likely to constitute a breach of the fiduciary or statutory duties owed by any Director.

5. Reimbursement Fees

Fliway has agreed to pay Yang Kee an amount equal to NZ\$750,000 plus any amount previously paid by Yang Kee to Fliway to reimburse Fliway for its costs associated with responding to Yang Kee's proposal (in each case plus GST, if applicable) in certain circumstances. In broad terms, those circumstances are:

- if a competing transaction is announced before the date the Scheme is implemented and is completed within 12 months of the date of that announcement;
- if either of Fliway's Independent Directors fail to recommend to Fliway's shareholders that they vote in favour of the Scheme (or qualifies or withdraws that recommendation); or
- if Yang Kee terminates the SIA due to a material breach of the agreement by Fliway.

Yang Kee has agreed to pay Fliway NZ\$750,000 (plus GST, if applicable) where Fliway terminates the SIA due to a material breach of the agreement by Yang Kee.

In both cases, these payments are intended to reimburse the other party for cost and effort incurred in developing the Scheme.

6. Termination rights

Either Fliway or Yang Kee may terminate the SIA if:

- the Fliway's shareholders meeting is held but the Scheme is not approved by the requisite majorities;
- the High Court determines not to make the required final orders;
- the Scheme has not become effective by the End Date (provided that the terminating party's failure to comply with its obligations has not directly and materially contributed to this); or
- the other party is in unremedied breach of the SIA which is material in the context of the Scheme taken as a whole.

In addition, Fliway may terminate the SIA if Fliway's Independent Directors recommend to Fliway's shareholders that they vote in favour of a competing transaction (assuming Fliway has complied with its no shop, no talk, notification and matching right obligations to Yang Kee).

Further, Yang Kee may terminate the SIA if:

- Fliway enters into a definitive agreement to implement a competing transaction;
- a material adverse change or a Fliway prescribed occurrence occurs; or
- if any Independent Director fails to recommend to Shareholders to vote in favour of the Scheme (or qualifies or withdraws that recommendation).

7. Guarantee

Yang Kee has guaranteed to Fliway the performance by BidCo of all of its obligations under the SIA.