



Strong revenue, profit and margin performance
Well-positioned for future growth

DX (Group) plc

Full Year Results

For the 52 weeks ended 2 July 2022





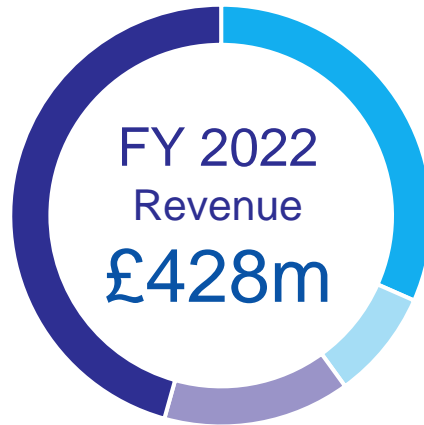
Business Overview

Founded in 1975, DX is a leading provider of a wide range of delivery services to both business (B2B) and residential (B2C) addresses throughout the UK and Ireland.

Delivery Services

1-Man - £196m

- overnight deliveries specialists in IDW (irregular, dimension and weight items)
- mainly B2B



2-Man/Logistics - £61m

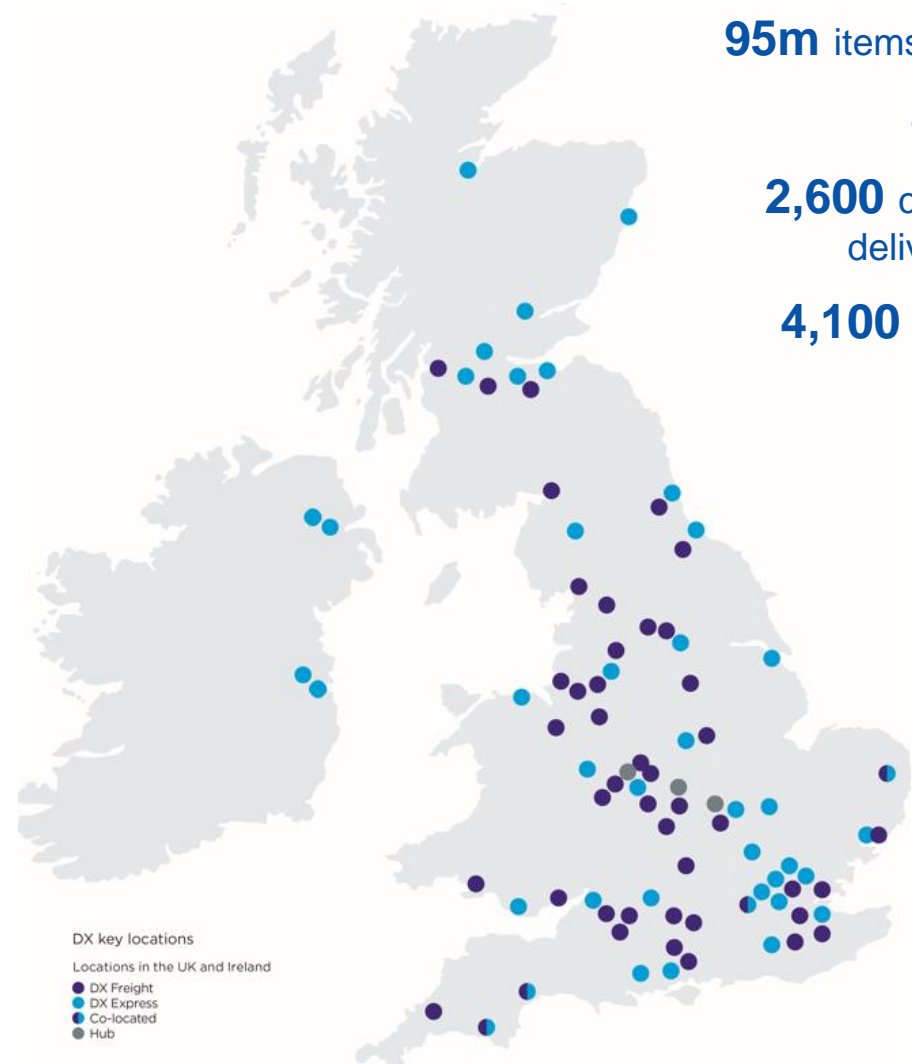
- B2C delivery service for items up to 150kg
- Bespoke supply chain warehousing solutions

Parcels - £135m

- highly secure & tracked
- B2B & B2C deliveries

Exchange & Mail - £36m

- B2B document exchange network
- legal, financial and public sectors



95m items delivered

87 depots

2,600 collection & delivery routes

4,100 employees



Full Year Highlights | *Strong results - ahead of expectations*

- Continued strong growth in revenue, profit and margin
- Significant growth in DX Freight – principally driven by strong 1-Man performance
- DX Express returned to growth with strong growth in Parcels revenue
- Improved margins across both divisions
- Corporate governance issue resolved, remedial actions in place
- Very strong balance sheet with net cash £27.0m
- Capital allocation policy announced including resumption of dividend payments in FY 2023

DX Freight outperformed

DX Express back to growth

**Strong balance sheet -
net cash, £27.0m**

**Further progress expected
1.5p dividend target for FY23**

Current financial year

- Current trading in line with expectations

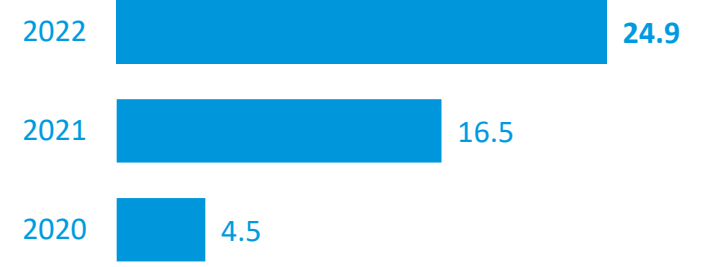


Financial Record | *Sustained profitable growth*

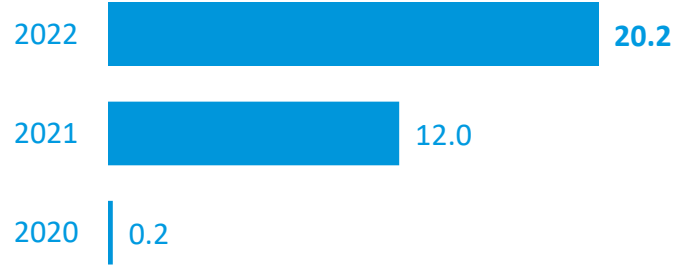
Revenue +12%
£428.2m



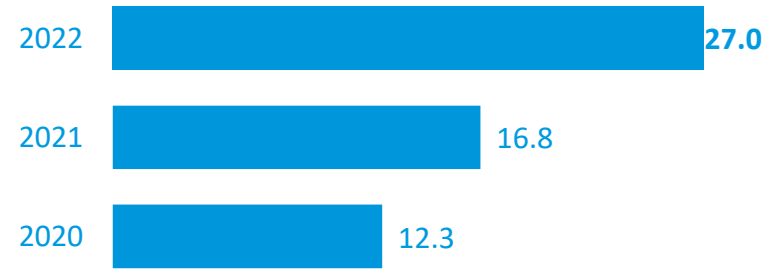
Adjusted operating profit +51%
£24.9m



Adjusted PBT +68%
£20.2m



Net cash +61%
£27.0m





Financial Highlights | *Strong performance*

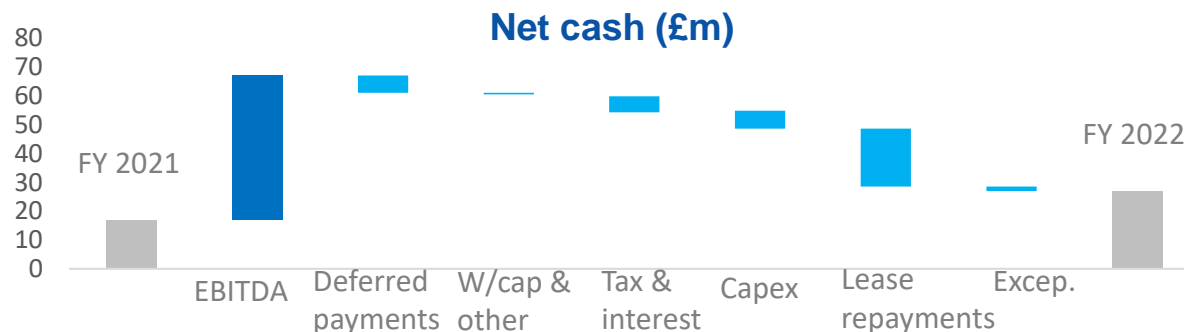
£m	FY 2022	FY 2021	Change
Total revenue	428.2	382.1	+12%
DX Freight	256.9	223.0	+15%
DX Express	171.3	159.1	+8%
Adjusted operating profit	24.9	16.5	+51%
DX Freight	31.1	22.9	+36%
DX Express	14.5	12.4	+17%
Central overheads	(20.7)	(18.8)	+10%
Adjusted operating margin	5.8%	4.3%	+150bps
Adjusted PBT¹	20.2	12.0	+68%
Net cash	27.0	16.8	+61%
Cash flow from operating activities	36.5	28.1	+30%

- Return to more normal trading in H2
- Operating profit up 51%, reflected operational leverage of the business
- Central overheads reduced as a percentage of revenue, excluding exceptional items
- Operating margin progressing towards Group's target of 7.5%-10.0%
- Business is highly cash generative
- Operating cash flow improvement of 30% includes repayment of £6.0m (2021: £4.4m) of deferred VAT and other payments

Cash Flow | *Strong cash flows*

£m	FY 2022	FY 2021
EBITDA	50.3	38.6
Movement in deferred payments	(6.0)	(4.4)
Other movements in working capital	(0.9)	(1.7)
Loss on disposal	0.3	0.8
Exceptional items	1.6	-
Interest paid	(4.7)	(4.6)
Tax paid	(0.9)	(0.6)
Net cash from operating activities	36.5	28.1
Capital expenditure	(6.2)	(5.9)
Lease repayments	(20.1)	(17.7)
Repayment of IDF	-	-
Net cash flow	10.2	4.5

- Strong operating and net cash flow performance
- Repaid £6.0m of coronavirus-related deferred payments; deferred amounts now fully repaid
- Interest paid relates to interest on right-of-use asset lease liability
- Lease repayments relates to capital element of right-of-use assets
- £20m invoice discounting facility with Barclays
- £20-25m capex programme launched in July 2021; £6.2m spent in first year
- c.£8-10m of capex in each of the next two years to support growth plans; new depots, parcel handling equipment and IT





Balance Sheet | *Very robust*

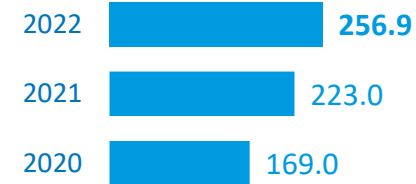
£m		At 2 July 2022	At 3 July 2021
Non-current assets	Property, plant and equipment	14.5	12.3
	Right-of-use assets	94.2	95.4
	Intangible assets and goodwill	31.1	31.4
	Deferred tax assets	5.5	7.5
Total non-current assets		145.3	146.6
Current assets	Trade and other receivables	44.6	40.1
	Current tax receivable	-	0.1
	Cash and cash equivalents	27.0	16.8
Total current assets		71.6	57.0
Total assets		216.9	203.6
Equity	Share capital and share premium	30.9	30.9
	Retained earnings	24.5	8.9
Total equity		55.4	39.8
Non-current liabilities	Lease liabilities	79.6	81.3
	Provisions	7.0	5.8
Total non-current liabilities		86.6	87.1
Current liabilities	Lease liabilities	20.7	19.3
	Trade and other payables	40.7	44.0
	Deferred income	10.2	11.4
	Current tax payable	0.4	-
	Provisions	2.9	2.0
Total current liabilities		74.9	76.7
Total liabilities		161.5	163.8
Total equity and liabilities		216.9	203.6

- Right-of-use assets relate to leased vehicles and property leases
- Strong cash position at £27.0m
- Working capital increased slightly by £0.9m (excl. impact of deferred payments)
- Positive retained earnings
- Lease liabilities reflects outstanding obligations on right-of-use assets
- Deferred income reduced (as expected) as Document Exchange contracts
- Provisions for vehicle and property dilapidations, legal matters and NIC on PSP awards

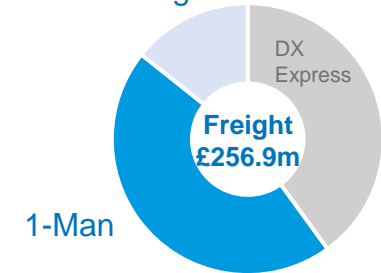
DX Freight | *Continued strong momentum*

- Revenue up 15% to £256.9m (2021: £223.0m) and operating profit up 36% to £31.1m (2021: £22.9m)
- Divisional operating margin increased by 180 bps to 12.1% (2021: 10.3%), benefiting from further improvements in productivity and operational efficiency
- Growth primarily driven by 1-Man service, where revenue grew by 16%
- Strong focus on customer service supported new business wins and customer retention
- Four new depots opened in Dewsbury, Bodmin, Coventry, and Cannock, with:
 - two sites refurbished - Thatcham and Heathrow
 - two sites expanded - Maidstone and Swanley

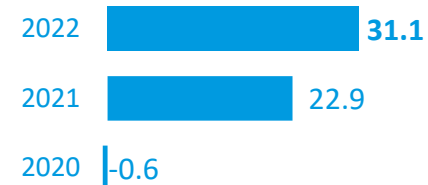
Revenue +15%



2-Man & Logistics



Operating profit +35%



Operating margin +180bps

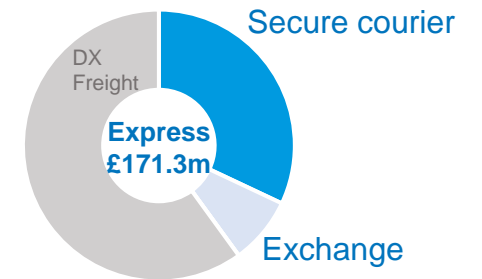
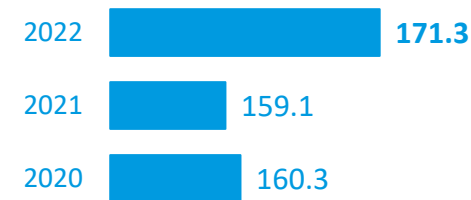




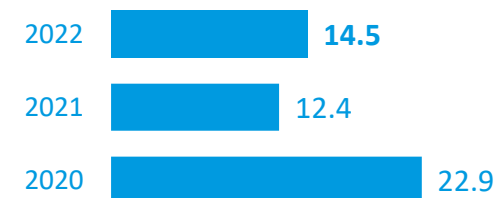
DX Express | *Returned to growth*

- Revenue up 8% to £171.3m (2021: £159.1m) and operating profit up 18% to £14.5m (2021: £12.4m)
- Sales and margin growth driven by 14% growth in Parcels revenue
- Parcels growth offset expected attrition at Exchange & Mail
- First full year of operating Document Exchange delivery network as stand-alone from Parcels, improving capacity and delivery service across the division
- Document Exchange Portal successfully launched, enhancing service offering to Document Exchange members
- Four new depots opened in Grimsby, Luton, Verwood and Dartford, with
 - Edinburgh depot relocated to larger premises

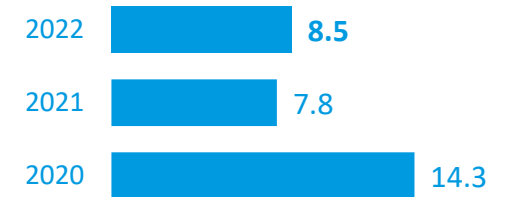
Revenue +8%



Operating profit +17%



Operating margin +70bps



Large Market Opportunity | £12bn+ parcel market

1-Man

- Market estimated at c. £1.2bn (IDW + pallets)
- DX share is c.17%* (estimate)

- Majority B2B
- Service is key
- Local focus
- Freight profile/commercial price

2-Man & Logistics

- Broader logistics market very large
- Addressable market estimated at c. £1.5bn
- DX share is c.4%* (estimate)

- B2C focus
- Half the market is outsourced
- ‘White-glove’, ‘wet-fit’ & ‘light-assembly’ Bespoke delivery service for logistics solutions
- Expanding market
- Consumer driving added-value requirements

Parcels

- Large marketplace - c. £7bn
- DX share is c.1-2%* (estimate)

- B2C focus
- Competitive
- Focus on SMEs and high levels of customer service
- 10%+ annual rate of growth
- Customer experience very important

*Company estimates

Key competitors

	Market share*
	c.15%
	c.15%
Market share*	
	c.20%
	c. 5%
	c. 4%

Corporate Governance | *Appropriate actions taken*

Inquiry and Investigation

- Allegation of bribery involving employees of a DX subsidiary
 - Isolated offer of payment made (of de minimis financial amount)
 - Competitor information was obtained over a period of time
 - Initial investigation was curtailed and disciplinary action was insufficient
-

Actions

- Two strong Board appointments of independent NEDs. Third independent NED to be appointed
 - Corporate governance policies and procedures are being upgraded, including:
 - Audit & Risk Committee (“ARCo”) will be strengthened to comprise three NEDs
 - “Big Four” professional services firm has reviewed compliance policies and assisted with fraud risk assessment
 - All compliance matters to be brought to ARCo at the earliest opportunity and matters posing a risk to DX escalated to the Board
 - Mandatory training in compliance policies (anti-fraud, anti-bribery & corruption, conflict of interest, code of conduct, whistleblowing etc)
 - Employees to be made aware of their duty to raise matters of concern with line manager and line managers are obliged to alert ARCo of serious matters
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Outcomes

- 2021 Annual Report & Accounts and 2022 Interim Results published in September 2022, following appointment of new auditors
 - Shares relisted in October 2022
-

Environment policy | *Reducing carbon emissions*

Introduction of Electric Vehicles

- Three-year project launched to establish a fully electric fleet for IKEA with an initial target of 60 electric vehicles to be deployed in DX Freight
- Initiative launched with DX Express partner Silva Brothers to use electric vans for London deliveries

Fleet Improvements

- Introduction of vehicle telematics has improved fuel consumption
- 366 vehicles and 61 trailers replaced with newer, more efficient versions in FY 2022
- Since 2021, only hybrid electric vehicles have been bought for company car fleet

Commitment to Environmental Impact at Senior Level

- Strategic commitment to achieve net-zero emissions in the business by 2050
- Environmental Manager role created in FY22
- Environmental steering group reports to Board, led by CFO and consisting of leaders from across the Group



Capital allocation policy | *Maximising shareholder returns*

Efficient use of capital to deliver long-term strategy and maximise shareholder returns



Organic growth

Continued investment to improve service levels and deliver operational efficiencies:

- new depots
- upgrade operational equipment
- strengthen IT systems

- Ongoing requirement c.£8-10m p.a.
- 3-year investment programme c£20-25m



Dividend policy

Proposed reinstatement of dividend in FY23:

- Progressive dividend policy with adjusted EPS cover of between two- and three-times
- One third: two thirds split between interim and final dividend

- 1.50p dividend target in relation to FY23



Strategic investments

Strategic investments to support longer term growth

- Selective property investments to support operations
- Strategic acquisitions of operating businesses to improve and enhance earnings

- FY22 net cash £27.0m
- Regional hub opportunities



Other returns to shareholders

Maintain balance sheet efficiency, enhance returns

- Maintain positive cash balance
- Return surplus capital via either special dividends or share buy-backs (using existing authorities)

- Share buyback to minimise dilution arising from exercise of options from DX Performance Share Plan 2017

Summary and outlook | *Well-placed for continued profitable growth*

Revenue & margin growth

c.£20-25m three-year investment programme

Very strong balance sheet

Encouraging outlook

- Another encouraging performance with strong growth in revenue and operating profit, and further progress towards target group operating margin of 7.5%-10.0%
- Significant growth in DX Freight driven by 1-Man performance and DX Express returns to growth on the back of strong growth in Parcels revenue
- Second year of three-year capital expenditure programme focused on depot expansion, equipment and IT is delivering service improvements and efficiency gains, underpinning expectations of further growth in revenue and operating margin
- Strong cash generation has led to very strong balance sheet with net cash of £27.0m
- Corporate governance issue resolved; remedial actions in place and shares relisted
- Capital allocation policy announced, including proposed resumption of dividend payments in current financial year
- Current trading in line with the Board's expectations



Supplementary Information

- Case study
- Major shareholders



Case study – Burnley (DX Freight)

Opened: **October 2020**

Size: **21,000 sq. ft.**

Routes: **23**

Employees: **67**

Benefits:

- Opening of Burnley depot allowed routes to be removed from Manchester, Kendal, Leeds and Liverpool depots, creating additional capacity
- 14 new routes added to existing depots as a result
- Stem mileage of regional routes reduced – Burnley's longest route marks a reduction of 100 miles a week compared to when it operated out of Kendal
- Locality and operational resource allowed for onboarding of a major account in Blackpool



Major shareholders

	Number of Shares	Percentage Held
Gatmore Capital Management LLP	114,753,538	20.00%
Canaccord Genuity Wealth Management	106,300,000	18.53%
Lloyd Dunn	62,782,974	10.94%
Lombard Odier Asset Management (Europe) Limited	48,545,259	8.46%
Schroder Investment Management	33,695,687	5.87%
Ruffer LLP	23,000,000	4.01%

- Total number of ordinary shares in issue as of 11 November 2022: 573,681,792