



# DX (Group) plc

Final Results Presentation (52 weeks ended 1 July 2023)

3 October 2023

*Strong platform for future growth*



# Presentation Team



**Paul Ibbetson, CEO**

- Appointed CEO on 31 January 2023, having joined DX in November 2017 as a senior member of the incoming business turnaround team. Headed DX Freight division's highly successful turnaround
- Previously Board Director at Tuffnells Parcel Express Limited, where he was instrumental in its turnaround, leading to its successful sale to Connect Group in 2014
- Senior management roles at Target Parcels Express for 10 years, and at Business Post for seven years



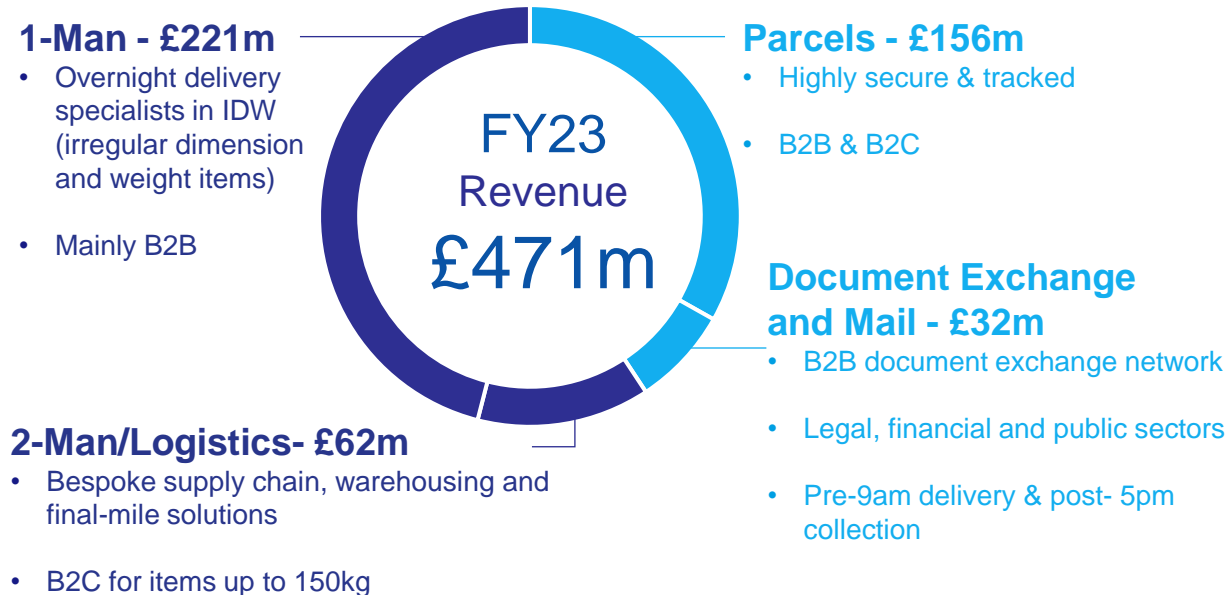
**David Mulligan, CFO**

- Appointed CFO in April 2018
- Over 25 years' experience in senior financial roles
- Previously CFO at Hornby plc, involved in its restructuring and turnaround
- CFO of Morgan Sindall Group plc for 9 years until 2013, having joined in 1997

# DX at a Glance

- Wide range of delivery services - business & residential addresses in UK and Ireland
- Focused on industry-leading service and more specialist deliveries

## Revenue by type

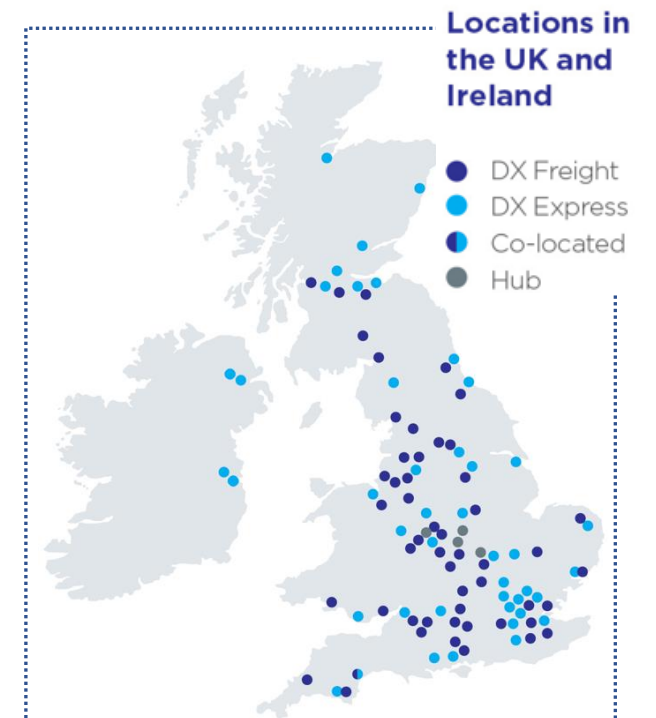


- DX Freight Division - £283m revenue | £37.8m operating profit | 13.4% margin
- DX Express Division - £188m revenue | £17.7m operating profit | 9.4% margin

**FY23 REVENUE**  
**£471.2m**  
 (2022: £428.2m)

**FY23 ADJ PBT**  
**£26.8m**  
 (2022: £20.2m)

**92m** items delivered p.a  
**107** depots  
**2,900** collection/delivery routes  
**4,800** employees



## FY23 Overview | *Strong results across all key financial metrics*

Strong results across all key financial metrics	Revenue	Adj. operating profit	Adj. operating margin expansion	Adj. PBT
	<b>+10%</b>	<b>+26%</b>	<b>+90bps</b>	<b>+33%</b>
	Adj. EPS	Cash from operating activities	Net cash	Dividend reinstated
	<b>+41%</b>	<b>+ 50%</b>	<b>+ 39%</b>	<b>1.5p (3.4% yield)</b>

# FY23 Overview | *Strong operational and financial progress*

Strong FY performance	2nd year of major capex programme	Cost pressures managed effectively	Competitor demise in June – opens up opportunities	Well-positioned, with progressive dividend policy
<ul style="list-style-type: none"> <li>Ahead of original expectations</li> <li>Strong growth in both divisions</li> <li>Operating margins increased</li> <li>Strong cash generation</li> </ul>	<ul style="list-style-type: none"> <li>2nd year of 3-year £20-25m capex programme</li> <li>c. £9.4m invested in depot network, equipment and IT (FY22: £6.2m)</li> <li>Supports further expansion, service and margin gains</li> </ul>	<ul style="list-style-type: none"> <li>Labour market and supply chain issues from last year eased</li> <li>Price increases implemented from Jan 2023</li> </ul>	<ul style="list-style-type: none"> <li>Took over 15 former Tuffnells sites in June 2023</li> <li>Hired 350+ former Tuffnells staff</li> <li>700+ former Tuffnells customers added to date</li> </ul>	<ul style="list-style-type: none"> <li>Focused on driving revenue, profit and cash</li> <li>Well-positioned to meet management's FY24 targets</li> <li>Possible offer* from H.I.G.</li> </ul>

*\*There can be no certainty that an offer will be made nor as to the terms on which any offer might be made*

# Freight Landscape

## 1-Man

- c. £1.2bn market (IDW + pallets)
- DX share estimated at c.25%\*

Key competitors	Market share*
	c.15%
<b>Tuffnells</b> Administration, June 2023	c.15%
Others:  	c.10%

### DX positioning

- Mainly B2B
- Service is key
- Local customer focus
- Freight profile/commercial pricing

\* Company estimates

## 2-Man/Logistics

- c. £1.5bn addressable market
- DX share estimated at c.4%\*

Key competitors	Market share*
	c.20%
	c.20%
	c. 5%
	c. 4%








### DX positioning

- Mainly B2C
- Bespoke supply chain, warehousing and final mile solutions
- Expanding market
- Consumer driving added-value requirements

## Why we win

- Consistently high service standards
- Multi-option services with national reach
- Options for more complicated deliveries
- De-centralised model provides for local customer services
- Speed of response – commercial quotes in 24-hours
- Rapid on-boarding
- Strong track record

# DX Freight (1-Man and 2-Man/Logistics) | *Delivering strongly*

<p><b>Customers include</b></p> 	 <p>850+ vehicles in fleet</p>	 <p>58 depots across the UK and Ireland</p>	 <p>240k+ items handled per week</p>
	 <p>65 electric vehicles</p>	 <p>95% + service 'on time in full'</p>	 <p>1,100 collection and delivery routes</p>

## Strong performance

- Strong volumes and rising prices
- Operational efficiencies
- Consistently high service levels

## Investing

- 4 depots opened/refurbished, new equipment and technology

## Next steps

- Maximise market opportunity gained following administration of Tuffnells – DX now clear market leader in IDW\*
  - complete the reopening of the former Tuffnells sites – expect to have 12 out of the total of 13 Freight sites including 3 regional hubs by the end of Nov 2023
- Increase 1-Man market share
- Focus on 2-Man/Logistics growth opportunities
- Volume growth and productivity improvements drives margin expansion

# Parcels Landscape

## Parcels

- c. £7bn market, growing at 10% p.a.
- DX share estimated at c.1-2%\*

### Key competitors



### DX positioning

- Mainly B2C
- Focus on SMEs
- Consumer experience very important – ETA, 2-hour window, photo of delivery

\* Company estimates

## Document Exchange & Mail

- Shift towards digitisation; declining market for physical mail
- Continues to be important in the 'in-court' legal system
- DX has a leading position

### Key competitor



### DX positioning

- B2B only
- Dedicated post-5pm collection and pre-9am delivery remains highly valued by customers
- Now utilising network for alternative sectors – 'DX Secure Premium'

## Why we win

### Parcels

- Tailored delivery requirements
- Consistently high service levels
- Security – tracked, signature
- Local customer service
- UK-wide consumer support

### Document Exchange

- Dependable service
- Unique service offering
- Dedicated and highly secure network
- Links to Court system
- Digital portal

# DX Express (Parcel and Exchange and Mail) | *Returned to growth*

<b>Customers include</b>    	 1,300 collection and delivery routes	 700k+ items delivered per week	 96%+ service 'on time in full'
	 12,000+ Document Exchange members	 300+ Exchanges across professional services	 330 daily Document Exchange routes

## Parcels up 16%

- Targeting SMEs and large national customers that value high-quality, next-day service (not a 'volume' proposition)
- Productivity improvements
- Consistently high service levels

## Exchange and Mail

- Improving service levels
- Expand service into relevant sectors, offsetting erosion in traditional markets

## Investing

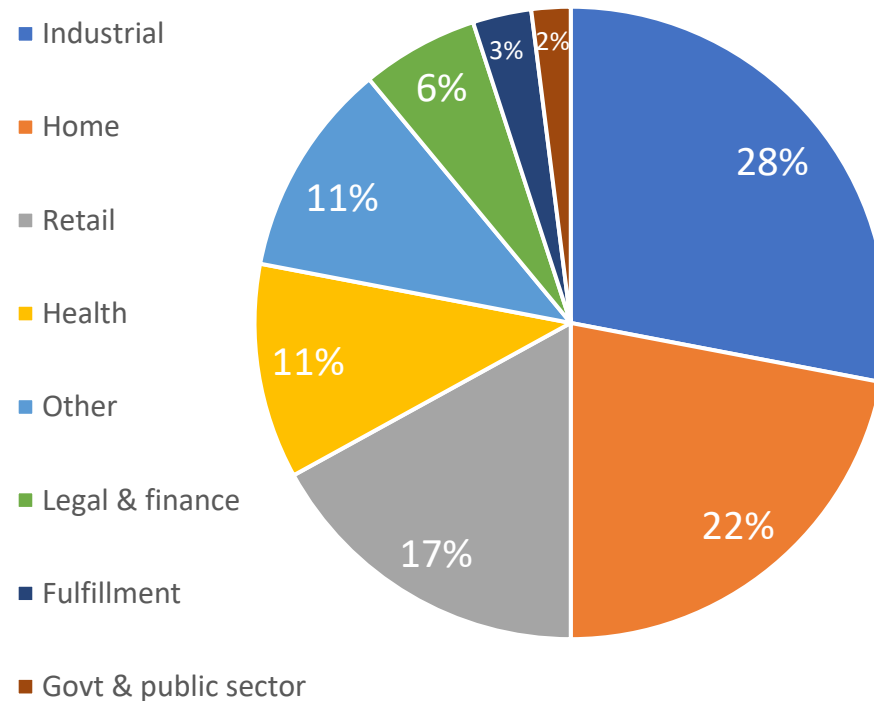
- 5 new depots opened
- Investment in IT platform to improve customer experience and improve service levels

## Next steps

- Complete the reopening of the 2 former Tuffnells sites including an additional central hub by the end of Nov 2023
- Expand Parcels volumes, drive further service improvements and grow market share
- Broaden range of sectors served by Document Exchange into high-street retail, financial and veterinary services sectors

# Diversified Customer Base

## FY23 Sales - £471m



## More specialist deliveries

- Awkward deliveries – non-standard weights, lengths, sizes
- Home deliveries + value-added services - installation, light assembly
- Time-critical
- High security requirement
- Post-5pm collection and pre-9am delivery

## DX Freight

Broad mix of sectors spreads exposure risk

### 1-Man

- B2B/B2C mix steady at 70/30
- c.50% of revenue represented by industrial sectors

### 2-Man/Logistics

- c.84% of revenue represented by Home/Retail

## DX Express - Parcels

### Parcels

- Little exposure to Fast Fashion sector
- B2B and B2C across a wide variety of sectors
- B2B/B2C steady at 30/70
- Broadening into heavier and larger parcels as well as small packets and mail

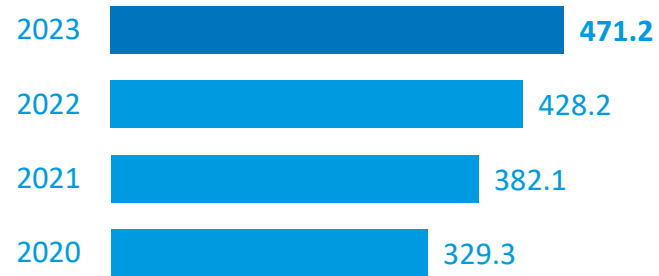
## FY23 Financial Highlights | *Strong performance*

£m	FY23	FY22	Change
<b>Total revenue</b>	<b>471.2</b>	428.2	<b>+10%</b>
DX Freight	<b>282.8</b>	256.9	<b>+10%</b>
DX Express	<b>188.4</b>	171.3	<b>+10%</b>
<b>Adjusted operating profit</b>	<b>31.4</b>	24.9	<b>+26%</b>
DX Freight	<b>37.8</b>	31.1	<b>+22%</b>
DX Express	<b>17.7</b>	14.5	<b>+22%</b>
Central overheads	<b>(24.1)</b>	(20.7)	<b>+16%</b>
<b>Adjusted operating margin</b>	<b>6.7%</b>	5.8%	<b>+90bps</b>
<b>Adjusted PBT</b>	<b>26.8</b>	20.2	<b>+33%</b>
<b>Adjusted EPS per share</b>	<b>4.1p</b>	2.9p	<b>+41%</b>
<b>Total proposed dividend per share</b>	<b>1.5p</b>	nil	<b>+1.5p</b>
<b>Net cash</b>	<b>37.6</b>	27.0	<b>+39%</b>
<b>Cash flow from operating activities</b>	<b>54.9</b>	36.5	<b>+50%</b>

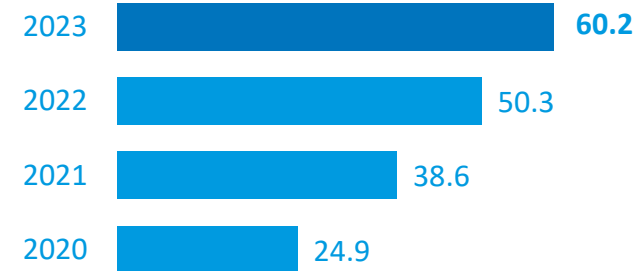
- Revenue growth more balanced between the two divisions, DX Freight and DX Express
- Operating profit and margin expanded at both divisions
  - DX Freight, 13.4% (2022: 12.1%)
  - DX Express, 9.4% (2022: 8.5%)
- Overall operating margin increased to 6.7% (targeting 7.5%-10%)
- Total dividend of 1.5p per share (interim, 0.5p per share)
- Strong cash generation

# FY Financial Record | *New record highs*

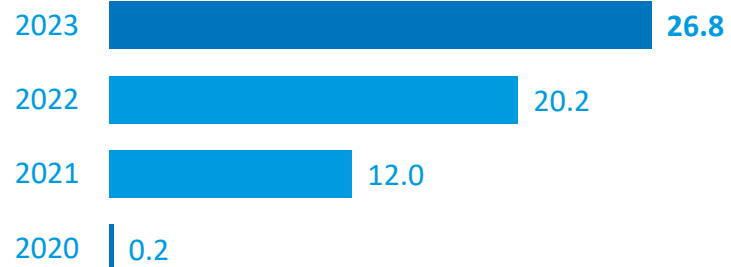
## Revenue +10% (£'m)



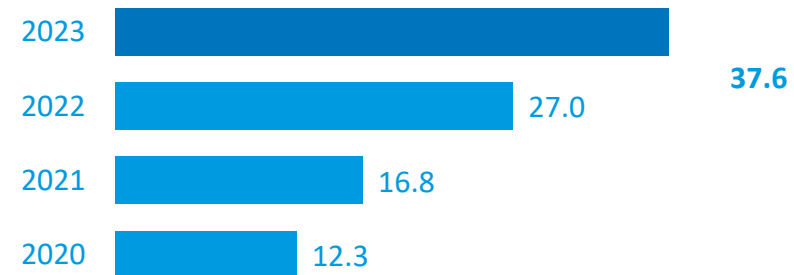
## EBITDA +20% (£'m)



## Adjusted PBT +33% (£'m)



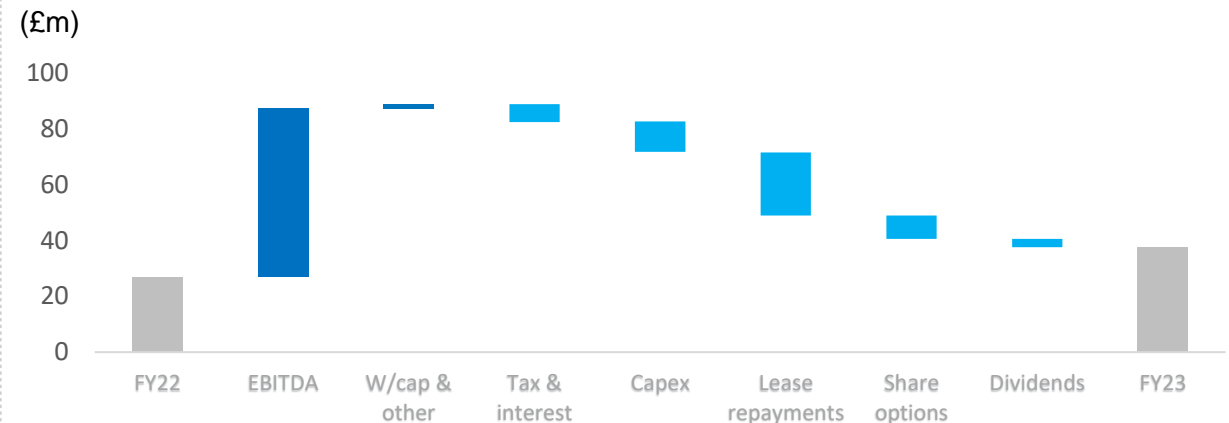
## Net cash +39% (£'m)



## FY23 Cash Flow | *Significantly increased cash flows*

£m	FY23	FY22
EBITDA	60.2	50.3
Movement in deferred payments	-	(6.0)
Other movements in working capital	1.6	(0.9)
Loss on disposal	-	0.3
Exceptional items	-	1.6
Interest paid	(5.1)	(4.7)
Tax paid	(1.8)	(0.9)
<b>Net cash from operating activities</b>	<b>54.9</b>	<b>36.5</b>
Interest received	0.5	-
Capital expenditure	(10.9)	(6.2)
Lease repayments	(22.6)	(20.1)
Net settlement of share options	(8.3)	-
Dividends	(3.0)	-
<b>Net cash flow</b>	<b>10.6</b>	<b>10.2</b>

### Net cash – up 39% to £37.6m (2022: £27.0m)



- Positive working capital movement for the year
- Interest paid related to IFRS 16 lease liabilities
- Tax paid driven by restriction on utilisation of CT losses
- Interest received of £0.5m
- Second year of capex programme - £10.9m (incl. £1.5m on electric vehicles)
- Net settlement of share options – one-off
- Interim dividend of 0.5p per share

## FY23 Balance Sheet | *Strong financial position*

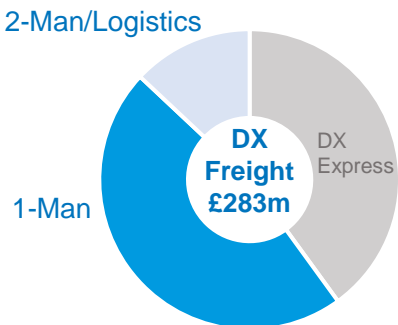
£m		FY23	FY22
<b>Non-current assets</b>	Property, plant and equipment	20.5	14.5
	Right-of-use assets	111.2	94.2
	Intangible assets and goodwill	31.0	31.1
	Deferred tax assets	3.7	5.5
<b>Total non-current assets</b>		<b>166.4</b>	<b>145.3</b>
<b>Current assets</b>	Trade and other receivables	47.2	44.6
	Current tax receivable	0.6	-
	Cash and cash equivalents	37.6	27.0
<b>Total current assets</b>		<b>85.4</b>	<b>71.6</b>
<b>Total assets</b>		<b>251.8</b>	<b>216.9</b>
<b>Equity</b>	Share capital and share premium	31.2	30.9
	Retained earnings	37.4	24.5
<b>Total equity</b>		<b>68.6</b>	<b>55.4</b>
<b>Non-current liabilities</b>	Lease liabilities	94.5	79.6
	Provisions	7.1	7.0
<b>Total non-current liabilities</b>		<b>92.9</b>	<b>86.6</b>
<b>Current liabilities</b>	Lease liabilities	23.6	20.7
	Trade and other payables	46.0	40.7
	Deferred income	9.7	10.2
	Current tax payable	-	0.4
	Provisions	2.3	2.9
<b>Total current liabilities</b>		<b>81.6</b>	<b>74.9</b>
<b>Total liabilities</b>		<b>183.2</b>	<b>161.5</b>
<b>Total equity and liabilities</b>		<b>251.8</b>	<b>216.9</b>

- Property, plan and equipment - increase reflects set up costs of new depots and electric vehicles
- Right-of-use assets up – new depots and vehicles
- Share capital increased – options exercised
- £0.5m reduction in provisions
- Deferred income down, as expected

# Divisional Analysis | *Continued strong momentum*

## DX Freight

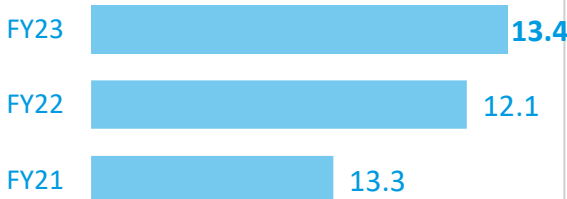
**Revenue +10% y/y**  
£'m



**Operating profit +22% y/y**  
£'m

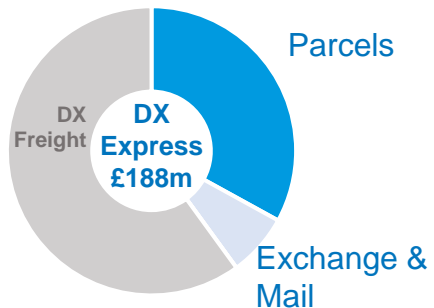
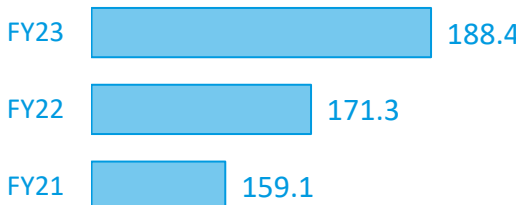


**Operating margin +130bps y/y**  
%

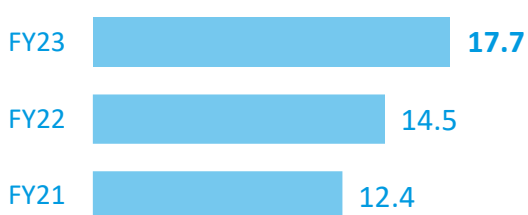


## DX Express

**Revenue +10% y/y**  
£'m



**Operating profit +22% y/y**  
£'m



**Operating margin +90bps y/y**  
%



# Environment Policy | *Reducing carbon emissions*

## Introduction of Electric Vehicles

- Three-year project launched to establish a fully electric fleet for IKEA; 65 electric vehicles now 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
- 201 vehicles and 167 trailers replaced with newer, more efficient versions in FY23
- Since 2021, only plugin hybrid electric vehicles or battery electric vehicles have been deployed in company car fleet



## Commitment to Environmental Impact at Senior Level

- Strategic commitment to achieve net-zero emissions in the business by 2050
- Environmental steering group reports to Board, led by CFO. Consists of leaders from across the Group
- Carbon Reduction Plan published in December 2022 and TCFD disclosures adopted for FY23



## Summary and Outlook | *Strong platform for continued profitable growth*

### **Confident in our strategy and long-term growth prospects**

- Excellent results and platform for growth even stronger
- Resumed dividend payments – progressive policy in place
- Progressing towards operating margin target of 7.5-10%
- Major capex continues – and Tuffnells sites have accelerated growth plans
- Strong balance sheet and cash generation – underpins prospects
- Board confident of further progress
- Quality not quantity – be the best not the biggest