DELIVERED EXACTLY
PARCEL & FREIGHT SOLUTIONS

DX (Group) plc

Interim Results

For the 26 weeks ended 31 December 2022

27 February 2023

Strong platform for future growth

Presentation Team

Mark Hammond, Chairman

- Joined DX as Chairman in November 2022. Over 25 years' commercial and financial experience
- Co-founder and manager of private equity fund, Caird Capital LLP. Previously Head of Integrated Finance at Bank of Scotland Corporate
- Formerly NED at Tuffnells Parcel Express Limited

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

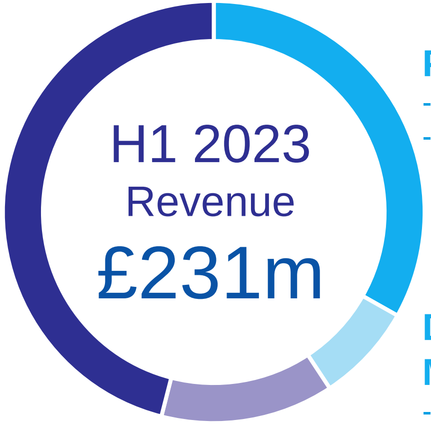
- Appointed CFO in April 2018
- Over 25 years' experience in senior financial roles
- Previously CFO at Hornby plc, involved in its restructuring and turnaround
- CFO of Morgan Sindall Group plc for 9 years until 2013, having joined in 1997

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.

Wide Range of Delivery Services

1-Man - £106m
- overnight delivery specialists in IDW (irregular dimension and weight items)
- mainly B2B

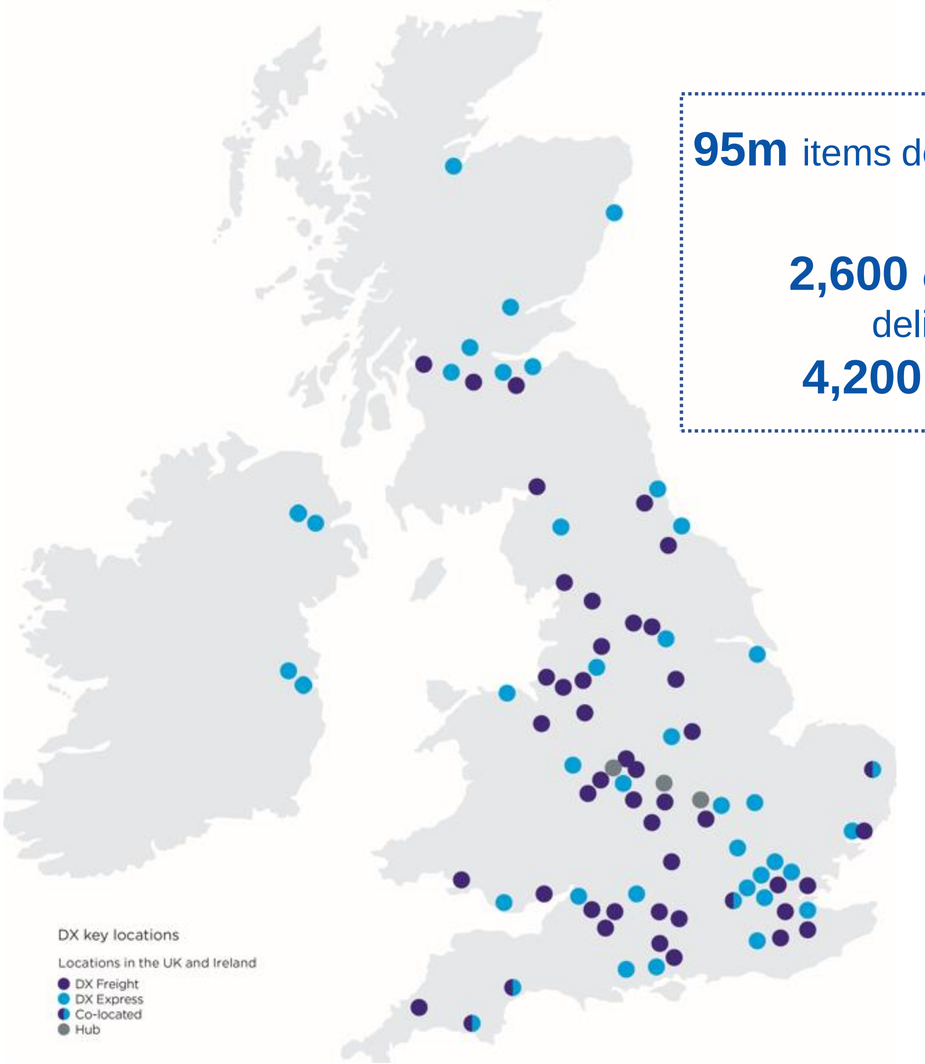


Parcels - £77m
- highly secure & tracked
- B2B & B2C deliveries

Document Exchange and Mail - £17m
- B2B document exchange network
- legal, financial and public sectors

Logistics/2-Man - £31m
- B2C delivery service for items up to 150kg
- Bespoke supply chain warehousing solutions

DX Freight - H1: £137m revenue, £16.2m operating profit, 11.8% margin
DX Express - H1: £94m revenue, £8.0m operating profit, 8.5% margin



95m items delivered p.a
91 depots
2,600 collection & delivery routes
4,200 employees

H1 Highlights | *Continuing strong progress*

- Strong trading in line with management expectations. Performance benefited from:
  - operational improvements, price increases, healthy net new business
  - easing of supply chain and labour market pressures
- Both divisions, DX Freight and DX Express, contributed increased revenue and margins
  - excellent 1-Man performance at DX Freight
  - continued Parcels growth at DX Express; more than off-set expected attrition at Document Exchange and Mail
- Second year of three-year £20-25m capital expenditure programme
  - four new depots opened two other sites expanded
  - electric vehicle programme launched in support of logistics partnership with IKEA
  - further investment in IT and parcel-handling
- Return to dividend list
  - interim dividend declared of 0.5p per share
  - total dividend of 1.5p per share expected for FY23, in line with Capital Allocation Policy
- Well-positioned to meet management's full year targets despite economic headwinds

[1]adjusted for share-based payment charges of £0.1m (H1 2022: £0.6m), exceptional items of nil (H1 2022: £0.8m)
[2]adjusted operating profit divided by revenue

Strong H1 performance

Both divisions increased revenue and margins

Return to dividend list

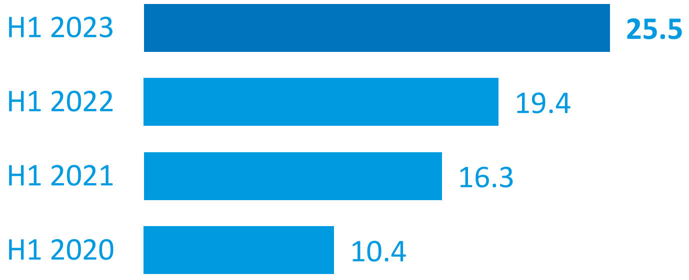
Three-year, £20-25m capital expenditure programme

Well-positioned to meet management's FY23 targets

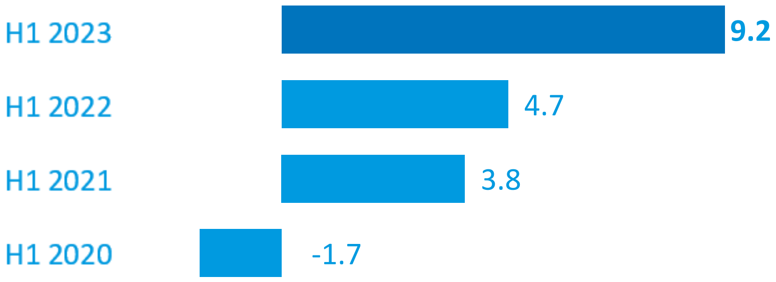
H1 Financial Record | *Sustained profitable growth*

Revenue (£'m)

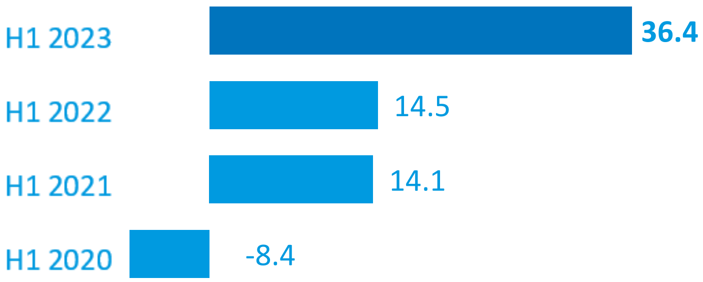
EBITDA (£'m)



Adjusted PBT (£'m)



Net cash (£'m)



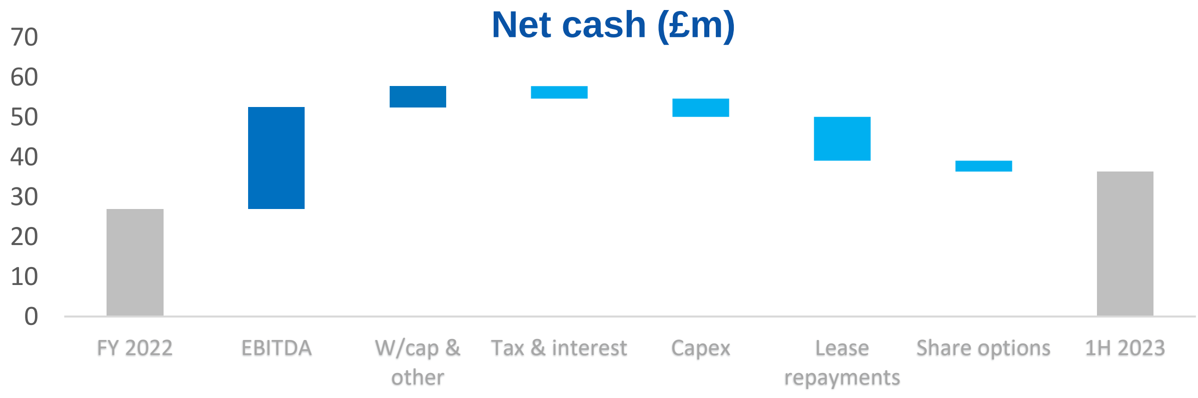
H1 2023 Financial Highlights | *Strong performance*

£m	H1 2023	H1 2022	Change	FY 2022
Total revenue	231.3	202.0	+15%	428.2
DX Freight	137.1	119.1	+15%	256.9
DX Express	94.2	82.9	+14%	171.3
Adjusted operating profit	11.6	7.1	+63%	24.9
DX Freight	16.2	10.4	+56%	31.1
DX Express	8.0	6.1	+31%	14.5
Central overheads	(12.6)	(9.4)	+34%	(20.7)
Adjusted operating margin	5.0%	3.5%	+150bps	5.8%
Adjusted PBT	9.2	4.7	+96%	20.2
Adjusted EPS per share	1.3p	0.8p	+63%	2.9p
Dividend per share	0.5p	Nil	+0.5p	Nil
Net cash	36.4	14.5	+151%	27.0
Cash flow from operating activities	27.7	10.7	+159%	36.5

- Adj. operating profit up 63%, reflecting revenue growth and operational leverage of the business
- Further progress in expanding operating margin towards Group's target of 7.5% - 10.0%
- Increased central overheads reflected Board departures, in particular £1.5m of one-off payroll costs relating to Board changes and Performance Share Plan, which were accelerated into H1
- Interim dividend declared of 0.5p
- Strong cash generation with operating cash flow up by 159% - prior period included repayment of £5.1m of deferred VAT and other payments

H1 2023 Cash Flow | *Significantly increased cash flows*

£m	H1 2023	H1 2022
EBITDA	**25.5**	19.4
Movement in deferred payments	**-**	(5.1)
Other movements in working capital	**5.3**	(0.1)
Exceptional items	**-**	(0.8)
Interest paid	**(2.4)**	(2.4)
Tax paid	**(0.7)**	(0.3)
Net cash from operating activities	**27.7**	10.7
Capital expenditure	**(4.6)**	(3.2)
Lease repayments	**(11.0)**	(9.8)
Net settlement of share options	**(2.7)**	-
Net cash flow	**9.4**	(2.3)



- Strong operating and net cash flow performance
- £5.3m generated from working capital improvements
- Interest paid relates to interest on right-of-use asset lease liability
- Lease repayments relate to capital element of right-of-use assets
- £2.7m spent on net settlement of share options with further £5.5m post period end
- £20m invoice discounting facility with Barclays remains undrawn
- £20-25m capex programme launched in July 2021; £4.6m spent in period (FY22: £6.2m)
- c.£8-10m of capex expected in FY23 and FY24 to support growth plans;
  - new depots, parcel-handling equipment, new electric vehicles and IT

H1 2023 Balance Sheet | *Strong financial position*

£m		H1 2023	H1 2022	FY 2022
Non-current assets	Property, plant and equipment	**16.7**	13.6	14.5
	Right-of-use assets	**103.3**	93.4	94.2
	Intangible assets and goodwill	**31.2**	31.4	31.1
	Deferred tax assets	**4.7**	7.5	5.5
Total non-current assets		**155.9**	145.9	145.3
Current assets	Trade and other receivables	**40.5**	34.3	44.6
	Current tax receivable		-	
	Cash and cash equivalents	**36.4**	14.5	27.0
Total current assets		**76.9**	48.8	71.6
Total assets		**232.8**	194.7	216.9
Equity	Share capital and share premium	**31.0**	30.9	30.9
	Retained earnings	**29.8**	12.7	24.5
Total equity		**60.8**	43.6	55.4
Non-current liabilities	Lease liabilities	**87.5**	78.7	79.6
	Provisions	**8.1**	5.4	7.0
Total non-current liabilities		**92.9**	84.1	86.6
Current liabilities	Lease liabilities	**22.3**	20.4	20.7
	Trade and other payables	**41.4**	35.7	40.7
	Deferred income	**8.6**	8.1	10.2
	Current tax payable	**0.2**	-	0.4
	Provisions	**3.9**	2.8	2.9
Total current liabilities		**79.1**	67.0	74.9
Total liabilities		**172.0**	151.1	161.5
Total equity and liabilities		**232.8**	194.7	216.9

- Right-of-use assets relate to leased vehicles and property leases
- Working capital reduced by £5.3m
- Net cash position up 151% to £36.4m
- Lease liabilities reflects outstanding obligations on right-of-use assets
- Deferred income reduced from year end (as expected) as Document Exchange declines
- Provisions for vehicle and property dilapidations, legal matters and NIC on PSP awards
- Slight increase in share capital reflecting exercise of options

Large Market Opportunity | *£12bn+ parcel market*

1-Man

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

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

Key competitors

	Market share*
TNT	c.15%
Tuffnells	c.15%

2-Man & Logistics

- Very large broader logistics market
- Addressable market estimated at c. £1.5bn
- DX share estimated at c.4%*

- 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

	Market share*
Wincanton	c.20%
arrowxl	c. 5%
PANTHER logistics experts	c. 4%

Parcels

- Large marketplace estimated at c. £7bn
- DX share estimated at c.1-2%*

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

DHL	FedEx
Royal Mail, UPS	YODEL
dpd	EVRi

*Company estimates

DX Freight | *Continued strong momentum*

- Strong H1 performance:
  - revenue up 15% to £137m (H1 2022: £119m); 58% increase over last three years
  - operating profit up 56% to £16.2m (H1 2022: £10.4m)
  - operating margin increased to 11.8% (H1 2022 8.7%), reflecting operational and productivity improvements
  - growth primarily driven by 1-Man services (IDW* specialist)

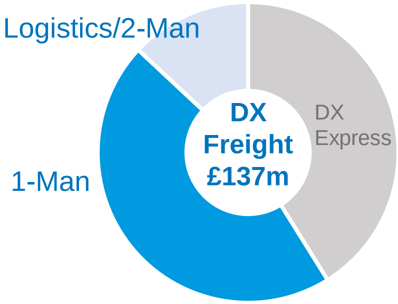
- Strong focus on local customer service

- Significant investment in freight network, equipment and technology
  - 3 depots opened/refurbished in H1
  - 9 depots opened/refurbished over last three years

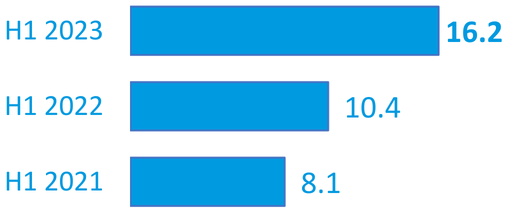
Next steps
- Increase 1-Man market share
- Focus on Logistics/2-Man growth opportunities
- Volume growth and productivity improvements drives margin expansion

Revenue +15% y/y £'m

Revenue split



Operating profit +56% y/y £'m



Operating margin +310bps y/y %

*irregular dimension & weight

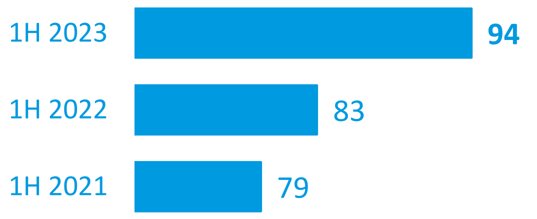
DX Express | *Returned to growth*

- Encouraging H1 performance
  - revenue up 14% to £94m (H1 2022: £83m); Parcels revenue up 20%
  - operating profit up 31% to £8.0m (H1 2022: £6.1m)
  - operating margin at 8.5% (H1 2022: 7.4%) from operational and productivity improvements
- Focus is on expanding Parcels and effectively managing the decline at Document Exchange and Mail (which reflects digitalisation)
- Services for Document Exchange and Mail customers enhanced:
  - digital portal launched in 2022 enabling secure transmission of documents and easy access to other DX services
  - dedicated pre-9 a.m. deliveries remains highly valued by customers
- Significant investment in depot network, equipment and technology
  - 3 depots opened/refurbished in H1
  - 5 depots opened/refurbished in last three years

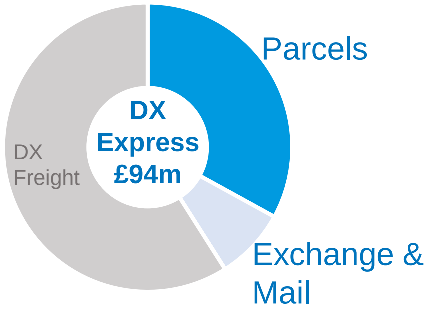
Next steps

- Expand Parcels capacity, drive further service improvements and grow market share
- Parcels proposition is high-quality, next-day service for SMEs and large national customers (not a ‘volume’ proposition)

Revenue +8%
£’m



Revenue split



Operating profit +31%
£’m

Operating margin +110bps
%

Capital Investment Programme | *supports expansion, service and margin gains*

- Three-year £20-£25m investment programme launched in FY22:
  - — further £4.6m invested in H1 2023
  - — £6.2 million invested in FY 2022
  - — focus on driving organic growth across the business

- Investment programme is targeted on:
  - — depots (both divisions)
  - — vehicle fleet and parcel handling equipment
  - — IT

- In FY 2022, eight new depots were opened and three depots relocated

- FY 2023 target is for six new depot openings and three depot relocations
  - — four new depots were opened in the first half of the current financial year
  - — increases capacity, drives productivity by reducing stem mileage, and enhances customer service (closer to customers)

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 FY22
- Since 2021, only hybrid 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 Manager role created in FY 2022
- Environmental steering group reports to Board, led by CFO and consisting of leaders from across the Group

Summary and outlook | *Strong platform for continued profitable growth*

- Strong platform for continued growth
- Group is on course to achieve target operating margin of 7.5% - 10.0%
- Now in second year of a three-year capital expenditure programme, focused on depot expansion/upgrades, parcel-handling equipment, electric vehicles and IT
  - will deliver further service improvements and efficiencies
- Group is strongly cash generative – underpins future investment in the business and returns to shareholders
- Strong balance sheet with net assets of £60.8m including net cash of £36.4m at 31 December 2022
- Interim dividend of 0.5p declared, with total dividend of 1.5p targeted for FY 2023; reinstatement of dividend demonstrates Board's confidence in DX's future prospects
- Board confident of achieving its targets for FY 2023, despite economic headwinds

Revenue and margin growth

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

Very strong balance sheet and cash generation

Encouraging outlook

Supplementary Information

- Corporate Governance
- FY financial record
- Case study
- Capital allocation policy
- Major shareholders

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

- Three strong Board appointments with new Chairman and two new independent NEDs. Third NED to be appointed
- Corporate governance policies and procedures have been upgraded, including:
  - Audit & Risk Committee (“ARCo”) strengthened
  - “Big Four” professional services firm 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

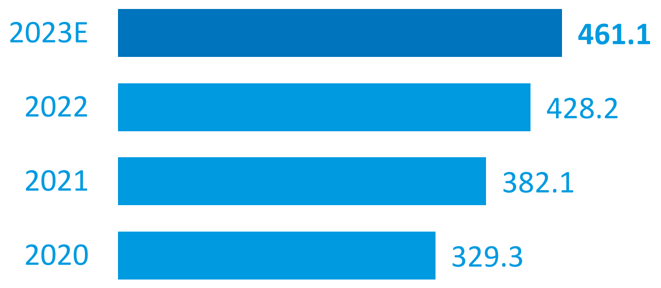
Legal action

- Legal claim received from Tuffnells Parcels Express in February 2023
- Relates to the investigation and inquiry and its findings
- Group will defend position robustly and will not provide any further comment until the appropriate time

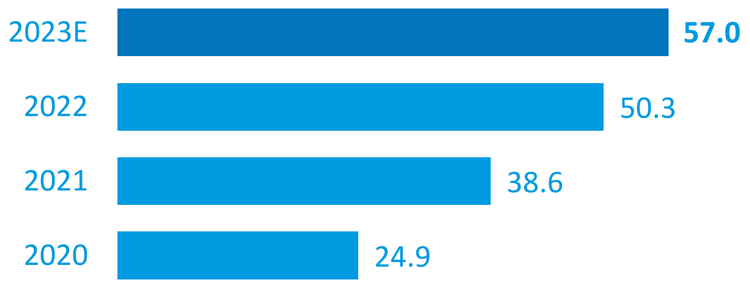
FY financial record | *Sustained profitable growth*

FY23 estimates are consensus market forecasts

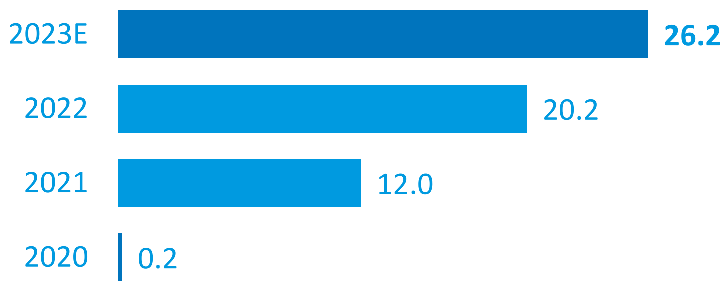
Revenue (£'m)



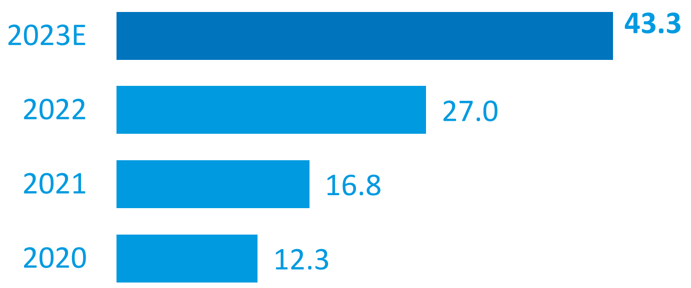
EBITDA (£'m)



Adjusted PBT (£'m)



Net cash (£'m)



- Business turnaround commenced in FY18
- 1st phase: return Group to profit completed in FY20
  - underpinned by DX Freight turnaround
- 2nd phase: drive sustainable profit growth and cash generation
  - address DX Express growth and margins
  - continue to drive DX Freight growth
  - major capex programme
  - restore dividends

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

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

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

- 0.50p interim dividend declared for FY23
- Expect total dividend for FY23 of 1.5p

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

- 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)

- FY22 net cash £27.0m, H1’23 net cash £36.4m

Major shareholders

	Number of Shares	Percentage Held
Gatemore Capital Management LLP	114,753,538	18.97%
Canaccord Genuity Wealth Management	94,076,750	15.55%
Lloyd Dunn	76,361,454	12.62%
Lombard Odier Asset Management (Europe) Limited	51,282,154	8.48%
Schroder Investment Management	33,695,687	5.57%
Ruffer LLP	20,610,000	3.41%

- Total number of ordinary shares in issue as at 24 February 2023: 604,879,255