



Rebuilding profitability

DX (GROUP) PLC

Update on Trading, Corporate Governance, and Capital Allocation

October 2022





Ron Series, Executive Chairman

- Reappointed Executive Chairman in September 2022
- Joined as Chairman in October 2017
- Chairman of Tuffnells from 2002 to 2005
- Chairman of Braemar Shipping Services from 2019-2021



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

Who We Are

DX (Group) plc – Update



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.

100m items delivered in FY 2022

4,100 employees

Delivery Services

1-Man

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



Parcels

- highly secure & tracked
- B2B & B2C deliveries

Exchange & Mail

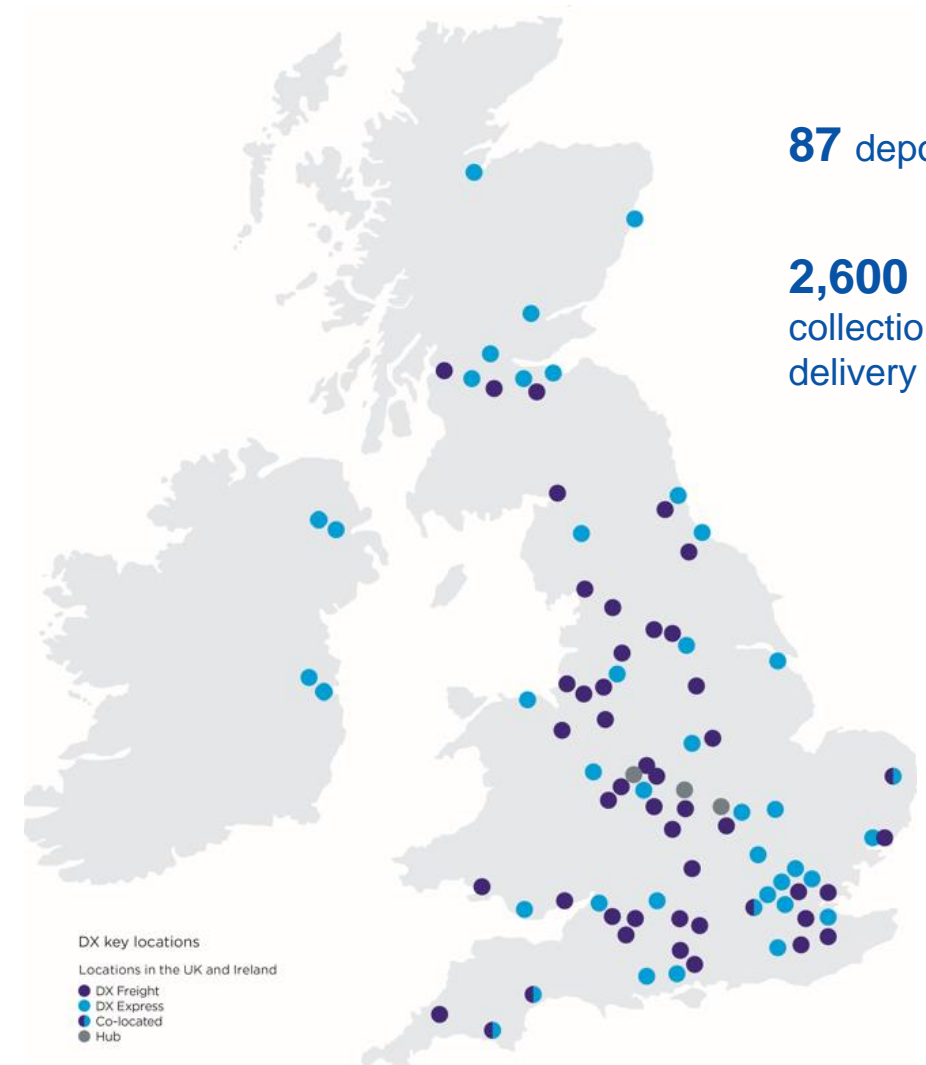
- B2B document exchange network
- legal, financial and public sectors

2-Man/Logistics

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

87 depots

2,600
collection and
delivery routes





- FY 2022 results due in November 2022. Performance expected to be significantly ahead of management targets. This was achieved while negotiating labour shortages and supply chain disruption
 - FY 2022 revenue up 11% y/y at c.£425m (2021: £382.1m)
 - Expect operating margin to expand to above 5.5% (2021: 4.4%)
 - net cash up 61% y/y at 2 July 2022 to c.£27.0m (2021: £16.8m; underlying cash of £10.8m net of deferred VAT)
 - outperformance driven by Freight division revenue up 15% y/y
- Second major investment programme started - c. £20m - £25m in sites, equipment and IT over three years
 - FY 2022; c. £6.2m invested (2021: £6.0m), with £3.2m invested in H1
- Network enlarged - seven new sites and one site upgraded in FY 2022
 - two new sites added in H1 2023
- Corporate governance inquiry concluded in September – see slide 6
- New capital allocation policy announced in September – see slide 9
- Focused on lifting of share trading suspension
- Well-positioned to improve underlying performance and profitability in FY 2023, through volume growth, productivity improvement and margin expansion

Strong performance

**£425m revenue
+11%**

2021: £382.1m

Highly cash generative

**£27.0m net cash
+61%**

2021: £16.8m

Return to dividends

**1.5p expected
FY 2023**

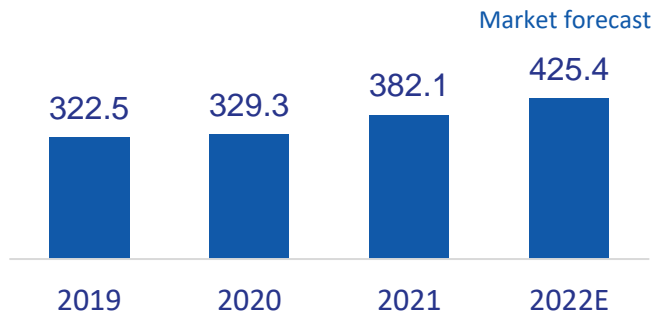
2021: nil

Strong Financial Progress

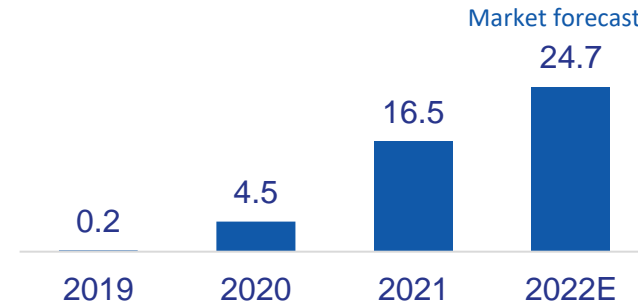
DX (Group) plc – Update



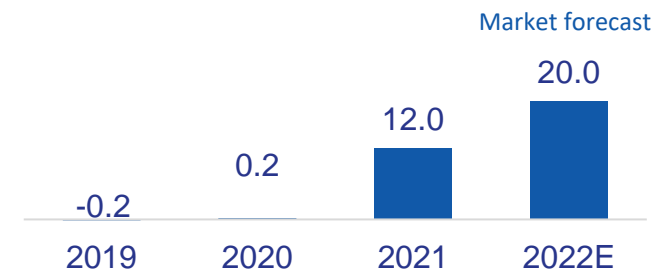
Revenue (£m)



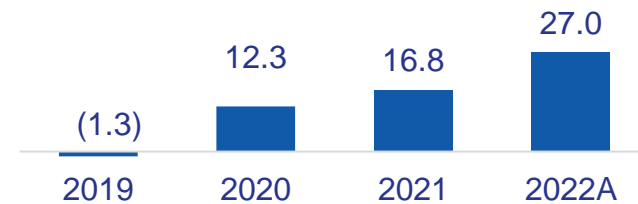
Operating profit¹ (£m)



Adjusted PBT¹ (£m)



Net cash (£m)



Milestones

2018 – Business turnaround commenced

2019 – Return to positive EBITDA
Three-year CAPEX programme

2020 – Return to adjusted PBT

2021 – Return to Statutory PBT

¹ Adjusted for exceptional items, share based-payments charge and amortisation of acquired intangibles



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

- 2021 Annual Report & Accounts filed in September 2022, following appointment of new auditors
- Two strong Board appointments of independent NEDs
- Corporate governance policies and procedures have been upgraded, including:
 - Audit & Risk Committee (“ARCo”) 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

Internal improvements

**Audit & Risk
Committee stronger**

External validation

**“Big Four” firm
reviewed policies**

Employee engagement

**Enhanced
employee training**

Divisional Performance - DX Freight

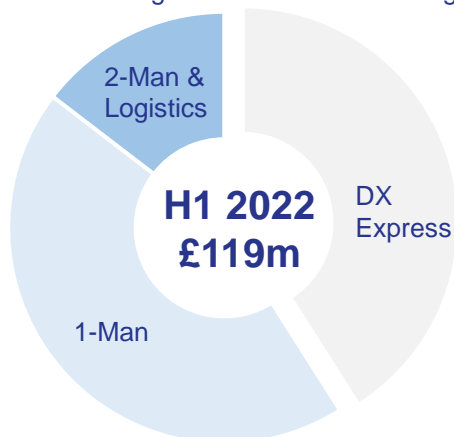
DX (Group) plc – Update



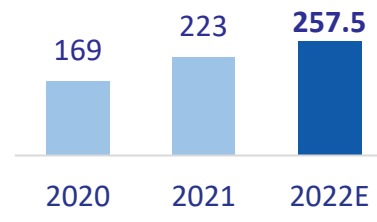
- H1 revenue up by 15% to £119m (H1 2021: £103m) | Operating profit of £10.4m (H1 2021: £8.1m) | Operating margin of 8.1% (H1 2021: 7.8%)
- 1-Man – revenue up 18% to £89.7m – improved customer service, strong new business, better volume mix
- 2-Man & Logistics – revenue up 7% to £29.4m - new Logistics contract with CIH (Euronics)
- Network expanded - new depot opened at Dewsbury and Maidstone depot in first half of the year; H2 three new depots at Bodmin, Coventry, Cannock.
 - network expansion improves efficiency and service levels; stem mileage reduced, closer to customers
 - FY 2023 further openings planned; two new depots opened
- Significant scope to grow volume and increase market share



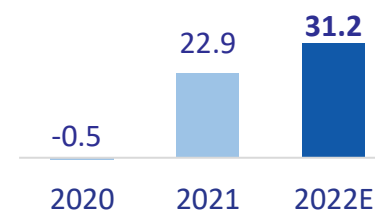
Specialists in delivery of larger and heavier items, including those with irregular dimension and weight (“IDW”)



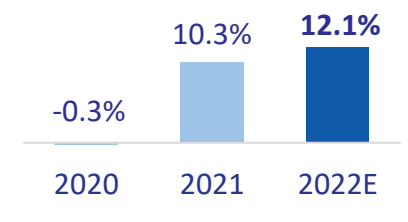
FY Revenue*
£257.5m* +15%
 2021: £223.0m



FY Operating profit*
£31.2m* +36%
 2022: £22.9m



FY Operating margin*
12.1%*
 2021: 10.3%



* finnCap forecasts

Divisional Performance - DX Express

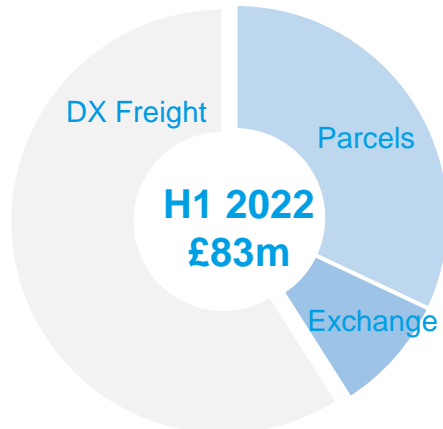
DX (Group) plc – Update



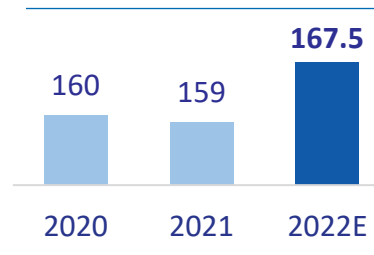
- H1 revenue up by 5% to £83m (H1 2021: £79m) | Operating profit of £6.1m (H1 2021: £7.4m) | Operating margin of 7.4% (H1 2021: 9.3%)
- Parcels revenue up 10% in H1
- Document Exchange down 11% to £19.0m in H1 - in line with expectations
 - new portal launched and delivery network separated
- Network expanded - three new depots opened (Grimsby, Luton and Verwood) in H1, Dartford added in H2
 - further eight depots planned over next two years
- Drive Parcels growth – keen focus on customer service and higher value items - and drive operational improvements



Specialists in express delivery of time-sensitive, mission-critical and high-value items

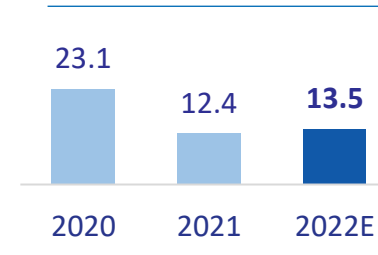


FY Revenue*
£167.5m +5%
2021: £159.1m

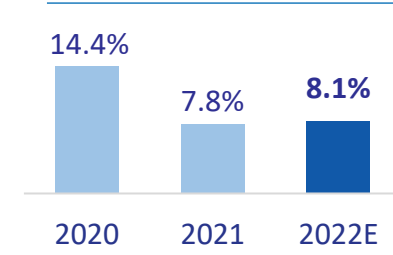


* finnCap forecasts

FY Operating profit*
£13.5m +9%
2021: £12.4m



FY Operating margin*
8.1%
2021: 7.8%



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



Investment for organic growth

Investment to support growth of existing depot network:

- new depots
- upgrade operational equipment
- strengthen IT systems
- current requirements £8-10m p.a.



Regular returns to shareholders

- Progressive dividend policy
- Maintain cover by adjusted EPS between two and three times
- Funded by free cash flow
- 1.5p dividend planned for FY23
- One-third interim and two-thirds final dividend



Strategic Investments

- Selective property investments to support operations
- Strategic acquisitions of operating businesses to accrete earnings
- Support longer-term growth



Other returns to shareholders

- Balance sheet efficiency
- High operational leverage
- Maintain positive cash balance
- Return surplus capital in the form of special dividends or share buy-backs (using existing authorities)

Revenue & margin growth

- Continue to grow revenue in existing markets
- Focusing on improving margins via efficiency and productivity gains
- Significant opportunity in Parcels

c.£20-25m 3-year investment programme

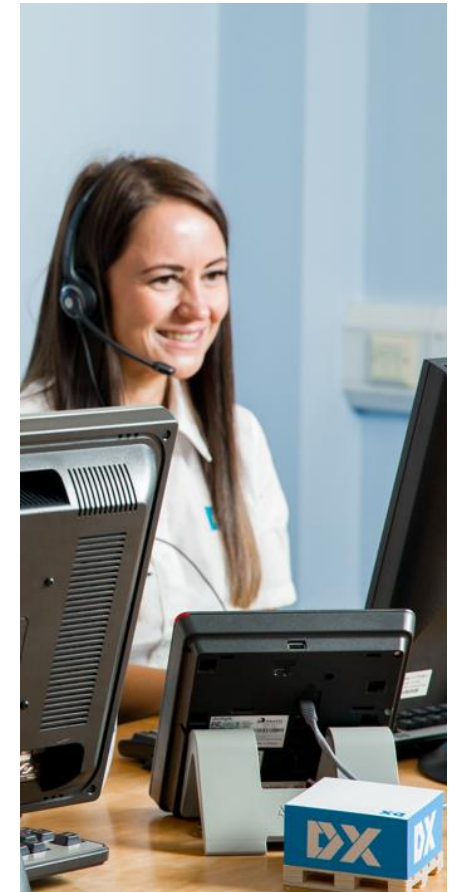
- In second year of 3-year investment programme - focused on depot expansion, equipment and IT
- Supports volume growth, service levels, efficiencies driving margin expansion

Strong financials

- Business is intrinsically cash generative and will maintain positive cash balances
- Progressive dividend policy; 1.5p per share planned for FY23

Encouraging outlook

- DX continues to win net new business and increase market share
- Trading since the start of the new financial year in line with expectations; volumes continue to be robust
- Group well positioned to deliver a further improved performance in FY23 despite economic headwinds



Supplementary Information

- HY 2022 Financials
- Case Study – Burnley
- Parcels Freight Market
- ESG
- The Board
- Major Shareholders



H1 2022 (26 weeks to 1 January 2022) - Financial Highlights

DX (Group) plc – Update



£m	H1 '22	H1 '21	Change	FY '21
Revenue	202	183	+£19m	382
DX Freight	119	104	+£15m	223
DX Express	83	79	+£4m	159
Adjusted operating profit¹	7.3	5.9	+£1.4m	16.5
DX Freight	10.4	8.1	+£2.3m	22.9
DX Express	6.1	7.4	-£1.3m	12.4
Central overheads	(9.2)	(9.6)	+£0.4m	(18.8)
Adjusted PBT¹	4.7	3.8	+£0.9m	12.0
Net cash	14.5	14.1	+£0.4m	16.8
Cash flow from operating activities	10.7	12.8	-£2.1m	28.1
Capex	3.2	2.7	+£0.5m	6.0

- H1 revenue up 11% despite customer supply chain constraints and cost pressures
- Driven by excellent progress at DX Freight and growth of Parcels in DX Express
- Adjusted operating profit up 24% to £7.3m
- Operating margin up to 3.6% from 3.2%; expect further expansion for FY22
- Cash flow reflects:
 - increased profitability,
 - £5.1m of deferred payments repaid,
 - slight increase in working capital, and
 - increased capital expenditure and lease payments
- Central overhead (adjusted) down 4% to £9.2m reflects lower legal and property-related costs

¹ Adjusted for share-based payments charge (£0.8m) and exceptional items (£0.8m). H1 2021: adjusted for amortisation of acquired intangibles (£0.1m) and share-based payments charge (£0.6m)

H1 Cash Flow

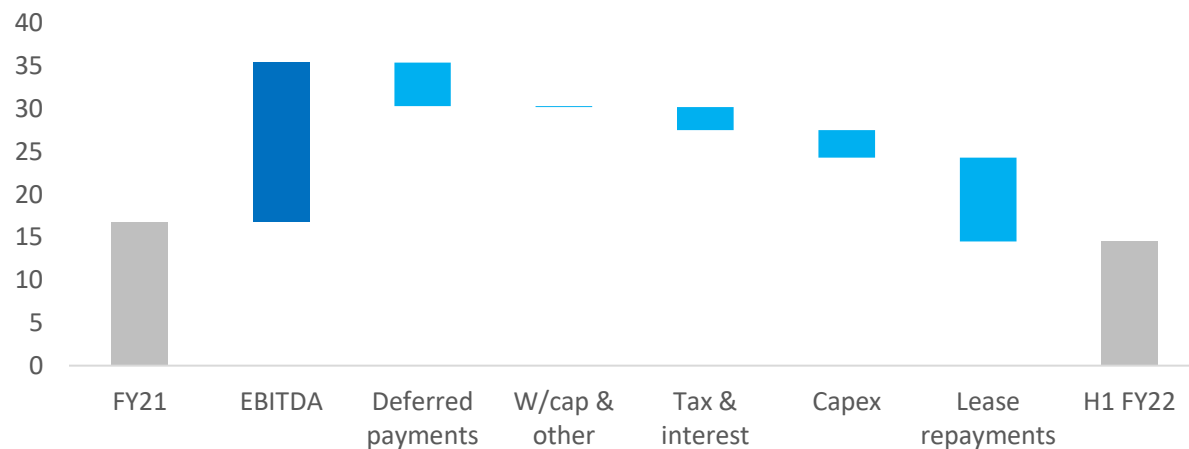
DX (Group) plc – Update



£m	H1 2022	H1 2021
EBITDA	18.6	16.3
Movement in deferred payments	(5.1)	(5.4)
Other movements in working capital	(0.1)	4.2
Interest paid	(2.4)	(2.1)
Tax paid	(0.3)	(0.2)
Net cash generated from operating activities	10.7	12.8
Capital expenditure	(3.2)	(2.7)
Lease repayments	(9.8)	(8.3)
Net cash flow	(2.3)	1.8

- Strong cash flow performance
- Repaid £5.1m of coronavirus-related deferred payments
 - remaining balance of £0.9m was repaid by February 2022
- 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 Bank was undrawn in the period
- £20-25m capital expenditure programme
 - £3.2m invested in the period and £6.2m for FY22 as a whole
 - c.£8-10m of capex in each of the next two years to support growth plans
- Cash at end of FY22 was £27.0m
- Group to maintain a net cash position at end of FY23

Net cash (£m)



Balance Sheet as at 1 January 2022

DX (Group) plc – Update



£m		H1 '22	H1 '21	FY21
Non-current assets	Property, plant and equipment	13.6	11.5	12.3
	Right-of-use assets	93.4	80.4	95.4
	Intangible assets and goodwill	31.4	31.1	31.4
	Deferred tax assets	7.5	2.3	7.5
Total non-current assets		145.9	125.3	146.6
Current assets	Trade and other receivables	34.3	29.4	40.1
	Current tax receivable	-	0.1	0.1
	Cash and cash equivalents	14.5	14.1	16.8
Total current assets		48.8	43.6	57.0
Total assets		194.7	168.9	203.6
Equity	Share capital and share premium	30.9	30.9	30.9
	Retained earnings	12.7	(4.3)	8.9
Total equity		43.6	26.6	39.8
Non-current liabilities	Lease liabilities	78.7	69.2	81.3
	Provisions	5.4	6.0	5.8
Total non-current liabilities		84.1	75.2	87.1
Current liabilities	Lease liabilities	20.4	15.8	19.3
	Trade and other payables	35.7	38.8	44.0
	Deferred income	8.1	10.5	11.4
	Provisions	2.8	2.0	2.0
Total current liabilities		67.0	67.1	76.7
Total liabilities		151.1	142.3	163.8
Total equity and liabilities		194.7	168.9	203.6

- YOY growth in right-of-use assets from new vehicles and property leases
- Excluding impact of deferred payments, working capital increased slightly by £0.1m since FY21 year end
- Recognition of deferred tax on Corporation Tax losses (£7.5m) at blended rate of 22% (prior to recent announcement)
- Positive retained earnings
- YOY rise in lease liabilities reflects new right-of-use assets
- Deferred income reduced as expected as Document Exchange contracts

Case Study – Burnley DX Freight Depot

DX (Group) plc – Update



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



Parcels Freight Market – Strong Growth Opportunities

DX (Group) plc – Update



1-Man – overnight IDW + pallets

- Market c. £1bn (IDW+ pallets)
- DX share is c.15%*

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

2-Man & Logistics

- Broader logistics market very large
- DX addressable market c. £1.5bn
- DX share is c.4%*
- B2C focus
- Half the market is outsourced
- 'White-glove', 'wet-fit' & 'light-assembly' services
- Bespoke delivery service for logistics solutions
- Expanding market
- Consumer driving added-value requirements

Parcels

- Large marketplace, estimated at c. £7bn
- DX share is c.1-2%*
- B2C focus
- Competitive
- Focus on SMEs and high levels of customer service
- 10%+ annual rate of growth
- ETA service and customer experience highly important

Key competitors:

*Company estimates

Market share*



c.15%



c.15%



Market share*

c.20%



c. 5%



c.4%



OVERALL PARCELS WORTH OVER £12BN AND GROWING AT 10% P.A



ENVIRONMENTAL	SOCIAL	GOVERNANCE
<ul style="list-style-type: none"> • Publication of Carbon Reduction Plan in November 2022 • Continued focus on reducing Group carbon footprint • Courses in energy awareness and driver efficiency • Vehicle mix includes more efficient 7.5 tonne vehicles – Euro 6 compliant • CO2 emissions rose in FY 2021 due to higher level of activity • Carbon intensity per £1m revenue fell 7% • Vehicle telematics monitor driver behaviour and fuel efficiency 	<ul style="list-style-type: none"> • Improvement in health and safety record over last five years • Bespoke e-learning solution is proving an effective method of engaging with employees to reduce risk • Road Risk Management Policy provides guidance for drivers in identifying and evaluating potential risks • ‘Warehouse-to-Wheels’ Programme 	<ul style="list-style-type: none"> • Remedial actions being taken following Corporate Governance matter • QCA corporate governance code • Regular assessment of Board effectiveness • Board has strict control over key areas of expenditure to ensure diligence in capital and people decisions • Senior management team has significant depth of industry experience • Strong governance ethos with appropriate Board sub-committees



RON SERIES Executive Chairman	<ul style="list-style-type: none"> Appointed Chairman in October 2017 Highly experienced in business turnaround situations Previously Chairman of Tuffnells Parcel Express (2002-05) during its successful turnaround
DAVID MULLIGAN Chief Financial Officer	<ul style="list-style-type: none"> Appointed CFO in April 2018 Over 25 years' experience in senior financial roles Previously CFO at Hornby plc, involved in its restructuring and turnaround Before that, CFO of Morgan Sindall Group plc for nine years until 2013, having joined in 1997
RUSSELL BLACK Non-executive Director	<ul style="list-style-type: none"> Joined as NED in October 2017 Over 40 years experience in transport, founder and CEO of Nightfreight plc from 1984 to 2002
LIAD MEIDAR Non-executive Director	<ul style="list-style-type: none"> Joined as NED in December 2021 Co-founder and Managing Partner of Gatemore Capital Management LLP Board member of GSE Worldwide Inc, Factorial Inc and SurvivorNet Inc Serves on Dean's Advisory Council at Princeton University and Trustee of American School in London
MIKE RUSSELL Non-executive Director	<ul style="list-style-type: none"> Joined as NED in July 2022. Chairman of Remuneration Committee 35 years' experience in leadership and financial roles in major companies Former Non-executive Director of Clipper Group plc
JON KEMPSTER Non-executive Director	<ul style="list-style-type: none"> Joined as NED in July 2022. Chairman of Audit & Risk Committee Over 30 years' experience of senior financial and commercial roles Non-executive Director of Ted Baker plc, Bonhill Group plc, Fireangel Safety Technology plc and Serinus Energy plc and a trustee of Delta plc pension plan



	Number of Shares	Percentage Held
Gatemoore Capital Management LLP	114,753,538	20.00%
Hargreave Hale Limited	106,300,000	18.53%
Lloyd Dunn	62,791,793	10.95%
Lombard Odier Asset Management (Europe) Limited	46,515,351	8.11%
Schroder Investment Management	3,495,687	5.66%
Ruffer LLP	24,250,000	4.23%
AXA Framlington Investment Management	17,428,815	3.04%

- Total number of ordinary shares in issue as of 14 September 2022: 573,681,792