



DX (Group) plc

Preliminary Results
for the period ended
27 June 2020

17 September 2020

Delivering on our promises



Presentation Team



**Ron Series,
Executive Chair**

- Appointed Executive Chairman in Oct 2017
- Highly experienced in business turnaround situations
- Previously Chairman of Tuffnells Parcel Express (2002-05) during its successful turnaround
- Chairman of Braemar Shipping Services plc



**Lloyd Dunn,
CEO**

- Appointed CEO in Oct 2017
- 45 years' experience in express freight and parcels industry
- Led successful turnaround of Tuffnells Parcel Express prior to sale
- Co-founded Nightfreight plc, a logistics company (listed in 1994, acquired by private equity and subsequently by DX in 2012)



**David Mulligan,
CFO**

- Appointed CFO in April 2018
- Over 20 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 EXPRESS

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



Secure Courier
£112m

- Highly secure, fully tracked
- B2B and B2C deliveries

Document Exchange
£48m

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

FY 2020
£160m revenue | £23.3m EBITDA¹

DX FREIGHT

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



1-Man
£112m

- Next-day IDW deliveries
- Mainly B2B

2-Man/Logistics
£57m

- B2C delivery service
- Items up to 150kg
- Bespoke supply chain and warehousing solutions

FY 2020
£169m revenue | £(1.2)m LBITDA¹

¹ IFRS16 Lease was adopted on 1 July 2019 using the modified retrospective, without restating prior year figures. As a result, the discussion of results for the period to 27 June 2020 is based on the previous standard IAS 17 Leases unless otherwise stated.

Returned to adj. PBT

- Marks completion of first phase turnaround

Coronavirus crisis

- Effective response

DX Freight

- Significant progress

DX Express

- Challenges but focus now on Secure Courier

£10m investment programme

- IT/sites/equipment

Now rebuilding profits

- Volumes, efficiency/productivity
-

- **Impact**

- Revenue initially fell by approximately a third
- Swift and decisive action taken to:
 - protect customers and employees
 - adjust cost base
 - switch resources to busier areas (shift to B2C)
- Utilised Government's Coronavirus Job Retention Scheme (CJRS); 25% of staff furloughed; vast majority are now back at work
- Close attention to liquidity; deferred some payments (mainly VAT)
- Volumes recovered steadily from April and are now above levels anticipated pre-lockdown

- **Market opportunity**

- Coronavirus has significantly accelerated trend to online shopping
- Additional private address volumes for DX will mainly benefit DX Express
- Parcel market growing at double-digit rate
- Potential for strong revenue growth over next 5 years

2020 Financial Highlights



- **Financial performance**

- Revenue up 2% to £329m (2019: £323m) despite coronavirus and reflects strong new business growth
- EBITDA up by 33% to £4.4m (2019: £3.3m)
- Return to adjusted PBT of £1.8m (2019: £0.2m loss)

- **Strong cash position and healthy liquidity**

- Net cash of £12.3m at 27 June 2020 (2019: net debt of £1.3m)
- Strong cash flow, £16.9m (2019: £3.2m), driven by increased EBITDA and working capital, which benefitted from deferred cash payments of £10.4m
- Capex of £3.4m (2019: £3.5m), part of wider £10m investment programme

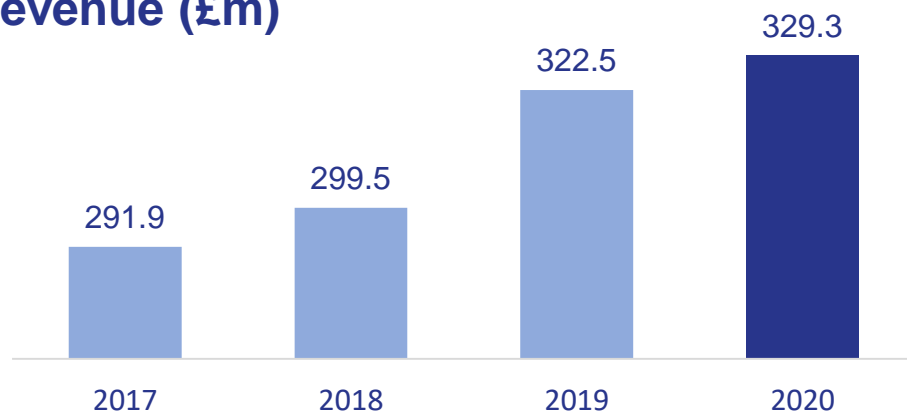
- **Segmental performance**

- DX Freight: LBITDA down 85% to £1.2m (2019: loss of £7.8m) with H2 EBITDA of £0.7m, driven by expansion of 1-Man and exit from loss-making contracts at 2-Man/Logistics
- DX Express: EBITDA of £23.3m (2019: £26.9m); reflecting end of HMPO contract and expected decline in Document Exchange subscription revenue
- Central overhead up 11% to £17.7m (2019: £15.8m) reflecting increase in planned IT spend to upgrade and streamline existing infrastructure and operational systems

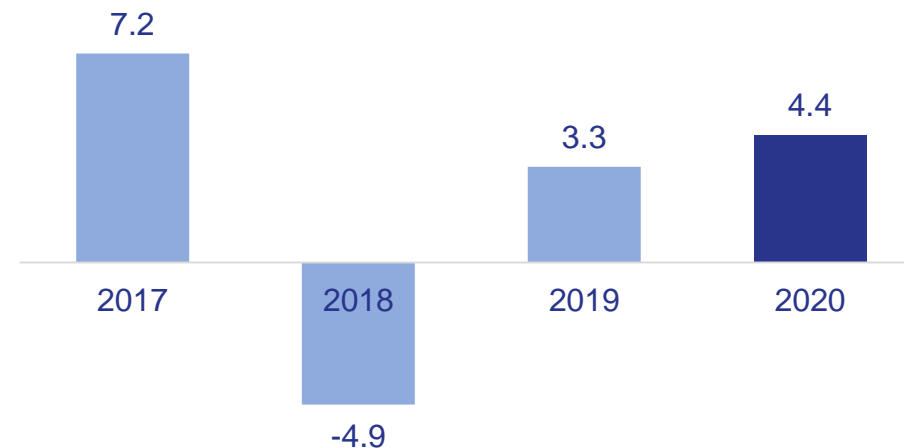
Financial Progress



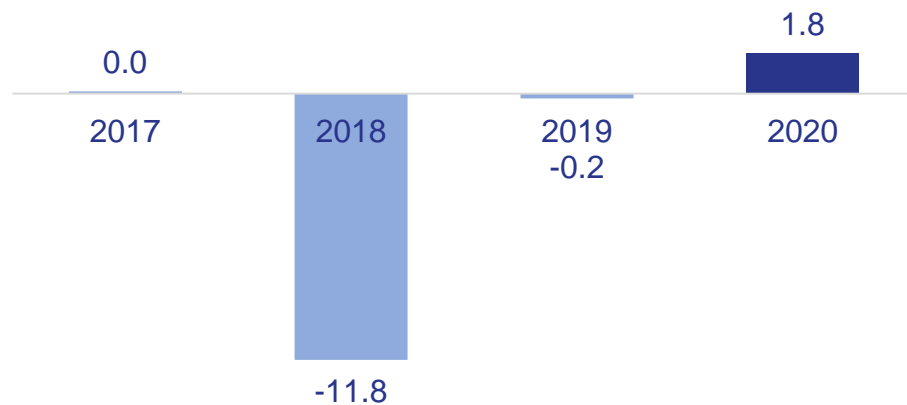
Revenue (£m)



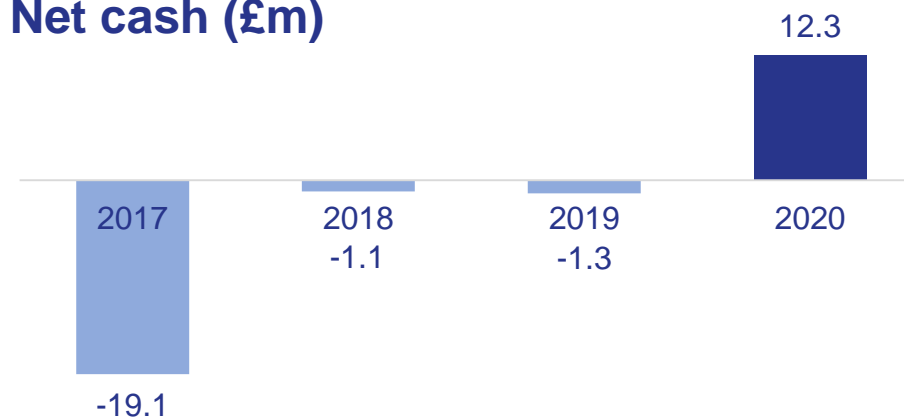
EBITDA* (£m)



Adjusted PBT* (£m)



Net cash (£m)



* EBITDA and adjusted PBT are on an IAS17 basis

Income statement



	IAS 17	IFRS 16	IAS 17	IAS 17
£m	2020	2020	2019	Change
Total revenue	329	329	323	+£6.8m
DX Freight	169	169	159	+£10.4m
DX Express	160	160	164	-£3.6m
EBITDA	4.4	24.9	3.3	+£1.1m
DX Freight	(1.2)	13.8	(7.8)	+£6.6m
DX Express	23.3	28.3	26.9	-£3.6m
Central overheads	(17.7)	(17.2)	(15.8)	-£1.9m
Underlying operating profit¹	2.2	4.5	0.2	+£2.0m
Adjusted PBT/(LBT)¹	1.8	0.2	(0.2)	+£2.0m
Net cash/(debt)	12.3	12.3	(1.3)	+£13.6m
Cash flow from operating activities	16.9	33.5	3.2	+£13.7m

¹ Adjusted for amortisation of acquired intangibles (£0.3m) and share based-payments charge (£1.2m) (2019: £0.3 m and £1.2m respectively)

Cash Flow

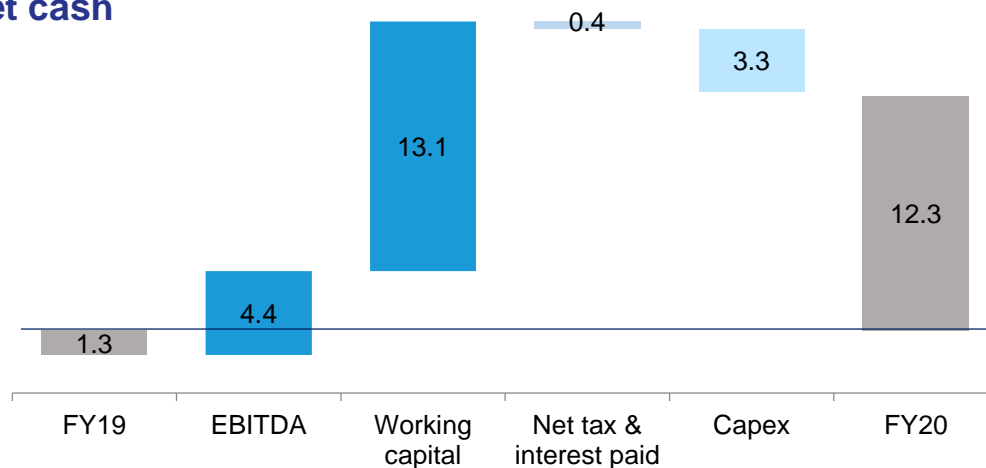


All figures on comparable IAS 17 basis

£m	2020	2019
EBITDA profit	4.4	3.3
Movement in working capital	13.1	(0.2)
Operating cash flow	17.5	3.1
Tax (paid)/received	(0.4)	0.5
Interest paid	(0.4)	(0.4)
Capital expenditure	(3.3)	(3.4)
Free cash flow	13.4	(0.2)

- Underlying cash performance better than expected
- Improvement in working capital driven by deferred payments as a result of coronavirus (£10.4m), particularly VAT
- Capex spend in line with last year; expect to accelerate in FY21 to underpin growth
- Tax paid relates to profitable Irish business; last year benefitted by UK tax rebate
- Expect Group to be modestly cash positive at the end of this financial year

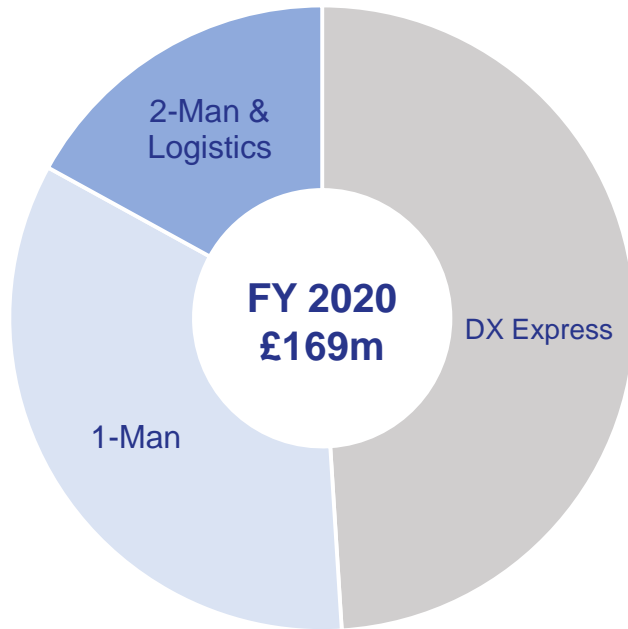
Net cash



Balance Sheet



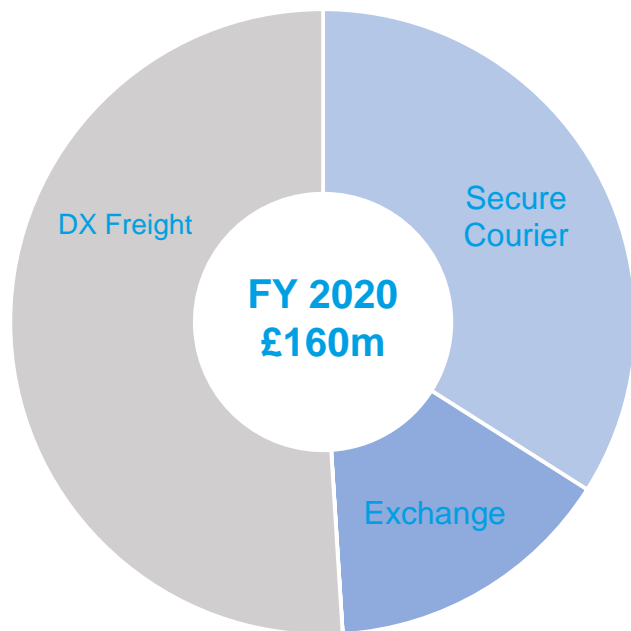
£m		IFRS16 2020	IAS17 2020	IAS17 FY 2019
Non-current assets	Property, plant and equipment	10.4	10.4	9.7
	Right-of-use assets	80.2	-	-
	Intangible assets and goodwill	31.0	31.0	31.0
	Deferred tax assets	2.3	2.3	2.3
Total non-current assets		123.9	43.7	43.0
Current assets	Trade and other receivables	33.5	35.0	43.1
	Current tax receivable	0.1	0.1	0.1
	Cash and cash equivalents	12.3	12.3	1.8
Total current assets		45.9	47.4	45.0
Total assets		169.8	91.1	88.0
Equity	Share capital and share premium	30.9	30.9	30.9
	Retained earnings	(7.9)	(6.3)	(7.3)
Total equity		23.0	24.6	23.6
Non-current liabilities	Lease liabilities	68.3	-	-
	Provisions	5.0	5.4	5.0
Total non-current liabilities		73.3	5.4	5.0
Current liabilities	Lease liabilities	15.8	-	-
	Loans and borrowings	-	-	3.1
	Trade and other payables	42.0	44.6	38.1
	Deferred income	14.2	14.2	17.2
	Provisions	1.5	2.3	1.0
Total current liabilities		73.5	61.1	59.4
Total liabilities		146.8	66.5	64.4
Total equity and liabilities		169.8	91.1	88.0



Revenue £m	FY 2020	FY 2019
1-Man	112	99
2-Man/Logistics	57	60
Total revenue	169	159
EBITDA (IAS 17)	£(1.2)m	£(7.8)m

FY2020	H2	H1
EBITDA	£0.7m	£(1.9)m

- Revenue £169m (2019: £159m) | LBITDA of £1.2m (2019: loss of £7.8m, 2018: loss of £14.2m) – profitable in H2
- 1-Man – 13% increase in revenue, supported by strong customer service; new volume at sustainable margin
- 2-Man/Logistics – exit from loss-making contracts, new sales director appointed to drive expansion
- Depot network expanded – new site opened at Ipswich, capacity at Northampton and Newport increased. Two new sites opened since YE with further sites planned
- Basic sorting mechanisation implemented – improving productivity and efficiency
- ‘No-ID’ depot opened in Q1, significantly reducing claims and improving customer service



Revenue £m	FY 2020	FY 2019
Secure Courier	112	113
DX Exchange	48	51
Total revenue	160	164
EBITDA (IAS 17)	£23.3m	£26.9m

- Revenue £160m (2019: £164m) | EBITDA £23.3m (2019: £26.9m)
 - underlying revenue flat despite completion of HMPO contract and impact of coronavirus
- Estimated Time of Arrival (“ETA”) technology launched in April 2020
 - enabling 2-hour delivery window & in-flight changes
 - strengthens customer proposition
- Secured new business to utilise around 50% of available capacity
- Significant pipeline of opportunities with available capacity in tight market
- Focus on efficiencies

Next Steps



- **DX Express**

- Capacity available
- ETA technology opens new opportunities
- Growing market opportunity through strong trend towards online purchasing
- Position as quality offering in competitive market
- Drive margin expansion through efficiencies

- **DX Freight**

- IDW market has few competitors and relatively high barriers to entry
- Very capable sales force supported by strong commercial team
- Strong volume growth and relatively high operational leverage will drive margin expansion
- Further 7 depots planned over next 3 years to bring network to 51 depots
- Mechanisation programme will support improved efficiency and productivity

- **Investment**

- Focus is on technology, network and parcel handling systems

Summary and Outlook



Recovery phase complete

- Group returned to adjusted PBT with DX Freight driving recovery
- Group has navigated coronavirus crisis well and volumes are now above level forecast pre-crisis

Rebuild profits

- Focusing on improving margins - efficiency and productivity gains
- Grow revenue in existing markets and scope to develop new segments

Cash generative

- Business is intrinsically cash generative
- Invest to underpin growth and future return to dividends

Strong platform

- Strong platform for future growth
- Positive start to FY2021

Supplementary Information

- Who we are
- History
- ESG
- IFRS 16
- Disciplined Commercial Processes
- Board of Directors
- Senior Management Team



Who We Are



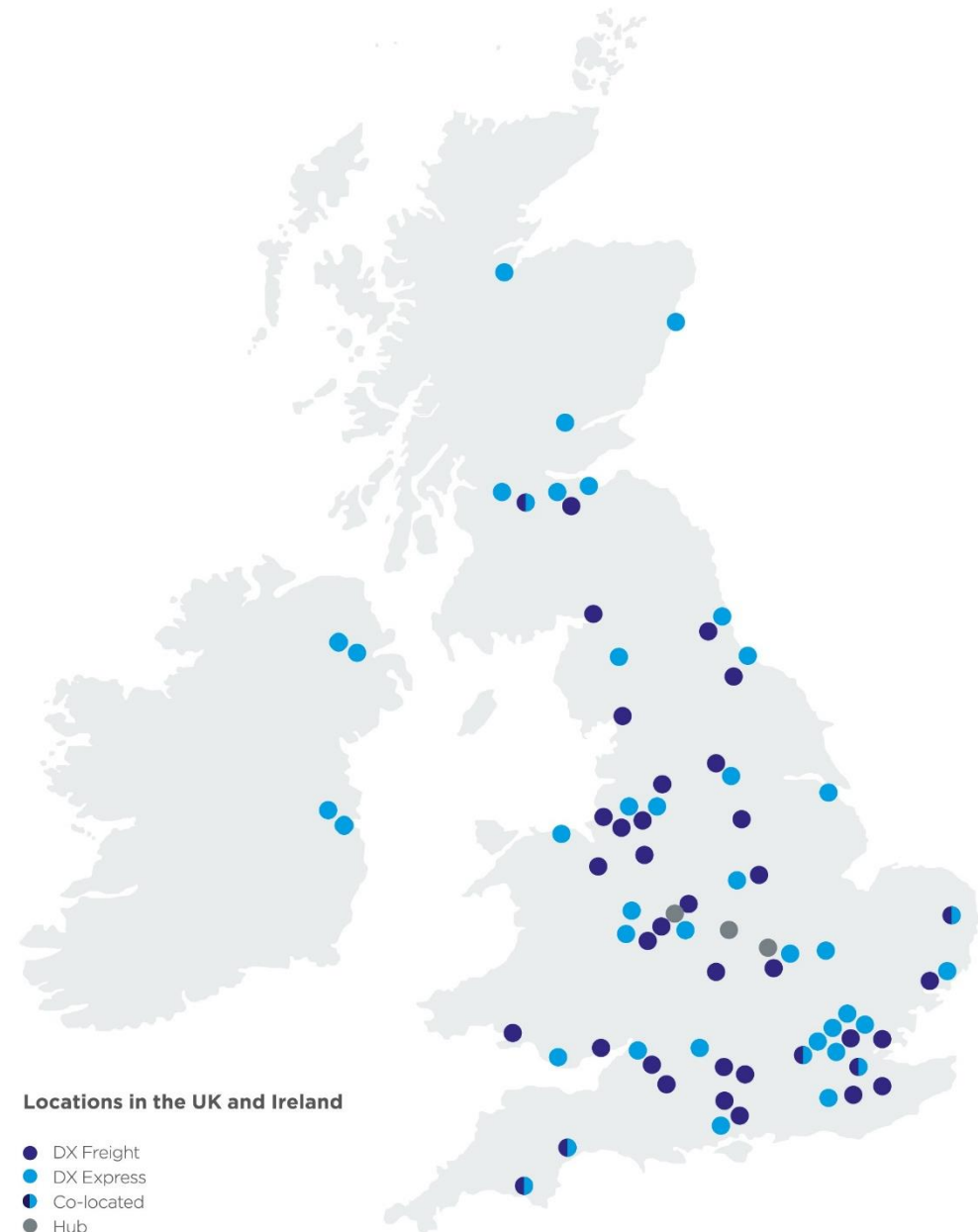
DX is a leading provider of a wide range of delivery services to both business (B2B) and residential (B2C) addresses throughout the UK and Ireland

100m items delivered in FY20

77 depots and service centres

3,600 employees

c.700 vehicles in fleet



Locations in the UK and Ireland

- DX Freight
- DX Express
- Co-located
- Hub

DX was established in 1975 initially offering a Document Exchange service through a network of fixed exchanges	
2006 - 2012	<ul style="list-style-type: none"> Taken private (in 2006) Acquisition-led expansion – with Nightfreight plc acquisition (in 2012) materially changing the scale and scope of DX, adding parcel, freight and logistics products
2014	<ul style="list-style-type: none"> February – IPO
2015	<ul style="list-style-type: none"> Profit warning, November
2017	<ul style="list-style-type: none"> Profit warnings, February and July Talks with John Menzies opened in March; terminated in Aug New Board Directors appointed in October 2017 Convertible Loan Notes (£24.0m) issued in October 2017
2018	<ul style="list-style-type: none"> Turnaround plans announced with Interim Results in March Balance sheet strengthened with cancellation of Loan Notes and replacement with new equity issuance
2019	<ul style="list-style-type: none"> Return to positive EBITDA Commencement of three year investment programme
2020	<ul style="list-style-type: none"> Return to adjusted PBT despite coronavirus crisis and lockdown



ENVIRONMENTAL	SOCIAL	GOVERNANCE
<ul style="list-style-type: none"> Continued focus on reducing Group carbon footprint CO2 emissions rise in FY 2020 due to higher level of activity Vehicle mix modified in FY 2019 towards more efficient 7.5 tonne vehicles – Euro 6 compliant Courses in energy awareness and driver efficiency introduced in FY 2019 Vehicle telematics monitor driver behaviour and fuel efficiency 	<ul style="list-style-type: none"> Coronavirus; modified approach to ensure health and safety of employees and customers Improvement in health and safety record in FY 2019 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"> QCA corporate governance code adopted 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 Appointed Company Secretary during the year

Background

- No distinction between finance and operating leases; all recognised on the balance sheet
- Operating lease cost replaced by depreciation and interest expense

Income statement

- Operating costs reduced by £20.5m with corresponding increase in EBITDA
- Depreciation increases by £18.2m and interest by £3.9m
- Overall Loss before tax increases by £1.6m

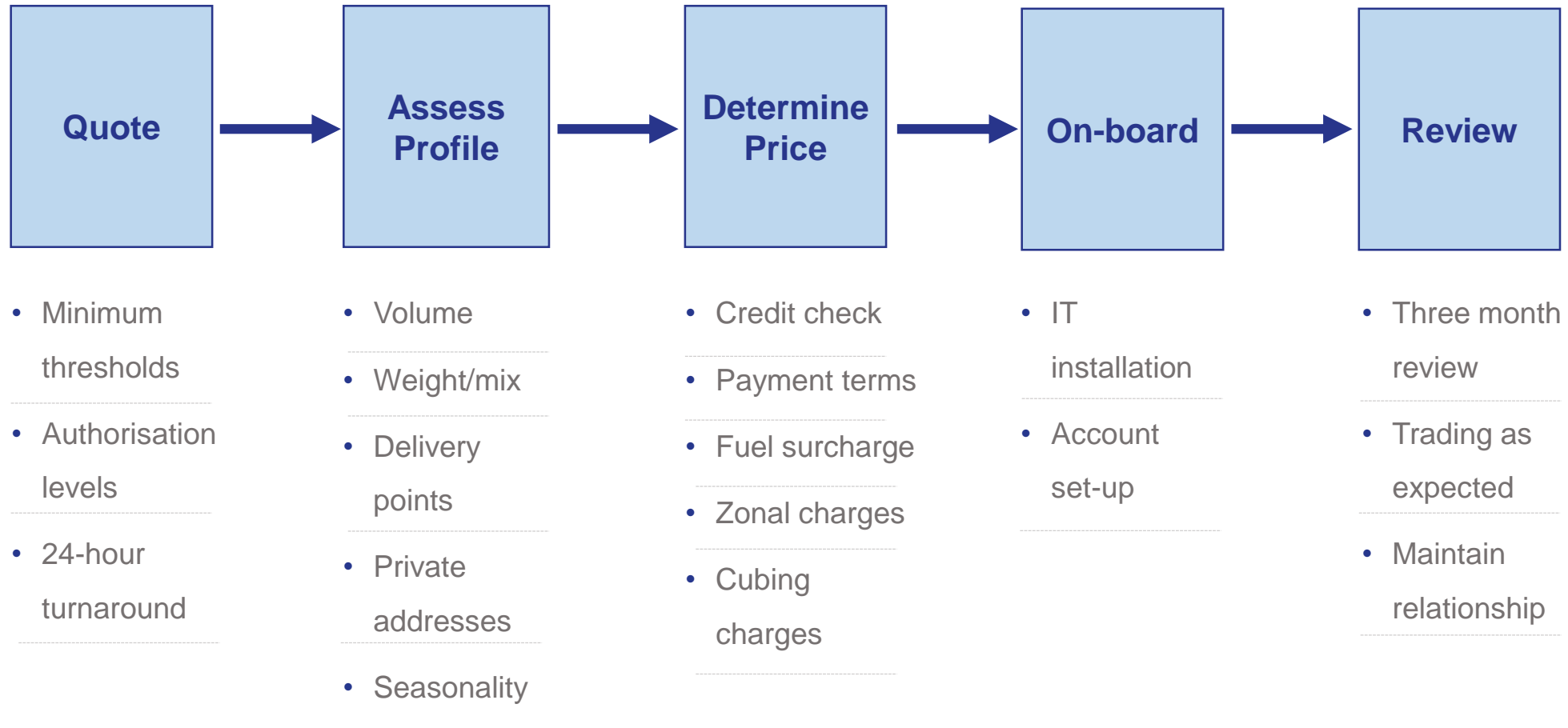
Balance sheet

- £80m Right of Use asset created on transition (1 July 2019); increased to £80.2m at 27 June 2020
- Movement in the period is £18.2m of depreciation and additions of £18.5m of new leases/extensions
- £56.9m of property leases and £23.1m of vehicle and equipment leases initially capitalised
- £82.6m of lease liabilities recognised on the balance sheet at transition

Cash flow

- No impact on cash flow or on borrowing facilities
- Net cash is measured as cash and cash equivalents less debt draw under IDF facility

Disciplined Commercial Processes



Board of Directors



RON SERIES Executive Chairman	<ul style="list-style-type: none">• Appointed Executive Chairman in October 2017• Highly experienced in business turnaround situations• Previously Chairman of Tuffnells Parcel Express (2002-05) during its successful turnaround• Chairman of Braemar Shipping Services plc
LLOYD DUNN Chief Executive	<ul style="list-style-type: none">• Appointed as CEO in October 2017• 45 years' experience in express freight and parcels industry• Led successful turnaround of Tuffnells Parcel Express prior to its sale• Co-founded Nightfreight plc, a logistics company (listed in 1994, acquired by private equity and subsequently by DX in 2012)
DAVID MULLIGAN CFO	<ul style="list-style-type: none">• Appointed CFO in April 2018• Over 20 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 NED	<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
PAUL GOODSON NED	<ul style="list-style-type: none">• Joined as NED in October 2017• Previously executive chairman of Great Bear distribution, and spent 13 years with Barclays Private Equity
IAN GRAY NED	<ul style="list-style-type: none">• Joined as NED in July 2017• Has spent the past 30 years advising on business transformation and strategy development• NED at Clancy Group Ltd

Senior Management Team



**PAUL
IBBETSON**
MD, DX Freight

Joined DX in 2017. Over 28 years' experience in parcel and freight sector. Previously Operations Director of Tuffnells Parcel Express. Senior roles at Target Express and Business Post.

**MARTIN
ILLIDGE**
MD, DX Express

Joined DX in 2010. Became Operations Director in 2016 and MD, DX Express in April 2018. Over 25 years' in the parcel and mail sector. Senior management positions with Target Express and City Link.

**KEVIN
GALLIGAN**
Director of DX
Exchange, UK
and DX Ireland

Joined DX in 2001. Has led DX Ireland since 2001 and became Director of Document Exchange UK in 2018. Previously worked in television and media for 10 years.

**KERENSA
LEATHERLAND**
Personnel
Director

Joined DX in January 2016 as Head of HR Services. Became Personnel Director in 2018. Over 25 years' experience in Personnel, including at Pepsico, Dixons Stores Group, Marks & Spencer, and Astra Zeneca.

**MICHAEL
SHERRY**
IT Director

Joined DX in 1989. Appointed IT Director in 2017. Over 30 years' experience in IT development and strategy in the freight and parcels sector.

**SIMON
HARPER**
Operations
Director,
DX Express

Joined DX as Operations Director of DX Express in May 2018. Over 30 years' experience in the UK parcels and freight sector. Previously VP of UK Ground Operations at FedEx, and Operations Director at TNT UK and Ireland. Main Board Director of TNT UK Ltd from 2013 to 2017.

**LLOYD
DUNN JNR**
Sales
Director,
DX Freight

Joined DX in April 2016, working as Business Development Director and Commercial Director. Appointed Sales Director of DX Freight in October 2019. Before that, Lloyd Jnr spent nine years in senior management roles at Tuffnells Parcel Express.

**TONY
KELLS**
Sales
Director,
DX Express

Appointed Sales Director at DX Express in September 2019. Tony is a sales and marketing professional with over 20 years' experience in express parcels and logistics, specialising in last-mile delivery solutions for e-commerce.

IAN BOLTON
Director
2-Man &
Logistics

Joined DX Group in 2012, leading the Logistics proposition to significant expansion. Took responsibility for DX 2-Man in 2018 to drive growth as part of the turnaround plan. Over 25 years' industry experience, working for organisations such as DHL and Unipart.