DX (Group) plc
Full year results for the year to 30 June 2017
Investor presentation 2017

DELIVERED EXACTLY™

Overview

- An especially challenging period for the Group:
  - Revenue of £291.9m (2016: £287.9m)
  - EBITDA of £7.2m (2016: £18.0m)
  - Adjusted[1] PBT £nil (2016: £11.5m)

POST PERIOD

- Business reorganisation – creation of two divisions, DX Express and DX Freight
- New leadership team appointed, effective from 19 October 2017
  - Ron Series joined as Chairman and Lloyd Dunn as CEO
  - Russell Black and Paul Goodson joined as Non-executive Directors

- New financing agreed which provides for a fundraising of £24m (gross) via secured Loan Notes, with conversion rights, subject to shareholder approval
  - Supported by investors, including Gatemore Capital, Hargreave Hale and the new leadership team
  - Net proceeds will be used to address a working capital shortfall and capital expenditure

- The new Board will be undertaking a thorough review of all the Group's operations and expects to provide an update on first half trading in early 2018 and to comment more fully on turnaround plans and expectations with the Group's interim results

1 Adjusted profit before tax excludes amortisation of other intangibles and exceptional items

Financial Overview

Financial Highlights

	2017 £m Trading	2017 £m Exceptional	2017 £m Total	2016 £m Total
Revenue	**291.9**	**-**	**291.9**	**287.9**
Profit before interest, tax, depreciation and amortisation ("EBITDA")	**7.2**	**-**	**7.2**	**18.0**
Depreciation	(2.9)	-	(2.9)	(3.0)
Amortisation of software and development costs	(3.2)	-	(3.2)	(3.1)
Underlying results from operating activities	**1.1**	**-**	**1.1**	**11.9**
Amortisation of other intangible assets	(1.6)	-	(1.6)	(2.1)
Exceptional items	-	(80.7)	(80.7)	(92.1)
Reported results from operating activities	**(0.5)**	**(80.7)**	**(81.2)**	**(82.3)**
Net finance costs	(0.9)	-	(0.9)	(0.5)
Share of results from associate	(0.2)	-	(0.2)	0.1
Loss before tax	**(1.6)**	**(80.7)**	**(82.3)**	**(82.7)**
Tax	0.2	1.0	1.2	(1.7)
Loss for the year	**(1.4)**	**(79.7)**	**(81.1)**	**(84.4)**
EPS - basic (pence)	(0.6)	(39.7)	(40.3)	(42.1)
EPS - adjusted (pence)	0.1			4.9

- 2017 revenue included £4.2m additional revenue from Legal Post and First Post, acquired in May 2016
- Exceptional items largely relate to impairment of goodwill (non-cash item). Further details regarding exceptional items are shown on page 4

Exceptional items

	2017 £m	2016 £m
Impairment charges	74.4	88.4
Property dilapidations provision	2.8	-
Restructuring, professional costs and other	2.6	-
Senior management departures	1.0	-
CMA investigation	0.6	-
Additional auto enrolment costs	0.3	-
VAT refund	(1.0)	-
Planning and acquisition costs on proposed hub	-	3.3
Share-based payments accelerated charge	-	0.4
Total	**80.7**	**92.1**

Restructuring, professional costs and other
- £1.3m restructuring and professional costs incurred relating to the refinancing of the Group
- £1.1m professional fees relating to proposed reverse takeover of the Distribution division of John Menzies plc
- £0.2m other costs in respect of external legal fees

CMA investigation
- The Group incurred £0.6m of costs during the process of the CMA's review of the Group's acquisitions of Legal Post and First Post

VAT refund
- VAT refund from a long-standing dispute with HMRC

Impairment
Goodwill impairment (£72.4m)
- Impairment review based on continued challenging market conditions and profit decline
- Goodwill impairment of £72.4m down to £30.0m Valuation in line with IAS 36

Other impairment (£2.0m)
- Impairment to non-controlling interest in associate Gnewt Cargo following a period of challenging trading for Gnewt. Gnewt was disposed of for £1 subsequent to the year end

Property dilapidations provision
- Provisions made for dilapidation costs on leasehold properties that have been vacated or where there is a possible exit within two years
- Change in methodology of the provision estimate from prior year

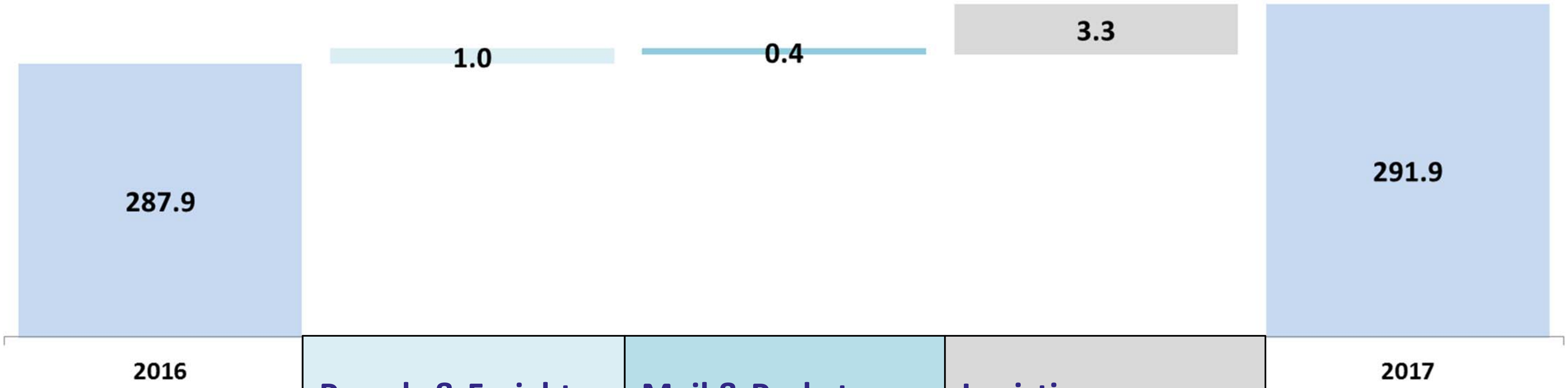
Senior management departures
- £1.0m payments to former members of the Executive Team following their departure from the Group

Additional auto enrolment costs
- One-off additional auto enrolment costs in relation to the underpayment of contributions in the financial years 30 June 2014 to 30 June 2016

Revenue Bridge

- Volume growth largely offset by pricing pressures (predominantly 1-Man)
- Strong growth in Logistics partially offset by low margin contracts exited in the prior year
- DX Exchange decline in line with management forecasts, softened by £0.9m as a result of favourable foreign exchange movements

Revenue Bridge by Segment (£m)



Parcels & Freight
+0.6% growth

Courier: £0.3m (0.5%) decline

1-Man: £1.0m (1.1%) decline - volume growth offset by fall in average price

2-Man: £2.3m (16%) growth from new wins in the current and prior year, partly offset by fall in average price

Mail & Packets
(0.4%) decline

12 month contribution (£4.2m increase) from Legal Post and First Post, acquired in May 2016

DX Exchange: £4.4m (7.5%) decline

Secure: £0.4m (0.8%) growth

Mail: £0.6m (29%) decline

Logistics
+23% growth

Growth of current contracts supported by opening of the IKEA Reading store

Avon UK contract started in March 2017

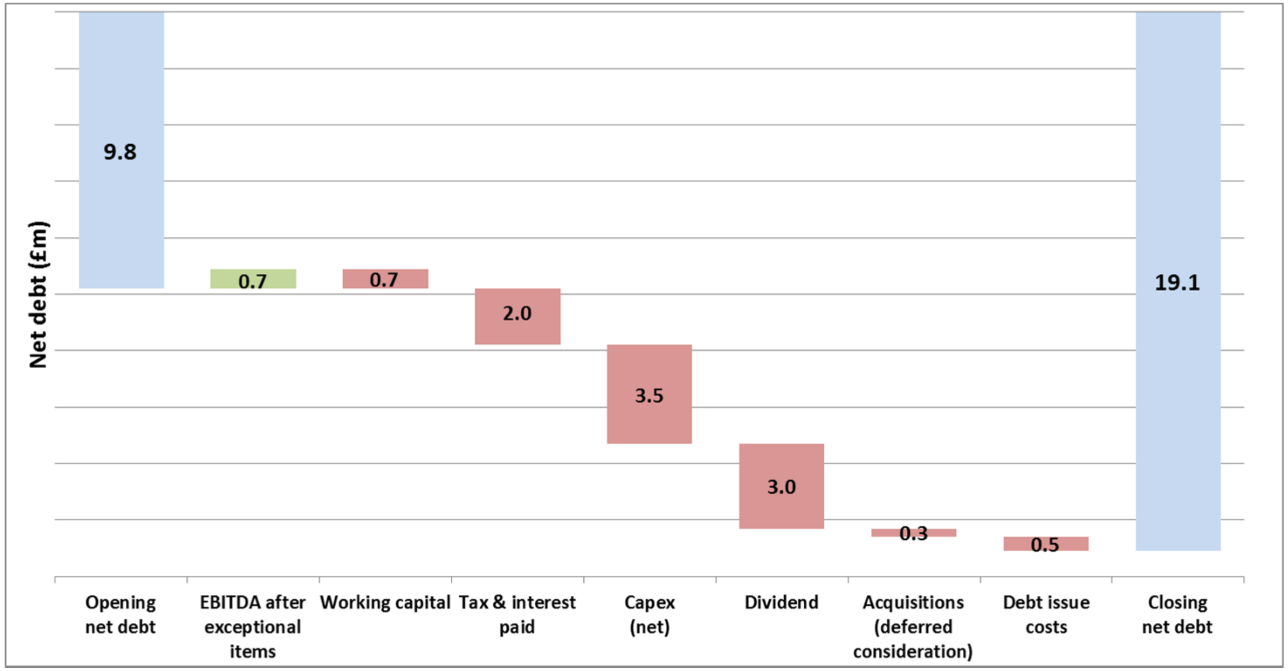
Growth partly offset by low margin contracts exited in prior year

EBITDA Bridge

- Insufficient growth to offset DX Exchange erosion with further pricing pressures impacting profitability
- Contribution improvement seen in Logistics and from the acquisitions of Legal Post & First Post
- Other costs include £3.0m increased property costs and £1.0m increased payroll costs

Cash Flow

	2017 £m	2016 £m
EBITDA	7.2	18.0
Less gain on sale of property, plant and equipment	(0.2)	(0.1)
Less exceptional items (excluding non-cash items)	(6.3)	(3.3)
EBITDA after exceptional items (excluding non-cash items)	**0.7**	**14.6**
Movement in working capital	(0.7)	0.1
Operating cash flow	**-**	**14.7**
Tax paid	(1.4)	(3.6)
Interest paid	(0.6)	(0.4)
Capital expenditure (net)	(3.5)	(5.7)
Free cash flow	**(5.5)**	**5.0**



- Operating cash flow reduced by lower EBITDA and increased exceptional items
- Working capital impacted by change in sales mix in the business
- Capital expenditure reduced as a result of lower profits
- £24m new financing in the form of secured Loan Notes (with conversion rights) agreed subsequent to the year end

Review of Operations

Business reorganisation (post year end)

- Created two separate divisions to focus on specialisms and niche markets

DX Express
- DX Exchange
- DX Secure
- DX Courier
- DX Mail

DX Freight
- DX Logistics
- DX 1-Man
- DX 2-Man

- Separate operations, sales and customer services
- Central resources supporting both divisions (Finance, IT, HR, Legal)
- P&L accountability at divisional level
- Sales force become product specialists

Highly Experienced Leadership Team

Ron Series, Chairman

Lloyd Dunn, Chief Executive Officer

Paul Goodson, Non-Executive Director

Russell Black, Non-Executive Director

Ian Gray, Non-Executive Director

New & Retained Business

- **New business 20% up on prior year**

- **Over 1,300 new customer wins in the year, including:**

- **Key wins:**

IKEA - over £19m per annum 3 year contract (finalised in Sept 2017)

AVON - over £10m per annum 3 year contract

- **Key accounts retained:**

Summary & Outlook

Summary & Outlook

- **New, strong leadership team, with proven industry experience and successful turnaround record**

- **New divisionalised structure supports:**
  - DX Freight turnaround
  - Protection of the DX Exchange service
  - Development of niche propositions leveraging strengths of the Group
  - Improved customer experience and service excellence

- **Turnaround strategy**
  - The new Board will be undertaking a detailed review of the Group's operations
  - Further comment on the turnaround plan will be shared alongside the Group's interim results

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