



DX (Group) plc

Full Year Results Presentation
for the year ended 30 June 2015



AGENDA

Strategy & Highlights

Petar Cvetkovic

Review of Services and Developments

Petar Cvetkovic

Financial Review

Ian Pain


Summary and Outlook

Petar Cvetkovic



A business in transition

Ongoing strategy is built around optimising and developing the Network

- 
- 1 Develop the 'OneDX' customer proposition – 'Stronger Together'
 - 2 Drive integration benefits from the 2012 Nightfreight acquisition (subsequently renamed as DX Freight)
 - 3 Organic growth and operational efficiencies to offset Exchange decline





Financial Highlights from first full year on AIM

Satisfactory performance in line with expectations in a turbulent market

Revenues from ongoing activities - £297.5m	(2014: £304.2m) -2% Completing renegotiation/exit of commercially unsustainable old Nightfreight contracts Over £20m of annualised profitable new business wins, including major new retailer
EBITDA from ongoing activities - £33.7m	Equal to prior year (2014: £33.7m) Trading profits maintained whilst OneDX project continues
Strong growth in earnings - Profit before tax: £24.8m - Adjusted EPS: 10.9p	(2014: £7.1m) (2014: 10.7p) 2014 included 8 months of pre-IPO higher leverage structure
Strong cash flows supported capital investment for growth and significantly reduced debt - Cash generated from operating activities: £27.7m - Capital expenditure: £9.9m - Net debt at year end: £1.8m	(2014: £23.8m) 16% improvement in cash generation (2014: £8.7m) after funding 14% increase in capex (2014: £12.2m) net debt reduced by 85%
Proposed final dividend - payment of 4p resulting in total dividend of 6p	(2014: 2p for the four month period on AIM)

Operational highlights from first full year on AIM

Good progress on many fronts

- Continued progress with 'OneDX' programme – 3 networks into one
 - Ongoing progress with site co-locations
 - Commenced trials of new routing and scheduling system
 - Sales team transformation
- Over £20m annualised value of quality new business wins
- Developing a Pick-up & Drop-off network and pre-delivery alert system
- Proposed development of a major new hub – 44 acre site acquired subject to planning consent
- Acquisition of a 49.8% stake in Gnewt, the zero-emission delivery service provider



Review of Services & Developments

Petar Cvetkovic

Developing the revenue profile

	2015	2014	
	£m	£m	Change
Parcels and freight	154.1	163.6	(5.8)%
Mail and packets	116.4	112.5	3.5%
Logistics	27.0	28.1	(3.90)%
Total ongoing revenue	297.5	304.2	(2.2)%
Activities ceased during 2014	-	7.8	
Reported revenue	297.5	312.0	(4.6)%

- **Renegotiate or exit inherited low margin contracts**
- **Continue to grow other services to offset decline of DX Exchange**
- **Focus on strategic service enhancements**

Mail and Packets



DX Exchange



DX Secure



DX DSA Mail

Pick-up & Drop-off network development

Automated pre and post delivery notifications

Improved customer experience through social media and digital channels

Parcels and Freight



DX Courier



DX 1-Man



DX 2-Man

Automated texting and post delivery notification

Enhanced pharmaceutical proposition (MHRA)

New DX 2-Man telephony and text booking capability

Logistics

Focus on more profitable small fleet management

Managed exit from non profitable/low margin accounts

New 3 year+ contract win with major retailer and contract renewals



DX Logistics

New hub increases operational floor space by 95% (122k sq. ft.) and facilitates network consolidation

- Strengthen customer experience allowing customers to use all services through one channel
- Consolidation of hub and trunking operations into a single operation to achieve efficiency benefits
- Increase in operational capacity to accommodate future growth permitting both flat floor and dock level operations – limited automation, reduced risk
- 27 acres for building purposes close to M6 and current DX Freight operations, retaining skilled workforce
- Releases freehold sites for sale



Outline timetable

- Planning permission - expected in November 2015
- Construction and fit out - by Easter 2017
- Re-locations - during 2017/2018

Financials

- £38m gross investment, £35m net of property disposals
- At least £4m annualised savings from trunking and collection & delivery



Assets acquired from City Link Administrator for £1.1m

- **Intellectual Property**

- Customer lists & prices
- Details of contractors/owner drivers
- Employee listings

- ✓ over £10m annualised new business wins
- ✓ over 150 interviewed, more than 90 offers
- ✓ more than 60 staff employed

- **Priority access to leased sites**

- Motherwell site leased
- Bristol site leased

- ✓ operational in October 2015
- ✓ operational in October 2015

- **Tangible fixed assets**

- More than 3,300 cages
- More than 120 scanners



Investment in Gnewt Cargo Ltd

gnewt cargo
love the last mile

The Company

- Fast growing zero-emissions delivery service provider
- Last mile multi-drop delivery services in Central London
- Award winning:
 - 2014 Corporate Environment Winner – National Institute of Couriers
 - 2014 Transport Solution Provider of the Year – Energy Trust Fleet Hero Award
- Fleet of over 100 zero-emissions vehicles
- Recent £0.9m government grant for future expansion

The Deal

- £1.9m paid in cash for 49.8% stake in December 2014
- 50.2% retained by the two 2009 founders
- Current financials: EBITDA circa £0.2 million on annualised revenue of £3.75 million but growing

Gnewt growth strategy

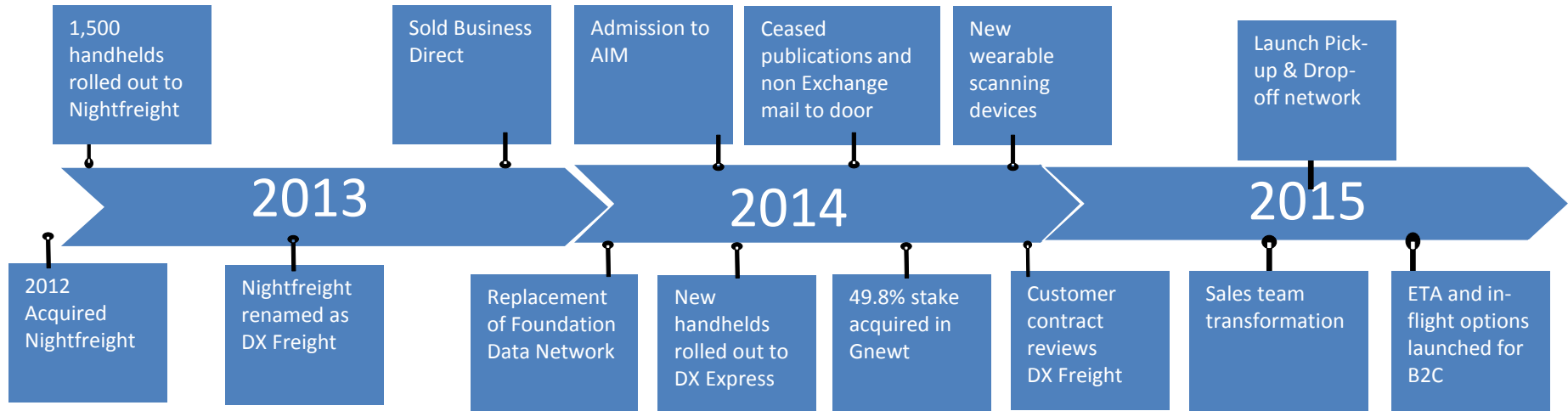
DX to support Gnewt with management expertise, funding and core volumes to underpin future expansion into other UK cities



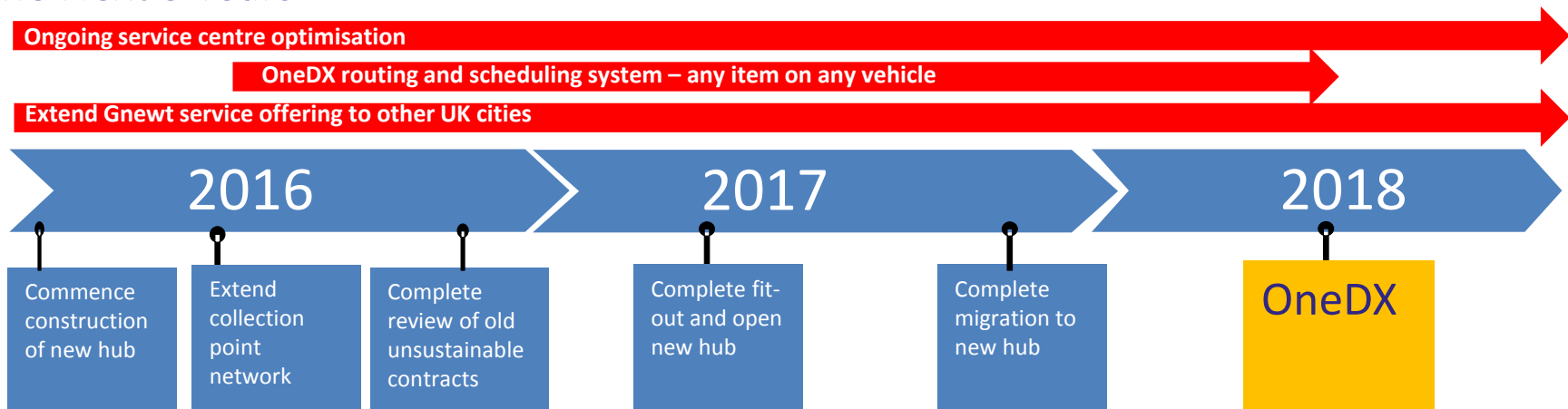


Transformation well underway

The Last 3 Years



The Next 3 Years





Financial Review

Ian Pain

Profit & Loss Account

Year ended 30 June	2015 £m	2014 £m	Change
Ongoing revenue	297.5	304.2	-2.2%
Revenue from ceased activities	-	7.8	-
Reported revenue	297.5	312.0	-4.6%
Underlying EBITDA	33.7	33.7	0.0%
EBITDA from ceased activities	-	0.7	-
Reported EBITDA	33.7	34.4	-2.0%
Depreciation	(3.4)	(3.1)	-9.7%
Amortisation of software and development costs	(3.1)	(2.6)	-19.2%
Underlying operating profit	27.2	28.7	-5.2%
Amortisation of other intangibles assets	(1.9)	(1.6)	-18.8%
Reported results from Operating activities	25.3	27.1	-6.6%
Net finance costs	(0.5)	(20.0)	97.5%
Profit before tax	24.8	7.1	249.3%
Tax	(4.9)	(3.1)	-58.1%
Profit for period	19.9	4.0	397.5%
EPS - adjusted (pence)	10.9	10.7	
- basic (pence)	9.9	5.1	

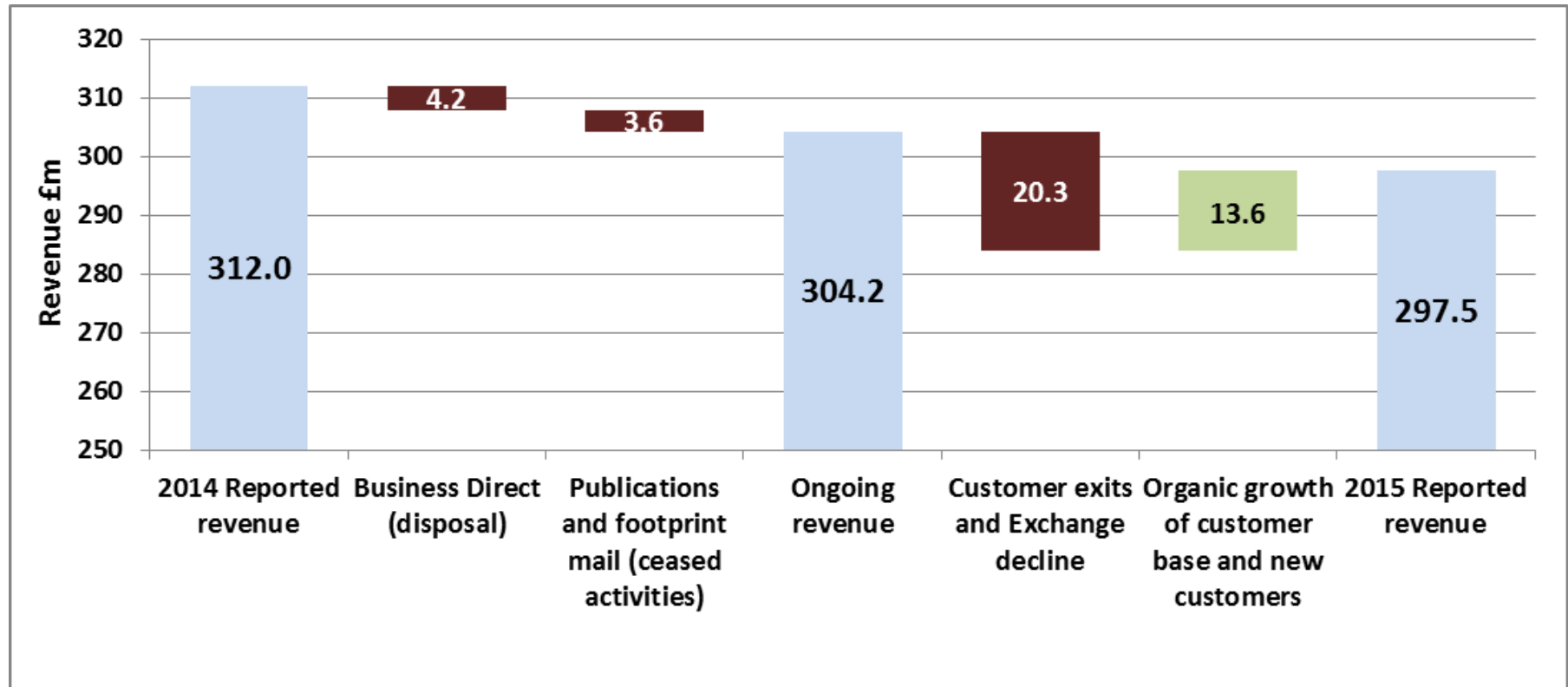
Stable earnings whilst foundations are strengthened:

- Completing renegotiation/exit of commercially unsustainable old Nightfreight contracts resulting in decline in revenue
- 2016 focus on converting higher margin pipeline opportunities
- Underlying EBITDA flat year-on-year
- Underlying EBITDA margin increased by 30 bps to 11.3%
- 1.3% growth in adjusted earnings per share

Adjusted earnings per share is calculated after:

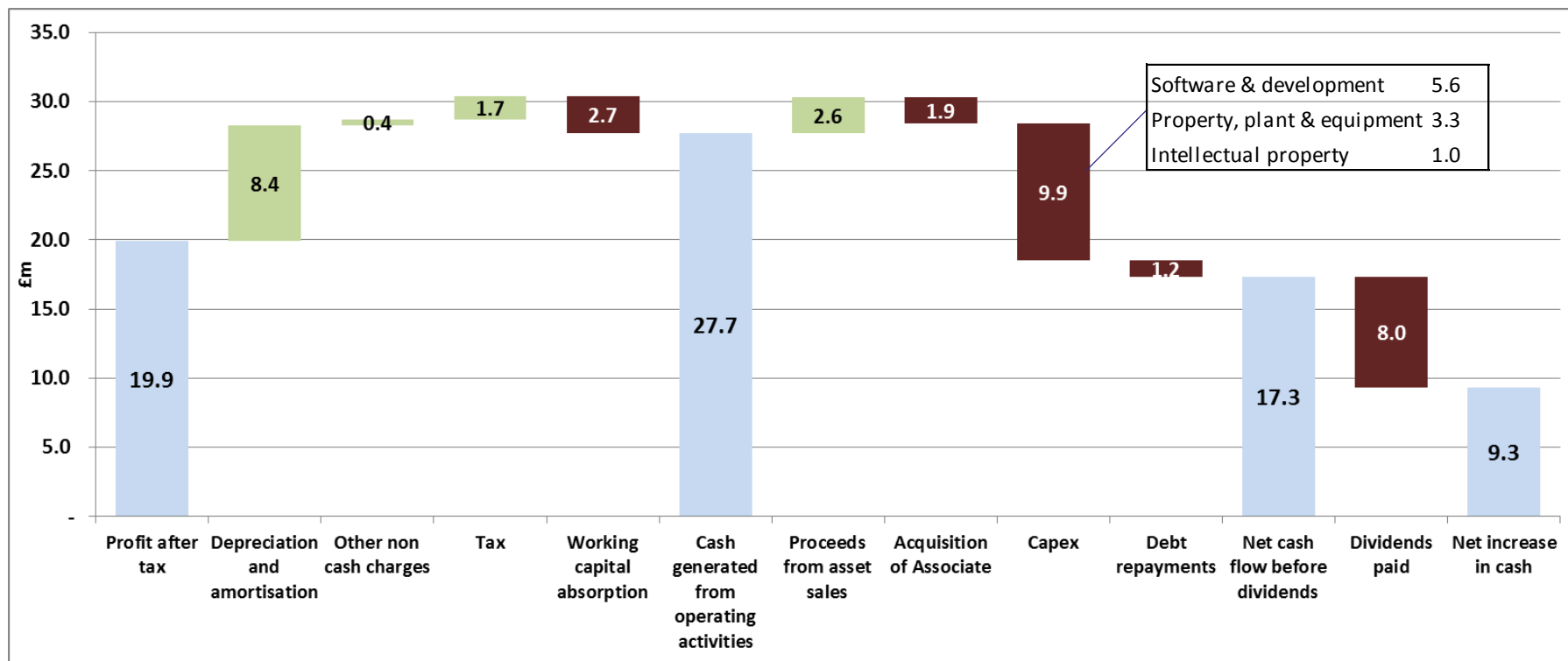
- excluding amortisation of other intangibles
- excluding EBITDA from disposed activities and exceptional items including third party and shareholder related interest on the pre-Admission capital structure for the year to 30 June 2014
- including in the comparative year to 30 June 2014 a notional third party interest charge to reflect the capital cost had the debt structure put in place at Admission been in place throughout the year ended 30 June 2014

Revenue bridge



- Focus on long-term profitable customer relationships
- High attrition of low margin contracts in 2015 - creating capacity for expansion
- 2016 - focus on converting strong pipeline of profitable opportunities

Strong operating cash flow supported high capital expenditure and substantial reduction in net debt



- Strong working capital management – market leading debtor days of 23.2
- All proceeds for Business Direct disposal now received
- Dividend cover 1.8x

Strong balance sheet, low debt levels & new banking facilities for proposed hub

Year ended 30 June	2015 £m	2014 £m
Term loan	(8.8)	(10.0)
Cash and cash equivalents	7.0	1.1
Payments in clearing	0.0	(3.3)
Net debt	(1.8)	(12.2)

Capital expenditure for the year ended 30 June	2015 £m	2014 £m
IT hardware and development costs	5.4	5.5
Property costs	1.2	2.0
Operations	1.1	0.8
Service development	1.1	0.4
	8.8	8.7
Acquired from City Link Administrators:		
- Intangible assets acquired	1.0	-
- Tangible assets acquired	0.1	-
Total capex	9.9	8.7

- Well managed working capital with low debtor days and prompt payments of suppliers
- Net debt reduced by 85%. Gearing now negligible. Net debt of £1.8m is covered 19x by EBITDA
- Current term loan and revolving capital facility attracts an interest rate of LIBOR + 2.00%, with repayment profile of £1.2m p.a. £13m revolving credit facility available but not utilised as at 30 June 2015
- Continued strong capital expenditure levels with focus on IT and facilities
- Development of the £35m (net) new hub will be funded from cash flows and from new banking facilities (in negotiation)



Summary & Outlook

Petar Cvetkovic



The Route to OneDX



1. One team
2. One brand and sales proposition
3. One network of co-located service centres
4. One routing and scheduling system
5. One hub and trunk operation



OneDX

Summary & Outlook



- Results in line with expectations
- Robust balance sheet and strong cash flows support progressive dividend
- Priorities for current year:
 - Conversion of profitable new business opportunities with new sales team and structure – targeting Courier, Secure and 1-Man
 - Delivery of technology service enhancements and OneDX efficiency gains
 - New hub – obtain planning permission and start build

Board confident of strategy to deliver long-term growth

Appendices

- Business Overview
- Comprehensive Service Offering
- Progress on Site Co-locations



PARCELS & FREIGHT

FY15 Revenue £154.1m (52% of group)

DX COURIER

- B2B Express parcel service with focus on high street deliveries
- Shares trunking spine with many other DX services
- Competitive market place with little means to differentiate
- Top 5 customers account for 20% of product revenue

dimensions



Johnson & Johnson

DX 2-MAN

- Residential delivery of large items, weighing up to 150kgs
- Web-booking tool allowing delivery date and room of choice to be booked at point of order
- Additional options include 'white glove' service, 'wet fit' and packaging removal

John Lewis

DEBENHAMS

Mothercare



DX 1-Man

- Express pouches, parcels, pallets and niche offering of irregular dimensions and weight items (IDW)
- Over 75% of 7 million deliveries per year service B2B
- Top 5 customers account for 8% of product revenue

Wickes

It's got our name on it.

wilko.com



trueshopping.co.uk
itucki helping everyone afford luxury

MAIL & PACKETS

FY15 Revenue £116.4m (39% of group)

DX EXCHANGE

- A bespoke B2B mail service for 4,200 exchanges primarily of the financial and legal professions
- Operated for over 35 years
- Other uses include tracked specimen services for the health sector
- Top 5 customers account for 11% of product revenue



DX MAIL

- Low cost, second class mail alternative, offering Down Stream Access for smaller volume users
- Next day untracked courier delivery
- Used widely in the financial and insurance sectors
- Top 5 customers account for 29% of product revenue



DX SECURE

- B2C letters & parcels offering market leading security, tracking and proof of delivery
- Commenced as a credit card delivery specialist
- Developed specialism providing HM Passport Office secure delivery contract in 2004
- Top 5 customers account for 58% of product revenue





LOGISTICS

FY15 Revenue £27.0m (9% of group)

DX LOGISTICS

- Provides full range of delivery solutions from basic warehousing to pick & pack and delivery
- Bespoke and flexible delivery operations
- Customer-liveried vehicles and uniformed personnel





DX – the UK's most comprehensive service offering



Nextday Nationwide Mail



UK-wide B2B Network



DSA Mail



Secure Tracked packets



Tracked Parcels 24H B2X



Tracked Parcels 48H B2C



Network Logistics



Irregular Dimension & Weight



2-Man Delivery



DX Continuing development of the Network



New UK HUB

- Plans developed
- New site identified
- Target completion 2017

Projects completed

Previous sites	New sites
Exeter/Dawlish/Bridgewater/Newton Abbott	Exeter
Plymouth/Saltash	Plymouth
Reading/Basingstoke/Watford/Southall/Egham	Heathrow
Milton Keynes/Earls Barton/Northampton/Stone/Cannock	Northampton
Manchester/Blackburn	Bury
Leeds/Castleford/Halifax	Leeds

Completed - 21 sites into 6

Overall quality and size of footprint increased by 285k Sq ft

- Creating a more effective network with fewer sites
- Developing the potential for trunking savings once new hub completed

Projects in planning

Existing sites	New sites	Status
Bristol x2	Bristol	Oct 2015 move
x2 locations	West	Search underway
x2 locations	South	Search underway
x2 locations	South/West	Search underway
x2 locations	South/East	Search underway
x3 locations	East	Search underway
x2 locations	Midlands	Search underway
Glasgow x2	Motherwell	Oct 2015 move

In planning - 17 sites into 8

Optimisation ongoing. Now at 61 network locations



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