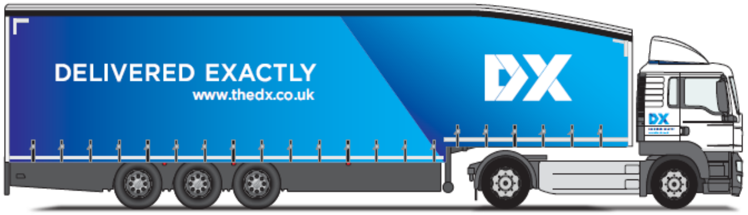
DX (Group) plc

Full Year Results Presentation for the year ended 30 June 2014

29 September 2014

Agenda

DX Strategy Summary	Petar Cvetkovic
Highlights	Petar Cvetkovic
Review of services	Petar Cvetkovic
Financial review	Ian Pain
Business and strategic review	Petar Cvetkovic



DX Strategy Summary

Ongoing strategy is built around consolidating, then developing the Network

1. Develop the ‘OneDX’ Customer proposition – ‘Stronger Together’
2. Drive integration benefits from the DX Freight acquisition
3. Organic growth and operational efficiencies

Highlights from maiden full year results

Trading in line with expectations

- Revenues from ongoing activities up 4% to £304.2m (2013: £292.5m)
- EBITDA of £34.4m - up 2.4% with like-for-like treatment of vehicle lease costs
- Strong cash flows and net debt substantially reduced to £12.2m (2013: £284.6m)
- Significant continuing capital investment of £8.7m (2013: £7.1m)
- Proposed final dividend payment of 2.0p for the four months post listing

Delivering the DX strategy

- IPO on AIM in February raised £185m of new money establishing strong new capital structure
- Significant improvement in DX Freight service levels
- Network consolidation and development continues – three new co-located sites opened with a fourth post period
- Technology upgrade programme well underway
- Positive outlook – new business wins and strengthened platform to pursue growth strategy

Trading in first few months of new financial year in line with management expectations

Parcels and Freight

DX Courier	DX 1-Man	DX 2-Man
		

Revenue

2014 £m	2013 £m	%
163.6	**162.6**	**0.6%**

Strategic developments

- Development of a joint DX Freight and DX Express proposition utilising the full range of DX delivery solutions to meet Customers' requirements
- Service enhancements
  - Fully tracked service
  - Eliminating paper
  - Predictive texting and post delivery notification
- Extended timed delivery options
  - Monday to Friday pre-10.30am
  - 7 day option
  - Twilight option

Mail and Packets

Document Exchange

DX Secure

DX Mail

Revenue

	2014 £m	2013 £m	%
Reported	116.1	119.2	-2.6%
Ceased activities	(3.6)	(4.5)	
On-going activities	112.5	114.7	-1.9%

Strategic developments

- Service enhancements
  - Collection points
  - Sunday deliveries
  - Pre and post delivery notification
- Withdrawal from untracked publications and footprint mail, increasing capacity for more profitable contracts
- New value-added attractions to counter Document Exchange challenges from e-substitution and corporate mergers
  - eDX
  - Secure Shredding
  - DSA

Logistics

DX Logistics

Strategic developments

– Focus on more profitable small fleet management
– Disposal of non-core Business Direct
– Growth driven by geographical expansion of largest Customer

Revenue

	2014 £m	2013 £m	%
Reported	32.3	23.9	35.1%
Ceased activities	(4.2)	(8.7)	
On-going activities	28.1	15.2	84.9%

Financial Review

Ian Pain

Summarised Operating Statement

For the year ended 30 June

	2014 £m	2013 £m	%
Reported revenue	312.0	305.7	2.1%
Ceased activities	(7.8)	(13.2)	
Revenue from on-going activities	304.2	292.5	4.0%
EBITDA	34.4	34.4	0.0%
Pro forma EBITDA after all lease costs	33.7	32.9	2.4%

- EBITDA in line with expectations
- Focus on core higher margin contracts
  - Sale of Business Direct (December 2013)
  - Withdrawal from Publications and non-Exchange footprint mail
  - Review of Customer margins
- Underlying EBITDA improvement of £0.8m or 2.4% on like-for-like basis

Pro forma EBITDA after all lease costs

For the year ended 30 June

	2014 £m	2013 £m	%
Revenue	**312.0**	**305.7**	**2.1%**
Operating costs excluding operating lease rentals	(262.5)	(257.9)	1.8%
Operating profit before operating lease rentals	49.5	47.8	3.6%
Operating lease rentals	(15.1)	(13.4)	12.7%
Earnings before interest, tax, depreciation and amortisation ("EBITDA")	**34.4**	**34.4**	**0.0%**
Finance lease charges and repayments	(0.7)	(1.5)	-53.3%
Pro forma EBITDA after all lease costs	**33.7**	**32.9**	**2.4%**
Pro forma EBITDA margin after all lease costs %	**10.8%**	**10.7%**	

- Transition of DX Freight vehicle fleet financing from finance leases to operating leases completed
- Results directly comparable moving forward
- Quality improvements and efficiency developments more than offset erosion of higher margin Document Exchange revenue

Consolidated statement of comprehensive income

For the year ended 30 June

	2014 £m Trading	2014 £m Exceptional	2014 £m Total	2013 £m Total
Revenue	**312.0**	**–**	**312.0**	**305.7**
Earnings before interest, tax, depreciation and amortisation ("EBITDA")	**34.4**	**–**	**34.4**	**34.4**
Depreciation	(3.1)	–	(3.1)	(3.2)
Amortisation	(4.2)	–	(4.2)	(3.6)
Exceptional items	0.0	(13.6)	(13.6)	(2.2)
Results from operating activities	**27.1**	**(13.6)**	**13.5**	**25.4**
Net finance costs				
Third party	(5.2)	–	(5.2)	(8.7)
Former shareholder related	(14.8)	(49.2)	(64.0)	(18.6)
Net finance costs	**(20.0)**	**(49.2)**	**(69.2)**	**(27.3)**
Profit/(Loss) before tax	**7.1**	**(62.8)**	**(55.7)**	**(1.9)**
Tax income/(expense)	(3.1)	3.8	0.7	(1.7)
Profit/(Loss) for the period	**4.0**	**(59.0)**	**(55.0)**	**(3.6)**
Foreign currency translation differences	–	–	–	0.1
Total comprehensive income/(expense) for the period	**4.0**	**(59.0)**	**(55.0)**	**(3.5)**
Earnings per share (pence)	5.1p	(75.3)p	(70.2)p	(22.9)p

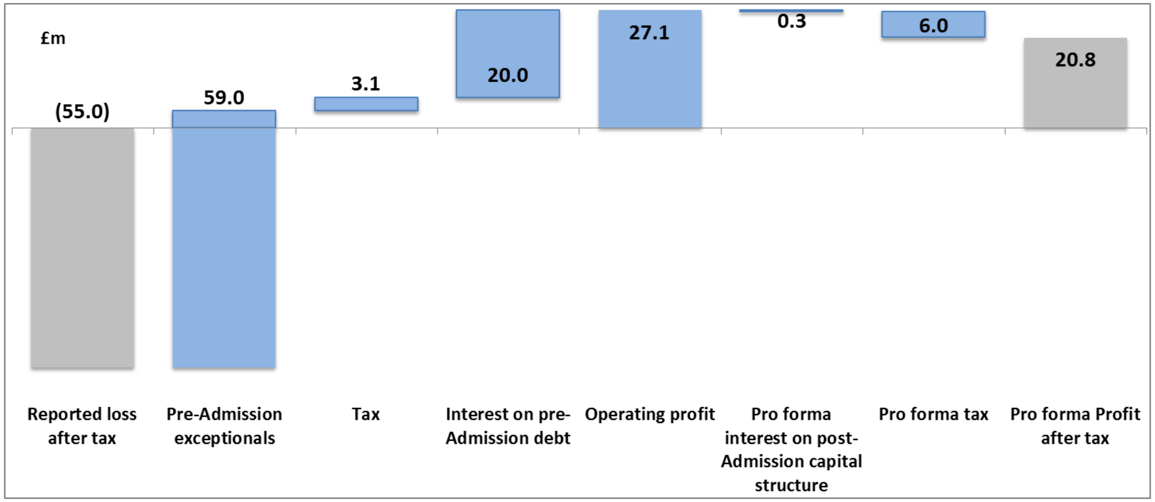
– Post- Admission capital structure only in place for last 4 months of the year

– 2014 consolidated statement of comprehensive income substantially distorted by exceptionals and write offs relating to pre-Admission reorganisation

– Third party interest costs significantly reduced from 27 February with new capital structure and shareholder interest eliminated

Normalised earnings per share estimated at 10.4p

	2014 £m
Results from operating activities	27.1
Pro forma interest charge on current capital structure	(0.3)
Profit before tax	**26.8**
Normalised tax charge @22.5%	(6.0)
Normalised profit after tax	**20.8**
Normalised earnings per share	**10.4p**



Exceptional charges

For the year ended 30 June

	2014 £m	2013 £m
Mezzanine instrument pre-Admission interest accrual	49.2	
Pre-Admission debt FRS 4 cost write off	0.8	
Gain on debt buy back	(0.8)	
Pre-Admission corporate restructuring charge	10.0	
Pre-Admission reorganisation	**59.2**	**–**
Gain on disposal of DX Business Direct	**(1.1)**	**–**
Restructuring charges	**4.7**	**2.2**
Exceptional charge before tax	**62.8**	**2.2**
Tax	(3.8)	–
Exceptional charge after tax	**59.0**	**2.2**

– Exceptional charges are pre-Admission with most relating to corporate restructuring in preparation for Admission

– Restructuring charges relate to the turnaround plan for DX Freight and include redundancies and payroll costs as well as provisions for onerous property leases

– No material exceptional charges expected in FY15

Strong balance sheet and low debt levels

For the year ended 30 June

Net Assets	2014 £m	2013 £m
Non-current assets	217.6	226.8
Trade receivables	49.2	49.9
Net cash balance	(2.2)	30.2
Current liabilities excluding debt	(65.7)	(66.3)
Non-current liabilities excluding debt	(7.3)	(10.8)
Term loan	(10.0)	0.0
Pre-Admission debt	0.0	(314.8)
Deferred loan issue costs	0.4	1.0
Net Assets	**182.0**	**(84.0)**

For the year ended 30 June

Net debt	2014 £m	2013 £m
Term loan	(10.0)	0.0
Pre-Admission debt	0.0	(314.8)
Cash and cash equivalents	1.1	30.2
Payments in clearing	(3.3)	0.0
Net debt	**(12.2)**	**(284.6)**

- Admission to AIM has substantially strengthened the balance sheet and simplified the debt profile
- Net assets increased by £266m to £182m (2013: (£84.0m))
- Net debt of £12.2m as at 30 June 2014
- £10m term loan with an interest rate of LIBOR + 2.00%
- £13m revolving credit facility available not utilised as at 30 June 2014

Cash generation, bank covenants and capital expenditure

Cash generation and bank covenants for the year ended 30 June

Cash flow for year ended 30 June	2014 £m	2013 £m
Net cash profit	25.7	21.6
Net change in working capital	(1.9)	7.3
Cash generated from operating activities	**23.8**	**28.9**

Bank covenants for quarter ended 30 June 2014	Actual	Covenant	Headroom
Cash flow cover	7.0x	More than 1.0	86%
Interest cover	90.1x	More than 5.0	95%
Debt cover	0.3x	Less than 2.0	630%

Capital expenditure for the year ended 30 June

	2014 £m
IT hardware and development costs	5.5
Property costs	2.0
Operations	0.8
Service development	0.4
Total	**8.7**

– Strong cash generation – debtor days 27.5

– Strong levels of headroom on all bank covenants

– Continued strong capital expenditure levels with focus on IT and facilities

Business and strategy review

Petar Cvetkovic

Organic growth and operational efficiency improvements

Revenue Growth

- Focus on selling enhanced core Customer services within local geographic areas
- Single Sales management structure to encourage cross-selling
- Investment in Business Development Managers

Efficiency improvements

- Unified Operational management structure
- Handheld integration providing for route optimisation/sharing
- Fit for purpose facilities, consolidating the network where possible

OneDX – 'Stronger Together'

'OneDX' proposition will make DX an integrated partner to Customers' supply chain

One DX

Mail & packets	Parcels & freight	Logistics

One Brand

One Network

One Customer Proposition

One Integrated Software Platform

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