



DX (Group) plc



DX Exchange



DX Secure



DX Courier



DX 1-Man



DX DSA Mail



DX 2-Man



DX Logistics



DX International



eDX

Interim Results for the six months to 31 December 2014

16 February 2015

Agenda

Highlights & Strategic Update

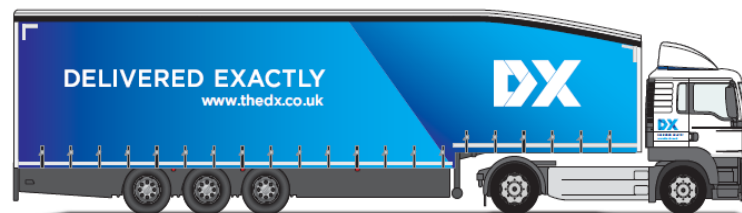
Petar Cvetkovic - CEO

Financial Review

Ian Pain - CFO

Summary & Outlook

Petar Cvetkovic - CEO





Highlights & Strategic Update

Petar Cvetkovic - CEO

Progress on all objectives

Challenges & Commitments	Update
Improving margins	<ul style="list-style-type: none"> Continued review of Customer contracts Investing to support the OneDX proposition EBITDA margin increased by 0.6% to 9.6%
Develop the network for Customer service and efficiency improvements	<ul style="list-style-type: none"> Progress on OneDX hub Service centre consolidation OneDX routing/scheduling system
Customer developments – continuing improvements	<ul style="list-style-type: none"> Protecting DX Exchange Developing a collection point network and a pre-delivery alert system Extension to HMPO contract
Strategic developments	<ul style="list-style-type: none"> 49.8% stake investment in Gnewt Cargo Ltd (zero emissions operator) Acquisition of tangible and intangible assets from City Link (In Administration)
Strong cash flow and dividends	<ul style="list-style-type: none"> Strong free cash flow – up 96% 2p per share dividend in line with expectations



Interim Results – Headline figures

For the six months ended 31 December

	2014	vs. 2013	
Revenue from ongoing activities	£147.4m	↓1.7%	■ Improving quality of revenue
Underlying EBITDA	£14.2m	↑5.2%	■ Steady improvement in profits whilst foundations laid for future growth
Adjusted profit before tax	£10.7m	↓1.8%	
Adjusted profit after tax	£8.6m	↑1.2%	■ Strong cash generation and returns to shareholders
Adjusted EPS	4.3p	↑2.4%	
Interim dividend per share*	2.0p	n/a	
Free cash flow (after interest and tax)	£4.7m	↑£2.3m	
Net debt	£12.1m	↓£214.7m	(Net debt at 30 June 2014: £12.2m)

*A final dividend of 2.0p per share was paid in December 2014 in respect of the four month period between Admission to AIM on 27 February 2014 and the 30 June 2014 year end



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



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

- Creating a more Customer focussed network with fewer sites
- Developing the foundations for trunking and delivery fleet savings once new Hub completed

Projects in Planning

Existing Sites	New Sites	Status
Bristol	Bristol	Site identified
Newport/Bridgend	Cardiff	Site identified
Southampton/Totton	Southampton	Search underway
Swindon/Thatcham	Swindon	Site identified
Gatwick/East Grinstead	Gatwick	Search underway
Erith/Dartford/Chatham Rochester/Croydon	Maidstone	Site identified
Norwich/Ipswich	Thetford	Search underway
Nottingham x 2	Nottingham	Search underway
Willenhall Hub/Tipton/DXF office/ Office Depot	M6 Corridor	Site identified

In planning - 22 sites into 9

Consolidation ongoing. Already reduced from 87 to 72 sites. Plans for further reductions to 59

Overall quality & size of footprint increased by 258k sq ft

Acquisition of City Link Assets

City Link failed

“Logistics companies engaged in kamikaze pricing whilst retailers have had the whip hand due to excess capacity in the sector.”

Jeremy Willmont

Head of Restructuring & Insolvency – Moore Stephens

“At certain points in the year the demand for parcel delivery services exceeds supply, yet there seems to be an almost cut-throat approach to winning contracts. A number of the contracts that City Link was carrying out were loss-making at direct cost level.”

Hunter Kelly, Ernst & Young Insolvency Partner & City Link Administrator

Extract from transcript of oral evidence to House of Commons', Business, Innovation and Skills Committee - 4th February 2015

What did DX acquire for £1.125m?

- Cages – 3,450
- Wearable scanners - 115
- Intellectual Property

Market reaction

- Scramble for Customers, kamikaze pricing ongoing
- Impact on competitor service levels in the sector
- Interim Customer decisions will change

- Opportunities in the pipeline
- DX is focussed on Customers who value high levels of service

Investment in Gnewt Cargo Ltd

The Company

- Fast growing environmentally friendly 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 electric zero-emissions vehicles
- Independently verified to cut carbon dioxide emissions per parcel by 62%

gnewt cargo
love the last mile



The Deal

- £1.9m paid in cash for 49.8% stake
- 50.2% retained by the two 2009 founders
- Current financials: EBITDA circa £0.3m on Revenue of £3.75m

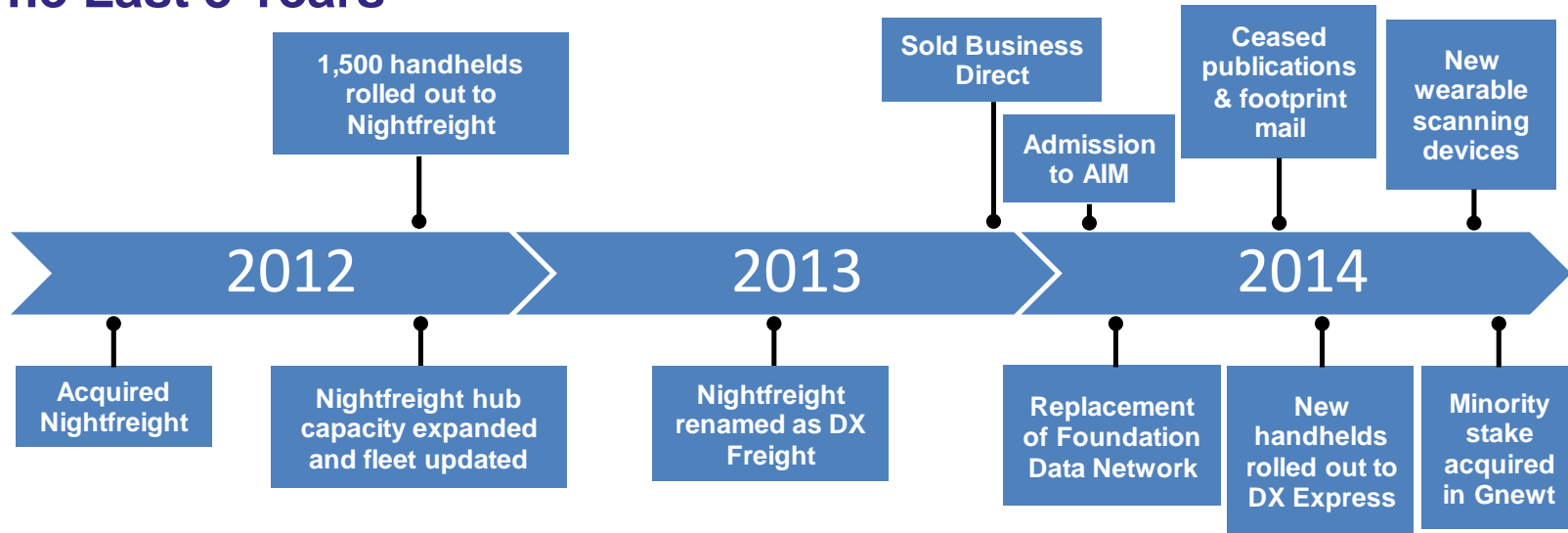


DX Environmental Strategy

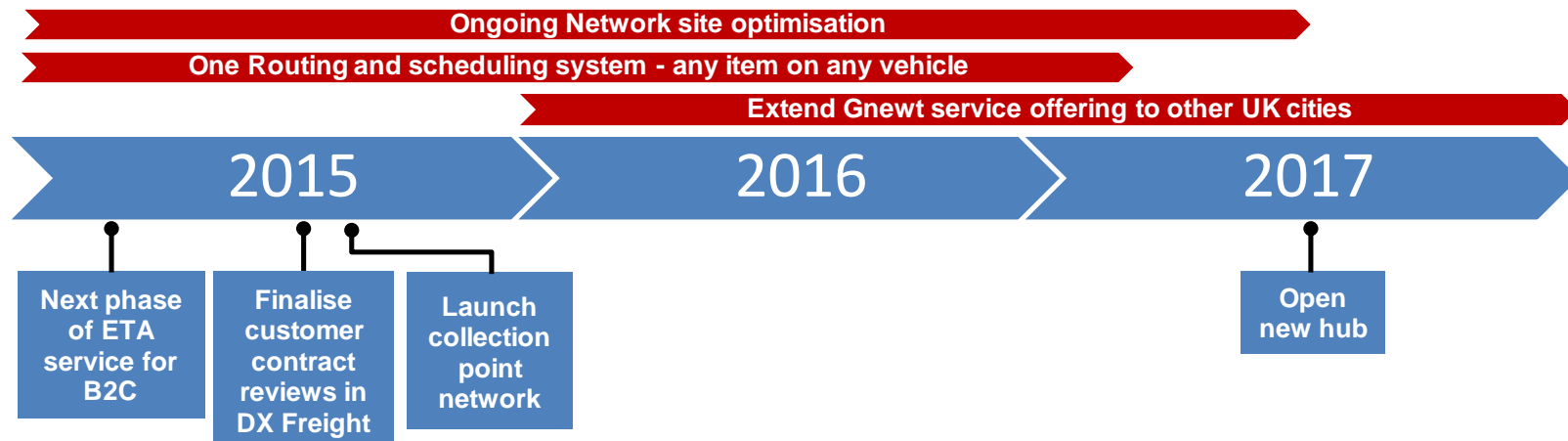
To support the Gnewt Management team in the continuing development of the business and to provide core volumes to underpin future start up operations in other UK cities

Developments Timeline

The Last 3 Years



The Next 3 Years





Finance Review

Ian Pain - CFO

P & L Overview

For the six months ended 31 December

	2014	2013	Change
Revenue from ongoing activities	£147.4m	£150.0m	-1.7%
EBITDA from ongoing activities	£14.2m	£13.5m	+5.2%
EBITDA margin %	9.6%	9.0%	+0.6%
Depreciation	£(1.7m)	£(1.3m)	+30.8%
Amortisation of capitalised software development	£(1.6m)	£(1.1m)	+45.5%
Adjusted profit before interest and tax	£10.9m	£11.1m	-1.8%
Interest	£(0.2m)	£(0.2m)	-
Adjusted profit before tax	£10.7m	£10.9m	-1.8%
Tax	£(2.1m)	£(2.4m)	-12.5%
Adjusted profit after tax	£8.6m	£8.5m	+1.2%
Adjusted earnings per share	4.3p	4.2p	+2.4%
Dividend per share	2.0p	-	+2.0p

- Improved EBITDA margin on slight revenue reduction
- Depreciation and amortisation of capitalised software development rising due to increased capital expenditure
- Increase in Adjusted EPS and first interim dividend declared

The following definitions have been applied consistently throughout the announcement of interim results:

1. Underlying results for 2013 exclude revenues and profit contributions from those activities that were sold or ceased during 2013, namely Business Direct (sold December 2013) and non-Documents Exchange untracked mail and publications. Also excluded are 2013 restructuring costs, reported in the prior year as exceptional items.

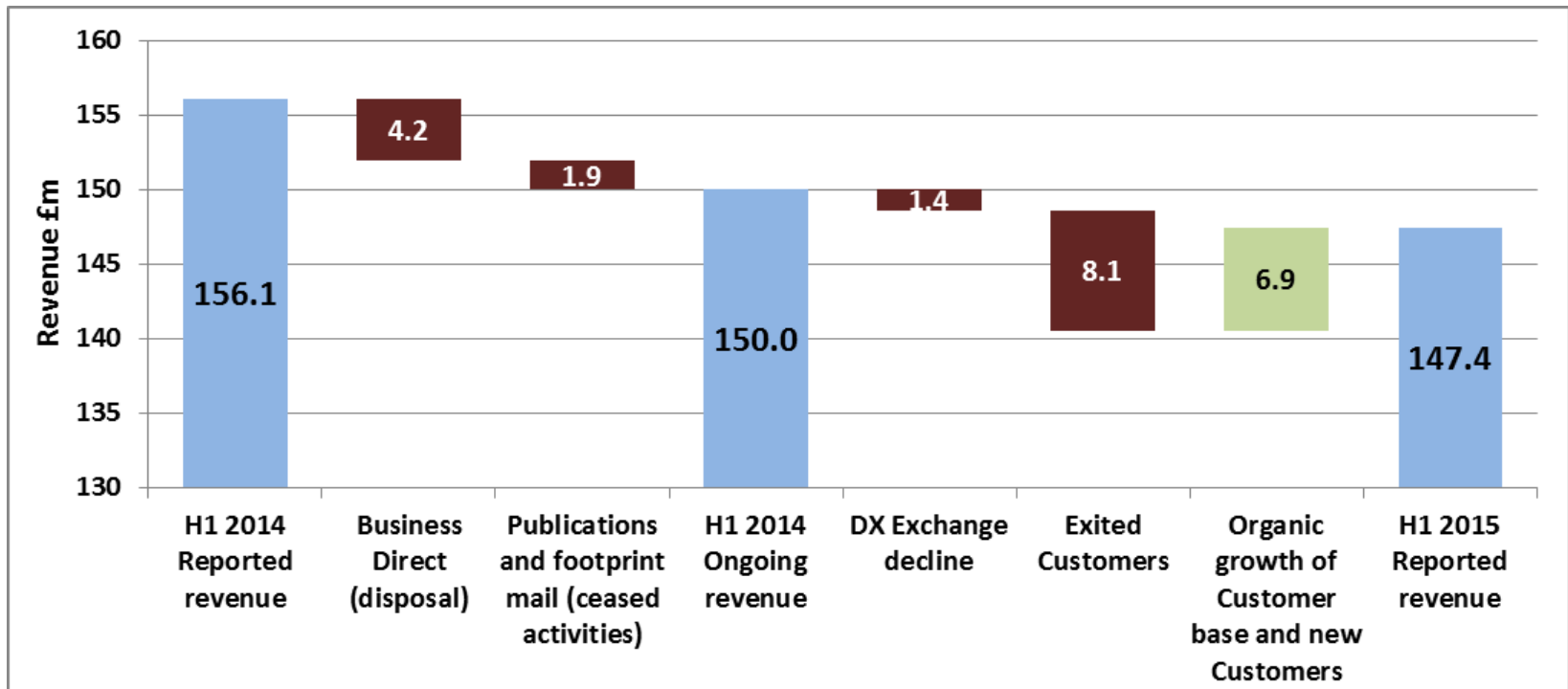
2. Adjusted profit before tax and adjusted earnings per share:

2.1 exclude the £0.8 million amortisation of acquired intangible assets for the six months to 31 December for both 2014 and 2013 (£1.6 million for the year to 30 June 2014). The remaining amortisation relates to capitalised developed software that is being written down over 3 to 5 years.

2.2 exclude exceptional items as well as third party and shareholder related interest on the pre-Admission capital structure for the six months to 31 December 2013 and the year to 30 June 2014. Included in the comparative six month period to 31 December 2013 and the year to 30 June 2014 is 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.

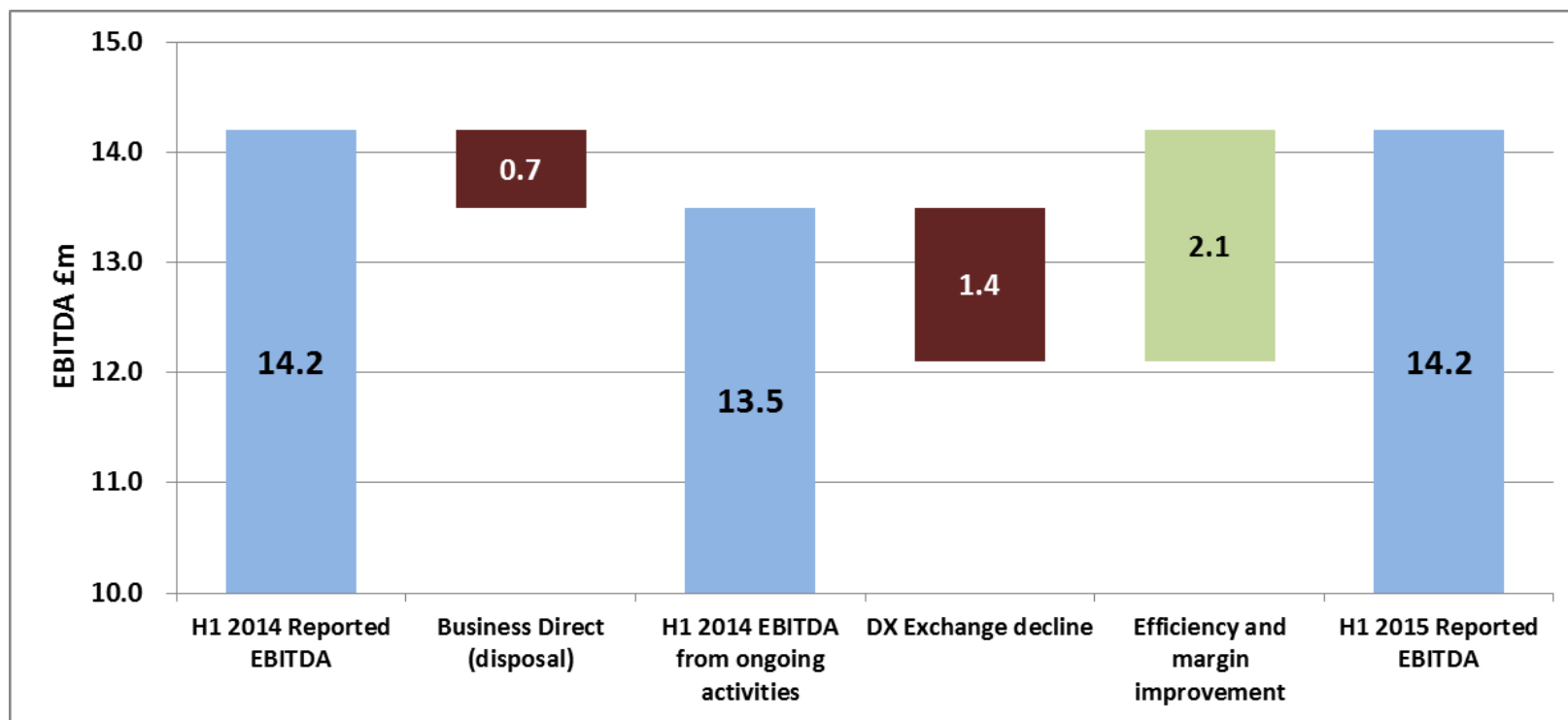
3. Free cash flow represents the operating cash flows of the business after interest and tax and excludes exceptional items, proceeds from the sale of assets and business, the acquisition of stakes in Associates, the acquisition of intangible assets (other than development expenditure), the repayment of bank loans and other debt instruments, draw downs on bank facilities, new loan facilities and dividends.

Revenue bridge



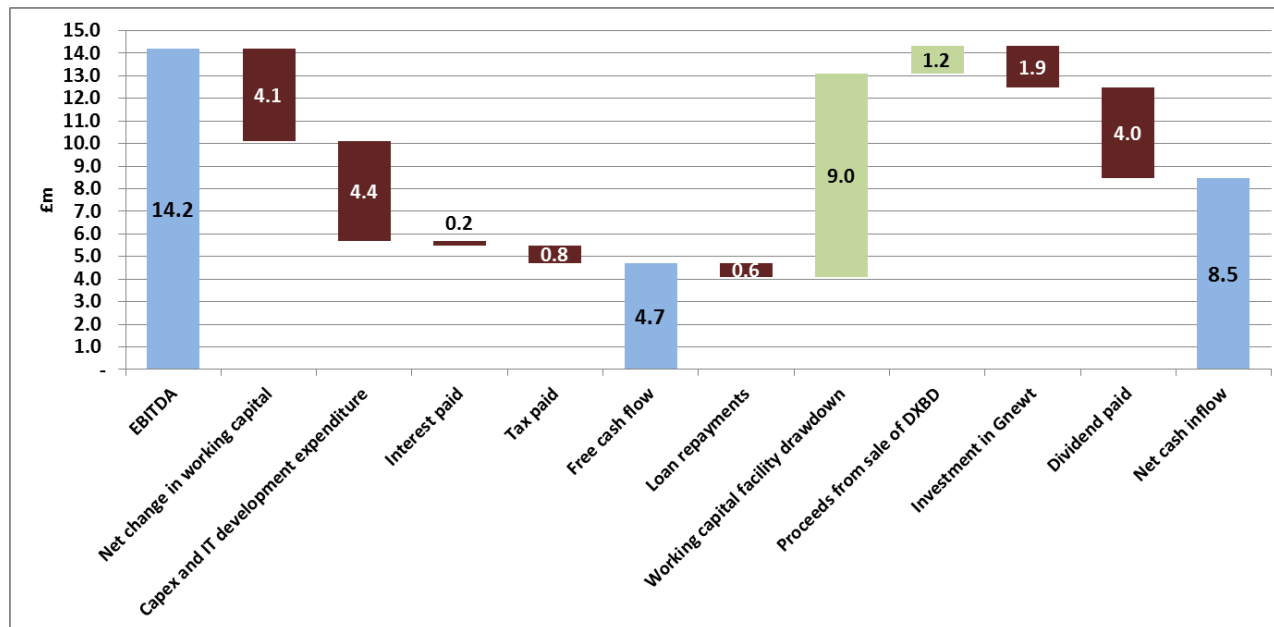
- Impact of e-substitution on DX Exchange in line with management expectations
- Significant Customer churn particularly in DX Freight, due to qualitative focus to ensure all contracts deliver a profitable contribution
- New Customers negotiations continue following City Link demise

EBITDA bridge



- Zero cost savings from reduced DX Exchange revenues, focus on new Courier Customers
- Efficiency improvements from Operations and IT developments
- Overhead savings in payroll and property

Cash profile



	£m
IT hardware and development costs	2.0
Property costs	1.0
Operations	1.0
Service development	0.4
Capex and development costs	4.4

	£m
Loans and borrowings	(18.4)
Cash	6.3
Net debt at 31 December 2014	(12.1)

- Absorption of working capital due to temporary extension of debtor days following migration of DX Freight to group financial software platform
- £1.125m acquisition of City Link assets post year end
- Cash flows traditionally stronger in H2 due to profile of DX Exchange renewals and seasonality. Analysts continue to forecast zero net debt by 30 June 2015



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

Current Trading & Outlook

- Competitive environment
- On track with OneDX programme
- Early stage efficiency improvements encouraging



Supplementary information

The Business

A leading independent mail, parcels and logistics network operator in the UK and Ireland (200 million items delivered last year). Acquired Nightfreight in 2012

Specialist in next day or scheduled delivery of:

- **Time sensitive**
- **Mission critical**
- **High value items**

Unrivalled breadth of services – focusing mainly on B2B

- **Parcels and Freight**
- **Mail & Packets**
- **Logistics**