

DELIVERED EXACTLY



DX (Group) plc

Interim Results Presentation
for the six months ended 31 December 2015



DX (Group) plc – Interim results for the 6 months ended 31 December 2015

Agenda

Introduction	Bob Holt	- Chairman
Headlines	Petar Cvetkovic	- CEO
Financial Overview	Ian Pain	- CFO
Summary & Operational Update	Petar Cvetkovic	- CEO

Headlines

Overview	<ul style="list-style-type: none"> • Customer feedback confirms strong Christmas service • Challenging market conditions resulted in November Trading Update. Strong remedial actions taken • H1 results in line with revised management expectations
Continuing strategic progress with OneDX	<ul style="list-style-type: none"> • Network optimisation • Systems development • Sales team transformation and new service launch
Strong balance sheet and cash flows	<ul style="list-style-type: none"> • Debt levels remain low • Alternative development and funding structure for new hub to: <ul style="list-style-type: none"> ○ maintain low gearing ○ provide for significant operational and financial benefits ○ enable DX management to remain focused on strategy delivery • Proposed interim dividend of 1.0p per share (subject to capital reduction approval) and commitment to full year dividend of 2.5p per share





Financial Overview

Ian Pain – Chief Financial Officer

Financial Overview

	H1 2016 £m	H1 2015 £m
Revenue	141.6	147.4
Profit before interest, tax, depreciation and amortisation ("EBITDA")	5.6	14.2
Depreciation and amortisation	(4.2)	(4.1)
Exceptional items	(88.4)	-
Profit/(loss) before tax		
- excluding goodwill impairment	1.3	9.9
- including goodwill impairment	(87.1)	9.9
Earnings per share		
- excluding goodwill impairment	0.5p	3.9p
- including goodwill impairment	(43.6)p	3.9p
Adjusted profit before tax	£2.4m	£10.7m
Adjusted earnings per share (pence)	1.1p	4.3p
Interim dividend (pence)	1.0p	2.0p
Net debt	£12.3m	£12.1m

- **3.9% revenue reduction**

Growing new business offset by declining DX Exchange revenues and completion of managed exits of commercially unattractive contracts

- **£5.6m EBITDA**

Reduced from prior year due to higher levels of DX Exchange erosion, delays in new business implementation and cost challenges arising from driver shortages

- **£88.4m goodwill impairment**

Reflects challenging market conditions and profit decline

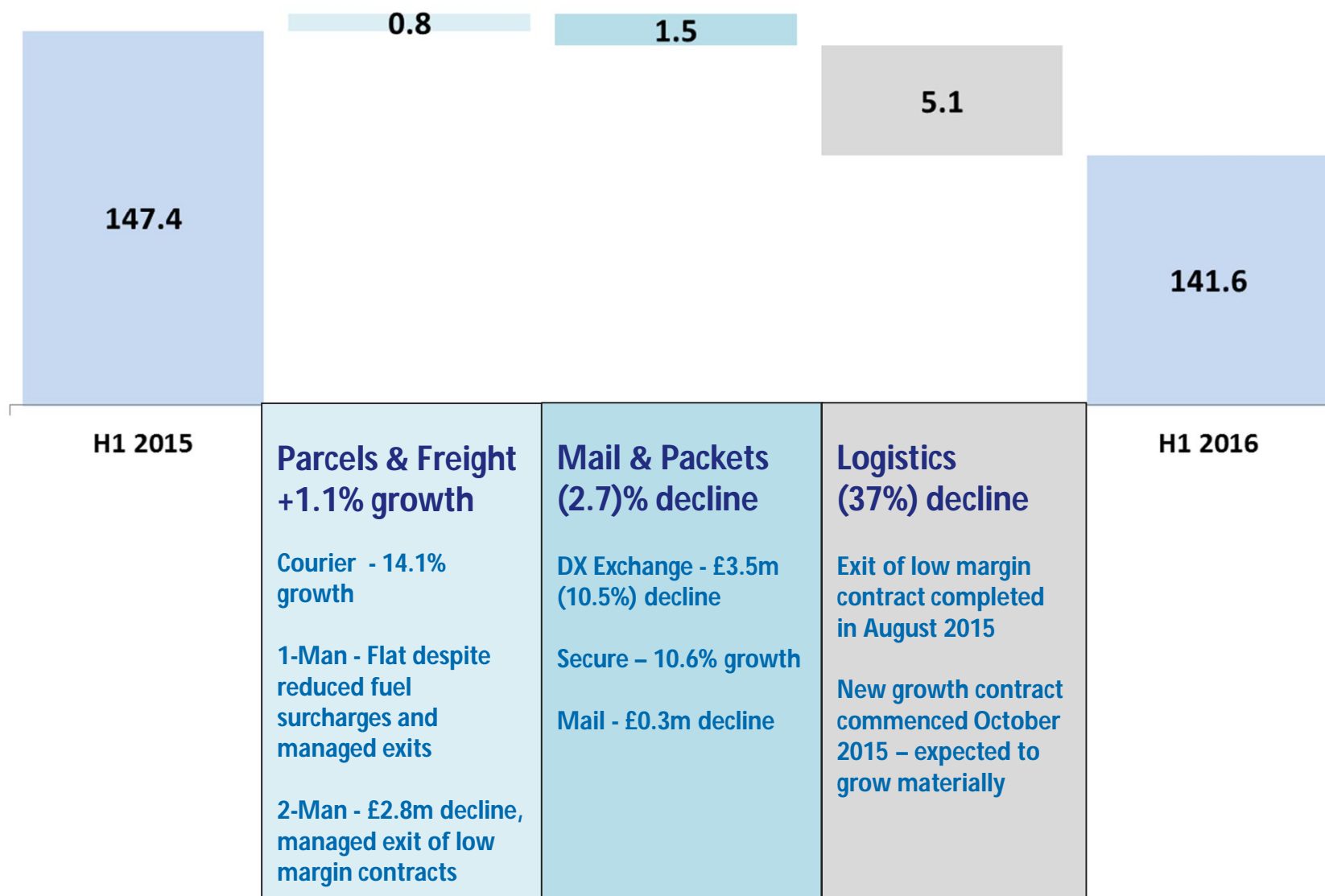
- **1.0p interim dividend**

Subject to Shareholder and Court approval of capital reduction

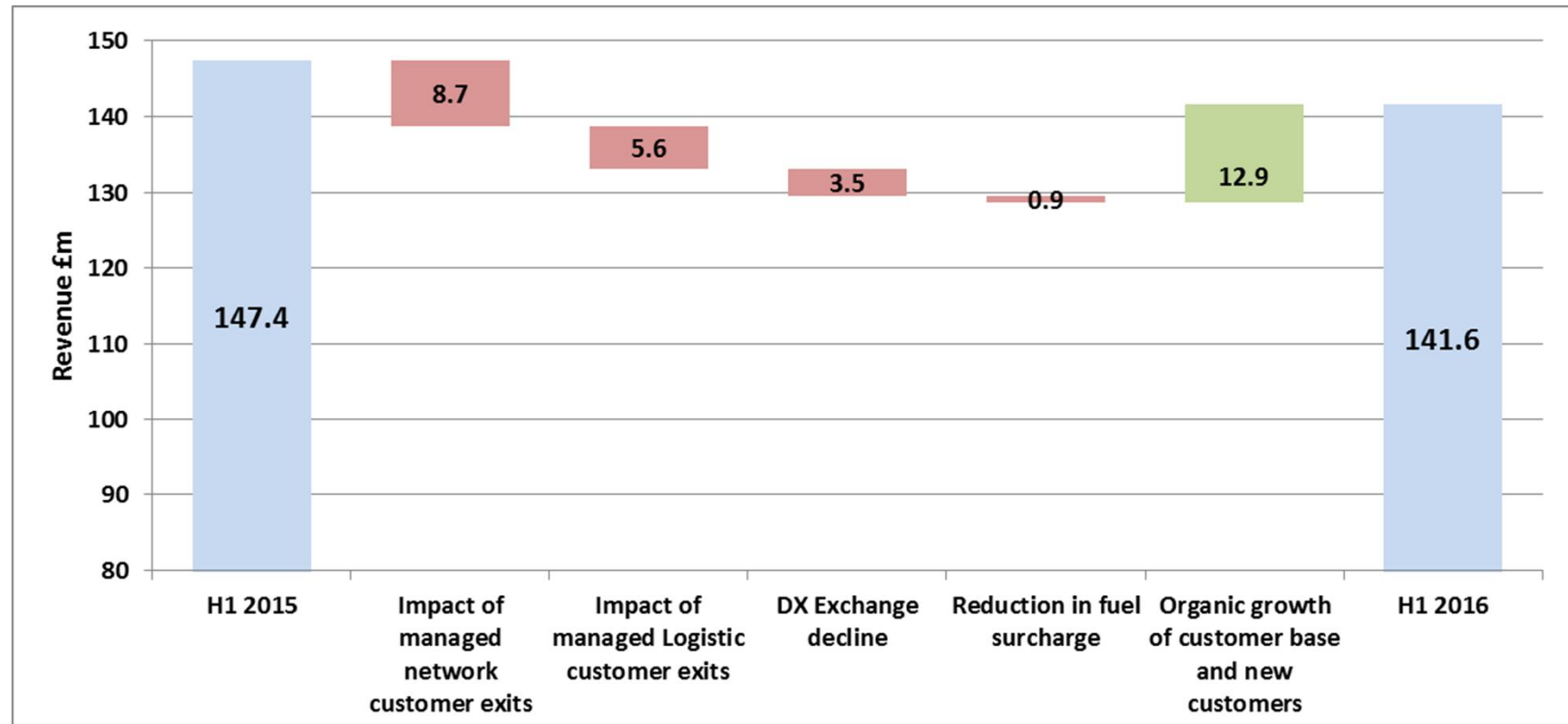
- **Low debt levels retained**



Revenue Bridge by Segment (£m)

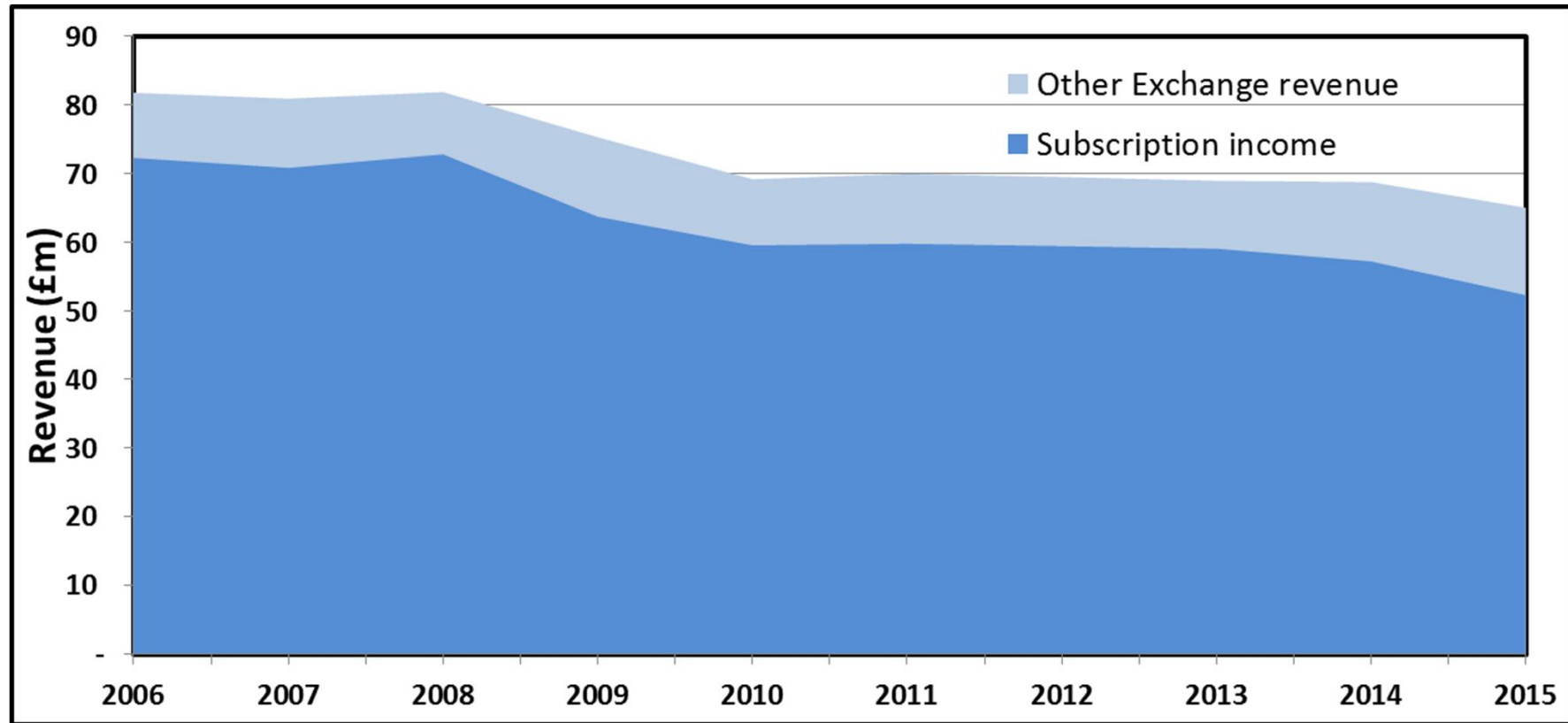


Revenue Bridge



- Flow through of customer exits from preceding financial year
- Higher than anticipated decline in DX Exchange
- Net volume growth in other core services

DX Document Exchange Revenue



- DX Exchange experienced a material drop in 2008-10 driven by the global credit crisis
- Between 2010 and 2013 DX Exchange revenues were broadly stable as price increases offset volume declines
- Analysts built in 6% compounding revenue erosion in research prior to the February 2014 IPO
- In the last 12 months DX Exchange revenue has declined more rapidly, disguising the growth in other services
- There have been no public announcements of any new initiatives that are anticipated to have a sudden detrimental impact on DX Exchange usage, volumes and revenues. January and April are the two months with the highest level of subscription renewals



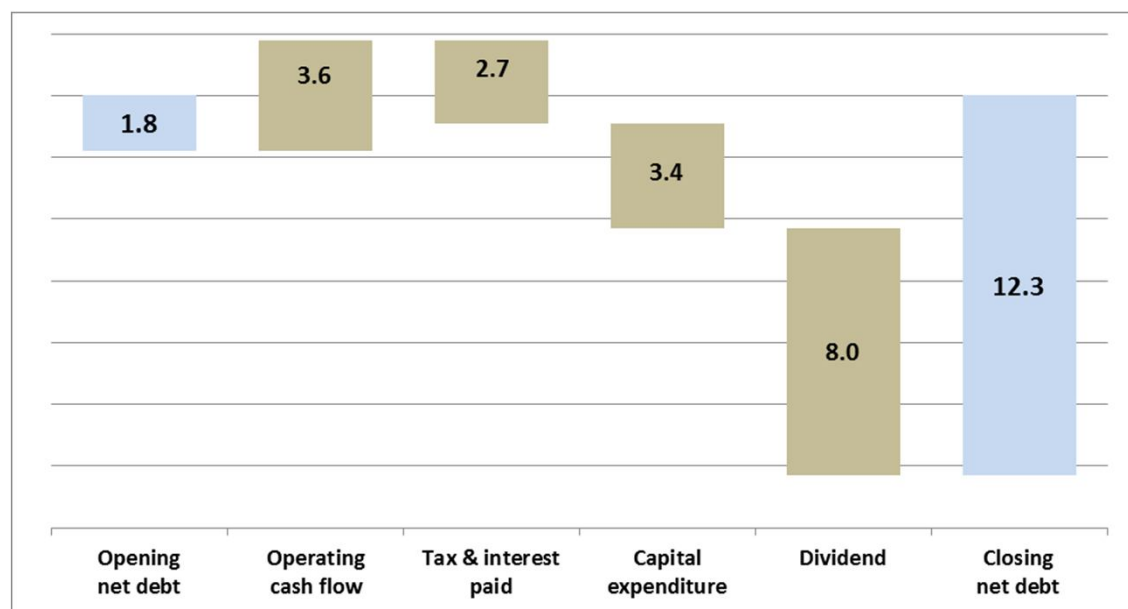
EBITDA Bridge

	£m	
H1 2015	14.2	
DX Exchange erosion	(3.5)	Flow through to H2
New business contribution	4.7	Growing in H2
Mix change & loss of fuel surcharges	(3.6)	Fuel prices now stable
Driver CPC cost implications	(2.1)	Permanent wage rises but short term inefficiencies now addressed
Gap in replacement of 2 Man and Logistics contracts	(2.7)	Revenue now growing in both
OneDX property transition costs	(1.1)	Upgrading new co-location facilities
Sales team transformation	(0.3)	Investment for future growth
H1 2016	5.6	

Drop in H1 profitability driven by market challenges, some of which are permanent. Decisive remedial actions taken. H2 will benefit from new business flow throughs, growing new Logistics customer, new business wins and improved operational efficiency

Cash Flow

	H1 2016 £m	H1 2015 £m
EBITDA	5.6	14.2
Reduction in DX Exchange deferred income	(5.5)	(5.5)
Other working capital movements	3.4	1.4
Other movements	0.1	-
Operating cash flow	3.6	10.1
Tax paid	(2.6)	(0.8)
Interest paid	(0.1)	(0.1)
Capital expenditure	(3.4)	(4.4)
Free cash flow	(2.5)	4.8



- Operating cash flow reduced by lower EBITDA, despite good working capital management
- £2.5m negative free cash flow due to tax on historic profits and H1 capex weighting in current year
- Increase in net debt largely reflects payment of prior year £8.0m final dividend of 4p per share. Ongoing final dividend of 1.5p per share equates to £3.0m going forward

DX retains a strong balance sheet with relatively low debt levels. In year cash flows weighted to H2

Impairment of Goodwill

- Impairment review based on challenging market conditions and profit decline
- Large gap between carrying value and Enterprise value
- Valuation review in line with IAS 36

Carrying value of goodwill:	£m
30 June 2015	188.4
Impairment	(88.4)
31 December 2015	100.0

Enterprise value:	£m
Equity value 200.5m shares at 19.75p	39.6
Debt value	12.3
31 December 2015	51.9

Capital reduction

- Required to re-establish distributable reserves
- Proposal to reclassify £181.4m of share premium as retained earnings. Strong balance of distributable reserves moving forward supports dividend policy
- Interim dividend of 1p per share to be paid out once process complete. Anticipated May 2016

Expected timetable	Date
Publication of circulars to shareholders setting out reasons for capital reduction	29 February 2016
General meeting for shareholders to pass special resolution	24 March 2016
Directions Hearing*	11 April 2016
Final Court Hearing*	20 April 2016
Announcement to the Market *	20 April 2016
Register order confirming capital reduction*	20 April 2016

* To be confirmed subject to Court availability





Summary and Operational Update

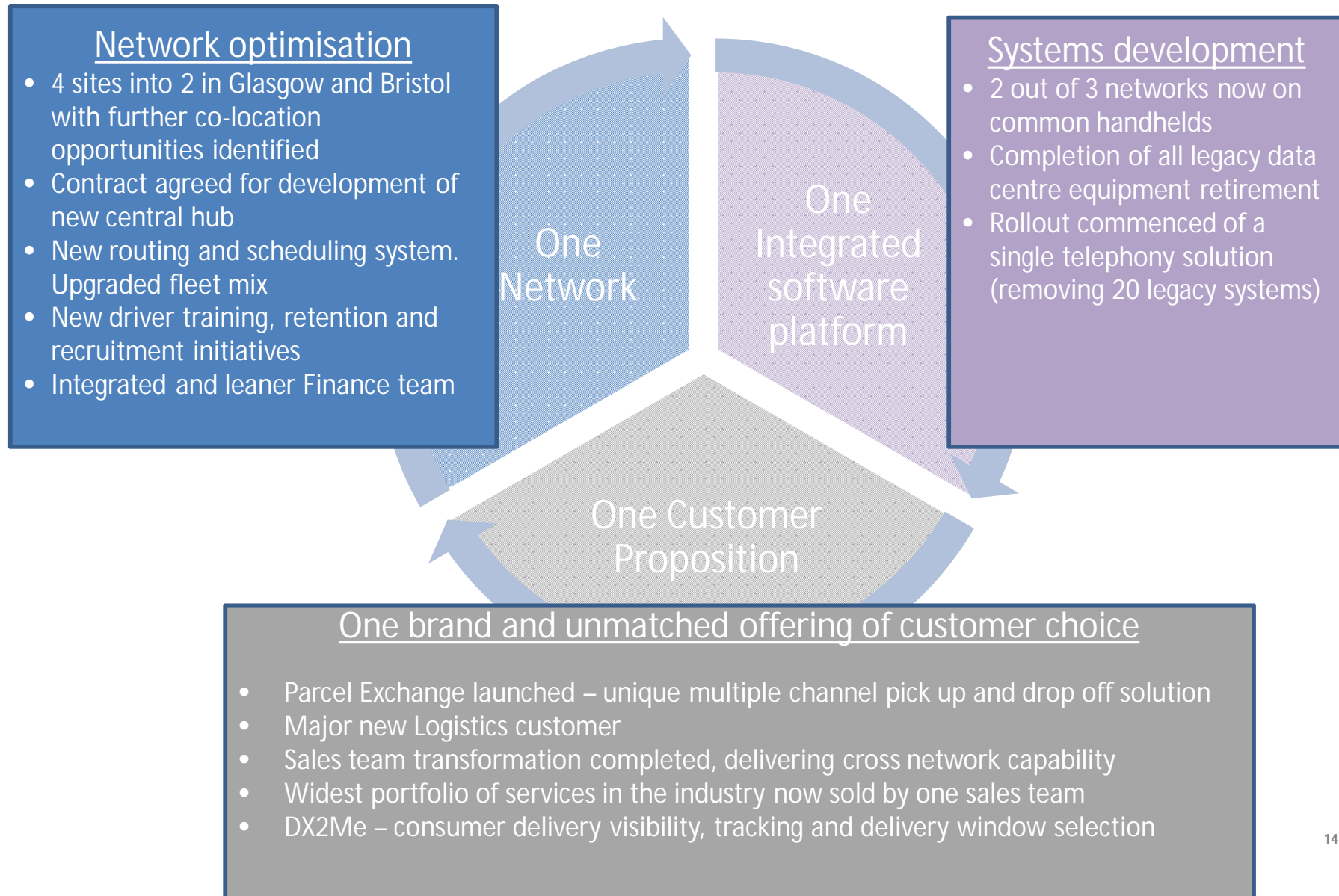
Petar Cvetkovic – Chief Executive Officer

Offsetting DX Document Exchange Erosion....

- **Continuously strengthening service**
 - On road visibility and management
 - Improved CRM (sales team transformation)
 - ETA evolution, Pick Up/Drop Off (“PUDO”) expansion
- **New business**
 - sales team transformation
 - Very healthy pipeline
 - Strong conversion rates
- **Costs and productivity**
 - Continuously reducing costs
 - Transvision route reviews
 - Driver CPC pay increases improving productivity



OneDX – Continuing Strategic Progress in the last six months

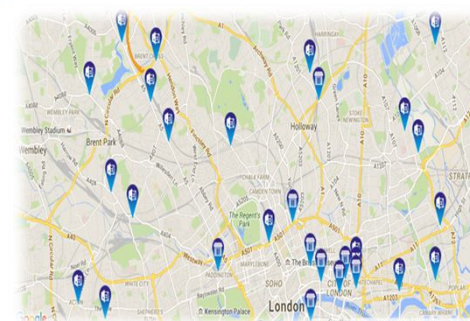




Pick Up/Drop Off Network (PUDO)



- A national network of convenient pick up, delivery and return points
- Choice of over 1,000 InPost locker banks & 45 Doddle parcel shops
- Providing more choice to online shoppers
- Easy to use website plugin for retailers
- More collection points to follow in 2016



MotorTransport

“DX launches collection service with InPost & Doddle”

**logistics
manager**

“DX launches Click & Collect service”

POST & PARCEL

“DX Parcel Exchange launched”



New Contract Win - IKEA



- IKEA Requirements:
 - 2-Man 'room of choice', 7-days a week service
 - Dedicated warehousing & logistic solutions
 - Partnering a high quality service provider
- DX Operational Solution:
 - Dedicated location at Willenhall
 - Shared-user facility at Heathrow
- Results:
 - Multi-million £ contract
 - Volumes already exceeding expectations
 - Further growth potential to become 'preferred' supplier

Update on New Central Hub

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 - annualised savings from trunking and collection & delivery
- 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 colleagues
- Releases freehold sites for sale



Outline timetable

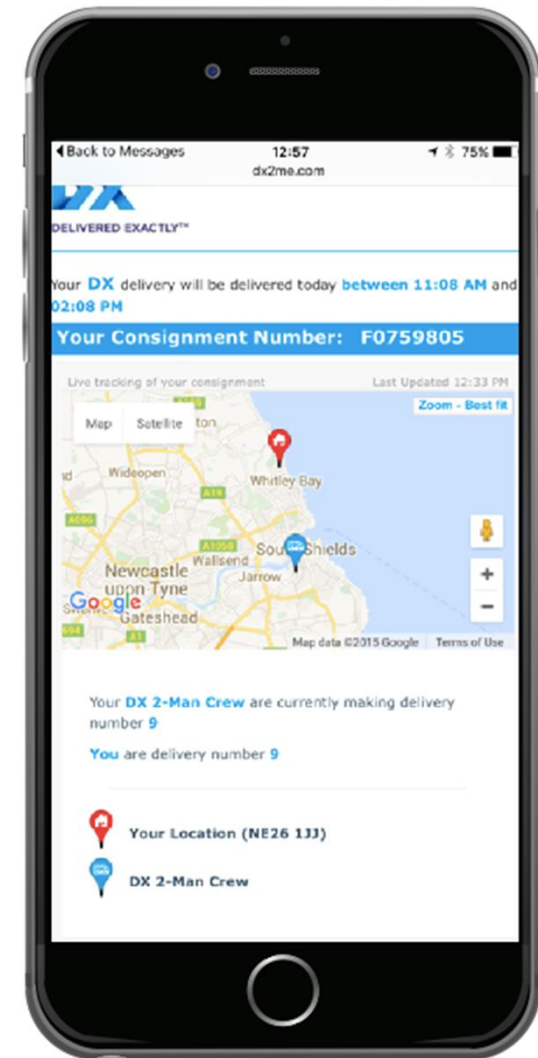
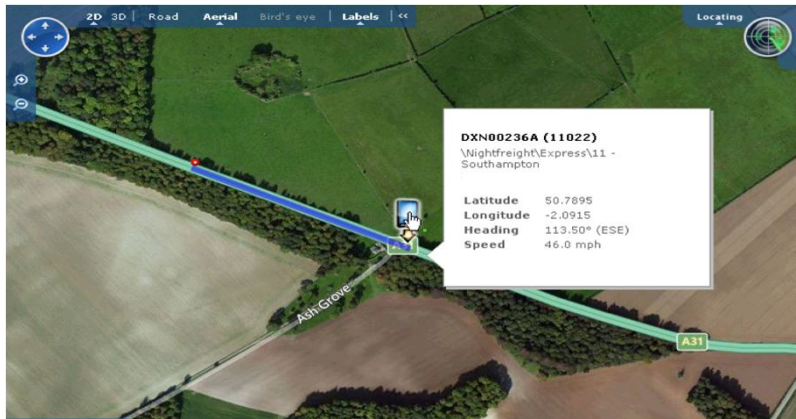
- Planning permission - expected in May 2016
- Construction and fit out – by autumn 2017
- Re-locations - during 2017/2018

Funding partnership

- 25 year lease at £2.1m p.a. with 12 month's rent free and no additional borrowings
- Base rent of £8.55 psf compares favourably with similar facilities in the Midlands
- Outsourcing with professional developer reduces development risk and enables management to remain focused on strategy delivery



DX 2-Man – DX2Me Solution



- Investing in leading edge Driver Hand Held solution for our DX2Man crews
- Real-time progress against a planned route(with a time window) enables the delivery customer to ensure they are at home for the delivery, leading to an improved on time performance
- The solution automatically scales itself for smartphone, tablet or laptop/PC screens



Summary & Outlook

- **Half year results in line with management expectations**
 - remedial actions taken to address specific trading pressures that led to November 2015 Trading Update
- **The OneDX strategic transformation progressing well**
 - managed exit of commercially unattractive contracts complete
 - sales team transformation will secure new business
 - revised plans for strategic central hub development
- **Group positioned for longer term sustainable growth**
 - strong balance sheet with low debt levels
 - Board anticipates full year results broadly in line with its expectations
 - commitment to 2.5p full year dividend



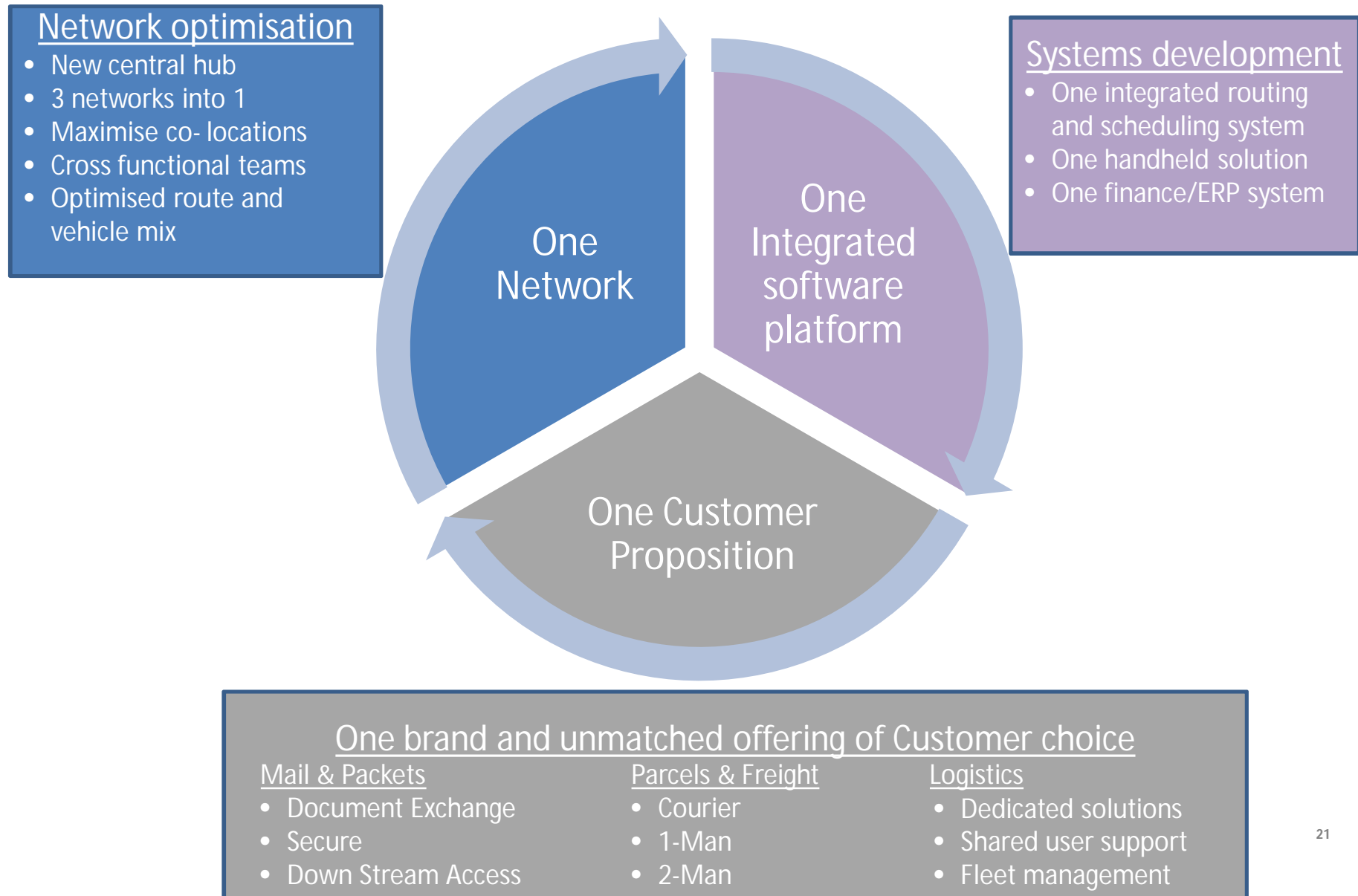


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Appendices

- OneDX – Strategic overview reminder
- Images of plans for new central hub facility
- Consolidated statement of comprehensive income
- Consolidated statements of financial position
- Consolidated statements of cash flows

OneDX – Strategic Overview Reminder



The Proposed Development



The Proposed Development (view from SE corner)



Proposed Site Layout



Consolidated statement of comprehensive income

	Six months ended 31 December 2015 Unaudited £m	Six months ended 31 December 2014 Unaudited £m	Year ended 30 June 2015 Audited £m
Continuing operations			
Revenue	141.6	147.4	297.5
Operating costs before exceptional items	(140.2)	(137.3)	(272.2)
Operating profit before exceptional items	1.4	10.1	25.3
Exceptional items	(88.4)	-	-
Operating (loss)/profit after exceptional items	(87.0)	10.1	25.3
Analysis of operating (loss)/profit:			
Profit before interest, tax, depreciation and amortisation ('EBITDA')	5.6	14.2	33.7
Depreciation and amortisation	(4.2)	(4.1)	(8.4)
Exceptional items	(88.4)	-	-
Operating (loss)/profit after exceptional items	(87.0)	10.1	25.3
Net finance costs	(0.2)	(0.2)	(0.5)
Share of profits from associates	0.1	-	-
(Loss)/profit before tax	(87.1)	9.9	24.8
Tax expense	(0.2)	(2.1)	(4.9)
(Loss)/profit for the period	(87.3)	7.8	19.9
Other comprehensive income	-	-	-
Total comprehensive (expense)/income for the period attributable to owners of the parent	(87.3)	7.8	19.9
Earnings per share - basic (pence):			
Trading	0.5	3.9	9.9
Exceptional items	(44.1)	-	-
Total	(43.6)	3.9	9.9
Earnings per share – adjusted (pence):			
Trading	1.1	4.3	10.9



Consolidated statement of financial position

	31 December 2015 Unaudited £m	31 December 2014 Unaudited £m	30 June 2015 Audited £m
Non-current assets			
Property, plant and equipment	18.2	19.3	18.6
Intangible assets and goodwill	110.5	197.4	199.3
Investment in associates	2.0	1.9	1.9
Deferred tax assets	1.4	1.3	1.3
Total non-current assets	132.1	219.9	221.1
Current assets			
Trade and other receivables	30.9	36.7	38.8
Cash and cash equivalents	6.9	6.3	7.0
Total current assets	37.8	43.0	45.8
Total assets	169.9	262.9	266.9
Equity			
Share capital	2.0	2.0	2.0
Share premium	181.4	181.4	181.4
Reverse acquisition reserve	-	280.0	-
Other reserves	0.1	0.1	0.1
Retained earnings	(84.5)	(277.7)	10.7
Total equity	99.0	185.8	194.2
Non-current liabilities			
Loans and borrowings	6.8	7.9	7.3
Provisions	2.4	4.4	3.5
Total non-current liabilities	9.2	12.3	10.8
Current liabilities			
Current tax liabilities	0.3	2.2	2.6
Loans and borrowings	12.2	10.2	1.2
Trade and other payables	30.8	29.9	34.2
Deferred income	18.4	22.5	23.9
Total current liabilities	61.7	64.8	61.9
Total liabilities	70.9	77.1	72.7
Total equity and liabilities	169.9	262.9	266.9



Consolidated statement of cash flows

	Six months ended 31 December 2015 Unaudited £m	Six months ended 31 December 2014 Unaudited £m	Year ended 30 June 2015 Audited £m
Cash generated from operations	3.6	10.1	31.3
Interest paid	(0.1)	(0.1)	(0.4)
Tax paid	(2.6)	(0.8)	(3.2)
Net cash generated from operating activities	0.9	9.2	27.7
Cash flows from investing activities			
Proceeds from sale of DX Business Direct	-	1.2	2.5
Proceeds from sale of property, plant and equipment	-	-	0.1
Acquisition of associate	-	(1.9)	(1.9)
Acquisition of property, plant and equipment	(1.1)	(2.3)	(3.3)
Acquisition of trademarks and domain names	-	-	(1.0)
Software and development expenditure	(2.3)	(2.1)	(5.6)
Net cash used in investing activities	(3.4)	(5.1)	(9.2)
Net (decrease)/increase in cash before financing activities	(2.5)	4.1	18.5
Cash flows from financing activities			
Drawings on revolving credit facility	11.0	9.0	-
Repayment of bank borrowings	(0.6)	(0.6)	(1.2)
Equity dividends paid	(8.0)	(4.0)	(8.0)
Net cash generated from/(used in) financing activities	2.4	4.4	(9.2)
Net (decrease)/increase in cash and cash equivalents	(0.1)	8.5	9.3
Cash and cash equivalents at beginning of period	7.0	(2.2)	(2.2)
Effect of exchange rate fluctuations on cash held	-	-	(0.1)
Cash and cash equivalents at end of period	6.9	6.3	7.0

