DX (Group) plc

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Interim Results Presentation
for the period ended 31 December 2016

Agenda

Overview	Petar Cvetkovic
Financial Overview	Daljit Basi
Review of Operations	Petar Cvetkovic
Summary and Outlook	Petar Cvetkovic

Overview

- Wide-ranging review of the Company's operations underway to drive revenues and improve financial performance
  - Significant new business signed since January worth c. £25m p.a. including £10m+ logistics contract with Avon UK
  - Pipeline at over £30m – strongest in recent years
  - Cost improvement programme delivers £2.5m p.a. benefit in FY18
- Senior management team strengthened
  - New Chief Commercial Officer driving sales
  - New Chief Operating Officer delivering service and cost optimisation
  - Interim Business Transformation Specialist engaged
- Ongoing network optimisation to deliver efficiencies and customer service benefit
- Fleet innovation - new 3.5 tonne vehicles to alleviate pressures from shortage of CPC certified drivers
- Agreed refinancing terms which better match the needs of the business

Financial Overview

Daljit Basi
Finance Director

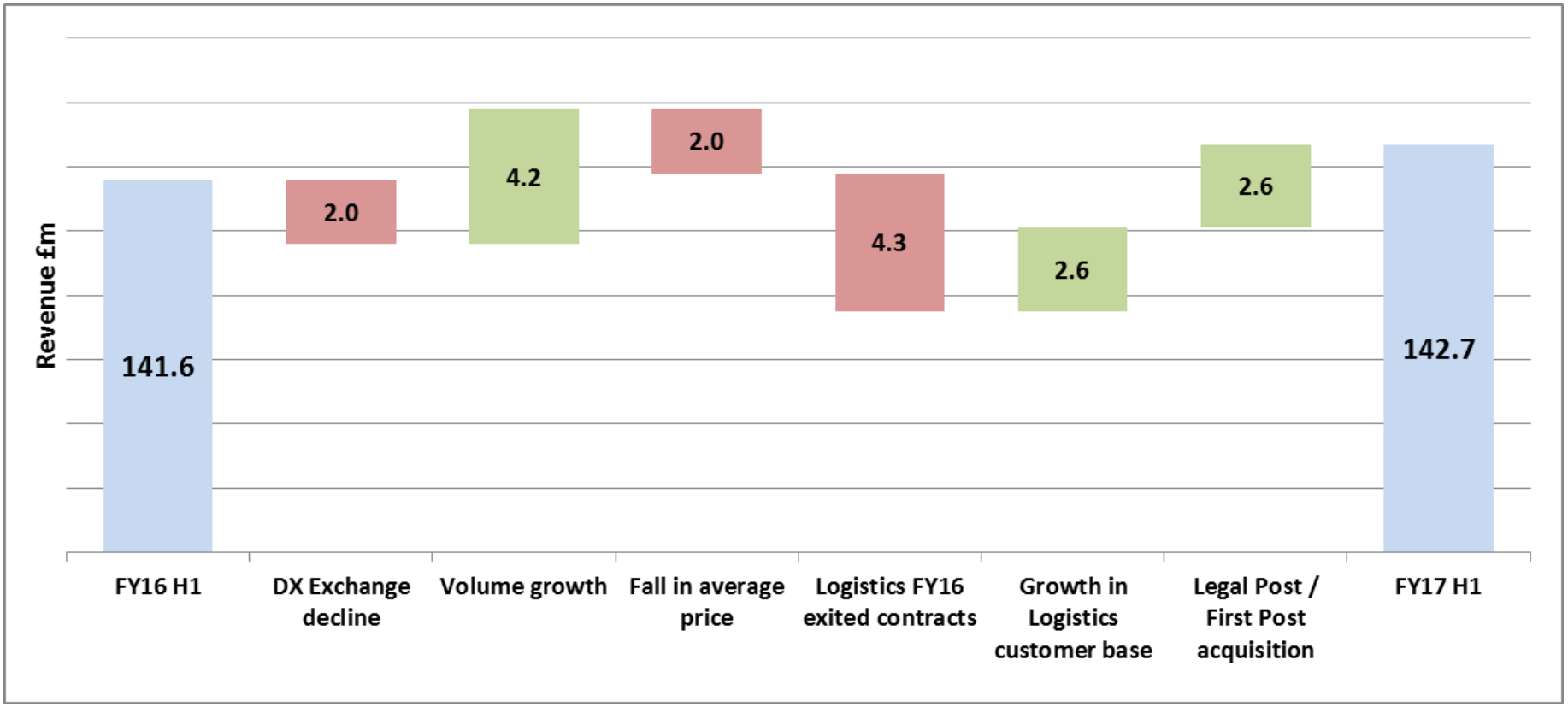
Financial Highlights

- Revenue growth includes £2.6m from acquisition of Legal Post and First Post
- EBITDA in line with current market expectations
- Exceptional items largely relate to impairment of goodwill (non-cash item)

	FY17 H1 £m	FY16 H1 £m
Revenue	**142.7**	**141.6**
Earnings before interest, tax, depreciation and amortisation ("EBITDA")	**3.9**	**5.6**
Depreciation	(1.4)	(1.6)
Amortisation of software and development costs	(1.6)	(1.5)
Underlying results from operating activities	**0.9**	**2.5**
Exceptional items	(28.8)	(88.4)
Amortisation of other intangible assets	(1.1)	(1.1)
Reported results from operating activities	**(29.0)**	**(87.0)**
Net finance costs	(0.3)	(0.2)
Share of profits from associate	-	0.1
Loss before tax	**(29.3)**	**(87.1)**
Tax	0.4	(0.2)
Loss for the year	**(28.9)**	**(87.3)**
EPS - basic (pence)	(14.4)	(43.6)
EPS - adjusted (pence)	0.5	1.1

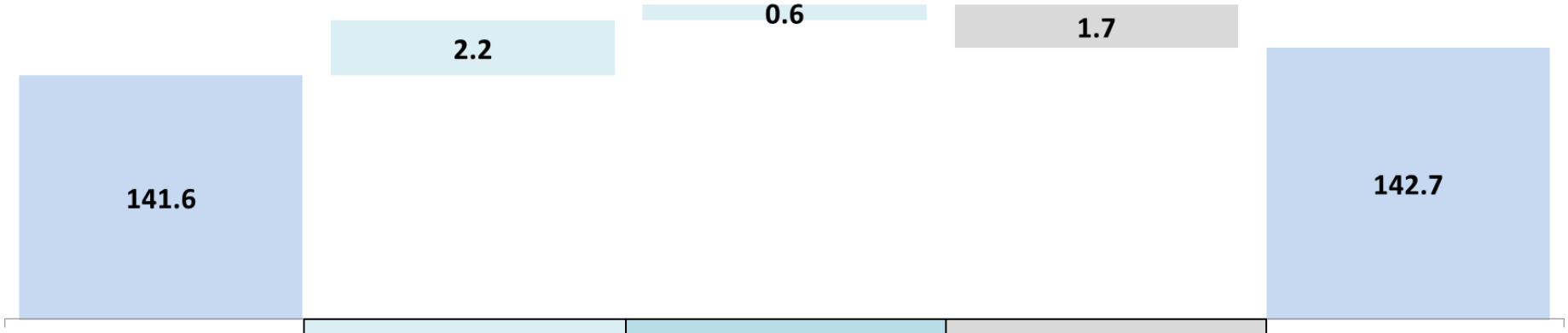
Exceptional items	FY17 H1 £m	FY16 H1 £m
Impairment charges	27.4	88.4
Senior management departures	0.8	-
CMA investigation	0.6	-
Total	**28.8**	**88.4**

Revenue Bridge



- DX Exchange decline in line with management forecasts
- Lower than targeted conversion of new business and pricing pressures (predominantly 1-Man) offsetting volume growth
- Growth in Logistics masked by low margin contracts exited in 2016

Revenue Bridge by Segment (£m)



Parcels & Freight +2.8% growth

Courier: £0.2m (0.7%) growth

1-Man: £0.1m (0.2%) volume growth offset by fall in average price

2-Man: £2.1m (34%) growth, new wins following exit from unattractive contracts in prior year

Mail & Packets +1.0% growth

Includes £2.6m revenue from acquisition of Legal Post and First Post at end of FY16

DX Exchange: £2.0m (6.7%) decline

Secure: £0.4m (1.7%) growth

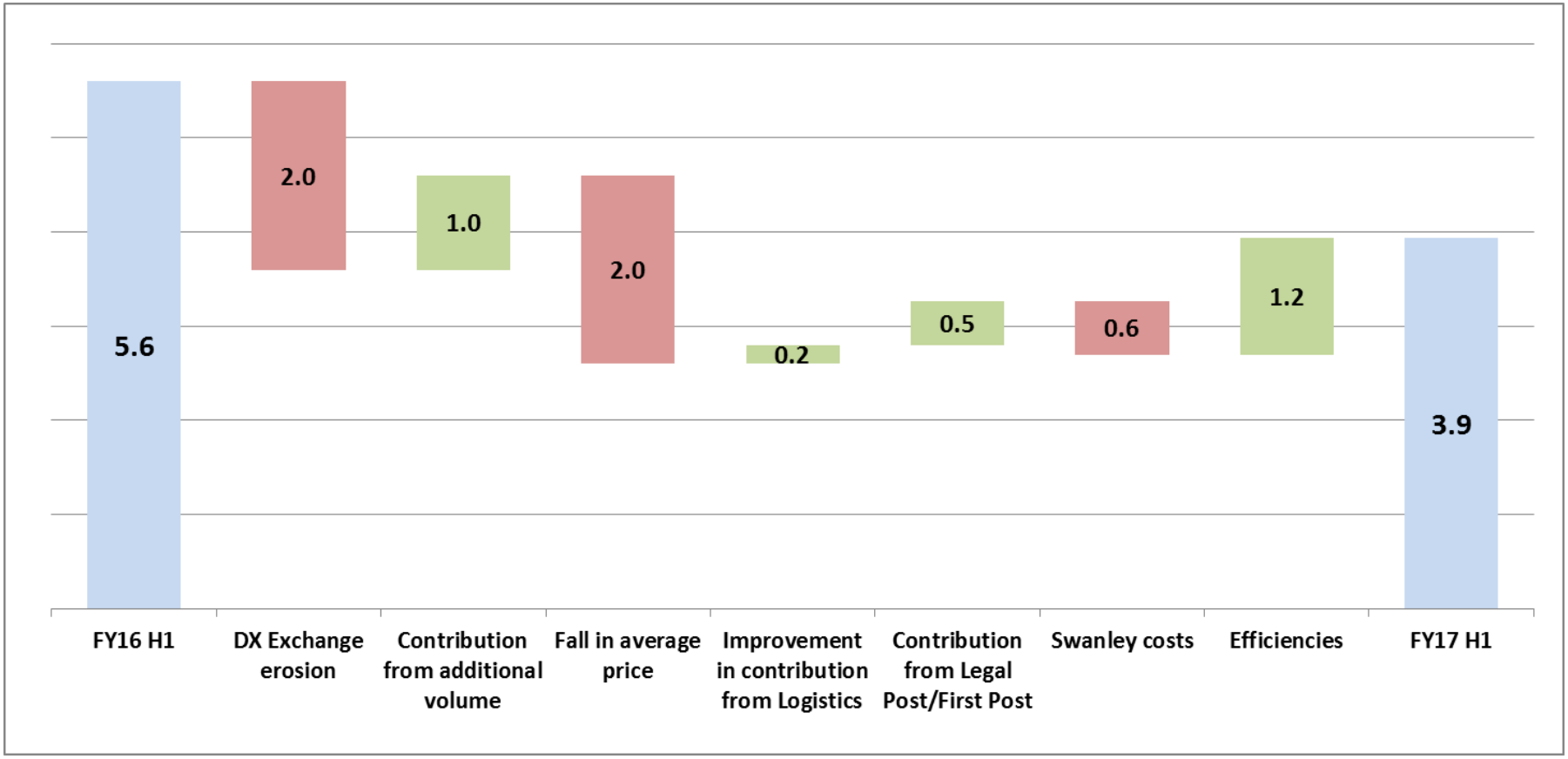
Logistics (19%) decline

Revenue includes £4.3m of low margin contracts exited in prior year

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

Avon UK contract started in H2

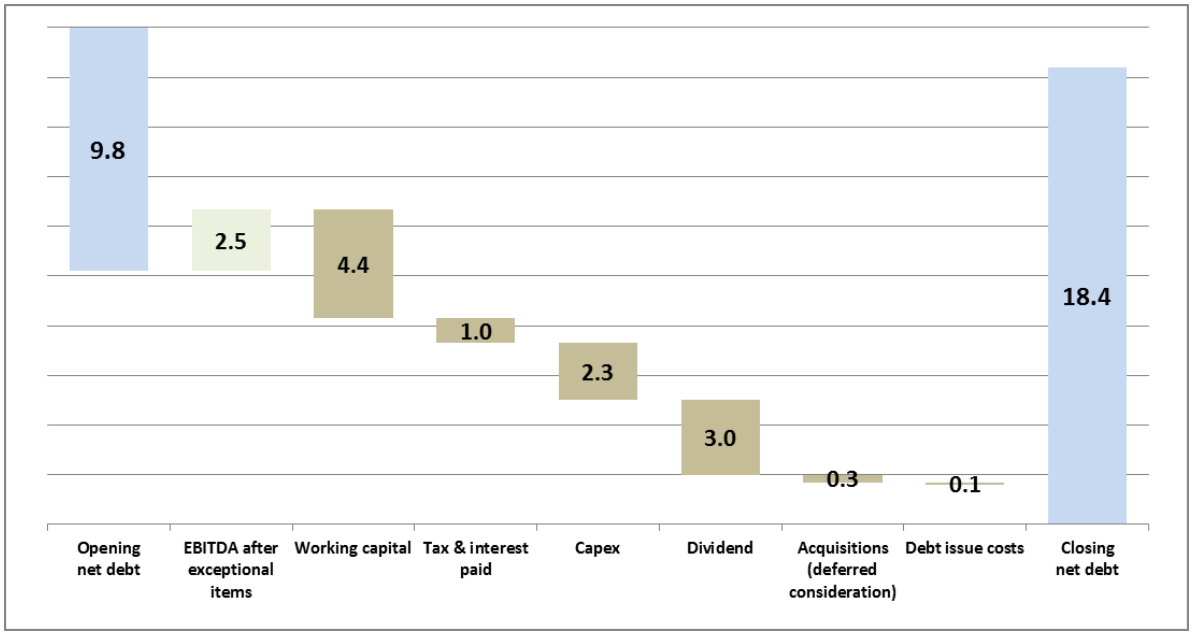
EBITDA Bridge



- Insufficient growth to offset Exchange erosion with further pricing pressures impacting profitability
- One-off recovery costs in relation to Network optimisation
- Efficiency savings driven by an increase in OneDX deliveries and reduction in number of routes

Cash Flow

	FY17 H1 £m	FY16 H1 £m
EBITDA	3.9	5.6
Exceptional items	(1.4)	-
EBITDA after exceptional items	**2.5**	**5.6**
Movement in working capital	(4.4)	(2.1)
Other	-	0.1
Operating cash flow	**(1.9)**	**3.6**
Tax paid	(0.8)	(2.6)
Interest paid	(0.2)	(0.1)
Capital expenditure	(2.3)	(3.4)
Free cash flow	**(5.2)**	**(2.5)**



- Operating cash flow reduced by lower EBITDA and exceptional items
- Working capital movement reflects the change in sales mix in the business
- Refinanced to September 2018. Replaced revolving credit facility with an invoice discounting facility which is more suited to the business with the term loan remaining in place and extended

Review of Operations

Petar Cvetkovic
Chief Executive Officer

Strengthened Senior Management Team

- **Stuart Godman, Chief Commercial Officer**

- **Nick Cullen, Chief Operations Officer**

- **Hugh Owens, Chief People Officer**

- **Zoe Pepper, Chief Legal Officer & Company Secretary**

- **Ian Gray, Interim Business Transformation Specialist**

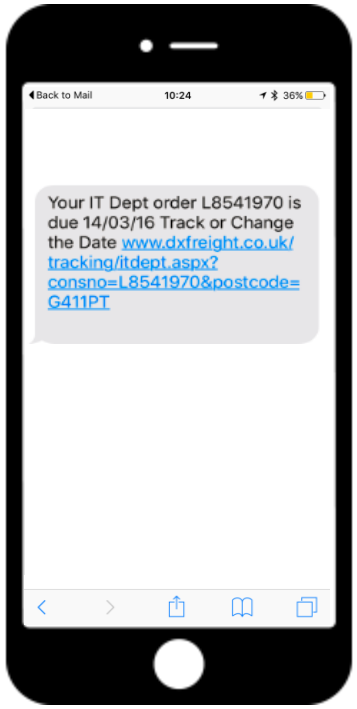
Network Optimisation continues

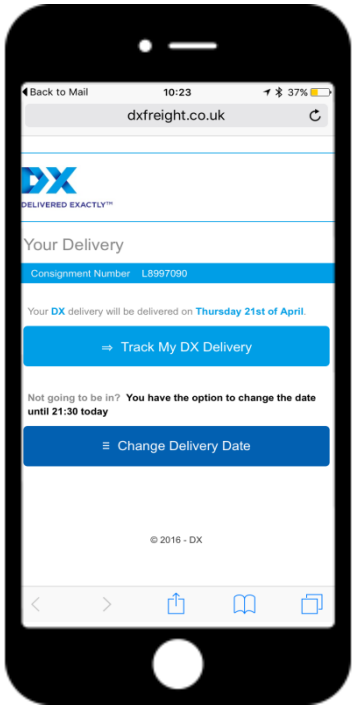
- Single integrated operational platform to support revenue growth in South East England
- Cost synergies by integrating five service centres into one

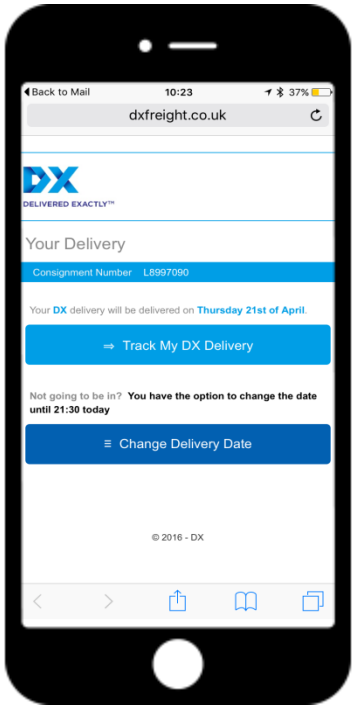
- Colleague retention during the migration was high at all sites except one which resulted in higher costs
- Class 3 vacancies remain high, driven by the national shortage of CPC qualified drivers (35,000 shortage)
- DX Express route integration has increased to 42% and continues to grow week-on-week

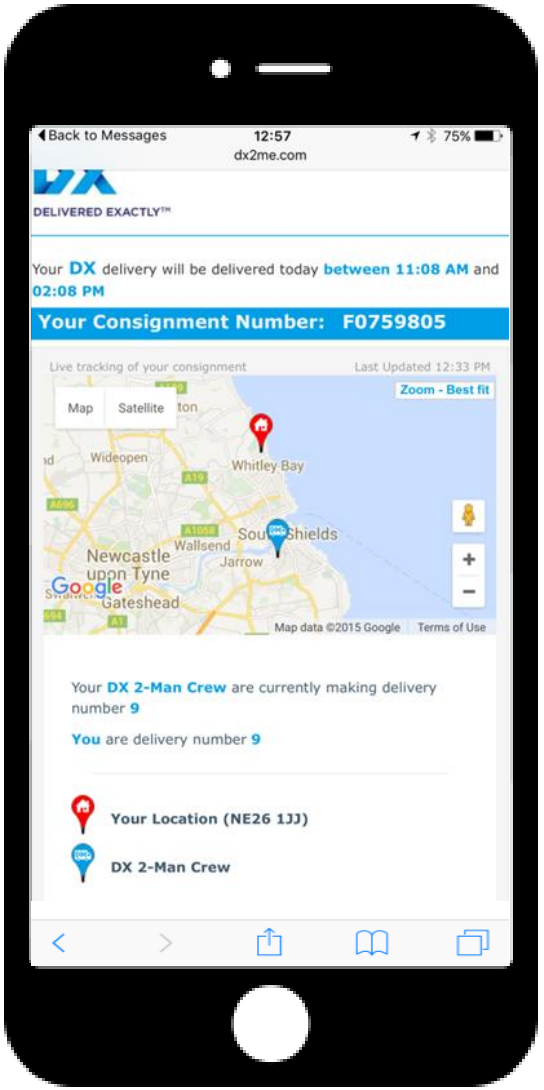
Service Developments

- Customer In-flight technology now established
- New simple connection to customer's EPOS
- Android handheld scanners for use by third party drivers









Fleet Innovation

- 55 custom built vehicles on order
- Enhanced fleet capability – carrying 6m lengths and heavier payload (1,250 KGs)
- Eco friendly - reducing fuel usage and carbon footprint per vehicle
- Meets Euro6 standard access to prime city centres
- 3.5 tonne vehicle does not require CPC qualified driver

New Business: £25m p.a.

B & S COLORAMA	3 year contract
BUNZL retail supplies	2 year contract
AVON	3 year contract
IKEA	3 year contract
BUNZL LOCKHART Catering Equipment	2 year contract

Retention: £38m p.a.

HM Passport Office	2 year + 1 + 1 contract
Crown Commercial Service	3 year contract
MWUK	3 year contract
JUNGHEINRICH Machines. Ideas. Solutions.	3 year contract
Wickes	3 year contract

Sales Pipeline in excess of £30m

- Avon – DX's largest win in recent years as a result of unique transformation solution
- In excess of £10m p.a.
- Initial 3 year contract
- Three phased roll out over 14 locations and 200 people implemented
- Customer delighted that contracted service levels already exceeded

AVON

the company for women

Summary & Outlook

Petar Cvetkovic
Chief Executive Officer

Summary & Outlook

- **Strengthened management board**
- **Priorities for current year:**
  - higher conversion of strong pipeline of new business
  - complete cost improvement programme
  - ongoing network optimisation
- **Continue to focus on business transformation**

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