



DX (Group) plc

# Interims Results for the six months ended 31 December 2018

5 March 2019

***New Team, New Plan, New DX.***



# Disclaimer

*The content of information contained in this presentation and the accompanying verbal presentation (together, this “Presentation”) has not been approved by an authorised person within the meaning of the Financial Services and Markets Act 2000 (“FSMA”). Reliance upon this Presentation for the purpose of engaging in any investment activity may expose an individual to a significant risk of losing all of the property or other assets invested. The content of information contained in this presentation and the accompanying verbal presentation (together, this “Presentation”) is being supplied to you solely for your information.*

*This Presentation has been prepared by, and is the sole responsibility of, DX Group plc (the “Company”). The directors of the Company have taken all reasonable care to ensure that the facts stated herein are true to the best of their knowledge, information and belief. This Presentation does not constitute, or form part of, an admission document, listing particulars or a prospectus relating to the Company, nor does it constitute, or form part of, any offer or invitation to sell or issue, or any solicitation of any offer to purchase or subscribe for, any shares in the Company nor shall it or any part of it, or the fact of its distribution, form the basis of, or be relied upon in connection with, or act as any inducement to enter into any contract therefor. No reliance may be placed for any purpose whatsoever on the information contained in this Presentation or on its completeness, accuracy or fairness thereof, nor is any responsibility accepted for any errors, misstatements in, or omission from, this Presentation or any direct or consequential loss however arising from any use of, or reliance on, this Presentation or otherwise in connection with it. This Presentation may not be reproduced or redistributed, in whole or in part, to any other person, or published, in whole or in part, for any purpose without the prior consent of the Company. Neither this Presentation nor any copy of it should be distributed, directly or indirectly, by any means (including electronic transmission) to any persons with addresses in the United States of America (or any of its territories or possessions) (together, the “US”), Canada, Japan, Australia, the Republic of South Africa or the Republic of Ireland, or to any corporation, partnership or other entity created or organised under the laws thereof, or in any other country outside the United Kingdom where such distribution may lead to a breach of any legal or regulatory requirement. The recipients should inform themselves about and observe any such requirements or relationship. Forward-looking Statements This Presentation or documents referred to in it contain forward-looking statements. These statements relate to the future prospects developments and business strategies of the Company and its subsidiaries (the “Group”). Forward-looking statements are identified by the use of such terms as “believe”, “could”, “envisage”, “estimate”, “potential”, “intend”, “may”, “plan”, “will” or the negative of those, variations or comparable expressions, including references to assumptions. The forward-looking statements contained in this Presentation are based on current expectations and are subject to risks and uncertainties that could cause actual results to differ materially from those expressed or implied by those statements. If one or more of these risks or uncertainties materialises, or if underlying assumptions prove incorrect, the Group’s actual results may vary materially from those expected, estimated or projected. Given these risks and uncertainties, potential investors should not place any reliance on forward-looking statements. These forward looking statements speak only as at the date of this Presentation.*



# Executive Team

## Ronald Series, Chairman

- Appointed Executive Chairman in October 2017
- Highly experienced in business turnaround situations
- Chairman of Tuffnells Parcel Express (2002-05) during its successful turnaround

## Lloyd Dunn, CEO

- Appointed as CEO in October 2017
- Over 38 years' experience in express freight and parcels industry
- Led successful turnaround of Tuffnells Parcel Express prior to its sale
- Co-founded Nightfreight Plc, a logistics company that was floated on the Official List in 1994 and later acquired by private equity. In 2012, Nightfreight was acquired by DX

## David Mulligan, CFO

- Appointed CFO in April 2018
- 20 years' experience in senior financial roles
- Previously CFO at Hornby plc, involved in its restructuring and turnaround
- Before that, CFO of Morgan Sindall Group plc for nine years until 2013, having joined in 1997

# Summary

- Turnaround initiatives showing encouraging results
  - H1 performance in line with management expectations
- Structural reorganisation has helped to drive improved performance
  - devolution of accountability to general and regional managers
- Investment in sales teams in both Divisions has delivered strong new business wins
  - commercially realistic price policies implemented
- Customer service levels and operational efficiency has improved
- DX Exchange attrition was slowed - in line with management expectations
- A three-year investment programme to upgrade IT, property and operational systems has commenced

# New Divisional Structure

## DX EXPRESS

### DX Exchange

- A private members B2B mail and parcel delivery network of over 3,500 exchanges across UK and Ireland, operating primarily in the legal, financial and public sectors

### DX Secure

- A leading, highly secure B2C courier service. Customers include HMPO, Central Government and major banks

### DX Courier

- A next day, fully-tracked B2B delivery service, primarily to branch networks, high streets, industrial areas and government premises

### DX Mail

- A low cost, second class mail alternative

## DX FREIGHT

### DX 1-Man

- A next-day delivery service specialising in irregular dimensions and weight items (“IDW”), mainly to business customers. DX 1-Man also provides services for the regular parcels market

### DX 2-Man

- A home delivery service for large items weighing up to 150kg, mainly to residential addresses

### DX Logistics

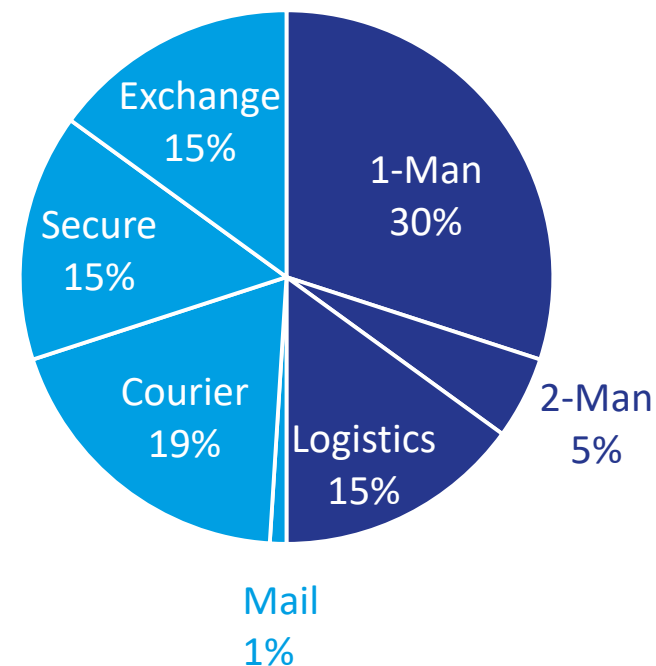
- A comprehensive logistics solution, including warehouse management and operation of customer-liveried vehicles and uniformed personnel

# H1 Financial Summary

- Revenue up 7% to £157.0m (2017: £146.6m)
  - DX Freight – up 16% to £78.0m
  - DX Express – flat at £79.0m
- EBITDA loss down 43% to £2.5m (2017: £4.4m)
  - DX Freight – loss of £5.5m (2017: loss of £8.1m)
  - DX Express – profit of £11.6m (2017: £14.2m)
  - Central overheads – £8.6m (2017: £10.5m)
- Adjusted LBT<sup>1</sup> down 46% to £4.6m (2017: £8.5m loss)
- Net debt reduced to £3.5m (2017: £25.6m) – better than expected
- Cash outflow from operating activities reduced to £1.4m (2017: £9.9m)

Revenue - £157.0m

- DX Express
- DX Freight



<sup>1</sup> Adjusted for amortisation of acquired intangibles (£0.1m), exceptional items (£nil) and share based-payments charge (£0.6m) (2017: £0.1, £5.5m and £nil respectively)

# H1 Income Statement

£m	Six months to 31 December 2018	Six months to 31 December 2017	Year ended 30 June 2018
Revenue	157.0	146.6	299.5
EBITDA	(2.5)	(4.4)	(4.9)
Depreciation	(1.3)	(1.4)	(2.9)
Amortisation	(0.7)	(2.2)	(3.4)
Share-based payments charge	(0.6)	-	(0.2)
Exceptional items	-	(5.1)	(5.7)
<b>Results from operating activities</b>	<b>(5.1)</b>	<b>(13.1)</b>	<b>(17.1)</b>
Finance costs	(0.2)	(0.6)	(0.9)
Exceptional finance costs	-	(0.4)	(1.9)
<b>Loss before tax</b>	<b>(5.3)</b>	<b>(14.1)</b>	<b>(19.9)</b>
Tax	(0.3)	(0.2)	0.4
<b>Loss for the period</b>	<b>(5.6)</b>	<b>(14.3)</b>	<b>(19.5)</b>

# H1 Segmental Analysis

£m	Six months to 31 December 2018				Six months to 31 December 2017			
	DX Express	DX Freight	Central	Total	DX Express	DX Freight	Central	Total
Revenue	79.0	78.0	-	157.0	79.2	67.4	-	146.6
Costs before overheads	(63.6)	(81.2)	-	(144.8)	(60.9)	(74.0)	-	(134.9)
Profit/(loss)	15.4	(3.2)	-	12.2	18.3	(6.6)	-	11.7
Overheads	(3.8)	(2.3)	(8.6)	(14.7)	(4.1)	(1.5)	(10.5)	(16.1)
EBITDA	11.6	(5.5)	(8.6)	(2.5)	14.2	(8.1)	(10.5)	(4.4)

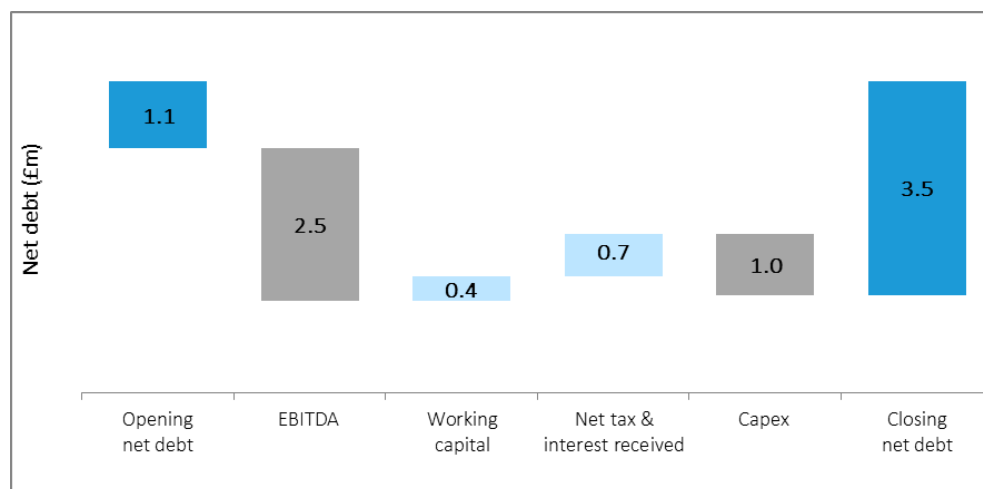


# Balance Sheet

£m		31 December 2018	31 December 2017	30 June 2018
<b>Non-current assets</b>	Property, plant and equipment	8.4	9.9	8.9
	Intangible assets and goodwill	31.1	32.7	31.7
	Deferred tax assets	2.6	1.4	2.6
<b>Total non-current assets</b>		<b>42.1</b>	<b>44.0</b>	<b>43.2</b>
<b>Current assets</b>	Trade and other receivables	36.1	34.4	41.9
	Current tax receivable	-	1.7	1.1
	Cash and cash equivalents	4.2	2.5	2.0
<b>Total current assets</b>		<b>40.3</b>	<b>38.6</b>	<b>45.0</b>
<b>Total assets</b>		<b>82.4</b>	<b>82.6</b>	<b>88.2</b>
<b>Equity</b>	Share capital and share premium	30.9	2.0	30.9
	Capital redemption reserve	-	0.4	-
	Retained earnings	(11.0)	(0.3)	(6.0)
<b>Total equity</b>		<b>19.9</b>	<b>2.1</b>	<b>24.9</b>
<b>Non-current liabilities</b>	Loans and borrowings	-	23.5	-
	Provisions	3.5	5.5	3.6
<b>Total non-current liabilities</b>		<b>3.5</b>	<b>29.0</b>	<b>3.6</b>
<b>Current liabilities</b>	Current tax liabilities	-	-	0.1
	Loans and borrowings	7.6	4.4	3.0
	Trade, other payables and provisions	35.5	30.3	37.8
	Deferred income	15.9	16.8	18.8
<b>Total current liabilities</b>		<b>59.0</b>	<b>51.5</b>	<b>59.7</b>
<b>Total liabilities</b>		<b>62.5</b>	<b>80.5</b>	<b>63.3</b>
<b>Total equity and liabilities</b>		<b>82.4</b>	<b>82.6</b>	<b>88.2</b>

# H1 Cash Flow

£m	Six months to 31 December 2018	Six months to 31 December 2017
EBITDA (loss)	(2.5)	(4.4)
Less exceptional items (excluding non-cash items)	-	(0.7)
<b>EBITDA after exceptional items (excluding non-cash items)</b>	<b>(2.5)</b>	<b>(5.1)</b>
Movement in working capital	0.4	(4.5)
Operating cash flow	(2.1)	(9.6)
Tax received/(paid)	0.8	(0.1)
Interest paid	(0.1)	(0.2)
Capital expenditure (net of sales proceeds)	(1.0)	3.6
<b>Free cash flow</b>	<b>(2.4)</b>	<b>(6.3)</b>



- Significant improvement in free cash flow
- Operating cash flow impacted by EBITDA loss in H1
- Small working capital improvement
- Net capital expenditure reflects investment in IT, operational assets and property improvements

# Turnaround Challenges

## DX EXPRESS

- Volume decline in DX Exchange market
  - fixed cost network
- Lack of responsibility and accountability
  - innovation/product offerings
  - management of sales force
- Weak sales structure
- Operated as a combined network
  - impact on service and performance levels
  - centralised trunking network is not efficient
- Legacy IT systems impacted performance

## DX FREIGHT

- DX 1-Man consistently losing money:
  - lack of accountability and responsibility
  - pricing structure
  - operations, commercials and sales
  - inefficient networks – volumes below operational capacity
- Inefficient management information systems
- DX 2-Man was part of DX 1-Man operation
  - operationally inefficient

# DX Freight – Progress

	Status
<ul style="list-style-type: none"> <li>• Responsibility and accountability devolved to the depots</li> </ul>	✓
<ul style="list-style-type: none"> <li>• Management incentives</li> </ul>	✓
<ul style="list-style-type: none"> <li>• New sales and commercial policy, supported by new central commercial team                             <ul style="list-style-type: none"> <li>– new commercially realistic pricing policy</li> <li>– investment in sales team aligned to new regional structure</li> </ul> </li> </ul>	✓ ✓
<ul style="list-style-type: none"> <li>• Implementation of yield management (weighing and cubing) and new procedures</li> </ul>	Progress
<ul style="list-style-type: none"> <li>• Regional structure reorganised:                             <ul style="list-style-type: none"> <li>– management regions increased from three to six</li> <li>– operational improvements at Willenhall hub and within the depot structure</li> <li>– review of trunking matrix and fleet configuration</li> </ul> </li> </ul>	✓ Progress
<ul style="list-style-type: none"> <li>• DX 2-Man merged with Logistics</li> </ul>	✓
<ul style="list-style-type: none"> <li>• Investment in IT infrastructure</li> </ul>	Ongoing

✓ - completed prior to H1  
 ✓ - completed in H1



# DX Freight – Momentum Growing

Revenue £m	6m to 31 Dec 18	6m to 31 Dec 17
DX 1-Man	47.8	42.8
DX Logistics	22.9	17.0
DX 2-Man	7.3	7.6
<b>Total</b>	<b>78.0</b>	<b>67.4</b>

## Encouraging progress driven by operational improvement and increased volumes

- Strong level of new business secured at right rates, reflecting new pricing policy
  - growth led by largest operation, DX 1-Man, and DX Logistics
- Shift in focus to B2B sector (away from B2C) is delivering improved productivity
- Service levels have been improved, driven by new trunking matrix
- Investment in operational infrastructure and IT
- New 7.5T vehicles on order will increase productivity and capacity
- Extending the network to improve service
  - re-opened two depots (at Cannock, Staffordshire and Pucklechurch, South Gloucestershire) in H1
  - new depot to be opened shortly at Maidstone

# DX Express – Progress

	Status
• Responsibility and accountability devolved to service centres	✓
• Management incentives introduced	✓
• Regional management structure changed from three to five regions	✓
• Sales team restructured, new national sales director supported by a strong central commercial team	✓
• DX Exchange – separating deliveries from DX Secure and DX Courier is key	Progress
– investment is required	Started
– focus on improving service	✓
– pricing structure under review	✓
– potential new markets/new services	Started
• DX Secure and DX Courier	Progress
– merge networks onto one platform	Started
– simplified pricing policy	✓

✓ - completed prior to H1  
 ✓ - completed in H1



# DX Express – Turnaround Underway

Revenue £m	6m to 31 Dec 18	6m to 31 Dec 17
DX Courier	30.1	27.7
DX Secure	23.3	24.0
DX Exchange	23.9	25.7
DX Mail	1.7	1.8
<b>Total</b>	<b>79.0</b>	<b>79.2</b>

## Focus on initiatives having positive impact

- Focus on customer service at DX Exchange has slowed the rate of attrition of the annuity
  - 8% attrition (2017: 12% attrition) was in line with management expectations
  - management significantly strengthened
- Sales team driving sales performance and new customers secured across Courier and Secure
- Strong pipeline of opportunities
- Pricing structure simplified
- Investment to consolidate legacy systems
- New service centre planned for Northampton
- HMPO contract retendered in February 2019 with decision expected in April

# Summary and Outlook

- Turnaround strategy is delivering improvement in performance
- Initiatives are underway to drive further operational improvements
- Investment in IT systems, operational equipment and property (£3-4m p.a.) underpins improvements in DX's performance and decision-making
- H2 is seasonally stronger than H1 and trading to date in H2 has improved year-on-year
- DX remains well-positioned to achieve its targets for the full year





Appendices

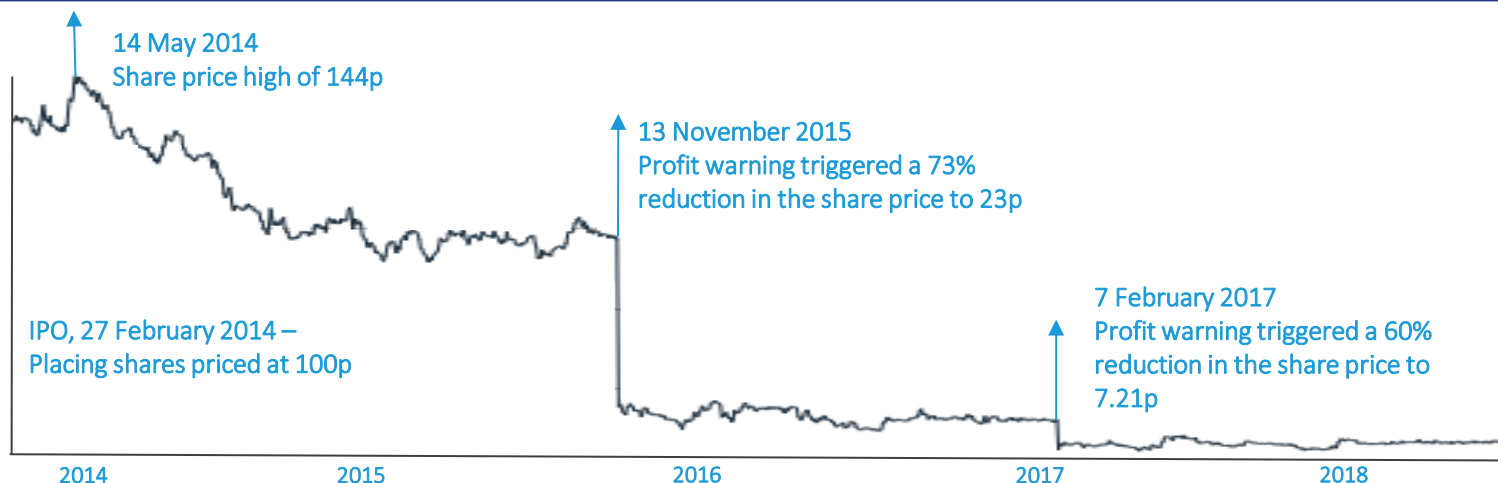


# The Board

Ronald Series, Chairman	Ronald has wide-ranging experience in business turnaround situations. From 2002 to 2005, he was Chairman of Tuffnells Parcels Express Limited, during its turnaround.
Lloyd Dunn, CEO	Lloyd has 38 years of experience in the express freight and parcels industry and also significant experience in business turnaround situations. He was Chief Executive Officer of Tuffnells Parcel Express Limited, which he led through a very successful turnaround before its sale in 2014. He was a founding member of Nightfreight Plc, the logistics company, which joined the London Stock Exchange in 1994, and remained as an Executive Director until its sale to private equity in 2001.
David Mulligan, CFO	David, FCA, has over 20 years' experience in senior financial roles in a number of listed companies. Most recently, he was CFO at Hornby plc, where he was involved in delivering the restructuring and turnaround of the business. The major part of his career was at Morgan Sindall Group plc, the construction and regeneration group, where he was CFO from 2004 until his departure in 2013. He joined the Board of DX in April 2018.
Russell Black, NED	Russell Black has significant experience in the express freight and parcels sectors, having founded Nightfreight Plc, and leading its successful expansion and IPO. He was also Non-executive Chairman of Birket Engineering Inc, the US-based engineering and construction group, and a Non-executive Director of Instepay, the Florida-based financial services provider.
Paul Goodson, NED	Paul Goodson has over 20 years' experience in private equity fund management, including at Barclays Private Equity Ltd, where he was Co-Head of BPE and Managing Director UK, and at 3i plc. He was also Chairman of Great Bear Distribution Ltd, the logistics company, leading its expansion and successful sale in 2016.
Ian Gray, NED	Ian Gray, FCA, has been advising companies on business transformation and strategy development for over 20 years, and has experience across a range of industry sectors, including distribution, retail and food production. He is currently Chairman of Avicenna plc, the UK's largest independent pharmacy support group, and of Atlantic Holdings Limited, a world-leading media production company. He was appointed to the Board of DX in July 2017.

# History

DX was established in 1975 initially offering a Document Exchange service through a network of fixed exchanges	
2006 - 2012	<ul style="list-style-type: none"> <li>Taken private (in 2006)</li> <li>Acquisition-led expansion – with Nightfreight plc acquisition (in 2012) materially changing the scale and scope of DX, adding parcel, freight and logistics products</li> </ul>
2014	<ul style="list-style-type: none"> <li>February – IPO</li> </ul>
2015	<ul style="list-style-type: none"> <li>Profit warning, November</li> </ul>
2017	<ul style="list-style-type: none"> <li>Profit warnings, February and July</li> <li>Talks with John Menzies opened in March and terminated in August</li> <li>New Board Directors appointed in October</li> <li>Convertible Loan Notes (£24.0m) issued in October</li> </ul>
2018	<ul style="list-style-type: none"> <li>Turnaround plans announced with Interim Results in March</li> <li>Balance sheet strengthened with cancellation of Loan Notes and replacement with new equity issuance</li> </ul>





DX (Group) plc

*New Team, New Plan, New DX.*

