

NEW TEAM
NEW PLAN
NEW DX



DX (Group) plc

Preliminary Results
for the year ended 30 June 2018

2 October 2018



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Ron Series, Executive Chairman

- Appointed as Executive Chairman on 19 October 2017
- Significant and wide-ranging experience in business turnaround situations
- Previously Chairman of Tuffnells Parcel Express (2002-05) during its turnaround
- Currently Senior Independent Director at Clipper Logistics plc

Lloyd Dunn, Chief Executive Officer

- Appointed as CEO on 19 October 2017
- 38 years' experience in express freight and parcels industry
- Previously CEO of Tuffnells Parcel Express, which he led through a successful turnaround before its sale in 2014 to Connect Group
- A founding member of Nightfreight Plc, Lloyd remained as an Executive Director until its sale to private equity in 2001. Nightfreight was subsequently acquired by DX in 2012

David Mulligan, FCA Chief Financial Officer

- Appointed as CFO, with effect from 9 April 2018
- 20 years' experience in senior financial roles
- Previously CFO at Hornby plc, involved in its restructuring and turnaround
- Majority of David's career was with Morgan Sindall Group plc, which he joined in 1997 and where he was CFO from 2004 until his departure in 2013

- Comprehensive review of DX's operations completed in Q3 FY18 by new Board
- Clear Turnaround Plans set out – departure from 'One DX' strategy
- New organisational structure now in place, based on two Divisions, DX Freight and DX Express
 - creation of Operating Board
 - responsibility and accountability devolved to general managers and regional directors of both Divisions (70 depot/service centres)
 - each Division re-organised into larger number of smaller regions
 - new appointments have strengthened Divisional management teams including sales and commercial functions
 - sales teams aligned to local structure
- Initial focus on DX Freight to address significant underperformance; focus now on initiatives across both DX Express and DX Freight
- Some early benefits of turnaround initiatives are already apparent
 - DX Freight service levels improving
 - encouraging level of new business
 - operational inefficiencies being addressed
- Three-year investment programme to upgrade IT and management systems
- Balance sheet strengthened

An encouraging start to DX's turnaround

DX EXPRESS

DX Exchange

- A private members B2B mail and parcel delivery network of over 4,000 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

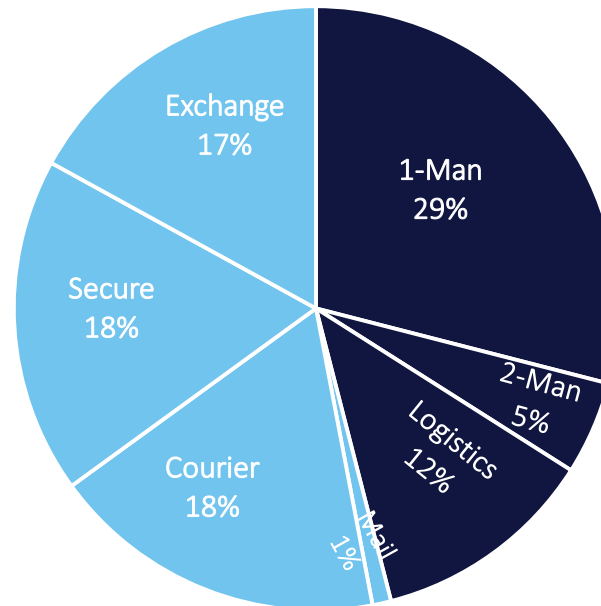
DX Mail

- A low cost, second class mail alternative

Revenue	£161.7m
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EBITDA	£29.3m
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Revenue Analysis



FY 2018

Revenue of £299.5m

EBITDA of £(4.9)m*

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-livered vehicles and uniformed personnel

Revenue	£137.8m
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EBITDA	(£14.2m)
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* Includes central overheads totalling £20.0m

- Group revenue up 3% to £299.5m (2017: £291.9m)
 - DX Freight contributed £137.8m (2017: £121.4m), driven by growth of Logistics
 - DX Express contributed £161.7m (2017: £170.5m), ongoing attrition at DX Exchange was in line with forecasts
- Underlying EBITDA loss of £4.9m (2017: £7.2m) - slightly better than expected
 - DX Freight EBITDA loss of £14.2m
 - DX Express EBITDA profit of £29.3m
- Underlying loss before tax of £12.3m (2017: £1.6m loss)
- Exceptional operating items (non-recurring) totalled £5.7m (2017: £80.7m)
 - intangible impairment charges (£5.3m)
 - senior management changes (£0.9m)
 - restructuring (£0.4m)
 - offset by profit of £0.9m on sales of freehold properties
- Reported loss before tax of £19.9m (2017: £82.3m loss)
- Net debt at £1.1m (2017: £19.1m) ahead of expectations

Income Statement



£m	2018	2018	2018	2017
	Underlying	Exceptional	Reported	Total
Revenue	299.5		299.5	291.9
Earnings (Loss) before interest, tax, depreciation and amortisation ("EBITDA")	(4.9)	-	(4.9)	7.2
Depreciation	(2.9)	-	(2.9)	(2.9)
Amortisation	(3.4)	-	(3.4)	(4.8)
Share-based payments charge	(0.2)	-	(0.2)	-
Exceptional items	-	(5.7)	(5.7)	(80.7)
Results from operating activities	(11.4)	(5.7)	(17.1)	(81.2)
Net finance costs	(0.9)	(1.9)	(2.8)	(0.9)
Share of results from associates	-	-	-	(0.2)
Loss before tax	(12.3)	(7.6)	(19.9)	(82.3)
Tax	(0.5)	0.9	0.4	1.2
Loss for the year	(12.8)	(6.7)	(19.5)	(81.1)

SEGMENTAL ANALYSIS	DX Express	DX Freight	Central
£m			m
Revenue	161.7	137.8	-
Costs before overheads	(124.1)	(148.6)	-
Profit before overheads	37.6	(10.8)	
Overheads	(8.3)	(3.4)	(20.0)
EBITDA	29.3	(14.2)	(20.0)

- Balance sheet provides DX with strong foundation for turnaround
 - equity base improved by £28.5m
- Convertible Loan Notes interest payments of c.£2.0m p.a. removed
- New capital allows DX to
 - expand sales capabilities
 - open new depots and so improve the efficiency of the Group's networks
 - enhance IT capabilities
 - develop the DX Express networks
 - finance working capital requirements
- New £25m invoice discounting facility agreed in December 2017 with BNP Paribas

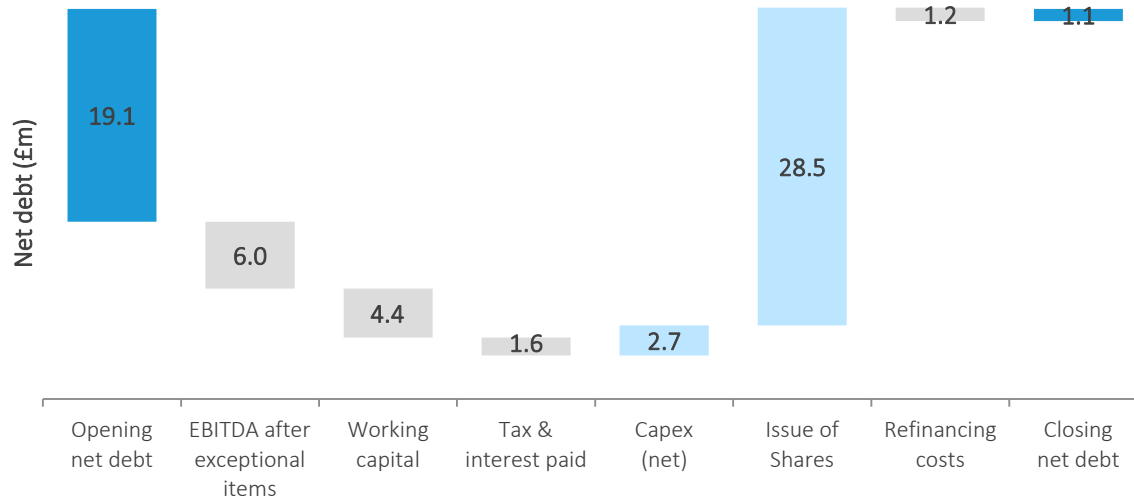
Balance Sheet £m	30 Jun 2017	31 Dec 2017	30 Jun 2018
Total assets	102.7	82.6	88.2
Total equity	16.0	2.1	24.9
Total liabilities*	86.7	80.5	63.3
Total equity and liabilities	102.7	82.6	88.2
*of which net debt	19.1	25.6	1.1

Balance Sheet



	£m	30 June 2018	31 Dec 2017	30 June 2017
Non-current Assets				
	Property, plant and equipment	8.9	9.9	12.0
	Intangible assets and goodwill	31.7	32.7	38.7
	Deferred tax assets	2.6	1.4	1.4
Total Non-current assets		43.2	44.0	52.1
Current Assets				
	Assets held for sale	-	-	3.5
	Trade and other receivables	41.9	34.4	43.3
	Current tax receivable	1.1	1.7	1.8
	Cash and cash equivalents	2.0	2.5	2.0
Total Current Assets		45.0	38.6	50.6
Total Assets		88.2	82.6	102.7
Equity				
	Share Capital	30.9	2.0	2.0
	Capital redemption reserve	-	0.4	-
	Retained earnings	(6.0)	(0.3)	14.0
Total Equity		24.9	2.1	16.0
Non-current liabilities				
	Loans and borrowings	-	23.5	4.8
	Provisions	3.6	5.5	6.3
Total Non-current Liabilities		3.6	29.0	11.1
Current Liabilities				
	Loans and borrowings	3.0	4.4	15.9
	Trade, other payables and provisions	37.9	30.3	40.1
	Deferred income	18.8	16.8	19.6
Total Current Liabilities		59.7	51.5	75.6
Total Liabilities		63.3	80.5	86.7
Total Equity and Liabilities		88.2	82.6	102.7

	2018 £m	2017 £m
EBITDA (loss)	(4.9)	7.2
Less exceptional items (excluding non-cash items)	(1.1)	(6.5)
EBITDA after exceptional items (excluding non-cash items)	(6.0)	0.7
Movement in working capital	(4.4)	(0.7)
Operating cash flow	(10.4)	-
Tax paid	(0.1)	(1.4)
Interest paid	(1.5)	(0.6)
Capital expenditure (net of sales proceeds)	2.7	(3.8)
Free cash flow	(9.3)	(5.8)



- Operating cash flow reduced by lower earnings
- Working capital movement due to settlement of prior year exceptional costs
- Net capital expenditure inflow following sale of five freehold properties during the period
- £27.3m (net of expenses) from issuance of new equity
 - £24.0m of loan notes cancelled and replaced by new equity
 - £4.5m issuance of new equity
 - £1.2m costs of refinancing during the year

- DX 1-Man has been consistently losing money due to:
 - 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 operational structure
 - Directors believe this led to operational inefficiencies

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

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

Encouraging start to turnaround

- Secured good level of new business
- Balance of division's activity moving towards B2B, which better suits fleet composition
- Service levels have improved
- Hub and delivery productivity improving
- Commenced investment in simple mechanisation
- Moving balance of fleet more towards 7.5T vehicles
- Resources committed to check weight and cubing and re-pricing processes – targets being met
- Reopened depots at Cannock, Staffordshire and Pucklechurch, South Gloucestershire

- Ongoing volume decline in DX Exchange market
 - revenues declining on a fixed cost network
- Lack of responsibility and accountability at service centres
 - innovation/product offerings
 - management of salesforce
- Weak sales structure and lack of commercial accountability
- Operated as a combined network
 - impact on service and performance levels
 - centralised trunking network is not efficient
- Legacy IT systems have impacted on performance
- Good service levels for DX Secure and DX Courier products

DX Express

DX Exchange

- A private members B2B mail and parcel delivery network of over 4,000 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 primarily operating in finance and insurance

New Divisional MD, Martin Illidge, appointed	Status
• Responsibility and accountability devolved to service centres	✓
• Management incentives to be 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 this network from DX Secure and DX Courier is key <ul style="list-style-type: none">– investment is required– focus on improving service– pricing structure under review– potential new markets/new services	Ongoing
• DX Secure and DX Courier <ul style="list-style-type: none">– merge networks onto one platform– simplified pricing policy– develop new specialist markets	Ongoing

Expect to see more of the benefits of the initiatives already in place come through

- Overall service levels maintained at a good level
- HMPO contract extended to October 2019
- Management team strengthened – new Operations and Sales Directors
- New MD appointed to lead DX Exchange – previously MD of Irish business
- Sales team aligned to service centres and regional structure in order to drive sales performance
- Reinforce DX Exchange as an exclusive members network
- Investment in operational systems commenced to consolidate legacy systems

- Highly experienced leadership team – with strong track record in business turnaround
 - specific sector experience
- Clear turnaround strategy in place – depots and services centres are at the heart of the business
- Structural changes have been completed across both Divisions
 - management teams strengthened
- DX has strong market positions in a number of sectors and reputation for good customer service
- Robust balance sheet
- Trading since the start of the new financial year has been encouraging
- DX remains well positioned to make further progress



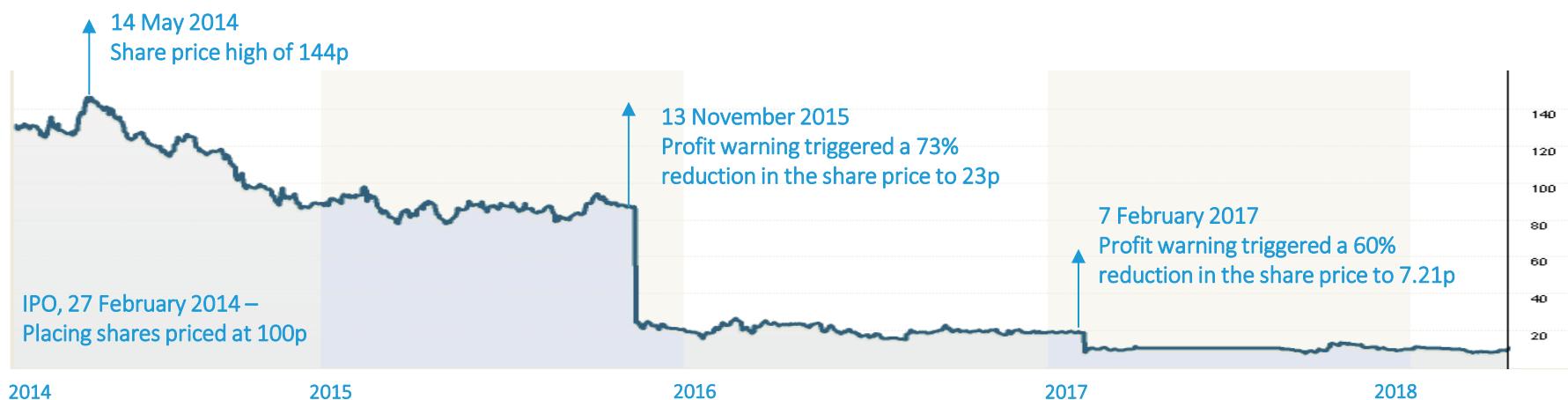
Appendices



<p>Ron Series, Executive Chairman*</p>	<p>Ron has wide-ranging experience in business turnaround situations. From 2002 to 2005, he was Chairman of Tuffnells Parcels Express Limited, during its turnaround, and is currently Senior Independent Director at Clipper Logistics plc.</p>
<p>Lloyd Dunn, CEO*</p>	<p>Lloyd has 38 years of experience in the express freight and parcels industry and also significant experience in leading a business turnaround. 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 he remained as an Executive Director until its sale to private equity in 2001.</p>
<p>David Mulligan, CFO</p>	<p>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 joins the Board of DX on 9 April 2018.</p>
<p>Russell Black, NED*</p>	<p>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.</p>
<p>Paul Goodson, NED*</p>	<p>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.</p>
<p>Ian Gray, NED</p>	<p>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 on 1 July 2017.</p>

**The appointments of Ron Series, Lloyd Dunn, Russell Black and Paul Goodson took effect on 19 October 2017*

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



Key Features of Turnaround Plans



Leadership	→ New Board and overhaul of senior management team	<ul style="list-style-type: none">• Board experience includes successful turnaround of Tuffnells
Divisional Structure	→ Strategic move to divisional structure from “OneDX”	<ul style="list-style-type: none">• Improved operational efficiency• Improved transparency
Devolution	→ Operational responsibility devolved from centre to depots and service centres Incentive programmes introduced	<ul style="list-style-type: none">• Greater accountability and ownership of performance• Improved sales• Closer customer engagement
Pricing/commercial policies	→ Competitive sales and commercial management introduced Review of measurement metrics	<ul style="list-style-type: none">• Consistent commercial focus across the Group• Improved pricing
Investment	→ Investment in sales force, IT systems, network improvement, new depot structure	<ul style="list-style-type: none">• Increased efficiency• New product and service development
Efficiencies	→ Greater focus on performance and service delivery	<ul style="list-style-type: none">• Supports improved margins and market positioning

