

# DX (Group) plc

## Preliminary Results for the year ended 30 June 2019

24 September 2019



FIRST FULL FINANCIAL  
YEAR OF TURNAROUND



# Executive Team

Ronald Series, Chairman	<ul style="list-style-type: none"><li>• Appointed Executive Chairman in October 2017</li><li>• Highly experienced in business turnaround situations</li><li>• Chairman of Tuffnells Parcel Express (2002-05) during its successful turnaround</li><li>• Chairman of Braemar Shipping Services plc</li></ul>
Lloyd Dunn, CEO	<ul style="list-style-type: none"><li>• Appointed as CEO in October 2017</li><li>• Over 38 years' experience in express freight and parcels industry</li><li>• Led successful turnaround of Tuffnells Parcel Express prior to its sale</li><li>• 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</li></ul>
David Mulligan, CFO	<ul style="list-style-type: none"><li>• Appointed CFO in April 2018</li><li>• Over 20 years' experience in senior financial roles</li><li>• Previously CFO at Hornby plc, involved in its restructuring and turnaround</li><li>• Before that, CFO of Morgan Sindall Group plc for nine years until 2013, having joined in 1997</li></ul>

# Who We Are

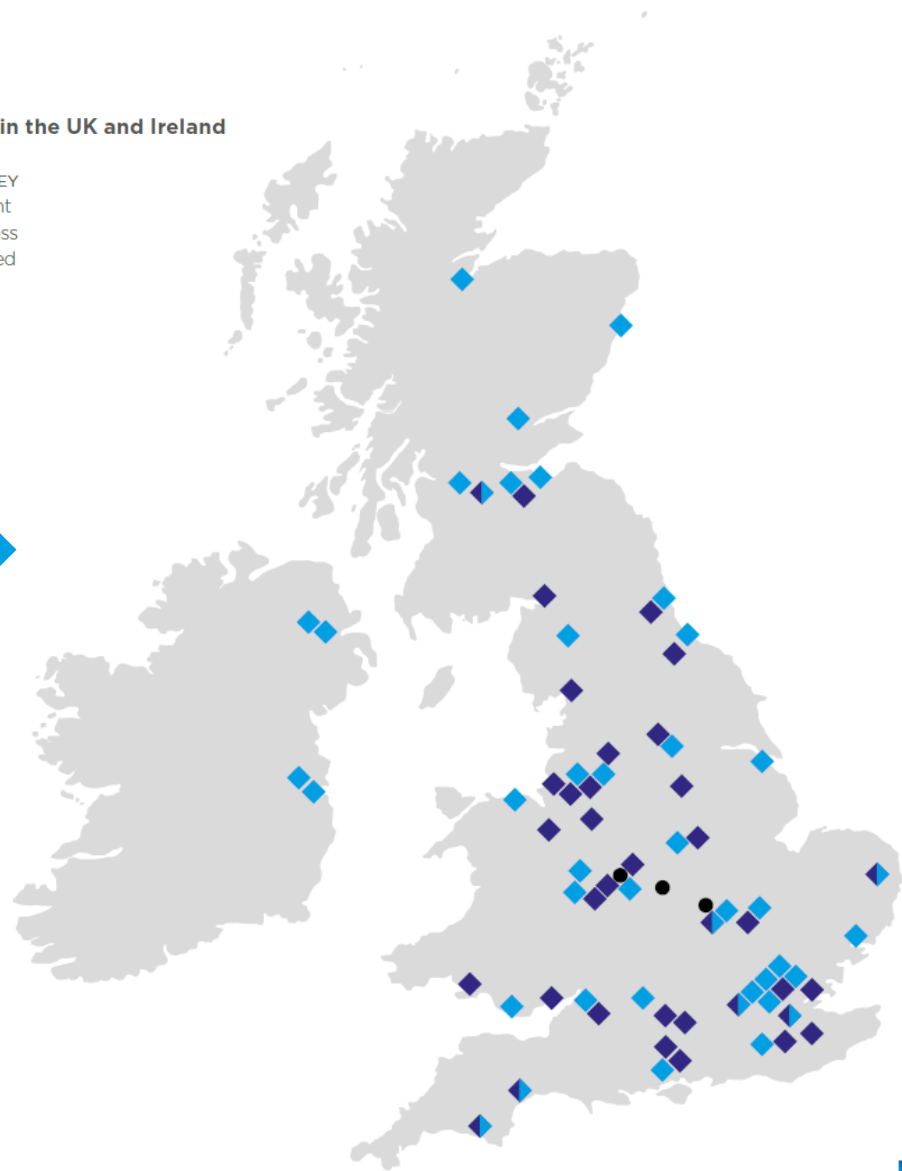
**DX is a well-established provider of a wide range of delivery services to both business and residential addresses across the UK and Ireland.**



Locations in the UK and Ireland

LOCATIONS KEY

- ◆ DX Freight
- ◆ DX Express
- ◆ Co-located
- Hub



## SUBSTANTIAL PROGRESS IN FIRST FULL FINANCIAL YEAR OF TURNAROUND



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### Financial Progress

- Significant turnaround in DX's financial performance
    - return to positive EBITDA of £3.3m (2018: loss of £4.9m)
    - substantial improvement in operating cash flow with £3.2m inflow (2018: £12.0m outflow)
    - no exceptional items
- 

### Strategic Progress

- Structural reorganisation has driven step change in operational performance
    - devolution of accountability to general and regional managers
    - higher levels of customer service and productivity
  - DX Exchange attrition of annuity revenue was lower than expected at 5% (2018: 10%)
  - Investment in sales and commercial teams in both Divisions
    - delivered strong new business wins at commercially sensible prices
    - healthy pipeline of opportunities
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### Outlook

- Significant three-year investment programme commenced
    - £3.5m already invested to upgrade IT, property and operational systems
    - £10m to be invested over next two years to deliver further improvements in operational efficiency
  - Firm foundation established for next stage of the turnaround
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# 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. Also services the regular parcels market

### DX 2-Man



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

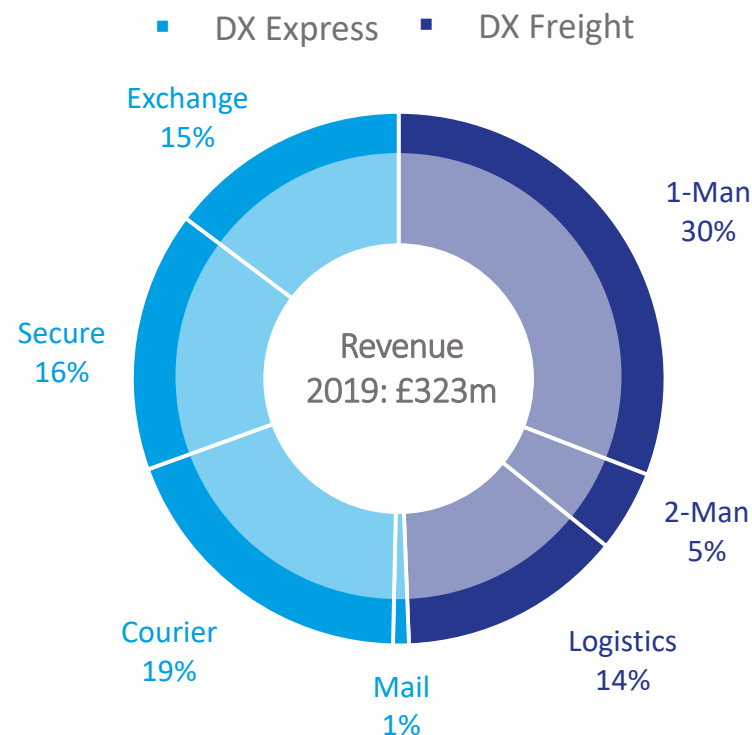
### DX Logistics



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

# Financial Summary

- Revenue up by 8% to £323m (2018: £300m)
  - DX Freight – up 15% to £159m
  - DX Express – up 1% to £164m
- Positive EBITDA of £3.3m (2018: loss of £4.9m)
  - DX Freight – loss of £7.8m (2018: loss of £14.2m)
  - DX Express – profit of £26.9m (2018: £29.3m)
  - Central overheads – £15.8m (2018: £20.0m)
- Adjusted LBT<sup>1</sup> reduced to £0.2m (2018: £11.8m)
- No exceptional operating items (2018: £5.7m)
- Net debt at £1.3m (2018: £1.1m) – better than expected
- Cash inflow from operating activities of £3.2m (2018: outflow of £12.0m)



<sup>1</sup> Adjusted for amortisation of acquired intangibles (£0.3m), exceptional items (£nil) and share based-payments charge (£1.2m) (2018: £0.3m, £7.6m and £0.2m respectively)

# Income Statement

£m	Year to 30 June 2019	Year to 30 June 2018
<b>Revenue</b>	<b>322.5</b>	<b>299.5</b>
<b>EBITDA</b>	<b>3.3</b>	<b>(4.9)</b>
Depreciation	(2.2)	(2.9)
Amortisation	(1.2)	(3.4)
Share-based payments charge	(1.2)	(0.2)
Exceptional items	-	(5.7)
<b>Results from operating activities</b>	<b>(1.3)</b>	<b>(17.1)</b>
Finance costs	(0.4)	(0.9)
Exceptional finance costs	-	(1.9)
<b>Loss before tax</b>	<b>(1.7)</b>	<b>(19.9)</b>
Tax	(0.8)	0.4
<b>Loss for the period</b>	<b>(2.5)</b>	<b>(19.5)</b>

# Segmental Analysis

Year to 30 June 2019					Year to 30 June 2018			
£m	DX Express	DX Freight	Central	Total	DX Express	DX Freight	Central	Total
Revenue	163.9	158.6	-	322.5	161.7	137.8	-	299.5
Costs before overheads	(129.5)	(161.7)	-	(291.2)	(124.1)	(148.6)	-	(272.7)
Net contribution	34.4	(3.1)	-	31.3	37.6	(10.8)	-	26.8
Overheads	(7.5)	(4.7)	(15.8)	(28.0)	(8.3)	(3.4)	(20.0)	(31.7)
EBITDA	26.9	(7.8)	(15.8)	3.3	29.3	(14.2)	(20.0)	(4.9)

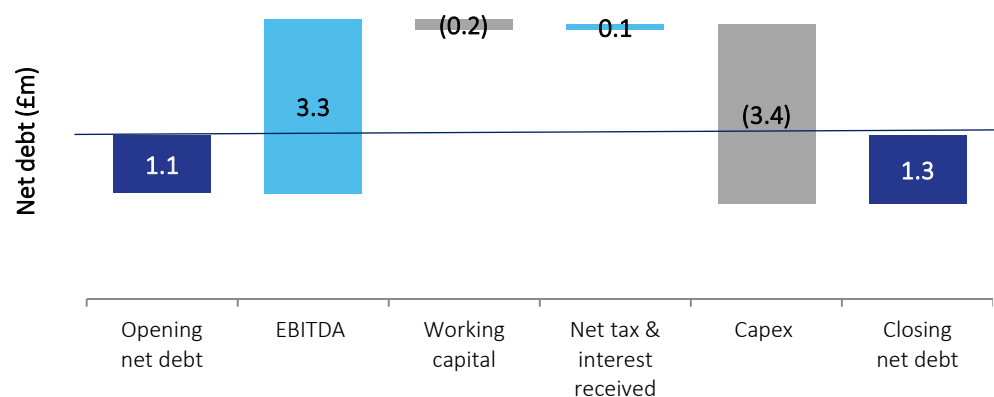


# Balance Sheet

£m		30 June 2019	30 June 2018
<b>Non-current assets</b>	Property, plant and equipment	9.7	8.9
	Intangible assets and goodwill	31.0	31.7
	Deferred tax assets	2.3	2.6
<b>Total non-current assets</b>		<b>43.0</b>	<b>43.2</b>
<b>Current assets</b>	Trade and other receivables	43.1	41.9
	Current tax receivable	0.1	1.1
	Cash and cash equivalents	1.8	2.0
<b>Total current assets</b>		<b>45.0</b>	<b>45.0</b>
<b>Total assets</b>		<b>88.0</b>	<b>88.2</b>
<b>Equity</b>	Share capital and share premium	30.9	30.9
	Capital redemption reserve	-	-
	Retained earnings	(7.3)	(6.0)
<b>Total equity</b>		<b>23.6</b>	<b>24.9</b>
<b>Non-current liabilities</b>			
	Provisions	5.0	3.6
<b>Total non-current liabilities</b>		<b>5.0</b>	<b>3.6</b>
<b>Current liabilities</b>	Current tax liabilities	-	0.1
	Loans and borrowings	3.1	3.0
	Trade and other payables	38.1	36.5
	Deferred income	17.2	18.8
	Provisions	1.0	1.3
<b>Total current liabilities</b>		<b>59.4</b>	<b>59.7</b>
<b>Total liabilities</b>		<b>64.4</b>	<b>63.3</b>
<b>Total equity and liabilities</b>		<b>88.0</b>	<b>88.2</b>

# Cash Flow

£m	Year to 30 June 2019	Year to 30 June 2018
EBITDA profit/(loss)	3.3	(4.9)
Less exceptional items (excluding non-cash items)	-	(1.1)
<b>EBITDA after exceptional items (excluding non-cash items)</b>	<b>3.3</b>	<b>(6.0)</b>
Movement in working capital	(0.2)	(4.4)
Operating cash flow	3.1	(10.4)
Tax received/(paid)	0.5	(0.1)
Interest paid	(0.4)	(1.5)
Capital expenditure (net of sales proceeds)	(3.4)	2.7
<b>Free cash flow</b>	<b>(0.2)</b>	<b>(9.3)</b>



- Significant improvement in free cash flow
- Operating cash flow driven by positive EBITDA
- Very small working capital movement
- Net capital expenditure reflects investment in IT, operational assets and property improvements

# DX Freight – Losses Almost Halved

## SUBSTANTIAL TURNAROUND IN PERFORMANCE DRIVEN BY OPERATIONAL IMPROVEMENT AND INCREASED VOLUMES

- Investment in sales and commercial resources
  - Strong level of new business secured at commercial rates, reflecting new pricing policy
- 1-Man significant growth from better utilisation of network
- Logistics and 2-Man developed new capabilities including ‘wet-fit’ from new white good contracts
- Customer service levels driven by significant operational improvement
  - Shift in focus to B2B deliveries
  - improved hub and trunking productivity
  - 160 new 7.5T vehicles
- Extending the network to improve service
  - re-opened two depots (at Cannock, Staffordshire and Pucklechurch, South Gloucestershire) in H1
  - new depot opened at Maidstone
  - new depot planned for Ipswich
- New mechanisation will increase productivity and capacity

Revenue £m	Year to 30 Jun 19	Year to 30 Jun 18
DX 1-Man	98.6	86.2
DX Logistics	43.7	36.1
DX 2-Man	16.3	15.5
<b>Total</b>	<b>158.6</b>	<b>137.8</b>



# DX Express – Returning to Growth

## INITIATIVES HAVING POSITIVE IMPACT

- Focus on customer service at DX Exchange has slowed the rate of attrition of the annuity
  - 5% attrition (2018: 10% attrition)
- Customer service maintained at high levels
- Progress made with separation of DX Exchange deliveries into dedicated network
- Sales team driving new business performance and new customers secured across Courier and Secure
- HMPO contract not renewed; will end in January 2020
- Service centre footprint extended
  - New service centre opened at Northampton
  - Bridgend and Shrewsbury relocated to allow for future growth and expansion
- Investment to improve and consolidate legacy systems
- Launch of new ETA service
- Strong pipeline of opportunities



Revenue £m	Year to 30 Jun 19	Year to 30 Jun 18
DX Courier	62.3	55.4
DX Secure	50.7	52.7
DX Exchange	47.6	50.1
DX Mail	3.3	3.5
<b>Total</b>	<b>163.9</b>	<b>161.7</b>

# Summary and Outlook

## FIRM FOUNDATION ESTABLISHED FOR THE NEXT STAGE OF THE TURNAROUND

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- First stage of turnaround successfully delivered with return to positive EBITDA
  - Firm foundation for next stage of turnaround
  - Initiatives underway to drive further operational improvement
  - Investment programme of £10m planned for the next two years, focussing on:
    - IT systems
    - operational equipment
    - new sites and site improvements
  - DX remains well-positioned to deliver further progress as momentum builds to return business to long-term sustainable profit
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DX (Group) plc

# Appendices

- Board of Directors
- Major Shareholders



# Board of Directors

Ronald Series, Chairman	<ul style="list-style-type: none"><li>• Appointed Executive Chairman in October 2017</li><li>• Chairman of Tuffnells Parcel Express (2002-05) during its successful turnaround</li><li>• Chairman of Braemar Shipping Services plc</li></ul>
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Russell Black, NED	<ul style="list-style-type: none"><li>• Joined as NED in October 2017</li><li>• Over 40 years experience in transport, founder and CEO of Nightfreight from 1984 to 2002</li></ul>
Paul Goodson, NED	<ul style="list-style-type: none"><li>• Joined as NED in October 2017</li><li>• Previously executive chairman of Great Bear distribution, and spent 13 years with Barclays Private Equity</li></ul>
Ian Gray, NED	<ul style="list-style-type: none"><li>• Joined as NED in July 2017</li><li>• Has spent the past 30 years advising on business transformation and strategy development</li><li>• Currently Chairman of Atlantic Holdings Ltd, and NED at Clancy Group Ltd</li></ul>



# Major Shareholders

	Number of Shares	Percentage Held
Gatmore Capital Management LLP	204,378,538	35.63%
Hargreave Hale Limited	108,816,900	18.97%
Lloyd Dunn	61,432,081	10.71%
Ruffer LLP	29,999,900	5.23%
River and Mercantile	22,941,832	4.00%