

DX (Group) plc

Interim Results

For the period
ended 28 December 2019

3 March 2020



“Turnaround to Transformation”





RON SERIES, EXECUTIVE CHAIRMAN

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



LLOYD DUNN, CHIEF EXECUTIVE

- 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 (listed in 1994, acquired by private equity and subsequently by DX in 2012)



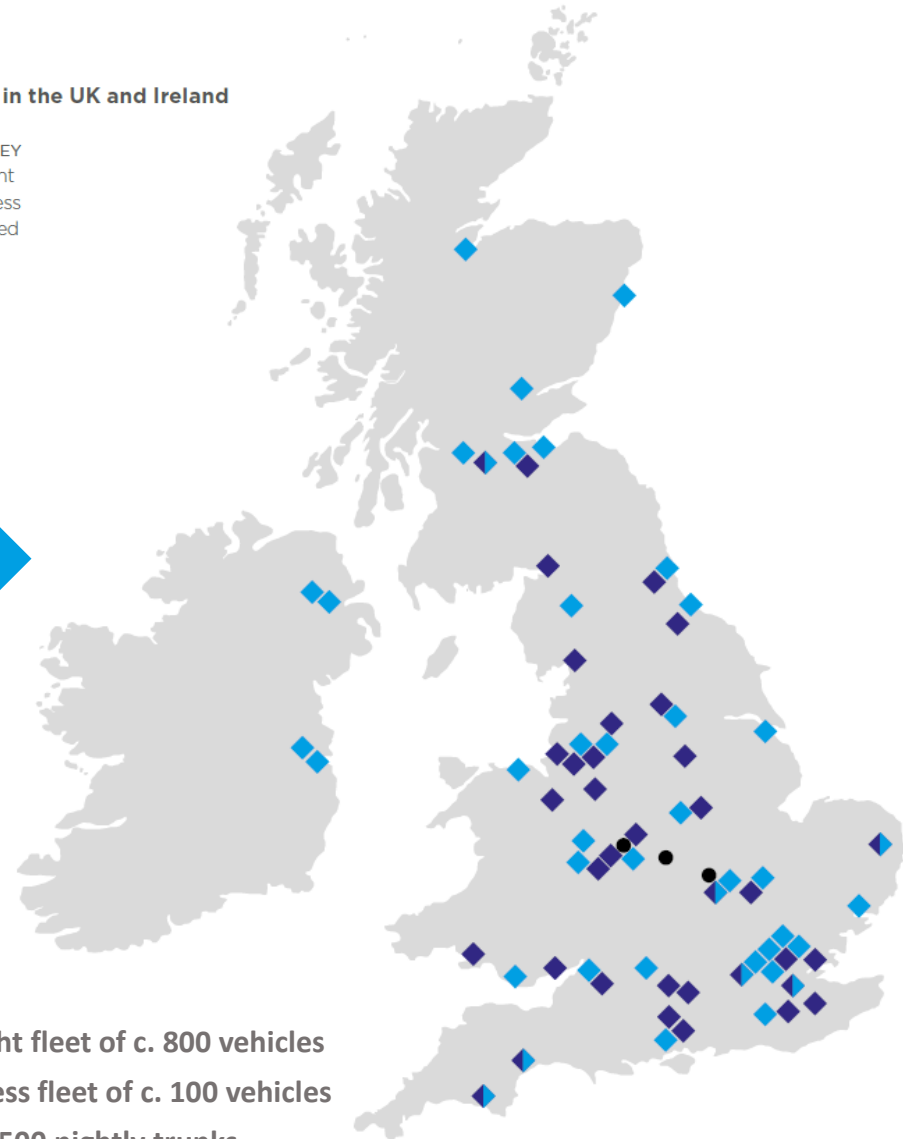
DAVID MULLIGAN, CHIEF FINANCIAL OFFICER

- Appointed CFO in April 2018
- Over 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

DX is a leading 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



3,700
employees

75
depots and
service centres
across UK and
Ireland

110m
items delivered
in FY 2019

- DX Freight fleet of c. 800 vehicles
- DX Express fleet of c. 100 vehicles
- Approx. 500 nightly trunks





DX EXPRESS

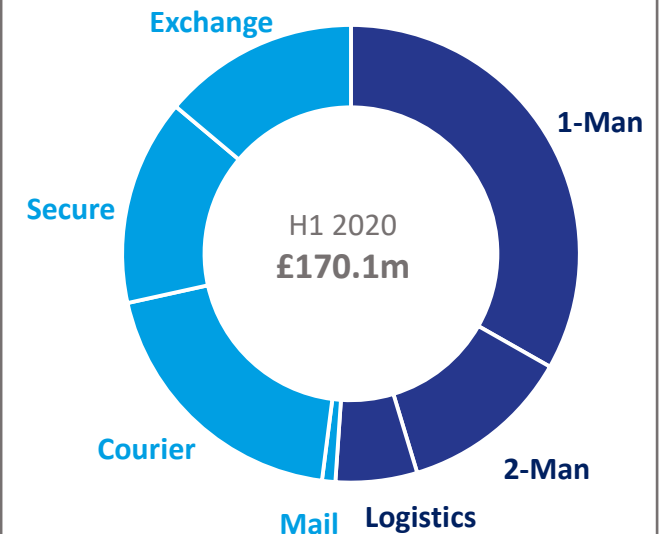
- > Specialists in secure, tracked express deliveries
- > DX Courier and Secure offer B2B and B2C delivery of valuable items respectively
- > Private members B2B service (DX Exchange) is unrivalled. c.3,500 exchanges used by legal, financial and public sectors



DX FREIGHT

- > Specialists in irregular dimension and weight items ("IDW") – awkward freight
- > 1-Man - predominantly B2B
- > 2-Man and Logistics - B2C focus
- > Tracked, next day and nominated day deliveries

REVENUE ANALYSIS



- Benefits of the turnaround strategy continue to come through
- Revenue up by 8%, reflecting strong growth at DX Freight
- Return to positive EBITDA for H1 (H1 2019: £2.5m loss; H1 2018 £4.4m loss)
- DX Freight division:
 - performance driven by new commercial processes, improved customer service and productivity gains
 - basic mechanisation introduced across DX Freight network, which increases capacity and productivity
 - post period, new depot opened at Ipswich in January , extending the network
- DX Express division:
 - revenue growth at DX Secure and Courier; decline at DX Exchange slowed
 - roll-out of new ETA functionality has commenced, improving the market proposition
- £10m capital investment programme commenced

H1 2020 Revenue

£170.1m +8%

(H1 2019: £157.0m)

H1 2020 Adj EBITDA

£0.1m +£2.6m

(H1 2019: £(2.5)m)

H1 2020 Adj LBT

£(1.2)m +£3.4m

(H1 2019: £(4.6)m)

-
- Period ended 28 December 2019
(H1 2019: six months ended 31 December 2018)
 - Figures are on a comparable IAS17 basis unless otherwise stated



Financial Summary

David Mulligan

Chief Finance Officer

Financial Highlights



All figures on comparable IAS 17 basis

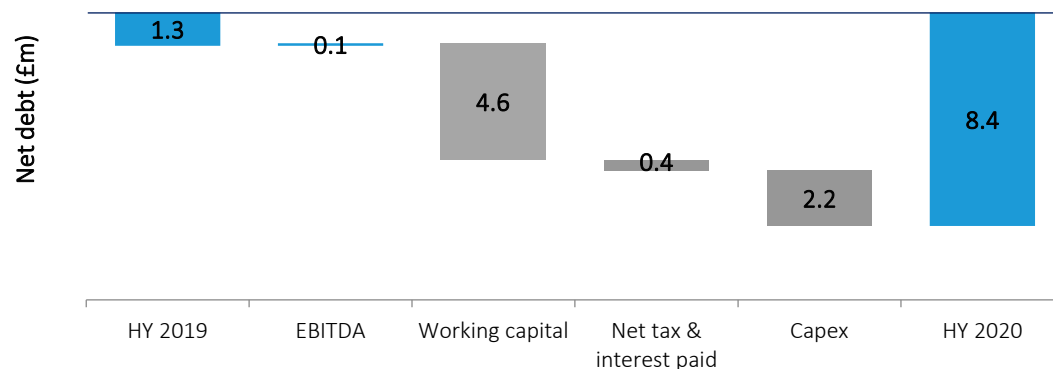
| £m | H1 2020 | H1 2019 | Change | FY 2019 |
|--|--------------|---------|---------|---------------|
| Total revenue | 170 | 157 | +£13.1m | 323 |
| DX Freight | 87 | 78 | +£8.9m | 159 |
| DX Express | 83 | 79 | +£4.2m | 164 |
| EBITDA | 0.1 | (2.5) | +£2.6m | 3.3 |
| DX Freight | (1.9) | (5.5) | +£3.6m | (7.8) |
| DX Express | 10.9 | 11.6 | -£0.7m | 26.9 |
| Central overheads | (8.9) | (8.6) | -£0.3m | (15.8) |
| Underlying operating (loss)/profit¹ | (1.0) | (4.4) | +£3.4m | 0.2 |
| Adjusted (LBT)¹ | (1.2) | (4.6) | +£3.4m | (0.2) |
| Net debt | 8.4 | 3.5 | +£4.9m | 1.3 |
| Cash (outflow)/inflow from operating activities | (4.9) | (1.4) | -£3.5m | 3.2 |

- Revenue up 8% - continued strong growth
- DX Freight losses reduced by 65%
- Courier/Secure revenue growth at DX Express offset by reduced attrition in annuity income at DX Exchange
- Expected increase in central overheads from IT investment

¹ Adjusted for amortisation of acquired intangibles (£0.1m) and share based-payments charge (£0.6m) (H1 2019: £0.1m and £0.6m respectively)

All figures on comparable IAS 17 basis

| £m | H1 2020 | H1 2019 |
|-----------------------------|--------------|--------------|
| EBITDA profit/(loss) | 0.1 | (2.5) |
| Movement in working capital | (4.6) | 0.4 |
| Operating cash flow | (4.5) | (2.1) |
| Tax (paid)/received | (0.2) | 0.8 |
| Interest paid | (0.2) | (0.1) |
| Capital expenditure | (2.2) | (1.0) |
| Free cash flow | (7.1) | (2.4) |



- Seasonal movement in working capital driven by reduction in deferred income and cut-off before end of calendar month
- Expect net debt movement to largely reverse in H2 2020; slight increase in working capital over course of the year due to expected fall in deferred income
- Increased level of capex reflecting investment plans to support growth
- Tax paid relates to profitable Irish business; last year benefitted by UK tax rebate

Balance Sheet



| £m | | IFRS16 H1 2020 | IAS17 H1 2020 | IAS 17 H1 2019 | IAS17 FY 2019 |
|--------------------------------------|---------------------------------|-------------------|------------------|-------------------|------------------|
| Non-current assets | Property, plant and equipment | 10.5 | 10.5 | 8.4 | 9.7 |
| | Right of use asset | 78.6 | - | - | - |
| | Intangible assets and goodwill | 31.2 | 31.2 | 31.1 | 31.0 |
| | Deferred tax assets | 2.3 | 2.3 | 2.6 | 2.3 |
| Total non-current assets | | 122.6 | 44.0 | 42.1 | 43.0 |
| Current assets | Trade and other receivables | 36.5 | 37.9 | 36.1 | 43.1 |
| | Current tax receivable | - | - | - | 0.1 |
| | Cash and cash equivalents | 1.2 | 1.2 | 4.2 | 1.8 |
| Total current assets | | 37.7 | 39.1 | 40.3 | 45.0 |
| Total assets | | 160.3 | 83.1 | 82.4 | 88.0 |
| Equity | Share capital and share premium | 30.9 | 30.9 | 30.9 | 30.9 |
| | Retained earnings | (9.4) | (8.9) | (11.0) | (7.3) |
| Total equity | | 21.5 | 22.0 | 19.9 | 23.6 |
| Non-current liabilities | Lease liabilities | 66.7 | - | - | - |
| | Provisions | 4.0 | 5.2 | 3.5 | 5.0 |
| Total non-current liabilities | | 70.7 | 5.2 | 3.5 | 5.0 |
| Current liabilities | Lease liabilities | 15.1 | - | - | - |
| | Loans and borrowings | 9.6 | 9.6 | 7.6 | 3.1 |
| | Trade and other payables | 28.9 | 31.8 | 34.4 | 38.1 |
| | Deferred income | 13.7 | 13.7 | 15.9 | 17.2 |
| | Provisions | 0.8 | 0.8 | 1.1 | 1.0 |
| Total current liabilities | | 68.1 | 55.9 | 59.0 | 59.4 |
| Total liabilities | | 138.8 | 61.1 | 62.5 | 64.4 |
| Total equity and liabilities | | 160.3 | 83.1 | 82.4 | 88.0 |

Background

- No distinction between finance and operating leases; all recognised on the balance sheet
- Operating lease cost replaced by depreciation and interest expense

Income statement

- Operating costs reduced by £10.3m with corresponding increase in EBITDA
- Depreciation increases by £8.9m and interest by £1.9m
- Overall Loss before tax reduces by £0.5m

Balance sheet

- £80m Right of Use asset created on transition (1 July 2019); reduced to £78.6m at 28 December 2019
- Movement in the period is £8.9m of depreciation and additions of £7.5m of new leases
- £57m of property leases and £23m of vehicle and equipment leases initially capitalised
- £82.6m of lease liabilities recognised on the balance sheet at transition

Cash flow

- No impact on cash flow or on borrowing facilities
- Net debt will be measured as debt draw under IDF facility less cash and cash equivalents



Operational Summary

Lloyd Dunn

Chief Executive Officer



FIRM PLATFORM NOW ESTABLISHED FOR RETURN TO SUSTAINABLE PROFITABLE GROWTH

OVERALL PARCELS WORTH OVER £12BN AND GROWING AT 10% P.A DX'S ADDRESSABLE MARKET WORTH c. £2BN

1-Man

- Market c. £600m
 - DX share is c.20%*
-

- Majority B2B
- Service is key
- Local customer service focus
- Freight profiling/commercial pricing

2-Man

- Market c. £400m
 - DX share is c.5%*
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- B2C focus
- 50% of market is outsourced
- Consumer driving value-added services; 'white-glove', 'wet-fit' and 'light-assembly'
- Expanding market

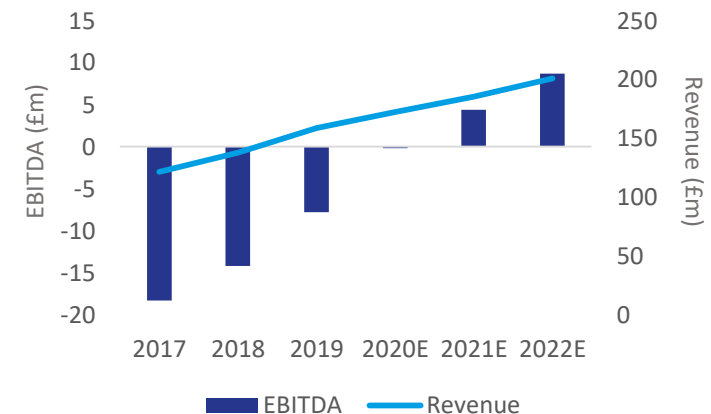
Logistics

- Large, diverse marketplace, estimated at c. £1bn
 - DX share is c.4%*
-
- B2C focus
 - Bespoke delivery service
 - Focused on deliveries - not wider logistics solutions of 3PLs
 - Cross-dock solution - not warehousing
 - Open book

- Improved performance, 65% reduction in losses in H1 2020, is being driven by:
 - strong commercial disciplines
 - new business wins
 - improved customer service
 - cessation of low-margin Logistics contracts
- Improved productivity from:
 - introduction of basic sorting mechanisation
 - improved productivity from delivery fleet
 - regional hubs improved efficiency of sortation process
- Planned expansion of depot network expansion with new site opened in January at Ipswich; further sites planned in Burnley and Dewsbury
- Division is expected to deliver positive EBITDA in H2 2020 and to achieve breakeven EBITDA in FY 2020

| Revenue £m | H1 2020 | H1 2019 |
|------------------------|----------------|----------------|
| DX 1-Man | 56.5 | 47.8 |
| DX Logistics | 20.6 | 22.9 |
| DX 2-Man | 9.8 | 7.3 |
| Total revenue | 86.9 | 78.0 |
| EBITDA (IAS 17) | £(1.9)m | £(5.5)m |

Source: DX, finnCap



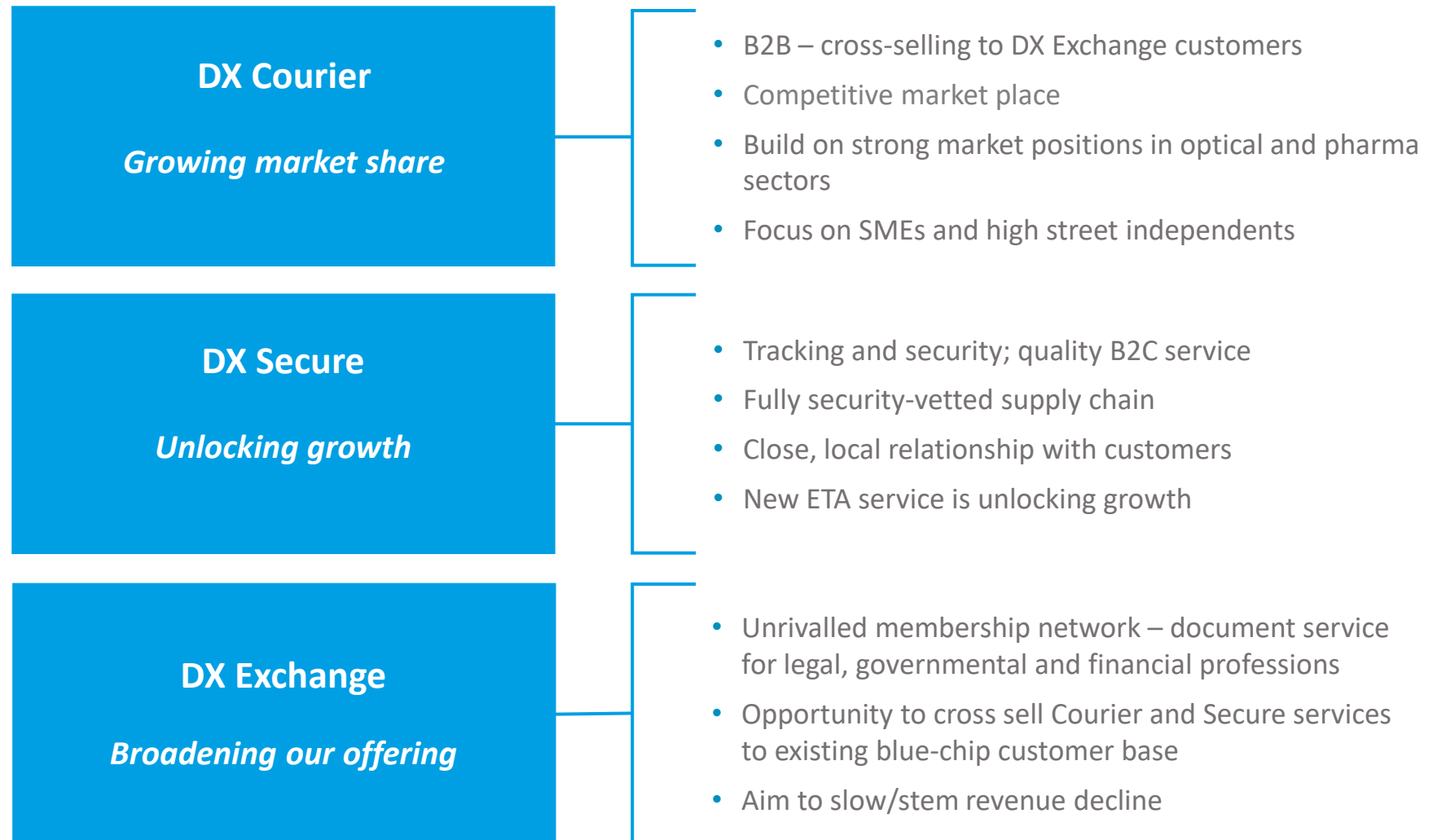
2020 - 2022 are finnCap estimates

- Overall revenue growth with expansion of Secure and Courier services
- A major focus is on DX Exchange service, which historically has been in decline:
 - attrition rate slowed to 6% in H1 2020 (H1 2019: 8%) by addressing service levels
 - now focusing on cross-selling/up-selling opportunities to blue-chip customer base
 - additional sales resources deployed and progress expected
- Key growth initiatives:
 - restructured sales and commercial teams
 - roll-out of 'Estimated Time of Arrival' by end April 2020; catalyst for further growth
 - reshaping courier fleet towards larger vehicles
 - replacing and streamlining legacy IT systems
 - moving to new premises in Glasgow and Ipswich



| Revenue £m | H1 2020 | H1 2019 |
|------------------------|---------------|---------------|
| DX Courier | 33.2 | 30.1 |
| DX Secure | 24.8 | 23.3 |
| DX Exchange | 23.6 | 23.9 |
| DX Mail | 1.6 | 1.7 |
| Total revenue | 83.2 | 79.0 |
| EBITDA (IAS 17) | £10.9m | £11.6m |

£6bn+ market for smaller parcels; significant market opportunity



Our aim is to provide a high level of customer service with clear and reliable consumer experience with a local point of contact



Summary

Ron Series

Executive Chairman

DRIVING FURTHER OPERATIONAL IMPROVEMENTS THROUGHOUT THE BUSINESS

£10m of investment over FY 2020 and FY 2021; £2.2m invested in H1 2020

'Heavy Lifting' Complete

- ✓ Group reshaped
- ✓ Disciplined, commercial approach to new business
- ✓ Service levels improved
- ✓ People engaged & incentivised

IT systems - c.£2.5m

(£1.0m invested in FY 2019)

- ✓ Long-term roadmap established
- ✓ Software development team expanded
- ✓ Systems improved/functionality gaps closed
 - customer & business facing
 - DX Freight (initial focus)
- ✓ 'Business First, Technology Second' culture
- Legacy systems retirement
- Driving competitive advantage and operational efficiency through technology

Sites & Operations - c.£7.5m

(£2.5m invested in FY 2019)

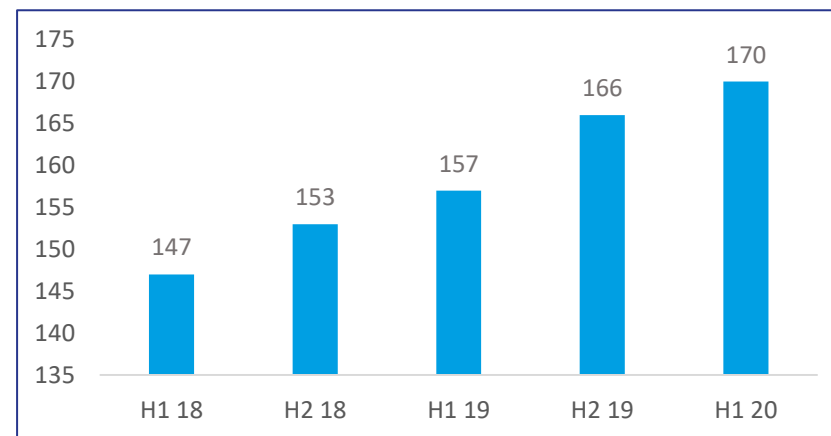
- New depots where under-represented
- Mechanisation
- Equipment, including hand-held scanners



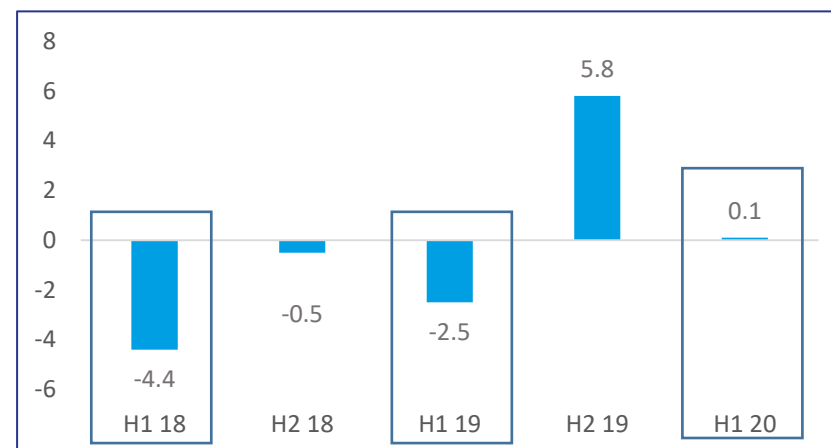
Underpins sustainable EBITDA growth and cash generation

- Experienced leadership team with a clear growth plan
 - strength in depth, experienced senior management team
- Group has been fundamentally restructured/reorganised
 - cultural change; authority and responsibility devolved to local management, who are incentivised
 - stronger commercial processes
 - operational and productivity improvements
 - investment programme underway
- Financial performance is significantly improved
 - return to pre-tax profit expected in current financial year

Revenue (£m)



Adj. EBITDA (£m)



FIRM FOUNDATION ESTABLISHED FOR THE NEXT STAGE OF TRANSFORMATION

- Significant improvement in performance over same period last year
- Positive momentum for next stage of transformation; targeting profitable growth
- H2 is seasonally stronger than H1
- £10m capital investment programme in FY 2020 and 2021 will support ongoing growth
- DX remains on track to return to pre-tax profit in FY 2020
- Some softening in volumes is expected in H2 relating to coronavirus outbreak and effect on customer supply chains



Appendices

- Financials
- Board of Directors
- Major Shareholders



Statutory Income Statement



| £m | Period to 28 Dec 2019 IFRS16 | Period to 28 Dec 2019 IAS17 | Period to 31 Dec 2018 IAS17 | Year ended 30 Jun 2018 IAS17 |
|--|------------------------------------|-----------------------------------|-----------------------------------|------------------------------------|
| Revenue | 170.1 | 170.1 | 157.0 | 322.5 |
| EBITDA | 10.4 | 0.1 | (2.5) | 3.3 |
| Depreciation and amortisation | (10.1) | (1.2) | (2.0) | (3.4) |
| Share-based payments charge | (0.6) | (0.6) | (0.6) | (1.2) |
| Results from operating activities | (0.3) | (1.7) | (5.1) | (1.3) |
| Finance costs | (2.1) | (0.2) | (0.2) | (0.4) |
| Loss before tax | (2.4) | (1.9) | (5.3) | (1.7) |
| Tax | (0.3) | (0.3) | (0.3) | (0.8) |
| Loss for the period | (2.7) | (2.2) | (5.6) | (2.5) |

Statutory Statement of Cash Flows



| £m | Period to 28 Dec 2019 IFRS16 | Period to 28 Dec 2019 IAS17 | Period to 31 Dec 2018 IAS17 | Year ended 30 Jun 2018 IAS17 |
|--|------------------------------------|-----------------------------------|-----------------------------------|------------------------------------|
| EBITDA | 10.4 | 0.1 | (2.5) | 3.3 |
| Net change in working capital | (4.7) | (4.6) | 0.4 | (0.2) |
| Cash generated from/(used in) operations | 5.7 | (4.5) | (2.1) | 3.1 |
| Interest paid | (2.0) | (0.2) | (0.1) | (0.4) |
| Net tax (paid)/received | (0.2) | (0.2) | 0.8 | 0.5 |
| Net cash generated from/(used in) operating activities | 3.5 | (4.9) | (1.4) | 3.2 |
| Capital expenditure | (2.2) | (2.2) | (1.0) | (3.4) |
| Net increase/(decrease) in cash before financing activities | 1.3 | (7.1) | (2.4) | (0.2) |
| Movement on IDF facility | 6.5 | 6.5 | 4.6 | - |
| Lease repayments | (8.4) | - | - | - |
| Net (decrease)/increase in cash and cash equivalents | (0.6) | (0.6) | 2.2 | (0.2) |
| Opening cash and cash equivalents | 1.8 | 1.8 | 2.0 | 2.0 |
| Closing cash and cash equivalents | 1.2 | 1.2 | 4.2 | 1.8 |

| | |
|---|--|
| RON SERIES Executive Chairman | <ul style="list-style-type: none"> • Appointed Executive Chairman in October 2017 • Highly experienced in business turnaround situations • Previously Chairman of Tuffnells Parcel Express (2002-05) during its successful turnaround • Chairman of Braemar Shipping Services plc |
| LLOYD DUNN Chief Executive | <ul style="list-style-type: none"> • 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 (listed in 1994, acquired by private equity and subsequently by DX in 2012) |
| DAVID MULLIGAN CFO | <ul style="list-style-type: none"> • Appointed CFO in April 2018 • Over 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 |
| RUSSELL BLACK NED | <ul style="list-style-type: none"> • Joined as NED in October 2017 • Over 40 years experience in transport, founder and CEO of Nightfreight from 1984 to 2002 |
| PAUL GOODSON NED | <ul style="list-style-type: none"> • Joined as NED in October 2017 • Previously executive chairman of Great Bear distribution, and spent 13 years with Barclays Private Equity |
| IAN GRAY NED | <ul style="list-style-type: none"> • Joined as NED in July 2017 • Has spent the past 30 years advising on business transformation and strategy development • NED at Clancy Group Ltd |

| | Number of Shares | Percentage Held |
|----------------------------------|------------------|-----------------|
| Gatemoore 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% |

Total number of ordinary shares in issue as of 20 September 2019: 573,681,792

Number of shares held in treasury: none

As of 20 September 2019, 66.89% of the Company's issued share capital was not in public hands