Interim Results

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RNS Number : 7701Q
DX (Group) PLC
02 March 2021

2 March 2021
AIM: DX.

DX (Group) plc
("DX" or "the Group" or "the Company")
A leading provider of delivery solutions,
including parcel freight, secure courier and logistics services

Interim Results
For the 27 weeks ended 2 January 2021

Rebuilding Profitability

Key Points

Financial

	H1 ended 2 Jan 2021	H1 ended 28 Dec 2019	**Change**	FY ended 27 Jun 2020
Revenue	**£182.7m**	£170.1m	**+ £12.6m**	£329.3m
EBITDA	**£16.3m**	£10.4m	**+£5.9m**	£24.9m
Adjusted profit from operating activities[1]	**£5.9m**	£0.4m	**+£5.5m**	£4.5m
Reported profit/ (loss) from operating activities	**£5.2m**	£(0.3)m	**+£5.5m**	£3.0m
Adjusted profit/ (loss) before tax[1]	**£3.8m**	£(1.7)m	**+£5.5m**	£0.2m
Reported profit/ (loss) before tax	**£3.1m**	£(2.4)m	**+£5.5m**	£(1.3)m
Adjusted earnings/(loss) per share[1]	**0.65p**	(0.35)p	**+1.00p**	(0.05)p

Reported earnings/(loss) per share - basic	**0.52p**	(0.47)p	**+0.99p**	(0.31)p
Net cash/(debt)[1]	**£14.1m**	£(8.4)m	**+ £22.5m**	£12.3m
Cash flow from operating activities	**£12.8m**	£3.5m	**+£9.3m**	£33.5m

- Revenue up 7% to £182.7m, driven by ongoing turnaround at DX Freight division
- Adjusted profit from operating activities of £5.9m (H1 2020: £0.4m)
- Adjusted operating profit margin[1] of 3.2% (H1 2020: margin of 0.2%)
- Adjusted profit before tax[1] of £3.8m (H1 2020: loss of £1.7m), a £5.5m turnaround
- Adjusted earnings per share[1] of 0.6p (H1 2020: loss per share of 0.3p)
- Net cash of £14.1m at period end (H1 2020: net debt of £8.4m) reflected improved profitability, £11.4m of deferred VAT and other agreed deferred payments, increased capital expenditure and seasonal increase in working capital

Operational

- **DX Freight division:**
  - Revenue up 19% to £103.4m; profit from operating activities of £8.1m, a £9.5m improvement (H1 2020: loss of £1.4m)
  - Core irregular dimension and weight ("IDW") business grew significantly, adding new volumes at attractive commercial rates
  - High operational leverage led to significant margin expansion
  - Three new depots opened, with two further depots planned in H2
- **DX Express division:**
  - Revenue down 5% to £79.3m; profit from operating activities of £7.4m (H1 2020: £11.1m)
  - Performance reflected anticipated decline in Document Exchange revenue, cessation of HMPO contract, and impact of coronavirus restrictions on customers' activities
  - New 'Estimated Time of Arrival' (ETA) functionality is helping to secure new business
  - Growth initiatives in place, including investment in eight new depots
- **Central overheads:**
  - Strong cost control with only a small increase in central overheads, including finance costs, to £12.4m (H1 2020: £12.1m)

Outlook

- Healthy pipeline of opportunities in the parcels market, building on our new ETA technology and expanding network
- Trading to date in H2 is significantly ahead of the same period last year, in line with management expectations, and the

Board expects further strong progress in rebuilding profitability this financial year. It views prospects further ahead with an increasing level of confidence.

Lloyd Dunn, CEO, commented:

"This is an excellent performance from the Group, despite the challenges created by the coronavirus pandemic for some areas of operations. Strong volume growth at DX Freight has been the principal driver of growth, offsetting the anticipated challenges at DX Express.

"Our focus is now on rebuilding profitability, having returned DX to profit in the last financial year. We will achieve this through continued volume and margin growth, driven by high service levels, and efficiency and productivity initiatives. Our £10m capital investment programme, now in its second year, will support our plans across both divisions.

"Trading in the second half is significantly ahead of the same period last year, in line with our expectations, and with anticipated levels of new business, as well as greater clarity over a return to more normal levels of activity, we look forward to another year of continued progress. Looking further ahead, we view prospects with an increasingly level of confidence."

Notes

1 The Group uses alternative performance measures ("APMs") to measure performance. See notes 2 and 10 to the financial information for details of APMs used, including reconciliations of these APMs to IFRS reported measures.

From 1 July 2019 the Group changed its reporting periods from a calendar basis to a '4-5-4 weekly' basis, which better reflects its cost base and operations. This financial year will comprise of 53 weeks trading to 3 July 2021. The period to 2 January 2021 is consequently from 28 June 2020 to 2 January 2021 (27 weeks), whereas the comparative period was from 1 July 2019 to 28 December 2019 (26 weeks less one day). The year ended 27 June 2020 comprised 52 weeks less one day.

The current year full financial statements will be prepared for the period 28 June 2020 to 3 July 2021. Future years will be for either 52 weeks or occasionally 53 weeks in order to keep the year-end date as close as possible to 30 June.

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This announcement contains inside information for the purposes of Article 7 of the Market Abuse Regulation (EU) 596/2014 as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018 ("MAR"), and is disclosed in accordance with the company's obligations under Article 17 of MAR.

INTERIM STATEMENT

INTRODUCTION

In the last financial year to 27 June 2020, DX returned to pre-tax profit, and we stated that our focus for the next phase of the Group's development would be on rebuilding profitability. This would be driven by volume and margin expansion, underpinned by further efficiency and productivity improvements. I am pleased to report strong progress.

Over the first half of the current financial year, despite the challenges created by the coronavirus pandemic, in particular for DX Express, revenue increased by 7% over the same period last year to £182.7 million (H1 2020: £170.1 million) and the Group generated an adjusted profit before tax of £3.8 million (H1 2020: loss of £1.7 million), a £5.5 million improvement on the same period in 2019.

This improvement mainly reflects excellent progress at DX Freight, where we have increased both volumes and margins.

We have also made good progress in our £10 million capital investment programme, now in its second year. On top of the £3.4 million we invested over the last financial year, we invested a further £2.7 million during the period. We remain on track to complete the investment programme, which is targeted on refreshing and further developing existing IT systems, expanding and upgrading our site network, and improving the Group's operational capability with an increasing level of sortation mechanisation at our hubs and depots.

Our focus now remains on delivering high levels of service, securing profitable new business by applying our strong commercial disciplines, and operational improvement as we expand our capacity and networks in order to deliver long-term sustainable profit and cash generation.

FINANCIAL RESULTS

Revenue in the 27 weeks from 28 June 2020 to 2 January 2021 increased by 7% to £182.7 million (H1 2020: £170.1 million). This was largely driven by strong growth at DX Freight, which offset the expected decrease in revenue at DX Express. EBITDA increased by 58% to £16.3 million (H1 2020: £10.4 million), reflecting growing margins at DX Freight and strong control of central overheads. This helped to drive a £5.5 million increase in adjusted profit from operating activities to £5.9 million (2019: £0.4 million).

The Group moved back to pre-tax profitability at the interim stage in the financial year, generating an adjusted profit before tax of £3.8 million (H1 2020: loss of £1.7 million). The adjusted earnings per share was 0.65p (H1 2020: loss per share of 0.35p). These figures are adjusted for the share-based payments charge and the amortisation of acquired intangibles, which together totalled £0.7 million (H1 2020: £0.7 million).

The Group's financial position remains strong with net cash at 2 January 2021 of £14.2 million (H1 2020: net debt of £8.4 million). This cash position currently benefits from £11.4 million of deferred VAT and other agreed deferred payments (which arose in H2 2020 and are expected to unwind through to February 2022), and also reflects the seasonal increase in working capital, higher capital expenditure and tax paid during the period.

Net cash generated from operating activities increased to £12.8 million (H1 2020: £3.5 million), reflecting the improved profitability offset by the seasonal working capital increase and payments of interest and tax.

DX FREIGHT

DX Freight's strong performance in the first half of the financial year was better than we had originally expected, and the division continued to make excellent progress with record service levels and improved productivity and efficiency.

Revenue rose by 19% to £103.4 million (H1 2020: £86.9 million) and after moving back into profitability in the second half of the last financial year, profit from operating activities in the first half of the current financial year continued the upward momentum, increasing by £9.5 million on the prior period to £8.1 million (H1 2020: loss of £1.4 million). This performance reflected not only healthy levels of profitable new business but also strong growth in operating margin to 7.8% (H1 2020: negative margin of 1.6%).

DX 1-Man, the core service in this division, was at the heart of the performance improvement. Revenue increased by 34% to £75.9 million, supported by significantly improved levels of productivity and customer service. Revenue at DX 2-Man & Logistics decreased by 10% to £27.5 million reflecting our decision to end certain low margin contracts, which contributed to the overall improvement in the division's profitability and margin.

We opened three new depots in the period, at Westbury, Oxford and Burnley, which have expanded the network to 45 depots. Two further depots are earmarked for opening by the end of this financial year as well as significant upgrades to two existing sites at Glasgow and Hoddesdon. A further four new sites are planned over the next two years.

The expansion of our network has already added important additional capacity and will help to improve further both efficiency and service delivery, with reduced stem mileage and closer proximity to customers.

Our strategy for DX Freight is to continue to expand our market share in irregular dimension and weight items ("IDW"), which is a growth segment of the parcel market, by securing new business on profitable commercial terms. We also plan to grow our 2-Man and Logistics services through broadening our customer base.

DX EXPRESS

Revenue at DX Express reduced as expected by 5% to £79.3 million (H1 2020: £83.2 million). This reflected the cessation of the HMPO contract during the prior year and lower Document Exchange activity, largely offset by new business wins. As anticipated, the various coronavirus restrictions impacted volumes in the short-term, especially with non-essential retail customers, and the mix of business has become more skewed towards B2C activity than normal, which reduces overall delivery efficiency. Accordingly, profit from operating activities reduced to £7.4 million (H1 2020: £11.1 million).

DX Secure Courier's revenue was in line with the prior year at £57.9 million (H1 2020: £58.0 million). The revenue contribution from DX Exchange (including Mail) decreased by £3.8 million to £21.4 million (H1 2020: £25.2 million).

During the period we secured profitable new Secure Courier business in a capacity-constrained market and at the same time maintained high levels of customer service. The new ETA system, introduced in April 2020, is now well established across the division and has improved the customer experience by providing deliveries in a 2-hour window and sending notifications and delivery options to the parcel recipient.

While this market remains competitive, there are healthy levels of opportunities, which give us the confidence to further invest in the network and to expand the number of depots. We plan to open two new depots, at Rotherham and Glasgow in the near future, and a further six depots over the next two years.

Document Exchange continued to face the challenges from lockdown. It has been affected by many in the legal profession continuing to work away from the office environment, and by activity in the housing market and the Courts system remaining below normal levels. Nonetheless, we still believe there are opportunities to grow the Document Exchange network in the longer term and are investing in two key initiatives. The first is to separate the Document Exchange delivery network from Secure Courier. This will provide greater flexibility for pre-9.00 a.m. deliveries, which are at the heart of the success of Document Exchange. Secondly, we are developing a 'Digital Document Exchange' to allow the secure digital exchange of legal documents. This will be included as part of the annual subscription as an alternative option to the physical delivery of documents, and will provide an added benefit to our members.

Brexit changes to import and export processes have presented some challenges, mainly to DX Express as we move parcels and freight between the UK and the Republic of Ireland and also into Northern Ireland. Whilst the overall cross-border volumes are not significant and are at lower levels than normal, it is an important service that we provide to our customers. We are pleased to have maintained a good service since the start of 2021 and teething problems with customs systems are steadily being overcome, with systems increasingly being automated.

The overall parcels market continues to grow at a strong rate and our strategy for DX Express is to provide customers with a reliable, next-day service based on strong relationships, centred on security and tracked items through our network of local depots.

OUTLOOK

We are very encouraged by the Group's performance in the first half of this financial year, in particular the strong recovery in profitability and margin at DX Freight. Despite the short-term impact on DX Express from the lockdown measures, we see a healthy pipeline of opportunities in the parcels market, building on our new ETA technology and our expanding network.

The second half of the financial year typically generates a greater proportion of annual earnings and cash flow than the first. With the planned easing of the national coronavirus-related restrictions, we now have greater clarity over when we can expect more normal levels of activity to return. This is especially relevant for our non-essential retail customers, which affects DX Express in particular. Given the robust current volumes and anticipated levels of new business, we expect the Group to make further strong progress with improving the overall level of operating margin and rebuilding profitability.

With trading to date in the second half of the financial year significantly ahead of the same period last year, and in line with our expectations, we look forward to another year of continued progress. Looking further ahead, we view prospects with an increasing level of confidence.

Lloyd Dunn, Chief Executive Officer

FINANCIAL REVIEW

Revenue of £182.7 million for the first half was 7% ahead of the comparable period in the prior year (H1 2020: £170.1 million), reflecting strong growth in the DX Freight division, whilst revenue in the DX Express division has decreased due to the anticipated decline in Document Exchange and the other DX Express services maintained similar levels to prior year.

Adjusted profit from operating activities for the period increased by £5.5 million to £5.9 million (H1 2020: £0.4 million profit) as a result of the productivity efficiency, revenue improvements undertaken by management and strong cost control with a small increase in central overheads, including finance costs, to £12.4m (H1 2020: £12.1m).

Net cash at 2 January 2021 was £14.1 million (28 December 2019: net debt of £8.4 million) and operating cash flow inflow for the period was £12.8 million (H1 2020: £3.5 million).

	Period ended 2 January 2021 £m	Period ended 28 December 2019 £m	**Change £m**
Revenue	**182.7**	170.1	**12.6**
Operating costs before depreciation, amortisation, and share-based payments charge	**(166.4)**	(159.7)	**(6.7)**
EBITDA[1]	**16.3**	10.4	**5.9**
Depreciation	**(10.2)**	(9.8)	**(0.4)**
Amortisation of software and development costs	**(0.2)**	(0.2)	**-**
Adjusted profit from operating activities[1]	**5.9**	0.4	**5.5**
Amortisation of acquired intangibles	**(0.1)**	(0.1)	**-**
Share-based payments charge	**(0.6)**	(0.6)	**-**

Reported profit/(loss) from operating activities	**5.2**	(0.3)	**5.5**
Finance costs	**(2.1)**	(2.1)	**-**
Profit/(loss) before tax	**3.1**	(2.4)	**5.5**

[1] See notes 2 and 10 for details of alternative performance measures ("APMs") used, including reconciliations of APMs to IFRS reported measures.

Revenue by segment

A breakdown of Group revenue is shown below and further commentary on each Division's performance is provided in the Interim Statement.

	Period ended 2 January 2021 £m	Period ended 28 December 2019 £m	**Change £m**
DX Freight	**103.4**	86.9	**16.5**
DX Express	**79.3**	83.2	**(3.9)**
Total revenue	**182.7**	170.1	**12.6**

Net assets

A summary of the Group's net assets is set out below:

	2 January 2021 £m	28 December 2019 £m	27 June 2020 £m
Non-current assets	**125.3**	122.6	123.9
Current assets excluding cash and cash equivalents	**29.5**	36.5	33.6
Cash and cash equivalents	**14.1**	1.2	12.3
Current liabilities excluding debt	**(67.1)**	(58.5)	(73.5)
Non-current liabilities	**(75.2)**	(70.7)	(73.3)
Invoice discounting facility	**-**	(9.6)	-
Net assets	**26.6**	21.5	23.0

The increase in net assets since the period ended 27 June 2020 represents the profit for the period and change in equity relating to share-based payment transactions.

Cash flow and net cash/(debt)

Cash flow:	**Period ended 2 January 2021 £m**	Period ended 28 December 2019 £m	**Change £m**
EBITDA[1]	**16.3**	10.4	**5.9**

Movement in working capital	**(1.2)**	(4.7)	**3.3**
Interest paid	**(2.1)**	(2.0)	**(0.1)**
Tax paid - net	**(0.2)**	(0.2)	**-**
Net cash generated in operating activities	**12.8**	3.5	**9.2**
Capital expenditure	**(2.7)**	(2.2)	**(0.5)**
Proceeds from sale of fixed assets	**-**	-	**-**
Free cash flow	**10.1**	1.3	**8.7**
Drawings on short term facility	**-**	6.5	**(6.5)**
Lease repayments	**(8.3)**	(8.4)	**0.1**
Net increase/(decrease) in cash	**1.8**	(0.6)	**2.3**

Net cash/(debt):	**2 January 2021 £m**	28 December 2019 £m	27 June 2020 £m
Gross debt	**-**	(9.6)	-
Cash and cash equivalents	**14.1**	1.2	12.3
Net cash/(debt)[1]	**14.1**	(8.4)	12.3

[1] See notes 2 and 10 for details of alternative performance measures ("APMs") used, including reconciliations of APMs to IFRS reported measures.

Net cash at 2 January 2021 was £14.1 million, an increase of £1.8 million since the period ended 27 June 2020. The increase was driven by the increasing EBITDA and offset by the increased capital expenditure. Net cash generated from operating activities was £12.8 million (H1 2020: £3.5 million), whilst capital expenditure was £2.7 million, resulting in free cash inflow of £10.1 million for the period (H1 2020: £1.3 million inflow).

Working capital increased by £1.2 million in the period, due to a reduction in payables and deferred income outweighing the reduction in receivables.

Interest paid in the period was £2.1 million, a small increase from £2.0 million in the prior year.

Tax for the period was a net payment of £0.2 million (H1 2020: £0.2 million payment), consisting of a rebate of £0.1 million relating to prior years along with a tax payment of £0.3 million relating to the Group's Irish operations.

Capital expenditure for the period was £2.7 million (H1 2020: £2.2 million), consisting principally of investment in IT and operational equipment along with property and security improvements. The rate of investment is expected to increase markedly in the second half as capital expenditure is expected to be approximately £6.5 million for this financial year.

EBITDA (IAS17)

To assist users of our accounts to understand the impact of moving to IFRS16 'Leases' a reconciliation of EBITDA reported under IFRS16 to that reported under IAS17 is set out below:

	Period ended 2 January 2021 £m	Period ended 28 December 2019 £m	Period Ended 27 June 2020 £m
Reported EBITDA per IFRS16	**16.3**	10.4	24.9
Deduct IAS 17 rental charge	**(10.3)**	(10.3)	(20.5)
EBITDA per IAS 17	**6.0**	0.1	4.4

David Mulligan, Chief Financial Officer

UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the period ended 2 January 2021

	Notes	**Period ended 2 Jan 2021 £m**	Period ended 28 Dec 2019 £m	Period ended 27 Jun 2020 £m
Revenue	3	**182.7**	170.1	329.3
Operating costs		**(177.5)**	(170.4)	(326.3)
Profit/(loss) from operating activities		**5.2**	(0.3)	3.0
Analysis of results from operating activities:				
EBITDA		**16.3**	10.4	24.9
Depreciation and amortisation		**(10.5)**	(10.1)	(20.7)
Share-based payments charge		**(0.6)**	(0.6)	(1.2)
Profit/(loss) from operating activities		**5.2**	(0.3)	3.0
Finance costs	5	**(2.1)**	(2.1)	(4.3)

	Notes			
Profit/(loss) before tax		**3.1**	(2.4)	(1.3)
Tax		**(0.1)**	(0.3)	(0.5)
Profit/(loss) for the period		**3.0**	(2.7)	(1.8)
Other comprehensive expense		**-**	-	-
Total comprehensive expense for the period		**3.0**	(2.7)	(1.8)
Earnings/(loss) per share (pence):				
Basic	6	**0.52**	(0.47)	(0.31)
Diluted	6	**0.46**	(0.47)	(0.31)
Adjusted	6	**0.65**	(0.35)	(0.05)

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 2 January 2021

	Notes	**2 Jan 2021 £m**	28 Dec 2019 £m	27 June 2020 £m
Non-current assets				
Property, plant and equipment		**11.5**	10.5	10.4
Right-of-use asset	11	**80.4**	78.6	80.2
Intangible assets and goodwill		**31.1**	31.2	31.0
Deferred tax assets		**2.3**	2.3	2.3
Total non-current assets		**125.3**	122.6	123.9
Current assets				
Trade and other receivables		**29.4**	36.5	33.5
Current tax receivable		**0.1**	-	0.1
Cash and cash equivalents		**14.1**	1.2	12.3
Total current assets		**43.6**	37.7	45.9
Total assets		**168.9**	160.3	169.8
Equity				
Share capital		**5.7**	5.7	5.7
Share premium		**25.2**	25.2	25.2
Retained earnings		**(4.3)**	(9.4)	(7.9)
Total equity		**26.6**	21.5	23.0
Non-current liabilities				
Lease liabilities	12	**69.2**	66.7	68.3
Provisions		**6.0**	4.0	5.0

Total non-current liabilities		**75.2**	70.7	73.3
Current liabilities				
Current tax liabilities		**-**	-	-
Loans and borrowings	7	**-**	9.6	-
Trade and other payables		**38.8**	28.9	42.0
Lease liabilities	12	**15.8**	15.1	15.8
Deferred income		**10.5**	13.7	14.2
Provisions		**2.0**	0.8	1.5
Total current liabilities		**67.1**	68.1	73.5
Total liabilities		**142.3**	138.8	146.8
Total equity and liabilities		**168.9**	160.3	169.8

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the period ended 2 January 2021

	Share capital £m	Share premium £m	Retained earnings £m	Total £m
At 1 July 2019	5.7	25.2	(7.3)	23.6
Loss for the period	-	-	(2.7)	(2.7)
Other comprehensive expense	-	-	-	-
Share-based payment transactions	-	-	0.6	0.6
At 28 December 2019	**5.7**	**25.2**	**(9.4)**	**21.5**
Profit for the period	-	-	0.9	0.9
Other comprehensive expense	-	-	-	-
Share-based payment transactions	-	-	0.6	0.6
At 27 June 2020	**5.7**	**25.2**	**(7.9)**	**23.0**
Profit for the period	-	-	3.0	3.0
Other comprehensive expense	-	-	-	-
Share-based payment transactions	-	-	0.6	0.6

At 2 January 2021	**5.7**	**25.2**	**(4.3)**	**26.6**

UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS
For the period ended 2 January 2021

	Notes	**Period ended 2 Jan 2021 £m**	Period ended 28 Dec 2019 £m	Period ended 27 June 2020 £m
Cash generated from operations	8	**15.1**	5.7	38.1
- Interest paid		**(2.1)**	(2.0)	(4.2)
- Tax paid - net		**(0.2)**	(0.2)	(0.4)
Net cash generated from operating activities		**12.8**	3.5	33.5
Cash flows from investing activities				
Acquisition of property, plant and equipment		**(2.4)**	(1.8)	(2.7)
Software and development expenditure		**(0.3)**	(0.4)	(0.6)
Net cash used in investing activities		**(2.7)**	(2.2)	(3.3)
Net increase in cash before financing activities		**10.1**	1.3	30.2
Cash flows from financing activities				
Movement on invoice discounting facility		**-**	6.5	(3.1)
Lease repayments		**(8.3)**	(8.4)	(16.6)
Net cash used in financing activities		**(8.3)**	(1.9)	(19.7)
Net increase/ (decrease) in cash and cash equivalents		**1.8**	(0.6)	10.5
Cash and cash equivalents at beginning of period		**12.3**	1.8	1.8

Effect of exchange rate fluctuations on cash held	**-**	-	-
Cash and cash equivalents at end of period	**14.1**	1.2	12.3

NOTES TO THE FINANCIAL INFORMATION

1 General information

DX (Group) plc is incorporated in England and domiciled in the United Kingdom. The address of its registered office is Ditton Park, Riding Court Road, Datchet, Slough, SL3 9GL. The registered number of the Company is 08696699.

The condensed interim financial statements were approved by the Board of Directors on 1 March 2020.

2 Basis of preparation

The condensed consolidated interim financial information has been prepared in accordance with International Financial Reporting Standard IAS 34 Interim Financial Reporting and the Disclosure and Transparency Rules of the UK's Financial Services Authority, which are applicable to DX (Group) plc. The accounting policies applied in these condensed interim financial statements are the same as those set out in the annual report and accounts for the period ended 27 June 2020.

From 1 July 2019 the Group changed its reporting periods from a calendar basis to a '4-5-4 weekly' basis which better reflects its cost base and operations. The period to 2 January 2021 is consequently from 28 June 2020 to 2 January 2021 (27 weeks), whereas the comparative half-year period was from 1 July 19 to 28 December 2019 (26 weeks less one day). The period ended 27 June 2020 was for 52 weeks less one day. The current year full financial statements will be prepared for the period 28 June 2019 to 3 July 2021. Future years will be for either 52 weeks or occasionally 53 weeks in order to keep the year-end date as close as possible to 30 June.

The half year results for the current and comparative period are unaudited. The information for the period ended 27 June 2020 does not constitute statutory consolidated financial statements as defined in section 434 of the Companies Act 2006. The annual report and accounts for that year has been filed with the Registrar of Companies and the audit opinion on those accounts was unmodified.

The financial statements have been prepared on a going concern basis, which the Directors consider to be appropriate as they are confident the Group and the Company will have sufficient funds to continue to meet their liabilities as they fall due for at least 12 months from the date of approval of the financial statements. This is notwithstanding the Group's net current liabilities of £23.5 million as at 2 January 2021. Included within the net liabilities is £10.5 million (2020: £13.7 million) of deferred income representing an obligation to deliver a service but not a cash liability and £15.8 million representing lease liabilities whose payment are spread over the forthcoming year and not payable in the immediate short-term.

The Directors have prepared cash flow forecasts for a period from the date of approval of these financial statements up to 30 June 2023, comprising a base case and a severe but plausible downside scenario in order to assess how any second wave of the coronavirus could impact the Group. These indicate that, even taking into account reasonably possible downsides, the Group will have sufficient funds, through its invoice discounting facility with a rolling three-month notice period or similar alternative sources of finance, to meet its liabilities as they fall due for that period. While the invoice discounting facility is cancellable by either party on a three-month notice period, the Directors are confident facilities will remain available throughout the forecast period. See note 10 in the Annual Report and Accounts for further information on the Group's borrowing facilities.

The base case assumes a reduced level of activity from the coronavirus pandemic through to the end of the year ending 3 July 2021 and that the Group achieves the expected levels of new business and overall performance. Within the base case there are contingencies to allow for a shortfall in the expected level of performance. The severe but plausible downside case assumes that the impact of a further wave will be similar to the first in terms of length and severity but a repeat of the Government's Coronavirus Job Retention Scheme would not be available. The Directors have assumed that Group revenue will reduce by £13 million and EBITDA by £7 million compared with the budgeted levels of performance in the third quarter of the next financial year. It is also assumed that steps would be taken to protect the Group's financial position, such as deferring capital expenditure, significantly reducing areas of expenditure, such as use of subcontractors and travel and accommodation costs, and that deferral of payments are agreed with suppliers as necessary. In both scenarios, the Group has sufficient liquidity and adequate headroom within its existing invoice discounting facilities ("IDF") and will not need to renegotiate the terms of the IDF. Consequently, the Directors are confident that the Company will have sufficient funds to continue to meet liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

The preparation of financial information in conformity with IAS 34 requires management to make estimates and assumptions that affect the reported amount of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual events ultimately may differ from those estimates.

The Group use alternative performance measures ("APMs") to measure performance. These APMs are applied consistently from one period to the next and the Directors believe that this information is important for the shareholders as it allows them to understand the difference between the reported results and the trading performance excluding certain non-cash charges and other items which are not expected to recur. Details of the APMs used by the Group along with reconciliations to the respective IFRS reported measures are shown in note 10.

3 Revenue

In the following table, revenue is disaggregated by service. The table also includes a reconciliation of the disaggregated revenue with the Group's reportable segments (see note 4).

	Period ended 2 Jan 2021 £m	Period ended 28 Dec 2019 £m	Period ended 27 Jun 2020 £m
DX Freight			
1-Man	**75.9**	56.5	112.4
2-Man & Logistics	**27.5**	30.4	56.6
Total DX Freight	**103.4**	86.9	169.0
DX Express			
Secure Courier	**57.9**	58.0	112.1
Exchange (including mail)	**21.4**	25.2	48.2
Total DX Express	**79.3**	83.2	160.3
Total revenue	**182.7**	170.1	329.3

4 Segment information

Period ended 2 January 2021:	**DX Freight £m**	**DX Express £m**	**Central £m**	**Total £m**
Revenue	**103.4**	**79.3**	**-**	**182.7**
Costs before overheads	**(85.2)**	**(65.7)**	**-**	**(150.9)**
Profit before overheads	**18.2**	**13.6**	**-**	**31.8**
Overheads	**(2.7)**	**(3.6)**	**(9.2)**	**(15.5)**
EBITDA	**15.5**	**10.0**	**(9.2)**	**16.3**
Depreciation and amortisation	**(7.4)**	**(2.6)**	**(0.5)**	**(10.5)**
Share-based payments charge	**-**	**-**	**(0.6)**	**(0.6)**
Results from operating activities	**8.1**	**7.4**	**(10.3)**	**5.2**
Finance costs	**-**	**-**	**(2.1)**	**(2.1)**

Profit/(loss) before tax	**8.1**	**7.4**	**(12.4)**	**3.1**
Tax	**-**	**-**	**(0.1)**	**(0.1)**
Profit/(loss) for the period	**8.1**	**7.4**	**(12.5)**	**3.0**

Period ended 28 December 2019:	DX Freight £m	DX Express £m	Central £m	Total £m
Revenue	86.9	83.2	-	170.1
Costs before overheads	(78.5)	(65.6)	-	(144.1)
Profit before overheads	8.4	17.6	-	26.0
Overheads	(2.7)	(4.0)	(8.9)	(15.6)
EBITDA	5.7	13.6	(8.9)	10.4
Depreciation and amortisation	(7.1)	(2.5)	(0.5)	(10.1)
Share-based payments charge	-	-	(0.6)	(0.6)
Results from operating activities	(1.4)	11.1	(10.0)	(0.3)
Finance costs	-	-	(2.1)	(2.1)
Profit/(loss) before tax	(1.4)	11.1	(12.1)	(2.4)
Tax	-	-	(0.3)	(0.3)
Profit/(loss) for the period	(1.4)	11.1	(12.4)	(2.7)

Period ended 27 June 2020:	DX Freight £m	DX Express £m	Central £m	Total £m
Revenue	169.0	160.3	-	329.3
Costs before overheads	(150.3)	(124.6)	-	(274.9)
Profit before overheads	18.7	35.7	-	54.4
Overheads	(4.9)	(7.4)	(17.2)	(29.5)
EBITDA	13.8	28.3	(17.2)	24.9

Depreciation and amortisation	(14.4)	(5.4)	(0.9)	(20.7)
Share-based payments charge	-	-	(1.2)	(1.2)
Results from operating activities	(0.6)	22.9	(19.3)	3.0
Finance costs	-	-	(4.3)	(4.3)
Profit/(loss) before tax	(0.6)	22.9	(23.6)	(1.3)
Tax	-	-	(0.5)	(0.5)
Profit/(loss) for the year	(0.6)	22.9	(24.1)	(1.8)

The Board of Directors is considered to be the chief operating decision maker ("the CODM"). The Group has two separate Divisions, DX Freight and DX Express. Whilst the CODM considers that assets and liabilities are reviewed on a Group basis, the profitability of these two Divisions is reviewed and managed separately. Given overheads are largely integrated, the EBITDA of the two Divisions above is shown before any allocation of certain central overheads between DX Freight and DX Express. Central overheads comprise costs relating to finance, legal, personnel, property, internal audit, IT, procurement and administrative activities that cannot be specifically allocated to an individual division. The CODM considers there to be only one material geographical segment, being the United Kingdom and the Republic of Ireland.

5 Finance costs

	Period ended 2 Jan 2021 £m	Period ended 28 Dec 2019 £m	Period ended 27 June 2020 £m
Interest on bank borrowings	**0.1**	0.2	0.3
Amortisation of financing costs	**-**	-	0.1
Interest on lease liabilities	**2.0**	1.9	3.9
Total finance costs	**2.1**	2.1	4.3

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6 Earnings per share

The calculation of basic earnings per share at 2 January 2021 is based on the profit after tax for the period and the weighted average number of shares in issue.

Adjusted earnings per share is calculated based on the profit after tax, adjusted for certain non-cash charges and other items which are not expected to recur. Adjusted earnings per share represents an alternative performance measure. Further details about the use of alternative performance measures are detailed in notes 2 and 10.

Diluted earnings per share is calculated based on the weighted average number of shares in issue, adjusted for any potentially dilutive share options issued under the Group's share option programmes.

	2 Jan 2021 £m	28 Dec 2019 £m	27 June 2020 £m
Profit/(loss) for the period	**3.0**	(2.7)	(1.8)
Adjusted for:			
- Amortisation of acquired intangibles	**0.1**	0.1	0.3
- Share-based payments charge	**0.6**	0.6	1.2
Adjusted profit/(loss) for the period	**3.7**	(2.0)	(0.3)
	Million	Million	Million
Weighted average number of shares in issue	**573.7**	573.7	573.7
Potentially dilutive share options	**82.0**	-	-
Weighted average number of diluted ordinary shares	**655.7**	573.7	573.7
	Pence	Pence	Pence
Basic earnings/(loss) per share	**0.52**	(0.47)	(0.31)
Diluted earnings/(loss) per share	**0.46**	(0.47)	(0.31)
Adjusted earnings/(loss) per share	**0.65**	(0.35)	(0.05)

The following instruments were not included in the calculation of diluted earnings per share, because to do so would have been anti-dilutive.

	Million	Million	Million
Potentially dilutive share options	-	20.7	0.7

7 Loans and borrowings

	2 Jan 2021 £m	28 Dec 2019 £m	27 June 2020 £m
Current liabilities			
Invoice discounting facility	**-**	9.6	-
	-	9.6	-

Total Loans and borrowings	**-**	9.6	-

The Group has a £20.0 million evergreen invoice discounting facility. Drawings on the invoice discounting facility at 2 January 2021 were £nil (H1 2020: £9.6 million).

8 Cash generated from operating activities

	Period ended 2 Jan 2021	Period ended 28 Dec 2019	Period ended 27 Jun 2020
	£m	£m	£m
Cash flows from operating activities			
Profit/(loss) for the period	**3.0**	(2.7)	(1.8)
Adjustments for:			
- Depreciation	**10.2**	9.8	20.1
- Amortisation of intangible assets	**0.3**	0.3	0.6
- Finance costs	**2.1**	2.1	4.3
- Tax expense	**0.1**	0.3	0.5
- Equity-settled share-based payment transactions	**0.6**	0.6	1.2
Net cash profit	**16.3**	10.4	25.0
Changes in:			
- Trade and other receivables	**4.1**	5.2	8.2
- Trade and other payables	**(3.1)**	(6.4)	6.3
- Deferred income	**(3.7)**	(3.5)	(3.1)
- Provisions	**1.5**	-	1.7
Net change in working capital	**(1.2)**	(4.7)	13.1
Cash generated from operations	**15.1**	5.7	38.1

9 Related party transactions

The nature of other related party transactions of the Group have not changed from those described in the annual report and accounts for the period ended 27 June 2020.

All transactions undertaken with related parties were undertaken at arms' length and on normal commercial terms.

10 Alternative performance measures ("APMs")

The Group use APMs to measure performance. These APMs are applied consistently from one period to the next and the Directors believe that this information is important for the shareholders as it allows them to understand the difference between the reported results and the trading performance excluding certain non-cash charges and other items which are not expected to recur. The Group presents EBITDA, adjusted profit before tax ("adjusted PBT"), adjusted earnings per share ("adjusted EPS") and adjusted profit from operating activities, which are calculated as the statutory measures stated before amortisation of acquired intangibles and share-based payments charge, including related tax where applicable. The Group also presents net debt, calculated as gross debt before debt issue costs and net of cash. The reconciliations between these APMs and the IFRS reported measures are shown in the below locations:

APM	IFRS reported measure	Location of reconciliation
EBITDA	Profit/(loss) from operating activities	Note 4
Adjusted PBT/ LBT	Profit or loss before tax	See below
Adjusted EPS/ LPS	Earnings or loss per share	Note 6
Net cash/net debt	Net cash/net debt	Financial review section
Adjusted profit/(loss) from operating activities	Profit/(loss) from operating activities	Financial review section

The reconciliation of the adjusted loss before tax APM to the IFRS reported measure of loss before tax is shown below:

	2 Jan 2021 £m	28 Dec 2019 £m	27 June 2020 £m
Reported profit/(loss) before tax	**3.1**	(2.4)	(1.3)
Adjusted for:			
- Amortisation of acquired intangibles	**0.1**	0.1	0.3
- Share-based payments charge	**0.6**	0.6	1.2
Adjusted profit/(loss) before tax	**3.8**	(1.7)	0.2

11 Right-of-use asset

	Total £m
Recognised on transition to IFRS 16 at 1 July 2019	80.0
Additions	6.4
Lease extensions	1.1
Depreciation	(8.9)
Net book value as at 28 December 2019	**78.6**
Additions	9.3
Lease extensions	1.7
Depreciation	(9.3)

Disposal	(0.1)
Net book value as at 27 June 2020	**80.2**
Additions	3.8
Lease extensions	5.5
Depreciation	(9.1)
Net book value as at 2 January 2021	**80.4**

12 Lease liabilities

Leases typically consist of leases for premises, vehicles and equipment such to support operations and to help service the Group's customers. Leases of land and buildings are usually subject to rent reviews at specified intervals and provide for the lessees to pay all insurance, maintenance and repair costs.

Maturity analysis - contractual undiscounted cash flows	**2 Jan 2021 £m**	28 Dec 2019 £m	27 Jun 2020 £m
Less than one year	**19.0**	22.8	19.1
One to five years	**50.6**	55.7	54.2
More than five years	**29.6**	25.6	25.0
Total undiscounted lease liabilities	**99.2**	**104.1**	**98.3**

	2 Jan 2021 £m	28 Dec 2019 £m	27 Jun 2020 £m
Current			
Lease liabilities	**15.8**	15.1	15.8
Non-current			
Lease liabilities	**69.2**	66.7	68.3
Lease liabilities included in the statement of financial position	**85.0**	**81.8**	**84.1**

The amounts charged to the income statement due to the practical expedients taken are shown below:

	2 Jan 2021		28 Dec 2020		27 Jun 2020	
	Property £m	**Plant and equip-ment £m**	Property £m	Plant and equip-ment £m	Property £m	Plant and equip-ment £m
Expense relating to short-term leases	**0.1**	**-**	0.2	0.2	0.4	0.3

Expense relating to low-value leases	-	-	-	0.1	-	0.2
	0.1	**-**	**0.2**	**0.3**	**0.4**	**0.5**

13 Events subsequent to the balance sheet date

On 28 January 2021 the Group launched an all-employee Save-As-You-Earn Scheme ("SAYE") to encourage share ownership amongst employees. The option price was set at 25.82p and the number of shares subject to option was 9,063,910. The impact on the income statement will be a non-cash share based payment charge of approximately £475,000 per annum.

As announced on 4 February 2021 the Group amended the Performance Share Plan agreement so as to introduce a further three-year period of retention for each tranche of Recovery Awards following their anticipated vesting in December 2021 and December 2022.

On 22 February 2021 the Group agreed a new £20 million invoice discounting facility ("IDF") with Barclays Bank plc replacing the existing IDF facility. The facility is a rolling facility, with a minimum period of twelve months and three months' notice by either party, and on broadly similar commercial terms to the facility it is replacing.

Forward-looking statements

This announcement may include certain forward-looking statements, beliefs or opinions, including statements with respect to DX's business, financial condition and results of operations. These forward-looking statements can be identified by the use of forward-looking terminology, including the terms "believes", "estimates", "plans", "anticipates", "targets", "aims", "continues", "expects", "intends", "hopes", "may", "will", "would", "could" or "should" or, in each case, their negative or other various or comparable terminology. These statements are made by the DX Directors in good faith based on the information available to them at the date of this announcement and reflect the DX Directors' beliefs and expectations. By their nature these statements involve risk and uncertainty because they relate to events and depend on circumstances that may or may not occur in the future. A number of factors could cause actual results and developments to differ materially from those expressed or implied by the forward-looking statements, including, without limitation, developments in the global economy, changes in UK government policies, spending and procurement methodologies, and failure in health, safety or environmental policies.

No representation or warranty is made that any of these statements or forecasts will come to pass or that any forecast results will be achieved. Forward-looking statements speak only as at the date of this announcement and DX (Group) plc and its advisers expressly disclaim any obligations or undertaking to release any update of, or revisions to, any forward-looking statements in this announcement. No statement in the announcement is intended to be, or intended to be construed as, a profit forecast or to be interpreted to mean that earnings per DX (Group) plc share for the current or future financial years will necessarily match or exceed the historical earnings. As a result, you are cautioned not to place any undue reliance on such forward-looking statements.

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