DX (GROUP) PLC

Rebuilding profitability through growth

Final Results

For the 53 weeks ended 3 July 2021

8 November 2021

Presentation Team

Lloyd Dunn, CEO

- Appointed CEO in October 2017
- 45 years' experience in express freight and parcels industry
- Led successful turnaround of Tuffnells Parcel Express prior to sale
- Co-founded Nightfreight plc, a logistics company (listed in 1994, acquired by private equity and subsequently by DX in 2012)

David Mulligan, CFO

- Appointed CFO in April 2018
- Over 20 years' experience in senior financial roles
- Previously CFO at Hornby plc, involved in its restructuring and turnaround
- CFO of Morgan Sindall Group plc for 9 years until 2013, having joined in 1997

DX FREIGHT

Specialists in delivery of larger and heavier items, including those with irregular dimension and weight ("IDW")

- **1-Man - £164m revenue**
  - Next-day IDW deliveries
  - Mainly B2B
- **2-Man/Logistics - £59m revenue**
  - B2C delivery service for items up to 150kg
  - Bespoke supply chain warehousing solutions

FY 2021: £223m revenue | £22.9m operating profit
Operating margin 10.3%

DX EXPRESS

Specialists in the express delivery of time-sensitive, mission-critical and high-value items

- **Parcels - £119m revenue**
  - Highly secure & tracked B2B & B2C deliveries
- **Exchange & Mail - £40m revenue**
  - B2B document exchange network
  - Operates in legal, financial and public sectors

FY 2021: £159m revenue | £12.4m operating profit
Operating margin 7.8%

FY 2021 Highlights

Strong revenue, profit and margin growth

EBIT margin of 4.4%
(FY20: 1.4%)

DX Freight outperformed

Substantial return to growth and profitability

DX Express affected by coronavirus

Impacted volumes and efficiencies

Strong net cash position

£16.8m (FY20: £12.3m)
Underlying cash £10.8m (FY20: £1.9m); net of deferred amounts
Repaid coronavirus-related deferred amounts

c.£20-25m capex. programme launched

3-year programme to support growth
Investment in strategic sites

Confident of further progress

Managing ongoing driver shortages and supply chain issues

Financial Highlights

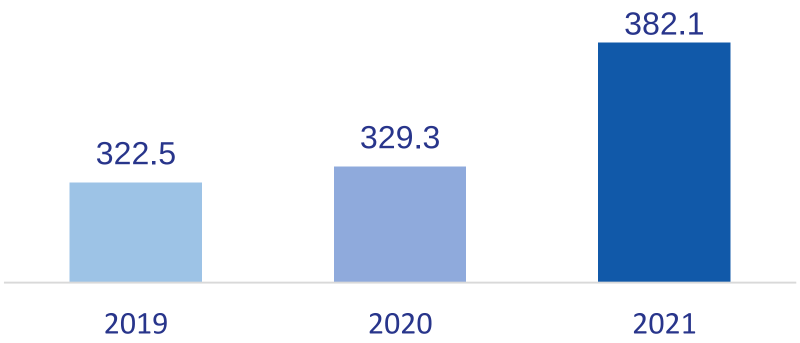
£m	FY 2021	FY 2020	Change
Total revenue	**382**	329	+£52.8m
DX Freight	**223**	169	+£54.0m
DX Express	**159**	160	-£1.2m
Underlying operating profit[1]	**16.5**	4.5	+£12.0m
DX Freight	**22.9**	(0.6)	+£23.5m
DX Express	**12.4**	22.9	-£10.5m
Central overheads	**(18.8)**	(17.8)	-£1.0m
Operating margin	**4.4%**	1.4%	+3.0%s
Adjusted PBT[1]	**12.0**	0.2	+£11.8m
Net cash	**16.8**	12.3	+£4.5m
Cash flow from operating activities	**28.1**	33.5	-£5.4m

[1] Adjusted for amortisation of acquired intangibles (£0.2m) and share based-payments charge (£1.2m) (2020: £0.3 m and £1.2m respectively)

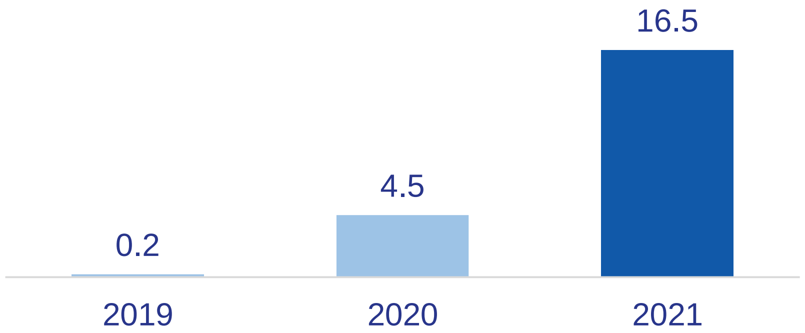
- Revenue and profit driven by strong volume growth and margin improvement at DX Freight
- Operating margin up 3.0% to 4.4%
- Strong cash flow reflects:
  - underlying cash £10.8m (FY20: £1.9m) net of deferred payments,
  - increased profitability,
  - £4.4m of deferred payments repaid,
  - slight increase in working capital, and
  - increased capital expenditure as catch up programme completes
- Central overhead (adjusted) up 6% to £18.8m reflects:
  - increased cost of IT
  - branding
  - bonus payments

Financial Track Record

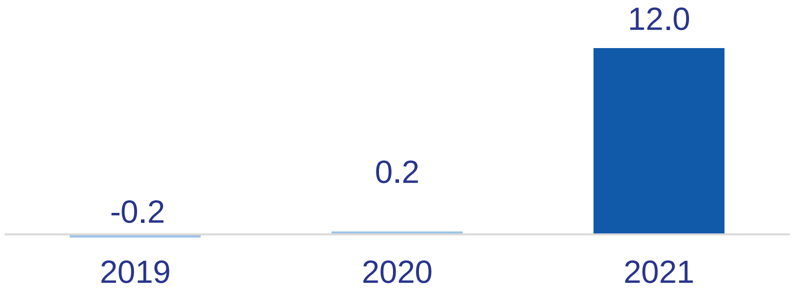
Revenue (£m)



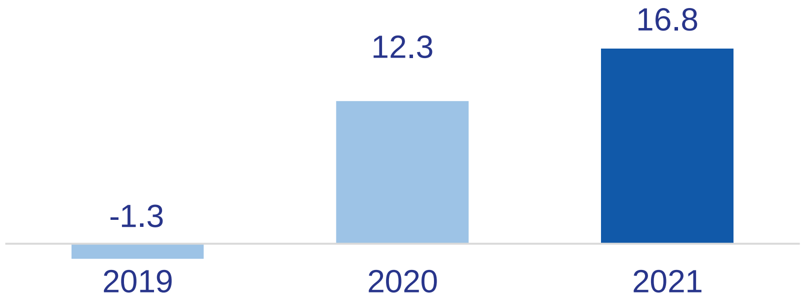
Operating profit[1] (£m)



Adjusted PBT[1] (£m)



Net cash (£m)

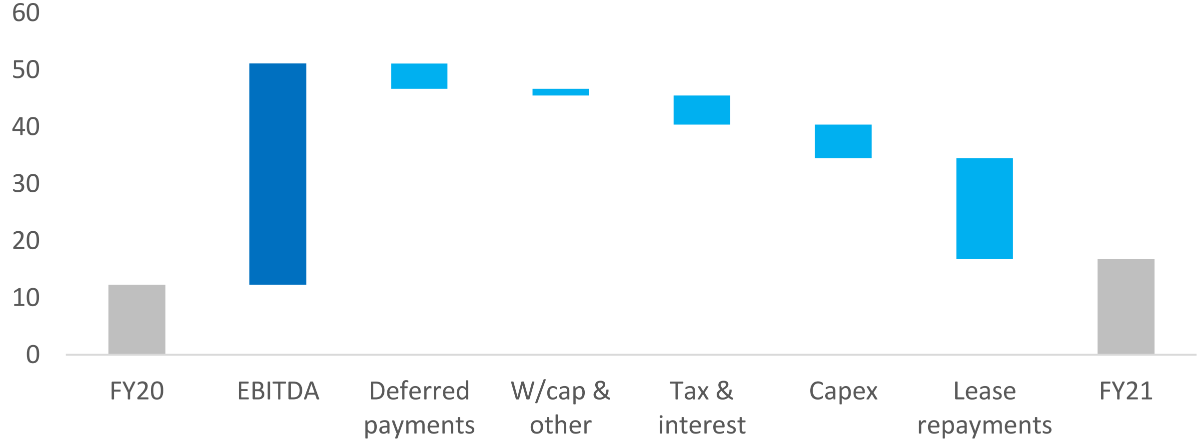


[1] Adjusted for amortisation of acquired intangibles (£0.2m) and share based-payments charge (£1.2m) (2020: £0.3 m and £1.2m respectively)

Cash Flow

£m	FY 2021	FY 2020
EBITDA	38.6	24.9
Movement in deferred payments	(4.4)	10.4
Other movements in working capital	(1.7)	2.7
Loss on disposal	0.8	0.1
Interest paid	(4.6)	(4.2)
Tax paid	(0.6)	(0.4)
Net cash from operating activities	28.1	33.5
Capital expenditure	(5.9)	(3.3)
Lease repayments	(17.7)	(16.6)
Repayment of IDF	-	(3.1)
Net cash flow	**4.5**	**10.5**

Net cash (£m)



- Strong cash flow performance
- Repaid £4.4m of coronavirus-related deferred payments
  - remaining balance of £6.0m will unwind through to February 2022
- Interest paid relates to interest on right-of-use asset lease liability
- Lease repayments relates to capital element of right-of-use assets
- New £20m invoice discounting facility agreed with Barclays Bank to replace existing facility
- Launch of £20-25m capital expenditure programme in July 2021; follows completion of £10m capex programme:
  - c.£6-8m of capex in each of the next three years to support growth plans
  - potential for additional investment in strategic sites
- Management expects Group to maintain a net cash position at end of FY22

Balance Sheet at Year End

£m		At 3 July 2021	At 27 June 2020
Non-current assets	Property, plant and equipment	12.3	10.4
	Right-of-use assets	95.4	80.2
	Intangible assets and goodwill	31.4	31.0
	Deferred tax assets	7.5	2.3
Total non-current assets		**146.6**	123.9
Current assets	Trade and other receivables	44.4	33.5
	Current tax receivable	0.1	0.1
	Cash and cash equivalents	16.8	12.3
Total current assets		**61.3**	45.9
Total assets		**207.9**	169.8
Equity	Share capital and share premium	30.9	30.9
	Retained earnings	8.9	(7.9)
Total equity		**39.8**	23.0
Non-current liabilities	Lease liabilities	81.3	68.3
	Provisions	5.8	5.0
Total non-current liabilities		**87.1**	73.3
Current liabilities	Lease liabilities	19.3	15.8
	Trade and other payables	48.3	42.0
	Deferred income	11.4	14.2
	Provisions	2.0	1.5
Total current liabilities		**81.0**	73.5
Total liabilities		**168.1**	146.8
Total equity and liabilities		**207.9**	169.8

- Growth in right-of-use assets from new vehicles and property leases
- Excluding impact of deferred payments, working capital increased slightly by £1.7m
- Recognition of deferred tax on Corporation Tax losses (£5.5m)
- Positive retained earnings
- Rise in lease liabilities reflects new right-of-use assets
- Deferred income reduced as expected as Document Exchange contracts

Parcels Freight Market

OVERALL PARCELS WORTH OVER £12BN AND GROWING AT 10% P.A

1-Man

- Market c. £1bn (IDW+ pallets)
- DX share is c.15%*

- Majority B2B
- Service is key
- Local focus
- Freight profile/commercial price

2-Man & Logistics

- Broader logistics market very large
- DX addressable market c. £1.5bn
- DX share is c.4%*

- B2C focus
- Half the market is outsourced
- 'White-glove', 'wet-fit' & 'light-assembly' services
- Bespoke delivery service for logistics solutions
- Expanding market
- Consumer driving added-value requirements

Parcels

- Large marketplace, estimated at c. £7bn
- DX share is c.1-2%*

- B2C focus
- Competitive
- Focus on SMEs and high levels of customer service
- 10%+ annual rate of growth
- ETA service and customer experience highly important

Key competitors:

	Market share*
TNT	c.15%
Tuffnells	c.15%

	Market share*
Wincanton	c.20%
arrowxl	c. 5%
Panther	c.4%

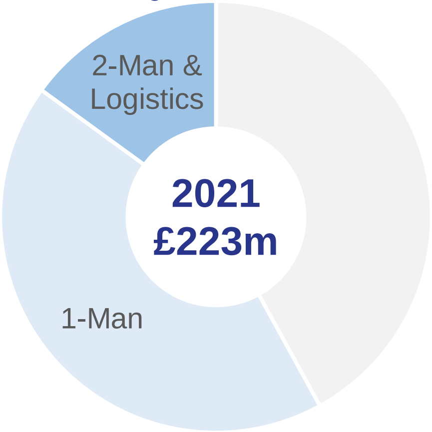
DHL	FedEx
Royal Mail, UPS	Yodel
dpd	Hermes

*Company estimates

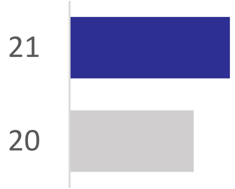
DX Freight

- Revenue up by 32% to £223m (2020: £169m) | Operating profit of £22.9m (2020: loss of £0.6m), a £23.5m turnaround | Operating margin of 10.3% (2020: (0.4)%)
- 1-Man – 46% increase in revenue to £164.4m reflected:
  - strong growth in new business, underpinned by significantly improved customer service
  - productivity improvements
- 2-Man & Logistics – 4% growth in revenue to £58.8m reflected increased volumes from existing contracts, which replaced revenue from loss-making contracts exited in previous financial year
- Network expanded:
  - three new depots opened (Oxford, Westbury, and Burnley) and three depot upgraded (Glasgow, Heathrow and Hoddesdon); new depot opened in Dewsbury in August 2021
  - further nine sites planned over next two years
  - depot network expansion improves efficiency and service levels; stem mileage reduced, closer to customers
- Significant scope to grow volume and increase market share from driving operational leverage

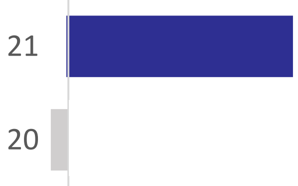
Specialists in delivery of larger and heavier items, including those with irregular dimension and weight (“IDW”)



Revenue
£223m
2020: £169m



Operating profit
£22.9m
2020: £(0.6)m



Operating margin
10.3%
2020: (0.4)%

DX Express

- Revenue broadly flat at £159m (2020: £160m) | Operating profit of £12.4m (2020: £22.9m)
  - underlying growth of 29% in Parcels - adjusting for cessation of HMPO contract in previous financial year
  - coronavirus restrictions significantly affected volumes in legal sector and non-essential retail; business mix skewed towards B2C

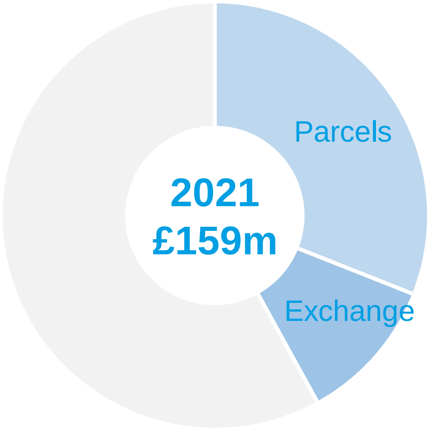
- Estimated Time of Arrival (“ETA”) technology launched in April 2020 (2-hour delivery window and on-route changes)
  - helping to secure new business

- Document Exchange initiatives:
  - new Document Exchange portal piloted and separation of delivery network to reinforce pre-9.00am service

- Network expanded:
  - three new depots opened (Glasgow, Rotherham and Middlesbrough), and Grimsby depot relocated to larger premises; two further depots opened post period, at Verwood and Luton
  - further six depots planned over next two years; major hub development on horizon

- Strategy to provide customers with a reliable, next-day service based on strong relationships, centred on security and tracked items via network of local depots; this will drive growth and margin improvement from premium pricing

Specialists in express delivery of time-sensitive, mission-critical and high-value items



Revenue
£159m
2020: £160m

Operating profit
£12.4m
2020: £22.9m

Operating margin
7.9%
2020: 14.3%

Carbon Reduction Plan to be published in 2022 - supporting UK's 2050 Net Zero
Steering Group established and Environmental Manager to be recruited

Environment

- Carbon reduction plan
- Recruit Environmental Manager
- Decarbonise fleet with use of electric vehicles
- Preparing for TCFD* requirements, in particular measurement of Scope 3 GHG emissions
- Telematics improving driver behaviour; use of LEDs
- Fleet renewal with latest Euro 6 engines

Social

- Launch of SAYE scheme
- 'Warehouse to Wheels' training programme
- Coronavirus adaptions
- Repaid furlough monies
- Charities:
  - Save The Children
  - Macmillan
- Support employees' volunteering efforts

Governance

- ESG steering group
- Driving awareness through DX of increasing importance and priority of environmental matters
- Balance investment in new technologies with long-term goal of maintaining sustainable profit and positive cash generation

*Financial Stability Board's Task Force on Climate-related Financial Disclosures

Driver shortages and supply chain disruption

- Challenges impacting industry as a whole
- Pressure on availability and basic salaries
- COVID impacted Collection & Delivery and Trunking operations
- Some local pressures
- Churn in more recently employed drivers
- Impact of summer on resource levels; some pressures easing

Responses and self-help measures

- ‘Warehouse-to-Wheels’ training programme
- Recruitment incentives
- Service adjustments
- Communication with customers
- Price rises to cover rising costs
- Focus on operations; importance of working smart
- Senior management more hands on in recruitment

Opportunities

Market volatility reducing

- Focus on service
- Tight grip on cost
- Pay the right rate

DX well-positioned

- Market opportunity
- Net new business
- Drive additional volume
- Technology improving customer experience

Network expansion

- 15 depots over next two years
- Nine major upgrades planned
- Strategic site acquisition
- Increasing efficiency
- Operational leverage

Customer service

- Local customer service
- High-quality, next-day service

Revenue & margin growth

- Continue to grow revenue in existing markets
- Focusing on improving margins via efficiency and productivity gains
- Significant opportunity in parcels

c.£20-25m 3-year investment programme

- Focus on depot expansion, equipment and IT
- Supports volume growth, service levels, efficiencies driving margin expansion
- In addition, opportunity for investment in strategic sites

Cash generative

- Business is intrinsically cash generative
- Strong balance sheet and cash flows underpin future investment
- Board to review growth plans and confirm dividend policy this financial year as part of capital allocation policy

Outlook

- Ongoing challenges around HGV shortages and supply chain disruptions being managed
- DX continues to win net new business and increase market share
- Remain confident of further progress

Supplementary Information

- Who We Are
- History
- Turnaround
- Case Study - Burnley
- ESG
- The Board
- Major Shareholders

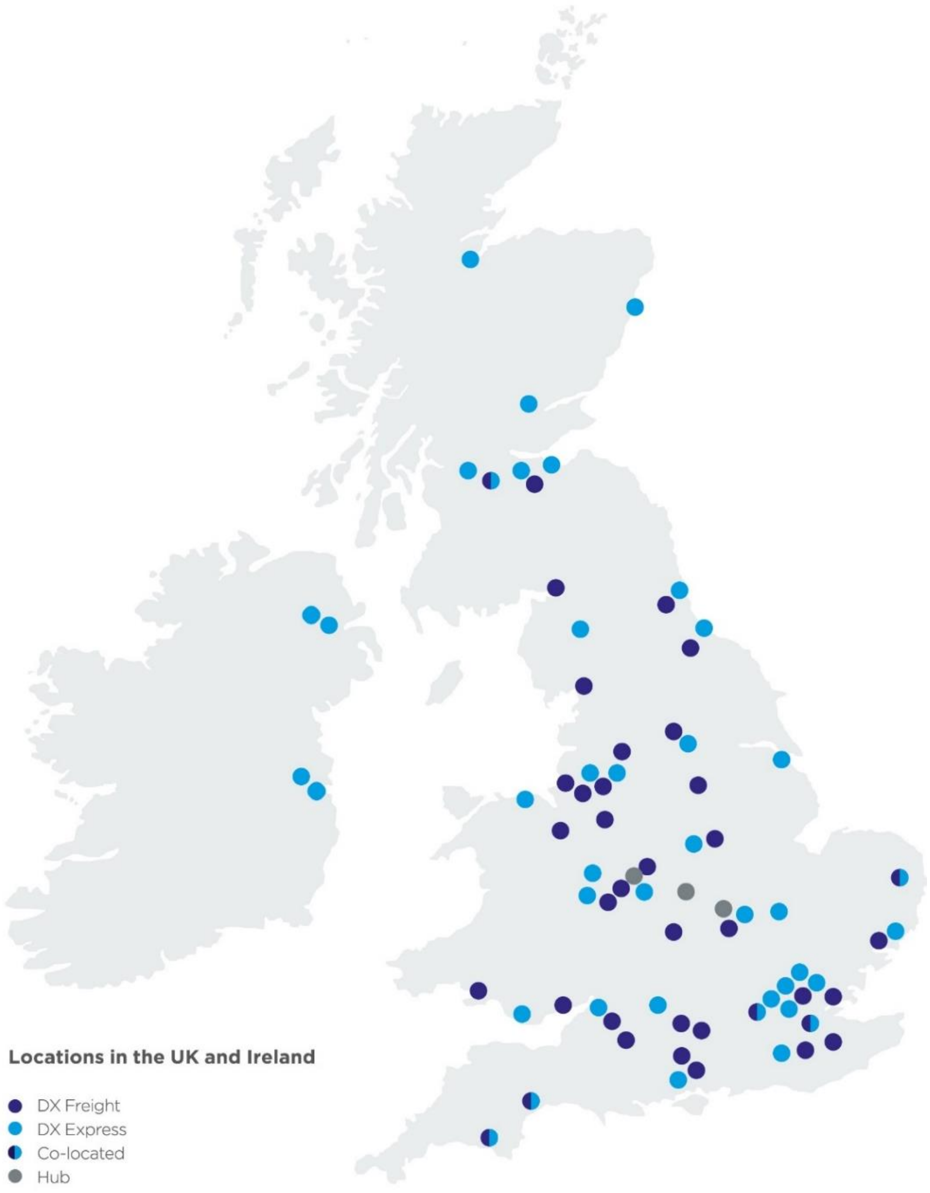
DX is a leading provider of a wide range of delivery services to both business (B2B) and residential (B2C) addresses throughout the UK and Ireland

100m items delivered in FY21

81 depots

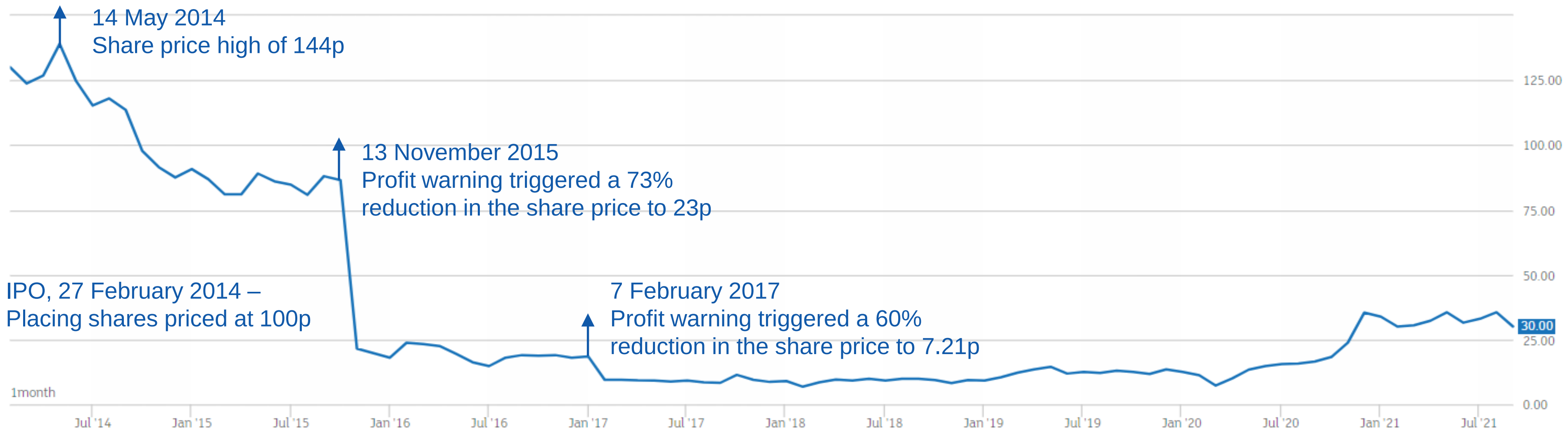
4,000 employees

2,600 collection and delivery routes



History

DX was established in 1975 initially offering a Document Exchange service through a network of fixed exchanges		
2006 - 2012	• Taken private (in 2006) followed acquisition-led expansion; with Nightfreight plc acquisition (2012) materially changing the scale and scope of DX, adding parcel, freight and logistics products	
2014	• February – IPO	
2015	• Profit warning, November	
2017	• Profit warnings, February and July • Talks with John Menzies opened in March; terminated in Aug	• New Board Directors appointed in October 2017 • Convertible Loan Notes (£24.0m) issued in October 2017
2018	• Turnaround plans announced with Interim Results in March • Balance sheet strengthened with cancellation of Loan Notes and replacement with new equity issuance	
2019	• Return to positive EBITDA	• Commencement of three year investment programme
2020	• Return to adjusted PBT despite coronavirus crisis and lockdown	
2021	• Return to Statutory PBT	



‘One DX’ strategy

- Focus on two divisions with separate networks
- DX Freight deeply loss-making

Lack of local responsibility

- Leadership
- Local GM with support from RDs
- Targets and incentives

Absence of commerciality

- Both divisions now have commercial function
- Right traffic, cubing and Revenue Protection Officers

Centralised sales

- Sales aligned to depots
- DX Freight now has strongest team in industry

Inefficient networks

- Volume has lead to greater efficiency and increase in delivery productivity
- Modernised fleet with right type of vehicles

Service levels

- Improved delivery performance
- Importance of customer service

Case Study – Burnley DX Freight Depot

Opened:	**October 2020**
Size:	**21,000 sq. ft.**
Routes:	**23**
Employees:	**67**

Benefits:

- Opening of Burnley depot allowed routes to be removed from Manchester, Kendal, Leeds and Liverpool depots, creating additional capacity
- 14 new routes added to existing depots as a result
- Stem mileage of regional routes reduced – Burnley's longest route marks a reduction of 100 miles a week compared to when it operated out of Kendal
- Locality and operational resource allowed for onboarding of a major account in Blackpool

ESG Details

ENVIRONMENTAL	SOCIAL	GOVERNANCE
• Continued focus on reducing Group carbon footprint • Courses in energy awareness and driver efficiency introduced in FY 2019 • Vehicle mix includes more efficient 7.5 tonne vehicles – Euro 6 compliant • CO2 emissions rose in FY 2021 due to higher level of activity • Carbon intensity per £1m revenue fell 7% • Vehicle telematics monitor driver behaviour and fuel efficiency	• Coronavirus; modified approach to ensure health and safety of employees and customers • Improvement in health and safety record over last five years • Bespoke e-learning solution is proving an effective method of engaging with employees to reduce risk • Road Risk Management Policy provides guidance for drivers in identifying and evaluating potential risks • ‘Warehouse-to-Wheels’ Programme	• QCA corporate governance code adopted • Regular assessment of Board effectiveness • Board has strict control over key areas of expenditure to ensure diligence in capital and people decisions • Senior management team has significant depth of industry experience • Strong governance ethos with appropriate Board sub-committees • Appointed Company Secretary during the year

The Board

RON SERIES Chairman	• Appointed Chairman in October 2017 • Highly experienced in business turnaround situations • Previously Chairman of Tuffnells Parcel Express (2002-05) during its successful turnaround
LLOYD DUNN Chief Executive Officer	• Appointed as CEO in October 2017 • 45 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
RUSSELL BLACK Non-executive Director	• Joined as NED in October 2017 • Over 40 years experience in transport, founder and CEO of Nightfreight plc from 1984 to 2002
PAUL GOODSON None-executive Director	• Joined as NED in October 2017 • Previously executive chairman of Great Bear distribution, and spent 13 years with Barclays Private Equity
IAN GRAY Non-executive Director	• Joined as NED in July 2017 • Has spent the past 30 years advising on business transformation and strategy development • NED at Clancy Group Ltd

Major Shareholders

	Number of Shares	Percentage Held
Hargreave Hale Limited	106,300,000	18.53%
Gatemore Capital Management LLP	104,103,538	18.15%
Lloyd Dunn	62,261,793	10.85%
Schroder Investment Management	31,995,687	5.58%
Lombard Odier Asset Management (Europe) Limited	30,075,631	5.24%
Ruffer LLP	23,750,000	4.14%
AXA Framlington Investment Management	19,428,815	3.39%

- Total number of ordinary shares in issue as of 5 November 2021: 573,681,792
- Number of shares held in treasury: none
- Total directors' shareholding 12.93%