

Interim Results

6 months ended 30 June
2022



AGENDA

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Business Review

Summary

Q&A

Management Changes

- Significant changes to the senior leadership team of Xpediator, both in management and on the Board
- Appointment of a new CEO, CFO and Non-Executive Chairman completed in June 2022
- Key focus is on providing clear and effective leadership of the Group, addressing the areas of under-performance and focusing management and their teams on profitable growth



Gillian Wilmot
Chairman

25 years as exec and non exec with companies in Tech, Retail, Logistics and Postal industries

Currently Chairman of Zoo plc and several private fast growth companies.



Mike Stone
CEO

Joined Xpediator Plc in June 2022 as Interim CEO

Over 35 years experience in the Parcels, Logistics, Transport and Postal industries



Richard Myson
CFO

Re-joined Xpediator Plc in June 2022 as Group CFO

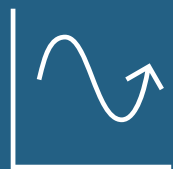
16-year career with Xpediator including 2 years as CFO before and after IPO

Executive Summary

"Xpediator is a good business, but it can be better still"



Trading



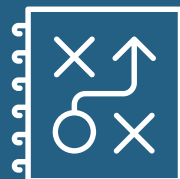
- 50% growth in total revenues – all European and some UK businesses are growing profitably
- Adjusted PBT impacted by specific, non-recurring adjustments
- UK Logistics and Delamode Anglia are the focus for targeted improvement actions
- Net debt has grown to £8.0m due to new facilities, increase in headcount and lack of focus on working capital

Review



- Business fundamentals are strong except in isolated cases
- Transformation and/or restructuring underway to address underperforming businesses
- Significant operational and cost efficiency potential in central functions

Future



- All divisions are well placed as we enter our traditionally stronger H2
- Maintain momentum of our businesses on the Continent
- Realise improvement in underperforming UK businesses in H2
- On track to achieve management expectations for the year

Financial Update



2022 Half Year Financial Highlights

(Unaudited)



Revenue

£189.3m ↑
H1 2021: £126.6m

Gross margin

21.7% ↓
H1 2021: 22.9%

Adjusted PBT

£3.1m ↓
H1 2021: £3.6m

Adjusted EPS

0.27p ↓
H1 2021: 1.58p

Dividend per share

n/a
H1 2021: 0.50p

Net debt

(£8.0m) ↑
H2 2021: (£4.8m)

Group revenue increased 50% to £189.3m (H1 2021: £126.6m) reflecting strong demand for the Group's services

Decline in GM (21.7% H1 2022 from 22.9% H1 2021) reflecting revenue mix and higher operating costs

Adjusted PBT of £3.1m (H1 2021: £3.6m)

Adjusted EPS of 0.27p (H1 2021: 1.58p)

Net debt increased to £8.0m due to:

- additional £5.4m Investec bank facility
- Increase in central costs
- Lack of rigour and focus on working capital

Financial Summary & Adjusted Profit Before Tax Reconciliation

(Unaudited)

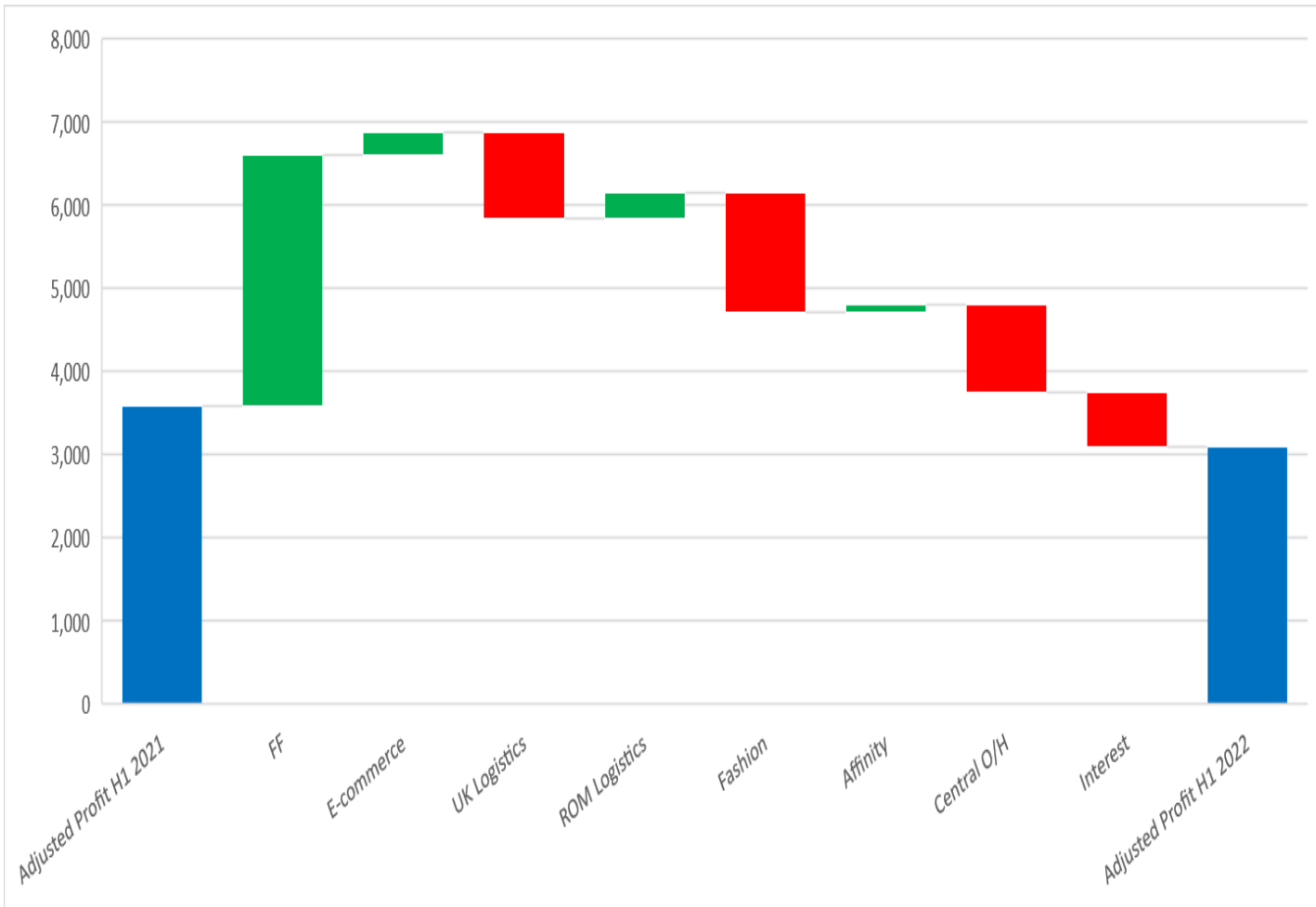
Half Year Ended 30 June 2022



	H1 2022 £m	H1 2021 £m
Revenue	189.3	126.6
Gross profit	41.1	28.9
Gross profit %	21.7%	22.9%
Profit before tax (as reported)	0.2	2.3
Exceptional items	0.3	0.4
Impairment of goodwill arising on acquisition	1.5	-
Amortisation of intangibles	0.7	0.7
Net Income Statement impact of application of IFRS 16	0.3	0.2
Adjusted profit before tax	3.1	3.6
Adjusted Earnings Per Share Basic (pence)	0.27	1.58
Dividend Per Share Basic (pence)	-	0.50

Analysis of Adjusted Profit Before Tax

(Unaudited)



**Adjusted PBT decreased £0.5m to £3.1m
(H1 2021: £3.6m)**

- Delamode Baltics activity up 80%: £3.5m
- Further investment in new Southampton Facility: (£0.7m)
- Beckton warehouse under utilised: (£1.4m)
- Braintree warehouse customer pricing: (£0.4m)
- Delamode Anglia performance issues: (£1.3m)
- Xpediator miscellaneous central costs: (£1.0m)
 - Costs for new debt facility (£0.3m)
 - Spenden management training

Financial Summary & Adjusted Profit Before Tax Reconciliation

(Unaudited)

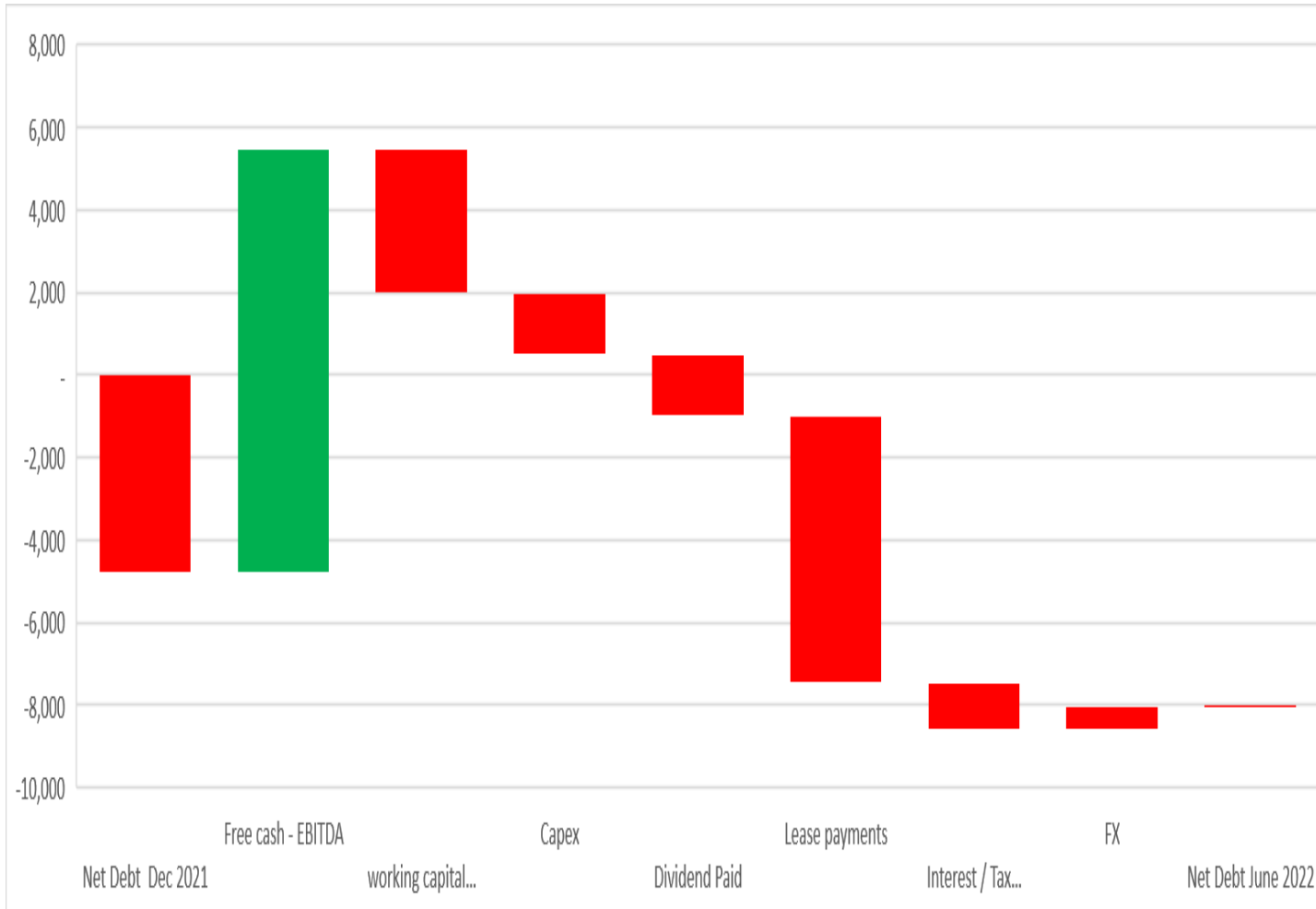
Half Year Ended 30 June 2022



	H1 2022 £m	YE 2021 £m	H1 2021 £m
BALANCE SHEET			
Non-current assets	84.3	85.7	54.7
Current assets	123.5	110.4	94.0
Total assets	207.9	196.1	148.7
Total equity	27.1	29.2	31.7
Non-current liabilities	58.7	55.2	27.2
Current liabilities	122.1	111.8	89.8
Total liabilities	180.8	166.9	117.0
Total equity and liabilities	207.9	196.1	148.7
WORKING CAPITAL EXTRACT			
Current trade and other receivables	113.9	98.5	82.6
Current trade and other payable	98.7	86.2	71.1

Analysis of Net Debt Position

(Unaudited)



**Net debt increased to £8.0m
(Dec 2021: £4.8m)**

- **New credit facility in the UK: (£5.4m)**
- **Sub-standard working capital management, primarily due to:**
 - **Poor implementation of Shared Services impacting Delamode Anglia AR function**
 - **Early payments to suppliers in European entities**
 - **Change in product mix e.g. sea freight growing faster than road freight**

Divisional Review



FREIGHT FORWARDING

Performance Overview

	H1 2022	H1 2021
Revenue	£155.5m	£100.8m
Operating profit	£5.9m	£4.1m

The Division specialises in moving freight, primarily internationally by road, rail, air and sea, and is Xpediator's core offering to the market

- Revenue increased £54.7m, 50% in H1 2022
- Operating profit also increased, but this division was the key driver for the decline in Group Adjusted Profit through the impairment of Delamode Anglia



Key Points

Substantial increase in revenue primarily driven by strong performances in Lithuania and Bulgaria

Other Baltic and CEE markets also performed well and contributed to the overall uplift in volumes that drove the increase in revenue

Operating Profit increased on a normalised basis but was adversely impacted by the £1.5m impairment of Delamode Anglia

Delamode Anglia, our largest freight forwarding business in the UK underperformed, although some areas of that business – air freight and customs clearance – are performing well

Our asset light model has generally provided protection from higher fuel prices



WAREHOUSING & LOGISTICS

Performance Overview

	H1 22	H1 21
Revenue	£30.1m	£22.9m
Operating profit/loss	£(1.8)m	£0.4m

The Division provides storage, fulfilment, transport and value added services from 6 sites in the UK and Romania under the Delamode and Pallex brands

- Revenues increased £7.2m in 2022
- Operating profit declined £2.2m
 - Primarily due to UK warehousing under performance
 - Comparison with 2021 not like for like

Key Points

Record performance from Pallex Romania and positive contribution from warehousing activity in Romania.

Operating loss stems from underperformance at the UK warehouses in Southampton, Braintree and Beckton

- Southampton: Cost overruns from 2021 and additional investment in H1 22 for 2022 peak period
- Beckton under utilised due to downturn of high street fashion industry
- Braintree customer profile inappropriate for the facility

Based on customer demand driven by Brexit, a presence has been established in the Netherlands and construction commenced for new 180,00 sq ft warehouse in Roosendaal, Holland

TRANSPORT SUPPORT SERVICES



Performance Overview

	H1 22	H1 21
Revenue	£3.7m	£3.0m
Operating profit	£1.4m	£1.3m

The Division trades principally under the Affinity brand, providing bundled fuel and toll cards and financial and support services for hauliers in Central Europe.

- Revenues increased £0.7m due to higher volumes, fuel price increases and the introduction of new products and services.
- Operating profit increased £100k

Key Points

H1 trading is back at pre-pandemic levels

H2 forecast is continued growth, fueled by higher fuel price

Business expanding its product range, primarily of core products e.g. introducing higher thresholds for VAT recovery to attract larger customers

Business Review

Reduce net debt



- Additional facility of £5.4m not factored into cash flow planning
- Working capital impacted by poor Shared Services implementation and management
- Additional management and staff hired for Shared Services increased payroll well beyond budgeted levels
- Working capital management was very poor in UK and not coordinated group-wide
- Unprofitable businesses exacerbate the problem by absorbing cash



The Shared Service is being unbundled and key services and functions are either being returned to the business units or near-shored to improve both performance and efficiencies



Much of the £500k spent in H1 was non-recurring and that which is still in place will be removed in the coming month or so



Detailed cash flow forecast now built. Trading improvements and cost saving programmes will improve cash position



The unbundling of the shared services will improve focus on debt collection



European entities have continued the process of faster payments to the secure the best hauliers, and improve margins, this will be closely monitored to match cash position to margin improvements

Transform Delamode Anglia



- European and other UK forwarding businesses are profitable with better margins
- High turnover of Anglia staff and management over past 12 months
- Integration of businesses into Anglia not well executed or maintained
- Creation of Shared Services adversely impacted Anglia, distancing key functions from the business
- Shortage of working capital damaging supplier relationships and adversely impacting on staff morale
- Ongoing IT system issues, both performance, functionality and integration with other systems



Significant impact in 2022 of 2021 accounting and financial processing errors. Virtually all are now identified, understood and recognised in H1 results



Shared Services being disbanded and returned to Delamode Anglia or near-shored where appropriate. Review of personal completed and changes made



Justas Versnickas, MD of Delamode Baltics, seconded to Delamode Anglia for foreseeable future. Senior management team restructured and incentivised for transformation



Receivables management refocused and revitalised with leadership and resource changes. Process changes are planned to achieve seamless "Order to Cash" processing



Plans to optimise IT landscape and performance are being finalised

Make UK Logistics profitable



- Significant delay to new building in Southampton in 2021 caused significant overspend which spilled into 2022
- Investment made 3-4 months earlier than previous years in equipment and staff for peak season 2022
- Beckton suffering historical accounting issues and handicapped by focus on high street fashion
- Braintree full but not profitable
- Construction of warehouse in Roosendaal (NL) has commenced

- ✓ New UK Logistics Director, appointed August 2022, brings 20 years of experience in fulfilment and contract logistics
- ✓ New Southampton building now fully operational and site better prepared for peak than in previous years
- ✓ A detailed productivity study has been carried out in Southampton, results being used for workforce planning and customer pricing
- ✓ Historical accounting issues at Beckton close to being resolved (end of Sept) and management now focused on new business acquisition
- ✓ Beckton's fit within the portfolio under constant review
- ✓ Storage and handling rates have been increased at Braintree, resulting in 40% of the space becoming available for more profitable business
- ✓ UK/Europe strategy to be fully reviewed and reconfirmed but initial customer demand for the Roosendaal facility is encouraging

Summary



delamode
International Logistics



Summary

- Despite H1 Adjusted Profit result, Xpediator overall is a healthy business with solid foundations, and the potential for much improved profitable growth
- New senior management team now fully acquainted with the business and flushed out most of the issues from the past.
- The key issues impacting Delamode Anglia and UK Logistics are known and are being addressed
- CEE countries continue to perform very well, in some cases with record results
- Net debt is at an unacceptable level, actions are being taken to stop the decline
- No interim dividend proposed at this time; final dividend will be reviewed at year end
- H2 has begun well and we are on track to deliver management expectations for the full year 2022



Questions?
Comments?
Feedback?