

## IDS Trading Update To The End Of December 2023

18-01-2024

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### Christmas trading period

- The Group saw a marked improvement in performance in the three months to 31 December 2023.
- Royal Mail achieved its best Christmas operational performance for four years, and met our customer commitment to deliver items posted by the last recommended posting dates in time for Christmas<sup>1</sup>
- Group revenues were up by 9.8% on the previous year, with Royal Mail winning back customers following last year’s industrial action.
- Actions to transform ways of working and implement changes agreed with the Communication Workers Union (CWU) in July 2023 already helping to drive improvements in quality of service, although more remains to be done.

### Nine months to 31 December 2023 and outlook

- Group revenues have performed well in a difficult macroeconomic environment, increasing by 3.8% with greater volumes in both Royal Mail and GLS.
- This has however been offset by increased costs, including pay increases and inflationary pressures.

“We are expecting a second-half operating profit, on an adjusted basis, to broadly offset the £169 million operating loss in the first

half, so our guidance for the full year remains at about breakeven excluding voluntary redundancy costs.

Martin Seidenberg, Chief Executive Officer of IDS plc, said:

“I would like to thank all my colleagues across Royal Mail and GLS for their extraordinary efforts delivering Christmas for our customers. This has led to a marked improvement in both trading and operational performance for Royal Mail over Christmas and we have continued to win-back customers. We need to build on this momentum.

“With Ofcom due to publish options for the future of the Universal Service imminently, now is the time for urgent action. We are doing all we can to transform, but it is simply not sustainable to maintain a delivery network built for 20 billion letters when we are now only delivering seven billion.”

### Royal Mail:

- Total parcel volumes increased by 21% and revenues increased 14.4% in Q3 as we won back customers lost during industrial action, and reflecting the impact of 15 days of industrial action in the prior period.
- Letter volume decline has returned to the long-established pattern of a 6-8% annually following the significant decrease during the pandemic (letter volumes down 31% compared to 2019-20 pre-pandemic levels).

- Letter revenues increased by **11.8%** as a result of price increases, but costs continue to rise as a result of inflation, pay awards and the high fixed costs of delivering the Universal Service
- Our determination to transform ways of working, and implement the changes agreed with the Communication Workers Union in July 2023, are starting to show results in terms of quality of service underpinned by:
  - New policies reduced sick absence by c.25% by end of December 2023 compared to prior year.
  - Increased recruitment of permanent employees on new, more flexible contracts, reduced reliance on agency staff.
  - New Quality Control Centre drove proactive intervention – consequently by end of December only 0.2% of our daily 54,000 walks were not resourced on any given day
  - Looking ahead, implementation of new indoor methods in delivery and later start times are expected to further improve performance.

**GLS:**

Continued robust performance against a challenging macroeconomic backdrop. Revenue growth in almost all markets. Cost pressures driven by inflationary effects, including the impact from higher minimum wages in some markets, and investments in strategic initiatives.

Volumes grew 5% year on year in the nine-month period; revenue growth of 5.4% in Sterling, 4.3% in Euros (including acquisitions and working day effects<sup>2</sup>), driven by higher parcel volumes, partly mitigated by weaker freight revenues.

Strong Q3 volume growth in Spain, enabled by additional capacity coming from the new hub in Madrid.

Continued to accelerate improvements in digital propositions, expanding the development of our out of home solutions in key markets and increasing the use of technology in distribution centres.

As announced separately today, Michael Snape has been appointed Group Chief Financial Officer (CFO) of IDS plc, effective immediately.

Source: [Royal Mail](#)