

Royal Mail plc Full Year Results 2016-17

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Moya Greene, Chief Executive Officer, commenting on the results, said:

"We have made good progress against all of our strategic priorities. This has been a more challenging period for UK businesses and we have come through it well.

"Our multi-year focus on costs is a key priority. We are on track to avoid around \pounds 600 million of annualised costs in UKPIL by 2017-18. We are past the peak of investment; we now expect net cash investment of around \pounds 450 million in 2017-18.

"GLS is performing very well and is growing revenue organically and through acquisitions. Its deep expertise and focus on B2B parcels in multiple geographies – now 41 European countries and seven states in the US – positions it to be a greater force for growth for the Company. We will continue to invest in careful and focused international expansion by GLS.

"Through a combination of our strategic approach to costs and more efficient investment spend, we will support our progressive dividend policy with the in-year trading cash generation of the Group."

Group financial summary¹

Reported results (£m)	52 weeks ended52 weeks 26 March 2017 27 March				
Revenue	9,776				
Operating profit before transformation costs	490				
Operating profit after transformation costs	353				
Profit before tax	335				
Basic earnings per share – continuing operations (pence)	27.5p				
In-year trading cash flow	420				
Net debt	(338)				
Proposed full year dividend per share (pence)	23.0p				
Adjusted results (£m)					
Revenue	9,776				
Operating profit before transformation costs	712				
Operating profit after transformation costs	575				
Margin	5.9%				

Margin5.9%Profit before tax559Basic earnings per share (pence)44.1p

Business units



		Revenue		Adjusted op el/aRills grove fitberface down two per cent. Parcel revenue increased by the transformation destinated by five per cent.	
(£m)	52 weeks ended 26 March 2017	52 weeks ended 27 March	Underlying change	UKPIL parcel volumes were up three per cent, driven by growth in Ro 52 weeks endepar52sweeks ended 26 March 2017 27 March 2016	
UKPIL	7,658	2016 7,671	(2%)	Addressed letter volumes (excluding the impact of political parties' ε • declined by six per cent. As previously stated, overall business uncer 548 mpacting letter 625	
GLS	2,118	1,580	9%	1684trategic focus du1.70sts drove a onepercent reduction in UKPIL unde before transformation costs. This is the third year of underlying UKPI	
Group	9,776	9,251	1%	712 742 UKPIL collections, processing and delivery productivity improved by 2 the better end of our target range.	
Group performance ^{1,2}					
We exceeded our 93.0 per cent regulatory First Class mail target, will Revenue was up one per cent on an underlying basis. Growth in GLS modeline of the part working day. We also exceeded our regulatory Qua decline in UKPIL revenue.					
 Adjusted operating profit before transformation costs was £712million, GLS performed well. Volumes and underlying revenue were up nine prevenue growth in almost all its markets from a broad customer bas 					
Adjusted operating profit margin after transformation costs increased on an underlying basis by 10basis points. As part of a careful and focused expansion by GLS, it acquired GSO i in Spain.					
Reported operating profit before transformation costs was £490 million. Outlook summary					
We are past the peak of investment spend. Net cash investment was £492 million compared to £656 million in 2015-16. Responding to challenging operating environment and continuing to cash generation.					
 In-year trading cash flow increased to £420 million. 					
Expect to keep in step with addressable UK parcels market ³ growth Net debt increased to £338million following the acquisition of Golden State Overhight Delivery Services Inc. (GSO) and Agencia Servicios Mensajería S.A.U. (ASM).					
Maintain outlook for addressed letter volume decline of between fou The Board is recommending a final dividend of 15.6 pence per ordinary share, giving the impact of political parties' election mailings) - total dividend of 23.0 pence per share for 2016-17, up four percent.					
Business performance ^{1,2} Continue to invest in GLS' careful and focused international exp for the Group.				Continue to invest in GLS' careful and focused international expansion for the Group.	
				Remain on track to avoid around £600 million of annualised operati 2017-18.	
				Expect net cash investment of around £450 million in 2017-18 and per annum going forward.	
				• Progressive dividend policy supported by in-year trading cash flow ge	



Source: Royal Mail Group

Reported results are prepared in accordance with International Financial Reporting Standards (IFRS). Adjusted results exclude the pension charge to cash difference and specific items, consistent with the way that financial performance is measured by Management and reported to the Board.

Movements are presented on an underlying basis. For further details of reported results, ²adjusted and underlying Alternative Performance Measures (APMs) used in the Financial Report for the full year ended 26 March 2017, including reconciliations to the closest IFRS measures where appropriate, see page 22.

Internal estimate based on Triangle Management Services/RMG Fulfilment Market Measure (2015); defined as individually addressed parcels and packets, generated and 3delivered in the UK, weighing up to 30kg, that do not require special handling. Includes access fulfilment large letters & parcels and exoJudes clickâ€□andâ€□collect, sameâ€[small local operators and all international traffic. Excludes Amazon Logistics and other retailers' ownâ€□delivery networks