

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 £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 £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 ended 26 March 2017 | 52 weeks 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 | |
| <i>Margin</i> | | 5.9% | |
| Profit before tax | | 559 | |
| Basic earnings per share (pence) | | 44.1p | |

Business units

| (£m) | Revenue | | Underlying change | Adjusted operating profit before transformation costs | |
|-------|------------------------------|------------------------------|-------------------|---|------------------------------|
| | 52 weeks ended 26 March 2017 | 52 weeks ended 27 March 2016 | | 52 weeks ended 26 March 2017 | 52 weeks ended 27 March 2016 |
| UKPIL | 7,658 | 7,671 | (2%) | 545 | 545 |
| GLS | 2,118 | 1,580 | 9% | 168 | 177 |
| Group | 9,776 | 9,251 | 1% | 712 | 742 |

Group performance^{1,2}

- Revenue was up one per cent on an underlying basis. Growth in GLS more than offset the decline in UKPIL revenue.
- Adjusted operating profit before transformation costs was £712 million, down six per cent.
- Adjusted operating profit margin after transformation costs increased on an underlying basis by 10 basis points.
- 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.
- In-year trading cash flow increased to £420 million.
- Net debt increased to £338 million following the acquisition of Golden State Overnight Delivery Services Inc. (GSO) and Agencia Servicios Mensajería S.A.U. (ASM).
- The Board is recommending a final dividend of 15.6 pence per ordinary share, giving a 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 expansion for the Group.
- Remain on track to avoid around £600 million of annualised operating costs in 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 growth.

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, adjusted 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 delivered in the UK, weighing up to 30kg, that do not require special handling. Includes access fulfilment large letters & parcels and excludes click&collect, same-day small local operators and all international traffic. Excludes Amazon Logistics and other retailers' own delivery networks

