

Royal Mail plc Full Year Results 2016-17

18-05-2017

Royal Mail plc (RMG.L) today announced its results for the full year ended 26 March 2017.

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ended 26 March 2017.	

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 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%		
Profit before tax	559		
Basic earnings per share (pence)	44.1p		

Business units



Revenue				Adjusted op bit Rhing ever fittle enfase down two per cent. Parcel revenue increased by that tenter nemations destined by five per cent.		
(£m)	52 weeks ended 26 March 2017	52 weeks ended 27 March 2016	Underlying change	UKPIL parcel volumes were up three per cent, driven by growth in Ro 52 weeks endeparts sweeks ended 26 March 2017 27 March 2016		
UKPIL	7,658	7,671	(2%)	Addressed letter volumes (excluding the impact of political parties' є • declined by six per cent. As previously stated, overall business uncer 548mpacting letter 625		
GLS	2,118	1,580	9%	1694trategic focus dr17osts 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		
Group po	rformanos1,2			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 in delivered the part working day. We also exceeded our regulatory Quadecline in UKPIL revenue.

- Adjusted operating profit before transformation costs was £712million GLS wife from the first production of the first profit before transformation costs was £712million GLS wife from the first profit before transformation costs was £712million GLS wife from the first profit before transformation costs was £712million GLS wife from the first profit before transformation costs was £712million GLS wife from the first profit before transformation costs was £712million GLS wife from the first profit before transformation costs was £712million GLS wife from the first profit before transformation costs was £712million GLS wife from the first profit before transformation costs was £712million GLS wife from the first profit before transformation costs was £712million GLS wife from the first profit before transformation costs was £712million GLS wife from the first profit before transformation costs was £712million GLS wife from the first profit before transformation costs was £712million GLS wife from the first profit before the
- 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 market³ growth cent due to IT-enabled improvements.
- Net debt increased to £338million following the acquisition of Golden State Overnight nabled improvements.

 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 shale, giving a fend of range of decline in 2017-18 if business uncertainty persists.

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 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 $\ensuremath{\text{g}} \varepsilon$



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, 2 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 3delivered in the UK, weighing up to 30kg, that do not require special handling. Includes access fulfilment large letters & parcels and exoludes clickâ€□andâ€□collect, sameâ€I small local operators and all international traffic. Excludes Amazon Logistics and other retailers' ownâ€□delivery networks