International Post Corporation

COVID-19 update and Directorate change

15-05-2020

KEY POINTS Royal Mail (RMG.L) today provides a business performance and COVID-19 update and announces: i) senior management changes; and ii) its approach to remuneration for 2019-20. The Board and Rico Back have agreed he will step down as Group CEO, and from the Group Board, with immediate effect. Keith Williams becomes interim Executive Chair of Royal Mail Group and Stuart Simpson becomes interim CEO of Royal Mail (UKPIL). No bonuses will be paid to Executive Directors for 2019-20. Around £25 million has been set aside for cash awards for frontline staff, in recognition of their role during COVID-19.

Performance, current trading (Monday 30 March 2020 to Sunday 3 May 2020) and financial position:

Year on year UKPIL revenue down £22 million in April.
Substantial switch from letters to parcels in the UK. UK parcels volume up 31 per cent and revenue up 20 per cent.
308 million fewer addressed letters (down 33 per cent). Letter revenue down 23 per cent, offset, in part, by 36 million more parcels.
UKPIL costs up £40 million, driven by overtime and agency resource costs due to high levels of absence, the introduction of social distancing measures and PPE.
GLS situation still evolving. Shift from B2B to B2C parcels across all markets in the UK and overseas.
Significant volatility in parcel volumes as COVID-19 pandemic has developed across key markets.
Liquidity position remains strong. Total liquidity (including undrawn facilities) around £1.8 billion. The Group has the ability to access the Covid Corporate Financing Facility (CCFF), if required.
Following engagement with key stakeholders on a package of potential measures for the UK business, we will provide a further update on 25 June 2020, along with Full Year Results 2019-20, to cover possible outcomes for 2020-21, together with actions to: i) mitigate the impact of COVID-19; ii) minimise losses in UKPIL; and iii) ensure a sustainable long-term business.

COVID-19 update

Royal Mail is continuing to deliver to 30 million households across the UK, fulfilling a vital role with respect to the collection and delivery of parcels, home testing kits and Government information.
UK absence has fallen from a peak of over 20 per cent to 11 per cent currently. Just under £40 million has been committed to spend on PPE. Fewer than 200 people are on the Government furlough scheme.
In response to employee feedback, and the pronounced shift from letters to parcels, we

have implemented a temporary relaxation of the Universal Service, with five-day letter delivery. Saturday deliveries are scheduled to resume on 13 June 2020.

Management changes

The Board and Rico Back have agreed he will step down as Group CEO and from the Group Board with immediate effect, and leave Royal Mail on 15 August 2020.
Rico Back started his career in Royal Mail's parcels operation, General Logistics Systems (GLS) in 1989, which he developed into a leading European-wide parcels company with subsidiaries in the US and Canada. In 2016 he became responsible for the entirety of Royal Mail Group's parcels and international business and was appointed to Royal Mail's Chief Executive Committee. He was appointed Group CEO in June 2018.
Keith Williams will assume the role, with immediate effect, of interim Executive Chair to lead discussions with stakeholders about an accelerated pace of change across the business. He is expected to remain in this executive role until a permanent CEO of Royal Mail (UKPIL) is appointed.
Keith Williams joined the Board in January 2018. He took over as Audit Chair in July 2018 and became Chairman in May 2019. He is experienced in business transformation and industrial relations. He was previously Chairman and CEO of British Airways Plc. He was Deputy Chair of employee owned retailer John Lewis until April 2020. He is currently Chairman of UK retailer Halfords Plc.
Stuart Simpson has been appointed interim CEO of Royal Mail (UKPIL). This is a Board appointment. Mick Jeavons will be interim Group CFO.
We will conduct a comprehensive internal and external search for a permanent CEO of Royal Mail (UKPIL). In order to ensure greater focus, this permanent CEO of Royal Mail (UKPIL) will report directly to the Board once Keith Williams returns to his Chair's role.

Remuneration

In recognition of the role played by frontline staff, around £25 million has been set aside to be paid as a cash bonus. Frontline colleagues who, since March, have been at work throughout the crisis will receive a cash recognition award of up to £200 in June.
The Board has determined that no bonuses will be paid for 2019-20 to Executive Directors.

Keith Williams, Chair, Royal Mail plc, said: "Rico Back has made a significant contribution to the evolution of our business over his 20 years with us, particularly in building our international parcels business and developing our Group strategy, which recognised the urgent need for change to create a sustainable business for the future. On behalf of the Board, I would like to extend my thanks to Rico and wish him well in the future."

Rico Back, Group CEO, Royal Mail plc, commented: "It has been a privilege to lead a Company that is so much a part of UK life at this crucial time in its history. I am proud of what I, together with our dedicated and loyal

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team, helped to build in Royal Mail and GLS. I look forward to seeing Royal Mail transform into a parcels-led, international delivery company, that continues to touch the lives of millions across the world."

Source: Royal Mail

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