International Post Corporation

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.

Royal Mail plc (RMG.L) today announced its results for the full year 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 summary[1]

Reported results (£m)	52 weeks ended 26 March 2017	52 w... e... 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

(£m)	Revenue			Adjusted operating profit before transformation costs	
	52 weeks ended 26 March 2017	52 weeks ended 27 March 2016	Underlying change	52 weeks ended 26 March 2017	52 weeks ended 27 March 2016
UKPIL	7,658	7,671	(2%)	548	625
GLS	2,118	1,580	9%	162	117
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 £712million, down six per cent.
- Adjusted operating profit margin after transformation costs increased on an underlying basis by 10basis points.
- Reported operating profit before transformation costs was £490 million.
- 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 £338million 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]

- UKPIL revenue was down two per cent. Parcel revenue increased total letter revenue declined by five per cent.
- UKPIL parcel volumes were up three per cent, driven by growth in parcels.
- Addressed letter volumes (excluding the impact of political parties' declined by six per cent. As previously stated, overall business unc impacting letters.
- Strategic focus on costs drove a onepercent reduction in UKPIL ur costs before transformation costs. This is the third year of underlyi reduction.
- UKPIL collections, processing and delivery productivity improved b at the better end of our target range.
- We exceeded our 93.0 per cent regulatory First Class mail target, v delivered the next working day. We also exceeded our regulatory C target of 98.5 per cent for Second Class Mail.
- GLS performed well. Volumes and underlying revenue were up nin achieved revenue growth in almost all its markets from a broad cus
- As part of a careful and focused expansion by GLS, it acquired GS ASM in Spain.

Outlook summary

- Responding to challenging operating environment and continuing t sustainable cash generation.
- Expect to keep in step with addressable UK parcels market[3] growt cent due to IT-enabled improvements.
- Maintain outlook for addressed letter volume decline of between fo annum (excluding the impact of political parties' election mailings) - higher end of range of decline in 2017-18 if business uncertainty p
- Continue to invest in GLS' careful and focused international expans growth for the Group.
- Remain on track to avoid around £600 million of annualised operat 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 Group.

Source: [Royal Mail Group]

[1] 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.

[2] 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.

[3] 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 y excludes clickâ€?andâ€?collect, sameâ€?da small local operators and all international traffic. Excludes Amazon Logistics and other retailers' ownâ€?delivery networks.