

Trading update five months to August 2021

23-09-2021

Given the unprecedented impact of the COVID-19 pandemic, for FY2021-22 we committed to providing bi-monthly updates on volume and revenue performance. Performance for the five months to August and the two months of July and August combined is detailed below.

Keith Williams, Chair, commented: "The first five months saw continued revenue growth across the Group, with both Royal Mail and GLS reporting higher revenues than the prior year."

"In Royal Mail, we are increasingly confident that domestic parcels are re-basing at a significantly higher level than pre-COVID and believe we are maintaining our share of the market. Domestic parcel volumes are up around a third compared to pre-COVID. Domestic parcels performance continues to be more robust against ongoing challenges in international. Whilst we continue to expect further normalisation of parcel performance as we unwind from the pandemic and anticipate some upward pressure on costs, both adjusted operating profit and margin are expected to be higher in H2 compared to H1."

"GLS continues to deliver good volume and revenue growth, both year on year and against 2019. Whilst we are seeing upward pressure on costs in a number of our markets, we maintain our outlook for the full year of low single digit % revenue growth and c. 8% operating margin."

YEAR TO DATE PERFORMANCE- FIVE MONTHS TO AUGUST 2021

Group

Revenue: Grew by 8.2% year on year and by 17.7% compared to the same period in 2019;

Royal Mail

Revenue: Increased by 7.2% year on year and by 12.1% vs. the same period in 2019;
Domestic parcel revenue: Grew by 4.1% year on year and by 44.5% the same period in 2019;
Domestic parcel volume: Decreased by 5% year on year, but grew 34% vs. the same period in 2019;
Total parcel revenue: Grew by 0.1% year on year and by 33.3% the same period in 2019;
Total parcel volumes: Decreased by 12% year on year but grew by 18% vs. same period in 2019;
Total letter revenue: Increased by 18.3% year on year and declined by 7.3% the same period in 2019.
Addressed letter volumes (excluding elections): Increased by 13% year on year and declined by 19% the same period in 2019;

GLS

Revenue: Increased 9.3% year on year and by 30.5% vs. the same period in 2019.
Volume: Increased by 9% year on year and by 30% vs. the same period in 2019.

Royal Mail

Domestic parcel volumes increased by 34% compared to pre-COVID levels (April to August 2019), broadly similar to the trend seen in Q1. Reflecting the removal of lockdown restrictions during the summer, domestic volumes decreased by 5% compared to the

same period last year, which included the first lockdown and closure of non-essential retail.

Total parcel volume declined by 12% year on year in the five months to August, a result of reduced volumes in international which has been impacted by a number of factors previously outlined, including increased customs processing and reduced air freight capacity. Enhanced customs clearance capabilities, which come into effect in the second half of the year, and a focus on driving additional import volumes is targeted to support an improved outlook for international in H2 vs H1.

Domestic parcel revenue grew by 44.5% compared to the five months to August 2019, due to volume growth and positive price/mix. Total parcel revenue grew by a third, reflecting our performance in international, which we believe is in line with market changes. Year on year domestic parcel revenue grew by 4.1%, with total parcel revenue broadly flat.

Addressed letter volumes (excluding elections) were down 19% compared to two years ago, reflecting the ongoing structural decline in letters. Year on year volumes grew by 13%, given the sharp declines seen at the start of the COVID-19 pandemic in 2020. Total letter revenue grew by 18.3% year on

year, reflecting volume growth and positive price/mix.

We are working closely with the CWU on deployment of our agreement and with the revisions activity progressing broadly to plan. We anticipate this will be completed by the end of October. From November, our focus will shift to securing the benefits, the significant majority of which are targeted to be delivered in the second half.

GLS

GLS delivered good volume and revenue growth, both year on year and vs. 2019.

Volume growth slowed during the period as a result of lapping strong volumes seen during the first COVID-19 lockdown in 2020 and the easing of restrictions in a number of countries over the summer. We continue to see the share of B2B increasing due to recovering B2B volumes, combined with slowing B2C volume growth compared to last year.

Revenue growth was 9.3% (13.6% growth in €) year on year and 30.5% (34.8% growth in €1) compared to 2019. Reported revenue growth was impacted by the strengthening of Sterling.

Source: [Royal Mail](#)