

than we believe is deliverable or desirable, although we accept that management's options are constrained."

Analysts said their overall initial reaction was that "punches have been pulled" as avoiding major job cuts was "understandable given the risk of an adverse union reaction, but with staff costs circa 70% of UKPIL costs this would seem to be dodging the main issue".

Russ Mould, investment director at AJ Bell, said Royal Mail had not flagged its dividend cut, unlike some of its FTSE 350 peers, though its recent dividend yield of almost 12% looked too good to be true.

"The cut is therefore another timely reminder to investors to think about how much risk they are taking with their capital when they look for income. The yield was so high because the market was - politely - suggesting that earnings and dividend forecasts were too optimistic and therefore demanding a very high yield in compensation for the risks associated with holding the paper."

Royal Mail shares were up more than 6% to 225.3p by Wednesday afternoon.

-- Adds broker comment and share price --

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