

Rentokil Initial

2013 Performance & Strategic Review

Andy Ransom, Chief Executive
Jeremy Townsend, Chief Financial Officer

28 February 2014



Rentokil Initial

This presentation contains statements that are, or may be, forward-looking regarding the group's financial position and results, business strategy, plans and objectives. Such statements involve risk and uncertainty because they relate to future events and circumstances and there are accordingly a number of factors which might cause actual results and performance to differ materially from those expressed or implied by such statements. Forward-looking statements speak only as of the date they are made and no representation or warranty, whether expressed or implied, is given in relation to them, including as to their completeness or accuracy or the basis on which they were prepared. Other than in accordance with the Company's legal or regulatory obligations (including under the Listing Rules and the Disclosure and Transparency Rules), the Company does not undertake any obligation to update or revise publicly any forward-looking statement, whether as a result of new information, future events or otherwise. Information contained in this announcement relating to the Company or its share price, or the yield on its shares, should not be relied upon as an indicator of future performance. Nothing in this presentation should be construed as a profit forecast.

Rentokil Initial

2013 Operating & Financial Review

John McAdam, Chairman



Rentokil Initial

2013 Operating & Financial Review

Andy Ransom, Chief Executive



Agenda For Today

2013 Operating & Financial Review



- Operational & Financial Highlights
- Review of Regional Performance
- Group Financials
- Guidance for 2014

Initial Facilities



- Deal Rationale
- Key Facts & Figures
- Balance Sheet & Funding
- Use of Proceeds

The Right Way - A Differentiated Plan for Shareholder Value



- Business Context
- Our New Plan: The Right Way
- Medium-Term Objectives

--Q&A--

2013 Financial Highlights

At constant exchange rates

- 2013 revenue, profit and cash performance in line with expectations
- Revenue £2.3bn (+3.2%), reflecting contribution from Western acquisition:
 - Quarter on quarter improvement in organic growth in core businesses: +1.1% in Q4, +0.5% for the year
- Adjusted operating profit £257.4m (+4.1%):
 - West region £117.5m (+14.8%), reflecting impact of Western acquisition with North America £37.2m (+25.3%), supported by 18.8% growth in UK & Ireland
 - Continued strong performance from Asia, with profits of £8.1m (+32.8%)
 - East region £183.5m (-2.1%) driven by weak performance in Benelux
- Profit before tax £122.6m at AER (+13.8%); 2012 impacted by refinancing one-off
- Operating cash flow £141.2m, down £53.6m due to working capital outflows and increased restructuring & capex costs
- Further expansion of global pest control presence through acquisition of 19 bolt-ons with combined revenues of £19m
- Recommended final dividend of 1.61p; full year dividend of 2.31p (10% increase year on year)

Solid financial performance despite ongoing economic challenges

Rentokil Initial

2013 Operating & Financial Review

Jeremy Townsend, Chief Financial Officer



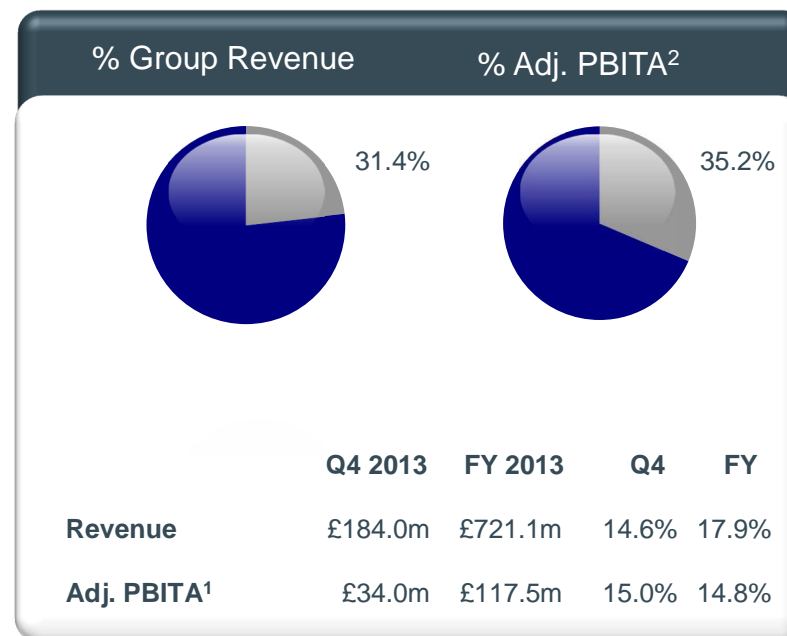
Financial Highlights (Continuing Operations)

	Q4			FY		
	2013 £m	2012 £m	△	2013 £m	2012 £m	△
Revenue at CER	579.6	570.6	1.6%	2,297.6	2,226.7	3.2%
Adjusted PBITA at CER	78.9	76.2	3.5%	257.4	247.3	4.1%
Adjusted PBTA at CER	63.8	63.5	0.5%	204.1	203.3	0.4%
Adjusted PBTA at AER	62.6	62.9	(0.5%)	206.2	203.3	1.4%
Operating Cash Flow at AER	104.6	113.0		141.2	194.9	
Adjusted EPS at AER				8.42p	8.24p	2.2%

CER = constant exchange rates

AER = actual exchange rates

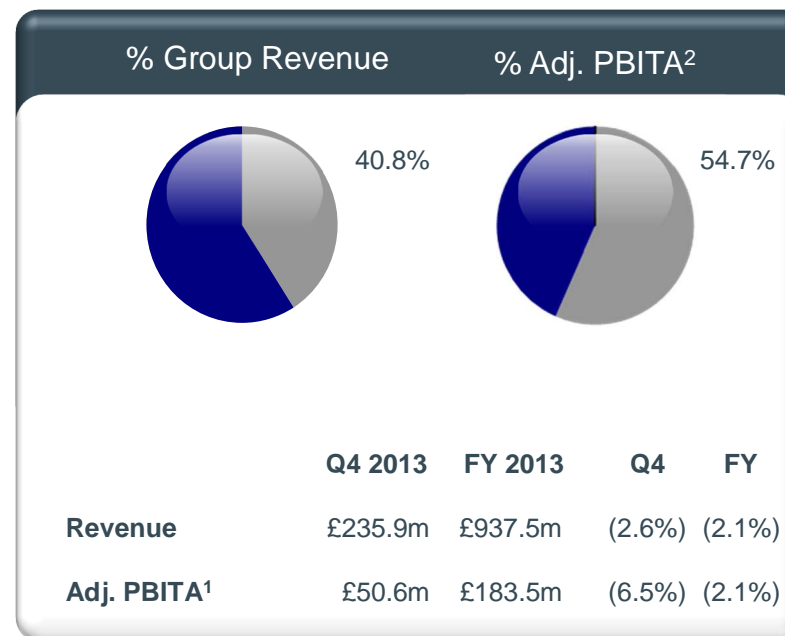
- Revenue +17.9% (+0.9% organic), profit +14.8%:
 - Revenue and profit growth driven largely by North America through 2012 acquisition of Western Exterminator
 - UK & Ireland revenue adversely impacted by tough economic conditions however cost savings have enabled good profit growth
 - Low single-digit revenue and profit growth from Rest of World reflecting solid performances by East Africa, the Nordics and the Caribbean
 - Marginal revenue decline in Europe reflecting ongoing economic challenges in Southern Europe and Holland
 - Prior-year acquisitions in Central and South America, Middle East, North Africa and Turkey trading in line with expectations
 - Integrated operating model implemented across the region underpinning net operating margins



¹ before amortisation and impairment of intangible assets, reorganisation costs and one-off items

² % excludes divisional overheads

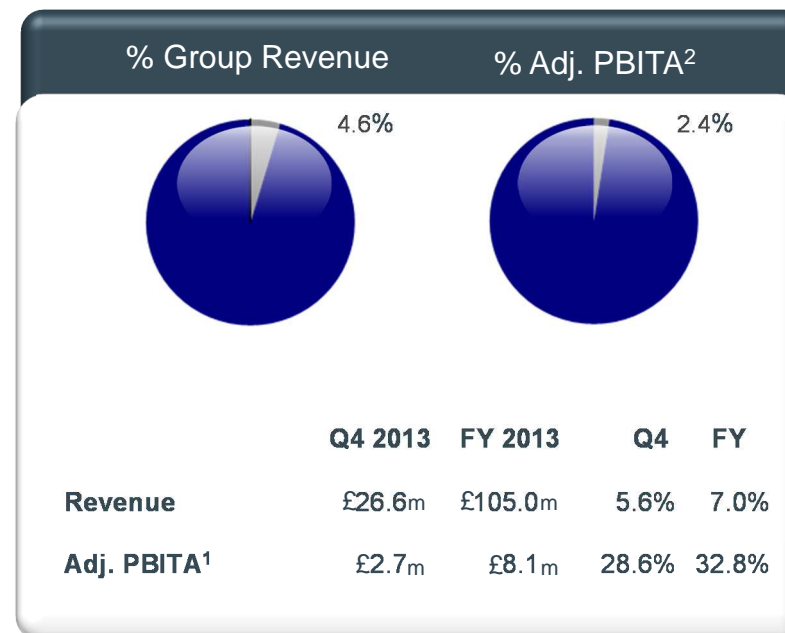
- Revenue -2.1% (-0.4% organic), profit -2.1%:
 - Continuation of difficult trading conditions in Europe
 - Benelux impacted by significant pricing pressure
 - Steady performance in workwear and hygiene in France supported by move to integrated operating model
 - Germany held back by impact of falling gold prices on Dental revenues
 - Pacific impacted by weak pest job sales
 - Significant investment in restructuring programme during the year – now largely complete



¹ before amortisation and impairment of intangible assets, reorganisation costs and one-off items

² % excludes divisional overheads

- Revenue +7.0% (+7.2% organic), profit +32.8%:
 - Good performances from pest and hygiene categories, reflecting ongoing market development
 - Combined revenue growth of 37% from India, China and Vietnam
 - Mid-single digit revenue growth from Malaysia building on strong 2012 performance
 - Profit growth reflects the leverage from revenue growth combined with ongoing productivity improvements



¹ before amortisation and impairment of intangible assets, reorganisation costs and one-off items

² % excludes divisional overheads

Interest

At actual exchange rates

Interest per Income Statement

Net Debt

Average net debt

Average interest rate on bank/bond/finance/lease debt

Interest on bonds/finance lease/RCF

Gross debt

Average gross debt

Average interest rate on bank/bond/finance/lease debt¹

£ million	
FY 2013	FY 2012
(60.0)	(48.6)
1,035	989
1,012	954
5.9%	5.1%
(61.6)	(51.2)
1,471	1,212
1,342	1,111
4.6%	4.6%

¹ Average interest rates will fall below 4% in April following repayment of the €500m 2014 bonds

Operating Cash Flow

At actual exchange rates

Adjusted PBITA

Reorganisation costs and one-off items

Depreciation

Non-cash items¹

EBITDA

Working capital

Movement on provisions

Capex

Fixed asset disposal proceeds²

Operating cash flow – continuing operations

Operating cash flow – discontinued operations

Operating cash flow

£ million	
FY 2013	FY 2012
261.9	247.3
(63.7)	(48.0)
205.2	197.1
10.8	16.8
414.2	413.2
(34.6)	(10.4)
(6.3)	(4.5)
(238.3)	(212.6)
6.2	9.2
141.2	194.9
(23.0)	(37.9)
118.2	157.0

¹ Profit on sale of fixed assets, IFRS 2 etc.

² Property, plant, vehicles

Free Cash Flow and Movement in Net Debt

At actual exchange rates

Operating cash flow

Cash interest
One-off items – financing
Special pension contributions
Financing - other
Cash tax

Free cash flow

Acquisitions & Disposals
Dividends
FX and other

Increase in net debt

Opening net debt

Closing net debt

£ million	
FY 2013	FY 2012
118.2	157.0
(51.2)	(44.2)
-	(31.4)
(13.6)	(12.5)
1.2	2.1
(37.2)	(35.6)
17.4	35.4
(10.0)	(82.8)
(38.6)	(36.2)
(14.1)	13.1
(45.3)	(70.5)
(989.5)	(919.0)
(1,034.8)	(989.5)

2014 Guidance

- Central and divisional overheads below £70m in 2014 (£10m reduction on 2013 H1 run-rate)
- Interest cost £50m – reflecting benefit of 2012 and 2013 refinancing
- Exchange rate volatility - c.£15m adverse impact to P&L from strengthening of Sterling
- P&L impact of restructuring costs c.£20m
- Adjusted effective tax rate 26%
- Cash flow guidance including impact of Initial Facilities disposal:
 - Working capital outflow £15m to £25m
 - Net capex £205m to £215m
 - Cash impact of restructuring £30m lower in 2014
 - Pension payments reduced to c.£3m per annum – to be paid into an ESCROW account
 - Interest and tax payments c.£5m higher reflecting phasing of bond interest payments
 - Impact of Initial Facilities disposal offset by City Link impact in 2014 versus 2013
- Significant improvement in free cash flow from lower working capital, capex and restructuring costs

Outlook

- Trading conditions expected to remain challenging across Europe (particularly Benelux); cost efficiencies expected to offset margin pressure
- Material improvement anticipated in free cash flow as restructuring and capex levels significantly reduced
- Divestment of Initial Facilities, together with sale of City Link in 2013, enables us to focus on core categories of pest control, hygiene and workwear

Emphasis on revenue, profit and cash gives us confidence in making further operational and financial progress in 2014

Rentokil Initial

The sale of Initial Facilities to Interserve Plc

Andy Ransom, Chief Executive
Jeremy Townsend, Chief Financial Officer

28 February 2014



Sale Rationale

- Indicated in 2013 that Initial Facilities was non-core: site based, UK-centric and sub-scale
- Disposal opportunity following market testing in late summer
- Proceeds reflect a fair price for the business based on market multiples
- Combined with 2013 sale of City Link, group can now focus on growth from three core categories of pest control, hygiene and workwear
- Significantly improves underlying financial metrics of group (e.g. net operating margins and APBITA growth) except for short term EPS
- Sale proceeds to enhance capability to fund M&A, implement progressive dividend policy and pay down debt



Profit on Disposal

At constant exchange rates

	£ million
Proceeds	250
Net Assets/deal costs	(110)
Profit on disposal	140
Net cash inflow	240

- Significant exceptional profit on disposal*
- No significant deal terms
- 12 month transitional service agreement
- Strong trading relationship to continue

* No tax liability on profit due to HMRC's Substantial Shareholdings Exemption

Key Financial Metrics – Profit

At constant exchange rates

	2013 £m	IF £m	Proforma 2013 £m
Revenue	2,298	534	1,764
<i>Organic Growth</i>	<i>-1.2%</i>	<i>-6.3%</i>	<i>+0.5%</i>
<i>Net Operating Margin</i>	<i>11.2%</i>	<i>4.8%</i>	<i>13.1%</i>
APBITA	257.4	25.8	231.6
Profit Before Tax	121.9	11.2	110.7
<i>APBITA growth</i>	<i>+4.1%</i>	<i>-13.1%</i>	<i>+6.4%</i>
<i>Adjusted EPS</i>	<i>8.4p</i>	<i>(1.2)p</i>	<i>7.2p</i>

Immediately improves group's financial metrics although earnings dilutive in short term

Key Financial Metrics - Debt

- Reduces net debt (immediate impact from £1.05bn to £0.80bn)
- Impact on key credit metrics

	Covenant	2013	Proforma 2013
Net debt / EBITDA	< 3.5 x	2.2 x	1.75 x
Interest Cover	> 4 x	8 x	8 x

- Credit rating – investment rating ‘BBB- positive outlook’ prior to disposal – improvement to credit metrics post divestment
- Pension Section 75 arrangements:
 - Agreement reached with trustee that provided sale proceeds are not used to fund special dividend or share buy back before the end of 2015, no payments required to pension fund

* Excludes Initial Facilities 2013 results and includes impact of consideration assuming full year on debt and interest

Use of Sale Proceeds

- Balance sheet flexibility for further M&A
- Increased capacity for progressive dividend policy given reduced gearing combined with our plans for increase in underlying free cash flow
- Debt reduction consistent with our medium-term intention to achieve BBB credit rating

**Delivers greater focus to the group and significantly improves
underlying financial metrics**

Rentokil Initial

THE **R**IGHT WAY

A Differentiated Plan for Shareholder Value

Andy Ransom, CEO
Jeremy Townsend, CFO

28 February 2014



Agenda

1. Business Context

- Last five years – significant investment to address business challenges
 - Major operational progress
 - But financial performance held back while changing organisation, systems and ways of working
 - Challenging economic back-drop

2. The New Plan: The RIGHT Way

- Building on the platform
- Clear on **how** we will run the business to deliver profitable growth
 - Focus: a new model
 - A differentiated plan to drive growth strategies and investment decisions

3. Medium-Term Objectives

- Mid-single digit revenue growth, supported by M&A
- High-single digit profit growth, leveraging revenue ambitions
- Significant sustainable improvement in free cash flow:
 - M&A investment ~£50m pa
 - Progressive dividend policy
 - Incremental reduction in debt

A platform to deliver profitable growth has been created



Significant Structural Change Over Last Five Years

Business Context

	Where We Were	Action Taken	Progress: 2008-2013
Business Focus	<ul style="list-style-type: none"> Many businesses in decline Five businesses in intensive care Low morale, poor safety record 	<ul style="list-style-type: none"> Intensive care businesses addressed Disposals - City Link, Initial Facilities Measurement in place - YVC 	<ul style="list-style-type: none"> Core businesses returning to growth Clear focus: Pest, Hygiene & Workwear Engagement high; LTA now below 1.0
Customer Service	<ul style="list-style-type: none"> Variable to poor service (eg UK Hygiene 78% state of service) 	<ul style="list-style-type: none"> Embedded account management Strengthened category capability Measurement in place - CVC 	<ul style="list-style-type: none"> State of service consistently at 98% Retention up from 81% to 85% New ranges for Hygiene & Workwear
Systems & Processes	<ul style="list-style-type: none"> Plethora of systems varying by category and country 	<ul style="list-style-type: none"> £100m investment in key operating and financial systems 	<ul style="list-style-type: none"> Core suite of applications structured around common processes
Profitability	<ul style="list-style-type: none"> Cost base rising significantly above price inflation Group margin 10.5% 	<ul style="list-style-type: none"> Tight cost control and productivity Integrated Country Operating Model Restructuring investment of £200m 	<ul style="list-style-type: none"> Cost savings of £30-40m pa Restructuring largely complete Group margin 13.1%
Cash and Debt	<ul style="list-style-type: none"> Net debt of £1,360m Dividend put on hold Credit rating BBB- negative outlook 	<ul style="list-style-type: none"> Key focus on cash conversion 	<ul style="list-style-type: none"> Paid down £330m of debt Reinstated dividend Rating BBB- positive outlook
Acquisition Strategy	<ul style="list-style-type: none"> Many acquisitions but poorly executed 	<ul style="list-style-type: none"> Focused acquisitions at right price Aligned to category strategy 	<ul style="list-style-type: none"> Consistent IRR in excess of 20% Entered 10 new markets

Business challenges largely addressed and we have a stable platform for growth

Building On This Platform To Deliver Profitable Growth

Business Context

- Operational challenges distracted from delivering the profitable growth agenda
 - Protracted period of change while addressing business challenges and culture
 - Had to be inwardly focused while fixing a broken system
 - Driving consistency from the centre constrained businesses from adapting to local market needs
- Now we can capitalise on these operational gains but focus the businesses for growth
 - The generic business model has served its purpose – need to reflect local market and competitive positions
 - Continue to build on our core competencies and best practice but apply with more local entrepreneurship
- Well placed to deliver profitable growth:
 - **Organic growth:** Core businesses now delivering modest growth
 - **Maintain margins:** Maintaining operating margins through productivity and overhead reduction
 - **Cash:** Strong balance sheet, highly cash generative business, now will benefit from lower capex and restructuring largely complete
 - **M&A:** Accelerate growth and enhance profitability through focused acquisitions
 - **European economy:** Well positioned to take advantage, when economic position improves

Implementing a new model defined by
the drive for profitable growth

THE **R**IGHT WAY

Our plan to deliver profitable growth
and shareholder value



Building On This Platform To Deliver Shareholder Value

The New Plan

Driving Higher Revenue

- **Focus** on what we are good at:
 - Our chosen categories
 - Strength in core competencies
- Local management freed up to drive local sales growth
- Applying operational levers but flexed to local environment

Sustainable Profit Growth

- Restructuring largely complete
- Significant reduction in central and divisional overheads
- Low cost regional and country operating model
- Service productivity
- Pricing and margin management

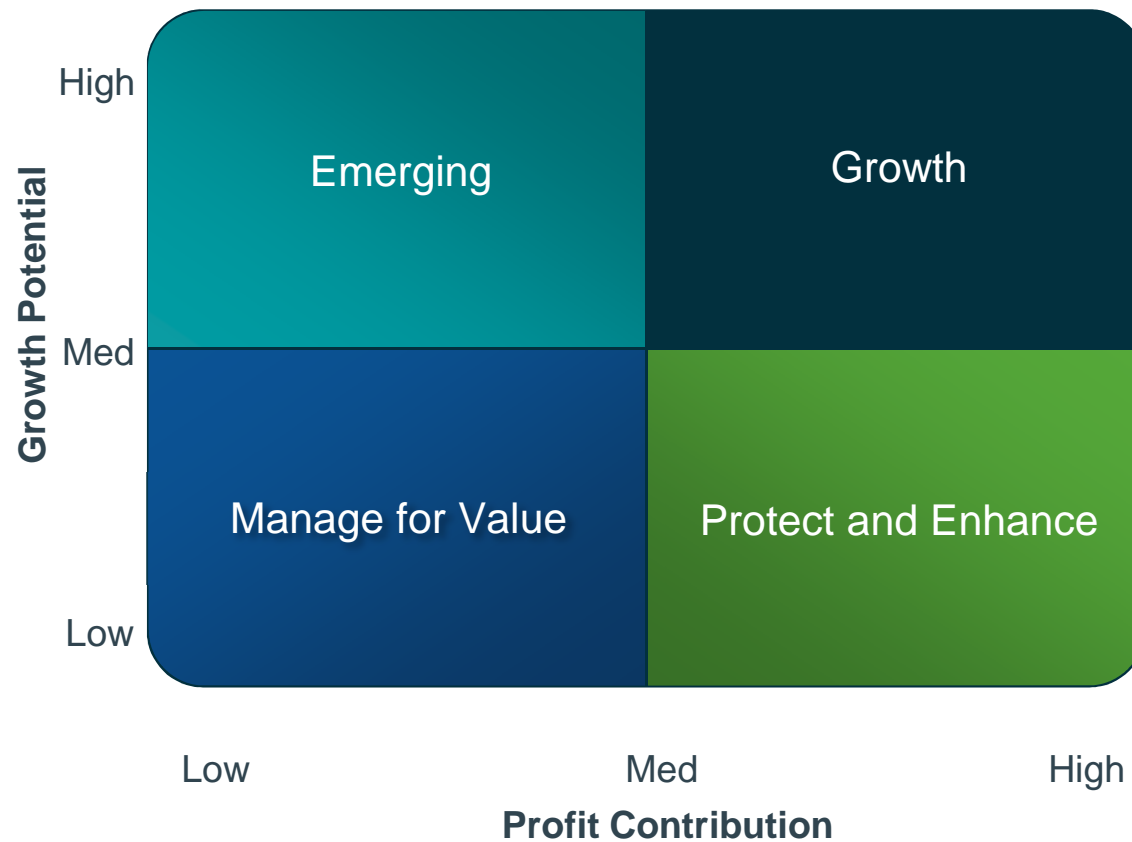
Increasing Cash Conversion

- Increase operating cash conversion
 - Manage working capital tightly
 - Capex in line with depreciation
 - Cutting out restructuring costs
- Balanced use of cash
 - Investment in M&A
 - Progressive dividend policy
 - Incremental reduction in debt

THE RIGHT WAY Differentiated | Sharing Best Practice | Working as a Group | Delivering at Pace

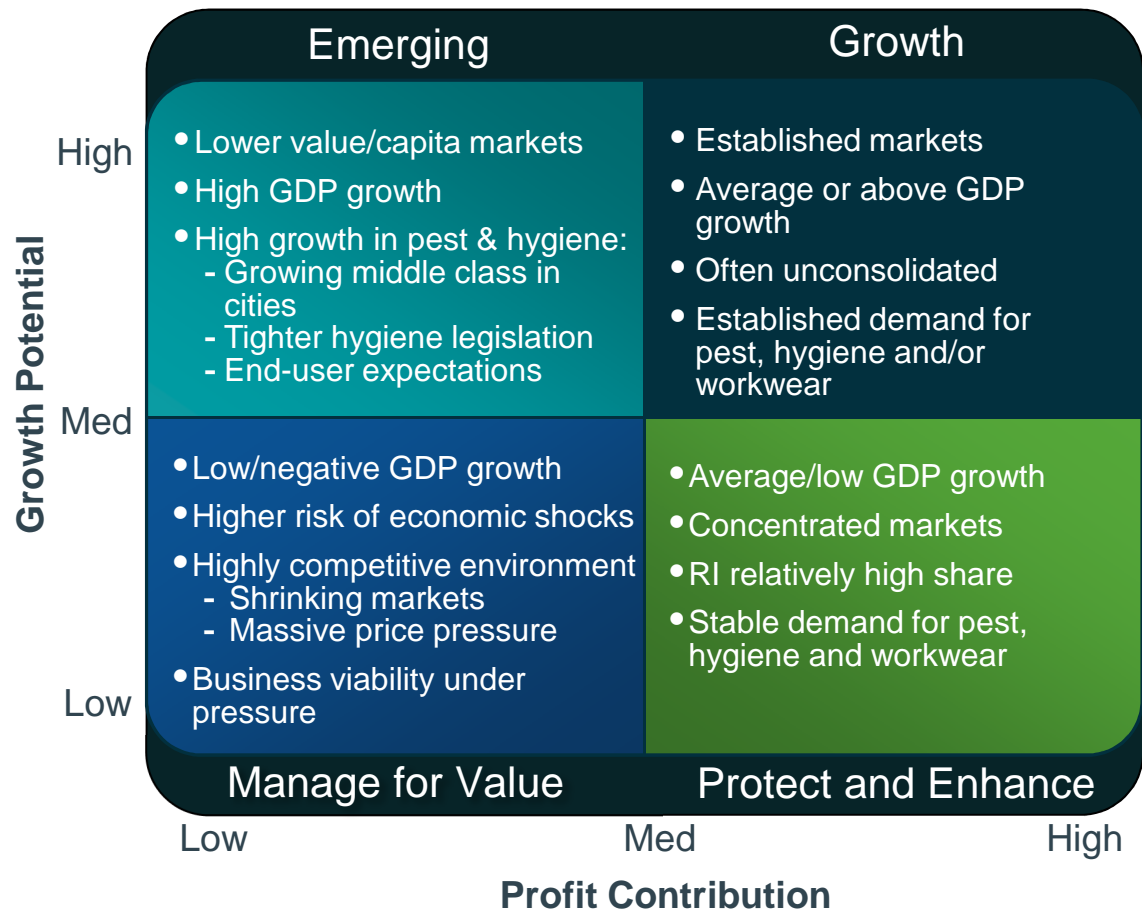
Bringing Focus To What We Do Through Differential Strategies

The New Plan



Using our Business Profiling Matrix....

...to flex business strategies



- Relative emphasis on growth levers
 - Targeting our offer to right customers
 - Sales effectiveness
 - Retention and growth initiatives
- Portfolio management to deliver balanced shareholder return
 - Setting growth, profit & investment objectives by quadrant
 - Differential IRR hurdles for acquisitions and investment
 - Targeted acquisitions

The Rentokil Initial Model

The New Plan

Our Business Organisation

Strong Regional Businesses



- Europe
- North America
- Asia
- Pacific
- UK & Rest of World

Our Core Competencies

Category Leadership



Our Colleagues As Experts



Lean, Multi-Business Ops



Managing for Profitable Growth

Six Operational Growth Levers

- Targeting our Offer
 - Where to Play
 - Mastering our Markets
- Sales Effectiveness
 - Building the Pipeline
 - Sales Brilliance
- Retention & Growth
 - Delivering Our Promise
 - Engaging Our Customers

Differential Strategies

Growth	Emerging	Growth
	Manage for Value	Protect and Enhance
		Profit

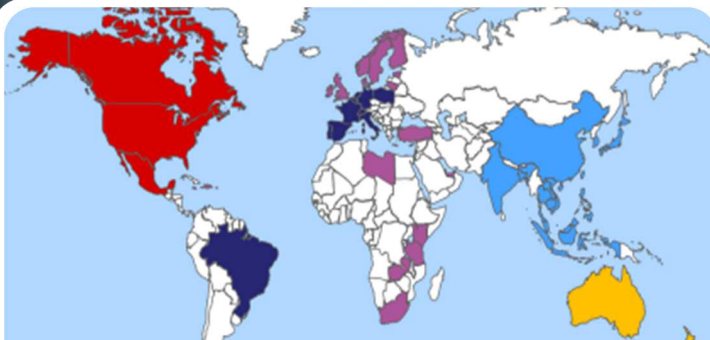
Enhanced by focused M&A

Strong Regional Businesses

Logical Structure that Ends Period of Organisational Change



Our Business Organisation...



2013 Revenue (£m)		
Europe	860	49%
North America	341	19%
Asia	105	6%
Pacific	150	9%
UK & RoW	308	17%
Group	1,764	100%

...Strong Regional Businesses



- Five geographic regions run by experienced regional management teams.
- Logical approach fits neatly with our integrated country operating model.
- Pragmatic where we can benefit *quickly* eg RoW countries working with a very strong UK area team and introducing of many operational innovations.

Strong Regional Businesses

Building on Regional Strengths



	Growth (3 yr CAGR to 2013)		*Op Margin	Overview
	Revenue	Op Profit		
Europe (& South America)	+1.9%	+2.0%	20%	Highly profitable platform <ul style="list-style-type: none"> – Market Leadership in Pest and Number 2 in Hygiene and Workwear – Seeking acquisitions in Cleanroom and consolidation in Textiles / Workwear – Leveraging language and cultural ties from Iberia to enter South America
North America	+16.6%	+14.3%	11%	Our engine for growth <ul style="list-style-type: none"> – Opportunity for growth - number 3 in pest control with under 5% share – Acquire to fill gaps in coverage and deepen footprint in low share areas – Exploit emerging national accounts potential as complete national footprint
Asia	+7.1%	+14.2%	8%	Investing to build market leading positions <ul style="list-style-type: none"> – Strong positions in pest and hygiene (typically number 1 except China and India) – Deploy category capability to deliver growth greater than GDP growth – Targeted M&A to extend footprint and drive density (esp China and India)
Pacific	+1.3%	-0.8%	19%	Building on our leading positions <ul style="list-style-type: none"> – Clear market leadership in pest and hygiene – Drive margin through price management and driving route density
UK & Rest of World	+0.6%	4.6%	22%	Leading multi-business model: Process innovation & brand leverage <ul style="list-style-type: none"> – Market leader in pest, number 2 in hygiene – Delivering growth in pest and early signs in hygiene – Transfer of insight and best practice from UK to RoW through shared functions

See appendix for additional information
 * Before central and regional overheads

Category Leadership

Focused On Three Core Categories



Rentokil Pest Control



- Our Lead Category
 - Worldwide market leadership
 - Leading player in most markets
 - Tangible differentiation
- The Engine for Growth
 - Vehicle for new market entry
 - The US opportunity

Initial Hygiene



- Complementary to Pest
 - Linked offer in Environmental Health
 - Similar skill sets for colleagues
 - Compatible operational model
- Strong contribution to profit & cash
 - Shared management and overhead
 - Good gross margins
 - Leadership positions outside Europe

Initial Workwear



- A good business to be in
 - Leading player in European Textiles
 - Strong position in Workwear
 - Opportunity in Cleanroom
 - Good profit generation
- A complementary fit with Hygiene
 - Shared brand with linked service
 - Integrated route-based operations

Highly Trained & Motivated People

Key To Category Expertise and Outstanding Service



Our Colleagues as Experts



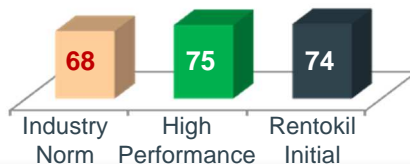
- Our core strength is our ability to recruit, train and motivate our **Front Line Colleagues**
- We help them become **Experts** in what they do
- Their expertise is the key differentiator to allow us to **Win, Retain** and **Grow** our customer base

Our Managers as Entrepreneurs

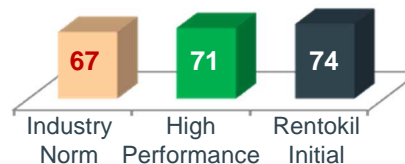


- We recruit managers who are **Commercial, Entrepreneurial** and **Driven**
- We free them to be **Resourceful** within a framework. **Right Decisions** for Local Markets
- Senior Leadership Forum established

Colleague Engagement*



Colleague Enablement*



Safety: Lost Time Accident Rate



* Surveyed band reported by Hay Group

Lean Operational Model

Single management team, integrated operations



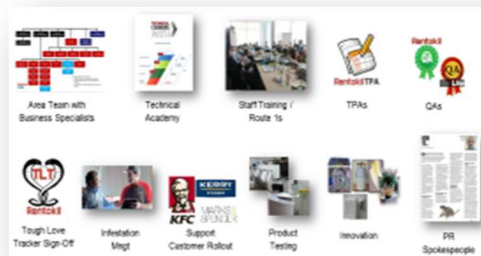
Standard sales model



Standard technology for improving efficiency



Standard marketing model



Standard technical model



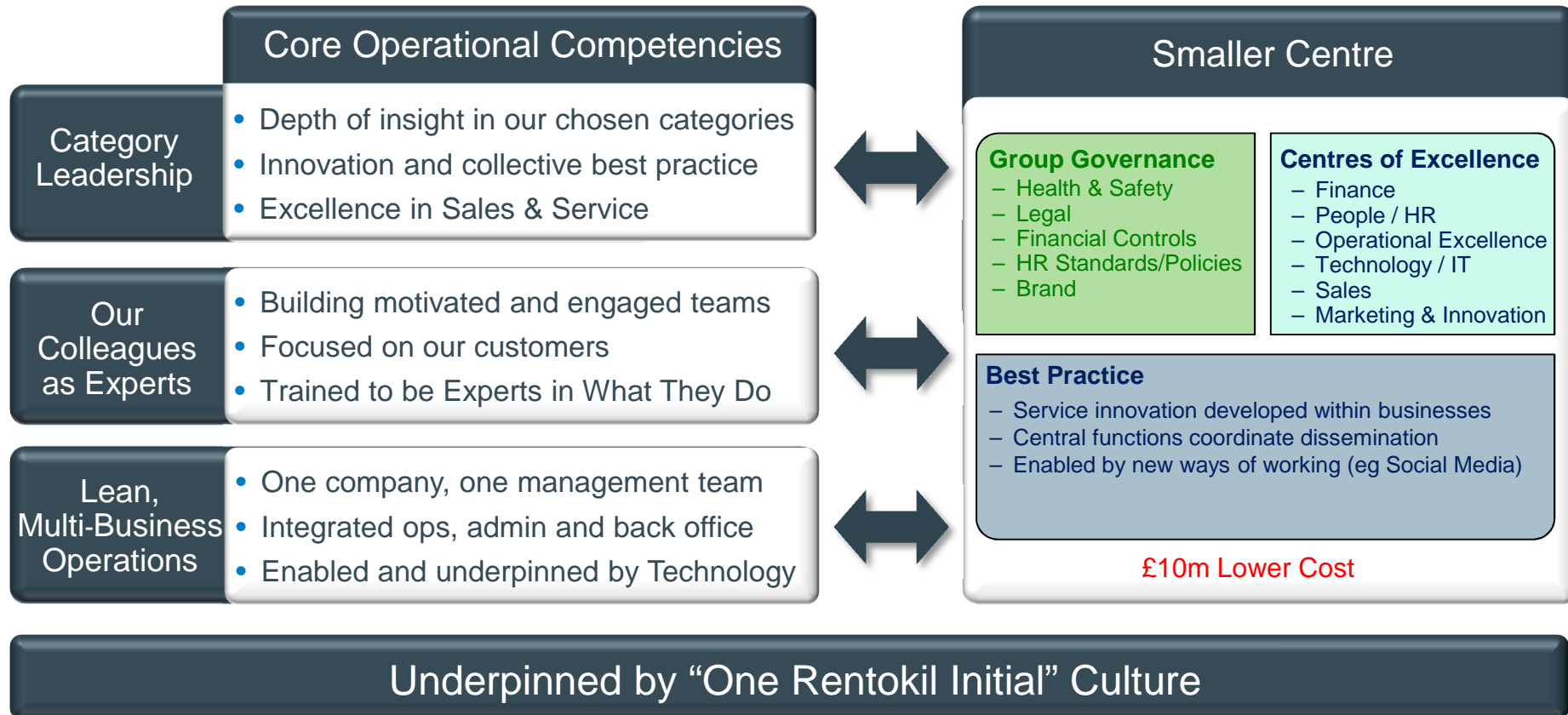
Standard IT, admin support, integrated back office, one property network



A structured innovation programme that regularly delivers

Building On Our Core Competencies

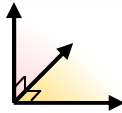
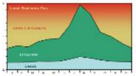
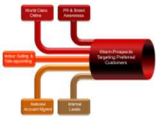



Delivering Best Practice Across The Group



Managing for Profitable Growth

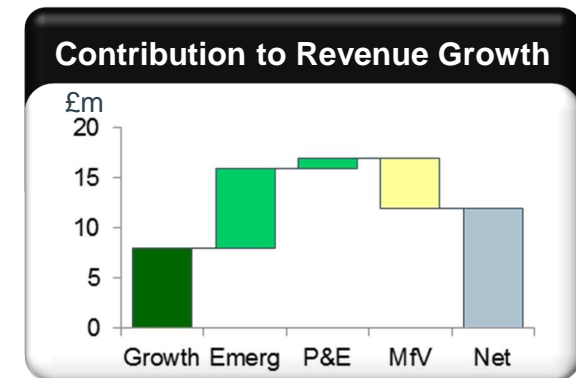
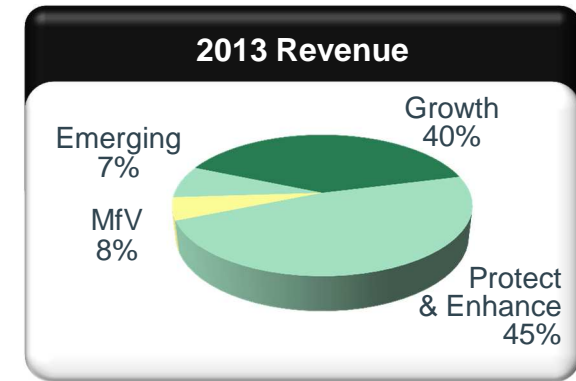
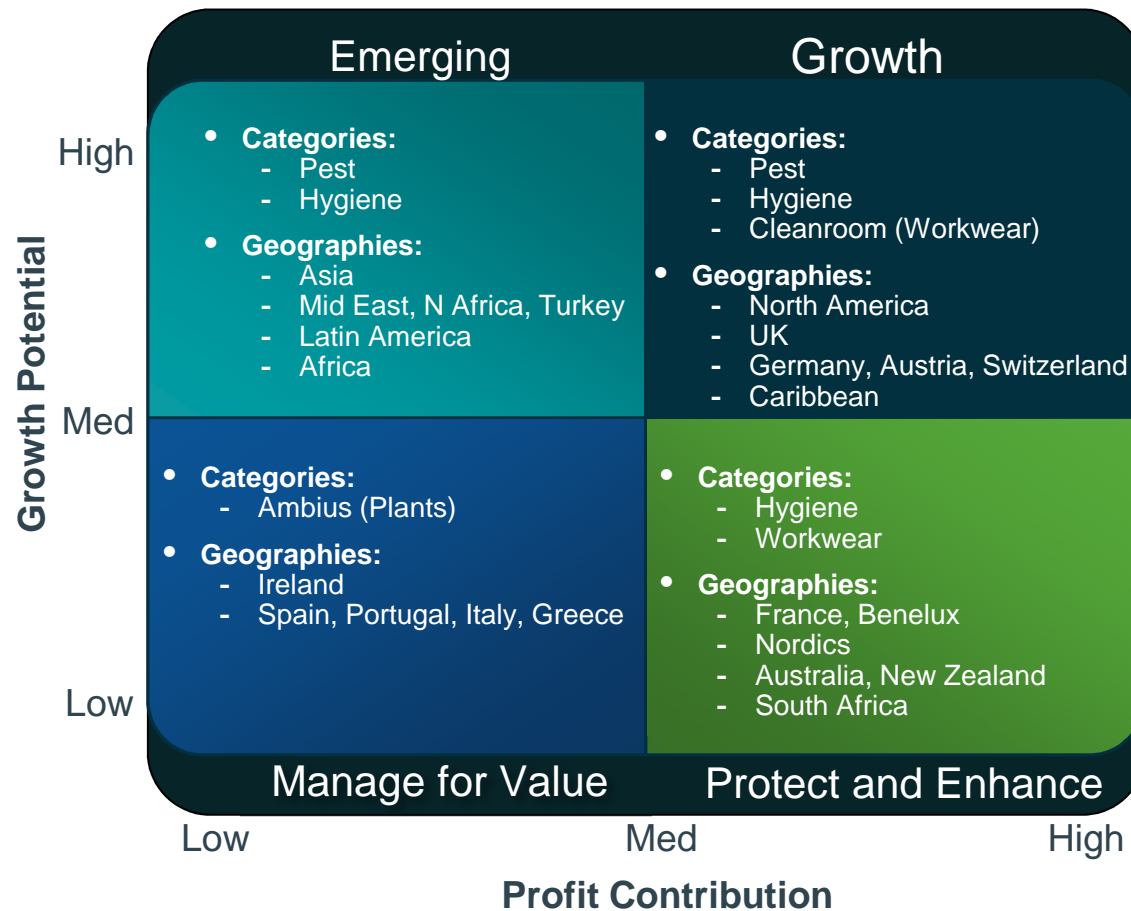
Back-to-Basics: From Capability Building to Execution



		Objective	Examples of Value Potential
Targeting Our Offer	1. Where to Play	 <p>The Right Offer for the Right Customers Innovating to build our Future Offer</p>	Signature: 17% increase in services per new customer in first six months
	2. Mastering Our Markets	 <p>Adapting the thinking to meet Local Needs Local Planning for sales and marketing</p>	Geographic targeting: A 10% increase in route density offers 3-5% productivity gain
Sales Effectiveness	3. Building the Pipeline	 <p>Delivering Warm Prospects to sales Directed selling to Target Customers</p>	Online: 40% win rate for inbound enquiries from web and other marketing channels
	4. Sales Brilliance	 <p>The right Recruitment & Training for sales Supported by the Best Sales Tools</p>	Advantage (Sales Tablet): UK 7% increase in sales yield in first year
Retention & Growth	5. Delivering Our Promise	 <p>Delivering the Service our customers expect Service Differentiation versus competitors</p>	Retention: 1% increase in retention delivers £12m rev & £4m profit pa compounding
	6. Engaging Our Customers	 <p>Account Management to build strong links Long Lasting Relationships with Customers</p>	Account management: 24% increase in customer satisfaction and quarter of reviews led to sale

Managing the Portfolio for Growth

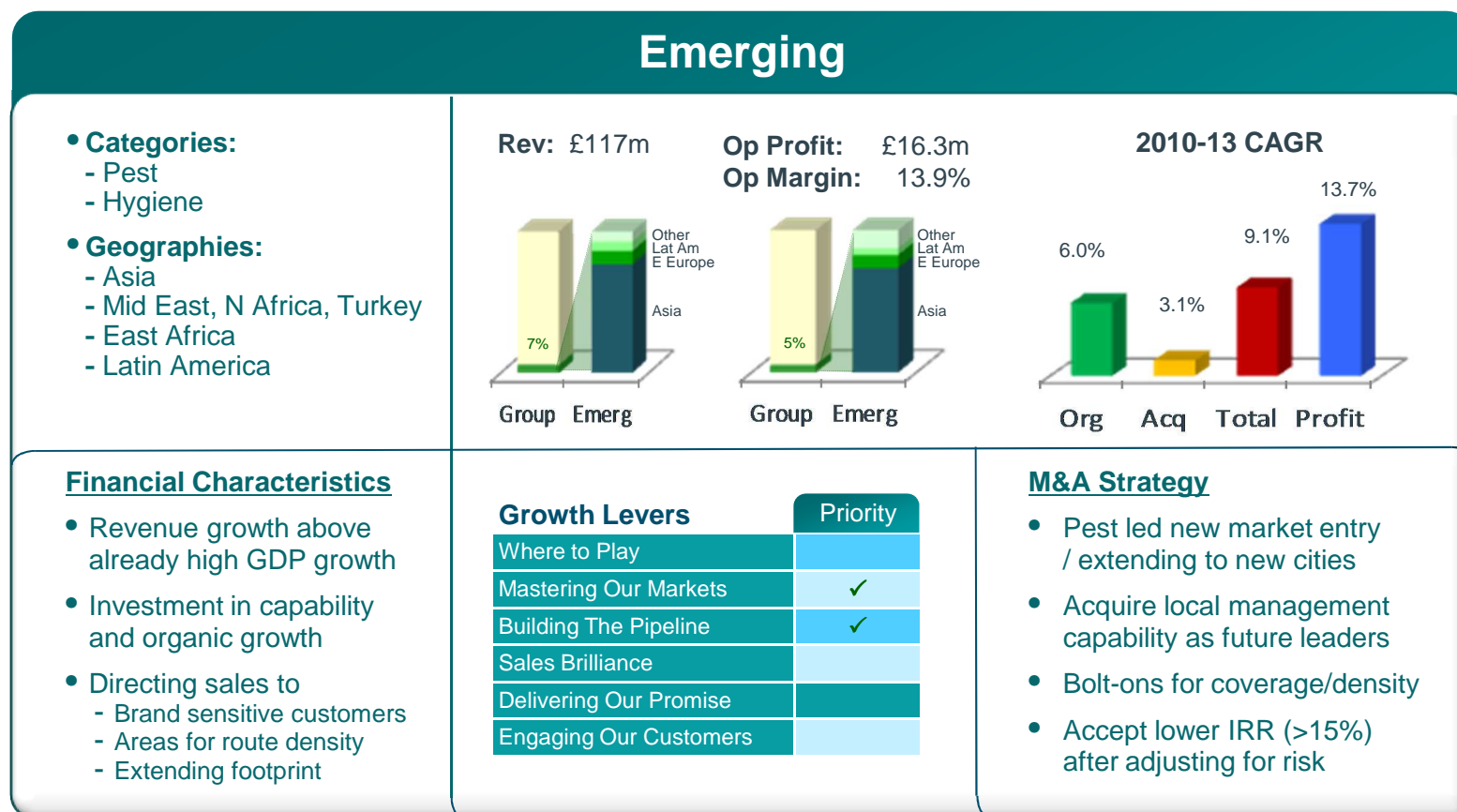
Differentiated Plan for Driving Shareholder Value



Numbers above exclude Initial Facilities

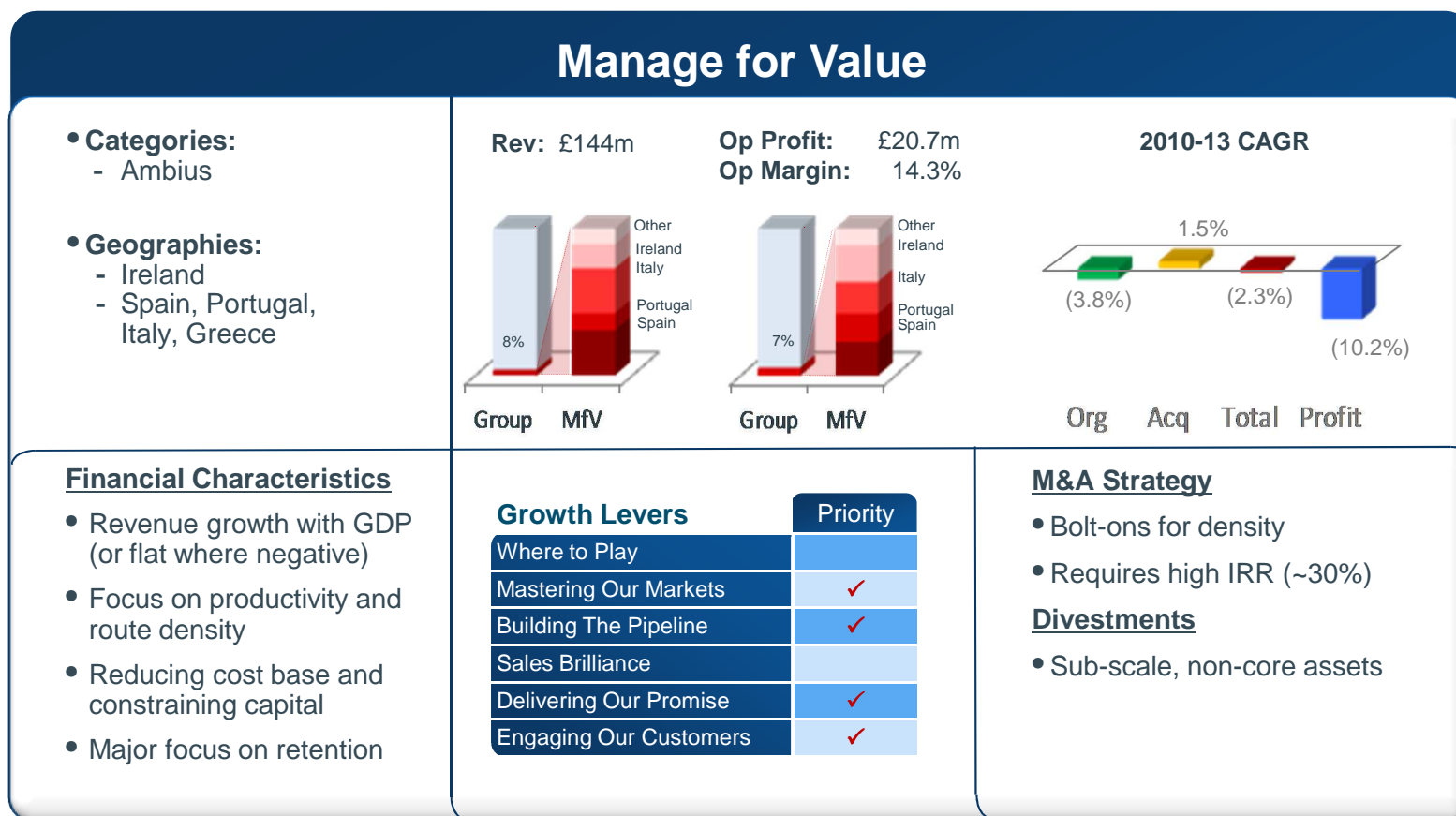
Managing the Portfolio for Growth

Emerging: Build Leading Positions In Pest & Hygiene



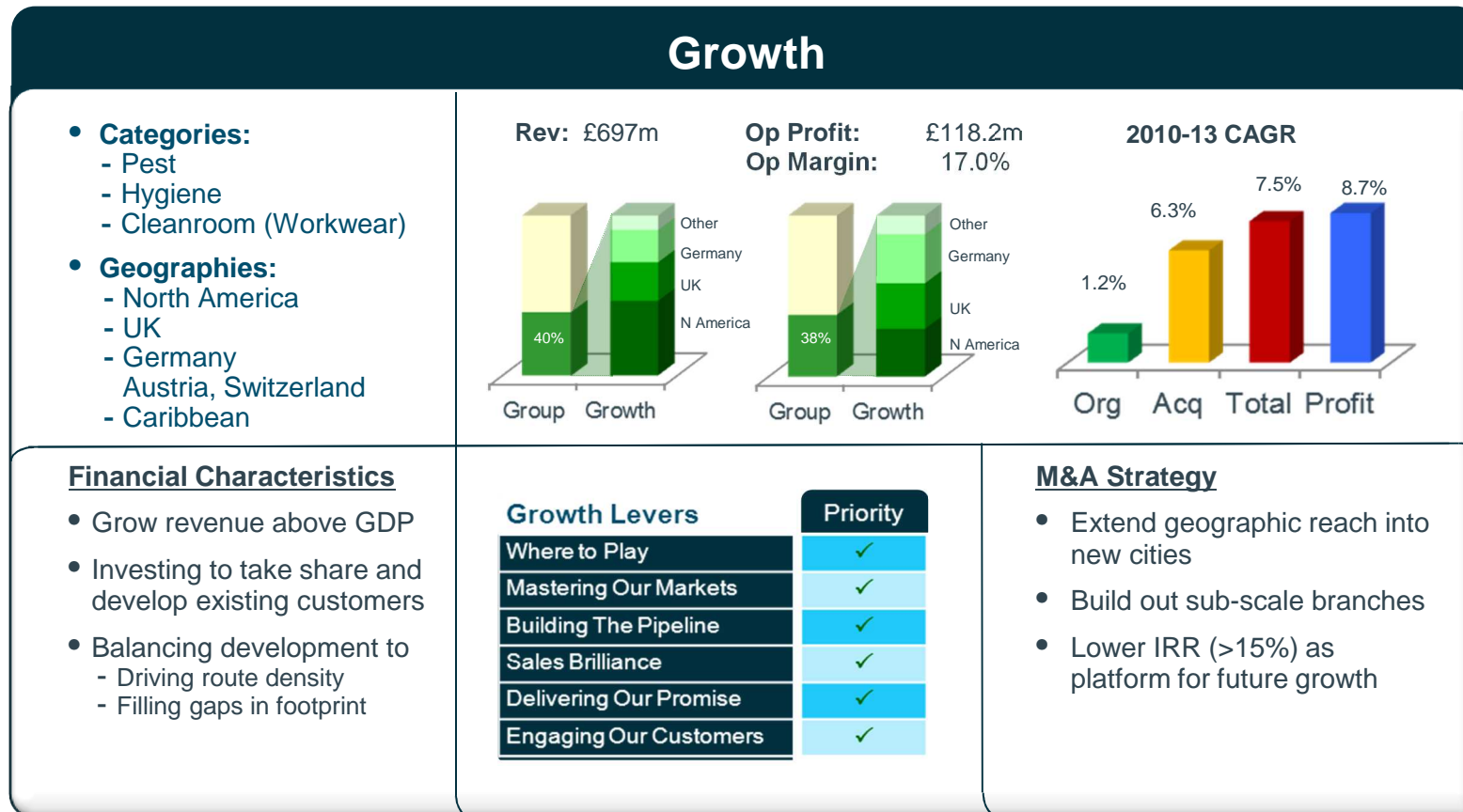
Managing the Portfolio for Growth

Manage for Value: Aggressive Cost Management & Selective Divestments



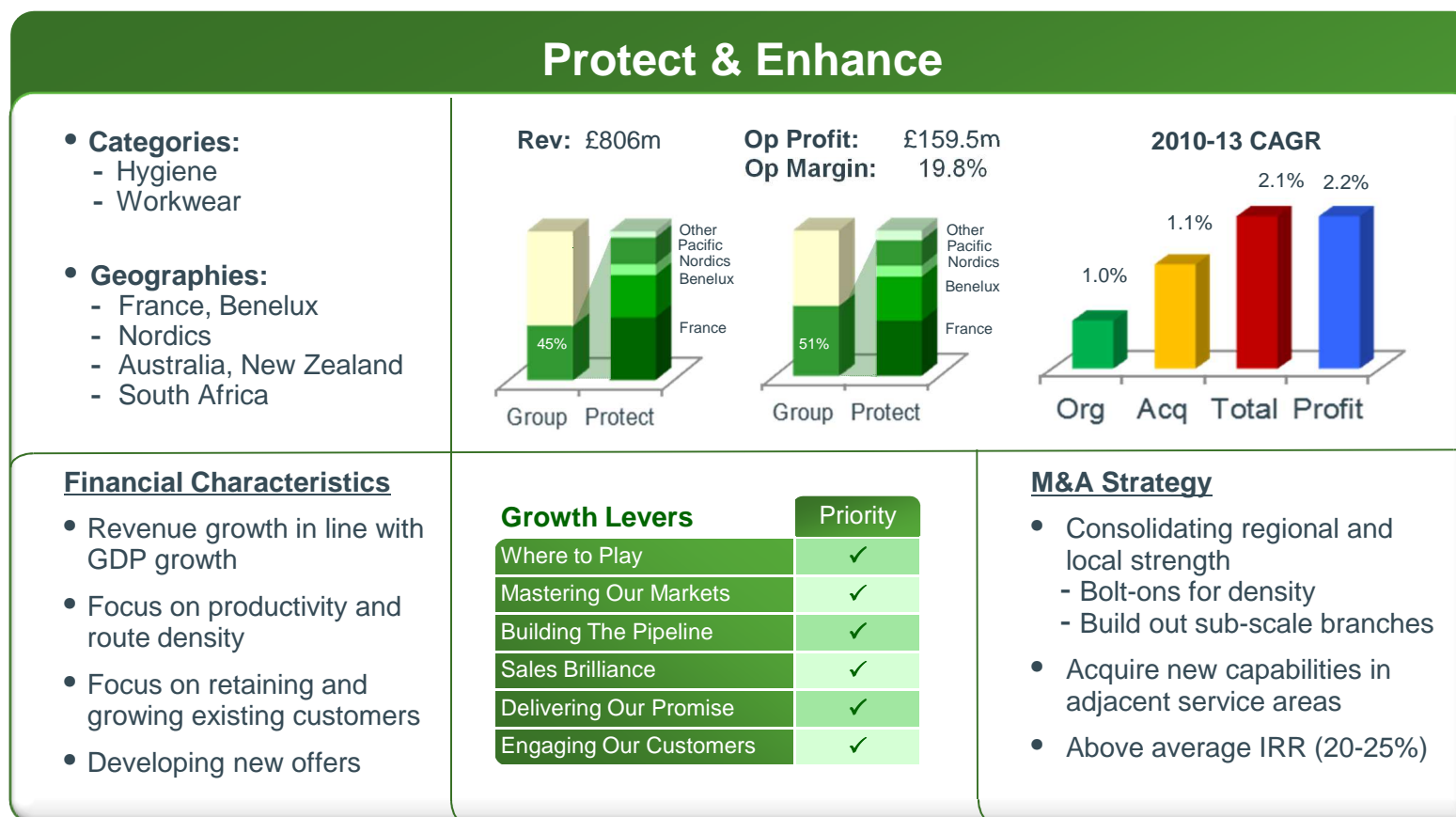
Managing the Portfolio for Growth

Growth: Deploy All Levers and Bulk Up With M&A



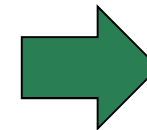
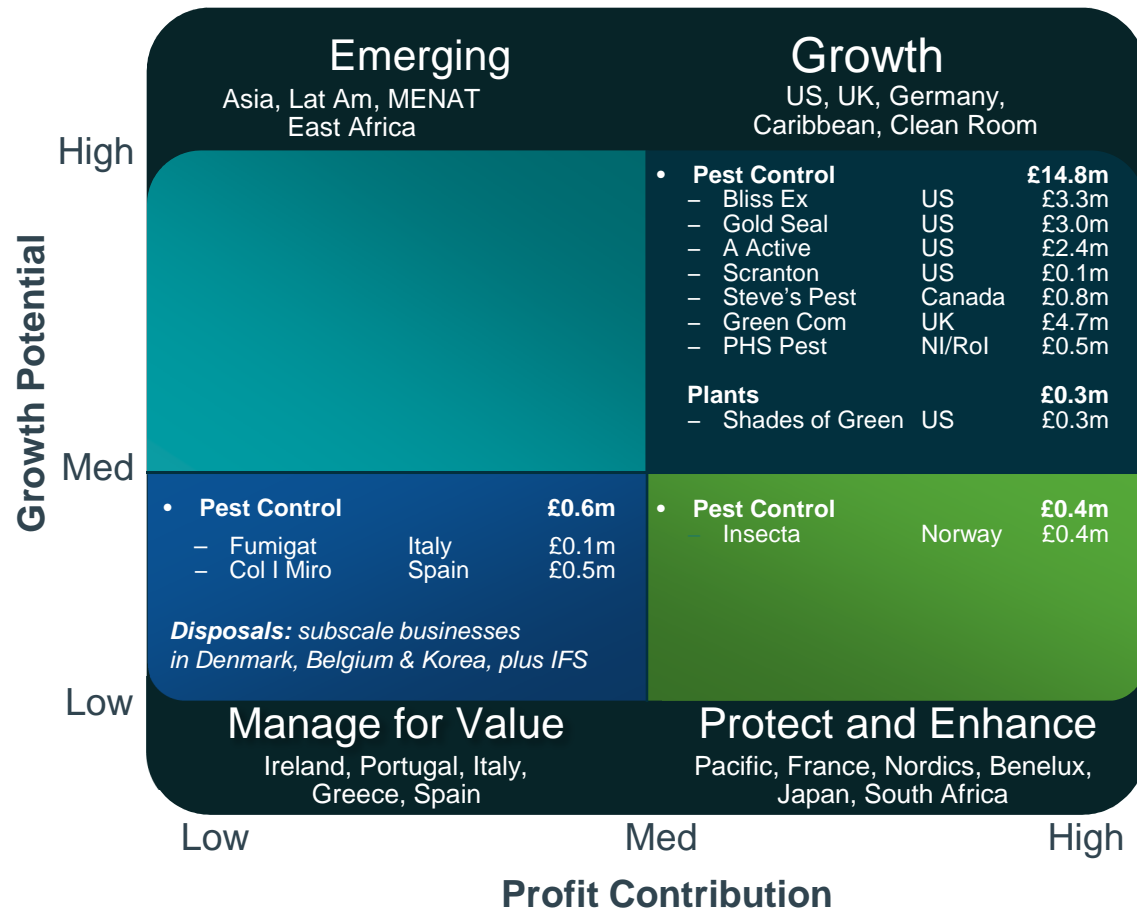
Managing the Portfolio for Growth

Protect & Enhance: Building Profit and Cash Contribution



Managing the Portfolio for Growth

M&A: Putting Our Money Where Our Plan Is



Primary focus for M&A in High Growth Markets

Will consider tactical M&A elsewhere if price is right (generating higher IRR).

High-quality late stage pipeline notably LATAM, MENAT and Africa.

Significant M&A capability

Good pipeline in place

Medium-term objectives to
deliver shareholder value



Medium Term Objectives

Organic Revenue Growth Driven By Execution, Not Investment

Medium-Term Objectives

Revenue Growth

- Mid-single digit revenue growth, supported by M&A
- Management more externally focused on customers and competitors
- Focus on six revenue levers
- Portfolio rebalanced to higher growth markets and segments

Profit Growth

- High-single digit profit growth, leveraging revenue ambitions
- Sales force to focus on yield management
- Service productivity particularly in Europe
- Branch admin rationalisation
- Lower capex, lower depreciation
- £10m reduction in central & divisional overheads

Opportunities for growth supported by prior investment in IT and Capability Development

Delivering Profitable Growth

Examples of Applying Capability To Drive Profitable Growth

Medium-Term Objectives

Examples delivering revenue growth

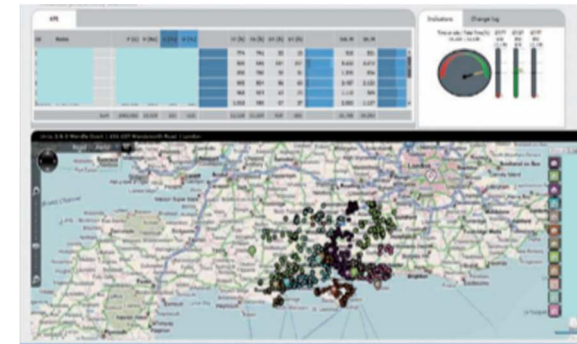
Advantage to improve

- win rate
- customer value
- pricing/margin



Examples supporting profitability

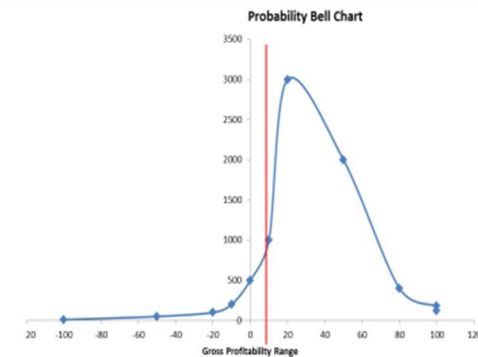
Productivity
and route
optimisation



New product ranges
Signature increasing
services / customer
from 2.4 to 2.8 (+17%)



Customer
profitability
management
with Qlik View



Consistent & Transparent Reporting

- Organisational Structure Now Locked Down
 - Five core regions
 - Three core categories
- Reporting focused on explaining performance
- Quadrant analysis will be used to provide 'colour', but not a formal reporting structure

Clear Investment Criteria

- Target post-tax IRR of 20% on acquisitions
 - Reduced for Growth/Emerging (but >15%)
 - Higher for Protect (~25%) and MfV (~30%)
- Prioritised approach to investment
 - Restructuring costs ≤ £20m pa
 - IT capital ≤ £25m pa
- Capex targeted in line with depreciation
 - £20m reduction in 2014

Committed to being transparent and predictable

Delivering Shareholder Value

New Reporting Structure (From Q1 2014)

Medium-Term Objectives

Previous Reporting Structure

	Rev (£m)	APBITA (£m)
France	354.8	61.5
Germany	237.7	49.1
Benelux	195.0	44.5
Pacific	150.0	28.3
East	937.5	183.4
North America	345.8	37.2
UK & Ireland	183.6	38.0
RoW	191.7	42.1
West	721.1	117.3
Asia	105.0	8.1
Group overheads	0.0	(77.2)
Group	1,763.6	231.6

New Reporting Structure

	Rev (£m)	APBITA (£m)
France	354.8	61.5
Germany	237.7	49.1
Benelux	195.0	44.5
Other Europe	72.5	12.2
Europe	860.0	167.3
North America	340.6	36.7
UK & Ireland	183.6	38.0
RoW	124.4	30.4
UK & RoW	308.0	68.4
Pacific	150.0	28.3
Asia	105.0	8.1
Group overheads	0.0	(77.2)
Group	1,763.6	231.6

Delivering Shareholder Value

Improving Free Cash Flow

Medium-Term Objectives

	2013 (£m)	Adjustments (£m)	Proforma 2013 (£m)	Notes
EBITDA	386	15	401	Restructuring, City Link, IFS, FX movements
Working Capital	(35)	15	(20)	Lower outflows in 2014
Net Capex	(232)	22	(210)	Capex closer to depreciation
Interest / Tax	(88)	(5)	(93)	Impact of bond interest phasing
Pension Payments	(14)	13	(1)	Significant reduction in funding agreed
Free Cash Flow	17	60	77	

Free cash flow would have been c. £60m higher in 2013 based on planned 2014 improvements in working capital, capex, restructuring and pensions

Delivering Shareholder Value

From Cash Flow To Balance Sheet

Medium-Term Objectives

Balance Sheet is Strong...

- Net debt reduced by £330m since 2008
 - £1,360m to £1,030m
- Average cost of gross debt reduced from over 5% to below 4%
- Credit rating of BBB- placed on positive outlook by Standard & Poor's in 2013
 - Was negative outlook in 2011

...and Getting Stronger

- £240m inflow from sale of Initial Facilities
- We are through significant investment period
- Pension scheme contributions reduced going forward
- Increased Free Cash Flow further improves credit metrics and cost of debt
- Provides capacity for increased M&A, dividend growth and further incremental net debt reduction

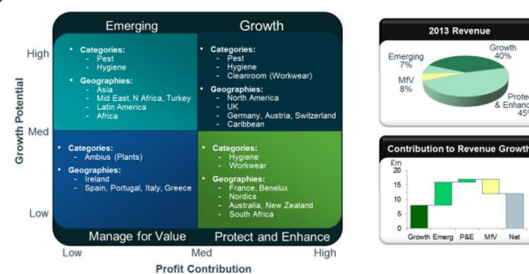
In Summary

A Focused Plan



- A clear organisation built around a low cost operating model
- Tight focus on three lead categories
- One RI approach to leverage our capabilities and best practice

Differentiated in its Delivery



- Clear framework to drive performance through differential management
- Back-to-Basics on growth levers with customer service at their core
- Strong M&A pipeline and capability

Driven for Shareholder Value



- Restructuring largely complete: a strong base for profitable growth
- Putting strategy into action with pace
- Relentless focus on shareholder value
Growth \Rightarrow Profit \Rightarrow Cash

THE RIGHT WAY

A Differentiated Plan for Shareholder Value

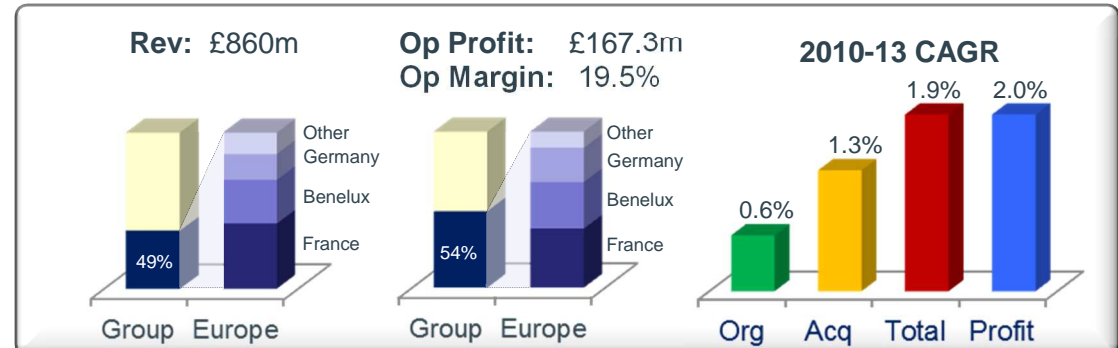
Rentokil Initial

Appendices

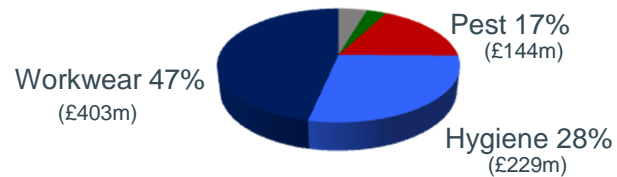
Region: Europe (and South America)

Highly Profitable Platform

Growth	1%	Latin America	Germany Austria, Switz	22%
	8%	Spain, Portugal, Italy, Greece	France Benelux	69%
Profit				



Category Breakdown

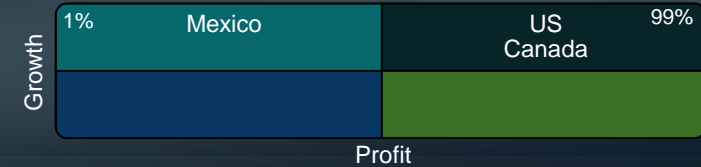


Ranking	Workwear	Hygiene	Pest
France	2	2	3
Benelux	2	1	1
Germany	4	3	1
Spain	n/a	3	1

- **Strengths**
 - **Workwear:** Significant investment made to upgrade Workwear infrastructure
Good position in growing and high margin Cleanroom sector
 - **Hygiene:** While typically number 2 in each market, leader across region
 - **Pest:** Market leader in most countries (except France and Italy)
- **Challenges**
 - Arresting profit decline in Benelux Workwear
 - Margin management in Benelux and France
- **Key Strategies**
 - **Growth:** Target service industries as economic recovery takes hold
 - **Margin:** Tight cost management particularly for Southern European markets
More structured pricing management for new and existing customers
 - **Acquire:** Seek Cleanroom acquisitions and consolidation in Workwear
Targeted acquisitions to drive national & local scale in Pest & Hygiene
 - **New Markets:** Leverage language & cultural ties from Iberia to develop South America

Region: North America

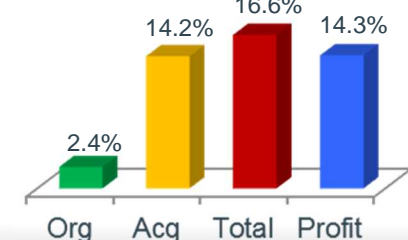
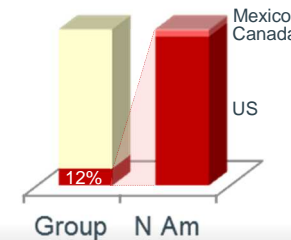
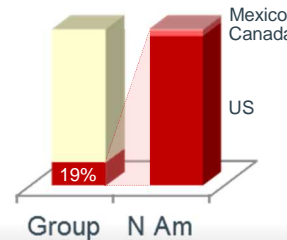
Our engine for growth



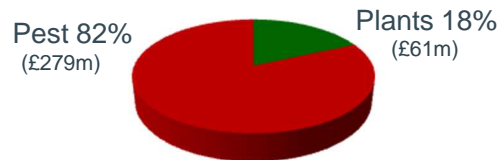
Rev: £341m

Op Profit: £36.7m
Op Margin: 10.8%

2010-13 CAGR



Category Breakdown

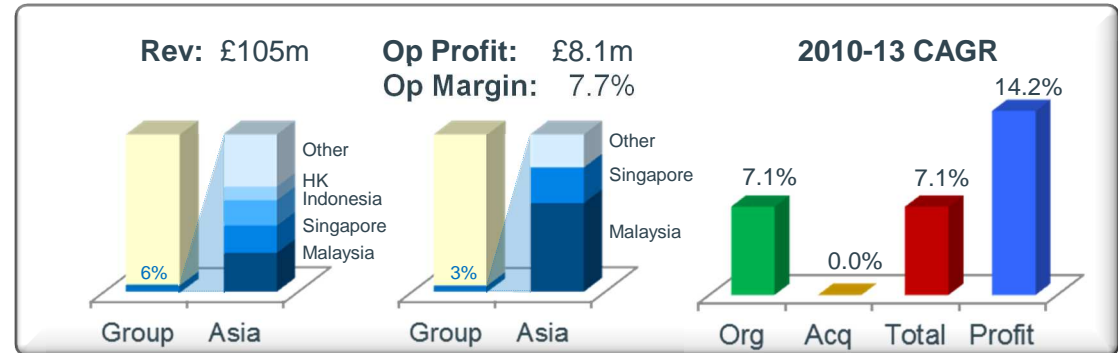
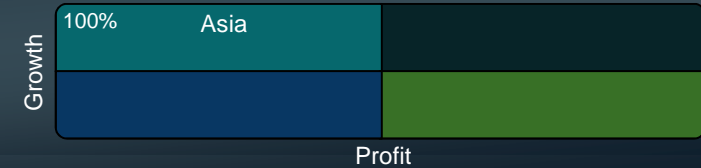


Ranking	Pest	Plants
US	3	1
Canada	4	1
Mexico	2	n/a

- **Strengths**
 - Half world's pest control market but still fragmented (19,000 pest control companies)
 - Rentokil has highest customer satisfaction / advocacy delivering high retention
 - Regional market leader over Mid-Atlantic states
 - Covering 85% of US population for national accounts
- **Challenges**
 - Ability to get to number 1 in commercial pest control nationally
- **Key Strategies**
 - **Acquire:** Acquire to extend footprint for gaps in coverage in US and Canada
Acquire and organic growth to deepen footprint in low share areas
 - **Growth:** Invest to gain share in growing market (US market growing above GDP)
Exploit emerging national accounts potential as complete national footprint
Above average investment in marketing and sales to drive organic growth
 - **Margin:** Continue to deliver operational efficiencies by building local density
Increased integration of operations for pest and plants

Region: Asia

Investing to build market leading positions



Category Breakdown



Ranking	Hygiene	Pest
Indonesia	1	1
Malaysia	1	1
Singapore	1	1
China	n/a	3
India	n/a	3

- **Strengths**
 - Strong national positions in both categories across most countries
 - The most extensive regional coverage compared to all competitors
 - High GDP and pest category growth a key driver of group growth
- **Challenges**
 - Accelerating the delivery of profit from China and India
 - Cost versus price inflation squeezing margins
 - Leveraging the regional overhead across multiple businesses
 - Finding suitable acquisition candidates
- **Key Strategies**
 - *Growth*: Rising hygiene expectations from rapidly growing middle class
Deploy category capability to establish product and service leadership
High GDP growth focused on regulated industries and service sectors
Using pan-Asian coverage for emerging set of international customers
 - *Acquire*: Targeted M&A to build density

Region: Pacific

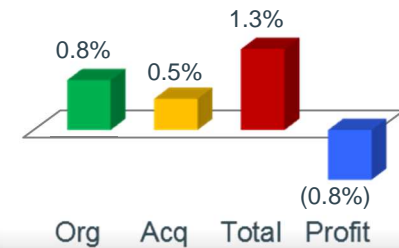
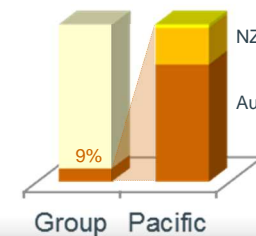
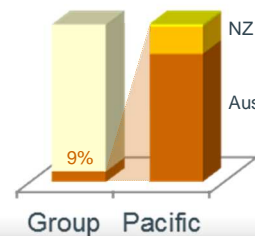
Building on our leading positions



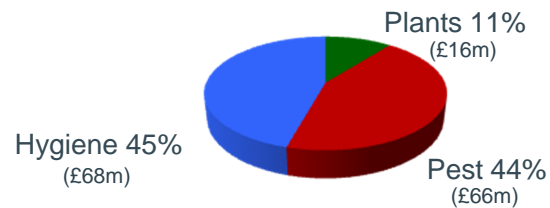
Rev: £150m

Op Profit: £28.3m
Op Margin: 18.9%

2010-13 CAGR



Category Breakdown



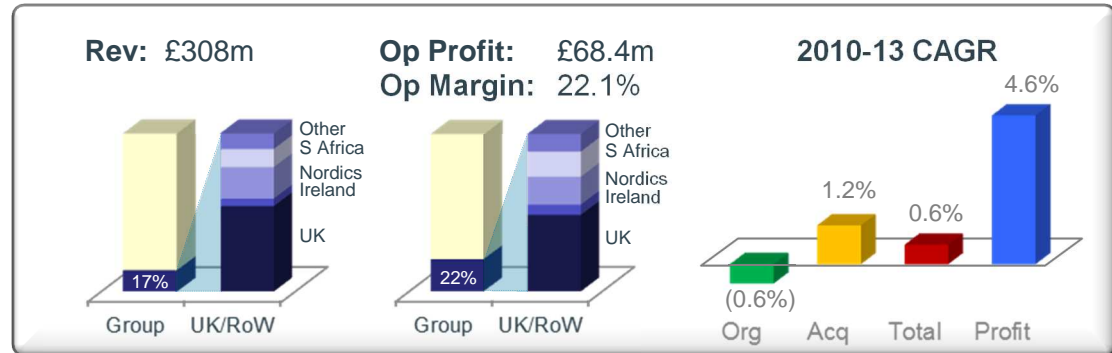
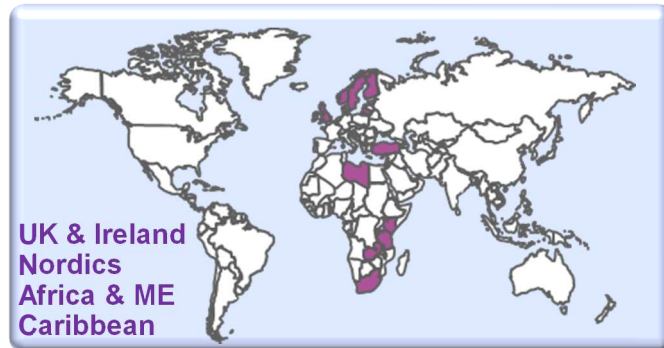
Ranking	Hygiene	Pest	Plants
Aus	1	1	1
NZ	1	1	1

- **Strengths**
 - Leading national positions across all three categories
 - Clear market leadership in commercial pest control
- **Challenges**
 - Margin pressure (particularly for hygiene)
 - Residential pest control (vs local pest control companies)
- **Key Strategies**
 - *Margin:* Targeting geographies to drive productivity through route density
Price management especially for hygiene
 - *Growth:* Improve online performance to generate inbound leads for pest
Increased cross-sell given strength across the three categories
 - *Retention:* Opportunity to differentiate on quality of service (esp hygiene)

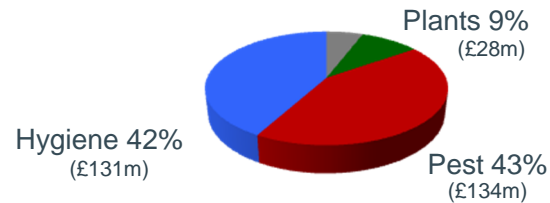
Region: UK & Rest of World

Leading multi-business model:
process innovation & brand leverage

Growth	4%	Mid East, N Africa, Turkey	UK Caribbean	59%
	5%	Ireland	Denmark, Sweden, Norway, Finland, S Africa	32%
Profit				



Category Breakdown



Ranking	Hygiene	Pest	Plants
UK	2	1	1
Ireland	2	1	1
Nordics	2	2	1
S Africa	2	1	1

UK & Ireland

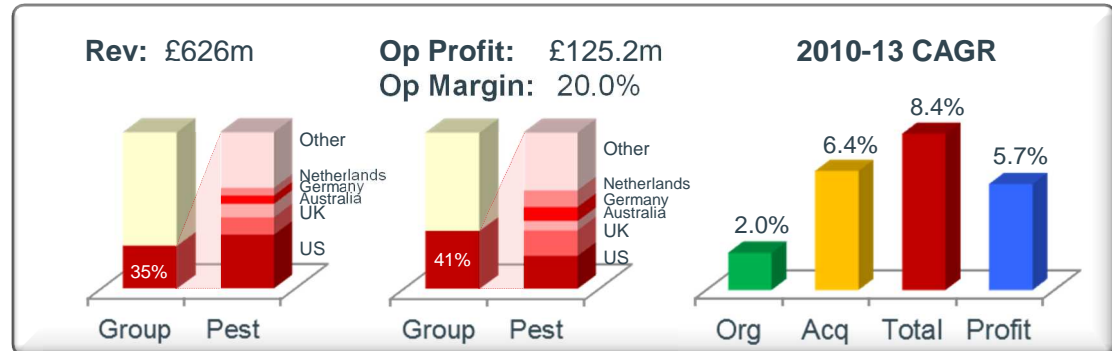
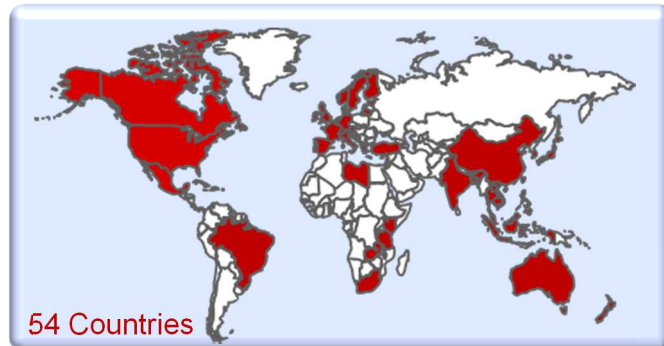
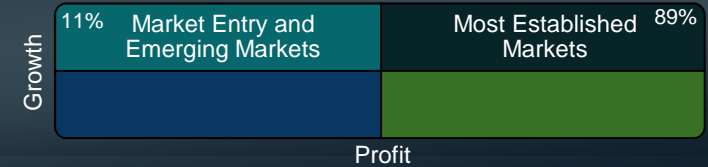
- **Strengths**
 - Market leader in pest
 - Service and cost efficiency
 - Lead for developing multi-business model
- **Challenges**
 - Delivering organic growth in hygiene
 - Accelerating organic growth in pest
- **Key Strategies**
 - *Margin*: Leverage low cost operating model
 - *Growth*: National accounts
Cross sell for larger customers
 - *Acquire*: Bolt-on M&A

Rest of World

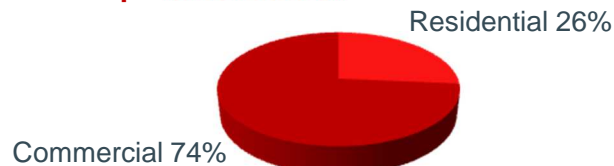
- **Strengths**
 - Consistent leadership in pest
 - Strong positions in hygiene (No 1 or 2)
 - Strong, profitable growth from market clusters (eg Caribbean, Middle East and N Africa)
- **Challenges**
 - Establishing leadership in hygiene
 - Faster organic growth in mature markets
- **Key Strategies**
 - *Growth*: Transfer of insight and best practice from UK through shared functions

Category Leadership: Pest Control

Worldwide Leaders in Commercial Pest Control



Our Competitive Position



World Number 1 for Commercial Pest Control

World Number 3 for Residential Pest Control

Market Leadership in 44 out of 54 markets

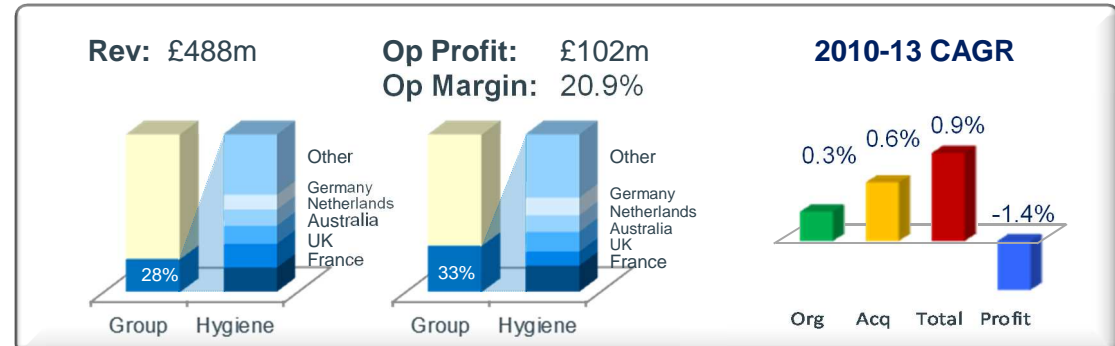
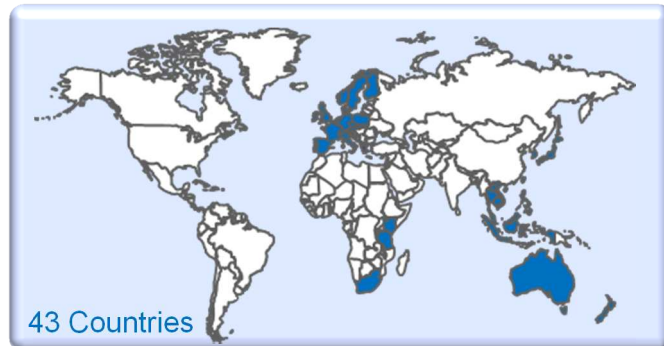
Competitor Benchmarks: Orkin, Ecolab

- **Strengths**
 - Market leadership positions in most markets (incl #1 in Europe, Pacific, Asia & Africa)
 - Most international pest company – consistency for international customers
 - Leading technical capability and unique proprietary products
 - Well established network for developing and sharing capability
- **Challenges**
 - Accelerating organic growth to be above inflation
 - Competing on online lead generation especially in North America
- **Key Strategies**
 - **Growth:** Complete footprint for US & Canada for full access to national accounts
Innovation in risk-based reporting and remote sensing
Supporting drive for international standards in food manufacturing
 - **Market Entry:** First category for new market entry for new markets

Category Leadership: Hygiene

Catching Up In Hygiene and Building Position for Growth

Growth	12% Emerging Markets	Germany, Austria, Switzerland, Caribbean 13%
	7% Southern Europe Ireland	Other Established Markets 68%
Profit		



Our Competitive Position



Number 1 in Pacific, Asia and Caribbean

Number 2 in Europe and Africa

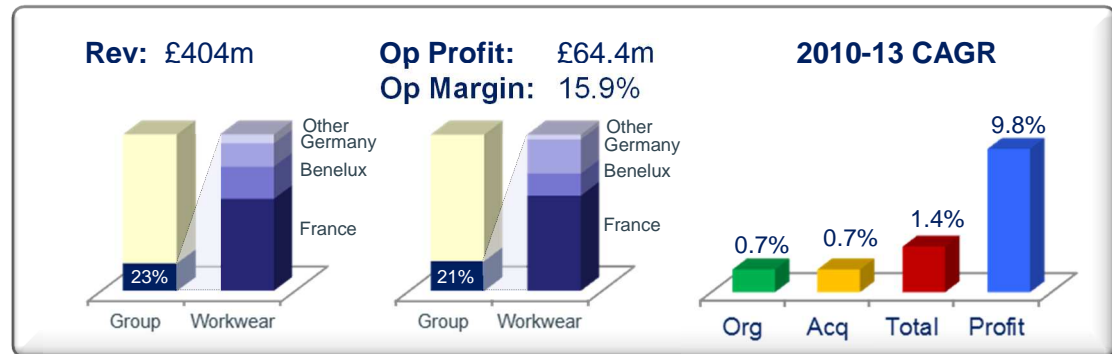
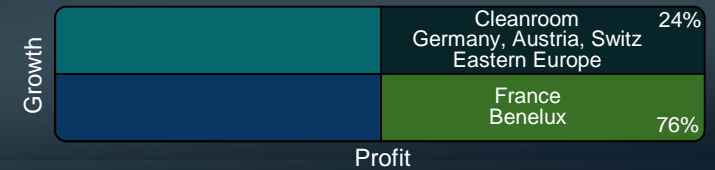
Market Leadership in 26 out of 43 markets

Competitor Benchmarks: PHS, Berendsen

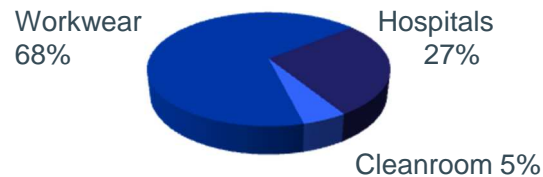
- **Strengths**
 - Award-winning Signature range
 - Establishing higher customer satisfaction than competitors
 - Leading positions in small to mid-sized markets delivering good profit and cash
- **Challenges**
 - Organic growth squeezed with economic malaise in Europe
 - Number 2 or 3 in big European markets – need to differentiate to outcompete density advantage of lead competitor
- **Key Strategies**
 - *Growth:* Using new Signature range to sell more services per customer in hygiene
 - *Margin:* Targeted selling for higher-margin customers with longer retention
Pricing and margin management particularly for single service customers
 - *Acquire:* Build relative market share at local and national level in Europe

Category Leadership: Workwear

Strong Regional Textiles Player Focused on Workwear



Our Competitive Position (2011)



Ranking	Workwear
France	2
Germany	4
Belgium	1
Netherlands	2

Overall Second (after Elis)

Competitor Benchmarks: Elis, Berendsen

- **Strengths**
 - Only player with scale across four big Continental markets (& Central Europe)
 - Well placed in growth markets of Workwear and Cleanroom
 - Differentiating through new Workwear range
 - Retention rate of 94% (average tenure 16 years – typically four renewals)
- **Challenges**
 - Accelerate organic growth
 - Decline in profit in Benelux
- **Key Strategies**
 - *Margin:* Intervention to improve pricing and reduce cost in Benelux
 - *Growth:* Repositioning to focus on Workwear where we are strong in growing market
Targeting service industries for economic growth in France and Benelux
Increased sharing of best practice and ranges across countries
 - *Acquire:* Seeking potential acquisitions in Cleanroom
Look for opportunities for consolidation of European Workwear market