RENTOKIL INITIAL PLC (RTO)
INTERIM MANAGEMENT STATEMENT
8 November 2013

(£m)	Q3 2013 AER	Growth AER	Growth CER	YTD 2013 AER	Growth AER	Growth CER
Revenue	585.1	6.2%	3.8%	1,751.4	5.6%	3.7%
Adjusted operating profit[1]	70.8	6.1%	3.0%	183.4	6.9%	4.3%
Adjusted profit before tax[2]	56.0	1.1%	(1.8%)	143.6	2.3%	0.4%
Profit before tax	43.6	6.1%	3.1%	95.5	(9.0%)	(10.4%)
Operating cash flow[3]	50.4			36.6		

Commenting on the group's Q3 trading update, Andy Ransom, new Chief Executive Officer of Rentokil Initial plc, said:

"I am encouraged by our core businesses' improvement in organic revenue growth in Q3, despite the difficult trading conditions in Europe and the Netherlands in particular. We expect trading conditions and business performance to remain largely unchanged over the remainder of the year.

"As we approach the end of a major restructuring and investment programme, my focus is now on converting this into improved profitability and cash generation. Our overheads are coming down, our businesses are becoming more efficient and during next year our restructuring costs and capex will also reduce. I will provide further detail on my plans to deliver sustainable revenue and profit growth and increased free cash flow at the year-end results."

Revenue (at CER)

Revenue grew by 3.8%, largely reflecting the contribution from the Western acquisition with North America up 45.7% (£29.0m). Organic revenue in the core business rose by 1.0%, despite ongoing challenging trading conditions in Europe, reflecting solid performances from all geographies in the West region, as well as in France and Asia.

Revenue in IF declined by 5.9% due to the planned withdrawal from single-site contracts in the UK, lower job revenues in technical services and delays in the award of anticipated new contracts over the summer. £25m of new business was however secured at the end of Q3.

Profit (at CER)

Adjusted operating profit increased by 3.0%. Profit in the West region grew by 14.5% (£4.3m), again reflecting the impact of Western with North America profits up 26.5% (£2.6m), supported by 15.7% (£1.4m) profit growth in the UK & Ireland.

Asia continues to perform well, with profits up by 23.5% (£0.4m) on the prior year on continued strong revenue growth.

Profit in the East region declined 3.1% (£1.5m), driven by weak performance in Benelux (the Netherlands in particular) but also softening in France and Germany. Pricing pressure in the Workwear category continues to impact margins.

Profit in IF fell by 20.3% (£1.4m), reflecting the revenue decline described above as well as pricing pressure impacting margin levels in technical services project work.

Profits at actual exchange rates were negatively impacted by £1m due to the strengthening of Sterling in Q3; most notably against the Euro but also against other currencies relevant to the group's operating areas. Based on current exchange rates, we expect the beneficial impact of currency movements to now be around £3m for the full year (£3m less than previously expected).

As we approach the end of our major restructuring and investment programme, central and divisional overheads are being reduced. Savings are estimated at c. £10m per annum from 2014 with an associated one-off cash cost of c. £3m. We have also decided to limit deployment of a number of centrally-developed HR and other systems which, as a result, will lead to a non-cash write-off of c. £7m in the fourth quarter. Consequently, restructuring costs for 2013 are now estimated at £60m.

Cash Flow and Funding

Cash flow in the quarter improved to £50.4m (Q3 2012: £29.3m) and is anticipated to improve further in Q4 reflecting the seasonality of the business. As noted above, we expect a material reduction in the level of restructuring costs and related capital investment in 2014.

The group took advantage of favourable market conditions to issue a 3.25% coupon €350m bond on 7 October. The bond will be used to refinance the group's €500m bond maturing in March 2014, reducing the average cost of debt to below 4%. The carry cost associated with the bond, however, means that interest costs in Q4 will be c. £1.5m higher than previously anticipated. Following redemption of the March 2014 bond, annual interest costs are expected to reduce significantly - by more than £10m per annum at current debt levels[4].

M&A

The group further expanded its global footprint in Pest Control with small transactions in North America (Vancouver, Calgary) and the Middle East (via a JV in Saudi Arabia).

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A conference call for analysts and shareholders will be held today at 09.15am, UK time. To join this call, please dial +44 (0) 20 3427 1907 (UK), +33 (0) 1 76 77 22 29 (France), +852 3002 1615 (Hong Kong), and +1 646 254 3388 (US) quoting reference code 6711238. A recording of the call will be available for 14 days on the following numbers: +44 (0)20 3427 0598 (UK), +33 (0)1 74 20 28 00 (France), +852 3011 4669 (Hong Kong) and +1 347 366 9565 (US) quoting access code 6711238.

AER – actual exchange rates; CER – constant 2012 exchange rates
[1] before amortisation and impairment of intangibles (excluding computer software), reorganisation costs and one-off items
[2] before amortisation and impairment of intangibles (excluding computer software), reorganisation costs and one-off items and net interest credit from pensions
[3] cash flow before interest, tax, acquisitions, disposals, foreign exchange adjustments and discontinued operations
[4] compared with the average 2012 cost of debt of 5%

Correction to earnings per share published in interim results
Following the publication of our interim results on 14 August 2013 it has come to our attention that the calculation of earnings per share in note 9 should have been adjusted to exclude profit attributable to non controlling interests of £0.9m (HY 2012: £1.4m; FY 2012: £2.3m) and one-off items – financing of £nil (HY 2012: £nil; FY 2012: £31.4m). The earnings per share in respect of 2012 were correctly stated in the 2012 interim and annual reports. The table below provides the revised figures:

	6 months to 30 June 2013 £m	*6 months to 30 June 2012 £m*	*Year to 31 December 2012 £m*
Profit from continuing operations attributable to equity holders of the Company	***39.0***	*48.3*	*71.3*
Adjusted profit from continuing operations attributable to equity holders of the Company	***64.3***	*62.6*	*149.7*
Basic earnings per share from continuing operations	***2.15p***	*2.66p*	*3.92p*
Basic earnings per share from continuing and discontinued operations	***(0.62p)***	*1.82p*	*2.62p*
Diluted earnings per share from continuing operations	***2.14p***	*2.66p*	*3.91p*
Diluted earnings per share from continuing and discontinued operations	***(0.62p)***	*1.82p*	*2.61p*
Adjusted earnings per share from continuing operations	***3.54p***	*3.45p*	*8.24p*
Diluted adjusted earnings per share from continuing operations	***3.53p***	*3.45p*	*8.22p*

Appendix 1

Regional Analysis – continuing operations

9 months to 30 September 2013

	Revenue			Adjusted operating profit		
Continuing operations £m	**9 months to 30 September 2013 AER**	Change from YTD 2012 AER	Change from YTD 2012 CER	**9 months to 30 September 2013 AER**	Change from YTD 2012 AER	Change from YTD 2012 CER
France	276.4	5.3%	0.8%	45.0	9.0%	4.4%
Benelux	187.7	(4.1%)	(8.3%)	37.4	(2.3%)	(6.5%)
Germany	152.0	4.6%	0.3%	33.6	4.0%	(0.3%)
Pacific	109.5	(2.8%)	0.1%	20.2	(6.0%)	(3.7%)
East	**725.6**	1.3%	(1.9%)	**136.2**	2.1%	(1.2%)
North America	261.9	49.0%	46.5%	26.1	29.9%	28.0%
UK & Ireland	138.0	0.5%	0.1%	27.7	17.9%	17.0%
Rest of World	144.6	4.0%	3.5%	30.3	2.4%	3.4%
West	**544.5**	20.4%	19.1%	**84.1**	14.9%	14.5%
Asia	**79.0**	8.2%	7.5%	**5.3**	32.5%	35.0%
Initial Facilities	**402.3**	(3.6%)	(3.9%)	**17.4**	(9.4%)	(9.4%)
Central costs	**-**	**-**	**-**	**(59.6)**	(2.4%)	(2.1%)
Total segmental	**1,751.4**	5.6%	3.7%	**183.4**	6.9%	4.3%
Reorganisation costs and one-off items	**-**	**-**	**-**	**(35.2)**	(40.2%)	(36.3%)
Amortisation of intangible assets[1]	**-**	**-**	**-**	**(17.3)**	(1.2%)	0.6%
Operating profit	**-**	**-**	**-**	**130.9**	1.2%	(1.2%)
Net interest payable (excluding pensions)	**-**	**-**	**-**	**(43.4)**	(24.0%)	(21.1%)
Net interest credit from pensions	**-**	**-**	**-**	**4.4**	(34.3%)	(34.3%)
Share of profit from associates (net of tax)	**-**	**-**	**-**	**3.6**	(5.3%)	13.5%
At actual exchange rates	**1,751.4**	5.6%		**95.5**	(9.0%)	
Exchange	**(33.4)**			**(2.0)**		
At constant exchange rates	**1,718.0**		3.7%	**93.5**		(10.4%)

[1] *excluding computer software*

Appendix 2

Category Analysis – continuing operations

9 months to 30 September 2013

	Revenue			Adjusted operating profit		
Continuing operations £m	**9 months to 30 September 2013 AER**	Change from YTD 2012 AER	Change from YTD 2012 CER	**9 months to 30 September 2013 AER**	Change from YTD 2012 AER	Change from YTD 2012 CER
Pest Control	**478.3**	18.2%	16.7%	**93.5**	13.3%	11.7%
Hygiene	**371.6**	1.3%	(0.4%)	**74.4**	0.4%	(0.9%)
Workwear	**316.8**	1.6%	(2.7%)	**48.2**	-	(4.4%)
Plants	**95.1**	(0.8%)	(2.3%)	**6.9**	7.8%	7.9%
Facilities Services	**402.3**	(3.6%)	(3.9%)	**17.4**	(9.4%)	(9.4%)
Other	**87.3**	40.6%	37.1%	**(57.0)**	3.1%	3.2%
At actual exchange rates	**1,751.4**	5.6%		**183.4**	6.9%	
Exchange	**(33.4)**			**(4.9)**		
At constant exchange rates	**1,718.0**		3.7%	**178.5**		4.3%