

RENTOKIL INITIAL PLC (RTO)
INTERIM MANAGEMENT STATEMENT
7 November 2014

(£m)	Q3 2014	Growth		YTD 2014	Growth	
	AER	AER	CER	AER	AER	CER
Revenue	439.5	(3.4%)	3.3%	1,293.9	(4.1%)	2.1%
Revenue – ongoing operations ¹	439.5	(2.9%)	3.8%	1,293.0	(3.2%)	3.1%
Adjusted operating profit ²	62.6	(4.1%)	4.0%	162.8	(1.9%)	6.2%
Adjusted profit before tax ²	53.5	5.7%	15.4%	131.0	3.6%	14.1%
Profit before tax	48.8	16.7%	27.0%	115.6	28.4%	42.0%

Revenue (at CER)

Overall, revenue from ongoing operations increased by 3.8% in Q3 in line with Q2. Revenue grew organically by 1.1% and by 2.7% from businesses acquired in the last 12 months. Growth in Q3 in the Emerging (22.4%) and Growth (6.1%) quadrants was strong, partially offset by slight declines in the Protect and Enhance (-0.1%) and Manage for Value (-0.8%) quadrants. Divestments in the Manage for Value quadrant of our Belgian Flat Linen business and our Korean JV in 2013, and our Spanish Medical business in H1 2014, reduced revenue growth by 0.5% in Q3, resulting in total revenue growth in the quarter of 3.3%.

Profit (at CER)

Adjusted operating profit increased by 4.0% in Q3, reflecting growth in North America, Pacific and Germany, as well as lower overheads, partly offset by lower profits in Benelux and slower growth in France.

Adjusted profit before tax at actual exchange rates continues to be negatively impacted by the continued strengthening of Sterling. Based on current exchange rates the impact of currency movements would be around £17m for the full year, in line with our previous guidance.

Reorganisation costs and one-off items for continuing operations were significantly lower in Q3 at £0.1m versus £5.5m last year, contributing to an increase in profit before tax of 27.0% in the quarter. After taking into account currency movements, profit before tax at AER increased by 16.7%. We now expect reorganisation costs and one-off items to be less than £10m for the year.

Cash flow and interest costs

Operating and free cash flow continue to be strong and we remain on track to achieve our targets for the year. During the quarter we took advantage of an invoice factoring exercise in our French business which is anticipated to increase working capital inflows by approximately £15m. With our improved net debt position we now expect interest costs to be in the region of £47m (at CER) for the year compared to the previous guidance of £50m.

M&A

We acquired 5 businesses in the quarter and have now acquired 18 businesses in pest control in the year along with one small acquisition in hygiene and three in plants. Combined annual revenues of the above businesses totalled £40m in the 12 months immediately prior to acquisition.

Commenting on the Q3 results Andy Ransom, CEO of Rentokil Initial plc, said:

“I am pleased to report that the business maintained the recent level of revenue growth in the quarter with the Pest Control category continuing to perform well in our Emerging and Growth quadrants. Challenging trading conditions persist in our European businesses, impacting our hygiene and workwear categories in our Protect & Enhance and Manage for Value quadrants.

“Profit growth in the quarter continues to reflect the benefit of more efficient businesses and reduced overheads and has been achieved despite the challenging European trading conditions. We continue to execute our strategy at pace, to drive improved revenue, profit and cash, and we expect Q4 operating performance to be in line with Q3.”

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A call for investors and analysts will be held on Friday 7 November at 9.15am:

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AER – actual exchange rates; CER – constant 2013 exchange rates

¹ ongoing revenue represents revenue with disposals removed and includes revenue from acquisitions.

² before amortisation and impairment of intangibles (excluding computer software), reorganisation costs and one-off items, and net interest credit from pensions

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