

# Rentokil Initial

Protecting People.  
Enhancing Lives.

## Investor Seminar

16 May 2018, London  
17 May 2018, New York





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Some of the factors which may adversely impact some of these forward looking statements are discussed in the Principal Risks and Uncertainties section on pages 42 to 47 of the Group's Annual Report and Accounts for the year ended 31 December 2017. This report may be viewed on the Group's website at [www.rentokil-initial.com](http://www.rentokil-initial.com).

This presentation contains supplemental non-GAAP financial and operating information which the Group believes provides valuable insight into the performance of the business. Whilst this information is considered as important, it should be viewed as supplemental to the Group's financial results prepared in accordance with International Financial Reporting Standards and not as a substitute for them.





# Rentokil Initial

Protecting People.  
Enhancing Lives.

**Global Leaders in  
Pest Control**

Andy Ransom  
Chief Executive





8.30	Rentokil Initial: Global Leaders in Pest Control	Andy Ransom
8.45	Pest Control: A Growing and Attractive Industry	Gary Booker
8.55	The Rentokil Initial Business Model	Alain Moffroid
9.10	Creating a World-Class Employer of Choice	Vanessa Evans
9.20	North America: The Path to Creating a \$1.5bn business	John Myers
9.40	Significant Growth Opportunities in Emerging markets	Paul Cochrane
		Alain Van Lidth de Jeude
10.00	Using Technology to Create Value	Jeremy Townsend

**10.15**      **Break for coffee**

**10.30**      **Showcases** (two groups – see Red and Blue stickers on your badges)

- **Digital Leadership** (Jeremy Townsend, Dan McCormick, Paul Donegan)
- **Product Innovation** (Jürgen Höfling, Randolph Carter & Savvas Othon)

**11.10**      **Leveraging Acquisitions**

**Chris Hunt**

**11.30**      **Our Financial Model to Compound Growth**

**Jeremy Townsend**

**11.50**      **Closing Comments and Q&A**

**Andy Ransom**

**12.30**      **Lunch**



# Introductions

# THE RIGHT WAY



## **Andy Ransom**

### **Chief Executive Officer**

Joined Rentokil Initial in 2008 as the Executive Director of the global Pest Control business with functional responsibility for Corporate Development, M&A, Legal & Company Secretariat. Appointed as CEO in October 2013. Prior to joining Rentokil Initial, a 20-year career with ICI including various senior management positions.



## **Alain Moffroid**

### **Regional MD, Pacific**

Joined Rentokil Initial in 2013. Prior roles included Vice President Customer Development, Unilever Asia and Africa, following a number of senior positions with Unilever Australasia. He has significant experience in marketing, sales and business development acquired during 23 years with Unilever in Europe, Asia and Pacific.



## **Jeremy Townsend**

### **Chief Financial Officer**

Joined Rentokil Initial in 2010 and, in addition, became Chief Information Officer in November 2013. Prior roles included Finance Director positions at Mitchells & Butlers and various finance roles at J Sainsbury plc. He also worked in audit and corporate finance at Ernst & Young LLP.



## **Vanessa Evans**

### **Group HR Director**

Joined Rentokil Initial in January 2016. Prior roles included HRD positions with RSA and Lego Retail, Head of HR at Gap and Regional Manager at Sears Womenswear.



## **Gary Booker**

### **Chief Marketing, Innovation and Strategy Officer**

Joined Rentokil Initial in January 2018. Prior roles included leadership positions in strategy and innovation at Dixons Carphone, Telefonica (O2), Electronic Arts, Dunlop Slazenger, Corinthian and Unipart.



## **John Myers**

### **Regional MD, North America**

Joined Rentokil Initial in 2008 as President, North America Pest Control division. Prior roles included Senior Vice President of Sales at Cintas Corporation as well as a number of operational and business development positions.

# Introductions

THE **RIGHT** WAY



## **Paul Cochrane**

### **Regional MD, Asia**

Joined Rentokil Initial in 1990 and was appointed MD Asia in 2013. Prior roles in the company included: Managing Director Initial Hygiene Pacific, Managing Director Ambius UK and Managing Director New Zealand & Fiji.



## **Jürgen Höfling**

### **Regional MD, Europe**

Joined Rentokil Initial in 2014. Prior roles included the establishment of a full range of consultancy and change management services, CEO of DHL Global Mail, MD of Euroexpress and Head of Marketing at Deutsche Post.



## **Alain van Lidth de Jeude**

### **Regional MD, Latin America**

Joined Rentokil Initial in 2001 and was appointed as MD Rentokil Pest Control Europe in 2006. Started Rentokil Latin America in 2012 and in charge of Rentokil Initial Benelux since 2014. Prior roles included: Belgian GIB Group: General Manager Quick Restaurants BV & Franchise Director Quick NV.



## **Chris Hunt**

### **Group M&A Director**

Joined Rentokil Initial in 2012 as Group M&A Director. Prior roles included Corporate M&A Director at AstraZeneca plc and Director, KPMG Transaction Services

## Showcases

**Randolph Carter, Marketing Director, Europe**

**Savvas Othon, Science and Innovation Director (London seminar)**

**Judy Black, VP Technical Services, USA (New York seminar)**

**Paul Donegan, Corporate IT Director**

**Dan McCormick, IT Director, UK & ROW, Asia, Pacific**



# About Us

Consistent business model and transparent medium-term guidance

# THE RIGHT WAY

## Market-Leading Businesses

### Pest Control

Focus: Growth and Emerging Markets

Differentiated IRR

Growth **13%+**

Emerging **15%+**

### Hygiene

Focus: Operational excellence

Differentiated IRR

**15%-20%+**

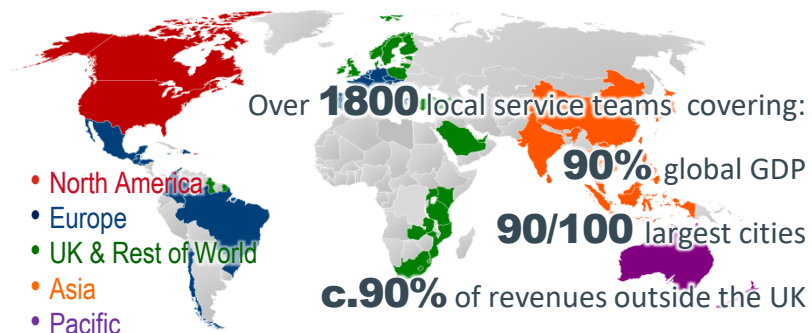
### Protect and Enhance

Focus: Retention and enhancing profitability

Differentiated IRR

**20%+**

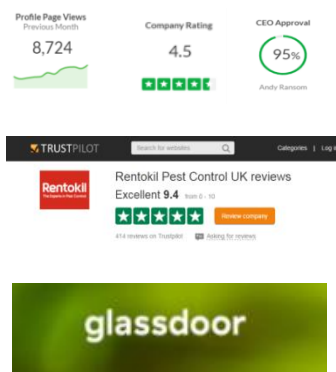
## Multi-local Operations



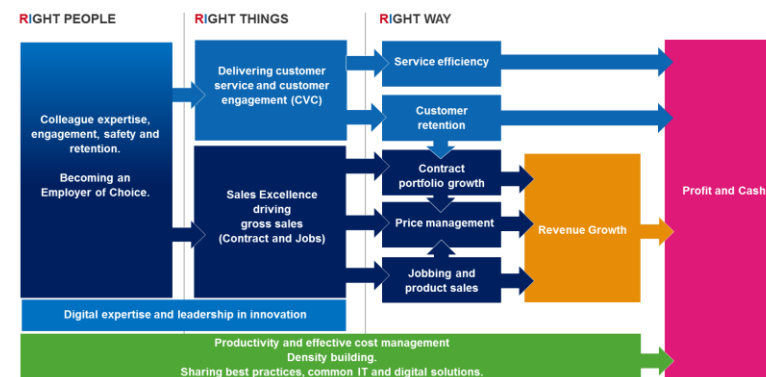
## Leadership in Digital and Innovation



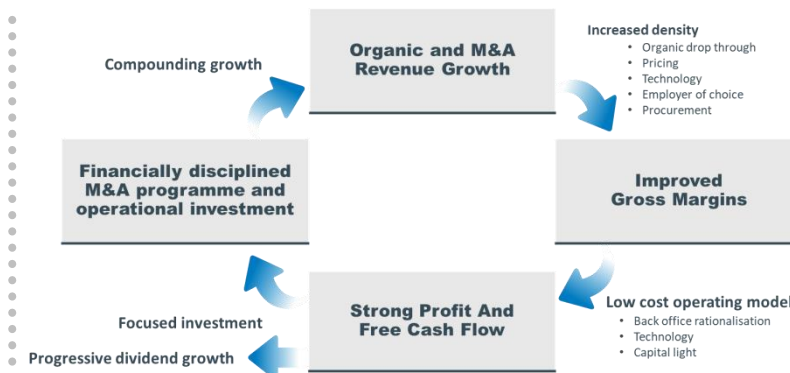
## Expertise of our People



## Consistent Operational Model



## Financial Model to Compound Growth



Medium-Term  
Financial Guidance:

Ongoing Revenue  
Growth: 5 - 8%  
Organic 3 - 4%

Ongoing Operating  
Profit Growth:  
c.10%

Free Cash Flow  
conversion:  
c.90%

# About Us

Market-leading businesses

THE **R**IGHT WAY

Pest Control	Hygiene	Protect and Enhance
<b>64%</b> Group Revenue <b>69%</b> Group Operating Profit <b>18.1%</b> Net Operating Margin	<b>19%</b> Group Revenue <b>20%</b> Group Operating Profit <b>17.7%</b> Net Operating Margin	<b>17%</b> Group Revenue <b>11%</b> Group Operating Profit <b>10.3%</b> Net Operating Margin
2017	2017	2017
Revenue: <b>£1,328.4m</b> <b>+21.4%</b> Profit: <b>£239.8m</b> <b>+18.1%</b>	Revenue: <b>£402.5m</b> <b>+7.6%</b> Profit: <b>£71.4m</b> <b>+9.7%</b>	Revenue: <b>£362.1m</b> <b>+0.9%</b> Profit: <b>£37.3m</b> <b>-21.2%</b>
<b>World-class business</b> <b>Growth:</b> (Rev £1,137.0m ,+16.9%; Profit £210.3m ,+13.7%) <ul style="list-style-type: none"> <li>North America Pest 4-year CAGR: 23.2%</li> </ul> <b>Emerging:</b> (Rev £191.4m, +57.1%; Profit £29.5m, +62.8%) <ul style="list-style-type: none"> <li>Asia +9.6% organic revenue growth</li> <li>LatAm +18.5% organic revenue growth</li> </ul> <b>Organic growth:</b> 5.8% in 2017	<b>High-quality business, with multiple growth drivers</b> <b>Strong product range:</b> Enhanced in 2017 with targeted extensions and lower cost units <b>Operational execution and density:</b> Technology, sales focus and margin-based commissions <b>Organic growth:</b> 2.1% in 2017	<b>Profitable and cash-generative businesses in: Plants (Ambius), Property Care (UK) and Workwear (France)</b> <b>Focus:</b> Protect and enhance strategies – service, retention, productivity and cash <b>France:</b> Aim to return to profitable growth by the end of 2018. Disposal of 8 (mainly flat linen) laundries in 2017

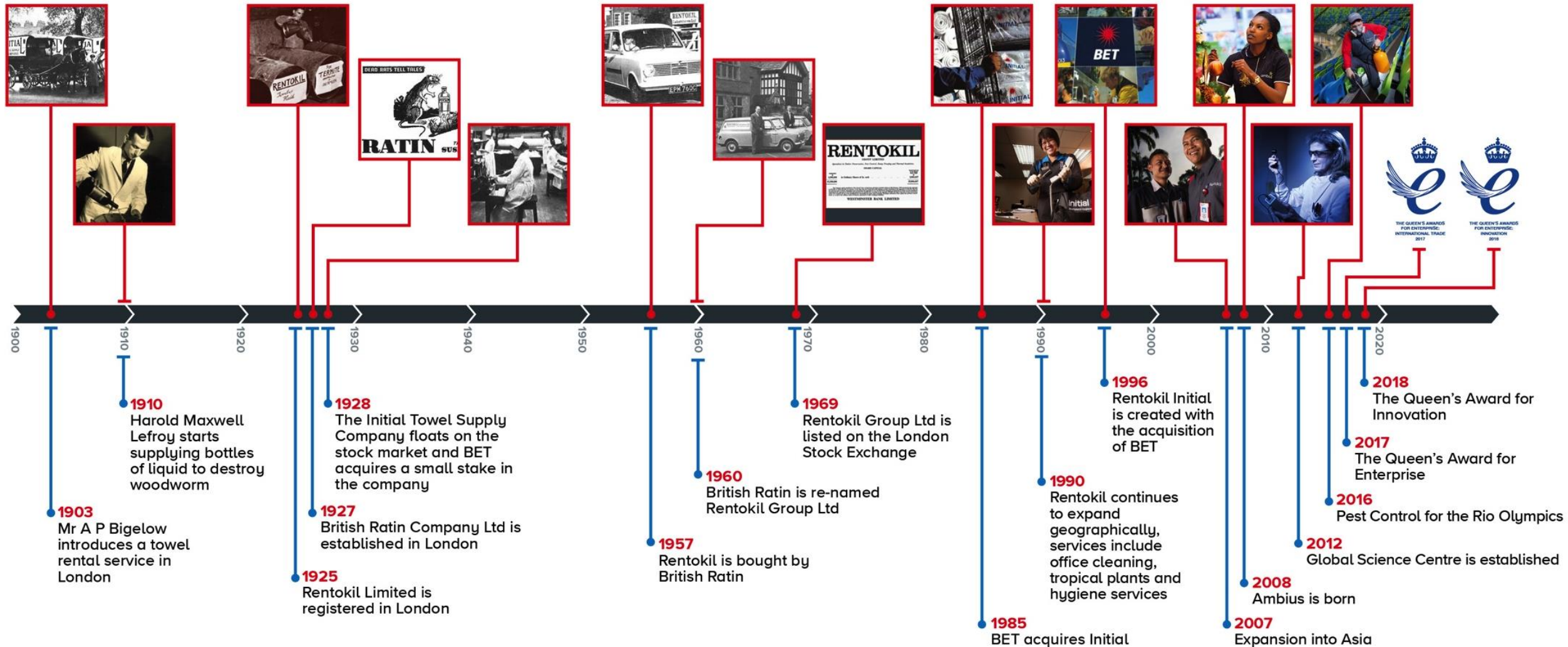
\* All figures calculated on an ongoing basis.



# About Us

Rentokil Initial: a proud history of service expertise and global expansion

# THE RIGHT WAY



# About Us

Rentokil Initial: a proud history of service expertise and global expansion

# THE RIGHT WAY



*"I do not believe the introduction of motorcars will ever affect the riding of horses."*

British Member of Parliament  
John Douglas-Scott-Montagu, 1903

**London 1903**

Average speed: 8 miles per hour

Revealed: how average speed of London traffic has plummeted to just 7.8mph

ROSS LYDALL Friday 9 December 2016 12:18 67 comments



Click to follow  
The Evening Standard



Construction work and dwindling road space are causing the traffic in London to grind to a halt Jeremy Selwyn

**London 2018**

Average speed: 7.8 miles per hour

The average speed of traffic in Midtown Manhattan is 4.7 mph. New York thinks it's found a solution



By NINA AGRAWAL  
JAN 24, 2018 | NEW YORK



A task force has outlined a plan to charge drivers a toll to enter Manhattan in an effort to reduce congestion and raise funds for transit improvements. (Justin Lane / EPA/Shutterstock)

**New York 2018**

Average speed: 4.7 miles per hour



# Rentokil Initial

A compelling growth opportunity in pest control

THE **RIGHT** WAY

## Pest control: non-cyclical, growth market:

**Increasing market growth:** \$18bn market, predicted growth at 5% CAGR through to 2023\*

**Medium-term growth drivers include:** increased economic activity, demographics, regulation & increasing pest burden

**Global market breakdown:** 46% commercial, 35% Residential, 19% Termite. Excludes Vector Control

**Global Rentokil breakdown:** 80% commercial, 20% residential / termite

**North America:** c. 50% of the global market, highly fragmented with c. 20,000 pest control companies

## The world's leading commercial pest control company:

**Rentokil is the market leader in 48 of its 70+ countries:** strongly positioned in key Growth markets (NA, UK, Europe, Pacific) plus a £200m revenue Emerging markets (Asia, LatAm, MENAT)

**Multi-local business:** over 1,800 local service teams covering 90% of global GDP

**Core strength in higher-growth / higher-margin commercial sector:** food & pharmaceuticals in particular

**Deep understanding of commercial customer needs:** digital reporting, compliance, service levels and risks

## Number 1 pest control brand:

**Most famous pest control brand in the world:** Rentokil is one of the world's top 50 most valuable commercial services brands (Brand Finance). Respected for service excellence. Brand strength particularly important in Emerging markets



**Market leader in a strong and resilient growth market**  
**Unrivalled global position**

\* Various 2018 market reports including MRS Research, Technavio and Research & Markets

# Rentokil Initial

A consistent business model with multiple growth levers

THE **RIGHT** WAY

## Proven, repeatable, low-cost business model:

**Great people:** new Employer of Choice programme underway – enabling outstanding customer service - delivered by highly skilled technicians

**Primarily a portfolio business:** +70% of revenues on a recurring contract basis, 30% one-time jobbing

**Multiple drivers of revenue growth:** Organic sales, improving customer retention, pricing and up-selling

**Hygiene:** profitable, complementary business to Pest Control - consistent operating model

## Leaders in digital and innovation:

**Enablers of revenue growth to new and existing customers:** innovations account for over 20% of new pest job sales in the UK, as well as enhanced service and customer retention, and productivity gains

**Recent innovations:** Lumnia, RapidPro, AutoGate, PestConnect

**Digital leadership:** working with best-in-class partners - Google, Amazon, Alibaba, PA Consulting and Qlik

**Increasing demand for digital pest control:** particularly industries with zero tolerance of pests such as manufacturing, food and pharmaceutical. 500,000 customer locations and 23m products in myRentokil customer portal worldwide

**Leading in connected / Internet-of-Things:** expanding our connected range to rodents, insects and live-catch animals

## Fundamental understanding of route density:

**Enabling margin expansion:** through product and route density - targeted selling and city-focused M&A



**Consistent business model to drive profitable growth**  
**Portfolio business with multiple growth levers**

# Rentokil Initial

A financially-attractive compound growth model

THE **RIGHT** WAY

## Significant value creation through compounding:

**Multiple opportunities to drive cash and margins:**

Levers for margin expansion: deployment of technology, density, retention, procurement and yield management (disciplined approach to pricing, contract management and sales incentives)

Demonstrate today how the compounding of revenue and profit growth drives increased margins

## Clear capital allocation strategy:

**Highly fragmented industry:** c.40,000 pest control companies globally

**Track record of leveraging acquisitions:** over 170 companies acquired in 48 countries, 10 new market entries and building density/scale in key cities. Transparent IRRs

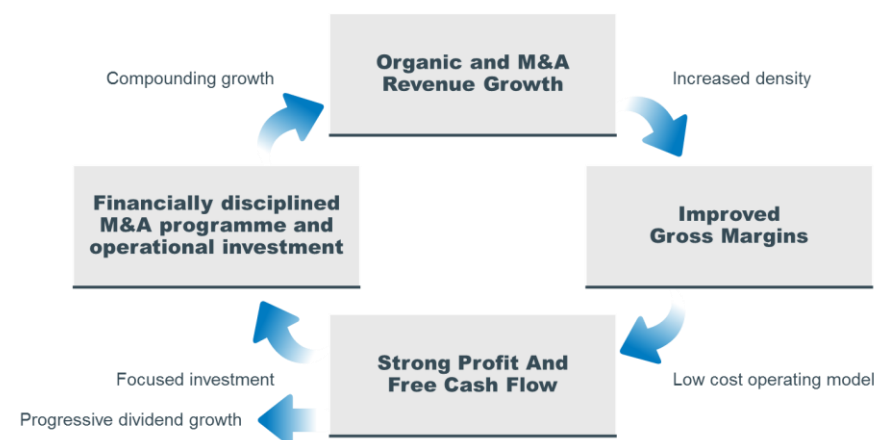
**Strong pipeline:** predominately in pest control. c. 200 target companies

## Focused on creating shareholder value:

**Clear plan for North America region to create a c. \$1.5bn revenue / c. 18% margin by end of 2020:**

combination of organic revenue growth of 4% to 6% and acquisitive growth of 8% to 10% p.a. and productivity through 'Best of Breed' programme

**Strong medium-term opportunity in Emerging markets:** Number 1 in Asia, LatAm & MENAT



**Estimated spend on acquisitions in 2018: £200m to £250m**

**Compounding model for revenue, profit and cash growth**  
**Consistent financial performance over medium term**



# Rentokil

## Investor Day

### **Pest Control: A Growing and Attractive Industry**

Gary Booker

Chief Marketing, Innovation  
& Strategy Officer



# Large, Growth Market With 3 Key Sectors

Providing long-term opportunities for well-positioned operators

THE **RIGHT** WAY

## Worldwide Pest Control \$18bn Market

North America \$9.0bn

Europe \$3.4bn

Asia \$2.6bn

Latin America \$1.4bn

Pacific \$0.8bn

Rest of World \$0.8bn

## Global Market Split by Key Segments

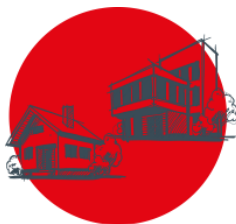


### Commercial

USD c. \$8.3bn

46% of the market

B2B recurring contracts

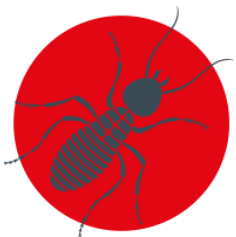


### Residential

USD c. \$6.3bn

35% of the market

B2C jobs



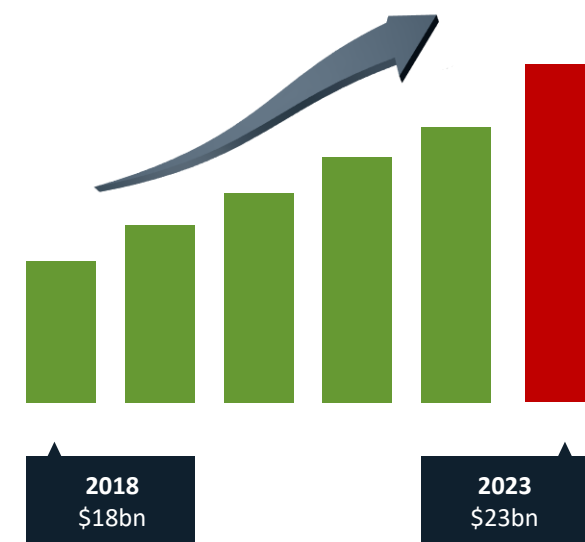
### Termite

USD c. \$3.4bn

19% of the market

Plus emerging **Vector Control**  
opportunity valued at **\$3.1bn**

## Global Pest Control Market Value (\$bn)



Projected c. 5% CAGR

# Resilient Market with Multiple Macro Growth Drivers

In both commercial and residential customer segments

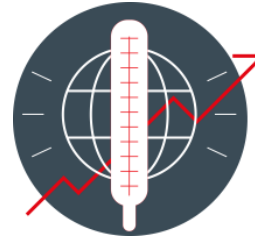
## Growing Population

World population growing by 80m people p.a. and forecast to be 8.6bn total by 2030 creating further demand from pest proximity



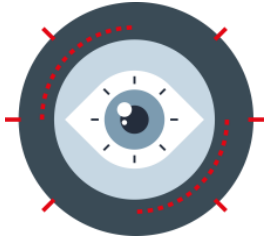
## Climate Change

By 2050 climate change is expected to cause approx. 250k additional deaths p.a. from malaria, diarrhoea and other diseases



## Standards Increase

Increasing global convergence and transparency in global standards, particularly adoption of global standards in emerging markets



## Urbanisation

70% of the population will live in cities by 2050 (1990 = 43%) where pest issues are most prevalent



## Rise of Pests

"Ratpocalypse" - global rat population estimated to increase to 7bn and increasing demand for non-toxic solutions



## Increasing Business Pressure

22% of facilities across the global food chain have some record of pest activity at any one time with significant reputational risk



## Rise of Middle Classes

160m more people join the middle class every year with increasing standards and lower pest tolerance



## Vector-borne Diseases

More than 3.9bn people in over 128 countries are at risk of contracting dengue fever, with 96m cases estimated per year



## Rise of Pest Intolerance

Pest infestations cost businesses £5.8bn p.a.





# The US: The World's Single Largest Market

Macro trends are fuelling continued growth in the pest control market

# THE RIGHT WAY

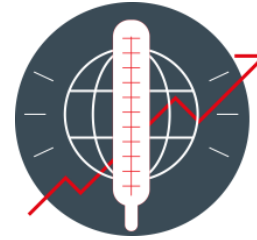
## Growing Population

USA population growing by 3.3m per year: projected to rise from 325m to 416m by 2060 creating increased demand



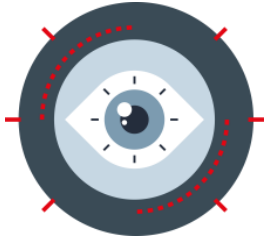
## Climate Change

2021–2050 annual US average temperatures expected to rise by 2.5°F creating increased pest threats



## Standards Increase

Food Safety Modernization Act - most significant legislation in over 70 years - focuses on the prevention of disease outbreaks



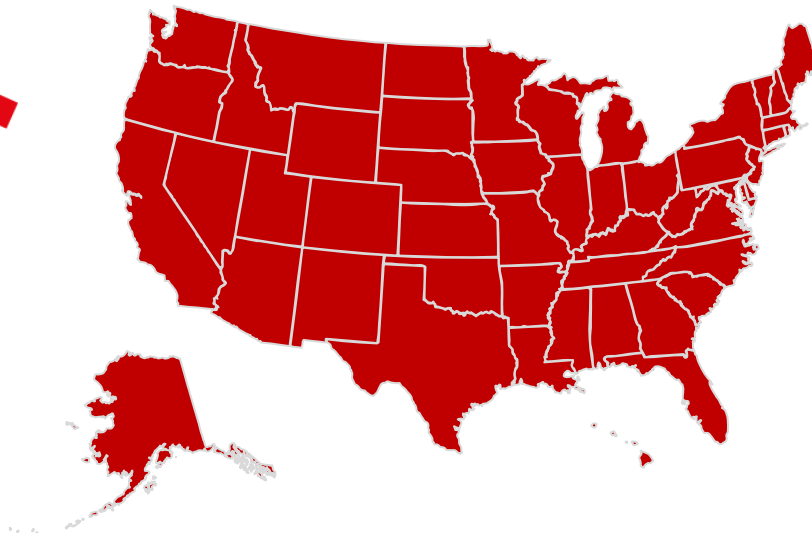
## Rise of Pests

Over 50 termites species in USA - approx. \$2bn p.a. in subterranean damage caused



## Vector-borne Diseases

Yellow fever mosquito now found in 23 US states  
West Nile, dengue & chikungunya viruses now present in the US



## Increasing Business Pressure

80% of US hotels and motels reported some presence of bedbugs in the past year with massive impact from social media



## Rise of Pest Intolerance

29% of all Americans have experienced a rodent pest issue at some point; 35% in the Northeast



<https://www.statista.com/statistics/183481/united-states-population-projection/>  
<https://www.sciencedirect.com/topics/agricultural-and-biological-sciences/kalotermitidae> -  
<http://vitalsignstermite.com/uploads/3/4/4/1/34413916/termites.pdf>  
[http://entnemdept.ufl.edu/creatures/aquatic/aedes\\_aegypti.htm](http://entnemdept.ufl.edu/creatures/aquatic/aedes_aegypti.htm)  
<https://www.ncbi.nlm.nih.gov/pmc/articles/PMC4394667/>

<https://eos.org/features/how-will-climate-change-affect-the-united-states-in-decades-to-come>  
<https://www.pestworld.org/news-hub/press-releases/of-mice-and-men-rodent-infestations-plague-nearly-a-third-of-americans/>  
<https://www.pestworld.org/news-hub/press-releases/new-survey-finds-bed-bug-infestations-spike-during-summer-months/>



# The Emerging Markets Opportunity

Macro trends impacting the pest control industry

THE RIGHT WAY

## Growing Population

China population growing at 5.9% and will reach 1.4bn whilst LatAm population also set to grow 222.7% by 2030



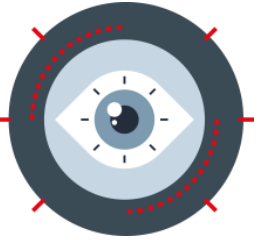
## Vector-borne Diseases

Vector-borne diseases rising dramatically across Asia  
Malaysia dengue cases rose from 22k in 2012 to 83k in 2017



## Standards Increase

China Drug & Food Admin. legislation puts greater focus on risk prevention, stricter food ingredient and processing.  
ASEAN working towards harmonised food regulations



## Urbanisation

90% of urban growth by 2030 will take place in Asia, LatAm, Africa and the Caribbean. 21 out of 37 mega-cities will be in Asia



## Rise of Pests

Economic losses in China due to termites >\$1bn p.a.



## Increasing Business Pressure

In India alone 25-30% of post-harvest grains are lost to rodents (\$5bn cost p.a.)



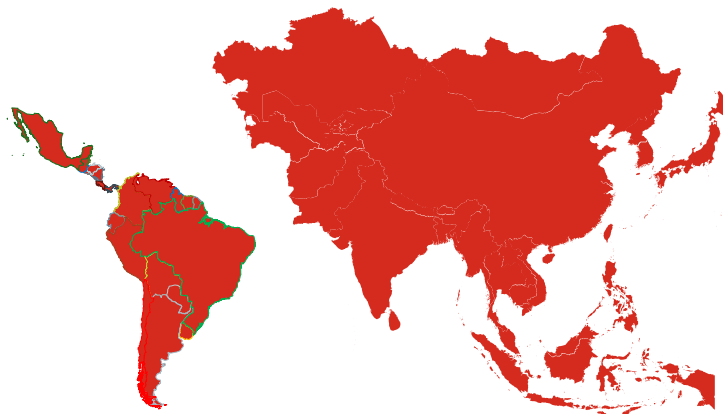
## Rise of Middle Classes

88% of the next billion people into middle class will be in Asia  
LatAm rapid expanding middle class to reach 313m by 2030



## Rise of Pest Intolerance

Growing consumer awareness concerning health and other hygiene issues driving market demand in Asia



# North America Leads Pest Control Spend

Highest per capita spend of any region

THE **RIGHT** WAY

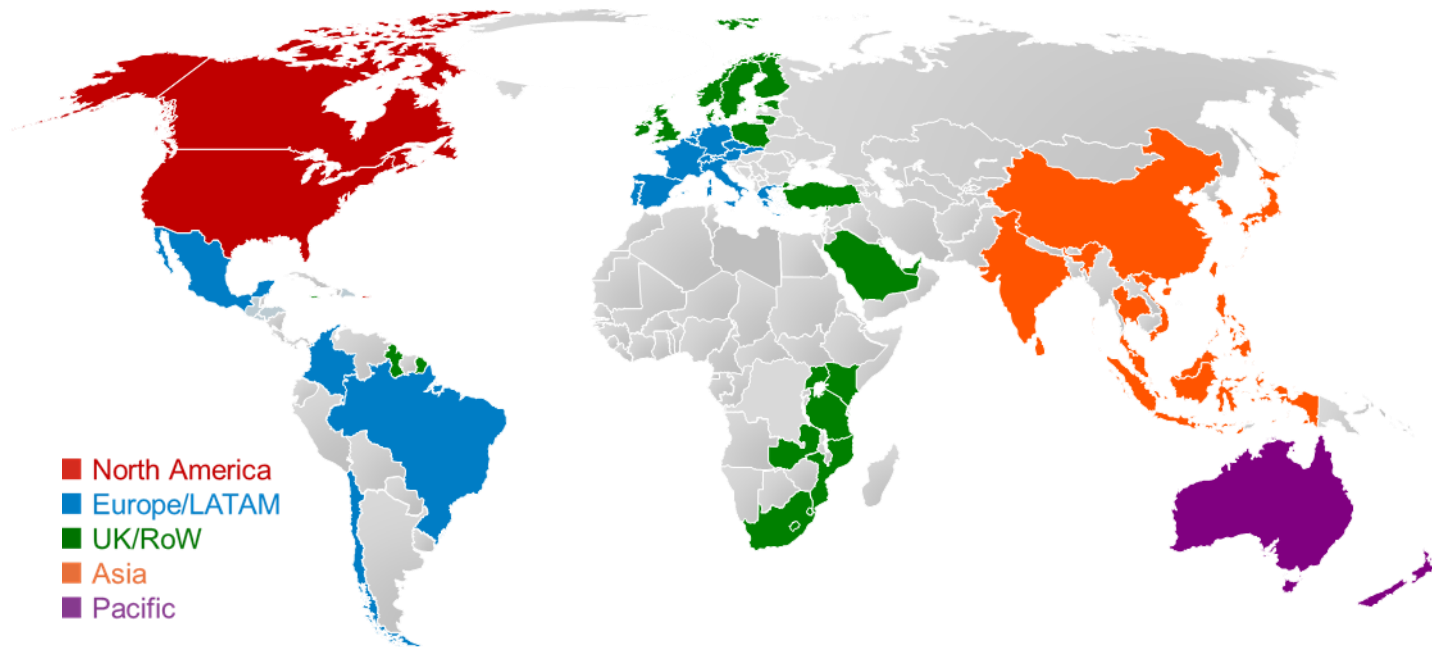
Region	Pest Control (\$bn)	GDP per capita	GDP (\$bn)	Pest Control as % of GDP	Pest Control per capita
Global	<b>\$18.0</b>	<b>\$11,730</b>	<b>\$87,504</b>	<b>0.021%</b>	<b>\$2.41</b>
North America	<b>\$9.0</b>	<b>\$47,338</b>	<b>\$23,315</b>	<b>0.039%</b>	<b>\$18.36</b>
Europe	<b>\$3.4</b>	<b>\$28,810</b>	<b>\$21,327</b>	<b>0.014%</b>	<b>\$4.56</b>
Asia	<b>\$2.6</b>	<b>\$7,058</b>	<b>\$28,338</b>	<b>0.009%</b>	<b>\$0.62</b>
Latin America	<b>\$1.4</b>	<b>\$9,028</b>	<b>\$4,135</b>	<b>0.032%</b>	<b>\$2.79</b>

**Significant opportunity for growth exists,  
particularly in emerging Asian and LatAm markets**

# Rentokil: The No. 1 Pest Control Brand

The most internationally recognised and trusted name in global pest services

# THE RIGHT WAY



Number of Rentokil Markets			
Market Position	Established Markets	Emerging Markets	Total Markets
# 1	26	22	48
# 2	7	5	12
# 3	4	3	7
Other	3	3	6



- The biggest global footprint of all pest control brands – including emerging markets
- Strong brand presence in 73 countries across every continent - accounting for 91% of global GDP
- Number 1 or Number 2 position in 60 of the 73 markets, and growing
- Unrivalled partnerships with key global industry bodies providing endorsement, credibility and influence
- Global scale to provide a consistent worldwide level of service to large multinational accounts

**The best known brand with the strongest global footprint = best positioned for growth**

# Differentiation through expertise, innovation & digital

THE **R**IGHT WAY

Over **36,000**  
**colleagues**  
across **73**  
**countries**

**Scale**

**90 years** of  
specialist  
experience  
and learning

**Expertise**

Global **NPS +42**  
delivering high  
customer loyalty

**Service**

Industry-leading  
global **R&D**  
**Innovation Centre**  
studying animal  
behaviour  
and creating  
**unique pest**  
**solutions**

**Innovation**

**MyRentokil**  
**digital platform**  
live in 33  
countries with  
**100k+ connected**  
**users** already  
deployed  
worldwide

**Digital**



# An Attractive Growth Industry

Rentokil is uniquely positioned with unrivalled global strength

THE **R**IGHT WAY

Worldwide pest control market is worth **c. \$18bn** - half in North America

All markets worldwide - including North America - are growing, with forecast **CAGR of c. 5%** over next five years and significant opportunity for growth in per capita spend, particularly in Asia and LatAm

Pest control is resilient to recessionary factors and has large number of **macro-economic drivers**: *population growth, urbanisation, rising middle classes, climate change, food safety regulation, plus increasing business and consumer intolerance to pest issues*

Rentokil is the **Number 1 pest control brand in the world**, with largest global footprint and **presence in 73 countries** - accounting for 91% of global GDP

We have unrivalled industry body partnerships and **unrivalled ability to service multinational accounts**

We will continue to grow – leveraging our **scale, expertise and service levels**, and we consistently lead the market in **innovation** and in the development and deployment of **digital technologies**



# Rentokil Initial

Protecting People.  
Enhancing Lives.

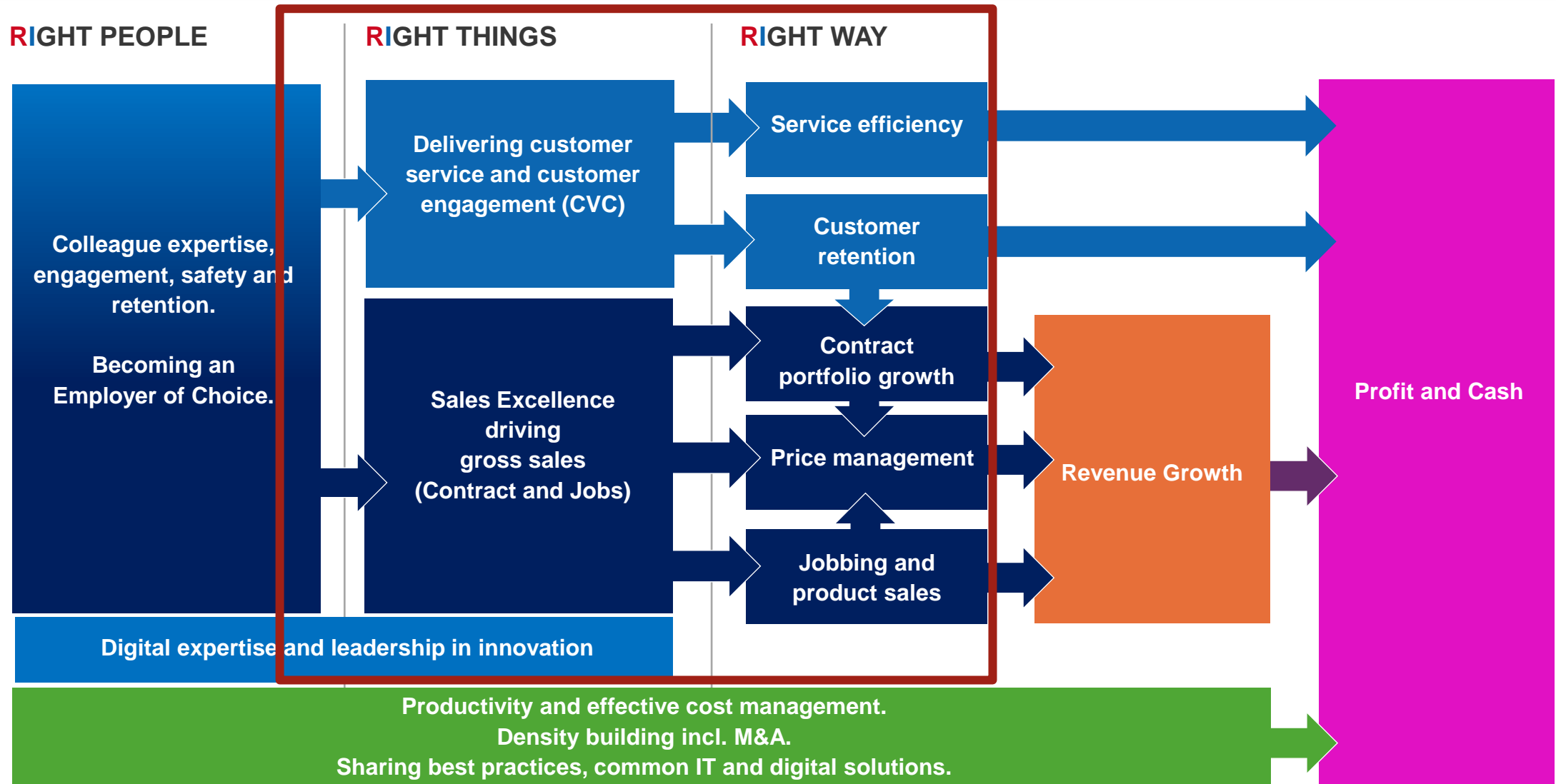
**Our Consistent and  
Efficient Operational Model**

**Alain Moffroid**  
MD, Pacific



# Our Consistent and Low Cost Operational Model

# THE RIGHT WAY



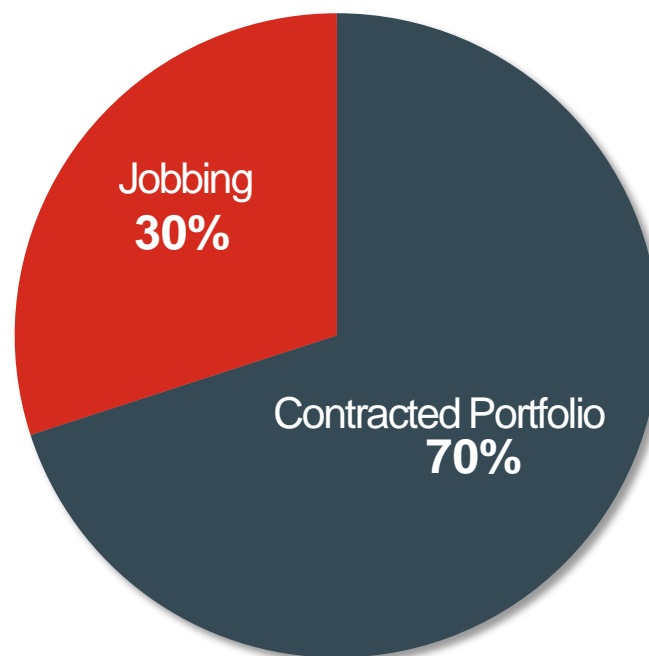
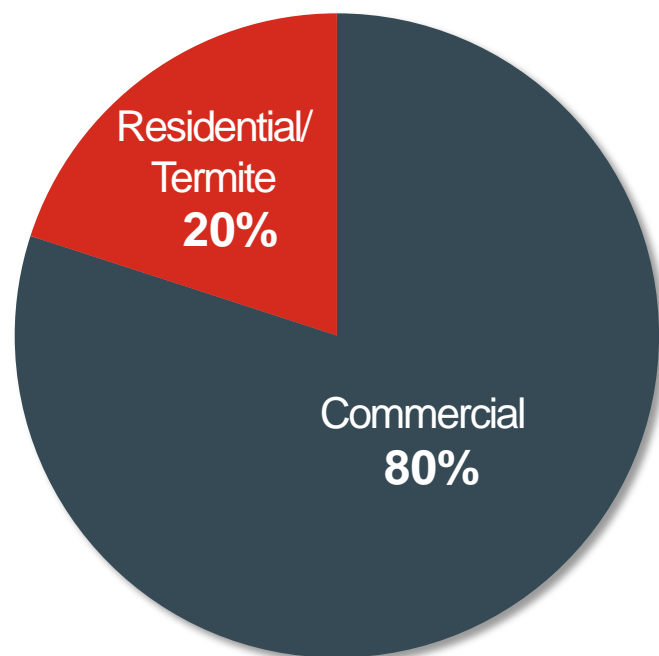


# Rentokil Pest Control Worldwide

Predominantly a commercial and contracted portfolio business

# THE RIGHT WAY

% of Group Revenue



**Customer retention rates of 85.7%**  
(+0.8% in 2017, +0.6% in 2016)

**Most contracts allow price increases**  
Between 1-2% p.a.

**Contracted customers**  
Over **one third** of our jobbing

**70% of revenues**  
Under contract on 1<sup>st</sup> January

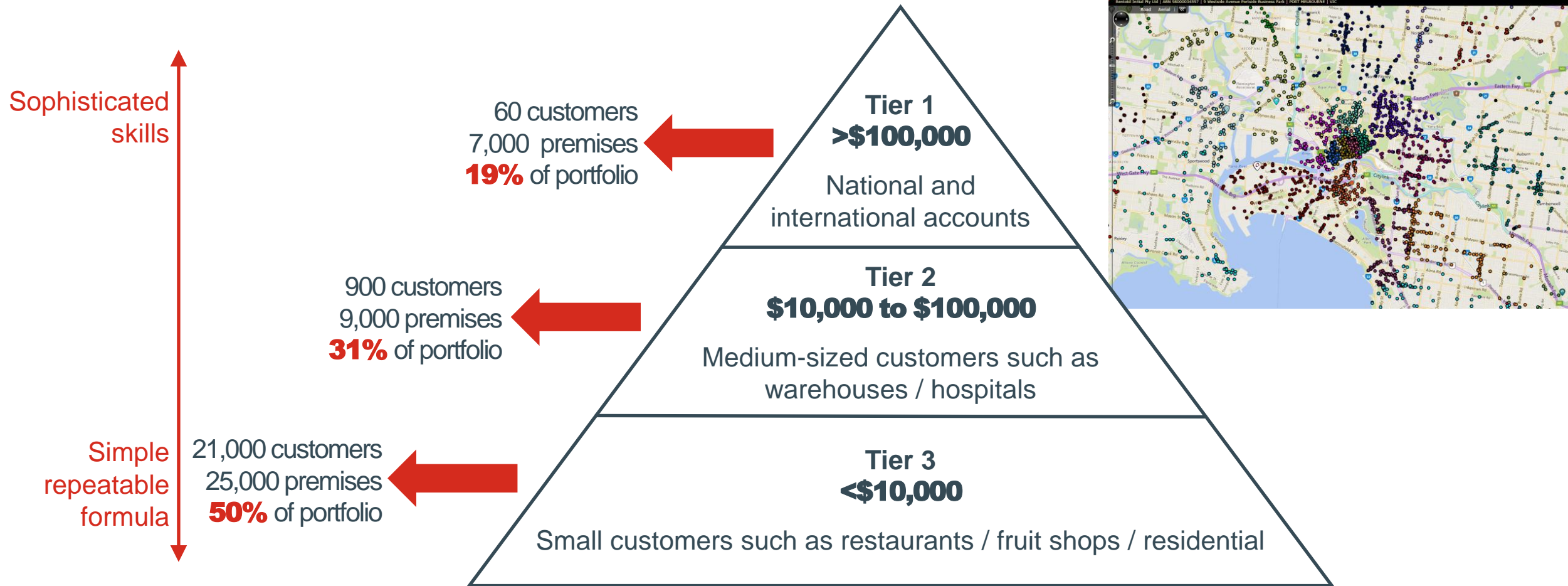
Allows for **capacity planning**  
across the year

**A highly resilient and defensive model**

# Example: Rentokil Australia

Contracted portfolio is widely distributed, creating great density

# THE RIGHT WAY



**Rentokil Australia's largest pest control customer accounts for just 2% of revenue**

# Customer Retention: Project 90

The best way to grow is to retain

THE **R**IGHT WAY

Project  
90%

## Retaining

- ✓ 70% revenues under one-year rolling contracts
- ✓ Yearly price increases
- ✓ Intimate customer knowledge

## Acquiring new

- ➔ Dislodge competition
- ➔ Commission to sales people
- ➔ Install costs
- ➔ Reduced productivity for first few visits

**Every 100 bps of retention is worth an extra 30 bps of margin**



# Customer Retention: Project 90

Clearly defined model to success with KPIs across all touch points

THE **R**IGHT WAY

## Service Delivery

### KPIs:

- State of service
- Service quality

## Customer Service

### KPIs:

- Call grade of service
  - Call quality
  - Speed of issue resolution

## Account Management

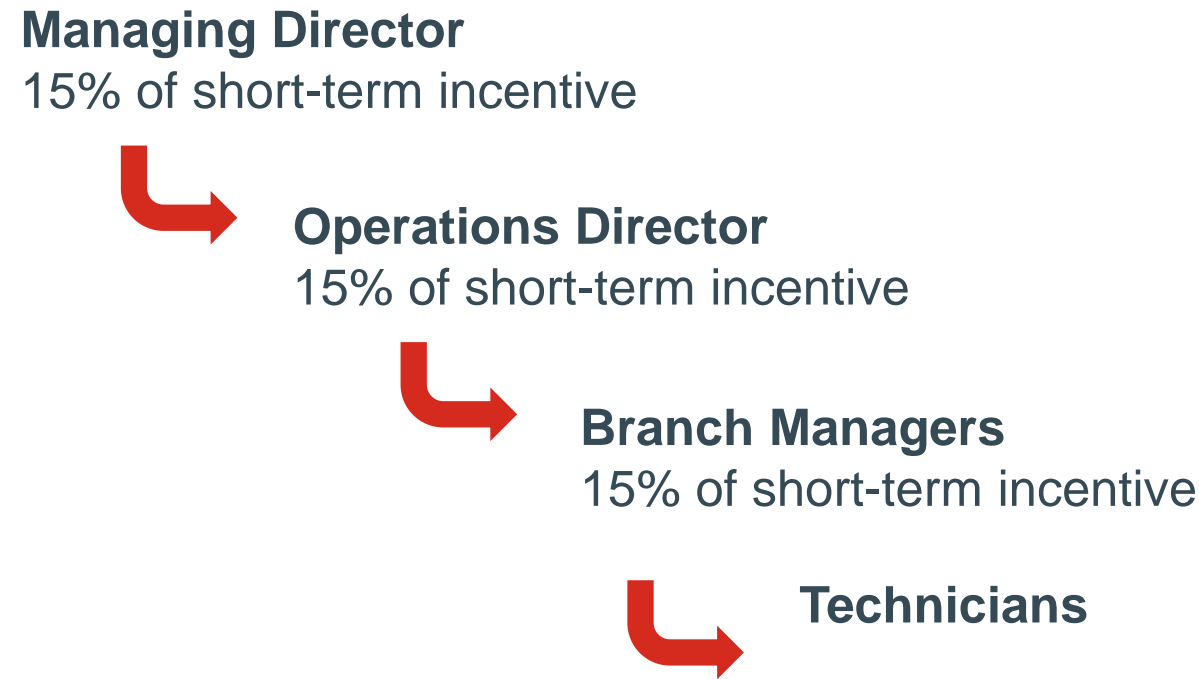
### KPIs:

- Visit frequency
- Recommendations close-out

**Rentokil Australia achieved a strong CVC score (Net Promoter Score) of 48 in 2017**

# Customer Retention: Project 90

Everyone in the business is incentivised – we are making progress



Retention Australia	2014	2015	2016	2017
Pest (%)	84	85	85	87

**Our 400 technicians in Australia can make an extra 3% of their salary a year by reaching their customer retention target**

# Sales Brilliance

Large national / multi-national customers

# THE RIGHT WAY

Require the very best service to protect their brand reputation



**Expertise**



**Innovation**

**Account  
Management**



**Individualised  
risk rating and  
program**



**Rentokil's expertise, innovative solutions and understanding of specific customers needs is unrivalled**

# Sales Brilliance

Lower-value customers

# THE RIGHT WAY

Successful 'sales recipe' is consistently applied and rigorously tracked



**Expertise**



**Innovation**

**Account  
Management**

## Sales Manager: Summary of Expectations

- Drive consultant daily KPIs: 6 confirmed appointments / 8 prospects calls / 4 quotes
- 100% completion on digital tools compulsory
- 3 field days per week – in-field coaching & mentoring sales consultants

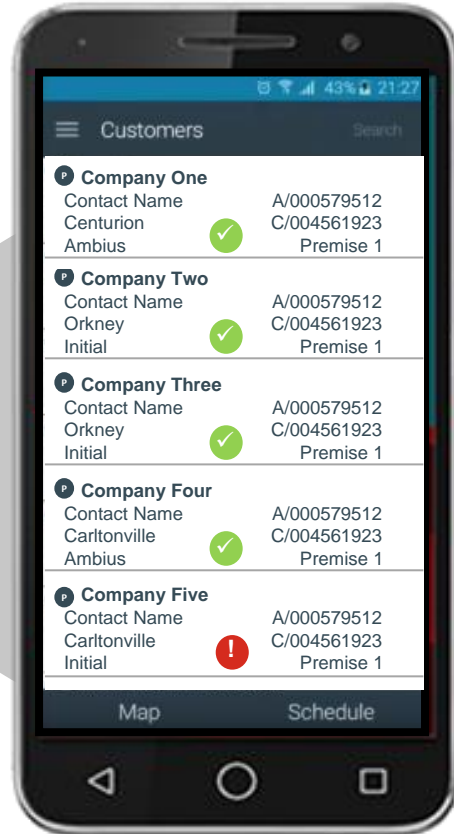
**Six appointments lead to 4 quotes which return 2 sales**



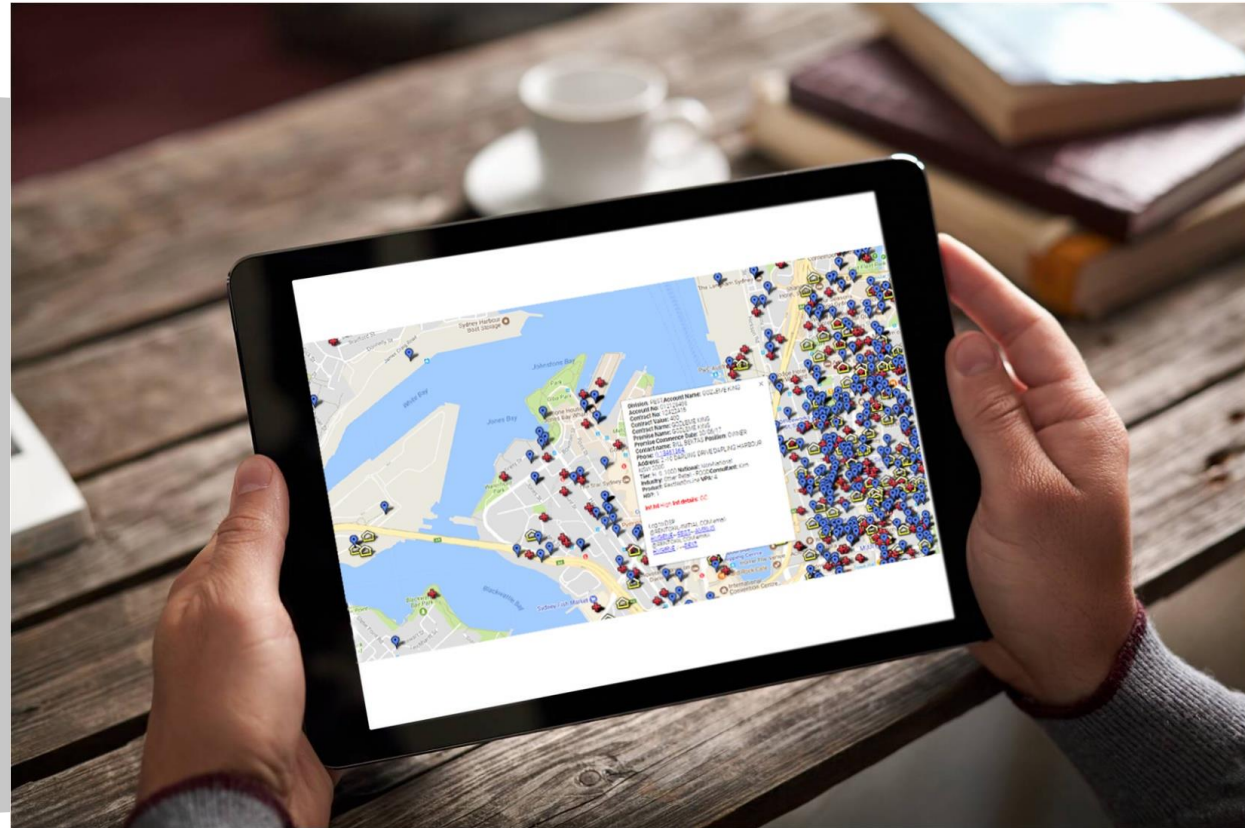
# Sales Brilliance

Digitalisation drives sales efficiency

# THE RIGHT WAY



Instant access to all customer information



Tools to drive geographical density and cross selling

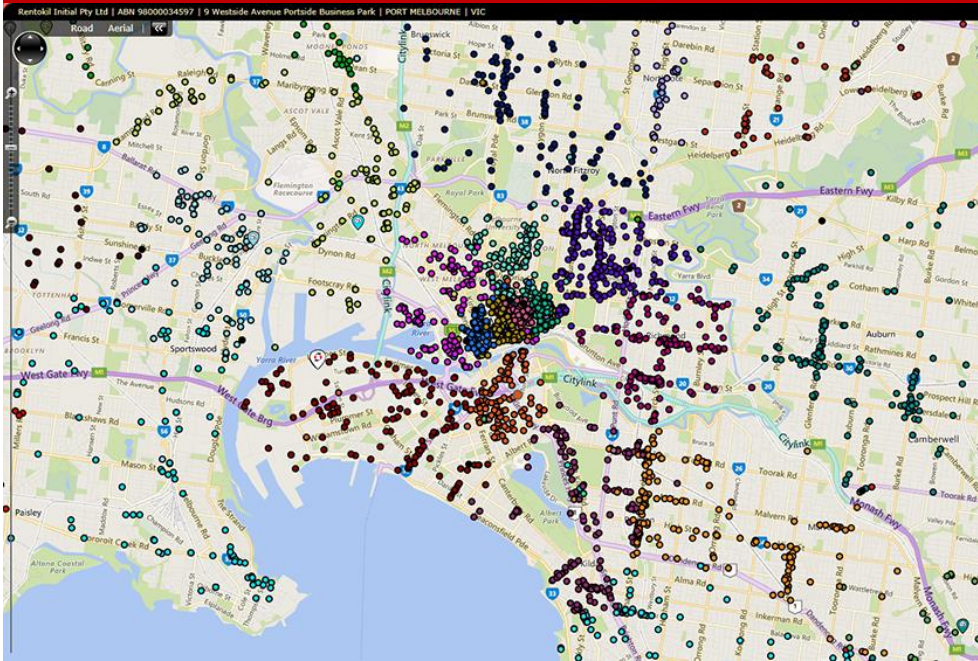
**Over 12,000 leads put by technicians generated A\$ 5m of sales in 2017**

# Example: Rentokil Australia

Density is key to productivity and superior margins

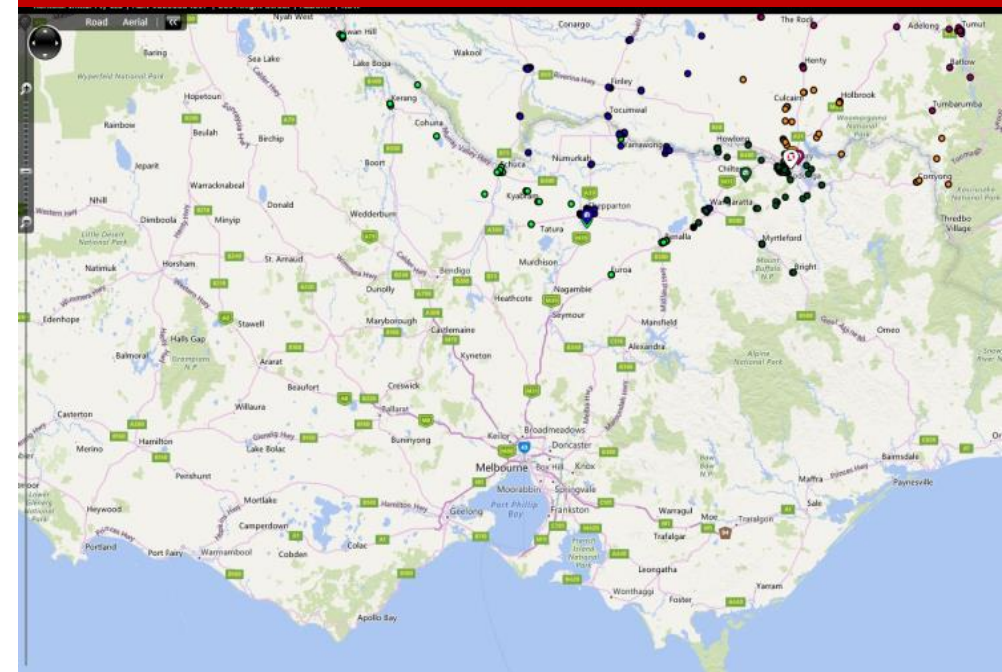
THE **RIGHT** WAY

## Customers in Melbourne



Melbourne CBD and 10k ring  
is 0.9 km per visit

## Customers in rural Victoria



Average km per visit: 29

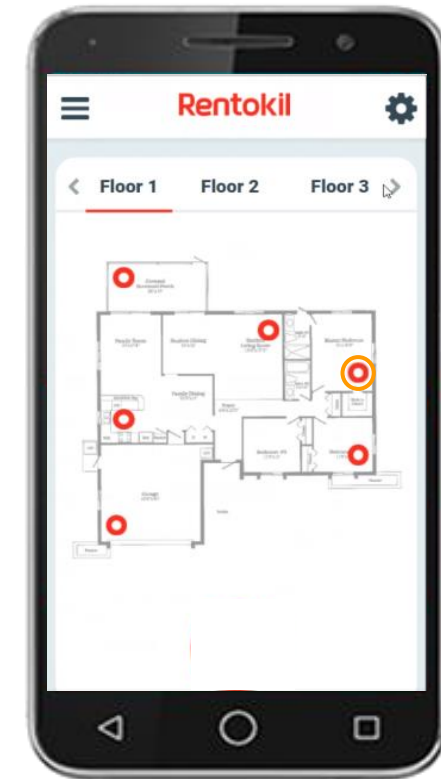
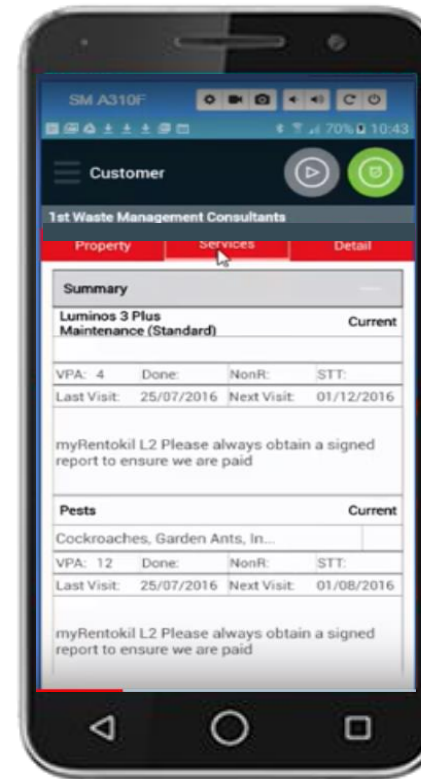
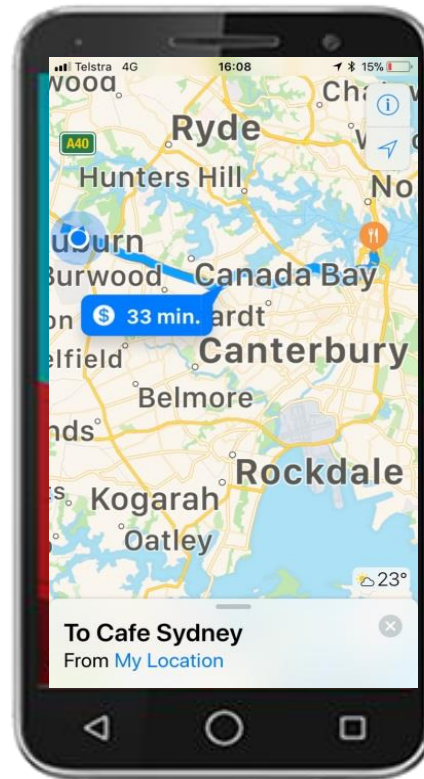
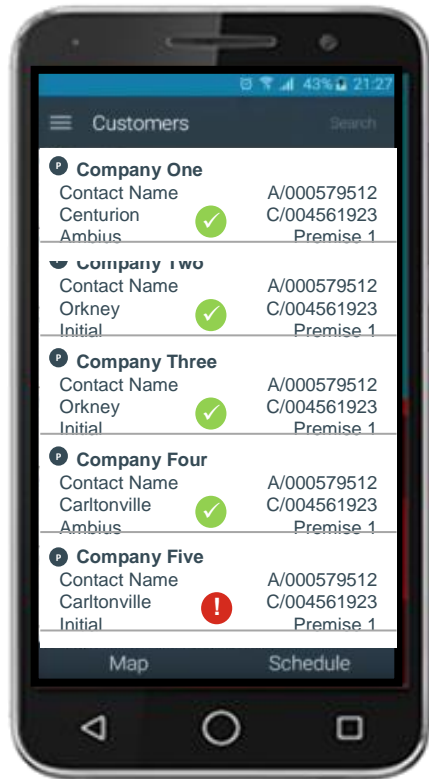
**1500 bps difference in gross margin**



# Productivity

Our technicians are digitally enabled, ensuring maximum job efficiency

# THE RIGHT WAY



**A series of seamlessly transitioning Apps enhances service productivity**

# Consistent/Low Cost Operational Model

In summary

# THE RIGHT WAY

Rentokil is primarily a commercial and contracted portfolio business

Our portfolio is widely distributed, leading to greater density and stability in revenue streams

Retention, a key driver of margin accretion, is steadily improving

We are uniquely placed to service both large and small customers with unrivalled expertise and innovation

Fundamental understanding of the importance of route density: key to superior margins

Being an Employer of Choice is a cornerstone of our model





# Rentokil Initial

## Journey to World-Class Employer of Choice

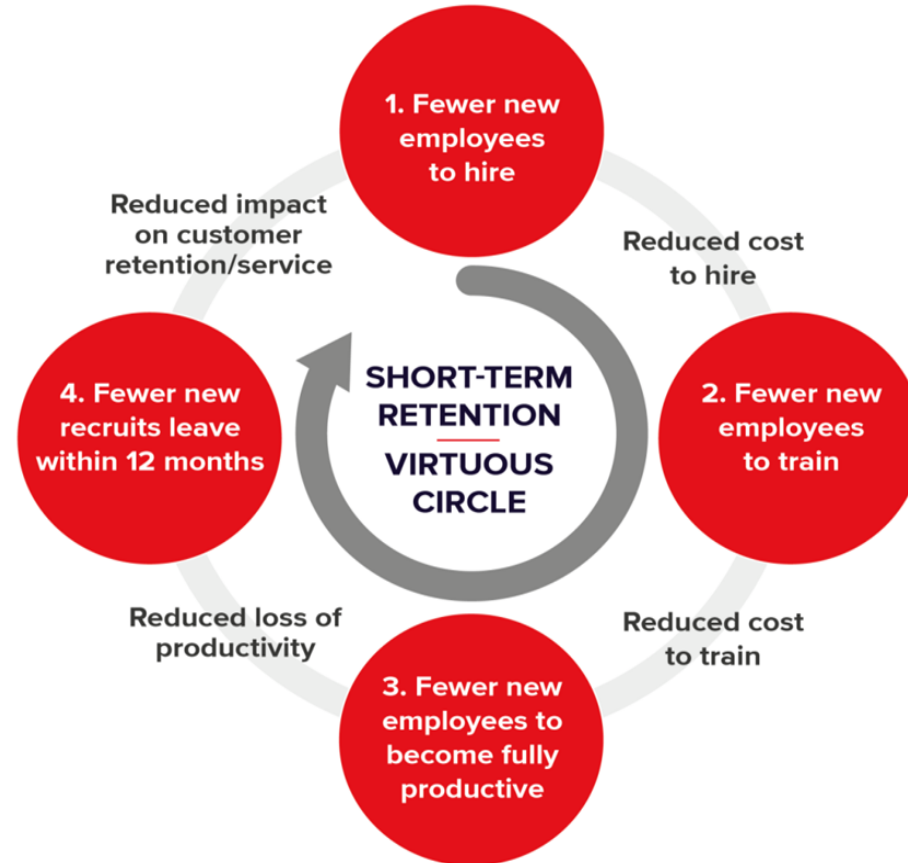
Vanessa Evans  
Group HR Director



# Our People Are Our Brand

Our people are our biggest source of competitive advantage...

THE **RIGHT** WAY



... and the key to profitable growth



# World-Class Employer of Choice

We differentiate ourselves through the quality of our people

# THE RIGHT WAY

## Attract & Recruit

Winning the war for talent



## Train & Develop

Highly trained, technical experts



## Engage & Enable

Passionate about delivering brilliant service



## Reward & Recognition

Focused on achieving financial targets



## Retain

Ensuring customer loyalty & retention



**At the heart of delivering sustainable, profitable growth**



# Attract and Recruit

Winning the war for talent

THE RIGHT WAY

## Over 36,000 employees, across 70+ countries:

17,000 pest control technicians

3,500 hygiene specialists

3,000 sales colleagues

## Over 5,000 people recruited every year

## Strong external employee reputation:

Glassdoor Awards – 7th Best Place to Work

## New global careers portal:

Increased number of applicants by over 100%

Reduced time to hire by 29%

## Brand building graduate and apprentice schemes:

500% increase in graduate applications over last 2 years

**We hire the best people**



# Train and Develop

Significant investment in training and development

THE **RIGHT** WAY

## **Over 680 digital learning assets produced in 2017:**

250+ focused on technical training

## **2.5m online courses and video upskilling undertaken annually:**

Over 75,000 technical training days globally

Technical training induction 6-10 weeks

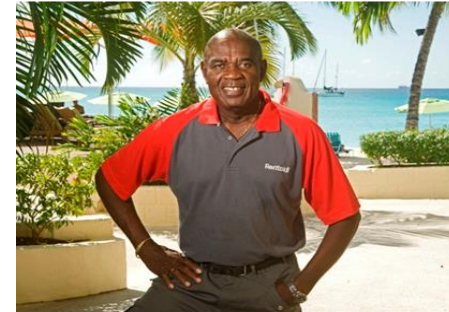
Structured career path, levels and development

## **The Power Centre - new UK training centre opened to share knowledge and best practice:**

On-site training rooms fitted out as supermarket, hotel bedroom, commercial kitchen, office and loft space

## **World-class Health & Safety training:**

Lost Time Accident rate of 0.58 – a 48% improvement since 2013



**Training underpins our position as the experts in pest control and hygiene**

# Engage and Enable

Engagement and enablement drives enhanced sales and service delivery...

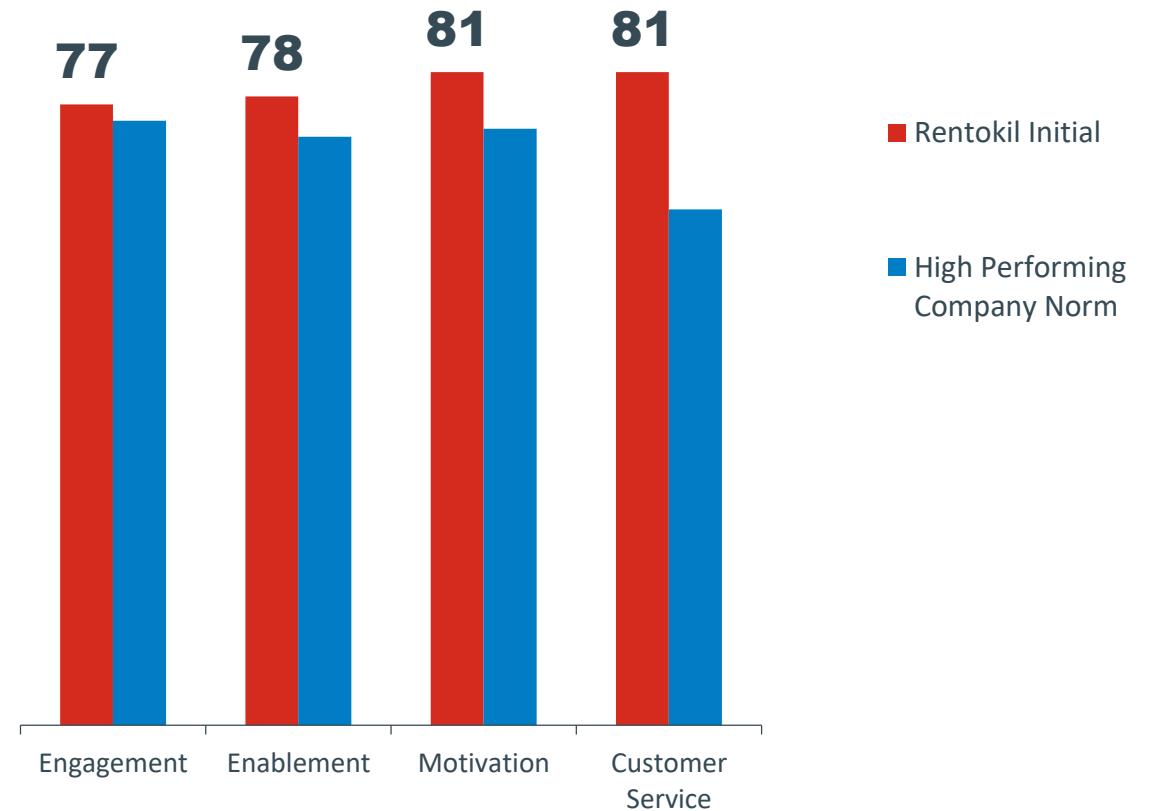
## THE RIGHT WAY

### Companies that engage and enable their colleagues outperform on revenue growth

Organisations in top quartile on **engagement** demonstrate **revenue growth x 2.5** that of organisations in the bottom quartile

Companies in top quartile on **both engagement and enablement**, achieve **revenue growth x 4.5** greater

Employee Survey Results – in World-Class Territory



...which in turn leads to greater business performance



# Reward and Recognise

We reward and recognise financial and customer outcomes

THE **RIGHT** WAY

## Annual Bonus Scheme:

Focused on profit, revenue and cash creation

## Performance Share Plan:

Extended to over 600 leaders creating alignment with shareholder interests

Employee incentives focus on building **Route & Product density**

## Competitive salaries:

Comprising fixed and variable pay, c. £1bn wage budget

Additional focus on low-employment hot spots, e.g. San Francisco, Sydney

**Recognition programmes** focused on service



**Reward framework designed to drive commercial success**

# Retain

Effective leadership is key to workforce stability

THE RIGHT WAY

## Monthly reporting of retention KPIs:

Measured at region, country and branch level

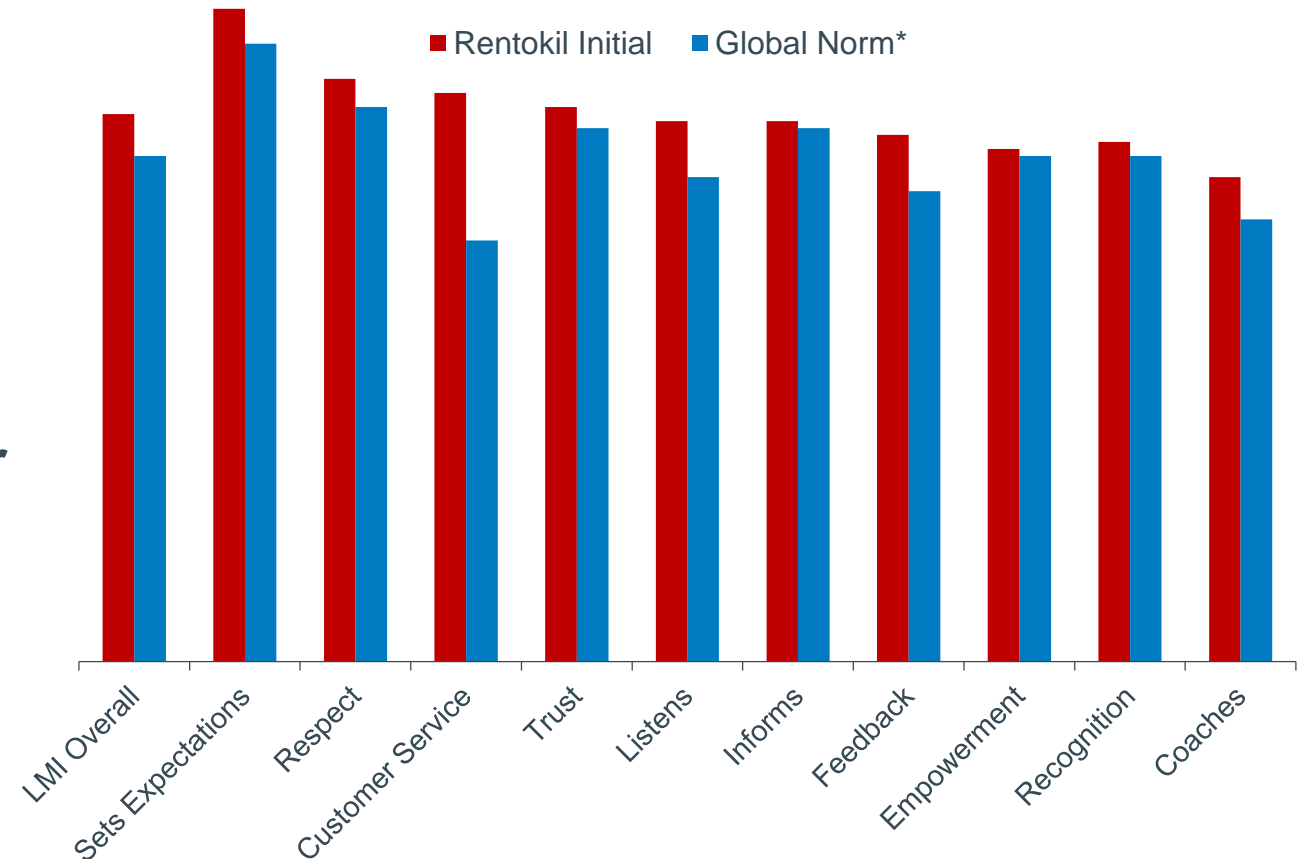
**Colleague overall retention: c. 86%**

**Substantial invest in management, leadership and talent development**

**Outperform global norm in 10/10 line manager quality index dimensions**

**Line Manager Index (LMI) overall score of 78%:** 1% above high-performing company norm

**47% of our managers have world-class LMI of 80%+**



**Colleagues that stay post Year One tend to become long-term employees**

# Improving Short-Term Retention

## Project 365

THE **RIGHT** WAY

**The goal – to increase sales and service colleague retention to 90% by 2020**

**Regional workshops to launch Project 365:**

e.g. 500+ leaders attended in North America

**All leaders have short-term retention targets:**

10-20% improvement targets versus 2017

**Global careers portal:**

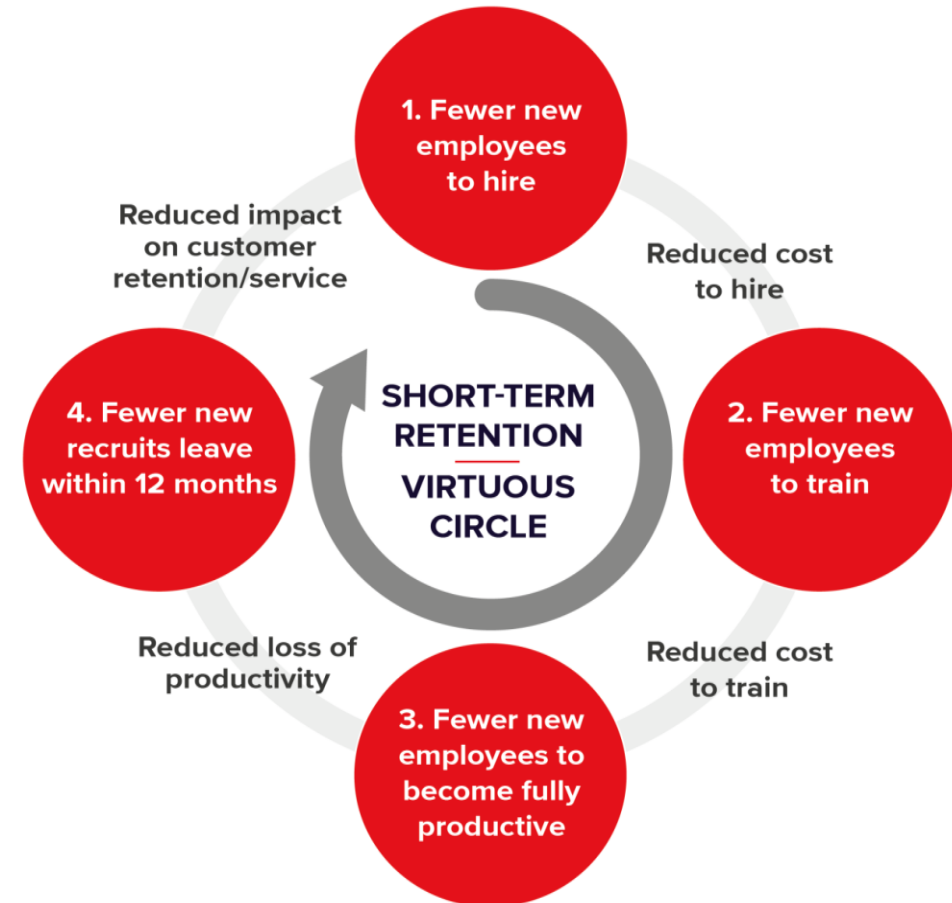
Job Fit Tool to ensure candidates understand role

**On-boarding specialist:**

Ensure consistency and quality of induction and training

**Exit and induction survey:**

Feedback monitored and insight used to drive change



**90% colleague retention = £10m annual cost saving**

# Employer of Choice

In summary

THE **RIGHT** WAY

Driving productivity and efficiency gains

Delivering brilliant service and customer retention

Reducing costs

Building a company of which to be proud



**Great people are essential to delivering sustainable, profitable growth**



# Rentokil Initial

**Rentokil North America:  
Creating a \$1.5bn business  
with margins of c.18% by  
the end of 2020**

John Myers

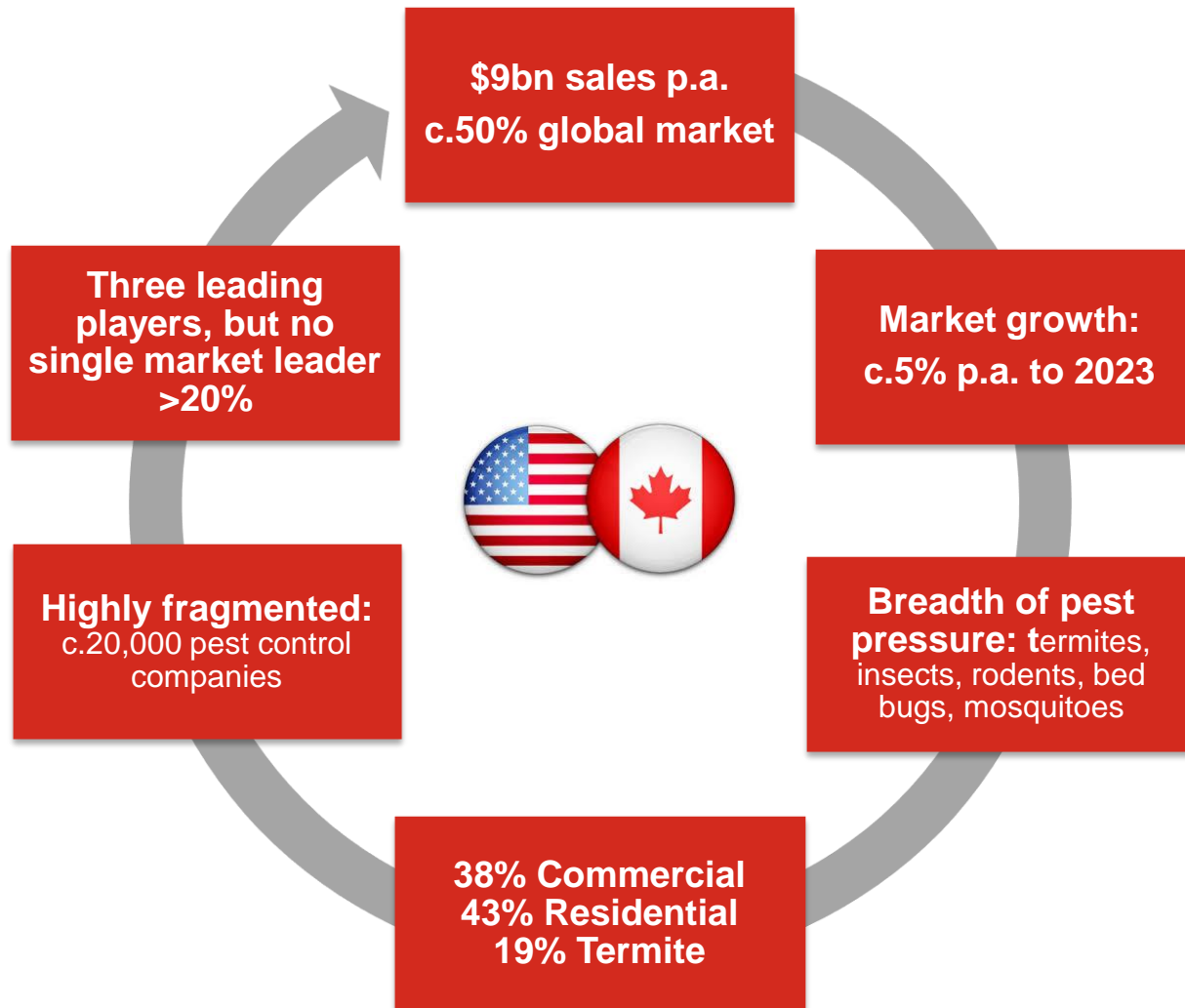
Regional MD, North America



# North America Pest Control Market

The world's largest and most attractive pest control market

THE **RIGHT** WAY



**Customer mix** – commercial SMEs, residential and national accounts

**Changes in buying dynamics** – increased national accounts and reduced SME

**Structurally different to most other pest control markets** – large residential and termite market

**Three leading players** – Rollins, Terminix, and Rentokil Steritech. 25 mid-sized regional businesses, c.20,000 smaller, independently owned city-based businesses

# The World's Largest Pest Control Market

C. 50% of the global market, strong structural growth drivers

# THE RIGHT WAY

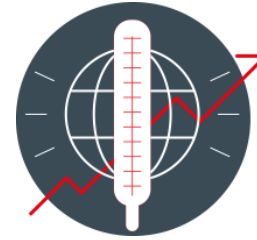
## Growing Population

USA population growing by 3.3m per year: projected to rise from 325m to 416m by 2060 creating increased demand



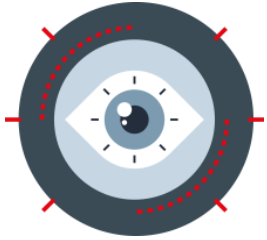
## Climate Change

2021–2050 annual US average temperatures expected to rise by 2.5°F creating increased pest threats



## Standards Increase

Food Safety Modernization Act - most significant legislation in over 70 years - focuses on the prevention of disease outbreaks



## Rise of Pests

Over 50 termites species in USA - approx. \$2bn p.a. in subterranean damage caused



## Vector-borne Diseases

Yellow fever mosquito now found in 23 US states  
West Nile, dengue & chikungunya viruses now present in the US



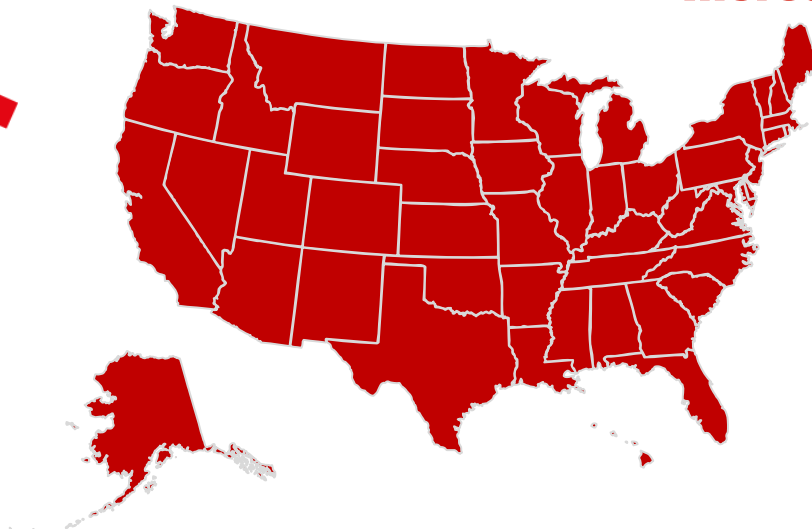
## Increasing Business Pressure

80% of US hotels and motels reported some presence of bedbugs in the past year with massive impact from social media



## Rise of Pest Intolerance

29% of all Americans have experienced a rodent pest issue at some point; 35% in the Northeast



<https://www.statista.com/statistics/183481/united-states-population-projection/>  
<https://www.sciencedirect.com/topics/agricultural-and-biological-sciences/kalotermitidae> -  
<http://vitalsignstermite.com/uploads/3/4/4/1/34413916/termites.pdf>  
[http://entnemdept.ufl.edu/creatures/aquatic/aedes\\_aegypti.htm](http://entnemdept.ufl.edu/creatures/aquatic/aedes_aegypti.htm)  
<https://www.ncbi.nlm.nih.gov/pmc/articles/PMC4394667/>

<https://eos.org/features/how-will-climate-change-affect-the-united-states-in-decades-to-come>  
<https://www.pestworld.org/news-hub/press-releases/of-mice-and-men-rodent-infestations-plague-nearly-a-third-of-americans/>  
<https://www.pestworld.org/news-hub/press-releases/new-survey-finds-bed-bug-infestations-spike-during-summer-months/>



# Rentokil North America: Key Figures

THE **R**IGHT WAY

## Rentokil North America

Total Revenue **\$1.1bn**

Pest Control Services **\$769m**

Pest Control - Commercial **70%**

Pest Control - Residential **30%**

Pest Distribution **\$229m**

Ambius **\$109m**

## Rentokil North America



300 Branches  
45 Distribution Centers



8,000+  
Colleagues



75% Contact Revenue  
- 25% Job Revenue

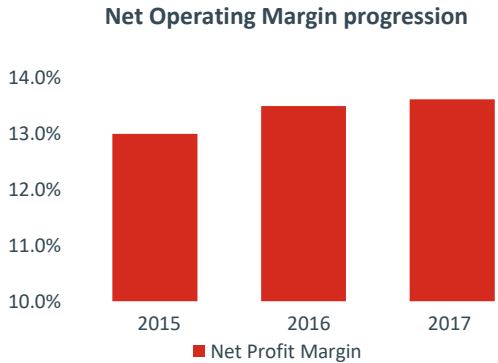
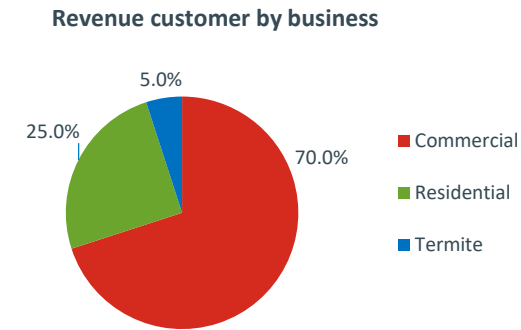
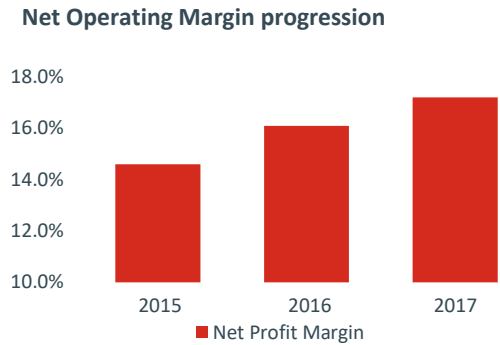


US National Accounts  
market worth c. \$700m  
Rentokil +10% share and  
20% 3-year CAGR

A strong and growing  
business with a truly  
national footprint in the  
world's largest single  
growth market

Pest Control Services: 3-Year Performance			
	2015	2016	2017
Ongoing Revenue growth	23.3% \$471m	40.1% \$660m	16.6% \$769m
Organic Revenue growth	3.0%	5.2%	4.2%
Ongoing Operating Profit growth	34.6% \$67m	58.9% \$106m	21.6% \$129m
Net Operating Margin	14.2%	16.1%	16.8%

NA Region: 3-Year Performance			
	2015	2016	2017
Ongoing Revenue growth	16.7% \$661m	38.6% \$916m	21.1% \$1,108m
Organic Revenue growth	2.7%	4.1%	4.7%
Ongoing Operating Profit growth	29.6% \$86m	45.1% \$124m	21.3% \$151m
Net Operating Margin	13.0%	13.5%	13.6%



# Rentokil North America

A clearly defined customer sector focus

# THE RIGHT WAY



**Food Processing**  
Medium sector growth



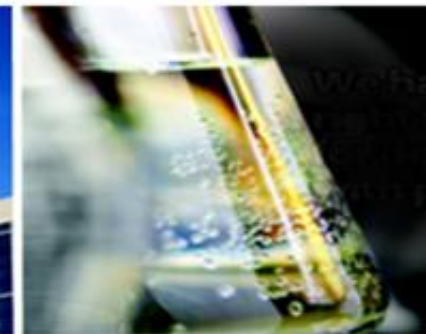
**Food Retail**  
Medium sector growth



**Facilities Mgt**  
High sector growth



**Healthcare**  
High sector growth



**Pharmaceutical**  
Medium sector growth



**Hospitality**  
Low sector growth



**Multifamily**  
High sector growth



**Residential**  
High sector growth



**Offices**  
High Sector growth



**Industrial Logistics**  
Medium sector growth

**We are building market share through a focus on the key growth sectors: food processing, food retail, facilities mgt., healthcare, multi-family, offices and residential**



# Vector Control

Important growth sector within North America and global pest control market

THE RIGHT WAY

## Vector Control

- Vector control interrupts or eliminates local transmission of diseases, reduces vulnerability to disease and prevents secondary infections from introduced diseases to prevent further outbreaks
- Most frequent: mosquito vector control
- Capability requires strong organisational framework, well defined plans, skilled technical operators and appropriate equipment
- Primary targets worldwide:  
*Anopheles* species for malaria parasite control and *Aedes* species for viruses inc. dengue, zika, chikungunya, West Nile fever

## Global Vector Control Market c. \$3.1bn

Global Public Health care c.\$390m

Surveillance c.\$15m

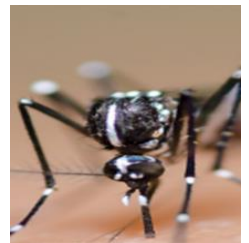
Mosquito trapping c.\$73m

Household protection c.\$2.6bn

**There are 1bn cases of vector-borne diseases resulting in 1m deaths per year** (source: the WHO)

### Vectors and the diseases that they can transmit

Vector	Diseases
<b>Mosquitoes:</b>	
<i>Aedes aegypti</i>	Dengue, yellow fever, chikungunya, Zika virus
<i>Aedes albopictus</i>	Chikungunya, dengue, West Nile virus
<i>Culex quinquefasciatus</i>	Lymphatic filariasis
<i>Anopheles</i> (more than 60 known species can transmit diseases)	Malaria, lymphatic filariasis (in Africa)
<i>Haemagogus</i>	Yellow fever
<b>Sandflies</b>	Leishmaniasis
<b>Triatomine bugs</b>	Chagas disease
<b>Ticks</b>	Crimson-Congo haemorrhagic fever, tick-borne encephalitis, typhus, Lyme disease
<b>Fleas</b>	Plague, Murine typhus
<b>Flies</b> (various species)	Human African trypanosomiasis, onchocerciasis



**The threat to public health from mosquitoes is rising – climate change and increased travel are leading to more vector-borne disease outbreaks than ever before**

# Acquisition of VDA

A strategic purchase of a highly-specialised capability

THE **RIGHT** WAY

## VDA

- The leading provider of municipal and commercial mosquito control in the US
- Operating from 52 branches in 32 states
- Offering a full range of services, inc. weekly monitoring of mosquito levels, species identification, disease testing and control of adult & larval mosquitoes from the ground and using aircraft
- Control programs driven by public health needs or a combination of public health and nuisance management. Highly technically focused
- Rentokil has also established a new US-based global centre of excellence for mosquito control

Through the VDA acquisition, we now have the capability to reach each part of the vector control market



**Government  
Abatement Districts  
& Municipalities**



**Commercial**



**Residential**



**Personal/household  
protection**

**VDA's historical focus has been on mosquitoes but it has recently developed programmes to control ticks and their transmission of lyme disease, which is becoming increasingly prevalent in the US**

**We are strongly positioned in an attractive market characterised by good growth, high technical skill and strong regulatory requirements**

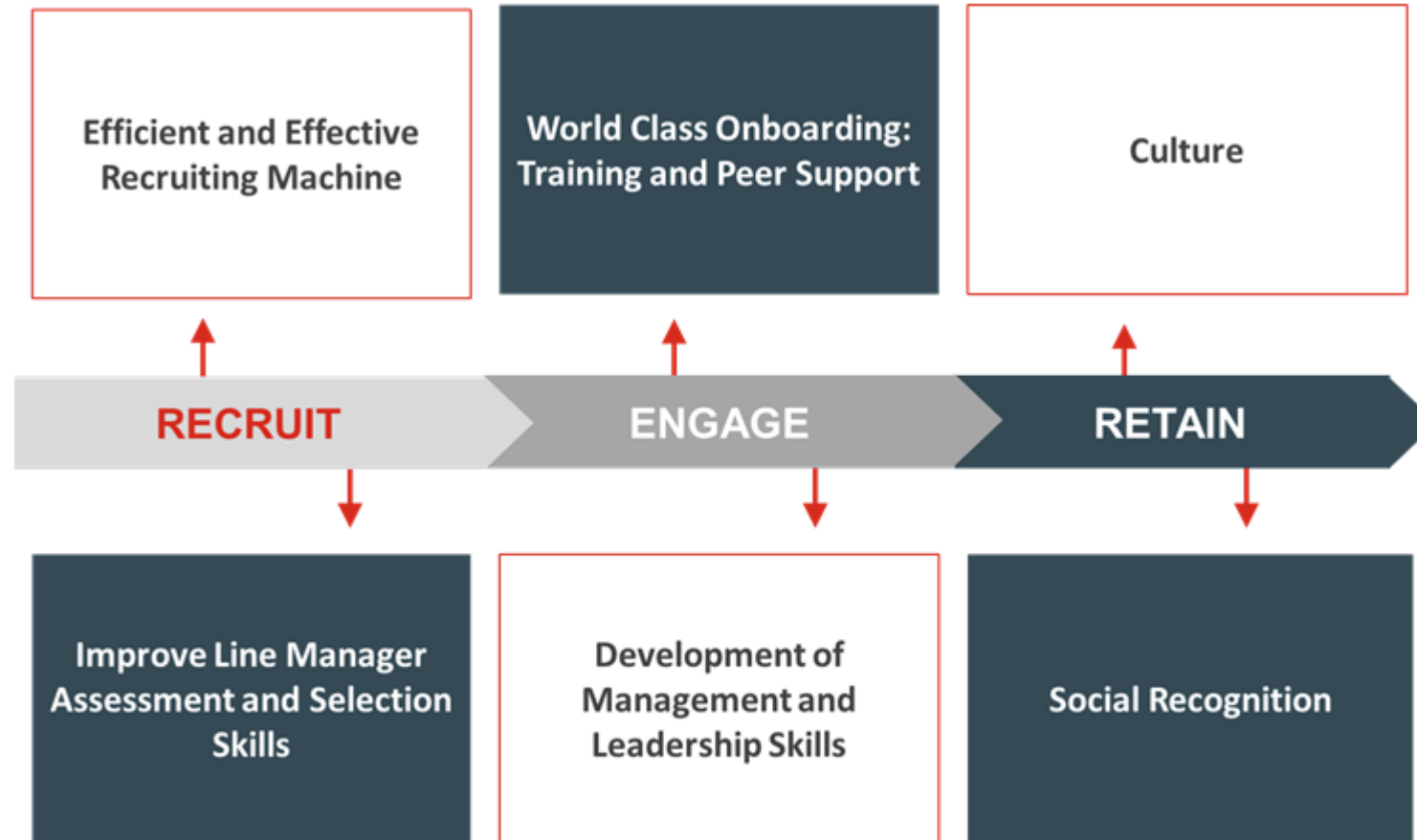
Our Approach	
1. Employer of Choice	<ul style="list-style-type: none"><li>• As a service provider, our people are our business</li><li>• Improve recruitment, enhance colleague engagement &amp; enablement and maximise colleague retention</li><li>• A direct enabler of profitable growth</li></ul>
2. Organic Growth	<ul style="list-style-type: none"><li>• Deliver organic growth of 4% to 5% each year, for the next three years to 2020</li><li>• Initiatives include growing national and global accounts, product innovation, harnessing the digital opportunity, and leverage our B2B sales capability in our core sectors</li></ul>
3. Targeted M&A	<ul style="list-style-type: none"><li>• Deliver additional 8% to 10% revenue growth from acquisitions each year, for the next three years to 2020</li><li>• Proven track record - target identification, due diligence, integration and performance evaluation</li><li>• Acquisitions performing in line or ahead of IRRs; strong and sustainable pipeline of future opportunities</li></ul>
4. Best of Breed	<ul style="list-style-type: none"><li>• Deliver three programmes to reduce back office and branch operating costs, improve service productivity and purchasing power</li><li>• Investment in harmonising IT platform in NA (from three systems to one) will allow more efficient changes to structures and processes and facilitate the integration of future acquisitions</li></ul>
Balanced programme combining organic and acquisitive growth	



# 1. Employer of Choice

THE **R**IGHT WAY

Differentiation through the quality of our leaders and our front-line colleagues



**Our people are our biggest source of competitive advantage**

## 2. Driving Organic Growth

Multiple drivers to deliver 4% to 6% organic revenue growth p.a.

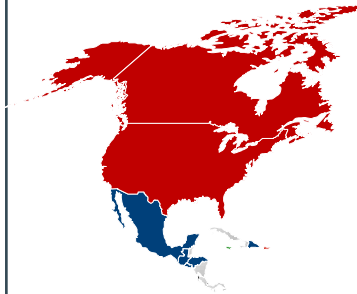
THE **RIGHT** WAY

### New Product Growth Areas



- Mosquito control – significant opportunity given increasing threat to public health
- No.1 Vector Control company in NA and new global centre of excellence established

### National / International Accounts



- Scale in place - securing an increasing share of national accounts in North America
- Global agreements in place – Mondelez, ISS and Sodexo

### Innovation: Strong Pipeline



- Leaders in innovation e.g. Lumnia LED insect control, PestConnect, etc.
- Developing new solutions in an evolving pest control landscape

### Marketing: Digital Channels



- In-house expertise to drive enquiries to our online channels
- Targeted marketing
- Well-known local brands and the Rentokil global brand

As a rule, each 1% organic growth drops through to 2% profit growth

### 3. Targeted Acquisitions

Strong pipeline to deliver 8% to 10% revenue growth from acquisitions

THE **RIGHT** WAY

#### Approach



- Target companies in cities where we are sub-scale or have expertise in preferred growth sectors
- Obtain preferred bidder status through M&A reputation, effective relationship management with targets and broker-introduced deals
- IRRs of 13+%.

#### Strong Track Record



- 42 deals over last three years
- With our recent acquisitions we can efficiently serve c. 90% of the US population
- Our main focus now is on “bolt-ons”, which are inherently lower risk and easier to integrate; we can grow margins to our levels by the end of year three

#### Continued Success



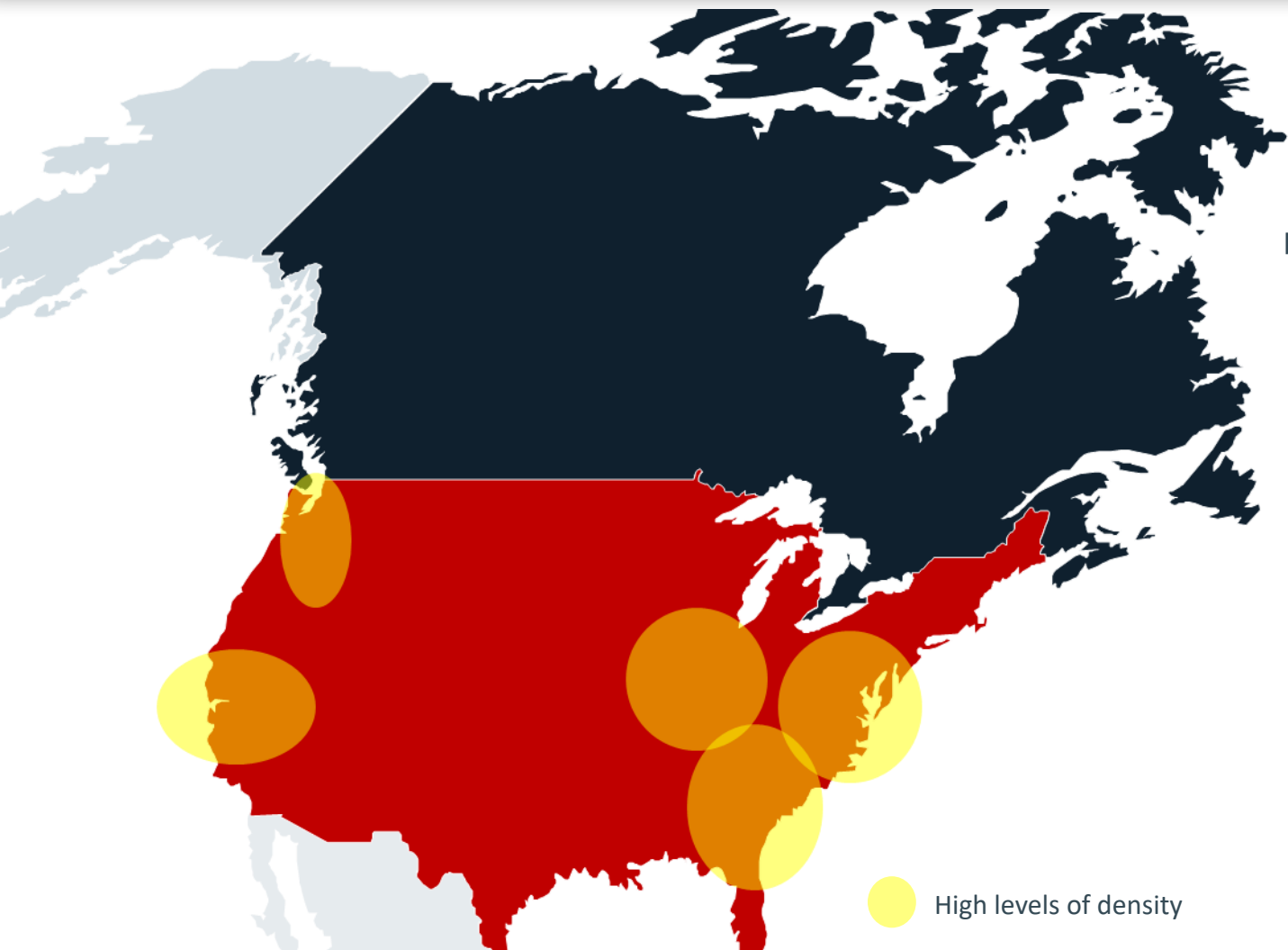
- Target 8% to 10% revenue growth from acquisitions p.a. through to end 2020
- Good pipeline, but the increasing competition for high-quality assets is driving prices higher
- Strong start in 2018 with six high-quality acquisitions

**Strong M&A prospects for next three to five years**

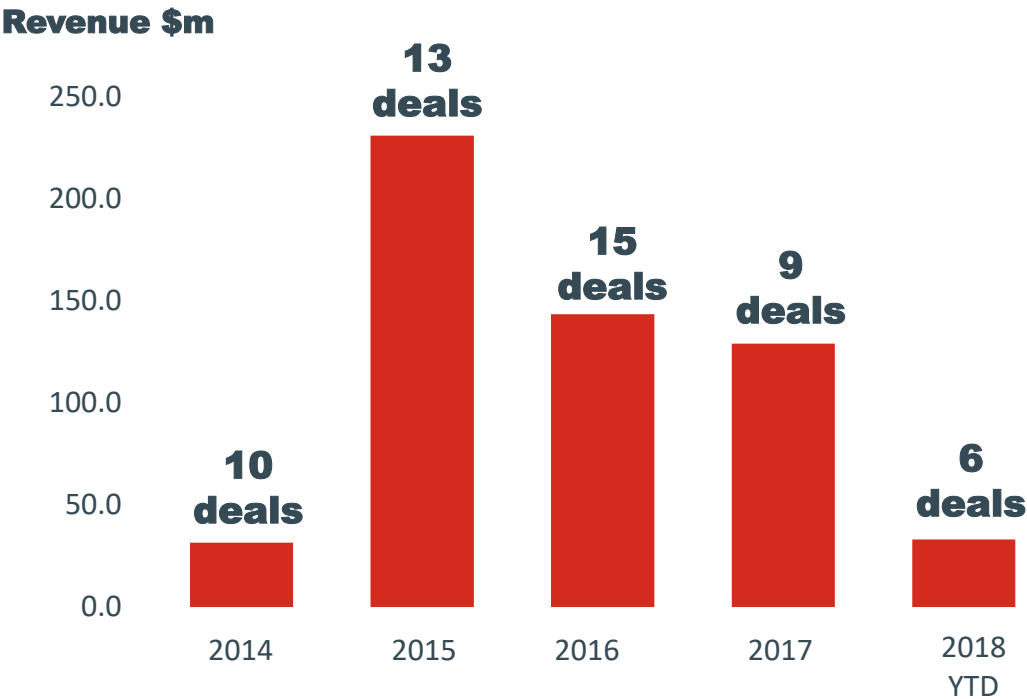
# Rentokil North America

Building density through organic initiatives and successful M&A

THE RIGHT WAY



M&A Programme



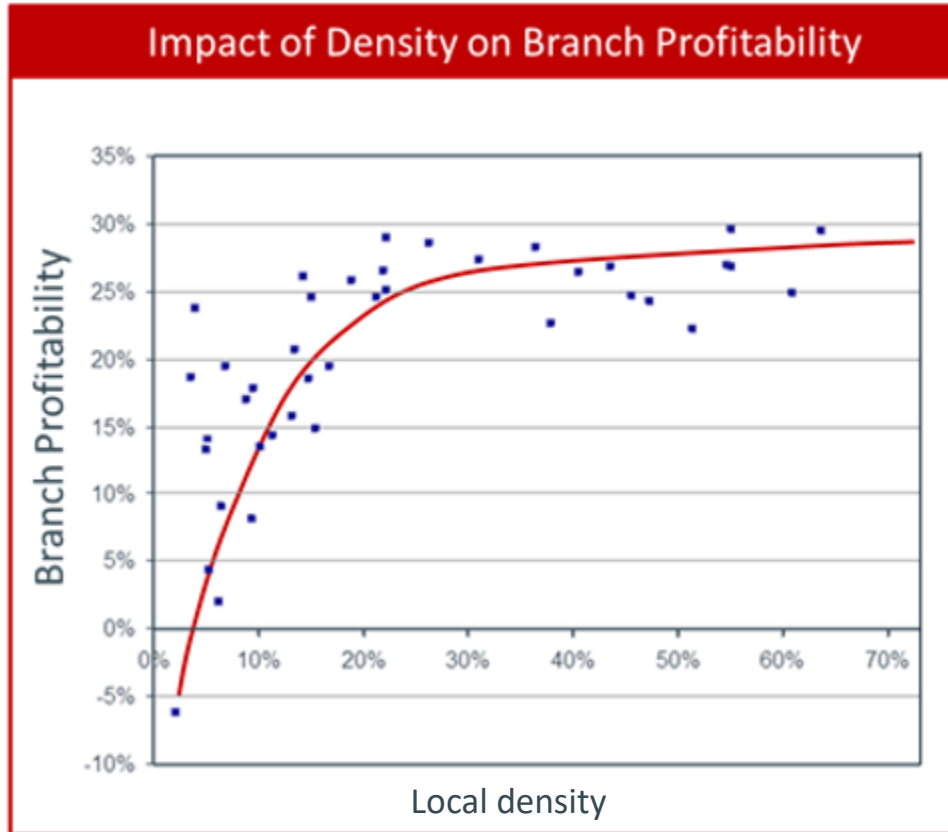
Gaining an additional \$33m of annualised revenues from M&A YTD



### 3. Targeted Acquisitions

Important part of our approach to building margins

THE **RIGHT** WAY



**Illustrative Impact of a Bolt-on**

	Before	After
Revenue	2 x \$500,000	\$1,000,000
Profit	2 x \$50,000 10%	\$200,000 20%

- Not including synergy benefits of SG&A

- Accelerate Through Organic Growth**
- Invest in Commercial Sales Reps to drive base scale in B2B pest control
  - Up-sell and cross-sell the services needed by our customers
  - Where attractive, expand into Residential market through local marketing activities – brand awareness, PR, events, sponsorships

**Building margins through highly-targeted, city-based, acquisitions**  
**Building route density, service productivity and back office efficiencies**

## 4. Best of Breed Programme

Multiple programmes underway focused on productivity and service quality

THE **R**IGHT WAY

### IT Transformation

Harmonising and updating our IT platform across North America to drive productivity and service quality

#### Focus on:

- **Single operating system** for US pest services and single platform for pest products
- Best-in-class **service software** platform for all Customer Service Centres, and introduce **Service+** (route optimisation) to all pest locations
- Launch **ServiceTrak** App software to all pest technicians  
*(Digital break-out session later today)*

### Best of Breed Transformation

Transformational change programmes with strong governance to ensure delivery c. 50% complete

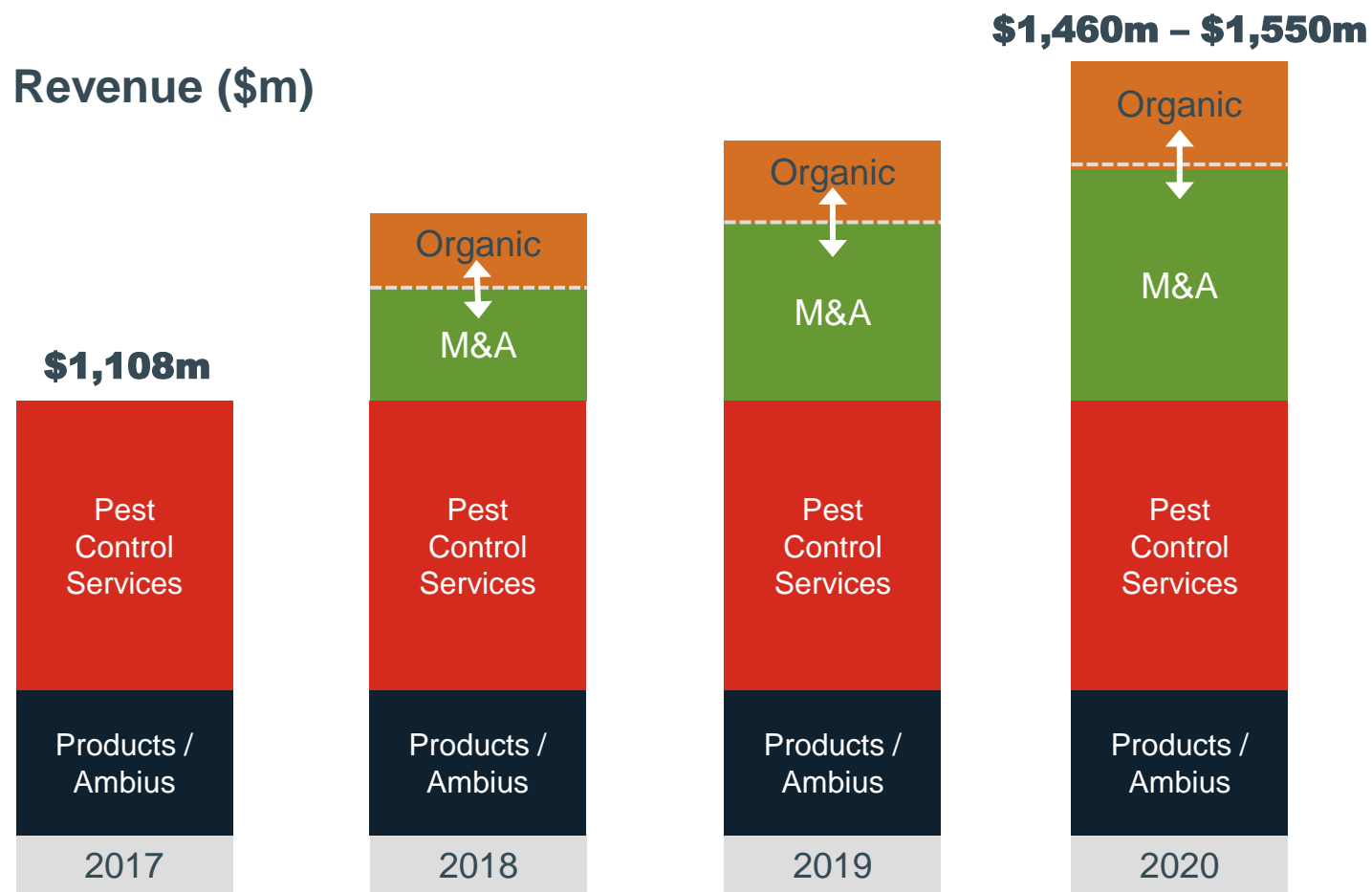
#### Focus on:

- Elevating our **Procurement** programmes and capabilities
- Streamlining the **back office** – AR, AP, Accounting and Customer Service
- Changing the **Branch Operating Model** – virtual branch, reducing property
- **Service productivity**

**Opportunity to deliver cost and procurement savings as part of Best of Breed programme**

# The Path to 2020: Revenue Growth

THE **R**IGHT WAY



## Assumptions:

Organic growth: 4% - 6%

M&A: 8% - 10%

Total Pest growth: 12% - 15%

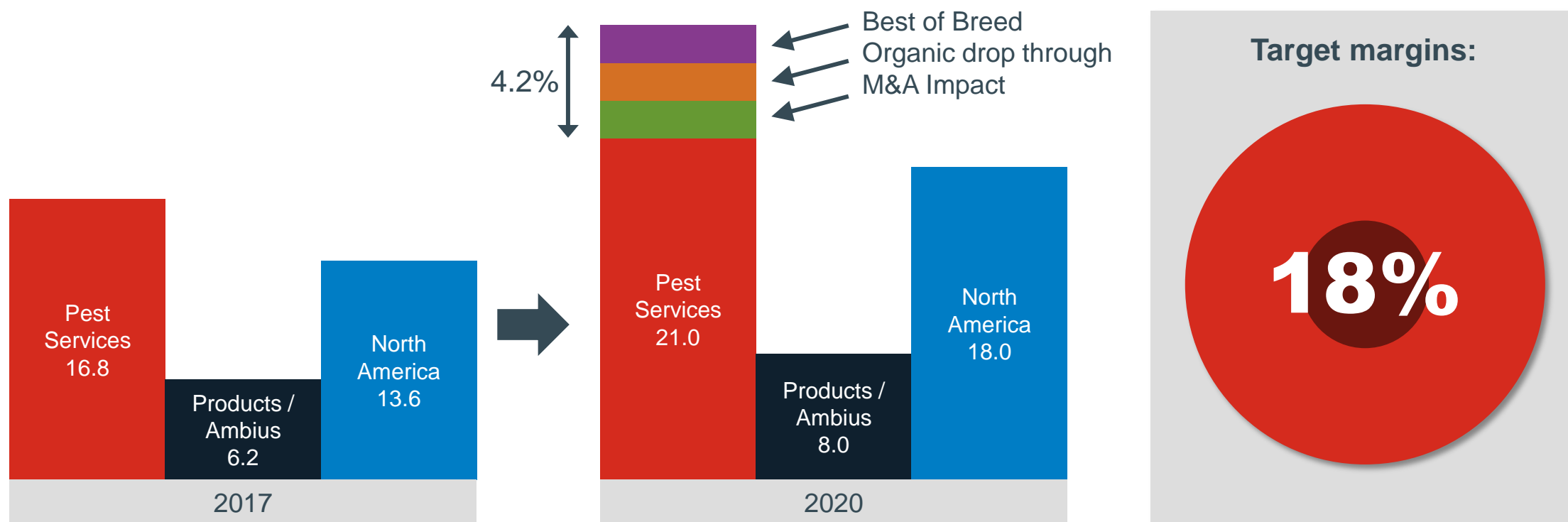
**\$1.5bn**

**Creating a \$1.5bn business with margins of c. 18% by the end of 2020**

# The Path to 2020: Profit Growth

THE **R**IGHT WAY

## Margin progression (%)



**Creating a \$1.5bn business with margins of c. 18% by the end of 2020**



# Rentokil Initial North America

## In summary

North America is an outstanding pest control market with multiple organic revenue growth drivers and a large, sustainable pipeline of acquisition targets

By the end of 2017 our North America Region generated \$1.1bn of revenues, a pure Pest Control service margin of 16.8% and an overall regional margin of 13.6%

We have a clear plan to become a \$1.5bn revenue business through organic revenue growth and M&A

This will drive improved Gross and Net Operating Margins

Together with our 'Best of Breed' programme, our overall Net Operating Margin is expected to grow to c.18% by the end of 2020

# THE RIGHT WAY



**North America will continue to be a core driver of growth for Rentokil Initial**

# Rentokil Initial

Protecting People.  
Enhancing Lives.

## **Growth Opportunities in Emerging Markets**

Paul Cochrane

Regional Managing Director, Asia





# Asia: Rentokil Pest Control

Strong platform for delivering sustainable, profitable growth

# THE RIGHT WAY



Strong revenue growth: FY14-FY17 CAGR **28%**

Excellent profit leverage: FY14 -FY17 CAGR **38%**

**Strong footprint:** **580** locations, **7,273** pest service technicians and **131** field biologists across **12** countries in Asia



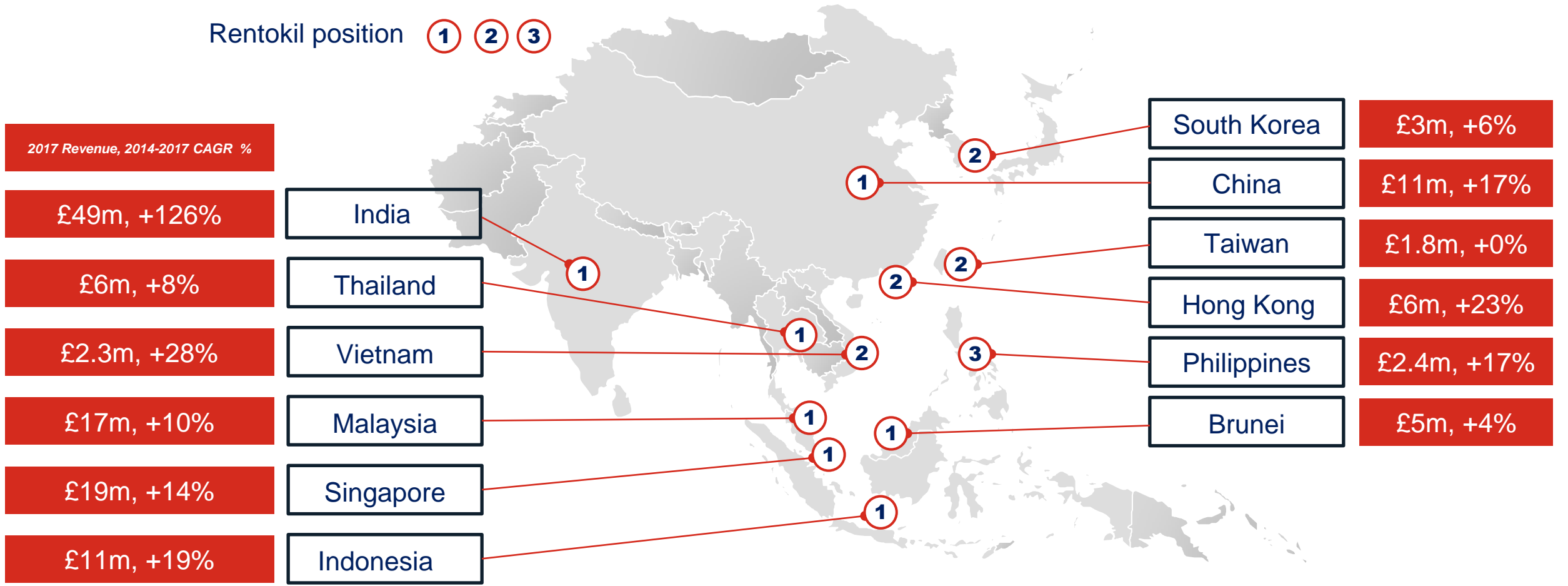
	FY15	FY16	FY17
Revenue (£m)	74	85	134
Growth %	+16%	+15%	+59%
APBITA (£m)	9	12	17
Growth %	+41%	+31%	+43%

# Strong Market Positions

Unmatched by any competitor

THE RIGHT WAY

Rentokil position 1 2 3



**Number 1 in key growth markets - India, China and Indonesia**

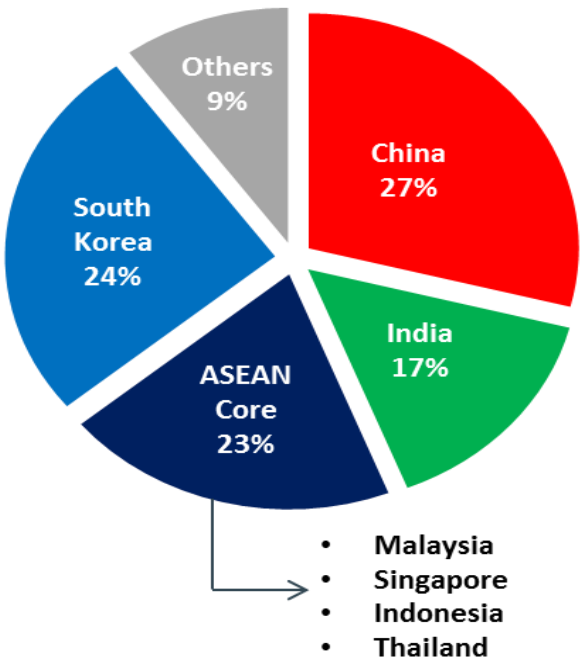


# Growth of c. \$2.6bn to \$3.5bn by 2022



Ambition is to create a £300m pest control business by 2022

THE RIGHT WAY

## Core Markets: ASEAN Core, China & India



## With Opportunity To Grow

	North America			ASEAN Core
Population:	490m	1,415 m	1,339 m	373 m
Pest Control Industry:	\$ 9,000m <sup>(1)</sup>	\$343m <sup>(1)</sup>	\$212m <sup>(1)</sup>	\$289 m <sup>(1)</sup>
Spend / Capita:	\$18.36/ capita	\$0.24/ capita	\$0.16 / capita	\$0.77/ capita
Growth Rate	CAGR 5%	CAGR 10% <sup>(1)</sup>	CAGR 12% <sup>(1)</sup>	CAGR 8% (1)

Sourcing: 1) RI Internal database, external desk research & market intelligence including interview local Pest Control Association ; Allied Market Research: Global Opportunity Analysis and Industry Forecast, 2017-2023

# Rentokil Initial Asia

Revenue & APBITA growth drivers

# THE RIGHT WAY

## Growth Of Middle Class



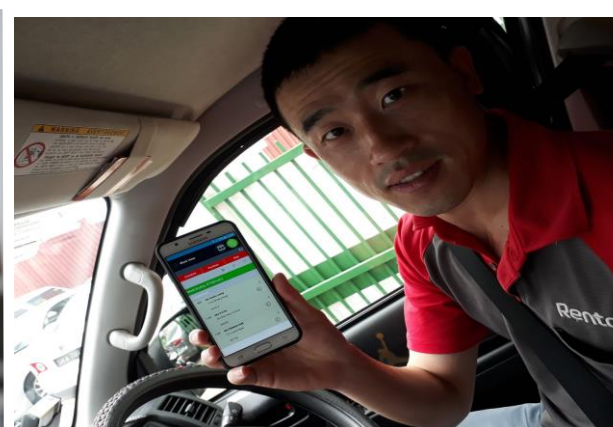
- **66%** of the global middle class in Asia by 2030
- **Rising demand** in healthcare, housing and food production sectors
- Strong growth in **service industry**

## Sector & Service Line Mix



- **Powerful position** in **audited industry** and **brand protection**
- Strong push from the governments to uplift **Food Safety Standard & Tracking System**
- **Upselling** opportunities from large customer base

## Digitalizing The Front Line



- **Smartphone penetration** will hit **62%** by 2021 in Asia
- **Digital savvy** consumers leverage connectivity for knowledge, social sharing to entertainment
- **Accelerating** digital deployment to reinforce customer experience, internal efficiency

## M&A

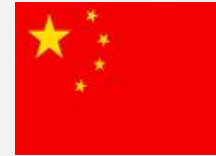


- **Acquire and integrate quality local players to build density in target cities and strengthen technical capability**

# 1bn Tech-Enabled Middle Class By 2020

Increasing demand for higher hygiene standards

# THE RIGHT WAY



China

**449m** <sup>(1)</sup>



India

**200m** <sup>(2)</sup>



ASEAN

**400m** <sup>(3)</sup>

(1) CHINA'S CHOICE: CAPTURING THE \$5 TRILLION PRODUCTIVITY OPPORTUNITY, McKinsey Global, June 2016, Meeting the Chinese consumer of 2020, McKinsey Quarterly, Mar/2012  
(2) Hitting the sweet spot, the growth of the middle class in emerging markets, 2013, E&Y  
(3) Nielson Estimate, Asia 2020, Mar 2016



# Strongly Positioned

Higher-margin, higher-growth sectors

# THE RIGHT WAY

## Growth Drivers:

1. Rising middle class
2. Brand protection
3. Food legislation and auditing
4. Export assurance

### Food & Beverage +14%



### Food Processing +16%



### Food Retailer +12%



### Residential +14%



### Office +19%



### Hotel +11%



### Industry +15%





# Moving Towards Specialist Solutions

Service line penetration drives Organic Revenue growth

# THE RIGHT WAY

## Growth Drivers

1. Global mobility
2. Urbanisation
3. Food legislation and auditing
4. Growing hygiene awareness

**Mosquito(+23%)**



**Bed Bug (+24%)**



**Rodent (+26%)**



**Cockroach (+13%)**



**Termite (+16%)**



**Reporting (+21%)**

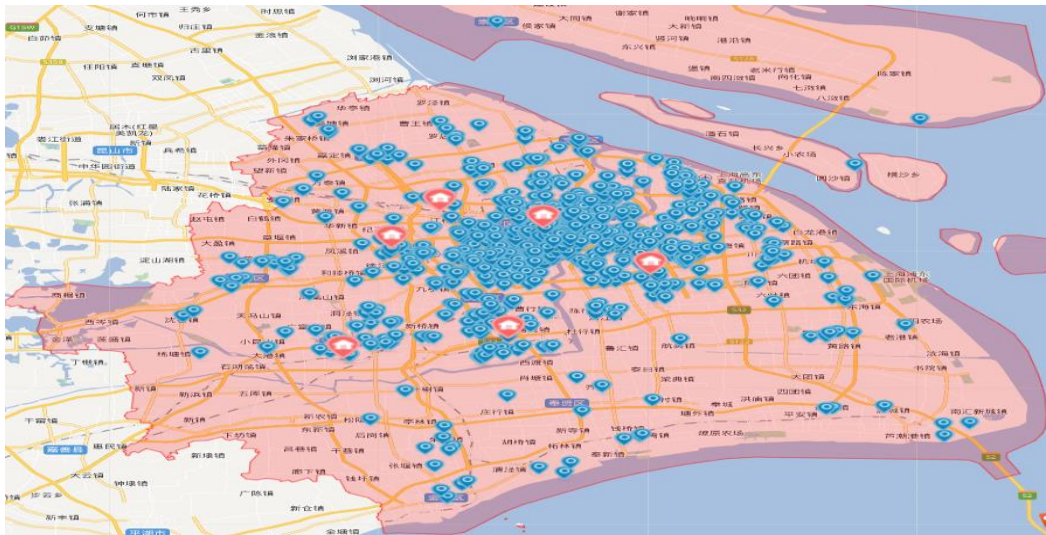


# Profitable Growth Through Targeting Top Cities Expansion

China case study 2014-2017 CAGR : Organic Revenue 15%; Organic APBITA 33%

## Shanghai branch

- Growing middle-class: population of 24m (as of 2017), No.1 commercial city in China, with GDP per capita of US\$19,671 (as of 2017) <sup>(2)</sup>
- Continuous density building through sector mix, customer tier development and service line penetration



Source: 1) RI iCABs 2) China's National Bureau of Statistics Feb 2018



**Pharmaceutical (+56%)**



**Industry (+37%)**



**Food Processing (+15%)**



**Hotel (+20%)**



**Office (+42%)**



**Food & Beverage (+26%)**

Customer tier  
2017 revenue con%  
(2014-2017 revenue CAGR %) <sup>(1)</sup>



**65%**  
**(+18%)**

Large commercial



**35%**  
**(+54%)**

Small to medium-sized  
commercial

(2014-2017 Key Sector CAGR Growth%) (1)



# Digitalizing The Front Line

Driving efficiency and enhancing customer experience

THE **RIGHT** WAY



## ServiceTrak

Deploy to **2,300**  
technicians  
in **2018**

Reduce paper  
transactions by  
**50%**

**+30%** back-office  
efficiency



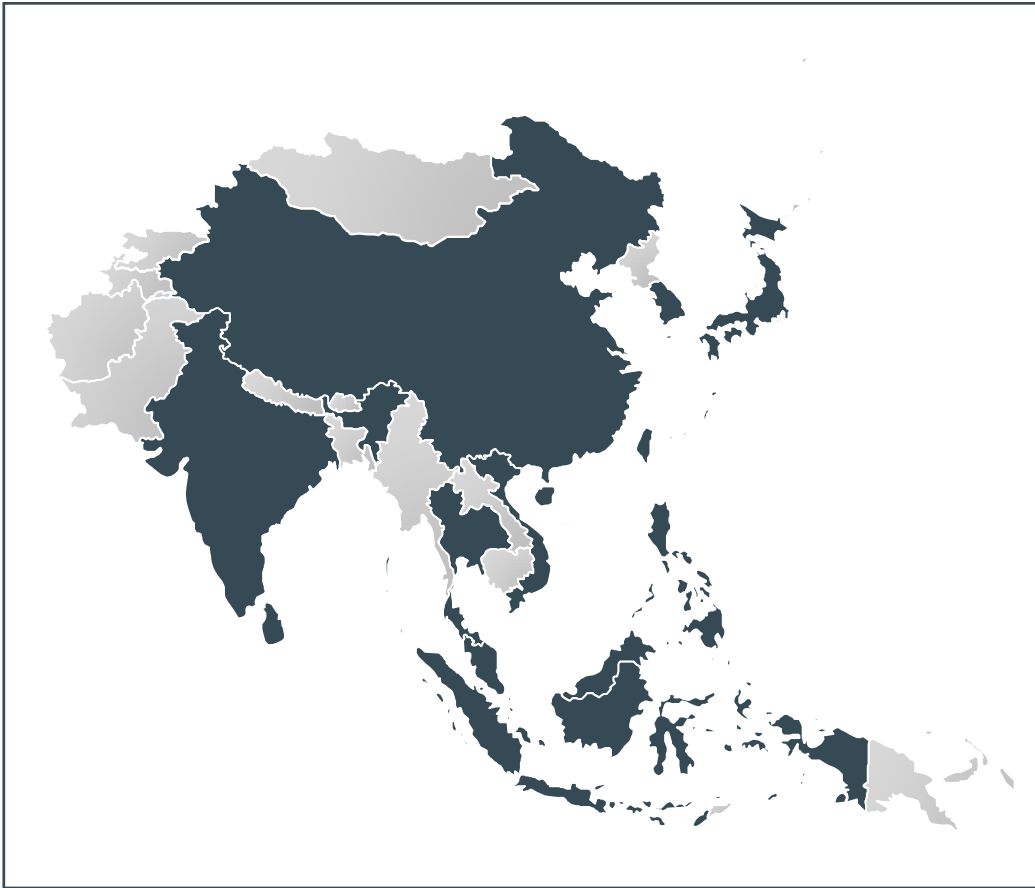
## MyRentokil On-line reporting

Increase customer sites from **36,202**  
to **53,700** in 2018

# M&A Strategy

Integrating businesses for capability, density and scale

THE **R**IGHT WAY



- Drive consolidation in established markets through bolt-on acquisitions in Malaysia, Indonesia, Singapore, Thailand & Hong Kong
- Acquire for footprint expansion and density building in China, India & Korea to establish lead positions
- Hygiene opportunity
- **Strong pipeline, deals closed YTD £11m**

**M&A, combined with organic growth, drives scale and density to enhance margins**



# Rentokil PCI India

Creating a £100m revenue and £20m operating profit business by 2022

## THE RIGHT WAY



**No.1** in India

**Strong** brand

**National** coverage

**272** locations

**4,600** service technicians

**>130,000** active customers

**An outstanding medium-term opportunity to deliver profitable growth**

# Asia Growth Opportunities

In summary

# THE RIGHT WAY

Well positioned in large, rapidly growing markets. **Our ambition is to create a £300m pest control business by 2022**

Asia will have **1bn tech-enabled middle class** consumers by 2020, representing a significant growth opportunity

Rentokil Initial Asia has an extensive branch network across 12 countries with 12,256 colleagues working from 626 locations (Pest Control & Hygiene). **No other competitor has this footprint!**

Track record of **delivering strong revenue growth with excellent profit leverage**

**Accelerating the roll out of our digital platforms** to drive efficiency and enhance customer experience





# Rentokil Initial

**Latin America:  
A strong medium-term  
growth opportunity**

Alain van Lidth de Jeude  
Regional MD



# The Latin America Environment

THE **RIGHT** WAY

**Prior to 2012 Rentokil had no presence in Latin America**

**Environment is excellent for pest control:**

- Demographics: concentrated population in urban areas, young population, fast growing GDP
- High pest pressure – wide range of pests including mosquitoes
- Highly fragmented, unsophisticated market
- No market leaders
- Large Government vector control market

**Pest Control market: \$1.4bn**  
**Spend per capita on pest control: \$2.79**





## Potential risks:

- Completely unknown, unfamiliar culture, no support, no hub
- No management
- Very long distances

## Our strategy in Latin America:

1. Investing through acquisitions only in large urban areas no wish to cover entire countries
2. Quality of management team was a critical criteria
3. Identifying promising markets
4. Typical range of pest control activities – linking into Rentokil's global expertise



# The Latin America Journey

THE **RIGHT** WAY

## Entering LatAm through Mexico in 2012



Countries



Urban Areas



Acquisitions



Revenue in '17

Number of markets where we are already market leader: 4

Market Positions		
Country	Position	Marketshare
Brazil	1	3%
Guatemala	1	NA
El Salvador	1	NA
Costa Rica	1	11%
Chile	2	15%
Colombia	3	3%
Mexico	3	2%
Republica Dominicana	3	5%
Honduras	3	NA



# Leveraging Acquisitive Growth

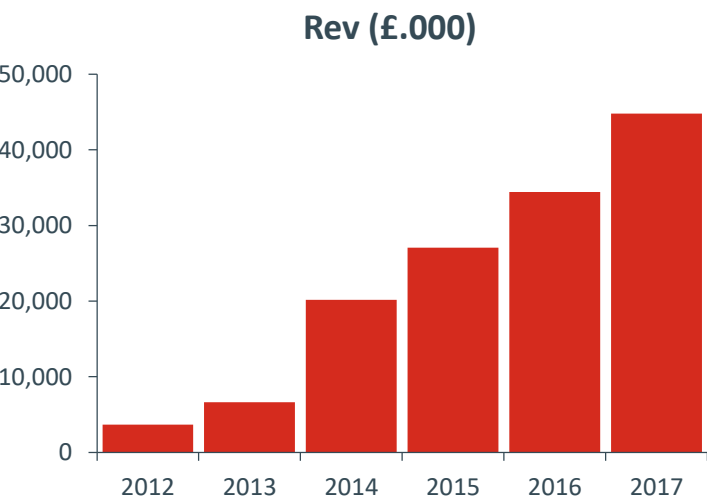
THE **RIGHT** WAY

**Delivering both organic revenue growth and acquisitive growth to create value**

1.Focusing on building density

2.Introducing Rentokil model:

- People – values and training
- Professionalising the sales and marketing approaches
- Products and service concepts
- Providing innovations and capability



Organic Growth versus Acquisitive Growth						
	2012	2013	2014	2015	2016	2017
Organic %	6%	27%	24%	12%	12%	17%
M&A %	372%	55%	180%	22%	15%	13%
Total %	378%	82%	204%	34%	27%	30%





# The Vector Control Opportunity in Brazil

THE **R**IGHT WAY

## The opportunity:

Brazilian public pest control market is going to be opened to the private sector

5.547 cities to protect

Brazilian Authorities employing 97,000 employees

1.5m dengue cases/year

One dengue case as a cost of +/- US\$1,000

Market worth US\$1bn p.a.

## Our credentials:

We are the market leader in Brazil

Successfully carried our pest control at Rio Olympic Games and major events such as Rio Rock

We have the technical capability

We have the international experiences and best practices



# A Strong Growth Opportunity

In summary

THE **RIGHT** WAY

## Our medium-term focus:

Maintain our focus on urban areas and continue to optimise the existing network where we have presence – building scale and density

Enter new urban areas

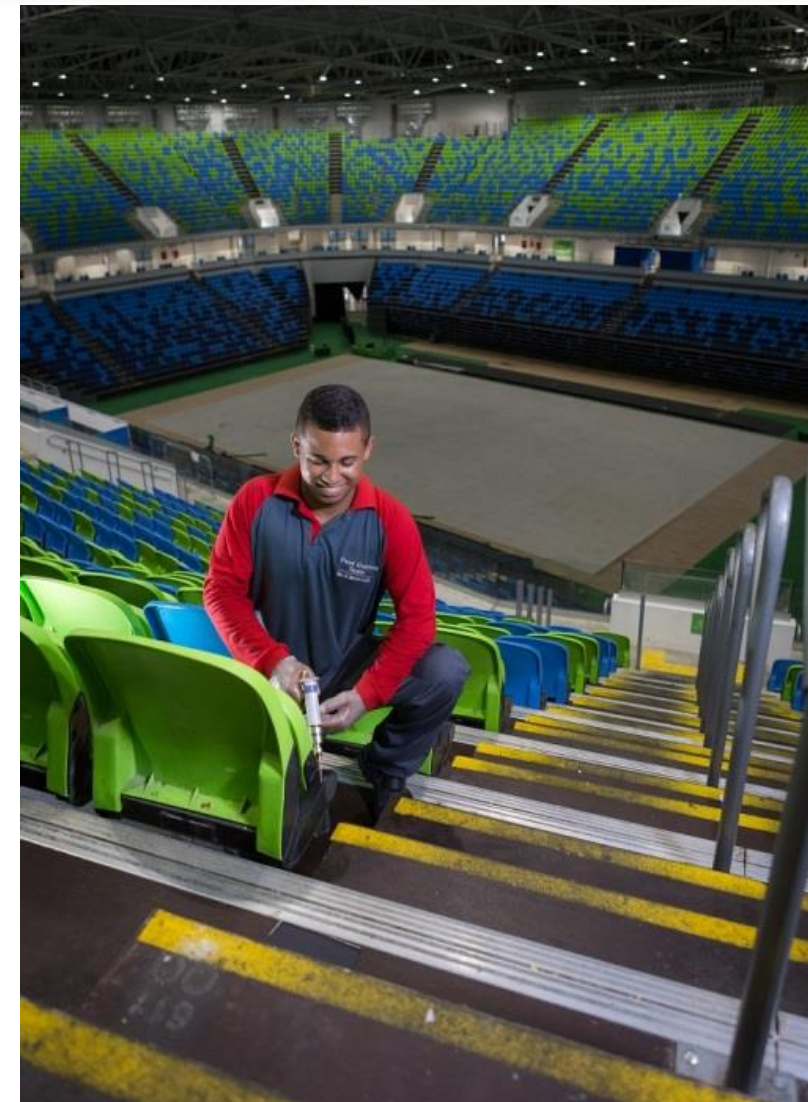
Build regional capability in order to provide support to the markets

Each market to realise a minimum of two acquisitions per year

Ambition to create a business with revenues of £150m by 2022

Potential vector control opportunity

**A clear plan to deliver profitable,  
medium-term growth**





# Rentokil Initial

Protecting People.  
Enhancing Lives.

**Using Technology  
to Create Value**

Jeremy Townsend  
Chief Financial Officer and CIO





# Using Technology to Create Value

Enhanced digital services for colleagues and customers

THE **RIGHT** WAY



Better  
Customer Experience



Better  
Colleague Experience



Lower  
Back Office Costs

**Improving retention and increasing margins**

# Better Customer Experience

Customer portals

THE **RIGHT** WAY



**2018**

All commercial  
customers on  
myRentokil

**33**

Country  
deployments of  
myRentokil

**1.2m**

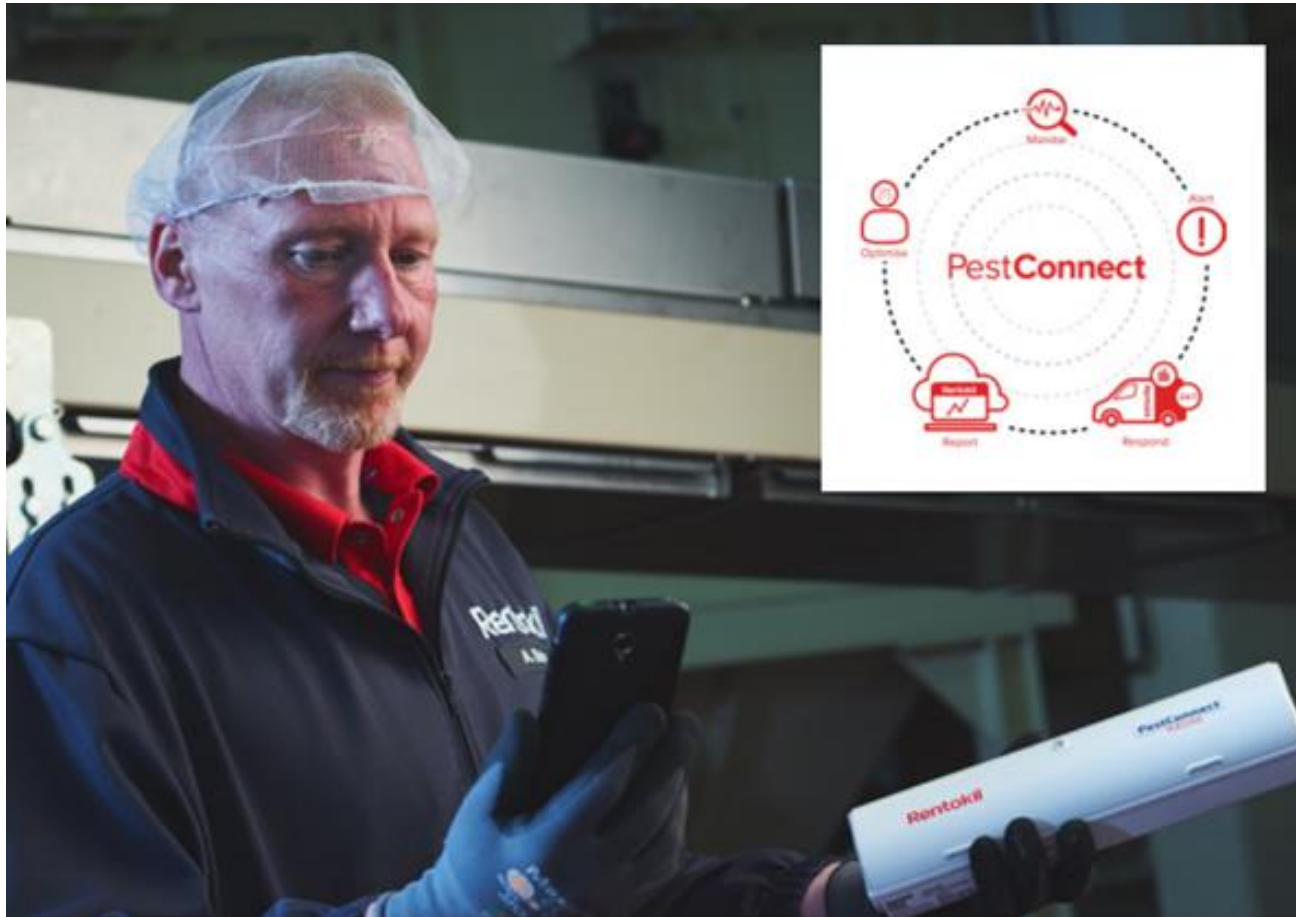
Active myRentokil  
user sessions  
per annum

**Better customer communication driving stronger retention**

# Better Customer Experience

Connected devices

THE **RIGHT** WAY



**Over 60,000**  
Connected  
Devices

**30m**  
connected  
messages  
per year

**Partners**  
Google, Qlik,  
PA Consulting

**Better products driving increased revenues**



# ServiceTrak

Our field service mobile App

THE **RIGHT** WAY



**£6.0m**

savings through  
transition to  
smartphones  
£2.6m to date

**Pest**

**0.6k** 2017

**6.1k** 2018  
target users

**Hygiene**

**1.8k** 2017

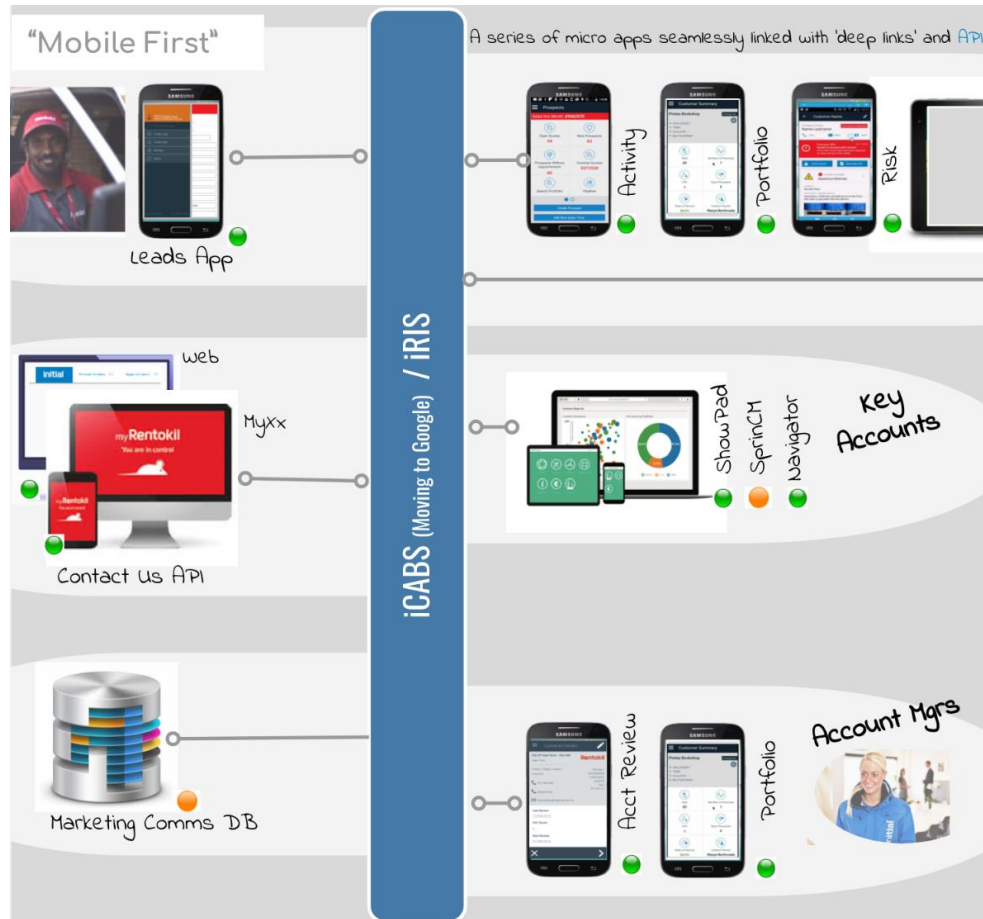
**2.2k** 2018  
target users

**Better colleague effectiveness**

# Suite of Sales and Marketing Solutions

Standard tools

THE **R**IGHT WAY

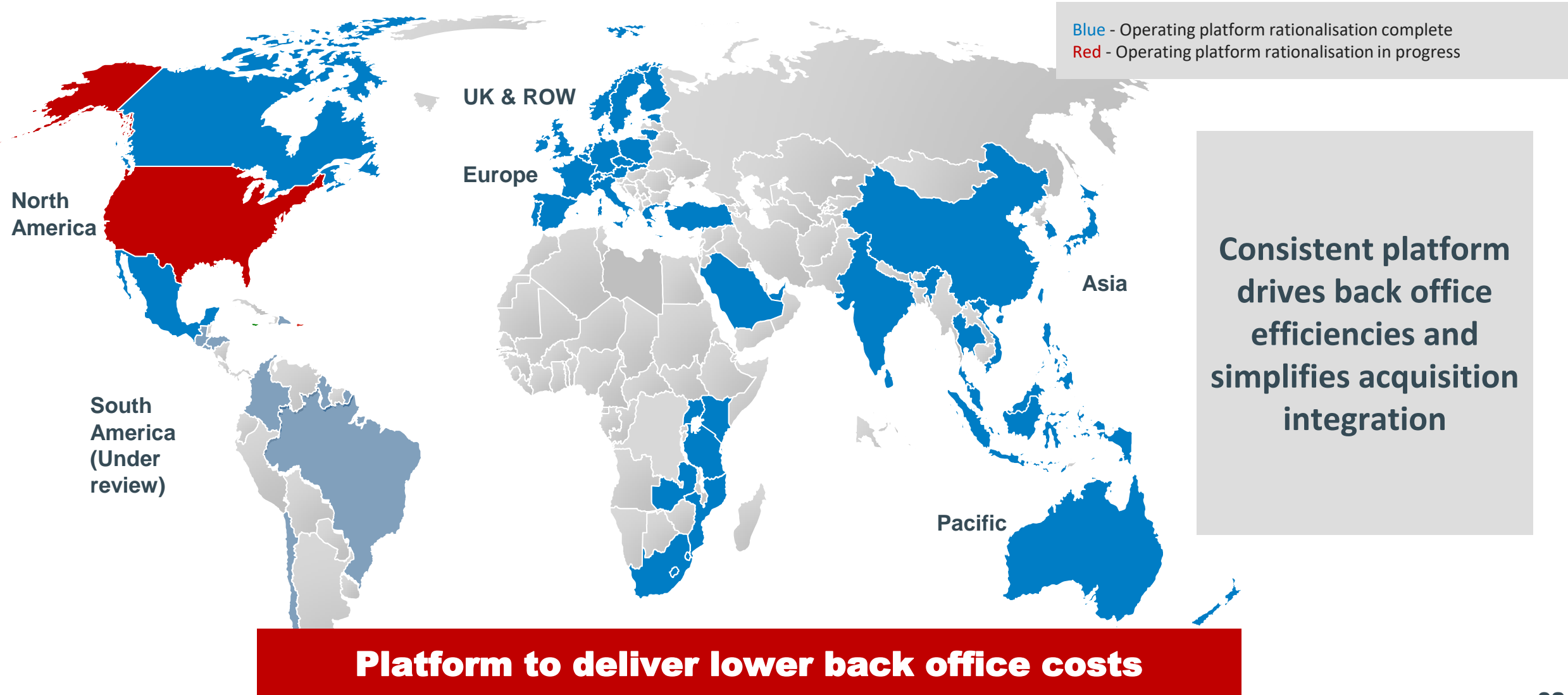


**Better sales colleague effectiveness**

# Lower Back Office Costs

Consistent finance and operating platform

THE **RIGHT** WAY

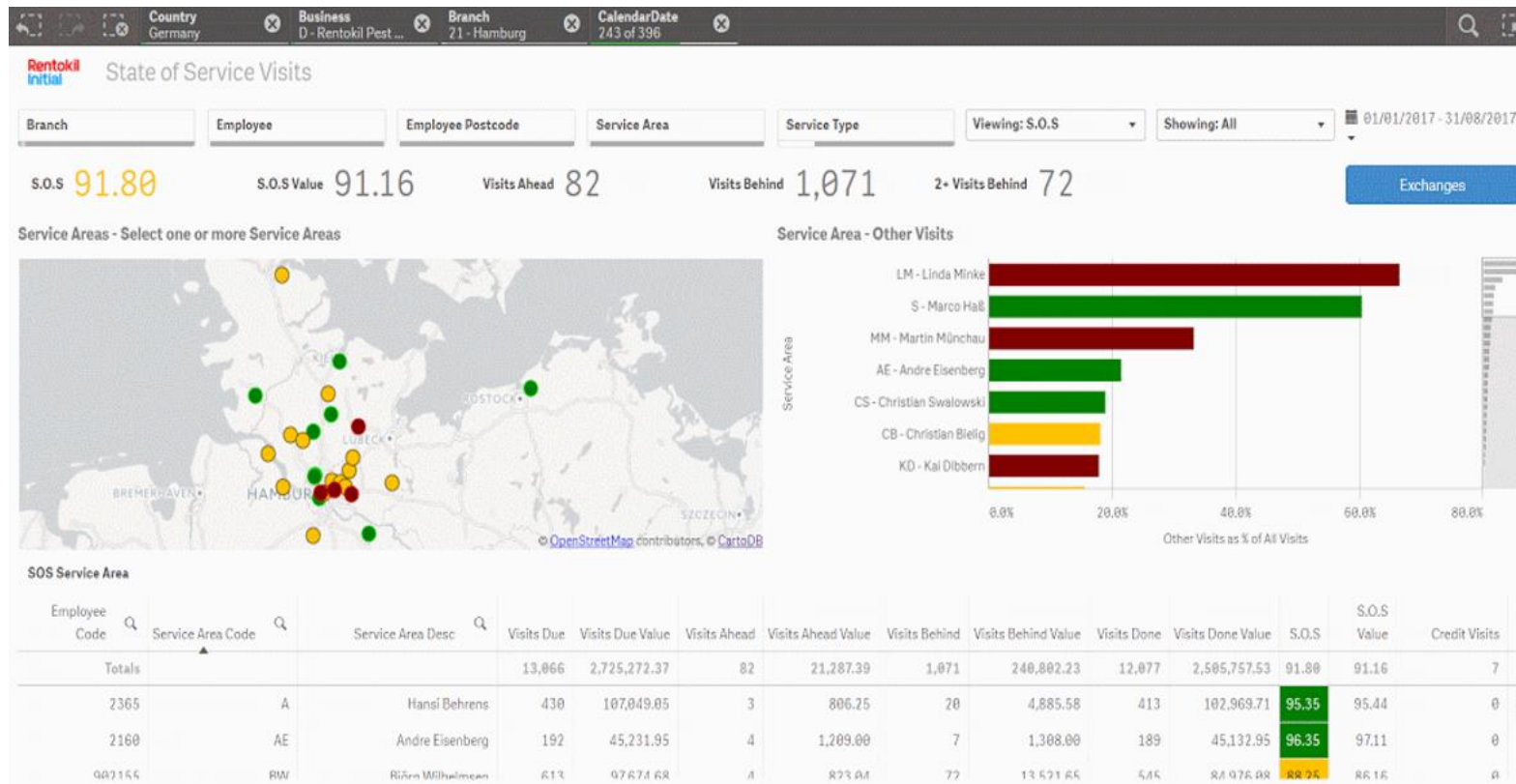




# Lower Back Office Costs

## Business intelligence

# THE RIGHT WAY



Combining data sources to create a world class data platform.

- Customer Data
- Field Service Data
- IoT Data
- Sales Data

Our Data is now available via standard reports and via a self service portal to enable us to access data when and where we need it.

Potential source of revenue through customer information.

**Better information for customers and managers**

# Lower Back Office Costs

Automation of back office

THE **RIGHT** WAY



**Automate**  
manually  
repeatable  
processes

**3 to 4  
times  
efficient**  
as clerical  
staff

**Available**  
24 / 7

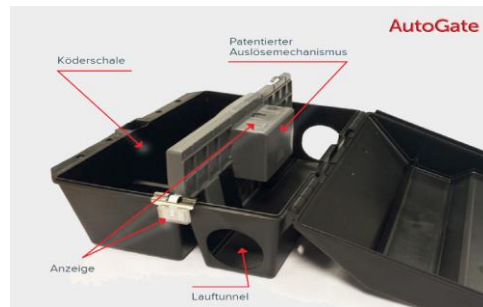
**Opportunity to reduce back office costs**

# Case Studies

What does this all mean for revenue and margins?

# THE RIGHT WAY

## AutoGate in Germany



**Germany: Our Autogate rodent control unit** only releases access to the poisons when a rodent enters the unit, eliminating the threat of secondary poisoning. Passed new stricter regulatory requirements. Competitive advantage.

### German pest control 2016-2017:

Revenue Growth: +8%

Profits up: 13%

## ServiceTrak in Indonesia



**Indonesia:** Moving from use of paper to 100% smartphone and Apps.

Professionalised service: Used to record the service visit e.g. start time, services performed, customer recommendations, customer signature and end time.

### Indonesia:

Hygiene Gross Margins: +1.2%.

## Back office costs in the UK



**UK has begun to automate several 'manual and repeatable' back office activities** including credit checking and invoice processing and introduce back office Apps. +100 other processes have now been identified and the first 10 are under development.

**UK cost reduction: £1.3m**

**Our investment in digital technology underpins our medium-term financial targets**



# Break Out Sessions (by badge colour dot)

London Seminar

THE **R**IGHT WAY

Break out	Presenters	Room	Session 1: 10.30 - 10.50	Session 2: 10.50 – 11.10
Digital Leadership	Jeremy Townsend Paul Donegan Dan McCormick	Break-out room 1		
Product Innovation	Jürgen Höfling Randolph Carter Savvas Othon	Break-out room 2		

# Rentokil Initial

Protecting People.  
Enhancing Lives.

**Global Leaders in  
Pest Control**

Andy Ransom  
Chief Executive





# Rentokil Initial

Protecting People.  
Enhancing Lives.

## Leveraging Acquisitions

Chris Hunt  
Head of M&A





# Why M&A Is Integral To Our Strategy

THE **RIGHT** WAY

A strategic imperative and a core part of our DNA

- **Delivery of profitable growth:**
  - Medium-term financial targets up-weighted at H1 2017
- **Growth through two types of acquisition:**
  - New cities / towns with good long-term growth prospects
  - Bolt-ons for density in areas where we are already present
- **Enabling us to service global / international customers**
  - Proximity to their footprint
- **Highly fragmented industry:**
  - Good source of acquisition opportunities
  - Quality, not quantity, becomes the challenge



**Medium-Term  
Financial Guidance:**

**Ongoing Revenue  
Growth: 5% - 8%**  
Organic 3 - 4%

**Ongoing Operating  
Profit Growth:**  
c.10%

**Free Cash Flow  
conversion:**  
c.90%

**We have the in house capability to identify, evaluate, execute and integrate acquisitions at pace**

# Creating Leverage Through Acquisitions **THE RIGHT WAY**

## Recap on M&A Case Studies

### Market Entry (Latin America)



- Focus on urban areas
- Current markets – Grow density and scale
- New large urban areas – Identify the right platform to enter
- Deploy Rentokil sales and service models
- Improve performance through our technology and financial discipline

### City Density (Asia)



- New markets – Focus on target city clusters
- Blending capabilities
- Bolts-ons in established markets for route density
- Back office synergy
- Trusted brand
- Rentokil specialist services

### National Density (US)



- Highest M&A focus
- Extend footprint with medium sized regional deals
- Bolt-ons build local scale & density
- Rentokil sales and service models
- Back office synergy

**We buy platforms in new attractive markets, build density and capability or expand our existing country footprint**

# Strong Track Record

149 deals mostly in Pest Control, £588m of acquired revenues

THE **RIGHT** WAY

## Pest Control Businesses

### Growth

**Acquisitions: 93**

**Revenue: £410m**

% of total spend: **70%**

Target IRR: **13%+**

### Emerging

**Acquisitions: 30**

**Revenue: £88m**

% of total spend: **15%**

Target IRR: **15%+**

## Hygiene Businesses

**Acquisitions: 16**

**Revenue: £59m**

% of total spend: **10%**

Target IRR: **15-20%+**

## Protect & Enhance Businesses

**Acquisitions: 10**

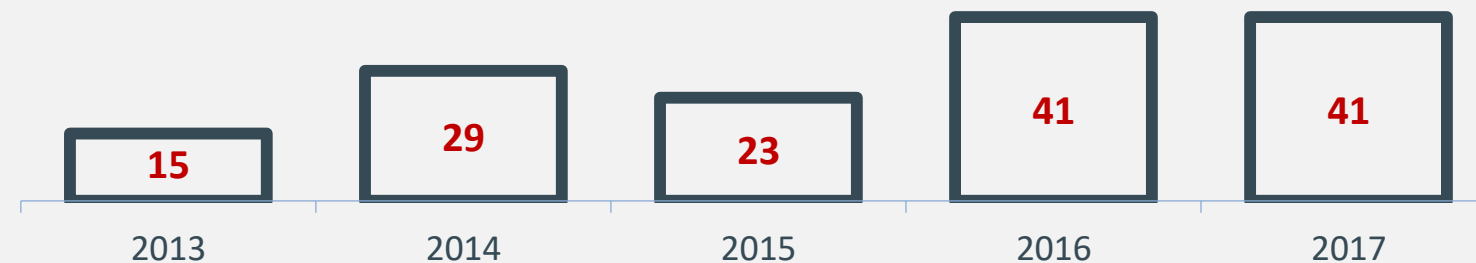
**Revenue: £31m**

% of total spend: **5%**

Target IRR: **20%+**

## Number of Acquisitions

(23 deals with £103m of annualised revenues in 2018 year to date)



**Our rules of the road are to assess the risks, be confident in our synergies, pay sensibly and deliver the plan**



# A Sustainable Pipeline Of M&A Opportunities **THE RIGHT WAY**

Approximately 40,000 pest control companies worldwide

## Deal flow supported by strong pipeline of c. 200 targets:

Ensures steady and sustainable supply of new deals

Able to walk away from less attractive deals or unrealistic seller demands

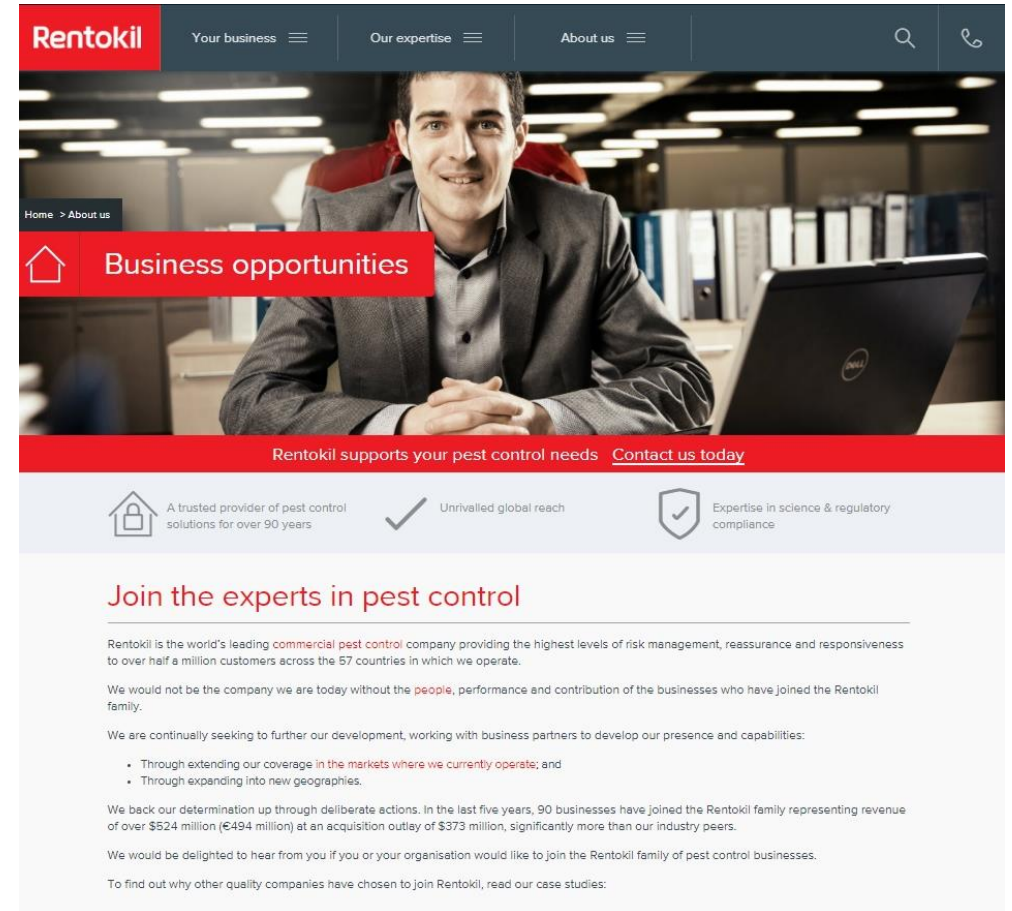
## Building the pipeline:

Locally – branch managers tasked with identifying good targets

Senior Managers – one-to-one interactions with target companies / attendance at industry events

Brokers – especially in the US and typically representing larger opportunities

Approaches from vendors to country managers, via our websites and social media forums

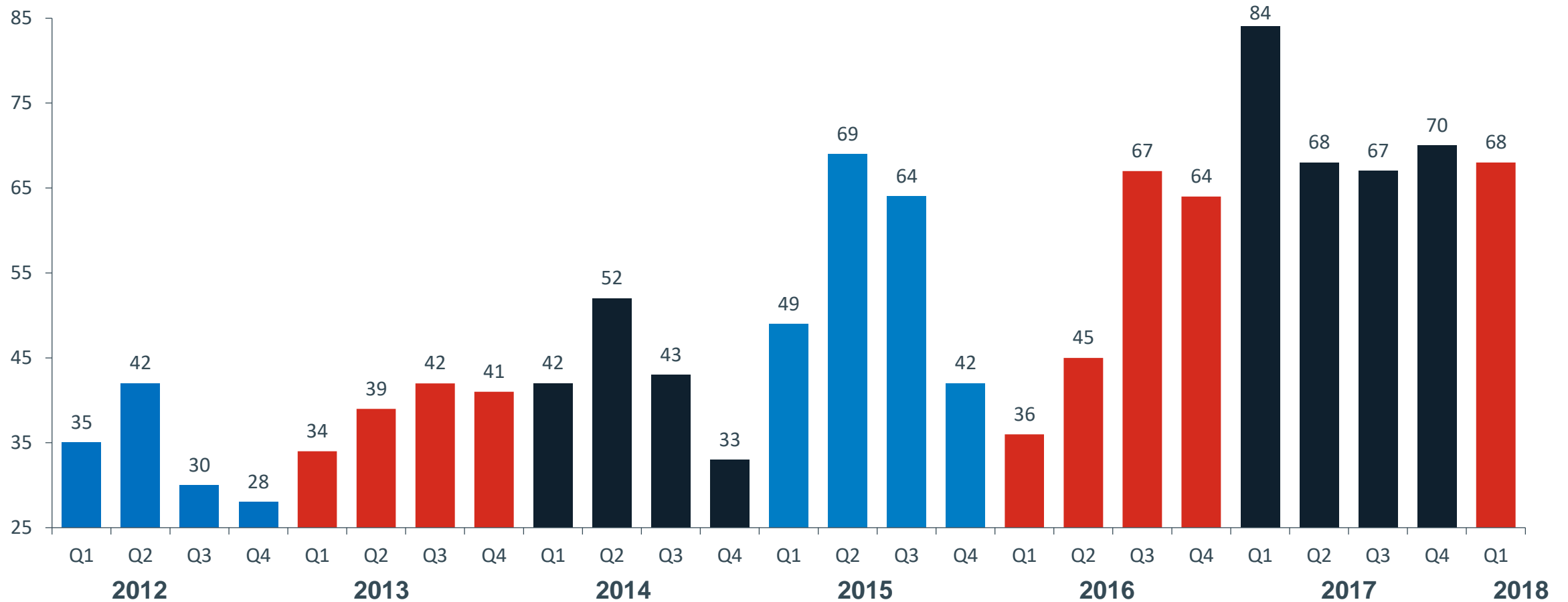


**Actively building the pipeline with quality opportunities**

# Deal Pipeline

THE RIGHT WAY

Number of live prospects through to due diligence (2012 to Q1 2018)



**Our anticipated spend on M&A in 2018 is in the region of £200m to £250m**

# What We Look For In An Acquisition

Making the right choices to create value

THE **R**IGHT WAY

## Quality in the Economics

### Customer Economics:

- High % of recurring annual contracted revenue
- Portfolio quality
- Retention rates

### Quality of financial performance:

- Revenue growth vs market
- Profit growth and cost management
- Investment in the business
- Synergy potential
- Impact of closing inappropriate/unethical contracts

## Quality in the Business

### Cultural Fit:

- People at the core
- Colleague empowerment, pay and tenure
- Colleague engagement and development
- Capability to build our management teams and future leaders

### Strong management & field staff:

- Depth of services
- Satisfied customers
- Sustainable business approach

### Operational focus:

- Reputation for quality
- Pricing & profit
- Focus on density & service delivery
- Standard business processes

**A focus on quality from the outset**



# Where We Are Looking To Acquire

Capital allocation by region

THE **RIGHT** WAY

## North America

- World's largest market c. \$9bn and growing
- Rentokil has 10% market share and national footprint
- Strong presence in North East, South East, central states and parts of West Coast but seeking to increase footprint, particularly areas of lower density
- Building residential scale to complement commercial
- C. 20,000 pest operators creating steady supply of deal flow

**Competition – High**  
**Prices – High**  
**IRR – 13%+**

## Growth Markets

**Pacific** – bolt-on acquisitions, termite system maintenance, commercial fumigation

**Europe** – bolt-on acquisitions, expansion into Balkans and potentially Eastern Europe



**Competition – Medium**  
**Pricing – Medium**  
**IRR – 13%+**

## Emerging Markets

**India** – c. 1.3bn population but market currently worth just £200m

Clear No.1 with c. 20% market share  
Outstanding growth potential

**China & Brazil** – footprint expansion, top cities, audited sectors

**Hygiene** – bolt-on acquisitions and potential to complement pest control in India and Korea

**MENAT** – GCC, Maghreb, Sub-Saharan Africa

**Competition – Medium**  
**Prices – Medium to High**  
**IRR – 15%+**

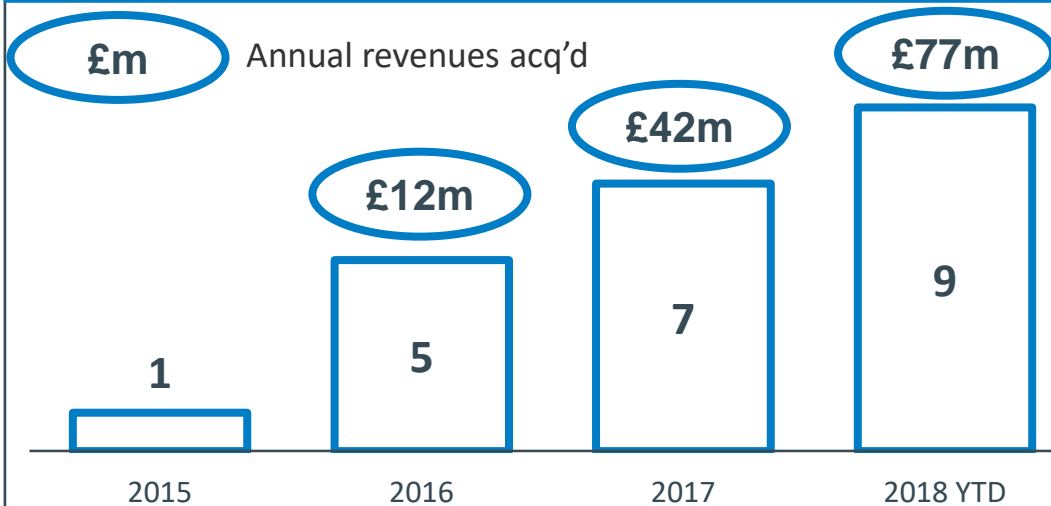
**A wide range of markets in which to create value**

# The Opportunity In Hygiene

Pragmatically building an M&A programme similar to Pest Control

THE **RIGHT** WAY

## Number of Acquisitions



## Hygiene Pipeline – as at Q1



## Hygiene Targets

- Similar company characteristics to Pest Control
- Market growth from regulation & increasing customer expectations
- B2B services only
- Our Initial business is a solid platform onto which to build greater scale & density
- Less competition for assets
- Integration complexity

**Our confidence in our hygiene model is leading to increased M&A**

# Creating Value Through Acquisitions

Our model for success

THE **R**IGHT WAY

## Disciplined Evaluation

- Market position & experience
- Scale & density
- Customer/segment relationships
- Management & reputation
- Profitability
- Business Ethics

***c. 1 out of 4 targets will be rejected at this stage***

## Clear Integration Plan

- Role of management
- Secure key customers
- Revenue synergy potential:
  - Rentokil Sales & Service models
  - Proprietary products and services
- Cost synergy potential:
  - Service Productivity
  - Property
  - G&A
- Rentokil Technology

## Strong Governance Model

- Investment Committee Review
  - Pre & post DD
- Track integration activities
- Track progress vs business case
- Post deal review (1 year)
- Bi-annual review of business case vs. actuals by plc Board

**We understand where and how to create value and have a proven model to deliver it**



# Buyer of Choice

Ensuring ongoing success despite increasing competition and rising asset prices

**THE RIGHT WAY**

## Reputation

- Professional and sympathetic acquirer of assets
- Experienced and straightforward in-house team of professionals
- Open and transparent discussion of integration plans
- Trusted to transact quickly, simply and confidentially

## Respect for People

- Legacy and reputation of what they have created
- Jobs for family members
- Seller often stays 12-24 months giving a proper hand-over
- People synergies often delivered through natural churn
- Proud of what we have achieved, with humility to learn from others

## Benefits to Vendor

- Access to our world-class capability:
  - Strongest and most internationally trusted brand
  - Technical expertise, innovation, proprietary products & digital expertise
  - Training and investment in colleagues
- Opportunity to grow faster - our systems drive productivity, increase management insight and provide innovative customer propositions
- Enhanced career progression for front line colleagues and management

**Our reputation as an experienced and sympathetic acquirer of assets can afford us a competitive advantage in the bidding process**

**A proven model that delivers returns**

# Financial Value Creation

Deals done vs. investment case, 48 deals April 2015 – September 2016

THE **R**IGHT WAY

## Pest Control Businesses

### Growth

**Acquisitions: 33  
(excl. Steritech)**

% of total spend: **74%**

Target IRR: **13%+**

Actual IRR: **18%**

### Emerging

**Acquisitions: 7**

% of total spend: **7%**

Target IRR: **15%+**

Actual IRR: **21%**

## Hygiene Businesses

**Acquisitions: 5**

% of total spend: **17%**

Target IRR: **15-20%+**

Actual IRR: **22%**

## Protect & Enhance Businesses

**Acquisitions: 3**

% of total spend: **2%**

Target IRR: **20%+**

Actual IRR: **34%**

## Total Performance (n=48 deals)

**Revenue: -3%      EBITA: +15%**

Most deal structures adjust for shortfalls, underpinning IRR returns

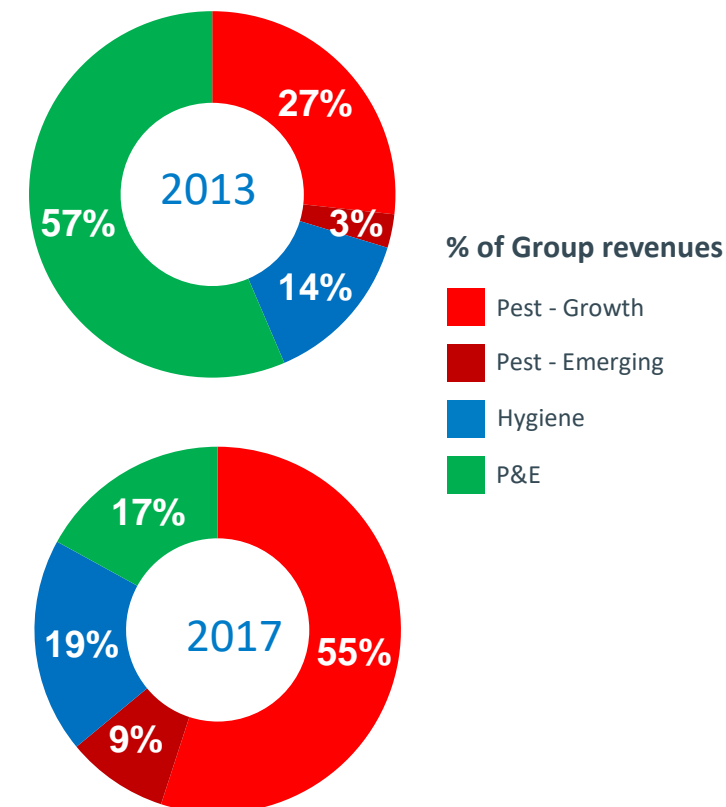
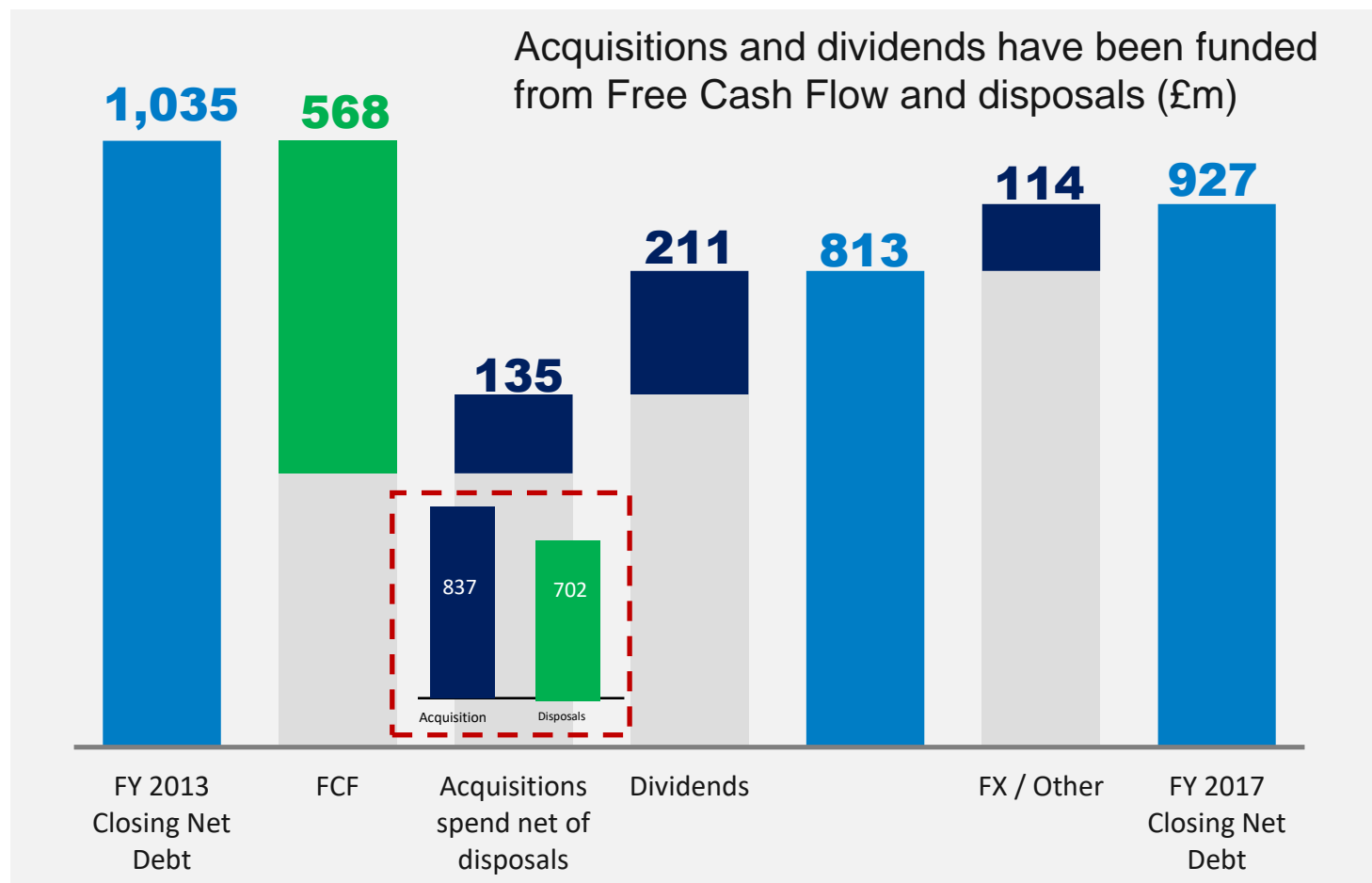
Integration activities accelerated, delivering higher profit returns

**All three categories delivering IRRs in excess of targets**

# Reshaping The Business Through M&A

Towards higher growth markets

THE **RIGHT** WAY



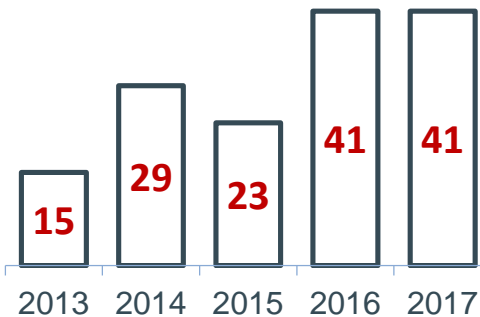
**Focus on growing Pest Control and Hygiene platform quickly and profitably**

# Creating Leverage Through Acquisitions

In summary

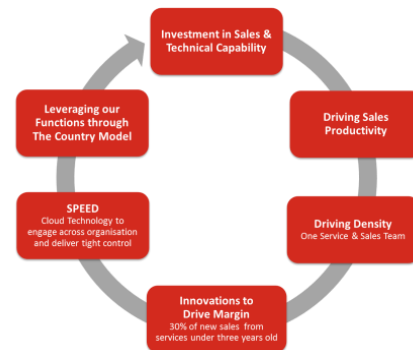
# THE RIGHT WAY

## Proven Track Record



1. We have a very strong track record and a good pipeline of future opportunities

## Proven Integration Model



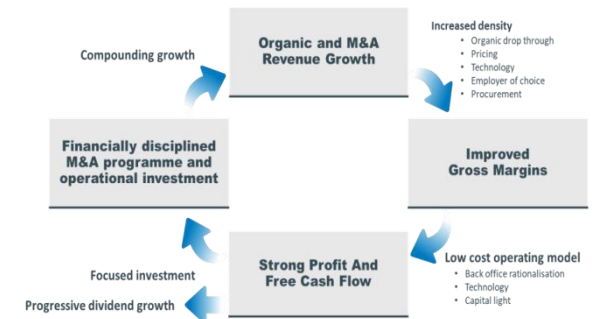
2. We have the model to transfer our know-how to acquired businesses and the management bandwidth to execute

## Proven Value Creation

Market-Leading Businesses		
<b>Pest Control</b>	<b>Hygiene</b>	<b>Protect and Enhance</b>
Focus: Growth and Emerging Markets	Focus: Operational excellence	Focus: Retention and enhancing profitability
<b>Differentiated IRR</b>	<b>Differentiated IRR</b>	<b>Differentiated IRR</b>
Growth 13%+ Emerging 15%+	15% - 20%+	20%+

3. Our acquisitions deliver real financial value

## Compounding Growth Model



4. M&A is a key part of our capital allocation model

**Successfully identifying, evaluating, executing and integrating acquisitions at pace**



# Rentokil Initial

Protecting People.  
Enhancing Lives.

## Our Financial Model to Compound Growth

**Jeremy Townsend**  
Chief Financial Officer



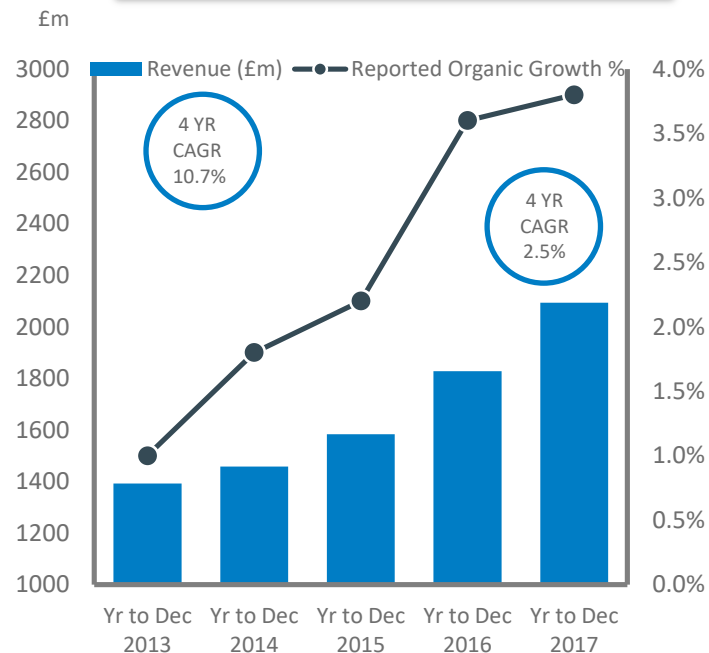
# Strong Group Financial Progress

Building a track record of delivery across the combined Group

# THE RIGHT WAY

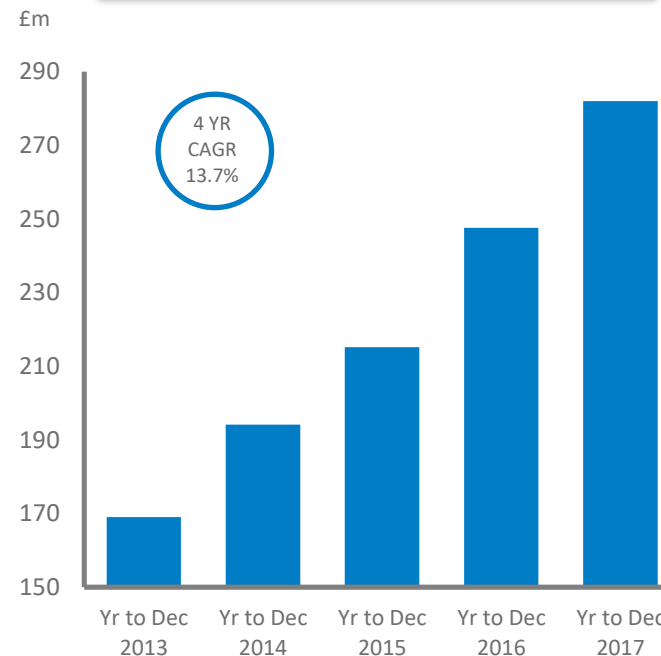
## Mid-single digit Revenue Growth (CER)

### Ongoing Revenue\* Growth



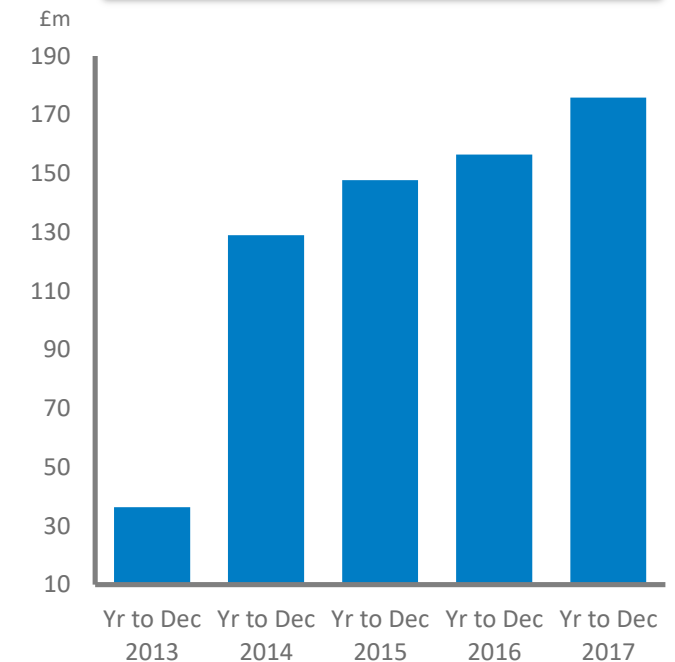
## High-single digit Profit Growth (CER)

### Ongoing Operating Profit\* Growth



## Strong and sustainable delivery of Free Cash Flow (AER)

### Free Cash Flow



**Medium-Term Financial Guidance:**

**Ongoing Revenue Growth: 5 - 8%  
Organic 3 - 4%**

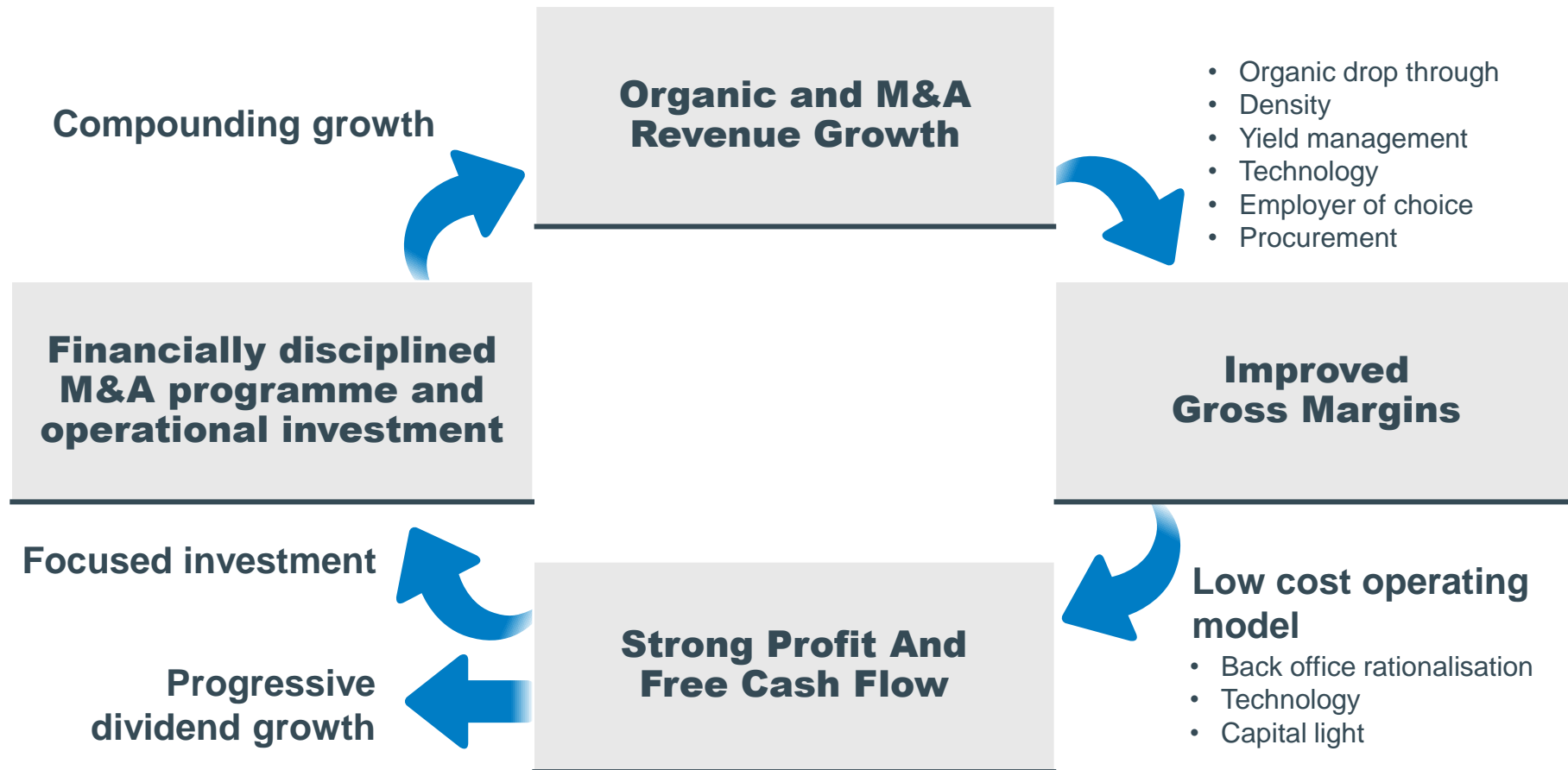
**Ongoing Operating Profit Growth: c.10%**

**Free Cash Flow Conversion: c.90%**

\*Ongoing Revenue and Ongoing Operating Profit exclude the results of Disposed Businesses, including the businesses contributed into the Haniel JV and the French laundries sold to RLD

# Compounding Revenue, Profit and Cash Flow Growth

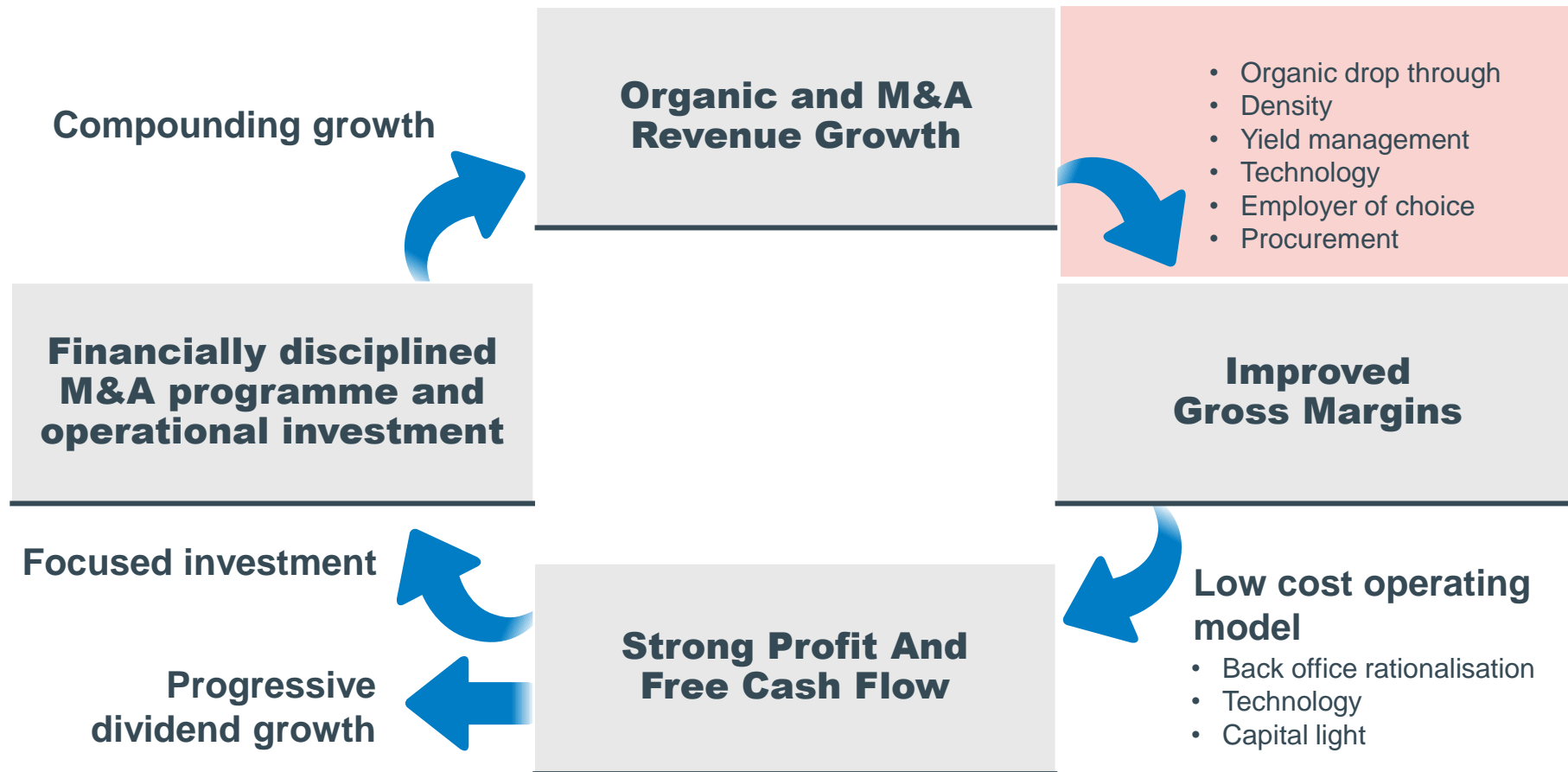
THE **RIGHT** WAY



**Compounding revenue, profit and cash flow growth**

# Compounding Revenue, Profit and Cash Flow Growth

## THE RIGHT WAY



**Compounding revenue, profit and cash flow growth**

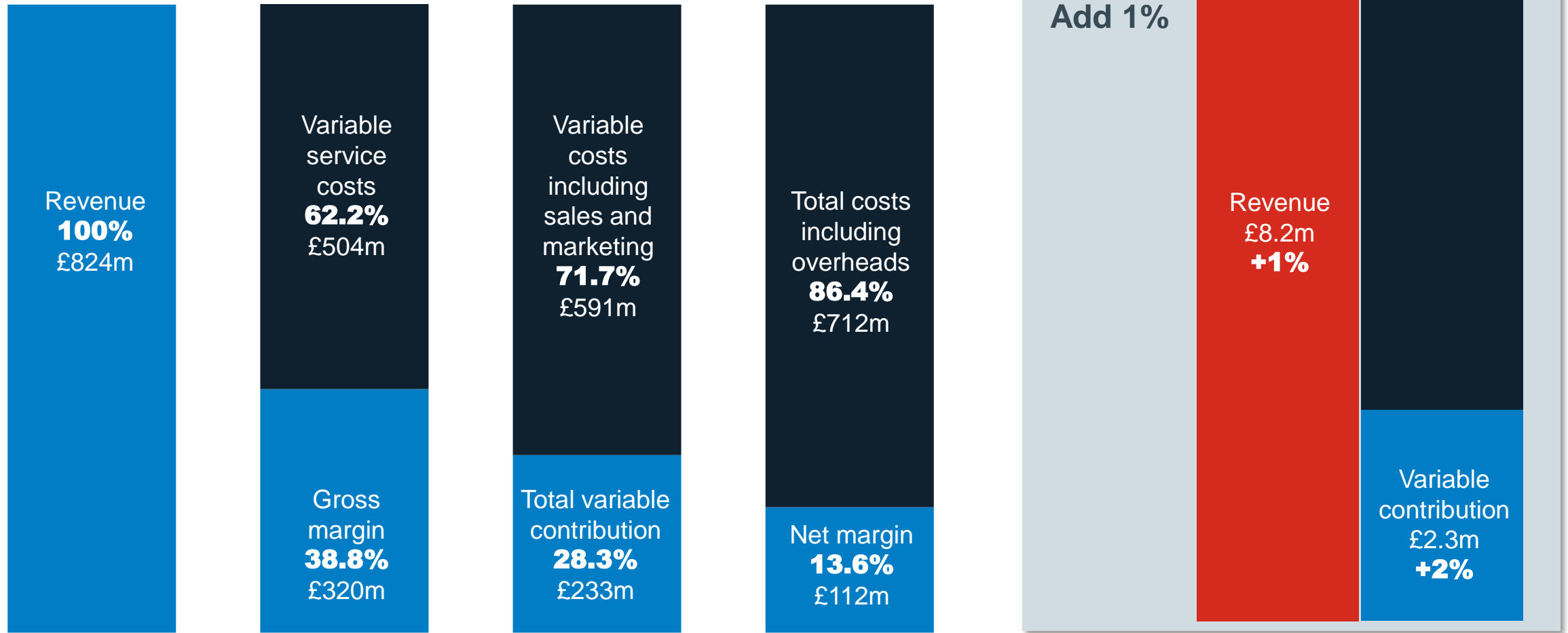


# How Organic Flow Through Works

Using North America as an example

THE **RIGHT** WAY

Figures from 2017



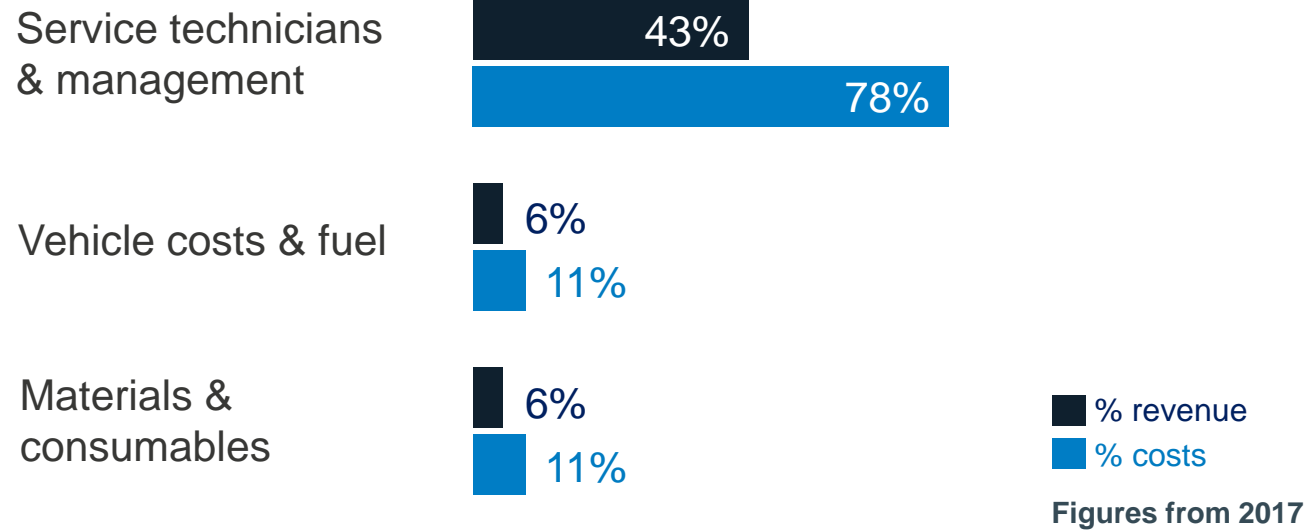
**As a 'rule of thumb', 1% organic revenue growth drops through to 2% profit growth**

# Improving Gross Margins

Using North America Pest Control Services as an example

THE **RIGHT** WAY

## The majority of our costs within gross margin are in service labour



**Colleague and vehicle costs represent c. 90% of variable service costs**

# What Are We Doing To Improve Margins? THE RIGHT WAY

## Key global initiatives

### 1. Deploying technology

- Optimising scheduling and routing
- Improving on-site effectiveness
- Reducing bait checking time

### 2. Driving density

- Reduced time between customers
- Increased onsite productivity

### 3. Improved colleague retention

- Employer of choice programme
- Reducing recruitment and training costs
- Improving customer service

### 4. Procurement

- Driving down materials and vehicle costs



# What Are We Doing To Improve Margins?

## Yield management

# THE RIGHT WAY

## 1. Understanding the profitability curve

- Supported by detailed analysis of route, branch and customer profitability

## 2. Disciplined approach to annual pricing

- Aim to match cost inflation with price inflation

## 3. Incentivising the sales team on margin

- Supported by digital pricing/margin tools related to variable incentives

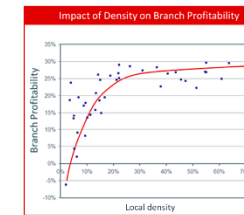
## 4. Contract management

- Targeted approach
- Pricing appropriately for high risk, high cost, low employment areas (e.g. London / New York)

### 3. Targeted Acquisitions

Important part of our approach to building margins

THE RIGHT WAY



**Illustrative Impact of a Bolt-on**

	Before	After
Revenue	2 x \$500,000	\$1,000,000
Profit	2 x \$250,000	\$200,000
	20%	20%

\* Not including synergy benefits of SG&A

- Accelerate Thru**
- Invest in Commercial base scale in B2B p
  - Up-sell and cross-sell by our customers
  - Where attractive, e market through loc brand awareness, F

**Building margins through highly-targeted, city-based**  
**Building route density, service productivity and back office**

### Customer Retention: Project 90

Clearly defined model to success with KPIs across all touch points

THE RIGHT WAY

**Service Delivery**

KPIs:

- State of service
- Service quality

**Customer Service**

KPIs:

- Call grade of service
- Speed of issue resolution

**Account Management**

KPIs:

- Visit frequency
- Recommendations close-out

### Reward and Recognise

We reward and recognise financial and customer outcomes

THE RIGHT WAY

#### Annual Bonus Scheme:

Focused on Profit, Revenue and Cash creation

#### Performance Share Plan:

Extended to over 600 leaders creating alignment with shareholder interests

Employee incentives focus on building **Route & Product density**

#### Competitive salaries:

Comprising fixed and variable pay, c. £1bn wage budget

**Recognition programmes** focused on service

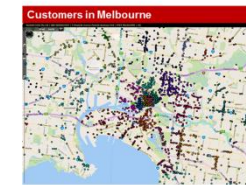
Additional focus on low-employment hot spots, e.g. San Francisco



### Example: Rentokil Australia

Density is key to productivity and superior margins

THE RIGHT WAY



Melbourne CBD and 10k ring is 0.9 km per visit



Average km per visit: 29

**1500 bps difference in gross margin**

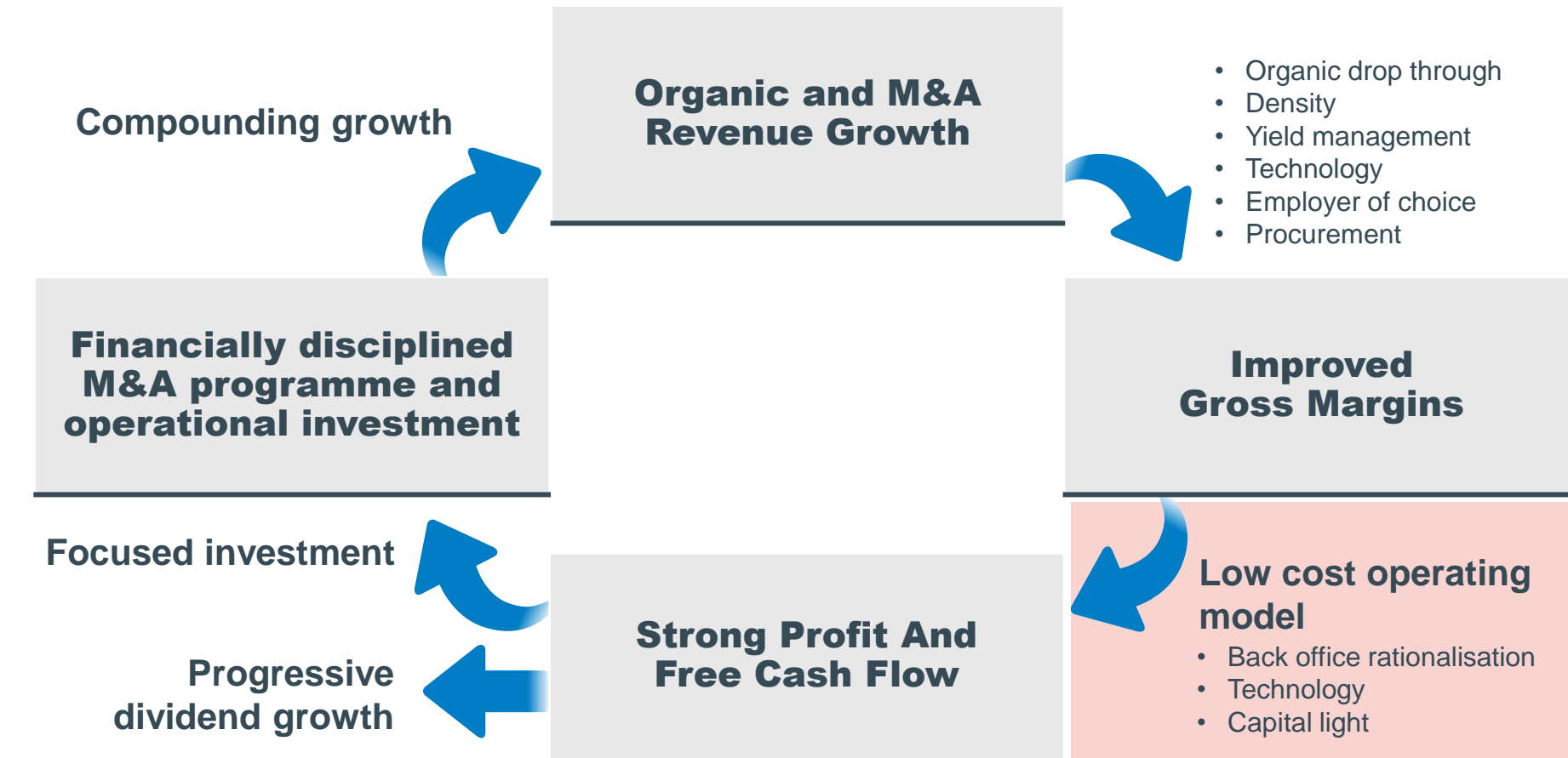
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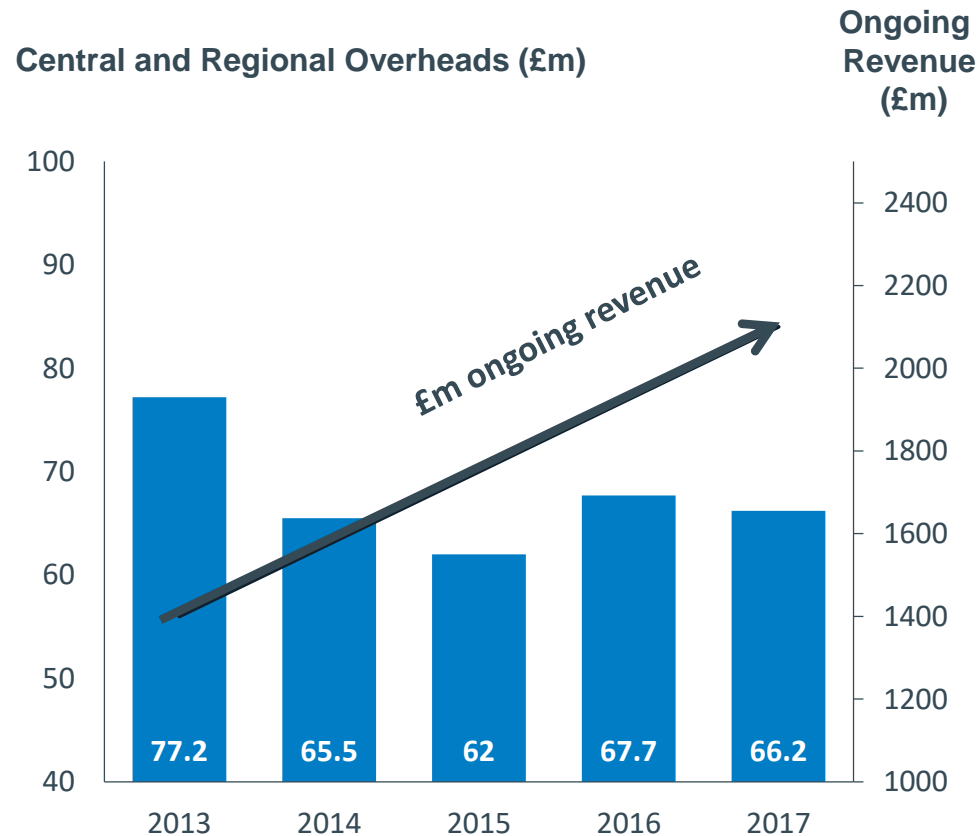
# Compounding Revenue, Profit and Cash Flow Growth

## THE RIGHT WAY



# Low-Cost Operating Model

THE **RIGHT** WAY



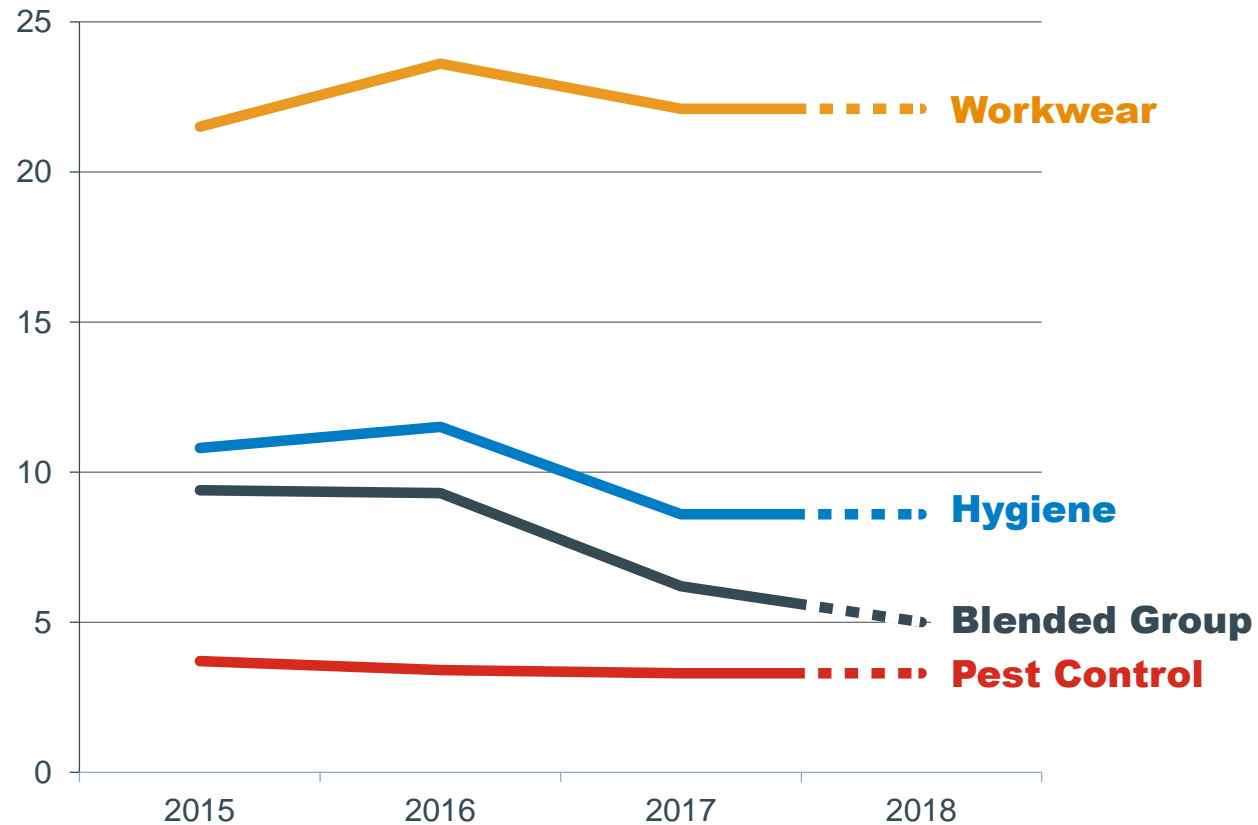
- Following a £12m decrease in 2014, central and regional overheads have remained broadly consistent over the last four years
- With our low-cost operating model we have been able to offset underlying inflationary variances through efficiency saving
- Our focus on our core Pest and Hygiene categories enables us to drive scale economies with overhead costs as a percentage of ongoing revenue falling from 5.3% in 2013 to 3.0% in 2017
- We are investing in back office innovation in systems and robotics to drive further efficiencies

**Increasing leverage on a fixed central overhead base**

# Turning Profit Into Cash

# THE RIGHT WAY

## Capital as % revenue

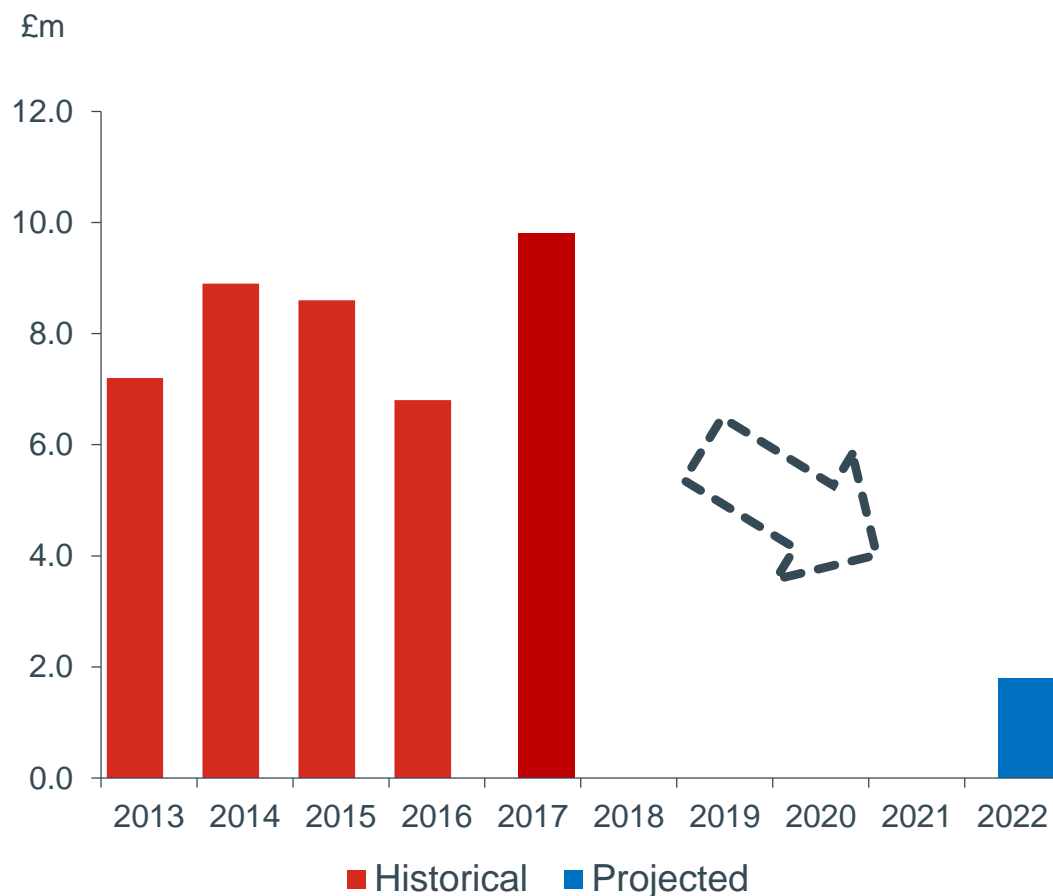


- The transfer of Workwear assets to the JV with Haniel has significantly reduced the capital intensity of the Group
- Majority of operational capital spend is on service equipment and motor vehicles
- Blended Group number will continue to fall as proportion of Group's Pest Control and Hygiene revenues increase
- Category figures exclude IT spend (c. £20m p.a.) and property spend (c. £4m p.a.)

**Focus on Pest Control and Hygiene has created a capital-light business**

# Turning Profit Into Cash Cont'd

THE **RIGHT** WAY



**Legacy provision spend is one of the main drags on free cash flow conversion**

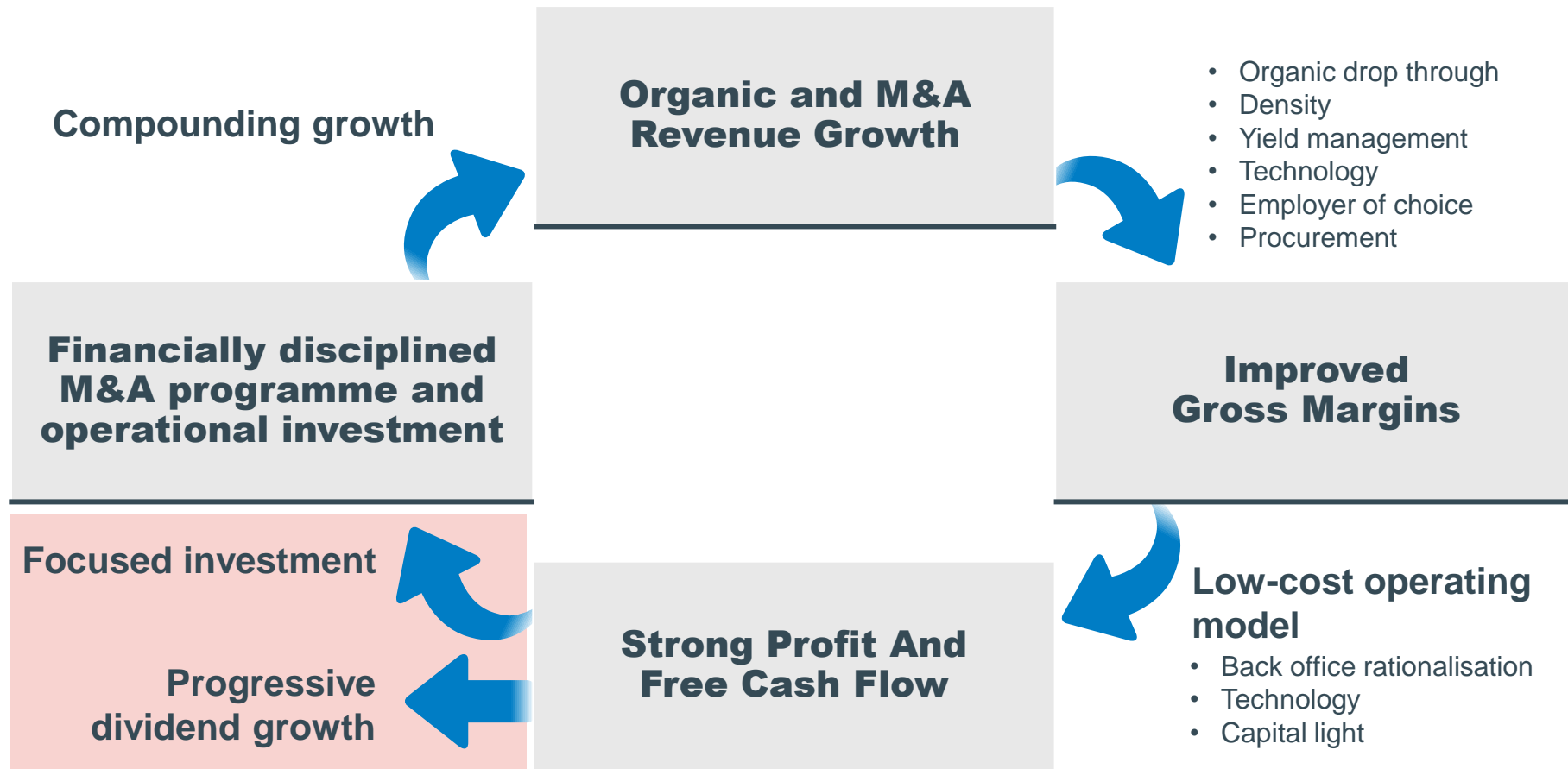
**Central provisions expected to reduce to c. £2m by 2022**

**Without provision spend, Free Cash Flow conversion would be c. 95%**



# Compounding Revenue, Profit And Cash Flow Growth

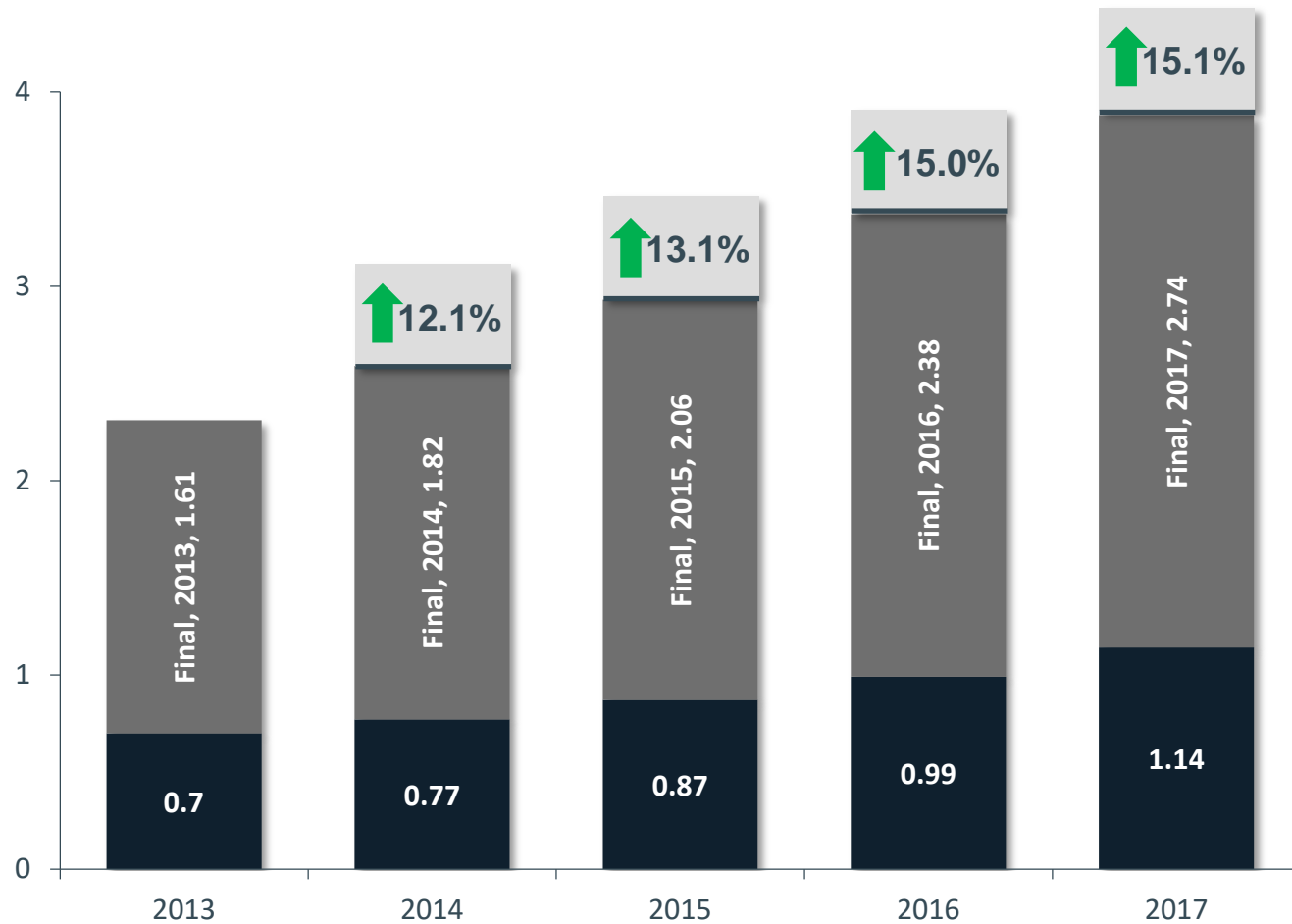
THE **R**IGHT WAY



**Compounding revenue, profit and cash flow growth**

# Dividend Progression

THE **RIGHT** WAY



■ Interim    ■ Final

**Increase in dividend payment:**

£38.6m (2013)

£64.3m (2017)

**Rentokil Initial 4-year dividend CAGR +13%**

# M&A Summary

THE **R**IGHT WAY

- Highly disciplined M&A model
- Hurdle rates well above WACC
- Focus on short-term benefits (yr1/yr2 synergies)
- Track record of delivery during last 4 years
- Pipeline remains strong

**M&A is a key part of Rentokil Initial's capital allocation model**

2017



41

companies acquired



24

countries



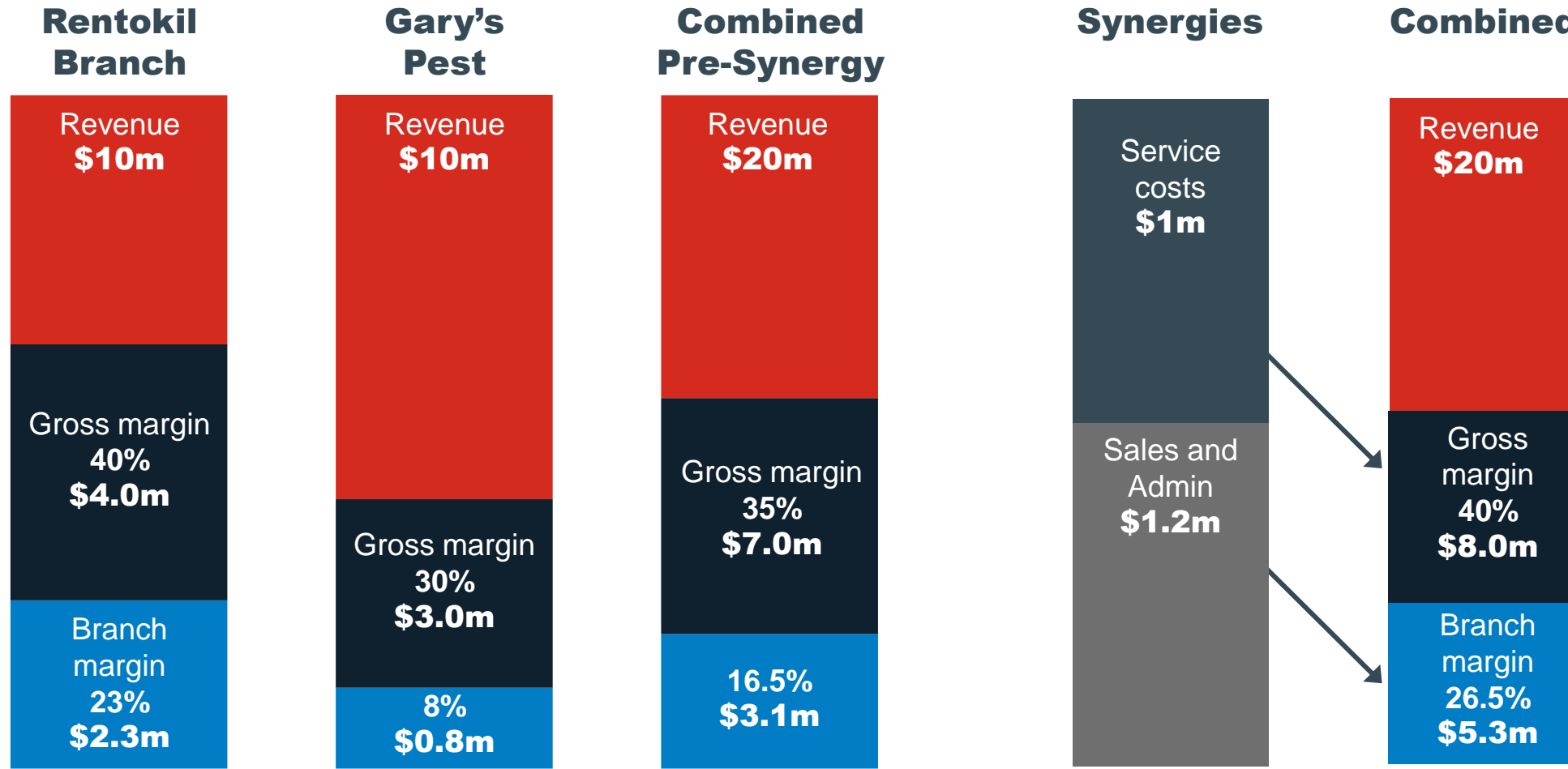
£224.7m

revenues acquired

# Compounding Value Delivery

Bolt-on acquisition – hypothetical example

THE **RIGHT** WAY

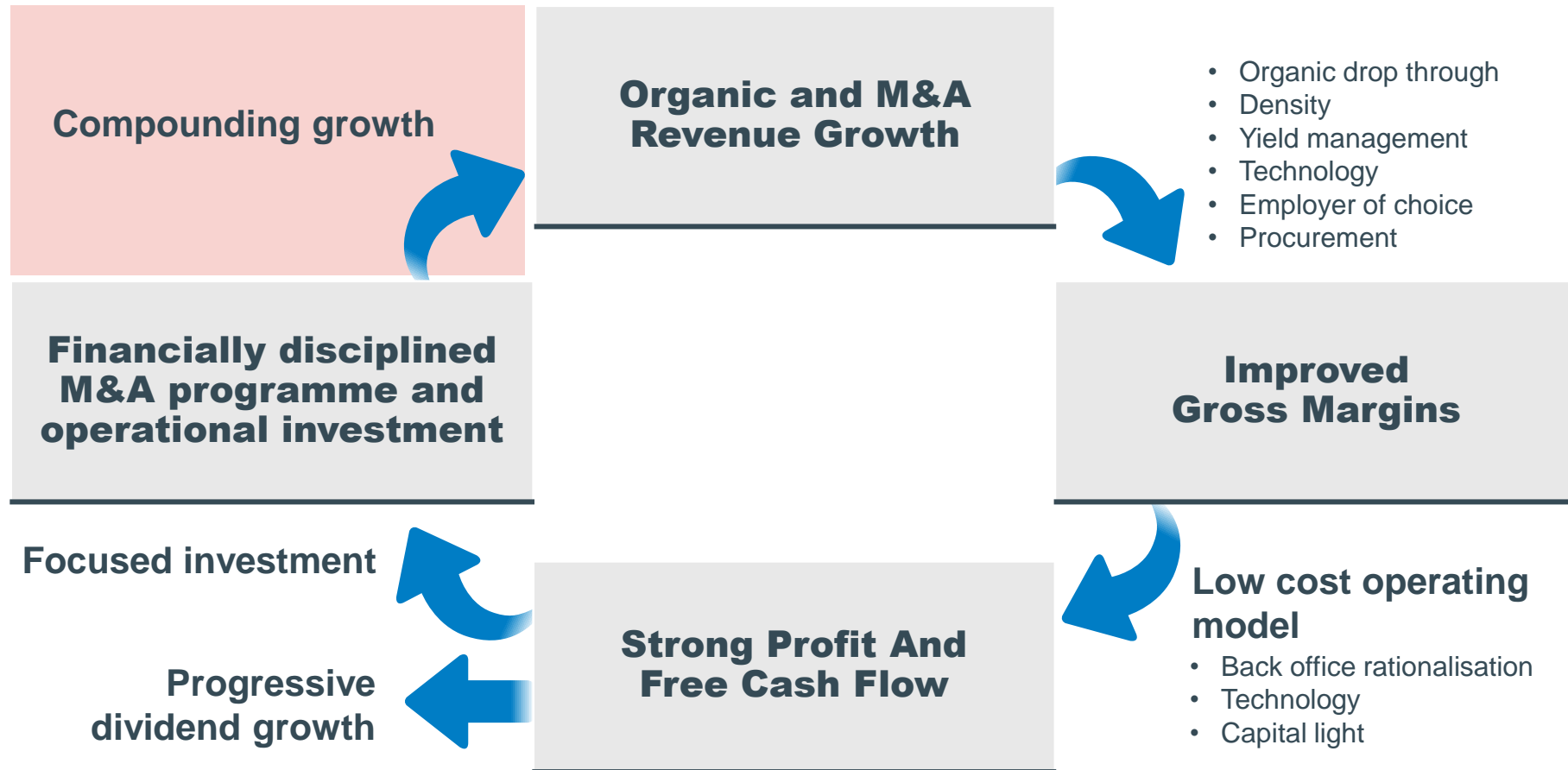


**Bolt-on acquisitions drive Year Two margin improvement through cost synergies**



# Compounding Revenue, Profit And Cash Flow Growth

THE **R**IGHT WAY



**Compounding revenue, profit and cash flow growth**

# Compound Value Delivery

Case study: North America

THE **R**IGHT WAY

	2017	2020
Revenue (\$m)	<b>1,120</b>	<b>c.1,500</b>
Net Operating Margin (%)	<b>13.6</b>	<b>c.18.0</b>
Return on Cash Capital Employed* (%)	<b>11.2</b>	<b>c.14</b>
Return on Net Assets* (%)	<b>14.1</b>	<b>c.18</b>




*\* Pre Tax*

**Our compounding model drives returns well ahead of WACC**

# Transforming Our Business: 2013-2017

Strategy into action




# THE **R**IGHT WAY

	2013	2017
 Pest Control and Hygiene (% of Group Revenue)	49%	83%
Net Operating Margin	8.8%	13.2%
 Free Cash Flow conversion	44%	87%
Dividend paid	£38.6m	£64.3m
 Net debt to EBITDA	2.5x	c. 1.9x
S&P rating	BBB-	BBB
Pension	In deficit	Fully Funded

# Transforming Our Business: 2013-2017

Strategy into action

# THE RIGHT WAY

	2013	2017	2022	
	Pest Control and Hygiene (% of Group Revenue)	49%	83%	↑ Organic growth and M&A
	Net Operating Margin	8.8%	13.2%	↑ Pest margins and leverage on fixed overheads
	Free Cash Flow conversion	44%	87%	↑ Reduced capital intensity and lower legacy provision spend
	Dividend paid	£38.6m	£64.3m	
	Net debt to EBITDA	2.5x	c. 1.9x	↓ Strong free cash flow and proceeds from JV funding M&A programme and potential balance sheet restructure
	S&P rating	BBB-	BBB	
	Pension	In deficit	Fully Funded	



# Rentokil Initial

Protecting People.  
Enhancing Lives.

**Global Leaders in  
Pest Control and  
Hygiene**

Andy Ransom  
Chief Executive



# Hygiene: Strong Core Business

High-quality business with multiple market-leading positions

THE **RIGHT** WAY

## The market

**Rental of washroom hygiene products and service**

- refreshing consumables, certified waste disposal, etc

**Product sectors:** hand hygiene, feminine hygiene, air care, floor mats and in-cubical

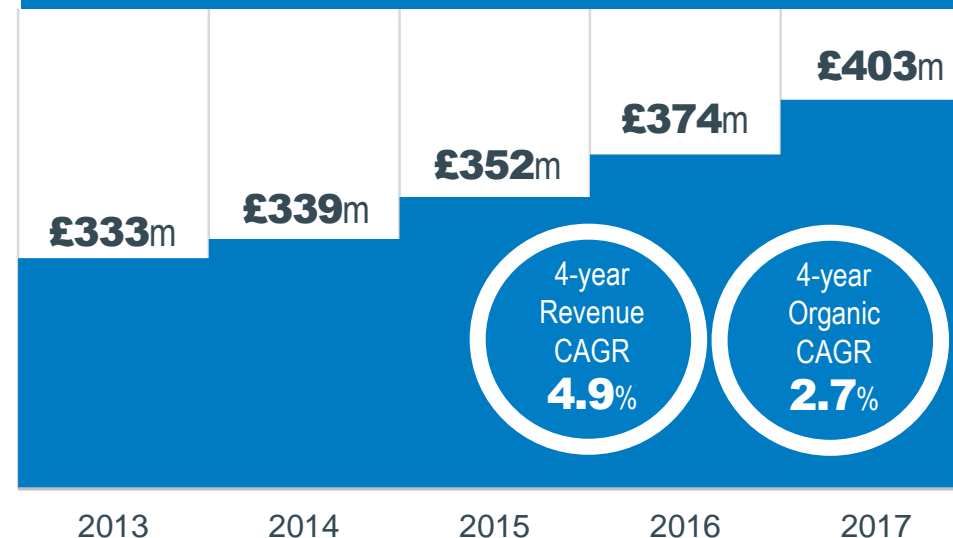
**Customers:** offices, restaurants, education, retail, manufacturing, hotels

**Global market size:** c. \$22bn

**Growth:** broadly GDP-correlated

Market Position	Initial Hygiene: Market Leading Positions		
	Established	Emerging	Total
Number 1	15	8	23
Number 2	7	5	12
Number 3	3	0	3
Other	1	5	6

## Initial Hygiene: Revenue Growth



## Initial Hygiene: 2017 Performance

<b>19%</b> Group Revenue	<b>Capex:</b> Light
<b>20%</b> Group Operating Profit	<b>Cash:</b> Cash generative
<b>17.7%</b> Net Operating Margin	<b>Contracted revs:</b> c.90%
Revenue:	<b>£403m</b> <b>+7.6%</b>
Profit:	<b>£71.4m</b> <b>+9.7%</b>

# Hygiene: Growth Opportunities

Additional opportunities to drive profitable growth

# THE RIGHT WAY

## 1. Mega trends driving Hygiene standards



- **Population growth / aging population:**

- Resulting in more health issues and hygiene product requirements
- Expectations for nappy changing/disposal in public areas/retail
- Rising health issues (e.g. ageing population - incontinence facilities)



- **Rise of middle classes**

- **More women are at work:**

- Requiring more feminine hygiene facilities and service

- **Tighter hygiene regulation across the globe:**

- Compliance with workplace hygiene, food production/retail hygiene and environmental standards



- **Emerging markets:** 12 countries in Asia - recent entries in India and China

- **Convergence of technologies / use of IOT**

- **Sustainability:** reducing water usage, paper saving, etc. clean air – major topic in Asia



## 2. Outstanding new products

### Best hygiene product ranges

Outstanding product ranges in place

– Signature, Reflection and Colour

New lower cost products being introduced in targeted sectors e.g. feminine hygiene.

Strong pipeline of new products

## 3. Innovation

### Premium Scenting

Leading position in new market (growing at c. 15 – 20% p.a.) to provide air scenting solutions to retail, hotels, hospitality etc.

### Sensing Technologies

Future opportunity to take Connected product expertise and Google Cloud storage / analysis into Hygiene for high-dependency customers

# Hygiene: Synergies With Pest Control

Consistent model and shared expertise

# THE RIGHT WAY

## Shared model

Shared cost base

Single country management team

One back office team for all categories –finance, IT, HR, legal, marketing, M&A, etc

Single IT platform

Shared procurement and in-house product development and production

Sales and service teams kept entirely separate

Portugal example: shared model driving margin expansion in Hygiene, up 80 bps and 6% Organic growth in 2017



## Shared selling expertise

Cross-refer between categories / local teams – incentives and systems in place

Similar customer targets: food, offices, retail, industrials

Common training tools e.g. U+ Online and The Power Centre

Shared digital expertise: shared web, portal and Apps (e.g. field sales and service apps)

Opportunity: c. 10% - 15% customers buy both Pest Control and Hygiene

Average number of products taken by customer c. 2

## Market scale and operational execution to drive profitable growth

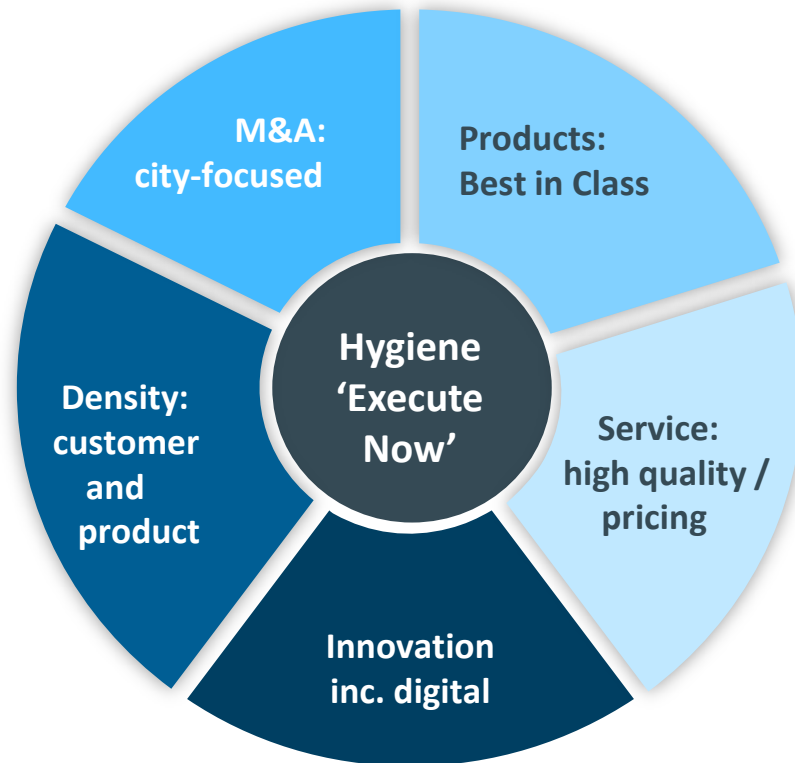


# Hygiene: Our Plan

Operational strategy and targeted M&A to build density

THE **RIGHT** WAY

## Strong Operational Focus



1. The best product ranges in the market
2. New highly-targeted lower cost products and innovation
3. High customer service culture
4. Build and maintain strong market positions
5. Leading brand (esp. in Emerging markets)
6. Utilise international coverage for key accounts
7. Digital technology overlay for productivity
8. Targeted M&A to build density and translate into profit - city-focused pipeline in place
9. Smarter selling – commission linked to density
10. Leveraging much of Pest Control model

**Route density and product penetration are core to margin expansion**

# Rentokil Initial

A responsible, values-based organisation

MEMBER OF  
**Dow Jones  
Sustainability Indices**  
In Collaboration with RobecoSAM



# THE RIGHT WAY

## Colleagues: world-class safety and engagement

**Safety:** 8% LTA improvement in 2017; 48% improvement since 2013

**Employer of Choice:** Zero Gender Pay Gap, high engagement levels, U+, Glassdoor ratings

## Customers: high-quality service and innovations

**Customer Service:** 98% state of service; CVC score of 42, 5-star TrustPilot reviews

**Innovation:** Recent launches incl. PestConnect, Lumnia, RapidPro. Strong pipeline

## Communities: reducing emissions and supporting charities

**Emissions:** On-going reduction, down 21% since 2013. New target: 20% reduction by 2020

**Charities:** £180k raised for Malaria No More; 16,000 people taught better hand hygiene by the Rentokil Initial Better Futures in India. Multiple local charities supported by local teams



**Protecting people. Enhancing lives.**

# Rentokil Initial

Compelling growth opportunity

THE **RIGHT** WAY

## **Pest Control: a non-cyclical, sustainable growth market**

\$18bn market growing at c. 5% CAGR through to 2023. Multiple growth drivers

## **Rentokil: the world's leading commercial pest control company**

Unrivalled global position, service expertise and ongoing innovation creating high barriers to excellence

Number 1 Pest Control brand - synonymous with pest control around the world

## **Proven, repeatable, scalable business model**

+70% of revenues on a recurring contract basis

Deep understanding of density

Leaders in digital and innovation. Digital programme underway to drive sales and productivity

Increasing demand for Connected Pest Control – Rentokil leads. Extending to new pest areas

Profitable partner business in Hygiene

## **Highly cash generative and clear capital allocation strategy**

Track record of leverage acquisitions and strong M&A pipeline

Clear plan to create a c. \$1.5bn revenue / c. 18% margin North American regional business by end of 2020

Strong medium-term opportunity in Emerging markets: Number 1 in most of Asia, LatAm & MENAT



**Market leader in a strong and defensive growth market**

Consistent execution of our business model



# Rentokil Initial

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## Questions





# Rentokil Initial

Protecting People.  
Enhancing Lives.

## Investor Seminar

16 May 2018, London  
17 May 2018, New York

