

# Rentokil Initial

Protecting People. Enhancing Lives.

Preliminary Results 2018

Global Leaders in Pest Control  
and Hygiene services

28 February 2019





Protecting People. Enhancing Lives.

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

# Rentokil Initial

Protecting People. Enhancing Lives.

Preliminary Results 2018

Global Leaders in Pest Control  
and Hygiene services

Andy Ransom

28 February 2019



# Ongoing Revenue Growth

In excess of medium-term guidance of 5 – 8% pa (organic of 3-4%)

THE RIGHT WAY

## Executing our strategy in 2018



# 13.2%

**Ongoing Revenue growth of 13.2% to £2,493m in 2018.  
Increased Organic growth of 4.3% in H2 (4.5% in Q4); FY 3.7%.**

Pest Control Ongoing Revenue growth 12.6%, Organic growth of 4.8%.

26.5% Ongoing Revenue growth in Hygiene (+2.8% Organic), acquisitions of CWS Italy and Cannon.



# Ongoing Profit Growth

In excess of medium-term guidance of c. 10% p.a.

THE **R**IGHT WAY

## Executing our strategy in 2018



# 13.3%

**Ongoing Operating Profit growth 13.3% to £333.6m in 2018.  
All regions contributed to the good growth.**

France and Workwear operations returned to full year profitable growth.

Free cash flow conversion of 94%.



# Expanding Global Organisation

Resilient 'multi-local' company operating in 75 countries

THE RIGHT WAY

## Executing our strategy in 2018



# Global Leaders

**89% of revenues generated outside the UK.**  
**88% of APBITA.**

Pest Control is Number One in 50 markets. Hygiene in the top 3 in over 30 markets.  
Operations in 90 of the World's leading cities.



# Innovation & Digital Leadership

Setting new standards for our customers and scale to add efficiency

THE RIGHT WAY



## Executing our strategy in 2018



# +140,000

**+140,000 customers added to myRentokil portal in 2018.**  
**+50m messages sent through robust PestConnect system.**

+25m products tracked and + 4m e-reports system-generated for customers on myRentokil.

+21m web sessions – increased by 5m vs prior year.





# Strong Execution of M&A

In excess of guidance of £200m - £250m for 2018

THE RIGHT WAY

Executing our strategy in 2018



## 47 Acquisitions

**Annualised revenues of £170m. Very strong pipeline.**

**42 acquisitions in Pest. 14 deals in North America.**

Total consideration of £298.4m, ahead of the previous guidance of £200m to £250m.

Building Vector Control expertise - deals in USA and Brazil.





# Sale of Pension Scheme

£1.5bn of liabilities and future risk removed

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THE RIGHT WAY

Executing our strategy in 2018



## Pension Scheme Buy-in

**Agreement with Pension Insurance Corporation.**

**Extinguishes all future liabilities - with no Company cash payments.**

Now expected to return cash of c. £20m - £40m (pre-tax) to the Company in 2020.

Providing certainty and security for the Scheme's 14,200 members.



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*“2018 was a very good year for Rentokil Initial and I am delighted that we have again exceeded our medium-term financial targets for revenue, profit and cash.”*

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**We are confident of delivering further progress in 2019**



**Richard Solomons**



**John McAdam**

# Rentokil Initial

Protecting People. Enhancing Lives.

Preliminary Results 2018

Financial Review of 2018

Jeremy Townsend

28 February 2019



# Financial Highlights

THE **RIGHT** WAY

£ million	FY 2018			
	AER	CER	Δ AER	Δ CER
Ongoing Revenue *	2,455.0	2,493.0	11.5%	13.2%
Ongoing Operating Profit *	329.3	333.6	11.8%	13.3%
Adjusted PBTA*	308.0	312.0	7.4%	8.8%
Loss before tax	(114.1)	(111.7)	(116.0%)	(115.7%)
Free Cash Flow	192.0			
Adjusted EPS	13.07p	13.24p	7.3%	8.6%
Dividend	4.471p		15.2%	

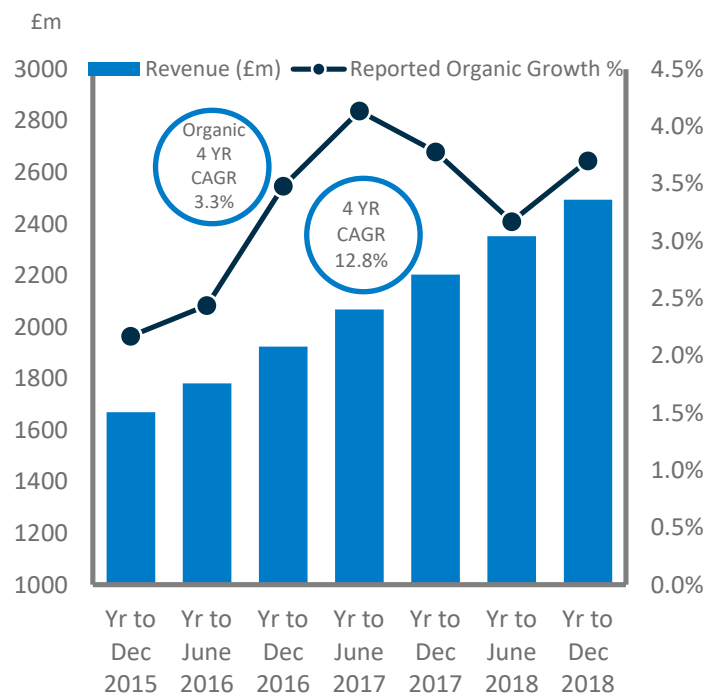
\*Ongoing Revenue and Ongoing Operating Profit exclude the results of disposed businesses, including the businesses contributed into the Haniel JV and the French laundries sold to RLD. Ongoing Operating Profit and Adjusted PBTA exclude certain items that could distort the underlying trading performance.

# Strong Financial Progress

A track record of delivery

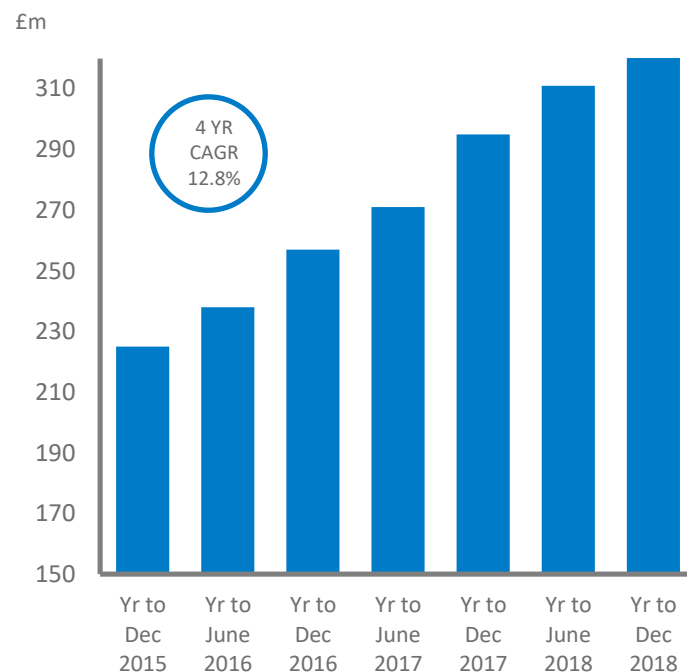
THE **R**IGHT WAY

**Ongoing Revenue growth:  
5%–8%, 3%-4% Organic (CER)**



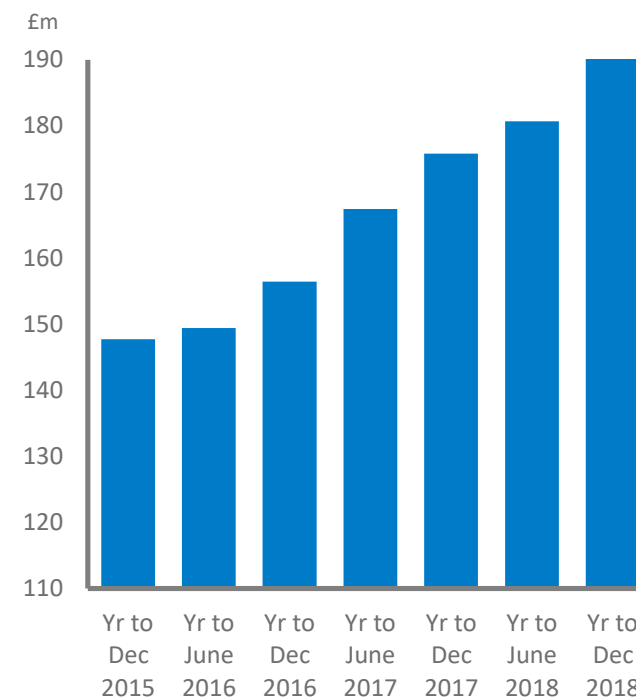
**+13.2% in 2018 vs. target 5%-8%**

**Ongoing Operating Profit growth  
C. 10% (CER)**



**+13.3% in 2018 vs. target c. 10%**

**Strong and sustainable  
FCF delivery  
~90% conversion (AER)**



**FCF of £192m in 2018,  
94% cash conversion**

\*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. Ongoing Operating Profit and Adjusted PBTA exclude certain items that could distort the underlying trading performance. Charts calculated on a 12-month trailing basis.

# North America

THE **RIGHT** WAY

## Ongoing Revenue +12.3%

## Ongoing Operating Profit +12.8%, reflecting impact of higher revenues and acquisitions

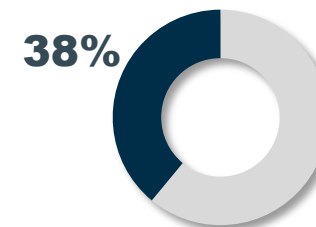
- FY Organic Revenue growth +3.8%, impacted by 2017 Puerto Rico hurricane, unseasonably cold weather in March and April 2018 and strong 2017 comparatives (esp. Products)
- FY Pest Control Organic growth +3.8%, +5.0% in H2 aided by return to normal weather patterns, Puerto Rico lapping in Q4 and less challenging comparatives than in H1
- Net Operating Margin up 0.1% points at 13.7%, discussed further on following slides
- 14 Pest Control acquisitions in 2018 with revenues of \$53m (c. £41m), plus two further acquisitions in early 2019 with additional revenues of \$28m (c. £21m)

### Strategic focus for 2019:

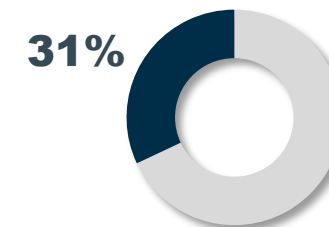
- Stronger organic growth
- Margin improvement opportunities from M&A, scale efficiencies and density
- Continued implementation of Best of Breed programme

At constant exchange rates

### Ongoing Group Revenue



### Ongoing Group Operating Profit






	FY 2018	Growth
Ongoing Revenue	£959.5m	+12.3%
Ongoing Operating Profit	£131.3m	+12.8%
Operating Margin	13.7%	+0.1% points



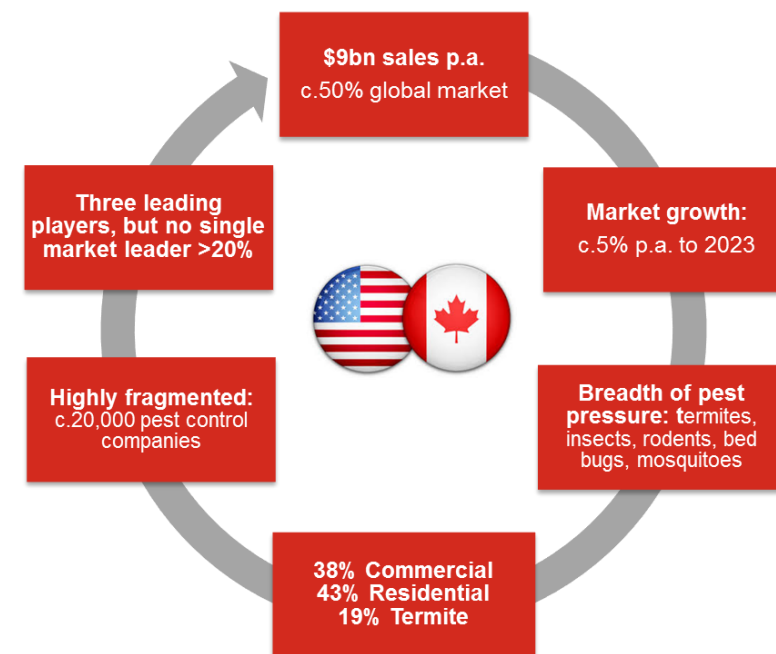
# North America

Update on plan to deliver \$1.5bn revenue, 18% Net Operating Margins

**Building scale and local density on national footprint with +300 branches, 45 distribution centres, +8,000 colleagues.**

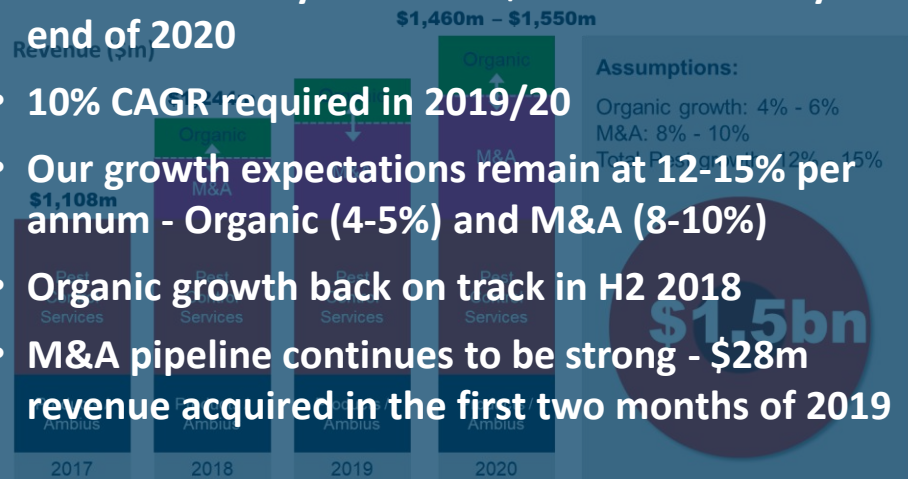
Activity	Progress in 2018	
<b>4% to 5% Organic growth</b>	<b>3.8% Organic growth</b> Strong improvement in Organic growth of 5.0% in H2, with lapping of Puerto Rico and less weather impact	
<b>8% to 10% revenue p.a. from acquisitions</b>	<b>8.4% acquisitive growth</b> 14 acquisitions in the year, annualised revenues of \$53m	
<b>Total Pest Growth 12%-15%</b>	<b>Total Pest Control growth 13.1%</b>	
<b>Best of breed back office programme</b>	Good progress in procurement and property IT programme progressing	
<b>Net Operating Margin</b>	Improvement in H2 Net Operating Margin, versus H2 2017, of 50 bps, with improved Organic growth	

THE RIGHT WAY



## Path to \$1.5bn revenue

- Well on our way to deliver \$1.5bn revenue by the end of 2020
- 10% CAGR required in 2019/20
- Our growth expectations remain at 12-15% per annum - Organic (4-5%) and M&A (8-10%)
- Organic growth back on track in H2 2018
- M&A pipeline continues to be strong - \$28m revenue acquired in the first two months of 2019



## Path to 18% Net Operating Margins

- 2018 held back by H1 organics and dilutive impact of M&A
- Property and procurement contributing well in 'Best of Breed' margin enhancement programme
- Steady progress on IT transformation however, to ensure business re-platforming and deployment of Group IT applications are delivered effectively, completion date put back by 12 months to H1 2020
- 'Best of Breed' savings from systems dependent areas (service productivity, field administration) phased to back end of programme
- 18% margin expected to be delivered by the end of 2021



**Revenue target on track for 2020, 18% margins by end of 2021**

### Ongoing Revenue +9.7% (+3.5% Organic Revenue growth)

### Ongoing Operating Profit +10.4%

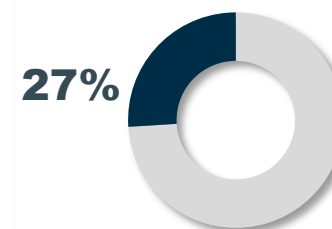
- Excellent performance from Southern Europe (+32.3%), continued strong growth in Germany (+14.6%) and improved performance in France (+1.2%). Latin America, once again performing well (+17.6%)
- +20.8% revenue growth in Hygiene, benefitting strongly from 2017 acquisition of CWS Italy. +10.1% growth in Pest Control
- Encouraging performance from France – and France Workwear business – both back in year-on-year profitable growth
- In addition to the Cannon Hygiene businesses, 13 further acquisitions in 2018 – 11 in Pest Control and 2 in Hygiene – total combined annualised revenues of c. £25m
- Good performance from JV businesses in first full year of operation

### Strategic focus for 2019:

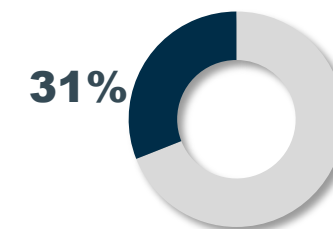
- Further organic growth in Pest Control and Hygiene
- Ongoing integration of CWS-boco Italy following good progress in 2018
- Sustained focus on returning France Workwear to operational and financial health and profitable growth

At constant exchange rates

### Ongoing Group Revenue



### Ongoing Group Operating Profit



	FY 2018	Growth
Ongoing Revenue	£663.1m	+9.7%
Ongoing Operating Profit	£126.1m	+10.4%
Operating Margin	19.0%	+0.1% points

# UK and Rest of World

**Ongoing Revenue +19.5%**  
**(+2.8% Organic Revenue growth)**

**Ongoing Operating Profit +15.0%**

- +4.2% Organic growth in UK Pest Control, +4.1% Organic growth in Hygiene, with Pest Control benefitting from increased jobbing revenues
- +13.4% Ongoing Revenue growth in RoW across all regional clusters in the Nordics, Caribbean, Africa and MENAT
- Property Care continues to be impacted by weak UK housing market, operational improvement plan in place from H2
- Margin decline of -0.8% points impacted by lower profits in Property Care
- In addition to Cannon Hygiene, seven pest control acquisitions in 2018 for total annualised revenues of c. £75m:
  - Seven acquisitions in Pest Control in Dubai, Jamaica, Sweden and the UK, including pest control business of Mitie (being held separate during CMA review)
  - UK business of Cannon Hygiene Services also held separately from existing operations during CMA review, has performed well during the year
  - Required by the CMA to sell a limited number of supply contracts with larger, national customers and frameworks, representing a small part of the business

## Strategic focus for 2019:

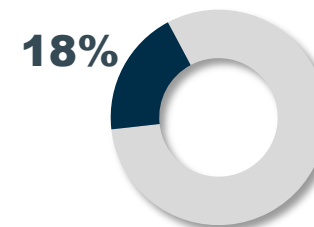
Integration of recent acquisitions and continued M&A

Ongoing implementation of Property Care improvement plan

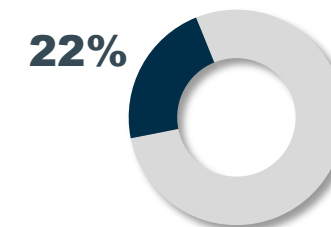
THE **RIGHT** WAY

At constant exchange rates

## Ongoing Group Revenue



## Ongoing Group Operating Profit



	<b>FY 2018</b>	<b>Growth</b>
Ongoing Revenue	£454.8m	+19.5%
Ongoing Operating Profit	£92.1m	+15.0%
Operating Margin	20.3%	-0.8% points

## Ongoing Revenue +17.7% (+5.9% Organic Revenue growth) Ongoing Operating Profit +15.1%, reflecting higher revenue

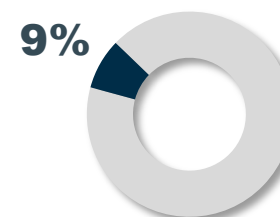
- Good performances from both Pest Control and Hygiene
- -0.2% points decline in Net Operating Margin to 10.1% - growth in Hygiene margins offset by the dilutive effect of the growth in the lower-margin Rentokil PCI business in India
- In addition to Cannon Hygiene businesses, seven further acquisitions during 2018:
  - Six Pest Control acquisitions and one further Hygiene acquisition in Malaysia, Singapore, South Korea and Macau (a new market entry)
  - Total combined annualised revenues, including Cannon, of c. £19m in the year prior to purchase

### Strategic focus for H2:

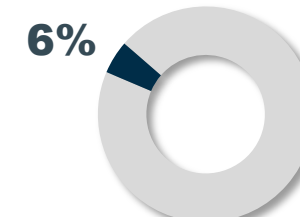
- Further delivery of strong revenue growth and profit leverage
- Ongoing execution of Rentokil PCI joint venture and integration of recent acquisitions. Further M&A to build scale
- Acceleration of digital platform roll-out to drive customer experience and operational efficiency

At constant exchange rates

### Ongoing Group Revenue



### Ongoing Group Operating Profit



	FY 2018	Growth
Ongoing Revenue	£220.7m	+17.7%
Ongoing Operating Profit	£22.3m	+15.1%
Operating Margin	10.1%	-0.2% points

Japanese JV (Rentokil has 49% Share*)	FY 2018	Growth
Ongoing Revenue	£100.8m	+5.9%
Ongoing Operating Profit	£23.7m	+7.0%
Operating Margin	23.6%	+0.2% points

\*Reported within Share of Profit from Associates (net of tax)

**Ongoing Revenue +11.2%**  
**(+2.6% Organic Revenue growth)**

**Ongoing Operating Profit +7.0%,**  
**reflecting higher revenues**

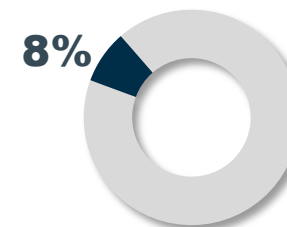
- Revenue growth driven by solid performances across core Pest Control and Hygiene categories and acquisition of Cannon Hygiene Services businesses in Australia and New Zealand
- -0.8% points decrease in Net Operating Margins to 20.8%, reflecting dilutive impact of Cannon acquisition
- In addition to Cannon Hygiene business, four further small pest control and one small plants businesses acquired in New Zealand and Australia with total combined annualised revenues, including Cannon, of c. £10m in the year prior to purchase

### Strategic focus for 2019:

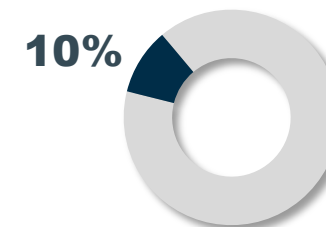
Further improvements in performance through additional acquisitions in Pest Control and Hygiene and service productivity

At constant exchange rates

### Ongoing Group Revenue



### Ongoing Group Operating Profit



	H1 2018	Growth
Ongoing Revenue	£194.9m	+11.2%
Ongoing Operating Profit	£40.5m	+7.0%
Operating Margin	20.8%	-0.8% points

# Operating Cash Flow

THE RIGHT WAY

£ million	FY 2018	FY 2017
<b>Adjusted Operating Profit</b>	<b>329.3</b>	<b>314.5</b>
One-off items - Operating	(22.2)	(6.8)
Depreciation	147.1	185.6
Other <sup>1</sup>	17.0	(1.5)
<b>EBITDA</b>	<b>471.2</b>	<b>491.8</b>
Working capital	6.6	(16.3)
Movement on provisions	(10.8)	(9.9)
Capex	(183.5)	(207.2)
<b>Operating Cash Flow – continuing operations</b>	<b>283.5</b>	<b>258.4</b>

At actual exchange rates

Overall improvement in operating cash flow - £25m higher than prior year.

Following the transfer of the Workwear and Hygiene assets to Haniel and RLD, lower levels of EBITDA more than offset by improved working capital and a reduction in capex levels

<sup>1</sup> Profit on sale of fixed assets, IFRS 2, dividend from associate, etc.

<sup>2</sup> Property, plant, vehicles



# Free Cash Flow & Movement in Net Debt

THE **RIGHT** WAY

At actual exchange rates		
£ million	FY 2018	FY 2017
<b>Operating Cash Flow – continuing</b>	<b>283.5</b>	<b>258.4</b>
Cash interest	(45.3)	(41.4)
Cash tax	(45.1)	(40.1)
Special pension contributions	(1.1)	(1.1)
<b>Free Cash Flow – continuing</b>	<b>192.0</b>	<b>175.8</b>
Acquisitions	(298.4)	(281.1)
Disposals	(3.1)	451.9
Dividends	(74.2)	(64.3)
FX and other	(42.5)	29.1
<b>Movement in Net Debt</b>	<b>(226.2)</b>	<b>311.4</b>
Opening Net Debt	(927.3)	(1,238.7)
Closing Net Debt	(1,153.5)	(927.3)

Cash interest £3.9m higher than in 2017, in line with increase in profit charge in the year and tax payments increased by £5.0m, reflecting the higher profitability of the businesses

Increase of £16.2m on the prior year and representing an adjusted free cash flow conversion of 94% (2017: 87%) and in line with our medium-term target of ~90%

£42.5m increase in net debt as a result of foreign exchange translation and other items, leaving an overall increase in net debt of £226.2m and closing net debt of £1,153.5m

# Balance Sheet

## Balance Sheet

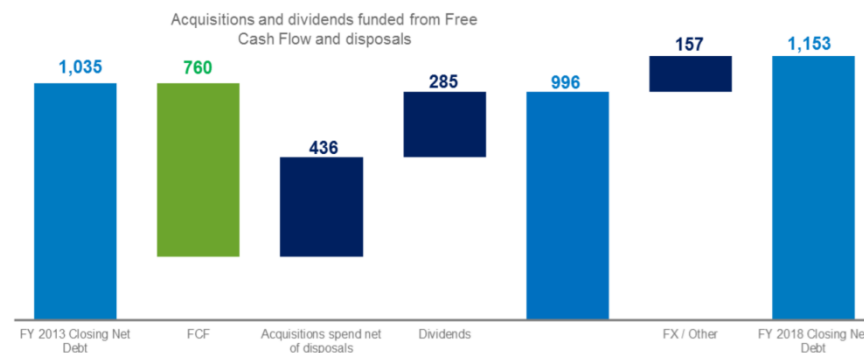
- Net debt to EBITDA ratio of 2.4x at 31 December 2018 reflecting timing of acquisitions spend during the year
- Credit rating remains at BBB Stable Outlook
- £608m of centrally held funds and available undrawn committed facilities
- Extension to RCF in August 2018 - increasing committed amount available for cash drawings from £360m to £600m and extending term to 2023 with two one-year extension options - covers the financing of the €500m bond in September 2019
- Average cost of net debt in 2018 of 4.2% (2017: 4.0%)

## Net Debt Bridge

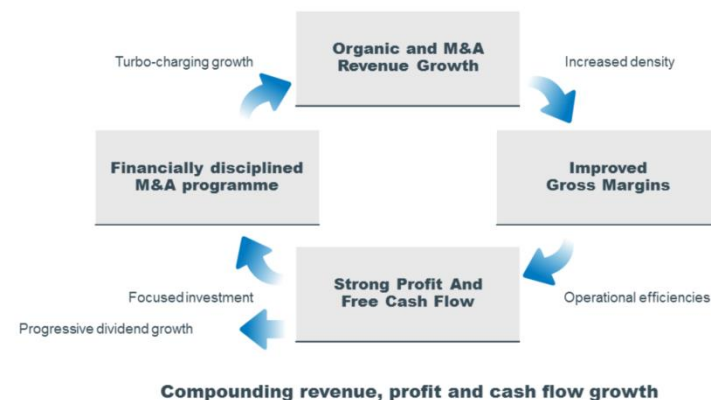
FY 2013 – FY 2018

THE RIGHT WAY

£m



## Capital Allocation



- Agreement for a bulk annuity insurance 'buy-in' for the UK defined benefit pension scheme ("the Scheme") reached in December 2018
- Buy-in secured in anticipation of a full 'buy-out' of the Scheme - expected to be completed in 2020
- Buy-out will completely extinguish all future pension liabilities from the Company's balance sheet and the associated accounting surplus – with no Company cash payments necessary
- On completion it is anticipated that there will be a pre-tax cash surplus which will be returned to the Company. Valuation subject to a number of variable factors - expected to be in the range of £20m to 40m
- The accounting surplus (£325.4m at 31 December 2017) was written down to the estimated cash surplus at the year end, resulting in a non-cash charge of £341.6m which has been recognised as a non-cash, one-off item in the year



# Impact of IFRS 16

THE **R**IGHT WAY

- New accounting standard **IFRS 16 – Leases** applicable from 1 January 2019 and adopted from that date with no restatement of comparatives
- Will result in a number of leases (largely vehicle and property), previously accounted for as operating leases (expensed as incurred), being capitalised within fixed assets as Right of Use (ROU) Assets and depreciated over lease term with a corresponding lease liability and interest charge
- New standard **not expected to have a material impact on either adjusted profit before tax or the net underlying cash flows** but will change presentation of the profit and loss account, cash flow statement and balance sheet as follows:
  - On transition, fixed assets and net debt are expected to increase by c. £200m
  - The operating lease charge will be replaced with depreciation of the ROU Assets and an interest charge on the Lease liability. We estimate that this will result in higher operating profit of c. £5m to £10m offset by a higher interest charge of a similar amount
  - New operating leases will be treated as capital expenditure, which will impact the way depreciation, EBITDA and capex are reported in the cash flow statement – Free Cash Flow will be provided on both the old and new basis in 2019 to allow comparability



**New accounting standard IFRS 16 – Leases, applicable from 1 January 2019**

# 2018 Summary and 2019 Guidance

THE **R**IGHT WAY

## Summary of 2018

- ✓ +13.2% growth in Ongoing Revenue
- ✓ Ongoing Organic Revenue growth +3.7% and in line with financial targets (adjusted for Puerto Rico impact, +4.0%)
- ✓ +13.3% increase in Ongoing Operating Profit
- ✓ £192m Free Cash Flow, representing 94% conversion
- ✓ France and France Workwear return to profitable year-on-year growth
- ✓ Continued strong execution of M&A – 47 businesses acquired with £170m annualised revenues for cash spend of £298.4m
- ✓ Balance sheet remains robust
- ✓ Agreement for Pension Scheme 'buy-in' reached in December 2018
- ✓ +15.2% increase in 2018 dividend at 4.471p

## Guidance for 2019

- We have made a good start to 2019 and we would expect the underlying outperformance in 2018 to flow into 2019
- P&L and cash interest costs are estimated in line with 2018 before IFRS 16 adjustments, reflecting the expected benefit of €500m bond refinancing in September 2019
- Adjusted Effective Tax Rate of ~22%, in line with 2018
- Fx remains volatile – recent sterling strength, if it were to be maintained throughout the year, would adversely impact 2019 profit by an estimated £5m

Given our performance in 2018 and our start to this year we would anticipate a slight increase in market expectations for 2019

**We have made a good start to 2019 and we would expect the underlying outperformance in 2018 to flow into 2019**



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Preliminary Results 2018

Global Leaders in Pest Control  
and Hygiene services

Andy Ransom

28 February 2019



# Consistent Model for Profitable Growth

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 & Enhance

Focus: Retention and enhancing profitability

### Differentiated IRR

**20%+**

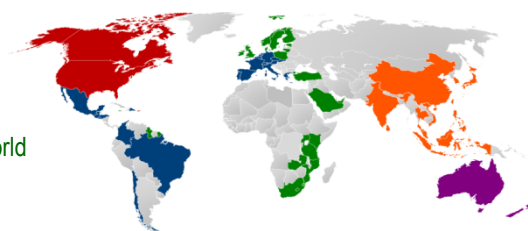
## Multi-local Operations

Over **1800** local service teams covering:

**90%** global GDP. **90/100** largest cities

**c.90%** of revenues outside the UK

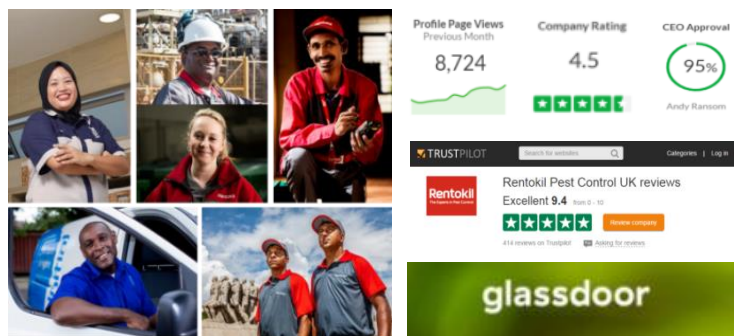
- North America
- Europe
- UK & Rest of World
- Asia
- Pacific



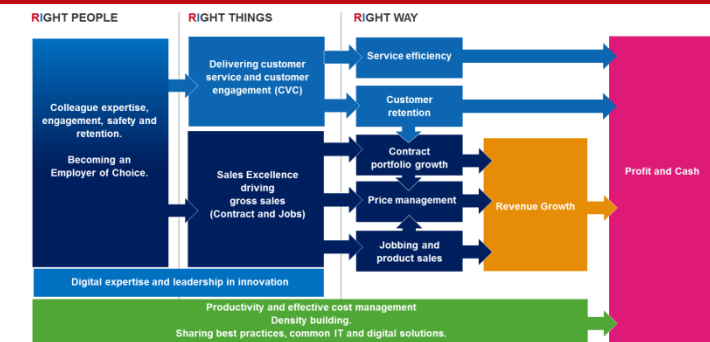
## Leadership in Digital and Innovation



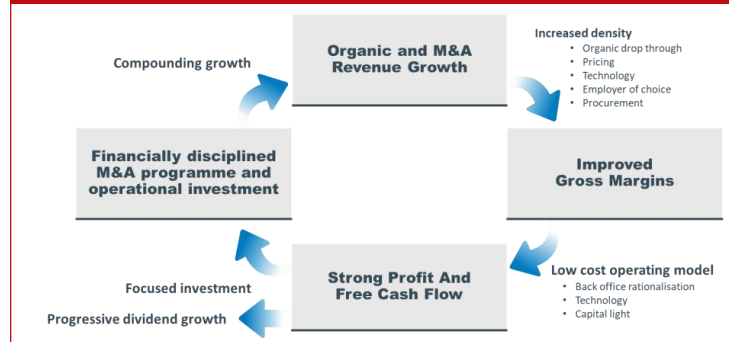
## Expertise of our People



## 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%





# Rentokil Initial

Protecting People. Enhancing Lives.

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**Rentokil Pest Control:  
The World's Leading  
Pest Control Company.**



**Rentokil Pest Control UK**

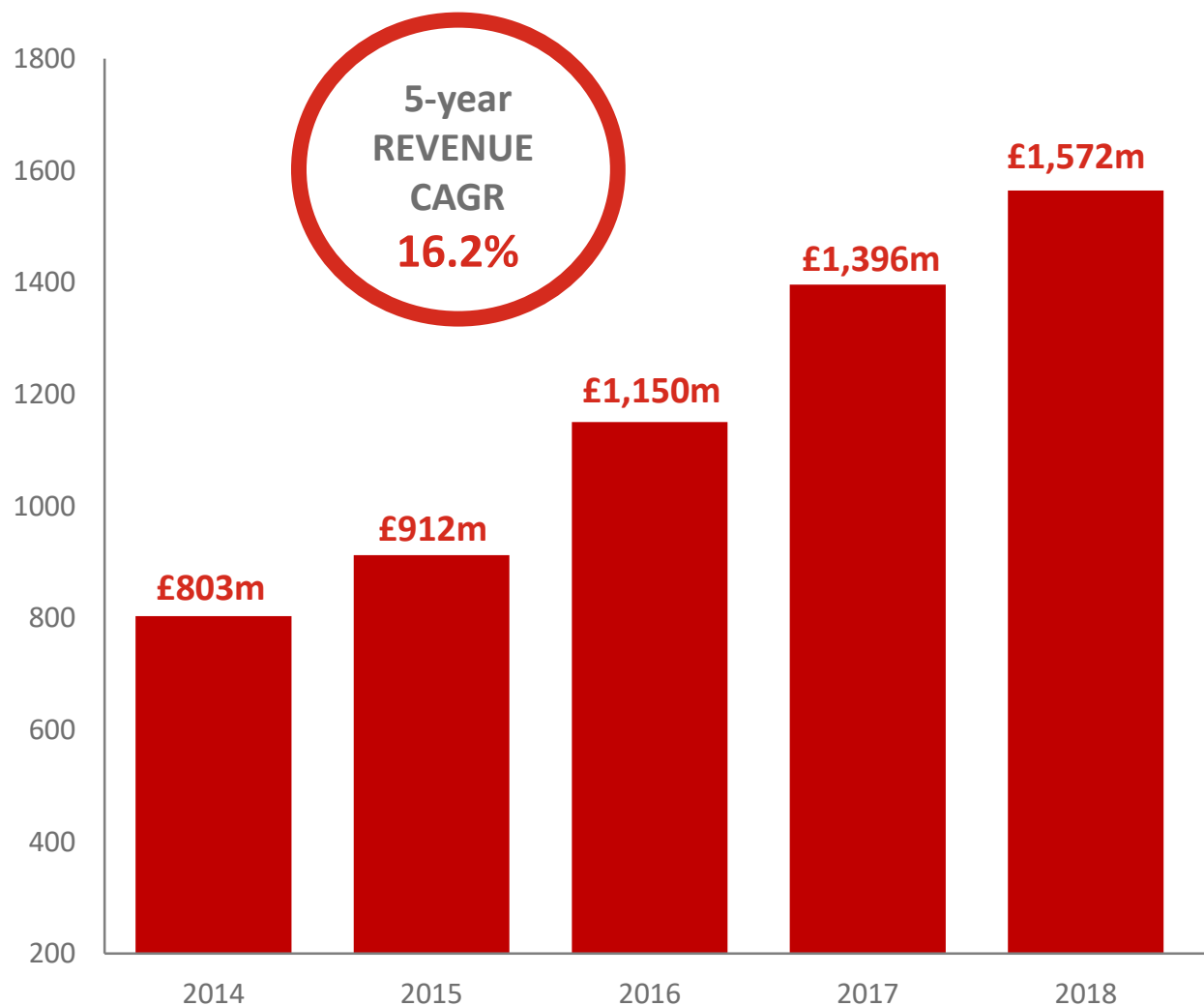
Reviews 1,505 • Excellent



# Rentokil Pest Control

THE RIGHT WAY

Consistent performance – strong positions in Growth & Emerging markets



## Strong Performance in 2018



Revenue: **£1,572m** +12.6%

Profit: **£277m** +9.9%

@ CER

**+4.8% organic growth (5.4% in H2)**

LatAm +12.7%, Germany +9.0%, Nordics +12.5%.

85% revenues in Growth markets, 15% in Emerging.

**Pest Control:** 63% group revenue, 67% group operating profit; 17.6% operating margin.

**Strong growth drivers** e.g. Emerging markets, innovation, digital, Vector Control, international accounts and scale in North America.

# Long-term Growth Platform in North America

THE RIGHT WAY

50% of the world's Pest Control market

## Strong and growing Pest market

NA Pest market growing at c. 5% p.a.

Rentokil NA Pest revenue growth in 2018: 13.1%

Innovation and digital roll out – 40% Lumnia shipments, PestConnect.

Much improved web marketing performance – local SEO, JC Ehrlich reached over 2 million organic web sessions during the year.

## Highly fragmented – strong M&A pipeline

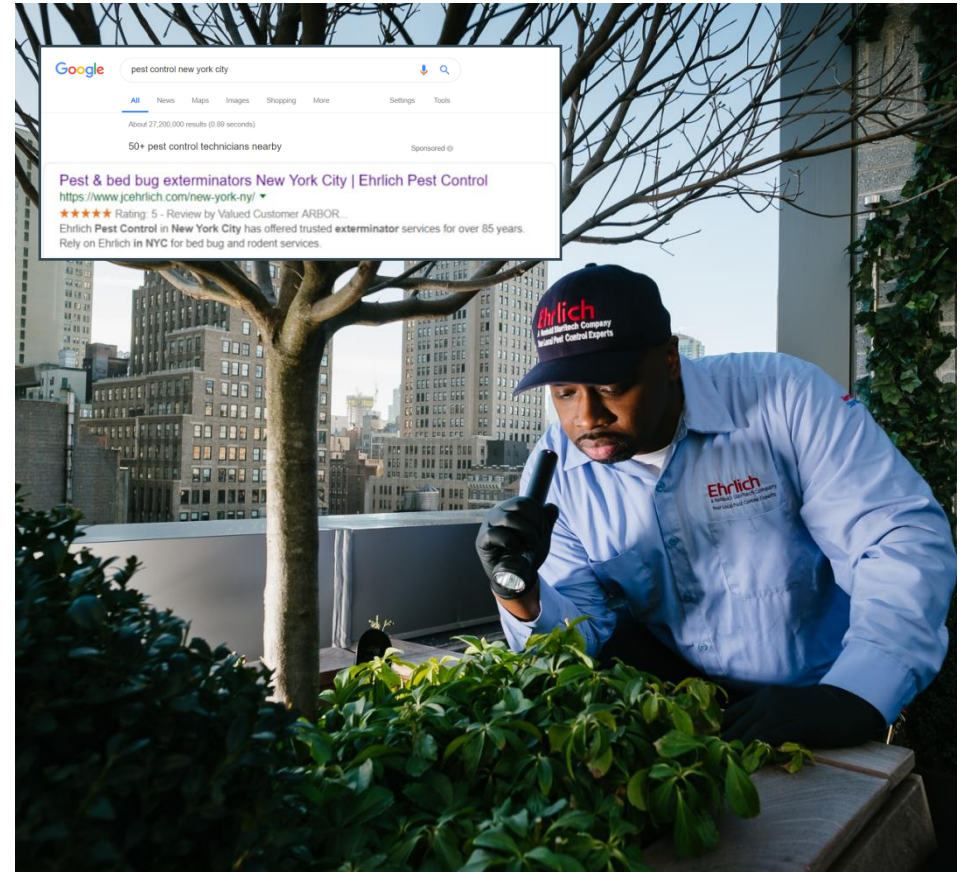
c.20,000 companies

\$53m annualised Revenues from 14 deals in 2018.

Strong start in 2019 – 2 excellent US deals in January, c. \$27.5m revenues.

## Strengthened management team

COO, Sales & Marketing, Finance and Service Productivity.



**Outstanding growth market with significant potential**



# Long-term Growth Platform in North America

THE RIGHT WAY

Clear growth plan in pest control

## New Product Growth Areas

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



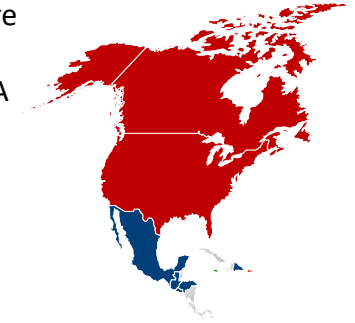
## Acquisitions



- 38 deals since the start of 2016 delivering \$323.5m revenues
- Advanced outreach programme targeting assets of particular interest – density, vector control etc.

## National/International Accounts

- Leverage scale to secure an increasing share of national accounts in NA – up 15% in 2018.
- Leverage global agreements in place. Pipeline up to c. £60m



## Driving Sales Growth



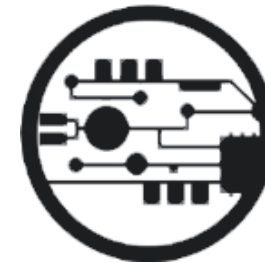
- Build market share through focus on the key growth sectors.
- Sales excellence.
- Cross sell / upsell.
- Retention through Employer of Choice.

## Driving Innovation



- Drive innovation to win and retain business e.g. Lumnia LED insect control, PestConnect etc.
- Deploy new solutions.
- Pilots e.g. bed bugs monitor.

## Marketing: Brand and Digital



- Leverage in-house expertise to drive enquiries to our online channels
- Targeted marketing
- Strength of the Rentokil brand globally.

**Multiple growth opportunities**

# Emerging markets

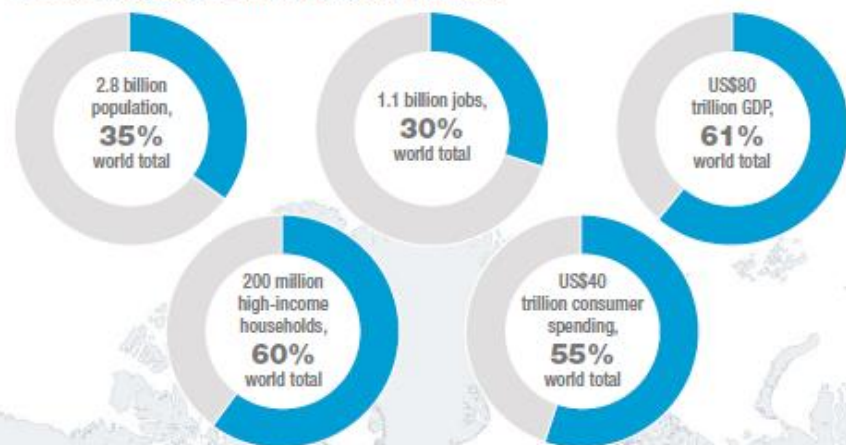
Report highlights increase in urbanisation and shift eastwards by 2030

THE RIGHT WAY

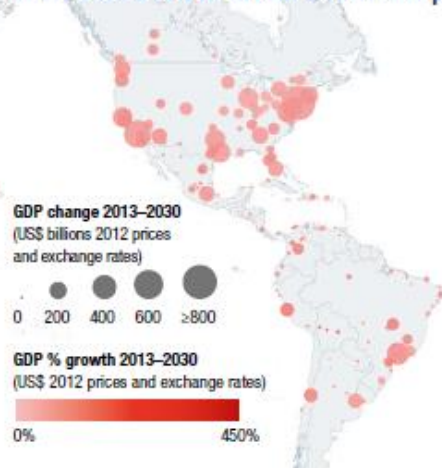
Future trends and market opportunities in the world's largest 750 cities

How the global urban landscape will look in 2030

## Global footprint of the 750 cities in 2030



## Shift eastward in urban economic power



## Change in urban landscape across the 750 between today and 2030



Chinese cities like Chengdu, Hangzhou and Wuhan will become as prominent in 2030, in economic terms, as cities like Dallas and Seoul are today.

Source: Oxford Economics

↑ Urbanisation and middle incomes

↑ Increased spend on pest control

North America \$18.36 / capita

India: \$0.16 / capita

Oxford Economics: between 2019 and 2035 the **10 fastest growing cities by GDP will be in India.**

We operate in all of them. See Appendix.

**Unmatched footprint: 21 countries in Asia and LatAm, plus Middle East & Africa.**

## 2018 Revenue Growth (%)

Indonesia	30%	India	23%
Vietnam	23%	Chile	19%
Brazil	17%	Malaysia	12%

**Good progress in 2018 - digitalisation, innovations and 15 acquisitions.**

**Emerging markets: 28.6% revenue CAGR / 5 years.**

# Leveraging Innovations

Highly successful new Lumnia Insect Light Trap

THE RIGHT WAY

### LUMNIA: LIGHTING THE WAY IN FLY CONTROL



LED directional light emission helps save an average of 61% of energy compared to equivalent competitors

Quality LED bulbs last more than 25 times longer than the traditional light bulb, Lumnia lamps last up to 3 years

Engineered for efficacy: Lumnia's LED tube has a further throw of an estimated 40% compared to traditional fluorescent tubes

Lumnia Standard



Lumnia Ultimate



Lumnia Compact

**Generating revenues of over £20m to date**

## Innovative insect control

First to use LED lamps to attract flying insects.

Adapt from day to night to reduce energy consumption.

Energy savings of 61% compared to equivalent competitor fly killers - cost saving tool online - brilliant 'door opener'.

**c. 60,000 Lumnia units shipped to date**

+130% growth year on year. 40% of units sold in North America.

## Innovations driving sales

Innovations accounted for c. 33% of UK 'job' sales in 2018.

In December, +50% of innovation sales had been launched in just the last 3 years.

## Strong pipeline of innovations

Additional Lumnia units launching in 2019 for high dependency customers (Ultimate) & smaller customers (Compact). Building our range of sustainable solutions e.g. heat (insects), lasers (birds) and controlled access to baits e.g. Autogate. Several new connected devices.



# Digital Leadership

The World's leading 'Internet of Things' platform for pest control

THE **R**IGHT WAY

## 18 Connect markets, 6 added in 2018

+70,000 units now in the field.

50m messages sent between devices and command centre.

Expanding range - Autogate, live catch, bed bugs & multi-catch.

## Central Command Centre

Monitoring service performance in real time.

Insight - improving service quality, operational efficiency, and drive sales and helping to target new innovations.

## Driving Sales and efficiency

**Sales** – increasing the average number of 'recommendations per visit' and monitoring recommendations that remain open.

**Efficiency** e.g. reporting on demand - from taking one person 2 days a month to manually gather and report data for each major account in the UK. 25 standard KPIs tracked, shortly to increase to 50.



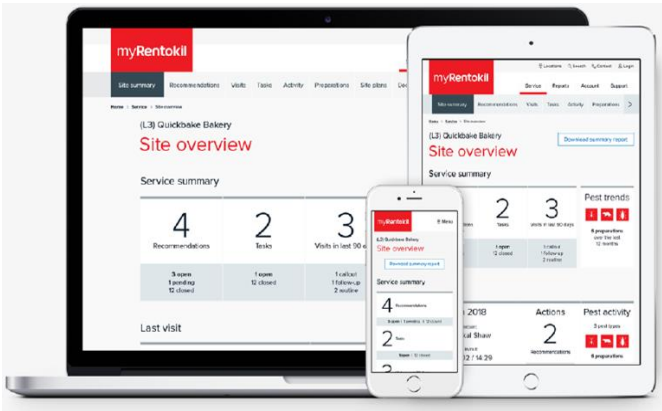
**Differentiating our service and industry-leading insight**



# Digital Leadership

Enhanced digital services driving efficiency and competitive advantage

THE RIGHT WAY



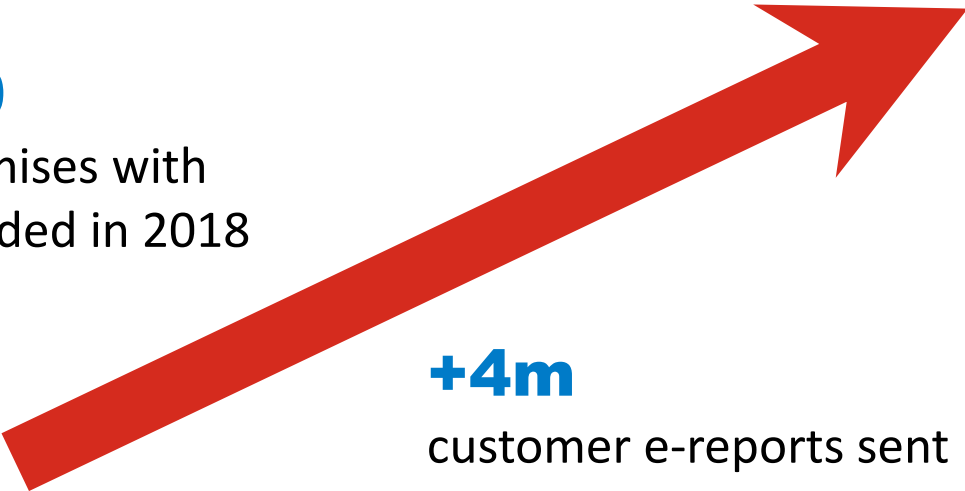
## myRentokil

### Online Customer Portal

- View your service visit history
- Contract details
- See your bills
- View pest activity & 'recommendations'
- Floor plans – products identified
- Reports on demand for audits

**+140,000**

customer premises with  
myRentokil added in 2018



**+4m**

customer e-reports sent in 2018

Total of commercial customers using portal	84%
Upsell & information emails sent from myRentokil/month	315,000
Sessions/month	90,000 +70% yr on yr

**25m pest control products in customers premises**

# Vector Control

Growing presence in the \$3.1bn Vector Control market

THE RIGHT WAY

## Good progress in Vector Control

Market characterise by high skill levels and strong regulatory requirements.  
Rentokil Mosquito Centre of Excellence established.

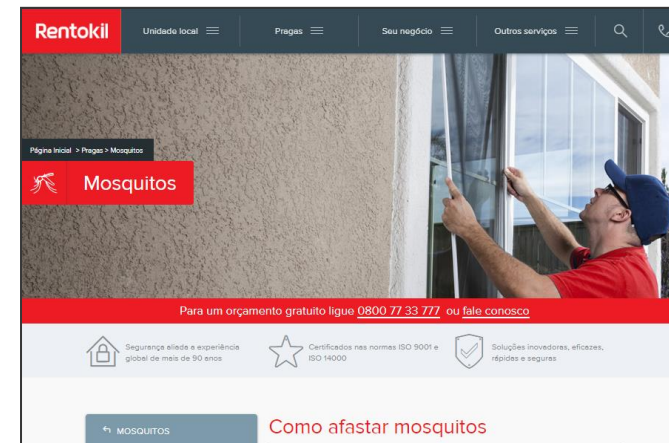
Market is projected to grow at a CAGR of 5.13% from 2018 due to the rising awareness of health issues caused by vectors (Research & Markets, 2018).

## Leadership in North America

Acquired VDCI in 2017, leading provider of mosquito control in the USA.  
Mosquito Control Services, LLC, acquired in H2 2018, a leading independent Vector Control company, with 10 offices in 5 states.  
Strong US Vector Control platform now in place.

## Brazil - 1.5m Dengue cases p.a.

Our technical capability and proven track record (e.g. Rio Olympics).  
Experienced local management team recruited.  
Acquisition of Multicontrol adds significant Vector Control expertise.  
First tenders submitted. Encouraging progress.



**Strongly positioned in this attractive, growing market**

# Rentokil Initial

Protecting People. Enhancing Lives.

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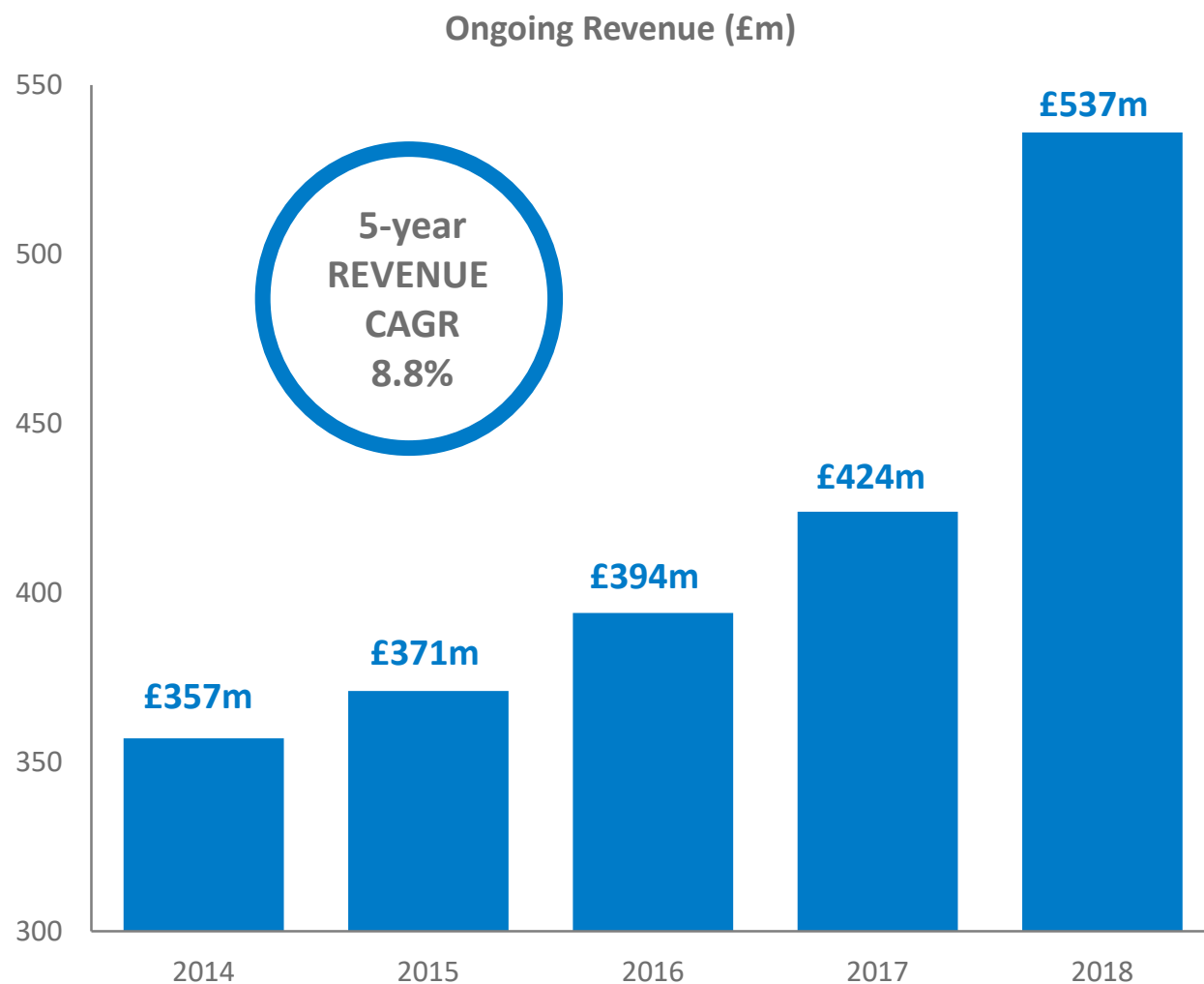
**Initial Hygiene:  
The World's leading  
hygiene services  
company.**



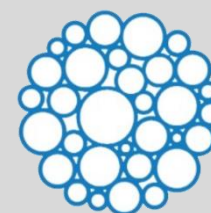
# Initial Hygiene

Strong Ongoing Revenue growth over 5 years

THE RIGHT WAY



## Strong Performance in 2018



Revenue: **£537m** **+26.5%**

Profit: **£90m** **+19.9%**

@ CER

**Highest growth levels for +5 years**

**Improving organic growth +2.8%**

Australia +3.3%, Malaysia +4.3%, Indonesia +8.0%

**Acquisitions, particularly Cannon Hygiene: 23.7%**

**State of service** strong at 97.8%; **customer retention** +0.5%, **service colleague retention** up by 4% points

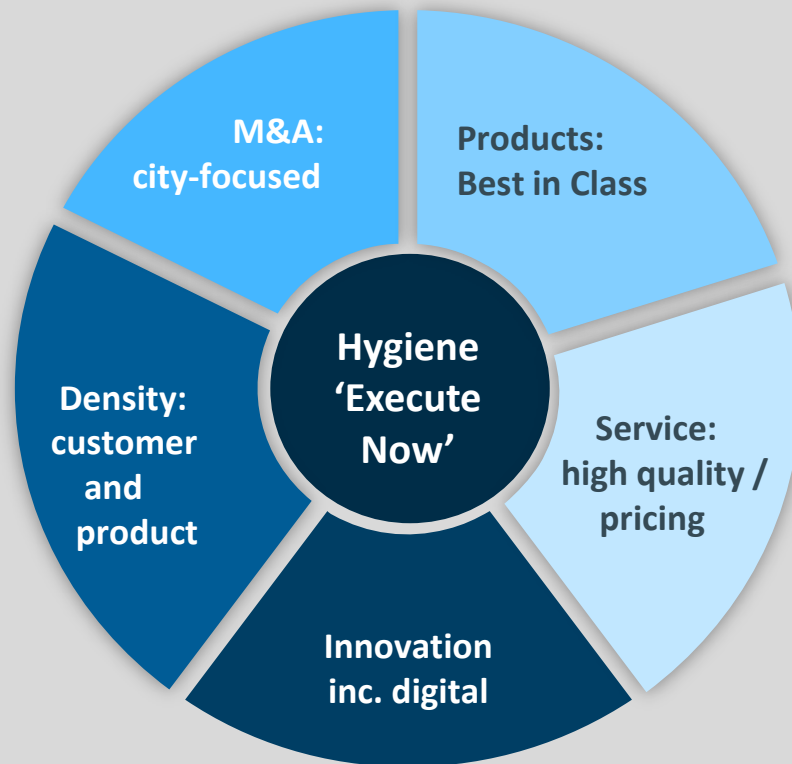
**Hygiene:** 22% group revenue; 22% group operating profit; 16.8% operating margin

# Initial Hygiene

Operational strategy and targeted M&A to build density

THE RIGHT WAY

## Strong Operational Focus



1. The best product ranges, with new products to target new growth sectors markets e.g. Air and Incontinence.
2. New highly-targeted lower cost products.
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 - 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**



# Wellbeing and Air Care Opportunity

THE **RIGHT** WAY

Building our product range in key areas – product density

## Air Enhancement Range

Current solutions for small washroom spaces, driven by 8 - 12 weekly service interval.

New GENIE product launched in 2018 - for large washroom spaces providing consistency of smell. Range of scents. Good progress.



## Air Purification Range

Developing portfolio to meet the increasing Wellbeing requirements of businesses - for more comfortable, health-focused work environments.

Asia air care market +£600m, c. 10% growth p.a.



## Premium Scenting Range

Scenting: Good growth from c. £4m in 2015 to c. £18m in 2018.

Proven approach in lead markets e.g. Italy, Malaysia, Australia.

Developing new product offerings and selling effectiveness tools.






## Initial – outside the washroom

Developing offer in clean air to take Initial out of the washroom:

- Office spaces
- Kitchens
- Communal areas
- Reception areas

### Air Quality Indication

Air quality varies from different colours

	Excellent
	Good
	Normal
	Poor

# Rentokil Initial

Protecting People. Enhancing Lives.

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**Protect and Enhance:  
France Workwear and Ambius  
returned to profitable growth  
in 2018.**





# Protect and Enhance

Improved performance in France and Ambius

THE RIGHT WAY

## Business areas



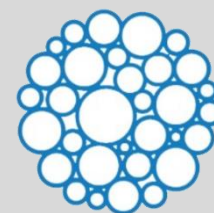
**Workwear**, operates only in France.

**Ambius** NA's largest interior landscaping company. Market position 1 or 2 in 11 of its 16 countries.

**Property Care**, UK only.

**Dental waste** – small, dental waste management company in Germany.

## Good performance in 2018



Revenue: **£384m** +0.7%

Profit: **£45m** +10.6%

@ CER

**Protect and Enhance**: accounts for 15% Group Revenue and 11% Group Operating Profit.

**Service remains high in line with strategy**: state of service at 98.9%; customer retention in France Workwear at 92.6% and P&E overall at 89.9%

**Return to profitable growth**: France Workwear profits +2.8% and Ambius profits +16.4% year on year.

## Encouraging overall performance in 2018

# France Returns to Profitable Growth

THE **R**IGHT WAY

France Workwear +2.8% profit growth in 2018

## 2018 was year 2 of our 3-year strategic plan, Project Phoenix

Record high level of customer retention at 89.5%; Workwear at 92.6%.

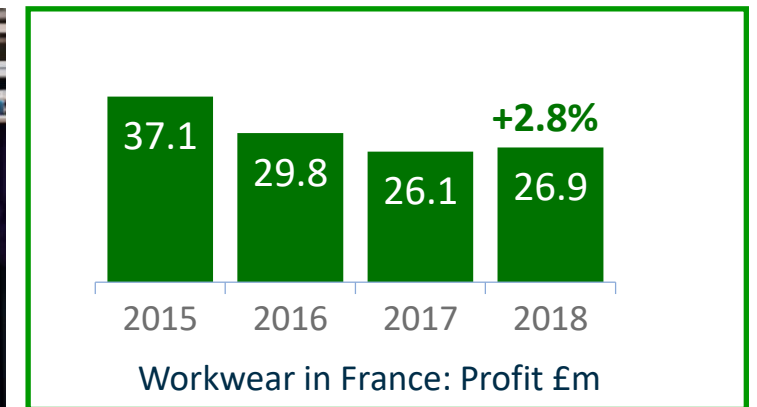
Colleague retention at 90%.

Garments centralized warehouse opened in June. New food industry garments production capacity added in East and Central regions.

First RFID customers deployment; largest Initial customer re-signed with addition of RFID technology.

Digital sales process introduced incl. e-signature (now available for all customers) and e-billing at 19.6% (1.2% in Jan 2017).

Overall, a year of good progress in the areas of products & service quality, innovation and people – but too early to claim victory.

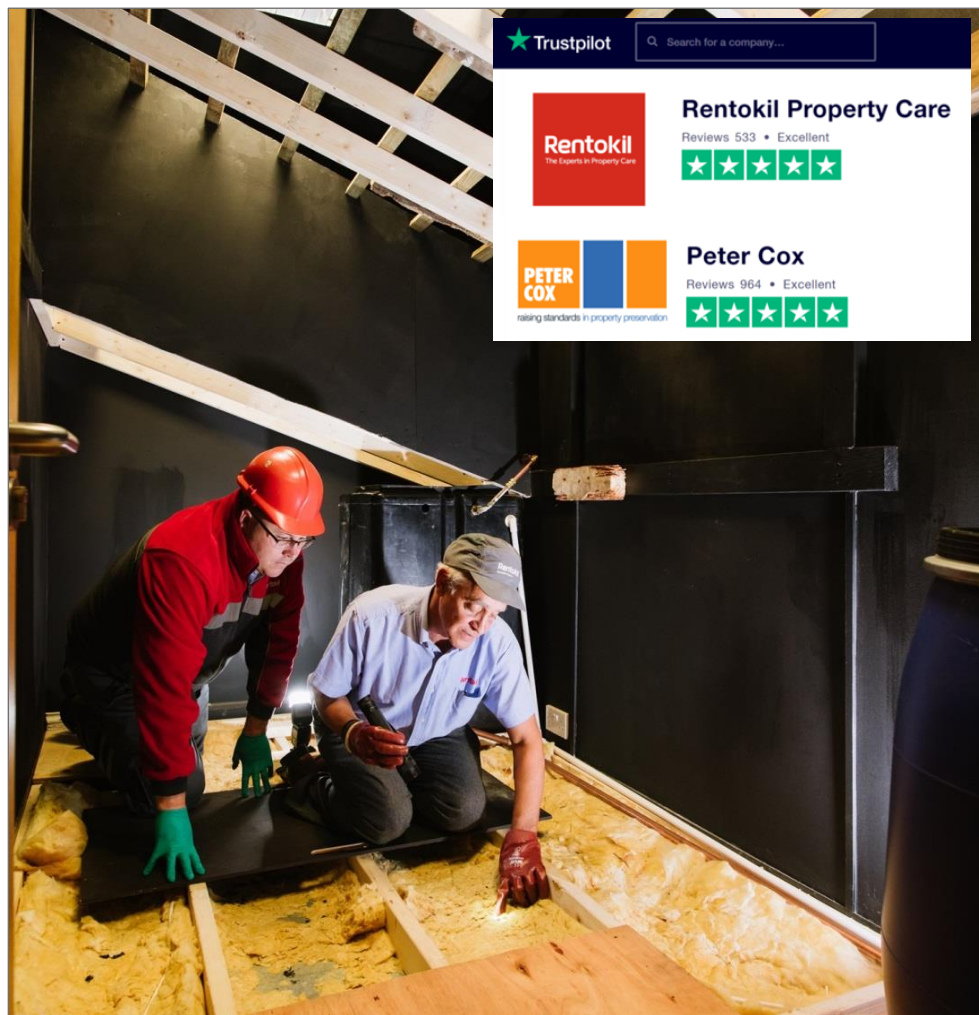


**Markets and economy remains highly competitive**

# Property Care UK

Good business but operating in a highly challenging market

THE RIGHT WAY



## UK Property Care market

Damp remediation and proofing, dry rot, woodworm.

Fragmented market estimated to be ~£150m.

## Good business

Expertise of the people and high quality service.

Potential synergy with some pests.

But the business is highly dependant upon the UK housing / property market and has weakened substantially since the general election and with the uncertainty surrounding Brexit

## Performance has declined in 2018

2018 revenues: £23.1m (-17.4%).

Small loss in 2018 from a profit contribution of £1.8m in 2017.

Pace of revenue decline slowed in Q4.

Action plan underway based on better revenue, leveraging our digital expertise, and cost and efficiency measures.

Expect to see this business return to profitable growth in 2019.





### 2018

#### Performance

2018 Revenues: £151.2m (+3.1%)

2018 Profits: £17.5m (+16.4%)

Top five markets of 16 provide 81% of revenue (US, Netherlands, Australia, Sweden, UK)

US provides 55% of revenue

Eight of our businesses occupy #1 position

#### Core LOBs



**Interior planting:** 80% of current revenue – plants in pots and green walls are the core part of the current offer. Wellness.



**Premium Scenting:** good growth and link with wellness agenda. Air quality.



**Holiday Décor:** Good upsell for US, NE, BE, and UK delivering.



**Large Projects:** High profile, large projects - US based, delivering large job sales e.g. cruise ships.

# Strong Execution of M&A

47 businesses acquired, 42 in Pest Control and 4 in Hygiene

THE RIGHT WAY

## £170m annualised revenues with c. £86m in Pest Control

14 in NA, notably Hitmen, Advanced & MCS.

Enhancing our position in Vector Control - USA & Brazil.

LATAM - 6 deals (5 pest) with revenues £4m.

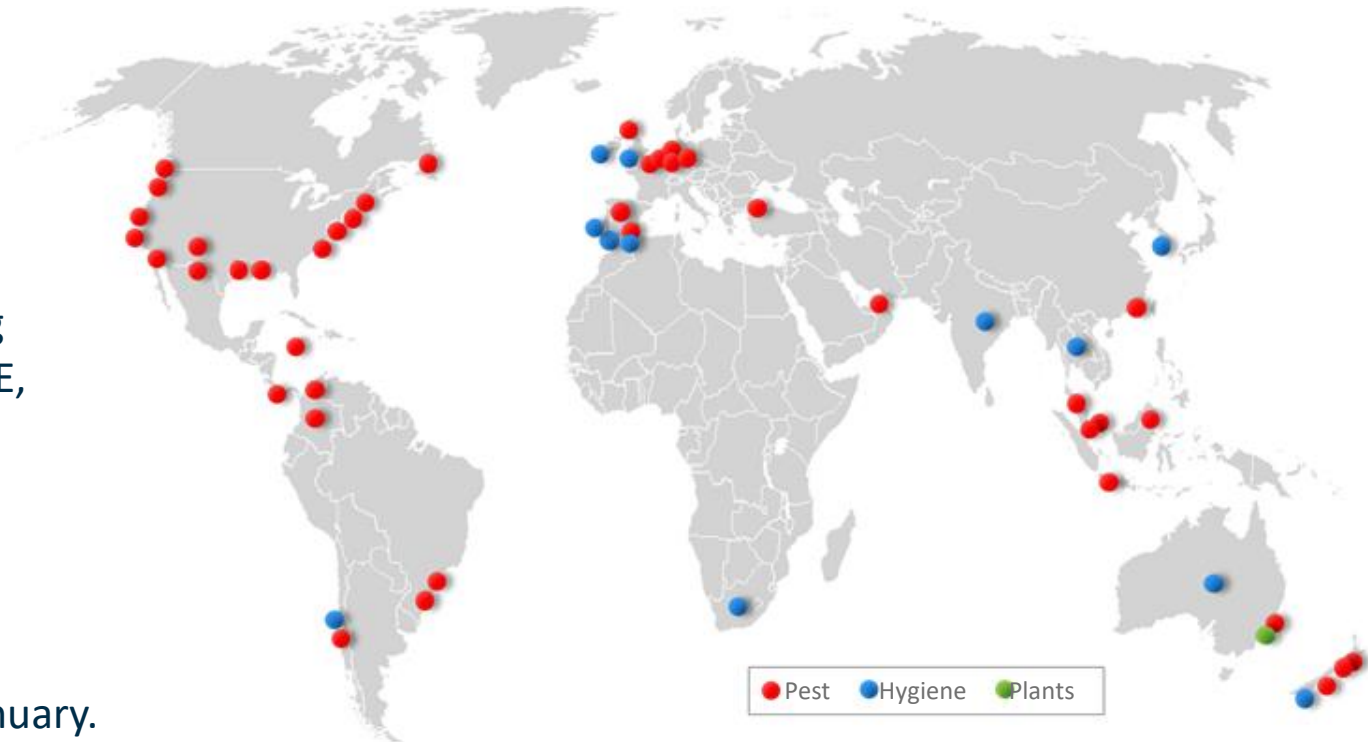
Growing in Emerging markets – 15 acquisitions including Malaysia, Costa Rica, Brazil, Chile, Colombia, Macau, UAE, Singapore & Indonesia.

Strong global pipeline.

2019 indicative spend of £200m-£250m.

Good start to 2019, 6 deals delivering £25.1m revenues (incl. 2 x US deals, c. \$27.5m revenues) by the end of January.

Based on our most recent analysis the M&A programme continues to meet expectations and to deliver in line with or above our targeted returns.





# Employer of Choice

Differentiate ourselves through the quality of our people

THE RIGHT WAY

## Making good progress - focus on colleague recruitment, development and retention

New global recruitment portal launched - live in 17 markets:

- 400% increase in online applications per role
- 24% improvement in time to hire

1.2m views of training content and courses online in 2018.

Over 500 courses/videos developed.

Diversity – ‘women in pest control’ programme launched to encourage female recruitment and retention.

### Focus 365

New programme to increase short-term colleague retention

Good results in 2018 with improvements in every Region for 0-6 month and 6-12 month retention versus 2017.

- Europe: 0-6 month service colleague retention 92% (15% improvement)
- Asia: 6-12 months service colleague retention 95% (17% improvement)





# Rentokil Initial Cares

MEMBER OF

**Dow Jones  
Sustainability Indices**

In Collaboration with RobecoSAM



FTSE4Good

Corporate  
Responsibility

Prime

rated by  
**oekom research**



THE QUEEN'S AWARDS  
FOR ENTERPRISE:  
INNOVATION  
2018



## Rentokil Initial Cares

New charitable foundation to be launched in 2019 aligned with our mission to Protect People and Enhance Lives.

Uses unclaimed dividends returned to the company after 12 years.

c. £250,000 p.a. for good causes, globally.

Highly engaging for colleagues and customers.

Reported annually.



THE **R**IGHT WAY



# Good Progress in 2018

Revenue, profit and cash ahead of medium-term guidance

THE **R**IGHT WAY

## Double-digit Ongoing Revenue growth: +13.2%

Pest revenues +12.6%, Hygiene +26.5%. Improved Organic growth in H2 of 4.3% (Q4: 4.5%); full year 3.7%.



## Encouraging Ongoing Operating Profit improvement: +13.3%

Good progress in Pest Control, Hygiene and P&E. Continue to focus on density building.



## France and French Workwear returned to year on year profitable growth

Improvement in sales, operational efficiency, service quality and customer retention.



## Leadership in innovation and digital

60,000 Lumnia sales to date. Digital Pest Control performing well – 18 markets, expanding connected range. Over 80% of commercial pest control customers now on myRentokil. +4m customer e-reports generated.



## Strong execution of M&A: annualised revenues of £170m.

47 acquisitions. Deals in USA and Brazil builds Vector Control expertise. Strong pipeline.



**Confident of delivering further progress in 2019.**



THE QUEEN'S AWARDS  
FOR ENTERPRISE:  
INTERNATIONAL TRADE  
2017

# Rentokil Initial

Protecting People. Enhancing Lives.



THE QUEEN'S AWARDS  
FOR ENTERPRISE:  
INNOVATION  
2018

# Appendix

Fastest-growing cities will all be in India

THE RIGHT WAY

## India's Dominance

Fastest-growing cities in the world 2019-2035 are all in India

Rank	City	Nation	Average annual growth
1	Surat	India	9.17%
2	Agra	India	8.58
3	Bengaluru	India	8.5
4	Hyderabad	India	8.47
5	Nagpur	India	8.41
6	Tiruppur	India	8.36
7	Rajkot	India	8.33
8	Tiruchirappalli	India	8.29
9	Chennai	India	8.17
10	Vijayawada	India	8.16

Source: Oxford Economics

Bloomberg

**Emerging Markets**  
**28.6% CAGR over 5 years**



The top 10 fastest growing cities in the world are in India. We operate in all of them.