

22 October 2020

## RENTOKIL INITIAL PLC (RTO)

### Q3 Trading Update

*A strong performance in Q3 despite ongoing impact from COVID-19. All core categories delivering performance improvements in Q3. Return to M&A.*

(£m)	Q3 2020	Growth	
	AER	AER	CER
Ongoing Revenue <sup>1</sup>	754.6	5.5%	9.8%
Revenue	758.1	4.3%	8.5%

### Overview of performance in Q3 (at CER)

The business has performed very well in Q3, growing Group Ongoing Revenue by 9.8%, reflecting exceptional growth in Hygiene from continued high demand for disinfection services and a return to growth in Pest Control. Ongoing Revenue in Pest Control grew by 1.3% in Q3, versus a decline of 5.9% in Q2, while Hygiene grew by 53.3% (Q2: +16.3%). Excluding revenue from disinfection, our core Hygiene operations delivered a significant improvement on the prior quarter, declining by 1.0% versus a decline of 19.7% in Q2.

Our **Pest Control** businesses, designated as essential services in the majority of our markets which enabled our frontline services to continue to operate during the peak of the pandemic, demonstrated continued resilience in Q3, with growth in Asia, Europe, North America, Pacific (Australia and New Zealand) and Rest of World regions partially offset by declines in the UK, Ireland and Latin America. Our North America Pest Control operations grew by 2.3% in Q3, aided by continued good demand for Residential Pest Control (40% of Pest Services revenue) while Commercial Pest Control continues to be impacted to a certain extent by temporary business closures. Pest Control services to c.2% of our global Pest Control customer premises remained suspended at the end of Q3, a significant improvement on suspensions of c.7% in April, the peak of the crisis for the Group.

Our core **Hygiene** operations were more impacted than Pest Control during the peak of the pandemic, principally due to their inability to deliver regular washroom services for a substantial number of closed customers (particularly in the HORECA sector). Q3's improved performance reflects the resumption of more regular washroom services for customers who have been able to reopen their premises as country lockdown conditions eased during the quarter. Service provision to c.4% of Hygiene customer premises remained suspended at the end of Q3, versus c.22% at the end of April. Regular service shortfalls continue to be more than offset by demand from Hygiene and Pest Control customers for one-off services including general and specialist disinfection services and precautionary disinfection risk assessment surveys. Total disinfection revenues were £74.6m in Q3, an increase of 53.1% on the prior quarter, with North America contributing revenues of £49.6m.

While Ongoing Revenue in our **Protect & Enhance** category declined by 11.7% in Q3, this is a marked improvement on a decline of 27.3% in Q2. The overall improvement in category performance can be partly attributed to a 20% reduction from April in the number of customer premises that were suspended during the crisis and unable to receive regular service provision. Our France Workwear, Ambius and Property Care businesses remain, however, more significantly impacted than Pest Control and Hygiene because of continuing disruption to Workwear customers, in particular those in the HORECA sector and the more discretionary nature of Ambius services.

### M&A

Since recommencing our M&A activities at the beginning of Q3 we have completed six acquisitions in the quarter - five in Pest Control - in North America, Latin America, Pacific and Rest of World with combined annualised revenues of c.£27m in the year prior to purchase. We have continued to engage with high-quality bolt-on targets in areas where we can build density and which have demonstrated their resilience through the pandemic and have built a substantial pipeline for Q4 and into 2021. As a result, we remain confident in our target spend of at least £100m in H2.

### Funding and dividend

On 8 October we confirmed the issue of a EUR 600m eight-year bond, priced at our lowest ever coupon of 0.50%. The issue will refinance the EUR 350m 3.25% bond which matures in October 2021 and will be used for general corporate purposes.

In our interim results announcement in July we stated that the momentum we had seen in Q2 and the continued progress we hoped to make in H2 meant that we expected to announce a dividend payment in relation to 2020 at the Preliminary results in February 2021. Given the strength of our performance in Q3 and our confidence for Q4, we reiterate this guidance today.

## People

We are proud of the way our colleagues around the world have worked so hard throughout this crisis to enable us to continue our mission of Protecting People and Enhancing Lives and we are also very grateful for the personal sacrifices they have made. Temporary pay waivers which were put in place in Q2 for c.5,000 of our managers ended at the end of June and full pay has now been reinstated for everyone impacted. Additionally, virtually all colleagues who had been placed on furlough have now returned to work. The safety of our colleagues remains our top priority as we reopen offices and we have put in place careful protocols to ensure all our offices are COVID-secure.

### Commenting on today's announcement, Andy Ransom, Chief Executive of Rentokil Initial plc, said:

*"The Company performed very strongly in the third quarter and today's results further demonstrate the resilience of our Pest Control and Hygiene businesses across the world. We have consistently delivered year-on-year revenue growth each month since the declines in April and May during the peak of the crisis. This performance has been achieved through a combination of a return to more regular levels of service provision across our categories, continued high demand for one-time disinfection services and the benefit of acquisitions made in 2019.*

*"I would like to express my sincere thanks to all of our 43,000 colleagues for their amazing work and dedication to customers during these challenging times. Our people will always be the essential driver of our success as we continue to protect public health and ensure safe working environments around the world.*

*"It remains impossible to predict the future development of the COVID-19 pandemic. It could have a direct impact on our trading performance, including resurgence of global cases of COVID-19, new and continued Coronavirus restrictions, potential customer insolvencies and bad debt, as well as indirectly depending how demand for our services is impacted by the economic consequences of the pandemic. In addition, we anticipate demand for disinfection services will reduce as businesses return to more normal trading conditions and as service frequencies potentially decrease.*

*"Notwithstanding the above, we are hopeful that the momentum in our core customer base will be maintained through the fourth quarter and this, together with our performance in Q3, means we currently expect the outcome for the full year to be at least in line with expectations."*

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<sup>1</sup>Ongoing Revenue represents the performance of the continuing operations of the Group (including acquisitions) after removing the effect of disposed or closed businesses.

<sup>2</sup>Due to the impact of the COVID-19 crisis, we have suspended reporting Organic Revenue and revenue from M&A growth metrics, focusing instead on Ongoing Revenue and associated impacts from the crisis.

AER – actual exchange rates; CER – constant 2019 exchange rates

*This announcement 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 Guidance 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 announcement should be construed as a profit forecast.*

## Appendix A

### Regional analysis of quarterly performance (and Q3 vs. 2019)

	Ongoing Revenue at CER			
	Q1 £m	Q2 £m	Q3 £m	Q3 % change on Q3 2019
France	74.5	57.4	78.9	1.0
Benelux	23.1	22.6	24.8	3.4
Germany	26.3	29.1	30.9	13.3
Southern Europe	33.6	33.3	37.1	8.5
Latin America	15.5	15.2	17.6	18.8
<b>Total Europe</b>	<b>173.0</b>	<b>157.6</b>	<b>189.3</b>	<b>6.1</b>
UK & Ireland	77.3	59.6	80.2	1.4
Rest of World	41.0	37.6	41.9	5.8
<b>UK &amp; Rest of World</b>	<b>118.3</b>	<b>97.2</b>	<b>122.1</b>	<b>2.8</b>
<b>Asia</b>	<b>63.6</b>	<b>56.2</b>	<b>64.6</b>	<b>5.1</b>
<b>North America</b>	<b>241.6</b>	<b>299.8</b>	<b>343.4</b>	<b>17.4</b>
<b>Pacific</b>	<b>47.9</b>	<b>39.5</b>	<b>45.3</b>	<b>(0.3)</b>
<b>Ongoing operations</b>	<b>644.4</b>	<b>650.3</b>	<b>764.7</b>	<b>9.8</b>

### Category analysis of quarterly performance (and Q3 vs. 2019)

	Ongoing Revenue at CER			
	Q1 £m	Q2 £m	Q3 £m	Q3 % change on Q3 2019
<b>Pest Control</b>	<b>411.6</b>	<b>424.2</b>	<b>469.7</b>	<b>1.3</b>
- Growth	345.8	373.6	405.0	1.5
- Emerging	65.8	50.6	64.7	0.2
<b>Hygiene</b>	<b>139.8</b>	<b>157.4</b>	<b>210.6</b>	<b>53.3</b>
- Core Hygiene	139.8	108.6	136.0	(1.0)
- Disinfection	-	48.8	74.6	-
<b>Protect &amp; Enhance</b>	<b>93.0</b>	<b>68.7</b>	<b>84.4</b>	<b>(11.7)</b>
<b>Ongoing operations</b>	<b>644.4</b>	<b>650.3</b>	<b>764.7</b>	<b>9.8</b>