



# **Rentokil Initial Capital Markets Day Q&A**

Tuesday, 28<sup>th</sup> September 2021

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## Q&A

**Andy Ransom (CEO, Rentokil Initial):** As the day has gone on we have been collecting questions online. The brilliant theory behind this on my part was to try and cluster questions together so they would not be all over the place. I have just been handed three and a half pages of questions that look very much like I have failed in my endeavour but we will give it a go.

What we are going to do is we will go through these questions first which will be as fun for these guys as it is for me because nobody knows who I am going to flip these questions to, not even me yet. We will see how this goes. When we get through these, we will do it quickly, then we will go to questions from the room. I make but one observation. It is the number of questions and the length of answers which will determine when we get the drinks in the other room. If you bear that in mind with your questions we will obviously try and answer them all.

When we go into the drinks reception for those who can stay, please keep asking us questions. We are very happy to keep answering them. Do not feel that you have to stop interrogating and indeed wait till one or two glasses have been consumed. You might get better answers. We will see how that goes. After Q&A remind me to come back to this someone if I forget. Before we leave I just want to hand out one or two of those lovely Hexitol machines. We will talk about that in a minute.

Lord knows how, but I am going to shuffle the deck here. I am going to start with some questions on M&A. The first question is, can you give a sense of your market position in India and China? What is the competition for Rentokil Initial in markets like these? Let us start by talking about how big our market business is in there and then, what is the M&A opportunity? Linked to that we have another question which is, whilst emerging is a high growth area for Pest, M&A consideration has only been 16% of total consideration. What is the reason for less M&A spend historically in emerging Pest? I am going to tackle those two first. I will answer the scale of the opportunity first and then I will hand it to Chris to comment on what the market is like out there in terms of opportunities and why we have spent less money.

India we are number one. We are number one in Pest Control. It is a big, big opportunity but it is a very, very fragmented market. The players in India are very small typically. Our business in India, let us call it £50-60 million in total and we are the clear number one. The opportunity for us is really to build on that base and to consolidate. There are lots of pest control businesses in India but they are pretty small and, if I am honest, quite a few are a little bit challenged in terms of governance and whether or not we would recognise some of the practices. It is not the easiest market.

China we are not number one. We are in the top-five. We are probably number five. I am doing it from memory. There in our Greater China area, so Hong Kong, Macau, the Great Bay area, China, we are about £45 million give or take. As I say, I think we are about number five but we are certainly top-five.

Chris, how do we find it doing deals in India and China? Are the opportunities there more broadly in the emerging markets and why have we only spent historically relatively small amounts of our M&A bucket to spend given the opportunity is so big?

**Chris Hunt (Group M&A Director, Rentokil Initial):** Is this my development conversation?

**Andy Ransom:** I will let you know later, Chris.

**Chris Hunt:** Right, okay. The businesses that we tend to find in China and India are relatively small and we have been doing some fairly neat little deal structures to bring in £200,000 or £300,000 of revenue that is quality revenue under some contracts under commission structures in certain markets, particularly infilling stuff around the East China Bay. The size of the deals that we have done have been relatively small but I think in terms of what we have spent, Andy, roughly 18% of the deals that we have done by volume since 2016 are in emerging markets. Roughly 16% of the money that we have spent I think is in the emerging markets.

**Andy Ransom:** Thanks Chris. One more M&A one while the microphone is warm. It is a question about IRRs. Could you clarify the IRRs that we showed for Pest M&A? Are these based on expected returns in the year of acquisition and why do you not show the actual returns if you are tracking these to review acquisition business cases?

**Chris Hunt:** I think the honest answer is if we explained how we calculated it the chart would have been really quite detailed. The honest answer is those are North American actual IRRs that we have driven over the period of the plan. The reason we put expected in there is of course that we are doing this over a 10-15-year period for an NPV purpose. We have only got two or three years' worth of actual for some of those and then the rest is expected.

**Andy Ransom:** Yes and I think what we have done, if you look back over the last few years, not every time but quite often in the prelims and the interims we do give a bit of an update. We go back and say of the deals we have done in the last 18-24 months, which is what we take to the Board each period, we actually say what we have delivered deal-to-date on that crop of M&A. You will see that we are beating the hurdle rates. If you take the last two years, for example, I think the delivered IRR rate for the crop was about 15%. However, we do not give it obviously by deal and most of these are calculated quite a way into the future. In terms of periodic updates we do that and we do that with the Board in excruciating detail. I am sure Richard, the Chairman will validate that statement. We really have a lot of detail on every single transaction we have done.

The next clutch of questions are all related to Pest Connect and I am going to come first to you, Phil, and then to Dave. The first question is about depreciation. What is the depreciation life of your connected devices? How do you ensure that there is no margin erosion after three years when the three-year contract is renewed? We will start with that and then I will come back to Dave's question.

**Phil Wood (Regional MD UK & ROW Region, Rentokil Initial):** Thanks, Chief Executive, let me give this a go. We depreciate assets in Pest Connect over three years. Our experience on the ground with customer lives is on average 7-8 years. That is our experience so we are used to on the ground a 7-8-year customer life cycle with rolling contracts. Our contracts have an annual price increase in them. That is what we are used to on the ground. Clearly, what that gives us is some opportunity to invest in the customers going forward as well.

**Andy Ransom:** Right, three-year contract, three-year depreciation, customer would typically stay with us six, seven, eight, nine years. We are typically looking to get annual price increases and over that life if we have a customer six, seven, eight, nine years we will be continuing to invest in them with new products and new solutions. Certainly not one where we would expect

to be reducing prices over the life of the contract. Not something that we would be overly concerned with I think.

The next question, Dave, I am going to come to you on this one. When a customer upgrades to Connect products and services can the contracted revenue go up? We said on the screen in your presentation that typically we are saying to a customer, 'You can have all of these benefits for more or less the same price' but sometimes can we get more revenue from the customer?

**Dave Hall (Operations Director, Pest Control UK, Rentokil Initial):** The short answer to that question is yes. It really depends on the pest risk view from the customer and we will define the final specification once we have done a survey of the site. The requirements of a café would be different to say this building compared to a food manufacturer. Yes, there is an opportunity for contract price to rise.

**Andy Ransom:** Right Dave, while you are on, a two-part question. Maybe I will take the second part. The first part relates to customer types, customer segments. Which customer segments do you believe will move to that 25% penetration most quickly?

**Dave Hall:** I have got to say, our evidence to-date is we have seen broad growth across a number of sectors from residential through to food manufacturing and we have made good progress in retail and small SME as well. It is pretty well across the board frankly.

**Andy Ransom:** Thanks Dave. The second part of that same question was what geographies do we think will adopt first? We made two attempts at deploying Connect. The earlier attempt was we made it available to all of our businesses and said, 'Right, here is the technology. This is how we think you should launch it.' We concluded that was actually quite difficult. All of our businesses did not have the expertise, the experience, the training and so what we did was relaunch effectively, which is why we went with the UK. We have gone very large in the UK. The idea being all commercial technicians in the UK get trained and are upskilled so everyone in that business can now know what to do when they see a connected product. How to install it, how to upgrade it and how to deal with battery issues or whatever. That is the model we are going with. We are in 87 countries. We are not going to go large in 87 countries. We are going to go for the big markets. Holland is straight behind the UK and already pushing on very well. France is just behind Holland. Germany is just behind that and we have got a number of other markets such as Australia and New Zealand. The big one will be the United States. Those of you who are close followers of Rentokil will know that we have got a major IT re-platforming project in the US. Only once we have completed that IT re-platforming can we go large with Connect in the US but that will be very much one of the big markets. It is the bigger countries where we have got scale, where we have got deep experience but we are very much heavily leaning on Dave and his team to help the other markets. We are already off and running in Holland, France, Germany and, as I say, New Zealand, Australia, etc.

I have got some more questions on Connect. Let me see if I can pick the bones out of it here. Can you provide more colour on the margin differential versus traditional Pest Control? It is a little bit difficult to say because it really depends. It is very customer-specific. If we have got what we call high-dependency customers, let us take a pharmaceutical company. If a pharma company says, 'Hey look, every time this device goes off I want you to send a technician down and I want you to send them down within four hours,' that is an expensive proposition. That is a day-one margin enhancing proposition. If it is Joe's Pizza Parlour and Joe says, 'Hey look,

when it goes off pick it up at the next scheduled visit,' that is a lot easier and a lot different. It really is difficult to generalise but, as Phil explained, we have made the investment in the hardware. We have made the investment in the software. We have made the investment in the connected devices and in the training. You are getting a lot more for that but trading off that we are going to visit you less frequently. You put those all into the mix it is broadly margin neutral across a range of customer types and customer needs but that margin will improve over time. It will improve over time as the contract life goes out to six, seven, eight years. It will improve over time as we go large with this. The unit cost of all of those bits of clever technology comes down significantly. That is why the margin builds over time and other than that without taking a specific case of a specific customer it is not really possible to give you much more detail on the margins.

There are a couple of extra questions on Connect which I think I will take offline, only on the basis that they are quite difficult, and I am going to move on to another subject now. One for Stu, I think. This is about the shared cost base between Hygiene and Pest. How much of that cost base can you still consolidate? How much is already done? How much is still to go? Is there further opportunity on Group margins as we look out over the next few years?

**Stuart Ingall-Tombs (CFO, Rentokil Initial):** Thanks Andy. As a number of the team have described, because of our country structure we are already very well integrated and share a lot of costs between the categories. They are the obvious ones, HR, Finance, back office, but perhaps some less obvious ones, health and safety, for instance, and the disciplines around those things. We have got a good level of integration in back office and actually what might not be so obvious is at a branch level. Our branch infrastructure we do a lot of sharing of property which gives us some good operational cost saving benefits as well.

I think there is opportunity though. We are just kicking off a programme actually to look at some common processes where we can standardise and then share both between categories but also within regions across countries. If I think about those processes and what they might be I will give you an example of one where it is very integrated already and very standardised which is around HR. Our people management is pretty standard almost across the globe and you would expect that. It is absolutely core to what we do. I think an area where we see opportunity is in the leverage of the connected world through digital contracting, electronic invoicing and electronic payment where we do believe that if we can get some standardisation actually those standard processes have applicability across categories that customers in both Pest Control and in Hygiene would recognise and understand. As long as the branding is right then it makes no difference to them.

There are benefits to be had downstream from that. We have got significant overheads in both businesses around contract management, management of invoicing and in the end cash collection. Although we have been tremendously effective it is a significant part of our cost base. The more we become digital, electronic right at the front end, setting the tone for the relationship then we think there is significant opportunity to be had there.

Sizing it, sorry colleagues, I am going to stick a number out there. We think there could be 1-2% of margin there from further integration and standardisation over the next few years. However, honestly that is a little bit of a shot from me and no doubt I will pay for that later.

**Andy Ransom:** I will take the microphone off you now, Stu.

**Stuart Ingall-Tombs:** I would, if I were you.

**Andy Ransom:** Right, I am going to move to some questions on Hygiene & Wellbeing. Now, we will get through these and then we will go to the floor. There is a good question here and something that is highly relevant. The question is, if I look at the end market exposure in core Hygiene it seems you are quite exposed to office, the office sector, office buildings. What is your view on the impact of the potential reduction in office footprint and spending per square metre on core Hygiene revenues and overall Hygiene & Wellbeing? I will come to Brian and/or Jill in a second to see what views they have on how exposed we are and whether we see it as a risk or an opportunity. The point I think I would make first is we have set these targets for 2022 and beyond. We have been quite careful to talk about these as post-crisis targets. We are still in a crisis. The world is still in a crisis. We have countries in lockdown. We have sectors that are still impacted and the office sector is one of those most impacted. Here you all are in Central London, you travelled up, you have all got your own view. The debate around do offices fill up to their previous levels and if so when, is a live debate. I do not think anyone knows the answer to that. What we did show though is that we have got back to broadly the same levels of revenues at the end of H1 as we were pre-pandemic, which is without a big recovery in offices. It is still with some of our countries in lockdown and some of those lockdowns continue into Q3, whether it is in Australia and New Zealand or whether it is in Indonesia and Malaysia. What we are calling is the opportunity as we go into 2022 and beyond. My own personal view is offices do come back and typically if there are ten people in the office or 100 people in the office, you still have got to have the washroom open and you have still got to have it serviced. Does it have a bearing on how much we can get for that service and how much throughput we have? I will hand over to the experts.

**Brian Lynggaard (Operations Manager, UK Hygiene, Rentokil Initial):** It is difficult to predict and particularly about the future. There is no doubt that should offices end up empty we will be impacted but I guess chances are that there are a lot of people who will be impacted if offices end up being converted into flats. Throughput and the services that are throughput-related, you could see a softening in demand and in revenue from the throughput-related things. What we are definitely seeing is that the increased hygiene standards so far have at least balanced that out. It is early to call but so far we are very optimistic about office reopening and I think we would have all picked up in the press, for instance, when Pret says they are hiring 3,000 people to service office reopening. We are in the same camp as them. It looks positive going forward.

**Andy Ransom:** Thanks Brian. While you are there, another one for you. When will the full range of Initial products be introduced to Cannon and how quickly would you expect Cannon to achieve the same number of services as Rentokil?

**Brian Lynggaard:** We took on 24,000 premises. We have integrated and have operationally taken the density advantages. Of course we did that right as the pandemic started. We have deliberately been a little bit cautious about going to those customers as the pandemic and the conditions during the pandemic have fluctuated. We have now started, we are on a trial with around 5% of the customer portfolio proactively contacted. Conversion rates are bang-on what it will take to get us to the same penetration but there are 24,000 of them so I would expect to be working on that throughout 2022.

**Andy Ransom:** Thanks Brian. One coming to you now, Stu. For Hygiene on average what is the cost of sales as a percent of revenue? What are the total overheads as a percent of revenue?

**Stuart Ingall-Tombs:** Yes, so it is probably easier to talk about gross margin than cost of sales because we do not do many product sales, which is how I would interpret it. Gross margin is about 40% on average and that is absorbing technicians, branch costs and line management of those people up to a branch level. It is a reasonably absorbed number. Then the bridge to the net margins of 16-17% we have been talking about is about 10% sales and marketing. A lot of that in the Hygiene space is individuals on the road selling face-to-face to customers. Then about 15% of admin and general management. That is the shape of it and again 15% as a back office cost you can see why we believe there is an opportunity there that is worth having a go at.

**Andy Ransom:** Thanks, Stu. The next questions is, what are the key considerations which will determine whether you enter the Canadian washroom market? Curiously, I could show more knowledge than I really should on this subject because it is something I have looked at in quite detail. The Canadian washroom market as regards feminine hygiene services is virtually identical to Europe. The American feminine hygiene market bears no relation to Europe. If you want more detail on that I will gladly fill that in but we will do that over a drink. The Canadian opportunity therefore is one that we could look at and recognise and say, yes, it is a density play, it is a specialist service model but it is also a market that we have got very little existing washroom footprint in. We would have to start from scratch. It is a big old country. It is centred around ten cities or so but it would mean we will have to do some M&A to supplement organic.

I think the most likely answer is what we are doing at the moment is we are doing what we call a test kitchen. We have gone into Toronto and we are surveying the market. We are seeing whether or not the Toronto market is receptive to Initial turning up and offering services. We are looking at M&A as an entry vehicle as well as that and we will also look at the outside the washroom opportunity in Canada. We will know within six months as to whether or not Canada and the big cities in Canada represent a conventional washroom platform for us. My guess is not but we are doing the work to find out. It will be based on what customers or potential customers tell us whether or not they see what we have got as differentiating from what they can get from their existing supplier.

I am going to move to questions from the floor now. Apologies, I think in the sheaf of questions I have here I may have missed one or two unintentionally. You have still got the chance to ask the questions that I missed but let me just see if we have got any questions from the floor. Hands are going up, lovely.

**Allen Wells (Exane BNP Paribas):** Hi, just two quick ones from me. Could you talk a little bit about what you are seeing, how you are dealing with cost inflation, particularly in Hygiene but we can also talk about Pest? Including wages and what maybe supply chain disruption is impacting the business as it seems to be a key topic at the minute? That is the first question. Then secondly on Pest Connect, obviously that is a fast-moving market. Could you talk a little bit about the competitive landscape there? We know that at least one, maybe two of the other competitors have got their own product. It is a slightly different model to what you guys are putting out there but I would be interested in a bit of an update on what you are seeing and what your customers are saying about you versus the other offerings that are out there and why you think you are still very much ahead of the curve? Thanks.

**Andy Ransom:** Thanks, Allen, good to see you. We will start with cost inflation and labour. I am going to you, Stu, and then maybe just because it is so topical I will ask Dave whether he has got enough petrol to get home tonight and see what the impact of the supply chain on the UK business is.

**Stuart Ingall-Tombs:** Yes, sure, thanks Allen. In terms of inflation, I will deal with the easy ones first, anything that is petrochemical-related, plastics, those sorts of things no doubt we are seeing pretty significant inflation in those items. However, it is a pretty small part of our cost base honestly. It does not really move the needle for us. The big issue is labour inflation and it is patchy, if I am honest, and that is partly a function of the nature of openings and closures economy by economy. We are seeing some hotspots in places like the Bay Area, Phil could probably talk about London. Those traditional places where labour is tight anyway and also where there is still government support in place at the same time as markets are reopening. That is putting a lot of pressure on. Nevertheless, our average pay increases are still in the 2.5-3% range so at a macro level we are not seeing it burst through. It is really quite localised and where it is localised it is painful but it is painful as much from an operational perspective with staff availability more than it is about inflation. As I think we have consistently said, we are good at recovering inflation through price increases to our customers and we have got better at it as well. I think the circumstances we are seeing at the moment mean we are having to be more local, more flexible. Not a price increase across a region but really quite local about the way we are applying price increases to reflect those local pressures. We are very much responding where we are seeing it and it is difficult in some places but it does not feel in any sense existential at the moment. The only thing I would add is we talked about Connect a bit but PCBs absolutely the shortage of those is hitting us. I think the guys would say we would be a lot speedier about the rollout of Connect if we had free flow of PCBs. That is a constraint on the top line.

**Dave Hall:** In terms of fuel the good news is I am going to train home tonight so I am alright. Just picking up on the localised issue, this week in terms of fuel disruption in the South East it was a bit more of an issue for us but very, very localised into very specific pockets, through to the Scottish Area Manager who said, 'What is the issue?' He was not picking it up. It was a lot more in the news and it is against how we handle that locally. It is very, very localised, to be honest.

**Andy Ransom:** Thanks Dave. On Connect, you know I love talking about the competition so I could gladly do another 20 minutes on that. The way to think about it is connected solutions we believe are today primarily for commercial customers. Residential may be an opportunity for the future, discuss. I am not entirely sure we agree with that but if it is that is quite a way into the future. You have got some of our big competitors who are primarily residential and termite that are saying, 'What technology? Not really sure what you are talking about.' I understand why they would not have focused on it because it is a commercial opportunity. I think it is fair to say that our Swedish competitors, Anticimex, have gone down a similar route to us. I will gladly over a glass give you a compare and contrast in terms of why we believe our products are better, why we believe they are more robust, why we believe they are cheaper and why we believe our operating model, which Phil and Dave explained, is not a, 'We do not need to turn up anymore. We will just give you this technology and when it goes off we will come and see you.' Our commercial proposition is very much about technology and humans



working in tandem. When the device goes off we still believe that the answer is you need a skilled technician to solve the problem. What is causing it, where is the source and how do we stop it reoccurring? Our model is a hybrid model between people and technology. We believe we have got the best technology. Let us be honest about this, it has taken us well over five years of investment, pilots and trial and error. We would find if you put it outside and a thunderstorm came down that stopped the device working. If somebody parked a forklift truck, it caused a faraday effect so the signals were not right. We had to solve every single one of these issues, batteries draining too quickly, all of these sorts of things. That is what we have done. We have solved the issues one-by-one. I am not saying it is perfect but it is absolutely scalable and we believe it is the best on the market. We believe it is the future of pest control. Really Allen, I think it is a question for you and the others to ask the competition, 'Rentokil is banging on about this. Why are you not? Are they wrong or are you wrong?' We know our view but it is primarily for commercial rather than residential. There may be an opportunity for residential down the road but it is not as obvious, to us at least.

**Andy Ransom:** Jane, you obviously want to talk about the football.

**Jane Sparrow (Barclays Capital):** Absolutely not, thank you. The first one, Stuart put up a slide containing an information that was talked about at the 2018 Capital Markets Day. Just looking back at that presentation you obviously had some other targets in that presentation which were around £300 million of revenues in Asia Pest by 2022, £150 million in LATAM by 2022 and the 18% margin target in North America. Could you talk about whether all those targets are still part of this next strategic plan? Then the second question is a clarification on divisional margins. Obviously if you are talking about operating profit growth being ahead of revenue growth at a Group level, that implies margins are going up. I wanted to clarify on the divisional level, is the messaging Pest goes up because of root density, Hygiene goes down a bit in the short-term and then Workwear goes up as revenue grows in that business?

**Andy Ransom:** Yes, thanks Jane. I will let Stu come back on margins. Great point. Who would have thought you would have gone back and had a look at the 2018 Capital Markets Day? I do not know whether that is fair or not but you did not highlight all the things that we did hit on the 2018 Capital Markets Day. You are quite right to raise it. There were three that you mentioned there, Asia, LATAM and the 18%. I will take the 18% one first. There were two parts to the American one. One was the scale of 1.5 billion and the second was 18%. We are well past the 1.5 billion. Some of that has come from what Chris has pointed out, which is M&A. We have done a lot more M&A than we expected to so we are way past the 1.5 billion. That M&A comes in and it is dilutive. People would ask me, 'How do you think about that? If you have got a dilutive acquisition do you just not do it because you might not get to 18%?' That is madness. That is not economic. We have taken the advantage to do really good quality acquisitions even if they were margin dilutive and some of those acquisitions were in the products distribution business where the margins are typically 6-7%, not 16-17%. On the 18%, no, we have not come off that at all. That is the target for end of 2022 so we remain committed to that but that is on an even bigger business than we were talking about back in 2018.

Asia I think is a fair cop, Jane. We are not as big as we wanted to be. I do not know whether that is the bad news but the good news is the opportunity in Asia is just getting bigger and bigger. That is why we shared the per capita spend. That is why we talked about India. That is why we are focused on cities of the future. Many of those cities are indeed in Asia. We will get

to those numbers cheating by moving the Middle East into Asia but that was not really the plan either. We will get to those numbers. The opportunity is really big. We have made less progress than I wanted to in India. You heard Phil talk this morning about moving from paper to digital. The business in India had so much paper it was unbelievable. It has been quite the challenge to modernise that business but we are making really good progress. I think Asia we absolutely get there, it just takes time but again the cities of the future is not about what we can put you down for next year or the year after. The cities of the future is the long, long term play in this business. I have never been more convinced of anything that if we look out 10, 15, 20, 25 years we will have built really, really strong big businesses like the Jakarta example that Chris shared, in city after city after city after city in the emerging markets. With that GDP+ type growth, with that emerging burgeoning middle classes the numbers can only go up in one direction. We are the leader in Asia. Our competitors are not typically going after these markets.

In LATAM it is slightly different. I think we have made really good progress in LATAM but the area that we have not moved as quickly as we wanted to was on vector control. We called a big opportunity in Brazil where the authorities spend a huge amount of money each year on vector control designed to stop the spread of Dengue. To be quite honest, in the last 18 months or so the Brazilian authorities have switched their public health resources to Covid and they have taken a lot of money away from the vector control opportunity. We have won a couple of nice contracts in vector in the last two months alone so again the vector story has not gone away. It has just been delayed. Ask me again in another two or three years and if I am still disappointing on those two subjects then I should not be. I think those are fair questions though. Thanks Jane.

**Stuart Ingall-Tombs:** I would use the analogy on margins that Andy uses about revenue and throwing six sixes. We have got a number of opportunities to improve margins in Pest Control, in Hygiene & Wellbeing and in French Workwear. In Pest Control the long-term prospects for a connected solution really feels like that should drive margins. As we are growing in cities of the future gaining density, that should be a big opportunity for us. In Hygiene we have seen the opportunities and the increased density of things like the Cannon acquisition which has demonstrated our ability to drive margin through density and share. I want to be clear though, we are not saying that margins in Hygiene are going to step back. That is not what we are saying. We are saying lots of reasons to believe they will go forward but we will have some countervailing impacts from acquisitions and from new market entries which will to a degree offset that for a period. I think in general you are right to identify 6-9% of revenue and 10%+ profit suggests an enhanced margin over time and we do believe that. However, quite where that is going to come really will depend on where we are successful in those higher revenue opportunities, where we get the hits and where in some places we will get the misses. As ever we will manage that operationally extremely tightly year-on-year to make sure we are getting the best out of whichever region or whichever category we are getting it. However, here and now all I can do really is identify the macro movements and we will see how those play out over time.

**Andy Ransom:** Thanks Jane. Next question please.

**Anvesh Agrawal (Morgan Stanley):** Following the change in the reporting structure, French Workwear now becomes a standalone business and now you put out organic growth target for

that. I am wondering what are the strategic options you are thinking about for that. Does the option to exit that still exist or you plan to manage it within Rentokil going forward?

**Andy Ransom:** Yes, thanks for that. I think I have been both consistent and clear on French Workwear. The two big categories we have, Pest and now Hygiene & Wellbeing, are core. They are categories that we will continue to invest in technology and digital, in innovation, in M&A, in capability and geographically. That is the future of the organisation. Our French Workwear business is in splendid isolation in France. It is the only country we have it and workwear is essentially all it does. If there is a moment in time where we create more value for our shareholders by making that available to another party, then we do that. We are not emotional managers. We are not wedded to it just because it is one of our businesses. However, if we do not see the opportunity to create substantial value for our shareholders by exiting it, we run it. It is a good business. It has got a great management team. It has got a really good strategy. It has got a very nice position, nestled in as a strong number-two to a very strong number one and it is as simple as that. For me it is not causing any kind of headache or any kind of problem. If the moment is there we will take it, if it is not we keep it and we run it but it will never be a core business. We will never go back into workwear but we are pragmatic managers and if we make more money by running it well, which I think we will, then I do not mean to say we will definitely keep it. That is a function of who is out there who wants it and what sort of value proposition. If we absolutely needed another contribution of cash to put into Hygiene & Wellbeing or Pest Control, it has option value. We could always monetise that but I would rather more fundamentally answer the question, how do we create the most shareholder value out of that asset? That has always been the way we run the business. If we create most by selling it, we sell it. If we create most by keeping it, we keep it. That is the way to think about it. No real change. Of course, it is in splendid isolation all on its own so it has certainly got no hiding place if the numbers are not good but quite often that is a good thing for the business as well. They will be very clear that we are reporting that asset on its own. We have put that 3-4% growth target which is pretty respectable as well. I think it is a good business. We will see. To be continued. Thanks.

**Question:** Just one on Hygiene. There is not a huge amount of market data out there. Could you talk a bit about who your key competitors are and what sort of market position you have at this stage in your larger end markets?

**Andy Ransom:** Yes, that is a really good question and if you think about what we have told you here today, we have now got this new category called Hygiene & Wellbeing so we will make it even more difficult for you to try and comp across because who else is in Hygiene & Wellbeing? That a challenge. You have to look at it by end market, is the honest truth. In washrooms, that core £500 million business, what you tend to see is that there are a number of big country players. In America, as I have already said, we are not going after that market. That would be Cintas. Here in the UK that would be PHS. In Germany and Benelux that would be CWS Boco. In Australia that would be Flick Anticimex. What you tend to see is in each country we operate there will be one or two big country players. You do not get many cross-border players. What you do get though is lots and lots and lots of city-based players or regional-based players in the South of England or in Scotland, etc, which is why this whole city density is so important. It is why the industry works that way. It is quite difficult to comp in that sense.

Then if you then go down the other lines like this thing of beauty here, the VIRUSKILLER. This is a new market. That does not even exist. People have been working in air hygiene but not air hygiene to deal with airborne Covid-19. That is a brand new situation. Unfortunately you have to look at it by slice and again by geography. You will not find anyone that looks really like Rentokil Initial, certainly not on a global basis. Closest to our model here in the UK would be PHS multiservice but it's a private company so again it is more difficult for you to comp. If I am honest reading the big studies that are out there, they do not really give you the insight. We have tried to put as much colour on that today by talking about the growth drivers in the individual slices but you will not find it terribly easy to comp us with. I guess if you want a public market one, Cintas would be the closest but it is a different market. Other than that I am not really able to give you much more other than go into each country and that will be the answer. You knew that was going to be answer, did you not?

Thank you very much everyone. It has been a bit of a marathon. We tried to give you as much information as we possibly can. You have heard a lot about our core Pest business and why it is the best pest business in an amazing industry. You have heard a lot about our ambitions in Hygiene & Wellbeing. If we did not answer any of your questions we will try and follow up with those offline. We are now going to go straight through there, a drinks reception and, as I say, feel free to pepper anyone with any questions. I look forward to seeing you in a few minutes. Thank you all for attending.

[END OF TRANSCRIPT]