Rentokil Initial

2023 Preliminary Results
Thursday, 27 July 2023

Andy Ransom: Good morning ladies and gentlemen and thank you all for joining us today here in person and online.

In a few moments, Stuart will provide you with details of our strong start to the year, with the Group financial and regional performances. I'll then come back to provide an update on our businesses and on our bolt-on M&A programme.

After that, I'll spend some time updating you on the very good progress we've made in the first half on synergy delivery and the early stages of integration of our Rentokil and Terminix pest control operations in North America.

At a Group level, we delivered a strong operational and financial performance in the half. Revenue increased by 65.3 per cent to 2.7 billion pounds, with organic growth of 5.9 per cent.

Adjusted operating profit grew by 81.7 per cent to 434 million pounds, and we delivered a group operating margin of 16.3 per cent – which is an increase of 150 basis points.

Through the acquisition programme we acquired 24 businesses with annualised revenues of 79 million pounds, predominately in Pest Control.

Diluted Adjusted Earnings per share grew by 20.7 per cent to 11.4 pence and we declared an interim dividend of 2.75 pence per share, an increase of 14.6 per cent.

Stuart will cover these results in more detail in a moment, but a strong start to the year. And, if we drop down a level, you can see that strong underlying revenue growth was delivered across all of our Regions and Categories.

Just to highlight two or three areas:

Our North American Region – which accounts for 62 per cent of Group Revenues - increased by 127 per cent reflecting the addition of Terminix. Organic Revenue growth was 4.1 per cent in the Half – and increased by 4.8 per cent within our core North American Commercial, Residential and Termite operations - and we'll come back to this in a few minutes.

The Europe and Latin America Region – which accounts for 20 per cent of Group Revenues – delivered revenue growth of 18.7 per cent, of which 11.1 per cent was organic; and in our Emerging markets of Asia and MENAT, we delivered revenue growth of almost 12 per cent, with 11.3 per cent organic growth.

Looking at this revenue performance through a Category lens, as you can see there on the right-hand side of the chart, Pest Control – which accounted for 80 per cent of the Group's Revenue in the first six months - grew by 91.5% per cent, of which 5.6% was organic.

Revenue in Hygiene and Wellbeing, excluding Disinfection, increased by 7.2 per cent and by 5.2 per cent organically - while in France, our Workwear business also had an excellent Half, growing revenues organically by 16.3 per cent.

At our full year results, we spent some additional time to brief you on the outstanding opportunity in North America and, today, I'll provide you with an update on the very good progress being made.

The co-location phase for our branch network is now very much up and running with 64 branches in total exited to date; 44 of which were in the first half. We have also focused on two preliminary integration pilots across 40 branches – with multiple brands, pay plans and systems. These have been successfully integrated into 23 branches with around 700 colleagues now working together under a single brand, single operating system, single pay plan and a single set of service protocols; and I'll share with you more information on these two important parts of the plan, in a few moments.

At the same time, colleague retention materially improved - with Terminix colleague retention now up by 5.3 per cent since the deal closed in October, and a 3.9 per cent improvement in the first half, so a particularly encouraging sign.

As is - Customer retention in North America which improved by 20 basis points in the first half – and also 12 per cent reduction in the total number of filed Termite warranty claims.

We are firmly on track to achieve our net cost synergy targets having delivered 37 million dollars of P&L savings in the first half. By the end of this year - including the 13 million dollars achieved last year - we will have delivered, in total, at least 73 million dollars of the net cost synergies, towards our target of at least 200 million dollars.

So an excellent first half - we're on track for the full integration programme process, which starts next year. I will be back in a few minutes to give you a lot more detail on that, but for now let me hand over to Stuart.

Stuart Ingall-Tombs: Thank you, Andy, and good morning, everyone. I'll run through the financial highlights of what has been an excellent first half. I'll start with the Group level numbers, and then as usual I'll move through the regions and then look at the balance sheet. Unless I state to the contrary, all numbers are at constant rates of exchange.

The business delivered strong topline momentum in H1. Revenue was up 65.3% to two billion, six hundred and sixty-six million pounds, benefiting from good underlying growth and of course the Terminix acquisition. Organic Revenue, which excludes disinfection, was up 5.9%. This translates to an adjusted operating profit of four hundred and thirty-four million pounds, a year-on-year increase of 81.7%. Adjusted PBT at AER was up 67.3%, despite a £6m FX headwind in H1, contrasting with the circa £10m tailwind we indicated at the prelims.

The strong profit conversion from the higher revenues, in addition to Terminix synergies and IFRS accounting adjustments has resulted in an improved Group margin of 16.3%, a year-on-year one hundred and fifty basis point improvement, and led to an improvement in EPS of 20.7%. There are a number of moving parts to H1 margin, including in our Hygiene & Wellbeing category, which I'll discuss shortly.

Free cash flow in H1 23 resulted from the profit performance and was two hundred and twenty-nine million pounds. This represents 83% cash conversion, excluding the impact of one-off cash flows mostly related to the Terminix acquisition. These factors, combined with the continued success of our bolt-on M&A program and the dividend payment resulted in a pro forma net debt to adjusted EBITDA ratio at H1 2023 of circa 2.8 times. This is circa 3.4 times on an unadjusted basis, down from circa 4.6 times at year end.

Based on a strong performance in H1 and our confidence of further progress in the remainder of the year, our Board has approved an interim dividend of 2.75 pence per share, a nearly fifteen percent rise year on year and in line with our progressive dividend policy.

Looking now at our performance by region, starting with North America.

Our core North American business grew by 127.3% in H1 23, of which 4.1% was organic. This performance was delivered alongside the start of the Terminix integration pilot programme. As discussed at Q1, it also reflected the impact of softer demand in the products distribution business due to destocking. However, we saw that demand bounce back strongly in June and it's expected to normalise in H2. In pest control services for commercial, residential and termite customers, the largest part of the North America business, Organic Revenue was up 4.8% in the first half, despite some adverse impact from lower industry-wide lead flow from residential and termite customers. The H1 organic performance also reflected a strong continued contribution from price rises to offset the expected inflationary pressures.

Adjusted Operating Profit was up 163.2% and reflected the combined impact from stronger revenues and the Terminix acquisition. Adjusted Operating Margin increased 250 basis points to 18.5%. The uplift was enabled by a resilient underlying performance and driven by successful delivery on Terminix synergies that provided a net benefit of 190 basis points. We remain on track to achieve our North America margin target of circa 19.5% in the full year.

Despite the attention given to the Terminix transaction, we've had another excellent first half for bolt-on M&A in North America, acquiring 6 businesses with combined annualised revenues of around thirty-seven million pounds in the year prior to purchase. We're pleased to report further good progress on colleague retention with Terminix colleague retention up by another 3.9 percentage points to 67.7%.

Let's take a look now at our progress on delivering the Terminix deal synergies.

This table shows the latest status for the year. We're very pleased with what has been achieved so far. As you can see, we delivered net cost synergies of 37 million dollars in the first half. We expect to deliver an incremental 23 million dollars of net synergies in the second half, taking the year over year value to 60 million dollars. You'll recall that we already delivered 13 million dollars of net synergies in the final quarter of last year, so adding that to the 60 million, by the end of the year we will have delivered 73 million dollars of cost synergies towards our target of at least 200 million dollars.

Turning now to the European region. Driven by both pricing and resilient demand, Revenue rose by 18.7%. Organic Revenue was up 11.1%. There was a really good performance across the board here. All three business categories in Europe posted strong topline numbers. Pest Control Revenue was up 30%, which included a strong contribution from our large markets like France and Benelux. Hygiene and Wellbeing was up 6.2%. France Workwear continued its strong run, delivering growth of 16.3%.

Adjusted Operating Profit rose by 12.4%. Adjusted Operating Margin was at 18.2%. That's a 100 basis point reduction year on year, and is explained by two particular factors. Firstly, as expected, we saw a continued decline in COVID disinfection business that benefited the same period last year. Secondly, there was a dilutive impact from M&A about which we normally don't talk, but we made two acquisitions in the region in Q4 2022 – the acquisition of the Terminix business in Sweden and IPM in Israel – that, due to their size, had an impact of about circa 30 basis points on the region's margin performance. Neither of these factors will have a material impact on margins in the second half of the year. We will be lapping very limited disinfection revenue in H2 2022, and as usual integration activities will improve margins on the two acquisitions as we deliver operating synergies.

Labour markets throughout the region remained tight in the first half. However, we've been very effective at managing pressures. Both service and sales colleague retention has been good, leading to a slightly raised level of colleague retention at 89.4%. The region completed 8 business acquisitions in the first half, with annualised revenues of seven million pounds in the year prior to purchase.

Turning to the UK and Sub-Saharan Africa. The region delivered a resilient trading performance amid a challenging macro backdrop and against strong prior year comparators. Revenue for the region increased by 6.7% with Organic Revenue up 3.9%. This was enabled by a positive contribution from both business categories. Pest Control Revenue was up 10.4%. Hygiene and Wellbeing Revenue was up by 3.2%. This was achieved despite lapping COVID-boosted comparators in the medical waste business from the same period last year.

Regional Adjusted Operating Profit was down by 1.1% to forty-six million pounds leading to a lower Adjusted Operating Margin of 23.8%. The Pest Control category sustained strong margins. However, this was offset by COVID related factors that adversely impacted Hygiene & Wellbeing in the current year – namely, the anticipated reduction of COVID disinfection and related services, and the non-repeat of UK COVID credit note releases. The impact of these factors will be much reduced in H2.

Colleague retention has been strengthened, up to 83.7% as we continue to invest in our people.

The region continued to face well publicised inflationary headwinds. However, significant cost increases have been well managed by our long-established pricing and margin management systems, processes and controls. Despite price increases, customer retention was stable at 86.7%.

Looking briefly now at Asia and MENAT. The region delivered another strong performance. Revenue increased by 11.9%, of which 11.3% was organic. Our largest markets in the region – Indonesia, Malaysia and Singapore – led the way. The subdued economic environment in Hong Kong continued to hold that market back slightly, but we did see signs of improvement in China as it lessened its strict COVID regime.

We continued to make good progress on price increases – in a region where we have been historically less successful. Both volume and pricing helped deliver 6.4% growth in Adjusted Operating Profit. Adjusted Operating Margin for the Asia and MENAT region was down slightly by seventy basis points to 13.4%, again due to lapping stronger COVID disinfection revenues, with this headwind set to materially reduce in H2.

Finally, turning to the Pacific region. Another excellent trading performance here. Regional Revenue increased by 16.5% of which 7.4% was organic. Pest Control was up 30.4%, with notable strength in commercial services. Hygiene and Wellbeing was up by 5.2%, and we've had good demand in the region for Ambius services. Regional Adjusted Operating Profit was up by 22.3%, with an increase in Adjusted Operating Margin of one hundred and ten basis points to 22.9%. In the region, we acquired 5 businesses.

So that's a rundown of our regions, which as you can see have performed very well overall in the first half. Across our geographies, we've the persistence of inflationary cost pressures, most notably, wage inflation. But we've continued to be very successful in mitigating increases through pricing.

I want to briefly step back and look at our margin development in the first half, in particular in our Hygiene and Wellbeing category.

I'd like to say a few words about the drivers to margin. You can see that, year on year, reported margin in H1 moved down from 19.5% to 16.4%. This was due to a number of non-systemic factors, the majority of which are not expected to repeat in the second half of the year. The largest headwind to Hygiene margin in the period – roughly 160 basis points – came from the anticipated reduction in COVID disinfection and related revenues and the non-repeat of UK credit note releases. Similarly, another 80 basis points decrease was due to the non-repeat of COVID disinfection margin. A 50 basis points reduction was due to the transfer of management from North America Pest Control to the Ambius business. Of course, the impact from this was net neutral both to North America and Group margin. To put this in context, together these headwinds amount to an aggregate value of £12m – just to size that for you.

The H2 impact of these headwinds to Hygiene & Wellbeing margin is expected to be circa 100 basis points or about one-third of the H1 impact. This is anticipated to be offset by underlying operational improvements, and that results in H2 margin in excess of 19%. The confidence we have got in the resilience of our Hygiene & Wellbeing category as well as the progress in Pest Control means that we are reiterating our full year margin guidance of circa 16.5% for the Group.

Let me now say a few words on cash flow and debt. Adjusted Cash Flow of four hundred and one million pounds was up £202m on H1 2022. Higher trading profits resulted from organic and acquisitive growth. Adjusted EBITDA was £602m, up 72.0% from £350m. One-off and adjusting items totalled £78m, reflecting P&L items of £46m and a net c.£32m movement in one-off accruals since December 2022, in line with that which we presented at the Preliminary Results. The movement on provisions of £26m included an outflow on the termite provision which was in line with our expectations. Capital expenditure of £102m was incurred in the period, reflecting the inclusion of Terminix capex.

On the second cash flow slide, we see that the Free Cash Flow was two hundred and twenty-nine million pounds. Cash interest payments of £114m were £95m higher than in the prior year, reflecting the payment in arrears of coupon interest on 2022 bonds issued in relation to the Terminix transaction, effectively a full year's interest in one half. Cash tax payments for the period were £58m, an increase of £26m compared with the corresponding period last year, largely related to the inclusion of the Terminix trading results.

Cash spend in H1 on current and prior year acquisitions was £175m, dividend payments were £131m and the cash impact of one-off and adjusting items was £78m, again largely related to the Terminix acquisition. Adjusted Free Cash Flow Conversion was 83.7% for the first six months of the year. Our full year guidance for Adjusted Free Cash Flow conversion remains at between 80-90%.

Let's take a look at debt. As a reminder, we were active in the debt market in the first half of 2022 to finance the Terminix acquisition. We issued three bonds, converting our short-term bridge facility into longer-term debt. These bonds, alongside the $700m term loan covered the cash consideration, transaction costs and Terminix debt.

The most material movement seen on the slide is for FX translation. FX translation and other items of £136m is primarily due to the weakening of the Dollar against Sterling. The overall change in net debt was £26m with a closing net debt of £3.27 billion. As at the end of June, our pro forma net debt to Adjusted EBITDA ratio was 2.8 times. The unadjusted EBITDA ratio was 3.4 times and it is this that we expect to be approximately 3x by the end of 2023, one year ahead of schedule reflecting the overall health of the business and the delivery of deal synergies.

The Group has no debt maturities until November 2024. Note that the interest rate on about 81% of Group debt including leases is fixed and therefore not subject to rate volatility. Last month, S&P Global reaffirmed the Group's BBB investment grade rating.

Moving to technical guidance. On this slide, we update some technical guidance to help you with your models in relation to the full year. I'll let you read these in your own time but will draw your eyes to a few items.

On the P&L, we've updated deal related costs to between 80 and 100 million pounds, which reflects the strong deal flow we delivered in the first half of the year. Our new full year FX guidance reflects the strengthening of the pound against the dollar. This has moved considerably since the original guidance was issued in March and means, at the yesterday's prevailing rates, we now anticipate a headwind of between 15 million and 20 million pounds.

In cash flow, given our rate of M&A in the first half and the strength of our pipeline, anticipated spend on M&A is increased from 250 million pounds to 300 million pounds. Note that our leverage guidance includes this increased M&A spend.

So overall, we've had a strong first half financial performance. 5.9% organic growth reflects growth in all regions and was achieved alongside our work on integrating Terminix. Despite the continuing evolution of our US Pest business, we expect to deliver organic revenue growth in North America broadly in line with our H1 performance in H2.

Our Group margin continues to move forward, up by 150 basis points in the half. We've seen an uplift from synergy benefits, together with a stable underlying margin performance in Pest and further margin improvement in French Workwear.

In Hygiene & Wellbeing, we expect the margin headwind in H2 to be approximately 100bps or one third of the H1 impact. We expect to fully offset this with underlying operational improvements, resulting in an H2 margin in excess of 19%. The profit performance in the first half led to an improvement in EPS of 20.7%. And finally, with the good progress already made on cost synergies in H1, we're on track to deliver total synergies of $73m by the end of the year.

At this point, I'll hand back to Andy who will take us through our ESG progress and the business category performance.

Andy Ransom: Thank you Stuart. So, over the next few minutes I'm going to update you on the performance of our three businesses – before turning to the exciting opportunities in North America Pest Control. However, let me start with a very brief update on our key ESG aspects of safety, people and the environment.

In my view - there is typically a strong correlation between a company's safety and its financial performance - and pleasingly this was our safest ever start to a year - with a world class Lost Time Accident rate of just 0.29, accompanied by the associated reduction in Working Days Lost. As you can see on the right-hand side, this long-term commitment to safety means that fewer colleagues are suffering from slips, trips, falls and accidents, and resulting in far fewer working days lost – with a working day lost rate around 51 days in 2008, falling to just 6.4 days in the first half.

Colleague retention is, of course, one of our most important non-financial metrics and so it was particularly pleasing to see six straight months of improvement in retention – with the Group Colleague Retention rate improving by 2.6 per cent to 82 per cent. These numbers have obviously been rebased now to include Terminix – and I will come back to its retention performance shortly.

Taking action on the environment is important to all colleagues, customers and shareholders - and we have a clear plan to reduce the impact of our operations and services on the planet. We now have around 1,600 lower emission vehicles in operation - including 100% electric and plug-in hybrids - as we move towards a full transition of our fleet and net zero emissions by 2040.

We're also supporting our customers on their journeys towards net zero, with products such as Lumnia - which reduce electricity consumption by our customers. Since their launch, the Lumnia units have delivered a proven reduction in CO_2 of an impressive 53,000 tonnes. So good, continued progress in our ESG agenda.

Let me turn now to Pest Control and our power brands of Rentokil and Terminix. In the first half we delivered Revenue growth of 91.5 per cent, of which Organic was 5.6 per cent – in line with our medium-term target of 4.5 to 6.5 per cent. We doubled profits to 412 million pounds and increased Adjusted Operating Margins by 130 basis points to 19.2 per cent.

As Stuart has just covered, North American Pest Control achieved Organic Revenue growth of 4.1 per cent, with our core Commercial, Residential and Termite operations delivering growth of 4.8 per cent. This was achieved despite lower in-bound lead flow from residential and termite customers in the second quarter, which mirrored digital search trends observed for much of the US Pest Control industry as whole.

During the quarter, our key focus was on margin expansion and on the successful integration pilot programme. The impact of the pilots and our planned cessation of Terminix's unprofitable door to door sales operation in Canada, reduced our first half organic performance by around 32 basis points.

Overall, the numbers on this chart speak for themselves... This is a world class business that's strongly positioned for future growth and with the magnificent Terminix opportunity ahead of us as well.

Turning now to digital and innovation: We lead our industry in the use of digital technologies, and, as this slide demonstrates, we are continuing to build this competitive advantage, with around 319,000 PestConnect devices now in customers' premises – and that's up by 20 per cent year on year; and we now have six countries where connected devices account for more than 10% of the commercial portfolio, including our business in the Netherlands, which is fast approaching 30%.

PestConnect is typically sold on a three-year contract basis; it delivers higher customer retention and, most importantly, it's extremely effective. We've got new research from our operations in the Netherlands and the UK which shows us that PestConnect can typically resolve rodent infestations twice as fast as traditional non-connected pest control services. At the heart of our PestConnect system has been our award-winning RADAR device, and that accounts for around two thirds of connected units in customers' premises. Towards the end of this year, we'll be launching its replacement - which you can see on the screen – called RADAR X – a new dual catch unit and it comes with many enhancements not only for operational efficiency but also for sustainability.

Clearly our commitment to Innovation is taking a further step forward in the coming months with the opening of our new dedicated pest control innovation centre in Dallas and that's going to focus on residential, on termite, on vector control and on sustainable fumigation – as well as providing a training centre for our US sales and service teams.

So, Pest Control has had a strong first half and we have a lot happening in the digital and innovation space to continue to build our differentiation, to drive organic sales and to make our operations more sustainable and more efficient.

Let me turn now turn to Hygiene and Wellbeing. In the first half, Revenues increased by 7.2 per cent, of which 5.2% was Organic – very much in line with our medium-term target of between 4 and 6 per cent. Organic Revenue growth in Core Hygiene services, that's inside the washroom, grew by 6.1 per cent, with enhanced environments, that's outside the washroom, increasing by 5.8 per cent. Premise Hygiene delivered Organic Growth of around 1 per cent, which reflects a reduction in services outside of the washroom such as Medical services where the demand for COVID needle collections has obviously declined as the vaccination programmes have been significantly scaled back.

Inside the washroom, we offer two ranges of high-quality products – Signature, that's our core range, and our premium Reflection range – each with in-cubicle, out-of-cubicle and hand hygiene solutions. Around 120,000 Signature units were installed in the first half where we saw good progress in Air Care, with dispenser installs increasing by 11%, and with hand drying unit sales also up by around 17 per cent year on year. As more employers try to enhance their office environment to entice people back, we provide a range of services through the Ambius brand. That includes plants, premium scenting, air quality monitoring and green walls. Revenue grew by 12.4 per cent in the Half and the business secured its first global premium scenting agreement across 21 countries.

Turning now very briefly to French Workwear, which I'm pleased to say had a very good start to the year. Revenues increased by 16.3 per cent, to 106 million pounds, all of which was organic. Robust volumes were aided by ongoing market recovery in the hospitality sector and driven by strong new business sales and also by upselling. The business's performance was also supported by effective price progression in the half. Adjusted Operating Profits increased by 34.1 per cent to 18 million pounds, translating to a step up in Adjusted Operating Margin of 220 basis points to 16.9 per cent.

Turning now to acquisitions. In the first half, we acquired 24 businesses with annualised revenues of 79 million pounds for a total consideration of 202 million pounds. 19 of the deals were in Pest Control with annualised revenues of 54 million pounds. In Hygiene and Wellbeing – we acquired 5 businesses with annualised revenues of 24 million pounds – meaning, for the first time, we fully expect to exceed our medium-term target of adding around 25 million pounds of M&A revenues in Hygiene and Wellbeing annually.

The Europe and Latin America region completed 8 highly targeted city-based deals, while our Pacific region acquired 5 businesses, including two investments into an exciting new area for us which is rural, or non-urban, pest control to support the New Zealand government's significant investment into its 'Predator Free 2050' campaign. The M&A programme continues to deliver revenue and profit ahead of our returns criteria and, with a very strong pipeline, we are increasing our target spend by 50 million pounds to around 300 million pounds for the full year.

So, good progress in the half and let me now move on to talk about delivering the pest control power house.

This slide really underscores the close alignment of Terminix to our existing investment case: we're building scale in the world's largest market; Combining Rentokil's traditional strength in commercial with Terminix's strength in Residential and Termite; Giving us not one, but two power brands; we're adopting the same, proven low-cost business model; and expanding access to Rentokil's innovations and digital capabilities.

Now - you'll recognise this slide from our Prelims in March and, as Stuart just mentioned, net cost synergies in the first half came to 37 million dollars putting us firmly on track towards our full year target of 60 million dollars of net synergies, after investments.

So - let me now focus on SG&A, Field Operations and the Investments in a little more detail, looking at the progress we've made in the first half. We have broken SG&A into three main parts – sales, procurement and support functions, and together these account for around 150 million dollars of cost synergies by 2025. In the first half we made very good progress - delivering 40 million dollars of gross cost synergies - in particular, in procurement where we have negotiated a new combined safety and PPE supplier; a single travel provider; a single fleet management company; as well as putting in place a number of improved supplier deals for pest control products, hardware and for IT.

Now let me move to Field Operations where we will fully utilise our shared integration experience in North America to deliver around 125 million dollars of cost synergies by the end of 2025.

In the first half, we exited 44 individual branch sites, taking the total number of properties exited since closing the deal to 64 and, by the end of the second half, we would expect this to exceed 100. As each site closes the colleagues of that branch move to share the location of a nearby branch, so we now have around 1,000 colleagues working together closely and successfully in co-located branches. Here we've delivered 6 million dollars of gross cost synergies in the first six months.

The branch co-location programme is merely the first step towards full branch integration which we start next year. To get us into the best possible position to be ready for those integrations, we have already undertaken two preliminary integration pilots involving two parts of the heritage Rentokil network – with multiple properties, multiple systems, and multiple brands.

In the first pilot, we have 19 properties, 425 colleagues and revenues of 65 million dollars – operating across 4 different brands, 4 different operating systems, 4 different pay plans, and 4 different sets of service protocols. And the second pilot, a slightly larger area, 21 properties with 411 colleagues, revenues of 97 million dollars, 5 brands, pay plans and sets of systems.

So, what did we learn? Well first, our approach to these pilot integrations showed that the detailed migration processes, whilst undoubtedly demanding, were successful – integrating 40 properties down to 23, and delivering one consistent brand, one pay plan, one set of systems. Secondly, the combined branch headcount was reduced from 836 to 709, and this was achieved mainly through natural attrition. Thirdly, whilst we saw an impact on organic performance, this was as expected, and is fully expected to return to normal levels once the combined operations are fully bedded in; and fourthly - and most importantly - in both pilots, we delivered a margin expansion in the region of 5 percentage points. So, a really valuable set of co-locations and integration pilots to learn from. And with each pilot we take the lessons learned, we them to the next pilot – so each pilot should be improving on the pilot before, such that when we finally do go live, we can minimise disruption to the business.

In the second half, we will continue to run a series of pilots, all of which are designed to fully road test the branch operating model before we commence that full deployment next year. These include delivering a unified people management system, piloting a single pay plan for sales colleagues and technicians; testing technology applications and best of breed processes - which we will be piloting and rolling out to users as each system becomes available; and before we move any customer and contract data onto the new systems and process stack, we will parallel run the systems to ensure the accuracy of data mapping. Only having thoroughly tested and piloted each element, will we then move to the first full migration of a region, early next year.

Now we said in March - that our aim is to move to around 400 larger branches by the end of 2025, each with typical revenues of between 8 and 10 million dollars - building local density and expanding net operating margins.
On the chart here you can see some of the detail that sits behind this plan. Today we have around 200 branches operating with revenues of less than 3 million dollars, but we also have over 100 branches that are already operating above 8 million dollars. From this we can clearly see that those branches with revenues of more than 8 million dollars deliver net operating margins in the region of 10 percentage points higher than the branches with revenues of less than 3 million dollars. Whilst we can see the strong correlation between branch scale and profitability, we have seen no discernible correlation in our data between branch size and organic growth rates.

To enable the success of the integration, we plan to make investments of around 75 million dollars over the next three years into the future of the business in North America – and we made investments totalling 9 million dollars in the first six months. During the Half, we harmonised management pay; we've aligned on safety policy and operational equipment; we've invested in sales efficiency, as well as into SOX and into legal compliance. We have also identified our new innovation centre, we've finalised the brand strategy, which we will implemented as part of the integration process from next year.

Now, having provided the termite 'teach-in' to you all last time out, I'm not going to go through this slide in detail, but clearly you can see there we've continued to make solid progress with total filed warranty claims reducing by 12% year on year and by 47% since 2019.

As you know – key enablers of our success will be the employer of choice programme and the IT deployment programme – and both are making very good progress. Over the last 6 months, our HR team has harmonised benefits and paid time off; and supported the co-location and the pilot integration programmes. And what's particularly pleasing from the first half, is that as well as seeing a 2.6 per cent increase in colleague retention across the Rentokil Initial Group as a whole, Terminix colleague retention increased by 3.9 per cent in the first half, with retention in the critical front-line technician role improving for six consecutive months. Since the deal closed in October last year, colleague retention in Terminix has increased by an impressive 5.3 per cent. So – as you can see on the chart – we are making excellent progress in colleague retention and we have delivered our commitment to Best of Breed.

We're also moving at pace in technology with the North American IT organisation appointed; the target IT operating model to enable branch co-locations successfully completed; and the 24 IT workstreams all up and running, all on track as you can see on the chart.

So, looking further ahead to the post integration period, our medium-term target is to deliver organic growth at one and a half times the pest control industry rate in America – and we'll get there by targeting the drivers set out on this chart.

The first is enhanced customer retention driven by outstanding service and, as I mentioned earlier, customer retention has increased by 20 basis points in the half. We also delivered strong tactical pricing in the first half, while in innovation and digital we have now started to introduce Rentokil's innovations into Terminix with Lumnia, our innovative flying insect control units being the first, and, as I've just mentioned, our new US innovation centre will open later this year. Customer penetration with the upselling of additional services is also an important part of the future plan and in the first half the Trusted Advisor programme continued to be rolled out. Our plan is to complete this first in heritage Terminix, and then across heritage Rentokil networks over the coming months; and new customer acquisition will be driven through strong brands and through our highly targeted sales and marketing activities.

So, there you have it. In summary, in the first half we've delivered a strong financial and operational performance with organic growth of almost 6 per cent; margin expansion of 150 basis points; strong colleague retention; excellent M&A; and you can see all of that summarised on the chart.

In North America pest control – we're now 9 months in post the deal - we remain on track, we're making good progress towards delivering the opportunities that we have to lead the pest control industry and to deliver the growth and margin expansion opportunities that are summarised on the screen.

Thank you very much indeed, we'll now take any questions. We'll start with questions in the room and then if there are any additional questions from the online audience. Thank you.

Q&A

James Rose (Barclays): Hi there. It's James Rose from Barclays. I've got two, please. The first, Europe was very, very strong. Maybe you could talk about the drivers behind that and perhaps the sustainability into the second half. And then second, from the pilot integrations you've done so far, what have been your main learnings and takeaways from those integrations which you would apply to future ones?

Andy Ransom: Will you cover Europe, or do you want me to?

Stuart Ingall-Tombs: Yeah, I can cover Europe. Europe's had a strong – if I this – I've got an online question about price versus volume, so I'll probably try and address that at the same time. I think Europe's had a really strong top line growth. They've been very effective at recovering inflation as well, but I think they probably got one of the stronger mixes of volume and price within the group. And so, I think a big element of that performance we think will continue on in H2. It just depends a little bit on how quickly inflation comes off in Europe, but plenty of momentum operationally running really well just about across every single market. So the region's running on gas, honestly.

Andy Ransom: Yeah. And the only thing I'll add to that is, I mean the – we shouldn't miss it, but the French workwear business has had a super performance and an element of that has been the recovery in the HORECA sector. So really, really strong bounce back. If you've been in Paris recently, you'll see it there. The tourists have all come back. So that is a nice contributor to an overall excellent performance.

If you drill down a level, we've also got really good colleague retention and really good customer retention. And that's [inaudible] before then happy, engaged colleagues, deliver happy, engaged customers, which make it easier to sell our products and services. And I think you also see in Europe, it was a market that we re-platformed the IT about four years ago, so we're getting the benefits of the changes we made some years ago.

On the pilots, I mean, one of the learnings so far, like, it's busy, it's crazy busy with the pilots. It's full on. I think we're delighted that the pilots have delivered the outcomes and the outputs that we expected. So we model all of this. So this isn't a big surprise to us in its coming. Both pilots have come in so far very much in line with what we're expecting the economics.

I think the reason we do pilots in the very first place is – I used to work in the explosives industry believe it or not, I consider these pilots a controlled explosion, so, you don't want to go live with it, moving a lot of things and then discover that some things aren't working as well as you would want. And as I said a minute ago, pilot one, we should improve on that with pilot two, and pilot three should improve on pilot two.

The areas that we've evidence of sort of sand in the gears, if you like, of friction are all the areas you'd absolutely expect. So when you have two different technicians and two different routes, if I'm in America or routes over here and you bring them together, you are going to interrupt the customer relationship that a customer may have had with a Terminix technician or a Rentokil technician or a different branch Rentokil technician in the case of the pilots. And it's that change that that's what you've got to manage brilliantly. Because if I've been your technician for ten years and I've never let you down, and then we now switch and Stuart's your technician, not that you would want that by the way, and Stuart lets you down, now I've just given you the customer a reason to 'I'm not so sure about this.' And then if you call up and say, oh, my technician missed my service today, and the call centre response is a bit all over the place because the systems haven't plumbed in correctly. It's – those are the sorts of things that we see. And that's why you get a little bit of a drag on organic growth. So it sounds a little perverse, but we are actually delighted when we see the evidence of those things going wrong because we know then, ah, now we need to fix that. So in the example I just gave, we had one of the pilots, we had some pretty poor call handling processes. And in the process our call handlers moved from being really, really quick to take a call to actually way too long, that is a problem. So we fixed that for the next one. And it's those sorts of things, but is entirely in what we would've expected.

James Rose: Great. Thank

Andy Ransom: You. Thanks, James.

James Beard: Thanks. Hi, it's James Beard, Numis. Two questions please. Firstly on North American organic revenue growth, you've said that in H2 you expect that to be broadly in line with what you achieved in H1. Just wondering if you can talk through the moving parts that, given that you've said that the products, pest control products business should see a sort of bouncing back of demand in the second half after having a weak H1.

And then the second question, which might well be interlinked to the first was in terms of the sort of wider moving beyond the pilots next year into sort of wider branch integration. What is your expectation for the drag on organic revenue growth within North America in 24 as a result of that?

Andy Ransom: Yeah, well, I'll – thanks James. I'll attempt to answer that is – The second one is particular crystal ball territory. In terms of – so what do we see in Q2? Let's start there. What do we see in Q2? We did see – and you can pick this up from Google Analytics, and indeed some of you did pick it up from Google Analytics that there was reduced demand or reduced search activity across core pest control search terms in the second quarter. Not massive but noticeable. So the first question as we look out for the second half is, well, where does that go in the second half? We've seen those trends before. I'm not calling anything particular about that. But if you get reduced search terms, that translates into reduced calls on the telephone, which translates – unless you do something differently and decide to spend more money with Google, that will translate into lower volume. So that's essentially what we saw in the second quarter.

Our priority in the second quarter, and will be in the second half, is not to chase organic growth. Sure we want to deliver great organic growth, of course, we do. Our priority has to be the integration, has to be putting the network together. So we'll get to driving organic when we get to the other side of this but much more important to me that we deliver the integration. We've given the best view that we can for H2 and we've tried to take account, okay, well, is that impact we saw in the second quarter? Does that continue into the third? Well, let's assume it does a bit. Will we continue to pilot and will we get a little bit of friction on the pilot? Yeah, let's assume we will.

The distribution business, I mean, as we said, we had the first four months of the year were not good at all. And we called that in the first quarter, a real, I mean, real destocking here. I think what you saw is some customers stocking up in December, which is what the industry does because they offer year end discounts. You saw some customers stocking out, and then the first quarter came and people just said, no, I'm going to see how this all turns out. But we saw a very, very strong bounce back in the month of June. It was an absolute V in the second quarter in the – yes, absolutely V. So it dropped like a stone and then bounced back like a stone – like a rubber ball.

Talking to our people in the distribution business and their analysis of the industry, my understanding of the industry forecast for distribution looks more like 3%. We'd expect to beat that a little bit. So all within that same sort of guidance that we've given.
As for 2024, I mean, honestly, I think it's too early to call. As I just said, the purpose of doing the pilots is to reduce that friction and reduce that drag as you put it. We'll do a lot more piloting in the fourth quarter. Hopefully, they will – each one gets a bit better and a bit better and a bit better. The ideal would be we don't see any drag at all. But the reality is every other time we've put business branches together, you tend to see a little bit – I'll be reluctant to put a number on it, James. I think when we come back in six months' time, we can tell you how we traded and how those pilots went in the second half and give you a better handle. But like I say that that really isn't our focus right now. Our focus is get this

network built and get it built brilliantly. And then we can really enjoy the fruits of our labour after that.

Andy Grobler (BNP Paribas): Good morning, Andy Grobler from BNP Paribas Exane. Three, if I may. Firstly, you talked about the, a bit of the drag in the US from Canada and from the pilots, but you were still lagging Rollins by almost 3% in the quarter. Can you just talk through why that was the case? Secondly, the pilots, you said you hope would get better as you went along. You've got a margin improvement of 5% from the first two pilots. If you kind of annualise that across the whole of the business, that's 160 million.

Andy Ransom: I knew you'd want to do this; I knew you'd –

Andy Grobler: But it's 160 million of net savings versus a target of 123. You know, can you talk through the difference there? And then lastly, Brett has left the business. Why was that? Are there any implications from it?

Andy Ransom: Yeah, I'll take I'll take the first and the third Stu, do you mind? Look on, on Rollins, and it's not really my place to talk about a competitor, but I've made the point a number of times, Rollins is a great company and is a well-run company, but Rollins doesn't have a slide deck that I just presented of all of the things that they have to be working on when they're running their business. So, they don't have pilots to do, they don't have IT replatforming to do, they don't have pay plans to do, they don't have rebranding to do. We are furiously busy doing all of this. Rollins is running a very, very good pest control business day in and day out. So would - I find it surprising that a large well-run organisation that doesn't have all of this stuff to do would be delivering a higher level of organic growth than we are at this moment in time? Not remotely surprising. Did Rollins rate of organic growth change in the second quarter from the first quarter? It looks like it did, and it looks like – I don't speak to Rollins, I don't know, but I would imagine that they've seen the same slight movement in the market that I just described that you can pick up by looking at Google Analytics. So I don't really think the read across to Rollins is necessarily a fair one all – I'm perfectly happy that you'll do it. Certainly if you give me Rollins' multiple, I'll definitely accept the comp. But I think it's totally understandable given the amount of work that we have to do and we are doing. Do you want to comment about margin?

Stuart Ingall-Tombs: Yeah, sure. So Andy you rightly do the maths. It's the maths that we can't help doing ourselves. Obviously when you see outputs like this, but you know, we're just not counting our chickens. We don't actually have – we didn't set out to do this with a margin target per se. We said, all right, what's the optimum branch structure in this metropolitan area? What's the optimum spans of control, organisation structure, location of branches. And so that 5% is very much an output rather than a number that we've targeted to. So of course, we're delighted that it's proving out the model. That's great. The improvement that Andy talks to, because we haven't really got a target for that, is around the lack of friction, the lack of drag, the impact on organic growth. You know, can we narrow the gap in that area? So look, if one could do the number of branches we're talking about consistently at these sorts of numbers, and there was no reinvestment in the top line marketing, Google search, whatever, then clearly a bigger number would drop out. But we're not doing that maths yet. We're just very rigorously going through the process, making sure it all adds up. And we – that guidance we give remains our best estimate of the outcome. But clearly we've said, at least there is potential upside from the total 200 million. But right now, at least 200 million is where our heads are at, and we're not putting pressure on ourselves to come up with a suboptimal structure that tries to beat that in the short term. Because we'll pay for that in the medium term.

Andy Ransom: I think we've been asked the question before then – if there's an upside on the synergies, where do you think it might come from? And I've been quite clear that if there's an upside on the synergies, I think it's more likely to come from the field than the SG&A. And we've also been asked – I'm asking myself questions now, I'm not sure that's a good idea – We've also been asked if you had upside, would you take that all to the bottom line, or would you invest some of that in growth. And I've said, well, that's a that's a high class problem to have that we'll address in the future, but instinctively I'd probably split the difference, and I'd probably take some of any overage and invest further in digital marketing in the consumer side of the business and any other overage we would take to the bottom line. But we're now talking about a hypothetical overage that we haven't delivered yet.

On Brett. Look, I think most people were actually surprised that I managed to convince Brett to come and work for me in the first place. You can interpret that any way you like, but you know, Brett was a successful CEO of a public company, a global group company and I'm absolutely delighted that he came and spent the time with us. I'm absolutely delighted. It was key to me that he was the bridge from pre the deal to post the deal. And it's a year now. By the time Brett goes later in the year, it'll be a year that he would have been there. So, I'm still delighted that he came, he spent the time, he's proved invaluable to be that bridge between Terminix and Rentokil. He's had a lovely opportunity to be a global group CEO again in private equity. I wish him well; I get on with him famously. I consider him a friend. He'll work furiously until the day that he's not there. So there's no story here. There's nothing to see here. And as I say, I'm just grateful that he was with us for the time we've had him and for the next few months. But no, there's just no story here.

The US pest control business, think about how I set this up. The US pest control business is run by John Myers, who's been running our US pest control business for 15 years. John is an absolute veteran of the pest control industry. Brett had only been in the pest control industry for less than a year when we started here. So we set it up in a way that should this occur and Brett decides to move on, the organisation would be in a great place, irrespective. So, there's no story there.

Alen Wells (Jefferies): Good morning. Alen Wells from Jefferies. A couple from me. Just on the industry-wide lead slow down, what do you think is behind that, Andy? Is that just consumer behaviour, house of income being squeezed, or is it more pest demand driven, given weather, et cetera?

Andy Ransom: It won't surprise you, that's a question I've asked myself, my team, advisors. I don't think we've got a strong view. We always say that the rats don't read the FT, and they don't. So look at the margin, I would imagine that if incomes are squeezed, there will be a certain element of the consumer that will go to Home Depot to do it yourself and buy bug spray rather than call out a pesty. It is interesting. It's mainly – we haven't seen it in commercial, so it's only in resi, it's only in termite, and it's not huge. So, it'd be a foolish thing, I think on my part to call it some macroeconomic related.

We've looked at weather in a number of – it sounds crazy, the world seems to be on fire at the moment – in a number of parts of the United States, they've had cooler temperatures in the second quarter and the northeastern parts, could be something there, but I don't think we've seen enough to call anything there other than it was slightly down in the second quarter. And you get you get a read across there into leads.

Stuart Ingall-Tombs: Just to touch on online question, there's a question about early Q3, what we've seen so far, Andy.

Andy Ransom: Well, we don't normally talk about – we haven't done it yet ..

Stuart Ingall-Tombs: Feel free not to answer it –

Andy Ransom: We haven't even finished July yet. I think first two weeks of July look fine. I don't think we saw a continuation, but that's not me saying whatever we saw in Q2 doesn't exist in Q3. It's too early to say, to be honest.

Alen Wells (Jefferies): And then – and just secondly, on the pest control margins, obviously up 130 bps, the Terminix synergies were 140, so some underlying decline there, which I think a decent part is going to be the M&A dilution. But on the kind let's just assume it's flat-ish, maybe slightly un – declining, underlying, is there just anything to read into that in terms of price kind of cost dynamics? I think one would generally assume if we take Terminix out, I think most people had an underlying margin improvement in pest for Rentokil over the next couple of years. So just anything, just to think about –

Stuart Ingall-Tombs: I think if – Terminix had a slight dilutive impact in the first half, actually pre synergies. So that's really the answer. No, all of our analysis says that we're recovering price - recovering cost inflation through price, and we're pretty comfortable with the ma – I mean M&A is dilutive generally. Of course, it always is. We always we don't really talk about that because it's a constant churn. We've only called out in Europe because it's two markets that had quite a big impact, that's all. So, [inaudible]

Alen Wells: And then just following on from that, the inflationary side, obviously just looking at fuel costs, et cetera, generally expected to ease in the second half. I mean, how much of a benefit might that be? I mean, you won't quantify it, but just –

Stuart Ingall-Tombs: Yeah, well, as you know, we price regularly and it's – customers are very sensitised to this. They're very prepared to accept a price increase that reflects cost inflation, people costs, you see double digit wage increases in some markets. But trust me, as soon as that inflation comes off, the idea that we'll be able to benefit from upside, I think it's not something we try to do. And I we'll get it wrong on the downside in certain places as well. So we always try and target neutral around price, and I'd expect that to be the case.

Alen Wells: Great. Thank you very much.

Anvesh Agrawal (Morgan Stanley): This is Anvesh Agrawal from Morgan Stanley. Two questions, really. First, you said on the PestConnect where the penetration is, what 10% of the commercial customers. Just wondering, is there an opportunity in the residential side as well, maybe a trimmed down version, given residential is now much bigger part of the business? And you had a target for 25% penetration historically, is that just commercial or the overall pest business?

And second question, really just technical and the working capital. You've seen like that your technical guidance is the outflow will be higher for the full year. What's driving that?

Andy Ransom: Thanks, Anvesh.

Stuart Ingall-Tombs: Well, I'll take the last one first. There's just a very slight movement in the Terminix working capital. We got it slightly wrong when we were looking at it back in the early part of the year. So we just had to adjust our expectation on that 20 million quid. It's as simple as that.

Andy Ransom: On connect, is there an opportunity in resi? Let's just say opinion is divided on that question, Anvesh, which is why they shouldn't let me anywhere near innovation really. I'm not convinced there is, but my team are convinced that there's an opportunity. So rather than us, um argue about that, one of the things we will look at in that innovation centre is there an opportunity in residential pest control. The reason I don't think it is, is my view is if you are in your house, you are going to see the mouse before the technology's going to pick up the mouse. But if you've got a huge industrial warehouse, the technology is going to pick up that before the person working on the forklift. The second reason is the average dollar cost of a resi account is relatively small, and are you willing to pay me a premium to have further technology in the house to, to spot it?

But my team, who are much more expert pest controllers than me believe that the cost of technology is coming down dramatically. We've just invested in the camera technology company. And interestingly, I had a – I think I told you about last time, I had a squirrel invading my loft recently. And maybe it was because who I am, but the team ended up putting a small camera in the loft to try and identify where the little beasty was coming from. So I think there are applications for resi, but think of it more as the commercial solution. The 25% target is in relation to commercial only customers. That's where we're are at the moment, but if there's a breakthrough in cost of technology we'll continue to look as a – for resi opportunity, but not yet.

Anvesh Agrawal: Thank you.

Andy Ransom: Sure.

Chris Bamberry (Peel Hunt): Good morning, Chris Bamberry, Peel Hunt. I was just wondering, with the rise in interest rates, are you seeing any change in the M&A landscape in terms of pricing or competition?

Andy Ransom: Thanks, Chris. I would say, I mean, I've spent the last five, six years saying M&A prices went up and they've plateaued. And then people would say, oh, but they're still going up. No, no, no, they've plateaued. I think we've seen the first evidence that prices have come off on M&A in America, which is the hottest market in our business for acquisitions. And I say that in part because I think the cost of debt, your point, Chris, if we're bidding against Rollins, I don't think much changes. But if we're bidding against private equity who don't have synergies and they have very high cost of debt, that is definitely crimping their style to a degree. Whether you can measure that impact, a little bit early to say. But I would definitely say that we can see some evidence of amelioration and pricing in the US. Outside of the US, prices never got to the same heady heights as they did in the United States, so it's a bit less obvious to pick there, but I think we can see a little bit of evidence here.

Chris Bamberry: Thank you.

Dominic Etheridge (Deutsche Bank): Hello, it's Dominic Etheridge from Deutsche Bank. Just a couple for myself, just on the branch network. Can you just discuss how that fits in with the branding strategy? Because obviously the more brands you run, the more dissynergies potentially there are in the network. And just when you think about where margins are on a branch by branch basis, clearly when you're in Atlanta, there's an awful lot more you can do on the synergy side by combining branches than – I think I'm not sure if it's Boise, Idaho, or where is in Idaho – if you've got one branch and a location, clearly there's a lot less you can actually do structurally there. So maybe could you just sort of elaborate on how that process has worked?

Andy Ransom: Yeah, I think, I mean, on the second one, the second bit, there's a little bit of what you've said there, Dominic, is in response to Andy's question, which is can we just take the number of branches and then bang x percent across the lot? And the reason is, well, no, I would say, look in the Dakotas or North Dakota, I think we've got one branch and Terminix has got one branch, and you know, maybe we put them together, maybe we don't, but it isn't going to change our lives whether we do it or we don't. So we do have a number of situations where the density just doesn't give you those sorts of results, but that's the exception rather than the rule. The other point is, as I mentioned earlier, the fact that we've already got a hundred branches today that are already above 8 million and already delivering significantly higher margins. So with those, we have to decide, okay, well, how much disruption do we want to – a pretty highly performing branch that's already got good density, good margins, and is already – so we'll have to think, do we split that. And so we – this is not a one size fits all. So, the smaller ones won't give us those sorts of numbers. The dense ones we have to think about slightly differently. But look, we've already got the plan across the starting number pre the close of 650 to get to circa 400. We know exactly, we're not making this up as we go along. We know exactly what the plan is. We also know the phasing of the plan, where we're going to start and as we move forward. So, it is trouble with averages is they're averages. This is a collection. Some of the branches would are going to give us significantly better outcomes than the ones I've shared, but there're also quite a lot that'll be on the small end. So in average, these are – this is how we get to the numbers we get to.

Branding, I think a really important part. Terminix is a power brand. It's got brilliant recognition in the consumer. You ask, can you name a pest control company? And they'll say, Terminix. Can you name another one? Maybe Orkin. They won't name Rentokil in America. Rentokil is not well known. So, we took the pretty simple decision that we will be Terminix for residential, for termite, for SME, that's the high street, the pubs, the restaurants, coffee shops. And we'll be Rentokil for big ticket commercial where everyone knows us already. So the challenge we will have is most residential customers aren't too worried if you don't give them a reason to be worried. So it's back to why the pilots are so important.

If the technician turns up, if the service is on time in full, if the customer's problems are solved, if the company is easy to deal with when they've got a problem, they're not so worried about whether the technician's got a red t-shirt on or a green t-shirt or the truck's got a Terminix delivery or a Rentokil. It's when we make that branding change in a town or a city, that's why we've got to be on it. So we have to explain it to our customers. You will see a change. Technician may be the same technician, not – this is what's happening, this is why there's nothing to worry about. Where I talked about more pilots coming in third, fourth quarter and into next year. That will be one of the key aspects that we address.

So it's one of those things, you're looking at it and say, well, that will be a bit of friction, that will be another one of those factors. But we then think about it on the other side and say, wow, what an opportunity we will have in the future when we've only going to support one brand, really. I mean in terms of digital marketing and one power brand that everyone in America already knows the name of.

So this is why you're coming on the journey with us here. The next couple of years are going to have some bumps in the road as we go through this. The branding one, we've done it many, many times before on a local level where we've done other acquisitions. We'll start by co-branding, 'so and so' part of the vertical Terminix group. And then we'll flip it around Terminix, formally known as whatever. It should be fine. There'll be a little bit of lumps and bumps, but that really is part of the excitement of this entire transaction when we get to the other side, that we can support that one power brand with all of our marketing and the benefits that flow from it. So more to come on that in a few months' time. Next time we're back here, we'll be able to say how did some of those brand transitions go.

Dominic Etheridge: Sure. And just one on the – thanks so much for that. Just one on IT. I noticed that in the slide pack, you've basically said that some of the – you've sort of brought together the packages in both Terminix and Rentokil; is actually anyone running on the whole set as it were at the moment in terms of the new pilot. So anyone, but just wondering, because obviously implies that for instance some of the legacy Rentokil businesses are also going to have to go through a transition on the IT side to get to using the legacy Terminix applications.

Andy Ransom: A fabulous question and you are sat about a foot away from the global head of IT there. So, I suggest you interrogate him when we finish. The big pilot that we are teeing up to in the next few months will be the first time that we put the entire stack to work. So, you've called it absolutely brilliantly. The issue there is not does the technology work, because we're using it either in Terminix or we're using it in Rentokil; the issue will be the change required for an individual. And that's why we invest a lot of time, effort, money into change management. So look, that's why we do this big, we call it MVP pilot. We'll do that in the next few months, but no, at the moment we don't have a material part of the business run on the entire stack, but we've got large parts on large parts.

Dominique Etheridge: Thank you very much.

Andy Ransom: Sure. Thanks Dom. Anymore –

Stuart Ingall-Tombs: Should we go with online – while people are drawing breath, I'll deal with the first one. I think a lot of the rest has been dealt with. But can you confirm what your leverage target is going forward? Yeah. So we are targeting circa three times by the end of this year on an unadjusted basis. Thereafter we're targeting two to two and a half times in the medium term. That's comfortably consistent with a triple B investment grade rating. And clearly as we deliver the synergies, then EBITDA starts to motor and we think we'll delever pretty quickly thereafter, but two to two and a half times consistent with triple B and gives us the flexibility to do the M&A and the bolt-ons; that's an important part of the business model.

I think we've answered pretty much all of sort of Shaniv's points. A question from Luis Torrabenach. What is Rentokil's market share in each region where the company operates? I don't think we've disclosed market share, but market positions in most of our markets I think are number one or two in the markets that we operate across 90 countries.

Andy Ransom: Yeah, I mean it's doing – market share's difficult to call, because it depends whether you mean by city or by town, but the majority of our countries where we're number one market share is probably in the 20-30% of the market, I would say.

Stuart Ingall-Tombs: Yeah. Yeah. And I think we've answered most of the subsequent questions.

Andy Ransom: Any more in the room before we call it a day? Going once. Thank you very much everyone. Really appreciate it.

Stuart Ingall-Tombs: Thanks a lot.

Speaker: Thank you.

[END OF TRANSCRIPT]