



**Rentokil Initial plc**  
**2023 Preliminary Results**  
**7 March 2024**

**Andy Ransom:** Good morning ladies and gentlemen, thank you all for joining us today.

In a few moments, Stuart's going to provide you with details of our strong overall performance in 2023, and our technical guidance for 2024. I'll then come back to provide a very brief update on each of our categories, before we focus, today, on North America.

Here - I'll start by taking you through our organic growth model and our analysis of what happened in the second half. Brad Paulsen, our recently appointed CEO for North America, who I'm delighted joins us here in person, will then go through our RIGHT WAY 2 growth plan. I'll then wrap up with a brief update on the excellent progress that we are making towards integration, and then we'll take questions.

So, to set the scene, let me just say a few words by covering the highlights of the year.

In 2023 we delivered a good overall Group performance with Revenue increasing by 45.8 per cent to 5.4 billion pounds, of which organic growth was 4.9 per cent.

Adjusted Operating Profits grew by 57 per cent to 897 million pounds, and we delivered a Group Margin of 16.6 per cent – which was an increase of 120 basis points. Adjusted EBITDA for the year was 1.2 billion pounds.

Our bolt-on M&A continued to create value with 41 deals, delivering annualised revenues in the year before acquisition of around 106 million pounds; our cash conversion was at the higher end of our 80 to 90 per cent target - at 89%; and we reached a 2.8 times 'net debt to EBITDA' ratio, one year ahead of our plan. So, a good overall Group performance.

As you can see, we continued to make very good progress against the vast majority of our targets and, even in the case of organic growth, where we experienced a more challenging second half in North America, we nonetheless delivered organic growth of 4.9 per cent against our medium-term target of five per cent plus.

The Group is performing very well overall, and we have got a plan in place to reinvigorate growth in North America.

As I just mentioned, our second half Organic Revenue performance in North America was below our expectations at 2 per cent and at 3.5 per cent for the full year. At the heart of this was a reduction in inbound sales leads, contributed to by a range of factors, including the performance of our own digital marketing channels, the impact of our ongoing integration activities, increasing spend by a number of competitors and a softer consumer market – and I'll come on to explain this in greater detail shortly.

Having analysed our organic growth performance in the second half, we've created a detailed plan and put in place a very talented and experienced sales and marketing leadership team, ahead of this year's pest season.

We're calling this our RIGHT WAY 2 Growth Plan and it aims to enhance our performance across all aspects of organic growth in North America - from both new and existing customers, and, in particular, to increase our inbound lead flow.

We are investing for growth, with around 25 million dollars being put to work to support our growth ambitions, with investments into the team, into sales leads from technicians and into our digital channels. This also includes our first advertising campaign to exploit Terminix's position, as the most recognised pest control brand in the United States.

Whilst we've got a very clear action plan which we are beginning to execute now, it will take some time to get the business to the levels of organic growth that we expect. And as such, we are expecting Organic Growth in North America to be between 2 and 4 per cent in 2024, with around 2 per cent expected in the first quarter.

Touching very briefly on the excellent progress we are making on the integration: we have now completed Phase One, and we've exceeded our 2023 synergy target by 9 million dollars; our branch co-locations are going very well with around 100 fewer branch properties, and with a further 75 or so to be exited this year; and we have announced today that we are increasing our gross synergy target by 50 million dollars to around 325 million dollars; we're investing 25 million of that into sales and marketing; which results in our total net synergy target increasing from 200 million dollars to around 225 million dollars. We are also extending the branch integration phase into 2026, to derisk the programme and to deliver these greater synergies.

As a reminder, our original plan was to deliver net cost synergies of 150 million dollars by the end of 2025; and our latest plan takes us to 187 million dollars by that point, and then onto the 225 million by the end of 2026.

So, a good overall performance, a plan in place to reinvigorate organic growth in North America, and an increase in our gross synergy target of 50 million dollars.

So with that let me hand over to Stu.

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

The business delivered a good topline performance in the year. Revenue was up 45.8% to 5.4 billion pounds. Organic Revenue was up 4.9% supported by performances in Europe, Asia, Pacific, and the UK & LATAM. This translates to an adjusted operating profit of eight hundred and ninety seven million pounds, a year-on-year increase of 57%.

Free cash flow in the year of five hundred million pounds, up 34% on 2023, flows from the good profit performance. This represents about 89.4% adjusted free cash flow conversion. It's inclusive of legacy termite warranty claims, but excludes the impact of one-off cash flows mostly related to the Terminix transaction. These factors, combined with the continued success of our bolt-on M&A programme and the dividend payment resulted in a net debt to adjusted EBITDA ratio at year end of 2.8x, achieving our target of below 3 times one year ahead of our initial guidance. Excluding one offs we achieved just under 2.6x, so only just in excess of our medium term target of 2 to 2.5 times.

At AER, Diluted Adjusted EPS was up 8.8% to 23.08p but at CER, Diluted Adjusted EPS was actually up 12.9%. Based on a good full-year performance, the Board has recommended a final dividend for the year of 5.93 pence per share to bring the total dividend for 2023 to 8.68 pence per share, a 15% rise year on year and in line with our progressive dividend policy.

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

Our North American business grew revenues by 79.2% in the year, of which 3.1% was organic. This was achieved alongside significant progress in the Terminix integration. Organic Revenue growth in Pest Control was 3.1% and 3.5% for Pest Control Services for our commercial, residential, and termite customers. This result was below our expectations, largely owing to lower new business lead generation in H2.

As anticipated, the weaker Q3 2023 growth performance continued into the low season of Q4 at 1.2% for pest services, however, Q1 2024 is expected to be at about 2%. We expect full year Organic Revenue growth in North America to be in the range of 2 to 4%. We've put in a plan, RIGHT WAY 2, to reinvigorate organic growth in North America, and Andy and Brad will take you through this later in the presentation.

Adjusted Operating Profit in North America was up 95.9% to £618m reflecting the combined impact of higher revenues and the Terminix acquisition. Strong price realisation continued to successfully offset expected inflationary pressures. Adjusted Operating Margins were up 160bps year on year to 18.7%. We've continued to make good progress in colleague retention in the region. Total retention, including Terminix was up by more than 5 percentage points.

Total customer retention in North America increased slightly to 79.5%. Despite the attention given to the Terminix transaction, we've had another good year for bolt-on M&A in North America, acquiring 13 businesses with combined annualised revenues of around £46m in the year prior to the purchase.

The next slide takes a look at the strong progress in North American Margins.

To look at the underlying margin improvement, here we've used the proforma baseline in 2022 of 16.3% including the annualised standalone Terminix margin of 14.7% we disclosed at 2022 prelims. On this basis, we see that North America margin has increased by 240 basis points in the year. This progress was driven by two key factors. Firstly, trading activities including growth and density improvements, contributed about 100 basis points of margin. Secondly, synergies delivered 56m dollars – that's about 45m pounds – adding about 140 basis points to margin. And you can also see that once we exclude the distribution business, adjusted operating margins are already in excess of 20%.

We expect modest North America margin progression in 2024, with improvement weighted towards H2, owing to the region's expected organic growth trajectory and additional investment in sales and marketing.

Turning now to the European region. A really strong performance across the board here. Driven by both effective price increases and good demand, Revenue rose by 14.6%, passing 1 billion pounds, a significant milestone. Organic Revenue growth was 9.2%. All three business in Europe posted strong numbers. Pest Control Revenue was up 21.8%. Hygiene and Wellbeing grew by 5.8%. France Workwear, which continued to exceed pre-COVID performance levels and was supported by new business sales was up 13.2%.

Adjusted Operating Profit rose by 12.5%. In Europe, as expected, short-term H1 margin pressure reversed in H2. The H1 impact and hyperinflation in Argentina saw a slight reduction in the Adjusted Operating Margin for the year to 19.5%. While inflationary pressures have persisted throughout the period, in Europe and most of LATAM we have been successful at protecting margins with pass-through pricing. Customer retention has

remained strong and the region has delivered some really impressive numbers in colleague retention, now over 90%.

There was a total of 11 business acquisitions made last year, with annualised revenues of around £12m in the year prior to purchase.

Turning to the UK and Sub-Saharan Africa. The region delivered good results against a difficult macro backdrop. Revenue was up by 7.9%, with organic growth of 3.5%. Within this, Pest Control was up 8%. Hygiene and Wellbeing increased 7.7%, despite lapping COVID boosted comparators in the medical waste business. There was a good contribution from the recently acquired Urban Planters business, which supplies plants to retail properties, offices, and restaurants. This was accompanied by an improved performance year on year in the UK Property Care business despite the property market slowdown.

Regional Adjusted Operating Profit was down slightly by 0.5% to £95m, with a margin reduction to 24.1%. As previously stated, margin performance in the first half of the year was affected by the anticipated reduction in COVID disinfection and related services, such as needle and PPE disposal, and the non-repeat of UK COVID credit note releases. However, as expected these factors mostly fell away in H2.

Inflationary pressures have been significant, but the region's long-established pricing and margin management controls have delivered a price performance that mitigates these cost increases. These price increases have been delivered alongside an improved customer retention rate. Colleague retention was also up strongly. The region completed 2 business acquisitions in the year, with annualised revenues of about £18m.

Looking now at Asia and MENAT. The year saw a good performance led by the region's largest markets, India, Indonesia, Malaysia and Singapore. Markets overall remained structurally supportive and there was a more positive contribution from China. Regional Revenues rose by 11.2%, of which 10.2% was organic. Adjusted Operating Profit in Asia increased by 4.0% to £47m and Adjusted Operating Margin was down 100bps to 13.1%, affected by the anticipated reduction in COVID disinfection revenues.

Customer retention was slightly down on the prior year, while colleague retention was considerably improved. The region acquired 7 businesses with total annualised revenues of around £8m.

And finally, turning to the Pacific region. Another strong trading performance here. Regional Revenue increased by 15% of which 6.8% was organic. Pest Control was up 25.2%, with notable strength in commercial services. Hygiene and Wellbeing was up 6.4%. We've had continued good demand in the region for Ambius services.

Regional Adjusted Operating Profit was up by 19.8%, with an increase in Adjusted Operating Margin of 90bps to 21.7%. The customer retention rate remained strong. And colleague retention in the region saw a marked improvement. The region acquired 8 businesses with total annualised revenues of around £22m.

So that's a rundown of our regions, which as you can see have performed well overall in the year and evidence the benefit of our group's worldwide presence.

The next slide looks at our Group margin development through 2023. Overall, Group Adjusted Operating Margin increased by 120 basis points. Execution on our strategy – densifying routes and products, M&A, optimising overheads, and leveraging technology – as well as active cost management, continues to effectively support margin expansion.

Our overall trading performance contributed a net 90 basis points and in the first full year of the Terminix integration, synergy delivery added 100 basis points to Group margin. As can be seen from the chart on the right hand side, that more than offset the 70 basis point proforma underlying impact of the inherited lower margin Terminix business.

Across our geographies, we've the persistence of inflationary cost pressures, most notably, wage inflation. But we continue to be very successful and remain focused on our ability to mitigate increases through pricing.

In line with the updated integration timetable, about which Andy will speak in a moment, the medium term Group margin target of greater than 19% is now expected to be achieved in 2026.

Now looking at our cash performance. Adjusted EBITDA was one point two eight billion pounds, up 43% year on year. Non-cash one-off and adjusting items represent Terminix related one-time share incentive schemes and asset impairments.

The working capital outflow was largely attributable to growth and the movements in provisions relate to termite warranty claim settlements which were at the expected levels. Net capital expenditure of £197m was incurred in the period, reflecting growth and the inclusion of Terminix capital expenditure. Lease payments were up by 45.2% reflecting a full year of Terminix.

Cash interest payments of £166m were £127m higher than in prior year, reflecting the timing of interest charge payments relating to the financing of the Terminix transaction with phasing as described at the interims and to be repeated each year. The increase in cash tax payments reflects higher profits. Free Cash Flow of £500m was £126m higher than in Full Year 22. This resulted in Adjusted Free Cash Flow Conversion of 89.4%, at the upper range of our guidance.

There was a £242m cash spend on acquisitions in the year. Dividends account for £200m of cash spend and the £107m cash impact of one-off and adjusting items largely related to Terminix.

Net debt reduced by £133m to £3.146bn. This resulted in a Net debt to EBITDA ratio of 2.8x at year end, achieving our target of below 3 times one year ahead of schedule, and that included a marginal benefit from USD FX rates at year end. Note that excluding integration costs to achieve, leverage would have been less than 2.6x. Our next debt maturity is a 400m euro bond due in November. About 81% of the Group's interest costs are fixed, providing good visibility in a volatile rate environment.

In July 2023, S&P Global reaffirmed the Group's BBB investment grade rating and in October 2023 the Group received a second BBB rating from Fitch.

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 expect Terminix integration costs to be between \$90-\$100m. Interest is expected to be in the range of £135-£145, that's net of a non-cash hyperinflation credit of £10-15m. Our full year FX guidance reflects the strengthening of the pound against the dollar. We anticipate a headwind of between £25-£35m, which appears to be already largely reflected in market consensus forecasts.

And as shown on the slide, please do note the impact on 2024 of the planned closure of our Paragon distribution business in North America. As already stated, due to the uplifted expected synergies we expect to achieve a group margin of greater than 19% in 2026.

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

**Andy Ransom:** Thanks Stuart.

Right, I want to give the North America section as much time as possible this morning, and so in the interests of time, I'm going to turn the pages on our usual Employer of Choice and business categories at some pace – but I'm delighted at the excellent progress being made, and I'll be obviously happy to take questions later.

Our tried and tested operating model continues to perform very well, and if we start with Employer of Choice, you can see that colleague retention has improved globally by 4.7 per cent - with all regions improving – that equates to around 1,900 more colleagues choosing to stay and therefore fewer roles needing to be recruited for. North America increased

colleague retention by 5 per cent in the year, and that's really great progress, and I'll come back to that later.

You know how important safety is in our company, and in 2023 we delivered further improvements on our world class safety standards, and we were again recognised by ROSPA with their prestigious Gold Award, for the sixth year running.

Customer service levels were high. Customer satisfaction, which we measure at branch level using the net promoter score, is now approaching world class levels in many parts of the Group, including, indeed, in Terminix.

In ESG, we have made continued good progress on emissions in 2023 and we are again ranked amongst the leaders in our sector - something that's very important to us. As I know

If I now turn to Pest Control, the global market remains very healthy with independent market analysts forecasting growth of around 5 to 6 per cent per annum, through to 2028, which, given our global footprint in around 90 countries, we are ideally positioned to exploit.

Indeed, our focus here has delivered revenue and profit CAGRs of over 20 per cent since 2015, and last year our global pest control business continued its growth journey to around 4.3 billion pounds of revenue, organic growth of 4.5 per cent, and we delivered margin expansion of 70 basis points.

For those of you who operate in US dollars, you can see on the chart here the scale of our global pest control business where we are the number one in all regions around the world, with 5.4 billion dollars of revenue and profits of just over one billion dollars.

Now as you know, innovation in Pest Control is very important to our customers, it's a key growth driver, so let me give you just a few examples of why Rentokil is the global leader in innovation. We now have over 350,000 'Internet of Things' PestConnect units operating in customers' premises, and that's an increase of around 23 per cent year on year; we are launching EcoCatch – that's our new proprietary outdoor fly control solution, which in our innovation centre tests was 60% more effective at catching flies than the current market-leading fly trap; and we've got Lumnia, Lumnia's for indoor flying insect control, and we've sold around 445,000 units since its launch in 2017 – and we are now developing the next generation devices using cameras and AI-based technologies.

These are just three examples of our innovations that differentiate Rentokil from the competition, and each of these will start to be rolled out in North America this year.

Moving onto Pest Control's sister category of Hygiene and Wellbeing. Here, we operate in a resilient market, which we're expecting to grow by around 4 to 5 per cent through to 2028.



Since 2015, this business has delivered revenue and profit CAGRs of 6.5 and 8.1 per cent, respectively, and during the year, the business delivered revenue growth of 7.8 per cent, of which 4.8 per cent was organic; profits grew by 4.1 per cent and full year margins were 18.4 per cent.

Our core services inside the washroom delivered organic growth of 4.5 per cent last year, and we continued to develop new products which support the increase in the number of 'service lines per premise' – which increased over the last 12 months from 1.83 to 1.92.

Outside of the washroom we delivered organic growth of 5.3 per cent with increased focus on wellbeing services, such as air and surface hygiene, scenting and plants. Whilst M&A in Hygiene and Wellbeing performed well in 2023, with seven deals delivering annualised revenues of 30 million pounds, and that's ahead of our medium-term target to deliver annualised revenues from acquisitions of at least 25 million pounds.

In France, our Workwear business benefited from excellent colleague and customer retention, and delivered Revenue growth of 13.2 per cent; Adjusted Operating Profit grew by 23.6 per cent; and the business delivered margins of 17.5 per cent – which were the highest for at least a decade.

Turning to our bolt-on M&A programme, we delivered 41 deals in 2023 with annualised revenues of 106 million pounds and our M&A programme continues to perform well, at or above our required hurdle rates. We've got a good pipeline in place for 2024, and our current view of M&A spend this year is around 250 million pounds. So, a good overall performance – and now let's move the focus to North America.

Clearly, we're disappointed with Organic Growth delivery in the Second Half, and I am now going to take a few minutes to explain to you how our organic growth model works - both the elements that under performed in 2023, but also the elements that performed well. Brad will then take you through the plan to reinvigorate growth in a little bit more detail.

So let me start with the US pest control market, that's the world's largest pest control market, and it represents around half of global pest control demand.

Based on our own internal estimations, we believe that the US pest control market grew by around four per cent in 2023, and whilst this is around a one percentage point reduction against the historical average of around 5 per cent, the current consensus of third-party commentators calls for a return to average growth rates of around the five per cent mark, in the period to 2028. And as we think about the future growth of the US pest control market, it is perhaps worth noting that third party estimates suggest that - in residential and termite - the unserved market is nearly 7 times the current served market, so this represents a significant potential future growth opportunity to expand the size of the market.

So - here's our model for Organic Growth in pest control and it starts at the top, with strong colleague retention and expertise in our frontline techs and in our sales colleagues. You then have sources of organic growth coming from existing customers, they're running down the left-hand side of the chart there, and sources of organic growth coming from new customers and they're running down the right of the chart.

In short – happy, engaged, well trained, experienced technicians will deliver a high-quality service to our customers, which then, over time, drives up customer retention. Happy customers are accepting of our annual price increases but they are also willing to purchase additional services from us, with our frontline technicians making recommendations to our customers and submitting those as sales leads, to then be sold by the sales team.

Once the sales team has sold the lead, it is important that the technician gets the work order completed quickly, as an urgent response is often very important to our customers. As I'll explain in a moment, revenue from existing customers was not our issue in '23. That said, it is nonetheless clear that we have got an outstanding opportunity to generate improved growth from our very large, existing customer base.

So, what about the right-hand side of the chart – and new customers? Growth from new customers was undoubtedly weaker in the second half of last year, primarily because of lower in-bound sales leads in residential and termite and in our high street business customers. And why was that? Well, our analysis is that there was not a single major cause, but rather a range of contributing factors, collectively impacting on our execution.

As I've mentioned, growth in the market was down, reflecting the tougher economic environment; the performance of our own digital marketing channels was disappointing, at a time when our marketing and sales leadership teams were undergoing considerable change; whilst our service technician retention showed excellent improvement, our frontline sales colleague retention, was flat year on year, and in Terminix, it remains well below where we need it to be; at the same time, some of our competitors were increasing their spend in digital channels; and, in addition, we were clearly very focused on the integration programme, perhaps more than the external market.

So, we've analysed each part of that model that but I've just showed you, but let me put a little more meat on the bones, before I hand it to Brad to take you through THE RIGHT WAY 2 growth plan.

So, let's go back to the model. Was our lower growth caused by colleague retention? Well, no, it wasn't. In fact, colleague retention was up by 5 percentage points in North America last year and, since the deal closed, we have delivered an impressive eight-percentage point improvement in Terminix technician retention. In 2024, as Brad will come on to highlight, there will be no letting up on our focus on this, but we will have a far greater emphasis now

being put on sales colleague retention. On the right-hand side - our key customer service metric of State of Service remained strong in '23, as was Customer Satisfaction, where Terminix's net promoter score of 65 is truly excellent, and indeed, this improved by 1.5 points last year.

Continuing around the model – our pricing remained tightly managed in North America where we successfully covered cost inflation with increases to our prices. Overall, our technician leads performance in 2023 was fine, it was in fact slightly up on 2022 - and we deployed the new Trusted Advisor programme in Terminix. But, here again, we believe that we have got a significant opportunity to improve in this space going forward. Last year, in the United Kingdom, 88% of technicians submitted successful leads, whereas, in North America, it was just around 50 per cent.

So, turning now to new customers. Terminix is the best-known pest control brand in North America. It leads on both 'top-of-mind' and 'unaided' brand awareness. So whilst awareness of the Terminix brand is excellent, it is fair to say that we haven't yet invested in the Terminix brand, particularly in terms of the 'top-of-funnel' marketing, as we've been very focused on the foundation phase of our integration. There's clearly, clearly a great opportunity here. Brad will outline our plan shortly to start to leverage this market-leading pest control brand from 2024.

Looking at the right-hand side, as I mentioned earlier, the part of the model that is scored in red is new customer acquisition where in-bound sales leads were down by around 2 to 3 percent in the second half.

I went through the contributing factors earlier, including the performance of our own channels and increased spend by competitors, but with a good understanding of this, we have now created THE RIGHT WAY 2 growth plan.

Once we get leads in from technicians, or inbound leads from marketing, these are funnelled through to the sales teams, so how effective were the sales teams at selling those leads? The short answer is they did a decent job at converting leads into sales, with a sales conversion rate that was effectively in line with '22, but, in my view, perhaps this could also have been better, given that our sales colleagues had fewer leads to work on. So clearly, improving our sales colleague retention will be an important part of the plan. Once a sales lead has been sold, it is passed to the techs to complete the work order, and, as I mentioned earlier, the time between order and installation is critical.

Completion rates remained high throughout the year, and whilst we do see good opportunities to achieve yet further productivity, this was also not an issue for us in 2023. So, I've taken you through our model for organic growth; I've outlined the range of factors which influenced the lower organic growth performance in '23; and I hope that I have also

started to demonstrate the range of opportunities that we are focusing on in '24 and beyond.

But all of this comes down to execution. Execution of the plan, and to ensure that execution, as you can see on the screen, we're starting the 2024 pest season with a highly talented, experienced and fully staffed, senior sales and marketing team in place. Leading that team is our new CEO for North America – that's Brad – and with that I'm going to hand it over to Brad.

**Brad Paulsen:** Thank you, Andy, and good morning everyone. Since joining the Rentokil team in mid-December, I have been incredibly impressed with our team's commitment to our colleague and customer success and am excited to represent our North America team today.

You have just heard a summary of 2023 and everyone understands our organic sales growth was below expectations in the second half of last year. As a team, we are laser-focused on our plan to return our business to faster than market growth levels. To accomplish this, we will use our Right Way 2 Grow framework which we expect to deliver a world-class service experience to our existing customers, while executing several key actions to increase our growth performance from new customers.

Up first is Employer of Choice, an area we view as both a strength and differentiator for our team in the market. We believe strongly that our colleagues are the foundation to our success and will continue to invest in their training and development through our RTX University and RTX Way programs, while also simplifying and automating daily field tasks through the planned launch of over 60 enhancements to our field handheld devices.

At the same time, we do recognise we have an opportunity to improve our sales colleague retention. As a point of reference, our legacy Rentokil business has historically delivered sales colleague retention at nearly an 80% rate, while our Terminix business has struggled with rates below 60%, particularly for colleagues with less than 6 months of service time.

In 2024, we will address this opportunity by standardizing our talent acquisition and onboarding processes while also modifying our new sales colleague compensation plans to better fit the required training and ramp up timeline for a new sales colleague. Our expectation is that, over time, our Terminix sales colleague retention will reach 80%, which we believe will have a positive impact on our sales conversion rates.

Next is our focus on delivering a world-class service experience. We feel we offer a differentiated experience and attribute much of that to our talented and trained service technicians. As I mentioned earlier, we will continue to invest in our technician's skills and

credentials through tiered and vertical specific certification programs. We will also double down on our efforts to mine available data to identify which parts of our customer experience have room for improvement. Our aim is to provide a frictionless experience for our customers and have targeted 2024 improvement opportunities in our existing billing, scheduling and issue resolution processes.

Addressing our recent digital marketing and customer acquisition challenges is one of our most critical 2024 execution priorities. To do this, we have developed a two-part plan that begins with increased investment in our Terminix brand. Starting this month, we will launch a new, targeted campaign for our Terminix brand that reinforces our expertise and dependability through our new tag-line, *Terminix It*. We believe the campaign's fun yet functional messaging will strengthen our top-of-funnel marketing efforts and help position Terminix as the first brand residential customers think of when they require pest control services. We also have plans in place to increase awareness and strengthen our Rentokil brand, specifically with our commercial and National Account customers.

The second half of our two-part plan is re-igniting our customer acquisition engine. Our execution plan to accomplish this is multifaceted, beginning with a fully staffed team of experienced and capable marketing and sales colleagues. While this proved to be a challenge particularly for the second half of 2023, our 2024 team is fully staffed and includes a terrific blend of internal and external talent that has a proven track record of connecting with customers and delivering results. Our most recent leader additions include our new Digital Marketing, Residential Marketing and Sales leaders which all bring deep expertise and experience to their respective leadership roles. Next, we recently transitioned to new creative and media agency partners we are confident will help improve the effectiveness and return on our marketing and search spend. And the final piece to our plan is the opportunity for improved bottom-of-the-funnel initiative execution. This includes increasing the productivity of our own media and digital platforms plus implementing plans to drive more efficient customer and geographic targeting.

So, to get leads flowing from new customers, we're making our first investments in the powerful Terminix brand and funding the key marketing, sales and digital experience initiatives we believe are necessary to return our business to historical growth levels. OK, before we proceed, I would like to take a moment so we may play a short video that highlights our new Terminix brand campaign. Please start the video.

[video plays].

Like I said, we are all excited about this campaign and are looking forward to its launch this month.

The next component of our Right Way 2 Grow plan is sales conversion. We consider this an area where we have performed okay, but believe we still have an opportunity to deliver material year-over-year improvement. Much of that improvement will be driven from the expected increased sales colleague retention we discussed earlier. In addition to that initiative, our new Sales leadership is focused on re-engineering our internal processes to decrease the amount of time between initial customer inquiry, site inspection, and ultimately, sales completion.

An equally important part of our Right Way 2 Grow plan is pricing execution. As Andy mentioned earlier, we have proven that our pricing practices are effective as we consistently mitigate the impacts of inflation on our business. That being said, with large, nationally scaled residential and commercial business segments, it is imperative that we use all available tools and technology to constantly evolve our pricing practices to deliver value to our customers for the services we offer. A key component of this will be the increased use of data and AI to deliver more market and segment-specific pricing, while also seeking to eliminate any process inefficiencies from our existing processes. I am also excited for the bundling and promotional plans we have planned for 2024 as both represent nice growth opportunities that we believe will appeal to our customers. We are eager to see our pricing practices evolve in 2024 and are confident we have the appropriate plans to once again offset any inflationary impacts on our business.

The final two areas of our Right Way 2 Grow Plan are customer penetration and technician productivity. Earlier you heard about our Trusted Advisor program, which we all view as a significant opportunity to drive additional sales leads from existing customers. Today, around half of our technicians in North America generate leads from our existing customer base, which is far below the experience in other countries in Rentokil Initial. In 2024, we have already added an accomplished Operations leader from our UK business, with his singular focus being to develop the right process and tools to deliver, over time, the same Trusted Advisor participation rates and revenue generation realised in our top-performing countries.

Finally, technician productivity remains a top priority. Two key actions in motion for 2024 include improved route productivity and on-time arrival initiatives through our Best Fit routing program and the launch of our Customer Service Quality program that we expect will drive continuous improvement in our service experience while also being a great training and development tool for our field colleagues.

In closing, I am proud of the progress our North America team continues to make as we come together as one team. I am also confident we have the right team and the right growth plan focused on colleague retention, re-establishing our sales and marketing excellence, strong pricing discipline and improved Trusted Advisor program execution. I

believe our team is up to the challenge to execute this growth plan and I am excited about our opportunity to deliver improved organic sales performance in 2024. Thank you for your time today, and I'll hand it back to Andy.

**Andy Ransom:** Thank you, Brad. I'm going to conclude with a few comments on the excellent progress we are making on the integration. You've all heard me talk about how we are bringing together our businesses to create a pest control powerhouse in North America. We are the number one pest control company in commercial, in residential and termite; it's a business with scale and density; it's got an outstanding branch and route network across the entire United States of America; this is a business with multiple drivers of revenue growth - from our millions of existing customers and from new customers alike; and, in addition, the integration of the two businesses will deliver significant cost synergies and long-term growth opportunities.

As you can see on the screen, for 2023 we set a net synergy target for the year of 60 million dollars and I'm delighted to report that we've exceeded that, delivering 69 million dollars in the year. In total, to date, we have delivered gross synergies of 104 million dollars, we've made 22 million dollars of investments, and we've delivered net synergies of 82 million dollars.

We have now completed Phase One of the integration programme and this slide covers just a few of the many activities and achievements that our disciplined approach to this integration has delivered.

Just to pick out a few: we have streamlined and unified the organisation to create a single Rentokil Terminix team; we've delivered a single payroll and benefits system for all 22,000 colleagues; we've moved 10,500 colleagues onto Workday – so all of our colleagues are now on a single people management system and that change was crucial to aligning our people management processes but will also enable the future harmonisation of pay plans; and we've successfully reduced the branch property network by around 100 branches.

Importantly, during this phase, our branch integration playbook has continued to be tested and refined - having undertaken integration pilots, as well as successfully migrating ten standalone acquisitions onto our IT platform. So, the foundations for future success have been laid and we've now entered Phase Two of the integration plan, which is the local planning phase ahead of full branch integration.

Now, we've got seven large regional pest control Markets in the United States, and each integration will be executed over approximately 10 months from planning to completion of the rerouting. The first six months will be used to develop specific local plans for the branches being integrated, based on the playbook. This then delivers the integration of branch systems and the migration of data. For the following three months we evaluate,

before then undertaking the final part of the process, which is the rerouting and the harmonisation of tech pay. Only having completed the detailed planning phase, we then move on to Phase 3 which is the first full branch integration, which will begin this coming summer.

Our first market will reduce the number of branches from 76 to around 50 and it will increase the average 'revenue per branch' by around 2.5 million dollars. As we move through this third phase, we expect the integration process to become more standardised, as the Terminix branches are all using the same systems and processes. In 2026, we will reach Phase Four. This will mark the completion of the branch integration programme and the delivery of our new synergy target.

Importantly, post the integration, our ambition remains to deliver Organic Revenue Growth in pest control services of 'one and a half times' the North American market, over the medium term. At the very heart of our integration is a commitment to best-in-class technologies, systems and processes and whilst this is an extremely important part of the overall story, it's perhaps not the easiest to communicate, so we've produced this short video to bring the IT programme to life for you.

[IT video plays]

Right, so excellent progress in technology, as I was saying. Now, I know a lot of you here today are now termite experts after my teach-in last year, and I am pleased to say that, as you can see on the chart, we have made good continued year-on-year progress in 2023 to address the historical Terminix termite warranties.

So, before I wrap up for questions, here's a summary of our plan for synergy delivery through to 2026. We have increased the gross synergy target by 50 million dollars; we've increased our investments in sales and marketing by 25 million dollars; and therefore expect to deliver net cost synergies of around 225 million dollars by the end of 2026.

In summary, last year was a good year for us, a good overall performance; organic growth of around 5 per cent; margins up 120 basis points; cash conversion of 89%; we've reduced our 'net debt to EBITDA ratio' to 2.8x; we beat our synergy target; and we go into the 2024 pest season with a fully resourced senior sales and marketing team ready to execute the RIGHT WAY 2 plan to reinvigorate growth in North America.

So with that, thank you very much - we'll now take any questions – we'll start with questions in the room and then we'll take any additional questions from the audience online.

## **Questions and Answers**



**Suhasini Varanasi (Goldman Sachs):** I have three, please. The incremental investments in sales and marketing, \$25 million, when should we expect the benefit from this plan to drive improvement in organic growth? Is it Q2 or is it more second half weighted? And have you already started the new investments as of January or is it yet to start?

Second one, what is your plan for the distribution business in North America, please? It has been dilutive to both growth and margins in 2023. Do you really need to be in this business?

The third one, on slide 27, you have mentioned that while overall pest control growth organic has been 4.5%. North America organic growth has only been 3%. Maybe Terminix has been a bit dilutive here. So can you maybe talk about what has happened historically? What gives you the confidence to target 1.5 times the pest control market growth in this region in the future?

**Andy Ransom:** Thanks very much. Look, on the sales and marketing. Sales and marketing spend where you spend your dollars and where you put your focus is a pretty competitively sensitive subject. So, I hope you would not be surprised or disappointed if I am not going to give you a lot of detail as to where we are spending the money. We have spent a lot of time working on the plan, creating the plan, planning the plan.

Pest control is a seasonal business. The season in North America typically starts in second half of March. It depends on when that big yellow thing in the sky comes out. And if it is a hot and early spring, that is great, season starts early. So it has really been geared up to put us in a good place to hit the season in a much stronger place than we have been previously.

A little bit difficult to predict the future in terms of how is it going to unfold. We have already said, we would normally, but this is topic of great interest, I understand. We already said we are expecting around 2% for the first quarter. We have had two months of the first quarter. So, we can see broadly where we are tracking.

More than that, I cannot really say. It does depend a little bit on the season. It does depend how impactful our campaigns are. But the spend, I will give you a slight bit more detail.

To drive your organic - drive your performance through your digital channels, you've got two modes here. You have got your organic and then you have got your paid. And we are working on both. So organic is - as you all know this, I know, but organic is when you do, let us say, a Google search or any other search engine search, the first few that come up are paid ads and then the next lot that come up are organic. So you have got to work on both of them, and you should assume that we are putting quite a bit of focus into both as indeed the top of funnel marketing as the ad campaign.

Distribution, do we really need to be in it? Also, an interesting way of asking the question I suppose. Do we really need to be in any business? The distribution business gives us vertical

integration. It means that we can get a large volume of chemicals, pest control supplies into our business with the benefit of a lower price than we would otherwise buy externally in the market.

It is a much lower margin business. All distribution businesses are much lower margin than service businesses typically. We review the portfolio with the Board every year. Every year, we look at those sorts of questions, should we be in this? Is there an opportunity not to be?

We do not have to be in that business. We choose to be at the moment. We will keep it under review is what I would say.

Your third question, I think, was really, I guess, well, maybe rephrase it, what gives us the confidence that we can do 1.5 times the market? It is really that dark board chart that I laboured and I appreciate I did labour it, but growth comes from quite a number of different sources in our market and in our business.

By being really, really good in all of those areas and also by being substantially bigger with better density than all of our competitors, it is the combination of execution excellence and our market position that gives us that confidence. We do it in other markets. You have seen some of the performances coming out of Europe. You have seen some of the performances coming out of the other markets, but I know I am bore for Britain on this one, but it is the model of great colleague retention feeds great customer retention if you have got both of those in place and you have got the most innovative business in the industry, more innovation, more new things to excite customers about, that is a winning hand. So I am very confident we will get there, but we have got to get to the other side of this thing called integration before we can start delivering on that.

**James Rose (Barclays):** I have got two, please. It seems like the pilots are largely complete now. Could you tell us what you have learned incrementally from them? And are there any tweaks to the integration programme since the last time you have updated us? And then secondly, on the higher gross synergy target announced today, where does the confidence come from to increase that target? I mean, so far, you have done a lot of preparation, but you have not done an actual regional integration just yet.

**Andy Ransom:** Hi James. We have done a lot of pilots. I mean that video of IT, I mean, I know it all looks simple and straightforward. That is a hell of a lot of work in there. And every one of those items, whether it is the handheld that goes to the tech, whether it is the customer service interface with the customers, everything you have seen there has had to be piloted, tested and retested.

I do not know that we ever really stopped piloting. You asked one of the learnings. One of the learnings is, I wish the following statement was not true, but all branches are not equal. They come with their nuances. They come with their idiosyncrasy. So every branch you think

you have got it all then you will say, I did not realise that branch did something a little bit differently than the previous branch. So, there is always going to be an element of tailoring the integration. That is why we do this long planning phase to make sure that we have got it all. Look, I would not say we have fully piloted out, but I think we have tested and tested and tested lots and lots of things.

In terms of other learnings, look, I think in the earlier pilots, and this is why I say after a while, they sort of become cookie cutting. Once you have done the first one, that will be the most challenging. The second one should be a bit easier. The third one should be.

Once you are getting down to doing 50, 60, I do not say they are going to be easy, but they should become much more cookie cutter. I think having what we are calling a pit crew, it is taken from a Formula 1 type, kind of a car comes in and everyone knows exactly what they are doing.

So, as we do the full integration come middle of the year, those integrations will not be, 'here is the playbook and good luck boys and girls'. It's 'here is the playbook and here is a team that will be with you through that process'. So having the hands-on pit crew to take the branches through the process to having a dedicated customer service line. So if we screw up on a customer, the customer calls up and says, where is my technician, where is my service?

It does not go into our call centre. It will go into a dedicated customer service rep, who knows all about what is going on in that particular branch. So I think there is some real practical learnings. On the synergy piece, sorry, James, you have to repeat your question.

**James Rose:** Where does the confidence come from?

**Andy Ransom:** Yes. Thanks. Where is the confidence? We have always had a very, very, very detailed plan. We keep that plan up-to-date. We track it every single, not every single day, but we are tracking every single week. We have fortnightly reviews of the programme.

And we make sure that all of our colleagues, who own a piece of that synergy pie update their assumptions regularly. So what have we learned? Why is it, okay? It was a bit more in procurement than we assumed, okay, we can add to that. There is a bit less here. So it has really just been informed by our experience and the progress that we are making.

You saw we delivered ahead of plan this year. It would be wrong to suggest that we found a rich new seam of gold that we had not identified. It is more that we can see now the evidence that we know what we can get out. And it is coming from both the SG&A and the branch network. It is coming from both.

Questions for the CFO, surely.

**Andy Grobler (BNP Paribas Exane):** One for Stuart to start with and then two on North America. Just in terms of the central cost for 2023, that came in below, I think expectations. Can you just talk through the drivers last year and then what you think will drive the increase in 2024?

And then on to North America. When you talked about colleague retention, clearly, it is much lower still at Terminix. Can you split out a bit between those new joiners? The people that have been there for six months who are unlikely to leave, what the difference is? Then, I guess, explain why when you are treating people the same, paying them the same, there is such a difference between those legacy Rentokil people and the legacy Terminix people.

And then on to branch integration, as we go through that during the year, from your experience as you go through that process, what is the impact on growth? Do you get one, two, three months or whatever it may be, where focus is just elsewhere, and growth rates slow down? And then how long does it take to come back?

**Stuart Ingall-Tombs:** Yes. So central overheads, there is three or four things going on in there. Firstly, I had a couple of short-term credits that we just got in 2023 that would not recur.

So, we had a couple of non-recurring credits. You can imagine, as we were looking at Q3 evolve, we were not particularly enjoying the growth rate that we were seeing there. And we are a very operational responsive business and the cry goes up in Rentokil Initial and we have got a fabulous team across the globe. We have got a fabulous central team. So we really nailed down in the second half of H2 to make sure that we could deliver our undertakings to the market. And you see from the results we absolutely did.

So, we have got a couple of things going on there in 2023. And then in 2024, what you have got is the annualisation of investment, so some of the investments we are making to deliver the acquisition are actually being bought at the centre, Global Workday System, for instance, identity management, which in this IT security world we all live in is absolutely critical. So we are making investments there.

And then we have got a bunch of compliance stuff, so SOX in particular. We bear a full year of that in 2024. So, there is a chunk of investment that is actually happening in the centre that is related to Terminix, but that sits in central overheads. Well, let us assume we deliver our undertaking, so you have got a more normal level of cost in 2024 than we had in 2023. So, there is a number of interacting elements to that, Andy.

**Andy Grobler:** Could I just ask what was the one-off benefits?

**Stuart Ingall-Tombs:** Just an insurance benefit we got, a slight listing benefit that we got. So nothing that would raise its head, but when you do the bridge it is 1 million or 2 million on those sorts of things. So, it is nothing remarkable for us.

**Andy Ransom:** Right Andy. The second question in two parts. Do we see a difference between the tenure of levers nought to six, six to 12 newcomers versus people who have been in a while. And why do we see a difference between Rentokil heritage, Terminix if people are paid the same amount to do the same job?

And the first part is a really good question, and it is not a Rentokil factor. It is a global phenomenon that you can ask any big company and ask their HRD. They all see the same phenomena that the world is struggling. Once you have hired someone, hiring them is the first challenge, can you find the right people? They do not stay as long as they used to.

So, the nought to six, we really laser focus. We have every single branch, thousands of branches around the world, every single branch is monitoring that nought to six and six to 12 because to your implied point. If you can get someone through the first 12 months, then we tend to hold them for quite a long time. So part of the answer to the question is, well, in tight labour markets, do you always hire the best candidates or are you hiring the available candidates? So, we have put a real emphasis on the quality of finding great candidates.

The next thing is trying to create a world-class first day experience. And people tend to leave pretty early if when you join a company, is not a great experience in the first few weeks and days. So, we have worked on things like that. We do things like Friday afternoon calls. It is one of my theories that people leave an employer over the weekend. They have had a bad week. They go out and they kick the cat and they do not come back to work on Monday. And so, if you can reach out to people on a Friday and say, how was your week? And can we do anything to improve it? So, we are really, really focusing on that nought to six because it is where our biggest challenge is, absolutely.

To the second part about Terminix and Rentokil, well, that is kind of the point to a degree, we have not harmonised pay yet. That is still to come. We have not harmonised pay for sales colleagues, and we have not harmonised pay for technicians. That is part of the investment that we are making, and it is part of what happens when we start to integrate branches.

So, you have got that, but linking it to the first point of the question, the sales pay plans for Terminix colleagues really makes it quite difficult to get through the first six months. In my view and Brad's view, and he has come in and looked at this and said, we need to help our sales colleagues through the first six months because the pay plan does not do us any favours in that regard.

So, I think it is one of the changes that Brad will be implementing fairly soon is to moderate how we structure early new joiners in sales, and that is a key thing. If we can fix that quickly, then we will start to see the changes. So, I do not think, part of it is we have got different pay, we have harmonised the benefits, but we have not harmonised the pay. Part of it is this historical legacy of when do we start paying you a salary, when do you go on to a full commission basis and it is a really detailed subject. We can have a chat over a coffee, if you want.

Branch integration impact on organic growth, probably not going to like the answer. I am going to give you both the answers. So, it depends. It just depends. We have done many, many integrations over the years where we have seen zero impact on organic growth, absolutely none. And that is clearly what we will be targeting and trying to do.

But we have also seen impacts of integrations where we have seen a few percentage points of organic growth. Why? What is the issue? Why do you see any impact at all? Well, the only reason you see impact is if you do a poor job of making the change with your customers. I am your technician, Andy, you know me, you like me, hopefully, I have been looking after you for some time. And then we are going to switch it around because the only way you get synergies out of the network is you have got to reroute.

I went into American, then we have got a reroute. Then you tighten the routes, and therefore, we are going to have to make some changes. So, Stuart is now going to be your technician going forward. If we do not do a good job of that handover experience, as I come out and Stuart comes in, then we have given the customer a reason to think, okay, maybe I will look around. So that is the pinch point in the integration. We have got to get that, got to communicate to customers, got to give them a great experience.

And the vast number of times, the customers are absolutely fine. They are absolutely fine. It is only if we do a poor job of that. And that is why it is so much in the detail and so much in the planning. That is the answer.

**Ian Zaffino (Oppenheimer):** Can you guys maybe just touch upon the competitive environment you are seeing in North America. When you look at your share, maybe who are you donating share to? Is it mom and pops? Is it larger players? If you look at the larger players that are growing quite rapidly.

And then when you think about your self-help plan, how does that work challenging, let us you say, mom and pop versus a larger player? And maybe where is that all targeted at?

**Andy Ransom:** Thanks. I do not know whether I like the phrase or I do not like the phrase donating share, certainly not something that I have ever considered doing. The competitive landscape in North America, look, A, it is a very competitive marketplace, always has been, always will be.

I started this 15 years ago, consolidating the marketplace by going and doing acquisitions. 15 years ago, the estimate was there were 19,000 pest control companies in the United States. 15 years of consolidation, the estimate is there is 19,000 pest control companies in North America. There is just a lot, and they are mom and pop. They are local. And I always make the point. Do not think of us as a multinational, think of us as a multi-local.

So you win and lose market share locally. Yes, there is a national account piece to our business, of course, there is, but that is not really the story here. It is locally. So you have put your finger on it. For us to be successful or not successful, we have got to win in hundreds and hundreds of cities in the United States.

But the great thing is we have got the best footprint of any competitor in the United States when we finish this, our local position will be fantastic. Terminix is the best-known brand in pest control in those cities. It already is before we start to invest it and turbocharge it and put emphasis behind it. But you are absolutely right. At one level, you have got to have a local plan as well as the central marketing plan. And so, the main area you would see, I would say, is in reviews. Google reviews or whatever Angie's List reviews.

So it is really, really important that in every one of those local cities, when we get happy customers, who have had a good experience, if we can encourage them to leave us a nice five-star review. Those five-star reviews are what we knew a lot of local business against the mom and pops and they can do it as well. And so, you are absolutely right. You have got to have the central marketing piece with the overarching brand, but this thing only works if you get it right in hundreds and hundreds of cities, which is why it requires a lot of focus, but we have to have local content as well.

I mean I do not honestly think the competitive rivalry has changed in any sense. It is not like you lose a big piece of market share. You are losing \$1,000 customers in towns and cities and you are winning \$1,000 customers in towns and cities. And that is why the concept of seeding share or losing shares is a little bit of a difficult one to work with. It is not like one big competitor is coming in and hoovering up a big chunk of your business. You do not win or lose share like that. It is lots and lots and lots of small accounts. That is why we have got to get the marketing, and that is why we have the local marketing plan to support the national one.

**Nicole Manion (UBS):** Just one question, please. Could you run us through the definition of organic growth that you have used in full year 2023? And if that has been the same as what was used in H1 and then how it compares to previous years? I noticed that helpful detail in the release today, but if you could just run us through that, that would be great.

**Stuart Ingall-Tombs:** Yes. I will take that one, Nicole. So for everything excluding the Terminix transaction, the definition of organic growth has not changed for many years in Rentokil Initial. So that is the first thing to say.

We made the decision to take a slightly different approach with Terminix because generally speaking, we do not use the pro forma revenue base for a business that we have acquired as part of the organic growth calculation.

But for Terminix, we really wanted a very pure like-for-like calculation because that is what we believe would be most representative to the market. So, you put these two businesses together, if we had held them throughout that period, for the full year, what would that like-for-like growth be? And so, we adjusted our policy ever so slightly for Terminix. That meant in 2023, we took a slight hit against what our standard approach would have been for 2023 for the Group aggregate calculation of organic growth.

It only applies in the first year of the calculation, and in 2024, all falls away all standard back to usual. So, we made an exception for Terminix within that calculation, so you got a very pure like-for-like view of the world, Nicole.

**Dominic Edridge (Deutsche Bank):** Three for myself. Firstly, just on the net debt strategy or the leverage strategy. Obviously, I think net debt was down by around 100 million net this year. Are you happy with that tenor in terms of the year-on-year declines? I know you put up the dividend. Obviously, you have still got the M&A in there. Is that the level of deleveraging that you are happy with? And along with that, I suspect the net debt-to-EBITDA, a lot of the driver of the decline and that is going to be the EBITDA rather than the level of net debt as it were, just if that is correct.

And then two other things. I know that you mentioned around about better colleague retention in North America. I think during the numbers, if you look at the branch managers at Terminix, I think there has been about 18% churn there since you closed the deal. That seems quite high. Is that a level which you are surprised about or something which just happens to a voluntary level?

And then the last question is just on the delayed integration. What is the best way of thinking about that? Do you feel there is too much stress on the business to perform the to level that you wanted to if you capture the original plan and the growth would have been even lower this year if you had kept to that? Or if you could just maybe just talk through a little bit about your thoughts there.

**Stuart Ingall-Tombs:** So, I will start with deleverage. You are absolutely right, most of the deleverage is coming from the DA element rather than the debt. So I am very content with the way that has worked. It is coming inside our guidance. We have got a little bit of benefit at the year-end because average earnings at a slightly lower dollar rate than the year-end



net debt. So, we got 20 basis points of improvement or 0.2 of a turn, something like that, but modest.

Very happy with the trajectory. You are right. When we put our business plan together, we have reflected that progressive dividend policy. We have reflected headroom for M&A. In the short term, the additional element is that circa \$100 million of cost to achieve that we are bearing in 2024.

So, if you sort of add together the cost to achieve and the modest margin increment in the US, then I expect our deleveraging is probably not going to be the same trajectory in '24 as it was '23. But once we get through, we get through the cost to achieve. We start to achieve the synergy delivery, then I expect that curve to start going down pretty quickly '25 into '26. But entirely in line with our plans, very comfortable with it and actually delighted with the outcome.

**Andy Ransom:** I am going to confess, I genuinely do not know what data you are looking at to make that quote. And again, maybe it is one for coffee. But the retention branch managers, Terminix, is extremely high. So, I am not quite sure what you are looking at, and I am slightly puzzled. So, there is some nonsense being written recently that maybe it was in there, but I do not recognise that at all very high. So not an issue at all, quite the opposite. It is fantastic.

On the integration, look, I think I have been doing large deals my entire career, that is what I spent 35 years doing. It does not make me an expert, but it makes me someone with a lot of experience. And I have always said we will take as much time as we need to do the executions and to do them to execute the plan well. So we are really thoughtful. We are really careful. We do not rush things. And I have always said to the team, if in doubt, delay, if in doubt, delay. We never hit the go-live button if we are not ready.

There is as an element of this is, it is big. I mean we showed you on the video, the complexity in the IT space. This is large. This is complex. This will take time. So actually in my head, I do not consider it a delay. I just consider it a rephrasing based out of, okay, well, the synergies are going to be bigger. We are going after it more. What have we learned through the process so far? Where are you in the journey? Yes, this should take us a bit longer.

An element of that, of course, we are not running the business to please the share price. I mean that is not the way we think, maybe we should. That is the way I think I run the business in the best way that I know how. But clearly, we are conscious of the fact that we saw an impact on organic growth. Clearly, some of that was because we had become internally focused, in my view. Clearly, some of it has a little bit of impact on some of the integration pilots, etc.

So pacing it in a slightly longer way, I think does give us a better opportunity to get more business as usual organic growth at the same time as delivering the execution on the integration. It is not like, okay, let us better change the plan because we need to change the way we run the business. It is just more realistic from where we are given what we have still got to do.

But my philosophy has always been we start when you are ready. We will take as long as it needs to take, not because we have given a previous date to the market. So hopefully, that gives you some confidence that it is a business-driven decision. But it does give us a thing and it does take a little bit more time to do it. Therefore, we are going to have more businesses in the business as usual phase at the same time rather than having more business in the transformation phase. So yes.

**Oliver Gottlieb (Universities Superannuation Scheme):** Andy, just one question. Following your description about the importance of local share and the local battle, when we think about that, in your wheel, the red bit here on sales and marketing that a lot of these presentations were about; was the challenge you faced there, and therefore, the response you are going to give, was that more at certain localities? Or was it broadly across the whole country?

**Andy Ransom:** Yes. Let me put it this way. If it was in certain localities, I would not tell you, but it was not really. It was more broadly based. So there will be inevitably with hundreds of city-based branches. We stack rank them. So I know exactly who the best performing, and I know where the worst performing.

But generally speaking, did we see a drop-off in lead flow across the board? We did. Was it worse in some cities and towns than others? Yes. Was that market related? Was it competitive related? Was it us related? Yes, all of the above. So I don't think it is not all in one region, it is more broadly based. And we did see it in resi, in termite and in SME commercial in that order. So more worse in resi than in termite and then SME, as we said last time we talked on the subject.

And that is entirely logical as well because if you run a pub and you are looking for a pest controller, you find the pest controller in exactly the same way as you would as a residential customer. So it is the same channel, which is impacted.

**Allen Wells (Jefferies):** Just a few small ones for me now, please. Is there any way you can split out resi versus commercial in that growth number? I think we all understand the narrative around resi side, but I would expect this is the bigger commercial to have held up, maybe a bit better. Anything that you can say be interesting.

Secondly, actually just a weather question. I am mindful you have talked about Q1 being weak again 2%-ish. But it feels like North America generally been pretty mild winter. We

expect that pest season to probably creep a bit more into early March than late March. And no tailwind from that, just whatever comments you can make, that would be great.

Staff side, obviously, lots of comments around the questions around the new joiners and keeping them well incentivised but within that new incentive plan, are the best performers from Terminix, is their pay plan equally as attractive as it was before they disadvantage? How do you balance the books, that would be a question.

And then maybe finally, just provisions in termite and stuff. I did not see it and I did not get through it. But was there any benefit in the EBITDA number for 2023 from termite provision releases and any comments around '24?

**Stuart Ingall-Tombs:** I will take the last one first. No, there is not. Those numbers are not flatted at all, and the provision is running pretty much exactly as we expected now. Volumes are slightly lower. Cost to close slightly higher, but that is because where we have got a plan to accelerate the most difficult cases.

So actually, we are delighted with the operational progress we have made in dealing with that legacy termite provision. And financially, it nets to about line ball to where we expected it to be.

**Andy Ransom:** Allen, yes, I am not sure I can give a lot more detail. On the commercial, I think I am right in saying, and I am just giving you a batting order, residential most impacted, termite mixed, SME commercial mixed, and then big ticket commercial least impacted. So I think your assumption is correct.

But even within there, do not forget Terminix had a chunk of commercial business and the Terminix commercial business has not performed as well as the Rentokil. We are transitioning that all into Rentokil. Rentokil, as you know, is the global leader in commercial pest control. There is some movement of that piece of portfolio, which I would say probably what would have taken the average down a little bit on the performance of our commercial business. But commercial is still holding up well, but we can still do better.

Weather, frankly, I do not know, but I have read similar reports and the guys have said, yes, look, if the weather forecast is what it seems, then it looks like it should be a decent season. So we have been sat here on previous years, and we have been talking about polar vortex season in January and February. And we have had dreadful rain. Warm, yes, but rain and that has not been great, but I think generally speaking, I do not know that it is a major factor here, but nobody is calling a negative factor on the weather. On the pay plan, well, do not forget, again, as I said, we have not implemented the pipeline. There seem to be some people that think they know more about the pay plan than I do. And we have not even decided the final detail of the pay plan. I have described this in the past, there is a bell curve of distribution here and depending on which way your bell curve is around.

On the one side of the bell curve, we have got a number, quite a number, a significant number of colleagues whose pay needs to be improved and absolutely has to be. And it is a historical issue. It has been there forever, and it is the cause of the higher churn rate, if you like, in technicians in particular.

So the investment that we are talking about and we will be making over the next few years, a big chunk of that is to address that left-hand side, if I have drawn the bell curve that way. On the other side, there is a much smaller number, much fewer technicians who have very high pay. And we have to move to a world where people who are doing similar jobs get similar pay. We just have to. It is the only fair way to do it. It is not right to do it any other way. But we need to do that carefully. We need to do that thoughtfully. We need not to change these things radically.

We need to think about, well, what sort of transition period and what sort of impact. But it is not the same as saying your most highly paid technicians are your best or most productive. They may be the best and most productive or maybe they have been there a long period of time, and they have got a very lucrative route. There is a whole bunch of reasons.

So you are right. Will there be a number of technicians when we get to the final design of the pay plan and implement it, who will be less happy? Yes, there will be some. Will there be a bigger number who are much happier? Yes, which is why we are doing it, but we will end up with a single pay plan that works for the vast majority of our people. So we made similar changes in Rentokil North America several years ago, and at some point, you have just got to make the change.

So I think it is net good news but within net good news, there will be some unhappy souls, I am sure, but we are trying to keep that to that to the minimum. But do not forget the synergies that we will be delivering, big chunk of that is because we need fewer people to run the routes. So we do need to lose some colleagues at some point over the next two to three

**Chris Bamberry (Peel Hunt):** Both you and Rollins have mentioned increased sales and marketing spend by competitors, and I suspect everybody is just spending a bit more in a softer market, but any additional flavour you could give on that would be appreciated.

**Andy Ransom:** Yes. I am not sure there is more I can say. We have our plan, and we know exactly where we are planning to spend it. We know what search terms, what markets, what regions, what campaigns. We know how we are trying to drive our organic as well. I have no clue what competitor A, competitive B or competitor C is doing, but they will have their own plans as well, precisely as we head into the season.

Yes, I think you might be right that in a slightly weaker market, people have upped their spend and it is not just companies that you have named. Others have done it as well. It is back to the earlier question at the back of the room. It is a local thing. So people will be taking their local decisions, which search terms they want to go after.

There is not much I can add to it because then we are trying to predict the future. And there is search terms, as I am sure you are familiar, in paid search, you are really talking auctions. So if I decide to go after term, A, because I think that is going to be the most important term in market B, and someone else thinks exactly the same. Well, the cost to get up to the top of the leaderboard on that goes up, which is why you never talk about what terms you are going to go after.

So probably, to a degree, I think you answered your own question there. I think it is people pushing for more inbound lead flow in a slightly softer market. Online, Stuart?

**Stuart Ingall-Tombs:** Online. So I will take a couple of funding ones first and then a price one just to give Andy a little bit of a flavour. Yes, well, maybe that too.

Could I ask what your funding plans are going forward, particularly with respect to your projected M&A? That is from Matt at Artemis.

We have put in our guidance circa 250 million of bolt-on M&A. As you can see, that is affordable from free cash flow. That would be our plan for 2024, just as it has been our plan for 2023-2022 going back into the distant past. So yes, we will continue to fund bolt-on M&A from free cash flow. And as you have seen with our net debt-to-EBITDA well under control, we are pretty comfortable with that.

Would you consider issuing a USD-denominated bond given your business exposure? That is from Yin Wu at Invesco.

Yes, absolutely. Are we are looking to refinance our Eurobond in November. It is probable, we'll do that in the US market and just raise very straightforward US dollars. And that is the reason we got the second rating in 2023, you need two ratings to raise money on the debt capital markets in the US. So those are the two funding ones.

Michael Hoffman has got three questions, two for you, one for me. Andy, what is the status of your seasonal hiring and expectation of employee and customer retention in 2024 relative to 2023? What is the expectation of incremental margins in North America and sales leads from technicians? How many of these are recurring and what percentage of existing customers buy more than one service?

I will deal with the margin question. Look, as we have said, we expect margins to modestly accrete in 2024. If you look at our performance in 2023 and our miss to our guidance arising out of the organic growth rate, the organic growth rate hit is quite hard versus those

targets. We think it was probably circa 40 basis points of margin, that downgraded organic growth performance.

And so naturally, with a range of 2% to 4%, we are pretty cautious about margin guidance in 2024. So modestly accrete and relatively, if you look at that 2% to 4% range, and we are saying we are going to be at 2% in Q1, we are not going to get a lot of margin accretion, if any, in H1. So that is the way to think about incremental margins in North America.

Seasonal hiring and leads, Andy?

**Andy Ransom:** Yes. seasonal hiring. I mean, it is very early doors, is not it? We are only into whatever it is the first week of March. The only data I have, Michael, by the way, early morning for you. The only data I have got first off, the historical metric that Rentokil has always used is actually colleague retention. The historical metric that Terminix always used was churn rate, and are you fully staffed? So we still look at both of those.

The data I have seen suggests that the improvements that we saw and I have talked about this morning in terms of North America and Terminix colleague retention technicians, has continued in the start of this year. So we have not seen it get any worse. It has continued to improve. I do not have a number.

And then looking at it through the other lens in terms of are we fully staffed? Terminix has always run a model of how many branches are not staffed to the level that they want to be. And again, all I can say is that as we sit here in early March, that is at an improved level versus the same period last year. So it is fine. It is improved on where it was last year, but you never get to fully staffed in pest control. You just never get to 100% having every person in every role every time.

But I would say, gently improving trajectory would be my answer, given I have only seen very high-level data.

**Stuart Ingall-Tombs:** The technician leads: one-time or contract.

**Andrew Ransom:** Yes, it is a good question. The tech leads - if you do tech leads versus what comes via the web, go back to first principles. Our business is a portfolio business, which roughly speaking, in North America, 70% of our revenue is under contract, 30% of our revenue is one-time jobbing, so roughly 70% contract.

Technicians are calling on existing customers. So technicians are calling on that 70% of the revenue, that is our installed customer base. So technician leads typically you are trying to sell an additional service that we can add to your contract. Occasionally, we will sell you a one-time job. Customer, you have got mosquitoes, we would like to add it to your service. Would you like that? Yes, great. That has gone into contract.

I do not want to add it to my contract, but I want a mosquito service this month that goes into jobs. So on the left-hand side of the model, tech leads typically feed into contract revenue, on the right-hand side, it is much more variable. Customer has pest problem, urgent pest problem, does not have pest control provider. Got a wasp nest, I want it sorted now. That will typically be a job or it will start life as a job.

Our ambition then is when the customer buys the job, we will try to convince them actually a better solution for them is to move to a contract, a year-round protection plan. So even if it starts life as a job, we are hoping to convert it into a contract. But specific to tech leads, tech leads are for existing customers, and they typically feed into your contractual base rather than one-time job.

**Stuart Ingall-Tombs:** Then I think just a couple more questions, and I think we have probably wind it up. Firstly, from Sylvia Barker at JP Morgan. Hi, Sylvia. I will take this one. How does the 2% to 4% North American growth guidance split price and volume?

And then, I think we finish with one from Paul Selvey-Clinton at Lazard. Is there a structural reason longer term why Rollins would be able to grow organically faster than you in North America pest control? So I will leave you to finish up with that. But I will take Sylvia: at 2% to 4%, it is a range. We are consistent in our position that we will recover cost inflation through price. And clearly, cost inflation is lower in North America than it is in most other places. So that will be a declining element of the mix relative to 2023 and 2022. But we do not forecast inflation. We will take it as we go. I have explained many times that we price on a monthly basis and will reflect on pricing, to reflect the cost inflation we are seeing in front of us at that moment.

So clearly, within that mix, volume growth is going to be modest, but I think that is something you can easily infer. Andy?

**Andy Ransom:** The answer to the question is no. But I might give you a bit more than that. Is there any reason why Rollins or any other lovely competitors in North America have a structural growth advantage over us? No, absolutely not.

Rollins is a fabulous company. I genuinely mean that. I think they are a great company. We admired them as a competitor for years. They basically have the same model operating in the same market. They believe in colleague retention, great service, customer retention, selling additional services to their happy engaged customers. And they are in national account, SME, commercial, residential and termite in exactly the same market as we are.

The differences I have gone through today. We are considerably bigger than them. We believe that we are the innovators in pest control. We think that gives us an edge. And I have not mentioned today, we are opening our brand new Innovation Centre in Dallas, Texas in about four weeks' time. We are excited about that.

But no, there is absolutely no reason for that, and I have already shared why I think structurally over the next few years, you will see Rentokil and Terminix in North America emerge as a powerhouse in that wonderful market in the United States.

So with that, thank you all. I appreciate we have gone a bit long, but we had a lot to cover and a lot of questions that needed to be asked and some misinformation out there that needed to be dealt with as well. So I hope you appreciate we have gone long, but that was for very good reasons. Thank you all for coming. See you next time.

**Stuart Ingall-Tombs:** Thanks very much.

[END OF TRANSCRIPT]