Rentokil Initial plc
2023 Interim Results
25 July 2025

Andy Ransom: Good morning ladies and gentlemen. In a few moments, Stuart will provide you with details of our good overall performance in the first half of 2024, and I'll then come back, I'll provide a very brief update on each of our categories, before we focus on North America, where we are making encouraging progress against our RIGHT WAY 2 growth plan with the core metrics now moving in the right direction and where we'll deep dive on our integration programme, which is going extremely well. Brad Paulsen, our CEO for North America, will take you through a progress update on both of these important areas.

So, to set the scene, let me just say a few words by covering the Group highlights of the first half. Revenue increased by 4 per cent to 2.8 billion pounds - with topline growth in all regions - of which organic growth was 2.8 per cent. Our Europe, UK, Asia and Pacific regions are all delivering organic growth in the range of 4 to 6 per cent and they have all performed well in the first half.

In the first quarter, our North America Pest Control business delivered organic growth of 1 per cent, and this has increased to 1.5 per cent in the second quarter, following the launch of our Terminix-it marketing campaign and our RIGHT WAY 2 growth plan.

We are pleased with the progress being made in colleague retention; the increase in brand awareness and branded search; inbound digital lead flow; and the increase in the number of technicians submitting sales leads from existing customers. Rebuilding our growth engine will take time, but we made good progress in the second quarter and we expect to make further progress in the second half.

Group Adjusted Operating Profit grew by 4.7 per cent to 455 million pounds, and we delivered a Group margin of 16.5 per cent, up by ten basis points, and in line with our guidance. Statutory Profit before Tax at Actual Exchange Rates was 253 million pounds, an increase of 5.6 per cent on the prior year.

Our bolt-on M&A programme continues to create value with 23 acquisitions in the first half, generating annualised revenues in the year before acquisition of 81 million pounds. Our leverage ratio of 2.8 times puts us firmly on track towards further deleveraging towards our target range of between 2 and 2.5 times, as we committed at the time of the Terminix acquisition.

So, an encouraging overall Group performance and, while we are mainly focusing today on North America growth and integration it is worth highlighting that the rest of the Group continues to perform very well.

Four months ago at our Preliminary Results we set out our detailed plan to reinvigorate Organic Growth in our North America Pest Control business. We explained our model, which you can see on the slide there, with opportunities for growth from both existing and from new customers. To date we've invested around 21 million dollars of the 25 million dollars we committed at the Prelims, and that's gone into brand marketing, lead generation and into new sales and marketing talent.

I'm pleased to say that, while it's still early days, we can see green shoots now appearing, and our key growth KPIs are showing positive improvements. We have delivered excellent continued progress on colleague retention, and it was particularly good to see an increase in sales colleague retention of almost 400 basis points since the beginning of the year; our Terminix-It brand campaign was launched in mid-March and, according to our latest data, has already been seen 685 million times and by 96 million people; this has delivered a very encouraging 29 per cent increase in branded search for Terminix; In April we registered our first month of 2024 year-on-year inbound sales lead growth from new potential customers, and this continued through May and June; and more of our technicians are also submitting sales leads from existing customers, with an increase in participation rate from around 50 per cent in January to over 60 per cent in June.

Our underlying progress in the second quarter gives us the confidence to extend these investments - with an additional 25 million dollars committed to growth initiatives funded from gross synergies, with around 15 million dollars of that being spent in the second half, but will also shift more of our focus onto the long-term need to improve the customer retention rate, particularly, with our residential and termite customers. So, we are confident that the investments that we are making are the right ones for growing our underlying contract portfolio - to support not just the Second Half, but also to lay the foundations for long-term growth.

Touching briefly on the excellent progress we are making on the integration: in the first half we completed phase two of the integration, which included the detailed preparation of the branch integration programme. The first integrations then began on schedule in June and July. Today, our end state systems and processes are live and they're working well in the first 9 branches that have been integrated, with 160 technicians serving both commercial and residential customers, and with combined annual revenues of around 37 million dollars. When you include the Rentokil technicians who are already using our new end-state 'PestPac' system - and now the first Terminix colleagues who are also using the system as part of the first branch integrations - it is now being used by over 40 per cent of our technicians in the US, and will be being used by over half of our US techs by the end of this year; and we are firmly on track to achieve our Gross Cost Synergy target of 325 million dollars, having delivered an additional 58 million dollars of gross savings in the first half.

The additional H2 investments in our RIGHT WAY 2 growth strategy of 25 million dollars, takes our total planned investments over the course of the integration to around 125 million dollars and therefore we now expect total synergies to be over 200 million dollars. So, a positive overall Group performance, green shoots coming through in North America as we execute our RIGHT WAY 2 growth plan and excellent progress on the integration programme, which remains firmly on track. With that 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 a good first half overall. 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 a good topline performance in the first half. Revenue was up 4 per cent to 2.76 billion pounds and Statutory Revenue was up 1.3 per cent to 2.7 billion. Organic Revenue was up 2.8 per cent. This translates to an adjusted operating profit of 455 million pounds, a year-on-year increase of 4.7 per cent and margin was up 10 basis points.

Free cash flow was 172 million and cash conversion was 62.2 per cent. This half-year phenomenon was the result of timing of customer and supplier payments around the half year and we expect cash conversion to return to 80-90 per cent for the full year. These factors, combined with the continued success of our bolt-on M&A program and the dividend payment, resulted in a net debt to EBITDA ratio of 2.8 times on the 30th of June, on track for full year expectations. Based on a good performance in H1 and our confidence of further progress in the remainder of the year, the Board has approved an interim dividend of 3.16 pence, a 14.9 per cent rise year-on-year and in line with our progressive dividend policy.

So, looking now at our performance by region, starting with North America. The North American business grew by 1.1 per cent, of which 1.3 per cent was organic. Pest Control services also recorded organic revenue growth of 1.3 per cent for the half year. However, in Pest Control services we saw an encouraging 50 basis point improvement between the two quarters as well as positive movement in a number of key leading indicators that Andy and Brad will speak to shortly. The Pest Control category overall was up 1.1 per cent, with a drag from the products distribution business. This was affected by customer inventory loading in 2023 creating very strong prior year comparatives. Adjusted Operating Profit in the region was up 1.8 per cent and Operating Margin was up 10 basis points year on year to 18.6 per cent with a benefit from synergy delivery partly offset by our 21 million dollar additional investment in marketing in the half.

Note that excluding the Product Distribution business, our margin was 20 per cent flat. Customer retention was stable at 79.8 per cent and we've seen further strong progress on colleague retention. Total North America colleague retention, including Terminix, improved 2.6 percentage points to 77.8 per cent, driven by improvement in retention of both technician and sales colleague roles. Terminix colleague retention was up strongly by more than 3 percentage points to 73.1 per cent.

Despite the attention given to the Terminix transaction, we've had another good period for bolt-on M&A, acquiring 9 businesses with estimated total annualised revenues of around 22 million pounds in the year prior to purchase.

The quarter-on-quarter financial improvement in pest control services indicates that we're beginning to see benefit from our Right Way 2 growth plan. We're making an additional 25 million dollar investment in customer acquisition and retention to help deliver our growth opportunities of which 15 million dollars will be spent in H2. The Terminix integration has also made strong progress, with the first branch integrations well under way and 22 million dollars of net cost synergies delivered in the region in H1.

Turning now to the European region … another period of strong performance across the board here. Driven by both effective price increases and resilience in overall demand, Revenue rose by 7 per cent. Organic Revenue growth was 5.8 per cent. All three business categories posted strong numbers. Pest Control Revenue was up 8 per cent, with a strong double-digit Organic Revenue contribution from larger markets like Germany, Italy and Benelux. Hygiene and Wellbeing grew revenue by 5.2 per cent, supported by an improved performance in the Specialist Hygiene and Cleanroom businesses. France Workwear Revenue was up 7.5 per cent with continued pricing progression.

Adjusted Operating Profit rose by 9.1 per cent and Operating Margin increased by 40 basis points to 18.9 per cent. This was underpinned by the core Hygiene business, and also in Cleanroom where higher volumes at good margins led to improved overhead recovery. While inflationary pressures remain, we have been successful at protecting margins with pass-through pricing. Customer retention has remained strong at 88.5 per cent and colleague retention rates have also continued to be excellent, up to 90.7 per cent and touching on historical highs. Eight business acquisitions were completed in the period, with estimated annualised revenues of 13 million pounds in the year prior to purchase.

Turning to the UK and Sub-Saharan Africa. We delivered a strong trading performance. Revenue increased by 13.2 per cent with a positive contribution from both business categories, with Pest Control up 5.2 per cent and Hygiene and Wellbeing up 21.4 per cent. Adjusted Operating Profit increased by 9.3 per cent and Operating Margin slightly decreased by 90 basis points to 23.0 per cent, largely due to short-term dilution from bolt-on M&A activity. The margin performance has been underpinned by the UK's service performance reaching an all-time high, reflected in an excellent Net Promoter Score which also sustained a strong customer retention rate and colleague retention in the region is 84.4 per cent, up 1.1 percentage points. We completed one business acquisition in the year, with estimated annualised revenues of 30 million pounds in the year prior to purchase.

Looking now at Asia and MENAT, on the left hand side of the slide. Regional Revenue rose by 7.5 per cent, of which 4.7 per cent was organic, supported by good contract growth and effective pricing. Pest Control and some of our key markets such as India and Indonesia led the way. Adjusted Operating Profit increased by 1.7 per cent.

Additional growth investments in Singapore and Hong Kong meant that Adjusted Operating Margin for the period was down slightly to 13.0 per cent. Customer retention was strongly up and regional operations have continued to benefit from an excellent colleague retention rate of 93.5 per cent. We acquired three businesses with estimated annualised revenues in the year prior to purchase of 11 million pounds.

And finally, the Pacific region. Another double digit topline performance here, with revenue increasing by 10.4 per cent of which 4.1 per cent was organic. Pest Control was up 12.6 per cent, with notable strength in commercial. Hygiene and Wellbeing was up 8.1 per cent with continued strong demand in the region for our Ambius business. Regional Adjusted Operating Profit was up by 5 per cent. The first half Operating Margin was slightly impacted by phasing in rural pest control. The customer retention rate remained strong and colleague retention improved by 1.6 percentage points. We acquired two businesses with estimated annualised revenues in the year prior to purchase of 5 million pounds.

Group margin was up 10 basis points, underpinned by our continued execution on strategic initiatives. These include the densification of routes and products, optimisation of overhead costs, and leveraging technology and innovation, along with active cost base management. Integration activities have positively impacted margins from completed M&A initiatives brought in at lower than group margins. Gross synergies from the Terminix integration contributed 170 basis points to Group margin and there was a 100 basis point reduction from investments, including 60 basis points from the additional marketing investment.

Group Cash Flow: Higher trading profits came from organic and acquisitive growth, partially offset by FX. The Group did have a 97 million pound working capital outflow in the first six months of the year. This resulted from a slightly softer debtors' performance and improved supplier payment processing right at the end of H1, and these are expected revert to previous guidance in the second half and not have an impact on the full year cash outlook. As a consequence, full year '24 guidance for working capital and cash generation remains unchanged.

The cash interest payments decreased by 10 million year on year. Cash tax payments totalled 31 million pounds, a decrease of 27 million pounds year-on-year, that's attributable to some prior year one-off tax payments and H1 2024 one-off US tax refunds mainly related to the Terminix acquisition. The cash spent on acquisitions was 76 million pounds, while dividend payments were 149 million pounds. Note that for some of our bonds, we pay a full year of cash interest in H1 versus a P&L charge across the year, reducing cash conversion in the first half by about 10 percentage points. Our full year '24 guidance for Adjusted Free Cash Flow remains at 80-90 per cent.

The Group's net debt to EBITDA ratio remained stable at 2.8 times. The Group maintains a liquidity headroom of approximately 1.5 billion pounds, which includes an undrawn revolving credit facility of a billion dollars, set to mature in October 2028. Around 81 per cent of the Group's debt is at fixed interest rate. The Group has a 400 million Euro bond maturing in November this year and with the current level of headroom, we've got good optionality around the timing of the refinancing.

Before looking at our technical guidance, I want to share our plans to change our presentation currency. We've used Pound Sterling since the inception of the Group. However, the US now represents about 60 per cent of Group revenue and two-thirds of profit, which can result in significant reporting volatility from FX movement. We therefore plan to change our presentation currency to United States Dollars for all reporting periods starting from the 1st of January 2025. We commenced a project to this end in the second half of last year that would allow us to do this. We will provide USD comparatives for key financial statements and support for modelling from the Annual Results reporting in 2025.

Our US business has never been more significant to the Group, operationally and strategically. We acknowledge the market debate around listing for companies such as Rentokil. Our board will continue to keep the Group's listing under review. However, at the current time, we are strongly focused on driving up organic revenue growth through the Right Way 2 plan and successfully integrating Terminix.

Moving to technical guidance. On this slide, we give estimates to help you with your models in relation to the full year. Most remain unchanged, with some updates. On the P&L, we expect Terminix integration Costs to Achieve to come in about 10 million lower than previously guided. The Adjusted Effective tax rate is expected to be lower, in the range of 24 to 25 per cent. Anticipated spend on M&A is revised to between 200 and 250 million pounds. Our full year FX guidance reflects the strengthening of the pound against the dollar and we now anticipate a headwind of between 30 to 40 million pounds. We expect this increased FX headwind to be offset by further operational progress. We do expect a net 15 million dollar (or about 12 million pound) revision to Group Adjusted Operating Profit in the full year, which reflects, amongst other things, the additional growth investment in H2. At this point I'll hand back to Andy.

Andy Ransom: Thank you Stuart.

I want to give the North America section here as much time as possible this morning, so in the interests of time, I'm going to turn the pages on our usual Employer of Choice and business categories sections at pace. I'm delighted with the excellent progress that we're making, and obviously very happy to take any detailed questions later.

Our tried and tested operating model continues to perform very well, and, as you can see, we have continued to make good progress in colleague safety and in sustainability. We have also made progress in colleague recruitment and, in particular, in colleague retention, where, in the year to June, our global colleague retention rate has increased by an excellent 4.2 per cent to almost 86 per cent – and by 1.7 per cent year to date.

In our Europe and Asia regions we have achieved an outstanding retention rate for our service technicians of over 90 per cent and, in a moment, Brad will discuss the very good progress we're now making in North America.

Turning to our business categories, and starting with Pest Control. In Pest Control we operate a simple, repeatable model in a global market that is underpinned by structural growth drivers including urbanisation, the growing middle classes, population growth, climate change and increased regulatory pressure, particularly in food safety.

As you can see on this chart, according the latest industry reports, since 2018, whilst North America (which - by the way - accounts for around 50 per cent of today's global pest market) has increased spend per capita on pest control by an impressive 24 per cent; spend on pest control continues to grow significantly faster in the emerging markets of Asia – and in India and China in particular, where the equivalent per capita growth rates are 170 per cent, and 468 per cent respectively. And this is very much in line with our long-term M&A strategy of building our presence in those cities of the future. Indeed, in the first half, we acquired the second largest pest control company in India, securing our leading position in that very important future growth market.

Looking at our global Pest Control business, in the first half we delivered revenue growth of 2.8 per cent, of which 2.2 per cent was organic, with our global Pest Control business now having first half revenues of around 2.2 billion pounds and having an impressive 10-year revenue CAGR of almost 19 per cent. Pest Control Profits in the first half increased by 2.2 per cent to 421 million pounds, with margins remaining stable at 19.2 per cent, while, of course, we added the additional investment for growth in North America. The business has delivered a 10-year profit CAGR of over 20 per cent.

Turning to Hygiene and Wellbeing. In the first half we delivered Revenue growth of 9.6 per cent, of which 4.8 per cent was organic growth. We acquired seven excellent companies with annualised revenues in the year prior to purchase of 45 million pounds, exceeding our full year medium term guidance of 25 million pounds. Since 2014, this high-quality sister business to pest control, has delivered a revenue CAGR of 6.3 per cent. During the first half, profits in Hygiene and Wellbeing grew by 14.3 per cent to 77 million pounds and margins increased by 80 basis points to 17.2 per cent.

This is an attractive business category with similar route-based operating model to pest control; shared country management teams; shared functional support; and other shared overheads, and over the last ten years has delivered a profit CAGR of 8 per cent.

In the first half, our Initial Workwear business in France delivered a strong performance with revenue growth of 7.5 per cent to 116 million pounds, all of which was organic. Adjusted operating profit grew by 9.4 per cent and increased margins by 30 basis points to 17.2 per cent, the highest since 2015. With the Olympic and Para-Olympic Games starting this week, our Workwear business will be playing its part supplying and cleaning staff uniforms, as well as flat linen and towels, to many people visiting Paris this Summer.

Turning to our bolt-on M&A programme. We operate in highly fragmented markets and, since 2018, we have acquired 284 businesses around the globe, mostly building our position in the highly attractive pest control market, and with acquired revenues of around 909 million pounds. For your reference we have broken this down into the pie charts you can see on the right-hand side. The opportunity in M&A remains significant and in the first half we delivered 23 bolt-on deals with annualised revenues of 81 million pounds, for a consideration of 112 million pounds.

In North America we delivered 9 small 'tuck in' deals including the acquisition of Xceptional which has a presence in 12 states and it is our entry into the wildlife control and exclusion business, something that neither Rentokil nor Terminix has previously offered. So good continued progress, the pipeline is in good shape and our current view of M&A spend this year is around 200 to 250 million pounds.

Based on our most recent analysis, our ongoing M&A programme continues to perform at or above our hurdle rates, and well above our WACC. So, a good overall performance from our businesses around the world – so now let's move our focus to North America. I'm just going to say a few words this morning and then I'm going to hand it over to Brad.

In the first half we spent 21 million dollars of the additional 25 million committed at the Prelims. We spent that on digital search; on enhanced web content; the optimisation of our social platforms; our brand advertising campaign; and our brand partnership programme; as well as investing in the sales and marketing teams. With our North American business having around 75 per cent of its revenues under customer contract, it is important to note that the investments will benefit the Terminix brand, not just this year, but for the years to come. I'm very encouraged by the initial progress and, as I mentioned earlier, we are now seeing the green shoots coming through, with good progress against the core growth KPIs.

Our RIGHT WAY 2 growth programme continues in the second half with the announcement of additional investment of 25 million dollars, 15 million dollars of which will be spent in the second half, and which will be spent on digital marketing, extending the brand campaign, and adding additional new area sales managers, and importantly, on a series of customer retention initiatives which Brad will touch on shortly. We will fund this investment for growth from gross synergies and we are expecting to see continued improvements in our growth metrics over the coming quarters.

So, lots of focus on growth across the business, but at the same time, the business has made excellent progress on the integration. Execution of our plan in the second quarter was very successful in preparing the business for the first branch integrations, and in launching those which are now underway and they are going well. We're building the foundations for long-term, sustainable growth and we're making good progress. Now let me now hand over to Brad who'll firstly provide an update on Growth and then move on to the integration programme. Over to you, Brad.

Brad Paulsen: Thanks Andy, and good morning everyone.

For those of you I have yet to meet, I am Brad Paulsen, the CEO of our North America business. I am pleased to represent our team today and excited to highlight the encouraging progress we delivered in the first half. I shared this past March that our US Pest team would use our Right Way 2 framework to help deliver a world-class customer service experience to our existing customers, while also prioritizing key actions to help increase our growth from new customers. I am happy to report that our team delivered meaningful progress across several key areas of our framework, which I believe will help deliver growth benefits for our business as we move forward.

Foundational to our growth success is the ability to deliver industry leading colleague retention. Hiring, training and retaining top talent is becoming a strength of our business, as we saw continued gains in retention realized by our team in the first half. We saw material retention increases in our Service Technician, Sales and Customer Care colleague populations as well as our back-office admin teams. Branch Manager retention stood at an impressive 97.5 per cent.

These improvements are a reflection of our commitment to our people and the belief that a trained and happy team will deliver great service to our customers which, over time, will lead to improving customer retention. I am particularly pleased with the improvement delivered in our sales colleague retention - up by almost 400 basis points - as that was a colleague group we previously identified as needing more focus and support. Customer experience and customer retention are key parts of our organic growth model. We want to keep the customers we have, delight them with a great experience and sell them more services through our service technicians. Each 1 per cent of customer retention improvement represents, on a full year basis, around 27 million dollars in organic revenue and given our combined rate stands at just under 80 percent today which we view as stable, but a long way from best in class, so clearly there's a significant opportunity here for improvement.

Our plan is being developed but will include using our customer data to identify and address customer frictions points; build on the new service quality control program; we will deliver targeted customer marketing to those customers that our data identifies as “at risk”; and we also plan to add around 40 people to our dedicated ‘Customer Saves’ team. This past Spring, we launched our new *Terminix It* brand campaign aimed at increasing awareness of our Terminix brand and strengthening our top of funnel marketing execution and performance. We are very pleased with the initial results of the campaign as it has been received well and delivered a noticeable improvement in brand favourability with our targeted customer segments.

Additionally, we identified new customer inbound leads as a focus area, and again, are encouraged by the improved performance in this part of our business as our team delivered year over year lead growth in April, May and June. This is the first time this has occurred since August of 2023. As I just mentioned, the initial results from our *Terminix*

It brand campaign are very encouraging. Our campaign has been viewed 685 million times and by over 96 million individuals which has generated a 29 per cent increase in branded search and 6 per cent increase in visits to our Terminix website. We will continue to invest in our brands, as we know it is an essential ingredient to having known and trusted brands and consistent organic search performance.

Another area we have prioritized in our Right Way 2 framework is lead generation from our Service Technicians, a program we call Trusted Advisors. In the first half, through the use of in-market training programs, performance dashboards and minor technology improvements, we have seen the participation rate for this program increase from circa 50 per cent at the start of the year to over 61 per cent in June. We will remain focused on this opportunity and expect to deliver further improvements in participation rates and lead generation in the next six months.

The final areas of our Right Way 2 framework I will touch on today are Sales Efficiency and Pricing. A critical piece to delivering improved sales efficiency is increasing the retention of our sales colleagues. Our colleagues with less than one year of service time are especially important, as our data highlights that a sales colleague with more than one year's service is typically around 50 per cent more effective than those with less service time.

In the last quarter, we have made adjustments to the training and compensation plans for our new sales colleagues which is already resulting in increased retention rates. Along with this, we are also adding Area Sales Managers for our legacy Terminix sales geographies. We believe this an important investment to ensure our local sales teams receive the training, coaching and support they need to consistently deliver above market sales growth. We initiated the implementation of this plan in the first half and expect to complete it over the coming months.

Lastly, I continue to be pleased with our pricing discipline and execution as we are successfully mitigating the impacts of inflation on our business. I am genuinely encouraged by the Right Way 2 execution progress we made in the first half of the year, and expect these positive trends to continue. These areas are critical building blocks to our future organic growth and will help deliver improved growth performance moving forward.

So, let me now add a few comments on the progress we are making with the integration. Over the last 2 years we have streamlined and unified the organisation; invested in new talent; improved colleague retention; introduced a single payroll and benefits system; put colleagues onto a single people management platform; integrated 10 standalone acquisitions with 210 million dollars of revenues on to our new PestPac platform;

developed and tested our branch integration playbook; significantly improved the risk around Termite warranties; and delivered gross cost synergies of 162 million dollars.

In the first half of this year we have completed Phase Two of the integration plan – to prepare and test for branch integrations – in which we delivered the full legal merger; developed and tested 22 systems with 190 features, to enable the integrations; and harmonized multiple business processes, contracts, and applications.

We also undertook the important task of designing our new compensation structures, where we have rolled out harmonised pay plans for field leadership and National Account sales teams; designed a fair and consistent technician pay structure which will ensure our compensation will be competitive in the industry, and this is ready to be piloted later this year in the first integrated branches; and we've improved our contracts for new sales colleagues - moving away from zero salary. So no more 100 per cent commission contracts for our new hires. It has been an outstanding second quarter of progress, rounded off by the green light for the first branch integrations.

To date, nine branches have undertaken the full systems and data integration, with technicians, sales, admin and leadership teams all now successfully operating on the new standard IT platform. We have delivered the integration for residential customers, for commercial customers and for national account customers and we have migrated combined revenues of around 37 million dollars. So, how's it going? In short, very well!

We have a single set of systems, data has been migrated, sales leads are flowing as they should, work orders are completed and calls from customers, following the expected initial spike, have returned to usual levels after a few days. If you include our Rentokil Technicians in the US who have already moved to the new version of PestPac, then we already have 40 per cent of our US technicians using the new end state system and, in the second half, our plan is to migrate over 25 per cent of heritage Terminix branches, revenue, service technicians and sales colleagues, onto the new Pestpac platform.

Now I know that there's interest in the process of branch integration, so we've included this slide for information. I won't go through it in detail today but we have a highly disciplined approach to branch mergers with each programme running over 6 to 10 months. Delivering each local integration is a dedicated team of specialists who are on the ground to make sure everything happens on schedule and according to our playbook. As I've just mentioned, the first systems integrations are going very well, so we are effectively through the Planning and Integrate stages shown on the slide - and we are on track for the first rerouting, branding and pay-plan pilots starting in October.

This is a highly disciplined, structured process where only by delivering the current stage effectively, do we earn the right to move on to the next stage.

I know that our branch strategy is also subject to some interest so here are a couple of slides to provide you with our latest analysis. As with other parts of the integration we are taking a data-driven approach to this. Today our branch network has a combination of Large, Medium, Small and a large number of Sub-scale branches, and we have analysed the data for each. Our main focus is on increasing the size of the 160 or so sub-scale branches to provide greater scale and density.

Just to be clear - this is not about creating mega-sized branches but optimising properties and creating better route density just as we have done in the US and around the world with our bolt-on programme for many years. This data driven approach ensures we can increase route density and reduce property overheads; there is no change in our Spans of Control; there is no major impact on the service technician role. Just as today, technicians start their route from home and visit the branch only 3 or 4 times a month for training and to pick up materials; and, most importantly, there is no negative impact on our customers. Customers, of course, do not physically visit branches - it's the technician who owns the customer relationship, and by accurate route planning we'll actually be putting them closer to their customers.

Linked to the route integration is the brand strategy and here again we are using a data-driven approach to inform our evolution to a multi-brand strategy using the power of our Rentokil and Terminix national brands, supported by co-branding the Terminix brand with our strong regional brands such as Ehrlich and Florida Pest Control, and leveraging many of our important local brands, over an extended transition period.

As a final point I am very pleased to share the progress made in our Termite Warranty Claims as we delivered continued improvements, particularly a 75 percent reduction in Filed Complex Litigated Claims, and a 20 percent reduction in new warranty claims in the Formosan termite heavy Mobile Bay area. This is obviously a long-term programme, but we have made encouraging progress over the last few quarters. So just to wrap up, following an excellent second quarter, the integration is on track and we now have the first branch integrations underway, and they've started well. With that I'll hand it back to Andy.

Andy Ransom: Thank you, Brad. So, in summary, before we move on to questions. Good overall Group performance in the first half as you've just heard, our RIGHT WAY 2 Growth Plan is up and running in the US and we've seen many of our core growth KPIs showing improvements in the quarter, and to support that growing momentum, we will continue to invest for growth with that additional 25 million dollars. The branch integrations are underway, they're going very well, as we continue to build out the long-term foundations of our powerhouse US Pest Control business.

Given the encouraging overall performance, the Board declared an Interim Dividend of 3.16 pence per share, which is an increase of 14.9 per cent. So, with that, thank you very much. We're going to take questions now, we're going to start with questions in the room and then any additional questions from the audience online. Thank you very much.

Questions and Answers

Suhasini Varanasi (Goldman Sachs): Hi, good morning. Suhasini from Goldman Sachs. Two from me, please.

You have talked about the improvement in leading indicators based on after the digital advertising spend, and you have also talked about rebuilding the growth engine. You are also talking about the incremental £25 million spend that you want to do in the next 12 months. So why lower the growth in North America to the lower end of 2-4% range?

Andy Ransom: You say you had two questions?

Suhasini Varanasi: That is the first one. The second one is on the customer retention. You have talked about increasing the customer retention and how an incremental one percentage point change can drive additional $27 million of revenue. Can you share your thoughts on where you think the retention rate can reach medium term, and of the spend that you have in the incremental $25 million, where do you want it to go? Maybe it is an extra percent or two in the next 12 months and then maybe beyond that takes a little bit longer?

Andy Ransom: Thanks. Yes. Look to the growth point, in the core US pest business, 1.5% is an improvement on 1%, and we are pleased with that. But we've still got some work to do, just do the maths, to get to the lower end of the range. So I think it is essentially a maths issue. We do see progress in the second half, and so you, being an excellent analyst, can do the maths for yourself. But, we need further progress in the second half, which we expect and which we plan to take us to that level.

I have said many, many times, this organic growth journey is not linear, it is not binary. There will be lumps and bumps in the road. And you heard from Brad, you know that the fact that we have got positive lead flow for the first time since August of last year is a big thing, in my life, it is certainly an important step in the right direction. Lead flow from the technicians, important step in the right direction. We have just got to continue to execute the plan.
What we are saying is we have seen good evidence that the plan is working. Sure, we would love it to work faster and be bigger than it has been, but it is moving. Momentum is building. If you roll that forward, we expect to see further growth in the second half, but it takes us to that sort of place.

On customer retention, I think it is a great question. Before the Terminix acquisition, Rentokil North America's retention rate in pest business in the States, I am doing this from memory, was about 82.5%. Terminix's was about 75-76%. So we are now at a blended average of whatever it is, 79.5%, I think. And so just take the first point. If we get our business back to just where we were in Rentokil North America before the acquisition, that is about three percentage points of improvement in retention. Do I think it is reasonable that we can get our business on a combined basis to 82.5%? Yes, absolutely. I believe that is reasonable. The rest of the Group is more like 85-86%. Now, I think we have to aim off a little bit because the rest of the Group does not have as much residential and termite, and resi and termite always have lower retention rates. So I think aspirationally, probably saying to get to 86% anytime soon is a bit aspirational, but do I think we can get to 82%, 83%, 84% over time? I absolutely do.

I am not going to be so brave as to say, where do I think retention rate is going to get to quarter by quarter? I do not want to give myself another target. I know you love that, but I am not going to do that, but we should see progress in that. I do think it is fair to say that we have been incredibly focused on trying to get the phone to ring, trying to get lead flow going again, which, as I said, has been an issue for some time.

We have got that going again. It has taken a lot of effort. It is not perfect yet, but it is much improved. We are now saying, okay, we need to make sure we have got enough focus on customer retention now. And that is why we are putting the extra 40 heads into the save team. So, look, we will make progress in customer retention. Again, I will say it now, it will not be linear, it will not be binary, but over time, we will make progress, but we should be getting to the 82s, 83s, 84s over time. And if you do the maths on that, that is quite a big chunk. A lot of people will ask about the difference between us and our lovely US big competitor, but a big chunk of the difference, if you look between their organic growth and ours, a big chunk of that I will guarantee is better retention rate. So it was a long answer, but I was trying to anticipate a few other questions. Thanks for the question.

Annelies Vermeulen (Morgan Stanley): Morning, Andy and Stuart, it's Annelies Vermeulen from Morgan Stanley. I have two questions as well.

Firstly, on the marketing spend, you have been very clear about what has been successful and where you have seen progress. Of that sort of initial $25 million that you have spent, is there anything that has not been so successful or anything that you think will shift the mix of how you spend the next $25 million? That is the first one.

And then secondly, on the product distribution business, it sounds like that has been quite a drag in the second quarter. From memory, I think that recovered a bit in Q1. So perhaps you could talk about what happened in Q2. And are you still confident in a recovery of that business going forward, or are you considering options for that business from here? Thank you.

Andy Ransom: Yes, thanks, Annelies. In terms of what went well, what did not go so well, one of my old bosses used to say, you never throw six sixes in business, so you rarely get a period where everything that you did worked brilliantly and to plan. So I think there is a range of outcomes. I think there is also a range of experiences through the quarter. I think the performance on the paid search actually improved in the second part of the quarter. So part of that is learning by doing. Does this work? Well, that did not work, so let us try something else. Yes, that works. So let us do that again. So I think part of that is, as I say, learning by doing. So I think we have had an improved performance, but it was not perfect throughout the entire period. However, I am happy with where we are now.

One of the things, of course, if you put money into paid search, which we have done, you increase the cost per lead. So that is something I would rather it was not the case. However, by definition, if you put more money to big search engine companies to drive up performance, which means we want that term, and we want that term, you are going to push the price up. So that is probably something that in terms of cost per acquisition of lead, it would be nice if that was a bit lower. So you have to be quite smart with where you spend your money, because if you spend it in all of the obvious cities on all of the obvious search terms, all you do is just push up the cost. So I think we need to be a little bit smarter in terms of exactly where we spend those dollars, but, broadly speaking, I think the plan that we are going with in the second half is essentially a repeat of the plan. Certainly, when it comes to paid search and the advertising.

Products distribution, you have got an excellent memory indeed. And to sort of prove the point, not just was Q1 an interesting quarter for us last year, Q2 was very interesting. And if you remember, I pointed to the distribution business, which for years had been really reasonably boring and, and stable, had got quite volatile, and we had seen a big drop. But we also saw a massive bounce back in the second quarter. And I think June of last year, from memory, in the distribution business, we had something like 20% organic growth in that business. So we have been a little bit caught by the comps on that business.

It is a very good business. It is a great team, it is run well. So I have got no fundamental concerns about that business. And like all of our businesses, we reflect every year as to whether there are alternatives to the business. No current plan on that one, but we talk about that with the Board in the fourth quarter, as we do every year, but the business is a good one.

Allen Wells (Jefferies): Morning, Andy. Morning, Stuart. Allen from Jeffrey's. Three for me, please.

Just to go back to $25 million of additional investment, could you maybe just talk about, you said the confidence, I think your language was the confidence to invest more. Some of this stuff is, as you say, search engine terms, etc., which is an ongoing investment. If you want to keep those search engines unique, you need to do it. So where is the confidence that we do not need further investment beyond this additional $25 million? That would be my first question.

Second question. Just maybe make a little bit of comments around the pricing environment in US Pest as well. Just mindful of the growth is a little bit weak versus peers, but pricing seems like it is holding up okay. Just wondering, are you able to benefit from that as well?

And then finally, I noticed in the comments, the contracting growth in North America was 2%. It is running ahead of the broader Group. Obviously, part of challenge here with Terminix is moving some of that jobbing activity to contracting and changing the mix a little. So just wonder if you can comment a little bit there about the progress where that goes, challenges on contracting and how that moves through the year as well?

Andy Ransom: Thanks, Allen. I will take the first and the third. Stu, you can do pricing. Yes, look, I think, yes, that was the word I used, and I think it is appropriate. So I think someone asked a question a few months ago and said, well, why is $25 million the right number? I think it was actually Annelies who asked the question. And I said, well, it is the right number because that is what we have calculated. It is the right number. I also said, but we reserve the right to move to a different number if there is a different number.

And I also made the point in the remarks that, and it sort of links to your third question, Allen, which is really important. 75% of our revenues in North America are under contract. 25% is jobbing. So we need to make sure that the investments we are making is not just to prop up organic revenue growth in a single quarter. I will make the bold statement anyone can do that, if all you are trying to do is drive a number in a quarter, and you would do exactly what you just said, you would switch to jobs. A job in termite is $3,000. A job in home insulation services is $10,000. A pest control contract for a year is $1,200. You sell a contract for $1,200, you are going to get $100 in each of the months. So you are going to get dollar $300 in a quarter. Or you could shift the focus to jobs, and you can get bigger growth, but then you have got to do it all again next year. So the confidence that we have got is, if I was sitting here and saying, you know what, we have thrown an awful lot of money at Google, but we could not make the phone ring, that would be a real problem. We have thrown money in inverted commas. We have spent money on paid search, and thank goodness, we have started to see positive inbound lead flow from that activity. We have still got to train the machine better than we have done at the moment. We have still got examples where we are sending leads to branches that do not need them and not sending them to branches that do, but that is about training the algorithms, training the machines, and making sure we are smarter about where we spend the money. But, the talent we have got, the agencies we have got, the focus we have got with Brad and his team demonstrate the confidence that what we have done in the second quarter is working. And that is why we are repeating it. And yes, we think it makes eminent good sense to put more money to work. But, do not forget, we are not just trying to make the phone ring in-quarter to sell a bunch of jobs in-quarter. We are trying to, over time, get that mix right that we are building the portfolio.

So, you are right to point the 2% out. 2%, still not where we need it to be, but, that portfolio growth of 2%, if you get a contracting business, where you get your net gain up to say 5% over time, that will give you typically 5% of organic growth. So that is one of the features that you are seeing in the quarter, a bit more focus on selling core pest control contracts. Now, it does not mean to say we are not focused on jobs, because jobs are incredibly important, but you have got to get that contracting portfolio into positive momentum, into positive net gain, and which is why the focus on retention is so incredibly important. So you have got to not just fill the top of the bucket, you have got to stop the stuff coming out of the bottom of the bucket at the same time. So that explains the confidence, that explains the contracting bit. Pricing, Stuart?

Stuart Ingall-Tombs: Yes, on pricing, feels pretty resilient to us. Again, not just North America, pretty much across the globe. You have got some tapering there, obviously, as inflation comes off, but continue to be able to price effectively, including North America. And where would you see a problem? You would see it in the retention rate. You would start to see termination rates drifting up if we were having problems making pricing stick. So, yes, we have not seen any sort of sea change in our ability to recover price in North America or anywhere else around the world. It feels pretty solid to us.

Allen Wells: And the North America magnitude?

Stuart Ingall-Tombs: Look, we continue to try and recover inflation, is what we do. We are not trying to enhance margins. And as I have said many times in the past, we look at it on a monthly basis, and we process in the month what we are seeing in front of us.

Simona Sarli (Bank of America Merrill Lynch): Good morning, this is Simona Sarli from Bank of America. I have a couple of questions, please. One for Andy and for Brad, probably considering since the closing of the deal. How has your opinion changed or evolved on the potential challenges but also opportunities from Terminix in North America?

The second one, if we look at the performance for Q2, and clearly you flagged that you already had tough comps from June last year in the redistribution business, which I assumed was also already well-known to you. So what came in that was probably softer than expected, that explains why the growth was actually below your guidance overall for pest control in Q2? And if you can provide a little bit more colour on the differential in performance between commercial versus residential in termites versus Q1, and if in commercial you have lost any contracts, for example with national accounts versus SMEs? Thank you.

Andy Ransom: Thanks. I will try and pick the bones out of that. Two questions. That sounded more like four, but I will do my best. Let us go with the first one. You said me and Brad. I think I will take it because Brad only joined the team post the deal, and the question was: How do I feel about it relative to how we used to feel about it, and when we looked at it? Look, let us be honest, it is clearly taking us longer to get growth where we need to get growth. And I think you have heard me diagnose many times and give the strategy for pest control business. You have got to have great colleague retention, and great colleague retention consistently over time feeds into great customer service, which feeds into better customer retention, which feeds into the ability to sell customers more things, more jobs, up-selling and to get good prices. So I think fundamentally the bigger challenge, or the challenge probably that has turned out to be bigger, is getting colleague retention back or up to where we need to, or towards where we need to. And it is probably the area that I am also most delighted with the progress we have made in the last 12 months. I think to pick the main issue, I think it has being harder to get growth, and I think it has been because we have found it harder or the challenge to get the colleague retention up to where we need to has been bigger.

In terms of the opportunity side, look, we judge performance, and we look at companies, and we look at them through an incredibly narrow range of how have we done in the last 13 weeks? I do not. I look at this as the opportunity that we are building here to create, I call it the powerhouse of pest control. I could not be more excited. I remain incredibly excited, excited about the opportunity in this business. We are the number one in the world. We are the number one in resi, we are the number one in termite. We are the number one in commercial. We spend more in innovation than anyone else. It will take time, but if we build it, they will come. I am more excited than I have been in the past, but we still got ways to go.

I will just deal with the commercial bit, specifically, national account. National Account's performing very well. Rentokil national account is very strong. I looked at the win-loss data the other day. Absolutely no evidence at all that we have lost big accounts to big competitors, and we have certainly won as much as we have lost. So I do not think there is any new story there. Do not forget, Terminix had a national account piece of business, and Terminix was the weakest of the national account players in the United States. So I think we have seen a bit of attrition around the Terminix national account stable, but over time we are moving the Terminix national account, Copesan customers into the Rentokil stable. So we are working through that. However, I do not think there is a big story there. What was specifically softer about the distribution business? You want to pick that, Stu?

Stuart Ingall-Tombs: Yes, sure. Really, it was a bit of those comps, as you rightly point out. It was not a surprise to us. We knew we had +20% organic growth in June last year. Actually, distribution helped the number in Q1, so it is not that it is particularly challenged, it is just more lumpy than it really used to be pre-pandemic is the main shift. So we did not give a growth target for Q2, by the way. We gave one for Q1, and then we gave one for the full year. So we are still sticking with that target range of 2-4%. So we have not really moved that. And we certainly did not give a target for Q2. And distribution was included in that view of life, of course.

James Beard (Deutsche Bank): Thanks. It is James Beard at Deutsche Bank. I have got two questions, please.

Could you give us a little bit more detail around the working capital and particularly the debtor performance in the first half and why you think that is a one-off issue and will reverse in the second?

And second question, you mentioned that you are pivoting away from 100% sales commission for new hires in North America. What proportion of North American sales colleagues are currently on 100% commission contracts?

Stuart Ingall-Tombs: Yes. On debtors, it was quite peculiar. We do not manage cash strongly at the half-year because it is really related to we are building up the season. We always have some sort of outflow, and it was just a bit bigger. What was interesting is every single region we reviewed said, and you are going to love this, the half-year finished at a weekend, and paid our creditors the week before, and we suffered from customers paying us the week after. And actually, why am I confident? Because we saw the week after the cash flowing in. So it really was a timing thing. We are largely a Northern Hemisphere business, therefore at the 31 December we do not see those characteristics. And so I am really confident that it was just a real peculiarity around the half-year that I would not expect to recur.

Andy Ransom: Sales colleagues, I am going to give you the answer, and I am going to look at Brad, and he is either going to nod his head, or he is going to shake it. So we are going to do it that way. I think we have 425 colleagues in Terminix who are on 100% commission. I do not think we have any in heritage Rentokil. I think we have 425. That is probably about 10% of the total sales force. He is shaking his head, nodding his head all right. And what we are doing here is important. If you have already figured out how to sell, and you are already on 100% sales commission scheme, and you have been doing it for X years, you love it, and we are not going to take that away from those people, but we do not think that is the way to build the future professional sales force. We do not do it in that way in any part of the business. We do not do it in Rentokil North America.

So for new people coming in, we are moving them to a much more conventional structure that we have been using for years in Rentokil with a good salary, but with good opportunities to earn more money, so the earning potential will be as good. However, if you are already using the 100% scheme, we are not going to take that away. And that was one of the worries on our behalf, I will say, one of the worries that has been out there, which is are you going to lose a lot of your top salespeople because you are going to take away the 100% sales. And no, we are grandfathering for an inappropriate phrase. We are leaving them in those pay structures.

Christopher Bamberry (Peel Hunt): Morning. Chris Bamberry, Peel Hunt. A couple of questions if I may.

How did organic growth in North American services develop over the quarter? And secondly, you kind of nudged down slightly your M&A target for the year. Is that just a timing issue, or have you been losing out on deals? And I guess on that front, what your see in terms of pricing and competition for acquisitions? Thank you.

Andy Ransom: Thanks. I will do the M&A one, and I will come back to the one that I am not going to answer.

M&A, we do what we can. So at the beginning of the year, we give you the very best view of what we think we are going to do in the following 12 months, and then we update it. Either we say, oh, we are going to spend a bit more, or we are going to spend a bit less. M&A is very opportunistic, very lumpy. You can win a big deal and suddenly the numbers change, or you can lose a few.

There is no story here at all between the £250 million and the £200-250 million, just simply as we sit here today and the pipeline for execution in the coming six months, just doing the maths on it, and we put a probability weighting on, well, how many of these deals do we think we will close, etc.? That is where it comes out. So we reserve the right, of course we do, to spend more than the £250 million. We reserve the right to come in under the £200 million. However, as we sit here today, it looks like it will land in that range.

I do not think there is much I can tell you on pricing. We certainly saw over the last five years in the United States an increase in prices that went up five years ago and stayed high. Then we were hoping that prices would dip a bit, and I think we did see prices dip a bit in the last 18 months as interest rates moved up and therefore private equity found it more difficult to be competitive. You know, it is marginal. I do not think we have really seen much movement in those prices. If there has been any movement, I would say it has been a little bit softening overall, but not, not massively.

You saw the amount of money we spent relative to the dollars we bought or the pounds that we bought, and you might say, oh, well, that looks like you are spending less per revenue dollar. That is really a function of the fact that we did more on the hygiene and well-being side in the half than previously. So hygiene well-being deals typically come at a lower multiple, typically because there are fewer people chasing them. The pest control pipeline and funnel looks good, prices are stable, maybe a shade lower than they were, but difficult to say.

In terms of the month by month, blow-by-blow, no, I am not going to go down that rabbit hole. Otherwise, I will be giving you monthly revenue numbers, and I do not plan to do that, but I do not think there is a massive story in the quarter. I have mentioned that some of the paid activity, you know, we learned as we went through the quarter, but overall, I do not think there is a big story in the quarter to share one way or the other. Thank you.

Nicole Manion (UBS): Nicole Manion from UBS. Just two questions, please. So you have talked today a lot about the importance of colleague retention, and since the deal closed, I think that has, broadly speaking, being increasing. Should we be expecting some volatility in those metrics, even if only temporary, as you sort of crack on with those full branch and route integrations in the latter phases?

And then secondly, a broader question on the branch strategy. I guess there are obviously multiple ways to skin a cat, but you have a big peer who is maybe quite vocal about having these smaller but more numerous branches. I think you have touched on it today in those helpful slides, but I wondered if you could elaborate on what gives you confidence that that is the right approach. Is it that you think you are doing something different through the integration process around innovation, route planning and so on, that will be so much better than what peers in the market have, or is it something else? Thanks.

Andy Ransom: Thanks. Yes, colleague retention, it is a good question. I think we will know it when we see it is the honest answer. If we go back to the pilots that we did, whenever it was 12 months ago, we did see volatility in colleague retention, which is why we did the pilots. So we then drilled down and say, okay, what have we done to upset people that has caused them not to want to hang around? Some of it was around things like the pay structure. So we have learned from that, which is why we pilot, and that is why I shared some of the changes there. We have also said, we have called what we are going to do in the fourth quarter a pilot. We have done that quite deliberately. It is the plan. The plan is locked. We know what we are going to do on pay and conditions, but we are pragmatic. If when we get into it, we get a lot of negative feedback from colleagues, okay, we reserve the right to change that pay plan and pivot. We actually think, and our data suggests, there are going to be far more people who are going to be happy with what we are going to do than those who have the potential to be unhappy. But, we are also focusing on the ones who could be unhappy, so how do we make sure that we reduce the probability that they are really going to be unhappy? So it is possible. And I would say, and to also sit behind your question, do not forget to deliver the synergies that we are committed to, we have to take a lot of people out of the business.

Our plan firmly is not to do some big redundancy programme. That is not going to happen. How we will do it is typically not to replace natural attrition. So as people leave, we will not need to replace them. We will just reorder the territory. So there could be some volatility because there are moving pieces, but the underlying trends are there to see and they are positive.

The branch one, the reason that Brad put that chart in, there has been a lot of myths that have been commented again on our behalf that we are going to move to this mega branch structure. We are going to have these huge branches. And clearly, look, I get it. My very good friends in Atlanta have a different approach, but is it really that different, is the question I would ask. And the main point of that slide 43 was to point out that what is really happening here is we are taking 160 branches which are sub-scale, which are sub- $3 million. And that is just too small for a branch. It just is. So most of those become small branches, and then you do the maths on that. It is not so wildly different. And you look at that say, well, actually on big branches, let us talk about those big mega branches. We have already got 80 of those today, and we are going to move to 110. So I do not think it is radical. And nobody ever asked the question to my friends over Atlanta, but somebody should ask them, do you have big branches? Because hey, guess what? They do.

I do not think it is a radically, fundamentally different view to the competition in the market. We are just in a moment in time. We have got to get through this process, we have got to get all the systems fully plumbed in. We have got to get through the integration. I am very, very confident that this end-state is more than fit for purpose, and it is a model that we have used for years. So I guess I would encourage people not to spend an awful lot of time trying to tease out the differences between us and the competition, but accept that actually our model is much, much more similar than it is different.

And some of the points that Brad made in his comments, customers do not go to branches. So the notion that we are putting branches closer to customers is a slightly odd one. Technicians, their route is based on where they live. So if you live in North Atlanta, we will give you a North Atlanta territory. So you are living in the community where your customers are. So we have that proximity. I am sure there are things that we can do better, and we are a learning organisation, but the point of the slide is really say, look, it is not a fundamental move to mega branches, it is an up-weighting of subscale into small branches. Thanks.

Sylvia Barker (JP Morgan): Hi, Sylvia Barker from JP Morgan. Three, please. On organic for the second half, will you finally be doing some of the full integrations in Q4? Would you share any dis-synergy assumptions that you have got within that organic guidance for North America?

Secondly, free cash conversion. Is that different in North America versus the rest of the business because you have got more residential, presumably have a different proportion of prepayments? How does that, not just for the half, but more structurally? And then finally on hygiene, obviously, we have asked you this in the past, so sorry to ask again, but where is that business in terms of how integrated it is with pest in the various regions? Clearly, we get asked that a lot, given the recent news flow. Thank you.

Andy Ransom: All right, thanks. I will do one and three. Yes. I am not going to give you a number on dis-synergy. All I will say is that as we put the programme together, as we put our plan together, as we put our guidance together, we made certain assumptions that there would be some level of short-term impact on organic growth as you move into integration. So rather unhelpfully, I am not going to give you that number, but I also said, look, we have done many integrations where the impact has been zero, and we have done many integrations where the impact has been significant. The thing that I am really most excited about in the second quarter is we have done the systems integration. I know that might not sound a big thing to many of you, but it is a big thing. So to integrate this business fully and properly, we have to do two things. We have to get the systems fully integrated. That is an enormous task. An enormous task. So many things that have to be done well and that has gone really, really well. So we have now got an IT stack that we have converted Terminix colleagues from their system into the new system. We have converted standalone acquisitions to the new system. We have converted commercial, residential, termite to the new system. We have had multiple Day One glitches, every single one of which has been resolved and put to bed. Not saying it is done, but my goodness me, that is a big tick to say you have got the systems integration done. Well done. Good, excellent. Yes, but we have still got other things to do. And the three big things that we have left to do is re-routing, is rebranding and is pay. We feel really good about the pay piece. We have spent ages and loads of money with third parties, and we have talked to lots and lots of people. I think the pay structures we have got are really good. We will find out in the fourth quarter. And as I said, if that does not work well, we adjust.

Branding. We put a chart in here on branding because again, people are worried on our behalf that we are going to, overnight, rip up 70-odd local brands and move to Terminix overnight. We never said we were going to do that. We never planned to do it, but, we have put a bit more meat on that bone, and we said, look, if it is big regional brands like Western Exterminator, Florida Pest Control, Ehrlich, they will be co-branded, and they will probably be co-branded for years and years and years. And I am sure long since after I have stopped doing this job, you will be able to see Western as a brand. It will be co-branded with Terminix. And then the little brands. Well, okay, but we are going to take a bit of time to phase out the small brands.

So the pay, I am feeling good about, the branding, I am feeling good about. And then the re-routing, we are going to have to do what we have done hundreds, if not thousands and thousands of times. And it is the re-routing that, probably it is the bit, and answer the question, that is where you could get some sand in the gears. If you do not do that well, you will annoy a few customers. So the pilots so far do not involve re-routing, they involve systems integration. Big tick, terrific. Pay plan, looking good. Branding, looking good. Re-routing, we have done it so many times before, but that will be the pinch point. Can we do that at scale over the next two years without causing a lot of interruption to our customers? We think we can, but I will let you know when we get into it. And we get into it in the fourth quarter. Free cash flow conversion?

Stuart Ingall-Tombs: Yes, free cash flow. Thanks for Andy taking so long, that gave me a chance to have a think about it. So let us start from the bottom. National accounts, very, very similar. Almost identical. No reason why it would be different. Commercial business. We have got a big commercial business in North America. Very, very similar. Again, it is payment in arrears and all that sort of thing. And commercial customers take longer. You are right, residential and termite is different. And the main difference is around revenue recognition. So it is visit-based, it is highly seasonal. So you are collecting cash on a monthly basis, but then you go out, and you do work, and you recognise the revenue, and then you allocate the cash. So what you get up, as we get through the season, your revenue recognition is ahead of your cash collection. And so then that unwinds for the remainder of the year.

We still have, actually, so a very high percentage of new residential and termite customers are on either easy pay or credit card. Certainly starts with a nine. We have still got quite a big legacy of historic customers that still pay by those, you know, that glorious American thing called the cheque. So therefore, we still have some collection challenges and that variability around customers that we have had for a very long time. So that is the way it sort of differs is really around the revenue recognition on residential and termite.

Andy Ransom: How integrated is hygiene with pest control? It is pretty integrated. At a country level, you run a country. You do not run pest or hygiene, you run both businesses. So there is only one MD, only one FD, one HR Director, one IT Director. So at that most senior C-suite level in any country, you are running the whole thing. So you want to separate those businesses. You are going to have to put a huge layer of overhead in one side or the other. At the branches, it is mixed. Some we run out of the same physical location, some are separate. We use the same IT stack. We share procurement. So is a significant overlay between the businesses.

And we get some commercial benefits as well. We do not do a lot of cross-selling. Hold the front page, cross-selling is really, really difficult to do. Anyone who tells you it is easy has never tried it. However, we do have a lot of customers who buy both. That does not mean to say that pest control people are selling hygiene or vice versa, but if you are a happy pest control customer, we will introduce you to hygiene and vice versa. So we do get a cross-fertilization on commercial.

Honestly, it is a very similar business the way it works, route density. It has got even higher level of contracting versus pest control. All of the things that we talk about in pest control, about the importance of colleague retention and all of that, exactly the same. So the synergy of having those businesses together, I think, is material. The dis-synergy of separating those businesses, I think, is material, end of, as far as I am concerned.

James Rosenbach: Hi there, it is James Rosenbach. Got two, please. First is on the North America growth strategy. You have clearly made good progress on lead, but when it comes to sales conversion, is that at a rate below what you typically expect, and what has your thoughts and diagnosis for that?

And then secondly, it says in the slides you are doing a process deep dive on the Terminix pricing process. What has prompted you to do that, and what would you expect to find from that review?

Stuart Ingall-Tombs: On the first question, can I add, someone has asked online why the average value of leads was down along with sales conversion? So if we could combine that question with yours.

Andy Ransom: All right, well, I will try not to talk so long and give you less time to prepare the answer to the second one on pricing. Yes, look, we gave you the growth model, which shows where growth comes from. Sales conversion and average lead value was very slightly down, but they were down. And large numbers times a small variance can get you a medium-sized number. So it did have an impact. The honest answer is, if you push hard to generate additional leads, you should not be surprised that some of the leads are of a weaker quality than if you were not pushing as hard. So it is simply, again, a numbers game. So, yes, we got more leads, but they were not all of the same quality. And as you go down the funnel, some of them will be of a weaker quality and some of them will be smaller. And that then feeds into conversion, which is if the only thing you ever feed a salesperson is brilliant, top-quality leads that are incredibly easy to sell, they are going to sell them, but as you go down the funnel, and you give them things that are a little bit more difficult to sell, they do not close at a higher rate.

The bit that is, though, and I get excited about this, Brad covered it in his piece. Particularly on the Terminix side, we have had a really horrible retention rate of new sales colleagues. One of the main reasons we are moving away from this 100% commission thing for newbies is newbies do not like it. It is really difficult to be successful in a few months on 100%, no salary, 100% commission only. And our data proves that if you have done a year or so, your conversion gets a lot better. So by getting more and more people to stay longer and longer, we will get an improvement in the sales conversion rate linked to the fact that our people have got more experience, as opposed to we are replacing experienced people or replacing churn at the front end. So I do not think it is a big story, the numbers were marginal, really marginal, but I was hoping to see an improvement in the conversion, and we saw a marginal decline. So one to keep an eye on, keep asking the question, but one that Brad is incredibly focused on. We will get those numbers up as we get sales colleague retention up.
Stu?

Stuart Ingall-Tombs: Yes. On pricing, something I have spoken about a couple of times. If you sort of step back and look at the heritage of pricing in Rentokil and in Terminix. Rentokil, very, very granular, owned by branch managers, given targets and allocate price increases according to their knowledge of their customers, their performance, people who have had poor service, people who have had really good service, where they are not making enough margin, blah, blah, blah. So really, really very granular approach to pricing around a target overall. In Terminix, much broader brush. So top-down, here is our price approach. I am talking existing customers here. So in some ways more effective, but in some ways a sledgehammer.

And so, actually, two things. One, bringing those things together, we think we can have a more strategic approach to customer groups. So by category, by seg, those sorts of things, but also, we have got some mismatches in pricing in the same regions. So the Rentokil price position for existing customers might be quite different to the Terminix price positioning and delivering effectively the same service. So as we bring these things together in one big data lake, it gives us much better opportunity for effective pricing, combining the best of both understanding and bringing where we got customer issues, where we go softer on pricing, where we got, etc., etc. So bringing the best of both into that world, but I think also strategically, gives us a much better opportunity to manage yield around pest pressures, around the demographics of the region. And so that is what we are doing, is trying to not lose the best of both, combine them and really look at how we price it. And of course, that feeds into new business pricing as well. So understanding better our existing customer base helps us better position a single proposition for Rentokil Terminix in that region around, be it resi, commercial or termite. That is the way to think about it.

So online, we have got a couple of questions. I would say that two or three of them are market rumour-related, let us say, so I will read them out. Have you engaged with PE or

Trian? Any update on a disposal of French Workwear? Have you spoken with Mr Peltz since the news came out? Philip Janssen is working with private equity companies. Do you have any response to this? How will the company fend off a battle? So before Andy comes to those, I will give those to him. I am enjoying this role. Can you provide more details about the upcoming refi of the €400 million notes? Would you consider to increase the size or like-for-like any preferred market?

So we match our borrowing to our EBITDA. Those notes are actually swapped to dollars. Most of our debt, unsurprisingly, is swapped to dollars, about two-thirds of it. And historically, we have had a good ETM programme, very low maintenance, very effective. That is what we have done.

Clearly, now, with our bigger us presence, we will consider raising dollars in the US in vanilla issuance. And we have got a term loan, a variable rate term loan that matures in 2025, back end of next year, which was like we took out at the time of the acquisition. So between the term loan and this year's euros, can we put those together and do a bigger block? Or do we still keep more, smaller, manageable annual refinances? That is what we are thinking about, but, those are the choices we have got. And that is the decision we will make later on this year.

Andy Ransom: Thanks, Stuart. Well, let us deal with those.

First off, I have been doing this job quite a few years. I have never disclosed the private conversations I have had with any of our shareholders, and I do not intend to start doing so now. It would be completely inappropriate, I would not do it for long only that I have known for a decade, I would not do it for new people coming onto the register. So that, I think, is easy to deal with, whoever the shareholders are.

Second point is, we treat all of our shareholders exactly the same, and certainly, we treat all of our major shareholders exactly the same. So we do meet our shareholders from time to time and that is what I would consider normal investor relations.

In terms of matters in the media, I mean, stating the extremely obvious, we do not comment on rumours, but I would also remind everyone that the panel rules and the panel requirements in terms of these matters are incredibly clear and incredibly strict. So I think you can interpret that as you will. I do not spend time reading the newspapers and their speculation, and quite often they are not as accurate as you might think, but I do not spend time worrying about that. We are working incredibly hard on growing this business, we are working incredibly hard on improving organic growth in North America, working incredibly hard on the integration and the rest of the world business, which is all going well. So I focus on the stuff that I can focus on, and not the stuff of idle rumour and chatter. Cannot comment on those rumours, and would never comment on discussions that I have had with any shareholders.

Stuart Ingall-Tombs: Disposal of French Workwear. Any update?

Andy Ransom: No. The position on French Workwear, I updated in terms of the performance. Another cracking performance. One might make the argument our best-performing business, but a cracking performance, again from French Workwear. It is non-core. It is a non-core asset to the Group. And I am sure at one point in time we will conclude that there is an owner for that asset who is a better long-term owner than we are, but that requires somebody to want to buy that business at a price that makes sense to our shareholders. I am a fundamental shareholder value disciple, so selling an asset at an undervalue does not seem to be a good thing to me. Selling an asset for an appropriate value does seem a good thing. So it is not quotes "for sale", but then again, everything is quotes "for sale". That is the nature of business. So no update and no change to our position. It is a lovely business. It is well-run. It is performing well. At some point, I suspect we will conclude that there is a better owner. That is not today.

Stuart Ingall-Tombs: Thank you very much. I think that is the questions done.

Andy Ransom: Thank you, everyone. Appreciate it.

[END OF TRANSCRIPT]