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CORPORATE SPEAKERS:

Andrew Ransom

Rentokil Initial plc; Chief Executive Officer

Paul Edgecliffe-Johnson

Rentokil Initial plc; Chief Financial Officer

PARTICIPANTS:

Suhasini Varanasi

Goldman Sachs; Analyst

Annelies Vermeulen

Morgan Stanley; Analyst

James Beard

Deutsche Bank; Head of Business Services Equity Research

Andrew Grobler

BNP Paribas; Analyst

Unidentified Participant

Bank of America; Analyst

Nicole Manion

UBS; Analyst

PRESENTATION:

Operator^ Good morning, ladies and gentlemen. And welcome to our Conference Call for Rentokil Initial's First Quarter Trading Update.

Let me hand it over to CEO, Andy Ransom. Please go ahead, Andy.

Andrew Ransom^ Thank you, [Ellie]. And good morning, everyone.

Before we begin, as always, can I draw your attention to the usual cautionary statement contained in our trading update this morning as it also applies to this call.

I'll start off with some brief opening remarks, and then Paul and I will be pleased to take any questions.

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As we only reported on performance and strategy just last month, today's announcement is a short update on revenue performance in the first quarter. And just to remind you, we now report in U.S. dollars.

In the first three months of 2025, group revenue increased by 1.5% to \$1.64 billion.

Organic revenue growth for the group was up by 1.8%.

We delivered a good performance in International, which are our businesses outside of North America, with organic revenue growth of 3.3% and a 4.6% in Pest Control.

In North America, as we flagged in March, the first quarter's growth was held back principally as a result of weak lead generation.

Organic revenue growth was 0.7% and 0.5% in Pest Control.

If we adjust for one fewer trading day in the quarter, that's slightly behind last year's like-for-like performance.

Significant work has been underway in the first quarter with the support of our new agency and additional digital marketing expertise from our U.K. center of excellence to improve our lead generation performance. And while organic search performance remains subdued, it was encouraging to see digital inbound lead flow from paid for activities return to positive growth in March following declines in February as we've transitioned to our new agency partner.

We've also been making progress with other strategic initiatives in North America. Colleague retention has increased by 40 basis points to 79.8% whilst customer retention increased by a further 30 basis points to 80.4%.

36 satellite branches across the U.S. are now operational and our new door-to-door sales pilot program is all set to launch with participation of around 30 branches across the U.S. and our Trusted Advisor program, which generates leads and sales from

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existing customers, made further progress with participation rates among technicians improving by 9 percentage points in the quarter to now around 60%.

So in summary, the company has continued to make progress in our international markets and with our bolt-on M&A program.

In North America, we're making progress with our strategic initiatives including the rollout of satellite branches, which we expect will allow us to return to a stronger organic performance over time.

With that, let me hand back to the operator to manage the Q&A. Thank you very much. [Ellie]?

Operator^ (Operator Instructions) Your first question comes from the line of Suhasini Varanasi from Goldman Sachs.

Suhasini Varanasi^ Just a couple for me, please. When you think about growth through the quarter, can you discuss how trading was in March and early April. It looks like it's improved versus Feb, so it should be better than the quarter's growth of minus 0.2%. And also for the second quarter, given there's Easter in the quarter, is it fair to assume a trading day impact in this quarter as well?

Paul Edgecliffe-Johnson^ So yes, as you know, we try to give as much visibility as we can into trading. And March was a little better than we'd seen in February. As we look into April, really, we've only got a few trading days to look at.

If there was anything that we've seen that was a material improvement on what we were seeing in the first quarter, we would have called it out. There isn't really, so it's very much sort of steady as she goes there. But we'll continue to monitor.

We talked at prelims a few weeks ago about the strategic shifts that we're putting in place around new branches. And Andy just mentioned the 36 satellites that we now have opened with more coming, and a continued focus on our broader range of brands, which will drive more inbound leads over time, but that will take time.

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So no change to trajectory short term, but there's a lot that we're doing that we believe will change the longer-term growth trajectory.

Suhasini Varanasi^ And on trading days for 2Q?

Paul Edgecliffe-Johnson^ Trading days. Well, obviously, the thing we've pulled out is the leap year last year. And we are tracking whether there is any impact from Easter. Obviously, there is an Easter every year, and so exactly when it falls, can have an impact. But there's nothing that I can pull out right at the moment on that.

Operator^ Your next question comes from the line of Annelies Vermeulen from Morgan Stanley.

Annelies Vermeulen^ I have three questions, please.

So firstly, just coming back on the working day impact. Given I think three quarters of your business in the U.S. is contracted, is that 50 bps working day impact in pest services relevant for that contracted piece? I would assume monthly billing would largely protect you from that. But can we assume that, that drag is all in the jobbing part of the business? And perhaps as part of that, could you comment on how underlying contract sales develops in North America [been] through the quarter?

Secondly, just on door-to-door, those [30] locations. How were those selected? I think you said they're across the U.S., but are they all in one area, under one brand? And what was the strategy around selecting those?

And then lastly, just on paid search, the transition to the new agency partner and return to positive growth in March, I think. Can you give a bit more detail on that? And what is it that you're doing differently with that new partner versus before to drive that return to positive growth?

Andrew Ransom^ Thanks, Annelies.

On the first one on the contracting, the working day. It's curiosity. I've explained this a few times before, but it is a curiosity. North America is on a visit triggered invoicing as

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opposed to the quarterly in advance that you quoted there, which is typically how the industry works outside of North America. This is not a Rentokil phenomena. This is how the industry works.

So in America, if you have a visit, that triggers an invoice and only once the invoice goes out, does that get recognized as revenue, whereas outside of America, you're quite correct, your billing in advance quarterly in advance, typically.

So the -- with one fewer working day, that means one less day in which you can do the work, therefore, fewer invoices going out. So it does impact both contract and jobbing.

In terms of how has the contracting performance been, it remains, as I said last time and the time before, I think, it remains one of our big challenges/opportunities. The jobbing side of the business is performing respectably.

We've got to get our contract performance up. And you recall last time I mentioned that we are putting some additional incentives in for salespeople in the season to try and move that contract selling higher than it's been. So no change in recent patterns there.

The door-to-door, it is a pilot. We could have done it much more broadly. We could have gone to, frankly, probably hundreds of cities. We are not prepared to do that in terms of we want to see proof for us that it works.

The way these door-to-door programs are often run, Annelies, is through a third party. So we've contracted with two specialist third-party door-to-door pest control outfits in different parts of the United States. And because it's a pilot, it's interesting to your question really, we've been quite specific in terms of which cities we want to go, but also what do we want to target.

So we want to learn something from this pilot, which sorts of customers, which sort of suburbs, which geographic areas in the United States respond best to the door-to-door pace. So that kicks off in April, and we'll run it through the season, and we're running it in 30 cities.

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So at the time of the interims, we will have some data. It will be relatively new, but we'll have some data to be able to share with that, does this work? Does it not work?

If it's working, and it works well as I said a few weeks ago, then you'd expect us to come back and say, right, next year, we'll probably increase the program. And at that point, we'll say more likely how many branches and where will we put that to work.

Your third question was on paid search activities. Again, it's only very recently we were up talking about this. We are encouraged by some of the changes and improvements that we've seen in the month of March. But we always say in our business, unless you get it three months in a row, we don't call it a trend. So it's too early to say whether we're trending in the right direction.

But the changes we've made has certainly resulted in a lower relative cost for acquisition of those paid leads, which is important. And we're beginning to see improvements year-on-year across the paid activity.

Paid, of course, is one way of getting new leads. It's much, much, much more important that we get our organic lead performance significantly improved and we haven't seen yet the return to growth of those leads, which we clearly need to and would expect to, with the actions that we're now taking across that.

Operator^ Your next question comes from the line of James Beard from Deutsche Bank.

James Beard^ A couple of questions from me.

Firstly, can you talk us through any direct impact from U.S. tariffs on the business and how you would seek to mitigate those? And secondly, obviously very early days, but whether you are seeing any sort of indirect impact, i.e. greater levels of macro uncertainty within North America?

Paul Edgecliffe-Johnson^ Thanks, James. So as you can imagine, it is difficult in a business with lots of variables to isolate something as specific as tariff impact and particularly given how recently these changes has come in.

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What I can give you is what our best sort of estimates are. We are principally a local-to-local business. We do think that if the tariffs are enacted as currently is out in the marketplace, then there could be a small increase in some of our input costs around chemicals, some of the small electrical equipment that we use in our connected pest control services, but it is small there really. You're talking single-digit millions is our best expectation.

The second derivative factors of higher inflation in the U.S., higher fuel costs, higher vehicle costs, that's a harder one, and that will take more time just flow through to the numbers if it does manifest. So we will continue to monitor that.

Obviously that will be a well observed macro [trend]. So we're not going to be the one that's giving you the information on that. You'll be able to see that yourself.

In terms of impact on consumer sentiment and people's requirement for pest control, we're not really a discretionary item in people's shopping basket. So we are typically very cyclically resilient and economic cycle resilient. And so certainly nothing we're seeing at the moment.

Operator^ Your next question comes from the line of Andy Grobler from BNP Paribas.

Andrew Grobler^ Two from me, if I may. The first one is sort of following on from the previous question. U.S. distribution was very strong in Q1. How much of that is price versus volume? And how much of that, that you distribute comes from outside of the U.S.?

And then secondly, colleague and client retention keeps improving, which is great, but organic growth keeps slowing. When do you expect that better client and colleague retention to kind of actively feed through into stronger organic growth?

Andrew Ransom^ You unfortunately broke -- the question broke a little bit. So I'm going to guess the missing words, and you can tell me if I guessed correctly on the distribution piece.

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Yes, distribution had a good strong performance. And that is essentially a decent mix of volume and price.

It is -- as we know it is a lumpy business, distribution. You can have nice strong months and followed by weaker months. It does follow the buying patterns of the consumers, and it also follows the discounts that are offered by the manufacturers of the chemicals.

I don't think we've seen any evidence that this is people buying ahead of impact of -- or potential impact of tariffs. I think it's too early for that. The chemical industry is incredibly well stocked industry in the United States. So the supply chains are quite long.

So I don't think we're seeing any short-term impact in terms of international trade barriers, tariff impacts, potential tariff impacts. Paul just touched on, you could see that in the future with chemicals sourced out of China, in particular, some chemicals. But we're not seeing that. I think it's a pretty clean performance of the distribution business.

And overall, we've always said that how the distribution business performs over time is usually a decent barometer for how the underlying health of the pest industry is.

So I think, again, to the answer that Paul just gave, there's no suggestion that the underlying customers of our distribution chemical business, i.e., the pest control industry is seeing any slowdown.

So I think it's a decent performance, decent mix of volume and price. And I don't think it's impacted by the tariffs.

Go ahead, Paul.

Paul Edgecliffe-Johnson^ In terms of organic growth and when will we see the pleasing input metrics around customer retention, et cetera, flowing through into stronger organic growth. There's always a lag. And we've talked about what we're doing to drive our performance through all of our channels, making sure we have strong retention, making sure we have good sales incentive plans.

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We are pleased with what we're seeing coming through on our technical lead channel, which is an important channel for us, and that is well up. And we've put in place our new strategy around more satellite branches and focusing more on our brands, which will drive up the organic leads, which, as Andy was just talking about, is so critical for us here.

We're doing better in terms of paid leads, but we need more organic and we have the strategy. But we will come back and tell you as soon as we're seeing some positive results there.

Andrew Ransom^ As my old boss used to say, Andy, this is -- the conditions are necessary but not sufficient. The underlying colleague retention and customer retention are critical as a platform to build organic growth but not sufficient to give us what we need.

So we're delighted to see that improvement and continued improvement. But that alone will not get us where we need to be.

We're incredibly focused on improving OG as I'm sure you would appreciate. But -- so we're happy, very happy that we see those numbers moving onwards and upwards to the right but not sufficient to get us where we need to. So much more to come.

Operator^ Your next question comes from the line of [Paul Pierce] from Bank of America.

Unidentified Participant^ On behalf of Simona Sarli.

So two on North America and one on the broader business. First, about North America, on the development of the proportion of jobbing versus recurring contracts, any development? And then on the impact of favorable weather in North America, any contribution on the positive growth in the month of March?

Then moving on to the broader business. How did the volume of new recurring contract sales developed year-on-year?

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Andrew Ransom^ Thanks, Paul. Yes. I'm not sure we've got a lot to add to what we said, and I mentioned, I think to Annelies' question, the business in North America is doing respectively well on jobbing one-time revenue. And if we look to last year, and that was also true, and we did, I think it was 6% organic growth in North America pest control on jobbing, it's the contract side of the business that we absolutely have to get up.

So no change in trend, no change in the story in Q1. I don't think we saw a significant weather impact and weather is one of those things, we always have it. Sometimes it's a little bit favorable, sometimes it's a little bit unfavorable. And clearly, for the insect season, the early springs are strong and helpful for early sales and late springs are not so helpful.

But in the month of March, our team has not called out anything specific, either positive or negative. We were out in the States this week, for a few days earlier in the week and the weekend and actually surprisingly chilly. But this current week to come looks really, really good.

So hopefully, the season will start to be in full swing now but we're not calling anything on weather.

Apologies, Paul, the third item to your question there?

Unidentified Participant^ Yes, about the volume of new recurring contract sales development?

Andrew Ransom^ Yes. It was essentially -- essentially the same answer to the first one. That's where we need to get a significant improvement because roughly speaking, in America, we're 70% contracts, high 60s, 70% contract, 30%, 31%, 32% jobbing. And with the jobbing performance pretty good and price performance pretty good, that leaves underlying contract performance.

And underlying contract, it's a gift that keeps on giving. It's there for multiple years once you've run it and it's multiple opportunities to improve your price over that period and to sell your customers more services.

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So it is the critical lifeblood of a subscription business, and it's what we need to improve, and we've not seen any change in that recent trajectory that we're doing fine.

We're doing okay on jobs. We need to do better on contracts.

So for that reason that we've got incentives kicking in, in April and in the second quarter now to try and improve our level of contract selling.

It's not unusual, by the way, for pest control businesses in America to have sort of two seasons here, you have the off season and the on-season. And in off season, in the fall and in the winter, with lower pest pressure, it's much more challenging to sell contracts. And then when you get higher pest pressure, it should be easier.

So ask us the question again in a quarter's time and hopefully, we'll be able to point to some improvements in contract. But it's one that has to build -- it won't be one quarter that will get us there. It's one that has to build over the next year or two but nothing to update on that at the moment.

Operator^ Your next question comes from the line of [Radhika Raka] from [Entry].

Your next question comes from the line of Nicole Manion from UBS.

Nicole Manion^ Just one really, please, for me.

Obviously it's early days in terms of the satellite branches, which we think are key to fixing the organic search piece. I know there's obviously been a number opened since the start of the year. But is there anything you can point to maybe in terms of the first branches you opened including those in Q4? Are you seeing those support better lead generation locally yet? Or is it still too early to say?

Paul Edgecliffe-Johnson^ Thanks, Nicole. And clearly, as we've talked about, it is an important part of our strategy going forward because it will drive a higher level of organic growth from us having more pins in the map. And we are pleased with what we're seeing.

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We have done, I think, a really nice job of getting these up quickly, and we've got a lot more in the pipeline that will come in even during quarter two. And as we have more data, it will be easier for us to talk about the specifics about what they're generating.

What we're probably not going to try and do is every quarter, give you every data point and talk about strategy. I think this is just about sort of quarter one performance, but we will come back at the interims and talk about that in more depth.

Suffice to say, we wouldn't be pushing on at the pace that we are if we weren't seeing good data coming through, showing that this is a good strategy for us.

So I hope that's enough for now and we'll talk more about it on the 31st of July.

Operator^ Your final question comes from the line of Oli Davies from Redburn Atlantic.

I'd now like to hand the call back to the Rentokil team. Please go ahead.

Andrew Ransom^ Thank you very much, [Ellie], and thanks, everyone, for joining us. Appreciate you dialing in this morning, and we look forward to updating you on hopeful greater progress in the next quarter in a few months' time.

For now, have a great day. Enjoy your Easter, (inaudible) the best.

Paul Edgecliffe-Johnson^ Thanks, everyone.

Operator^ Thank you for attending today's call. You may now disconnect.