Interim Results 2026

Mike Duffy, Group CEO
Paul Edgecliffe-Johnson, Group CFO

Thursday, 30th July 2026

H1 Overview

Mike Duffy

CEO, Rentokil Initial

Welcome

Good morning, ladies and gentlemen. Thank you for joining us. It is a pleasure to be with you, and I look forward to speaking with many of you in the coming days ahead.

In a few moments, Paul will provide you with details on our financial performance for the six months ending 30th June. I will come back to provide my first impressions and priorities for growth before taking questions. Please note, to ask a question today, you will need to dial the separate conference call number shown on our website or at the end of this presentation.

I want to first thank our 65,000 colleagues we have at Rentokil that come to work every day with two simple goals, keep each other safe and take care of our customers, and they do so to the best of their abilities. Our frontline truly are heroes and make me proud to be wearing the same jersey.

H1 Financial Results: Overview

For half one, the main headlines of an encouraging set of results are: good financial performance with further progress on revenue and profit, and strong free cash flow conversion.

We are pleased with the acceleration of international growth in the second quarter, with 5.4% organic growth in Pest Control. I was particularly pleased to see customer retention improve by almost 1% in the half.

In the US, the team has worked hard and made good progress over the last 18 months. We have made the right pivots from the original integration strategy towards more brands, more branches and smarter digital marketing. It was reassuring to see residential revenues continue to grow in the H1. We now need to give our commercial business similar focus and investments to drive comparable results.

Since joining four months ago, I have spent much of my time in the field with our front line and our customers. From these interactions, it is clear we have a strong right to win and possess many of the components necessary for doing so. I will come back and share my initial thoughts on our growth plan and how disciplined prioritisation and execution against increased customer focus, sales and operational excellence, and complexity reduction will drive organic growth.

To support us in both creating and delivering our growth plan, we have made two excellent additions to the team. Rafa is joining us on Monday to lead our business in North America, and Famous Rhodes has joined as Chief Marketing Officer for North America. In addition, we will appoint a Group Transformation Officer, a new member of my leadership team to drive our programme forward.

Critical to our success will be enabling our frontline. They are our brand, and we need to make it easier for them to deliver on our brand promise and do what they do best, taking care of customers.

Today, I am more excited and confident about our future than I was on day one. I have seen what is working, best practices that can be reapplied globally, and our opportunities for improvement. Our task is to build on our strong foundations, standardising, simplifying and scaling what we do best. The type of work I know very well from my previous roles, and it is what I will return to talk about.

Now let me hand it over to Paul to take you through the financials. Paul?

H1 Financial Review

Paul Edgecliffe-Johnson

CFO, Rentokil Initial

Cautionary statement

Thank you, Mike, and good morning, everyone. Before I begin, I would like to draw your attention to the usual cautionary statement contained at the beginning of this presentation, which also applies to this call.

Group financial highlights

I will now walk you through our key financial highlights for the first half. Unless otherwise stated, all figures are in US dollars and on an adjusted basis. Any comparative performance is on a constant currency basis.

Half year revenue was up 4.5% to $3,589 million, with organic revenue growth of 3.6%. Operating profit was $556 million, an increase of 6.6%, with 10.2% growth in North America and 4.3% growth in International.

Central costs were up 16.9% due to underlying inflation and ongoing investment in digital solutions and technology. I expect this growth to moderate in the H2, with a full-year growth rate in the low double digits. This resulted in an operating profit margin of 15.5%, up 30 basis points. After slightly higher interest costs and a tax rate of 25.7%, we delivered earnings per share growth of 8.3%.

We have continued to improve free cash flow with 12.8% growth and 96% conversion, benefiting from disciplined working capital management and tight control of capital expenditures. We remain on track to deliver our guidance of greater than 80% cash conversion for the full-year.

Leverage stands at 2.4 times, down 0.4 time from this point last year, and within our target range of 2 to 2.5 times for the first time since we acquired Terminix in 2022. In line with our progressive dividend policy, we have increased the interim dividend by 8%.

When I consider our financial performance overall, when compared against this time last year, we have improved across the board. There is still more to do, but I am encouraged by our progress.

North America: growth in revenue, profit and margins

Turning to North America. Revenue increased 4.2% to $2,197 million. Organic revenue growth improved to 3.7%, with 2.6% growth from Pest Control Services and 10.6% growth from Business Services. As a reminder, consistent with commentary at quarter one, we continue to expect organic revenue growth in Business Services to moderate in the second half.

Operating profit was $393 million, growing 10.2%, with 1 percentage point of margin improvement to 17.9%, which reflected continued strong progress on our cost efficiency programmes.

We have made good progress delivering on our strategic initiatives. We have already achieved our smaller local branch full-year rollout target of 70 new locations, and managers are now able to access Branch 360, our proprietary data hub, improving speed and clarity of decision-making.

Finally, I am pleased to see that both customer and colleague retention continues to improve year-over-year.

North America Pest Control Services: Residential performs well

Looking at Pest Control Services, which continues to benefit from a robust pricing environment. The chart on the left-hand side shows how far the business has progressed in a short period of time, benefiting from the actions we have taken to improve performance.

Our residential business is performing well, delivering a solid growth rate in the first half. This was offset by slow growth in Commercial, particularly in Q2.

Looking a bit deeper at Residential, core Pest Control accelerated through the half, slightly moderated by a slowdown in termite revenues in quarter two. Residential leads grew 6%, and in line with our strategy, regional brands in particular, drove strong lead growth.

Looking forward, we have seen some weakness in North America residential lead flow towards the end of the second quarter and into July.

Residential retention improved, helped by rising auto pay penetration and continued good performance from our customer saves team, which is achieving a roughly one in three success rate in customer value retained.

Moving on to commercial, which grew more slowly through the half. Our Commercial leads had good growth at 8%, but more is needed to improve conversion and retention, which declined year-over-year with moderately increased customer losses in small and mid-sized accounts, partly driven by the rationalisation of our heritage Terminix commercial business we had spoken about earlier this year.

We are accelerating several initiatives here to improve growth, which Mike will speak to in greater detail later.

North America Pest Control: good margin progression

Looking more closely at North American margins. We provided additional disclosure to show the margins for both Pest Control Services and Business Services. Business Services has delivered strong revenue growth over the past two years, led by our lower margin product distribution business. This has a negative mix effect on total North America margins.

In Pest Control Services, we have delivered good margin progression, up 1.4% since 2024, and close to 20% as of the first half. This improvement has been driven by a transformation program with over 1,100 roles offshore to lower cost locations, primarily in our call centre and support functions, and over 500 roles eliminated through redesigned processes and automation.

These actions delivered gross savings of $45 million in the half, with net savings of $28 million after reinvestments. We exited the half with a gross savings run rate of around $90 million annualised, leaving us well on track to deliver against our original target.

This is only the beginning, and we see material additional cost efficiency opportunities across the Group, which we started to address earlier this year with some outsourcing activity in the Pacific.

Taking our successful playbook from North America, we expect to generate significant fuel for growth, self-funding reinvestment in 2027 and beyond, particularly to drive accelerated performance in the US. With this additional resource deployment to North America, as well as the stronger-than-anticipated performance from margin diluted Business Services, we are retiring our 2027 20% margin target for North America as it is no longer in line with our strategy.

Reinvestments to drive Residential growth in the last 18 months

In the last 18 months, we have made various investments ranging from the optimisation of our digital marketing spend, more brands, more branches, and investments in customer service and in retention, which have already produced tangible positive outcomes such as lead growth and pricing improvements, and will continue to help us by enabling our branch managers to make faster and better-informed decisions.

International: improved Pest Control performance in Q2

Moving to our International business, where we drove revenue up 5% to $1,392 million. Organic revenue growth was 3.5% in the half, with quarter two improving to 4.2%. Operating profit was $266 million, growing 4.3% with 19.1% margin.

Pest Control delivered improved sequential performance of 5.4% organic revenue growth in quarter two, up from 2.8% in quarter one. Performance was strong across the region, held back by strong comparisons in Rural & Track Spray in the Pacific, and tougher trading conditions for property services in the UK.

Excluding these businesses, International Pest grew 5.8% in quarter two and 4.9% in the first half. Hygiene & Wellbeing growth was more modest at 2.6%.

International colleague and customer retention, which is already high, continued to increase year-over-year.

Group Free Cash Flow: continued strong cash conversion

Turning now to cash flow. Overall, continued disciplined work in capital management and tight controls of capital expenditures delivered a strong performance with 96% conversion, up slightly from last year's 93%.

After a strong first half, we remain on track to achieve our guidance of at least 80% cash conversion for the full-year.

Net debt: reduction in leverage to 2.4x

Turning to look at cash and leverage. Strong operational cash generation has allowed us to make continued progress in strengthening the balance sheet with our leverage ratio reducing to 2.4 times and net debt reducing by $75 million.

Running through some of the key uses of free cash flow. The cash impact from one-off and adjusting items was $70 million in the half, largely attributable to North America transformation costs. We are increasing our full-year guidance to $110 million to $120 million, reflecting additional costs in the first half for international transformation.

We reinvested $39 million in bolt-on M&A, acquiring 14 businesses, generating $26 million of revenue in the year prior to acquisition. We are reducing our full-year forecast for M&A spend to $120 million as we continue to target accretive M&A focused on our core growth engines.

Legacy termite: $44m additional provision

We added $44 million to the legacy termite provision in the half. As a reminder, the calculation of the provision is mechanistic, reflecting experienced near-term trends over the last 12 to 24 months. The additional provision was primarily driven by us experiencing an increased claim cost in some non-litigated claims we settled in the period, which requires us to assume a higher future average cost for such claims going forward.

Based on these current trends, we have also increased our cash outflow guidance for the utilisation of the provision to a range of $115 million to $125 million for the year.

Capital allocation framework

Turning to capital allocation. Our primary focus is to invest in organic growth, as it drives the best return on investment, deploying capital to support long-term growth and drive operational efficiencies. We will also continue to pursue inorganic growth through targeted M&A.

We will remain selective and strategic in identifying opportunities which are focused on our core growth engines. We remain committed to a progressive dividend policy, ensuring that dividends grow over time. Our approach reflects confidence in the underlying strength of our business and our ability to generate consistent cash flows while maintaining financial flexibility.

We recognise the importance of returning excess capital to shareholders. When we do have surplus capital beyond our reinvestment needs, we will evaluate opportunities to return it whilst maintaining a strong balance sheet targeting 2 to 2.5 times leverage.

Financial review: summary and outlook

In summary, we have delivered continued progress on organic revenue growth as our strategic initiatives are working, delivering improved growth in North America residential Pest Control Services. Commercial requires incremental focus, which Mike will speak to shortly.

We are pleased with the performance improvements in International Pest Control. We are on track to deliver our 2027 cost savings in North America and see material further efficiency opportunities globally to unlock fuel for growth, allowing incremental redeployment of resource to North America. We remain focused on growing margins over time.

Finally, I am pleased with our cash performance, which puts us back in our target leverage range. Overall, there is no change to our outlook. We continue to expect full-year profit in line with current market expectations.

Thank you. I will now hand you back to Mike.

First Impressions and Priorities

Mike Duffy

CEO, Rentokil Initial

First four months as CEO

Thank you, Paul. Four months in as CEO, and I am already feeling at home in the world of pests and washrooms. I have been getting under the hood of the business, going on ride-alongs with salespeople and technicians, visiting over 20 field locations, meeting with many customers, and undertaking deep dive business reviews across all our markets and functions.

I frequently work from one of our US branches, and getting a ground level, firsthand operational view of the business has been invaluable.

Distinctive strengths that give us the right to win

What I have seen gives me conviction in our right to win. We operate in a structurally attractive industry with category-defining brands like Rentokil and Initial, powerful regional brands such as Terminix, and well-known local brands like Florida Pest Control and Western Pest.

We have a highly experienced, long-tenured, and proud frontline organisation with long-standing customer relationships. We have national coverage in many countries and are the only truly global pest and washroom business. We benefit from differentiated capabilities and connected technologies, capabilities that create strategic, sticky customer relationships.

We have solid foundations, and the potential is very clear to see. Our goal is not to reinvent Rentokil, but to take the many strengths of the company and reapply them consistently across the Group, organise the fully leveraged scale and drive functional excellence, and become a truly great service company.

My perspective on being a great service company

I want to take a moment and share my philosophy on what makes a world-class service company. It is a philosophy I have been sharing in town halls across the company in my first few months.

Being a world-class service company comes down to two simple principles:

- Enabling the frontline; and
- Delivering customer service excellence.

First, it is about the frontline and how we, as leaders, set them up for success. We do so by establishing clear expectations, providing the right resources and training, removing barriers, empowering decision-making, and celebrating wins. Recognition is a powerful tool and a key driver of engagement.

Second, and equally important, is the customer. Our goal is to win at the two most important moments of truth. Do we show up when promised, and do we do the job expected? If we can say yes to those two moments of truth, we earn the right to come back tomorrow and do it again.

For service companies like us, delivering customer service excellence is our product. Like any product, it requires continuous improvement and investment, which is an opportunity for us in both pest and washrooms.

Opportunities

From my initial observations, it is clear to me that we currently lack the consistency and standardisation required to be truly efficient and effective. Our people are engaged but are operationally oriented and focused on getting through today's task list. We have not enabled our sales force with the tools, training, and resources required to drive outsized organic growth.

We are not setting our frontline up for success. As I said previous, setting them up for success includes:

- Giving them the necessary training;
- Removing barriers; and

- Empowering decision-making.

We are too complex. Our complexity is inhibiting our ability to realise scale economies while diluting focus on our core customers and core business.

Three core priorities to reinvigorate growth

Key to building a high-performing organisation will be to make the business simpler and improve execution. Our three main priorities to drive organic growth are:

- First, customer focus. By making the customer the simple, single centre of focus, we will improve the customer experience;
- Second, sales and operational excellence. Implementing tools to enable the sales force to be more effective, combined with defining operating models; and
- Third, business simplification. Removing complexity to create a leaner, more agile organisation focused on core growth markets and business lines.

Customer focus

Great service organisations put the frontline and customers first

Moving to our first core priority, customer focus. Our frontline engages with customers every single day. No one else does. I do not. Group does not. The frontline is our brand and are the reason customers stay.

When they are engaged and feel valued, they go the extra mile to delight our customers and become trusted advisors. Today, we can make that hard for them. Insufficient training, shifting priorities, and duplicative systems get in their way. We need to make it easier for them and standardize operating procedures so they can do what they do best: take care of our customers.

Customers want to do business with people they like and trust. Building trust requires executing service delivery, winning at those moments of truth, and solving customers' most pressing problems.

Doing so often requires innovative solutions and products. PestConnect is a great example of an innovative solution that solves customers' problems, which I saw firsthand in one of my ride-alongs. While I was prepping with our technician to get ready for the day, he received an alert on his phone that a PestConnect system was triggered at one of his customers.

We used the app on his phone to pinpoint the exact location of the trap, one of many PestConnect systems the customer had. Sure enough, it had done its job. We let the facility manager know. He was unaware there was an issue, but was very appreciative that we proactively resolved it. We then reset the trap and went to our next appointment. It was a powerful example of how our technology helps solve customers' issues before they know it is a problem.

We recently ran a successful pilot in the US with a top five grocery chain leveraging PestConnect and are now deploying PestConnect across their entire network, displacing a competitor who had won 40 locations from us just a year ago. Powerful impact with even more prospects now in the pipeline.

Sales and operational excellence

Value to be unlocked through consistent performance

Our second priority is sales and operational excellence. We have to sharpen our sales execution capabilities and deliver sales excellence. From proactive lead and pipeline management to account planning, performance management and growing share wallet, we have opportunities to define what excellence looks like and drive execution.

To deliver excellence, we also need to define a standard branch operating system, a system with a common heartbeat and rhythm across the network that creates a scalable sales and delivery model, improving technician performance.

Earlier this month, I met with a cross-functional team at one of our US branches. During those two days, we discussed what was working and what was not, including how a third of our branches were delivering above-market growth. We then mapped our entire end-to-end process from lead generation to servicing the customer and identified 151 opportunities to improve.

151 opportunities may seem intimidating or surprising, but I was excited because we were getting to the root cause of our issues and identifying opportunities to improve. To-date, we have been addressing the symptoms leading to poor execution and placing temporary band-aids on them. This level of detail will allow us to attack the root causes in order to eradicate the issues.

This is exactly the approach I have used in previous roles to deliver step change improvements in performance. True operational excellence means knowing exactly what your network is engineered to do and having the discipline to cut out the noise.

It is the hard, gritty, operational work many companies ignore, but it is exactly what unlocks scale performance. At Gillette, we were one of the worst customer product partners to our key retailers, such as Walmart and Tesco, as measured by customer service.

We undertook a similar exercise and followed the life of an order and process mapped the entire journey. The path to excellence was not a straight line, nor without challenges. It took us two years to reach and fully sustain top-tier performance, but we got there. We have improved so much that Walmart added us to their strategic supply chain council.

We took similar approach to sales while I was at Cardinal Health. We were losing share to a competitor and performed a sales diagnostic to understand why.

Sales excellence relies on three core levers:

- Sales strategy;
- Sales execution; and
- Sales performance.

All three must be in place to achieve top performance. Our diagnostic highlighted areas we needed to improve, and the effort took time, but we reversed the share losses to grow at twice the market.

I continued to use and refine these playbooks at subsequent companies. We will benefit from the same approach on our journey to excellence and have begun a detailed sales diagnostic in the US. As an initial step reflecting the different customer and operational needs, we will separate our US Residential and Commercial businesses and create single-threaded ownership and accountability across each.

As you heard from Paul, we have put a significant focus on returning residential to growth. We now need to give our commercial business the focus and resources it needs to return to sustainable growth.

Business simplification

Focus on harmonisation, growth and efficiency

Our third priority area is business simplification. We are not leveraging our scale and are diluting focus and resources away from our core business. We have a decentralised operating model with a long tail of countries, service lines, systems, and processes.

We are too complex and fragmented. Our top 20 markets accounted for 93% of profit in half one. The balance of profit comes from viable businesses, businesses that are very good at what they do with excellent people.

We will be reviewing our entire portfolio and evaluating our current operating model, simplifying to focus our resources on high growth markets and categories where we can deliver industry-leading operating margins and returns.

As Paul has already covered, by becoming more efficient, we will target cost efficiencies to reinvest back into the business, providing fuel for growth.

Building the platform for sustainable organic growth

To summarise, we have a strong foundation and a right to win with:

- Leading brands;
- Global scale; and
- Local expertise.

We are moving to a leaner, simpler, and more effective organisation focused on the customer, sales and operational excellence and business simplification. We will enable the front line becoming a trusted advisor to our customers, standardising processes, and scaling the best of what we do.

The potential is very clear to see. Our goal is not to reinvent Rentokil, but to take the many strengths of the company and apply them consistently across the Group, organise the fully leveraged scale and drive functional excellence, and become a truly great service company.

With the right focus and investment across our core priorities, we have the people, the brands and the scale to deliver sustainable organic growth, improve margins and free cash flow, and deliver on the clear opportunity for value creation.

Let me now hand it back to the operator. Paul and I will be very happy to take any questions. We will pause here for a moment to line up any questions. Thank you.

Q&A

Andy Grobler (Exane BNP Paribas): I have got lots of questions, but I will keep it to two. Firstly, just on the restructuring and reorganisation programme in the US. You gave an example there of Gillette of it taking two years to get back onto the right track. Is that the kind of timeline we should think about for the North American business? There is at least another couple of years ahead of us of restructuring and change before you are back up to market levels of growth and profitability.

Secondly, just in terms again on restructuring, you talked about looking across the whole of the portfolio to ensure they are the right ones for Rentokil. What specifically are you looking at and looking for, and what level of portfolio change and management do you expect over the next couple of years?

Mike Duffy: Thank you, Andy. Andy, I will answer the questions. Before I answer, let me just reiterate something I said at the end of the beginning. My focus is on returning this story, 100-year-old company, back to market levels and organic growth, and with cost efficiencies and operating leverage, improve the margins over time.

By focusing on the customer and delivering sales excellence and operational excellence and simplifying the business, we will. We have the people, the brands and the scale to do so. That I am confident of.

In terms of restructuring in the US and the similarities to Gillette, it takes people and process. When you have a people and process business, it could take two years but we should have steady progress along the way. It is not necessarily going to be a straight line, like I said before, but we should be able to show that steady progress throughout the journey.

In terms of looking across the portfolio, the cost savings work to-date has opened the team's eyes to the art of what is possible and given them confidence that there is more opportunity and more to do, not only in North America, but across Group and International as well. That is where our focus will be, attacking the opportunities around the Group to be more efficient, effective, and providing that fuel for growth. Paul, anything else?

Paul Edgecliffe-Johnson: No. Andy, you have seen that in North America, we have taken out 1,100 roles from high-cost labour location and moved them to lower cost locations, and that we have eliminated 500 roles. That is principally in our back office.

As we look for efficiencies, we will be trying to do the same. It is a well-established playbook that many companies around the world have done. In terms of the portfolio overall, the components of it, as Mike's referenced, our top 20 markets make 93% of our profit. We are just trying to simplify, and if there is anything further to say on that, then we will come out and let you know at the appropriate time. Thanks for the questions, Andy.

Will Kirkness (Bernstein): Two questions, please. I appreciate your retiring that margin guide for North America, but I guess 20% does not sound unreasonable. Growth should drive margins. I just wonder if you could give us a framework to think about the future margin potential.

Secondly, I wondered if you could give us any colour on the small local stores, how they are contributing to growth and what the margin profile is and how we should think about the ramp there.

Mike Duffy: Yes. Let me start. Will, like I said on the margin target, look, the work to-date has opened the team's eyes to the art of what is possible, and there is more to do. There is more to do not only in North America, but across Group and across International. That is where our focus will be.

We will look to reinvest back into growth where we can. But trust that through those cost efficiencies and operating leverage, we will improve the margins over time. Paul, you want to talk about?

Paul Edgecliffe-Johnson: Yes. In terms of what were previously known as the satellites, but now are small local stores, we have rolled out another 70 of them, which is in line with what we said we would do for 2026. It does not mean that there would not be more to come. We are continuing to evaluate all of the 220 that we have added, and looking at locations and learning from it.

We may do more in due course. We are really pleased with the growth that we are seeing in the locations where we have added a satellite. We can see a clear improvement in leads that we get from those locations. The strategy works, and maybe we will do more in due course. Thanks for the questions, Will.

Mike Duffy: Yes. That is right. Sorry, Will, I missed the back half of your question, but that is right. We have had success with what we have rolled out, but that does not mean we have opportunity to optimise what we have rolled out and look at further expansion of the programme.

Annelies Vermeulen (Morgan Stanley): Keep in term and the strategy and how you are going to get there. Just on the comments on the weaker lead flow at the end of Q2 and into July, can we unpack that a little bit in terms of what you think is driving that? Are there any actions you are taking more immediately to drive that forward into your peak season?

Then just also on the lower M&A spend target for this year. Is that you are seeing less availability of targets at decent multiples, or is it that your cash spend focus is being redeployed elsewhere in the near-term?

Mike Duffy: Yes, thanks. I will start and then ask Paul to work in. As we said in RNS, the Residential lead flow was up 6% for the first half, but we did experience the weakness towards the back half of Q2, which continued into July. I would say the primary driver has been softness in termite leads with no definitive pattern apart from over-indexing in the geographies where the housing market has been under pressure.

I would say that into where you were going. We have plenty of opportunities internally to improve execution to drive organic growth. I am not accepting that the market conditions is a reason for not doing so. Some of the opportunities identified during that process mapping I referenced earlier, a couple of weeks ago are now within scope of our sales and operational excellence initiatives.

For example, maximising other sources of leads, especially from our technicians, our trusted advisors. Improving lead conversion. We need to continue to reduce the friction in the new customer onboarding process, especially in initial inspections and appointment scheduling. That process mapping exercise did identify two quick wins that we have implemented. One is adding lead coordinators to help manage the backlog. Second is streamlining our field sales entry process.

I would say, finally, our new CMO, Famous Rhodes, he has jumped in with both feet and already identified some opportunities to reduce attrition in our current lead process.

In terms of the lower M&A spend, it is more around the targets, and we are being smarter about the targets we go after and the IRR. It is not an issue about cash at all.

Paul Edgecliffe-Johnson: Thanks, Annelies.

Nicole Manion (UBS): The first one, just to come back to the North America services organic growth. Can you drill down a little bit more into the timing and impact of your actions, which have been designed to help growth, and then the timing and magnitude of the impacts from the weaker environment, and the lead flow that you are now seeing? You obviously opened essentially all of the branches you had planned for the year, for example, and many of the prior ones you would assume would be maturing, plus the regional and local brands as well. Is there any volume per branch trend you can speak to? Have these measures not had the impact you had hoped for, or is it something else in the environment?

A second one on the branches. You have signalled that you think you need a single operating model. Obviously, a lot has happened with branches over the last year or so. You have opened the smaller ones, and you have talked about having a single dashboard but maybe not the same systems. Can you clarify what you think is actually changing there in terms of the branch plan looking forward?

Mike Duffy: On the North America performance, look, no one is more disappointed with some of the numbers than the North American team. I do not think we can ask for more effort. They have been working tirelessly in triaging the residential side of the business for the last 18 months, reversing decisions that were made at the outset of the merger, and addressing symptoms of poor performance.

Now that we have begun to stabilise, we need to pull up and define our roadmap for returning to sustained profitable growth. That is what I talked about in terms of the sales and operational excellence. We also have to move into a focus on commercial.

Residential is performing much better, but Commercial is lagging. Separating the two and providing single-threaded ownership and accountability to the Residential channel and the Commercial channel will certainly help us in terms of where we can invest for growth, where do we have to simplify, and where do we have to drive accountability.

Paul Edgecliffe-Johnson: Nicole, your question around the operating model and the opportunities there. You will have heard me say before that we have a wide variance of performance across our estate and our terciles. Our top tercile branches, as Mike said earlier, continue to grow well ahead of the market. Our bottom tercile are really holding us back.

This is because we do not have a standardised operating model, one run your day model that every branch can deploy. We have some excellent leaders in our branches, and they have excellent results, and we have some weaker leaders, and we have been addressing that. There is still more to do there so that it is standardised, and it is easier for our branch managers to go out and to win every day. That is what we will be focused on there. Thank you, Nicole.

Suhasini Varanasi (Goldman Sachs): I have a couple as well, please. Can you help us understand the scale of the slowdown that was seen at the end of 2Q, and the early trends in 3Q? Was it still growth? Was it just a little bit softer than the 2.4 that you printed in 2Q? Just some colour there would be helpful.

Sorry, just to go back to one of the previous questions. Is it possible to share some colour on the timeframe that you have set yourself to implement some of the biggest changes that you have identified during the process mapping maybe to implement the standardised model? Maybe some internal timeframe that you have set yourself to see visible changes to the organic growth in North America.

Mike Duffy: Yes. Thank you. The first question around the slowdown in growth. Like I said, for the half, our Residential lead flow was up 6%. The weakness in the back half, which has continued into July, is primarily due to the softness in termite leads. We have over-indexed in geographies where the housing market has been under pressure within the US, particularly the Northeast.

We do have continued opportunities in execution to drive organic growth, which is where we are focused, what we can control internally. Timeframe for the changes, we are in the process now of creating that integrated roadmap based on the opportunities that we identified with the field. We are going to be implementing quick wins as we go.

I mentioned two of them, the lead coordinator and streamlining our field sales entry process. They may not be elegant solutions today because we want to plug some holes, but we are going to work to make sure we codify it and get it in place so we can scale.

Some of the longer process opportunities could take up to two years. That does not mean that we are going to wait for two years to see the progress. It is going to be steady progress as we go. It is going to be systemic and sustainable, certainly when we get there.

Oliver Davies (Rothschild & Co): A few from me. Just on lead flow, are you able to quantify the [inaudible] lead decline that you have seen in the back half of June and July? Also, I guess your largest competitor talked about opposite trends to what you saw at the end of the quarter. Just wondering, has there been a change in the competitive landscape.

Secondly, how should we think about where the additional investment in the US will go? Is it simply more smaller branches, but investment behind regional brands? Do you think there is any other area where you can invest to drive lead flow? Thanks.

Mike Duffy: It is a good question. If I maybe come back in terms of the regional brands. Our regional brands are actually doing well. We have had a lot of strength in the strategy of reinvesting back into our regional brands as working. We are encouraged by that.

From a competitive standpoint, it is a big market. We have got a lot of opportunity to improve execution and grow organically. All competitors, whether big or small, are continuing to compete as they always have. I have not seen it any better or any worse. Like I said, we got to focus on what we can control, and right now, that is a lot of the execution opportunities.

Paul Edgecliffe-Johnson: Oli, in terms of the lead side, it is a bit spotty. Some days are stronger than others. We are not calling out exactly, well, we saw this in the month because we saw this coming through in June. We have not finished July yet, so not putting an exact number on it. It tends to be more in our national brands than in our regional brands. We are still trying to understand that pattern.

As Mike said, it is more orientated towards the termite side, which could be the housing market and in different parts of the country. We are just calling it out as a bit of colour as to what we are seeing most recently. Thank you, Oli.

Tim Ramskill (Bank of America): A few questions from me. Maybe as a starting point, it feels as if the dialogue in recent times has obviously been very focused on how the residential integration of the two businesses was incorrectly delivered, hence retain more branches, retain more brands, etc. Can you just give us the same diagnosis as to how the commercial business was impacted by the integration, and therefore again, what missteps might have been taken and what needs to change?

Then pulling away from the margin target, we can see how well that has been taken by the market this morning. There is nothing numbers wise in the forward-looking discussion on the call today. Would I be right in thinking that you still make very good progress in margins in the first half in North America? If that was to continue, you would not be a million miles away from 19% margins. It seems as if you are going to invest in North America funded by savings, essentially savings internationally. Does that therefore mean that by the time we get to late ’27 into ’28, actually, the Group level margins are going to be probably similar to what most people expect today? What might I be missing?

Then the third question is just going back to the point around simplification. Is this likely to be any market exits, or are these all likely to be opportunities to release capital and actually make disposals where proceeds are generated?

Paul Edgecliffe-Johnson: Thanks, Tim. Because I have been around a little bit longer, I will take the question around what was not being correctly delivered with the integration, and then come on and talk about the margin, etc.

What we have focused our attention on over the last 18 months is getting the Residential business growing strongly, and it is. We really have not seen a slowdown in that non-termite pest business in North America. We are very encouraged by what we have delivered there.

We did integrate a lot of branches back in the day, change systems, etc. We also spent a lot of time focusing on Residential, and that has led to a decline in performance in Commercial. In conjunction with that, the Terminix commercial book of business that we bought was a bit mixed. I have spoken about that before as well, that we have been cycling out of some of the poorer quality contracts there, which has hurt our retention.

We will continue to do that. The focus on Resident and Commercial as two separate business streams with different customers, different needs, different go-to market strategies, different sales, etc., will allow us to address the needs of commercial much more effectively, and that will have a pretty rapid effect.

In terms of the margin target, look, I do not disagree with what you are saying. We are very focused on taking cost out and putting it back behind growth. With what we have achieved in short order in North America, we have demonstrated that we can do this very well. We will do that across the Group, and that will drive further growth, and it will drive higher margins. I do not disagree with your hypothesis that the expectations that people had out a couple of years will be achieved or exceeded as we take more and more costs out and drive growth higher and higher.

Just in North America in 2027, a bit of a dislocation as we put more fuel into the engine, and it will take a while before it ramps up in terms of the revenue that we get from that. It is quite technical almost saying that margin target is no longer appropriate. We are very focused on margin, and it will continue to accrete.

In terms of the simplification programme and what we will do across the business, we have exited in recent years a couple of very small markets where we have gone into because we saw an opportunity. It has not manifested, so we have just closed that business down. These are really rounding errors. If we have other rounding errors, then we will get out of those. Otherwise, if there is a market that we are in and we say we do not want to be in any longer, then we will dispose of it. If we do, we will come and tell you about it.

There is nothing to say on that today. Hopefully that clarifies. Thanks very much for the questions, Tim.

James Rose (Barclays): I have got two also, please. A lot of the focus is on North America, of course, and getting that back to growth in line with the market. If I look across to international, the organic growth there, it has been below what you define market growth as for quite a while. Would you also aspire to see the international growth improve to market type levels, call it 5% or 6%-plus?

Secondly, I appreciate your thoughts on how important you see PestConnect and connected devices as part of the drive within Commercial. Just conscious that you have got two larger peers who are pushing that quite meaningfully. Appreciate your thoughts there.

Mike Duffy: Yes. Internationally, you are spot on. Our focus is to return to market levels of organic growth. In addition to the cost savings and efficiencies we have talked about, we are also looking at investment opportunities in leveraging or using some of those cost savings to redirect back into the business to grow. We are looking at international with the same intensity, certainly as North America.

I am sorry, I did not get the comment on PestConnect entirely or the question, but I will say, it has got a lot of potential in the US. My background experience in food manufacturing, grocery and pharmaceuticals. This is the type of solution I certainly would have been looking for in my roles previous. Given the top five grocer, the tremendous success we had with the pilot and winning back the 40 stores that we have lost for them just under a year ago, and some of the discussions we have had with other large retail type companies that are in our pipeline. There is exciting opportunities for us.

Paul Edgecliffe-Johnson: James, just to add on your question around international business. If you look at the International Pest, in quarter two, we are up at 5.4% growth. If you exclude Rural and Track Spray, which are our more lumpy businesses that were lapping some tough comparables last year, where there was just some very large pieces of business there, we are up at nearly 6% growth.

There is a big opportunity there in that pest business internationally, and we will continue to focus on it. Thanks for the questions, James.

Allen Wells (Jefferies): Few for me, please. Just follow up with a few questions from earlier. You originally had a $100 million cost-savings target, looks like you delivered about $90 million of that annualised already. It feels like that is at least running in line, if not slightly ahead of expectations. We look at that US margins as being pretty solid in the first half. Could you maybe quantify and expand on where the additional savings will come from? Specifically, how much more you think you can get out of the US versus that international opportunity? The comments suggested that maybe this was a bit more going to lean on the international side. That is my first question.

Secondly, obviously the removal of the margin targets, investing more savings into growth. Could you maybe just talk about, when we think about the reinvestment to drive growth, is any of that going into more digital lead generation, which was obviously a focus back at the early part of the turnaround, or is this more just about reinvesting in service delivery at the front line? So digital versus delivery.

The very final question just would be interesting in the North American growth, just how you look at the jobbing versus recurring revenue activity, how the mix has shifted over or moved over the second quarter, please.

Mike Duffy: Yes. Let me start, and I will ask Paul to jump in. In terms of our cost savings target, there is still room to go in North America, and we know that. As we get better, frankly, in the process mapping work I described earlier in delivering on customer service excellence, we are going to find opportunities to take waste out of the system, waste and time, and that will lead to cost efficiencies.

Where we have the right return, we will certainly invest back in the business. Whether that is digital service delivery, that is premature to say. We will be looking for those investment opportunities.

In terms of Group and International, like I said before, the success North America has had with a number of initiatives has really opened the eyes for people that, "Hey, there is opportunities in the rest of the world." We have started some of this work in the Pacific, but there is certainly more to do across the other markets and regions.

Paul Edgecliffe-Johnson: In terms of your question, Allen, on reinvestment and just going back into, say, digital marketing. It is actually a broader range of capabilities that we are planning to invest in as we go forwards. We did relook last year, as you will remember, at our digital marketing, and we moved more of our spend into organic rather than paid search. That was the right strategy and continues to be the right strategy.

It is just putting more and more money to try and buy keywords. It does not work in the market today. It is not that we are saying that we are just going to be buying more keywords. This is more about looking at the fundamental competencies in the business and investing behind that.

In terms of your question about jobbing or recurring, we are continuing to see progress in jobbing. In the recurring side of the business, we have spoken about the fact that we are doing well on price, but we still need to get back to solid volume growth. That is where a lot of the attention is going to be put over the coming years. There is a big opportunity there. Thanks for the question, Allen.

Jane Sparrow (JP Morgan): Two questions, please. Firstly, just on the abandoning of the 20% margin target because you want to focus on volume growth, but you continue to price above inflation. Perhaps can you comment on whether the pricing strategy is the right strategy to drive improved volume growth?

Secondly, just on commercial large customers versus SMEs. I appreciate there was some business you have actively been exiting the impact of retention. But ex that, could you talk about trends in retention and growth across large commercial versus SMEs, please?

Mike Duffy: Thanks, Jane. Let me start on the commercial side, and then I will turn it over to Paul on the margin and pricing.

We have seen strength in retention in Commercial on both segments. That does not mean we do not have opportunities, especially in the SMB space. As we split or separate Residential and Commercial, what we will find is opportunities to invest resources and focus on maybe some of the under-penetrated segments of the Commercial market that we have not focused on frankly over the last 18 months. We will see opportunities in both.

The PestConnect, as I described earlier, plays very well with our national accounts. With the SMBs, it is a different strategy and different approach as we go to market, and that is where we are going to really explore opportunities to invest to restore growth.

Paul Edgecliffe-Johnson: In terms of the question around price and how that plays into volume, Jane, we have done really well on price in the last year or so. We brought in a new leader for price, new capabilities, built new models. We do run a lot of A/B testing to see what happens if we apply different levels of pricing. We are almost at the level of quite personalised pricing now. This is not just having a blanket price increase that goes everywhere.

We have seen in the core pest business in North America, which as I have said, has been actually performing really well. We have seen retention increase there. That is a very good sign. What we are not getting enough of is new customers, and really that plays into what Mike has been talking about around the need for sales excellence. Pricing is good. Retention is improving and improving. We need to see that in commercial as well. Then we need to add new customers through having a better and better trained sales force. Work to do, but the pricing strategy is a highlight for us. Thank you for those questions, Jane.

James Beard (Deutsche Bank): A couple of questions from me, please. Just going back to North America commercial again. Can you just talk to the trends that you saw during Q2 in the national account space, which you cited as being a driver of the weaker growth within the North American business during that quarter?

Then secondly on marketing. You had previously spoken about piloting, or about a year ago, you spoke about piloting door-to-door marketing. Just wondering how that has played out over the last 12 months and how much investment you have put into door-to-door during this peak season?

Mike Duffy: Let me start and then if Paul wants to add in. The North American commercial, the trends in Q2, I would say national accounts stabilised is what I would say in terms of the performance.

Like I said, the recent win we had in winning back 40 stores certainly will be a boost to the team, and PestConnect has a lot of potential as we go forward. From marketing, from piloting door-to-door, look, that is an area of opportunity for us as we go forward. We have feet on the street now with some partners, but it is an area for us to further explore as we move along.

Paul Edgecliffe-Johnson: Thanks, James. Appreciate the questions.

Andy Grobler: Just one follow-up if that is okay. Just as you make plans for this restructuring and all the cost cutting, can you talk about the cash cost of doing this over the next two or three years or however long you think this is going to take?

Mike Duffy: Yes, very good. Tom, you had some of the same microphone problems I had at the beginning of the call, but let me flip that over to Paul.

Paul Edgecliffe-Johnson: Yes. Thanks, Andy. In terms of the cash costs of the simplification, it will slightly depend on what savings we make and where. The cost to value delivered in North America tends to be lower than it is in some other territories, just due to labour law there. People tend to have longer contracts, and there can be higher levels of severance if you are losing jobs in some parts of the world than it is in North America. So we will have to work through that.

The corollary of that, of course, is that the return on this is extremely strong. If it is, say, a one-year employment cost to remove that degree of cost, then you permanently have that cost out of the business. It is a very strong return on investment. As you know, we have been very focused on driving up free cash conversion in the business, and I am pleased with what we are doing there around working capital and looking at the capital needs of the business.

We have made a lot of progress on that, and we will continue to focus on it to ensure this business is as cash-generative as it can be. Hopefully that helps, Andy.

Andy Grobler: I just wondered in terms of guidance range, there is a bit of a lack of numbers in that answer. Is there anything more that we can build into our expectations for the next couple of years as you go through this process?

Paul Edgecliffe-Johnson: It really depends on the pace at which we are able to remove costs in the international business. There is still work to be done on that. As I said, we have made progress in Pacific, and we will have to look at the rest of the business and see what we want to do and when.

As soon as I have got numbers I can give you to put into your model, I will oblige. I cannot be more precise than that right now, I am afraid, Andy.

Heather Wood (*Head of Investor Relations*): We have three questions from the webcast from Chris Bamberry at Peel Hunt. I will do these one by one, then you do not have to scribble them down. What are the key risks and challenges in segmenting Residential and Commercial?

Mike Duffy: It is a good question. It will always come down to talent from the challenges and making sure we have the right talent. There is a lot more opportunity than risks. If we are asking people, if I am a branch manager or a region director managing both today, I have two systems I am in. I have two pay plans. I have two different requirements of my techs in terms of compliance and training. There is a lot of differences between Residential and Commercial, and splitting them and providing focus is going to drive the opportunities we see.

Heather Wood: Thanks, Mike. Second question on portfolio simplification. Could you give us some more flavour on the criteria that determine whether a business is retained or exited? And how much of the revenue and profit is currently potentially up for disposal?

Mike Duffy: On the first question, like we said, we are going to review our entire portfolio and evaluate our current operating model. We are going to simplify to focus resources on the high growth markets and categories, where we can deliver industry leading operating margins and returns. I would say some of the characteristics of what attracts us to a market or a business is certainly the TAM, our right to win, the overall materiality to the Group, and can we get operational savings. Does density drive a low-cost model that drives improvements in margin and quite frankly, customer experience.

I do not know, Paul, if there is anything you want to add?

Heather Wood: Great. This last question is probably a different flavour of questions we have already had, so let us see if there is anything to add. Given the commentary around the performance of the US commercial business, it sounds more like a Rentokil issue than a market one. Is that correct? What actions are you taking to improve performance?

Mike Duffy: It is our opportunity. I think one of the things we have proven is where we focus, we win. We see that in the North America residential numbers. We also talk safety. We do not talk about safety on these calls, but our safety scores are amongst the best I have seen in my career, and that is because the organisation focuses on that.

Our opportunity is refocus on commercial and have the same emphasis in investments and resources behind that channel.

Heather Wood: Thank you.

Mike Duffy: Let me close, and close where I started. The potential hopefully is very clear to see. Our goal is not to reinvent Rentokil, but to take the many strengths of the company and apply them consistently across the Group. We will organise the leverage scale and drive functional excellence and return to becoming a truly great service company. Some of the reasons as about it, are reasons to believe.

Like I just said, when we focus, we win, and we have opportunities to focus to drive performance. We are not going to reinvent Rentokil, but the three priorities we described earlier are here to accelerate growth and close the gap to market. We will self-fund growth investment and grow margins of cash over time. There is plenty of opportunity for us to take the learnings from North America and continue to apply them in North America, but to bring them across the Group in international.

With the right focus and investment against those core priorities, we have the people, the brands and the scale to deliver sustainable organic growth, improve margins and free cash flow. That I am confident of.

Thank you for joining us today and looking forward to talking to many of you in the days and weeks to come. Thank you.