

Q&A with Andy Ransom, Chief Executive

Innovation is embedded within our culture



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Andy Ransom
Chief Executive



Q

The Company has performed very well again in 2019. What are your highlights for the year?

A

The first highlight, a topic always first on our agenda, was our health and safety performance. We recorded our best ever Lost Time Accidents performance at 0.53, and also achieved our five-year target of reducing our emissions by 20% a full year early.

Next, our Organic Revenue growth. At 4.5%, it is the highest rate of annual growth we have seen in 15 years. It reflects good progress in all regions from all business lines, not just in Pest Control. Hygiene continues to perform well, delivering 4.3% Organic Revenue growth in 2019, considerably above our expectations of 2% to 3%. Protect & Enhance also delivered a much improved performance on 2018, up 3.2% Organic Revenue growth. France Workwear, Ambius and Property Care all performed more strongly. At 10.5%, Ongoing Operating Profit delivery this year is above our medium-term target of 10.0%. Finally, we delivered Free Cash Flow of £250.7m: at 98.6%, conversion is considerably above our 90% target.

M&A is again a highlight. We said we would spend in excess of £250m. We spent £316.5m on 41 deals – 30 of which are in Pest Control and nearly half of those in North America. The pipeline looks strong and we are confident of more progress in 2020. All of this is

underpinned once again by good progress across our Employer of Choice people agenda.

Not everything went our way, with disappointing performance in our businesses in India and Singapore. We had issues with fumigation in Australia and Malaysia, which have been addressed but remain a priority focus. Overall, however, the Company is performing well and set to continue to progress in 2020.

Q

Why is innovation so important to Rentokil Initial and does it really make a difference?


A

It's about three things: a better experience for our customers, a more effective outcome, or a solution at a lower cost. We want to identify new solutions for existing pest control problems or hygiene needs, of course. But we also want to find ways to address new or emerging problems, such as pest migration or air quality, or solve those that no one has yet managed to, such as offering truly environmentally sustainable services.

As well as maintaining our fantastic quality of service, we also need to differentiate our products and services from our competitors' so that customers will come to us knowing we offer the best solution in the market for their needs, whether in pest control, hygiene or our other businesses. This could mean more targeted pesticides or using less or safer chemicals. It could also mean connected

devices to identify and start resolving a problem earlier, or inventing more effective solutions such as using LED lights in our electronic fly traps.

Does it really make a difference? Yes, absolutely. Our customers, especially the largest, tell us that innovation is very important to them. In areas such as environmentally friendly solutions it is something they are asking us for more and more. We have been working hard at this for years now and already lead our sectors in delivery, but this remains a key opportunity.

 [Find out more about how we innovate at Rentokil in the case studies on pages 10, 16, 24, 32, 42 and 50](#)

Q

What sets Rentokil Initial apart from other industry players who also claim to be highly innovative?

A

At Rentokil Initial, innovation is part of our culture. It's not just a function, nor just product development. Innovation is a way of thinking and all our colleagues are encouraged and empowered to improve customer service and enhance our business performance by innovating. At Rentokil Initial, it's everyone's responsibility. If any of us see an opportunity to change the way our job is done that results in a better service for customers and/or a lower cost for us to operate, then we are all encouraged and incentivised to do that.

Second, we have a unique dedicated innovation centre in the UK – called the Power Centre – with talented PhD scientists applying great expertise in rodent behaviour, insect behaviour, in IT and design etc. We use all this expertise to prioritise work on the projects we believe will be the most effective and successful. We select them based on what our customers and frontline technicians tell us they need – it's very much a model of customer-driven pull, not central, top-down push.

A culture of performance and innovation across our global footprint, our unique research capabilities applied to real customer needs, and our understanding and readiness to deploy new technologies are what, I believe, set us apart from our competitors.

 Find out more about our culture on page 20

Q

Isn't there a risk that advances in technological innovation could make much of what your technicians do redundant?

A

With change comes both risk and opportunity. It's our belief at Rentokil Initial that we either innovate or die. We considered whether we should innovate with the intention of leading our industry or whether we should become a fast follower and watch how others innovate and copy them. Not innovating at all is simply not an option. Our conviction is that if we innovate on the right things and in the right way we will continue to lead our industries. We want to innovate where the issues are most complex and challenging, often in the most regulated parts of the industry. This represents a significant opportunity to grow our business and to grow it profitably.

There is an important place for technology and the efficiencies and insights it can bring but we are confident our core businesses will always need skilled, expert people to engage with our customers, understand their needs and find the best ways to meet them.

 Find out more about digital innovation on page 32

Q

What about innovation and the environment? Does increasing regulation get in the way of what you're trying to achieve?

A

Regulation can be our friend at Rentokil Initial. We operate to the highest ethical and legal standards so when new regulations are brought in, we treat that as an opportunity.

We respond to regulatory standards better and more quickly than most of our competitors, which is an advantage for our customers and our shareholders, as well as our wider stakeholders.



82%

of colleagues agree that our company is innovative



From digital pest control to non-toxic solutions, innovation is at the core of our business.

When it comes to the environment, we are very much at the forefront of creating new greener, cleaner and safer solutions and ways of working that can be at least as effective as current, traditional methods. They are often more efficient for us as well – after all, our 20% reduction in emissions since 2016, for example, is also a 20% reduction in our energy costs, over 80% of which are vehicle fuel, worth over £8m a year. As the leading pest control company in the world, we are therefore embracing this drive for greater sustainability as not only the right thing to do for the planet but also the best thing for our business.

 Find out more about our approach to running a responsible business on page 44

Q

In which other ways do you innovate across the Group?

A

Rentokil Initial was founded on research-led innovation and this is therefore part of our cultural heritage, going back to a product developed to control an infestation of deathwatch beetle in the Houses of Parliament back in 1920. We have been innovating to service customer needs ever since. I've said how I believe innovation is everyone's job here but let me show you what our people say themselves.

This year we conducted our Your Voice Counts survey of all colleagues. We had a remarkable 90% response rate and, according to colleagues right across our global business, the highest scores were given to innovation, alongside safety culture and clarity of strategy and direction.

Here are just six examples out of many to show how we innovate. We have partnered with Cool Earth to protect almost 1,000 acres of rainforest, preventing the release of carbon into the atmosphere equivalent to our annual footprint. We repurposed unclaimed dividends and shares to create the innovative Rentokil Initial Cares charitable fund. We are leading users of Google apps, including Hangouts calls instead of travelling to meetings and G+ social media to share technical expertise in the field via smartphones. We use the Internet of Things, big data analysis and artificial intelligence to understand pest trends and route our frontline schedules in real time. We created targeted, measurable development and coaching tools for line managers with our Line Manager Index. Finally, we have developed our own OFSTED-approved apprenticeship programme to invest in and create meaningful careers for new colleagues.

 Find out more about our work with Cool Earth and Rentokil Initial Cares on page 50

Andy Ransom
Chief Executive