

Rentokil Initial

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Q3 Interim Management Statement

9 November 2012

Q3 Highlights (at CER)

- Softening market conditions across Europe limiting Q3 revenue growth to +2.2% (+0.2%* organic); markets outside Europe considerably more buoyant
- City Link revenue +2.4%, 19.1% reduction in operating loss. Recovery plan remains on track but Q3 financial performance impacted by adverse customer mix and volume decline during the Olympics
- Acquisitions performing well and supporting growth:
 - Acquisition of Western Exterminator Pest Control positions Rentokil as third largest player in key US market - completion expected in Q4
 - Additional bolt-ons in Turkey and Italy; good pipeline of attractive targets

Key Q3 Financials

- Group revenue +2.2% (+0.2%* organic) in challenging European markets:
 - Initial Facilities +5.3%*, City Link +2.4%, Pest Control +2.1%, Textiles & Hygiene +1.3%, Asia +4.2%
 - Acquisitions performing well, contributing 2.3% (£14.7m) of revenue growth
- City Link operational recovery continues...
 - Revenue +2.4%, volumes +15%
 - But Q3 financial performance impacted by adverse customer mix and volume decline during Olympics
 - Nevertheless, 19.1% reduction in operating loss, 12% reduction in cost per delivery
- Adjusted operating profit up 3.9%, City Link improvement partly offset by increased central investment in marketing, innovation and capability development
- Profit before tax up 9.9%, 39.2% year to date reflecting reduced amortisation and interest
- Cost savings of £37.2m year to date; expect to exceed £50m target for 2012

Financing update

- New €500m bond significantly reduces the underlying average cost of bond debt
- £75m Puttable Callable Resettable Note closed out at a cash loss of £29m
- Remainder of €500m March 2014 bond will be refinanced in the coming months
- Carry cost impact on 2012 interest charge c£2m
- Carry cost impact on 2013 interest charge estimated at £12m
- 2013 interest charge will be firmed up at the prelims when treatment of the pension credit is known

Lower average cost of bond debt

	Effective rate as at 30/6/12	Effective rate as at 31/10/12
£50m bond due September 2013	7.3%	7.3%
£75m bond due August 2013/2033	8.0%	-
€500m bond due March 2014	5.0%	5.0%
£300m bond due March 2016	4.5%	4.5%
€500m bond due September 2019	-	3.5%
Average cost of bond debt	5.2%	4.4%

Outlook for Q4 2012

- European economic conditions to remain difficult
- Adverse customer mix expected to result in a small loss at City Link
- Group full year cost savings in excess of target £50m
- Further investment in capability and market position
- Optimistic on innovation and acquisitions though cautious in respect of trading
- Nevertheless, anticipate year-on-year improvement in profit performance at CER

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