

Rentokil Initial

2011 Interim Results

29 July 2011



Highlights

Alan Brown

Chief Executive Officer

H1 Highlights

- Revenue growth from contract businesses earlier than anticipated, despite challenging market conditions
- Acquisitions performing ahead of expectations
- Further improvement in retention driven by focus on Customer Service
- Textiles & Hygiene Benelux performing consistently in line with plan
- City Link on track with operational improvement plans, although financial delivery remains unsatisfactory; new business pipeline remains promising
- Ongoing improvements in building capability across the group
- Continued focus on cost & cash, however inflationary pressures evident
- No dividend declared in respect of H1 2011

Group, excluding City Link, performing robustly



Operating & Financial Review

Jeremy Townsend
Chief Financial Officer

Financial Highlights

	Q2			H1		
	2011 £m	2010 £m	△	2011 £m	2010 £m	△
Revenue at CER	629.7	625.7	0.6%	1,236.4	1,228.0	0.7%
Adjusted PBITA at CER	54.3	60.7	(10.5%)	90.7	102.6	(11.6%)
Adjusted PBTA at CER	44.3	46.6	(4.9%)	70.9	76.1	(6.8%)
Adjusted PBTA at AER	46.1	46.1	-	73.5	76.5	(3.9%)
Operating Cash Flow at AER	31.5	40.6	(22.4 %)	24.5	70.0	(65.0%)
Adjusted EPS at AER				2.99 p	3.12 p	(4.2%)

Key Financials

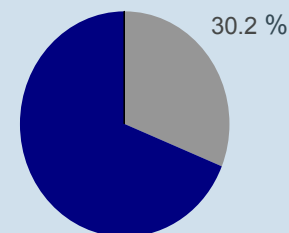
- Revenue +0.7%:
 - +1.0% organic (exc. City Link & Libya): Textiles & Hygiene +1.3%, Pest Control +0.9%, Asia Pacific +3.6%, Initial Facilities +0.6%
 - +1.8% from net of acquisitions/disposals – all acquisitions performing ahead of expectations
 - City Link stabilised at -13.5%, impacting revenue by -1.8%
- Further improvement in retention on contract business: 84.6% (FY 2010: 83.6%)
- Textiles & Hygiene Benelux performing consistently in line with plan (revenue & profit)
- City Link £7.1m operating loss in Q2; however trading stable since February
- Adj. profit down 6.8% (£5.2m) to £70.9m, of which City Link £13.1m
- £24m cost savings; on track to deliver £60m by year end
- Operating cash flow £24.5m, impacted by strong Q4 2010 and inflationary pressures on capex – stronger performance anticipated H2

Textiles & Hygiene

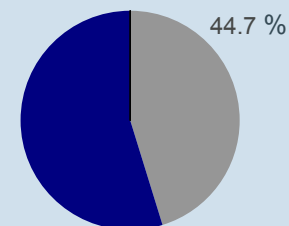
At constant exchange rates

- Revenue +2.6% (+1.3% organic), aided by Germany, Medical business & Specialist Hygiene, but held back by Benelux:
 - Retention +1.0% to 87.3%
 - Benelux revenue -0.9% but business stable and performing in line with expectations in Q2; year-on-year profit growth from H2
- Profit -5.5% (-7.0% organic) impacted principally by Benelux:
 - Exc. Benelux and acquisitions, profit up year on year

% Group Revenue



% Adj. PBITA²



	Q2 2011	H1 2011	△ Q2	△ H1
Revenue	193.3	383.2	3.2%	2.6%
Adj. PBITA ¹	26.2	49.9	-	(5.5%)

¹ before amortisation and impairment of intangible assets and one-off items

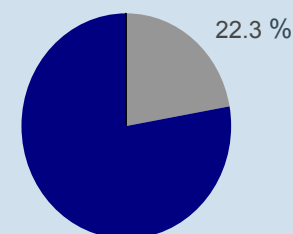
² % excludes central costs

Pest Control

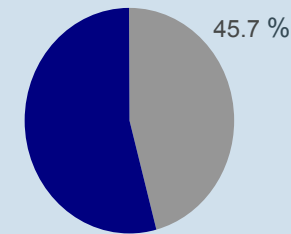
At constant exchange rates

- Revenue -1.7% (+0.9% organic):
 - Strong performance in North America & most European markets offset by Portugal, Greece & Spain
 - UK Pest +7.2%, of which Santia +6.7%
 - UK & Ireland Hygiene rate of decline -6.4% (H1 2010: -10.9%)
- Profit +3.7%, reflecting good cost control
- Entry into Turkish market through acquisition of NB Turkey in July 2011

% Group Revenue



% Adj. PBITA²



	Q2 2011	H1 2011	△ Q2	△ H1
Revenue	150.7	283.5	(0.9%)	(1.7%)
Adj. PBITA ¹	31.8	50.9	6.0%	3.7%

¹ before amortisation and impairment of intangible assets and one-off items

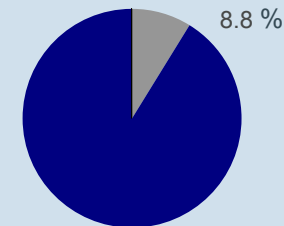
² % excludes central costs

Asia Pacific

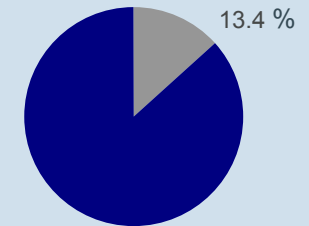
At constant exchange rates

- Revenue +3.6%
 - Asia +5.2%:
 - Solid growth in established markets (Indonesia, Thailand, Philippines, China & Malaysia) reflecting traction in sales & marketing and growth initiatives
 - Strong growth in emerging businesses: Vietnam & India
 - Pacific +2.5%, reversing prior year declines:
 - Growth in Australia Pest from contract growth and rodent plague, offset by challenging conditions in Hygiene
- Profit -1.3% due to increased management costs in China and impact of Queensland floods on Pink Healthcare

% Group Revenue



% Adj. PBITA²



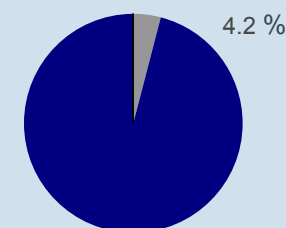
	Q2 2011	H1 2011	△ Q2	△ H1
Revenue	56.8	112.1	4.2%	3.6%
Adj. PBITA ¹	7.3	14.9	(5.2%)	(1.3%)

¹ before amortisation and impairment of intangible assets and one-off items

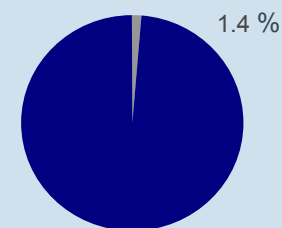
² % excludes central costs

- Marginal decline in revenue at -0.4% in difficult market conditions:
 - Portfolio +0.8%, reflecting +0.9% improvement in gross sales and 8.6% reduction in terminations
 - Insufficient to compensate for 2010 portfolio erosion
 - Jobs revenue +4.5% driven by growth in Europe
- Profit -30.4%, reflecting cost inflation on plants and fuel and changes in business mix

% Group Revenue



% Adj. PBITA²



	Q2 2011	H1 2011	△ Q2	△ H1
Revenue	27.4	54.1	1.1%	(0.4%)
Adj. PBITA ¹	1.1	1.6	(21.4%)	(30.4%)

¹ before amortisation and impairment of intangible assets and one-off items

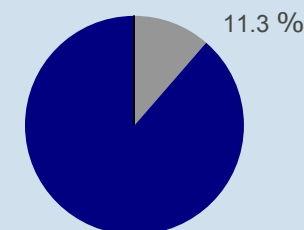
² % excludes central costs

City Link

At constant exchange rates

- Q2 operating loss of £7.1m on revenue stabilised at -13.6%
- H1 impacted by lower volumes (-9.9%) from 2010 customer losses and additional costs in January to recovery from December snow
- Considerable progress in operational capability; on track to deliver substantial improvement by October
- New business pipeline remains promising
- Service levels above 99%
- Progress in addressing FTE/Sub-contractor balance:
 - 67:33 from 50:50 in H1 2010
- MD and FD appointed from Royal Mail Group, in place Q4

% Group Revenue



	Q2 2011	H1 2011	△ Q2	△ H1
Revenue	72.2	144.5	(13.6%)	(13.5%)
Adj. PBITA¹	(7.1)	(17.8)	N/A	(278.7%)

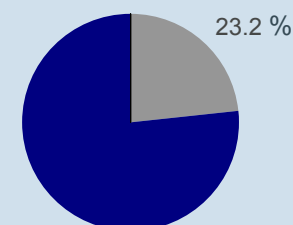
¹ before amortisation and impairment of intangible assets and one-off items

Initial Facilities

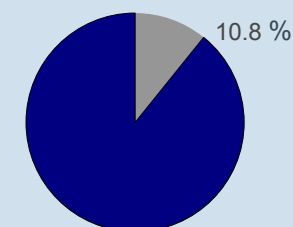
At constant exchange rates

- Revenue +11.1% (+0.6% organic) assisted by Knightsbridge & Santia acquisitions
- Profit +20.0%, reflecting margin improvement, operational efficiency and cost reductions
- Divisional restructuring to improve efficiency and drive growth progressing well

% Group Revenue



% Adj. PBITA²



	Q2 2011	H1 2011	△ Q2	△ H1
Revenue	149.0	295.9	9.2%	11.1%
Adj. PBITA ¹	5.8	12.0	5.5%	20.0%

¹ before amortisation and impairment of intangible assets and one-off items

² % excludes central costs

Interest

At actual exchange rates

	£ million	
	H1 2011	H1 2010
Net interest on bank/bond/finance lease debt*	(23.2)	(25.3)
Other	(0.8)	(0.5)
Net return/(loss) on Pension Scheme	1.6	(0.1)
Mark-to-market/forex adjustments	0.4	(2.6)
Per income statement	(22.0)	(28.5)
Average net debt	£1,025 m	£1,088 m
Average interest rate on bank/bond/finance lease debt	4.6%	4.7%

* Interest paid on forward rate agreements

Operating Cash Flow

At actual exchange rates

	£ million	
	H1 2011	H1 2010
Adjusted PBITA	93.2	103.1
One-off items	(20.1)	(18.0)
Depreciation	100.9	115.6
Non-cash items ¹	4.1	3.3
EBITDA	178.1	204.0
Working capital	(52.1)	(48.8)
Capex	(103.9)	(88.6)
Fixed asset disposal proceeds ²	2.4	3.4
Operating cash flow	24.5	70.0

Free Cash Flow and Movement in Net Debt

At actual exchange rates

	£ million	
	H1 2011	H1 2010
Operating cash flow	24.5	70.0
Cash interest	(36.1)	(40.1)
Cash tax	(29.6)	(19.1)
Free cash flow	(41.2)	10.8
Acquisitions & Disposals	(13.5)	(4.9)
FX and other	(16.3)	58.7
Decrease in net debt	(71.0)	64.6
Opening net debt	(953.6)	(1,108.1)
Closing net debt	(1,024.6)	(1,043.5)

Guidance for H2

- On track to deliver £60m cost savings by year end
- Average interest rate in line with H1
- Improved cash flow performance in H2:
 - Capex at or slightly above 100%
 - Cash conversion 90%-95%
- Adjusted effective tax rate c.24%
- Cash tax rate in line with effective tax rate



Operating Review

Alan Brown

Chief Executive Officer

2011 Key Objectives – Progress Update

1. Turnaround of City Link and Textiles & Hygiene Benelux

- City Link financial performance remains unsatisfactory; however combination of operational progress and new business pipeline should lead to improved yoy performance in Q4, full impact of initiatives from 2012
- Textiles & Hygiene Benelux turnaround progressing well; year-on-year profit improvement in H2

2. Customer Care

- City Link to pilot significant technology investment for group in October

3. Consistent & Profitable Growth

- Positive results from growth pilots; global roll-out in 2012/13
- Knightsbridge & Santia acquisitions performing ahead of plan; new acquisitions in Pest, APAC & IF

4. Cost Savings

- £24m cost savings in H1, on track to achieve £60m target by year end
- Easing of pricing environment in continental Europe, but inflationary pressures particularly evident in Textiles & Hygiene and Ambius

Objective 1: City Link Improvement Plan – Progress Update

1. Operations

- Depot Blueprint on course for roll-out in Q3
- Employed drivers now 67%: on track to reach 75% target, reducing reliance on ad hoc subcontractors to below 5% before end Q3
- Roll-out of 'Eclipse' Pricing & Billing system underway and complete by September
- Camberley Head Office closed end Q1 and Newton Business Support Centre closure planned for October; all City Link sites now primarily operational

2. Contingency Planning for Peak

- Development of pre-determined guidelines for...
 - Depot & hub closure to new collections & deliveries in severe weather conditions
 - Activation of Command team and of a range of contingency measures, based on weather forecast or other major infrastructure disruption
- Establishment of regional SWAT teams to deal with severe conditions
- Use of group resources in the UK under development

Objective 1: City Link Improvement Plan – Progress Update cont'd

3. Customer Care

- New Customer Care Director appointed Q2
- 'My City Link' launched in May giving real-time, detailed information on parcel delivery to customers
- Group investment in state of art Telephony & Customer Care tools
 - On course for implementation by October 2011
 - Permitting load transfer between central call centre & depots and ultimately other RI sites
- Upgrade to consignee web site to improve accuracy of parcel tracking information and to give ETA information +/- 30 mins in place by October

4. Sales & Marketing

- Profitable growth targeted in 4 key sectors
 - Retail/Online
 - Technology
 - Healthcare
 - Media
- Promising new business pipeline
- Account management across all customer tiers a major focus for H2 2011

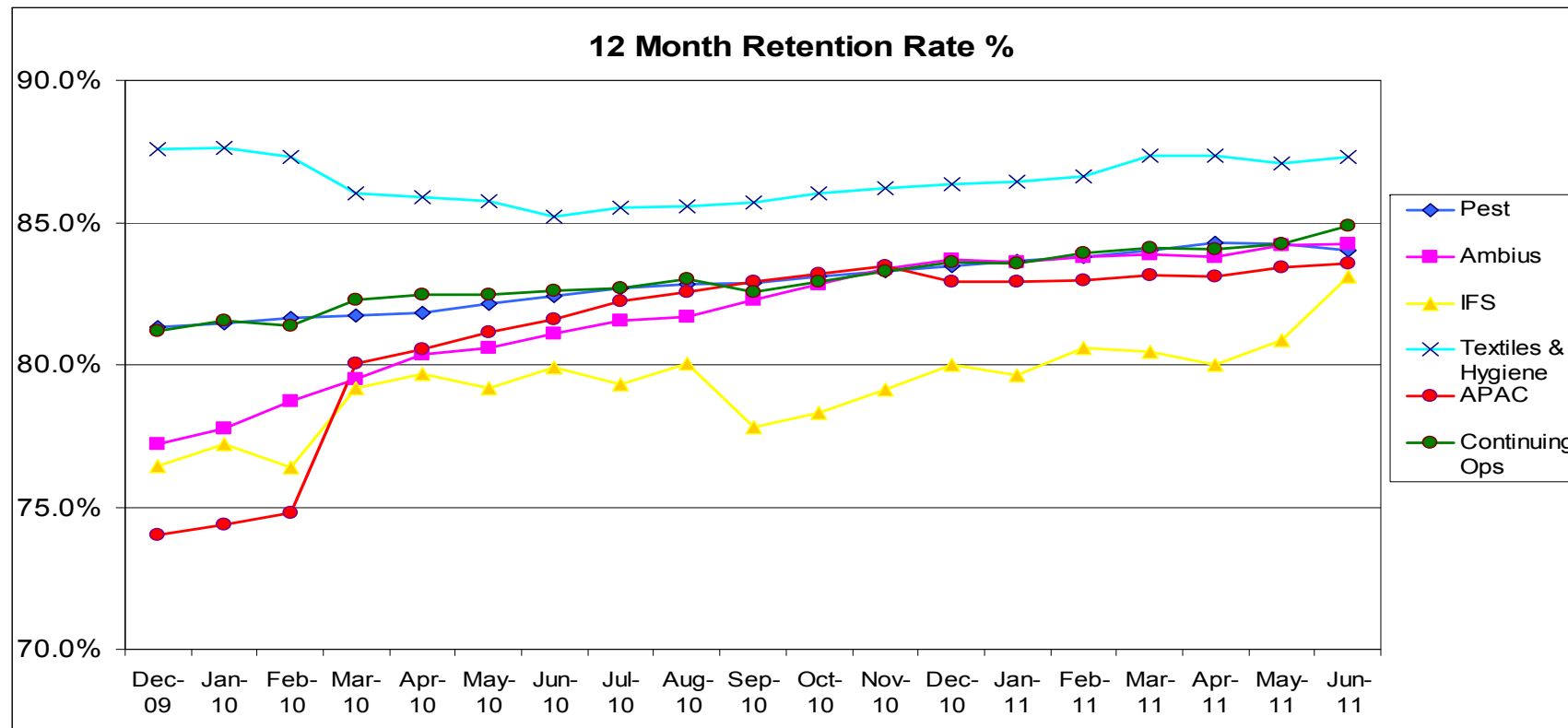
Objective 1: Textiles & Hygiene Benelux Turnaround – Progress Update

- New management team from January 2011 and regional board in place
- Pricing imbalance largely corrected during 2010
- Government contract wins achieved, price increases successfully implemented
- Dedicated team driving improved performance in Belgium hospitals operation
- Business performing consistently in line with plan in Q2, year-on-year improvement in H2 2011

Objective 2: Customer Care – City Link Transformation Work Streams

Multi-Channel Contact Routing	Customer Contact Management	Self Service	Organisational Design	Workforce Optimisation	Performance Management	Customer Feedback	Proactive Customer Contact
<p>Improved voice & web contact channels</p> <p>Enhanced call routing & call flows</p> <p>Automatic call back & messaging solutions</p>	<p>Fully integrated multi channel Customer Relationship Management (CRM) technology solution</p>	<p>Integrated Voice Recognition (IVR) Self-Service Parcel Track & Trace solution</p> <p>Web based customer self service solution</p>	<p>New integrated Customer Care structure implemented across all depot and contact centre locations</p>	<p>High level demand planning</p> <p>Multi-channel customer contact forecasting, and staff scheduling</p>	<p>Call recording & internal quality evaluation processes</p> <p>E-learning platform</p> <p>360 degree customer care performance dashboards</p>	<p>Post call customer care surveys</p> <p>Web customer care feedback surveys</p> <p>Integrated real-time, actionable feedback mechanisms</p>	<p>Online web access to real-time parcel delivery status information</p> <p>Online web access to Customer Care Case Mgt. solution</p>

Objective 2: Customer Care – Retention



Objective 3: Consistent and Profitable Growth

More & Improved...

Existing customers

- Service & Customer Care
- Cross Selling
- Service lines per customer
- Up-selling

New customers

- Selling Propositions
- Targeted marketing effort
- Prospect lists
- Sales Efficiency & Effectiveness
- Bids & Tenders

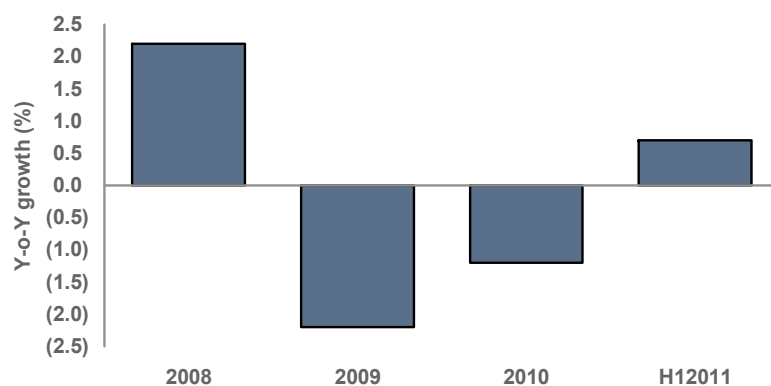
New service lines

- Product and Service Innovation
- Related Service Propositions
e.g. Vector Control
- Acquisitions

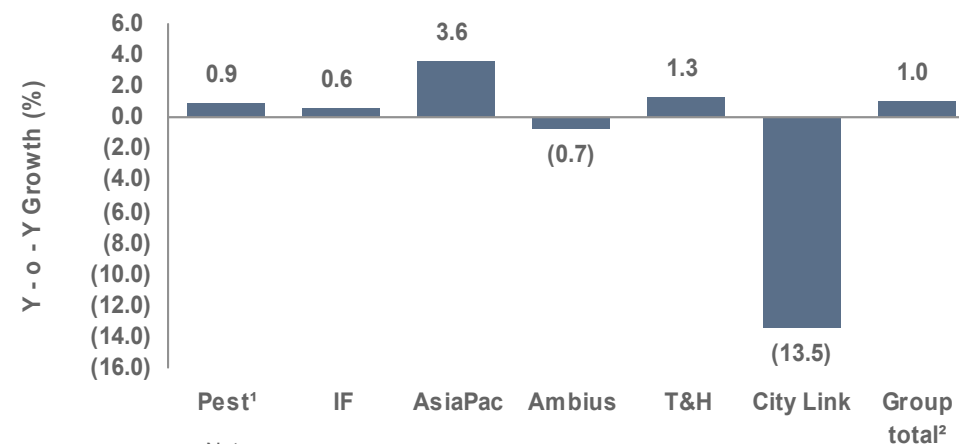
Objective 3: Consistent and Profitable Growth – Progress Update

Revenue growth encouraging

Group reported revenue (CER)



Organic growth by division – H1 2011

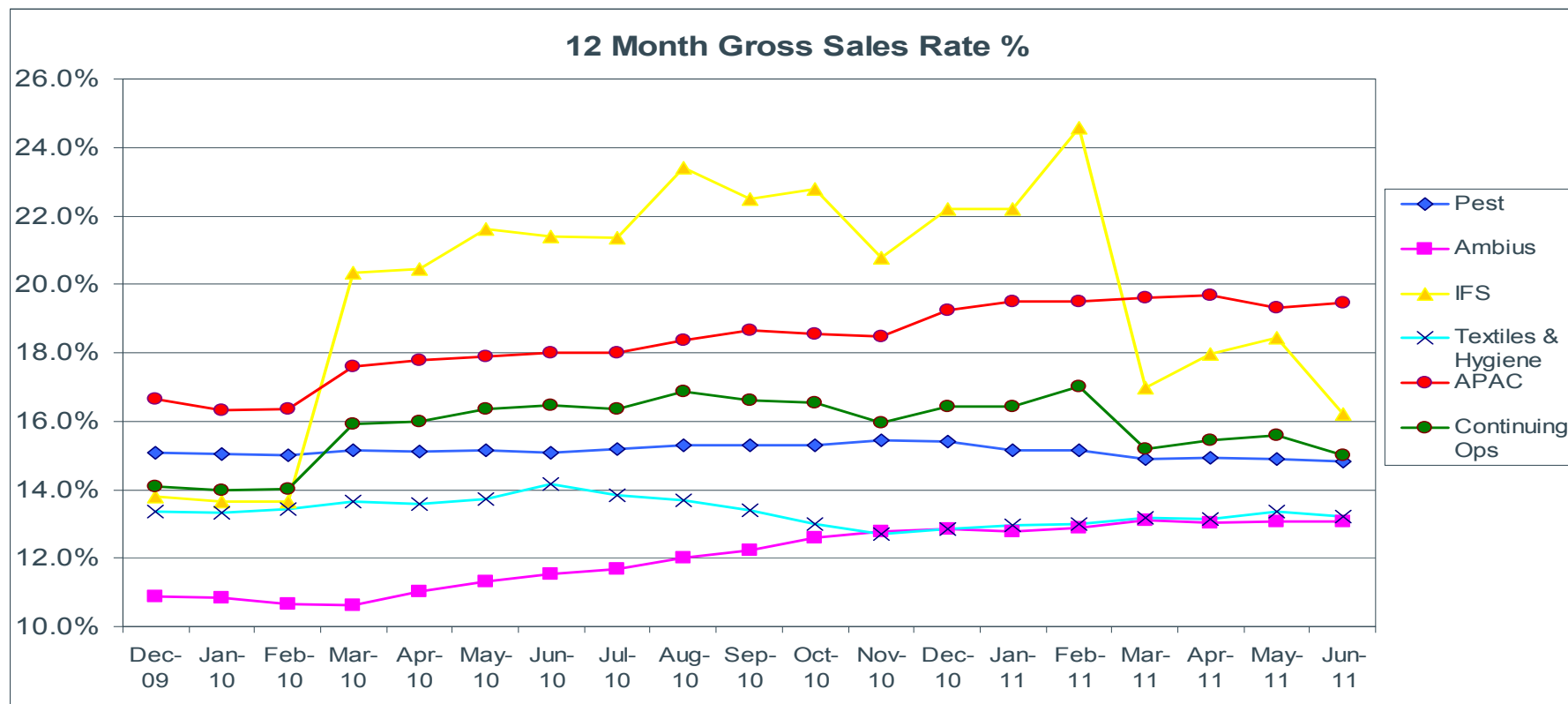


Notes:

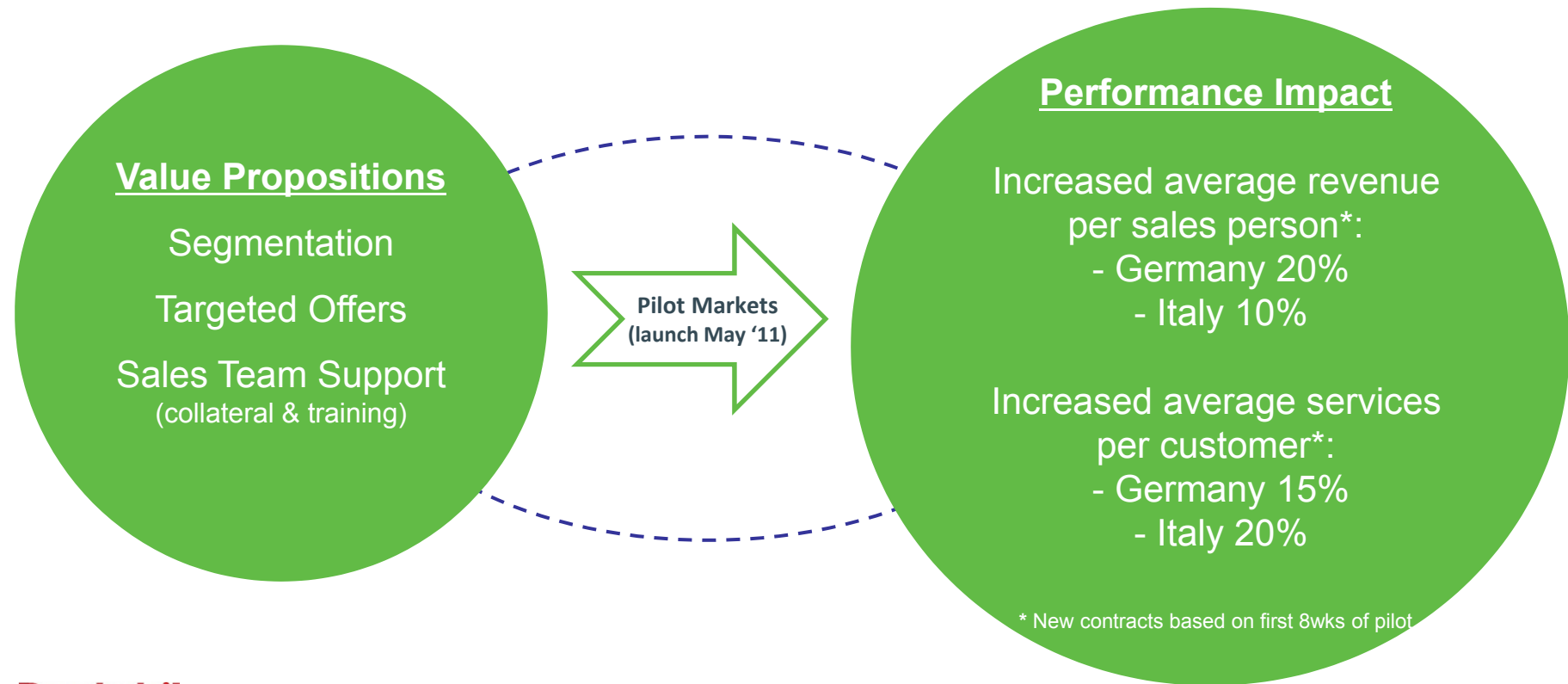
- 1 Pest control excludes disposals and Libya
- 2 Excludes City Link and Libya

Profitability impacted by City Link & cost inflation

New Business – Contract Sales %



Value Proposition Pilots: Textiles & Hygiene



Programme Olympic Prospect 2 Cash – Growth Pilots



- **Pilot 1 - Indoor Tele-appointing**

- Positive impact on sales, particularly in UK Hygiene
- Key factor in developing strong major accounts pipeline for UK Pest Control



- **Pilot 2 – Mobile Sales Advantage**

- Pilot ongoing in UK Pest Control and Version 2 of the tablet PC software under development
- System ready for launch by the end 2011



- **Pilot 3 – Bids & Tenders**

- 'Atlas' bids & tenders system delivered improved conversion rates in Australian and UK pilots
- Now operational in 24 countries



- **Pilot 4 – Online Sales**

- E-commerce 'Click & Pay' solution piloted successfully in the UK for wasps jobs
- Live in six countries, to be launched in further eight countries by end 2011

Programme Olympic Prospect 2 Cash – Growth Pilots cont'd



Pilot 5 - Account Management – Tier 1 & 2 Customers

- Pilots have shown very positive improvements in customer Net Promoter Scores
- Further pilots underway to deliver account management model for medium-sized customers



Pilot 6 – Account Management – Tier 3 Customers

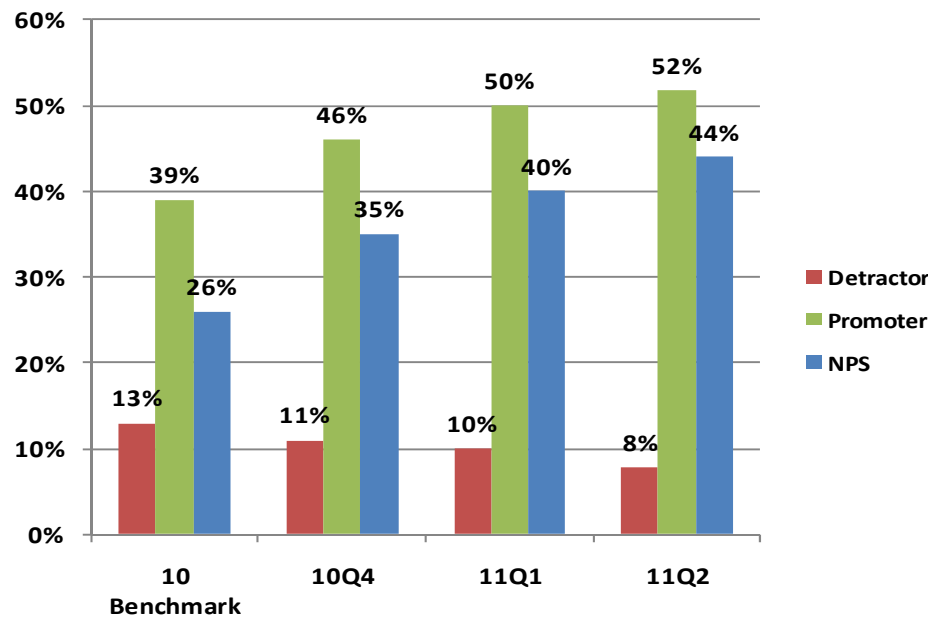
- Pilot aimed at smaller customers proven successful in the management of key relationship challenges such as changes in service technicians

Pilot 7 – Complaint Management

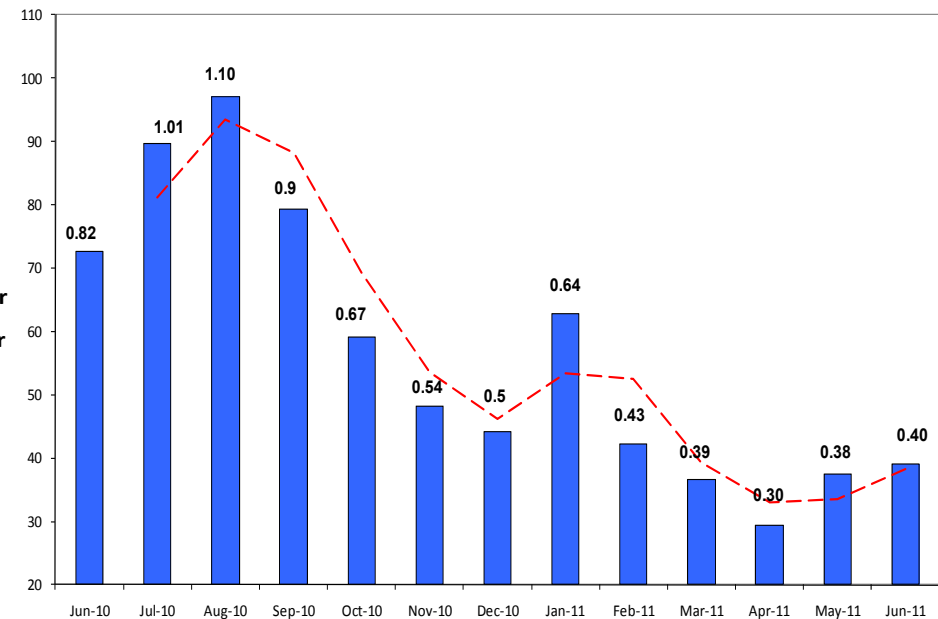
- New system introduced into UK Pest & Hygiene – number of complaints halved since implementation
- Ready for global deployment

UK Hygiene - Customer Voice Counts / Complaints

Customer Voice Counts (NPS)



Complaints per 1k premises (per day)



Acquisitions

- Acquisitions of **Knightsbridge Guarding** and **Santia Services** (Connaught) fully integrated and performing ahead of expectations
- Acquisition of 25% minority holding of **Initial Catering Ltd** from Rezayat Group (May 2011)
- Acquisition of Sydney-based pest control business **Ant-Eater** (July 2011)
- Acquisition of Turkish commercial pest control business **NB Turkey** (July 2011)
- Further bolt-on acquisitions probable in H2

Objective 4: Cost Savings – Progress Update

- **Good progress in H1** with savings of £24m (principally Textiles & Hygiene and City Link); **on track to achieve £60m target** by year end
 - However partly offset by fuel, labour and products for sale; aiming to mitigate this where possible through price increases
- **City Link**
 - Recruitment of more full-time employee drivers (reducing reliance on subcontractors) now 67%
 - Full year effect of Hub & Office closures and move to curtain-sided trailers in 2010
 - Further savings through headcount & procurement and other productivity improvements
- **Textiles & Hygiene**
 - Procurement programmes begun in 2010 to harmonise product ranges
 - Other divisional savings programmes
- **Procurement savings**
 - Pest & Hygiene direct expenditure
 - Indirects particularly in UK; utilities particularly in continental Europe

Outlook for H2

- In City Link, operational improvements and new business pipeline encouraging:
 - Combination of which should lead to improved year-on-year performance in Q4
 - Full impact of initiatives from 2012
- Textiles & Hygiene Benelux to return to profit growth in H2
- Further progress from other group businesses despite ongoing market challenges
- Resumption of dividend remains under review pending turnaround of City Link and Textiles & Hygiene Benelux

Rentokil Initial

Questions

Rentokil Initial

2011 Interim Results

29 July 2011

Net Debt

<u>Debt</u>		<u>Maturity</u>	<u>Coupon</u>	<u>Net debt at 30/06/11^{1,2} £m</u>
£500m RCF	→	2012	LIBOR +0.325%	(165)
£50m FRN	→	2013	LIBOR +3.25%	(50)
£75m Reset Bond	→	2013-33	LIBOR +3.98%	(75)
€500m Bond	→	2014	4.625%	(453)
£300m Bond	→	2016	5.75%	(322)

Tax

At actual exchange rates

	£ million			
	H1 2011	Tax charge	H1 2010	Tax charge
Profit before one-off costs and amortisation of intangibles	73.5	17.8	76.5	18.7
Amortisation of other intangibles	(23.7)	(7.1)	(27.6)	(8.4)
Other one-off costs (net)	(20.1)	(5.2)	(18.0)	(3.1)
Profit before tax	29.7	5.5	30.9	7.2
Adjusted effective tax rate		24.2%		24.4%
Cash tax paid		29.6		19.1