FINAL TRANSCRIPT

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PRESENTATION

Katharine Rycroft - *Rentokil Initial Plc - Head of IR*

Good morning everyone and thanks very much for joining us today. Just a few announcements before we start if I may. Firstly, could I draw your attention to the safe harbor clause we have on the screen in front of you in relation to forward-looking statements. As always this webcast is being broadcast live, so please switch off your mobile phones.

There's no fire alarm planned for this morning so if you do hear a fire alarm, take it seriously. I think the exits are at the back of the room.

And finally, could I please hand over to our Chairman, John McAdam.

John McAdam - *Rentokil Initial Plc - Chairman*

Thanks Katharine. Good morning ladies and gentlemen and welcome to Rentokil Initial's full-year results presentation. At the 2009 preliminary announcements we outlined to you our five-year plan, based on our key strategic thrusts with which I'm sure you're now all very familiar.

In a few moments Alan will give you a detailed update. But in summary, we've seen some good profit improvement during 2010 in Pest Control, Facility Services and Asia Pacific divisions, underpinned by strong cost savings programs. City Link has however disappointed during the year. An over-reliance on sub-contractors resulted in excess costs of some GBP10 million; and inconsistent operational performance was particularly exposed by the heavy snow in the peak Christmas trading period.

While most of our businesses in Textiles & Hygiene division grew year on year, our business in the Benelux suffered severe pricing pressure, particularly in the Netherlands, which exposed inadequate operational controls and resulted in a substantial year-on-year decline.

Now we are determined to introduce fundamental operational improvement plans at both City Link and in our Benelux Textile & Hygiene business and to demonstrate profitable growth for the second half of 2011 in both of these businesses.

Overall in 2010 our cash performance has been particularly strong at GBP220 million, representing 114% conversion from profit. And our net debt is now well below GBP1 billion.

While the Board is committed to the re-introduction of the dividend, we do not believe it's appropriate to do so until the foundations of sustainable profitable growth have been established across all of our principle businesses. Therefore, despite our strengthening balance sheet, we've taken the decision not to propose a final dividend for 2010.

We are however, determined to get back on track in delivering profitable growth right across Rentokil Initial. So we recently met with our 120 most senior managers to review the progress we've made against our five-year plan objectives so far, and to agree what we need to achieve in the coming year.

What was clear to everyone at the conference is that we are well into a major program of operational change, which is already driving efficiency, organizational capability and will underpin future profitable growth. But there is still a lot to do.

At the very heart of this program is a focus, as you know, on operational excellence and customer care. We must continue the improvements we are making in the effectiveness of our business processes across Rentokil Initial, while at the same time reducing cost.

Group status service in the last two years has risen from 88.5% in 2008, to 97.2% in 2010. And customer retention continues to show an improving trend, increasing from 79.6% in 2009, to just under 84% in 2010. We must now move the customer service agenda onto customer care while delivering a further GBP60 million of cost savings in 2011.

So let me now hand over to Alan and our new Chief Financial Officer, Jeremy Townsend, to explain in more detail the results, our progress against our strategy and our plans for the year ahead.

So Jeremy, is it you first or Alan? Okay, Alan.

Alan Brown - *Rentokil Initial Plc - CEO*

Thanks John. Morning everyone. Just a quick chart from me and then Jeremy will go through the financial results in more detail, then I'll come back to talk about what we are proposing to do in 2011 and beyond.

So some of the highlights, 15% growth in adjusted profit before tax. We've had strong performances from Pests, the Facilities Services business and Asia Pacific, and we've had unsatisfactory performances in City Link and Textiles & Hygiene in the Benelux, as John said. 18% growth in EPS, which was driven of course by a very strong cash performance, lowering of the interest costs, so we've got a better performance in EPS even in the adjusted profit before tax.

Revenue down 1.4% but the trend is, as you will see, improving quite consistently. Cost savings GBP60 million and we're forecasting the same for 2011. Cash generation, I'm really very pleased with this, 114% conversion and after 140-odd-% last year, it's always difficult to get two years on the trot, but I think this is really a terrific performance. And it's really genuine and sustainable as well in my view.

Net debt down GBP150 million (sic - see presentation) to GBP954 million and that means that we've reduced net debt by close on GBP400 million in two years. Program Olympic is really driving capability across the organization in both growth, administration and service. We're very pleased with the way that program is now going.

Dividend issue, of course, has been a subject of some comment in relation to Rentokil Initial and I think though our cash position is now quite strong, we are going to really hold back on resuming the dividend until we are more confident that we have secured the turnarounds at both City Link and the Benelux operations in Textiles & Hygiene.

So with that quick summary, over to you Jeremy.

Jeremy Townsend - *Rentokil Initial Plc - CFO*

Thanks Alan and good morning everybody. I'll now run through the key financial highlights for 2010 in a little bit more detail.

Revenue in quarter 4 was down 0.5% on the year, an improvement in the decline for the year of 1.2%. Adjusted profit before interest was 6.6% down in the quarter, due to declines in City Link and Textiles & Hygiene profitability. Profit for the year was, however, up 8.3% before interest and 15.1% after tax, reflecting growth in Pest Control, Asia Pacific and IFS, as well as a reduction in central costs, but offset by declines in Textiles & Hygiene and City Link.

Adjusted EPS, as Alan has already said, was up 18.2% in the year. And the business again generated strong cash flows of GBP220 million, a profit conversion level, excluding one-off cash flows, of some 114%.

Looking at performance by division, revenue in the Textiles & Hygiene division was 2.5% lower in quarter 4, and 1.5% lower in the year. On an organic basis, the decline was 0.5% after adjusting for disposals. Profit performance was reasonably strong in most of the division's territories.

However, a disappointing performance in Benelux, caused by poor local management, longstanding control weaknesses and a competitive pricing pressure, resulted in a significant profit shortfall against expectations.

This weakness in Benelux's trading performance resulted in divisional profit in the quarter 4 declining by 19.1%, and an overall decline of 2.7% for the year.

The Pest Control division achieved 10% growth in profit for the year on revenue down 0.3%. Revenue growth was achieved in most of the Pest businesses and the US in particular. However, this was offset by a decline in the UK and Ireland Hygiene business, and lower revenue from the Libyan contract.

Double digit profit growth was achieved in the core Pest Control territories of the UK and the US, as well as in Europe. This was offset slightly by a decline in profitability in the UK and Ireland Hygiene business.

In Asia Pacific revenue was down by 4.9% in the year, largely due to the exit in 2009 of a significant low-margin Hong Kong government contract. Underlying growth in Asia of 1.4% was offset by an underlying decline in the Pacific region of 1.1%. Profit increased by 20% in the year, driven by strong cost control and a reduction in adjustments resulting from prior year acquisitions.

In Ambius, following the difficult market environment of 2009, the revenue trajectory has shown an improving trend with a decline of 3.6% for the year, but growth of 4% in the final quarter. Profit was GBP400,000 below the prior year, reflecting the reduced revenue levels.

In City Link, although good progress was made in 2010 in improving the hub and depot structure and IT capability, the overall financial performance was disappointing. Severe weather at the beginning and the end of the year was a contributing factor. However, the main reasons were poor operational control, evidenced by an excessive use of sub-contractors, inadequate contingency planning and low engagement of front line colleagues.

The UK parcels industry continues to be very competitive with price cutting a continuing dynamic. Revenues were 5% lower than 2009, in part due to a 1.9% reduction in volumes, but mainly due to a 3.3% reduction in the average consignment price.

As a consequence of the revenue decline and the shortfall in expected cost savings, City Link incurred an operating loss of GBP9.6 million, GBP4 million more than the prior year. The impact of severe weather on the 2010 results is estimated at GBP4 million. And Alan will outline our plans for improving performance in 2011 in a moment.

Initial Facilities Services had a strong year despite challenging economic conditions and the loss of some major contracts early in the year. Revenue was up by 9% in quarter 4, and 1.6% for the year, reflecting the acquisition of the Knightsbridge security business and the growth in the underlying portfolio supported by the winning of the large London Underground contract. Profits were up by 21.6%, reflecting margin improvement and cost saving reductions.

Interest costs were GBP6.5 million lower in 2010, driven in part by a slightly lower blended interest rate and partly due to the reduction in net debt. These favorable movements were offset by a GBP6 million adverse movement in the notional returns on the Company's pension scheme.

To help you with your models for 2011, interest rates are largely fixed, and we expect an average interest rate of around 5%. The notional pension interest, which was zero in 2010, is expected to be marginally positive in 2011.

Operating cash flow at GBP220 million, continued to be strong, with a conversion rate of 114%, albeit, as Alan said, below the exceptional level delivered in 2009.

Working capital outflows in the year of GBP33 million, were in part caused by expenditure on one-off items of GBP22 million. And CapEx in the year of GBP198 million was again below the depreciation charge for the year.

Net debt reduced by GBP1 billion by the year end, driven by free cash flow of GBP140 million (sic - see presentation). And as Alan said, net debt has now reduced by GBP400 million over the last two financial years.

Cash interest was GBP18 million lower than last year due in part to the lower profit and loss charge, but also due to the impact of one-off favorable timing difference.

Cash tax was GBP18 million higher in the year. This is because 2009 included a number of exceptional tax rebates, and the 2010 cash tax rate is now moving closer to the underlying effective tax rate in the profit and loss account.

Our net debt has no immediate refinancing requirements, and the current rate of cash flow generation should significantly mitigate the refinancing requirement of the GBP500 million revolving credit facility.

The Group's bank facilities contain a single financial ratio which requires EBITDA to be no less than 4 times interest payable. And as at December 31, 2010, the coverage was 8.3 times.

While we are on the topic of funding, I note that we're in the process of discussing the triennial pension valuation and funding with our trustees as at March 31, 2010. Discussions are at an early stage, but I would flag that the valuation basis is likely to be on a more prudent basis than that used for accounting purposes.

The adjusted effective tax rate in 2010 was 25.1%. As noted previously, the cash tax paid increased during the year. However, it remains below the profit and loss amount. I expect the adjusted effective tax rate in 2011 to be again around the 25% level, but I'd expect cash tax payable to be slightly higher, moving again towards the profit and loss charge.

I'd now like to hand over to Alan to talk you through the operating profit.

Alan Brown - *Rentokil Initial Plc - CEO*

Thanks, Jeremy. So we're just over halfway in terms of what I think was building a five-year -- certainly by me -- a five-year turnaround for Rentokil Initial; a good time to stop and reflect. We're in that middle period, which I've been in several times before, where you find that some of the things you've put in place are working pretty well, and some of the other things are proving to be recalcitrant; a bit miscreant, to be honest with you, in a couple of cases. And I'm going to talk about those over the next 20 minutes or so.

This I think is a roadmap to the challenges that we've set ourselves. We've got five strategic thrusts in the business, and I've used this chart on a number of occasions before. And the traffic light system, I think, just gives you a feel for where we think we are.

On customer service we're doing well, but we're now very much focused on the customer care agenda, which I'll come back to, the software side of customer service where we've got a lot to do.

Developing capability, both in people and technology, is an ongoing piece of work for us. I think we're doing okay, but there's so much still to do that that's still an amber.

Operational excellence, I think that we really made good progress in 2009. You may remember that we had six businesses which were in intensive care in 2008, and we got most of them off the intensive care list in 2009. We've now got two on the list with City Link and Benelux Textiles & Hygiene, and that's why I've gone from green to amber, because the in-year progress, which the 2010 comp shows, has been not satisfactory.

On cost and cash, we, I think, are doing okay in costs, although I think we could do better; the delivery in cost reduction, again, in City Link and Benelux, has not been satisfactory. Cash has been, I think, excellent.

On growth, this of course was the area that we were addressing last of the thrusts in terms of timing. We have made progress in 2010, particularly in customer retention; and I'll come back to that in a moment.

A little bit more detail perhaps on these, on customer service and care. On the customer care agenda, I think we're doing a pretty good job with our big customers in Tier 1, but Tier 2 and Tier 3, we just really have not got to at all in terms of being responsive to their needs.

And I see this particularly in City Link, and some of the pilots we're doing on Program Olympic, which I'll come back to later, do show that we have, I think, certainly cracked the way to improve the care, customer care, with Tier 2 and Tier 3 customers; but we've got a big job now to implement across the Group.

On capability, I would like to emphasize that, although I've got an obvious gap in City Link, that the management team we now have is very high caliber indeed. I'm really quite delighted with the strength of the senior team, both those who have been there for two or three years, and indeed, the new recruits; and the team is coming together very well, not only at a senior level, but down the organization I think we've made really a gigantic step forward in terms of management capability.

In terms of systems and process improvement, this is a long haul. We've made really big strides in 2010, particularly in City Link, I have to say, where we've built an infrastructure which, as you will see later on, I think will deliver a lot to the front line in 2011.

And across the Group, again, the Program Olympic initiatives are being driven by, I think, leading edge IT technology in particular.

Where I'm not happy yet is that we've not managed in my view to materially improve capability on the front line. We are making progress in Pest division, particularly with technicians, but in the area of sales, we have been slow, and this for me is a high priority in 2011.

Operational excellence I've talked about. Lowest cost and maximum cash, again I've talked about on the previous statement.

But I think the second bullet point is worth emphasizing. I'm really very pleased that the financial strength of the business has improved out of all recognition from where we were in the very dark and wintry autumn of 2008.

On profitable growth, I'm really pleased with the progress on retention. I'm going to talk about that a little bit more. On new business capability, we see some interesting signs, but not yet proven in my view in a competitive environment, but that will become clear over the next few months. And we've got, clearly, improvement to be made, opportunities to be made in the marketing, sales and service leadership areas.

So this is a chart we showed last year. It's a very interesting chart in my view, worthy of some study. But I'm not going to go through all of the lines now. I'm going to really choose some of the highlights, the ones I'd particularly like to draw your attention to.

I think in the middle box, the customer box, one can see the gross sales for our Contract business. This is excluding the Jobbing business. The Contract business is about 70% of our operations; Jobbing is about 30% including City Link. Contract sales are up from 14.6% of opening portfolio to 16.3%. And the big number here, which is really moving, is customer retention, which is up from 81% to pretty well 84%, and I'll show you some further information on that later; then leading to a positive net gain on the Contract business for 2010 in total.

State of Services moved slightly down, but this I think is primarily because the technology we're now employing to measure state of Services improved so dramatically with the use of the handheld devices across most of our business.

I should maybe perhaps comment on the customer satisfaction survey. I used to call this NPS; we're now calling it Customer Voice Counts. And this is a very simple research summary of where we sample our customers continuously throughout the year to measure their degree of satisfaction with what we're offering. We see very varied results across the Group, very varied results across the Group indeed. It's proving to be a really key tool to drive improvement in customer care across the Group.

We can get it down to individual branch level, and sometimes down to individual driver level to see what his customers think of him. So not so meaningful at the moment; 19% won't really mean anything to you, but over time, trends that will appear here I think will become very relevant indeed.

On the shareholder side, I think you know most of this from the announcement. We're making progress on most of the areas, but in particular, of course, I'm pleased with the cash performance that is down at the bottom of the chart.

And now let me reflect on the key objectives for 2011. There are four. Clearly, the turnaround of City Link and Textiles & Hygiene in the Benelux is absolutely crucial; our customer care initiatives, where we aim to be immediate, effective, and surprising even in our response to customers; growth, which needs to be consistent and profitable; and, of course, the ongoing task to improve the cost base of the business. Those are the four, and I am going to talk about each.

Textiles & Hygiene first of all. This is a business which we knew had management problems. We've known that for pretty well two years. We've really struggled, really struggled to get the right team in place, and I think we've now done that over the last couple of months.

We've appointed the very successful Head of our Spanish Operations into the Netherlands. He's a man who is very, very detailed in his application, and I think he's just the right guy, because the primary issue we've had in the Benelux business has been poor operational control over a period of time. And it's partly because the finance systems have not been good, but primarily because the management team has been flying too high.

We have also uncovered a number of financial control issues during 2010 as we started to move on with our Program Olympic agenda of introducing financial shared service centers across the Group. I should, however, emphasize that the implementation of financial shared service centers at a number of places across was going very well. It was really the implementation of the shared service center in Benelux that highlighted some longstanding issues that have been in that business for some time.

So where are we now? The business has been stabilized. It is still a very profitable business, just not nearly as profitable as it was. There's no doubt the business is trading in what has been a very tough market in 2010 with a lot of price pressure, but that has eased, I have to say, as we came into the year end and into the beginning of the New Year.

But I think that I now need to let the new management team find their feet and come back and give you a further update in quarter one. And so I don't expect that there will be another big hole as a result of the Benelux performance in 2011, but I do think it's going to take some time for that business to start to make progress.

Now the turnaround of City Link is something which we're altogether much more advanced on. We know really pretty well precisely what we have to do. It's not a great mystery. It's not a business which in my view requires a structural change. The structural work has been ongoing for the last two years and has actually been executed very well.

I think that what happened was that the management team just wasn't up to delivering both structural change and delivering operational excellence at the same time. And the operational performance of the business suffered really quite badly as we moved to the single hub, as we moved to close a lot of depots, and as we moved to a completely new trunking system, all of which has gone very well, I have to say.

But the operational attention to detail was very poor, and we've now come up with a four point improvement plan for City Link, and I'm going to give you some detail on each of these four points.

On operations, first of all, because the restructuring is largely done, we've got very limited physical restructuring in 2011. The Hatfield depot project will close about four depots around it, but that really is about it, apart from some ins and outs elsewhere.

We've got to do, or work to move the depots from an old franchise type model where they decided how to do their operations themselves into a much more systematic model. One of the things we found through the Christmas period was that we were really badly let down by a couple of depots that went completely off the rails, and we need now to make sure that they come back and employ consistent processes.

The third point was a big point I've talked to about before to you, that though we were aware that we were using far too many subcontractors as early as February 2010, the management team at that time seemed to be unable to correct this. And we are now moving quickly to increase the number of employed drivers to about 75%, with most of the rest then being owner drivers who've always performed quite well for us. And we'd hope to be there certainly by the time we get to the end of Q2.

Various other initiatives are taking place. I perhaps should mention the pricing and billing system, which has been trialed very effectively, and will greatly improve our operational capability in the business to deliver accurate invoices which we've really struggled with up to now, because we've still been operating on the old City Link and Target invoicing model.

So that's a really important piece of work to be done. It will both reduce costs quite significantly, and it will deliver much more repeatable and durable performance in the business.

Second area of attention is clearly contingency planning for peak. A word about December, which was really unprecedentedly difficult for the whole industry, not just City Link. And the reason it was so difficult was volumes, certainly for our business, were more than double what one would normally expect because of the Christmas activity. And the very bad weather, which we're not unaccustomed too, very unusually came just at the time when peak volumes came through the business.

Bad weather in January and February is manageable because volumes at that time of the year are about half of what they are in December. But it was the coincidence of the extreme volumes with exceptionally difficult weather conditions which then meant everyone in the industry had major problems. And this, of course, reduced revenue because we couldn't take all the stuff we wanted to, and also it increased costs quite dramatically.

So we have learnt a lot from that. We think that the investment we're going to be making in the operational agenda, and also the customer care agenda, which I'll come onto in a second, will help us greatly; but we're going to have to have predetermined guidelines for how to handle severe weather conditions, and that work is underway.

And we're also going to look at how we can activate other Rentokil Initial resources across the UK to support City Link. We have a number of call centers for example, which could be employed to help. But one of the big problems we had over the Christmas period was that our call centers were besieged with calls as people were trying to find out what had happened to their parcels.

Third and fourth points in the City Link improvement plan. The customer care initiatives are highlighted, it's really a Group initiative, but we're going to focus on the City Link business. We're going to invest in state of the art telephony and customer care tools, and this will substantially improve, in my view, our ability to handle customers.

At the moment, we have really very poor systems indeed, and at the moment, it is quite common for a customer care representative who is handling a call from a customer to have to ring the depot to find out where the parcel is, which is completely ridiculous.

But we are, I think, at the point of a big breakthrough. The development of My City Link, next bullet point on, will give pretty well real-time information on where parcels are, with pretty well real-time tracking.

And furthermore we have made big progress with what we call round optimization tools in the business. They are now being piloted across a number of depots and going quite well. And the advantages of round optimization is that we know, or should know, plus or minus an hour, when a particular delivery will be made to a particular customer.

So the combination of round optimization delivering predictability in terms of deliveries, with the deployment of My City Link, should give pretty well real-time information on every parcel in our network, which customers would be able to access directly.

On sales and marketing, we, in City Link, clearly have in my view a differentiator from most of the rest of the market. We offer a caged delivery service. We offer very high protection to parcels going through our network, because they are put into cages once they arrive at the collecting depot, and basically stay in that cage until they arrive at the delivery depot. This reduces damage, and also reduces theft. So we have a differentiated offering which is particularly relevant to certain sectors; technology, media, healthcare, in particular.

On the retail/online space, retail in particular, we have a very good offering in terms of retail solutions, which deals in particular with in-store promotions where our ability to carry a lot of that in-store promotional material you see about damaging and collating it, is a very valuable service.

We're also doing very well in the flower market as well, again where that protective model that we have in City Link is particularly valuable. In my view we haven't marketed this effectively, and we've got a lot to do there.

Another area where we need to focus on are the smaller customers, as I've said before. Our customer care of Tier 2 and Tier 3 has been inadequate, and I think there's a lot we can do by looking after our smaller customers better through systemization. And also by taking a lot of the learning from our Pest & Washrooms business into managing smaller customers where, as you'll see in a moment, they're starting to really make good progress.

So onto objective 2, I've already talked about this quite a bit in the context of City Link. Our objective is to have a customer care proposition which is immediate, effective, and surprising, with a plan of action built around, of course, the Rentokil Initial values and behaviors of the service relationships and teamwork, which is really widely deployed across the Group now.

We have four or five major thrusts, first of all introducing reward and recognition for our front line colleagues, which has been piloted very successfully in the UK. Secondly and thirdly, and these are related then, the technology investment in customer contact management, both in telephony and in systems, in logging systems.

Fourthly the route optimization, round optimization that I referred to earlier on, which will enable us to predict times of delivery and times of arrival. I think that the composite of these initiatives will drive significant improvement in customer care.

We're going to measure progress, it's not just a woolly thing, we've got a number of measures existing and new, which I'm going to talk through very quickly. State of service of course, which we already measure. Customer voice counts, I've already talked about the market research method.

Customer response times; [we aim] for our industry standard of answering 80% of calls in 20 seconds, we're nowhere near that at the moment, in fact we don't even measure that in a lot of our operations. Customer complaints, I'll come on and talk about in a second.

Customer retention rates, this is a significant number. We've delivered I think you saw 84% customer retention in 2010; we're aiming to get that up to 86% in 2011. Focus on service colleague retention, which is very important in terms of delivering a good service, another reason by the way we're moving much more towards employed drivers in City Link, rather than sub-contractors.

The Your Voice Counts score is the equivalent of the customer voice counts initiative, but Your Voice Counts is focused on internal engagement and enablement. We've got two scores here, one is about engagement, one is about enablement, and we're trying to raise both of those scores in the business. They're very good predictors of the level of care what we can deliver.

I think it's a really good plan with really good measurements in place, and there is no doubt about it, in Rentokil Initial we're absolutely convinced that the quality of customer care is the major differentiator that we have to and will offer in our market place.

Just a little bit on complaint management, just to give you a deep dive into the impact of one of these initiatives, this has actually come out of the Olympic agenda, the Program Olympic agenda. A slightly complicated chart, it's an example from the UK Washrooms business, one of our more challenged businesses.

And each set of bars here shows a particular type of problem; the first is visit missed, the last one is poor CDR, poor driver attitude, customer delivery representatives, CDR. It shows the way these complaints are moving over time from June through to December. You can see there the number of complaints received have dropped really quite remarkably as we have instituted this complaints mechanism, and a very, very robust sort mechanism, to deal with the customer complaints.

Someone was saying to me before the meeting, what is really interesting about this is that these complaints quite often turn into business opportunities. Because having responded to our customer's issue, then quite often an opportunity arises out of that. We're really seeing that in terms of the progress we're making with existing customers, which I'll come onto in a second.

The third objective is consistent and profitable growth. Three elements to this; existing customers, new customers, and new service lines. A bit mixed up in terms of the initiatives we're taking but I am going to try and stick to the structure to at least give you some understanding of what we're trying to do.

On existing customers, the whole care agenda of course is key. The cross selling agenda between particularly Pest & Washrooms is proving a very interesting opportunity for us. Trying to drive up the number of service lines per customer, which at the moment stands at about two for Washrooms, for example, is a big opportunity and of course up-selling is related to that.

We are making progress in this area, this chart is certainly one of the most dramatic that we can see in the business, as again this focuses very much on our contract business. What it shows for each division is the trend in 12-month moving average retention rates, and you can see that all the businesses are converging on that 84% mark, which is the average for the year. I feel that based on this trend, and the sheer weight of initiatives we have, that the 86% target we have for retention in 2011 is achievable.

IFS is obviously more volatile because there's a number of big contracts in there moving around, but again the Chablis project in IFS [certainly], in my view, is going to drive up customer care, particularly for the smaller customers quite significantly.

New customers, I'm not going to talk about it very much today, but we've done a lot of work on selling propositions. Certainly you will see very shortly a very new fresh look to the Initial brand, which is being launched across the UK and Europe over this coming year. Much more targeted marketing effort, again which we may talk about it later date, and a number of other issues.

But I want to focus particularly on sales efficiency and effectiveness, and I'll just I think quickly give you a run through some of the initiatives. But first of all a chart on the generation of new business, this is the equivalent chart of retention rates. The trend is not as clear cut as retention rates, I don't think that we've made quite as much progress in this area. There are certainly variations by division.

IFS is doing very well, as you can see from the yellow chart, that's largely the London Underground win, which gave the chart a big bump up, but overall IFS is really starting to do well. You can see that Asia Pacific business is starting to do pretty well in terms of growth as well.

Ambius of course is turning around, and Pest in recent times is starting to make progress. But we've still got some way to go in the Textiles & Hygiene business, though a lot of that downturn is specific to the Benelux.

I think there are signs of improvement in new business generation, but as I said before, I think it's going to take the first half of 2011 before we see a consistent trend emerging across most, if not all, of our divisions in terms of contract sales.

I've talked about the tools we're using to increase our sales force effectiveness, and Program Olympic covers many things. It's really the improvement program across the whole business, but in what we call the prospect to cash process, there are a number of really exciting initiatives going on.

Advantage is basically an iPad-type tablet which directs the sales person and the customer through the sales process, and it's completely linked into our transaction system. So we have completely flow-through information of customer detail and agreement into our transaction systems, and is looking a very exciting prospect indeed.

Atlas is our bids and tenders development, where we've benefited greatly from Mike Brown's experience from Serco, where we've introduced a common bids and tenders process across the Group.

Maximize, I think we've talked a little bit about before. This is the tool whereby we are bringing together the customer information from all divisions for each territory, whether it be a town or a city, into one very visual database, actually onto Google Maps, so that the sales people can then see where to target cross-selling opportunities to divisions, and that is proving very exciting.

Then some of the really simple stuff which has been rolled out across the Group, which is proving very effective. Account management, where we are putting rigorous, rigorous account business to all of our customers. That may sound very obvious to you, but you have to understand that the way in which this business operated up until, certainly, four or five years ago, was that the idea was to sign up a customer and then never talk to them again.

So we've had a massive change in culture to get through, and now of course we've gone completely the other way, and we're really trying to have regular contact with all of our customers large and small. It's really beginning to show through, I think, in terms of the improvement in retention rates.

And a very simple thing that we talked about, I showed you earlier, customer complaints management is absolutely making sure that senior management respond quickly to issues in the business, whether it be just a driver not turning up, or whether it be something more of a process nature, which is leading us to be too slow to respond to a problem with a customer.

New service lines, again we'll come back perhaps later in the year and talk more about this. I'm only going to give you a very quick sketch now. We've got a number of exciting products developments in both Pest & Washrooms, which are coming through quite well.

I'm very excited about vector control, which is primarily looking at the big challenges in some of the developing markets dealing with Dengue fever and malaria, where I think that in conjunction with some high-tech businesses, we've got some very, very exciting prospects. We're now really trying to find a pilot site with a government in one of the developing markets to drive this proposition.

Acquisitions, we continue to be interested in bolt-ons, North American Pest Control is an interesting area. The FM market is proving very interesting to us and we're looking for opportunities there. Of course you may have seen that we picked up some of the businesses out of the old Connaught business last week, picked up a very nice pest acquisition; a water business, which is related to our existing water hygiene business in IFS; and a fire business, which is very much a route-based business, which we are currently learning about.

The fourth big initiative of course is cost. In 2010 the cost delivery was a little bit disappointing, but I think it's very much pleasure deferred rather than pleasure foregone, we'll get back onto that. I see that we should be able to deliver GBP60 million plus in 2011, and I think that we will still see there's a very good pipeline of savings in 2012 and beyond. Nothing new in the listings, rather further on, particularly with route optimization.

On procurement, again nothing new, but again we're rather further on now with the rationalization of our Textiles & Hygiene range. We've looked at about 40% of the Washrooms range, and I went to a very interesting workshop where, in the course of a few days we agreed to reduce the workshop range of products from 439 to 127. So that was pretty effective.

The indirect costs have gone well, we've got some specific opportunities in procurement which are proving complicated to get at because they're so diverse. But I'm sure you'll all have seen that our indirect costs have fallen again in 2010; I think they were 17.9% in 2009, down to 16.7% in 2010.

That of course is partly because of the procurement, and partly because of the ongoing focus in the overheads areas through Program Olympic, where we've got a number of issues, a number of opportunities rather, in terms of moving to shared service centers and really trying to harmonize our systems across the Group.

So one final chart on cost savings, the overflow from 2010 into 2011 is broadly similar to that from 2009 into 2010, GBP15 million, and GBP45 million coming from new 2011 projects.

So in summary before we move to Q&A. In terms of outlook for the year, I think we would expect to see continued good progress in Pest, Textiles & Hygiene, excluding Benelux, the Facilities Services business, and Asia Pacific.

I am quite committed personally to resolving what I consider to be the operational issues in City Link by October 2011, but it remains to be seen how quickly financial delivery will respond to the addressing of those operational issues; I'm not making any commitments on that.

The Textiles & Hygiene business in Benelux has now been stabilized under the new management team, but there's a lot more to do, and I will give a further update as we go through the year on how we're getting on there.

I am confident that the capability development will continue; we have seen increasing momentum through Project Olympic, and through other initiatives in the business, which has given a very robust infrastructure across the Rentokil Initial Group.

Cost savings, we are committed to. Cash flow we would expect to remain robust in 2011, and depending very much what happens on the acquisition and disposal front, it may be that we can get to a point where we can obviate the need for refinancing later on in 2012.

And as I said at the beginning, resumption of the dividend really is linked, in my mind and the Board's mind, to getting more confidence about the sustainability of the turnaround at City Link and the Textiles & Hygiene business in Benelux.

So with that I'd be very happy with Jeremy to take any questions you might have.

QUESTIONS AND ANSWERS

Rob Plant

Thanks, Alan. I still don't understand the decision on the dividends. At interim results you said once the debt is below GBP1 billion, you could pay a dividend. The debt's come in better than expected. Related to that, the cash conversion is better than expected. You've got earnings of 7.8p, I think consensus dividend was for 2.5p, so you've got the earnings to deliver it. You believe that City Link of the two problem divisions will turn round. I'm just trying to think why you're not paying the dividend.

Is it because you're giving yourself some slack in case the problems at Textiles and City Link get worse, or is it that you might need to cash to either close down some of the City Link divisions, or to perhaps improve customer service, which you've said is an issue in some businesses? Are you going to have to invest in those businesses to improve the top line? Thanks.

Alan Brown - *Rentokil Initial Plc - CEO*

That's somewhat of an omnibus question, isn't it? Let's see if I can unpick it. I think the dividend question, the more accurate of your surmise is that I want to see more evidence of the operational turnaround in City Link and Benelux coming through. I don't think they're by any means at all what you'd call fatal to the Group, but I would like to see more evidence of them coming through before we take a big decision about dividend resumption.

Because I think dividend is something which is more than just the cash, it's a statement of intent by the management team that everything is now set fair. I couldn't claim that everything is set fair in the Rentokil Initial Group at this stage, with the length of time it's taking us to resolve City Link issues, and the length of time to resolve the Benelux issues.

So when we make the step about resuming the dividend, we're really saying something big. I think that we should just hold off until we get further down the track on that.

What are the options for City Link? I think the dominant option we're pursuing is to fix it, because that's what we -- despite the time it's taking us, are very good at. And I'm taking personal command of that, and I remain, as I say, very confident that the improvement agenda in City Link is a big one, and it can be done relevantly quickly now, given the really good work we've done on the infrastructure side.

I do remain, I have become more cautious about the market, I have to say, in parcels, which is really tough. And I've been very careful to say that I think we will deliver the operational turnaround by October. I am not making any rash, I consider them to be rash, predictions about what that will deliver in terms of profit over what timescale. But I have to say in my experience that if you get a business which is operating very well, and I think that we will get City Link to be a really good operation by October, then volume and profit will come in the course of time, but it may not come in the same timescale.

The Benelux issues are quite a different issue, that is a business which is operating in what is still a profitable market, is still making quite a lot of money, but not making the extreme amount of money it was before. And I should say that though I've been hard on ourselves and I'm really cross with the managerial issues we've had there, I have to say that there was really heavy price competition in 2010, for a period of time, from some of the competition.

Now, I think that price competition is alleviating, partly because the company that was causing the price competition has also sacked their managing director, because they weren't very happy with what was happening there either. And they immediately put in price increases. So that is the reality of what happens sometimes in markets.

But I have to say, the bigger issue was our management team, and we've discovered then, through that, that the management controls were not good. We can see what has to be fixed. As always with these things, the timescale to fix them is a little bit more difficult to predict. Does that answer your omnibus question, or is there something I left out?

Robert Plant - *JPMorgan - Analyst*

Investing in the business, you said that one of your big concerns was perhaps, turning around customer service, (multiple speakers) are you going to have to spend to turn around some of these divisions?

Alan Brown - *Rentokil Initial Plc - CEO*

Well, funnily enough, the customer care initiative's focused on City Link, but the business which has piloted a lot of this stuff has been our Pest & Washrooms business, which is clearly going gang busters at the moment. So this is something which is

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equally applicable to the turnaround businesses, but more applicable even, for the businesses going quite well. Because I think it'll just increase the differential they have with the competition.

Most of the initiatives are initiatives in management and simple systems, like the complaints management thing is actually really bog standard, simple stuff. But it drives a sense of operational focus in the business, in a way that -- the only other thing that does the same thing is the Customer Voice Counts stuff.

And if the management of a branch gets bad Customer Voice Count stuff, he does not rest until he's absolutely cracked whatever the problem is. And if he finds a customer coming back and saying his people are doing a lousy job, then that really gets him moving, really gets him moving. Because after all, people in Rentokil Initial want to deliver a great service. That's the great thing about the business, people want to do a great job.

The only cost I would say is, you're right, is with the Advantage program, if and when we get to the roll-out stage, we would have had to invest GBP800 per sales person to do that. Capital investment, not a revenue investment initially.

But the area, as I said before, that I see the greatest opportunity for productivity improvement, in the whole of Rentokil Initial, is now in the sales side. So I think the payback will be a multiple of times of the investment.

The customer care systems we're talking about might cost us up to GBP5 million across the whole Group. So as with all things in Rentokil Initial, it's not the capital cost which is the constraint, it's the managerial capability to develop these tools and then roll them out.

Craig Fraser - *Arbuthnot Securities - Analyst*

If I could pick up on your comment about the cash flow and the reduction in debt as genuine and sustainable. And also given today's share price move, could you talk us through your thoughts on capital structure, what you intend to use that cash flow for? And in particular, do you have any ambitions to repurchase your equity?

Jeremy Townsend - *Rentokil Initial Plc - CFO*

I think repurchasing equity is something we might look at in due course. At the moment the primary objective is reducing debt. We're looking at the RCF, we've halved the drawing on the RCF in the year. If we deliver the same reduction in 2011, the actual drawings on the RCF will be zero. So that's the primary objective.

I think for the moment, share buybacks is something we're not currently considering, but it's something we may look at in due course.

Craig Foster

Thank you.

Jaime Brandwood - *UBS - Analyst*

Can I start by asking about the Q4 performance in the Textile & Washrooms division, in terms of the EBIT decline of 19%, year on year?

Can you disaggregate for us how much of that was Benelux, and how much of that was other things?

Jeremy Townsend - *Rentokil Initial Plc - CFO*

Yes, primarily Benelux. Some of it was some prior year adjustments that we found as we looked to the financial controls that Alan's alluded to. And some of the reduction is actually relating to a very good quarter in the previous year. So when you look at quarter 3 versus quarter 4, you've actually got a nearer 13% decline, than a 19% decline.

Probably two-thirds of that 13% was one-off adjustments. So it's not quite as stark as it appears, and you certainly shouldn't be factoring minus 19% into your run-rates.

Jaime Brandwood - *UBS - Analyst*

And so when you talk about Benelux having now stabilized, is that a comment year on year, or is that comment quarter on quarter?

Jeremy Townsend - *Rentokil Initial Plc - CFO*

It's more a comment, I think, around the revenues. When we're looking at the trading performance, I think we've stabilized the revenue. I think we still need to spend some time looking at the operational plans as to where the profitability is going to work through in the business.

But I think we'd be very disappointed if we hadn't stabilized at the profit level. I think we're better off coming back in, in quarter 1, coming back on that. But given the top line's stabilized, you'd like to think we can stabilize the bottom line as well, and start to move that forward.

Jaime Brandwood - *UBS - Analyst*

Okay, can I just ask a question on the management incentives if I may? I think the first vesting date is mid April, if I'm correct. And based on that 60-day moving average, which you achieved in early 2010, of close to GBP1.30, you will be collecting some of that incentive, is that correct?

Alan Brown - *Rentokil Initial Plc - CEO*

Yes, they will vest, we won't do anything with them, I don't think, until 2013. You're absolutely right, there'll be a small one which will vest.

Jaime Brandwood - *UBS - Analyst*

And on the second and third vesting dates, so roughly a year and a bit from now, and two and bit years from now, there would also be vesting based on that 60-day moving average in early 2010?

Alan Brown - *Rentokil Initial Plc - CEO*

That's correct, that's the way the mechanism will work.

Jaime Brandwood - *UBS - Analyst*

So you wouldn't have to get the stock price back up to --?

Alan Brown - *Rentokil Initial Plc - CEO*

To get that amount of vesting, you're right, but it's a pretty small amount of the total that we're aiming for.

Jaime Brandwood - *UBS - Analyst*

It's about 20% or so, is that right?

Alan Brown - *Rentokil Initial Plc - CEO*

Oh, it's less than that.

Jaime Brandwood - *UBS - Analyst*

Because 1.20 is 20% I think, right?

Alan Brown - *Rentokil Initial Plc - CEO*

Well, sorry, 25% of the target, of what you'd get at 1.80, that's correct, and rather less what you'd get (inaudible).

Let me just add a further bit of guidance for you, because I think it'll help you to understand the very specific nature of the issues we had in 2010. If I tell you that the shortfalls versus prior year, in City Link and Textiles & Hygiene Benelux, amount to more to more than GBP20 million.

You know that City Link has been about GBP4 million, so you can very quickly get the seriousness of the issues we had in Textiles & Hygiene. So I think that'll maybe help you a bit in terms of the questions you're asking in quarter 4, in that we've got two very specific problems in the business, which we have to resolve.

Jaime Brandwood - *UBS - Analyst*

Can you just repeat that, you said that GBP20 million was what, sorry?

Alan Brown - *Rentokil Initial Plc - CEO*

The year-on-year decline in profitability. So it's roughly GBP15 million to GBP20 million in Textiles & Hygiene, and GBP4 million in City Link.

Jaime Brandwood - *UBS - Analyst*

Okay. And then just one last one, the corporate overhead cost line, I think GBP33 million, GBP34 million in the year, what's your expectation there for FY '11?

Jeremy Townsend - *Rentokil Initial Plc - CFO*

There's an element of the 2010 costs, that's not sustainable. There's a reasonably large incentive amount, and there's some accruals that have been released, particularly in quarter 4, round insurance and the like. So the charge was around about GBP42 million, GBP43 million, in 2009, and I suspect we're going to be at that level, if not slightly higher, in 2011, round about the mid 40s, GBP44 million, GBP45 million, that kind of level.

Jaime Brandwood - *UBS - Analyst*

About a GBP10 million delta then?

Jeremy Townsend - *Rentokil Initial Plc - CFO*

Yes, yes.

Jaime Brandwood - *UBS - Analyst*

Thanks.

Rajesh Kumar - *HSBC - Analyst*

In terms of incentive of your sales team in Benelux, have you made any recent changes?

Alan Brown - *Rentokil Initial Plc - CEO*

Yes, but I think that that is a very, very focused and specific pointer addressing what has been a much broader need to restructure the sales force in the Netherlands, and to get control of the sales force, to get new leadership in place.

There have been a whole series of initiatives in terms of appointing a new sales director and putting a new sales organization in place and getting the sales force under control. Because we've -- clearly, historically in Benelux, going back five, 10 years, there has not been good control of the sales force. But certainly, absolutely, a more constructive, more consistent incentive scheme has been one of the things we're doing in Benelux.

We had work done by [Taj] Watson, to look at all of our incentive schemes, and to come up with the basis of a consistent sales commission scheme, across the whole of Europe, for both Pest & Washrooms, which we're now implementing.

Rajesh Kumar - *HSBC - Analyst*

In terms of the price pressure which you're seeing, is it that your customers are saying that we will -- existing customers are saying, we'll not give you increases in terms of billing rate or are they asking for discounts, or is it more in the new contracts which you're bidding for?

Alan Brown - *Rentokil Initial Plc - CEO*

It's tendering. Obviously, many of the larger companies are going to tender and in some of those contracts, there was extreme competition, for a period of time, I've already talked about why that was.

Rajesh Kumar - *HSBC - Analyst*

And normally the price discussion goes on each year, isn't it?

Alan Brown - *Rentokil Initial Plc - CEO*

It can do, it's more on a three-year basis, but obviously a customer can come back to you in between that time. But generally the contracts would be for three years.

Absolutely, in Textiles, for three years, because there's a capital commitment made to the customer. In Washrooms again, it can be one year, but quite often three years, depending on what agreement you have with the customer.

Rajesh Kumar - *HSBC - Analyst*

Okay, that's it.

Alex Magni - *HSBC - Analyst*

Just a couple of follow-ons. Can you just give us a sense of, in terms of your commodity exposure, and I'm thinking of three buckets. First it's diesel and distribution costs, how you're able to manage, what sort of contingencies you have for any increase in that.

On general energy costs, so for utility bills, do you hedge them forward when those have been set, and how you would be placed if you were to reset those in current spot markets?

And then the third one is, in terms of your textile purchasing, given what's going on with the general cost of raw materials in that sector, have you had discussions with your suppliers, what you're doing to mitigate that.

Alan Brown - *Rentokil Initial Plc - CEO*

Maybe Jeremy can pick up the issue about the cotton prices, I can deal with the other two pretty quickly. On fuel costs, we spend about GBP46 million, across the Group, so it's not a big delta, on GBP2.5 billion.

We, in City Link, have some bunkering of fuel, but very limited. A lot of the stuff is bought at the gas station, because of the nature of our fleets. So we're exposed to any increases in diesel coming through. But as I said, it's a GBP46 million base cost, so it's not going to have a major impact on us.

With regards to utilities, the big user of power, of course, and it's very small in absolute terms, the big user of power would be our textiles processing plants. And a lot of those are on agreements with utility companies, where we've got a fixed price for a period of time. And there's all of Europe of course.

So I don't expect that we'll see big movements in utility prices. I couldn't tell you what the prices would be if we marked-to-market, but given that most of these contracts are pretty firmed up for 2011, 2012, I think it's a bit irrelevant, because the price will be different by the time those contracts unwind.

Alex Magni - *HSBC - Analyst*

So they're annual resets and --?

Alan Brown - *Rentokil Initial Plc - CEO*

It varies, some are 12 months, some are 18 months, it just varies depending on the particular utility that we're dealing with. But again, it's not a big factor for us.

Jeremy Townsend - *Rentokil Initial Plc - CFO*

On the cotton side, there has been clearly, a large increase in cotton and associated materials like polyester, in terms of increases.

The impact on us is less than you might expect, partly from a P&L point of view, because we capitalize the expenditure and then rent it out over three years. So you have a flow in terms of contracts revolving, and then a flow in terms of the impact.

We estimate for2011, the capital impact will be approximately GBP4 million, and the profit and loss impact will be about GBP1 million, in terms of the way that gets depreciated into the P&L. But it's something that we're watching very closely.

And what we're looking to do to mitigate the cost, as part of our procurement agenda, is continue to work on the range and the types of products we're buying, so that we can mitigate the impact. But it's not a big impact currently, on the business.

Alex Magni - *HSBC - Analyst*

Can I just follow up in terms of the dividend as well, just on the South African loan note, two parts. First, was the increase just a ForEx related increase, to GBP21.3 million? And what level of dividend would you need to pay to not have to potentially write that down?

Jeremy Townsend - *Rentokil Initial Plc - CFO*

Can I come back to you on that one, that's quite a technical question? I'll have to come back to you on that one.

Alex Magni - *HSBC - Analyst*

Fine, thank you.

Mike Murphy - *Numis Securities - Analyst*

Can you give us some idea of how much of the savings in 2011, are likely to fall through to the bottom line? If we look at 2010, the EBIT improvement was GBP18 million. Add back the shortfalls of GBP20 million takes you to GBP38 million. Take off the GBP10 million change in accruals, that would give you about GBP28 million. So that's about GBP30 million of the GBP60 million. Does that imply that you've investment in growth of about GBP30 million last year, and would it be a similar level this year?

Alan Brown - *Rentokil Initial Plc - CEO*

The answer to your question is probably yes, but I would like to stick to my standard treatise on this, which I've repeated quite consistently, in my view, 1.5% off the cost savings, expressed as a percentage of revenue, really need to be reinvested in the business. And anything over 1.5% hopefully will come to the bottom line.

Mike Murphy - *Numis Securities - Analyst*

That would imply about GBP37.5 million, which is not too far removed from the GBP30 million I was talking about?

Alan Brown - *Rentokil Initial Plc - CEO*

Indeed (multiple speakers). 1.5%. I think it's a pretty good guideline.

Mike Murphy - *Numis Securities - Analyst*

Okay.

Andrew Ripper - *BofA Merrill Lynch Intl - Analyst*

Couple of questions on sales and parcels please. Are you making any incremental investments in sales capacity expansion, thinking about the businesses that are better placed for growth? So Pest Control, Asia Pac for example, or FM.

Alan Brown - *Rentokil Initial Plc - CEO*

Andrew, it's like time immemorial, any business I've ever worked in, when the budgets are being set by the operating divisions, the big investment is always with sales people. And 2011 is no exception. A massive growth in sales resource and all the rest of it.

The reality is always different, I have to say. Because you're constrained about the quality of people you can get into the business. So the budget says yes, a big investment in sales force. I think the reality will be that, in 2011, we will make more progress through driving the productivity of the existing sales force, allowing of course, for the normal levels of turnover.

It's really the productivity agenda I'm really excited about. And that's what Program Olympic has been focusing on, really quite consistently for the last 15 months, to maximize Advantage and all the rest of it.

So I think -- I'm really hoping that without any really significant incremental investment in sales head count, we'll get much more productivity. That really is the main thrust.

And that will go across a number of businesses, because the Olympic Program has been designed to go across all of our route-based businesses.

Andrew Ripper - *BofA Merrill Lynch Intl - Analyst*

Okay, and secondly, on parcels, obviously a lot of detail there in terms of the turnaround agenda. But the biggest influence on financial outcomes this year is what happens to the top line, and you've got less control over that.

So I'm just wondering what your thinking is, internally, on what the various and potential outcomes is there, and whether you can flush out for us, a little bit more about the drivers behind the 13% fall in Q4, how much of that was weather related, what's happening on B2C versus B2B.

And in terms of current sales activity, whether you see any roadmap for improvement in volume through the network, as a result of getting more customers on board.

Alan Brown - *Rentokil Initial Plc - CEO*

I agree with you, I think that revenue is a big factor in City Link, and truly the revenue line and the difficulty in predicting that, which makes me very cautious about predicting any particular financial outcome for City Link.

And the weather clearly has an impact, I'm guessing, GBP4 million or GBP5 million or thereabouts, if that, in terms of revenue being a bit less now. So I think there was an underlying pressure on business.

You'll see the volume numbers are in there. The consignment volume was -- would probably have been in line with the previous year, if it hadn't been for the disruption at year end, which was pulling it back. So we're seeing a reduction in pricing, of 3-point-something%, which had an impact on the year as a whole.

I think looking forward into 2011, I think we're still doing pretty well with our big customers. The area which, I think, the lack of operational focus has really cost us, is with the small customers. And that's the bit I'm worried about, that we're not retaining the small customers well enough.

And so a lot of the agenda, in terms of customer care, is going to be focusing not only on the big customers, but also in making ourselves much easier to deal with, in terms of the small customers. And in terms of being much more attentive to the small customers.

We've learnt a lot through what we're doing in the Pest & Washrooms business in this area. The challenge for me is how quickly can I then extrapolate that learning into City Link, so that we see the big improvements in retention rate which we're seeing in our contract business, also coming through in City Link. But it's going to take some time.

Andrew Ripper - *BofA Merrill Lynch Intl - Analyst*

And what was the B2B, B2C mix please, for 2010 full year, and what was the difference in growth rates, between the two segments? Do you have that information?

Alan Brown - *Rentokil Initial Plc - CEO*

45%, as well as we -- about 45% in B2C, 55% B2B, which is up from about 41% I think.

Andrew Ripper - *BofA Merrill Lynch Intl - Analyst*

Thanks.

Andy Grobler - *Credit Suisse - Analyst*

Just three questions if I may. Just in terms of the cost savings, which -- where is that going to be allocated, or where are you hoping that's going to be allocated, across the businesses?

Alan Brown - *Rentokil Initial Plc - CEO*

I think we'll see the best part of GBP20 million coming from City Link.

Jeremy Townsend - *Rentokil Initial Plc - CFO*

And then not far behind that, Textiles & Hygiene, in terms of procurement, and there's some reasonably chunky cost savings in Pest Control, particularly in the US business, which, there's some opportunity to improve the margins there as well.

Andy Grobler - *Credit Suisse - Analyst*

Okay, thanks. And then in the Asia Pac business, a very good improvement in profitability during Q4, costs seemed to be down, or constant currency costs seemed to be down about 10% in the quarter. What was the driver of that change?

Jeremy Townsend - *Rentokil Initial Plc - CFO*

Part of that was due to some one-offs comparing year on year, and some of the adjustments we're making in relation to previous year acquisitions. So I wouldn't read too much into the run-rate in terms of the quarter there because part of it was due to adjustments we're making in the 2009 quarter.

Andy Grobler - *Credit Suisse - Analyst*

So in terms of run-rates going into 2011, what -- where should we be starting in terms of costs?

Alan Brown - *Rentokil Initial Plc - CEO*

I think the business is -- I'm not going to give you any guidance on run-rate in terms of costs, but I would say that the business is really looking quite promising in total in terms of the gross trajectory which you saw. You saw the increasing wins in terms of contracts and I think that we have, at long last, we've flushed out the numerous little operational issues that we had in the Asia Pacific business and that's now becoming an increasingly well-run business. The competition is quite tough in the Australian Washrooms but with that caveat, I think we're looking for a much more robust performance in 2011 than 2010.

Andy Grobler - *Credit Suisse - Analyst*

And just one last one, in terms of City Link, as you move to 75% employed drivers, how do you then manage the seasonality and the volatility of your revenues, because demand changes quite significantly during the quarter -- during the year?

Alan Brown - *Rentokil Initial Plc - CEO*

The volatility in the business is actually day to day. There's a certain predictability; Tuesday is the big day, Monday is quiet. So one thing we're doing is employing a lot of the new drivers on Tuesday to Saturday contracts; pretty obvious stuff to be honest with you but it's not been done in City Link, so to try and get that variability is significant.

I think what you'll find in a business like City Link is that you've got a -- this is why revenue is important, Andrew, as you well know, but you really have to cover the country with a number of routes. And the number of routes does not vary at the same rate as the volume. For example, if you double the volume, you probably have to increase the routes by 10%. And that's not the right number but it'll give you indication of the issues you face.

So in terms of dealing with the big volume, which as I said, is double of what you would have in the quieter months, you'll have to double the amount of resource. You do have to increase the resource, no doubt about that. You have to increase it. It might be 15%, 20%, particularly in the warehouse.

And one of the points I made in the chart is that we've made no effort whatsoever to draw upon the Rentokil Initial Group resources to do that. In 2011 we will do that. We've got 400 of our vehicles, which are absolutely able to deliver parcels, and we will start to utilize those. That'll increase our vehicle fleet by 15% immediately, which will deal with a lot of it.

We've got 28,000 people working in one division of IMS in terms of cleaners and they can also absolutely be deployed in my view, into our network. The call centers, of which we have several across the country, can also be deployed. So we are going to look primarily at, where we do need to bring in incremental resources, doing it from other parts of the Group.

But of course we will still also have to have a certain amount of sub-contracted drivers but our ambition is to have those no more than 5% on an ongoing basis, perhaps peaking at 10% for December.

Andy Grobler - *Credit Suisse - Analyst*

Okay, thank you.

Austin Earl - *Aldersgate - Analyst*

I have three questions, if I could take them one by one. The first is on the CapEx for 2011, should I assume below depreciation, something like GBP200 million?

Jeremy Townsend - *Rentokil Initial Plc - CFO*

That's right, we're going to aim at 95%, so it's that order of magnitude.

Alan Brown - *Rentokil Initial Plc - CEO*

Of depreciation.

Jeremy Townsend - *Rentokil Initial Plc - CFO*

Of depreciation yes.

Austin Earl - *Aldersgate - Analyst*

And then another, just -- not particularly for 2011 but more of a theory question in terms of your working capital. The balance sheet says you have negative working capital, so in theory as the business grows, you shouldn't have an annual outflow of cash from your working capital requirement. In fact it could even be an inflow. Have I understood that correctly?

Jeremy Townsend - *Rentokil Initial Plc - CFO*

You're right. It tends to be neutral if not positive. We can invoice work before it's actually serviced, so the working capital tends to be neutral if not marginally positive. So a growing business won't have a negative working capital outflow, that's right.

Austin Earl - *Aldersgate - Analyst*

The last question then just on pricing, two parts to this one, the contract portfolio table seems to imply, if I've got it correctly, that pricing is actually positive. And so I just wondered, throughout the Group, if you could just explain what you're seeing in terms of pricing. Because presumably that's an average and only within the contract portfolio, so you seem to be saying City Link there's an issue and so maybe throughout if you just generally give me a broad overview.

Jeremy Townsend - *Rentokil Initial Plc - CFO*

I think you've generally got it right. So you answered your own question that overall, pricing has been marginally positive if not neutral in the year, but it's been the consignment value in City Link that's offset the contract pricing, which has been marginally positive in places. Clearly we've had some areas that we've talked about, France earlier in the year and Benelux during the year in Textiles & Hygiene where we've had some pricing challenges in particular contracts.

Austin Earl - *Aldersgate - Analyst*

Thank you very much.

Hector Forsythe - *Oriel Securities - Analyst*

Three questions, the first to you Alan. In terms of staying in place on day-to-day management of City Link, what are your intentions?

Alan Brown - *Rentokil Initial Plc - CEO*

Yes, I think I'll certainly be there for the next two to three months. I think that, not a commitment but I would hope that certainly we'd be able to be able to have announced a successor by the time we get to the Q1 results at the beginning of May. But it's not been anything other than completely exciting, I have to say, over the last few weeks in City Link.

I've been quite fortunate to have a very strong team around me, albeit there's one seat empty at the top table, who are doing pretty well. And obviously with Jeremy's timely arrival, I was able to give up the CFO staff and just move into a different seat. And I've often said, I think, a CEO is -- it's a bit boring just being a CEO, you don't have a second job to really keep you fully occupied, certainly I do. So it's been great fun and I really enjoyed working with the pretty new City Link team and we've had absolutely fantastic meetings, I have to say, over the first few weeks of this year.

They're taking up quite a bit of my time; I reckon they've been taking 40% of time, but I'm doing all types of wonderful things like meeting customers, truly fantastic. CEOs don't often get to do that. I've seen a lot of big customers in the last few weeks and that's a very refreshing experience, which really takes you back to the basics pretty quickly.

So I'm in two minds about it. I'm enjoying it but I realize I shouldn't do it for too long but I don't think we're on a burning platform with that. I think we'll take our time and get the right person and we're looking, I have to say, outside the industry as well as in the industry to find the right type of person.

I'm becoming increasingly aware of what we need. I think we need someone who's very good with people and someone who's very operationally focused. I think the strategic questions, even the operational questions, are not so demanding in City Link. It's really about somebody who's excellent with people, excellent at implementation, that's what we need and people -- and someone who can really get the front line people to buy into the direction the Group's going in.

Hector Forsythe - *Oriel Securities - Analyst*

Okay, right. Thank you. The next one is could you just break out for us the contribution, revenue and profits, year over year for UK Washrooms?

Alan Brown - *Rentokil Initial Plc - CEO*

I think the statement's pretty clear on that. I think we've said that it has declined in terms of revenue by about GBP7 million, GBP7 million in the statement, Katharine? I'm pretty sure that's right but Katharine will check it for you.

And in terms of profitability, I think it's a little bit down year on year but not very much.

Jeremy Townsend - *Rentokil Initial Plc - CFO*

Yes, marginally down.

Alan Brown - *Rentokil Initial Plc - CEO*

But the good news is that that business is -- I think we're starting to move in the right direction. It's really benefitting from the much more advanced Pest Systems that are coming through and I think we're getting really quite excited about the bringing together of the Pest & Washrooms business, which is most obvious in the UK.

But I've now done this pretty well across the globe from January 1. In almost every country, there are two or three exceptions, the Pest & Washrooms business are being combined into one business. The exceptions would be in the big textile countries where Textiles & Washrooms remain together; that's France, Benelux and the German-speaking countries. Pretty well everywhere else, Asia, New Zealand and the rest of Europe, Iberia, Italy, Nordics, all combined.

And actually we've got -- we'll have to update you on that as the year goes on. We're going to have to change the reporting again, I'm afraid, because the Pest Control division will actually become effectively the Pest & Hygiene division, because there's going to be as much if not more Washrooms in the Pest division than there are in the Textiles division. There are one or two exceptions, like Australia, where we've still got them separate.

And this model seems to be really working well and of course really helps with -- Pest is by far the most advanced division for historic reasons in terms of systems. It really helps in pulling the Washrooms businesses up quite quickly by adopting the Pest Systems and also opportunities for up-selling and for cross-selling.

Hector Forsythe - *Oriel Securities - Analyst*

And the last one is, in terms of the cash flow to cash conversion guidance, does that include any extra contribution you might have to make to the pension fund as a result of the actuarial review?

Alan Brown - *Rentokil Initial Plc - CEO*

No. The cash conversion number is an operating cash flow conversion number. It doesn't include anything that flows out because of tax, interest or pension.

Hector Forsythe - *Oriel Securities - Analyst*

Do you want -- could you elaborate a little bit on what your thoughts are on the pension, the actuarial, the outcome of the actuarial review?

Jeremy Townsend - *Rentokil Initial Plc - CFO*

Yes, I intimated we're at an early stage of discussions. The accounting profession uses an AA corporate bond rate. That's not particularly popular with pension trustees, they tend to use a more prudent rate, which means we're quite likely to have a deficit and if we have deficit I think there's quite likely to be a funding of some sorts.

What that looks like is a bit early to say. I don't think it's going to be massively significant as far as the Group's concerned but there's going to be some cash outflow I'd have thought. We can update it in due course, probably at the half year I think.

Hector Forsythe - *Oriel Securities - Analyst*

All right. Thank you very much.

Alan Brown - *Rentokil Initial Plc - CEO*

On IAS 19 I think we've got GBP5 million surplus but it won't be that when you look at the valuation as viewed by the trustees.

Hector Forsythe - *Oriel Securities - Analyst*

Thank you, understood.

Alan Brown - *Rentokil Initial Plc - CEO*

I think we have time for one more question, if there is one.

Iain Armstrong - *Brewin Dolphin - Analyst*

In terms of the risks, downside risk to your guidance, on assumptions with regards to the economic climate across the globe and also the impact, the indirect impact rather than the direct impact, of the public sector spending cuts, can you give us some help on that?

Alan Brown - *Rentokil Initial Plc - CEO*

Yes I can. I don't think that Rentokil Initial is materially affected by the outlook for the world economy, not materially. I think we've got some very specific issues, say in the parcels market in the UK, which might affect us, but I wouldn't say that there's any material impact from that.

With regard to our exposure to public sector, I think that the total revenue we have of the public sector is just under GBP200 million, so less than a tenth of our turnover. So again, not material and whether that's an opportunity or a threat, and there's a great deal of difference of view on, to be honest with you. I think you'll find many of the big companies in the public sector would say it's an opportunity, so it's hard to judge that. But we're not as exposed as Mike Brown would like be, I have to say, to the public sector.

Iain Armstrong - *Brewin Dolphin - Analyst*

But in terms of the indirect effect or rather with regards to the public sector cuts, you're going to -- it's not just the impact of --.

Alan Brown - *Rentokil Initial Plc - CEO*

I'm sorry. You're referring to the UK discretionary expenditure?

Iain Armstrong - *Brewin Dolphin - Analyst*

Yes.

Alan Brown - *Rentokil Initial Plc - CEO*

Our businesses have proven to be relatively resilient to general economic perturbation. Most of the problems we've had have been shooting ourselves in the foot. By the way, I didn't shoot myself in the foot. (Laughter). It's a remediation of a long-standing problem.

So again, I would obviously point to City Link as being the business which is most prone to economic perturbation. Because of the contractual nature of the rest of our businesses, we tend to be able to ride short-term squalls very well indeed.

Thank you all very much for attending. Perhaps I could just finish by saying that I should emphasize that we are on a five-year journey here. And I think I said, I used to be asked when I first came into the job, how do you see all this working work out and where have you been before. And I have to say that the familiarity of this journey is quite astonishing for me.

The middle act is always the most difficult. That's the time when you find that some of the levers in the bridge are not as connected as you thought to the engine room, but it always happens at this stage in the game. But I can assure you we're working very hard to make sure that those levers are well and truly connected by the time we get to the end of the year.

And what I'm pleased about is that in my view the most difficult acts of all, which are about developing growth capability, are on track. We've got a few operational issues, two significant operational issues to sort out, and you can rest assured that we're really quite committed to resolving those during the course of the year.

Thank you very much.
