FINAL TRANSCRIPT

Thomson StreetEvents℠

RTOKY - Interim 2007 Rentokil Initial plc Earnings Presentation

Event Date/Time: Aug. 23. 2007 / 4:00AM ET

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PRESENTATION

Doug Flynn - *Rentokil Initial plc - CEO*

Good morning. I think we're quorate are we? Okay. Good morning. I've got with me Andrew MacFarlane, our CFO. I don't think we need any introductions, I suspect everybody in the room knows us anyway. I'm going to run through the highlights and a few overview slides. Andrew will then take us through the details of the financials. I'll then come back and talk about our strategy, our progression against that, some more qualitative comments about the divisions, and then the outlook.

So, if we turn to the highlights, these are the same highlights as in the release that you've all received. I think the three key points here are that half one is in line with plan. We believe we passed the inflection point for the Group as a whole towards the end of the half. And our outlook remains unchanged, with profits expected to move ahead strongly in the second half.

If we turn then to a couple of slides. Half one, revenue growth of 23%, of which 4.8% was organic, in terms of adjusted operating profit. That was up 11.1% in Q2, and 4% in the first half.

Organic revenue growth was a -- the next slide, sorry. Organic revenue growth was a little stronger in the first half than in last year. And the first half still sees no growth in the U.K. businesses of Pest, Plants and Washrooms, versus stronger growth elsewhere in those divisions. So, the dark blue bar shows the division if we take out the U.K. businesses. And the light blue bar in those three divisions shows the growth with the U.K. in. On the far right hand side, the Asia Pacific benefit from the Hong Kong government pest control contract represents 5.9% out of the 14.4% organic revenue growth.

If we just run through quickly what we've been describing as 'turnarounds'. I think the first one, French Textiles, is now off the turnaround list. We're seeing progressively improved trading, throughout the first half.

In U.K. Washroom, the situation is a little different. We have made some progress, retention and sales have improved. However, this business remains a challenge. There's still quite a lot to do.

Catering and Hospitals, go into the second half in better shape than they did last year. That's mostly been through exiting unprofitable contracts and pursuing cost initiatives. This really is no longer a turnaround situation, rather a margin improvement opportunity.

Now, after a difficult first quarter, when we made significant changes to the business in Pest in the U.K., that business has made good progress with strong sales in the last few months. The second half should see revenue growth and indeed a profit growth in the last quarter.

I think this is -- we often talk about retention as being a good indicator of the health of the business. And we've seen good progression rates January 2006 on the left, through to June 2007, and you can see the improvement in retention there. However, we think this is still a long way to go to achieve what we would describe as an excellent performance.

And just to indicate that all these things are realistic, possible and they will happen. In Australia two years ago, we had termination rates of 22%. Two years ago, 22%. Today it is 13%. Now, the margins haven't really moved out of that period of time. So it hasn't been at the expense of price that we've achieved that. So we absolutely expect that we can get the U.K. business back into growth.

And finally, if I could talk about the reshaping of the Group. A six month period is a pretty short time to think about trends within the Group, but certainly, Asia Pacific continues to be a focus of our attention. Now, that remains the case in the second half. I think on the right hand side, that's a full year. And you can see the scale of the City Link acquisitions, but also, a much bigger focus on Pest Control. In the second half, you will see a rise in Pest Control acquisitions in Europe and North America. In the case of City Link, there are really only two franchises yet to complete.

Let me pass you over to Andrew to take us through the details of the financials.

Andrew Macfarlane - *Rentokil Initial plc - CFO*

Thanks Doug. Good morning ladies and gentlemen. Let me start with the basis of preparation.

The Electronic Security division has been treated as a discontinued business. The U.K., Dutch and U.S. businesses were sold on July 2, and the sale of the French business awaits regulatory approval. Our second half interest charge will be reduced as a result of the receipt of GBP533m in sales proceeds, and we'll have a full year's benefit of this money in 2008. In our outlook statements, when we talk about expected profit performance before the impact of Electronic Security, we mean adjusted pre-tax profits from continuing businesses, before taking account of the interest on the Electronic Security sale proceeds.

In Germany, we've now completed our exit from the Hospital Services business, and that business had no net impact on first half profitability.

First half revenue was up 23% on 2006, of which 4.8% was organic. The acquisition of Target Express, and the franchise buyback program, accounted for approximately GBP118m of the increase in revenue.

EBITA was up 6.4%, reflecting the benefit of acquisitions, and improving underlying trading, although it was offset by first quarter losses in JC Ehrlich, which weren't fully incurred last year, the year-on-year profit declines in U.K. Pest Control and Washrooms and higher central costs.

The interest charge is GBP18m up on last year, reflecting higher interest rates and higher levels of average net debt, as a result of our M&A activity.

One-off items were GBP3.2m and relate primarily to the Target Express integration and continued restructuring in the Textiles and Washrooms division.

Adjusted PBTA, the key metric that we use to measure the performance of the Group, was GBP88.6m, down 12.9% on last year. However, the second quarter performance at this level was significantly better than the first quarter.

Group free cash flow, which includes the cash flows from Electronic Security, was up 10.9% at GBP48.8m. And we're maintaining the interim dividend.

The first half was very much a tale of two quarters. Looking at the bottom of the slide, adjusted PBTA in the first quarter was down 23.2%, but as expected, the situation improved to a decline of only 4.3% in the second quarter. Adjusted PBTA was ahead of last year, in the months of May, June and July. As we said in the outlook statement, we expect profits at this level to move ahead strongly in the second half.

Running down the slides, we're very pleased with the performance of the Textiles and Washroom divisions, where Q2 profits were up on last year. There was only limited acquisition activity in the division, so this is basically organic performance.

Q1 profits in Pest Control were held back by seasonal first quarter losses in Ehrlich, the North American business, which were largely avoided in 2006 due to the timing of the acquisition. Divisional performance improved in Q2, but was still affected by trading in the U.K.

City Link is growing strongly, both organically and by acquisition, and we now expect to realize some Target Express synergies in the second half.

Facilities Services benefited in the first quarter from the non-recurrence of some NHS Agenda for Change costs incurred in the first quarter of 2006. However, the business moved ahead well in the second quarter.

In Asia, acquisition activity continues to change the scale of this division, but increasingly the organic performance is showing through.

I'm going to talk now in a bit more detail about the performance of our main divisions, starting with the largest, Textiles and Washrooms.

This slide shows the quarter-on-quarter trends in the division's performance over the last 18 months. The figures in the top part of the slide show percentage changes versus the prior year.

The basic issue faced by the division continues to be top line growth in a price-sensitive market. But we're starting to see some more favorable trends in Continental Europe.

Quarterly EBITA performance, which is three lines down, is volatile, mainly because of the impact of the various restructuring charges incurred in the division.

Adjusted EBITA, which has the one-off costs and profits stripped out, gives a better picture. You can see that performance deteriorated for the first three quarters of 2006, before showing a relative improvement in the fourth quarter. This was maintained into 2007, with the division achieving an increase in adjusted EBITA in the second quarter. This is the first such profit increase since at least the end of 2004, and our goal is now to sustain this improvement into the second half and beyond.

The line at the bottom of the slide shows the development of portfolio net gain quarter by quarter. At first sight, it appears that the encouraging performance seen in the fourth quarter of 2006 and the first quarter of 2007 has not been sustained. However, the quarterly figures reflect the seasonality of price increases, which take effect in October or January for many customers, although this does vary by country.

This graph shows moving annual totals of organic net gain, and therefore removes seasonal factors to allow the underlying trends to show through.

The figures for Continental Europe exclude German Hospital Services, and as you can see, the trend over the last 18 months has been positive. However, Continental net gain remains at a fairly low level, in absolute terms, when you compare it with the regional revenue of about GBP500m a year. The decline in Q2 this year mainly reflects the non-recurrence of the fuel indemnity surcharges that was put through last summer.

In the U.K., the graph shows very clearly the loss of Washroom business that we experienced last year, following the closure of our Garments business. The reorganization in the U.K. to consolidate branches and delivery routes, has been very disruptive of service levels. But we now believe that the net gain position has stabilized, and there are encouraging signs for the second half.

This slide shows the changes in performance of the major businesses in the Textiles and Washrooms division. If you compare it with the equivalent slide that I showed at the prelims, you'll see that the first half shows a radical improvement, compared with fiscal 2006.

For 2006 as a whole, divisional top line growth is 0.6%, compared with 1.9% for the first half of this year. And adjusted EBITA fell by GBP25.1m in 2006, but by only GBP1.8m in the first half of this year.

There's a major focus across the division on improving our sales costs and productivity, and all of our larger continental businesses are doing better than last year, although pricing does remain very competitive.

In the U.K., as we explained at the prelims, and is clear from the graph that I've just shown you, we found it harder than expected to hang on to the Washroom business of customers who had previously taken both Washroom and Garment Services from us. The loss of this business during the second half of 2006 has resulted in a GBP2.6m decline in revenue, versus the first half of last year, which flowed to the bottom line.

We've now virtually completed the reorganization of our branch network, and improvements to our processing arrangements will take place during the second half. Customer service is improving, and we still expect to complete the reorganization at the end of the calendar year. However, full recovery in margin is unlikely to occur until 2009.

In the Pest Control division, adjusted EBITA was GBP28.5m on revenues of GBP146.6m. And the main causes for the changes from 2006 are summarized on the slide. Organic growth was 3.1%, held back by the U.K.

In the U.S.A., we had a full six months of Ehrlich's trading this year, compared with only four months in 2006. The Ehrlich business continues to experience strong top line growth, but was as usual loss-making in the first quarter, reflecting the seasonality of this business. In the second quarter, the season got off to a slightly slower than expected start, but despite this U.S. second quarter revenues were up about 7% on the prior year.

In Continental Europe, a lot of attention has been paid to sales performance. The GBP3.9m increase in revenue represents an average growth rate of 6.9% over the prior year, of which 2% was organic. However, the profit impact is not yet apparent, because the additional sales resource needed to achieve this was not fully effective for the whole of the first half.

In terms of divisional costs, GBP3m of R&D and other costs were transferred from the Group's centre to this division, with effect from January 1.

U.K. Pest Control adopted its new organizational structure in January this year, and this was inevitably followed by a settling down period. This is apparent from the first half revenue decline, which fed through into reduced profitability.

The organizational change was particularly disruptive to the sales process, which you can see from the slide. The revenue fell, despite a continued improvement in customer retention. However, we believe that these issues are substantially behind us, and in June and July this year, U.K. Pest Control reported both sales and profits in line with the corresponding months in 2006. Doug has mentioned we think July was the best month for new business this decade. The challenge now is to manage efficiency as volumes rise.

City Link has shown strong organic and total revenue growth during the first half. Target Express was a transforming acquisition for the division at the end of 2006, and a further eight franchisees were acquired in the half, for a total consideration of GBP14m. At June 30, two franchisees were outstanding, but they have combined first half revenues of approximately GBP3m, so they account for only a very small proportion of network revenue.

As City Link and Target integrate, it's increasingly hard to identify the organic growth of the original City Link business, because new sales are now recognized by either the green or the silver network, according to which has the better capacity to handle all the traffic. However, we estimate that organic growth in the network was around 10% for the half.

There were some indications of down trading by our major B to C accounts in the early months of the year, consistent with concerns about consumer indebtedness. However, current indications are that B to C growth rates are picking up again.

The integration of Target Express is going very well. Our original assumption had been that no synergies would be realized in 2007, and that we would exit 2008 with a synergy run rate of at least GBP10m a year. However, we've identified opportunities to go faster, and now expect to realize second half synergies of GBP2m to GBP3m, indicating a 2007 exit run rate of GBP4m to GBP6m. We're also increasing our estimate of 2008 synergies.

Although we've been able to bring forward and to increase our estimate of synergies, we will incur additional costs to achieve this.

At the time of acquisition, we expected to close a net 24 branches, i.e. close 27 and open three new ones. We now plan to shut a net 40 branches, by closing 55 and opening 15. The rent and headcount savings will cost more to achieve, and we estimate the total integration costs will be about GBP23m, but will give bigger synergies.

As a result, we now expect a 2008 exit run rate of at least GBP15m. While more may ultimately be achievable, caution is needed, because the most complex part of the process, which is merging the branches, is only just about to start.

We've attempted to estimate the contribution of City Link's acquisitions to first half profits, to give you a broad indication of the sorts of returns that we can achieve. As I mentioned before, the allocation of profits between legacy City Link and Target Express is becoming increasingly difficult. So please do treat the figures as estimates.

The legacy City Link line represents the profits of the branches we owned in 2004, plus the hub, less the central costs. Central costs have obviously had to increase in line with the scale of the business, and the transformation has been huge. City Link employed 1,200 people at the end of 2005, it's now 8,900.

We've also had to create a regional management infrastructure to support the larger business. In parts, we used the larger franchisees to do this, but further investment was needed, and that's shown on the slide.

Most of the franchise synergies come from improving operating performance, particularly in getting the businesses to respond better to day-to-day fluctuations in traffic, by flexing costs. This typically takes a year to 18 months to do, and is therefore only just starting for the 2007 acquisition, and is not yet fully in place for all of the 2006 acquisitions.

Including Target Express, we therefore estimate that the acquisitions have contributed about GBP12.4m to first half profits, before Target Express integration costs and with no synergy profits from that deal yet. To use these figures to estimate returns on capital employed, you'll need to make allowance for synergies and the seasonality of profits.

In 2005, first half profits were around 40% of the full year total, and we think that this is still a reasonable rule of thumb for estimating seasonality.

Total revenue for the Facilities Services business was up 11.9% in the half, of which 6.1% was organic. The major acquisition was the in-situ retail business in September 2006, which accounted for approximately GBP10m of the GBP27.5m increase in U.K. Cleaning revenue in the period.

The Cleaning business continues to be competitive, with strong pricing pressure. However, we're implementing a new approach to account management for our smaller customers, and we're trying to increase the use of daytime cleaning to offset margin reduction, with some early signs of success.

Our Catering business has been exiting, wherever it can, loss-making and poorly performing school catering contracts, and this accounts for the reduction in revenue in the period. With new management in the business and progress is being made, with some recent contract wins expected to benefit the second half.

Hospital Services has had some success in improving the terms of its unprofitable or marginally profitable contracts. First half profitability also benefited from the non-recurrence of costs incurred in 2006, due to the NHS Agenda for Change Program.

Our goal in Asia Pacific is to change the scale of the business, and increase the Group's exposure to these markets. In the second quarter of 2007, the division represented 7.1% of the Group's revenues, up from 4.7% in the first quarter of 2006. With 11.5% of Group's adjusted EBITA, up from 7.7%.

This slide shows the percentage changes in revenue and profits over the last six quarters. Revenue growth has been significant over the last 18 months, with organic growth of up to 9%, and the balance coming from a substantial acquisition program.

In the first six months of this year the division made 23 acquisitions for a total consideration of GBP50m, and the pipeline for the rest of the year remains strong. The division has continued to make acquisitions in Australia, including the Pink Washroom business at the end of 2006, and Campbell's pest control in January this year. We're starting to see the synergy benefits come through.

Returning to interest, the top line of the table shows the Group's net interest on its third party debt. The charge increased to GBP39.2m, as a result of generally higher interest rates and higher average net debt. We estimate that of the GBP18m increase, approximately GBP6m was due to rates, and GBP12m to volume.

The average interest rates on our debt in the half was 5.5%, compared with 4.5% a year ago. Our hedging program delayed the impact of rate rises, but as expected, these started to be felt in the first half of this year.

The effective tax rate for the first half of 2007 was 18.4%, compared with 25.9% a year ago. The blended headline rate of the countries in which we operate was 30.2% this year, down from 31% last year, largely as a result of the reduction in the Dutch corporation tax rate.

In the announcement, you'll note that there is a reference to a property provision release, related to a legacy site in Essex, which we managed to exit on advantageous terms. This provision release is not taxable, and has reduced the effective rate by 4.1% this half.

We've also been successful in agreeing computations with various fiscal authorities around the world, and have been able to release GBP5.4m of tax provisions.

Total operating cash flow was GBP79m this year, compared with GBP85.2m for the first half of 2006. The Group's cash flow is made more complicated by the impact of discontinued activities and one-off items, and I've split out these factors on the slide.

Working from right to left, discontinued activities relate to Electronic Security. We still had the cash flows for this business for the first half.

In the one-off column, the working capital outflow of GBP18m principally relates to one-off costs incurred in the latter part of 2006, payment for which was made in 2007.

In the continuing activities column there are two items of note, the working capital outflow and net CapEx. The working capital outflow of GBP40.9m includes a GBP23m net reduction in the provision, following the buyout of our obligation in relation to that large site in Essex. And this required a cash payment of GBP13m.

Working capital was further impacted by a temporary disruption to collections during the transfer of responsibilities to our new U.K. Shared Service Centre at Dudley. However, performance improved in July and August.

First half CapEx has been reduced by approximately GBP13m from the sales of surplus property, and GBP21m from the sale and operating leaseback of our U.K. vehicle fleet. The vehicle transaction should reduce operating expenses by about GBP1m a year, from 2008, although there may be a slight increase in cost this year.

Free cash flow for the period was GBP48.8m, compared with GBP44m last year, reflecting lower operating cash flow, offset by lower tax payments.

Further down the table, the GBP30m pension contribution was the first of a planned series of annual payments that we agreed to make into the U.K. DB scheme, to eliminate its deficit by 2012. The deficit has reduced more quickly than expected, and we've agreed with the pension scheme trustees that we'll bring forward the next actuarial evaluation, with a view to renegotiating the deficit contribution schedule later this year.

In connection with this discussion, GBP50m was paid into a pensions escrow account in July, and I expect that the money will go into the scheme towards the end of the year. This arrangement was also, in part, a recognition of the exit charge that would otherwise have arisen on the sale of Electronic Security.

Finally, one-off costs. This slide shows an updated estimate of the one-off cost position for this year. At the prelims, I indicated an expected GBP10m of one-off costs in 2007, in addition to the City Link integration expense. Our latest estimate of non City Link costs is about GBP7.7m. And it is reduced primarily because of the receipt of profits on the sale of a U.K. Washroom property. The City Link integration is expected to cost GBP9m this year, as I've already explained.

Thank you very much. And now let me hand back to Doug.

Doug Flynn - *Rentokil Initial plc - CEO*

Now, despite all of the detail, our strategy is fundamentally very simple. It's about restarting revenue growth, reshaping the portfolio, and improving efficiency and productivity. And you would expect that approach would see revenue begin to rise, and then accelerate to some extent. Next the downward profit trend to stabilize, and then begin to rise. And then finally, margins to bottom out and then also begin to rise.

So, what are we actually seeing, and expecting to see? Well, these four drivers of organic growth, portfolio change, synergies and productivity, are fundamental to the performance we are seeing and expect to see. And in particular, we expect to see overall margins up year-over-year in 2008.

Now, Andy has given a detailed analysis of the businesses, so I'm just going to describe the state of play a little more qualitatively.

In our Textiles and Washroom Services business, we're seeing steady, but unspectacular growth. We should see quarter three and quarter four up on last year. And we will see margin progression, going forward.

There are a number of opportunities for growth that, with the right encouragement, can be profitably tapped. Specialist and Protective Garments are showing growth. Some Flat Linen areas are also opportunities. We're having some success in range-selling in Washrooms, and the renewed focus in some markets, such as France, in this segment, is paying off. We've increased sales investment in some smaller markets, which is starting to drive the top line, but as always, there's a bit of a lag.

Now, while we are pursuing growth opportunities, the principle attention in this business is to improve efficiency and productivity. We've put in place a Benelux management structure to replace the Belgian and Holland head offices. We're increasing cross-border processing, to improve the use of plants, increase flexibility and reduce costs.

There are opportunities to reduce costs by regionalizing administration and customer relationship management. And we've also seen improvements in sales productivity in Belgium, France, Holland and Germany. There is a major and ongoing project to lower the cost of Washroom provision, through service efficiency and through procurement.

Improving processing cost represents an ongoing opportunity. Two plants have closed so far, that's in Trossingen -- sorry, Untereisesheim, with the product going to Trossingen. And we are closing Schaerbeek and Zele plants, they will go to Lokeren, that's in Belgium. And we've closed the Fontenay plant in Paris. Lokeren is still at early stage operation, but it is a state-of-the-art plant.

Now, in Rentokil Pest Control, this is a three-part story. We've got Europe in strong growth through retention and sales investment, with a good acquisition pipeline. In the U.S. we've got good revenue growth, but probably not converting enough into profit. And in the U.K., as I mentioned, is now coming together with encouraging signs of improvement after a slow and difficult quarter one.

Now, there is never a story in the U.K. about pests that doesn't refer to Rentokil. The exposure of the brand -- the brand has had over the last six months has been quite extraordinary. Now, that -- to varying degrees around the world, a similar situation applies. It's not the same in every country, but in some countries it's similar to the U.K. Now, that's a powerful situation to be in and a wonderful position to build off.

The offline comment helps feed people to our comprehensive and useful websites and the websites have become extremely important drivers of enquiry. We've seen a major increase in traffic and, more importantly, enquiries leading to sales. The U.K. is now well-advanced, but there is a large degree of upside in some other key markets. The websites were also significant in contributing to the brand image. I have to say, I think investment in online marketing has been highly relevant to this business.

Now, City Link are doing a good job of driving business as usual, together with an ambitious integration program. Customer retention of the top 50 customers has been 100% in the half. In an industry that sees price per consignment fall marginally every year, they are making good progress in pricing and in cost recovery. The H2 benefits from the integration will be offset by faster integration spend, as Andrew has mentioned, but the key benefit is that we will exit the year at a higher profit run rate.

Now, the key elements completed so far, I think you're aware, have been branding, single sales proposition and the trailer and cage harmonization. The big steps coming up, of combining depots and collection and delivery routes, commences with the first wave over September and October, where we aim to reduce eight depots down to four. The total change is to reduce from 104 depots down to 63 by August of 2008.

In Facilities Services, this business is very much -- it's very much about business as usual. In the Cleaning business, they've made a recent acquisition to provide greater scale and coverage of the London office market. That was Lancaster. But otherwise, this business is focused on maintaining growth and making efficiency gains. In Catering and Hospitals, as we've mentioned, we've been active in exiting or renegotiating unprofitable or marginal contracts. We also make good gains through procurement.

Now, Asia Pacific is becoming a larger part of our Group and of increasing importance to our overall growth profile. The region has some attractive characteristics for a company that deals with hygiene. It is a subject that is high on the agenda of the public and of governments. We need to grow the business organically, continue to build on our market positions through acquisitions and integrate those acquisitions swiftly and successfully.

We are pleased with the progress being made throughout the region. We already have businesses there which are demonstrating real, world-class performance in client retention, in growth, in business process innovation and in technology. We have a number of important productivity programs underway in Asia Pacific, most importantly associated with the integration of the Washrooms business in Australia, which should show sharp improvements in service and administration efficiency.

Now, a major focus of attention has been on building our positions in Pests throughout the region. We have made good progress with both the underlying business performance and the acquisition and integration program. Taiming, the company we acquired in Beijing with its innovative fogging technology, has gotten off to a very strong start in the residential market. We've put in place a small call center and initially relied on a very limited marketing program with, believe it or not, mostly text message marketing, which in China, I promise you, works.

We have now, about four weeks ago, launched a couple of 15-second television ads and the response has been outstanding. Run the ad, please.

(Video presentation).

Now, that wasn't just for comic relief. We really are in the Chinese residential market, just in Beijing so far, but our sense is that the unmet demand is substantial indeed, it can be profitably tapped and that we are well-placed to benefit from that.

The acquisition pipeline in Asia is well-focused and active. We've had a number of Pest acquisitions on an earlier slide that I showed you and that sector continues to be a high priority. And despite our acquisitions in east Asia, we've continued to build very strong positions in Australia, which are performing extremely well. The benefits will come through progressively from the integration of the acquisitions we've already made, with some benefits in the second half and more in 2008.

Let's turn now to our priorities for the second half. Now, we're confident about our second half forecast, but it does rely on our plans being effected and the results being in line with those plans. H2 performance is a combination of realizing those plans, together with the continuation of some sound trends that have been established. I think these eight bullets summarize the areas we have to deliver on, but thematically it is less reliant on re-engineering and more reliant on cost control, revenue development, integration programs and delivering synergies. In other words, I would suggest these are less uncertain elements than we've been trying to forecast in the last couple of years.

We turn, then, to our outlook. I think the important point to make here is that we prepare our budgets back in October and November of 2006 for our 2007 year. And if I go -- if we go back over several years, what has been happening within the Company is that those budgets, the forecasts, the monthly forecasts, those forecasts, from very early on in the year, fell away from the plan.

Now, this year, that hasn't happened. We have seen -- we have worked very hard, Andrew and I have worked very hard to make it clear to people that what you say you're going to do this year, that's what we expect you to do and it better had be that way. And this year we have seen our businesses performing overall very much in line with the plan we set back in October and November. Some are a little up, some are a little down, but overall we are pretty much in line with the plan we set back in October and November. So that gives -- that's a key thing that gives us confidence for the second half of the year.

So 2007 guidance remains unchanged and our outlook for 2008 is for mid to high single-digit PBTA growth above the interest benefit derived from the sale of Electronic Security. So thank you very much and we'll pass it over to you for any questions.

QUESTIONS AND ANSWERS

Andrew Ripper - *Merrill Lynch - Analyst*

Good -- are we on? Yes. Good morning. It's Andrew Ripper from Merrill Lynch. Maybe just a top down one to start with, Doug, given you finished on the outlook of mid to high single-digit PBTA for 2008. Could you just confirm is that including or exclusive of reorganization costs?

And on the reorganization, obviously, you've been very clear on Target. Do you have any other restructuring plans that could be material in terms of 2008, please?

Doug Flynn - *Rentokil Initial plc - CEO*

It is the adjusted PBTA figure we're talking about, so it's before any gains we might make year over year. It is still a little early, beyond things like Target, to be describing exactly what restructuring there might be in 2008. There will be some. Target is the key one. There'll be some other areas, but we're trying to give indication on 2008 a little earlier than we normally would, but because of the -- and we're doing it specifically because we don't necessarily want people to draw a straight line through the second half of the year, if you understand what I mean.

Andrew Ripper - *Merrill Lynch - Analyst*

Thanks you. And then just looking on to divisional performance on the Textiles side, it does seem as though there's been quite a turn in France. I just wondered if you could elaborate a bit on what's driving that.

And I think, on the detailed chart that you put up, the price growth in France was over 2% now year on year. Maybe you could comment a little bit about whether you've seen any improvement in pricing power. And also if you could comment on the cost side, please, for France as well.

Doug Flynn - *Rentokil Initial plc - CEO*

I think -- let me start with that. I think the key thing is I think we might have scored a bit of an own goal in the second and third quarters last year. So I think that that's, having corrected some errors that we made last year, that was organizationally, I think that has benefited the business.

But the key things that they've done is through driving revenue by focusing on a number of segments. They're certainly doing far better in the Washrooms business through range selling and simply focusing on that sector. They have been able to take some costs out of the business. They've improved their sales productivity.

On the pricing side, I don't think the overall pricing environment has really improved. They have simply chased it harder. We -- that's been really through our initiative just to push that harder and a bit more aggressively.

We've also benefited -- and people often say are you going to be a buyer, seller or a bystander? Well, being a bystander is often a good position. We have been a bystander in that, at least for the CWS business in France and there are some people who don't want to work with a lease. So there's been business that's flowed to us as a result of that acquisition. So I think -- and I think there've been a number of factors. Andrew probably could have answered that much more [numeratively] than me.

Andrew Ripper - *Merrill Lynch - Analyst*

Just if I can go to three, the U.K, you've set up the shared service center now. Just wonder if you can elaborate on what that means for the business. What are you doing differently? What opportunity does it give you in terms of improving sales productivity and efficiency within the business, please?

Doug Flynn - *Rentokil Initial plc - CEO*

Can I answer the first part of that and Andrew will take the second part? The first part is that we have actually added capabilities that didn't exist before, so things like greater use of databases and customer relationship management. Those are capabilities that we didn't have in the U.K. businesses previously. They have now been added in. That is helping our service.

And our response is also -- we have far greater accountability of performance around the Group that we really didn't have visibility on previously. A complaint is a service enquiry. It goes through the service center, not through a branch. So it goes through the service center, then it's passed through to the branch and we've then got a follow-up tracking system, whereas previously, strangely enough, some of that data used to disappear. So that's been a key part of it on the front office side, if you like. On the back office side, Andrew, would you like to --?

Andrew Macfarlane - *Rentokil Initial plc - CFO*

We see the opportunity for some big process improvements. Shared service center's got about 400 seats, so basically 100 market-facing, 300 basically accounting and administration. To give you an example, when -- At the moment, it's supporting four businesses in the Group's center, so basically that's Facilities Services, Plants, Pest, U.K. Washroom and the Group's center. Pulling that lot together, we discovered that we had got seven different purchase ledgers. They all ran on the same type of software, but each of them using a different version of it. We had something like 30,000 open vendor records, which obviously doesn't help the procurement guys at all.

So the opportunity, then, is to obviously push those things on to one system, clean up the number of vendors, do better procurement deals. And you can't do better procurement deals until you've got data. You need to know what your spend is. So having all of the stuff in one place and a very motivated bought ledger team is the sort of thing that will help us drive benefits.

And you'll see the same thing through payroll, through credit and collections. It's not going to happen overnight, but already we are start -- at least we can now identify some of the issues that we have and we've got dedicated people focused on sorting them.

Andrew Ripper - *Merrill Lynch - Analyst*

Great. Thank you.

Doug Flynn - *Rentokil Initial plc - CEO*

Mark.

Mark Shepperd - *UBS - Analyst*

Mark Shepperd at UBS. There were a number of special factors affecting working capital in the first half, Andrew, and also on CapEx. I just wondered if you've got any idea if there's going to be special factors in the second half.

Andrew Macfarlane - *Rentokil Initial plc - CFO*

No --.

Mark Shepperd - *UBS - Analyst*

-- guide in forecasting for the full year.

Andrew Macfarlane - *Rentokil Initial plc - CFO*

In terms of working capital, no. We had a one-off opportunity to exit a very onerous property. We were able to do that and release a bit of a provision. We changed our vehicle arrangements in order to improve operating efficiency. I don't expect anything like that to happen in the second half.

Obviously, as we transferred credit and collection responsibilities from around the business into 100 new credit controllers in Dudley, there's a bit of a settling-down period till they get to know the accounts, but already the cash collections are improving. So I think those things are either behind us or won't recur.

Mark Shepperd - *UBS - Analyst*

And I wonder if I can change the subject. On the dividend, you say the policy remains unchanged. Can you give us any thoughts on your dividend looking forward as the Company enters into its recovery phase?

Doug Flynn - *Rentokil Initial plc - CEO*

I think the policy remains unchanged, that we -- until such time as our recovery is well-established, I don't think we'd be looking to increase the dividend. Once it is well-established, then we -- the Board, I'm sure, would want to review that.

Mark Shepperd - *UBS - Analyst*

Thank you.

Karl Green - *Credit Suisse - Analyst*

Thanks. It's Karl Green from Credit Suisse. I've got three questions, two of which are acquisition-related. Firstly, just in terms of the '07 guidance, since you've announced a potential extra GBP2m to GBP3m of Target synergies, would you say your guidance is now more conservative? Or is there an area of the business where it's slightly below what you were expecting back in October, November last year?

My second question is just about the --.

Doug Flynn - *Rentokil Initial plc - CEO*

Sorry, I don't understand the first question.

Karl Green - *Credit Suisse - Analyst*

Sorry. You've announced an extra synergy number for Target, which wasn't in your pre-existing guidance. So on the basis that your guidance is unchanged, is that just -- does that mean you're conservative?

Doug Flynn - *Rentokil Initial plc - CEO*

No, no. The -- what we have also said is that we are spending -- the integration spend has also gone up, so the net of the two is flat.

Karl Green - *Credit Suisse - Analyst*

But I thought the '07 guidance was on a pre one-off integration cost basis.

Doug Flynn - *Rentokil Initial plc - CEO*

Okay. If you want to add the GBP3m extra, feel free.

Karl Green - *Credit Suisse - Analyst*

Okay. Thank you. Just onto the acquisitions, then, could you say what sort of EV to sales or EV to EBITDA you've averaged on the GBP96m spent in the first half? And if possible, could you give us a sense as to how that's maybe differed from division to division, with Asia Pacific in particular?

Andrew Macfarlane - *Rentokil Initial plc - CFO*

To be honest, it's very hard to do, because typically if you look at that on a, for example on a trailing basis, when we buy these businesses, it may -- they may appear to be quite high multiples on trailing profits. For such things like bolt-ons, obviously, we tend to lose infrastructure costs. The people who had been proprietors in the business, they often take that opportunity to exit. So the profits that we think we're buying are more prospectively.

We continue to have a minimum acquisition threshold of some 15% post-tax IRR and, with limited exceptions, then we can still achieve that. If we're doing pure bolt-on deals, we can often do a lot better than that.

Karl Green - *Credit Suisse - Analyst*

Okay. And the last one just on Lancaster specifically. I think, when you bought that, that was a pretty depressed level of profitability. Can you indicate where you would hope to get the Lancaster profitability to on a 18-month, year?

Doug Flynn - *Rentokil Initial plc - CEO*

Again, that passed the, that certainly passed the 15% internal rate of return hurdle, but it will be integrated into the wider Initial Cleaning business. Even though we will probably retain the brand name, but in terms of its infrastructure and everything else, it will be integrated into the business. So it's going to be -- we do a one year after review of every acquisition. On expectation, it'll pass that internal rate of return test and deliver a strongly accretive return to the Company on a ROCE basis.

Mike Murphy - *Panmure Gordon - Analyst*

Mike Murphy at Panmure Gordon. Can I just go back to the guidance on 2008? And underlying, you're suggesting close to 10% improvement. How much of that do you believe is going to be organic growth, i.e., is that 5% and the rest coming from cost efficiencies plus the benefit of volume?

Doug Flynn - *Rentokil Initial plc - CEO*

Separating out the organic growth is -- doesn't -- is not easy once you start adding in synergies. But -- Andrew?

Andrew Macfarlane - *Rentokil Initial plc - CFO*

Yes. We are not anticipating undone -- yet to do acquisitions in order to make that. So basically, we're saying that the portfolio businesses we have today we think is capable of delivering that performance. But it's very hard for us -- we might get more clarity as we do a detailed budget, but it's really quite hard to separate costs from revenue and all those sorts of things at the moment.

Mike Murphy - *Panmure Gordon - Analyst*

Given where your organic rate of growth is at the moment at 5%, you'd expect that to be at least that level, which is (multiple speakers).

Andrew Macfarlane - *Rentokil Initial plc - CFO*

Yes. We will --.

Doug Flynn - *Rentokil Initial plc - CEO*

Yes.

Andrew Macfarlane - *Rentokil Initial plc - CFO*

That's why we're (multiple speakers).

Doug Flynn - *Rentokil Initial plc - CEO*

Particularly if we're saying, particularly if we're indicating that we expect margins to be up next year as well.

Mike Murphy - *Panmure Gordon - Analyst*

So the balance comes from margin improvement.

Andrew Macfarlane - *Rentokil Initial plc - CFO*

Yes.

Mike Murphy - *Panmure Gordon - Analyst*

That is actually -- it's of the order of 5% [on top], so 50 basis points.

Doug Flynn - *Rentokil Initial plc - CEO*

There's a question up there.

Unidentified Audience Member

Sorry, yes. It's just a quick question on your pensions costs. I think in the release it shows there's a GBP6.4m swing on the service cost you said you were taking in the operating expenses. I just wondered what the reason for that was and what the outlook on the service cost is.

Andrew Macfarlane - *Rentokil Initial plc - CFO*

Because we closed the scheme to future accrual, we did that in the second half of last year, we're comparing, basically, DC arrangements this year with DB arrangements last year, which is mainly the swing. And I would think what's happened in the first half of this year would be the run rate going forward.

Unidentified Audience Member

Thanks.

Andy Grobler - *Goldman Sachs - Analyst*

Andy Grobler from Goldman Sachs. Just a couple of quick questions. Doug, you mentioned with the Australian Pest Control business that retention rates had gone from 78% to 87% over the past couple of years, but margins haven't gone up. I thought that retained business was going to be more profitable than new business, so why haven't margins moved up over that period?

Doug Flynn - *Rentokil Initial plc - CEO*

That's a pretty complicated story, because the mix of business has changed a bit as well, but that is the total margin. It's been roughly -- the point I was trying to make was we hadn't bought our way to stronger retention in the business. So it's a -- I actually thought I was giving a very good story. You're telling me it wasn't so good.

Andy Grobler - *Goldman Sachs - Analyst*

And then, secondly, just on CapEx, what is the guidance for the second half of this year and into next year?

Andrew Macfarlane - *Rentokil Initial plc - CFO*

Yes, I -- what I suggest you do is take the first half of this year, add back the disposal proceeds that I mentioned and basically annualize it.

Andy Grobler - *Goldman Sachs - Analyst*

And then similar for next year as a percentage of sales?

Andrew Macfarlane - *Rentokil Initial plc - CFO*

Yes. I think two things will happen next year. Obviously, as revenue grows, we will pull in more equipment for rental CapEx. On the other hand, the special spend that we're having this year on places like Lokeren and so on will fall away and I'd expect those two effects, basically, to counteract.

Andy Grobler - *Goldman Sachs - Analyst*

Okay, thanks.

Unidentified Audience Member

You mentioned on City Link the organic rate of growth was 10%. What was the growth rate in the first half of the year for the market? It used to be about 4% per annum.

Doug Flynn - *Rentokil Initial plc - CEO*

I think 4%'s still a reasonable guidance. I couldn't be absolutely sure what it was for the whole market.

Unidentified Audience Member

And why do you think, then, that you're taking market share, Dougie, from others, or who's losing it?

Doug Flynn - *Rentokil Initial plc - CEO*

Well, I think there's some -- a number of weak players in the market. I wouldn't want to name names, but I think there are a number of weak players. Michael Cooke's here, if you want to try to grill him a little more later on.

But this is an outstanding business. City Link is an outstanding business. Its service levels are incredibly high, which is why it's retaining its customers, and they have done well with their sales effect. We are about 15% of the market, so there's still a lot to go for. If we were 50% of the market, I think it would be impossible to grow at that rate.

Unidentified Audience Member

What do you think is a realistic market share, then? You say you've got 15%. What are the guys' targets, probably sat at the back actually?

Doug Flynn - *Rentokil Initial plc - CEO*

Well, I think, if you think about it, if the market's growing at 4% and we're growing at, say, 5% more than the market, then what's that? 5% on 15%, so that's 0.75 of a percentage point that you should -- that you must be taking. 0.75 of a percentage point you must be taking, so -- that's organically. I don't know. I think we should realistically expect to move up over the next couple of years in terms of share of market, perhaps to 16%, 17% over the next two years would be a reasonable target.

Unidentified Audience Member

And while I've got the microphone, can I ask you about the structure of the Group? Clearly, there've been enormous changes over the last few years. And just looking at how it's made up at the moment, have you had much in the way of approaches for any parts of the business? Is there anything potentially on the block?

Doug Flynn - *Rentokil Initial plc - CEO*

Have we -- well, they're two separate questions. Have we had any approaches? Yes. From time to time, people tug our sleeve about various things. In the main, our attitude is it's not about people tugging our sleeves, it's about what we want to do. We are pretty happy with the structure of the Group at the moment.

There are organic things we need to do with our businesses. We have said we would try to move to leading market positions in the businesses we operate in, and we believe that is -- we've done quite a lot of work in looking at margins versus market share and there's a pretty close correlation. Certainly, acquisitions within market does lead you to a higher market share, also throw off a lot of synergies, so that has tended to be a significant theme.

In terms of any future changes, there are no current plans to sell any of the businesses within our Group at this point in time, but it is a -- people say you're happy with the Group. Yes. But every company should be constantly looking at the assets within their portfolio, as to what are the right assets to maximize shareholder value. If you think about it, what are we there for? We're there to maximize shareholder value. I put up an early slide that we were trying to achieve ongoing sustainable growth. Now, that doesn't mean that's the only way to generate shareholder value and if, through other constructs, we can find ways to do that, we will.

Unidentified Audience Member

And do you think, given that the credit markets have now come back to some sort of normality, that you might be able to --?

Doug Flynn - *Rentokil Initial plc - CEO*

Have they?

Unidentified Audience Member

Well, they are doing (multiple speakers).

Doug Flynn - *Rentokil Initial plc - CEO*

You can't get a mortgage in the United States.

Unidentified Audience Member

They're getting there, actually, and credit is being correctly priced. So it means, actually, that you've got some of these private equity people that you may have come up against before that are now fallen by the wayside. Does that mean that we or you might actually be able to complete more acquisitions (inaudible)?

Doug Flynn - *Rentokil Initial plc - CEO*

I think for that -- I think the truth is that, for larger deals, I'm sure that asset prices have come back. I'm sure that's absolutely true, but it is still a case of opportunity has to meet strategy. There's no point in buying things because they're cheap.

Unidentified Audience Member

No, but the ones that you're looking at, clearly, actually, you've got less competition for them now, even on the smaller ones, talking to other companies in different industries.

Doug Flynn - *Rentokil Initial plc - CEO*

The smaller businesses, it's simply trade buyers that we're up against. For larger deals, then certainly private equity plays a big part. But then again, we were able to buy Target Express, which was a significant deal for us, at the right price, and we had that exclusively.

Karl Green - *Credit Suisse - Analyst*

Thanks. It's Karl Green again. A question for Andrew, if I can, just on tax rate. Obviously, the first half rate was brought down principally by the release of the property provision. Can you indicate what you'd expect to see as an effective tax rate for the full year '07 please, and also tax -- cash tax?

Andrew Macfarlane - *Rentokil Initial plc - CFO*

I think the guidance I would give is that we would normally expect what I'd describe as the underlying tax rate, the real tax rate, to be about 1 percentage point different from the blended headline rate. So 30.2% that I quoted as the first half blended headline rate is also our estimate for the rest of this year. It'll probably come down to about 29% next year, when U.K. corporation tax gets reduced.

Thereafter, the thing that is very hard to predict are the so-called prior year adjustments, which is where we clear up legacy matters with fiscal authorities. And if you look at our balance sheet, you will see that we have fairly significant tax provisions. As we are able to address those matters, then our history is that we are able to produce releases. We don't end up with net charges. But it just takes the time that it takes, unfortunately. I think there will probably be, looking at the pipeline of things, we'll probably have a release in the second half as well.

Karl Green - *Credit Suisse - Analyst*

Thanks. Just coming back to the Washroom business, obviously it's been a long, painful process for you in the U.K. and it seems as though you've got the position, now, where the branch structure's right sized. What happens in the second half in terms of shifting around workflow? And when do you think profits are going to be stabilized year on year? Is that a Q3 event?

Doug Flynn - *Rentokil Initial plc - CEO*

I think we should be close to that by the end of the year, and I think we should be looking to grow in 2008 and 2009. There still is a lot to go within that business. We have seen service levels improve and retention following that. And we've seen their sales operation certainly improve and seen sales rise, but we're still nowhere near where we want to be within that business.

Karl Green - *Credit Suisse - Analyst*

And obviously, I appreciate you've given us quite a bit of disclosure today, but we're still guessing how low U.K. Washroom profitability is relative to Europe. Once you've got the workflow right, is there any reason why U.K. profitability shouldn't match continental Europe?

Doug Flynn - *Rentokil Initial plc - CEO*

No. In a word, no.

Karl Green - *Credit Suisse - Analyst*

So you think you can get there by '09.

Doug Flynn - *Rentokil Initial plc - CEO*

Yes, that's right.

Karl Green - *Credit Suisse - Analyst*

Okay. And then, secondly, just on the central cost line, obviously there's a couple of one-offs in this first half period. I'm conscious you took the shared service center costs in the first half, which won't recur. What do you think the run rate is going forward, please?

Andrew Macfarlane - *Rentokil Initial plc - CFO*

I think it'll be about somewhere between GBP8m and GBP9m a quarter, starting in the third quarter. So I expect the run rate to come down and I hope it will also come down as we go into next year, too.

Karl Green - *Credit Suisse - Analyst*

Thanks.

Doug Flynn - *Rentokil Initial plc - CEO*

Okay. I think we're all done. Thank you very much, everybody.