

# FINAL TRANSCRIPT

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## **RTOKY - Rentokil Quarter 1 Trading Update Conference Call**

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## CORPORATE PARTICIPANTS

**Alan Brown**

*Rentokil Initial plc - Chief Executive*

## CONFERENCE CALL PARTICIPANTS

**David Hancock**

*Morgan Stanley - Analyst*

**Jaime Brandwood**

*UBS - Analyst*

**Joel Spungin**

*Merrill Lynch - Analyst*

**Edward Donohue**

*One Invest - Analyst*

**Hector Forsythe**

*Oriel - Analyst*

## PRESENTATION

**Operator**

Good day. And welcome to the Rentokil Initial plc first quarter trading update conference call. Today's conference is being recorded. At this time I would like to turn the conference over to Mr. Alan Brown. Please go ahead.

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**Alan Brown - Rentokil Initial plc - Chief Executive**

Morning everyone, and thanks for joining our Rentokil Initial first quarter trading update. It's Alan Brown speaking, Rentokil's Chief Executive. I'll give you a quick overview of today's trading update, and then go onto your Q&A session.

We delivered a 41% increase in adjusted profit before tax to GBP30.4m in the quarter at actual exchange rates. That was against an admittedly modest prior year quarter. And I think we continued to demonstrate pretty well the impact of our operational turnaround, and particularly the ongoing focus on service cost and cash. Revenue was broadly in line with my expectations, down 3.7% on prior year at GBP603m at constant rates.

However, we, in line with our full-year guidance which we gave three months ago, we continue to expect some revenue growth for the year as a whole. Cost savings are on track with the GBP75m target that I outlined, again, three months ago. As is cash flow, which, operating cash flow at GBP29m was slightly ahead of our internal target for this time of the year, though obviously down against an exceptional Q1, 2009.

Some highlights by division. Pest grew 2% in terms of revenue and 16% in profit, thanks to strong progress in North America and in particular the UK. Maybe a word on the UK, if I might. The Pest UK business grew revenues by 2.5% and job work was up 25%, and new contract sales were up 66% compared to Q1, 2009. Profit in the UK Pest business grew by 21% and state of service was maintained at 100%.

So I'm well pleased with this, given that 12 months ago this was the most intractable of our turnaround businesses. The new management team has done an excellent job focusing in particular on the front-line colleagues. And I'm also pleased that our customer satisfaction measures, our customer survey measures, are showing a 20% improvement in terms of customer satisfaction over the quarter. So a lot to do in the UK, but we're on the way.



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Generally I'm encouraged by retention levels across most divisions. City Link's customer base has been stable through the quarter. And we're seeing some modest uptrading. Volumes are up, though the revenue is down slightly. And I am now increasingly confident that we will see solid revenue growth in the City Link for the year as a whole, based of course on our progress in the B2C markets generally, which tend to be a bit more back-end year loaded.

Textiles and Washrooms is in, operating in tough markets for revenue. We're finding new business hard to come by. But, again, retention rates, apart from the loss of a significant contract in France, retention rates are showing an upward trend. And the profit of course moved forward substantially, 21% up as the impact of the financial restructuring and efficiency measures start to flow through, and then should continue to flow through during the rest of the year.

Finally, a few tidbits. Business in South Africa is recovering and has been very busy supporting the country's hospitality industry as they prepare for the World Cup. We won about 48 new hotel contracts, [with] 75 new restaurant contracts, and we're delighted to be looking after both Ellis Park and also the England hotel and sports campus. So I certainly can't guarantee England's World Cup performance in 2010, particularly being an Irishman, but I think we can do a lot to make sure that Rentokil has a good year.

So, with that, I'll hand you back to the -- hand the phone back to the operator and be happy to take any questions you might have.

## QUESTIONS AND ANSWERS

### Operator

Thank you. The Q&A session will be conducted electronically. (Operator Instructions). The first question comes from Mr. Hancock. Mr. Hancock, please go ahead.

### David Hancock - Morgan Stanley - Analyst

Good morning. Yes, it's David Hancock from Morgan Stanley here. Could I ask a couple of questions on the City Link business? Firstly, around the revenue outlook where I think you said you expect solid revenue growth for the year. Could you maybe be a little bit more specific on that?

And, secondly, could you talk about the issues around the cost base in City Link in the first quarter, and the considerations you're making around the balance of employee drives and subcontractors for the rest of the year, please?

### Alan Brown - Rentokil Initial plc - Chief Executive

Yes, good morning, David. Solid revenue performance, I mean I think we were about GBP353m last year. We'll be into the 360s, maybe getting towards GBP370m if we're really lucky in the course of the year, assuming there are no unexpected changes in revenue. So I think we'll see reasonably solid movement. And the volumes are good. The pricing is tough, so that, that's the issue. Though, and we haven't had to concede so much in pricing this year. It's more the carry-through from last year that's affecting us.

In terms of the cost base, I'm continuing to be very pleased with the execution of the numerous restructuring programs we've put in place. And the depot reductions from 84 to 70 are on track. We're down to 80 at the end of the first quarter. The closure of the Wednesbury Hub is going very smoothly indeed. And we're making faster progress than I had thought possible in terms of our IT systems, so we're now being able to see the merging of our operations at all the depots taking place quite well. We've now pretty well merged IT systems at 32 depots, we have another 40 or so to go in the course of the year.



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Now with regard to the balance of our drivers between what we call, well, PAYE drivers, those that are on our payroll, owner drivers who basically are full-time with City Link, and then the rest of the drivers. I don't think we've got this optimally sorted out at the moment. We're running at about 70, just over 70% of PAYE and owner drivers, and the high twenties per cent of subcontractor and ad hoc drivers. And the balance, in my view, needs to move up to 80%, 85%, maybe even more than that. And we're now working on that.

We will be taking on a number of drivers across the country. I'd say probably a couple of hundred drivers over the next few months. I'm also sort of allowing for some net reduction in total routes being run as we benefit from the lower number of depots. And, as we benefit from the ongoing integration program, allowing us to route the Network 1 and Network 2, old Target and old City Link routes, together. But I think net net we'll be taking on some drivers, but we will then be making massive reductions in the amount of money we're spending on contractors.

I think that we have been cautious obviously in taking on drivers. We wanted to see the volume coming through. It is now coming through. And I think also we were thrown a bit by the weather in January, which, took our eye off trying to get this balance optimally. We were just trying to survive in January like the rest of the industry because it was just so, so difficult to get any product out. But now we're onto it and I think we're moving in the right direction quite quickly.

So I think we could have done a bit better in Q1 in terms of the bottom line on City Link if we'd optimized it. But I think this is a short-term issue, it's an easy issue to fix. What I'm really pleased about is the structural stuff in City Link is going well.

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**David Hancock** - Morgan Stanley - Analyst

Great. Thank you. And just one follow-up on the cash flow, please. Obviously you had a very strong performance in the comparative period, but could you just say in this quarter how much of the working capital outflow you had was restructuring spend and how much was genuine working capital outflow? And how you see working capital developing for the full year? Would you expect to have an inflow over the course of the full year?

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**Alan Brown** - Rentokil Initial plc - Chief Executive

Yes. I mean GBP9m was the level of exceptional expenditure in the quarter, David, due to restructuring. In fact, our DSO days were broadly where they were at the year end. Maybe 50 [around] 49. So we just had a slight outflow. I have to say, the last few weeks in December, the performance in terms of cash inflow was pretty remarkable. It was way ahead of our expectations, you probably gathered that. So we just suffered a little bit going back on that.

But no, the outlook for the year on cash flow remains pretty strong. It won't be as strong as last year, but I think a very respectable number. And, of course, you know that most of our interest payments flow out in the first quarter, we've done all of that. So I think we're in good shape. We're quite happy with the cash situation. And we hold, still, our target of getting down to 47 days sales outstanding on accounts receivable by the year end. We're currently at 50.

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**David Hancock** - Morgan Stanley - Analyst

Great. Thank you.

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**Alan Brown** - Rentokil Initial plc - Chief Executive

Thanks.



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**Operator**

And we'll now take our next question from Jaime Brandwood from UBS.

**Jaime Brandwood** - UBS - Analyst

Morning. A couple of my questions were already asked, so I just want to focus on one. In terms of your organic growth, I mean if I look at your constant currency growth of minus 3.7%, what adjustments would I need to make to get to an organic growth figure in terms of any sort of disposals or acquisitions or anything like that?

**Alan Brown** - Rentokil Initial plc - Chief Executive

Well I think maybe I mean, Katharine will come back to you outside the meeting on that. But we've got the GBP10m for the Hong Kong contract, and we've got one or two other unprofitables, things that we got out of as well.

**Jaime Brandwood** - UBS - Analyst

[Yes].

**Alan Brown** - Rentokil Initial plc - Chief Executive

And we've got out of the [Intronics] Securities and there's probably GBP6m thereabouts.

**Jaime Brandwood** - UBS - Analyst

Okay.

**Alan Brown** - Rentokil Initial plc - Chief Executive

But I think it's better if Katharine comes back to you with a detailed list.

**Jaime Brandwood** - UBS - Analyst

Okay. And --.

**Alan Brown** - Rentokil Initial plc - Chief Executive

And of course it swings the other way, as you know, [our, and] particularly our London Underground contract which is now GBP30m or so which comes in from the beginning of the second quarter effectively.

**Jaime Brandwood** - UBS - Analyst

Yes.



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**Alan Brown** - *Rentokil Initial plc - Chief Executive*

And so a number of adjustments I think which -- which are -- and I've talked about City Link being up on the year.

**Jaime Brandwood** - *UBS - Analyst*

Yes.

**Alan Brown** - *Rentokil Initial plc - Chief Executive*

I've talked about Pest being up on the year. Now I think the one which is most uncertain is really Textiles and Washrooms.

**Jaime Brandwood** - *UBS - Analyst*

Right.

**Alan Brown** - *Rentokil Initial plc - Chief Executive*

Where I think we're really focusing on trying to hold last year's revenue.

**Jaime Brandwood** - *UBS - Analyst*

Yes.

**Alan Brown** - *Rentokil Initial plc - Chief Executive*

Given what are really tough situations. You've seen the results from the other guys as well, this market is just not easy at the moment.

**Alan Brown** - *Rentokil Initial plc - Chief Executive*

But I think we will make progress as the year progresses.

**Jaime Brandwood** - *UBS - Analyst*

Okay. And just on the Parcels revenue assumption, the GBP360m to GBP370m, the growth there, would you be -- would you care to give a little bit of a breakdown in terms of your volume versus your price expectation that gets you there?

**Alan Brown** - *Rentokil Initial plc - Chief Executive*

Yes. Yes, sure. I mean I think the pricing is still looking, as we've said many times, at declining by 4, 4-ish per cent. And I'll hope it'll be better than that.

**Jaime Brandwood** - *UBS - Analyst*

Okay.



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**Alan Brown** - Rentokil Initial plc - Chief Executive

But, realistically, you're still looking at a 4% price decline. So we're -- you're looking at 6%, 7% volume growth.

**Jaime Brandwood** - UBS - Analyst

Okay. And the acceleration coming mainly from your projections about market share gains or projections about macro recovery or --?

**Alan Brown** - Rentokil Initial plc - Chief Executive

It's really I think our - how to say it -- our bias towards B2C is helping us.

**Jaime Brandwood** - UBS - Analyst

Okay.

**Alan Brown** - Rentokil Initial plc - Chief Executive

Because the B2C market continues to grow pretty strongly and we're doing a very good job there.

**Jaime Brandwood** - UBS - Analyst

Okay.

**Alan Brown** - Rentokil Initial plc - Chief Executive

And I think we're just a little bit ahead of some of the others in terms of being able to manage that. There -- it's the good service levels in that market. So that really is what's helping us.

**Jaime Brandwood** - UBS - Analyst

Do you think your volume growth was meaningfully impacted by the harsh winter conditions in the UK?

**Alan Brown** - Rentokil Initial plc - Chief Executive

Well, I mean it was dreadful in January but if you look at 2009, February wasn't great either.

**Jaime Brandwood** - UBS - Analyst

Yes.



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**Alan Brown** - Rentokil Initial plc - Chief Executive

I mean I think we'd have done a bit better obviously if we hadn't had such bad weather. But I -- overall, year-on-year, the weather was worse but it's not 5% worse in terms of volume.

**Jaime Brandwood** - UBS - Analyst

Okay. Thanks. Thanks a lot.

**Operator**

(Operator Instructions). We will take our next question from Joel Spungin from Merrill Lynch. Please go ahead.

**Joel Spungin** - Merrill Lynch - Analyst

Good morning. Just one question from me. You reiterated that you are on track to achieve your GBP75m of cost savings. I just wanted to check, I mean how much of that do you think you are likely to have to reinvest in the business, and how much will you be able to keep hold of?

**Alan Brown** - Rentokil Initial plc - Chief Executive

Joel, based on my previous experience, and outside the Rentokil Initial Group, I think if one holds onto half of that you're doing very well. And I think certainly in the early stages of recovery where you're trying to invest to improve customer care and customer responsiveness, if you, it's more likely you're going to hold onto a third of that. So, but I would say, over the longer term, one third to one half I would hope to be able to retain. As long as it's a good, a big number.

I mean another way I'd put it, maybe a better way to put it, is to say that if GBP75m is equivalent to about 3% of our revenue, thereabouts, I think the first 1.5% to 2% of saving is always going to be in reinvesting in any good business in terms of improving service and competitiveness. So you've really got to be getting more than 1.5% to 2% of saving to make it come through to the bottom line. Which we will do in 2010.

**Joel Spungin** - Merrill Lynch - Analyst

Okay. Thank you very much. That's it.

**Operator**

(Operator Instructions). We will take our next question from Edward Donohue from One Invest.

**Edward Donohue** - One Invest - Analyst

Good morning, gentlemen. Just a couple of questions, if I may. The one was regarding the pricing effect you were talking in City Link, is that legacy contracts that you're suffering with from 2009, and when do those phase out?

And the other one was just with the regard to the comment with looking to maintain the business in Textiles and Washrooms, why has it --? I get the feeling it's got a lot, lot tougher, why is that? And what would you actually have to be giving to retain



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that business? Are there a number of large contracts coming up for renewal as you phase through the year that you might have to give on price to retain them? And what's your view on that side of the business?

**Alan Brown** - *Rentokil Initial plc - Chief Executive*

Morning, Edward. On City Link, no this is not an issue about legacy contracts at all. It's about general ongoing competitiveness in the marketplace. I mean there is over-capacity, that much is clear. And certainly the business is competitive going forward. I wouldn't say it's getting worse, it's always been quite tough. I would say it got particularly tough in Q2, 2009. Very tough in Q2, 2009, and we didn't quite judge our pricing right at that stage. Since then I think things have stabilized and I am increasingly confident that customers are looking also at services as well as cost.

So it's trying to get that balance right is very important because the customers do recognize that poor service comes at a big cost in terms of having to compensate customers, etc. for bad service. So I -- it -- we're in an ongoing, quite tough environment in the UK Parcels market with over-capacity. And I think we've already seen one merger taking place, possibly in the longer term there will be more. But I think the good news for City Link is that we are coming back very strongly in terms of better service offering.

And, of course, as you've seen, we've got massive efficiency improvements which are well programmed. And I think that we'll be able to continue to generate more cost savings and start to generate some revenue growth, which will be sufficient to more than compensate the 3% to 4% decline in pricing that we've seen for a long time in the marketplace.

With regard to Textiles and Washrooms, the issues there vary a lot by country, I have to say. And we, however, have seen general economic difficulty amongst a number of our customers across the European business. We do not have many big contracts, and a really big contract for us would be GBP8m, GBP10m, and there are not so many of those. But I think you are right to point out that one has to be competitive in terms of pricing for renewal of existing business, as well as being competitive for new business.

So, again, I come back to the generic point I made to the previous caller that, clearly, a proportion of our cost savings, in my view 1.5% to 2% of cost savings in most of our business has to be ploughed back into maintaining competitiveness and pricing effectiveness. But anything over and above that we should see coming through to the bottom line. With regard to Textiles and Washrooms, I think we will see substantial progress in the bottom line in 2010 even if the revenue remains flat for the year as a whole.

**Edward Donohue** - *One Invest - Analyst*

Okay. And just following on from that, if I may. With regard to the procurement programs that you put in place on T&W. And also the situation with regard to the Benelux, just seeing your comment that Belgium is maybe slightly more difficult to restructure than maybe originally planned. And the other one with the regard to The Netherlands, just what's actually going on in those two particular countries at the moment, if I may?

**Alan Brown** - *Rentokil Initial plc - Chief Executive*

With regard to Benelux, maybe I should clarify the issue there. The restructuring is not proving -- well, the restructuring is going to deliver exactly what we said it was.

**Edward Donohue** - *One Invest - Analyst*

Okay.



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**Alan Brown** - *Rentokil Initial plc - Chief Executive*

I think that we underestimated the running-up costs of the plant that we're expanding. And we have incurred a little bit more money in running up the new plant than was anticipated. But the new plant is now running well and we don't see any diminution whatsoever in the longer-term benefits from it. It's just we've incurred a bit more cost during the quarter than we would have liked to have done, in terms of commissioning up the new plant. So that, that's it. Nothing else.

And the general restructuring program across Europe is otherwise going extremely well. And I have to say I'm particularly pleased in France that we're managing to execute our programs with -- without a hitch.

Now with regard to the general --.

**Edward Donohue** - *One Invest - Analyst*

Procurement program.

**Alan Brown** - *Rentokil Initial plc - Chief Executive*

The procurement program. This is -- how do I describe this -- I mean it is a tough thing to crack but every time we get more information we see the opportunity is becoming even bigger. So I think I told you at one point, maybe last year, that we had recognized about 7,000 different garment types in our organization across Europe. That has now gone up to 9,000 because we keep finding more and more garments. But, more than that, we now realize that the 9,000 garments we have actually is only -- only garment types. It doesn't take into account the different sizes we have in each garment. So we now reckon, and our systems don't record this properly, but we now estimate that we have something like 200,000 SKUs in garments in total.

So the size of the prize is getting, I think, ever greater as we look into this. What we've managed now to do is to establish I think good, good focused marketing teams, to allow us to start to harmonize these 200,000 SKUs across the major countries. And we are now getting in place the procurement and technical expertise required to optimize our procurement strategy going forward. That latter bit is taking a bit more time than I'd have liked. We're not finding it easy to recruit the right individuals. But I am pleased with the progress we're making in terms of harmonizing the range, and I'm very excited indeed by the scale of the opportunity.

**Edward Donohue** - *One Invest - Analyst*

If I may take a final, I promise this is the final question. Have you ever indicated what the procurement savings could be? And now having basically the, I call it the procurement SWAT team in place, and being run from the center, is there a significant upgrade relative to that original target, even if you haven't publicized it, what you internally were expecting? And the timeframe that you might be able to deliver on that?

**Alan Brown** - *Rentokil Initial plc - Chief Executive*

Well, Edward, your questions are very interesting so I'm perfectly happy to keep on answering them. Our -- we did indicate I think north of EUR20m at the time. And I have -- we are not revising that estimate, but I do see that there is upside to that estimate, a maybe quite significant upside. But it will take some time to come through.



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**Edward Donohue** - *One Invest - Analyst*

Okay. Thank you very much indeed. Appreciate it.

**Alan Brown** - *Rentokil Initial plc - Chief Executive*

Pleasure.

**Operator**

(Operator Instructions). We will take our next question from Hector Forsythe from Oriel.

**Hector Forsythe** - *Oriel - Analyst*

Good morning. Just a couple of questions. The first one is, can you give us a bit of an update as to when Jeremy Townsend might join the Group?

And the second one is, can you talk us through how you're performing in UK Washroom, so we can understand that a little bit better?

**Alan Brown** - *Rentokil Initial plc - Chief Executive*

Hector, good morning.

**Hector Forsythe** - *Oriel - Analyst*

Hi.

**Alan Brown** - *Rentokil Initial plc - Chief Executive*

Jeremy, I think his formal contract is for six month's notice, which would mean that, if Mitchells & Butler held him to that, he would come to Rentokil some time in September. It is not yet clear to me whether he will held to that notice period.

With regard to UK Washrooms, the business is continuing to show improvement. You may remember that the original major problem was debt.

**Hector Forsythe** - *Oriel - Analyst*

Yes.

**Alan Brown** - *Rentokil Initial plc - Chief Executive*

I'm pleased to see the days sales outstanding has fallen yet again, down to 74 days in quarter one. It was 79 at the year end. And the 90 plus day debt, which is a measure of our risk, is now reduced to below GBP4m. That was, I think, over GBP14m at the nemesis over a year ago.



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With regard to profitability, that is improving steadily. We have been able to substantially improve the route to productivity. We have seen substantial reduction in number of drivers and increasing productivity. And retention rates are also improving very consistently now. Where I'm still not happy is with the rates of new business development. We are, I think as you know, doing a number of pilots.

**Hector Forsythe** - *Oriel - Analyst*

[Yes].

**Alan Brown** - *Rentokil Initial plc - Chief Executive*

In the West Country at the moment. And it's too early really to say what the output from those is, except that we are seeing a really good progress in terms of customer retention in the West Country as a result of the work we're doing in the pilots. But I still am looking to see more progress in terms of generating new business.

**Hector Forsythe** - *Oriel - Analyst*

Okay now. Thank you very much. That's good news.

**Alan Brown** - *Rentokil Initial plc - Chief Executive*

Yes.

**Operator**

(Operator Instructions). We will take our next question from David Hancock from Morgan Stanley.

**David Hancock** - *Morgan Stanley - Analyst*

Thanks. Just a quick follow-up on acquisitions, which, you said at the full year stage that you were considering making some bolt-on acquisitions. Can you just tell us how things are progressing on that front, please?

**Alan Brown** - *Rentokil Initial plc - Chief Executive*

Interesting question, David. We've got a number of balls in the air, as they say, of acquisitions. And most of them are still there, I have to say. And, but I guess that, being mindful of Rentokil's historic tendencies to overpay, perhaps I'm being a little bit mean. But we're finding it very hard to get any of those acquisitions across the line, because I'm being very insistent that we meet our internal hurdle rates. So I think all are still under negotiation, but we have not landed any of them yet. And we won't land them unless we're happy with the financial returns on the deals.

There's one -- Katharine's reminded me, there's one small one, Mountain Pest Control, but it really is quite small. It's not -- we have a number of other slightly larger deals, so in the GBP5m to GBP10m range, that we're negotiating at the moment.

**David Hancock** - *Morgan Stanley - Analyst*

Okay, thanks.



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**Operator**

As we have no further questions I would like to turn the call back over to you, Mr. Brown, for any addition -- we just have a question just came in there from Edward Donohue from One Invest.

**Edward Donohue - One Invest - Analyst**

Hi, sorry. While I've got you I'll ask a couple more questions then. With, just with regards to the Asian business, one of the elements that was missing last year was obviously a decline in [good] trade volumes and, therefore, Inspection and Fumigation. What's actually happening on that, specially with regard to your Singapore operations, looking at volumes of trade going through the port of Singapore and the activity levels in the region picking up significantly? You've seen a swing there?

And also with the new management team in place in Asia-Pac, what have they found, positive, or even negative -- hopefully not?

And the other one is just with regard to the new business wins in UK Washrooms. What do you think is the element that is possibly missing? Is that from the sales dynamic on your side or is it the local competition and you're not prepared to compete on the pricing that you're seeing from local operators? Or just clients not looking to just come on board because people are just prepared to still do without? Is it more a macro reflection still or what do you think is the element missing there?

**Alan Brown - Rentokil Initial plc - Chief Executive**

Edward, with regard to Fumigation, we have seen some uptick in our Australian business in particular in the Pest area as trade has started to improve. In Singapore, early days yet. We've got a number of managerial issues in Singapore to sort out, and I haven't seen a marked improvement yet in Fumigation. But we are seeing it in Australia.

**Edward Donohue - One Invest - Analyst**

Okay.

**Alan Brown - Rentokil Initial plc - Chief Executive**

With regard to Asia, I think that the big positive of course is that we have such a broad presence in the business. And the big positive is that we see such huge opportunities for improvement, in particular in the sales area, but also in service delivery where we've got a lot to do. I think in terms of what's actually improving, I'm quite excited about the progress in China where the Commercial business, as opposed to the Government business, is growing very quickly. We've got a management team there and I think that really is important if [you're looking out] four or five years. So that's really quite exciting.

I think we've -- and also, I'm also very pleased with what's happening in Thailand, despite all of the political uncertainty. We took a decision to merge our Pest and Washroom businesses in Thailand under one leadership team, and the performance so far this year has been most encouraging. And I must say, in the other small countries, in Italy where we also merged Pest and Washrooms under one management team, we're also having some success. So I'm quite interested in the development of that model, which, obviously facilitates cross-selling and cost synergies.

So Asia is a bit of [thought] leader for us in some aspects of the business. I think, other than that, I continue to be very pleased with the progress in Australia, which was on the ropes 18 months ago. That business is now going very well, both in Pest and Washroom, though I would still like to see some more growth.



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Now to UK Washrooms, the, I think the -- I would say that the key thing that we are trying to sort out, as always, is self-help. And we think that there's more we can do in terms of the sales dynamic. I think that's the biggest single thing that we can fix. We are not, have not historically been good at aligning our marketing focus, i.e. which customers to target with what propositions with the front line sales effort.

And a lot of the effort going on in the pilots in the West Country is about aligning the marketing insight, the target customers, and the propositions specific to customer sectors, with the sales force effort. And we'll discuss that later on in the year what we're doing and how that's going. But I think that is the single biggest factor that, and if we fix, then we'll really get motoring in the washrooms area. And what will work in the UK will certainly work on the other [markets if] we're able to fix it.

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**Edward Donohue** - *One Invest - Analyst*

If I may ask, if you look at those West Country pilot projects, what has been the uplift on the key KPIs that you're looking at? And when would you look to be rolling out those pilot programs on a broader scale across the rest of the country?

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**Alan Brown** - *Rentokil Initial plc - Chief Executive*

Too early to say. We've been running them for about six weeks, we're trying to adjust them to get (multiple speakers).

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**Edward Donohue** - *One Invest - Analyst*

[Well] okay. [Yes].

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**Alan Brown** - *Rentokil Initial plc - Chief Executive*

What I would certainly say is that we're seeing straight away improvement in retention through being much more proactive with existing customers. There's no doubt about it that the retention rates will improve as a result of what we're doing. What I'm not yet happy about is that we've linked together the marketing, the field sales and the internal sales operations effectively. So it'll take more time to get that sorted out and see if that delivers good numbers.

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**Edward Donohue** - *One Invest - Analyst*

Right. I'm aware of your time to run the business, so this will be final question. On the -- I missed the beginning of the call, I apologize -- but on, just on Facility Service, what is actually going on there? Sorry. I mean the -- that seemed to be a step back, I got the feeling, or am I wrong?

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**Alan Brown** - *Rentokil Initial plc - Chief Executive*

No, I think IFS, we lost a number of contracts during the first half of 2009, which was largely about pricing. There was tremendous pricing competitiveness, and there still is in the retail element I have to say. But the situation will change. We've won a major contract with London Underground, which, and the mobilization I think is going quite well. And that really kicks in from this month actually. So I think IFS as a whole is likely to have a pretty reasonable year. And I'm also quite excited about some opportunities which are emerging to perhaps run IFS more efficiently, but more of that perhaps in another quarter. So I think IFS will have a pretty good second quarter. You will see that coming through because of some major contract wins.



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**Edward Donohue** - *One Invest - Analyst*

Okay. All right, thank you and have a good day. Bye.

**Alan Brown** - *Rentokil Initial plc - Chief Executive*

Thank you.

**Operator**

(Operator Instructions). For your information we have no further questions at this time.

**Alan Brown** - *Rentokil Initial plc - Chief Executive*

Many thanks for joining in, folks. And I hope to talk to you all again in about three month's time. Good bye.

**Operator**

That will conclude today's conference call. Thank you for your participation, ladies and gentlemen.

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