

Rentokil Initial plc

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Our Businesses



Financial Summary

Continuing operations, actual exchange rates	<u>2005</u>	<u>2004</u>	<u>% change</u>
Revenue (£m)	<u>2,301.2</u>	<u>2,181.4</u>	+5.5%
Operating profit ¹ (£m)	308.5	356.4	-13.4%
Interest & Associates (£m)	<u>(53.2)</u>	<u>(51.8)</u>	+2.7%
PBTA ² (£m)	<u>255.3</u>	<u>304.6</u>	-16.2%
Profit before tax (£m)	190.1	256.7	-25.9%
EPS (pence)	7.52p	10.24p	-26.6%
DPS (pence)	7.38p	6.71p	+10.0%
Free cash flow	160.4	241.0	-33.4%

¹ Before amortisation and exceptional items

² Profit before tax, amortisation and exceptional items

Strong Market Positions

Leader in western pest control markets

	Market by size	Rentokil Initial market position
Largest	USA	#4
	UK	#1
	Germany	#1
	Italy	#2
	France	#3
	Spain	#1
	Netherlands	#1

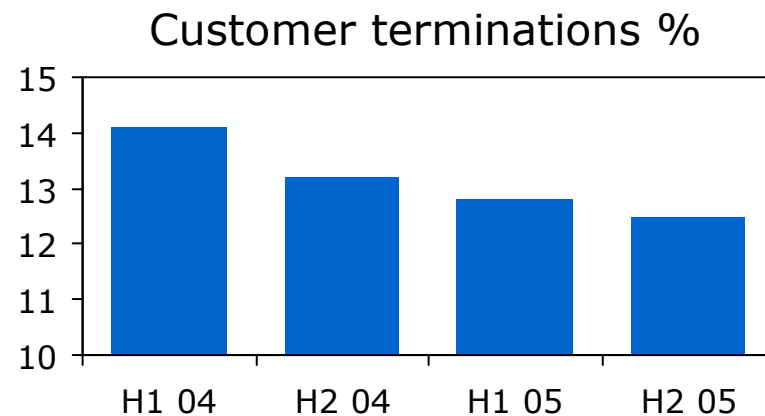
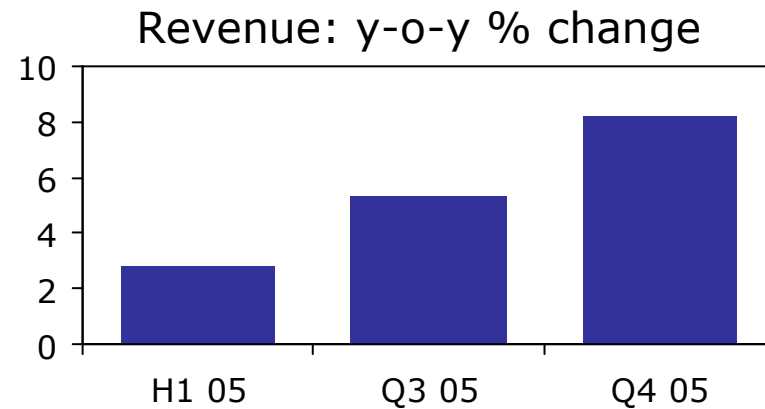
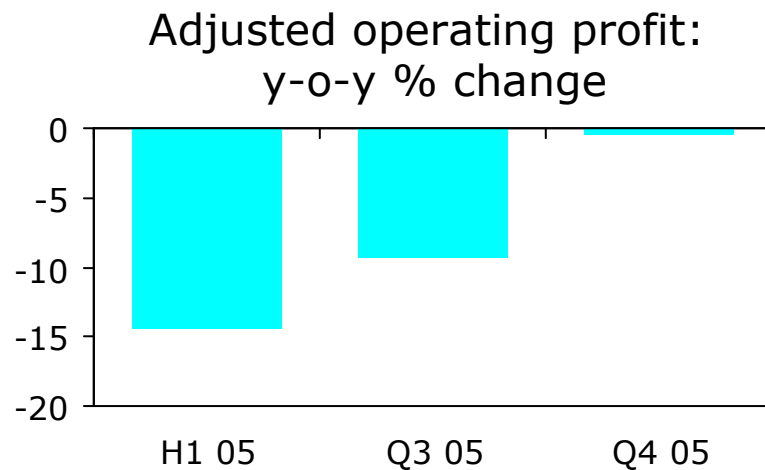
Strong Market Positions

Leader in European textiles and washroom services

	Market by size	Rentokil Initial market position
Largest	Germany	#5
	UK	#2
	France	#2
	Benelux	#1
	Italy	#2
	Spain	#1

Positive Trends

- Revenue trend increasing
- Profit decline decelerating
- Terminations falling



Overview

- ❑ Clear plan set to address deep-set problems
- ❑ Right structure and senior team established
- ❑ Active management of business portfolio
 - sale of Style Conferences
 - closure of UK Linen and Workwear
 - acquisition of JC Ehrlich
 - disposal of Manned Guarding
- ❑ City Link franchise structure addressed
- ❑ Capital structure, including pensions, clarified
- ❑ Operational turnarounds underway
- ❑ Some encouraging trends in the numbers

Solid progress – but a lengthy and difficult process

Strategy for 2005

- Refocus on businesses with potential to create most shareholder value
 - Clear organisational structure
 - Leadership team to deliver priorities
 - Rebuild reputation, service and sales capabilities
 - Improve sales and marketing effectiveness
 - Drive operational turnarounds in critical businesses
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Measuring Success

By the end of 2006

Strategy

- Clearer strategic focus and investment priorities
- Stronger strategic positions

People and Structure

- Properly aligned business structure
- Progressively strengthened management team

Operations

- Performance improvement in priority businesses
 - Improvement in contract retention rates
 - Revenue growing at least at market rates
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Strategy

Clear strategic focus and investment priorities

Actions to date

- Strategy in place following comprehensive review
- Clarification of capital structure, including pensions
- Sale of Style Conferences, closure of UK Linen and Workwear, sale of UK/Canada Manned Guarding
- Removal of corporate clutter

Work in progress

- Investment behind priority businesses
- Plan to improve business processes
- US/Belgium Manned Guarding

Strategy

Plan to improve business processes

Actions to date

- Significant under investment
- Different systems, unsupported languages
- No CRM or call centre capability

Work in progress

- 5 year investment programme
- Single, unified system
- Quality data to support CRM
- Long-term reduction in administration costs (3-5 years)

Strategy

Stronger strategic positions

Actions to date

- US Pest Control – JC Ehrlich
- Bolt-on acquisitions
- Merger of European washroom businesses

Work in progress

- Growth plans for all businesses
- Active and focused acquisition process
- Strategy to enhance competitiveness
- Buy back City Link franchises

Strategy

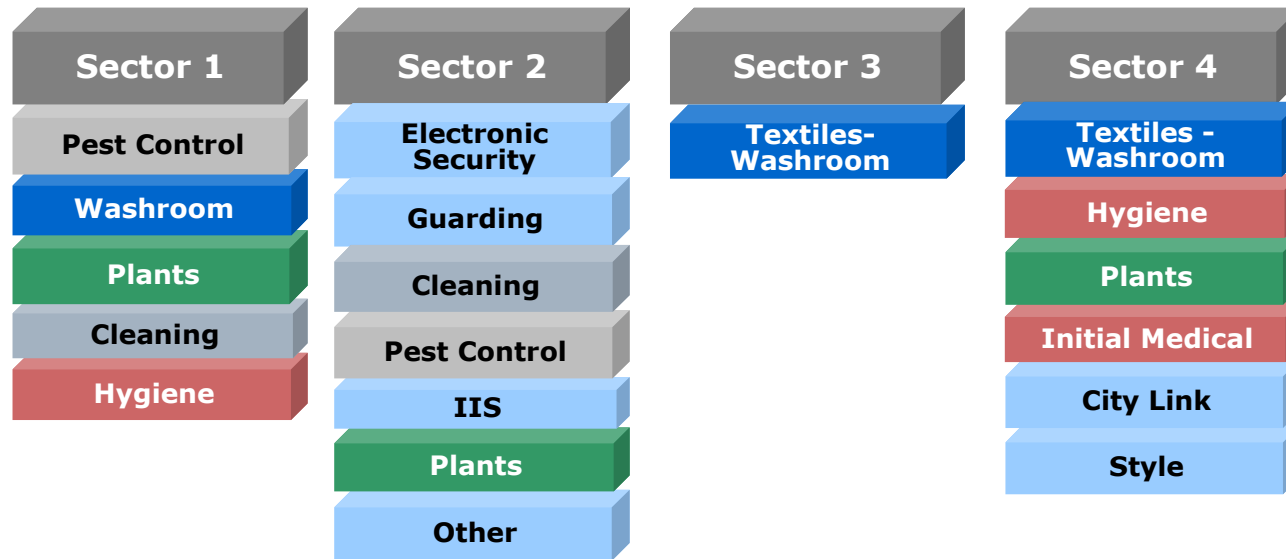
Options around capital structure reviewed

- BBB credit rating
- Steps taken to address pension fund deficit
 - Consultation with active members over closure of UK DB scheme to future accrual
 - Special contribution of £200m in December 2005
 - Total deficit £182.3 million at 31-12-05
- £300m 10-year sterling bond issue March 2006
- Disposal proceeds largely used to fund £200m pension contribution and acquisitions

People and Structure

Properly aligned business structure

OLD



NEW



People and Structure

Progressively strengthened management team

Actions to date

- Recruited 7 senior professionals in 2005
 - CEO
 - CFO
 - HR Director
 - MD of Asia Pacific
 - MD of Pest Control/Plants
 - Head of Strategy/Development
 - Head of Programme Office

Work in progress

- Ongoing management development and recruitment
- Aligning incentives to value drivers
- Clarify roles/responsibilities of head office
- Develop leadership pipeline
- Cultural change

People and Structure

Measures and incentives

Aligning management incentives to drivers of value and delivering turnarounds

- ❑ Properly budgeted bonus scheme aligned to profit and turnover targets
- ❑ Long-term incentive plan for senior managers with performance hurdles split 50/50 EPS and TSR – to go to AGM May 2006
- ❑ Continuing work on aligning bonus with individual and business performance

Operations

Performance improvement in priority businesses

Current position

The plan

UK Pest Control

- Losing market share
- High termination rates



Achieve market growth rates of 3% and stabilise margins by 2007

UK Washroom

- Losing market share
- High termination rates



Achieve market growth rates of 5% between 2006 and 2008, improve margins

France Textiles

- Flawed organisational structure
- Low margins



1% point annual margin improvement for next three years

European Washrooms

- BET/Rentokil businesses not fully integrated



Exceed market growth rates (currently 4%) by 2007 onwards

Operations

Improvement in contract retention rates

Actions to date

- Group-wide contract retention continues to improve
- Fourth successive half of improvement
- Driven by management focus on service delivery and increase in capacity

Work in progress

- Key areas (sales, admin, systems) under development to improve responsiveness to customers
- Incentives driven by more retention
- Account management
- Programme to reduce staff churn

Operations

Revenue growing at least at market rates

Actions to date

- Revenue growth in continuing businesses 6.8% in H1 vs. 2.8% in H2*
- Portfolio growth returning

Work in progress

- Operational turnarounds in priority businesses
- E-marketing development
- Extension of call-centres/other routes to market
- Sales and marketing efficiency/effectiveness being reviewed in all businesses

* At constant exchange rates

Priorities for 2006

Strategy

- Active business portfolio management
- Systematic growth plans for all businesses

People and Structure

- Establish high performance, outward looking, innovative culture
- Develop and upgrade next management level
- Introduce appropriate incentives

Operations

- Improve infrastructure
 - Progress operational turnarounds
 - Return to growth trajectory through sales & marketing effectiveness
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Outlook for 2006

- ❑ Market conditions in Europe unhelpful
- ❑ Improving revenue growth and contract retention
- ❑ Significant one-off costs and organic investment in H1 2006
- ❑ We will not achieve full year underlying PBTA growth before 2007 but expect to exit in a rising trend in underlying PBTA for H2 2006
- ❑ Unlikely to increase dividend in 2006

Conclusion

- Key steps towards recovery taken in 2005
 - top team in place
 - organisation structure aligned to business objectives
 - detailed plans
 - clear strategic objectives
- Implementation underway but pace of progress will vary
- We remain focused on shareholder value