



## Acquisition of Western Exterminator

*September 2012*

**Rentokil**  
The Experts in Pest Control

# Forward looking statements and non-GAAP financial information

This announcement contains statements that are, or may be, forward-looking regarding the group's financial position and results, business strategy, plans and objectives. Such statements involve risk and uncertainty because they relate to future events and circumstances and there are accordingly a number of factors which might cause actual results and performance to differ materially from those expressed or implied by such statements. Forward-looking statements speak only as of the date they are made and no representation or warranty, whether expressed or implied, is given in relation to them, including as to their completeness or accuracy or the basis on which they were prepared. Other than in accordance with the Company's legal or regulatory obligations (including under the Listing Rules and the Disclosure and Transparency Rules), the Company does not undertake any obligation to update or revise publicly any forward-looking statement, whether as a result of new information, future events or otherwise. Information contained in this announcement relating to the Company or its share price, or the yield on its shares, should not be relied upon as an indicator of future performance. Nothing in this announcement should be construed as a profit forecast.

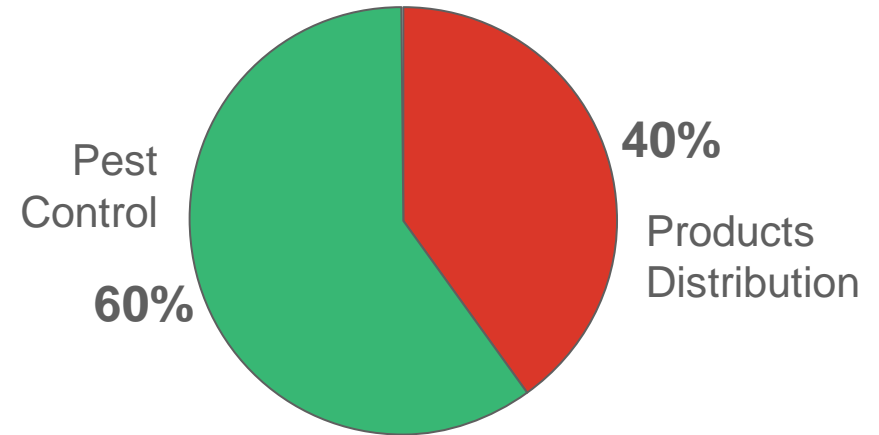
# Transaction overview

- Rentokil Initial plc has entered into a definitive Asset Purchase Agreement to acquire Western
- Western is a leading Pest Control business and distributor of speciality chemical Products based in California
- Total cash consideration of \$114.6m, \$99.6m upfront with a deferred consideration of up to \$15m payable within 18 months, subject principally to working capital adjustments and warranty and indemnity provisions.
- Anticipated Closing: Q4 2012, subject to regulatory approval



- Operates through two divisions:
  - Pest control – has served California, Arizona and Nevada for over 90 years
  - Products – a distributor of specialty chemicals has been operating for over 40 years and serves the West Coast, Central and South Western regions of the US
- Key financials: EBITA of \$4.1m<sup>(1)</sup> on revenues of \$149.0m<sup>(1)</sup>. Total book value of gross assets acquired \$36.7m
- Headquartered in California: Anaheim (Pest Control) and Santa Fe Springs (Products)
- 970 employees

### 2011 Revenue by Division<sup>(1)</sup>



#### Pest Control

- One of the largest family owned US Pest Control businesses
- Very well known brand
- 36 offices in California, Nevada and Arizona
- Portfolio ~50%/50% Commercial vs Residential

#### Products

- Recognised for integrity, quality of training and regulatory staff
- 13 locations, mostly in California and Texas
- Portfolio ~63%/37% Pest vs Turf & Ornamental

<sup>(1)</sup> Excludes revenue and EBITA impact from customers serviced by the Copesan network that are not attributable to the business being acquired

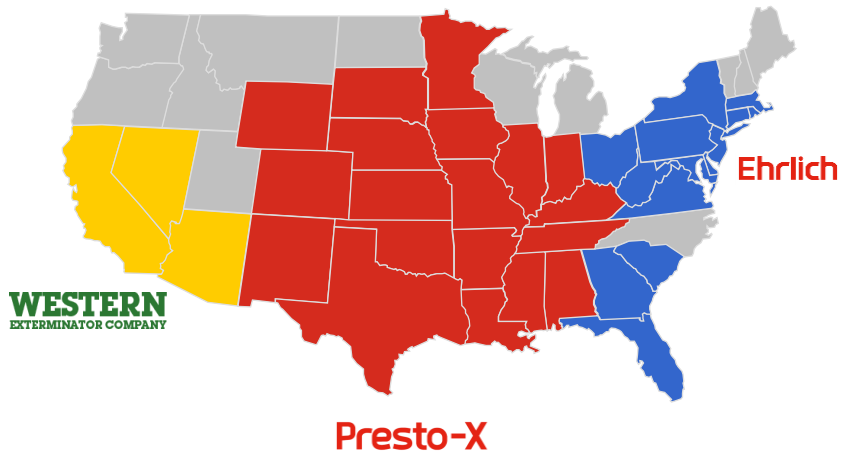
# Strategic rationale

- Builds a nationwide business across North America for scale and national accounts
  - Significantly increases footprint in the world's largest Pest Control market (North America is ~50% of the ~£9bn Global Pest Control market)
  - Entry into three large and high demand pest control states: 46m people and a £0.9bn market
  - Enables nationwide coverage for Pest Control service customers: national accounts represent >30% of the US commercial market vs 10% of our current business in North America. Combined total pro-forma 2012 revenues ~\$330m
  - Additionally, its Products division, which extends into the central area of the US, facilitates nationwide specialty chemical distribution capability. Combined total pro-forma 2012 revenues ~\$90m
  - Creates third largest pest control company in North America
- Opportunity to significantly increase profitability by leveraging Rentokil's sales and operational management competencies to bring Western performance into line with the existing US business
- Financially attractive: delivers IRR consistent with Group targets, and EPS accretive in year 1
- Shared cultural beliefs: a passion to deliver excellent service to all our customers, valuing long-lasting relationships and working together with colleagues and customers to deliver great results

# Impact of Western on coverage in North America

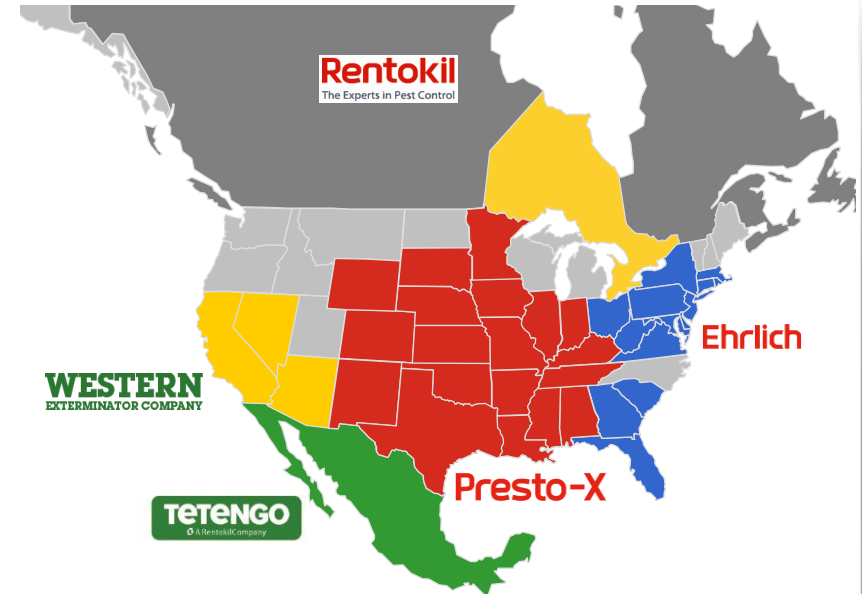
## Strong Regional Brands Aligned to the Rentokil Framework

### Building Our US Coverage



- Impact on US Footprint
  - Commercial rising from 31 to 34 states
  - Residential from 8 to 11 states
- Coverage from 75% to 89% of population
  - Now a national player
  - Partners in place for remaining states

### Extending Our North American Footprint



- Commercial coverage across NAFTA
  - Covers nearly all major centres for food manufacturing and urban populations
- Rentokil brand for national accounts
- Products Distribution business also operates in Texas, Oregon and Oklahoma

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# Western fits our acquisition strategy

Acquisition Strategy Set Out At November 2011 Investor Seminar

## Acquisition Prioritisation

High	<b>Core Focus</b> US, Canada & Mexico	<b>New Entry</b> Latin America Middle East, North Africa & Turkey
	<b>Avoid</b> Russian Federation Other CIS Central Africa	<b>Opportunistic</b> Western Europe
Low	Low	High

Potential for relative market share

## M&A Strategy

### Objective

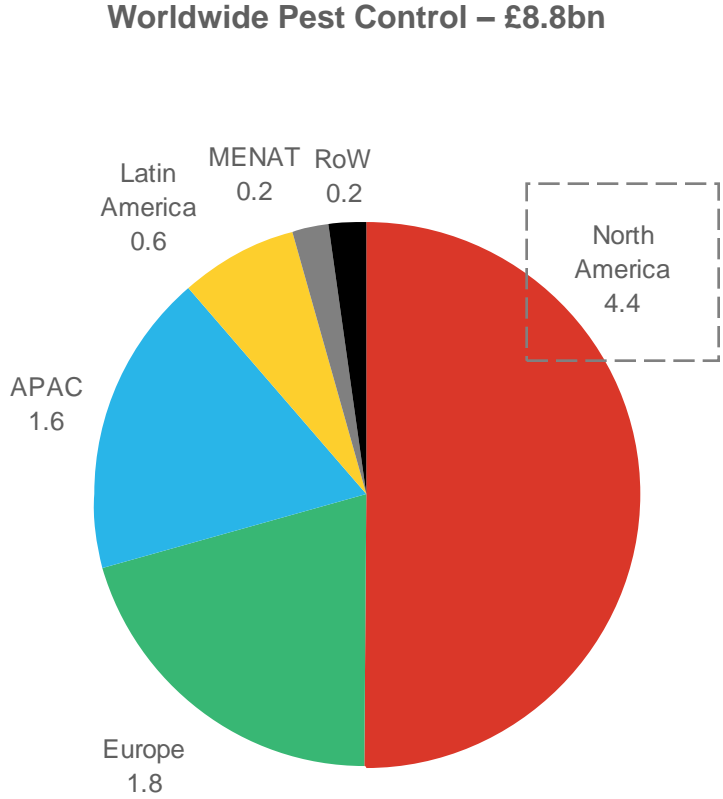
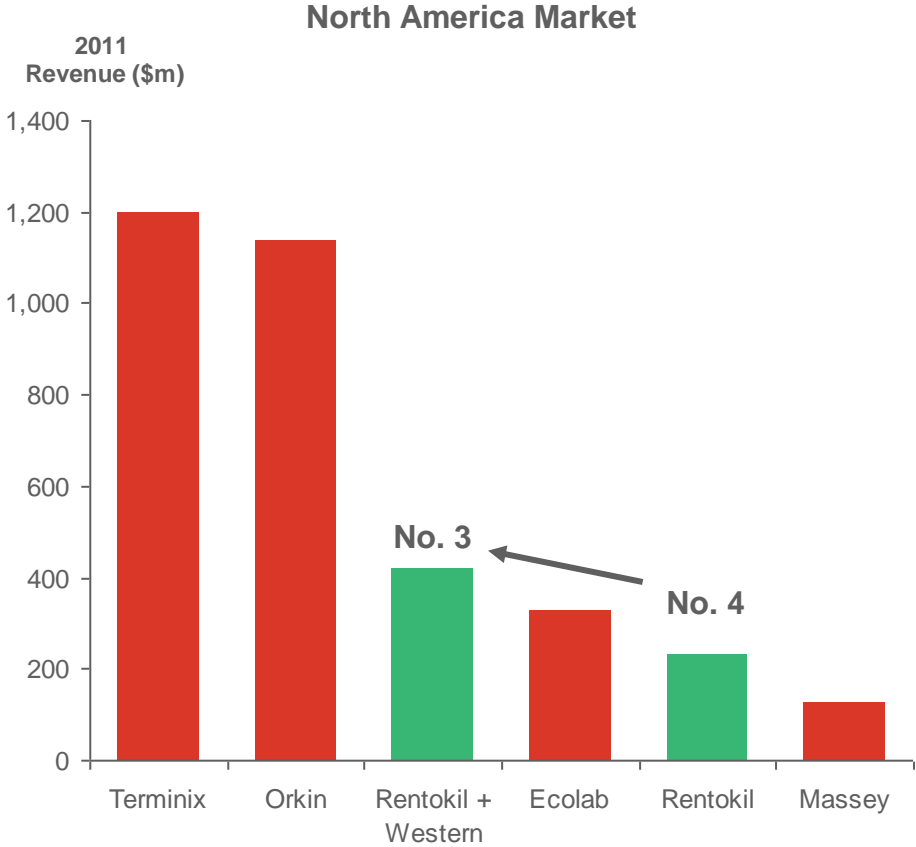
- Build nationwide business across North America for scale and national accounts
- Establish lead positions in emerging markets for mid to long-term growth
- Consolidation in Europe to reinforce lead

### Market Selection Criteria

- GDP growth prospects
- Macroeconomic & political stability
- FDI benchmarks
- Climate / pest burden
- Entry of strategic customers (e.g. Food & Beverage or branded hospitality)

# Rentokil now No. 3 in North America Pest Control Market

*Significant headroom for growth remains*








Source: Multiple Sources, Internal Estimates, Using Oct 2011 Exchange Rates to GBP  
 Note: Excludes public sector provision and vector control  
 Rentokil and Western combined pro-forma annualised 2012 revenues for Pest Control and Products



# Rentokil's North America growth has been through strong organic growth and successfully integrated acquisitions...

...we will deploy commercial and operational management competencies to bring Western's performance into line with NAPC

	2005	2006	2007	2008	2009	2010	2011	2012
Acquisitions								
	1 bolt-on acquisition	Plus 5 bolt-on acquisitions	Plus 5 bolt-on acquisitions	Plus 7 bolt-on acquisitions	3 bolt-on acquisitions	3 bolt-on acquisitions	Plus 4 bolt-on acquisitions	Plus 3 bolt-on acquisitions
Revenue Growth	\$27m	\$146m	\$174m	\$218m	\$227m	\$239m	\$250m	\$420m*
			+6.6%	+3.1%	+2.8%	+4.6%	+4.5%	n/a
			+19.2%	+25.3%	+4.1%	+5.3%	+4.6%	+68%

\* Total combined pro-forma 2012 revenues