Rentokil Initial

2021 Interim Results

A strong performance in H1. All core businesses returning to growth. Excellent M&A in Q2. Full year market consensus expected to increase by c.£10m to c.£15m

Results £m	H1 2021 AER	Growth AER	CER
Ongoing Revenue[1]	**1,458.3**	**13.6%**	**18.3%**
Revenue	**1,462.7**	13.3%	18.0%
Ongoing Operating Profit	**208.4**	50.1%	55.4%
Adjusted Operating Profit	**208.6**	50.1%	55.3%
Adjusted profit before tax	**194.0**	**54.5%**	**60.0%**
Profit before tax	**148.8**	141.2%	146.4%
Free Cash Flow	**222.0**		
Adjusted EPS	**8.31p**	**56.7%**	**61.5%**
EPS	**6.42p**	153.1%	161.4%

2021 Interim Highlights (at CER unless otherwise stated)

- **18.3% growth in Ongoing Revenue, 11.7% Organic** (Q1: 15.4%, Q2: 21.2%): reflecting momentum in our core businesses in H1 and double-digit Organic growth across all regions and core categories in Q2, as we lapped a significantly COVID-impacted Q2 in 2020
  - 18.7% growth in **Pest Control**, +8.5% Organic, reflecting further progressive improvements in North America, Asia and Pacific and an encouraging return to Organic growth in Q2 in Europe, LatAm and UK & Rest of World. The category has delivered 20% revenue growth on H1 2019
  - 9.3% growth in **core Hygiene** (ex. disinfection), +9.0% Organic, aided by return to more normalised levels of regular service provision as lockdown restrictions eased across many of our markets
  - £98.3m revenues from disinfection (Q1: £75.7m, Q2: £22.6m), reflecting expected tapering
  - 4.6% growth in **Protect & Enhance**, +3.9% Organic, with all four businesses (France Workwear, Ambius, UK Property Care and Dental Hygiene Services) returning to Organic growth in Q2
- **55.4% growth in Ongoing Operating Profit:** reflecting broad-based growth in all major reporting countries, regions and categories. Statutory profit before tax up 141.2% to £148.8m (at AER)
- **Very strong Free Cash Flow of £222.0m in H1 (151% conversion):** customer collections remain strong, no material escalation in bad debts or major insolvencies
- **Continued roll-out of PestConnect in H1: 38%** increase in customer sites and 32% increase in devices in the field, with over 200,000 devices now deployed globally across 28 markets (including new markets of China, Hong Kong and United Arab Emirates)
- **Growing customer interest in air hygiene products and services:** encouraging progress with sales of Inspire Air72 and VIRUSKILLER™; significant progress in Asia and the UK, with key hygiene partnerships signed in H1, including the UK's O2 arena
- **An excellent M&A performance year to date:**
  - 24 completed acquisitions in H1 – 21 Pest Control, 2 Hygiene, 1 Protect & Enhance (Ambius) – in 13 countries across all regions, including 8 in North America and 7 in Europe
  - Agreement to enter into a merger and acquisition transaction with Boecker World Holding SAL (Boecker), a leading pest control and environmental health business in the Middle East, operating across the UAE, KSA, Jordan, Kuwait, Lebanon, Nigeria and Qatar, with acquired annualised revenues in the year prior to purchase of c.£37m
  - Total annualised revenues in the year prior to purchase of £147.7m* for businesses acquired in H1, Boecker (due to complete on 2 August) and EPS (which completed in December 2020)
  - Actual cash spend in H1 against current and prior-year acquisitions of £261.1m
  - Full year expenditure on M&A now anticipated to be in the region of £450m to £500m
- **Liquidity headroom in excess of £1.0bn at 30 June,** including £550m of undrawn RCF. Net debt to EBITDA ratio 1.67x (31 December 2020: 1.6x)
- **Declared interim dividend of 2.09p per share,** reflecting strong H1 and confidence in H2

*EPS revenues were quoted in the 2020 Preliminary results statement, but are included again here for comparability with cash paid in January 2021.

Andy Ransom, CEO of Rentokil Initial plc, said:

"We have made excellent progress in the first six months of the year. Our revenue growth of 18.3% demonstrates a clear recovery of our core businesses as economic conditions improve across many of our markets. We have also delivered a very strong cash performance in H1 with Free Cash Flow conversion of 151%, aided by collections some 26% ahead of prior year.

"We have been very active in M&A in H1 and have acquired some outstanding businesses both in North America and across our other regions of Europe, Latin America, Asia and the Pacific. We are particularly pleased to announce our transaction with Boecker which expands our businesses across the Middle East and in Africa, in line with our strategy of focusing on important growth cities of the future. Given the strength of our performance in Q2, we now expect our spend on M&A for the full year to be in the region of £450m to £500m.

"We delivered a strong performance in H1, slightly ahead of our expectations, and given the momentum in the business and agility demonstrated through the pandemic to date, we are confident of making continued progress in the balance of the year. Assuming trading conditions around the world continue to improve and are not significantly impacted by rising cases of new COVID-19 variants, we anticipate mid-single digit organic growth in our core businesses for 2021 and, despite the anticipated tapering off in disinfection presenting more challenging comparatives in the second half, we expect market consensus for full year adjusted pre-tax profit to increase by around £10m to £15m."

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A presentation of the Company's 2021 Interim results will be held today via a webcast at 9.00am. To access the webcast, please go to our website, www.rentokil-initial.com.

The formal presentation of results will be followed by Q&A at 10.00am. To join, please dial:

From the UK: 020 3936 2999

All other locations: +44 203 936 2999

Access code: 537792

An operator will register your details and, should you wish to ask a question, will put you through in turn. Alternatively, to listen only, please either remain on the webcast until 10.00am, or dial back in once again at start time.

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1. Ongoing Revenue represents the performance of the continuing operations of the Group (including acquisitions) after removing the effect of disposed or closed businesses.

AER – actual exchange rates; CER – constant 2020 exchange rates

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 Guidance 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.

Non-GAAP measures – This statement includes certain financial performance measures which are not GAAP measures as defined under International Financial Reporting Standards (IFRS). These include Ongoing Revenue, Ongoing Operating Profit, Adjusted profit before tax, Free Cash Flow and Adjusted EPS. Management believes these measures provide valuable additional information for users of the financial statements in order to understand the underlying trading performance. Ongoing Revenue and Ongoing Operating Profit represent the performance of the continuing operations of the Group (including acquisitions) after removing the effect of disposed or closed businesses, and enable the users of the accounts to focus on the performance of the businesses retained by the Group, and that will therefore contribute to the future performance. Ongoing Operating Profit and Adjusted profit before tax exclude certain items that could distort underlying trading performance, including one-off charges, amortisation and impairment of intangibles and net interest adjustments. Ongoing Revenue and Ongoing Operating Profit are presented at CER unless otherwise stated. An explanation of the measures used along with reconciliation to the nearest IFRS measures is provided in Note 14 on page 27.

Joint ventures: the term 'joint venture' is used to describe the Company's 57% ownership of Rentokil PCI, however our interest in PCI has been consolidated in our Financial Statements.

Summary of financial performance (at CER)

Regional analysis of revenue performance in Q1, Q2 and H1 vs. 2020

	Ongoing Revenue at CER					
	Q1 £m	Q2 £m	H1 £m	Q1 % change	Q2 % change	H1 % change
France	72.9	75.3	148.2	(3.0)	29.9	11.3
Benelux	23.1	24.0	47.1	(0.7)	5.0	2.1
Germany	29.4	30.2	59.6	10.3	2.4	6.2
Southern Europe	36.9	37.9	74.8	8.7	12.8	10.7
Latin America	15.9	15.3	31.2	18.1	16.7	17.4
Total Europe	**178.2**	**182.7**	**360.9**	**3.3**	**16.4**	**9.5**
UK & Ireland	72.2	83.8	156.0	(6.7)	40.5	13.8
Rest of World	39.8	40.0	79.8	1.9	11.5	6.5
UK & Rest of World	**112.0**	**123.8**	**235.8**	**(3.8)**	**29.6**	**11.2**
Asia	**63.1**	**61.9**	**125.0**	**2.1**	**13.2**	**7.4**
North America	**332.6**	**361.5**	**694.1**	**39.4**	**22.1**	**29.8**
Pacific	**48.3**	**48.4**	**96.7**	**3.0**	**24.8**	**12.9**
Ongoing operations	**734.2**	**778.3**	**1,512.5**	**15.4**	**21.2**	**18.3**

Category analysis of revenue performance in Q1, Q2 and H1 vs. 2020

	Ongoing Revenue at CER					
	Q1 £m	Q2 £m	H1 £m	Q1 % change	Q2 % change	H1 % change
Pest Control	**447.1**	**528.8**	**975.9**	**10.5**	**26.6**	**18.7**
– Growth	384.5	465.4	849.9	12.3	25.8	19.3
– Emerging	62.6	63.4	126.0	0.7	32.6	14.6
Hygiene	**205.5**	**161.9**	**367.4**	**48.5**	**4.1**	**25.0**
– Core Hygiene	129.8	139.3	269.1	(6.2)	29.2	9.3
– Disinfection	75.7	22.6	98.3	–	(52.5)	105.9
Protect & Enhance	**81.6**	**87.6**	**169.2**	**(12.3)**	**27.4**	**4.6**
Ongoing operations	**734.2**	**778.3**	**1,512.5**	**15.4**	**21.2**	**18.3**

Revenue (at CER)

The Group delivered an excellent revenue performance in H1, with very strong growth in Q2 as we lapped a significantly COVID-impacted Q2 2020. H1 Ongoing Revenue rose 18.3%, 11.7% Organic (Q1: 15.4%, Q2: 21.2%) to £1,512.5m, and Total Revenue grew by 18.0% to £1,517.0m (up 13.3% at actual exchange rates). Our North America, UK & Rest of World and Pacific regions delivered double-digit revenue growth in H1, aided by increasingly favourable market conditions as the COVID crisis impacts on these markets eased. H1 revenue growth in Europe and Asia (at 9.5% and 7.4% respectively), has been impacted to some extent by reintroduced lockdowns across parts of Europe and by continued challenging conditions in parts of Latin America and Asia.

Our **Pest Control** category grew Ongoing Revenue by 18.7% (8.5% Organic) to £975.9m, reflecting further quarterly performance improvements in North America, Pacific and Asia and a return to Organic growth in Q2 in Europe, Latin America and UK & ROW. Q1 Organic Revenue rose by 1.4% and Q2 Organic Revenue rose by 15.5%.

Core Hygiene revenues (excluding disinfection) grew by 9.3% (9.0% Organic) to £269.1m in H1, demonstrating a return to more normalised levels of service provision as lockdown restrictions have eased across many of our markets. Q1 Organic Revenue declined by 6.5% and grew by 29.0% in Q2. Overall performance has, however, been somewhat held back by ongoing government restrictions across parts of Europe and Asia where customer re-openings are behind North America, the UK and the Pacific. By the end of June, service provision to just under 4% of Hygiene customer premises remained suspended, compared to 4.4% at the end of 2020.

H1 revenues from one-time disinfection services amounted to £98.3m, £75.7m of which was generated in Q1 and £22.6m in Q2 (a c.70% reduction on Q1 and c.77% reduction on Q4 2020). Sales of disinfection have trended fully in line with our expectations and market guidance. Full year revenues from disinfection are anticipated to be in the region of £110m to £120m.

Ongoing Revenue in our **Protect & Enhance** category rose by 4.6% (3.9% Organic) to £169.2m with all four businesses (France Workwear, Ambius, UK Property Care and Dental Waste Services) returning to Organic growth in Q2. Q1 Organic Revenue declined by 12.8% and grew by 26.4% in Q2. In France, lockdowns began to ease in May with fewer restrictions on restaurants and as a result, we have seen an improving performance from our France Workwear business. While this is encouraging, as-used volumes (where the customer only pays for specific garments laundered) are still behind pre-COVID levels, impacted by ongoing temporary customer suspensions, which were c.1.25% at the end of June. We expect volumes to improve in H2 as restrictions hopefully ease further across France and more customers, particularly in the HORECA sector, are able to fully reopen.

Profit (at CER)

Ongoing Operating Profit rose by 55.4% during the first half to £215.9m, reflecting growth across all major reporting countries, regions and categories. Profit in H1 has also been supported by £6.0m of bad debt provision releases and £5.0m of revenue provision releases as a result of our strong cash collections performance in H2 2020 continuing into the first half of 2021. This has resulted in a 340 basis points increase in Net Operating Margins to 14.3%. Restructuring costs amounted to £4.1m at CER (H1 2020: £5.1m), consisting mainly of costs in respect of initiatives focused on our North America transformation programme.

Adjusted profit before tax (at AER) of £194.0m which excludes the impact of one-off items, increased by 54.5%, and reflects growth in all regions and categories. Adjusted interest of £19.1m at actual exchange rates was £1.4m higher than in the prior year, due to higher swap costs of £2.4m due to larger cash balances held in the period between the raising of the 2028 €600m bond in October 2020 and the settling of the 2021 bond in July 2021.

One-off items (operating) of £11.3m in H1 includes £10.5m of acquisition and integration costs and £0.8m of other items, including faulty PPE disposal charges.

Statutory profit before income tax from continuing operations at AER was £148.8m (H1 2020: £61.8m), an increase of 141.2% on the prior year.

Cash (at AER)

Free Cash Flow increased by £78.5m to £222.0m, delivering Free Cash Flow Conversion of 151% for the half. The increase was principally driven by a £69.6m increase in Adjusted Operating Profit and a £44.5m improvement in working capital. Cash spend on current and prior year acquisitions in H1 totalled £261.1m.

We have continued to maintain a tight focus on working capital management in order to optimise inventory levels and to mitigate any potential increased risk around the delay and non-payment of receivables. In the first six months of the year, collection of receivables has been strong and our collection rate by the end of June 2021 was up 26% on the prior year, with some variation across the regions.

Regional performance review

Due to the international nature of the Group, foreign exchange movements can have a significant impact on regional performance. In order to help understand the underlying trading performance, unless otherwise stated, percentage movements in Ongoing Revenue and Ongoing Operating Profit are presented at constant exchange rates.

North America

North America was our best performing region in the first six months of 2021, with revenue growth driven by a recovery in all businesses and a progressive return to more normalised trading patterns.

We have seen good growth in our Residential Pest Control portfolio (which represents 36% of our North America Pest Control business), from both 2020 and 2021 acquisitions as well as from continued marketing and sales focus. Residential grew by 27.8% in H1, aided by a continuation of the work from home business environment. Our acquisition of EPS, which completed on 1 January 2021, is performing strongly and we are benefiting from the business's Residential concentration in three important markets – Florida, Georgia and North Carolina.

Our Commercial Pest Control business (64% of our Pest Control business) grew by 23.2% in H1, aided by good volumes of work across most markets, including the recovering hotels and travel sector, and we are also seeing encouraging improvement in areas such as bed bugs, where travel is gradually returning to pre-pandemic levels. We anticipate a good rebound in the Hospitality sector when restrictions hopefully ease further in H2. Our distribution business has also had a strong H1 and reflects the recovery of the Pest Services sector and the continued high demand for lawn, golf and turf products.

Revenues in H1 have also been supported (primarily in Q1) by ongoing disinfection sales and, as expected, these significantly reduced in Q2 as COVID-related market conditions improved. Hygiene sales focus is now being directed towards hand and air disinfection products, including our VIRUSKILLER™ product.

Q2 has also benefited from a recovery of our other commercial businesses. Brand Standards (which was significantly impacted in 2020 by temporary customer closures in the fast food sector), saw a return to regular trading with ~95% of customers by the end of June and our Ambius operations also returned to pre-pandemic trading levels, delivering growth of 17.3% on the prior year.

Ongoing Revenue in North America grew by 29.8% to £694.1m in H1 (Q1: 39.4%, Q2: 22.1%), of which 15.5% was Organic. Revenues from total Pest Control (including Distribution and Lake Management) increased by 24.8% to £595.8m, with Pest Services revenue increasing by 20.6%, reflecting good demand from both Commercial and Residential customers. Total revenues from disinfection in H1 amounted to £64.3m (Q1: £53.2m, Q2: £11.1m). Ongoing Operating Profit growth of 54.6% at £107.4m reflects revenue growth across all businesses and the contribution from disinfection services. The region acquired seven businesses in the first half with combined annualised revenues of c.£29m in the year prior to purchase.

We continue to make progress towards 18% margins in North America, growing this by 250 basis points in H1 2021 to 15.5% (H1 2020: 13.0%). This is a result of the gradual return to more normal levels of growth from our core North American operations as described above, a further contribution from disinfection (albeit at lower margins than in 2020 as volumes and prices unwind), together with cost savings and the benefits from our IT-enabled Best of Breed programme. We continue to expect North America margins to be within the range of 16.5% to 17% for the full year 2021, leaving us on track to achieve our 18% margin target by the end of 2022.

Our IT re-platforming programme is proceeding well and according to plan. We migrated our West region to the new service planning and management system at the end of last year, began the migration of our Southeast and Central operations in H1, and plan to transfer the Northeast operations onto the system at the end of the year. Progress to date is good and we are seeing encouraging improvements in customer service, field service and sales productivity, and better management of payments.

With National and State Government support continuing, we have seen little change in customer termination rates, which remain within normal ranges. Overall customer retention is in line with 2019 and we anticipate further improvements in H2. While we have seen some inflationary pressures on our cost base, to date we have been able to pass these on through annual price increases (APIs) to our customers, in line with our normal policy. Although we are seeing signs in the US economy of potential wage pressures, we have not yet seen a broad impact on wages across our operations. North America overall colleague retention has trended down by a couple of percentage points on pre-COVID levels as new employees who joined the business at the height of the pandemic in 2020 leave to seek preferred employment. While we still have some areas that present greater challenges in attracting good people, we are seeing ongoing success with our virtual recruiting events, with applicants per vacancy and time to fill vacancies improving year on year as enhanced unemployment benefits fall away and more people return to the workforce.

Europe

Our Europe region has experienced mixed market conditions in the first half of the year as a result of the ongoing COVID pandemic. Continued lockdowns across some countries in Europe and also in Latin America has resulted in c.10% of customers who have either remained closed or are requesting reduced services, with core Hygiene service provision the most impacted service. While trading is returning to more normal levels, full recovery remains dependent on vaccination programmes, country-specific reopening plans (particularly for the HORECA sector), the pace of tourism return (specially in southern Europe) and employee return to the office.

Ongoing Revenue Growth in Pest Control grew by 10.1% in H1, (Q1: up 0.6%, Q2: up 20.6%), with a stronger recovery being impacted by continued lockdowns across parts of Europe and Latin America and poor weather in Q2 (which has delayed the emergence of pests such as wasps, bees and mosquitoes). Organic Pest Control jobbing work in Europe was 3% higher than in 2019, aided by increased demand for bird control and bed bugs.

Our core Hygiene operations (excluding disinfection) grew by 10.6% (Q1: -0.9%, Q2: 24.7%) reflecting a recovery in core service provision. Current sales campaigns are focused on customers return to work, school and venues and also on expanding our product and service range to include air hygiene. In France, lockdowns began to ease in May with fewer restrictions on restaurants and as a result, we have seen an improving performance from our France Workwear business, although as-used volumes are still behind pre-pandemic levels. We expect volumes to improve in H2 as restrictions hopefully ease further across France and more customers, particularly in the HORECA sector, are able to fully reopen.

In H1, we introduced air purification services in Europe and also launched our VIRUSKILLER™ product with a focus on the Nursing home, Education, Healthcare and offices sectors. Our Ambius business is supporting customer requirements to adhere to social distancing rules by the provision of green walls and planted room dividers. In addition, our France Hygiene business is included in a pilot program to provide specialised hand sanitiser units tailored to cope with high volumes of passenger traffic on a busy bus network in Paris.

Regional Ongoing Revenue grew by 9.5% in H1 (Q1: 3.3%, Q2: 16.4%), of which 7.6% was Organic, reflecting softer comparatives in Q2 and a much improved performance in France (11.3%), southern Europe (10.7%) and Germany (6.2%). Latin America grew revenues by 17.4%. Pest Control grew by 10.1% while core Hygiene (excluding disinfection) rose by 10.6%. Ongoing Operating Profit grew by 40.0%, reflecting 234% growth in France, 7.9% growth in Germany, a 54.7% improvement in southern Europe and 51.3% growth in Latin America. As expected, revenues from disinfection (Q1: £12.7m, Q2: £7.3m) significantly reduced during the period and are expected to unwind further in H2. Net Operating Margins for the Europe region increased by 380 basis points to 17.6%. The region acquired nine businesses in H1 – seven of which were in Europe and two in Latin America – with annualised revenues of c.£12m in the year prior to purchase.

We have not seen any evidence of increased customer insolvencies across Europe and Latin America in 2021, which are currently at lower rates than in 2019. However, we will continue to monitor this situation as government support programmes end in a number of our countries in Q3 and particularly in Q4. We have passed on APIs in line with normal pricing policy to our Pest Control and Workwear customers in H1, while Hygiene has lagged a little due to variable demand for consumables which are often included within a Hygiene contract. sales and service colleague retention rates continue to be very high across the region at mid-90% levels, with both service and sales colleagues trending slightly ahead of 2019.

UK and Rest of World

Trading conditions in our UK and Rest of World operations, which were severely impacted by full economic lockdowns throughout Q1, improved significantly in April, May and June as a result of continued progress with the UK's vaccination programme and subsequent easing of restrictions, leading to a strong rebound in performance in Q2 across all business categories. Our Rest of World operations have also demonstrated great resilience in H1 despite wide ranging lockdowns causing continued disruption to trading conditions, particularly in the Caribbean.

The UK has been the primary market in the region to relax lockdown rules in H1 and a number of key actions taken in 2020 are contributing to the strength of our performance this year. These include accelerating the pace of our service differentiation, innovation and digital marketing programmes and implementing a number of significant technology-enabled business and cost programmes. The core volume of customer portfolio of our businesses has largely returned to pre-pandemic levels and new customer pest control enquiries are trending broadly 5% to 7% higher than before the crisis, aided by the introduction of AI Bots and Webchat tools across our websites and a strong recovery of existing customer demand for additional services.

Building on last year's success, roll-out of our PestConnect product and service has continued at pace in H1 as we install more units across more customer sites in the UK. We are equally encouraged by the performance of all our core Hygiene operations (including Washrooms, Medical and Specialist Hygiene) which delivered revenue growth of 11.3% in H1 (Q1: -11.7%, Q2: 42.0%). Our UK Property Care business also returned to growth in H1, benefiting from strong domestic customer demand for our services as a result of continued strength in the UK residential housing market, combined with signs of recovery in the commercial property market, and leading to overall revenue growth of 59.0%. Our Ambius business has delivered an improving performance Q2 on Q1 (Q1: -15.0%, Q2: 24.7%) reflecting some easing of restrictions, although demand is still dampened by the continued closures of major office spaces. Sales of disinfection treatments in the UK and Rest of World countries have reduced, as expected, given the improvement in COVID-related market conditions.

Ongoing Revenue for the UK and ROW region increased by 11.2% (Q1: -3.8%, Q2: 29.6%) of which 10.6% was Organic, with UK and Ireland Pest Control and Hygiene (excluding disinfection) growing by 5.2% and 14.7% respectively, and ROW Pest and Hygiene operations (excluding disinfection) growing by 10.9% and 1.3% respectively. Regional Ongoing Operating Profit increased by 50.8% in H1, reflecting higher revenues and a 650 basis points improvement in Net Operating Margins to 24.9%.

Regional cash performance has been strong in H1, with debtor days outstanding approaching pre-pandemic levels and with no significant escalation in bad debt or customer insolvencies. In the UK, we have seen some inflationary increases on both wages and certain products, both of which have been largely mitigated through service restructures and customer price increases. The UK employment market rebounded strongly in Q2 creating a competitive employment environment, however the strength of our recruitment model, together with the reputation of our in-house training academy, apprenticeship programmes and graduate schemes, has resulted in overall colleague retention and recruitment being in line with pre-pandemic levels.

Asia

Our Asia region has delivered an improving performance during H1 but real recovery is being held back by rising COVID cases across a number of key markets, notably Malaysia and Indonesia. Both Pest Control and Hygiene are being impacted by the ongoing pandemic, however disinfection sales – which have remained at levels similar to Q1 2021 and Q4 2020 – continue to provide a hedge to disruption to core service provision. Our operations in other countries, notably China, which are benefiting from higher vaccination rates, are performing more strongly. We are actively promoting air hygiene across our markets, with the recent launch of VIRUSKILLER™ being well received, particularly in Hong Kong and Singapore which together have generated c.£550,000 of revenues in Q2.

Regional Ongoing Revenue rose by 7.4% in H1 (Q1: 2.1%, Q2: 13.2%), of which 7.1% was Organic. Ongoing Operating Profit increased by 14.6%. Net Operating Margins for the Asia region increased by 70 basis points to 10.8%. Asia acquired one Pest Control business in H1 in Singapore with annualised revenues in the year prior to purchase of c.£0.6m.

We are yet to see any evidence of an escalation in bad debts and customer insolvencies in H1. APIs have been straightforward for those customers who are trading well although more difficult to pass through for customers who are still facing challenging conditions from the COVID-19 crisis. Colleague retention has remained high in H1 at just under 90%, with both front-line service colleague retention and sales colleague retention trending ahead of pre-COVID 2019 levels.

Pacific

Our core business recovery is going well in the Pacific region, with Australia and New Zealand performing in line with our expectations, although Fiji continues to be impacted by the suspension of international and domestic flights to the country and its associated impact on tourism. Despite intermittent lockdowns being experienced in most parts of the region as the government seeks to contain arrival of the Delta variant, containment of the COVID-19 virus has been well managed through border restrictions and mandatory quarantine for returning residents. In addition, a focus on disease prevention through hand sanitisation, rather than post-outbreak treatments, has meant that only nominal disinfection sales were recorded in H1.

Demand for Pest Control services has been strong in H1 for services spanning Residential, Commercial, birds and fumigation. While the recent mouse plague in Australia has had a devastating impact on the farming community in New South Wales, it has not had a material impact on our business. In Hygiene, core service provision is recovering well and we are also seeing demand for hand sanitiser continue to trend ahead of pre-COVID 2019 levels and an increasing dialogue around air quality that we will leverage going forward as more people return to their offices. Our Ambius business has returned to growth with gross sales ahead of our expectations.

Ongoing Revenue in the Pacific grew by 12.9% (Q1: 3.0%, Q2: 24.8%), of which 11.8% was Organic, with growth in Pest Control of 11.3%, Hygiene (excluding disinfection) growth of 14.0% and Ambius growth of 7.3%. Regional Ongoing Operating Profit grew by 23.9% and Net Operating Margins rose by 180 basis points to 20.6%. The region acquired three small Pest Control and two Hygiene businesses in Australia in H1 with annualised revenues in the year prior to purchase of c.£3.0m.

As with our other regions, bad debt from suspended portfolio customers has been minimal to date, with no spikes in insolvencies, and we will continue to monitor the situation as government subsidies are scaled back. Overall customer retention for the region is slightly ahead of our expectations. We are seeing some wage inflation pressure amid rising demand for labour at all levels across the region but are confident of continuing to mitigate these through our normal pricing policy. Overall colleague retention is broadly similar to 2019 levels. Attracting and retaining the right people across all categories to enable us to maintain service excellence remains a key focus going forward.

Share of Profits from Associates

Our share of Profits from Associates (at AER) amounted to £4.5m (H1 2020: £4.3m) and related to our Japanese associate.

Category performance review

Pest Control

Our Pest Control business has demonstrated a good recovery in the first six months of this year, benefiting from strong growth from our commercial SME and major international customers as COVID-related market conditions have improved across many of our countries, together with continued good demand from residential customers, many of whom remain working from home, particularly in North America. M&A has continued to be strong this year, and we have acquired 21 companies in H1, with annualised revenues in the year prior to acquisition of £106.7m (including EPS).

Innovation

Innovation continues to drive profitable growth, and in the UK, c.30% of Pest Control revenue comes from innovations (2019, 2020, H1 2021). Innovation strengthens our brand and cements our leadership position in the pest control industry, differentiating us from our competitors, particularly in the area of digital technology. It also enables us to provide enhanced service to customers, target key growth sectors (such as rodents), enhance our ability to up-sell additional products and service lines and support customer retention. Since 2017, we have launched a significant number of product innovations, including RapidPro rodenticide, RADAR and Autogate rodent units, fluorescent rodent tracking gel, Entotherm heat treatment for bed bugs, Lumnia LED electronic fly traps and Multi-Mouse Riddance products which use monitoring sensors that can be attached to several live catch products for real time reporting.

We will launch Eradico, our new Global Bait Box and our latest and most sustainable rodent control solution for residential and commercial properties, in H2. Eradico is a fully recyclable, innovative, single-solution technology-enabled rodent solution which addresses 57 different needs and market requirements. By using Eradico and our digital remote monitoring solution, PestConnect, we can reduce the number of visits made by our technicians, thereby lowering fuel use and associated greenhouse gases. As a single, global solution, Eradico's robust design withstands climatic extremes of -25°C to +50°C. A connected version of the system, called RADAR X, a next generation mouse riddance unit that uses CO2, will also be launched later this year. We will provide a further update on our innovation pipeline at our Capital Markets Day on 28 September.

Digital infrastructure and capability

Digital innovation in Pest Control is necessary to meet the needs of an evolving world. Macro trends (including pandemic driven trends) are increasing demand for digital solutions and these include demand for more remote monitoring solutions due to COVID-19, smart technology becoming a norm driven by younger generations, and customers demanding increased transparency of data. Rentokil has developed the world's leading digital pest control platform, providing an unmatched level of monitoring, reporting and insight for our customers who face the risk of increased fines and censure without effective pest management and reporting.

PestConnect is the "world's smartest mousetrap" and most advanced digital pest control system. It provides our customers with a complete remote pest detection solution and full traceability. Building on last year's growing demand for the product, the first half of 2021 has seen further roll-out of PestConnect, with a 38% increase in new customer site installations to 3,055 new customer sites (to make a total of 11,158 sites) and a 32% increase in devices in the field. We now have over 200,000 devices deployed globally across 28 markets (including new markets of China, Hong Kong and United Arab Emirates). The Company will be giving a presentation and demonstration of PestConnect at our Capital Markets Day in September.

Our **myRentokil** online customer portal provides secure 24/7 access to real time information that provides easy access to documentation required for pest control, including reviewing service recommendations and responding to audits. The portal is currently used by over 95% of our commercial customers across over 1.2m customer sites in 46 countries.

CommandCentre is our central information hub containing data compiled from over 50 countries. Hosted in Google Cloud Platform, we have over 5,000 colleagues accessing global, regional and local KPIs. The CommandCentre now connects over 200 internal systems to provide frontline and management teams with the information they need securely when and where they need it.

Hygiene

As lockdown restrictions ease across our countries of operation and overall trading conditions improve, our core Hygiene business is recovering, despite just under 4% of our customers still remaining temporarily suspended at the end of June 2021. We have acquired two small hygiene companies this year in Australia with annualised revenues of c.£1.3m in the year prior to purchase.

Our Hygiene Capital Markets Day will provide a deep dive into four key areas for growth, the first of which will be our Core Washrooms business. We will give details on: what products we sell, where and to whom; our density model; the benefits we derive from being a sister service to Pest Control; our financial performance pre and post the COVID-19 pandemic; and how we can expand our range of products and services.

Disinfection

Last year's rapid deployment of disinfection services across 60 countries enabled us to generate £221.0m of revenues and provided a hedge to lower revenues caused from disruption to core hygiene service provision across our operations. Customers who used our services in 2020 (such as offices, shops, schools, airports, emergency vehicles and public transport) did so typically to remain open during lockdown conditions. As lockdown conditions have generally reduced around the world, so too has our customers' need for disinfection services.

Customer suspensions have also reduced as lockdown conditions have eased and we have seen good progress in re-openings in Pest Control and Hygiene this year. We continue to expect disinfection volumes to further unwind in Q3 and Q4, and expect to generate around £10m to £20m revenues in H2 which, combined with H1 revenues of £98.3m, would generate a total of around £110m to £120m for the year.

Opportunities for growth

As we outlined in our Preliminary results statement, we see the main opportunities for growth in our Hygiene category as being growth inside washrooms, digital leadership, international expansion and expanding our expertise outside the washroom.

Inside washrooms

Washrooms are potentially higher risk areas for COVID-19 and other viruses and ‘No Touch’ washrooms are the most effective way to avoid cross-contamination, particularly within cubicle settings. Toilet paper dispensers that seal away paper until use, ‘No Touch’ feminine hygiene units and toilet seat cleaners all prevent cross-contamination. Our Signature Range of washrooms products have antimicrobial surfaces which helps reduce cross contamination, as do our ‘No Touch’ auto-lift lids on bins and auto dispense of paper towels and soaps. In H1, demand for our ‘No Touch’ units increased by 20% on H1 2020. Air care quality is also an important indicator of washroom cleanliness, with air sterilisers providing an ongoing method of removing potentially harmful pathogens from the air.

Our Capital Markets Day will provide further detail on this growth pillar and information will include: new products/services for inside washrooms; expanding into new services for existing customers (e.g. Air Hygiene and Digital Washrooms Hygiene); new sales channels for existing Washroom customers through the use of technology; and range extensions.

International expansion

In 2020, due to the opportunity in disinfection sales, we launched Hygiene in 20 new countries, and we now operate in 65 countries, with top three positions in 38. We launched our first hygiene services in North America in June with hand, surface and air hygiene products and expanded our footprint in the Caribbean, Latin and Central America, the Middle East and Europe. In September, we will provide details on our plans for these new markets and how we utilise the strength of our brand, range, expertise, experience and track record to grow and develop over the next few years. We will also discuss our entry model for expanding into other new markets both organically and through M&A. Other M&A topics will include market structure, scale and growth drivers, target geographies, the hygiene M&A model, strength of current pipeline, density economics and internal rates of return.

Expanding our expertise outside the washroom

From a relatively low interest sector, hygiene has now become one of the world’s most important, presenting opportunities for us to expand outside of the washroom into high growth areas including air care, route-based service extensions and digital products and applications. We can provide hand, air and surface hygiene products in multiple environments, including offices, kitchens and reception areas.

Air care is a particular focus for the Group. A year into the pandemic, evidence shows that COVID-19 is transmitted predominantly through the air – by people talking and breathing out large droplets and small particles called aerosols. Therefore, efforts are increasing to prevent transmission by improving ventilation or installing rigorously tested air purifiers. Our current air care product range features air purification, air sterilisation and air scenting products and in 2020 we launched two important new air filtration products: Inspire Air72 and VIRUSKILLER™ Air Purifier. When independently tested against Coronavirus DF2 (a surrogate for Coronavirus) Adenovirus, Influenza and Polio, VIRUSKILLER™ was found to kill 99.9999% of viruses on a single air pass. In H1, we installed over 17,000 air purification units into customer sites across 28 countries, generating c.£3.2m of revenues.

We have been actively marketing VIRUSKILLER™ across all regions in H1, and are seeing rising levels of customer interest and particularly encouraging progress in Italy, Spain, Hong Kong, Singapore and the UK. VIRUSKILLER™ is now sold to a range of customers including car showrooms, hotels, offices, venues and UK embassies. Initial Hygiene was appointed Specialist Hygiene Services Partner of London’s O2 arena, with the installation of VIRUSKILLER™ central to the agreement, and we successfully installed the units in time for this year’s BRIT awards. As part of the agreement, we will also be installing a range of washroom products and services for visitors to the venue.

We will update the market on the current opportunities we see for premises hygiene in September and topics will include: expanding Hygiene into new areas such as indoor air and surface hygiene for multiple locations from offices to retail; specialist hygiene services (such as medical waste removal); new service lines; and the alignment of hygiene with the importance of Wellbeing.

Continued strength of M&A

We have delivered further excellent execution of M&A in the first half, acquiring 24 new businesses in H1 in Pest Control, Hygiene and Protect & Enhance (Ambius). While competition for high quality assets in North America has continued in H1, the region still presents good opportunities to build density in the market and we have added seven new businesses during the period. In addition to acquisitions in Canada and the US, we have also made good progress in broadening our geographic presence with pest control and hygiene purchases in Australia, Brazil, France, Germany, Italy, Mexico, Saudi Arabia, Singapore, Spain, Sweden and Switzerland.

We have entered into a merger and acquisition transaction with a leading independent pest control provider in the Middle East, Boecker World Holding SAL, which operates across the UAE, KSA, Jordan, Kuwait, Lebanon, Nigeria and Qatar. The business, which generated revenues of c.£37m in the year prior to purchase, is a leader in B2B environmental health services including Pest Management, Food Safety and Germ Control services and products and employs ~1,100 colleagues. The transaction doubles the scale of our operations in the Middle East, where we are already the market leader in Pest Control, and is expected to complete on 2 August 2021.

In July this year, we conducted our most recent half-yearly review of post-investment performance, reviewing 57 acquisitions made between 1 October 2018 and 31 March 2020 and covering c.£400m of spend. We are pleased with performance, with total deals delivering revenue and EBITA ahead of our expectations and with returns also ahead of our IRR hurdle rates.

M&A remains central to our strategy for growth. We will continue to seek attractive bolt-on deals, both in Pest Control and with an increased focus on Hygiene, to build density in existing markets, pursue acquisitions in new markets and the major cities of the future, and seek medium-sized transactions. Our pipeline of prospects remains strong and given the strength of our performance year to date, we now anticipate full year expenditure on M&A to be in the region of £450m to £500m.

Employer of Choice (EOC)

Rentokil Initial is committed to being a world-class Employer of Choice, with colleague safety and the attraction, recruitment and retention of the best people from the widest possible pool of talent, being key business objectives globally. As a company, we strongly believe that creating a diverse and inclusive workforce which reflects the business environment in which we operate, will increase colleague engagement and customer satisfaction, as well as drive increased innovation, enhance our reputation and therefore boost our financial performance.

The global recruitment market is very competitive, fuelled by the easing of country lockdowns and candidate shortages as government support programme remain in place. At the end of H1, overall colleague retention was 87%, in line with historic norms. Total service colleague and total sales colleague retention remains in the mid to high 80% level, and broadly similar to pre-COVID levels in 2019, although we have seen a small increase in sales colleague turnover, particularly with colleagues who have less than six months service and who have left to return to alternative employment which is now reopening post the pandemic. We have increased our hiring activity in Q2, filling roles due to turnover and growth alongside those vacancies that were put on hold during the height of the COVID-19 crisis and also filling seasonal roles. From January to May this year, we saw a record number of people applying to work with us, with just over 98,000 applications received – an increase of 421% on the same period last year.

Our sustained performance on recruitment is an aggregation of a number of focused actions including: improved recruitment processes; record traffic driven to careers portal; a strong employer brand; effective leveraging of recruitment technology; and extensive use of our new colleague referral programme, Career+, which we launched this year in the US, UK and Asia. 92% of vacancies in our Asia businesses were filled by colleague referrals in June, resulting in a 40% reduction in days to recruit.

Our monthly vacancy fill rate remains similar to or above 2020 levels and our days to recruit have been improving in both North America and Asia, which make up over 75% of our global recruitment activity. Europe and the UK have seen a slight increase in time to recruit, as a result of continued benefit and government support schemes making people slow to get back into the job market, but this trend is likely to change as this support starts to fall away. In addition, Indeed.com, the world's number one job site, listed Rentokil Initial as, "The UK's most active graduate recruiter" in May 2021.

Annual General Meeting (AGM)

The Company noted the outcome of the voting at the AGM in May in relation to the proposed Directors' Remuneration Policy (resolution 2) and the related amendments to the Company's Performance Share Plan (PSP) rules (resolution 4). The changes were proposed due to the continued strong performance and increased size of the business resulting in the total remuneration package of the Chief Executive benchmarking just above lower quartile. The new policy aligns the Executive Directors' potential package with market median and, consistent with the Company's culture, the weighting of the package design is strongly performance-based and long term.

When considering the proposed changes, the Board recognised the sensitivities surrounding executive pay and consulted extensively with the Company's largest shareholders, as detailed in the Company's 2020 Annual Report. A significant majority of shares voted (77%) were in favour of the Directors' Remuneration Policy, including 19 out of our 20 largest shareholders. The Board remains of the view that the policy changes are in the best interests of the Company and its shareholders and has therefore now implemented the new Directors' Remuneration Policy. The Board continues, as always, to be available to shareholders and to welcome engagement on such matters.

Managing a responsible business

As a company, we are actively engaged in ESG – at Board level and throughout our entire organisation. Our aim is to create a safe, diverse and engaging workplace, deliver customer service responsibly and support our communities and environment effectively. From a social perspective, our employer of choice programme supports retention and recruitment, and we continued to deliver high levels of colleague safety, training and retention in H1 2021.

We achieved our emissions intensity reduction target of 20% last year and continue to make progress towards our new target of a further 20% reduction by 2025 and have also established our long-term goal of net zero emissions by the end of 2040. To achieve this we have a clear delivery plan based upon eight environmental work streams and country-level action plans. One such example involves our UK fleet into which we have installed in-van telematics to establish which routes and vehicles are appropriate for the first wave of transitioning to electric vehicles.

Customer and regulatory requirements are leading to an increasing demand for innovative, non-toxic solutions in pest control and our aim is to be the global leader in sustainable pest control. We continue to expand and develop our range of sustainable, non-toxic solutions across all pest types.

In H1, we donated £2.5m of PPE to over 500 hospitals and front line health workers in India, including coveralls, face masks, gloves, hand soap and sanitiser. Recipients included customers and non-customers, with priority given to COVID hospitals. Lord Bilimoria, President of the CBI, said: "It's been so inspiring to see Rentokil Initial immediately come forward to supply critical PPE and sanitiser and help the people of India through this unprecedented crisis."

Viego Eiris Enhanced Scorecard

Viego Eiris, a global leader in ESG assessments, data, research, benchmarks and analytics (an affiliate of Moody's Corporation), published its enhanced scorecard on 31 May 2021. We are proud to report that Rentokil Initial is ranked within the World 120, Europe 120 and the UK 20 indices, and ranks number one in Business Support Services out of 103 companies, and 23rd out of 4,913 companies.

Financial review

Central and regional overheads

Central and regional overheads of £43.0m at CER were £5.5m higher than prior year (2020: £37.5m), due to the non-repeat of cost savings taken in response to the pandemic in 2020, including salary waivers and cancellations of bonus schemes.

Restructuring costs

With the exception of integration costs for significant acquisitions, the Company reports restructuring costs within adjusted operating profit. Costs associated with significant acquisitions are reported as one-off items and excluded from adjusted operating profit.

H1 restructuring costs of £4.1m at CER (2020: £5.1m) consisted mainly of costs in respect of initiatives focused on our North America transformation programme.

Interest (at AER)

Adjusted interest of £19.1m was £1.4m higher than in the prior year due to higher swap costs of £2.4m due to larger cash balances held in the period between the raising of the 2028 €600m bond in October 2020 and the settling of the 2021 bond in July 2021. Cash interest is c £1.9m below 2020 at £14.3m, largely driven by lower lease interest and matured term loan interest payments. Finance cost was £28.4m lower than 2020 driven by the cost of closing out an interest derivative linked to US interest rates in 2020 and non-repeat of c.£8m ineffective hedges charged to the P&L in 2020.

The carrying value of derivative liabilities has decreased by c.£48.0m in the year since June 2020 driven by the settlement of an interest derivative linked to US interest rates in August 2020, settlement of interest accrued and strengthening of Sterling against the Dollar and Euro.

Tax

The income tax charge for the period at actual exchange rates was £29.6m on the reported profit before tax of £148.8m, giving an effective tax rate of 19.9%. After adjusting the reported profit before tax for the amortisation and impairment of intangible assets (excluding computer software), one-off items and net interest adjustments, the Adjusted Effective Tax Rate for the period at AER was 20.4% (2020: 21.7%). This compares with a blended rate of tax for the countries in which the Group operates of 24% (2020: 23%).

Net debt and cash flow

	Year to Date		
£m at actual exchange rates	**H1 2021 £m**	H1 2020 £m	*Change £m*
Adjusted Operating Profit	**208.6**	139.0	*69.6*
One-off items – operating	**(10.9)**	4.5	*(15.4)*
Depreciation	**108.1**	109.3	*(1.2)*
Other	**3.6**	(3.2)	*6.8*
EBITDA	**309.4**	249.6	*59.8*
Working capital	**63.6**	19.1	*44.5*
Movement on provisions	**(1.9)**	1.8	*(3.7)*
Capex – additions	**(111.4)**	(102.3)	*(9.1)*
Capex – disposals	**1.6**	5.0	*(3.4)*
Operating cash flow – continuing operations	**261.3**	173.2	*88.1*
Interest	**(14.3)**	(16.2)	*1.9*
Tax	**(25.0)**	(13.5)	*(11.5)*
Free Cash Flow – continuing operations	**222.0**	143.5	*78.5*
Acquisitions	**(261.1)**	(50.3)	*(210.8)*
Disposal of companies and businesses	**–**	2.0	*(2.0)*
Dividends	**(100.0)**	–	*(100.0)*
Underlying (increase)/decrease in net debt	**(139.1)**	95.2	*(234.3)*
Foreign exchange translation and other items	**18.9**	(124.2)	*143.1*
Increase in net debt	**(120.2)**	(29.0)	*(91.2)*
Opening net debt	**(994.3)**	(1,073.0)	*78.7*
Closing net debt	**(1,114.5)**	(1,102.0)	*(12.5)*

Operating cash flow (£261.3m at AER for continuing operations) was £88.1m higher than in H1 2020, driven by a £69.6m increase in Adjusted Operating Profit and a £44.5m improvement in working capital.

Interest payments of £14.3m are £1.9m lower than in the prior year. Cash tax payments for the period were £25.0m, an increase of £11.5m compared with the corresponding period last year. Tax payments in the first half of last year were abnormally low due to various deferred tax payments during the early part of the COVID-19 crisis which were paid in the second half of 2020.

The first six months' of trading, as well as additional measures, resulted in Free Cash Flow delivery of £222.0m (H1 2020: £143.5m). Cash spend on acquisitions of £261.1m and dividend payments of £100.0m have contributed to an underlying increase in net debt of £139.1m. Favourable foreign exchange translation and other items of £18.9m is primarily due to the strengthening of Sterling against the Euro and Dollar. Overall this led to an increase in net debt of £120.2m and closing net debt of £1,114.5m.

Going Concern

The Board continues to adopt the going concern basis in preparing the accounts on the basis that the Group's strong liquidity position and its demonstrated ability to manage the level of capital expenditure, or dividends or expenditure on bolt-on acquisitions are sufficient to meet the Group's forecast funding needs, including those modelled in a severe but plausible downside case.

Funding

On 11 June 2021 the Group gave notice to bond holders under the €350m bond due 7 October 2021 that the Group would repay the remaining €175m outstanding on 7 July 2021 using its par call option. This repayment was funded using some of the proceeds from the €600m bond issued in October 2020. As at 30 June, the Group had liquidity headroom in excess of £1.0bn, including £550m of undrawn RCF, with a maturity date of August 2025. Our net debt to EBITDA ratio was 1.67x at 30 June 2021 (31 December 2020: 1.6x), following settlement of the EPS acquisition in January, additional acquisition spend and the payment of the 2020 final dividend. We remain committed to maintaining a BBB investment grade and are confident of doing so.

UK defined benefit pension scheme buy-out

In December 2018, the Company reached agreement for a bulk annuity insurance buy-in for its UK Defined Benefit Pension Scheme ("the Scheme") with Pensions Insurance Corporation. The timing of the wind-up is uncertain, following the 2020 High Court judgement that ruled that trustees of defined benefit schemes that provided Guaranteed Minimum Pensions should revisit and, where necessary, top-up historic cash equivalent transfer values paid since 1990. The Trustee may therefore need to revisit these before the wind-up can be completed. This may mean that the wind-up is delayed until 2022. The expected surplus of £18m was held on the balance sheet at 31 December 2020 and at 30 June 2021. The balance has reduced by £13m from June 2020 after the trustees agreed to a pre-tax partial refund of surplus of £13m, which was paid in December 2020. The balance of the refund of the surplus will be paid when the buy-out is complete.

Dividend

In view of our performance in the first half of 2021 and our confidence for H2, the Board is declaring an interim dividend payment of 2.09p, a 38% increase on H1 2019, payable to shareholders on the register at the close of business on 6 August 2021 and to be paid on 13 September 2021. The last day for DRIP elections is 20 August 2021.

Climate Change

As part of the Company's annual reporting for 2020 we disclosed our governance, opportunities and strategies to manage climate-related risks and the transition to a low-carbon future in line with the Task Force on Climate-related Financial Disclosures (TCFD) published recommendations. We also report against the Sustainability Accounting Standards Board framework for our sector. Climate-related risks are identified and analysed by our operational and functional teams. For example, our country and regulatory teams identify risks related to new laws and regulations, such as city-based low emission zones and associated access charging for commercial vehicles as well as local regulations on the use of pest control treatments in different environments. Other risks relate to more extreme localised weather and disruption. We also identify risks to the upside for example from increased pest pressure and pest migration to new territories as temperatures increase.

Technical guidance for 2021

P&L

- Medium-term growth targets unchanged: Ongoing Revenue growth target 5% to 8% (3% to 4% Organic), Ongoing Operating Profit growth c.10%, Free Cash Flow conversion c.90%;
- Restructuring costs c.£10m;
- Central and regional overheads £10m to £15m lower than 2020, principally reflecting non-repeat of pandemic related charges in 2020;
- P&L interest costs c.£37m, cash interest costs c.£36m (both at AER);
- Estimated Adjusted Effective Tax Rate of between 21% and 22%;
- Share of Profits from Associates in line with 2020, dividend from Japanese associate of c.£8m; and
- Negative impact of FX remains within the range of £15m to £20m (no change to previous guidance).

Cash Flow

- Working capital guidance now expected to be neutral to slight inflow, based on our strong cash performance in H1, and updated from previous guidance in March of up to £30m outflows;
- Capex of £250m to £270m, c.£20m lower than previous guidance driven by difficulties in obtaining vehicles due to global supply issues;
- Cash interest c.£36m, reflecting better cash generation in H1 and favourable foreign exchange;
- Cash tax payments £65m to £75m;
- We now expect to receive the remainder of the £30m pre-tax surplus from the buy-out of the UK pension scheme (£13m received in 2020) in 2022; and
- Spend on M&A in 2021 now expected to be in the region of £450m to £500m (including the consideration paid for EPS LLP in January 2021).

Outlook

We delivered a strong performance in H1, slightly ahead of our expectations, and given the momentum in the business and agility demonstrated through the pandemic to date, we are confident of making continued progress in the balance of the year. Assuming trading conditions around the world continue to improve and are not significantly impacted by rising cases of new COVID-19 variants, we anticipate mid-single digit organic growth in our core businesses for 2021 and, despite the anticipated tapering off in disinfection presenting more challenging comparatives in the second half, we expect market consensus for full year adjusted pre-tax profit to increase by around £10m to £15m.

Consolidated statement of profit or loss and other comprehensive income (unaudited)
For the period ended 30 June

	Notes	6 months to 30 June 2021 £m	6 months to 30 June 2020[1] £m
Revenue	4	**1,462.7**	1,291.0
Operating profit		**160.6**	100.5
Finance income		**1.7**	3.4
Finance cost		**(18.0)**	(46.4)
Share of profit from associates, net of tax of £1.9m (2020: £2.1m)		**4.5**	4.3
Profit before income tax		**148.8**	61.8
Income tax expense[2]		**(29.6)**	(14.7)
Profit for the period attributable to the Company's equity holders (including non-controlling interests of £nil (2020: £0.1m))		**119.2**	47.1
Other comprehensive income:			
Items that are not reclassified subsequently to the income statement:			
Re-measurement of net defined benefit asset		**1.1**	(10.3)
Tax related to items taken to other comprehensive income		**(0.3)**	3.1
Items that may be reclassified subsequently to the income statement:			
Net exchange adjustments offset in reserves[1]		**(37.9)**	105.5
Net gain/(loss) on net investment hedge[1]		**25.2**	(83.0)
Cost of hedging		**(2.0)**	1.4
Net gain/(loss) on cash flow hedge		**4.6**	(6.0)
Total comprehensive income for the period (including non-controlling interests of £nil (2020: £0.1m))		**109.9**	57.8
Earnings per share attributable to the Company's equity holders:			
Basic		**6.42p**	2.54p
Diluted		**6.39p**	2.52p

Non-GAAP measures			
Operating profit		**160.6**	100.5
Adjusted for:			
Amortisation and impairment of intangible assets (excluding computer software)	4	**37.1**	43.0
One-off items	4	**10.9**	(4.5)
Adjusted operating profit		**208.6**	139.0
Finance income		**1.7**	3.4
Finance cost		**(18.0)**	(46.4)
Share of profit from associates, net of tax of £1.9m (2020: £2.1m)		**4.5**	4.3
Net interest adjustments		**(2.8)**	25.3
Adjusted profit before income tax		**194.0**	125.6
Basic adjusted earnings per share attributable to the Company's equity holders		**8.31p**	5.30p

1. Both net exchange adjustments offset in reserves and net gain/(loss) on net investment hedge have been restated in 2020 to reflect a correction to the presentation in other comprehensive income. Previously this was presented as a net £22.5m classified as net exchange adjustments offset in reserves.

2. Taxation includes £28.5m (HY 2020: £15.8m) in respect of overseas taxation.

The weighted average number of ordinary shares in issue is 1,857m (HY 2020: 1,852m). For the diluted EPS calculation the adjustment for share options and LTIPs is 6.2m (HY 2020: 8.4m).

Consolidated balance sheet (unaudited)

	Notes	At 30 June 2021 £m	At 31 December 2020 £m
Assets			
Non-current assets			
Intangible assets		**1,944.3**	1,922.1
Property, plant and equipment		**390.5**	402.7
Right-of-use assets		**214.1**	217.5
Investments in associated undertakings		**29.3**	27.2
Other investments		**–**	0.2
Deferred tax assets		**36.5**	37.7
Contract costs		**69.9**	67.8
Retirement benefit assets	9	**18.9**	19.0
Other receivables		**12.9**	13.1
Derivative financial instruments	12	**22.1**	37.0
		2,738.5	2,744.3
Current assets			
Other investments		**172.1**	172.2
Inventories		**130.9**	131.3
Trade and other receivables		**513.2**	548.6
Current tax assets		**8.6**	10.6
Derivative financial instruments	12	**1.0**	5.6
Cash and cash equivalents		**1,562.4**	2,225.6
		2,388.2	3,093.9
Liabilities			
Current liabilities			
Trade and other payables		**(786.5)**	(925.0)
Current tax liabilities		**(86.1)**	(80.0)
Provisions for liabilities and charges		**(25.5)**	(30.1)
Bank and other short-term borrowings	10	**(1,344.7)**	(1,846.6)
Lease liabilities		**(74.4)**	(72.7)
Derivative financial instruments	12	**(13.8)**	(3.5)
		(2,331.0)	(2,957.9)
Net current assets		**57.2**	136.0
Non-current liabilities			
Other payables[1]		**(58.3)**	(70.4)
Bank and other long-term borrowings	10	**(1,280.1)**	(1,337.6)
Lease liabilities		**(134.5)**	(141.8)
Deferred tax liabilities		**(90.6)**	(94.7)
Retirement benefit obligations	9	**(35.4)**	(38.8)
Provisions for liabilities and charges		**(36.8)**	(34.1)
Derivative financial instruments	12	**(24.6)**	(32.3)
		(1,660.3)	(1,749.7)
Net assets		**1,135.4**	1,130.6
Equity			
Capital and reserves attributable to the company's equity holders			
Share capital		**18.6**	18.5
Share premium		**6.8**	6.8
Other reserves		**(1,936.3)**	(1,926.2)
Retained profits		**3,046.7**	3,030.6
		1,135.8	1,129.7
Non-controlling interests		**(0.4)**	0.9
Total equity		**1,135.4**	1,130.6

1. Non-current other payables includes £33.7m Put Option liability related to the PCI India acquisition (2020: £34.3m).

Consolidated statement of changes in equity (unaudited)

	Called up share capital £m	Share premium account £m	Other reserves[1] £m	Retained earnings £m	Non-controlling interests £m	Total equity £m
At 1 January 2020	18.5	6.8	(1,867.7)	2,844.1	0.6	1,002.3
Profit for the period	–	–	–	47.0	0.1	47.1
Other comprehensive income:						
Net exchange adjustments offset in reserves[1]	–	–	105.5	–	–	105.5
Net gain/(loss) on net investment hedge[1]	–	–	(83.0)	–	–	(83.0)
Cost of hedging	–	–	1.4	–	–	1.4
Remeasurement of net defined benefit asset	–	–	–	(10.3)	–	(10.3)
Net gain/(loss) on cash flow hedge[2]	–	–	(6.0)	–	–	(6.0)
Tax related to items taken directly to other comprehensive income	–	–	–	3.1	–	3.1
Total comprehensive income for the period	–	–	17.9	39.8	0.1	57.8
Transactions with owners:						
Cost of equity-settled share-based payment plans	–	–	–	2.8	–	2.8
Movement in the carrying value of put options	–	–	–	10.3	–	10.3
At 30 June 2020	18.5	6.8	(1,849.8)	2,897.0	0.7	1,073.2
At 1 January 2021	**18.5**	**6.8**	**(1,926.2)**	**3,030.6**	**0.9**	**1,130.6**
Profit for the period	–	–	–	119.2	–	119.2
Other comprehensive income:						
Net exchange adjustments offset in reserves	–	–	(37.9)	–	–	(37.9)
Net gain/(loss) on net investment hedge	–	–	25.2	–	–	25.2
Cost of hedging	–	–	(2.0)	–	–	(2.0)
Remeasurement of net defined benefit asset	–	–	–	1.1	–	1.1
Net gain/(loss) on cash flow hedge[2]	–	–	4.6	–	–	4.6
Tax related to items taken directly to other comprehensive income	–	–	–	(0.3)	–	(0.3)
Total comprehensive income for the period	–	–	(10.1)	120.0	–	109.9
Transactions with owners:						
Shares issued in the period	0.1	–	–	(0.1)	–	–
Dividends paid to equity shareholders	–	–	–	(100.0)	–	(100.0)
Acquisition of non-controlling interests	–	–	–	(8.1)	(1.3)	(9.4)
Cost of equity-settled share-based payment plans	–	–	–	3.5	–	3.5
Tax related to items taken directly to equity	–	–	–	1.2	–	1.2
Movement in the carrying value of put options	–	–	–	(0.4)	–	(0.4)
At 30 June 2021	**18.6**	**6.8**	**(1,936.3)**	**3,046.7**	**(0.4)**	**1,135.4**

1. Both net exchange adjustments offset in reserves and net gain/(loss) on net investment hedge have been restated in 2020 to reflect a correction to the presentation in other comprehensive income. Previously this was presented as a net £22.5m classified as net exchange adjustments offset in reserves.

2. £4.6m net gain on cash flow hedge includes £13.0m loss (2020: £20.5m gain) from the effective portion of changes in fair value offset by reclassification to the income statement of £17.6m loss (2020: £26.5m gain) due to changes in foreign exchange rates.

Shares of £0.1m (2020: £0.1m) have been netted against retained earnings. This represents 10.3m (HY 2020: 9.7m) shares held by the Rentokil Initial Employee Share Trust. The market value of these shares at 30 June 2021 was £51.0m (HY 2020: £50.0m). Dividend income from, and voting rights on, the shares held by the Trust have been waived.

Analysis of other reserves (unaudited)

	Capital reduction reserve £m	Legal reserve £m	Cash flow hedge reserve £m	Translation reserve [1] £m	Cost of hedging £m	Total £m
At 1 January 2020	(1,722.7)	10.4	0.5	(155.9)	–	(1,867.7)
Net exchange adjustments offset in reserves[1]	–	–	–	105.5	–	105.5
Net gain/(loss) on net investment hedge[1]	–	–	–	(83.0)	–	(83.0)
Net gain/(loss) on cash flow hedge[2]	–	–	(6.0)	–	–	(6.0)
Cost of hedging	–	–	–	–	1.4	1.4
Total comprehensive income for the period	–	–	(6.0)	22.5	1.4	17.9
At 30 June 2020	(1,722.7)	10.4	(5.5)	(133.4)	1.4	(1,849.8)
At 1 January 2021	**(1,722.7)**	**10.4**	**(4.4)**	**(208.5)**	**(1.0)**	**(1,926.2)**
Net exchange adjustments offset in reserves	–	–	–	(37.9)	–	(37.9)
Net gain/(loss) on net investment hedge	–	–	–	25.2	–	25.2
Net gain/(loss) on cash flow hedge[1]	–	–	4.6	–	–	4.6
Cost of hedging	–	–	–	–	(2.0)	(2.0)
Total comprehensive income for the period	–	–	4.6	(12.7)	(2.0)	(10.1)
At 30 June 2021	**(1,722.7)**	**10.4**	**0.2**	**(221.2)**	**(3.0)**	**(1,936.3)**

1. Both net exchange adjustments offset in reserves and net gain/(loss) on net investment hedge have been restated in 2020 to reflect a correction to the presentation in other comprehensive income. Previously this was presented as a net £22.5m classified as net exchange adjustments offset in reserves.

2. £4.6m net gain on cash flow hedge includes £13.0m loss (2020: £20.5m gain) from the effective portion of changes in fair value offset by reclassification to the income statement of £17.6m loss (2020: £26.5m gain) due to changes in foreign exchange rates.

Consolidated cash flow statement (unaudited)

	Notes	6 months to 30 June 2021 £m	6 months to 30 June 2020[1] £m
Profit for the period		**119.2**	47.1
Adjustments for:			
– Tax		**29.6**	14.7
– Share of profit from associates		**(4.5)**	(4.3)
– Interest income		**(1.7)**	(3.4)
– Interest expense		**18.0**	46.4
Reversal of non-cash items:			
– Depreciation and impairment of property, plant and equipment		**100.6**	101.8
– Amortisation and impairment of intangible assets[2]		**37.1**	43.0
– Amortisation of computer software		**7.5**	7.5
– Other non-cash items		**3.6**	(3.2)
Changes in working capital (excluding the effects of acquisitions and exchange differences on consolidation):			
– Inventories		**(1.4)**	(36.1)
– Contract costs		**0.2**	(1.0)
– Trade and other receivables		**22.6**	(73.9)
– Accrued income		**6.6**	9.5
– Trade and other payables and provisions		**24.5**	102.2
– Deferred income		**9.2**	20.2
Cash generated from operating activities		**371.1**	270.5
Interest received		**1.8**	3.3
Interest paid[3]		**(16.1)**	(19.5)
Income tax paid		**(25.0)**	(13.5)
Net cash generated from operating activities		**331.8**	240.8
Cash flows from investing activities			
Purchase of property, plant and equipment		**(59.1)**	(61.5)
Purchase of intangible fixed assets		**(12.5)**	(11.6)
Proceeds from sale of property, plant and equipment		**1.6**	5.0
Acquisition of companies and businesses, net of cash acquired	6	**(254.7)**	(50.3)
Disposal of companies and businesses		**–**	2.0
Net change to cash flow from investment in term deposits[1]		**0.1**	(1.0)
Net cash flows from investing activities		**(324.6)**	(117.4)
Cash flows from financing activities			
Dividends paid to equity shareholders		**(100.0)**	–
Acquisition of shares from non-controlling interest		**(9.4)**	–
Capital element of lease payments		**(42.2)**	(41.7)
Cash outflow on settlement of debt related foreign exchange forward contracts		**(1.8)**	1.1
Proceeds from new debt		**1.5**	1,153.4
Debt repayments		**(9.1)**	(592.2)
Net cash flows from financing activities		**(161.0)**	520.6
Net (decrease)/increase in cash and cash equivalents		**(153.8)**	644.0
Cash and cash equivalents at beginning of year		**550.8**	273.9
Exchange (losses)/gains on cash and cash equivalents		**(9.1)**	8.7
Cash and cash equivalents at end of the financial period		**387.9**	926.6

1. Net change to cash flow from investment in term deposits has been restated in 2020 to correct the classification from financing activities to investing activities.

2. Excluding computer software.

3. Interest paid includes interest on lease payments of £3.1m (2020: £3.6m).

Explanatory notes to the interim financial statements (unaudited)

1. General information

The Company is a public limited company incorporated in England and Wales and domiciled in the UK with a listing on the London Stock Exchange. The address of its registered office is Rentokil Initial plc, Compass House, Manor Royal, Crawley, West Sussex, RH10 9PY.

The consolidated half-yearly financial information for the half-year to 30 June 2021 was approved on 28 July 2021 for issue on 29 July 2021.

On page 105 of the Annual Report 2020 we set out the Group's approach to risk management and on pages 67 to 73 we define the principal risks that are most relevant to the Group. These risks are described in detail and have mitigating actions assigned to each of them. In our view the principal risks remain unchanged from those indicated in the Annual Report 2020. A summary of the risks is laid out in the table below:

Principal risk	Summary of risk
Failure to grow our business profitably in a changing macro-economic environment	The Company's three businesses (Pest Control, Hygiene and Protect & Enhance) operate in a global macro-economic environment that is subject to uncertainty and volatility.
Failure to deliver consistently high levels of service to the satisfaction of our customers	Our business model depends on servicing the needs of our customers in line with internal high standards and to levels agreed in contracts.
Failure to develop products and services that are tailored and relevant to local markets and market conditions	We operate across markets that are at different stages in the economic cycle, at varying stages of market development and have different levels of market attractiveness. We must be sufficiently agile to develop and deliver products and services that meet local market needs.
Failure to ensure business continuity in case of a material incident	The business needs to have resilience to ensure business can continue if impacted by externally induced incidents, e.g. cyber attack, hurricane or terrorism.
Failure to mitigate against financial market risks	Our business is exposed to foreign exchange risk, interest rate risk, liquidity risk, counterparty risk and settlement risk.
Fraud, financial crime and loss or unintended release of personal data	Collusion between individuals, both internal and external, could result in fraud if internal controls are not in place and working effectively. The business holds personal data on employees, some customers and suppliers: unintended loss or release of such data may result in criminal sanctions.
Safety, health and the environment (SHE)	The Company has an obligation to ensure that colleagues, customers and other stakeholders remain safe, that the working environment is not detrimental to health and that we are aware of and minimise any adverse impact on the environment.
Breaches of laws or regulations (including tax, competition and anti-trust laws)	As a responsible company we aim to comply with all laws and regulations that apply to our businesses across the globe.
Failure to integrate acquisitions and execute disposals from continuing business	The Company has a strategy that includes growth by acquisition, and has acquired 24 businesses in H1 2021 (including the remaining shares from a non-controlling interest). These companies need to be integrated quickly and efficiently to minimise potential impact on the acquired business and the existing business.
Impact of COVID-19	The Company remains limited in its ability to service customers where breakouts/waves drive government lockdowns, resource shortages due to isolation or supply chain disruption and different work-patterns give rise to higher fraud and cyber risks and ultimately cause disruption in our customer base leading to contract reductions or terminations. While we feel more confident in our ability to deal with these risks in 2021, they continue to exist.

These interim financial results do not comprise statutory accounts within the meaning of Section 435 of the Companies Act 2006, and should be read in conjunction with the Annual Report 2020. Those accounts have been audited and delivered to the registrar of companies. The report of the auditor was unqualified, did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report and did not contain statements under section 498(2) or (3) of the Companies Act 2006.

For all information relating to 2020 results please refer to the Annual Report 2020 which can be accessed here: https://www.rentokil-initial.com/investors/annual-reports.aspx

2. Basis of preparation

The condensed consolidated financial statements have been prepared in accordance with the Disclosure and Transparency Rules of the Financial Conduct Authority and in accordance with IAS 34 Interim Financial Reporting as contained in UK-adopted international accounting standards. The condensed consolidated financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2020 which have been prepared in accordance with International Financial Reporting Standards (IFRS) and IFRS Interpretations Committee interpretations in conformity with the requirements of the Companies Act 2006 and pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union. In respect of accounting standards applicable to the Group in the current period, there is no difference between IFRS in conformity with the Companies Act 2006, the UK-adopted IFRS and International Accounting Standards Board (IASB)-adopted IFRS.

Going concern

The Directors have prepared cash flow forecasts that demonstrate that the Group has sufficient liquidity to meet its obligations as they fall due and that it remains complaint with all relevant covenants for the period of at least 12 months from the date of approval of these Financial Statements.

Additionally the Directors have assessed severe but plausible downside scenarios, including the impact of further lockdowns. The most severe downside scenario assumes a revenue decline of 30% against base budget for a period of twelve months in the next 24 months, which is considerably worse than the Group's actual performance in 2020 which saw a downturn of <30% for one month only. Under this scenario the Group would take mitigating action by scaling back M&A spend and dividends so as not to breach any covenants on its drawn debts.

Consequently, the directors are confident that the Group will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

3. Accounting policies

The preparation of the interim financial information for the half-year ended 30 June 2021 requires management to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets, liabilities and disclosure of contingent liabilities at the date of the statement. If in the future such estimates and assumptions, which are based on management's best judgement at the date of the statement, deviate from the actual circumstances, the original estimates and assumptions will be modified as appropriate in the year in which the circumstances change.

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those described in the last annual financial statements. During 2020 the Group increased its bad debt provision by £33m reflecting the risk of potential credit losses arising from the COVID-19 pandemic. In the period we have continued to see strong cash collection performances in most markets although there is slower improvement in older aged debts. On the basis of the strong cash collection performance trade debtors have reduced by ~£30m and £6m of bad debt provisions created in the previous year have been released. Approximately 61% of the increase in aged debt versus pre-pandemic are covered by the increase in bad debt provision. A 10% increase or decrease in this ratio would result in an increase or decrease to the provision of £4m.

In addition, the re-opening of economies has allowed markets, particularly the UK, to deliver services that had been delayed by the pandemic and alongside the strong cash collection performance this has allowed management to release £5m of revenue provisions booked in 2020 for delayed services. Similar difficulties exist around the valuation of remaining provisions based on how economies and customers recover, but as management continues to resolve aged debts, the range of sensitivity (where a 10% movement in the provision due to improved service delivery is £1.7m at the half year) will decline further.

Significant seasonal or cyclical variations in the Group's total revenues are not experienced during the financial year.

Changes in accounting policies

Except as described below, the accounting policies applied in these interim financial statements are the same as those applied in the Group's consolidated financial statements as at and for the year ended 31 December 2020. The changes in accounting policies are also expected to be reflected in the Group's consolidated financial statements as at and for the year ending 31 December 2021.

A number of new standards are effective from 1 January 2021 but they do not have a material effect on the Group's financial statements.

The Group has adopted the following amendments to standards with effect from 1 January 2021:

- Amendments to IFRS 16 Leases
- Amendments to IFRS 4 Insurance Contracts
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 – interest rate benchmark reform phase 2

These standards have had no impact on the financial position or performance of the Group. Consequently, no adjustment has been made to the comparative financial information as at 31 December 2020 or 30 June 2020. The Group has not early adopted any standard, interpretation or amendment that was issued but is not yet effective.

4. Segmental information

Segmental information has been presented in accordance with IFRS 8 Operating Segments. Reporting segments reflect the internal management organisation and reporting structures. Each segment is headed by a Regional Managing Director who reports directly to the Chief Executive and is a member of the Group's Executive Leadership Team responsible for the review of Group performance. The operating businesses within each segment report to the Regional Managing Directors.

Disaggregated revenue under IFRS 15 is the same as the segmental analysis below. Restructuring costs and central and regional overheads are also presented centrally as they are not targeted or managed at reportable segment level. The basis of presentation is consistent with the information reviewed by internal management. Revenue and profit are from Ongoing operations which is defined and reconciled to the nearest equivalent GAAP measure in Note 14.

	Revenue 30 June 2021 £m	Revenue 30 June 2020 £m	Operating profit 30 June 2021 £m	Operating profit 30 June 2020 £m
France	**145.8**	131.4	**14.4**	4.3
Benelux	**46.3**	45.5	**12.9**	12.4
Germany	**58.5**	55.4	**18.3**	17.1
Southern Europe	**73.5**	66.6	**13.2**	8.6
Latin America	**30.3**	27.0	**3.7**	2.3
Europe	**354.4**	325.9	**62.5**	44.7
UK & Ireland	**155.8**	136.9	**42.2**	23.5
Rest of World	**78.6**	75.2	**16.4**	15.1
UK & Rest of World	**234.4**	212.1	**58.6**	38.6
Asia	**119.2**	117.7	**12.8**	11.9
North America	**650.6**	543.9	**100.8**	70.6
Pacific	**99.7**	83.7	**20.5**	15.7
Central and regional overheads	–	–	**(42.9)**	(37.5)
Restructuring costs	–	–	**(3.9)**	(5.2)
Ongoing operations at actual exchange rates	**1,458.3**	1,283.3	**208.4**	138.8
Disposed businesses[1]	**4.4**	7.7	**0.2**	0.2
Continuing operations at actual exchange rates	**1,462.7**	1,291.0	**208.6**	139.0
One-off items – operating			**(10.9)**	4.5
Amortisation of intangible assets[2]			**(37.1)**	(43.0)
Operating profit			**160.6**	100.5

1. Includes revenue of £1.5m (2020: £4.2m) from product sales by the Group to CWS-boco International GmbH.

2. Excluding computer software.

One-off items

One-off items – operating is a charge of £10.9m (2020: gain of £4.5m). £10.3m relates to acquisition, integration and disposal costs and the remainder relates to adjustments to costs classified as one-off in prior periods.

Analysis of revenue by business category

	Revenue 30 June 2021 £m	Revenue 30 June 2020 £m
Pest Control	**932.0**	829.8
Hygiene	**360.5**	292.6
Protect & Enhance	**165.8**	160.9
Disposed businesses	**4.4**	7.7
Total	**1,462.7**	1,291.0

Analysis of revenue by type

	Revenue 30 June 2021 £m	Revenue 30 June 2020 £m
Recognised over time		
Contract service revenue	**973.6**	886.0
Recognised at a point in time		
Job work	**330.1**	263.7
Sale of goods	**159.0**	141.3
Total	**1,462.7**	1,291.0

Amortisation and impairment of intangible assets

	Amortisation and impairment of intangibles[1] 30 June 2021 £m	Amortisation and impairment of intangibles[1] 30 June 2020 £m
Europe	**5.9**	4.6
UK & Rest of World	**5.8**	5.7
Asia	**3.0**	11.7
North America	**16.7**	15.9
Pacific	**1.9**	1.8
Central and regional	**3.8**	3.3
Total	**37.1**	43.0

1. Excluding computer software.

5. Income tax expense

The analysis of the tax charge in the period is as follows:

	6 months to 30 June 2021 £m	6 months to 30 June 2020 £m
UK corporation tax at 19.0% (2020: 19.0%)	**8.1**	2.1
Overseas taxation	**28.5**	15.8
Adjustments in respect of prior periods	**(3.6)**	(1.5)
Total current tax	**33.0**	16.4
Deferred tax expense	**0.9**	0.4
Adjustments from change in tax rates	**(3.8)**	(1.6)
Adjustments in respect of prior periods	**(0.5)**	(0.5)
Total deferred tax	**(3.4)**	(1.7)
Total income tax expense	**29.6**	14.7

The tax charge for the period has been calculated by applying the effective tax rate which is expected to apply to the Group for the year ended 31 December 2021 using rates substantively enacted by 30 June 2021. A separate effective income tax rate has been calculated for each jurisdiction in which the Group operates applied to the pre-tax profits for the interim period.

The reported tax rate for the period was 19.9% (H1 2020: 23.8%).The Group's Effective Tax Rate (ETR) before amortisation of intangible assets (excluding computer software), one-off items and the net interest adjustments for the period was 20.4% (H1 2020: 21.7%). This compares with a blended rate of tax for the countries in which the Group operates of 24% (H1 2020: 23%).

Legislation to increase the standard rate of UK corporation tax from 19% to 25% from 1 April 2023 was enacted during the period. As a result deferred tax balances have been calculated at 19% or 25% depending upon when the balance is expected to unwind. The deferred tax asset recognised in the accounts has been increased by £3.8m, reducing the tax charge for the period. This includes a £3.2m increase in the deferred tax asset recognised on UK tax losses.

The Group's ETR is expected to remain above the UK tax rate due to the proportion of overseas profits which are taxed at a higher rate than UK profits. In the medium term the Group's Adjusted ETR is likely to increase towards the blended tax rate. The blended tax rate is expected to increase to 25% in 2023 when the UK tax rate increases to 25%.

Total uncertain tax positions (including interest thereon) amounted to £61.9m as at 30 June 2021 (December 2020: £64.6m). Included within this amount is £11.7m (December 2020: £11.5m) in respect of interest arising on tax provisions which is included in other payables.

Total tax payments for the period amounted to £25.0m (2020: £13.5m), an increase of £11.5m. Tax payments for the corresponding period last year were abnormally low due to various tax deferrals available during the COVID-19 pandemic.

The movement on the deferred income tax account is as follows:

	6 months to 30 June 2021 £m	6 months to 30 June 2020 £m
At 1 January	**(57.0)**	(81.5)
Exchange differences	**2.1**	(5.2)
Acquisition of companies and businesses	**(3.5)**	(2.9)
Credited to the income statement	**3.4**	1.7
Credited/(charged) to other comprehensive income	**(0.3)**	3.1
Credited/(charged) to equity	**1.2**	0.7
At 30 June	**(54.1)**	(84.1)
Deferred taxation has been presented on the balance sheet as follows:		
Deferred tax asset within non-current assets	**36.5**	30.6
Deferred tax liability within non-current liabilities	**(90.6)**	(114.7)
	(54.1)	(84.1)

A deferred tax asset of £16.7m has been recognised in respect of UK losses (December 2020: £16.0m) carried forward at 30 June 2021. This amount has been calculated by estimating the future UK taxable profits, against which the UK tax losses will be utilised, and applying the tax rates (substantively enacted as at the balance sheet date) applicable for each year. Remaining UK tax losses of £48.0m have not been recognised as at 30 June 2021 as it is not considered probable that future taxable profits will be available against which the tax losses can be offset.

At the balance sheet date the Group had tax losses of £90.5m (December 2020: £105.0m) on which no deferred tax asset is recognised because it is not considered probable that future taxable profits will be available in certain jurisdictions to be able to benefit from those tax losses.

6. Business combinations

The Group purchased 100% of either the share capital or the trade and assets of 23 companies and businesses in the period. It also acquired the remaining shares from a non-controlling interest which is recognised as an equity transaction rather than a business combination. An overview of the acquisitions in the year can be found on page 8 under the 'Continued strength of M&A' heading. The Group acquires companies and businesses as part of its growth strategy.

The total consideration in respect of acquisitions in the current year was £88.0m. Details of goodwill and the fair value of net assets acquired are as follows:

	6 months to 30 June 2021 £m	6 months to 30 June 2020 £m
Purchase consideration:		
– Cash paid	**69.2**	29.3
– Deferred and contingent consideration	**18.8**	8.1
Total purchase consideration	**88.0**	37.4
Fair value of net assets acquired	**(30.8)**	(15.2)
Goodwill from current period acquisitions	**57.2**	22.2

Goodwill represents the synergies, workforce and other benefits expected as a result of combining the respective businesses.

Deferred consideration of £7.2m and contingent consideration of £11.6m is payable in respect of the above acquisitions. Contingent consideration is payable based on a variety of conditions including revenue and profit targets being met.

The provisional fair value of assets and liabilities arising from acquisitions in the period are shown below. The provisional fair values will be materially finalised in the 2021 financial statements. The fair values are provisional as the acquisition accounting has not yet been finalised, primarily due to the proximity of the acquisitions to the period end.

	6 months to 30 June 2021 £m	6 months to 30 June 2020 £m
Non-current assets		
– Intangible assets	**29.3**	16.1
– Property, plant and equipment	**3.0**	1.4
Current assets	**5.6**	5.2
Current liabilities	**(3.2)**	(4.2)
Non-current liabilities	**(3.9)**	(3.3)
Net assets acquired	**30.8**	15.2

Acquired receivables are disclosed at fair value and represent the best estimate of the contractual cash flows expected to be collected. From the dates of acquisition to 30 June 2021, these acquisitions contributed £8.4m to revenue and £1.3m to operating profit. If the acquisitions had occurred on 1 January 2021, the revenue and operating profit of the combined entity would have amounted to £1,475.6m and £163.1m respectively.

In relation to prior period acquisitions, there has been an adjustment to the provisional fair values resulting in a decrease to goodwill of £1.9m.

The Group paid £185.9m in respect of deferred and contingent consideration for current and prior year acquisitions, resulting in the total cash outflow in the period from current and past period acquisitions, net of £0.4m cash acquired, of £254.7m. In addition the Group acquired £2.2m of lease liabilities and £4.3m of loans bringing the movement on net debt from acquisitions to £261.1m. The settlement of deferred and contingent consideration is the main reason for the reduction in trade and other payables in the balance sheet of £138.5m.

7. Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired business at the date of acquisition. It is recognised as an intangible asset. Goodwill arising on the acquisition of an associate is included in investments in associates.

Goodwill is carried at cost less accumulated impairment losses and is tested annually for impairment. For the purpose of impairment testing, goodwill is allocated to CGUs identified according to country of operation and reportable business unit. The way in which CGUs are identified has not changed from prior periods. Newly acquired entities might be a single CGU until such time that they can be integrated. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

The recoverable amount of a CGU is determined based on the higher of value-in-use calculations using cash flow projections and fair value less costs to sell if appropriate. The cash flow projections in year one are based on financial budgets approved by management, which are prepared as part of the Group's normal planning process. Cash flows for years two to five use management's expectation of sales growth, operating costs and margin, based on past experience and expectations regarding future performance and profitability for each CGU. Cash flows beyond the five-year period are extrapolated using estimated long-term growth rates (LTGR). The effect of climate change has been considered in the cash flows.

An assessment has been performed for all material CGUs at the half year to identify any indicators of impairment. The assessment included a review of internal and external factors that have the potential to significantly reduce the CGU value. As a result of this assessment 4 CGUs have been tested but none was found to be impaired:

CGU	Indicator of possible impairment	Goodwill balance 30 June 2021 £m
Ireland	H1 2021 trading lower than budget	3.3
France Workwear	H1 2021 trading lower than budget	3.6
France Technivap	H1 2021 trading lower than budget	4.4
India PCI	H1 2021 trading and economic uncertainty due to COVID-19 pandemic	70.2

A sensitivity analysis for India PCI is shown below:

Assumption	Rate used	Impairment £m
Long-term growth rate – 1% decrease	4.02%	0.6
Terminal operating margin – 1% decrease	15.1%	–
Pre-tax discount rate – 1% increase	13.8%	0.4

For all other goodwill balances it can be demonstrated that there is headroom in the recoverable amount of the CGU goodwill balances based on the assumptions made, and there is not considered to be any reasonably likely scenario under which material impairment could be expected to occur based on the testing performed. A further review will be undertaken at the year end.

8. Dividends

	6 months to 30 June 2021 £m	6 months to 30 June 2020 £m	Year to 31 December 2020 £m
2020 final dividend paid – 5.41p per share	100.3	–	–
	100.3	–	–

The directors have declared an interim dividend of 2.09p per share amounting to £38.9m payable on 13 September 2021 to shareholders on the register at close of business on 6 August 2021. The Company has a progressive dividend policy and will consider the level of growth for 2021 based on the year-end results. These interim financial statements do not reflect this dividend payable.

9. Retirement benefit obligations

Apart from the legally required social security state schemes, the Group operates a number of pension schemes around the world covering many of its employees.

The principal scheme in the Group is the Rentokil Initial 2015 Pension Scheme in the United Kingdom ("the scheme"). It has a number of defined benefit sections which are all now closed to new members and future accrual of benefits. On 4 December 2018 the Group signed an agreement with Pension Insurance Corporation plc (PIC) for PIC to take over the payment of the liabilities in the scheme via a buy-in, which is anticipated to convert to a full buy-out before the end of 2022. The trustee purchased an insurance policy that covers all retirement benefit obligations within the scheme, thereby removing exposure to the significant risks within the scheme (including changes in bond yields, inflation and longevity). The scheme's insurer (PIC) is now responsible for ensuring there are sufficient assets to meet all future pension obligations, and is subject to solvency regulations. There is no volatility associated with the insurance policy asset as under IAS 19 its value is deemed to match the scheme liabilities. Asset volatility is limited only to the assets remaining in the scheme following this transaction which are expected to be returned to the company on wind-up of the scheme.

The Group achieved buy-in within the value of the assets held by the scheme and was not required to make any further contributions. While there are still some adjustments expected to the final price it is anticipated that there will be surplus assets when the scheme finally winds up in 2022. These assets are recognised as a retirement benefit asset. This asset has been recognised at management's estimate of the value of surplus that will be returned from the scheme to the Group (subject to tax at 35%). In December 2020 the Trustee made a partial refund of surplus to the Group of £13.0m. At 30 June 2021 the retirement benefit asset amounted to £18.2m (December 2020: £18.2m). It remains subject to certain estimates and assumptions made at the balance sheet date which could lead the overall surplus available to change.

On 30 June 2021 the Group commenced wind-up of the FPC pension scheme in North America. The wind-up of this scheme is expected to be complete by 31 December 2021. At the half year the FPC scheme has an estimated deficit of $9.7m which is the expected cost of wind-up.

Schemes currently in an accounting surplus position total £18.9m (December 2020: £19.0m) and schemes currently in an accounting deficit position total £35.4m (December 2020: £38.8m).

10. Net debt

	At 30 June 2021 £m	At 31 December 2020 £m
Current		
Cash and cash equivalents in the Consolidated Balance Sheet[1]	**1,562.4**	2,225.6
Other investments	**172.1**	172.2
Fair value of debt-related derivatives	**(12.8)**	1.9
Bank and other short-term borrowings:		
– Bank overdraft[1]	**(1,174.5)**	(1,674.8)
– Bond debt[2]	**(150.6)**	(156.5)
– Other overseas loans	**(11.9)**	(10.8)
– Bond accrual	**(7.7)**	(4.5)
Lease liabilities	**(74.4)**	(72.7)
	302.6	480.4
Non-current		
Fair value of debt-related derivatives	**(2.5)**	4.7
Bank and other long-term borrowings:		
– Bond debt	**(1,278.5)**	(1,331.3)
– Other overseas loans	**(1.6)**	(6.3)
Lease liabilities	**(134.5)**	(141.8)
	(1,417.1)	(1,474.7)
Total net debt	**(1,114.5)**	(994.3)

1. Cash and cash equivalents in the Consolidated Cash Flow Statement consists of cash and cash equivalents in the Consolidated Balance Sheet and bank overdraft.

2. Short-term bond debt was settled on 7 July 2021.

Fair value is equal to carrying value for all elements of net debt with the exception of bond debt which has a carrying value of £1,429.1m (December 2020: £1,487.8m) and a fair value of £1,463.1m (December 2020: £1,537.3m). No further disclosures are required by IFRS 7.29(a).

Cash at bank and in hand includes £8.4m (December 2020: £6.7m) of restricted cash. This cash is held in respect of specific contracts and can only be utilised in line with terms under the contractual arrangements.

11. Bank and other borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are classified as current liabilities unless the Group has a continuing right to defer settlement of the liability for at least 12 months after the balance sheet date.

The Group operates notional pooling arrangements whereby cash balances and overdrafts held within the same bank have a legal right of offset meaning that balances classified as cash and cash equivalents and bank overdrafts may cause offsetting movements in the balance sheet.

The Group's bank debt comprises:

	Facility amount £m	Drawn at 30 June 2021 £m	Headroom £m	Interest rate at 30 June 2021 %
Non-current				
£550m RCF due August 2025	550.0	–	550.0	0.14%
Average cost of bank debt at period end rates				0.14%

The Group has a committed £550m revolving credit facility (RCF) which is available for cash drawings up to £550m. The maturity date is August 2025. As at 30 June 2021 the facility was undrawn (2020: £nil).

The Group's short-term bond debt comprises:

	Bond interest coupon	Effective hedged interest rate
Current		
€175m bond due October 2021	Fixed 3.25%	Fixed 3.47%

On 11 June 2021 the Group gave notice to bond holders under the €175m bond due 7 October 2021 that it would exercise its par call option. The remaining bonds were repaid on 7 July 2021.

The Group's medium-term notes and bond debt comprises:

	Bond interest coupon	Effective hedged interest rate
Non-current		
€400m bond due November 2024	Fixed 0.95%	Fixed 3.08%
€500m bond due May 2026	Fixed 0.875%	Fixed 1.50%
€600m bond due October 2028	Fixed 0.50%	Fixed 0.62%
Average cost of bond debt at period end rates		1.60%

The effective interest rate reflects the interest rate after the impact of cross currency interest rate swaps.

LIBOR reform

The Group is currently undertaking an exercise to update its RCF to be compliant with the cessation of GBP LIBOR by the end of 2021 and USD LIBOR subsequent to that. The Group is also in the process of completing ISDA fallback agreements with its interest rate swap counterparties, which will be completed in time for the deadlines.

12. Derivative financial instruments

The Group uses derivative financial instruments in support of its hedging strategy which is to hold debt in proportion to the Group profit and cash flow which are mainly EUR and USD.

For all financial instruments held by the Group, those that are held at fair value are to be classified by reference to the source of inputs used to derive the fair value. The following hierarchy is used:

Level 1 – unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 – inputs other than quoted prices that are observable for the asset or liability either directly as prices or indirectly through modelling based on prices; and

Level 3 – inputs for the asset or liability that are not based on observable market data.

Financial instrument	Hierarchy level	Valuation method
Financial assets traded in active markets	1	Current bid price
Financial liabilities traded in active markets	1	Current ask price
Listed bonds	1	Quoted market prices
Money market funds	1	Quoted market prices or dealer quotes for similar instruments
Interest rate/currency swaps	2	Discounted cash flow based on market swap rates
Forward foreign exchange contracts	2	Forward exchange market rates
Metal hedging options and non-deliverable forwards	2	Discounted cash flow using quoted market prices and forward interest rates
Borrowings not traded in active markets (term loans and uncommitted facilities)	2	Nominal value
Money market deposits	2	Nominal value
Trade payables and receivables	2	Nominal value less estimated credit adjustments
Provisions	2	Discounted cash flow using market bond rates
Contingent consideration (including put option liability)	3	Discounted cash flow using WACC

No financial instruments have moved between levels in the period.

	Fair value assets 30 June 2021 £m	Fair value assets 31 December 2020 £m	Fair value liabilities 30 June 2021 £m	Fair value liabilities[1] 31 December 2020 £m
Interest rate swaps (level 2):				
– non-hedge	**–**	–	**(0.8)**	(0.7)
– cash flow hedge	**(14.1)**	–	**(7.0)**	(8.3)
– net investment hedge	**36.2**	37.0	**(16.8)**	(23.3)
Foreign exchange swaps (level 2):				
– non-hedge	**0.9**	4.2	**(13.3)**	(3.5)
– net investment hedge	**–**	1.2	**(0.3)**	–
Metal hedging options and non-deliverable forwards (level 2):				
– non-hedge	**0.1**	0.2	**(0.2)**	–
	23.1	42.6	**(38.4)**	(35.8)
Analysed as follows:				
Current portion	**1.0**	5.6	**(13.8)**	(3.5)
Non-current portion	**22.1**	37.0	**(24.6)**	(32.3)
Derivative financial instruments	**23.1**	42.6	**(38.4)**	(35.8)
Contingent consideration (including put option liability) (level 3)[1]	**–**	–	**(68.1)**	(62.8)
Other payables (non-current)	**–**	–	**(68.1)**	(62.8)

1. Fair value liabilities have been restated in 2020 to correct the omission of contingent consideration.

The assumptions that are made in estimating the value of the put option liability are option price and discount rate. A 5% reduction in the estimated option price would result in a £1.7m decrease in the liability, and a 100 basis point decrease in the discount rate would result in a £1.3m increase in the liability. All gains and losses relating to the put option are recognised in OCI.

Given the volume of acquisitions and the variety of inputs to the valuation of contingent consideration (depending on each transaction) there is not considered to be any change in input that would have a material impact on the contingent consideration liability.

	Contingent consideration 30 June 2021 £m
At 1 January	62.8
Exchange differences	(0.3)
Acquisitions	11.6
Payments	(6.4)
Revaluation of put option through equity	0.4
	68.1

Fair value is equal to carrying value for all other trade and other payables.

13. Events occurring after the balance sheet date

With effect from 2 August 2021 the Group purchased Boecker World Holding SAL, a leading pest control and environmental health business in the Middle East, with acquired annualised revenues in the year prior to purchase of c.£37m.

On 7 July 2021 the Group exercised its par call option over the remaining €175m bond due on 7 October 2021.

There were no other significant events occurring after the balance sheet date.

14. Alternative performance measures

Definitions and reconciliation of non-GAAP measures to GAAP measures

The Group uses a number of measures to present the financial performance of the business that are not GAAP measures as defined under IFRS. Management believes these measures provide valuable additional information for users of the financial statements in order to understand the underlying trading performance. The Group's internal strategic planning process is also based on these measures and they are used for incentive purposes. They should be viewed as complements to, and not replacements for, the comparable GAAP measures.

Constant exchange rates (CER)

Given the international nature of the Group's operations, foreign exchange movements can have a significant impact on the reported results of the Group when they are translated into sterling (the functional reporting currency of the Group). In order to help understand the underlying trading performance of the business, often revenue and profit measures are presented at CER. CER is calculated by translating current year reported numbers at the full year average exchange rates for the prior year, in order to give management and other users of the accounts better visibility of underlying trading performance against the prior period. The major exchange rates used are £/$ FY 2020 1.2951 and £/€ FY 2020 1.1315. Comparisons are to the six months ended 30 June 2020 (H1 2020) unless otherwise stated.

Ongoing Revenue and Ongoing Operating Profit

Ongoing Revenue and Ongoing Operating Profit represent the performance of the continuing operations of the Group (including acquisitions) after removing the effect of disposed or closed businesses. Ongoing Operating Profit is an adjusted measure and is presented before items including amortisation and impairment of intangible assets (excluding computer software), one-off items and net profit on disposal of businesses (see below for full details).

Ongoing measures enable the users of the accounts to focus on the performance of the businesses retained by the Group and that will therefore contribute to the future performance. Ongoing Revenue and Ongoing Operating Profit are presented at CER unless otherwise stated. A reconciliation of Ongoing Revenue and Ongoing Operating Profit measures to the equivalent GAAP measure is provided in the table below and in the segmental analysis in Note 4.

Adjusted profit and earnings per share measures

Adjusted profit measures are used to give management and other users of the accounts a clear understanding of the underlying profitability of the business over time. Adjusted profit measures are calculated by adding the following items back to the equivalent GAAP profit measure:

- Amortisation and impairment of intangible assets (excluding computer software);
- One-off items (operating and associates); and
- Net interest adjustments.

Intangible assets (excluding computer software) are recognised on the acquisition of businesses which, by their nature, can vary by size and amount each year. As a result, amortisation of intangibles is added back to assist with the understanding of the underlying trading performance of the business and to allow comparability across regions and categories.

One-off items are significant expenses or income that will have a distortive impact on the underlying profitability of the Group. Typical examples are costs related to the acquisition of businesses (including aborted acquisitions), gain or loss on disposal or closure of a business, material gains or losses on disposal of fixed assets, adjustments to legacy property-related provisions (vacant property and environmental liabilities), and payments or receipts as a result of legal disputes.

Net interest adjustments are other non-cash gains and losses that can cause material fluctuations and distort understanding of the performance of the business such as net interest on pension schemes and interest fair value adjustments. These adjustments are made to aid year-on-year comparability.

Adjusted earnings per share is calculated by dividing adjusted profit after tax from continuing operations attributable to equity holders of the Company by the weighted average number of ordinary shares in issue.

A reconciliation of non-GAAP measures to the comparable GAAP equivalents is provided below at both AER and CER:

	H1 2021 AER £m	H1 2021 CER £m	H1 2020 AER £m	H1 2020 CER £m	% change AER	% change CER
Ongoing Revenue	**1,458.3**	**1,512.5**	1,283.3	1,278.2	*13.6*	*18.3*
Revenue – disposed and closed businesses	**4.4**	**4.5**	7.7	7.8	*(42.5)*	*(42.2)*
Revenue	**1,462.7**	**1,517.0**	1,291.0	1,286.0	*13.3*	*18.0*
Ongoing Operating Profit	**208.4**	**215.9**	138.8	139.0	*50.1*	*55.4*
Operating Profit – disposed and closed businesses	**0.2**	**0.2**	0.2	0.2	*4.5*	*3.9*
Adjusted Operating Profit	**208.6**	**216.1**	139.0	139.2	*50.1*	*55.3*
One-off items – operating	**(10.9)**	**(11.3)**	4.5	4.4	*(343.1)*	*(357.5)*
Amortisation and impairment of intangible assets[1]	**(37.1)**	**(38.6)**	(43.0)	(42.7)	*14.0*	*9.6*
Operating profit	**160.6**	**166.2**	100.5	100.9	*60.0*	*64.8*
Share of profit from associates (net of tax)	**4.5**	**4.9**	4.3	4.3	*4.4*	*13.7*
Net adjusted interest payable	**(19.1)**	**(19.8)**	(17.7)	(17.7)	*(7.8)*	*(12.2)*
Net interest adjustments	**2.8**	**2.7**	(25.3)	(25.0)	*110.9*	*111.0*
Profit before tax	**148.8**	**154.0**	61.8	62.5	*141.2*	*146.4*
Net interest adjustments	**(2.8)**	**(2.7)**	25.3	25.0	*(110.9)*	*(111.0)*
One-off items – operating	**10.9**	**11.3**	(4.5)	(4.4)	*343.1*	*357.5*
Amortisation and impairment of intangible assets[1]	**37.1**	**38.6**	43.0	42.7	*(14.0)*	*(9.6)*
Adjusted profit before tax	**194.0**	**201.2**	125.6	125.8	*54.5*	*60.0*
Basic earnings per share	**6.42p**	**6.69p**	2.54p	2.56p	*153.1%*	*161.4%*
Basic adjusted earnings per share	**8.31p**	**8.66p**	5.30p	5.36p	*56.7%*	*61.5%*

1. Excluding computer software.

Organic Revenue Measures

Acquisitions are a core part of the Group's growth strategy. Organic Revenue growth measures are used to help understand the underlying performance of the Group. Organic Revenue growth represents the growth in Ongoing Revenue excluding the effect of businesses acquired during the year. Acquired businesses are included in organic measures in the year following acquisition, and the comparative period is adjusted to include an estimated full year performance for growth calculations (pro forma revenue).

	Europe		UK and ROW		Asia		North America		Pacific		Total	
	£m	%	£m	%	£m	%	£m	%	£m	%	£m	%
2020 Ongoing Revenue (as reported)	329.5	–	212.0	–	116.5	–	534.5	–	85.7	–	1,278.2	–
Pro forma revenue from 2020 and 2021 acquisitions	6.2	1.9	1.3	0.6	0.3	0.3	76.5	14.3	0.9	1.1	85.2	6.6
Organic Revenue growth	25.2	7.6	22.5	10.6	8.2	7.1	83.1	15.5	10.1	11.8	149.1	11.7
2021 Ongoing Revenue (as reported)	**360.9**	**9.5**	**235.8**	**11.2**	**125.0**	**7.4**	**694.1**	**29.8**	**96.7**	**12.9**	**1,512.5**	**18.3**

	Pest Control		Hygiene		Protect & Enhance		Total	
	£m	%	£m	%	£m	%	£m	%
2020 Ongoing Revenue (as reported)	822.4	–	293.9	–	161.9	–	1,278.2	–
Pro forma revenue from 2020 and 2021 acquisitions	83.4	10.2	0.7	0.2	1.1	0.7	85.2	6.6
Organic Revenue growth	70.1	8.5	72.8	24.8	6.2	3.9	149.1	11.7
2021 Ongoing Revenue (as reported)	**975.9**	**18.7**	**367.4**	**25.0**	**169.2**	**4.6**	**1,512.5**	**18.3**

Regional Analysis

	Ongoing Revenue				Ongoing Operating Profit			
	H1 2021		Change from HY 2020		H1 2021		Change from HY 2020	
	AER £m	CER £m	AER %	CER %	AER £m	CER £m	AER %	CER %
France	145.8	148.2	11.0	11.3	14.4	14.7	235.8	234.1
Benelux	46.3	47.1	1.8	2.1	12.9	13.1	4.0	4.4
Germany	58.5	59.6	5.6	6.2	18.3	18.7	7.3	7.9
Southern Europe	73.5	74.8	10.3	10.7	13.2	13.4	54.1	54.7
Latin America	30.3	31.2	12.2	17.4	3.7	3.6	57.8	51.3
Total Europe	**354.4**	**360.9**	**8.7**	**9.5**	**62.5**	**63.5**	**40.0**	**40.0**
UK & Ireland	155.8	156.0	13.9	13.8	42.2	41.9	79.3	75.0
Rest of World	78.6	79.8	4.5	6.5	16.4	16.8	8.8	12.0
UK & Rest of World	**234.4**	**235.8**	**10.5**	**11.2**	**58.6**	**58.7**	**51.7**	**50.8**
Asia	**119.2**	**125.0**	**1.3**	**7.4**	**12.8**	**13.5**	**8.0**	**14.6**
North America	**650.6**	**694.1**	**19.6**	**29.8**	**100.8**	**107.4**	**42.6**	**54.6**
Pacific	**99.7**	**96.7**	**19.1**	**12.9**	**20.5**	**19.9**	**30.6**	**23.9**
Central and regional overheads	**–**	**–**	**–**	**–**	**(42.9)**	**(43.0)**	**(14.4)**	**(14.6)**
Restructuring costs	**–**	**–**	**–**	**–**	**(3.9)**	**(4.1)**	**25.5**	**19.4**
Ongoing operations	**1,458.3**	**1,512.5**	**13.6**	**18.3**	**208.4**	**215.9**	**50.1**	**55.4**
Disposed businesses	4.4	4.5	(42.5)	(42.2)	0.2	0.2	4.5	3.9
Continuing operations	**1,462.7**	**1,517.0**	**13.3**	**18.0**	**208.6**	**216.1**	**50.1**	**55.3**

Category Analysis

	Ongoing Revenue				Ongoing Operating Profit			
	H1 2021		Change from HY 2020		H1 2021		Change from HY 2020	
	AER £m	CER £m	AER %	CER %	AER £m	CER £m	AER %	CER %
Pest Control	**932.0**	**975.9**	**12.3**	**18.7**	**163.9**	**170.3**	**31.0**	**36.7**
– Growth	811.9	849.9	13.0	19.3	148.8	154.6	29.4	34.9
– Emerging	120.1	126.0	7.7	14.6	15.1	15.7	49.6	57.2
Hygiene	**360.5**	**367.4**	**23.2**	**25.0**	**77.1**	**78.6**	**56.7**	**59.9**
– Core Hygiene	266.9	269.1	9.1	9.3				
– Disinfection	93.6	98.3	94.7	105.9				
Protect & Enhance	**165.8**	**169.2**	**3.1**	**4.6**	**14.2**	**14.1**	**97.0**	**80.5**
Central and regional overheads	**–**	**–**	**–**	**–**	**(42.9)**	**(43.0)**	**(14.4)**	**(14.6)**
Restructuring costs	**–**	**–**	**–**	**–**	**(3.9)**	**(4.1)**	**25.5**	**19.4**
Ongoing operations	**1,458.3**	**1,512.5**	**13.6**	**18.3**	**208.4**	**215.9**	**50.1**	**55.4**
Disposed businesses	4.4	4.5	(42.5)	(42.2)	0.2	0.2	4.5	3.9
Continuing operations	**1,462.7**	**1,517.0**	**13.3**	**18.0**	**208.6**	**216.1**	**50.1**	**55.3**

Operating Margin

Operating Margin is calculated by dividing Ongoing Operating Profit by Ongoing Revenue, expressed as a percentage. Net Operating Margin by region and category is shown in the tables below:

	H1 2021 %	H1 2020 %	Variance % points
France	**9.9**	3.3	6.6
Benelux	**27.9**	27.3	0.6
Germany	**31.3**	30.8	0.5
Southern Europe	**18.0**	12.9	5.1
Latin America	**11.7**	9.0	2.7
Total Europe	**17.6**	13.8	3.8
UK & Ireland	**26.9**	17.5	9.4
Rest of World	**21.1**	20.0	1.1
UK & Rest of World	**24.9**	18.4	6.5
Asia	**10.8**	10.1	0.7
North America	**15.5**	13.0	2.5
Pacific	**20.6**	18.8	1.8
Ongoing operations[1]	**14.3**	10.9	3.4
Disposed businesses	**4.8**	2.6	2.2
Continuing operations[1]	**14.2**	10.8	3.4

	H1 2021 %	H1 2020 %	Variance % points
Pest Control	**17.5**	15.2	2.3
– Growth	**18.2**	16.1	2.1
– Emerging	**12.5**	9.1	3.4
Hygiene	**21.4**	16.7	4.7
Protect & Enhance	**8.3**	4.8	3.5
Ongoing operations[1]	**14.3**	10.9	3.4
Disposed businesses	**4.8**	2.6	2.2
Continuing operations[1]	**14.2**	10.8	3.4

1. Operating Margin for ongoing operations and continuing operations is calculated after central and regional overheads and restructuring costs.

Adjusted Interest

Adjusted interest is calculated by adjusting the reported finance income and costs by the net interest on pensions and interest fair value adjustments. In H1 2020 there was also an adjustment for IFRS 16 interest which was removed from H2 2020 onwards.

	H1 2021 AER £m	H1 2020 AER £m
Net finance costs	**(16.3)**	(43.0)
Net interest credit from pensions	**0.1**	0.1
Interest fair value adjustments	**(2.9)**	24.1
IFRS 16 interest adjustment	–	1.1
Adjusted interest	**(19.1)**	(17.7)

Free Cash Flow

The Group aims to generate sustainable cash flows (Free Cash Flow) from its day to day operating activities to, inter alia, support its acquisition programme and to fund dividend payments to shareholders. Free cashflow is defined as "net cash from operating activities" (in the consolidated cash flow statement on page 17) adjusted for the net investments arising from the acquisition and disposal of tangible and intangible fixed assets, and right of use assets. The ongoing investment in these assets is considered by management to be fundamental, over the medium and long term, to delivering the day to day business that generates the operating profits and associated cashflows of the Group. Free Cash Flow is used to show a year to year consistent net operations driven cash performance metric before Group acquisition, dividend and financing activities A reconciliation of Free Cash Flow to "net cash from operating activities" is provided in the table below:

	H1 2021 AER £m	H1 2020 AER £m
Net cash from operating activities	**331.8**	240.8
Purchase of property, plant, equipment and intangible fixed assets	**(71.6)**	(73.1)
Proceeds from sale of property, plant, equipment and software	**1.6**	5.0
Net additions and disposals of ROU assets	**(39.8)**	(29.2)
Free Cash Flow	**222.0**	143.5

Free Cash Flow Conversion

Free Cash Flow Conversion is calculated by dividing Adjusted Profit from continuing operations attributable to equity holders of the Company by Adjusted Free Cash Flow, expressed as a percentage. Adjusted Free Cash Flow is measured as Free Cash Flow adjusted for one-off items – operating and product development additions.

	H1 2021 AER £m	H1 2020 AER £m
Adjusted profit after tax from continuing operations attributable to equity holders of the Company	**154.4**	98.4
Free Cash Flow from continuing operations	**222.0**	143.5
One-off items – operating[1]	**9.0**	4.7
Product development additions	**2.7**	2.3
	233.7	150.5
Free Cash Flow Conversion	**151.4%**	152.9%

1. Excludes £nil related to gain on sale and leaseback which is already included in Free Cash Flow from continuing operations (2020: £4.0m).

Effective Tax Rate

Effective Tax Rate is calculated by dividing adjusted income tax expense by adjusted profit before income tax, expressed as a percentage. The measure is used by management to assess the rate of tax applied to the Group's adjusted profit before tax from continuing operations.

	H1 2021 AER £m	H1 2020 AER £m
Income tax expense	**29.6**	14.7
Tax adjustments on:		
Amortisation and impairment of intangible assets (excluding computer software)	**9.1**	8.4
One-off items – operating	**1.4**	(0.7)
Net interest adjustments	**(0.5)**	4.8
Adjusted income tax expense (a)	**39.6**	27.2
Adjusted profit before income tax (b)	**194.0**	125.6
Effective Tax Rate (a/b)	**20.4%**	21.7%

Responsibility statement of the directors in respect of the half-yearly financial report

We confirm that to the best of our knowledge:

– the condensed set of financial statements prepared in accordance with IAS 34, 'Internal Financial Reporting', as adopted in the UK (IAS 34), gives a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and its subsidairies included in the consolidation as a whole as required by DTR 4.2.4R

– the interim management report includes a fair review of the information required by:

  - DTR 4.2.7R of the Disclosure Guidance and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and

  - DTR 4.2.8R of the Disclosure Guidance and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last annual report that could do so

By Order of the Board

Andy Ransom
Chief Executive

28 July 2021

The directors of Rentokil Initial plc are listed in the Rentokil Initial plc Annual Report for 31 December 2020. A list of the current directors is maintained on the Rentokil Initial website: rentokil-initial.com

Independent review report to Rentokil Initial plc

Report on the condensed consolidated interim financial statements

Our conclusion

We have reviewed Rentokil Initial plc's condensed consolidated interim financial statements (the "interim financial statements") in the half-yearly financial report of Rentokil Initial plc for the 6 month period ended 30 June 2021 (the "period").

Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements are not prepared, in all material respects, in accordance with UK adopted International Accounting Standard 34, 'Interim Financial Reporting' and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

What we have reviewed

The interim financial statements comprise:

- the consolidated balance sheet as at 30 June 2021;
- the consolidated statement of profit or loss and other comprehensive income for the period then ended;
- the consolidated cash flow statement for the period then ended;
- the consolidated statement of changes in equity for the period then ended; and
- the explanatory notes to the interim financial statements.

The interim financial statements included in the half-yearly financial report of Rentokil Initial plc have been prepared in accordance with UK adopted International Accounting Standard 34, 'Interim Financial Reporting' and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

Responsibilities for the interim financial statements and the review

Our responsibilities and those of the directors

The half-yearly financial report, including the interim financial statements, is the responsibility of, and has been approved by the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

Our responsibility is to express a conclusion on the interim financial statements in the half-yearly financial report based on our review. This report, including the conclusion, has been prepared for and only for the company for the purpose of complying with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority and for no other purpose. We do not, in giving this conclusion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What a review of interim financial statements involves

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the interim financial statements.

PricewaterhouseCoopers LLP

Chartered Accountants

London

28 July 2021