



# KING OF CLEAN

Working for pest control and hygiene giant Rentokil Initial has enabled James Kelly to fast-track his career. He shares his thoughts on the route to treasury success

Words: **Sally Percy** / Photos: **Charlie Best**



James Kelly admits that he's become a clean freak since joining Rentokil Initial in 2010. Now head of treasury at the FTSE 250-listed pest control and facilities management giant – which maintains company washrooms among other services – he reveals that Rentokil employees get “a lot of information” about hygiene. Unsurprisingly then, he’s “slightly obsessive” about washing his hands, a fixation that has also afflicted his wife, who is an avid hand washer, too.

But there is, of course, a lot more to Kelly than clean hands. His ascent up the treasury career ladder has been impressively rapid, given that he's only worked in the profession for just seven years. After training as a chartered accountant with medium-sized accountancy firm Moore Stephens, Kelly did a stint in KPMG's audit practice. Then he moved into industry and was first exposed to treasury while working in a group accounting role for home-improvement group Kingfisher. “I was just starting to take over the cash flow, so anything technical tended to get thrown to me,” he recalls. “I spent a month with the treasury accountant reconciling derivative positions and learning about treasury accounting under IFRS.” When the treasury accountant left, Kelly jumped at the chance to take on the role.

He went on to work for BSKyB as treasury controller, where he was involved in the disposal of the broadcaster's business-to-business broadband operation. But his daily commute was long, so he decided to look for a job closer to home. Soon after, he landed the job of deputy treasurer at Rentokil. Moving into a front-office treasury role from a middle-office treasury controller position was a jump, Kelly says, noting that the then Rentokil treasurer Nigel Roberts “showed a lot of faith” in him. “It was a great opportunity to learn,” he says. “I very quickly realised that the biggest learning area I needed for this job was not

technical; it was having the confidence to say, ‘I think this is the right thing.’” After Roberts left in 2013, his role was effectively split between Kelly and Stuart Ingall-Tombs, Rentokil's group financial controller, whom Kelly reports to.

Kelly staunchly believes that ongoing development is important for treasurers. He began studying for the AMCT while he was still at Kingfisher and completed the course at Rentokil. The Cert ITM was particularly useful, he says, because it introduced him to concepts that he hadn't come across before. Next on his to-do list is the MCT. Development is particularly important given that career progression within treasury appears to be getting harder. Kelly notes there are fewer deputy treasurer roles around than when he started in treasury, which makes it more difficult for treasury managers to make the jump to the group treasurer role. He says treasurers need to keep a constant eye out for development opportunities and look for bosses who will develop them. “You need to be particularly mindful of the organisation where you work so that you have the opportunity to progress where possible,” he says.

Rentokil is best known for its pest control business, which generated £626m of its revenues in 2013, 39% of its income. But it also has a sizeable washroom service business, a workwear business and a workplace plants business – all of which Kelly describes as “man-and-a-van services”. It previously owned site-based facilities business Initial Facilities, but sold that operation to support services group Interserve for £250m earlier this year. Organic growth supported by carefully rationed investment is at the heart of Rentokil's strategy, says Kelly, and treasury analysis plays an important role in ensuring that the right resources are allocated to the right markets at the right time.

Funding is, inevitably, a major part of the job. To complement its organic growth, Rentokil undertook 19 bolt-on acquisitions >



## JAMES'S TOP TIPS FOR SUCCESS:

◆  
“Thinking time is very important to help to identify potential risk areas, potential questions and areas for improvement.”

◆  
“The AMCT has given me a really good technical grounding. It's a toolkit that I dip into all the time. With that as a basis, I can bring other skills and attributes into play.”

◆  
“My favourite gadget is my iPad. I use it for anything and everything. I even use it to teach my daughter about the importance of drinking water.”

◆  
“The secret to my career success is having great bosses to learn from.”

◆  
“The most difficult question that my CFO could ask is one I haven't briefed him on.”

◆  
“The best way to unwind after a stressful day is going for a nice walk.”



## JAMES'S CURRICULUM VITAE

### 2013-present

Head of treasury, Rentokil Initial

### 2010-2013

Deputy treasurer, Rentokil Initial

### 2009-2010

Treasury controller,  
BSkyB

### 2007-2009

Senior treasury accountant,  
Kingfisher

### 2006-2007

Group accountant,  
Kingfisher

### 2005-2006

Assistant manager,  
KPMG

### 2002-2005

Trainee accountant,  
Moore Stephens

### Qualifications:

AMCT (2011), ACA (2005)

last year and a further 17 in the first half of 2014. “We're embedded into the team that makes decisions about acquisitions and disposals,” Kelly reveals. “We'll be there at the genesis, analysing cash forecasts and the historic cash performance of the target, how we think it will perform in future, and how we'll fund the acquisition. The M&A team will put a model together, but we'll review it and, as one cross-functional team, sign it off together.”

At the end of June, Standard & Poor's upgraded Rentokil's credit rating to BBB, based on the company's improving credit metrics and a presentation from the treasury team on how Rentokil was in a better competitive position following the disposal of Initial Facilities. As a strong credit, Rentokil can take advantage of a range of funding sources, including debt and equity, although Kelly says the company, which is conservatively run, prefers to keep debt “at a sensible level”. Bonds provide between 80% and 90% of Rentokil's debt funding with the remainder coming from banks.

In September 2013, Rentokil issued a €350m ‘drive-by’ euro bond that secured the company the runner-up spot in *The Treasurer's* 2013 Deals of the Year Awards for the bonds below £500m category (see February 2014 issue, page 23). The issuance followed on from a €500m bond that had been launched a year previously. Originally, the company had intended to host an investor roadshow to launch the second bond. But swap rates were falling at the time and Rentokil's credit spreads were good, so the treasury team concluded that the roadshow might only be of marginal benefit. Rentokil went straight to the market with its bond, securing a coupon of 3.25%, pleasingly below its target of 3.5%. Indeed, such was the level of interest from investors that the order book reached €1.2bn in the first half hour.

### Opportunities knock

Rentokil works with a group of 10 global banks that it uses for its funding and cash management requirements. Following the disposal of Initial Facilities, it has around £100m in cash reserves that it keeps on bank deposit. “Most of it is reasonably liquid, which allows us to respond opportunistically to investment opportunities,” says Kelly. The company has a very effective pooling system that covers 95% of the cash it generates, while a further £20m-£30m is usually spread throughout the world in low concentration in different territories.

There are issues with carrying out cash management internationally, Kelly concedes. “Whenever we enter a new territory, it's a challenge, because it tends to be somewhere different and exciting where we don't have a lot of experience, and often our banks don't have a lot of experience either.” Operating in territories that have been declared tax havens also presents problems. “Strangely enough, tax havens also have pests, so that doesn't deter us,” Kelly notes wryly. “But following the major fines levied in the US, some of the big multinational banks won't do FX in some of the territories where we operate, which adds unavoidable costs to doing business.”

Benchmarking interest rates is also a concern. “The current account interest rate can lag behind the general rate of interest quite quickly,” Kelly says. “If that's not monitored, you can quickly find that banks are effectively making very good money out of relatively modest amounts of cash held in-country.”

When Kelly joined Rentokil, he looked at the company's activities around the world and tried to reduce the impact of FX on its margin by netting wherever possible. He also moved the company from using quarterly cross-currency swaps to longer-term swaps (every three or five years). The combination of these

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measures reduced FX volumes on increased turnover and profit by 600%, from £10bn-£11bn in 2010 to £1.5bn in 2013.

Rentokil's treasury team prepares papers for board meetings and briefs CFO Jeremy Townsend, who is a qualified treasurer. But Kelly notes that the areas that treasury reports on have changed over time. “When I started, we'd go to the board every month, but it would be about updating a bank mandate or signatories, or proposing a resolution to set up a new cash pool. Now we're involved in things like contributing to the funding piece of an M&A deal or a disposal, or talking about how the three-year plan impacts on our funding position. We're more engaged with the broader business.”

Kelly argues that the treasury profession needs to become more diverse and inclusive, and do more to encourage women, in particular, to get to the top. “There can be difficulties if you fall outside the stereotype,” he says. “For example, I don't think treasury roles need to be full-time. You want diversity in the workplace and you can get this by encouraging scenarios where that can happen. If you create a working culture that is unworkable for portions of the population, it will be a very difficult model to follow.”

So, as someone who has progressed quickly in his own career, what's Kelly's advice to ambitious treasurers who aspire to follow in his footsteps? “Put yourself in the best possible position by making sure you do something you enjoy,” he says. “If you find something that's right for you, you put in more effort and that becomes self-perpetuating. I don't know many people who are senior in treasury who don't love what they do.” ♡

Sally Percy is editor of *The Treasurer*

## VITAL STATISTICS

**1** Rentokil's position in the global commercial pest control market

**£2.3bn** the revenue for the financial year ending 31 December 2013

**£121.9m** the pre-tax profit for 2013

**27,000** the number of people employed by Rentokil

**60+** the number of countries in which Rentokil operates

**52** the number of currencies managed by treasury

**€850m** the amount of debt issued by Rentokil since September 2012

**£859m** the amount of net debt at the end of June 2014

**£250m** the gross proceeds Rentokil received from selling its Initial Facilities business

**1925** the year that Rentokil was registered as a company

**600%** the reduction in FX volumes achieved between 2010 and 2013 through simplification despite growing operating cash flows

