# Franchise Partners Finds Rentokil Bid for Terminix Uncompelling Urges Board to Seek Other Offers

**Wednesday 9 February, 2022**

Independent Franchise Partners, LLP ("Franchise Partners"), acting on behalf of its clients, is the owner of 1,874,048 shares in Terminix Global Holdings, Inc ("Terminix). This represents 1.55% of Terminix's issued share capital. Franchise Partners is a top 20 shareholder in Terminix and has been a supportive owner of the business since 2020.

Rentokil Initial PLC ("Rentokil") and Terminix have entered into a definitive agreement under which Rentokil plans to acquire Terminix for cash and stock. The agreement was announced by the Terminix board on December 14th 2021. The current value of the offer is $48.58 per Terminix share, a 20% premium to the average stock price during the 90 days ending December 13th, 2021.

Franchise Partners does not find the value or the structure of the proposed offer attractive and notes the following:

Terminix is a scarce asset in an attractive category, one that is consolidating rapidly. Over the past two years, most acquisitions in pest control have been valued at at EBITDA multiples in the 20x range or above for businesses that are not as attractive as Terminix. The Rentokil offer values Terminix at a 16x multiple of 2022 expected EBITDA and at 12x expected EBITDA including the conservatively estimated synergy target.

The current implied premium to the average 30, 90, 180 and 360 day average price for Terminix stock at December 13th 2021 is 25%, 20%, 11%, and 4% respectively. In the context of the scarcity of the asset and the stated deal synergies, this premium is inadequate.

80% of the stated value of the bid is being paid in a fixed number of shares of Rentokil, a UK company with substantial business outside of the United States and outside of pest control. This transaction will materially dilute Terminix shareholders' economic exposure to the attractive US pest control category.

Despite their recent fall, Rentokil shares are considerably more expensive than Terminix shares. In Franchise Partners' assessment, Rentokil operating margins are already much closer to their full potential than Terminix margins.

In summary, Terminix shareholders are being paid only a modest premium to cede control of a unique asset in an attractive category. Moreover, they are being paid mostly in expensive shares built on fully baked margins and a less attractive country and category business mix. Rentokil has not had to compete with other bidders and is likely to earn extraordinarily attractive returns on its investment.

Franchise Partners encourages the Terminix board to immediately add a "go-shop" clause to their agreement with Rentokil. The board should openly invite and actively engage with other parties who might offer better value to Terminix shareholders. This is consistent with best governance practices.

Franchise Partners cannot see a logical reason why the Terminix board would choose not to add a "go-shop" clause. In any material transaction, boards have a fiduciary duty to facilitate proper price discovery. If the Terminix board adopts a "go-shop" clause and no other bidders come forward, then they can be confident that they can demonstrate that they have done their duty with regards to proper price discovery. If other bidders do step forward and better terms are negotiated, then their shareholders benefit. Either way, they come out ahead.

Franchise Partners encourages other Terminix shareholders to make their views about the value and structure of the transaction known to the Terminix board.

Franchise Partners would be pleased to discuss this press release with other Terminix shareholders. Please contact, Hassan Elmasry, managing partner, at hassan.elmasry@franchisepartners.com or +44 20 7495 9070

**LONDON, United Kingdom**

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