

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

(Mark One)

Quarterly report pursuant to section 13 or 15(d) of the Securities Exchange Act of 1934 For the quarterly period ended September 30, 1997.

Transition report pursuant to section 13 or 15(d) of the Securities Exchange Act of 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number 1-4422

\_\_\_\_\_  
ROLLINS, INC.

Incorporated  
in  
Delaware

I.R.S. Employer  
Identification Number  
51-0068479

2170 Piedmont Road, N.E., Atlanta, Georgia 30324

Telephone Number -- (404) 888-2000

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes  No

At September 30, 1997, there were 33,711,831 shares of Common Stock \$1 Par Value, outstanding.

ROLLINS, INC. AND SUBSIDIARIES

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ROLLINS, INC. AND SUBSIDIARIES  
PART 1. FINANCIAL INFORMATION  
ITEM 1. FINANCIAL STATEMENTS  
STATEMENTS OF FINANCIAL POSITION  
(In thousands except share data)  
(Unaudited)

<CAPTION>

	September 30,	December 31,
	1997	1996
<S>	<C>	<C>
ASSETS		

Cash and Short-Term Investments	\$	12,981	\$	12,150
Marketable Securities		85,863		84,785
Trade Receivables, Net		75,826		78,856
Materials and Supplies		15,488		15,006
Deferred Income Taxes		8,143		4,379
Other Current Assets		13,135		10,560
Current Assets		211,436		205,736
Equipment and Property, Net		37,984		41,042
Intangible Assets		40,346		41,931
Other Assets		15,299		20,074
Total Assets	\$	305,065	\$	308,783
LIABILITIES				
Capital Lease Obligations	\$	3,044	\$	2,735
Accounts Payable		23,025		15,897
Accrued Insurance Expenses		16,520		15,053
Accrued Payroll		14,590		12,957
Unearned Revenue		15,219		15,614
Other Expenses		21,955		17,263
Current Liabilities		94,353		79,519
Capital Lease Obligations		9,857		12,163
Long-Term Accrued Liabilities		29,729		20,591
Deferred Income Taxes		4,119		6,220
Total Liabilities		138,058		118,493
Commitments and Contingencies				
STOCKHOLDERS' EQUITY				
Common Stock, par value \$1 per share; authorized 99,500,000 shares; 33,711,831 shares issued in 1997; 34,594,481 shares issued in 1996		33,712		34,594
Earnings Retained		133,295		155,696
Total Stockholders' Equity		167,007		190,290
Total Liabilities and Stockholders' Equity	\$	305,065	\$	308,783

The accompanying notes are an integral part of these statements.

</TABLE>

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<TABLE>

ROLLINS, INC. AND SUBSIDIARIES  
STATEMENTS OF OPERATIONS AND EARNINGS RETAINED  
(In thousands except share data)  
(Unaudited)

<CAPTION>

	Three Months Ended		Nine Months Ended	
	September 30, 1997	1996	September 30, 1997	1996
<S>	<C>	<C>	<C>	<C>
REVENUES				
Customer Services	\$ 142,427	\$ 146,489	\$ 439,530	\$ 435,526
COSTS AND EXPENSES				
Cost of Services Provided	90,566	86,269	263,026	244,281
Depreciation and Amortization	2,292	2,110	6,510	5,542
Special Charge	300	---	300	---
Sales, General and Administrative Expenses	55,025	54,705	160,824	156,780
Interest Income	(1,509)	(1,516)	(3,898)	(4,297)
	146,674	141,568	426,762	402,306
INCOME (LOSS) FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	(4,247)	4,921	12,768	33,220
PROVISION (CREDIT) FOR INCOME TAXES				
Current	(287)	1,799	8,827	13,571
Deferred	(1,327)	71	(3,975)	(947)
	(1,614)	1,870	4,852	12,624
INCOME (LOSS) FROM CONTINUING OPERATIONS	(2,633)	3,051	7,916	20,596

DISCONTINUED OPERATIONS

Operating income, less income tax expense of

\$185, \$158, \$744, and \$1,188, respectively		299	255	1,213	1,938
NET INCOME (LOSS)	\$	(2,334)	\$ 3,306	\$ 9,129	\$ 22,534
EARNINGS RETAINED					
Balance at Beginning of Period	\$	140,565	223,722	155,696	224,009
Cash Dividends		(5,055)	(5,143)	(15,307)	(15,528)
Common Stock Purchased and Retired		0	0	(16,573)	(8,762)
Common Stock in Treasury Retired		0	(45,371)	0	(45,371)
Other		119	385	350	17
BALANCE AT END OF PERIOD	\$	133,295	\$ 176,899	\$ 133,295	\$ 176,899
EARNINGS (LOSS) PER SHARE					
Earnings (Loss) from continuing operations	\$	(0.08)	\$ 0.08	\$ 0.23	\$ 0.58
Discontinued operations		0.01	0.01	0.04	0.05
NET EARNINGS (LOSS) PER SHARE	\$	(0.07)	\$ 0.09	\$ 0.27	\$ 0.63
WEIGHTED AVERAGE					
SHARES OUTSTANDING		34,081,978	35,481,076	34,117,810	35,681,298

The accompanying notes are an integral part of these statements.

</TABLE>

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<TABLE>

ROLLINS, INC. AND SUBSIDIARIES  
STATEMENTS OF CASH FLOWS  
(In thousands)  
(Unaudited)

<CAPTION>

	Nine Months Ended	
	September 30,	
	1997	1996
<S>	<C>	<C>
OPERATING ACTIVITIES		
Net Income	\$ 9,129	\$ 22,534
Noncash Charges (Credits) to Earnings:		
Depreciation and Amortization	7,052	6,077
Deferred Income Taxes	(7,910)	(1,250)
Other, Net	2,213	3,368
(Increase) Decrease in Assets:		
Trade Receivables	3,301	4,199
Materials and Supplies	(453)	(2,097)
Other Current Assets	1,585	6,512
Other Non-Current Assets	10,350	(517)
Increase (Decrease) in Liabilities:		
Accounts Payable and Accrued Expenses	11,323	5,901
Unearned Revenue	(466)	1,415
Long-Term Accrued Liabilities	9,138	6,889
Non-Current Deferred Income Taxes	420	2,565
Net Cash Provided by Operating Activities	45,682	55,596
INVESTING ACTIVITIES		
Purchases of Equipment and Property	(6,489)	(8,595)
Net Cash Used for Acquisition of Companies	(2,935)	(6,031)
Marketable Securities, Net	(905)	(17,600)
Net Cash Used in Investing Activities	(10,329)	(32,226)
FINANCING ACTIVITIES		
Dividends Paid	(15,307)	(15,528)
Common Stock Purchased and Retired	(17,495)	(9,164)
Payments on Capital Lease	(1,997)	(927)
Other	277	418
Net Cash Used in Financing Activities	(34,522)	(25,201)
Net Increase (Decrease) in Cash and Short-Term Investments	831	(1,831)
Cash and Short-Term Investments at Beginning of Period	12,150	33,623
Cash and Short-Term Investments at End of Period	\$ 12,981	\$ 31,792

The accompanying notes are an integral part of these statements.

</TABLE>

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ROLLINS, INC. AND SUBSIDIARIES  
NOTES TO FINANCIAL STATEMENTS  
(Unaudited)

NOTE 1. BASIS OF PREPARATION

The consolidated financial statements included herein have been prepared by the Registrant, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission. Footnote disclosures normally included in the financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations.

These consolidated financial statements should be read in conjunction with the financial statements and related notes contained in the Registrant's annual report on Form 10-K for the year ended December 31, 1996.

In the opinion of management, the consolidated financial statements included herein contain all normal recurring adjustments necessary to present fairly the financial position of the Registrant as of September 30, 1997 and December 31, 1996, and the results of operations and cash flows for the nine months ended September 30, 1997 and 1996.

NOTE 2. SPECIAL CHARGE

In July 1997, the Landscaping and Lawn Care divisions of Orkin Exterminating Company, Inc., a wholly-owned subsidiary, were sold to Tru-Green L.P. The gain on the sale was \$15,300,000 (\$9,486,000 after tax or \$0.28 per share). Also, during the quarter, a special charge of \$15,600,000 was recorded (\$9,672,000 after tax benefit or \$0.28 per share) for expenditures related to the company-wide computer systems modification to address the year 2000 programming issue. The net impact of the gain and the special charge have been reflected on the income statement in the line item entitled Special Charge.

NOTE 3. DISCONTINUED OPERATIONS

Subsequent to the end of the quarter, the alarm assets of Rollins Protective Services, formerly the electronic security segment, were sold to Ameritech Monitoring Services, and accordingly, the results of its operations have been reported separately as discontinued operations. (Also see Item 6(b) on page 8).

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NOTE 4. PROVISION FOR INCOME TAXES

The book provision for income taxes includes the liability for state income taxes, net of the federal income tax benefit. The deferred provision for income taxes arises from the changes during the year in the company's net deferred tax asset or liability.

NOTE 5. EARNINGS PER SHARE

Earnings per share is computed by dividing net income by the weighted average number of shares outstanding during the respective periods.

ROLLINS, INC. AND SUBSIDIARIES  
 PART I. ITEM 2. FINANCIAL INFORMATION  
 MANAGEMENT 'S DISCUSSION AND ANALYSIS OF  
 FINANCIAL CONDITION AND RESULTS OF OPERATIONS  
 FOR THE THIRD QUARTER ENDED SEPTEMBER 30, 1997

## RESULTS OF OPERATIONS

Subsequent to the end of the quarter, the alarm assets of Rollins Protective Services, formerly the electronic security segment, were sold to Ameritech Monitoring Services and accordingly, the results of its operations were reported separately as discontinued operations. Revenues from continuing operations for the third quarter ended September 30, 1997 were \$142.4 million as compared to \$146.5 million for the same period last year. Net income (loss) from continuing operations was \$(2.6) million as compared to \$3.1 million for the third quarter 1996. Earnings (loss) per share from continuing operations were (8) cents versus 8 cents last year. Year-to-date, net income from continuing operations decreased 61.6% to \$7.9 million for an earnings per share of 23 cents compared to 58 cents for the same period last year. Revenues and operating income from discontinued operations were \$15.7 million and \$.5 million for the quarter, and \$46.8 million and \$2.0 million for the nine months ended, respectively.

For the quarter, Orkin Pest Control, the primary business unit of Rollins, Inc., had increases in pest control revenue and termite annual renewal revenue. However, these gains were offset by a decrease in termite sales revenue which can be attributed to the lagging effect of a disappointing termite season and changes in sales policies in response to rising termite claims. Operating income for the quarter was negatively impacted by the shortfall in termite sales, higher sales and marketing expenses, increased insurance costs and termite claims.

The divestitures of the three non-core businesses; Landscaping, Lawn Care, and Rollins Protective Services, were part of the Company's strategic direction to focus its resources on Orkin Pest Control. The Company is taking steps to reduce future termite claims through new termite marketing programs, revised customer guarantees and proactive claims management. The Company will continue to execute the investment and growth strategies that will affect its future growth and profitability.

FINANCIAL CONDITION  
 <TABLE>  
 <CAPTION>

	September 30, 1997	December 31, 1996
(In thousands)		
<S>	<C>	<C>
Cash and Short-Term Investments	\$ 12,981	\$ 12,150
Marketable Securities	\$ 85,863	\$ 84,785
	\$ 98,844	\$ 96,935
Working Capital	\$ 117,083	\$ 126,217

Current Ratio 2.2 2.6

Cash Provided By  
Operations \$ 48,153 \$ 58,067  
(Twelve Months Ended)

</TABLE>

Rollins, Inc.'s financial position remained solid. The Company's operations have historically provided a strong positive cash flow which represents the Company's principal source of funds. Management believes that this liquidity, along with expected cash from operations, will support the Company's continued growth, capital expenditures, and cash dividends.

Net trade receivables decreased \$3.0 million or 3.8% at September 30, 1997 compared with December 31, 1996. Trade receivables include installment receivables which are due subsequent to one year from the balance sheet date. These amounts were approximately \$16.7 million and \$19.0 million at September 30, 1997 and December 31, 1996, respectively.

During the nine month period, the Company invested \$11.2 million in capital expenditures and acquisitions. Also, \$15.3 million was paid out in cash dividends. The Company maintains a \$40.0 million unused line of credit. This source of funds has not been used, but is available for future acquisitions and growth, if needed.

There were no stock repurchases for the quarter. The Company has repurchased a total of 922,600 shares in 1997. At the October 1997 Board Meeting, the Board of Directors authorized the purchase by the Company of up to an additional 2,000,000 shares of its common stock. The purchases will be made from time to time using funds already on hand.

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ROLLINS, INC. AND SUBSIDIARIES  
PART II. OTHER INFORMATION

ITEM 1.LEGAL PROCEEDINGS

None

ITEM 2.CHANGES IN SECURITIES

None

ITEM 3.DEFAULTS UPON SENIOR SECURITIES

None

ITEM 4.SUBMISSION OF MATTER TO A VOTE OF SECURITY HOLDERS

The Annual Stockholders' Meeting was held on April 22, 1997. The results of that meeting were disclosed in the Company's Form 10-Q for the first quarter 1997.

ITEM 5.OTHER INFORMATION

None

ITEM 6.EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

(1)(i) The Company's Certificate of Incorporation is incorporated herein by reference to Exhibit (3)(a) as filed with its Form 10-K for the year ended December 31, 1992.

(ii) By-laws of Rollins, Inc. are incorporated herein by reference to Exhibit 3(b) as filed with its Form 10-K for the year ended December 31, 1993.

(b) Reports on Form 8-K

A Form 8-K Current Report was filed on October 16, 1997. The report, dated October 3, 1997, disclosed the October 3, 1997 sale of Rollins, Inc.'s security monitoring assets, which were operated through its Rollins Protective Services division, to Ameritech Monitoring Services, Inc. for approximately \$200,000,000 in cash and assumed liabilities. An Asset Purchase Agreement dated as of October 1, 1997 was filed as Exhibit 2.1.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Date: November 12, 1997

Rollins, Inc.  
(Registrant)

---

Gary W. Rollins  
President and Chief  
Operating Officer  
(Member of the Board of  
Directors)

---

Gene L. Smith  
Chief Financial Officer  
Secretary and Treasurer  
(Principal Financial and  
Accounting Officer)

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Date: November 12, 1997

Rollins, Inc.  
(Registrant)

Gary W. Rollins  
Gary W. Rollins  
President and Chief  
Operating Officer  
(Member of the Board of  
Directors)

Gene L. Smith  
Gene L. Smith  
Chief Financial Officer  
Secretary and Treasurer  
(Principal Financial and  
Accounting Officer)





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3rd Quarter 1997 10-Q

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