

FORM 10-Q

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 March 31, 1994.

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

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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

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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 March 31, 1994, there were 35,691,907 shares of Common Stock \$1 Par Value, outstanding.

ROLLINS, INC. AND SUBSIDIARIES

INDEX

Part I	Financial Information	Page No.
	Statements of Financial Position - March 31, 1994 and December 31, 1993	1
	Statements of Income and Earnings Retained - three months ended March 31, 1994 and 1993	2
	Statements of Cash Flows - three months ended March 31, 1994 and 1993	3
	Notes to Financial Statements	4
	Management's Discussion and Analysis of Financial Condition and Results of Operations	5-8
Part II	Other Information	9

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

<TABLE>  
<CAPTION>

	March 31, 1994 <C>	December 31, 1993 <C>
<b>ASSETS</b>		
Cash and Short-Term Investments	\$ 25,817	\$ 18,102
Marketable Securities	51,417	50,991
Trade Receivables, Net	88,551	87,518
Materials and Supplies	18,165	15,829
Deferred Income Taxes	5,045	4,980
Other Current Assets	7,932	7,112
Current Assets	196,927	184,532
Equipment and Property, Net	29,141	28,890
Intangible Assets	42,151	42,171
Other Assets	11,111	11,601
Total Assets	\$ 279,330	\$ 267,194
<b>LIABILITIES</b>		
Accounts Payable	\$ 14,705	\$ 12,279
Accrued Insurance Expenses	16,570	13,600
Accrued Payroll	14,499	15,519
Unearned Revenue	14,181	12,854
Other Expenses	17,112	12,752
Current Liabilities	77,067	67,004
Deferred Income Taxes	12,513	12,983
Long-Term Accrued Liabilities	26,524	26,699
Total Liabilities	116,104	106,686
Commitments and Contingencies		
<b>STOCKHOLDERS' EQUITY</b>		
Common Stock, par value \$1 per share; authorized 99,500,000 shares; 41,431,814 shares issued	41,432	41,432
Earnings Retained	174,409	171,862
	215,841	213,294
Less--Common Stock In Treasury, At Cost, 5,739,907 in 1994 ; 5,758,619 shares in 1993	52,615	52,786
Total Stockholders' Equity	163,226	160,508
Total Liabilities and Stockholders' Equity	\$ 279,330	\$ 267,194

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS.

</TABLE>

1 of 10

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

<TABLE>  
<CAPTION>

	Three Months Ended March 31,	
	1994	1993
<b>REVENUES</b>		
Customer Services	\$ 136,443	\$ 127,295
<b>COSTS AND EXPENSES:</b>		
Cost of Services Provided	70,152	65,649
Sales, General and Administrative Expenses	53,561	50,754
Depreciation and Amortization	1,981	1,794
Interest Income	(451)	(442)
	125,243	117,755
INCOME BEFORE INCOME TAXES	11,200	9,540
<b>PROVISION (CREDIT) FOR INCOME TAXES:</b>		
Current	5,139	4,039
Deferred	(827)	(366)

	4,312	3,673
NET INCOME	6,888	5,867
EARNINGS RETAINED:		
Balance at Beginning of Period	171,862	141,999
Cash Dividends	(4,460)	(3,917)
Employee Benefit Plans	119	295
BALANCE AT END OF PERIOD	\$ 174,409	\$ 144,244
EARNINGS PER SHARE	\$ 0.19	\$ 0.16
WEIGHTED AVERAGE		
SHARES OUTSTANDING	35,678,930	35,608,123

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS.

</TABLE>

2 of 10

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

<TABLE>  
<CAPTION>

	Three Months Ended	
	March 31	
	1994	1993
<S>	<C>	<C>
OPERATING ACTIVITIES		
Net Income	\$ 6,888	\$ 5,867
Noncash Charges (Credits) to Earnings:		
Depreciation and Amortization	1,981	1,794
Deferred Income Taxes	(827)	(366)
Other, Net	709	973
(Increase) Decrease in:		
Trade Receivables	(1,033)	(2,634)
Materials and Supplies	(2,336)	(1,133)
Other Current Assets	(820)	2,683
Increase (Decrease) in:		
Accounts Payable and Accrued		
Expenses	8,678	2,653
Unearned Revenue	1,327	482
Non-Current Deferred Income		
Taxes	292	(2,492)
Long-Term Accrued Liabilities	(175)	115
Other Non-Current Assets	(112)	9
Net Cash Provided by Operating		
Activities	14,572	7,951
INVESTING ACTIVITIES		
Purchases of Equipment and Property	(2,234)	(2,357)
Net Cash Used for Acquisition of		
Companies	(27)	---
Purchases of Marketable Securities	(426)	(300)
Net Cash Used in Investing Activities	(2,687)	(2,657)
FINANCING ACTIVITIES		
Dividends Paid	(4,460)	(3,917)
Treasury Stock Issued to Benefit Plans	290	507
Net Cash Used in Financing Activities	(4,170)	(3,410)
Net Increase (Decrease) in Cash		
and Short-Term Investments	7,715	1,884
Cash and Short-Term Investments		
at Beginning of Period	18,102	20,061
Cash and Short-Term Investments		
at End of Period	\$ 25,817	\$ 21,945

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS.

</TABLE>

3 of 10

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, 1993.

Certain prior year amounts have been reclassified to conform with the first quarter 1994 presentation. 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 March 31, 1994 and December 31, 1993, and the results of operations and cash flows for the three months ended March 31, 1994 and 1993.

NOTE 2. INVESTMENT IN MARKETABLE SECURITIES

During the first quarter of 1994, the Company adopted Statement of Financial Accounting Standards ("SFAS") No. 115, "Accounting for Certain Investments in Debt and Equity Securities." The adoption of SFAS No. 115 did not have a material effect on the Company's financial position, results of operations, or liquidity for the first quarter of 1994.

NOTE 3. 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 4. EARNINGS PER SHARE

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

4 of 10

ROLLINS, INC. AND SUBSIDIARIES  
PART I. ITEM 2. FINANCIAL INFORMATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION  
AND RESULTS OF OPERATIONS  
FOR THE FIRST QUARTER ENDED MARCH 31, 1994

RESULTS OF OPERATIONS

<TABLE>

	SELECTED INDUSTRY SEGMENT DATA	
	Three Months Ended	
	March 31	
<S>	<C>	<C>
	1994	1993
(In thousands)		
REVENUES		
Orkin	\$118,360	\$110,693
Rollins Protective	14,872	13,976
Other	3,211	2,626
	\$136,443	\$127,295
OPERATING INCOME		
Orkin	\$ 11,487	\$ 9,947
Rollins Protective	1,330	1,168
Other	938	757
	\$ 13,755	\$ 11,872

</TABLE>

ROLLINS, INC. AND SUBSIDIARIES  
 PART I. ITEM 2. FINANCIAL INFORMATION  
 MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION  
 AND RESULTS OF OPERATIONS  
 FOR THE FIRST QUARTER ENDED MARCH 31, 1994

General Operating Comments

Rollins, Inc. reported another quarter of record earnings. These results dramatically illustrate Rollins' growing penetration in its markets. Revenue for the first quarter ended March 31, 1994 reached \$136.4 million, an increase of 7.2% from the prior year period. Operating income increased 15.9% to \$13.8 million. Although revenue was impacted somewhat by weather conditions in January and February, the Company produced consistent earnings results. This marks the 16th consecutive quarter of double-digit earnings increases.

Net income grew 17.4% to \$6.9 million and earnings per share was \$.19 cents, compared to \$.16 cents a year ago, an 18.8% improvement.

For the quarter, the Orkin Group's operating income increased 15.5% to \$11.5 million on revenues of \$118.4 which grew 6.9% over 1993. These results provided an improvement in operating margins of 9.7%, compared to 9.0% in the prior year. Rollins Protective Services operating income increased 13.9% to \$1.3 million on revenues of \$14.9 million. Detail segment information follows.

Orkin 1994 Versus 1993

Orkin continued its tradition of exceptional results with increases in revenue, profit and customer growth. As mentioned, revenues increased 6.9% to \$118.4 million for the first quarter ended March 31, 1994. Pest Control anticipates a good spring season and is expecting an improvement over last year. During the first quarter Orkin Pest Control launched its National Borate Program officially adding a "Fourth Barrier" to its already highly successful and effective "Triple Barrier" termite protection. Orkin Lawn Care completed the first quarter with positive results, generating a double digit revenue increase while exceeding its internal operating objectives. These results can be directly attributed to the ongoing conversion of its customer base in most markets from its traditional 6 - 7 annual service cycles to monthly service. This transition should contribute to future margin improvements. The recent introduction of its Total Lawn Care service and the SlowGrow Plus Program should also contribute to these improvements. Orkin Landscaping will continue its program of location standardization and employee training while gaining a tighter control of expenses and resulting margins.

ROLLINS, INC. AND SUBSIDIARIES  
 PART I. ITEM 2. FINANCIAL INFORMATION  
 MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION  
 AND RESULTS OF OPERATIONS  
 FOR THE FIRST QUARTER ENDED MARCH 31, 1994

Rollins Protective Services (RPS) 1994 Versus 1993

Rollins Protective Services grew revenues 6.4% to \$14.9 million with operating income improving 13.9% to \$1.3 million. Operating margins increased to 8.9% from 8.4% last year. These results are the continuation of the positive new customer sales trend which began in the last half of 1993. There are several factors that contributed to this improvement, some of which include: an all time record sales month in March, and better employee and customer retention. RPS is also benefiting from a strengthened management team highlighted with the recent promotion of Paul Roman, formerly Vice President and Division Head, to President of RPS. All of these factors should assist in this division's growth and overall performance during the remainder of the year.

FINANCIAL CONDITION

<TABLE>

(In thousands)	March 31, 1994	December 31, 1993
<S>	<C>	<C>
Cash and Short-Term Investments	\$ 25,817	\$ 18,102
Marketable Securities	51,417	50,991

Working Capital	\$119,860	\$117,528
Current Ratio	2.6	2.8
Cash Provided From Operations (Twelve Months Ended)	\$ 46,655	\$ 40,034

At March 31, 1994 cash and short-term investments were \$25.8 million, an increase of \$7.7 million from December 31, 1993. The investment in marketable securities at March 31, 1994, was \$51.4 million.

At March 31, 1994 the current ratio was 2.6 and working capital was \$119.9 million (an increase of \$2.3 million or 2.0% compared to December 31, 1993). The Company has been debt-free since 1987. Management believes that this liquidity, along with expected cash from operations, will support the company's continued growth, capital expenditures, cash dividends, and expansion plans.

7 of 10

ROLLINS, INC. AND SUBSIDIARIES  
PART I. ITEM 2. FINANCIAL INFORMATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION  
AND RESULTS OF OPERATIONS  
FOR THE FIRST QUARTER ENDED MARCH 31, 1994

Trade receivables, net increased \$1.0 million or 1.2% at March 31, 1994 compared with December 31, 1993. Trade receivables include installment receivables which are due subsequent to one year from the balance sheet date. These amounts were approximately \$29.7 million and \$28.7 million at the end of the March 31, 1994 and December 31, 1993, respectively. (Delinquency statistics, as a percentage of total receivables, have improved over the prior year). The increase in receivables is attributed to the continuing effect of a Orkin termite and Rollins Protective Services marketing programs, the increased average length and amount of an Orkin contract, and the overall increase in Company revenues of 7.2% for the quarter.

During the first quarter of 1994, the Company adopted Statement of Financial Accounting Standard No. 115 (SFAS 115), "Accounting for Certain Investments in Debt and Equity Securities". Future unrealized gains and losses will likely occur, although their magnitude cannot be predicted and the effects on the Company's results are not expected to be material.

8 of 10

ROLLINS, INC. AND SUBSIDIARIES  
PART II. OTHER INFORMATION  
ROLLINS, INC. AND SUBSIDIARIES

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 Stockholder's Meeting was held on April 26, 1994. The stockholders elected John W. Rollins and Gary W. Rollins as Class II Directors for the three year term expiring in 1997. Also, the stockholders approved the 1994 Employee Stock Incentive Plan (the "1994 Plan"). The 1994 Plan was adopted by the Board of Directors on January 25, 1994. An aggregate of 1,200,000 shares of Common Stock have been reserved for issuance under the 1994 Plan. The 1994 Plan provides for the granting to directors and key employees of the Company ("Participants") stock options, stock appreciation rights ("SARS") and /or other awards valued in whole or in part by reference to, or based upon, the Company's \$1.00 par value Common Stock, including without limitation, restricted stock. The 1994 Plan will afford the Company latitude in tailoring incentive compensation to support corporate and business objectives, and to anticipate and respond to a changing business environment and competitive compensation practices.

ITEM 5. OTHER INFORMATION

None

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

None

(b) Reports on Form 8-K

None

9 of 10

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: May 12, 1994

Rollins, Inc.  
(Registrant)

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

/s/ GENE L. SMITH  
Gene L. Smith  
Chief Financial Officer  
Secretary and Treasurer  
(Principal Financial and  
Accounting Officer)

10 of 10