

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, 1996.

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 March 31, 1996, there were 35,880,472 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>

	March 31, 1996	December 31, 1995
<S>	<C>	<C>
ASSETS		
Cash and Short-Term Investments	\$ 37,328	\$ 33,623

Marketable Securities	73,921	65,743
Trade Receivables, Net	86,478	88,542
Materials and Supplies	17,350	13,924
Deferred Income Taxes	7,872	7,447
Other Current Assets	9,780	13,486
Current Assets	232,729	222,765
Equipment and Property, Net	39,274	37,799
Intangible Assets	41,994	42,013
Other Assets	15,040	12,348
Total Assets	\$ 329,037	\$ 314,925
LIABILITIES		
Capital Lease Obligation	\$ 1,576	\$ 1,314
Accounts Payable	17,271	13,334
Accrued Insurance Expenses	15,179	14,314
Accrued Payroll	12,783	12,028
Unearned Revenue	17,069	14,695
Other Expenses	16,958	15,324
Current Liabilities	80,836	71,009
Capital Lease Obligation	7,160	7,422
Long-Term Accrued Liabilities	19,913	15,936
Deferred Income Taxes	5,539	6,240
Total Liabilities	113,448	100,607
Commitments and Contingencies		
STOCKHOLDERS' EQUITY		
Common Stock, par value \$1 per share; authorized 99,500,000 shares;		
41,431,814 shares issued	41,432	41,432
Earnings Retained	225,082	224,009
	266,514	265,441
Less--Common Stock In Treasury, At Cost, 5,551,342 in 1996 ; 5,573,589 shares in 1995	50,925	51,123
Total Stockholders' Equity	215,589	214,318
Total Liabilities and Stockholders' Equity	\$ 329,037	\$ 314,925

The accompanying notes are an integral part of these statements.

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

	Three Months Ended	
	1996	1995
	March 31,	March 31,
	1996	1995
REVENUES		
Customer Services	\$ 142,502	\$ 142,654
COSTS AND EXPENSES		
Cost of Services Provided	79,374	73,238
Depreciation and Amortization	1,821	1,839
Sales, General and Administrative Expenses	52,299	55,932
Interest Income	(1,294)	(946)
	132,200	130,063
INCOME BEFORE INCOME TAXES	10,302	12,591
PROVISION (CREDIT) FOR INCOME TAXES		
Current	5,183	5,340
Deferred	(1,268)	(556)
	3,915	4,784
NET INCOME	6,387	7,807
EARNINGS RETAINED		
Balance at Beginning of Period	224,009	203,582
Cash Dividends	(5,202)	(5,018)

Other		(112)		583
BALANCE AT END OF PERIOD	\$	225,082	\$	206,954
EARNINGS PER SHARE	\$	0.18	\$	0.22
WEIGHTED AVERAGE				
SHARES OUTSTANDING		35,873,150		35,837,688

The accompanying notes are an integral part of these statements.

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<TABLE>

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

<CAPTION>

		Three Months Ended	
		March 31,	
		1996	1995
<S>	<C>		<C>
OPERATING ACTIVITIES			
Net Income	\$	6,387	\$ 7,807
Noncash Charges (Credits) to Earnings:			
Depreciation and Amortization		1,821	1,839
Deferred Income Taxes		(1,268)	(556)
Other, Net		1,062	1,341
(Increase) Decrease in Assets:			
Trade Receivables		2,144	1,308
Materials and Supplies		(3,383)	(1,483)
Other Current Assets		3,574	(152)
Other Non-Current Assets		264	(207)
Increase (Decrease) in Liabilities:			
Accounts Payable and Accrued Expenses		7,109	10,777
Unearned Revenue		2,207	535
Long-Term Accrued Liabilities		3,977	3,326
Non-Current Deferred Income Taxes		133	(200)
Net Cash Provided by Operating Activities		24,027	24,335
INVESTING ACTIVITIES			
Purchases of Equipment and Property		(3,277)	(2,855)
Net Cash Used for Acquisition of Companies		(3,657)	(324)
Marketable Securities, Net		(8,557)	(541)
Proceeds from Sales of Equipment and Property		39	119
Net Cash Used in Investing Activities		(15,452)	(3,601)
FINANCING ACTIVITIES			
Dividends Paid		(5,202)	(5,018)
Treasury Stock Issued to Benefit Plans		332	421
Net Cash Used in Financing Activities		(4,870)	(4,597)
Net Increase (Decrease) in Cash and Short-Term Investments		3,705	16,137
Cash and Short-Term Investments at Beginning of Period		33,623	31,917
Cash and Short-Term Investments at End of Period	\$	37,328	\$ 48,054

The accompanying notes are an integral part of these statements.

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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, 1995.

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, 1996 and December 31, 1995, and the results of operations and cash flows for the three months ended March 31, 1996 and 1995.

NOTE 2.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 3.EARNINGS PER SHARE

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

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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, 1996

RESULTS OF OPERATIONS

<TABLE>

SELECTED INDUSTRY SEGMENT DATA

<CAPTION>

	Three Months Ended	
	1996	1995
	March 31,	
(In thousands)		
<S>	<C>	<C>
REVENUES		
Orkin	\$ 124,433	\$ 125,253
Rollins Protective	15,330	14,218
Other	2,739	3,183
	\$ 142,502	\$ 142,654
OPERATING INCOME		
Orkin	\$ 11,297	\$ 13,064
Rollins Protective	1,285	1,341
Other	(67)	496
	\$ 12,515	\$ 14,901

</TABLE>

The first quarter operating results were consistent with the Company's strategic plans to build on their dedication to customer service and investments for long-term growth. Investments in the core businesses include a renewed emphasis on recurring monthly pest control, increased focus on Commercial opportunities, and refined operational fundamentals in marketing, training, automation, and technology. The Rollins Customer Service Center (RCSC), our new telecenter, is now supporting all four service lines (pest control and termite, lawn care, landscaping and protective services). We look forward to seeing a more substantial contribution from the RCSC in the second quarter and for the balance of 1996.

Revenues for the first quarter ended March 31, 1996 decreased 0.1% or \$0.2 million, to \$142.5 million from the prior year period. Operating income decreased \$2.4 million to \$12.5 million for the quarter, while net income decreased 18.2% to \$6.4 million. Earnings per share were 18 cents versus 22 cents for the first quarter 1995.

For the quarter, the Orkin's operating income decreased 13.5% to \$11.3 million on a 0.7% revenue decrease to \$124.4 million. Operating margins were 9.1%, compared to 10.4% in the prior year. Rollins Protective Services' (RPS) operating income decreased 4.2% to \$1.3 million on a revenue increase of \$1.1 million or 7.8% to \$15.3 million. RPS' operating margins were 8.4% compared to 9.4% last year, however better than the fourth quarter 1995 margin of 2.4%. Detail segment information follows.

Orkin 1996 Versus 1995

Orkin realized an increase in pest control revenue and customer base, supporting the strategic decision to continue emphasizing recurring monthly pest control. However, due to the severe, extended winter weather, the pest control revenue increase is offset by a decrease in termite revenue. Assuming more typical weather conditions this Spring, Orkin expects to realize termite revenue increases in the second quarter.

The decrease in operating income was the result of the revenue shortfall, investments in sales and service staffing, and business development activities. The Orkin business development group has been active the first quarter with the opening of eight new locations, two acquisitions, including a growing presence in the Canadian market; and an expansion of the Agribusiness program's product and service offering. In addition, the level of interest and expansion potential of the new franchise program continues to gain momentum, with four new operations starting this quarter.

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Rollins Protective Services (RPS) 1996 Versus 1995

The RPS investments in new, dedicated commercial branches and the acquisitions during the last twelve months are starting to make positive contributions, with the resulting revenue increase. The operating margin deterioration in the first quarter was primarily the result of the company-wide launch of our new System VII security system.

RPS expanded its market penetration in the New England states through the first quarter acquisition of one of that area's largest security firms.

RPS will continue to focus on the System VII product sales, Commercial sales and service initiatives, and cross-marketing efficiencies from the National Customer Support Center.

Other 1996 Versus 1995

Other businesses revenue and operating income decreased for the quarter due to revisions of the Company's credit and internal operating policies within the consumer finance area, Rollins Acceptance Company (RAC). The volume of Company financed sales is lower than last year, as the revised policies redirected marketing efforts toward stronger customer demographics inconjunction with a lower termite demand.

The expanded physical facility, increased collector headcount, and new computers and phone dialing equipment caused margin deterioration, however these investments have better positioned RAC to more effectively manage the receivables portfolio and function as a marketing support operation.

FINANCIAL CONDITION

<TABLE>

<CAPTION>

	March 31, 1996	December 31, 1995
--	-------------------	----------------------

(In thousands)

<S>

<C>

<C>

Cash and Short-Term			
Investments	\$	37,328	\$ 33,623
Marketable Securities		73,921	65,743
	\$	111,249	\$ 99,366
Working Capital	\$	151,893	\$ 151,756
Current Ratio		2.9	3.1
Cash Provided By Operations	\$	46,602	\$ 46,910
(Twelve Months Ended)			

</TABLE>

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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, cash dividends, and expansion plans.

Interest income increased 36.8% due to the increase in average funds invested in short-term investments and marketable securities, coupled with the increase in the average rate of return.

Net trade receivables decreased \$2.1 million or 2.3% at March 31, 1996 compared with December 31, 1995. Trade receivables include installment receivables which are due subsequent to one year from the balance sheet date. These amounts were approximately \$22.8 million and \$26.2 million at March 31, 1996 and December 31, 1995, respectively.

In the first quarter, the Company invested \$6.9 million in capital expenditures and acquisitions. Also, \$5.2 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.

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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 Stockholder's Meeting was held on April 23, 1996. The stockholders elected R. Randall Rollins, Henry B. Tippie, and James B. Williams as Class I Directors for the three year term expiring in 1999.

ITEM 5. OTHER INFORMATION

None

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

Exhibit 27 - Financial Data Schedule

(b) Reports on Form 8-K

None

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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: May 13, 1996

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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This schedule contains summary financial information extracted from the Statement of Financial Position at March 31, 1996 and Statement of Income for the Three Months ended March 31, 1996 and is qualified in its entirety by reference to such financial statements.

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