UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2023
OR

o 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.
(Exact name of registrant as specified in its charter)

Delaware	**51-0068479**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

2170 Piedmont Road, N.E., Atlanta, Georgia
(Address of principal executive offices)

30324
(Zip Code)

(404) 888-2000
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock	ROL	NYSE

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 x No o

Indicate by check mark whether the registrant has submitted electronically, every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes x No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer	x	Accelerated filer	o
Non-accelerated filer	o	Smaller reporting company	o
		Emerging growth company	o

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ☐ No x

Rollins, Inc. had 492,820,761 shares of its $1 par value Common Stock outstanding as of July 17, 2023.

ROLLINS, INC. AND SUBSIDIARIES

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ROLLINS, INC. AND SUBSIDIARIES

PART 1 FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2023, AND DECEMBER 31, 2022
(in thousands except share data)
(unaudited)

	June 30, 2023	December 31, 2022
ASSETS		
Cash and cash equivalents	**$ 154,747**	$ 95,346
Trade receivables, net of allowance for expected credit losses of $12,739 and $14,073, respectively	**176,567**	155,759
Financed receivables, short-term, net of allowance for expected credit losses of $2,087 and $1,768, respectively	**37,495**	33,618
Materials and supplies	**32,685**	29,745
Other current assets	**62,489**	34,151
Total current assets	**463,983**	348,619
Equipment and property, net of accumulated depreciation of $346,886 and $333,298, respectively	**123,470**	128,046
Goodwill	**1,045,997**	846,704
Customer contracts, net	**407,205**	298,559
Trademarks & tradenames, net	**148,901**	111,646
Other intangible assets, net	**7,568**	8,543
Operating lease right-of-use assets	**282,598**	277,355
Financed receivables, long-term, net of allowance for expected credit losses of $3,922 and $3,200, respectively	**72,646**	63,523
Other assets	**46,962**	39,033
Total assets	**$ 2,599,330**	$ 2,122,028
LIABILITIES		
Accounts payable	**$ 74,398**	$ 42,796
Accrued insurance - current	**40,796**	39,534
Accrued compensation and related liabilities	**94,968**	99,251
Unearned revenues	**183,253**	158,092
Operating lease liabilities - current	**86,918**	84,543
Current portion of long-term debt	**—**	15,000
Other current liabilities	**95,368**	54,568
Total current liabilities	**575,701**	493,784
Accrued insurance, less current portion	**45,659**	38,350
Operating lease liabilities, less current portion	**200,201**	196,888
Long-term debt	**337,509**	39,898
Other long-term accrued liabilities	**98,035**	85,911
Total liabilities	**1,257,105**	854,831
Commitments and contingencies (see Note 11)		
STOCKHOLDERS' EQUITY		
Preferred stock, without par value; 500,000 shares authorized, zero shares issued	**—**	—
Common stock, par value $1 per share; 800,000,000 shares authorized, 492,820,761 and 492,447,997 shares issued and outstanding, respectively	**492,821**	492,448
Additional paid in capital	**121,005**	119,242
Accumulated other comprehensive loss	**(29,051)**	(31,562)
Retained earnings	**757,450**	687,069
Total stockholders' equity	**1,342,225**	1,267,197
Total liabilities and stockholders' equity	**$ 2,599,330**	$ 2,122,028

The accompanying notes are an integral part of these condensed consolidated financial statements.

ROLLINS, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF INCOME
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2023 AND 2022
(in thousands except per share data)
(unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	**2023**	2022
REVENUES				
Customer services	**$ 820,750**	$ 714,049	**$ 1,478,765**	$ 1,304,729
COSTS AND EXPENSES				
Cost of services provided (exclusive of depreciation and amortization below)	**384,191**	336,780	**711,033**	632,158
Sales, general and administrative	**255,331**	219,987	**451,762**	398,772
Depreciation and amortization	**26,439**	22,605	**48,941**	45,732
Total operating expenses	**665,961**	579,372	**1,211,736**	1,076,662
OPERATING INCOME	**154,789**	134,677	**267,029**	228,067
Interest expense, net	**4,785**	880	**5,250**	1,448
Other income, net	**(1,019)**	(1,911)	**(5,733)**	(3,190)
CONSOLIDATED INCOME BEFORE INCOME TAXES	**151,023**	135,708	**267,512**	229,809
PROVISION FOR INCOME TAXES	**40,880**	34,088	**69,135**	54,423
NET INCOME	**$ 110,143**	$ 101,620	**$ 198,377**	$ 175,386
NET INCOME PER SHARE - BASIC AND DILUTED	**$ 0.22**	$ 0.21	**$ 0.40**	$ 0.36
Weighted average shares outstanding - basic	**492,700**	492,327	**492,593**	492,270
Weighted average shares outstanding - diluted	**492,891**	492,440	**492,764**	492,382
DIVIDENDS PAID PER SHARE	**$ 0.13**	$ 0.10	**$ 0.26**	$ 0.20

The accompanying notes are an integral part of these condensed consolidated financial statements.

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CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2023 AND 2022
(in thousands)
(unaudited)

	Three Months Ending June 30,		Six Months Ended June 30,	
	2023	2022	**2023**	2022
NET INCOME	**$ 110,143**	$ 101,620	**$ 198,377**	$ 175,386
Other comprehensive income (loss), net of tax:				
Foreign currency translation adjustments	**2,362**	(16,913)	**2,459**	(13,786)
Unrealized (loss) gain on available for sale securities	**(110)**	(362)	**52**	(952)
Other comprehensive income (loss), net of tax	**2,252**	(17,275)	**2,511**	(14,738)
Comprehensive income	**$ 112,395**	$ 84,345	**$ 200,888**	$ 160,648

The accompanying notes are an integral part of these condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2023 AND 2022
(in thousands)
(unaudited)

	Common Stock Shares	Common Stock Amount	Paid-in-Capital	Accumulated Other Comprehensive Income / (Loss)	Retained Earnings	Total
Balance at March 31, 2023	**492,787**	**$ 492,787**	**$ 115,018**	**$ (31,303)**	**$ 711,250**	**$ 1,287,752**
Net Income	—	—	—	—	110,143	110,143
Other comprehensive income / (loss), net of tax:						
Foreign currency translation adjustments	—	—	—	2,362	—	2,362
Unrealized (losses) on available for sale securities	—	—	—	(110)	—	(110)
Cash dividends	—	—	—	—	(63,943)	(63,943)
Stock compensation	42	42	6,342	—	—	6,384
Employee stock buybacks	(8)	(8)	(355)	—	—	(363)
Balance at June 30, 2023	**492,821**	**$ 492,821**	**$ 121,005**	**$ (29,051)**	**$ 757,450**	**$ 1,342,225**

	Common Stock Shares	Common Stock Amount	Paid-in-Capital	Accumulated Other Comprehensive Income / (Loss)	Retained Earnings	Total
Balance at March 31, 2022	**492,461**	**$ 492,461**	**$ 104,783**	**$ (13,874)**	**$ 554,649**	**$ 1,138,019**
Net Income	—	—	—	—	101,620	101,620
Other comprehensive income / (loss), net of tax:						
Foreign currency translation adjustments	—	—	—	(16,913)	—	(16,913)
Unrealized (losses) on available for sale securities	—	—	—	(362)	—	(362)
Cash dividends	—	—	—	—	(49,229)	(49,229)
Stock compensation	(26)	(26)	4,845	—	—	4,819
Employee stock buybacks	(18)	(18)	(558)	—	—	(576)
Balance at June 30, 2022	**492,417**	**$ 492,417**	**$ 109,070**	**$ (31,149)**	**$ 607,040**	**$ 1,177,378**

	Common Stock Shares	Common Stock Amount	Paid-in-Capital	Accumulated Other Comprehensive Income / (Loss)	Retained Earnings	Total
Balance at December 31, 2022	**492,448**	**$ 492,448**	**$ 119,242**	**$ (31,562)**	**$ 687,069**	**$ 1,267,197**
Net Income	—	—	—	—	198,377	198,377
Other comprehensive income / (loss), net of tax:						
Foreign currency translation adjustments	—	—	—	2,459	—	2,459
Unrealized gains on available for sale securities	—	—	—	52	—	52
Cash dividends	—	—	—	—	(127,996)	(127,996)
Stock compensation	643	643	11,688	—	—	12,331
Employee stock buybacks	(270)	(270)	(9,925)	—	—	(10,195)
Balance at June 30, 2023	**492,821**	**$ 492,821**	**$ 121,005**	**$ (29,051)**	**$ 757,450**	**$ 1,342,225**

	Common Stock Shares	Common Stock Amount	Paid-in-Capital	Accumulated Other Comprehensive Income / (Loss)	Retained Earnings	Total
Balance at December 31, 2021	**491,911**	**$ 491,911**	**$ 105,629**	**$ (16,411)**	**$ 530,088**	**$ 1,111,217**
Net Income	—	—	—	—	175,386	175,386
Other comprehensive income / (loss), net of tax:						
Foreign currency translation adjustments	—	—	—	(13,786)	—	(13,786)
Unrealized (losses) on available for sale securities	—	—	—	(952)	—	(952)
Cash dividends	—	—	—	—	(98,434)	(98,434)
Stock compensation	731	731	10,226	—	—	10,957
Employee stock buybacks	(225)	(225)	(6,785)	—	—	(7,010)
Balance at June 30, 2022	**492,417**	**$ 492,417**	**$ 109,070**	**$ (31,149)**	**$ 607,040**	**$ 1,177,378**

The accompanying notes are an integral part of these condensed consolidated financial statements.

ROLLINS, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE SIX MONTHS ENDED JUNE 30, 2023 AND 2022
(in thousands)
(unaudited)

	Six Months Ended June 30, 2023	Six Months Ended June 30, 2022
OPERATING ACTIVITIES		
Net income	$ 198,377	$ 175,386
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	48,941	45,732
Stock-based compensation expense	12,331	10,957
Provision for expected credit losses	9,946	8,433
Gain on sale of assets, net	(5,734)	(3,190)
Provision for deferred income taxes	144	3,301
Changes in operating assets and liabilities:		
Trade accounts receivable and other accounts receivable	(28,425)	(29,217)
Financing receivables	(13,000)	(11,928)
Materials and supplies	(2,233)	(176)
Other current assets	(28,513)	(21,651)
Accounts payable and accrued expenses	34,055	10,745
Unearned revenue	18,047	19,860
Other long-term assets and liabilities	4,250	6,565
Net cash provided by operating activities	248,186	214,817
INVESTING ACTIVITIES		
Acquisitions, net of cash acquired	(327,892)	(49,580)
Capital expenditures	(14,411)	(15,881)
Proceeds from sale of assets	10,186	3,290
Other investing activities, net	495	139
Net cash (used in) investing activities	(331,622)	(62,032)
FINANCING ACTIVITIES		
Payment of contingent consideration	(4,350)	(5,196)
Borrowings under term loan	—	252,000
Borrowings under revolving commitment	585,000	11,000
Repayments of term loan	(55,000)	(65,000)
Repayments of revolving commitment	(245,000)	(118,000)
Payment of dividends	(127,996)	(98,434)
Cash paid for common stock purchased	(11,808)	(7,010)
Other financing activities, net	(651)	—
Net cash provided by (used in) financing activities	140,195	(30,640)
Effect of exchange rate changes on cash	2,642	(6,482)
Net increase in cash and cash equivalents	59,401	115,663
Cash and cash equivalents at beginning of period	95,346	105,301
Cash and cash equivalents at end of period	$ 154,747	$ 220,964
Supplemental disclosure of cash flow information:		
Cash paid for interest	$ 4,197	$ 1,668
Cash paid for income taxes, net	$ 84,583	$ 69,742
Non-cash additions to operating lease right-of-use assets	$ 55,353	$ 51,212

The accompanying notes are an integral part of these condensed consolidated financial statements.

NOTE 1. BASIS OF PREPARATION

Basis of Preparation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles, or U.S. GAAP, the instructions to Form 10-Q and applicable sections of SEC regulation S-X, and therefore do not include all information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statements. Effective January 1, 2023, we reorganized our reporting structure including the transition of Jerry E. Gahlhoff, Jr. to the role of Chief Executive Officer. As a result of the transition, we reevaluated our segment reporting and determined that we now have two operating segments and two goodwill reporting units, but we continue to operate under one reportable segment which contains our residential, commercial, and termite business lines. As of January 1, 2023, we performed an assessment of whether there was an indication of impairment before and after the reorganization. In that analysis, we determined that no goodwill impairment existed. There have been no material changes in the Company’s significant accounting policies or the information disclosed in the notes to the consolidated financial statements included in the Annual Report on Form 10-K of Rollins, Inc. (including its subsidiaries unless the context otherwise requires, “Rollins,” “we,” “us,” “our,” or the “Company”) for the year ended December 31, 2022. Accordingly, the quarterly condensed consolidated financial statements and related disclosures herein should be read in conjunction with the 2022 Annual Report on Form 10-K.

The Company’s condensed consolidated financial statements reflect estimates and assumptions made by management that affect the reported amounts of assets and liabilities and related disclosures as of the date of the condensed consolidated financial statements. The Company considered the impact of economic trends on the assumptions and estimates used in preparing the condensed consolidated financial statements. In the opinion of management, all material adjustments necessary for a fair presentation of the Company’s financial results for the quarter have been made. These adjustments are of a normal recurring nature but complicated by the continued uncertainty surrounding economic trends. The results of operations for the three and six months ended June 30, 2023, are not necessarily indicative of results for the entire year. The severity, magnitude and duration of certain economic trends continue to be uncertain and are difficult to predict. Therefore, our accounting estimates and assumptions may change over time in response to economic trends and may change materially in future periods.

Certain condensed consolidated financial statement amounts relative to the prior period have been revised as detailed in our annual report on Form 10-K for the year ended December 31, 2022. The impact of this revision on the Company's previously reporting condensed consolidated financial statements for the three and six months ended June 30, 2022, includes a decrease to depreciation and amortization expense of $1.7 million and $3.4 million and an increase in the provision for income tax expense of $0.4 million and $0.8 million. This revision affects these specific line items and subtotals within the consolidated statements of income, comprehensive income, stockholders' equity and cash flows.

NOTE 2. RECENT ACCOUNTING PRONOUNCEMENTS

Recently adopted accounting standards

In March 2022, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2022-02, “Financial Instruments-Credit Losses (Topic 326): Troubled Debt Restructurings and Vintage Disclosures.” The amendments in this Update eliminate the accounting guidance for troubled debt restructurings (TDRs) by creditors in Subtopic 310-40, Receivables-Troubled Debt Restructurings by Creditors, while enhancing disclosure requirements for certain loan refinancings and restructurings by creditors when a borrower is experiencing financial difficulty. Additionally, for public business entities, the amendments in this Update require that an entity disclose current-period gross write-offs by year of origination for financing receivables. ASU 2022-02 was effective for fiscal years beginning after December 15, 2022. The adoption of this ASU did not have a material impact on the Company’s consolidated financial statements.

NOTE 3. ACQUISITIONS

Fox Pest Control Acquisition

On April 1, 2023, the Company acquired 100% of FPC Holdings, LLC (“Fox Pest Control”, or "Fox"). As part of funding the Fox Pest Control acquisition, on April 3, 2023, the Company borrowed incremental amounts under the Credit Agreement of $305.0 million. The proceeds were used to pay cash consideration at closing.

Management believes that the acquisition will expand the Rollins family of brands and drive long term value given Fox's attractive financial profile and complementary end market exposure.

The Fox Pest Control acquisition has been accounted for as a business combination, and the Fox results of operations are included in the Company's results of operations from the April 1, 2023, acquisition date. Fox contributed revenues of $39.4 million and net earnings of $2.2 million from April 1, 2023, through the period end date, June 30, 2023.

The valuation of the Fox Pest Control acquisition was performed by a third-party valuation specialist under our management’s supervision.The preliminary values of identified assets acquired, and liabilities assumed for Fox Pest Control are summarized as follows (in thousands).

	June 30, 2023
Cash	$ 4,366
Accounts receivable	1,542
Materials and supplies	431
Operating lease right-of-use assets	8,689
Other current assets	487
Goodwill	187,655
Customer contracts	118,000
Trademarks & tradenames	38,000
Current liabilities	(5,051)
Unearned revenue	(6,144)
Operating lease liabilities	(8,689)
Assets acquired and liabilities assumed	$ 339,286

The Company purchased Fox Pest Control for $339.3 million. Included in the total consideration above are cash payments of $302.8 million made upon closing, contingent consideration valued at $28.0 million that is based on Fox Pest Control's financial performance in the twelve months following acquisition, and holdback liabilities valued at $8.4 million to be held by the Company to settle indemnity claims and working capital adjustments. The fair value of the contingent consideration was estimated using a Monte Carlo simulation. During the second quarter ended June 30, 2023, we recognized a charge of $1.0 million related to adjustments to the fair value of contingent consideration resulting from the acquisition of Fox. This charge is reported within sales, general and administrative expenses in our condensed consolidated statement of income.

Acquired customer contracts are estimated to have a remaining useful life of 7 years. The acquired trademarks and tradenames are expected to have an indefinite useful life. See Note 6. Goodwill and Intangible Assets for further details.

Goodwill from this acquisition represents the excess of the purchase price over the fair value of net assets of the business acquired. The factors contributing to the amount of goodwill are based on strategic and synergistic benefits that are expected to be realized. The recognized goodwill is expected to be deductible for tax purposes. Valuations of certain assets and liabilities, including intangible assets and goodwill, as of the acquisition date have not been finalized at this time and are provisional.

Pro Forma Financial Information

The following table presents unaudited consolidated pro forma information as if the acquisition of Fox had occurred on January 1, 2022. The information presented below is for illustrative purposes only and is not necessarily indicative of results that would have been achieved if the acquisition had actually occurred as of the beginning of such years or results which may be achieved in the future.

	Three Months Ended June 30,		Six Months Ended June 30,	
(in thousands)	**2023**	2022	**2023**	2022
Revenues	**$ 820,750**	$ 745,838	**$ 1,507,673**	$ 1,360,062
Net income	**109,564**	99,549	**191,999**	169,921

The pro forma financial information above adjusts for the effects of material business combination items, including the alignment of accounting policies, the effect of fair value adjustments including the amortization of acquired intangible assets, interest expense related to the incremental borrowings under the Credit Agreement, and income tax effects as if Fox had been part of Rollins since January 1, 2022.

Other 2023 Acquisitions

The Company also made 14 other acquisitions during the six months ended June 30, 2023.The aggregate preliminary values of major classes of assets acquired and liabilities assumed recorded at the dates of acquisition, as adjusted during the valuation period, are included in the reconciliation of the total preliminary consideration as follows (in thousands):

	June 30, 2023
Cash	**$ 249**
Accounts receivable	**287**
Materials and supplies	**201**
Other current assets	**49**
Equipment and property	**2,311**
Goodwill	**11,540**
Customer contracts	**20,163**
Other intangible assets	**283**
Current liabilities	**(163)**
Unearned revenue	**(861)**
Other assets and liabilities, net	**(693)**
Assets acquired and liabilities assumed	**$ 33,366**

Included in the total consideration above are acquisition holdback liabilities of $3.6 million.

Goodwill from acquisitions represents the excess of the purchase price over the fair value of net assets of businesses acquired. The factors contributing to the amount of goodwill are based on strategic and synergistic benefits that are expected to be realized. A majority of the recognized goodwill is expected to be deductible for tax purposes. Valuations of certain assets and liabilities, including intangible assets and goodwill, as of the acquisition date have not been finalized at this time and are provisional.

NOTE 4. REVENUE

Revenue, classified by the major geographic areas in which our customers are located, was as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
(in thousands)	**2023**	2022	**2023**	2022
United States	**$ 763,646**	$ 661,703	**$ 1,372,654**	$ 1,208,163
Other countries	**57,104**	52,346	**106,111**	96,566
Total Revenues	**$ 820,750**	$ 714,049	**$ 1,478,765**	$ 1,304,729

Revenue from external customers, classified by significant product and service offerings, was as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
(in thousands)	**2023**	2022	**2023**	2022
Residential revenue	**$ 385,645**	$ 325,311	**$ 669,270**	$ 584,570
Commercial revenue	**259,964**	234,483	**490,366**	440,270
Termite completions, bait monitoring, & renewals	**166,823**	146,781	**303,428**	266,487
Franchise revenues	**4,303**	4,155	**8,090**	7,892
Other revenues	**4,015**	3,319	**7,611**	5,510
Total Revenues	**$ 820,750**	$ 714,049	**$ 1,478,765**	$ 1,304,729

Sales and usage-based taxes are excluded from revenues. No sales to an individual customer or in a country other than the United States accounted for 10% or more of the sales for the periods listed in the above table.

The Company records unearned revenue when we have either received payment or contractually have the right to bill for services in advance of the services or performance obligations being performed. Unearned revenue recognized in the three and six months ended June 30, 2023, and 2022 was $57.8 million and $51.0 million, respectively and $113.3 million and $100.9 million, respectively. Changes in unearned revenue were as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
(in thousands)	**2023**	2022	**2023**	2022
Beginning balance	**$ 198,154**	$ 180,333	**$ 187,994**	$ 168,607
Deferral of unearned revenue	**77,911**	63,628	**143,537**	125,263
Recognition of unearned revenue	**(57,791)**	(50,989)	**(113,257)**	(100,898)
Ending balance	**$ 218,274**	$ 192,972	**$ 218,274**	$ 192,972

As of June 30, 2023, and December 31, 2022, the Company had long-term unearned revenue of $35.0 million and $29.9 million, respectively, recorded in other long-term accrued liabilities. Unearned short-term revenue is recognized over the next 12-month period. The majority of unearned long-term revenue is recognized over a period of five years or less with immaterial amounts recognized through 2033.

NOTE 5. ALLOWANCE FOR CREDIT LOSSES

The Company is exposed to credit losses primarily related to accounts receivables and financed receivables derived from customer services revenue. To reduce credit risk for residential pest control accounts receivable, we promote enrollment in our auto-pay programs. In general, we may suspend future services for customers with past due balances. The Company's credit risk is generally low with a large number of individuals and entities comprising Rollins' customer base and dispersion across many different geographical regions.

The Company manages its financing receivables on an aggregate basis when assessing and monitoring credit risks. The Company's established credit evaluation and monitoring procedures seek to minimize the amount of business we conduct with higher risk customers. The credit quality of a potential obligor is evaluated at the loan origination based on an assessment of the individual's Beacon/credit bureau score. Rollins requires a potential obligor to have good credit worthiness with low risk before entering into a contract. Depending upon the individual's credit score, the Company may accept with 100% financing, require a significant down payment or turn down the contract. Delinquencies of accounts are monitored each month. Financing receivables include installment receivable amounts, some of which are due subsequent to one year from the balance sheet dates.

The Company's allowances for credit losses for trade accounts receivable and financed receivables are developed using historical collection experience, current economic and market conditions, reasonable and supportable forecasts, and a review of the current status of customers' receivables. The Company's receivable pools are classified between residential customers, commercial customers, large commercial customers, and financed receivables. Accounts are written off against the allowance for credit losses when the Company determines that amounts are uncollectible, and recoveries of amounts previously written off are recorded when collected. The Company stops accruing interest to these receivables when they are deemed uncollectible. Below is a roll forward of the Company's allowance for credit losses for the three and six months ended June 30, 2023, and 2022.

	Allowance for Credit Losses		
(in thousands)	**Trade Receivables**	**Financed Receivables**	**Total Receivables**
Balance at December 31, 2022	**$ 14,073**	**$ 4,968**	**$ 19,041**
Provision for expected credit losses	1,461	2,435	3,896
Write-offs charged against the allowance	(4,687)	(1,927)	(6,614)
Recoveries collected	1,629	—	1,629
Balance at March 31, 2023	**$ 12,476**	**$ 5,476**	**$ 17,952**
Provision for expected credit losses	3,185	2,865	6,050
Write-offs charged against the allowance	(4,271)	(2,332)	(6,603)
Recoveries collected	1,349	—	1,349
Balance at June 30, 2023	**$ 12,739**	**$ 6,009**	**$ 18,748**

	Allowance for Credit Losses		
(in thousands)	Trade Receivables	Financed Receivables	Total Receivables
Balance at December 31, 2021	$ 13,885	$ 3,985	$ 17,870
Provision for expected credit losses	3,204	1,054	4,258
Write-offs charged against the allowance	(4,248)	(1,189)	(5,437)
Recoveries collected	1,329	—	1,329
Balance at March 31, 2022	$ 14,170	$ 3,850	$ 18,020
Provision for expected credit losses	2,350	1,825	4,175
Write-offs charged against the allowance	(4,218)	(1,121)	(5,339)
Recoveries collected	1,364	—	1,364
Balance at June 30, 2022	$ 13,666	$ 4,554	$ 18,220

NOTE 6. GOODWILL AND INTANGIBLE ASSETS

The following table summarizes changes in goodwill during the six months ended June 30, 2023, and the twelve months ended December 31, 2022 (in thousands):

Goodwill:		
Balance at December 31, 2021	**$**	**786,504**
Additions		64,997
Measurement adjustments		(9)
Adjustments due to currency translation		(4,788)
Balance at December 31, 2022		**846,704**
Additions		199,195
Measurement adjustments		(294)
Adjustments due to currency translation		392
Balance at June 30, 2023	**$**	**1,045,997**

The carrying amount of goodwill in foreign countries was $100.6 million as of June 30, 2023, and $97.4 million as of December 31, 2022.

The following table sets forth the components of indefinite-lived and amortizable intangible assets as of June 30, 2023, and December 31, 2022 (in thousands):

	June 30, 2023			December 31, 2022			
	Gross	Accumulated Amortization	Carrying Value	Gross	Accumulated Amortization	Carrying Value	Useful Life in Years
Amortizable intangible assets:							
Customer contracts	$ 618,743	$ (211,538)	$ 407,205	$ 502,689	$ (204,130)	$ 298,559	3-20
Trademarks and tradenames	18,165	(7,934)	10,231	17,351	(10,009)	7,342	7-20
Non-compete agreements	13,849	(8,646)	5,203	14,180	(8,226)	5,954	3-20
Patents	6,896	(6,881)	15	6,934	(6,802)	132	3-15
Other assets	1,983	(1,860)	123	2,016	(1,786)	230	10
Total amortizable intangible assets	$ 659,636	$ (236,859)	422,777	$ 543,170	$ (230,953)	312,217	
Indefinite-lived intangible assets:							
Trademarks and tradenames			138,670			104,304	
Internet domains			2,227			2,227	
Total indefinite-lived intangible assets			140,897			106,531	
Total customer contracts and other intangible assets			$ 563,674			$ 418,748	

The carrying amount of customer contracts in foreign countries was $46.5 million and $46.1 million as of June 30, 2023, and December 31, 2022, respectively. The carrying amount of trademarks and tradenames in foreign countries was $4.0 million and $4.2 million as of June 30, 2023 and December 31, 2022. The carrying amount of other intangible assets in foreign countries was $0.5 million and $0.7 million as of June 30, 2023, and December 31, 2022, respectively.

Amortization expense related to intangible assets was $18.0 million and $13.9 million for the three months ended June 30, 2023, and 2022, respectively. Amortization expense related to intangible assets was $32.0 million and $27.4 million for the six months ended June 30, 2023, and 2022, respectively. Customer contracts and other amortizable intangible assets are amortized on a straight-line basis over their economic useful lives.

Estimated amortization expense for the existing carrying amount of customer contracts and other intangible assets for each of the five succeeding fiscal years as of June 30, 2023, are as follows:

(in thousands)		
2023 (excluding the six months ended June 30, 2023)	$	45,467
2024		75,662
2025		66,856
2026		63,339
2027		59,674

NOTE 7. LEASES

The Company leases certain buildings, vehicles, and equipment. The Company elected the practical expedient approach permitted under Accounting Standards Codification Topic 842 "Leases", not to include short-term leases with a duration of 12 months or less on the balance sheet. As of June 30, 2023, and December 31, 2022, all leases were classified as operating leases. Building leases generally carry terms of 5 to 15 years with annual rent escalations at fixed amounts per the lease. Vehicle leases generally carry a fixed term of one year with renewal options to extend the lease on a monthly basis resulting in lease terms up to 7 years depending on the class of vehicle. The exercise of renewal options is at the Company's sole discretion. It is reasonably certain that the Company will exercise the renewal options on its vehicle leases. The measurement of right-of-use assets and liabilities for vehicle leases includes the fixed payments associated with such renewal periods. We separate lease and non-lease components of contracts. Our lease agreements do not contain any material variable payments, residual value guarantees, early termination penalties or restrictive covenants.

The Company uses the rate implicit in the lease when available; however, most of our leases do not provide a readily determinable implicit rate. Accordingly, we estimate our incremental borrowing rate based on information available at lease commencement.

(in thousands, except Other Information)		Three Months Ended June 30,		Six Months Ended June 30,	
Lease Classification	**Financial Statement Classification**	**2023**	2022	**2023**	2022
Short-term lease cost	Cost of services provided, Sales, general, and administrative expenses	**$ 81**	$ 36	**$ 148**	$ 62
Operating lease cost	Cost of services provided, Sales, general, and administrative expenses	**27,480**	23,615	**53,667**	47,638
Total lease expense		**$ 27,561**	$ 23,651	**$ 53,815**	$ 47,700
Other Information:					
Weighted-average remaining lease term - operating leases				**4.9 years**	5.4 years
Weighted-average discount rate - operating leases				**3.82 %**	3.34 %
Cash paid for amounts included in the measurement of lease liabilities:					
Operating cash flows from operating leases				**$ 53,212**	$ 47,099

Lease Commitments

Future minimum lease payments, including assumed exercise of renewal options as of June 30, 2023, were as follows:

(in thousands)		
2023 (excluding the six months ended June 30, 2023)	$	51,531
2024		84,780
2025		65,720
2026		44,647
2027		21,008
2028		13,234
Thereafter		40,365
Total future minimum lease payments		321,285
Less: Amount representing interest		34,166
Total future minimum lease payments, net of interest	$	287,119

Future commitments presented in the table above include lease payments in renewal periods for which it is reasonably certain that the Company will exercise the renewal option. Total future minimum lease payments for operating leases, including the amount representing interest, are comprised of $164.4 million for building leases and $156.9 million for vehicle leases. As of June 30, 2023, the Company had additional future obligations of $11.9 million for leases that had not yet commenced.

NOTE 8. FAIR VALUE MEASUREMENTS

The Company's financial instruments consist of cash and cash equivalents, trade receivables, financed and notes receivable, accounts payable, other short-term liabilities, and debt. The carrying amounts of these financial instruments approximate their respective fair values. The Company also has derivative instruments as further discussed in Note 10. Derivative Instruments and Hedging Activities.

The fair value hierarchy has three levels based on the reliability of the inputs used to determine fair value. Level 1 refers to fair values determined based on quoted prices in active markets for identical assets. Level 2 refers to fair values estimated using significant other observable inputs, and Level 3 includes fair values estimated using significant non-observable inputs.

As of June 30, 2023, and December 31, 2022, we had investments in international bonds of $10.1 million and $10.7 million, respectively. These bonds are accounted for as available for sale securities and are level 2 assets under the fair value hierarchy. At June 30, 2023, $0.8 million was included in other current assets and $9.3 million was included in other assets. At December 31, 2022, $0.5 million was included in other current assets and $10.2 million was included in other assets. The bonds are recorded at fair market value with unrealized losses of $0.1 million and an insignificant amount of unrealized gains included in other comprehensive income during the three and six months ended June 30, 2023, respectively. Unrealized losses of $0.4 million and $1.0 million are included in other comprehensive income during the three and six months ended June 30, 2022, respectively.

As of June 30, 2023, and December 31, 2022, the Company had $49.3 million and $13.5 million of acquisition holdback and earnout liabilities payable to former owners of acquired companies, respectively. The earnout liabilities were discounted to reflect the expected probability of payout, and both earnout and holdback liabilities were discounted to their net present value on the Company's books and are considered level 3 liabilities. The table below presents a summary of the changes in fair value for these liabilities.

	Three Months Ended June 30,		Six Months Ended June 30,	
(in thousands)	**2023**	2022	**2023**	2022
Beginning balance	**$ 10,533**	$ 23,399	**$ 13,496**	$ 25,156
New acquisitions and revaluations	**38,731**	1,574	**40,031**	2,750
Payouts	**(252)**	(2,145)	**(4,350)**	(5,196)
Interest on outstanding contingencies	**1,084**	122	**1,106**	247
Charge offset, forfeit and other	**(788)**	(208)	**(975)**	(215)
Ending balance	**$ 49,308**	$ 22,742	**$ 49,308**	$ 22,742

NOTE 9. DEBT

On February 24, 2023, the Company entered into a revolving credit agreement (the "Credit Agreement") with, among others, JPMorgan Chase Bank, N.A. ("JPMorgan Chase"), as administrative agent (in such capacity, the "Administrative Agent"), which refinanced its previous credit facility described below. This Credit Agreement replaces the April 2019 facility that was set to expire in April 2024.

The Credit Agreement provides for a $1.0 billion revolving credit facility (the "Credit Facility"), which may be denominated in U.S. Dollars and other currencies, including Euros, Australian Dollars, Canadian Dollars, New Zealand Dollars, Pounds Sterling and Japanese Yen, subject to a $400 million foreign currency sublimit. The Credit Facility also includes sub-facilities for the issuance of letters of credit of up to $150 million and swing line loans at the Administrative Agent's discretion of up to $50 million. Certain subsidiaries of Rollins provide unsecured guarantees of the Credit Facility. Rollins has the ability to expand its borrowing availability under the Credit Agreement in the form of increased revolving commitments or one or more tranches of term loans by up to an additional $750 million, subject to the agreement of the participating lenders and certain other customary conditions. The maturity date of the loans under the Credit Agreement is February 24, 2028.

Loans under the Credit Agreement bear interest, at Rollins' election, at (i) for loans denominated in U.S. Dollars, (A) an alternate base rate (subject to a floor of 0.00%), which is the greatest of (x) the prime rate publicly announced from time to time by JPMorgan Chase, (y) the greater of the federal funds effective rate and the Federal Reserve Bank of New York overnight bank funding rate, plus 50 basis points, and (z) Adjusted Term SOFR for a one month interest period, plus a margin ranging from 0.00% to 0.50% per annum based on Rollins' consolidated total net leverage ratio; or (B) the greater of term SOFR for the applicable interest period plus 10 basis points ("Adjusted Term SOFR") and zero, plus a margin ranging from 1.00% to 1.50% per annum based on Rollins' consolidated total net leverage ratio; and (ii) for loans denominated in other currencies, including Euros, Australian Dollars, Canadian Dollars, New Zealand Dollars, Pounds Sterling and Japanese Yen, such interest rates as set forth in the Credit Agreement.

As of June 30, 2023, the Company had outstanding borrowings of $340.0 million under the Credit Facility. Borrowings under the Credit Facility are presented under the long-term debt caption of our condensed consolidated balance sheet, net of $2.5 million in unamortized debt issuance costs as of June 30, 2023. The aggregate effective interest rate on the debt outstanding as of June 30, 2023, was 6.5%. As of December 31, 2022, the Company had outstanding borrowings of $54.9 million under the previous Term Loan and there were no outstanding borrowings under the previous Revolving Commitment. The aggregate effective interest rate on the debt outstanding as of December 31, 2022 was 5.1%.

The Company maintains $71.7 million in letters of credit as of June 30, 2023. These letters of credit are required by the Company's insurance companies, due to the Company's high deductible insurance program, to secure various workers' compensation and casualty insurance contracts coverage and were increased from $71.3 million as of December 31, 2022. The Company believes that it has adequate liquid assets, funding sources and insurance accruals to accommodate potential future insurance claims.

The Credit Agreement contains customary terms and conditions, including, without limitation, certain financial covenants including covenants restricting Rollins' ability to incur certain indebtedness or liens, or to merge or consolidate with or sell substantially all of its assets to another entity. Further, the Credit Agreement contains a financial covenant restricting Rollins' ability to permit the ratio of Rollins' consolidated total net debt to EBITDA to exceed 3.50 to 1.00. Following certain acquisitions, Rollins may elect to increase the financial covenant level to 4.00 to 1.00 temporarily. The ratio is calculated as of the last day of the fiscal quarter most recently ended. The Credit Agreement also contains provisions permitting a future environmental, social and governance amendment, subject to certain terms and conditions contained therein, by which pricing may be adjusted pursuant to the Company's performance measured against certain sustainability-linked metrics. The Company is in compliance with applicable debt covenants as of June 30, 2023.

NOTE 10. DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

The Company is exposed to certain interest rate risks on our outstanding debt and foreign currency risks arising from our international business operations and global economic conditions. The Company enters into certain derivative financial instruments to lock in certain interest rates, as well as to protect the value or fix the amount of certain obligations in terms of its functional currency, the U.S. dollar.

The Company is exposed to fluctuations in various foreign currencies against its functional currency, the U.S. dollar. We use foreign currency derivatives, specifically foreign currency forward contracts ("FX Forwards"), to manage our exposure to fluctuations in the USD-CAD and USD-AUD exchange rates. FX Forwards involve fixing the foreign currency exchange rate for delivery of a specified amount of foreign currency on a specified date. The FX Forwards are typically settled in U.S. dollars for their fair value at or close to their settlement date. We do not currently designate any of these FX Forwards under hedge accounting, but rather reflect the changes in fair value immediately in earnings. We do not use such instruments for speculative or trading purposes, but rather use them to manage our exposure to foreign exchange rates. Changes in the fair value of FX Forwards were recorded in other income/expense and were insignificant for the three and six month periods ended June 30, 2023 and 2022. The fair values of the Company's FX Forwards were recorded as a net liability of $0.2 million in Other Current Liabilities as of June 30, 2023, and a net asset of $0.3 million in Other Current Assets as of December 31, 2022.

As of June 30, 2023, the Company had the following outstanding FX Forwards (in thousands except for number of instruments):

Non-Designated Derivative Summary

FX Forward Contracts	Number of Instruments	Sell Notional	Buy Notional
Sell AUD/Buy USD Fwd Contract	19	2,350	$ 1,570
Sell CAD/Buy USD Fwd Contract	19	19,000	14,155
Total	38		$ 15,725

NOTE 11. CONTINGENCIES

In the normal course of business, the Company and its subsidiaries are involved in, and will continue to be involved in, various claims, arbitrations, contractual disputes, investigations, and regulatory and litigation matters relating to, and arising out of, our businesses and our operations. These matters may involve, but are not limited to, allegations that our services or vehicles caused damage or injury, claims that our services did not achieve the desired results, claims related to acquisitions and allegations by federal, state or local authorities, including taxing authorities, of violations of regulations or statutes. In addition, we are parties to employment-related cases and claims from time to time, which may include claims on a representative or class action basis alleging wage and hour law violations. We are also involved from time to time in certain environmental matters primarily arising in the normal course of business. We evaluate pending and threatened claims and establish loss contingency reserves based upon outcomes we currently believe to be probable and reasonably estimable.

The Company retains, up to specified limits, certain risks related to general liability, workers' compensation and auto liability. The estimated costs of existing and future claims under the retained loss program are accrued based upon historical trends as incidents occur, whether reported or unreported (although actual settlement of the claims may not be made until future periods) and may be subsequently revised based on developments relating to such claims. The Company contracts with an independent third party to provide the Company an estimated liability based upon historical claims information. The actuarial study is a major consideration in establishing the reserve, along with management's knowledge of changes in business practice and existing claims compared to current balances. Management's judgment is inherently subjective as a number of factors are outside management's knowledge and control. Additionally, historical information is not always an accurate indication of future events. The accruals and reserves we hold are based on estimates that involve a degree of judgment and are inherently variable and could be overestimated or insufficient. If actual claims exceed our estimates, our operating results could be materially affected, and our ability to take timely corrective actions to limit future costs may be limited.

Management does not believe that any pending claim, proceeding or litigation, regulatory action or investigation, either alone or in the aggregate, will have a material adverse effect on the Company's financial position, results of operations or liquidity; however, it is possible that an unfavorable outcome of some or all of the matters could result in a charge that might be material to the results of an individual quarter or year.

NOTE 12. STOCKHOLDERS' EQUITY

During the six months ended June 30, 2023, the Company paid $128.0 million, or $0.26 per share, in cash dividends compared to $98.4 million, or $0.20 per share, during the same period in 2022.

During the six months ended June 30, 2023, and during the same period in 2022, the Company did not repurchase shares on the open market. However, in 2023 the Company purchased shares on behalf of employees for the Employee Stock Purchase Plan ("ESPP") discussed below.

The Company repurchases shares from employees for the payment of their taxes on restricted shares that have vested. The Company repurchased $0.4 million and $0.6 million for the quarters ended June 30, 2023, and 2022, and $11.8 million and $7.0 million for the six month periods ended June 30, 2023 and 2022, respectively.

Restricted Shares and Performance Share Unit Awards

As more fully discussed in Note 14 of the Company's notes to the consolidated financial statements in its 2022 Annual Report on Form 10-K, time-lapse restricted awards and restricted stock units ("restricted shares") have been issued to officers and other management employees under the Company's Employee Stock Incentive Plans. Beginning with the 2023 grant, restricted shares vest in 25 percent increments over four years from the date of the grant. Prior grants vest either over five years or over six years from the date of grant, depending on the year of the grant. Additionally, during 2023, certain executives were granted Performance Share Unit awards (PSUs) in addition to restricted shares. These awards will be expensed on a straight-line basis over the three-year vesting period.

The Company issues new shares from its authorized but unissued share pool. As of June 30, 2023, approximately 5.3 million shares of the Company's common stock were reserved for issuance.

The following table summarizes the components of the Company's stock-based compensation programs recorded as expense:

	Three Months Ended June 30,		Six Months Ended June 30,	
(in thousands)	**2023**	2022	**2023**	2022
Restricted shares and PSUs:				
Pre-tax compensation expense	**$ 6,192**	$ 4,819	**$ 11,948**	$ 10,957
Tax benefit	**(1,687)**	(1,272)	**(3,083)**	(2,596)
Compensation expense, net of tax	**$ 4,505**	$ 3,547	**$ 8,865**	$ 8,361

The following table summarizes information on unvested awards outstanding as of June 30, 2023:

(number of shares in thousands)	Number of Shares	Weighted Average Grant-Date Fair Value
Unvested restricted shares and PSUs at December 31, 2022	**2,685**	$ 28.97
Forfeited	**(59)**	29.54
Vested	**(820)**	26.88
Granted	**671**	36.48
Unvested restricted shares and PSUs at June 30, 2023	**2,477**	$ 31.68

As of June 30, 2023, and December 31, 2022, the Company had $64.2 million and $52.3 million of total unrecognized compensation cost, respectively, related to restricted shares and PSUs that are expected to be recognized over a weighted average period of approximately 3.3 years and 3.5 years, respectively.

Employee Stock Purchase Plan

As more fully discussed in Note 14 of the Company's notes to the consolidated financial statements in its 2022 Annual Report on Form 10-K, shareholders approved the Rollins, Inc. 2022 Employee Stock Purchase Plan which provides eligible employees with the option to purchase shares of Company common stock, at a discount, through payroll deductions. The most recent purchase period for the ESPP began on January 1, 2023, and ended on June 30, 2023. The Company recorded compensation expense associated with the purchase period of $0.2 million and $0.4 million during the three and six months ended June 30, 2023. Compensation expense for the ESPP is included in cost of services provided and sales, general and administrative expenses in our condensed consolidated statements of income.

NOTE 13. EARNINGS PER SHARE

The Company reports both basic and diluted earnings per share. Basic earnings per share is computed by dividing net income available to participating common stockholders by the weighted average number of participating common shares outstanding for the period. Diluted earnings per share is calculated by dividing the net income available to participating common shareholders by the diluted weighted average number of shares outstanding for the period. The diluted weighted average number of shares outstanding is the basic weighted number of shares adjusted for any potentially dilutive equity.

A reconciliation of weighted average shares outstanding is as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	**2023**	2022
Weighted-average outstanding common shares	**490,168**	489,741	**490,058**	489,679
Add participating securities:				
Weighted-average time-lapse restricted awards	**2,532**	2,586	**2,535**	2,591
Total weighted-average shares outstanding - basic	**492,700**	492,327	**492,593**	492,270
Dilutive effect of restricted stock units and PSUs	**191**	113	**171**	112
Weighted-average shares outstanding - diluted	**492,891**	492,440	**492,764**	492,382

NOTE 14. INCOME TAXES

The Company's provision for income taxes is recorded on an interim basis based upon the Company's estimate of the annual effective income tax rate for the full year applied to "ordinary" income or loss, adjusted each quarter for discrete items. The Company recorded a provision for income taxes of $40.9 million and $34.1 million for the three months ended June 30, 2023, and 2022, and $69.1 million and $54.4 million for the six months ended June 30, 2023 and 2022, respectively.

The Company’s effective tax rate increased to 27.1% in the second quarter of 2023 compared to 25.1% in 2022. During the six months ended June 30, 2023, the Company’s effective tax rate increased to 25.8% compared to 23.7% in 2022. The rate was higher due to higher foreign income taxes compared to the prior year.

As of June 30, 2023, and December 31, 2022, the Company had deferred income tax assets of $0.7 million and $1.8 million included in other assets, and deferred income tax liabilities of $26.0 million and $24.2 million, respectively, included in other long-term accrued liabilities.

NOTE 15. RELATED PARTY TRANSACTIONS

On June 5, 2023, the Company entered into a Registration Rights Agreement (the “Registration Rights Agreement”) with LOR, Inc. (“LOR”). LOR is a member of the control group which owns more than 50% of our stock (“Control Group”). Under the Registration Rights Agreement, the Company must use reasonable best efforts to file and keep a registration statement on Form S-3 continuously effective and usable for the resale of the shares owned by the Control Group as of the date of the Registration Rights Agreement. With certain exceptions, LOR has the right to request up to eight (8) offerings pursuant to the Registration Rights Agreement. The Registration Rights Agreement will stay in effect until June 5, 2038. Pursuant to the Registration Rights Agreement, a registration statement on Form S-3 was filed with the Securities and Exchange Commission on June 5, 2023, and declared effective on June 22, 2023 (the "Form S-3").

Concurrently with the execution of the Registration Rights Agreement, LOR paid $1.5 million to the Company and will pay an additional $3.5 million to the Company upon the closing of the first requested offering pursuant to the Registration Rights Agreement. Pursuant to the Registration Rights Agreement, the Company will pay all costs, fees and expenses incident to the Company’s performance or compliance with the Registration Rights Agreement with respect to a total of five (5) requested offerings, and thereafter, LOR will be responsible for all such expenses in connection with any subsequent offering. The Registration Rights Agreement also contains customary indemnification provisions. The Registration Rights Agreement was approved by the disinterested directors of our Board, which excluded any directors with a relationship with LOR or the Control Group.

The foregoing description of the Registration Rights Agreement does not purport to be complete and is subject to, and is qualified in its entirety by reference to, the full text of the Registration Rights Agreement, which is filed as Exhibit 4.11 to the Form S-3.

NOTE 16. SUBSEQUENT EVENTS

Quarterly Dividend

On July 25, 2023, the Company’s Board of Directors declared a regular quarterly cash dividend on its common stock of $0.13 per share payable on September 8, 2023 to stockholders of record at the close of business on August 10, 2023.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with our financial statements and the related notes that appear elsewhere in this quarterly report on Form 10-Q. The following discussion contains forward-looking statements that involve risks and uncertainties and reflect our plans, estimates and beliefs. Our actual results could differ materially from those discussed in the forward-looking statements as a result of various factors, including those set forth in Part I, Item 1A, "Risk Factors," of our 2022 Form 10-K and Part II, Item 1A, "Risk Factors" and "Caution Regarding Forward-Looking Statements" included in this report and those discussed in other documents we file from time to time with the SEC.

GENERAL OPERATING COMMENTS

Below is a summary of the key operating results for the three months ended June 30, 2023:

- Second quarter revenues were $820.8 million, an increase of 14.9% over the second quarter 2022 with organic revenues* increasing 7.7%. The stronger dollar versus foreign currencies in countries where we operate reduced revenues by 30 basis points during the quarter.
- Quarterly operating income was $154.8 million, an increase of 14.9% over the second quarter of 2022. Quarterly operating margin was 18.9% of revenue, consistent with the second quarter of 2022. Adjusted operating income* was $160 million, an increase of 18.8% over the prior year. Adjusted operating income margin* was 19.5%, an increase of 60 basis points over the prior year.
- Quarterly net income was $110.1 million, an increase of 8.4% over the prior year net income. Adjusted net income* was $114.1 million, an increase of 12.2% over the prior year.
- Quarterly EPS was $0.22 per diluted share, a 4.8% increase over the prior year EPS of $0.21. Adjusted EPS* was $0.23 per diluted share, an increase of 9.5% over the prior year.
- Adjusted EBITDA* was $183.3 million for the quarter, an increase of 15.1%. Adjusted EBITDA* was 22.3% of sales, which was equal to the second quarter of 2022.
- Operating cash flow was $147.4 million, an increase of 15.8% compared to the second quarter a year ago. The Company invested $312.4 million in acquisitions, $6.8 million in capital expenditures, and paid dividends totaling $63.9 million for the quarter. Free cash flow* was $140.6 million, an increase of 17.8% compared to the second quarter of 2022.

Demand is favorable to start the third quarter and we continue to maintain a very healthy balance sheet that positions us well to continue to invest in growth programs across our business. Although we continue to navigate a highly uncertain macro-environment, we believe we are positioned well to deliver strong results in 2023.

*Amounts are non-GAAP financial measures. See the schedules below for a discussion of non-GAAP financial metrics including a reconciliation of the most closely correlated GAAP measure.

IMPACT OF ECONOMIC TRENDS

The continued disruption in economic markets due to high inflation, increases in interest rates, business interruptions due to natural disasters, employee shortages, and supply chain issues, all pose challenges which may adversely affect our future performance. The Company continues to carry out various strategies previously implemented to help mitigate the impact of these economic disruptors, including advanced scheduling to compensate for employee and vehicle shortages, and maintaining higher purchasing levels to allow for sufficient inventory.

However, the Company cannot reasonably estimate whether these strategies will help mitigate the impact of these economic disruptors in the future.

The Company's condensed consolidated financial statements reflect estimates and assumptions made by management that affect the reported amounts of assets and liabilities and related disclosures as of the date of the condensed consolidated financial statements. The Company considered the impact of economic trends on the assumptions and estimates used in preparing the condensed consolidated financial statements. In the opinion of management, all material adjustments necessary for a fair presentation of the Company's financial results for the year have been made. These adjustments are of a normal recurring nature but complicated by the continued uncertainty surrounding these macro economic trends. The severity, magnitude and duration of certain economic trends continue to be uncertain and are difficult to predict. Therefore, our accounting estimates and assumptions may change over time in response to economic trends and may change materially in future periods.

The extent to which increasing interest rates, inflation and other economic trends will continue to impact the Company's business, financial condition and results of operations is uncertain. Therefore, we cannot reasonably estimate the full future impacts of these matters at this time.

RESULTS OF OPERATIONS

Quarter ended June 30, 2023, compared to quarter ended June 30, 2022

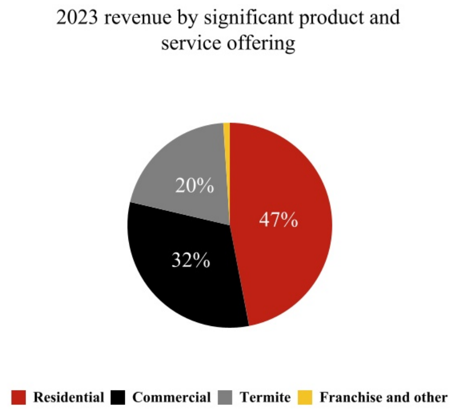
	Three Months Ended June 30,			
			Variance	
(in thousands, except per share data)	**2023**	2022	$	%
GAAP Metrics				
Revenues	**$ 820,750**	$ 714,049	$ 106,701	14.9 %
Gross profit [1]	**$ 436,559**	$ 377,269	$ 59,290	15.7 %
Gross profit margin [1]	**53.2 %**	52.8 %	40 bps	
Operating income	**$ 154,789**	$ 134,677	$ 20,112	14.9 %
Operating income margin	**18.9 %**	18.9 %	0 bps	
Net income	**$ 110,143**	$ 101,620	$ 8,523	8.4 %
EPS	**$ 0.22**	$ 0.21	$ 0.01	4.8 %
Operating cash flow	**$ 147,413**	$ 127,285	20,128	15.8 %
Non-GAAP Metrics				
Adjusted operating income [2]	**$ 160,050**	$ 134,677	$ 25,373	18.8 %
Adjusted operating margin [2]	**19.5 %**	18.9 %	60 bps	
Adjusted net income [2]	**$ 114,057**	$ 101,620	$ 12,437	12.2 %
Adjusted EPS [2]	**$ 0.23**	$ 0.21	$ 0.02	9.5 %
Adjusted EBITDA [2]	**$ 183,294**	$ 159,193	$ 24,101	15.1 %
Adjusted EBITDA margin [2]	**22.3 %**	22.3 %	0 bps	
Free cash flow [2]	**$ 140,638**	$ 119,399	$ 21,239	17.8 %

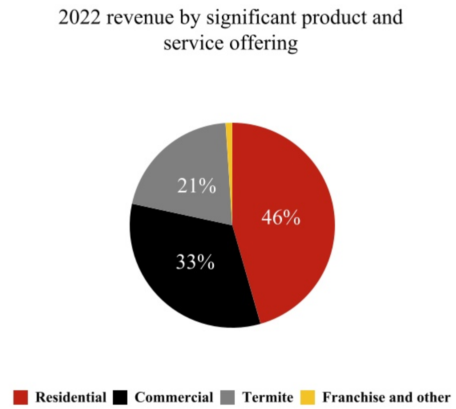
(1) Exclusive of depreciation and amortization

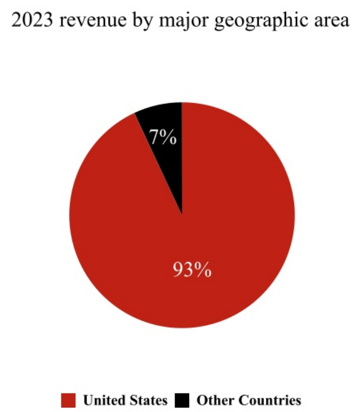
(2) Amounts are non-GAAP financial measures. See "Non-GAAP Financial Measures" of this Form 10-Q for a discussion of non-GAAP financial metrics including a reconciliation of the most closely correlated GAAP measure.

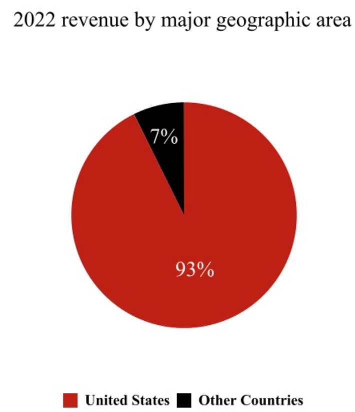
Revenues

The following presents a summary of revenues by product and service offering and revenues by geography:









Revenues for the quarter ended June 30, 2023 were $820.8 million, an increase of $106.7 million, or 14.9%, from 2022 revenues of $714.0 million. Organic revenue* growth was 7.7% with acquisitions adding 7.2% in the quarter. The stronger U.S. Dollar versus the same quarter a year ago reduced current revenues by 30 basis points. The currency headwind was primarily related to a stronger U.S. Dollar versus the Canadian Dollar. Comparing 2023 to 2022, residential pest control revenue increased 19%, commercial pest control revenue increased 11% and termite and ancillary services grew 14%. The Company's foreign operations accounted for approximately 7% of total revenues for the quarters ended June 30, 2023, and 2022.

On a month-to-month basis, our growth was robust in May before slowing in June. We are back on a healthy trajectory now in July, and that provides a sense of optimism to start the third quarter.

Revenues are impacted by the seasonal nature of the Company’s pest and termite control services. The increase in pest activity, as well as the metamorphosis of termites in the spring and summer (the occurrence of which is determined by the change in seasons), has historically resulted in an increase in the Company’s revenues as evidenced by the following chart:

	Consolidated Net Revenues		
(in thousands)	**2023**	2022	2021
First Quarter	**$ 658,015**	$ 590,680	$ 535,554
Second Quarter	**820,750**	714,049	638,204
Third Quarter	—	729,704	650,199
Fourth Quarter	—	661,390	600,343
Year to date	**$ 1,478,765**	$ 2,695,823	$ 2,424,300

Gross Profit (exclusive of Depreciation and Amortization)

Gross profit for the quarter ended June 30, 2023, was $436.6 million, an increase of $59.3 million, or 15.7%, compared to $377.3 million for the quarter ended June 30, 2022. Gross margin was 53.2% in 2023 compared to 52.8% in 2022. Gross profit remains strong, and we saw good performance on gross profit as pricing more than offset inflationary pressures.

There are four categories of costs that comprise the majority of cost of services provided: people, materials and supplies, fleet, and insurance and claims. We saw favorable results as a percentage of sales in people, as well as fleet, and materials and supplies, while insurance and legacy claims related primarily to auto accidents continue to be a headwind to quarterly margins.

While the acquisition of Fox Pest Control ("Fox") was accretive to quarterly gross margin, we are making progress on gross margin across our family of brands.

Sales, General and Administrative

For the quarter ended June 30, 2023, SG&A expenses increased $35.3 million, or 16.1%, compared to the quarter ended June 30, 2022. As a percentage of revenue, SG&A increased to 31.1% from 30.8% in the prior year.

There are three categories of costs that comprise the majority of SG&A: people costs, customer acquisition related costs, and insurance and claims. In the quarter, we saw favorable results as a percentage of sales in people, while insurance and legacy claims related primarily to auto accidents continued to be a headwind to margins. We invested more heavily in the quarter in customer acquisition costs to drive improved revenue growth while insurance and claims activity was negatively impacted by a less favorable insurance market combined with less favorable legacy auto claims experience and settlement activity.

The second and third quarters represent peak season for our business and we expect advertising spend, especially on a dollar basis, to be higher to drive customer acquisition during these periods.

We are actively evaluating a number of streamlining initiatives that are aimed at improving the effectiveness of our corporate office and supporting functions. These measures are aimed at modernizing these functions while improving productivity.

Depreciation and Amortization

For the quarter ended June 30, 2023, depreciation and amortization increased $3.8 million, or 17.0%, compared to the quarter ended June 30, 2022. The increase was due to higher amortization of intangible assets from acquisitions, most notably Fox Pest Control, offset by lower depreciation of operating equipment and internal-use software.

Operating Income

For the quarter ended June 30, 2023, operating income increased $20.1 million or 14.9% compared to the prior year.

As a percentage of revenue, operating income was consistent at 18.9%. Operating margin was driven by the pricing actions discussed above which helped provide improved leverage across a number of categories of the income statement as discussed in gross profit and SG&A areas above, offset by higher depreciation and amortization associated with our acquisition of Fox and insurance settlement and claims costs related to legacy auto claims.

Interest Expense, Net

During the quarter ended June 30, 2023, interest expense, net increased $3.9 million compared to the prior year, primarily due to the higher average debt balance, as well as the increase in weighted average interest rates in 2023 compared to 2022. The increase was driven primarily by the increased debt associated with the acquisition of Fox.

We expect interest expense to continue to be elevated in the remainder of the year as we service the higher level of debt as a result of the Fox acquisition.

Other Income, Net

During the quarter ended June 30, 2023, other income decreased $0.9 million primarily due to lower gains on asset sales.

Income Taxes

The Company's effective tax rate increased to 27.1% in the second quarter of 2023, compared to 25.1% in 2022. The rate was higher due to foreign income taxes compared to the prior year.

Six months ended June 30, 2023 compared to six months ended June 30, 2022

	Six Months Ended June 30,			
			Variance	
(in thousands, except per share data)	**2023**	2022	$	%
GAAP Metrics				
Revenues	**$ 1,478,765**	$ 1,304,729	$ 174,036	13.3 %
Gross profit [1]	**$ 767,732**	$ 672,571	$ 95,161	14.1 %
Gross profit margin [1]	**51.9 %**	51.5 %	40 bps	
Operating income	**$ 267,029**	$ 228,067	$ 38,962	17.1 %
Operating income margin	**18.1 %**	17.5 %	60 bps	
Net income	**$ 198,377**	$ 175,386	$ 22,991	13.1 %
EPS	**$ 0.40**	$ 0.36	$ 0.04	11.1 %
Operating cash flow	**$ 248,186**	$ 214,817	$ 33,369	15.5 %
Non-GAAP Metrics				
Adjusted operating income [2]	**$ 272,290**	$ 228,067	$ 44,223	19.4 %
Adjusted operating margin [2]	**18.4 %**	17.5 %	90 bps	
Adjusted net income [2]	**$ 202,291**	$ 175,386	$ 26,905	15.3 %
Adjusted EPS [2]	**$ 0.41**	$ 0.36	$ 0.05	13.9 %
Adjusted EBITDA [2]	**$ 322,750**	$ 276,989	$ 45,761	16.5 %
Adjusted EBITDA margin [2]	**21.8 %**	21.2 %	60 bps	
Free cash flow [2]	**$ 233,775**	$ 198,936	$ 34,839	17.5 %

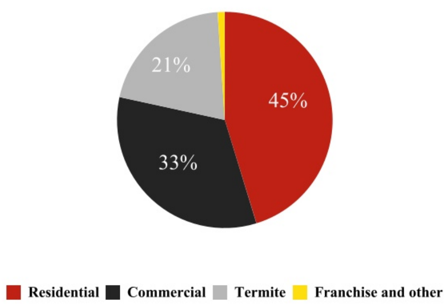
[1] Exclusive of depreciation and amortization

[2] Amounts are non-GAAP financial measures. See "Non-GAAP Financial Measures" of this Form 10-Q for a discussion of non-GAAP financial metrics including a reconciliation of the most closely correlated GAAP measure.

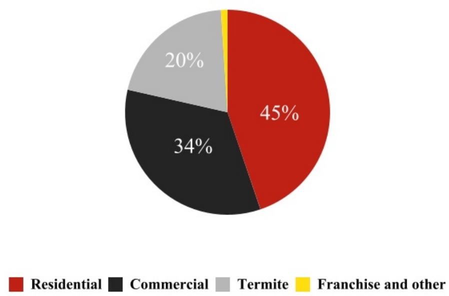
Revenues

The following presents a summary of revenues by product and service offering and revenues by geography:

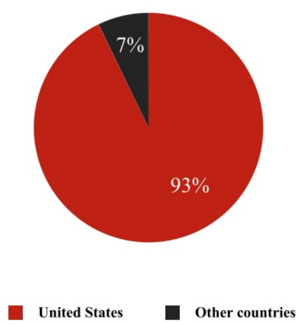
2023 revenue by significant product and service offering



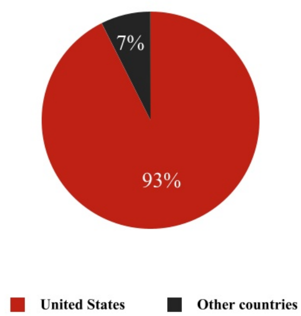
2022 revenue by significant product and service offering



2023 revenue by major geographic area



2022 revenue by major geographic area



Revenues for the six months ended June 30, 2023, were $1.5 billion, an increase of $174.0 million, or 13.3%, from 2022 revenues of $1.3 billion. Organic revenue* growth was 8.4% and acquisitions added 4.9% in the six months ended June 30, 2023. The stronger U.S. Dollar reduced year-to-date revenues by 40 basis points versus the same period a year ago. The currency headwind was primarily related to a stronger U.S. Dollar versus the Canadian Dollar. Comparing 2023 to 2022, residential pest control revenue increased 14%, commercial pest control revenue increased 11% and termite and ancillary services grew 14%. The Company’s foreign operations accounted for approximately 7% of total revenues for the six months ended June 30, 2023, and 2022.

Gross Profit (exclusive of Depreciation and Amortization)

Gross profit for the six months ended June 30, 2023, was $767.7 million, an increase of $95.2 million, or 14.1%, compared to $672.6 million for the six months ended June 30, 2022. Gross margin was 51.9% in 2023 compared to 51.5% in 2022.

Gross profit remains strong, and we saw good performance as pricing more than offset inflationary pressures. We pulled our price increase forward by a month this year, and we were also more consistent in raising pricing across all our brands.

We saw favorable results in cost of services provided for the six months ended June 30, 2023, as people related costs, fleet costs, and materials and supplies costs were lower as a percentage of sales, while insurance and legacy claims related primarily to auto accidents continue to be a headwind to margins.

Sales, General and Administrative

For the six months ended June 30, 2023, sales, general and administrative (SG&A) expenses increased $53.0 million, or 13.3%, compared to the six months ended June 30, 2022. As a percentage of revenue SG&A decreased slightly to 30.5% from 30.6% in the prior year.

Despite investing in additional people, advertising and other customer facing activities to drive growth, we saw an improvement in SG&A as a percentage of sales as we continue to manage our cost structure. Insurance and legacy claims related primarily to auto accidents continue to be a headwind in costs, as well as a percentage of sales.

Depreciation and Amortization

For the six months ended June 30, 2023, depreciation and amortization increased $3.2 million, or 7.0%, compared to the six months ended June 30, 2022. The increase was due to higher amortization of intangible assets from acquisitions, most notably Fox, offset by lower depreciation of operating equipment and internal-use software.

Operating Income

For the six months ended June 30, 2023, operating income increased $39.0 million, or 17.1%, compared to the six months ended June 30, 2022. As a percentage of revenue, operating income increased to 18.1% from 17.5% in the prior year. The improvement in operating income as a percentage of sales is driven by the pricing actions discussed above, which helped provide improved leverage across a number of categories of the income statement. These improvements were partially offset by higher insurance and claims costs from legacy auto claims.

Interest Expense, Net

For the six months ended June 30, 2023, interest expense, net increased $3.8 million, compared to the six months ended June 30, 2022, due to the increase in the average debt balance associated primarily with the acquisition of Fox and the increase in weighted average interest rates.

We expect interest expense to continue to be elevated in the remainder of the year as we service the higher level of debt as a result of the Fox acquisition.

Other Income, Net

During the six months ended June 30, 2023, other income increased $2.5 million compared to the six months ended June 30, 2022, due to gains on asset sales.

Income Taxes

During the six months ended June 30, 2023, the Company’s effective tax rate increased to 25.8% compared to 23.7% in 2022. The rate was higher due to foreign income taxes compared to the prior year.

Non-GAAP Financial Measures

Reconciliation of GAAP and non-GAAP Financial Measures

The Company has used the non-GAAP financial measures of organic revenues, adjusted operating income, adjusted operating income margin, adjusted net income, and adjusted earnings per share ("EPS"), earnings before interest, taxes, depreciation and amortization ("EBITDA"), EBITDA margin, adjusted EBITDA, adjusted EBITDA margin, and free cash flow in this Form 10-Q. Organic revenue is calculated as revenue less acquisition revenue. Acquisition revenue is based on the trailing 12-month revenue of our acquired entities. These measures should not be considered in isolation or as a substitute for revenues, net income, earnings per share or other performance measures prepared in accordance with GAAP.

Management uses adjusted operating income, adjusted operating income margin, adjusted net income, adjusted EPS, EBITDA, EBITDA margin, adjusted EBITDA, adjusted EBITDA margin, and free cash flow as measures of operating performance because this measure allows the Company to compare performance consistently over various periods. Management also uses organic revenues to compare revenues over various periods excluding the impact of acquisitions.

A non-GAAP financial measure is a numerical measure of financial performance, financial position, or cash flows that either 1) excludes amounts, or is subject to adjustments that have the effect of excluding amounts, that are included in the most directly comparable measure calculated and presented in accordance with GAAP in the statement of operations, balance sheet or statement of cash flows, or 2) includes amounts, or is subject to adjustments that have the effect of including amounts, that are excluded from the most directly comparable measure so calculated and presented.

Set forth below is a reconciliation of non-GAAP financial measures with their most comparable GAAP measures (in thousands, except per share data).

	Three Months Ended June 30,		Variance		Six Months Ended June 30,		Variance	
	2023	2022 (3)	$	%	**2023**	2022 (3)	$	%
Reconciliation of Revenues to Organic Revenues								
Revenues	**$ 820,750**	$ 714,049	106,701	14.9	**$ 1,478,765**	$ 1,304,729	174,036	13.3
Revenue growth from acquisitions	**(51,148)**	—	(51,148)	—	**(64,302)**	—	(64,302)	—
Organic revenues	**$ 769,602**	$ 714,049	55,553	7.7	**$ 1,414,463**	$ 1,304,729	109,734	8.4
Reconciliation of Operating Income to Adjusted Operating Income and Adjusted Operating Income Margin								
Operating income	**$ 154,789**	$ 134,677			**$ 267,029**	$ 228,067		
Fox acquisition-related expenses (1)	**5,261**	—			**5,261**	—		
Adjusted operating income	**$ 160,050**	$ 134,677	25,373	18.8	**$ 272,290**	$ 228,067	44,223	19.4
Revenues	**$ 820,750**	$ 714,049			**$ 1,478,765**	$ 1,304,729		
Operating income margin	**18.9 %**	18.9 %			**18.1 %**	17.5 %		
Adjusted operating income margin	**19.5 %**	18.9 %			**18.4 %**	17.5 %		
Reconciliation of Net Income to Adjusted Net Income and Adjusted EPS								
Net income	**$ 110,143**	$ 101,620			**$ 198,377**	$ 175,386		
Fox acquisition-related expenses (1)	**5,261**	—			**5,261**	—		
Tax impact of adjustments (2)	**(1,347)**	—			**(1,347)**	—		
Adjusted net income	**$ 114,057**	$ 101,620	12,437	12.2	**$ 202,291**	$ 175,386	26,905	15.3
Adjusted EPS - basic and diluted	**$ 0.23**	$ 0.21			**$ 0.41**	$ 0.36		
Weighted average shares outstanding - basic	**492,700**	492,327			**492,593**	492,270		
Weighted average shares outstanding - diluted	**492,891**	492,440			**492,764**	492,382		
Reconciliation of Net Income to EBITDA, Adjusted EBITDA, EBITDA Margin, and Adjusted EBITDA Margin								
Net income	**$ 110,143**	$ 101,620			**$ 198,377**	$ 175,386		
Depreciation and amortization	**26,439**	22,605			**48,941**	45,732		
Interest expense, net	**4,785**	880			**5,250**	1,448		
Provision for income taxes	**40,880**	34,088			**69,135**	54,423		
EBITDA	**$ 182,247**	$ 159,193	23,054	14.5	**$ 321,703**	$ 276,989	44,714	16.1
Fox acquisition-related expenses (1)	**1,047**	—			**1,047**	—		
Adjusted EBITDA	**$ 183,294**	$ 159,193	24,101	15.1	**$ 322,750**	$ 276,989	45,761	16.5
Revenues	**$ 820,750**	$ 714,049			**$ 1,478,765**	$ 1,304,729		
EBITDA margin	**22.2 %**	22.3 %			**21.8 %**	21.2 %		
Adjusted EBITDA margin	**22.3 %**	22.3 %			**21.8 %**	21.2 %		
Reconciliation of Net Cash Provided by Operating Activities to Free Cash Flow								
Net cash provided by operating activities	**$ 147,413**	$ 127,285			**$ 248,186**	$ 214,817		
Capital expenditures	**(6,775)**	(7,886)			**(14,411)**	(15,881)		
Free cash flow	**$ 140,638**	$ 119,399	21,239	17.8	**$ 233,775**	$ 198,936	34,839	17.5

(1) Consists of expenses resulting from the amortization of certain intangible assets and adjustments to the fair value of contingent consideration resulting from the acquisition of Fox Pest Control during the quarter. While we exclude such expenses in this non-GAAP measure, the revenue from the acquired company is reflected in this non-GAAP measure and the acquired assets contribute to revenue generation.

(2) The tax effect of the adjustments is calculated using the applicable statutory tax rates for the respective periods.

(3) Certain condensed consolidated financial statement amounts relative to the prior period have been revised as detailed in our annual report on Form 10-K for the year ended December 31, 2022. The impact of this revision on the Company's previously reporting condensed consolidated financial statements for the three and six months ended June 30, 2022, includes a decrease to depreciation and amortization expense of $1.7 million and $3.4 million, respectively, and an increase in the provision for income tax expense of $0.4 million and $0.8 million, respectively. This revision affects these specific line items and subtotals within the consolidated statements of income and cash flows.

LIQUIDITY AND CAPITAL RESOURCES

Cash and Cash Flow

The Company's $154.7 million of total cash at June 30, 2023 is held at various banking institutions. Approximately $79.3 million is held in cash accounts at international bank institutions and the remaining $75.4 million is primarily held in Federal Deposit Insurance Corporation ("FDIC") insured non-interest-bearing accounts at various domestic banks which at times exceed federally insured amounts.

The Company's international business is expanding, and we intend to continue to grow the business in foreign markets in the future through reinvestment of foreign deposits and future earnings as well as acquisitions of unrelated companies. The Company expects to repatriate unremitted foreign earnings from our foreign subsidiaries. The Company asserts that we continue to be permanently reinvested with respect to our investments in our foreign subsidiaries.

On February 24, 2023, the Company entered into a revolving credit agreement with, among others, JPMorgan Chase Bank, N.A. ("JPMorgan Chase"), as administrative agent (in such capacity, the "Administrative Agent"), which refinanced its previous credit facility.

The Credit Agreement provides for a $1.0 billion revolving Credit Facility, which may be denominated in U.S. Dollars and other currencies, including Euros, Australian Dollars, Canadian Dollars, New Zealand Dollars, Pounds Sterling and Japanese Yen, subject to a $400 million foreign currency sublimit. Rollins has the ability to expand its borrowing availability under the Credit Agreement in the form of increased revolving commitments or one or more tranches of term loans by up to an additional $750 million, subject to the agreement of the participating lenders and certain other customary conditions. The maturity date of the loans under the Credit Agreement is February 24, 2028. Refer to Note 9. Debt, of the Notes to Condensed Consolidated Financial Statements for further details.

As of June 30, 2023, the Company had outstanding borrowings of $340.0 million under the Credit Facility. The aggregate effective interest rate on the debt outstanding as of June 30, 2023, was 6.5%. As of December 31, 2022, the Company had outstanding borrowings of $54.9 million under the previous Term Loan and there were no outstanding borrowings under the previous Revolving Commitment. The aggregate effective interest rate on the debt outstanding as of December 31, 2022 was 5.1%.

The Company maintains $71.7 million in letters of credit as of June 30, 2023. These letters of credit are required by the Company's insurance companies, due to the Company's high deductible insurance program, to secure various workers' compensation and casualty insurance contracts coverage and were increased from $71.3 million as of December 31, 2022. The Company believes that it has adequate liquid assets, funding sources and insurance accruals to accommodate potential future insurance claims.

The Company believes its current cash and cash equivalents balances, future cash flows expected to be generated from operating activities, and available borrowings under its Credit Facility will be sufficient to finance its current operations and obligations, and fund expansion of the business for the foreseeable future.

The following table sets forth a summary of our cash flows from operating, investing and financing activities for the six month periods presented:

	Six Months Ended June 30,		Variance	
(in thousands)	**2023**	2022	**$**	%
Net cash provided by operating activities	$ 248,186	$ 214,817	33,369	15.5
Net cash used in investing activities	(331,622)	(62,032)	(269,590)	N/M
Net cash provided by (used in) financing activities	140,195	(30,640)	170,835	N/M
Effect of exchange rate on cash	2,642	(6,482)	9,124	N/M
Net increase in cash and cash equivalents	$ 59,401	$ 115,663	(56,262)	(48.6)

N/M - calculation not meaningful

Cash Provided by Operating Activities

Cash from operating activities is the principal source of cash generation for our businesses. The most significant source of cash in our cash flow from operations is customer-related activities, the largest of which is collecting cash resulting from services sold. The most significant operating use of cash is to pay our suppliers, employees, and tax authorities. The Company's operating activities generated net cash of $248.2 million and $214.8 million for the six months ended June 30, 2023, and 2022, respectively. The $33.4 million increase was driven primarily by strong operating results and the timing of cash receipts and cash payments to vendors, employees, and tax and regulatory authorities.

Cash Used in Investing Activities

The Company's investing activities used $331.6 million and $62.0 million for the six months ended June 30, 2023, and 2022, respectively. Cash paid for acquisitions totaled $327.9 million for the six months ended June 30, 2023, as compared to $49.6 million for the six months ended June 30, 2022, driven primarily by the acquisition of Fox Pest Control. The Company invested $14.4 million in capital expenditures during the year, offset by $10.2 million in cash proceeds from the sale of assets, compared with $15.9 million of capital expenditures and $3.3 million in cash proceeds from asset sales in 2022. The Company's investing activities were funded through existing cash balances, operating cash flows, and borrowings under the Credit Facility.

Cash Provided by or Used in Financing Activities

Cash provided by financing activities was $140.2 million during the six months ended June 30, 2023, while cash of $30.6 million was used by financing activities in the prior year. A total of $128.0 million was paid in cash dividends ($0.26 per share) during the six months ended June 30, 2023, compared to $98.4 million in cash dividends paid ($0.20 per share) during the six months ended June 30, 2022. The Company made net borrowings under its credit agreements of $285.0 million during the six months ended June 30, 2023, compared to net borrowings of $80.0 million during 2022.

In 2012, the Company's Board of Directors authorized the purchase of up to 5 million shares of the Company's common stock. After adjustments for stock splits, the total authorized shares under the share repurchase plan are 16.9 million shares. The Company did not repurchase shares of its common stock on the open market during the first six months of 2023 nor during the same period in 2022. However, in 2023 the Company purchased shares on behalf of employees for the Employee Stock Purchase Plan. In total, 11.4 million additional shares may be purchased under the share repurchase program. The Company repurchased $11.8 million and $7.0 million of common stock for the six months ended June 30, 2023, and 2022, respectively, from employees for the payment of taxes on vesting restricted shares.

In addition, the Form S-3 on file with the SEC registers $1.5 billion of the Company's common stock, preferred stock, debt securities, depositary shares, warrants, rights, purchase contracts and units for future issuance. The Company may offer and sell some or all of such securities from to time or to or through underwriters, brokers or dealers, directly to one or more other purchasers, through a block trade, through agents on a best-efforts basis, through a combination of any of the above methods of sale or through other types of transactions described in the Form S-3. The Company has not sold any securities as of the date of this Form 10-Q.

CONTINGENCIES

In the normal course of business, the Company and its subsidiaries are involved in, and will continue to be involved in, various claims, arbitrations, contractual disputes, investigations, litigation, and tax and other regulatory matters relating to, and arising out of, our businesses and our operations. These matters may involve, but are not limited to, allegations that our services or vehicles caused damage or injury, claims that our services did not achieve the desired results, claims related to acquisitions and allegations by federal, state or local authorities, including taxing authorities, of violations of regulations or statutes. In addition, we are parties to employment-related cases and claims from time to time, which may include claims on a representative or class action basis alleging wage and hour law violations. We are also involved from time to time in certain environmental and tax matters primarily arising in the normal course of business. We evaluate pending and threatened claims and establish loss contingency reserves based upon outcomes we currently believe to be probable and reasonably estimable.

The Company retains, up to specified limits, certain risks related to general liability, workers' compensation and auto liability. The estimated costs of existing and future claims under the retained loss program are accrued based upon historical trends as incidents occur, whether reported or unreported (although actual settlement of the claims may not be made until future periods) and may be subsequently revised based on developments relating to such claims. The Company contracts with an independent third party to provide the Company an estimated liability based upon historical claims information. The actuarial study is a major consideration in establishing the reserve, along with management's knowledge of changes in business practice and existing claims compared to current balances. Management's judgment is inherently subjective as a number of factors are outside management's knowledge and control. Additionally, historical information is not always an accurate indication of future events. The accruals and reserves we hold are based on estimates that involve a degree of judgment and are inherently variable and could be overestimated or insufficient. If actual claims exceed our estimates, our operating results could be materially affected, and our ability to take timely corrective actions to limit future costs may be limited.

Management does not believe that any pending claim, proceeding or litigation, regulatory action or investigation, either alone or in the aggregate, will have a material adverse effect on the Company's financial position, results of operations or liquidity; however, it is possible that an unfavorable outcome of some or all of the matters could result in a charge that might be material to the results of an individual quarter or year.

CRITICAL ACCOUNTING ESTIMATES

Except as described below, there have been no significant changes in our identified critical accounting estimates as disclosed in Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations - Critical Accounting Estimates" of our 2022 Form 10-K. During the second quarter of 2023, we concluded to add business combination accounting as one of our critical accounting estimates.

Business Combinations

We account for business combinations by recognizing the assets acquired and liabilities assumed at the acquisition date fair value. In valuing certain acquired assets and liabilities, fair value estimates use Level 3 inputs, including future expected cash flows and discount rates. Goodwill is measured as the excess of consideration transferred over the fair values of the assets acquired and the liabilities assumed. While we use our best estimates and assumptions to value assets acquired and liabilities assumed at the acquisition date, our estimates are inherently uncertain and subject to refinement. As a result, during the measurement period, which may be up to one year from the acquisition date, we may record adjustments to the assets acquired and liabilities assumed, with the corresponding offset to goodwill. Upon the conclusion of the measurement period, any subsequent adjustments arising from new facts and circumstances are recorded to the consolidated statements of operations. The results of operations of acquisitions are reflected in our consolidated financial statements from the date of acquisition.

Accounting for business combinations requires our management to make significant estimates and assumptions about intangible assets, assets and obligations assumed, contingent consideration, and other contingencies. Critical inputs and assumptions in valuing certain of the intangible assets include, but are not limited to, future expected cash flows from customer contracts; the acquired Company's trademarks & tradenames, and competitive position, as well as assumptions about the period of time the acquired trademarks & tradenames will continue to be used in the combined Company's product portfolio; and discount rates. These significant assumptions are forward-looking and could be affected by future economic and market conditions.

CAUTION REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains forward-looking statements that involve risks and uncertainties concerning the business and financial results of Rollins, Inc. We have based these forward-looking statements largely on our current opinions, expectations, beliefs, plans, objectives, assumptions and projections about future events and financial trends affecting the operating results and financial condition of our business. Such forward looking-statements include, but are not limited to, statements regarding: our healthy organic growth trajectory in July and our sense of optimism to start the third quarter; our progress on gross margin across our family of brands; our expectation that advertising spend, especially on a dollar basis, will be higher during our peak season to drive customer acquisition during such period; our expectation that interest expense will continue to be elevated in the remainder of the year as we service the higher level of debt as a result of the Fox acquisition; our belief that the Fox acquisition will expand the Rollins family of brands and drive long term value given Fox's attractive financial profile and complementary end market exposure; our belief that recognized goodwill from the Fox acquisition and from acquisitions generally is expected to be deductible for tax purposes; our plans to exercise the renewal options on our vehicle leases; our belief that its accounting estimates and assumptions may materially change over time in future periods in response to economic trends; our belief that no pending claim, proceeding or litigation, regulatory action or investigation, either alone or in the aggregate, will have a material adverse effect on our financial position, results of operations or liquidity; our evaluation of pending and threatened claims and establishment of loss contingency reserves based upon outcomes it currently believes to be probable and reasonably estimable; our evaluations of a number of streamlining initiatives that are aimed at improving the effectiveness of our corporate office and supporting functions; our belief that we do not expect the resolution of the alleged violations and information requests from governmental authorities in California for its Orkin and Clark Pest Control operations to have a material adverse effect on our results of operations, financial condition, or cash flows; our belief that it will continue to be involved in various claims, arbitrations, contractual disputes, investigations, and regulatory and litigation matters relating to, and arising out of, its businesses and its operations. the Company's reasonable certainty that it will exercise the renewal options on its operating leases; our belief that our current cash and cash equivalent balances, future cash flows expected to be generated from operating activities and available borrowings under our Credit Facility will be sufficient to finance our current operations and obligations, and fund expansion of the business for the foreseeable future; the Company's ability to remain in compliance with applicable debt covenants under the Credit Facility throughout 2023; our international business expansion efforts and our intent to continue to grow the business in foreign markets in the future through reinvestment of foreign deposits and future earnings as well as acquisitions of unrelated companies, our expectations to repatriate unremitted foreign earnings from its foreign subsidiaries, and our plans to continue to be permanently reinvested with respect to its investments in our foreign subsidiaries; our belief that no changes in our internal control over financial reporting during the second quarter are reasonably likely to materially affect our internal control over financial reporting; our expectation that total unrecognized compensation cost related to restricted shares and PSUs will be recognized over a weighted average period of approximately 3.3 years; our conclusion that there are no impairments of its goodwill or other intangible assets; our belief that the factors contributing to the amount of goodwill are based on strategic and synergistic benefits that are expected to be realized; our belief that we have adequate liquid assets, funding sources and insurance accruals to accommodate potential future insurance claims; our belief that demand remains favorable to start the third quarter and that we continue to maintain a very healthy balance sheet that positions us well to continue to invest in growth programs across our business; our belief that we are positioned well to deliver strong operating results in 2023; and our belief that continued disruptions in economic markets due to high inflation, increases in interest rates, business interruptions due to natural disasters, employee shortages and supply chain issues, all pose current and future challenges which may adversely affect our future performance, and that we cannot reasonably estimate whether our current strategies will help mitigate the impact of these economic disruptors in the future.

Forward-looking statements are based on information available at the time those statements are made and are subject to risks and uncertainties that could cause actual performance or results to differ materially from those expressed in or suggested by the forward-looking statements, including, but not limited to, risks regarding: our ability to maintain our competitive position in the pest control industry in the future; our inability to identify, complete or successfully integrate acquisitions or guarantee that any acquisitions will achieve the anticipated financial benefits; our ability to expand into international markets; our ability to maintain and enhance our brands and develop a positive client reputation; labor shortages and/or our ability to attract and retain skilled workers; climate change and unfavorable weather conditions; the effects of a pandemic, including the COVID-19 pandemic; adverse economic conditions; cybersecurity incidents; noncompliance with, changes to, or increased enforcement of federal, state and local laws and regulations pertaining to environmental, public health and safety matters, including those related to the pest control industry; and our capital and ownership structure. Such risks and uncertainties are beyond our ability to control, and in many cases, we cannot predict the risks and uncertainties that could cause our actual results to differ materially from those indicated by the forward-looking statements.

The reader should consider the factors discussed above and more specifically under Item 1A., "Risk Factors," of Part I of the Company's Annual Report on Form 10 K, filed with the U.S. Securities and Exchange Commission, for the year ended December 31, 2022 (the "2022 Annual Report") that could cause the Company's actual results and financial condition to differ materially from estimated results and financial condition. The Company does not undertake to update its forward-looking statements.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

For information regarding our exposure to certain market risks, see "Quantitative and Qualitative Disclosures about Market Risk," in Part II, Item 7.A of our 2022 Form 10-K. There were no material changes to our market risk exposure during the six months ended June 30, 2023.

ITEM 4. CONTROLS AND PROCEDURES

The Disclosure Committee, with the participation of our principal executive officer and principal financial officer, conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures, as defined in rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”) as of June 30, 2023 (the “Evaluation Date”). Based on this evaluation, our principal executive officer and principal financial officer concluded that our disclosure controls and procedures were effective at the reasonable assurance level as of the Evaluation Date to ensure that the information required to be included in reports filed under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms.

During the second quarter, the Company acquired FPC Holdings, LLC (“Fox Pest Control”, or "Fox"). The Company is currently in the process of integrating Fox into its assessment of its internal control over financial reporting. In accordance with the SEC’s published guidance, management’s assessment, and conclusions on the effectiveness of our disclosure controls and procedures as of June 30, 2023, excludes an assessment of the internal control over financial reporting of Fox.

Changes in Internal Controls Over Financial Reporting

Other than as described above with respect to Fox, management’s quarterly evaluation of design and operation of our disclosure controls and procedures as of June 30, 2023 identified no changes in our internal control over financial reporting during the second quarter that materially affected or are reasonably likely to materially affect our internal control over financial reporting.

PART II OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

In the normal course of business, the Company and its subsidiaries are involved in, and will continue to be involved in, various claims, arbitrations, contractual disputes, investigations, litigation, and tax and other regulatory matters relating to, and arising out of, our businesses and our operations. These matters may involve, but are not limited to, allegations that our services or vehicles caused damage or injury, claims that our services did not achieve the desired results, claims related to acquisitions and allegations by federal, state or local authorities, including taxing authorities, of violations of regulations or statutes. In addition, we are parties to employment-related cases and claims from time to time, which may include claims on a representative or class action basis alleging wage and hour law violations. We are also involved from time to time in certain environmental and tax matters primarily arising in the normal course of business. We evaluate pending and threatened claims and establish loss contingency reserves based upon outcomes we currently believe to be probable and reasonably estimable.

The Company retains, up to specified limits, certain risks related to general liability, workers' compensation and auto liability. The estimated costs of existing and future claims under the retained loss program are accrued based upon historical trends as incidents occur, whether reported or unreported (although actual settlement of the claims may not be made until future periods) and may be subsequently revised based on developments relating to such claims. The Company contracts with an independent third party to provide the Company an estimated liability based upon historical claims information. The actuarial study is a major consideration in establishing the reserve, along with management's knowledge of changes in business practice and existing claims compared to current balances. Management's judgment is inherently subjective as a number of factors are outside management's knowledge and control. Additionally, historical information is not always an accurate indication of future events. The accruals and reserves we hold are based on estimates that involve a degree of judgment and are inherently variable and could be overestimated or insufficient. If actual claims exceed our estimates, our operating results could be materially affected, and our ability to take timely corrective actions to limit future costs may be limited.

Item 103 of SEC Regulation S-K requires disclosure of certain environmental legal proceedings if the proceeding reasonably involves potential monetary sanctions of $300,000 or more. The Company has received a notice of alleged violations and information requests from local governmental authorities in California for our Orkin and Clark Pest Control operations and is currently working with several local governments regarding compliance with environmental regulations governing the management of hazardous waste and pesticide disposal. The investigation appears to be part of a broader effort to investigate waste handling and disposal processes of a number of industries. While we are unable to predict the outcome of this investigation, we do not believe the outcome will have a material effect on our results of operations, financial condition, or cash flows.

Management does not believe that any pending claim, proceeding or litigation, regulatory action or investigation, either alone or in the aggregate, will have a material adverse effect on the Company's financial position, results of operations or liquidity; however, it is possible that an unfavorable outcome of some or all of the matters could result in a charge that might be material to the results of an individual quarter or year.

ITEM 1A. RISK FACTORS

There have been no material changes from the risk factors previously disclosed in the Company's Annual Report on Form 10-K filed with the Securities and Exchange Commission for the year ended December 31, 2022.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS.

Rollins, Inc did not purchase any equity securities reportable under Item 703 of Regulation S-K during the period from April 1, 2023 to June 30, 2023.

Period	Total number of shares purchased (1)	Weighted-average price paid per share	Total number of shares purchased as part of publicly announced repurchases (2)	Maximum number of shares that may yet be purchased under the repurchase plan (2)
April 1 to 30, 2023	6,761	$ 36.63	—	11,415,625
May 1 to 31, 2023	2,762	$ 41.29	—	11,415,625
June 1 to 30, 2023	84	$ 39.57	—	11,415,625
Total	9,607		—	11,415,625

(1) Includes shares withheld by the Company in connection with tax withholding obligations of its employees upon vesting of such employees' equity awards.

(2) The Company has a share repurchase plan, adopted in 2012, to repurchase up to 16.9 million shares of the Company's common stock. The plan has no expiration date. As of June 30, 2023, the Company had a remaining authorization to repurchase 11.4 million shares of the Company's common stock under this program.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

None.

ITEM 5. OTHER INFORMATION

Rule 10b5-1 Trading Plans

Securities Trading Plans of Directors and Executive Officers

During the three months ended June 30, 2023, the following executive officers entered into, modified or terminated, contracts, instructions or written plans for the sale of the Company's securities, each of which is intended to satisfy the affirmative defense conditions of Rule 10b5-1 of the Exchange Act, referred to as Rule 10b5-1 trading plans.

Name and Title	Date of Adoption of the Rule 10b5-1 Trading Plan	Scheduled Expiration Date of the Rule 10b5-1 Trading Plan	Total Amount of Securities to Be Sold	Transactions Pursuant to 10b5-1 Trading Plan	Early Termination of the Rule 10b5-1 Trading Plan
Jerry E. Gahlhoff, Jr. Chief Executive Officer and President	June 12, 2023	August 30, 2024	17,000	Sales to occur on or after September 11, 2023, if certain limit prices are met	If all 17,000 shares of Company common stock are sold prior to the scheduled expiration date, the trading plan will terminate on such earlier date
Kenneth D. Krause Executive Vice President, Chief Financial Officer and Treasurer	March 13, 2023	February 28, 2024	12,000	Sales occurred on June 12, 2023, once certain limit prices were met	Immediately after sales occurred, the trading plan terminated on June 12, 2023
Elizabeth B. Chandler Vice President, General Counsel and Corporate Secretary	June 13, 2023	June 14, 2024	10,000	Sales to occur on or after February 21, 2024, if certain limit prices are met	If all 10,000 shares of Company common stock are sold prior to the scheduled expiration date, the trading plan will terminate on such earlier date

In addition to the material terms noted in the table, pursuant to each of these trading plans, in accordance with Rule 10b5-1 of the Exchange Act, there is a mandatory waiting period or "cooling-off period" before the transactions contemplated by each trading plan can begin consisting of the later of (i) ninety days after the adoption date of the applicable trading plan or (ii) two business days following the disclosure of the Company's financial results in a Form 10-Q or Form 10-K for the completed fiscal quarter in which such plan was adopted. In addition, each trading plan disclosed in this Item 5 includes certain representations made by the applicable officer as to (a) the possession of material, non-public information about the Company; (b) the fact that officer is adopting the plan in good faith and will continue to act in good faith with respect to all transactions contemplated by the plan; and (c) the existence of other trading arrangements pursuant to Rule 10b5-1 currently in effect or scheduled to take effect.

ITEM 6. EXHIBITS

Exhibit No.	Exhibit Description	Incorporated By Reference			Filed Herewith
		Form	Date	Number	
3.1	Restated Certificate of Incorporation of Rollins, Inc., dated July 28, 1981	10-Q	August 1, 2005	(3)(i)(A)	
3.2	Certificate of Amendment of Certificate of Incorporation of Rollins, Inc., dated August 20, 1987	10-K	March 11, 2005	(3)(i)(B)	
3.3	Certificate of Change of Location of Registered Office and of Registered Agent, dated March 22, 1994	10-Q	August 1, 2005	(3)(i)(C)	
3.4	Certificate of Amendment of Certificate of Incorporation of Rollins, Inc., dated April 26, 2011	10-K	February 25, 2015	(3)(i)(E)	
3.5	Certificate of Amendment of Certificate of Incorporation of Rollins, Inc., dated April 28, 2015	10-Q	July 29, 2015	(3)(i)(F)	
3.6	Certificate of Amendment of Certificate of Incorporation of Rollins, Inc., dated April 23, 2019	10-Q	April 26, 2019	(3)(i)(G)	
3.7	Certificate of Amendment of Certificate of Incorporation of Rollins, Inc., dated April 27, 2021	10-Q	July 30, 2021	(3)(i)(H)	
3.8	Amended and Restated By-laws of Rollins, Inc., dated May 20, 2021	8-K	May 24, 2021	3.1	
4.1	Form of Common Stock Certificate of Rollins, Inc.	10-K	March 26, 1999	(4)	
4.2	Description of Registrant's Securities	10-K	February 28, 2020	4(b)	
31.1	Certification of Chief Executive Officer Pursuant to Item 601(b)(31) of Regulation S-K, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002				X
31.2	Certification of Chief Financial Officer Pursuant to Item 601(b)(31) of Regulation S-K, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002				X
32.1**	Certification of Chief Executive Officer and Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002				X
101.INS	Inline XBRL Instance Document				X
101.SCH	Inline XBRL Schema Document				X
101.CAL	Inline XBRL Calculation Linkbase Document				X
101.LAB	Inline XBRL Labels Linkbase Document				X
101.PRE	Inline XBRL Presentation Linkbase Document				X
101.DEF	Inline XBRL Definition Linkbase Document				X
104	Cover Page Interactive Data File (embedded with the Inline XBRL document)				X

\+ Certain portions of this document that constitute confidential information have been redacted in accordance with Regulation S-K, Item 601(b)(10)
* Indicates management contract or compensatory plans or arrangements.
** Furnished with this report

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.

ROLLINS, INC.
(Registrant)

Date: July 27, 2023	By:	/s/ Kenneth D. Krause
		Kenneth D. Krause Executive Vice President, Chief Financial Officer and Treasurer (Principal Financial Officer)
Date: July 27, 2023	By:	/s/ Traci Hornfeck
		Traci Hornfeck Chief Accounting Officer (Principal Accounting Officer)

Exhibit 31.1

I, Jerry E. Gahlhoff, Jr., certify that:

1. I have reviewed this quarterly report on Form 10-Q of Rollins, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 27, 2023

/s/ Jerry E. Gahlhoff, Jr.

Jerry E. Gahlhoff, Jr.
President and Chief Executive Officer
(Principle Executive Officer)

Exhibit 31.2

I, Kenneth D. Krause, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Rollins, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 27, 2023

/s/ Kenneth D. Krause

Kenneth D. Krause
Executive Vice President, Chief Financial Officer and Treasurer
(Principal Financial Officer)

Exhibit 32.1

CERTIFICATION OF PERIODIC FINANCIAL REPORTS PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Rollins, Inc., a Delaware corporation (the "Company"), on Form 10-Q for the period ended June 30, 2023, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), each of the undersigned certifies, pursuant to 18 U.S.C. sec. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to his knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: July 27, 2023	By:	/s/ Jerry E. Gahlhoff, Jr.
		Jerry E. Gahlhoff, Jr. President and Chief Executive Officer (Principle Executive Officer)
Date: July 27, 2023	By:	/s/ Kenneth D. Krause
		Kenneth D. Krause Executive Vice President, Chief Financial Officer and Treasurer (Principal Financial Officer)

This certification shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or incorporated by reference in any filing under the Securities Act of 1933, as amended, or the Exchange Act, except as shall be expressly set forth by specific reference in such a filing.