

FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

(Mark One)

Quarterly report pursuant to section 13 or 15(d) of the Securities Exchange Act of 1934 For the quarterly period ended June 30, 1995.

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.

<TABLE>

<S>	Incorporated in Delaware	<C>	I.R.S. Employer Identification Number 51-0068479
-----	--------------------------------	-----	--

</TABLE>

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

Telephone Number -- (404) 888-2000

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

Yes  No

At June 30, 1995, there were 35,851,508 shares of Common Stock \$1 Par Value, outstanding.

ROLLINS, INC. AND SUBSIDIARIES

INDEX

<TABLE>

<CAPTION>

Part I	Financial Information	Page No.
<S>	<C>	<C>
	Statements of Financial Position - June 30, 1995 and December 31, 1994	1
	Statements of Income and Earnings Retained - three months and six months ended June 30, 1995 and 1994	2
	Statements of Cash Flows - six months ended June 30, 1995 and 1994	3
	Notes to Financial Statements	4-5
	Management's Discussion and Analysis of Financial Condition and Results of Operations	6-9

Part II Other Information 10

</TABLE>

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

<TABLE>

<CAPTION>

	June 30, 1995	December 31, 1994
	-----	-----
<S>	<C>	<C>
ASSETS		
Cash and Short-Term Investments	\$31,824	\$31,917
Marketable Securities	68,992	51,820
Trade Receivables, Net	106,292	101,900
Materials and Supplies	18,831	16,250
Deferred Income Taxes	4,479	4,445
Other Current Assets	8,576	8,567
	-----	-----
Current Assets	238,994	214,899
Equipment and Property, Net	29,307	27,989
Intangible Assets	42,053	42,092
Other Assets	11,626	10,285
	-----	-----
Total Assets	\$321,980	\$295,265
	=====	=====
LIABILITIES		
Accounts Payable	\$16,929	\$12,002
Accrued Insurance Expenses	15,243	14,258
Accrued Payroll	15,272	12,700
Unearned Revenue	15,069	15,567
Other Expenses	13,807	12,362
	-----	-----
Current Liabilities	76,320	66,889
Deferred Income Taxes	12,072	12,205
Long-Term Accrued Liabilities	19,750	22,538
	-----	-----
Total Liabilities	108,142	101,632
	-----	-----
Commitments and Contingencies		
STOCKHOLDERS' EQUITY		
Common Stock, par value \$1 per share; authorized 99,500,000 shares; 41,431,814 shares issued	41,432	41,432
Earnings Retained	223,565	203,582
	-----	-----
264,997	264,997	245,014
Less--Common Stock In Treasury, At Cost, 5,580,306 in 1995 ; 5,605,412 shares in 1994	51,159	51,381
	-----	-----
Total Stockholders' Equity	213,838	193,633
	-----	-----
Total Liabilities and Stockholders' Equity	\$321,980	\$295,265
	=====	=====

</TABLE>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS.

1 of 11

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

<TABLE>

<CAPTION>

	Three Months Ended June 30,		Six Months Ended June 30,	
	-----	-----	-----	-----
	1995	1994	1995	1994

<S>	<C>	<C>	<C>	<C>
REVENUES				
Customer Services	\$ 175,350	\$ 171,874	\$ 318,004	\$ 308,317
COSTS AND EXPENSES				
Cost of Services Provided	86,874	83,669	160,112	153,821
Sales, General and Administrative Expenses	53,761	52,342	109,693	105,903
Depreciation and Amortization	1,895	2,033	3,734	4,014
Interest Income	(1,216)	(423)	(2,162)	(874)
	141,314	137,621	271,377	262,864
INCOME BEFORE INCOME TAXES	34,036	34,253	46,627	45,453
PROVISION (CREDIT) FOR INCOME TAXES				
Current	13,565	12,681	18,905	17,820
Deferred	(631)	506	(1,187)	(321)
	12,934	13,187	17,718	17,499
NET INCOME	21,102	21,066	28,909	27,954
EARNINGS RETAINED				
Balance at Beginning of Period	206,954	174,409	203,582	171,862
Cash Dividends	(5,019)	(4,475)	(10,037)	(8,935)
Other	528	77	1,111	196
BALANCE AT END OF PERIOD	\$ 223,565	\$ 191,077	\$ 223,565	\$ 191,077
EARNINGS PER SHARE	\$ 0.59	\$ 0.59	\$ 0.81	\$ 0.78
WEIGHTED AVERAGE				
SHARES OUTSTANDING	35,850,498	35,757,223	35,844,128	35,734,591

</TABLE>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS.

2 of 11

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

<TABLE>

<CAPTION>

<S>	Six Months Ended June 30,	
	1995	1994
<C>	<C>	<C>
OPERATING ACTIVITIES		
Net Income	\$28,909	\$27,954
Noncash Charges (Credits) to Earnings:		
Depreciation and Amortization	3,734	4,014
Deferred Income Taxes	(1,187)	(321)
Other, Net	2,275	975
(Increase) Decrease in assets:		
Trade Receivables	(4,341)	(14,103)
Materials and Supplies	(2,565)	(3,625)
Other Current Assets	(724)	(1,482)
Other Non-Current Assets	(755)	(324)
Increase (Decrease) in liabilities:		
Accounts Payable and Accrued Expenses	9,862	9,461
Unearned Revenue	(498)	608
Deferred Income Taxes	701	584
Long-Term Accrued Liabilities	(2,788)	(5,229)
Net Cash Provided by Operating Activities	32,623	18,512
INVESTING ACTIVITIES		
Purchases of Equipment and Property	(5,167)	(4,329)
Net Cash Used for Acquisition of Companies	(2,266)	(345)
Proceeds from Sales of Equipment and Property	142	714
Marketable Securities, Net	(15,998)	(565)
Net Cash Used in Investing Activities	(23,289)	(4,525)

FINANCING ACTIVITIES		
Dividends Paid	(10,037)	(8,935)
Treasury Stock Issued to Benefit Plans	610	1,100
	-----	-----
Net Cash Used in Financing Activities	(9,427)	(7,835)
	-----	-----
Net Increase (Decrease) in Cash and Short-Term Investments	(93)	6,152
Cash and Short-Term Investments at Beginning of Period	31,917	18,102
	-----	-----
Cash and Short-Term Investments at End of Period	\$ 31,824	\$ 24,254
	=====	=====

</TABLE>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS.

3 of 11

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

<TABLE>\

<S> <C>  
NOTE 1. BASIS OF PREPARATION

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

These consolidated financial statements should be read in conjunction with the financial statements and related notes contained in the Registrant's annual report on Form 10-K for the year ended December 31, 1994.

Certain prior year amounts have been reclassified to conform with the second quarter 1995 presentation.

In the opinion of management, the consolidated financial statements included herein contain all normal recurring adjustments necessary to present fairly the financial position of the Registrant as of June 30, 1995 and December 31, 1994, and the results of operations and cash flows for the six months ended June 30, 1995 and 1994.

NOTE 2. PROVISION FOR INCOME TAXES

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

NOTE 3. EARNINGS PER SHARE

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

4 of 11

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

NOTE 4. COMMITMENTS AND CONTINGENCIES

On May 26, 1993, the Attorney General of Missouri and several Missouri residents who received termite treatment from Orkin, on behalf of themselves and an alleged class, filed an action in the City of St. Louis Circuit Court. The Attorney General has alleged violations of the Missouri Merchandising Practices Act. The private plaintiffs have alleged fraud and breach of certain termite extermination contracts. The Plaintiffs' claims are based on allegations that the Company failed to apply termiticides in accordance with termiticide labels and its advertising. Plaintiffs are collectively seeking restitution for claimed losses, civil penalties, compensatory and punitive damages, and litigation expenses, including

attorneys' fees. On June 1, 1994, the Court ruled Plaintiffs' would be permitted to pursue a class action lawsuit against Orkin. The class was limited to those Missouri customers who purchased termite extermination services between January 1, 1987 and May 15, 1993, inclusively, and who have basement or crawl space foundation walls, in which an organophosphate termiticide was used.

The Company is vigorously defending this lawsuit. Except for the class certification, the judicial system has not ruled on any substantive issues in this case. Due to the preliminary nature of this action, the final outcome of the litigation cannot be determined at this time. However, it is the opinion of management that the ultimate resolution of this action will not have a material adverse effect on the Company's financial position, results of operations, or liquidity and will take an extended time to resolve.

</TABLE>

5 of 11

ROLLINS, INC. AND SUBSIDIARIES  
PART I. ITEM 2. FINANCIAL INFORMATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION  
AND RESULTS OF OPERATIONS  
FOR THE SECOND QUARTER AND SIX MONTHS ENDED JUNE 30, 1995

RESULTS OF OPERATIONS

<TABLE>

<CAPTION>

SELECTED INDUSTRY SEGMENT DATA

(In thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	1995	1994	1995	1994
	----	----	----	----
<S>	<C>	<C>	<C>	<C>
<b>REVENUES</b>				
Orkin	\$ 157,296	\$ 153,119	\$ 282,549	\$ 271,479
Rollins Protective	14,660	15,299	28,878	30,171
Other	3,394	3,456	6,577	6,667
	\$ 175,350	\$ 171,874	\$ 318,004	\$ 308,317
	=====	=====	=====	=====
<b>OPERATING INCOME</b>				
Orkin	\$ 33,905	\$ 33,389	\$ 46,969	\$44,876
Rollins Protective	1,421	1,504	2,762	2,834
Other	(109)	1,392	387	2,330
	\$ 35,217	\$ 36,285	\$ 50,118	\$ 50,040
	=====	=====	=====	=====

</TABLE>

6 of 11

ROLLINS, INC. AND SUBSIDIARIES  
PART I. ITEM 2. FINANCIAL INFORMATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION  
AND RESULTS OF OPERATIONS  
FOR THE SECOND QUARTER AND SIX MONTHS ENDED JUNE 30, 1995

GENERAL OPERATING COMMENTS

We were disappointed with the second quarter operating results, nonetheless, we continue to see positive signs from investments made to achieve the Company's long-term growth. Our benchmarking surveys of the pest control industry imply that this year's cold and wet spring weather had an unfavorable impact on the seasonal termite demand. Revenues for the second quarter ended June 30, 1995 increased 2.0% or \$3.5 million, to \$175.4 million from the prior year period (\$9.7 million or 3.1% year-to-date). Operating income decreased \$1.1 million or 2.9% to \$35.2 million for the quarter, yet increased slightly year-to-date (0.2% to \$50.1 million). Net income for the quarter was relatively flat (0.2%

increase) to \$21.1 million and earnings per share was unchanged at 59 cents. However, year-to-date net income increased 3.4% to \$28.9 million and earnings per share was 81 cents, a 3.8% increase from a year ago.

For the quarter, the Orkin Group's operating income increased 1.5% to \$33.9 million on revenues of \$157.3 million which grew 2.7% over 1994. These results resulted in a slight deterioration in operating margins of 21.6%, compared to 21.8% in the prior year. Rollins Protective Services' operating income decreased 5.5% to \$1.4 million on revenues of \$14.7 million.

For the six months ended June 30, 1995, the Orkin Group revenues increased 4.1% with operating income improving 4.7%. Operating margins grew slightly to 16.6% compared to 16.5% for the same period last year. Rollins Protective Services revenue declined 4.3%, along with operating income 2.5% lower, while operating margins improved from 9.4% to 9.6%. Detail segment information follows.

#### ORKIN 1995 VERSUS 1994

Revenues increased 2.7% to \$157.3 million and operating income increased 1.5% to \$33.9 million for the second quarter ended June 30, 1995. For the six months ended June 30, 1995, Orkin had revenues of \$282.5 million and operating income of \$47.0 million (increases of 4.1% and 4.7%, respectively, from the prior year). Pest Control services increased their sales dollars and customer base for the quarter and year-to-date. Although termite demand was lower than expectations, Orkin is encouraged by the positive results in recurring pest control sales. Residential leads and sales were up solidly over last year. Prospective Orkin marketing and customer service programs will focus more on building this segment by shifting emphasis away from the less predictable termite business. The comparisons in operating results were also affected by the December 1994 sale of the 11 Northern Lawn Care locations.

7 of 11

#### ROLLINS PROTECTIVE SERVICES 1995 VERSUS 1994

For the second quarter, Rollins Protective Services (RPS) had revenues of \$14.7 million, a decrease of 4.2%, and operating income decreased 5.5% to \$1.4 million. For the first six months, RPS had revenues of \$28.9 million and operating income of \$2.8 million, representing decreases of 4.3% and 2.5%, respectively, compared to the prior year. In the first quarter of 1995, RPS sales focus shifted to new product introductions, including the VIP 2000 marketed for the middle income homeowner and "Safe Start", a new homebuilder product. RPS experienced difficulty integrating these product offerings into the marketplace, resulting in slower than expected market acceptance. RPS will continue to focus marketing efforts on these new products as well as continuing successful programs tested in 1994 targeted at customer retention and National Accounts. Also, RPS completed two acquisitions during the second quarter and one additional shortly after quarter-end. These acquisitions provide Rollins Protective Services the ability to expand its services in the three existing markets, while providing their customers continued access to quality service.

#### OTHER 1995 VERSUS 1994

Other businesses revenue and operating income decreased 1.8% and 107.8%, respectively for the quarter and 1.3% and 83.4%, respectively year-to-date, due to revisions of the Company's credit and internal operating policies within the credit service center during the fourth quarter of 1994. The volume of Company financed sales is lower than last year, as the revised policies redirected marketing efforts toward stronger customer demographics inconjunction with the lower than anticipated termite demand. Also, Corporate management is continuing to monitor the implementation and effectiveness of these policy changes.

#### FINANCIAL CONDITION

<TABLE>

<CAPTION>

(In thousands)	June 30, 1995 ----	December 31, 1994 ----
<S>	<C>	<C>
Cash and Short-Term Investments	\$ 31,824	\$ 31,917
Marketable Securities	68,992	51,820
Working Capital	\$162,674	\$148,010
Current Ratio	3.1	3.2

Cash Provided By Operations

At June 30, 1995 the current ratio was 3.1 and working capital was \$162.7 million (an increase of \$14.7 million or 9.9% compared to December 31, 1994). The Company has been debt-free since 1987. Management believes that this liquidity, along with expected cash from operations, will support the company's continued growth, capital expenditures, cash dividends, and expansion plans.

Net trade receivables increased \$4.4 million or 4.3% at June 30, 1995 compared with December 31, 1994. Trade receivables include installment receivables which are due subsequent to one year from the balance sheet date. These amounts were approximately \$35.4 million and \$33.8 million at June 30, 1995 and December 31, 1994, respectively. The increase in receivables is offset in part to the effect of a revision to the Company's credit and internal operating policies within the credit service center as discussed on page 8 under the caption "Other 1995 versus 1994".

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

ITEM 1. LEGAL PROCEEDINGS

Refer to Note Number 4 to the Financial Statements, "Commitments and Contingencies" and Part I, Item 3. Legal Proceedings, of the Registrant's Form 10-K filed for the year ended December 31, 1994.

ITEM 2. CHANGES IN SECURITIES

None

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None

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

The Annual Stockholder's Meeting was held on April 25, 1995. The results of that meeting were disclosed in the Company's Form 10-Q for the first quarter of 1995.

ITEM 5. OTHER INFORMATION

None

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

- (a) Exhibits  
Exhibit 27 -- Financial Data Schedule
- (b) Reports on Form 8-K  
None

SIGNATURES

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

Date: AUGUST 11, 1995

ROLLINS, INC.  
(Registrant)

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

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



<TABLE> <S> <C>

<ARTICLE> 5  
<MULTIPLIER> 1,000

<S>	<C>
<PERIOD-TYPE>	6-MOS
<FISCAL-YEAR-END>	DEC-31-1995
<PERIOD-START>	JAN-01-1995
<PERIOD-END>	JUN-30-1995
<CASH>	31,824
<SECURITIES>	68,992
<RECEIVABLES>	113,085
<ALLOWANCES>	6,793
<INVENTORY>	18,831
<CURRENT-ASSETS>	238,994
<PP&E>	85,519
<DEPRECIATION>	56,212
<TOTAL-ASSETS>	321,980
<CURRENT-LIABILITIES>	76,320
<BONDS>	0
<COMMON>	41,432
<PREFERRED-MANDATORY>	0
<PREFERRED>	0
<OTHER-SE>	172,406
<TOTAL-LIABILITY-AND-EQUITY>	321,980
<SALES>	0
<TOTAL-REVENUES>	318,004
<CGS>	0
<TOTAL-COSTS>	160,112
<OTHER-EXPENSES>	111,265
<LOSS-PROVISION>	0
<INTEREST-EXPENSE>	0
<INCOME-PRETAX>	46,627
<INCOME-TAX>	17,718
<INCOME-CONTINUING>	28,909
<DISCONTINUED>	0
<EXTRAORDINARY>	0
<CHANGES>	0
<NET-INCOME>	28,909
<EPS-PRIMARY>	.81
<EPS-DILUTED>	.81

</TABLE>