

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 September 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.

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

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

Telephone Number -- (404) 888-2000

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

Yes  No

At September 30, 1995, there were 35,853,178 shares of Common Stock \$1 Par Value, outstanding.

ROLLINS, INC. AND SUBSIDIARIES

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

<TABLE>  
<CAPTION>

	September 30, 1995	December 31, 1994
	-----	-----
<S>	<C>	<C>
<b>ASSETS</b>		
Cash and Short-Term Investments	\$ 27,505	\$ 31,917
Marketable Securities	68,028	51,820
Trade Receivables, Net	92,369	101,900
Materials and Supplies	16,425	16,250
Deferred Income Taxes	5,473	4,445
Other Current Assets	11,404	8,567
	-----	-----
Current Assets	221,204	214,899
Equipment and Property, Net	29,551	27,989
Intangible Assets	42,033	42,092
Other Assets	11,034	10,285
	-----	-----
Total Assets	\$303,822	\$295,265
	=====	=====
<b>LIABILITIES</b>		
Accounts Payable	\$ 12,414	\$ 12,002
Accrued Insurance Expenses	13,871	14,258
Accrued Payroll	13,587	12,700
Unearned Revenue	14,189	15,567
Other Expenses	12,216	12,362
	-----	-----
Current Liabilities	66,277	66,889
Deferred Income Taxes	7,987	12,205
Long-Term Accrued Liabilities	17,225	22,538
	-----	-----
Total Liabilities	91,489	101,632
	-----	-----
Commitments and Contingencies		
<b>STOCKHOLDERS' EQUITY</b>		
Common Stock, par value \$1 per share; authorized 99,500,000 shares; 41,431,814 shares issued	41,432	41,432
Earnings Retained	222,062	203,582
	-----	-----
	263,494	245,014
Less - Common Stock In Treasury, At Cost, 5,578,636 in 1995 ; 5,605,412 shares in 1994	51,161	51,381
	-----	-----
Total Stockholders' Equity	212,333	193,633
	-----	-----
Total Liabilities and Stockholders' Equity	\$303,822	\$295,265
	=====	=====

</TABLE>

The accompanying notes are an integral part of these statements.

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

<TABLE>  
<CAPTION>

	Three Months Ended September 30,		Nine Months Ended September 30,	
	-----	-----	-----	-----
<S>	1995	1994	1995	1994
	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>

REVENUES				
Customer Services	\$ 162,333	\$ 158,002	\$ 480,337	\$ 466,319
	-----	-----	-----	-----
COSTS AND EXPENSES				
Cost of Services Provided	88,167	82,315	248,279	236,136
Depreciation and Amortization	2,047	1,934	5,781	5,948
Special Charge	12,000	--	12,000	--
Sales, General and Administrative Expenses	55,972	53,450	165,665	159,353
Interest Income	(1,424)	(853)	(3,586)	(1,727)
	-----	-----	-----	-----
	156,762	136,846	428,139	399,710
	-----	-----	-----	-----
INCOME BEFORE INCOME TAXES	5,571	21,156	52,198	66,609
PROVISION (CREDIT) FOR INCOME TAXES				
Current	4,683	8,688	23,588	26,508
Deferred	(2,566)	(543)	(3,753)	(864)
	-----	-----	-----	-----
	2,117	8,145	19,835	25,644
	-----	-----	-----	-----
NET INCOME	3,454	13,011	32,363	40,965
	-----	-----	-----	-----
EARNINGS RETAINED				
Balance at Beginning of Period	223,565	191,077	203,582	171,862
Cash Dividends	(5,019)	(4,474)	(15,056)	(13,409)
Other	62	(113)	1,173	83
	-----	-----	-----	-----
BALANCE AT END OF PERIOD	\$ 222,062	\$ 199,501	\$ 222,062	\$ 199,501
	=====	=====	=====	=====
EARNINGS PER SHARE	\$ 0.09	\$ 0.36	\$ 0.90	\$ 1.14
	=====	=====	=====	=====
WEIGHTED AVERAGE				
SHARES OUTSTANDING	35,852,695	35,791,806	35,847,015	35,753,872
	=====	=====	=====	=====

</TABLE>

The accompanying notes are an integral part of these statements.

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

<TABLE>  
<CAPTION>

	Nine Months Ended September 30,	
	1995	1994
	-----	-----
<S>	<C>	<C>
OPERATING ACTIVITIES		
Net Income	\$32,363	\$40,965
Noncash Charges (Credits) to Earnings:		
Special Charge	12,000	--
Depreciation and Amortization	5,781	5,948
Deferred Income Taxes	(3,753)	(864)
Other, Net	4,124	1,828
(Increase) Decrease in assets:		
Trade Receivables	(2,418)	(16,990)
Materials and Supplies	(103)	(965)
Other Current Assets	(561)	27
Other Non-Current Assets	(1,242)	(514)
Increase (Decrease) in liabilities:		
Accounts Payable and Accrued Expenses	678	6,907
Unearned Revenue	(1,546)	1,607
Deferred Income Taxes	(5,060)	(2,663)
Long-Term Accrued Liabilities	(5,313)	(6,311)
	-----	-----
Net Cash Provided by Operating Activities	34,950	28,975
	-----	-----
INVESTING ACTIVITIES		
Purchases of Equipment and Property	(7,435)	(5,934)
Net Cash Used for Acquisition of Companies	(2,653)	(527)
Proceeds from Sales of Equipment and Property	148	744
Marketable Securities, Net	(15,033)	(928)
	-----	-----
Net Cash Used in Investing Activities	(24,973)	(6,645)

FINANCING ACTIVITIES	-----	-----
Dividends Paid	(15,056)	(13,409)
Treasury Stock Issued to Benefit Plans	667	1,351
	-----	-----
Net Cash Used in Financing Activities	(14,389)	(12,058)
	-----	-----
Net Increase (Decrease) in Cash and Short-Term Investments	(4,412)	10,272
Cash and Short-Term Investments at Beginning of Period	31,917	18,102
	-----	-----
Cash and Short-Term Investments at End of Period	\$27,505	\$28,374
	=====	=====

</TABLE>

The accompanying notes are an integral part of these statements.

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

NOTE 1. BASIS OF PREPARATION

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

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

Certain prior year amounts have been reclassified to conform with the third 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 September 30, 1995 and December 31, 1994, and the results of operations and cash flows for the nine months ended September 30, 1995 and 1994.

NOTE 2. SPECIAL CHARGE

A special charge of \$12,000,000 (\$7,440,000 after tax benefit or \$0.21 per share) was recorded in the third quarter 1995. The charge was primarily for the write-off of doubtful accounts receivable.

NOTE 3. PROVISION FOR INCOME TAXES

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

NOTE 4. EARNINGS PER SHARE

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

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

NOTE 5. 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.

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

RESULTS OF OPERATIONS

<TABLE>  
 <CAPTION>

SELECTED INDUSTRY SEGMENT DATA

	Three Months Ended September 30,		Nine Months Ended September 30,	
	<C> 1995 ----	<C> 1994 ----	<C> 1995 ----	<C> 1994 ----
(In thousands)				
<S>				
REVENUES				
Orkin	\$143,302	\$138,818	\$425,851	\$410,297
Rollins Protective	15,595	15,547	44,473	45,718
Other	3,436	3,637	10,013	10,304
	-----	-----	-----	-----
	\$162,333	\$158,002	\$480,337	\$466,319
	=====	=====	=====	=====
OPERATING INCOME				
Orkin	\$ 17,201	\$ 19,342	\$ 64,170	\$ 64,218
Rollins Protective	1,355	1,833	4,117	4,667
Other	(11,714)	1,731	(11,327)	4,061
	-----	-----	-----	-----
	\$ 6,842	\$ 22,906	\$ 56,960	\$ 72,946
	=====	=====	=====	=====

</TABLE>

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

GENERAL OPERATING COMMENTS

The third quarter operating results were a reflection of the Company's decision to support major business investments in all areas of operations to achieve its tradition of strategic planning and investing for long-term benefits. Competition and current business conditions support the Company's decision to make major investments in marketing, customer service, and division operations, in order to increase market share and profits. In addition, third quarter earnings were negatively impacted by a one-time special charge of \$12.0 million (\$7.4 million after-tax or \$0.21 per share) associated with the restructuring and realignment of the consumer finance area, Rollins Acceptance Company (RAC). Exclusive of the special charge, earnings per share would have been 30 cents compared to 36 cents for the same quarter last year and \$1.11 per share versus \$1.14 through the same nine month period last year.

Revenues for the third quarter ended September 30, 1995 increased 2.7% or \$4.3 million, to \$162.3 million from the prior year period (\$14.0 million or 3.0% year-to-date). Operating income decreased \$16.1 million to \$6.8 million for the quarter, and decreased \$16.0 million to \$57.0 million year-to-date, primarily due to the special charge. Net income for the quarter decreased 73.5% to \$3.5 million and earnings per share were 9 cents. Year-to-date net income was \$32.4 million compared to \$41.0 million; while earnings per share were 90 cents, a 21.1% decrease from a year ago.

For the quarter, the Orkin Group's operating income decreased 11.1% to \$17.2 million on revenues of \$143.3 million which grew 3.2% over 1994. Operating margins were 12.0%, compared to 13.9% in the prior year. Rollins Protective Services' operating income decreased 26.1% to \$1.4 million on revenues of \$15.6 million.

For the nine months ended September 30, 1995, the Orkin Group revenues increased 3.8% to \$425.9 million, with operating income remaining relatively unchanged at \$64.2 million. Operating margins deteriorated to 15.1% compared to 15.7% for the same period last year. Rollins Protective Services (RPS) revenue declined 2.7%, along with operating income 11.8% lower, while operating margins were 9.3% compared to 10.2% a year ago. Detail segment information follows.

ORKIN 1995 VERSUS 1994

Pest Control services increased their sales dollars and customer base for the quarter and year-to-date. Termite demand was lower than expectations due to the lagging effect of the termite season. However, Orkin continues to be encouraged by the positive results in recurring pest

control sales. Residential leads and sales were up solidly over last year. Orkin's strategic investments in the pest control business segment include increases in sales and service personnel, value marketing programs and continued development of the customer service/telecenter operation. These expenditures will continue into next year, but should be instrumental in making the Company stronger. The comparisons in operating results were also affected by the December 1994 sale of the 11 Northern Lawn Care locations.

ROLLINS PROTECTIVE SERVICES 1995 VERSUS 1994

RPS continues its investments in strategic programs that include customer service and product development. In addition, the consolidation and reengineering of the customer service/alarm

monitoring center was completed during the third quarter. RPS continued to experience some difficulty in achieving an appropriate product sales mix; however, the recurring revenue customer base continues to grow through customer service programs and acquisitions. RPS completed three acquisitions during the quarter which allowed for the expansion of its services in the three existing markets, while providing their customers continued access to quality service.

OTHER 1995 VERSUS 1994

Other businesses revenue decreased 5.5% and 2.8% for the quarter and year-to-date, respectively, due to revisions of the Company's credit and internal operating policies within the consumer finance area (RAC). The volume of Company financed sales is slightly lower than last year, as the revised policies redirected marketing efforts toward stronger customer demographics in conjunction with the lower than anticipated termite demand. A special charge of \$12.0 million (\$7.4 million after tax benefit or \$0.21 per share) was recorded in the third quarter 1995. The charge was primarily for the write-off of doubtful accounts receivable. To more effectively manage the financed receivables portfolio, the Company expanded RAC's physical facility, acquired new computers and phone dialing equipment, and increased the staffing of collectors.

FINANCIAL CONDITION

<TABLE>

<CAPTION>

(In thousands)	September 30, 1995 ----	December 31, 1994 ----
<S>	<C>	<C>
Cash and Short-Term Investments	\$ 27,505	\$ 31,917
Marketable Securities	68,028	51,820
Working Capital	\$154,927	\$148,010
Current Ratio	3.3	3.2
Cash Provided By Operations (Twelve Months Ended)	\$ 45,315	\$ 39,340

</TABLE>

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 decreased \$9.5 million or 9.4% at September 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 \$30.5 million and \$33.8 million at September 30, 1995 and December 31, 1994, respectively. The decrease in receivables is primarily the result of the amounts written off as doubtful accounts through the special charge and the effect of the revisions to the Company's credit and internal operating policies within the consumer finance area, as discussed on page 8 under the caption "Other 1995 versus 1994".

The deferred income tax liability decreased 34.6% from December 31, 1994, due to the reduction of certain book/tax timing differences and payment of an income tax assessment associated with the completion of an IRS audit spanning five years' tax filings.

Long-term accrued liabilities decreased 23.6% from December 31, 1994, primarily due to the timing of payments for claims settlements of various general liability, workers' compensation, and vehicle liability incidents within the Company's self-insurance program.

PART II. OTHER INFORMATION  
ROLLINS, INC. AND SUBSIDIARIES

ITEM 1. LEGAL PROCEEDINGS

Refer to Note Number 5 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

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SIGNATURES

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

Date: NOVEMBER 8, 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)

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<TABLE> <S> <C>

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<LEGEND>

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AND STATEMENTS OF INCOME AND EARNINGS RETAINED AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

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