

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, 1994.

Transition report pursuant to section 13 or 15(d) of the Securities Exchange Act of 1934

For the transition period from _____ to _____
Commission file number 1-4422

ROLLINS, INC.

Incorporated
in
Delaware

I.R.S. Employer
Identification Number
51-0068479

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

Telephone Number -- (404) 888-2000

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

Yes No

At June 30, 1994, there were 35,771,758 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>

	June 30, 1994		December 31, 1993
	<C>		<C>
<S>			
ASSETS			
Cash and Short-Term Investments	\$ 24,254	\$	18,102
Marketable Securities	51,556		50,991
Trade Receivables, Net	101,693		87,518
Materials and Supplies	19,454		15,829
Other Current Assets	13,090		12,092
Current Assets	210,047		184,532
Equipment and Property, Net	28,684		28,890
Intangible Assets	42,131		42,171
Other Assets	10,982		11,601
Total Assets	\$ 291,844	\$	267,194
LIABILITIES			
Accounts Payable	\$ 15,264	\$	12,279
Accrued Insurance Expenses	16,657		13,600
Accrued Payroll	16,239		15,519
Unearned Revenue	13,462		12,854
Other Expenses	15,243		12,752
Current Liabilities	76,865		67,004
Deferred Income Taxes	12,762		12,983
Long-Term Accrued Liabilities	21,590		26,699
Total Liabilities	111,217		106,686
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	191,077		171,862
	232,509		213,294
Less--Common Stock In Treasury, At Cost, 5,660,056 in 1994 ; 5,758,619 shares in 1993	51,882		52,786
Total Stockholders' Equity	180,627		160,508
Total Liabilities and Stockholders' Equity	\$ 291,844	\$	267,194

</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 June 30,		Six Months Ended June 30,	
	1994	1993	1994	1993
	<C>	<C>	<C>	<C>
<S>				
REVENUES				
Customer Services	\$ 171,874	\$ 163,248	\$ 308,317	\$ 290,543
COSTS AND EXPENSES				
Cost of Services Provided	83,669	80,876	153,821	146,525
Sales, General and Administrative Expenses	52,342	49,866	105,903	100,620
Depreciation and Amortization	2,033	2,057	4,014	3,851
Interest Income	(423)	(560)	(874)	(1,002)
	137,621	132,239	262,864	249,994
INCOME BEFORE INCOME TAXES	34,253	31,009	45,453	40,549

PROVISION (CREDIT) FOR INCOME TAXES:				
Current	12,681	12,026	17,820	16,065
Deferred	506	(88)	(321)	(454)
	13,187	11,938	17,499	15,611
NET INCOME	21,066	19,071	27,954	24,938
EARNINGS RETAINED:				
Balance at Beginning of Period	174,409	144,244	171,862	141,999
Cash Dividends	(4,475)	(3,919)	(8,935)	(7,836)
Employee Benefit Plans	77	264	196	559
BALANCE AT END OF PERIOD	\$ 191,077	\$ 159,660	\$ 191,077	\$ 159,660
EARNINGS PER SHARE	\$ 0.59	\$ 0.54	\$ 0.78	\$ 0.70
WEIGHTED AVERAGE				
SHARES OUTSTANDING	35,757,223	35,629,110	35,734,591	35,618,674

</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)

	Six Months Ended	
	June 30	
	1994	1993
OPERATING ACTIVITIES		
Net Income	\$ 27,954	\$ 24,938
Noncash Charges (Credits) to Earnings:		
Depreciation and Amortization	4,014	3,851
Other, Net	654	1,147
(Increase) Decrease in:		
Trade Receivables	(14,103)	(15,474)
Materials and Supplies	(3,625)	(2,073)
Other Current Assets	(1,482)	1,240
Increase (Decrease) in:		
Accounts Payable and Accrued Expenses	9,461	7,321
Unearned Revenue	608	1,333
Non-Current Deferred Income Taxes	584	(3,226)
Long-Term Accrued Liabilities	(5,229)	588
Other Non-Current Assets	(324)	(270)
Net Cash Provided by Operating Activities	18,512	19,375
INVESTING ACTIVITIES		
Purchases of Equipment and Property	(4,329)	(4,511)
Net Cash Used for Acquisition of Companies	(345)	---
Proceeds from Sales of Equipment and Property	714	205
Purchases of Marketable Securities	(565)	(612)
Net Cash Used in Investing Activities	(4,525)	(4,918)
FINANCING ACTIVITIES		
Dividends Paid	(8,935)	(7,836)
Treasury Stock Issued to Benefit Plans	1,100	959
Net Cash Used in Financing Activities	(7,835)	(6,877)
Net Increase (Decrease) in Cash		
and Short-Term Investments	6,152	7,580
Cash and Short-Term Investments		
at Beginning of Period	18,102	20,061
Cash and Short-Term Investments		
at End of Period	\$ 24,254	\$ 27,641

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, 1993.

Certain prior year amounts have been reclassified to conform with the second quarter 1994 presentation.

In the opinion of management, the consolidated financial statements included herein contain all normal recurring adjustments necessary to present fairly the financial position of the Registrant as of June 30, 1994 and December 31, 1993, and the results of operations and cash flows for the six months ended June 30, 1994 and 1993.

NOTE 2. INVESTMENT IN MARKETABLE SECURITIES

During the first quarter of 1994, the Company adopted Statement of Financial Accounting Standards ("SFAS") No. 115, "Accounting for Certain Investments in Debt and Equity Securities." The adoption of SFAS No. 115 did not have a material effect on the Company's financial position, results of operations, or liquidity for the six months ended June 30, 1994.

NOTE 3. PROVISION FOR INCOME TAXES

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

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

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
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, 1994

RESULTS OF OPERATIONS
<TABLE>
<CAPTION>

SELECTED INDUSTRY SEGMENT DATA

Three Months Ended

Six Months

Ended

June 30

June 30

(In thousands)

	1994	1993	1994
1993			
<S>	<C>	<C>	<C>
<C>			
REVENUES			
Orkin	\$ 153,119	\$ 146,519	\$ 271,479
\$ 257,212			
Rollins Protective	15,299	13,954	30,171
27,930			
Other	3,456	2,775	6,667
5,401			
	\$ 171,874	\$ 163,248	\$ 308,317
\$ 290,543			
OPERATING INCOME			
Orkin	\$ 33,389	\$ 30,305	\$ 44,876
\$ 40,252			
Rollins Protective	1,504	1,311	2,834
2,479			
Other	1,392	1,092	2,330
1,849			
	\$ 36,285	\$ 32,708	\$ 50,040
\$ 44,580			

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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 SECOND QUARTER AND SIX MONTHS ENDED JUNE 30, 1994

General Operating Comments

Rollins, Inc. reported another quarter of record earnings. These results dramatically illustrate Rollins' growing penetration in its markets. Revenue for the second quarter ended June 30, 1994 reached \$171.9 million, an increase of \$8.6 million or 5.3% from the prior year period (\$17.8 million or 6.1% year-to-date). Operating income increased \$3.6 million or 10.9% to \$36.3 million for the quarter (\$5.5 million or 12.2% year-to-date). Although seasonal termite business was negatively impacted by an extremely cold winter and spring, the Company produced consistent earnings results. This marks the 17th consecutive quarter of double-digit earnings increases.

The Company as a whole is working hard to improve employee productivity and increase customer growth, while maintaining tight control of expenses. The investments in customer service and recurring revenue growth during the first half of the year should result in overall favorable earnings for the year.

Net income for the quarter grew 10.5% to \$21.1 million and earnings per share was 59 cents, compared to 54 cents a year ago, a 9.3% improvement. Year-to-date, net income increased 12.1% to \$28.0 million and earnings per share was 78 cents, an increase of 11.4% from the previous year.

For the quarter, the Orkin Group's operating income increased 10.2% to \$33.4 million on revenues of \$153.1 million which grew 4.5% over 1993. These results provided improved operating margins of 21.8%, compared to 20.7% in the prior year. Rollins Protective Services operating income increased 14.7% to \$1.5 million on revenues of \$15.3 million.

For the six months ended June 30, 1994, Orkin revenues increased 5.5% with operating income improving 11.5%. Operating margins grew to 16.5% compared to 15.6% for the same period last year. Rollins Protective Services' revenue grew 8.0%; operating income improved 14.3% over last year, with operating margins increasing to 9.4%. Detail segment information follows.

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, 1994

Orkin 1994 Versus 1993

Revenues increased 4.5% to \$153.1 million and operating income increased 10.2% to \$33.4 million for the second quarter ended June 30, 1994. For the six months ended June 30, 1994, Orkin had revenues of \$271.5 million and operating income of \$44.9 million (increases of 5.5% and 11.5%, respectively, from the prior year). Pest Control increased sales dollars and customer base for the quarter and year-to-date. The Company maintained its commitment to expanding its existing operations by entering new geographic markets with the opening of new branches. Lawn Care has continued to improve its operating income results with more efficient execution of operational programs. Orkin Landscaping will continue its program of location standardization and employee training, while gaining a tighter control of expenses and resulting margins.

Rollins Protective Services (RPS) 1994 Versus 1993

For the second quarter, Rollins Protective Services had revenues of \$15.3 million, an increase of 9.6%, and operating income improving 14.7% to \$1.5 million. For the first six months, RPS had revenues of \$30.2 million, an increase of 8.0%, and operating income of \$2.8 million, an increase of 14.3%. In the second quarter, RPS rolled out the national introduction of its Vision 2000, a home surveillance system. Vision 2000 allows customers to keep watch over their children or see who's at the door—all from their cable connected television sets.

FINANCIAL CONDITION

(In thousands)	June 30, 1994	December 31, 1993
Cash and Short-Term Investments	\$ 24,254	\$ 18,102
Marketable Securities	51,556	50,991
Working Capital	\$ 133,182	\$ 117,528
Current Ratio	2.7	2.8
Cash Provided From Operations (Twelve Months Ended)	\$ 39,171	\$ 40,034

ROLLINS, INC. AND SUBSIDIARIES
PART I. ITEM 2. FINANCIAL INFORMATION
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION
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At June 30, 1994 cash and short-term investments were \$24.3 million, an increase of \$6.2 million from December 31, 1993. The investment in marketable securities at June 30, 1994, was \$51.6 million.

At June 30, 1994 the current ratio was 2.7 and working capital was \$133.2 million (an increase of \$15.7 million or 13.3% compared to December 31, 1993). The Company has been debt-free since 1987. Management believes that this liquidity, along with expected cash from operations, will support the company's continued growth, capital expenditures, cash dividends, and expansion plans.

Trade receivables, net increased \$14.2 million or 16.2% at June 30, 1994 compared with December 31, 1993. Trade receivables include installment receivables which are due subsequent to one year from the balance sheet date. These amounts were approximately \$33.4 million and \$28.7 million at the end of the June 30, 1994 and December 31, 1993, respectively. (Delinquency statistics, as a percentage of total receivables, have improved over the prior year). The increase in receivables is attributed to the continuing effect of a Orkin termite and Rollins Protective Services marketing programs, the increased average length and amount of an Orkin contract, and the overall increase in Company revenues of 5.3% for the quarter and 6.1% year-to-

date.

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

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

ITEM 1. LEGAL PROCEEDINGS

None

ITEM 2. CHANGES IN SECURITIES

None

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None

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

The Annual Stockholder's Meeting was held on April 26, 1994. Results of that meeting were disclosed in the Company's Form 10-Q filed for the first quarter of 1994.

ITEM 5. OTHER INFORMATION

None

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

None

(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: August 11, 1994

Rollins, Inc.
(Registrant)

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

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