

FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

(Mark One)

Quarterly report pursuant to section 13 or 15(d) of the Securities Exchange Act of 1934  
For the quarterly period ended March 31, 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

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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

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

Yes  No

At March 31, 1995, there were 35,847,475 shares of Common Stock \$1 Par Value, outstanding.

ROLLINS, INC. AND SUBSIDIARIES

INDEX

Part I	Financial Information	Page No. -----
	Statements of Financial Position - March 31, 1995 and December 31, 1994	1
	Statements of Income and Earnings Retained - three months ended March 31, 1995 and 1994	2
	Statements of Cash Flows - three months ended March 31, 1995 and 1994	3
	Notes to Financial Statements	4
	Management's Discussion and Analysis of Financial Condition and Results of Operations	6-8
Part II	Other Information	9

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

<TABLE>  
<CAPTION>

	March 31, 1995	December 31, 1994
	-----	-----
<S>	<C>	<C>
<b>ASSETS</b>		
Cash and Short-Term Investments	\$ 48,054	\$ 31,917
Marketable Securities	52,943	51,820
Trade Receivables, Net	100,578	101,900
Materials and Supplies	17,733	16,250
Deferred Income Taxes	4,575	4,445
Other Current Assets	8,911	8,567
	-----	-----
Current Assets	232,794	214,899
Equipment and Property, Net	28,609	27,989
Intangible Assets	42,072	42,092
Other Assets	10,278	10,285
	-----	-----
Total Assets	\$ 313,753	\$ 295,265
	=====	=====
<b>LIABILITIES</b>		
Accounts Payable	\$ 16,666	\$ 12,002
Accrued Insurance Expenses	16,183	14,258
Accrued Payroll	12,844	12,700
Unearned Revenue	16,102	15,567
Other Expenses	16,607	12,362
	-----	-----
Current Liabilities	78,402	66,889
Deferred Income Taxes	12,289	12,205
Long-Term Accrued Liabilities	25,864	22,538
	-----	-----
Total Liabilities	116,555	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	206,954	203,582
	-----	-----
	248,386	245,014
Less--Common Stock In Treasury, At Cost, 5,584,339 in 1995; 5,605,412 shares in 1994	51,188	51,381
	-----	-----
Total Stockholders' Equity	197,198	193,633
	-----	-----
Total Liabilities and Stockholders' Equity	\$ 313,753	\$ 295,265
	=====	=====

</TABLE>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS.

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

<TABLE>  
 <CAPTION>

	Three Months Ended March 31,	
	1995	1994
<S>	<C>	<C>
REVENUES		
Customer Services	\$ 142,654	\$ 136,443
COSTS AND EXPENSES		
Cost of Services Provided	73,238	70,152
Sales, General and Administrative Expenses	55,932	53,561
Depreciation and Amortization	1,839	1,981
Interest Income	(946)	(451)
	130,063	125,243
INCOME BEFORE INCOME TAXES	12,591	11,200
PROVISION (CREDIT) FOR INCOME TAXES		
Current	5,340	5,139
Deferred	(556)	(827)
	4,784	4,312
NET INCOME	7,807	6,888
EARNINGS RETAINED		
Balance at Beginning of Period	203,582	171,862
Cash Dividends	(5,018)	(4,460)
Other	583	119
BALANCE AT END OF PERIOD	\$ 206,954	\$ 174,409
EARNINGS PER SHARE	\$ 0.22	\$ 0.19
WEIGHTED AVERAGE SHARES OUTSTANDING	35,837,688	35,678,930

</TABLE>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS.

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

<TABLE>  
 <CAPTION>

	Three Months Ended March 31,	
	1995	1994
<S>	<C>	<C>
OPERATING ACTIVITIES		
Net Income	\$ 7,807	\$ 6,888

Noncash Charges (Credits) to Earnings:		
Depreciation and Amortization	1,839	1,981
Deferred Income Taxes	(556)	(827)
Other, Net	1,341	709
(Increase) Decrease in:		
Trade Receivables	1,308	(1,033)
Materials and Supplies	(1,483)	(2,336)
Other Current Assets	(152)	(820)
Increase (Decrease) in:		
Accounts Payable and Accrued Expenses	10,777	8,678
Unearned Revenue	535	1,327
Non-Current Deferred Income Taxes	(200)	292
Long-Term Accrued Liabilities	3,326	(175)
Other Non-Current Assets	(207)	(112)
	-----	-----
Net Cash Provided by Operating Activities	24,335	14,572
	-----	-----
INVESTING ACTIVITIES		
Purchases of Equipment and Property	(2,855)	(2,234)
Net Cash Used for Acquisition of Companies	(324)	(27)
Proceeds from Sales of Equipment and Property	119	--
Marketable Securities, Net	(541)	(426)
	-----	-----
Net Cash Used in Investing Activities	(3,601)	(2,687)
	-----	-----
FINANCING ACTIVITIES		
Dividends Paid	(5,018)	(4,460)
Treasury Stock Issued to Benefit Plans	421	290
	-----	-----
Net Cash Used in Financing Activities	(4,597)	(4,170)
	-----	-----
Net Increase (Decrease) in Cash and Short-Term Investments	16,137	7,715
Cash and Short-Term Investments at Beginning of Period	31,917	18,102
	-----	-----
Cash and Short-Term Investments at End of Period	\$ 48,054	\$ 25,817
	=====	=====

</TABLE>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS.

3 of 10

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.

In the opinion of management, the consolidated financial statements included herein contain all normal recurring adjustments necessary to present fairly the financial position of the Registrant as of March 31, 1995 and December 31, 1994, and the results of operations and cash flows for the three months ended March 31, 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 10

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.

5 of 10

ROLLINS, INC. AND SUBSIDIARIES  
 PART I. ITEM 2. FINANCIAL INFORMATION  
 MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION  
 AND RESULTS OF OPERATION  
 FOR THE FIRST QUARTER ENDED MARCH 31, 1995

RESULTS OF OPERATIONS

SELECTED INDUSTRY SEGMENT DATA

<TABLE>  
 <CAPTION>

	Three Months Ended March 31,	
	-----	
	(In thousands)	
	1995	1994
	-----	-----
<S> REVENUES	<C>	<C>
Orkin	\$ 125,253	\$ 118,360

Rollins Protective	14,218	14,872
Other	3,183	3,211
	-----	-----
	\$ 142,654	\$ 136,443
	=====	=====

OPERATING INCOME

Orkin	\$ 13,064	\$ 11,487
Rollins Protective	1,341	1,330
Other	496	938
	-----	-----
	\$ 14,901	\$ 13,755
	=====	=====

</TABLE>

6 of 10

ROLLINS, INC. AND SUBSIDIARIES  
PART I. ITEM 2. FINANCIAL INFORMATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION  
AND RESULTS OF OPERATIONS  
FOR THE FIRST QUARTER ENDED MARCH 31, 1995

GENERAL OPERATING COMMENTS

Rollins, Inc. reported another quarter of record earnings. Despite the residual effect of 1994's disappointing pest season, revenues for the first quarter ended March 31, 1995 reached \$142.7 million, an increase of \$6.2 million or 4.6% from the prior year period. Operating income increased \$1.1 million or 8.3% to \$14.9 million for the quarter. Net income for the quarter grew 13.3% to \$7.8 million and earnings per share was 22 cents, compared to 19 cents a year ago, a 15.8% improvement.

For the quarter, the Orkin Group's operating income increased 13.7% to \$13.1 million on revenues of \$125.3 million which grew 5.8% over 1994. These results provided improved operating margins of 10.4%, compared to 9.7% in the prior year. Rollins Protective Services' operating income increased 0.8% to \$1.3 million on revenues of \$14.2 million.

Detail segment information follows.

ORKIN 1995 VERSUS 1994

Revenues increased 5.8% to \$125.3 million and operating income increased 13.7% to \$13.1 million for the first quarter ended March 31, 1995. Pest Control and Termite services increased their sales dollars and customer base for the quarter. During the first quarter, Orkin expanded the availability of its 24-hour 1-800-800-ORKIN customer and prospect phone lead access service. Also, a sophisticated, \$1 million Telecenter was opened, designed to centrally monitor customer service quality and generate additional sales by cross-marketing to our 1.6 million customers. Geographic expansion of the Agribusiness service to 15 new markets was accomplished during the first quarter, and should positively contribute to operating performance throughout 1995.

ROLLINS PROTECTIVE SERVICES 1995 VERSUS 1994

For the first quarter, Rollins Protective Services (RPS) had revenues of \$14.2 million, a decrease of 4.4%, however, operating income was relatively unchanged at \$1.3 million, primarily due to a 5.6% improvement in operating margins. 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 will continue to focus marketing efforts on the new products as well as continuing successful programs tested in 1994 targeted at customer retention and National Accounts.

7 of 10

OTHER 1995 VERSUS 1994

Other businesses revenue and operating income decreased 0.9% and 47.1%, respectively, 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. Also, Corporate management is continuing to monitor the implementation and effectiveness of these policy changes.

FINANCIAL CONDITION

<TABLE>  
<CAPTION>

(In thousands)	March 31, 1995 ----	December 31, 1994 ----
<S>	<C>	<C>
Cash and Short-Term Investments	\$ 48,054	\$ 31,917
Marketable Securities	52,943	51,820
Working Capital	\$ 154,392	\$ 148,010
Current Ratio	3.0	3.2
Cash Provided By Operations (Twelve Months Ended)	\$ 49,103	\$ 39,340

</TABLE>

At March 31, 1995 cash and short-term investments increased \$16.1 million from December 31, 1994. The investment in marketable securities at March 31, 1995, was \$52.9 million.

At March 31, 1995 the current ratio was 3.0 and working capital was \$154.4 million (an increase of \$6.4 million or 4.3% 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 decreased \$1.3 million or 1.3% at March 31, 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 \$34.4 million and \$33.8 million at March 31, 1995 and December 31, 1994, respectively. The decrease in receivables is attributed in part to the effect of a revision to the Company's credit and internal operating policies within the credit service center as discussed in the section, "Results of Operations".

8 of 10

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 stockholders elected Wilton Looney and Bill J. Dismuke as Class III Directors for the three year term expiring in 1998.

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

9 of 10

SIGNATURES

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

Date: May 12, 1995

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Rollins, Inc.

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(Registrant)

/s/ Gary W. Rollins

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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)

10 of 10



<TABLE> <S> <C>

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The 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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