

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, 1997.

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 March 31, 1997, there were 34,140,781 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)

<CAPTION>

March 31,                      December 31,  
1997                                      1996

<S>

<C>

<C>

ASSETS			
Cash and Short-Term Investments	\$	14,289	\$ 12,150
Marketable Securities		80,101	84,785
Trade Receivables, Net		78,530	78,856
Materials and Supplies		17,132	15,006
Deferred Income Taxes		4,542	4,379
Other Current Assets		10,201	10,560
Current Assets		204,795	205,736
Equipment and Property, Net		41,571	41,042
Intangible Assets		41,907	41,931
Other Assets		22,378	20,074
Total Assets	\$	310,651	\$ 308,783
LIABILITIES			
Capital Lease Obligations	\$	3,097	\$ 2,735
Accounts Payable		19,957	15,897
Accrued Insurance Expenses		14,391	15,053
Accrued Payroll		13,915	12,957
Unearned Revenue		15,700	15,614
Other Expenses		22,111	17,263
Current Liabilities		89,171	79,519
Capital Lease Obligations		11,407	12,163
Long-Term Accrued Liabilities		23,640	20,591
Deferred Income Taxes		5,558	6,220
Total Liabilities		129,776	118,493
Commitments and Contingencies			
STOCKHOLDERS' EQUITY			
Common Stock, par value \$1 per share; authorized 99,500,000 shares; 34,140,781 and 34,594,481 shares issued		34,141	34,594
Earnings Retained		146,734	155,696
Total Stockholders' Equity		180,875	190,290
Total Liabilities and Stockholder's Equity	\$	310,651	\$ 308,783

The accompanying notes are an integral part of these statements.

</TABLE>

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<TABLE>

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

<CAPTION>

	Three Months Ended	
	March 31,	1996
<S>	1997	<C>
REVENUES	<C>	<C>
Customer Services	\$ 150,394	\$ 142,502
COSTS AND EXPENSES		
Cost of Services Provided	85,872	79,374
Depreciation and Amortization	2,311	1,821
Sales, General and Administrative Expenses	55,131	52,299
Interest Income	(1,217)	(1,294)
	142,097	132,200
INCOME BEFORE INCOME TAXES	8,297	10,302
PROVISION (CREDIT) FOR INCOME TAXES		
Current	4,148	5,183
Deferred	(995)	(1,268)
	3,153	3,915
NET INCOME	5,144	6,387
EARNINGS RETAINED		
Balance at Beginning of Period	155,696	224,009
Cash Dividends	(5,193)	(5,202)
Common Stock Purchased and Retired	(8,832)	--
Other	(81)	(112)

BALANCE AT END OF PERIOD	\$	146,734	\$	225,082
EARNINGS PER SHARE	\$	0.15	\$	0.18
WEIGHTED AVERAGE SHARES OUTSTANDING		34,468,268		35,873,150

The accompanying notes are an integral part of these statements.

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<TABLE>

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

<CAPTION>

	Three Months Ended March 31,	
	1997	1996
<S>	<C>	<C>
<b>OPERATING ACTIVITIES</b>		
Net Income	\$ 5,144	\$ 6,387
Noncash Charges (Credits) to Earnings:		
Depreciation and Amortization	2,311	1,821
Deferred Income Taxes	(995)	(1,268)
Other, Net	761	1,062
(Increase) Decrease in Assets:		
Trade Receivables	569	2,144
Materials and Supplies	(2,097)	(3,383)
Other Current Assets	355	3,574
Other Non-Current Assets	(1,360)	264
Increase (Decrease) in Liabilities:		
Accounts Payable and Accrued Expenses	8,973	7,109
Unearned Revenue	58	2,207
Long-Term Accrued Liabilities	3,049	3,977
Non-Current Deferred Income Taxes	-	133
Net Cash Provided by Operating Activities	16,768	24,027
<b>INVESTING ACTIVITIES</b>		
Purchases of Equipment and Property	(2,688)	(3,238)
Net Cash Used for Acquisition of Companies	(1,584)	(3,657)
Marketable Securities, Net	4,435	(8,557)
Net Cash Provided by (Used in) Investing Activities	163	(15,452)
<b>FINANCING ACTIVITIES</b>		
Dividends Paid	(5,193)	(5,202)
Common Stock Purchased and Retired	(9,321)	--
Payments on Capital Lease	(394)	--
Other	116	332
Net Cash Used in Financing Activities	(14,792)	(4,870)
Net Increase (Decrease) in Cash and Short-Term Investments	2,139	3,705
Cash and Short-Term Investments at Beginning of Period	12,150	33,623
Cash and Short-Term Investments at End of Period	\$ 14,289	\$ 37,328

The accompanying notes are an integral part of these statements.

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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, 1996.

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, 1997 and December 31, 1996, and the results of operations and cash flows for the three months ended March 31, 1997 and 1996.

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.

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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 FIRST QUARTER ENDED MARCH 31, 1997

RESULTS OF OPERATIONS

<TABLE>

<CAPTION>

SELECTED INDUSTRY SEGMENT DATA

	Three Months Ended	
	March 31,	
	1997	1996
<S>	<C>	<C>
REVENUES		
Orkin	\$ 132,294	\$ 124,433
Rollins Protective	15,822	15,330
Other	2,278	2,739
	\$ 150,394	\$ 142,502
OPERATING INCOME		
Orkin	\$ 8,279	\$ 11,297
Rollins Protective	861	1,285
Other	(19)	(67)
	\$ 9,121	\$ 12,515

</TABLE>

## General Operating Comments

The first quarter provided sales improvement in all areas and reflected the impact of the Company's expansion and marketing strategies. Operating profits for the quarter continue to be impacted by investments in the core businesses. The benefits of these investments will contribute to growth in the customer base and recurring revenues, while enhancing long-term shareholder value.

Revenues for the first quarter ended March 31, 1997 increased 5.5% or \$7.9 million, to \$150.4 million from the prior year period. Operating income decreased \$3.4 million to \$9.1 million for the quarter, while net income decreased 19.5% to \$5.1 million. Earnings per share were 15 cents for the quarter versus 18 cents for the same period last year.

For the quarter, Orkin's operating income decreased 26.7% to \$8.3 million on a 6.3% revenue increase to \$132.3 million. Operating margins were 6.3%, compared to 9.1% in the prior year. Rollins Protective Services' (RPS) operating income decreased 33.0% to \$0.9 million on a revenue increase of \$0.5 million or 3.2% to \$15.8 million. RPS' operating margins were 5.4% compared to 8.4% last year. Detail segment information follows.

## Orkin 1997 Versus 1996

Orkin realized an increase in both recurring pest control revenue and termite revenue. The decrease in operating income was the result of the significant business investments initiated in 1996 including market expansion and growth related programs as well as increased insurance costs and termite claims. Orkin completed three acquisitions, including two in Hawaii, which established its presence in the Pacific market.

## Rollins Protective Services (RPS) 1997 Versus 1996

During the first quarter, RPS's revenues increased while operating income decreased. Operating income was impacted primarily by sales and market development expenses as well as the cost associated with acquisitions made in 1996 and those made in the current year.

RPS increased its recurring revenues and customer base through five acquisitions in the first quarter. RPS also made further progress in their strategic partnering arrangements in the new home and cable television industries.

## Other 1997 Versus 1996

Other businesses' revenue decreased 16.8% due to a lower average receivables portfolio within the consumer finance company, Rollins Acceptance Company (RAC). The volume of financed purchases was 18.2% less for the quarter compared to the first quarter last year. The unfavorable revenue results were offset by lower expenses in RAC for an increase in operating income.

## FINANCIAL CONDITION

&lt;TABLE&gt;

&lt;CAPTION&gt;

	March 31, 1997	December 31, 1996
(In thousands)		
<S>	<C>	<C>
Cash and Short-Term Investments	\$ 14,289	\$ 12,150
Marketable Securities	\$ 80,101	\$ 84,785
	\$ 94,390	\$ 96,935
Working Capital	\$ 115,624	\$ 126,217
Current Ratio	2.3	2.6
Cash Provided By Operations (Twelve Months Ended)	\$ 50,808	\$ 58,067

&lt;/TABLE&gt;

Rollins, Inc. maintains a strong financial position. The Company's operations have historically provided a strong positive cash flow which represents the Company's principal source of funds for capital expenditures, cash dividends, growth and expansion plans.

Interest income decreased 6.0% for the three months ended March 31, 1997 due to the decrease in average funds invested in short-term investments and realized losses.

Net trade receivables decreased \$0.3 million or 0.4% at March 31, 1997 compared with December 31, 1996. Trade receivables include installment receivables which are due subsequent to one year from the balance sheet date. These amounts were approximately \$18.9 million and \$19.0 million at March 31, 1997 and December 31, 1996, respectively.

In the first quarter, the Company invested \$4.3 million in capital expenditures and acquisitions. Also, \$5.2 million was paid out in cash dividends and approximately 0.5 million shares of the Company's common stock were purchased and retired during the first quarter. The Company maintains a \$40.0 million unused line of credit. This source of funds has not been used, but is available for future acquisitions and growth, if needed.

ROLLINS, INC. AND SUBSIDIARIES  
PART II. OTHER INFORMATION

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 22, 1997. The stockholders elected John W. Rollins and Gary W. Rollins as Class II Directors for the three year term expiring in 2000.

ITEM 5. OTHER INFORMATION

None

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

(1) (i) The Company's Certificate of Incorporation is incorporated herein by reference to Exhibit (3) (a) as filed with its Form 10-K for the year ended December 31, 1992.

(ii) By-laws of Rollins, Inc. are incorporated herein by reference to Exhibit 3(b) as filed with its Form 10-K for the year ended December 31, 1993.

(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: May 14, 1997

Rollins, Inc.  
(Registrant)

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

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

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