

ROLLINS INC  
Form 10-Q  
April 26, 2013

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

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**FORM 10 Q**

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT  
OF 1934**

**For the quarterly period ended March 31, 2013**

**Commission File Number 1-4422**

**ROLLINS, INC.**

(Exact name of registrant as specified in its charter)

**Delaware**

(State or other jurisdiction of incorporation or organization)

**51-0068479**

(I.R.S. Employer Identification No.)

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

(Address of principal executive offices)

**30324**

(Zip Code)

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(404) 888-2000

(Registrant's telephone number, including area code)

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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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

Rollins, Inc. had 146,279,384 shares of its \$1 par value Common Stock outstanding as of April, 15 2013.

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## ROLLINS, INC. AND SUBSIDIARIES

## PART 1 FINANCIAL INFORMATION

## ITEM 1. FINANCIAL STATEMENTS

## CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

AS OF MARCH 31, 2013 AND DECEMBER 31, 2012

(in thousands except share data)

	March 31, 2013 (unaudited)	December 31, 2012
<b>ASSETS</b>		
Cash and cash equivalents	\$ 82,479	\$ 65,082
Trade receivables, short-term, net of allowance for doubtful accounts of \$6,132 and \$8,211, respectively	68,194	68,920
Financed receivables, short-term, net of allowance for doubtful accounts of \$1,767 and \$1,842, respectively	10,898	11,823
Materials and supplies	11,801	11,847
Deferred income taxes, net	32,839	33,338
Other current assets	18,995	14,982
Total Current Assets	225,206	205,992
Equipment and property, net	83,295	82,263
Goodwill	212,280	212,477
Customer contracts and other intangible assets, net	136,458	141,789
Deferred income taxes, net	26,582	26,841
Financed receivables, long-term, net of allowance for doubtful accounts of \$1,433 and \$1,408, respectively	11,214	11,681
Other assets	12,403	11,463
Total Assets	\$ 707,438	\$ 692,506
<b>LIABILITIES</b>		
Accounts payable	\$ 23,078	\$ 24,854
Accrued insurance	24,929	24,164
Accrued compensation and related liabilities	50,218	60,042
Unearned revenues	96,251	87,753
Other current liabilities	39,382	31,603
Total current liabilities	233,858	228,416
Accrued insurance, less current portion	31,740	31,283
Accrued pension	43,017	43,271
Long-term accrued liabilities	33,857	34,580
Total Liabilities	342,472	337,550
<b>Commitments and Contingencies</b>		
<b>STOCKHOLDERS' EQUITY</b>		
Preferred stock, without par value; 500,000 authorized, zero shares issued		
Common stock, par value \$1 per share; 250,000,000 shares authorized, 146,279,384 and 146,015,082 shares issued and outstanding, respectively	146,279	146,015
Paid in capital	45,646	45,156
Accumulated other comprehensive loss	(57,744)	(56,967)

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Retained earnings	<b>230,785</b>	220,752
Total Stockholders' Equity	<b>364,966</b>	354,956
Total Liabilities and Stockholders' Equity	<b>\$ 707,438</b>	<b>\$ 692,506</b>

The accompanying notes are an integral part of these condensed consolidated financial statements.

## ROLLINS, INC. AND SUBSIDIARIES

## CONDENSED CONSOLIDATED STATEMENTS OF INCOME

FOR THE THREE MONTHS ENDED MARCH 31, 2013 AND 2012

(in thousands except share data)

(unaudited)

	Three Months Ended March 31,	
	2013	2012
<b>REVENUES</b>		
Customer services	\$ 299,714	\$ 289,465
<b>COSTS AND EXPENSES</b>		
Cost of services provided	155,606	148,082
Depreciation and amortization	9,894	9,767
Sales, general and administrative	99,134	94,824
Interest (income)/expense, net	(45)	51
<b>INCOME BEFORE INCOME TAXES</b>	<b>35,125</b>	<b>36,741</b>
<b>PROVISION FOR INCOME TAXES</b>	<b>11,946</b>	<b>13,661</b>
<b>NET INCOME</b>	<b>\$ 23,179</b>	<b>\$ 23,080</b>
<b>NET INCOME PER SHARE - BASIC AND DILUTED</b>	<b>\$ 0.16</b>	<b>\$ 0.16</b>
<b>DIVIDENDS PAID PER SHARE</b>	<b>\$ 0.09</b>	<b>\$ 0.08</b>
Weighted average participating shares outstanding - basic	146,238	146,697
Dilutive effect of stock options		17
Weighted average participating shares outstanding assuming dilution	146,238	146,714

The accompanying notes are an integral part of these condensed consolidated financial statements.

## CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE EARNINGS

FOR THE THREE MONTHS ENDED MARCH 31, 2013 AND 2012

(in thousands)

(unaudited)

	Three Months Ended March 31,	
	2013	2012
<b>NET INCOME</b>	<b>\$ 23,179</b>	<b>\$ 23,080</b>
<b>Other comprehensive earnings (loss), net of tax</b>		
Foreign currency translation adjustments	(777)	630
Other comprehensive earnings (loss)	(777)	630

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Comprehensive earnings	\$	22,402	\$	23,710
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The accompanying notes are an integral part of these condensed consolidated financial statements.

**ROLLINS, INC. AND SUBSIDIARIES**

**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

**FOR THE THREE MONTHS ENDED MARCH 31, 2013 AND 2012**

**(in thousands)**

**(unaudited)**

**Three Months Ended  
March 31,**