Second Quarter 2023 Earnings Webcast Presentation

Rollins, Inc.

July 27, 2023

SAFE HARBOR

Statements made in this earnings presentation may contain forward-looking statements that involve risks and uncertainties concerning the Company's business and financial results. We have based these forward-looking statements largely on our current opinions, expectations, beliefs, plans, objectives, assumptions and projections about future events and financial trends affecting the operating results and financial condition of our business. Such forward looking statements include, but are not limited to, statements regarding the Company's belief that the demand environment is healthy, the Company is focused on delivering strong growth in incremental margins in the second half, the Company remains very well positioned to continue to drive growth through acquisition, the Company is focused on driving growth while evaluating several initiatives aimed at improving productivity, the Company is well positioned to continue to deliver strong results in 2023 and beyond, that the Company is focused on executing additional programs that it believes will improve the efficiency of its business model, improvement in gross margin and current demand environment provides a sense of optimism to start the second half, that the Company continues to focus on implementing continuous improvement initiatives that it believes will improve the efficiency of its business and position itself well for years to come, the Company is evaluating a number of initiatives that are aimed at improving performance, the Company plans to invest for growth while actively maintaining balance across all categories of capital allocation, the Company's current staffing levels respond to favorable demand trends and to accelerate modernization efforts, and the Company's belief that it has a healthy pipeline of acquisitions and the Fox acquisition is leading to robust growth in M&A.

Our actual results could differ materially from those indicated by the forward-looking statements because of various risks, timing and uncertainties including, without limitation, the failure to maintain and enhance our brands and develop a positive client reputation; our ability to protect our intellectual property and other proprietary rights that are material to our business and our brand recognition; actions taken by our franchisees, subcontractors or vendors that may harm our business; general economic conditions; the effects of a pandemic, such as the COVID-19 pandemic, or other major public health concern on the Company's business, results of operations, accounting assumptions and estimates and financial condition; adverse economic conditions, including, without limitation, market downturns, inflation and restrictions in customer discretionary expenditures, increases in interest rates or other disruptions in credit or financial markets, increases in fuel prices, raw material costs or other operating costs; potential increases in labor costs; labor shortages and/or our inability to attract and retain skilled workers; competitive factors and pricing practices; changes in industry practices or technologies; the degree of success of our termite process reforms and pest control selling and treatment methods; our ability to identify, complete and successfully integrate potential acquisitions; unsuccessful expansion into international markets; climate change and unfavorable weather conditions; a breach of data security resulting in the unauthorized access of personal, financial, proprietary, confidential or other personal data or information about our customers, employees, third parties, or of our proprietary confidential information; damage to our brands or reputation; new or proposed regulations regarding climate change; any noncompliance with, changes to, or increased enforcement of various government laws and regulations, including environmental regulations; possibility of an adverse ruling against us in pending litigation, regulatory action or investigation; the adequacy of our insurance coverage to cover all significant risk exposures; the effectiveness of our risk management and safety program; general market risk; management's substantial ownership interest and its impact on public stockholders and the availability of the Company's common stock to the investing public; and the existence of certain anti-takeover provisions in our governance documents, which could make a tender offer, change in control or takeover attempt that is opposed by the Company's Board of Directors more difficult or expensive. All of the foregoing risks and uncertainties are beyond our ability to control, and in many cases, we cannot predict the risks and uncertainties that could cause our actual results to differ materially from those indicated by the forward-looking statements. The Company does not undertake to update its forward-looking statements.

RECONCILIATION OF GAAP AND NON-GAAP FINANCIAL MEASURES

The Company has used the non-GAAP financial measures of organic revenues, organic revenues by type, adjusted net income, adjusted earnings per share (“EPS”), earnings before interest, taxes, depreciation and amortization (“EBITDA”), EBITDA margin, Adjusted EBITDA, adjusted EBITDA margin, incremental EBITDA margin, adjusted incremental EBITDA margin, free cash flow, free cash flow conversion, net debt, and net leverage ratio in this earnings presentation. Organic revenue is calculated as revenue less acquisition revenue. Acquisition revenue is based on the trailing 12-month revenue of our acquired entities. These measures should not be considered in isolation or as a substitute for revenues, net income, earnings per share or other performance measures prepared in accordance with GAAP.

Management uses adjusted net income, adjusted EPS, EBITDA, EBITDA margin, adjusted EBITDA, adjusted EBITDA margin, incremental EBITDA margin, and adjusted incremental EBITDA margin as measures of operating performance because these measures allow the Company to compare performance consistently over various periods. Incremental margin is calculated as the change in EBITDA divided by the change in revenue. Adjusted incremental margin is calculated as the change in adjusted EBITDA divided by the change in revenue. Management also uses organic revenues, and organic revenues by type to compare revenues over various periods excluding the impact of acquisitions. Management uses free cash flow, which is calculated as net cash provided by operating activities less capital expenditures, to demonstrate the Company’s ability to maintain its asset base and generate future cash flows from operations. Management uses free cash flow conversion, which is calculated as free cash flow divided by net income, to demonstrate how much net income is converted into cash. Management uses net debt, which is calculated by total long-term debt less cash and cash equivalents, as an assessment of overall liquidity, financial flexibility, and leverage. Net leverage ratio, which is calculated by dividing net debt by trailing twelve-month EBITDA, is useful to investors because it is an indicator of our ability to meet our future financial obligations. Management believes all of these non-GAAP financial measures are useful to provide investors with information about current trends in, and period-over-period comparisons of, the Company's results of operations.

A non-GAAP financial measure is a numerical measure of financial performance, financial position, or cash flows that either 1) excludes amounts, or is subject to adjustments that have the effect of excluding amounts, that are included in the most directly comparable measure calculated and presented in accordance with GAAP in the statement of operations, balance sheet or statement of cash flows, or 2) includes amounts, or is subject to adjustments that have the effect of including amounts, that are excluded from the most directly comparable measure so calculated and presented.

See the appendix for a reconciliation of non-GAAP financial measures used in this presentation with their most comparable GAAP measures.

SECOND QUARTER OVERVIEW

Q2 2023 FINANCIALS[1]

Revenue **$821M**	Revenue Growth **14.9%**
Gross Margin **53.2%**	Adjusted EBITDA Margin[1] **22.3%**
Adjusted Earnings Per Share[1] **$0.23**	Free Cash Flow[1] **$141**

HIGHLIGHTS

- Delivered double-digit revenue growth across all service lines, organic revenue[1] was up 8% and M&A drove 7% growth
- Pricing outpaced inflation driving 40 bps improvement in gross margin; Fox acquisition accretive to earnings
- Adjusted EBITDA[1] in line with prior year performance, pressured by higher insurance and claims expenses
- Cash generation was strong with Free Cash Flow[1] up 18% year-over-year and conversion >125% of net income

Solid Performance in Q2 and Well Positioned to Deliver Strong 2023 Results

[1]These amounts are non-GAAP measures (see Appendix)

BALANCED 2023 OUTLOOK

WHAT WE ARE SEEING

Organic Growth
Healthy organic growth with good performance across all major service areas

Acquisitions
Fox Acquisition completed in April was accretive to earnings in the first quarter of ownership

Staffing Remains Strong
Entering the third quarter with very good staffing levels to respond to favorable demand trends

Less Favorable Claims Expense
Legacy claims and higher insurance costs were largest headwind on margins

WHAT WE EXPECT

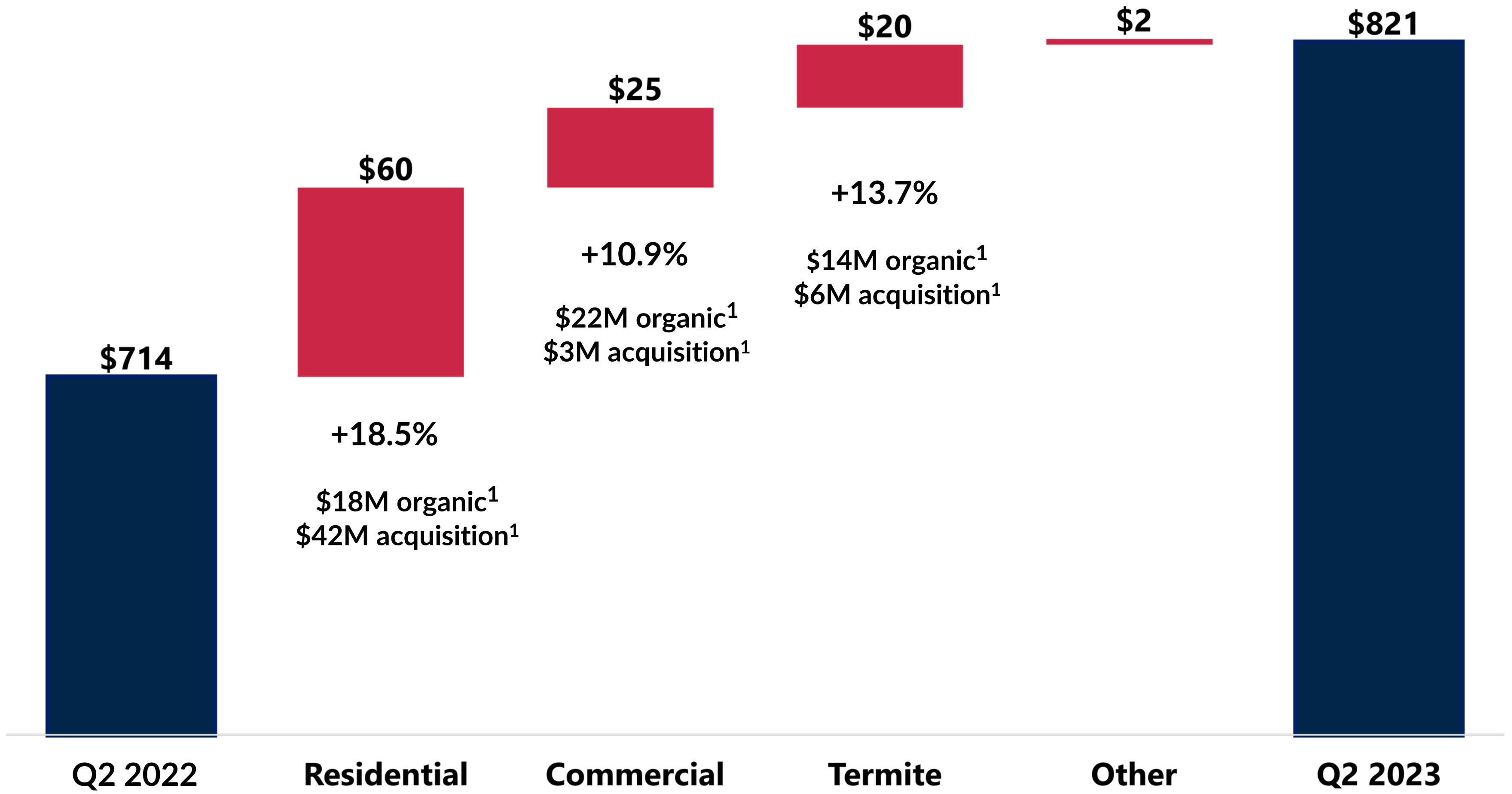
Continued Growth
Focused on delivering strong growth in the second half

Margin Expansion Opportunities
Evaluating a number of initiatives that are aimed at improving performance

Disciplined Capital Allocation
Investing for growth while actively maintaining balance across all categories of capital allocation

Focused on Delivering Continued Growth in the Second Half

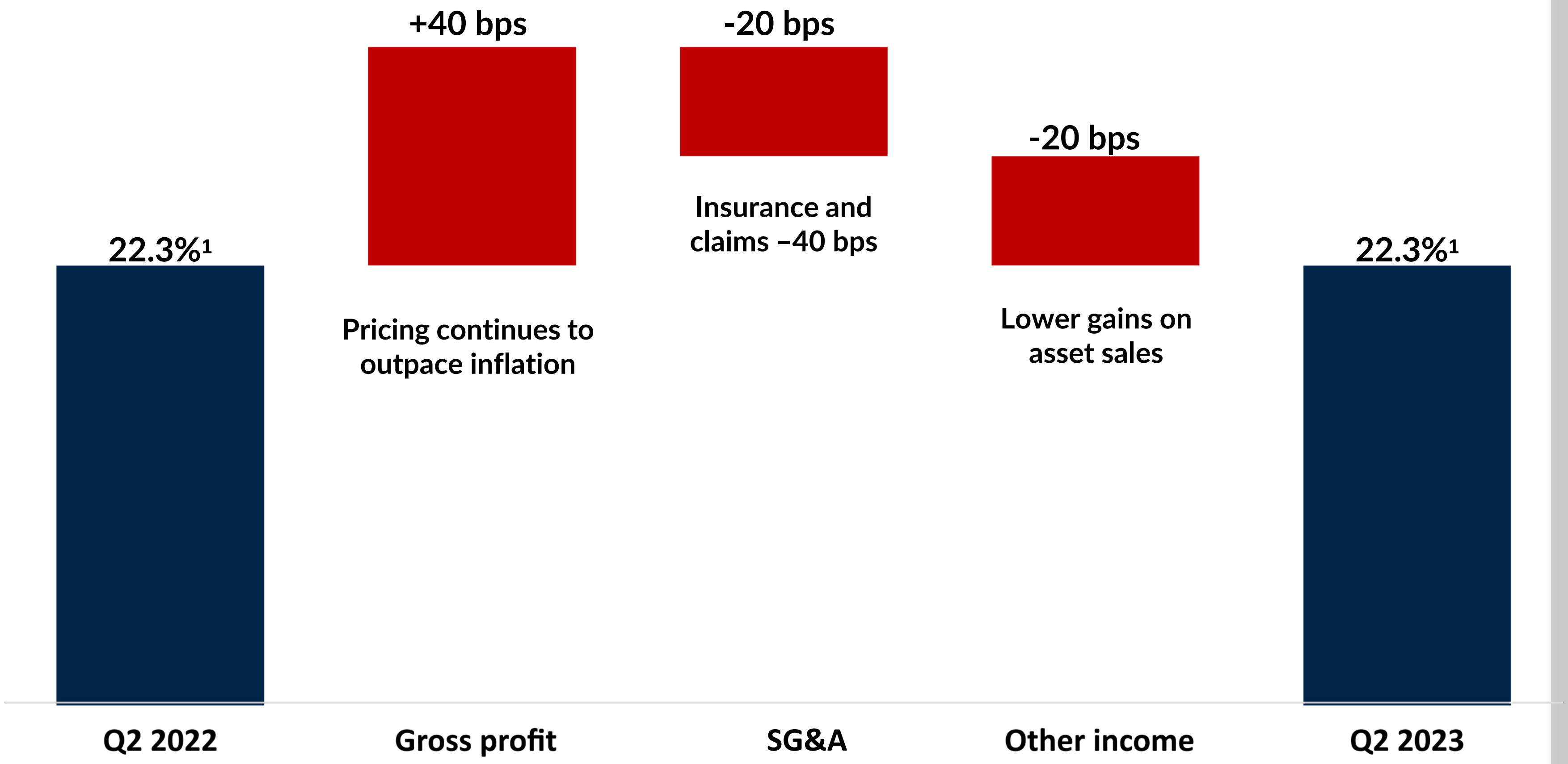
QUARTERLY REVENUE GROWTH



Double-Digit Revenue Growth Across All Service Lines

[1]These amounts are non-GAAP measures (see Appendix)

QUARTERLY ADJUSTED EBITDA MARGIN [1]



Healthy EBITDA Margin, Continued Focus on Improving Incremental Margins

[1] These amounts are non-GAAP measures (see Appendix)

HIGHLIGHTS

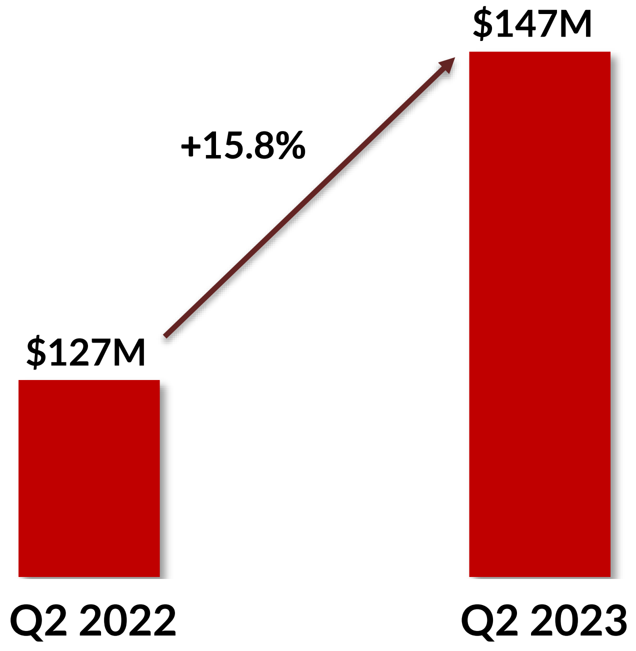
Gross Profit
- Gross margin 53.2%
- Pricing continues to outpace inflation

SG&A
- Insurance and claims was a 40-bps headwind
- Invested more heavily in customer acquisition cost

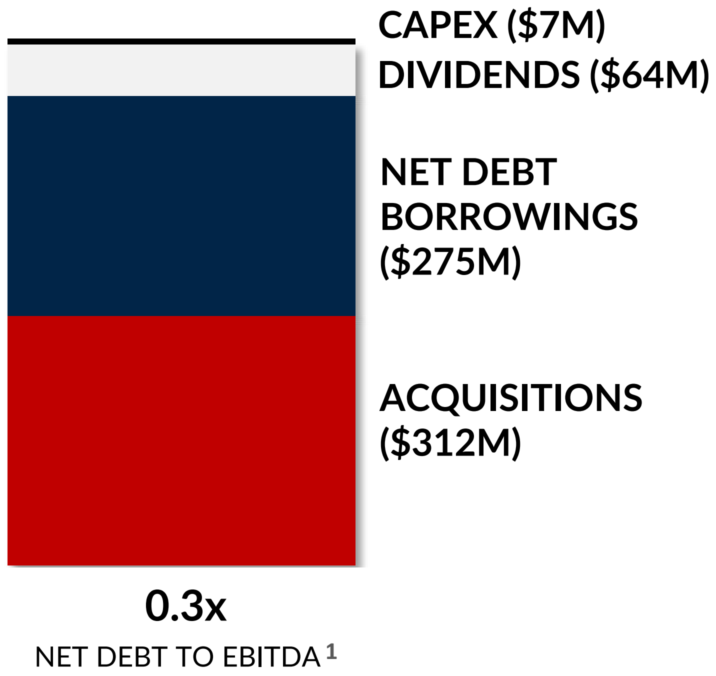
Other Income
- Lower gains on asset sales, driven primarily by disposal of owned vehicles

CASH FLOW AND USE OF LIQUIDITY

CASH FLOW FROM OPERATIONS



CASH FLOW AND LIQUIDITY



Strong Cash Flow Generation and Balanced Capital Allocation Strategy

[1]These amounts are non-GAAP measures (see Appendix)

HIGHLIGHTS

Cash Generation

- Both Operating and Free Cash Flow Conversion was >125%
- Strong balance sheet with modest levels of debt post Fox acquisition in April.

Acquisitions

- Closed 9 acquisitions in Q2 and 15 year to date

Dividends

- Healthy dividend +30% yoy
- 45% of Free Cash Flow paid in Q2

Net Leverage

- Well below 1x of EBITDA
- Balanced capital allocation approach

KEY TAKEAWAYS

Focus on Modernization

Broadened banking relationships and expanded revolver from $200 million to $1 billion in early 2023

Filed Shelf in second quarter to provide additional capital structure optionality

Hiring key talent across the organization to accelerate modernization efforts

Exceptional Performance

Robust organic growth across all service areas

Healthy pipeline of acquisitions, Fox acquisition leading to robust growth from M&A

Essential nature of services provides consistency in business growth across all cycles

Margins Remain a Focus

Focus on pricing and productivity has resulted in increased margins across a number of key income statement categories

Evaluating several initiatives aimed at further improving margin performance

Balance Sheet Provides Flexibility

Strong Balance Sheet with modest levels of debt post Fox acquisition

Cash flow continuing to compound at a rapid rate, Cash Conversion >125%

Balanced approach to capital allocation

Focused on Modernization, Driving Growth and Improving Margins While Delivering Strong Growth in Cash Flow

APPENDIX

Reconciliation of GAAP and non-GAAP Financial Measures

Set below are reconciliations of non-GAAP financial measures used in this investor presentation, and our earnings release and conference call with their most comparable GAAP measures.

	Three Months Ended June 30,				Six Months Ended June 30,			
			Variance				Variance	
(unaudited, in thousands, except per share data)	2023	2022 [3]	$	%	2023	2022 [3]	$	%
Reconciliation of Net Income to Adjusted Net Income and Adjusted EPS								
Net income	**$ 110,143**	$ 101,620			**$ 198,377**	$ 175,386		
Fox acquisition-related expenses [1]	**5,261**	-			**5,261**	-		
Tax impact of adjustments [2]	**(1,347)**	-			**(1,347)**	-		
Adjusted net income	**$ 114,057**	$ 101,620	12,437	12.2	**$ 202,291**	$ 175,386	26,905	15.3
Adjusted EPS - basic and diluted	**$ 0.23**	$ 0.21			**$ 0.41**	$ 0.36		
Weighted average shares outstanding - basic	**492,700**	492,327			**492,593**	492,270		
Weighted average shares outstanding - diluted	**492,891**	492,440			**492,764**	492,382		
Reconciliation of Net Income to EBITDA, Adjusted EBITDA, EBITDA Margin, Incremental EBITDA Margin, Adjusted EBITDA Margin, and Adjusted Incremental EBITDA Margin								
Net income	**$ 110,143**	$ 101,620			**$ 198,377**	$ 175,386		
Depreciation and amortization	**26,439**	22,605			**48,941**	45,732		
Interest expense, net	**4,785**	880			**5,250**	1,448		
Provision for income taxes	**40,880**	34,088			**69,135**	54,423		
EBITDA	**$ 182,247**	$ 159,193	23,054	14.5	**$ 321,703**	$ 276,989	44,714	16.1
Fox acquisition-related expenses [1]	**1,047**	-			**1,047**	-		
Adjusted EBITDA	**$ 183,294**	$ 159,193	24,101	15.1	**$ 322,750**	$ 276,989	45,761	16.5
Revenues	**$ 820,750**	$ 714,049	106,701		**$ 1,478,765**	$ 1,304,729	174,036	
EBITDA margin	**22.2%**	22.3%			**21.8%**	21.2%		
Incremental EBITDA margin			21.6%				25.7%	
Adjusted EBITDA margin	**22.3%**	22.3%			**21.8%**	21.2%		
Adjusted incremental EBITDA margin			22.6%				26.3%	
Reconciliation of Net Cash Provided by Operating Activities to Free Cash Flow and Free Cash Flow Conversion								
Net cash provided by operating activities	**$ 147,413**	$ 127,285			**$ 248,186**	$ 214,817		
Capital expenditures	**(6,775)**	(7,886)			**(14,411)**	(15,881)		
Free cash flow	**$ 140,638**	$ 119,399	21,239	17.8	**$ 233,775**	$ 198,936	34,839	17.5
Free cash flow conversion	**127.7%**	117.5%			**117.8%**	113.4%		

(1) Consists of expenses resulting from the amortization of certain intangible assets and adjustments to the fair value of contingent consideration resulting from the acquisition of Fox Pest Control during the quarter. While we exclude such expenses in this non-GAAP measure, the revenue from the acquired company is reflected in this non-GAAP measure and the acquired assets contribute to revenue generation.

(2) The tax effect of the adjustments is calculated using the applicable statutory tax rates for the respective periods.

(3) Certain condensed consolidated financial statement amounts relative to the prior period have been revised as detailed in our annual report on Form 10-K for the year ended December 31, 2022. The impact of this revision on the Company's previously reporting condensed consolidated financial statements for the three and six months ended June 30, 2022, includes a decrease to depreciation and amortization expense of $1.7 million and $3.4 million, respectively, and an increase in the provision for income tax expense of $0.4 million and $0.8 million, respectively. This revision affects these specific line items and subtotals within the consolidated statements of income and cash flows.

ROLLINS

Reconciliation of GAAP and non-GAAP Financial Measures

Set below are reconciliations of non-GAAP financial measures used in this investor presentation, and our earnings release and conference call with their most comparable GAAP measures.

	Three Months Ended June 30,				Six Months Ended June 30,			
			Variance				Variance	
(unaudited, in thousands)	**2023**	2022	$	%	**2023**	2022	$	%
Reconciliation of Revenues to Organic Revenues								
Revenues	**$ 820,750**	$ 714,049	106,701	14.9	**$ 1,478,765**	$ 1,304,729	174,036	13.3
Revenue growth from acquisitions	**(51,148)**	-	(51,148)	-	**(64,302)**	-	(64,302)	-
Organic revenues	**$ 769,602**	$ 714,049	55,553	7.7	**$ 1,414,463**	$ 1,304,729	109,734	8.4
Reconciliation of Residential Revenues to Organic Residential Revenues								
Residential revenues	**$ 385,645**	$ 325,311	60,334	18.5	**$ 669,270**	$ 584,570	84,700	14.5
Residential revenues from acquisitions	**(42,089)**	-	(42,089)	-	**(48,093)**	-	(48,093)	-
Residential organic revenues	**$ 343,556**	$ 325,311	18,245	5.6	**$ 621,177**	$ 584,570	36,607	6.3
Reconciliation of Commercial Revenues to Organic Commercial Revenues								
Commercial revenues	**$ 259,964**	$ 234,483	25,481	10.9	**$ 490,366**	$ 440,270	50,096	11.4
Commercial revenue growth from acquisitions	**(3,038)**	-	(3,038)	-	**(7,232)**	-	(7,232)	-
Commercial organic revenues	**$ 256,926**	$ 234,483	22,443	9.6	**$ 483,134**	$ 440,270	42,864	9.8
Reconciliation of Termite and Ancillary Revenues to Organic Termite and Ancillary Revenues								
Termite and ancillary revenues	**$ 166,823**	$ 146,781	20,042	13.7	**$ 303,428**	$ 266,487	36,941	13.9
Termite and ancillary revenues from acquisitions	**(6,020)**	-	(6,020)	-	**(8,977)**	-	(8,977)	-
Termite and ancillary organic revenues	**$ 160,803**	$ 146,781	14,022	9.6	**$ 294,451**	$ 266,487	27,964	10.5

Reconciliation of GAAP and non-GAAP Financial Measures

Set below are reconciliations of non-GAAP financial measures used in this investor presentation, and our earnings release and conference call with their most comparable GAAP measures.

	Three Months Ended June 30,				Six Months Ended June 30,			
			Variance				Variance	
(unaudited, in thousands)	**2022**	2021	$	%	**2022**	2021	$	%
Reconciliation of Revenues to Organic Revenues								
Revenues	**$ 714,049**	$ 638,204	75,845	11.9	**$ 1,304,729**	$ 1,173,758	130,971	11.2
Revenue growth from acquisitions	**(20,471)**	-	(20,471)	-	**(38,039)**	-	(38,039)	-
Organic revenues	**$ 693,578**	$ 638,204	55,374	8.7	**$ 1,266,690**	$ 1,173,758	92,932	8.0
Reconciliation of Residential Revenues to Organic Residential Revenues								
Residential revenues	**$ 325,311**	$ 292,945	32,366	11.0	**$ 584,570**	$ 528,124	56,446	10.7
Residential revenues from acquisitions	**(11,625)**	-	(11,625)	-	**(21,908)**	-	(21,908)	-
Residential organic revenues	**$ 313,686**	$ 292,945	20,741	7.0	**$ 562,662**	$ 528,124	34,538	6.6
Reconciliation of Commercial Revenues to Organic Commercial Revenues								
Commercial revenues	**$ 234,483**	$ 210,838	23,645	11.2	**$ 440,270**	$ 399,535	40,735	10.2
Commercial revenue growth from acquisitions	**(3,943)**	-	(3,943)	-	**(6,165)**	-	(6,165)	-
Commercial organic revenues	**$ 230,540**	$ 210,838	19,702	9.3	**$ 434,105**	$ 399,535	34,570	8.7
Reconciliation of Termite and Ancillary Revenues to Organic Termite and Ancillary Revenues								
Termite and ancillary revenues	**$ 146,781**	$ 127,674	19,107	15.0	**$ 266,487**	$ 233,368	33,119	14.2
Termite and ancillary revenues from acquisitions	**(4,903)**	-	(4,903)	-	**(9,966)**	-	(9,966)	-
Termite and ancillary organic revenues	**$ 141,878**	$ 127,674	14,204	11.2	**$ 256,521**	$ 233,368	23,153	9.9

Reconciliation of GAAP and non-GAAP Financial Measures

Set below are reconciliations of non-GAAP financial measures used in this investor presentation, and our earnings release and conference call with their most comparable GAAP measures.

(unaudited, in thousands)		**Period Ended June 30, 2023**
Reconciliation of Long-term Debt to Net Debt and Net Leverage Ratio		
Long-term debt [1]	$	340,000
Less: cash		154,747
Net debt	$	185,253
Trailing twelve-month EBITDA	$	637,594
Net leverage ratio		0.3x

[1] As of June 30, 2023, the Company had outstanding borrowings of $340.0 million under the Credit Facility. Borrowings under the Credit Facility are presented under the long-term debt caption of our condensed consolidated balance sheet, net of $2.5 million in unamortized debt issuance costs as of June 30, 2023.