



Fourth Quarter 2021 Earnings Webcast

January 26, 2022



Forward Looking Statements

Our earnings release discusses our business outlook and contains certain forward-looking statements. These particular forward-looking statements and all other statements that have been made on this call, excluding historical facts, are subject to a number of risks and uncertainties, and actual risks may differ materially from any statement we make today. Please refer to today's press release and our SEC filings, including the Risk Factors section of our Form 10-K for the year ended December 31, 2020, for more information, and the risk factors that could cause actual results to differ.



Gary Rollins
Chairman and CEO



John Wilson
Vice Chairman



Jerry Gahlhoff Jr
President and COO



Julie Bimmerman
Interim CFO and Treasurer



Revenue Growth

Actual Exchange Rate		
Residential	Q4 2021	YTD 2021
Acquisition	3.5%	2.9%
Organic	8.4%	10.0%
Total	11.9%	12.9%
Commercial	Q4 2021	YTD 2021
Acquisition	2.1%	2.8%
Organic	9.3%	7.4%
Total	11.4%	10.2%
Termite	Q4 2021	YTD 2021
Acquisition	3.5%	2.4%
Organic	10.1%	11.9%
Total	13.6%	14.3%
Constant Exchange Rate		
Total	Q4 2021	YTD 2021
Acquisition	3.0%	2.7%
Organic	8.9%	9.5%
Total	11.9%	12.2%
Constant Exchange Rate		
	Q4 2021	YTD 2021
Acquisition	3.0%	2.7%
Organic	8.1%	8.7%
Total	11.0%	11.4%



Summary Income Statement Including Certain Non-GAAP Metrics

Summary Income Statement including certain Non-GAAP Metrics								
(000's)	<u>Q4 2021</u>	<u>Q4 2020</u>	<u>\$ Change</u>	<u>% Change</u>	<u>YTD 2021</u>	<u>YTD 2020</u>	<u>\$ Change</u>	<u>% Change</u>
Revenue	\$600,343	\$536,292	\$64,051	11.9%	\$2,424,300	\$2,161,220	\$263,080	12.2%
Net Income	\$65,337	\$62,619	\$2,718	4.3%	\$350,687	\$260,824	\$89,863	34.5%
EBITDA	\$117,157	\$109,892	\$7,265	6.6%	\$569,873	\$448,131	\$121,742	27.2%
Adjusted EBITDA*	\$122,157	\$109,892	\$12,265	11.2%	\$546,356	\$454,822	\$91,534	20.1%
EPS	\$0.13	\$0.13			\$0.71	\$0.53		
Adjusted EPS*	\$0.14	\$0.13	\$0.01	7.7%	\$0.68	\$0.54	\$0.14	25.9%
*GAAP to Non-GAAP Reconciliation & Appendix								



Cost of Services Key Drivers and Gross Margin

Cost of Services provided exclusive of depreciation and amortization					
(000's)		Q4 2021	Q4 2020	\$ Change	% Change
Cost of Services provided exclusive of depreciation and amortization	\$	297,729	\$ 266,344	\$ 31,385	11.8%

Gross Margin			
(000's)	Q4 2021	Q4 2020	% Change
Revenue	\$ 600,343	\$ 536,292	
Cost of Services provided exclusive of depreciation and amortization	\$ 297,729	\$ 266,344	
Gross Margin	50.4%	50.3%	0.1%

Key Drivers		
	Q4 2021	Q4 2021
	% Increase	\$ Increase
Fuel Costs	56.5%	\$4.5M
Termite M&S		\$2.74M

Termite Damage Claims		
	YTD 1997*	YTD 2021
Claim Count	9,349	380
*Highest Claim Year		



Sales, General & Administrative (SG&A)

Key Drivers

SG&A as a % of Revenue			
(000's)	Q4 2021	Q4 2020	% Change
SG&A Expense	\$ 187,538	\$ 159,086	
Revenue	\$ 600,343	\$ 536,292	
SG&A % of Revenue	31.2%	29.7%	1.57%

Key Drivers			
	Q3 2021	Q4 2021	YTD 2021
SEC Settlement	\$3M	\$5M	\$8M
Incremental Cybersecurity		\$3M	\$3M



Cash Related and Certain Non-GAAP Metrics

Cash Related			
(000's)	YTD 2021	YTD 2020	% Change
Dividends	\$ 208,655	\$ 160,487	30.0%
Cash used for Acquisitions	\$ 139,007	\$ 147,613	(5.8%)
Gain related to the disposition of Clark properties	\$ (31,517)		
2020 Cares Act Tax	\$ (30,347)		
All Cash ended 2021	\$ 105,301		
Cash held by foreign subsidiaries	\$ 78,102		

Free Cash Flow						
(000's)	Q4 2021	\$ Increase	% Change	YTD 2021	\$ Increase	% Change
Net Cash Provided by Operating Activities	\$ 96,062	\$ 884	0.9%	\$ 394,973	\$ (40,812)	(9.4%)
Capital Expenditures*	\$ (7,163)	\$ (1,624)	(29.3%)	\$ (27,194)	\$ (3,965)	(17.1%)
Free Cash Flow	\$ 88,899	\$ (740)	(0.8%)	\$ 367,779	\$ (44,777)	(10.9%)
* Increase due to upgrade of Data Center Facility (Cybersecurity Initiative)						



Appendix

Reconciliation of GAAP and non-GAAP Financial Measures

The Company has used the non-GAAP financial measures of adjusted net income and adjusted EPS in this earnings release, and the non-GAAP financial measures of organic revenues, organic revenues by type, organic revenues in constant dollars, adjusted EBITDA, and free cash flow in today's conference call. 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 and adjusted EBITDA as measures of operating performance because these measures allow the Company to compare performance consistently over various periods without regard to the impact of the property disposition gains, the accelerated stock vesting expense or the SEC matter. Management also uses organic revenues, organic revenues by type and organic revenues in constant dollars to compare revenues over various periods excluding the impact of acquisitions and the change in foreign currency rates. 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 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.

Set forth below is a reconciliation of non-GAAP financial measures used in today's earnings release and conference call with their most comparable GAAP measures.



Appendix

	(unaudited in thousands except EPS)							
	Three Months Ended				Year Ended			
	December 31,				December 31,			
	2021	2020	Better/ (Worse)	%	2021	2020	Better/ (Worse)	%
Reconciliation of Net Income to Adjusted Net Income and EPS								
Net income	\$ 65,337	\$ 62,619	\$ 2,718	4.3 %	\$ 350,687	\$ 260,824	\$ 89,863	34.5 %
Property disposition gains (net of tax (\$23,230))	—	—	—	—	(31,517)	—	(31,517)	—
SEC matter ¹	5,000	—	5,000	—	8,000	—	8,000	—
Late Chairman's accelerated stock vesting expense ²	—	—	—	—	—	6,691	(6,691)	—
Adjusted income taxes on excluded items	—	—	—	—	8,287	—	8,287	—
Adjusted net income	\$ 70,337	\$ 62,619	\$ 7,718	12.3 %	\$ 335,457	\$ 267,515	\$ 67,942	25.4 %
Adjusted net income per share - basic and diluted	\$ 0.14	\$ 0.13	\$ 0.01	7.7 %	\$ 0.68	\$ 0.54	\$ 0.14	25.9 %
Weighted average shares outstanding - basic and diluted	492,041	491,619	422	0.1 %	492,054	491,604	450	0.1 %
Reconciliation of Net Income to EBITDA and Adjusted EBITDA								
Net income	\$ 65,337	\$ 62,619	\$ 2,718	4.3 %	\$ 350,687	\$ 260,824	\$ 89,863	34.5 %
Depreciation and amortization	23,686	22,403	1,283	5.7	94,205	88,329	5,876	6.7
Interest (income) expense, net	(504)	591	(1,095)	(185.3)	830	5,082	(4,252)	(83.7)
Provision for income taxes	28,638	24,279	4,359	18.0	124,151	93,896	30,255	32.2
EBITDA	117,157	109,892	7,265	6.6 %	569,873	448,131	121,742	27.2 %
Property disposition gains	—	—	—	—	(31,517)	—	(31,517)	—
SEC matter	5,000	—	5,000	—	8,000	—	8,000	—
Late Chairman's accelerated stock vesting expense	—	—	—	—	—	6,691	(6,691)	—
Adjusted EBITDA	\$ 122,157	\$ 109,892	\$ 12,265	11.2 %	\$ 546,356	\$ 454,822	\$ 91,534	20.1 %
Reconciliation of Net Cash Provided by Operating Activities to Free Cash Flow³								
Net cash provided by operating activities	\$ 96,062	\$ 95,178	\$ 884	0.9 %	\$ 394,973	\$ 435,785	\$ (40,812)	(9.4)%
Capital expenditures	(7,163)	(5,539)	(1,624)	(29.3)	(27,194)	(23,229)	(3,965)	(17.1)
Free Cash Flow	\$ 88,899	\$ 89,639	\$ (740)	(0.8)%	\$ 367,779	\$ 412,556	\$ (44,777)	(10.9)%

¹These amounts are not tax deductible for state or federal purposes.

²This amount is not tax deductible for state or federal purposes due to the limitation on executive compensation under IRC Sec. 162(m).

³Due to the Company's recent acquisitions, certain balances may change as the purchase price allocations are finalized.



Appendix

	2021				
	YTD	4th Quarter	3rd Quarter	2nd Quarter	1st Quarter
Reconciliation of Revenues to Organic Revenues and Organic Revenues in Constant Dollars					
Revenues	\$ 2,424,300	\$ 600,343	\$ 650,199	\$ 638,204	\$ 535,554
Revenue growth from acquisitions	(58,587)	(15,910)	(12,689)	(13,832)	(16,156)
Organic revenues	2,365,713	584,433	637,510	624,372	519,398
Adjustment to organic revenues on a constant exchange rate	(17,301)	(4,944)	(2,702)	(6,868)	(2,787)
Organic revenues in constant dollars	\$ 2,348,412	\$ 579,489	\$ 634,808	\$ 617,504	\$ 516,611
2020 revenues	\$ 2,161,220	\$ 536,292	\$ 583,698	\$ 553,329	\$ 487,901
Revenue growth	12.2%	11.9%	11.4%	15.3%	9.8%
Revenue growth from acquisitions	2.7%	3.0%	2.2%	2.5%	3.3%
Organic revenue growth	9.5%	8.9%	9.2%	12.8%	6.5%
Organic revenue growth in constant dollars	8.7%	8.1%	8.8%	11.6%	5.9%
Reconciliation of Commercial Revenues to Organic Commercial Revenues					
Commercial revenues	\$ 829,396	\$ 211,213	\$ 218,648	\$ 210,838	\$ 188,697
Commercial revenue growth from acquisitions	(20,749)	(3,949)	(4,532)	(5,779)	(6,489)
Commercial organic revenues	\$ 808,647	\$ 207,264	\$ 214,116	\$ 205,059	\$ 182,208
2020 revenues	\$ 752,348	\$ 189,572	\$ 199,561	\$ 179,900	\$ 183,315
Revenue growth	10.2%	11.4%	9.6%	17.2%	2.9%
Revenue growth from acquisitions	2.8%	2.1%	2.3%	3.2%	3.5%
Organic revenue growth	7.4%	9.3%	7.3%	14.0%	(0.6)%
Reconciliation of Residential Revenues to Organic Residential Revenues					
Residential revenues	\$ 1,103,687	\$ 267,816	\$ 307,747	\$ 292,945	\$ 235,179
Residential revenues from acquisitions	(28,130)	(8,429)	(6,004)	(5,938)	(7,759)
Residential organic revenues	\$ 1,075,557	\$ 259,387	\$ 301,743	\$ 287,007	\$ 227,420
2020 revenues	\$ 977,470	\$ 239,311	\$ 275,581	\$ 257,921	\$ 204,657
Revenue growth	12.9%	11.9%	11.7%	13.6%	14.9%
Revenue growth from acquisitions	2.9%	3.5%	2.2%	2.3%	3.8%
Organic revenue growth	10.0%	8.4%	9.5%	11.3%	11.1%
Reconciliation of Termite Revenues to Organic Termite Revenues					
Residential revenues	\$ 465,053	\$ 114,262	\$ 117,423	\$ 127,674	\$ 105,694
Residential revenues from acquisitions	(9,708)	(3,532)	(2,153)	(2,115)	(1,908)
Residential organic revenues	\$ 455,345	\$ 110,730	\$ 115,270	\$ 125,559	\$ 103,786
2020 revenues	\$ 406,781	\$ 100,593	\$ 102,144	\$ 109,817	\$ 94,227
Revenue growth	14.3%	13.6%	15.0%	16.3%	12.2%
Revenue growth from acquisitions	2.4%	3.5%	2.1%	1.9%	2.0%
Organic revenue growth	11.9%	10.1%	12.9%	14.4%	10.2%