



First Quarter 2022 Earnings Webcast

April 27, 2022



Forward Looking Statement

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 results 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, 2021, 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



Summary Income Statement including certain Non-GAAP Metrics

Summary Income Statement including certain Non-GAAP Metrics				
(000's)	<u>Q1 / YTD 2022</u>	<u>Q1 / YTD 2021</u>	<u>\$ Change</u>	<u>% Change</u>
Revenue	\$590,680	\$535,554	\$55,126	10.3%
Net Income	\$72,445	\$92,643	\$ (20,198)	(21.8%)
EBITDA	\$117,796	\$144,054	\$ (26,258)	(18.2%)
Adjusted EBITDA*	\$117,796	\$112,996	\$4,800	4.2%
EPS	\$0.15	\$0.19		
Adjusted EPS*	\$0.15	\$0.14	\$0.01	7.1%
*GAAP to Non-GAAP Reconciliation & Appendix				



Revenue Growth

Actual Exchange Rate			
Residential	Q1 / YTD 2022		
Acquisition	4.4%		
Organic	5.8%		
Total	10.2%		
Commercial	Q1 / YTD 2022		
Acquisition	1.2%		
Organic	7.9%		
Total	9.1%		
Termite	Q1 / YTD 2022		
Acquisition	4.8%		
Organic	8.5%		
Total	13.3%		
		Constant Exchange Rate	
Total	Q1 / YTD 2022	Q1 / YTD 2022	
Acquisition	3.3%	3.3%	
Organic	7.0%	6.3%	
Total	10.3%	9.6%	



Cost of Services Key Drivers and Gross Margin

Gross Margin			
(000's)	Q1 2022	Q1 2021	Pt Change
Revenue	\$590,680	\$535,554	
Cost of Services provided exclusive of depreciation and amortization	\$295,378	\$261,551	
Gross Margin	50.0%	51.2%	(1.2)

Fleet Key Drivers			
	Q1 2022	Q1 2022	Q1 2022
	% Increase	\$ Increase	Pt Increase
Fuel Costs	55%	\$4.6M	0.6
Vehicle Repairs	27%	\$1.2M	0.1
Price per Gallon	42%		

Q1 2022 Covid Impact			
	Jan-22	Q1 2022	Q1 2022
	% Increase	% Increase	Pt Increase
Positive Covid Tests	154%		
Additional Overtime Paid		21%	
Service Salaries Margin			0.4

Routing & Scheduling Reductions	
	Q1 2022
Miles Reduced	3.2 M
Fuel Costs Saved	Approx. \$700K

Pest Control Material & Supplies		
	Q1 2022	Q1 2022
	\$ Increase	Pt Increase
Pest Control M&S	\$ 2.9 M	0.1



Sales, General & Administrative (SG&A)

SG&A as a % of Revenue			
(000's)	Q1 / YTD 2022	Q1 / YTD 2021	Pt Change
SG&A Expense	\$178,785	\$162,208	
Revenue	\$590,680	\$535,554	
SG&A % of Revenue	30.3%	30.3%	0.0%



Cash Related

Cash Related			
(000's)	Q1 2022	Q1 2021	% Change
Dividends	\$49,205	\$39,389	25%
Cash used for Acquisitions	\$13,223	\$16,978	(22%)
All Cash ended 2022	\$258,338		
Cash held by foreign subsidiaries	\$86,052		

Dividends		
	Per Share	% Increase
Approved Dividends	\$ 0.10	25%

Free Cash Flow			
(000's)	Q1 2022	\$ Change	% Change
Net Cash Provided by Operating Activities*	\$87,532	(\$31,954)	(26.7%)
Capital Expenditures	(\$7,995)	(\$169)	(2.1%)
Free Cash Flow	\$79,537	(\$32,123)	(28.8%)
* Decrease due to \$30.6M in payroll taxes deferred under the CARES Act in 2020, paid in Q3 2021			



Appendix

Reconciliation of GAAP and non-GAAP Financial Measures

The Company has used the non-GAAP financial measures of adjusted net income and adjusted earnings per share (“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 March 31,			
	2022	2021	Variance \$	%
Reconciliation of Net Income to Adjusted Net Income and EPS				
Net income	\$ 72,445	\$ 92,643	\$ (20,198)	(21.8)
Property disposition gains (net of tax \$22,893)	—	(31,058)	31,058	—
Adjusted income taxes on excluded items	—	8,165	(8,165)	—
Adjusted net income	<u>\$ 72,445</u>	<u>\$ 69,750</u>	<u>\$ 2,695</u>	<u>3.9</u>
Adjusted earnings per share - basic and diluted	\$ 0.15	\$ 0.14	\$ 0.01	7.1
Weighted average shares outstanding - basic	492,213	492,003	210	0.0
Weighted average shares outstanding - diluted	492,325	492,003	322	0.1
Reconciliation of Net Income to EBITDA and Adjusted EBITDA				
Net income	\$ 72,445	\$ 92,643	\$ (20,198)	(21.8)
Depreciation and amortization	24,847	23,596	1,251	5.3
Interest expense, net	568	606	(38)	(6.3)
Provision for income taxes	19,936	27,209	(7,273)	(26.7)
EBITDA	117,796	144,054	(26,258)	(18.2)
Property disposition gains	—	(31,058)	31,058	—
Adjusted EBITDA	<u>\$ 117,796</u>	<u>\$ 112,996</u>	<u>\$ 4,800</u>	<u>4.2</u>
Reconciliation of Net Cash Provided by Operating Activities to Free Cash Flow				
Net cash provided by operating activities	\$ 87,532	\$ 119,486	\$ (31,954)	(26.7)
Capital expenditures	(7,995)	(7,826)	(169)	(2.1)
Free Cash Flow	<u>\$ 79,537</u>	<u>\$ 111,660</u>	<u>\$ (32,123)</u>	<u>(28.8)</u>



Appendix

	Three Months Ended March 31,			
			Variance	
	2022	2021	\$	%
Reconciliation of Revenues to Organic Revenues and Organic Revenues in Constant Dollars				
Revenues	\$ 590,680	\$ 535,554	\$ 55,126	10.3
Revenue growth from acquisitions	(17,567)	—	(17,567)	—
Organic revenues	573,113	535,554	37,559	7.0
Adjustment to organic revenues on a constant exchange rate	(3,663)	—	(3,663)	—
Organic revenues in constant dollars	\$ 569,450	\$ 535,554	\$ 33,896	6.3
Reconciliation of Residential Revenues to Organic Residential Revenues				
Residential revenues	\$ 259,259	\$ 235,179	\$ 24,080	10.2
Residential revenues from acquisitions	(10,282)	—	(10,282)	—
Residential organic revenues	\$ 248,977	\$ 235,179	\$ 13,798	5.8
Reconciliation of Commercial Revenues to Organic Commercial Revenues				
Commercial revenues	\$ 205,787	\$ 188,697	\$ 17,090	9.1
Commercial revenue growth from acquisitions	(2,222)	—	(2,222)	—
Commercial organic revenues	\$ 203,565	\$ 188,697	\$ 14,868	7.9
Reconciliation of Termite Revenues to Organic Termite Revenues				
Termite revenues	\$ 119,706	\$ 105,694	\$ 14,012	13.3
Termite revenues from acquisitions	(5,063)	—	(5,063)	—
Termite organic revenues	\$ 114,643	\$ 105,694	\$ 8,949	8.5