



Second Quarter 2022 Earnings Webcast

July 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
GVP Finance and IR,
Interim CFO and Treasurer



Summary Income Statement Including Certain Non-GAAP Metrics

Summary Income Statement including certain Non-GAAP Metrics								
(000's)	Q2 2022	Q2 2021	\$ Change	% Change	YTD 2022	YTD 2021	\$ Change	% Change
Revenue	\$714,049	\$638,204	\$75,845	11.9%	\$1,304,729	\$1,173,758	\$130,971	11.2%
Net Income	\$100,299	\$98,854	\$1,445	1.5%	\$172,744	\$191,497	(\$18,753)	-9.8%
EBITDA	\$159,193	\$157,751	\$1,442	0.9%	\$276,989	\$301,805	(\$24,816)	-8.2%
Adjusted EBITDA*	\$159,193	\$157,292	\$1,901	1.2%	\$276,989	\$270,288	\$6,701	2.5%
EPS	\$0.20	\$0.20			\$0.35	\$0.39		
Adjusted EPS*	\$0.20	\$0.20	\$0.00	0.0%	\$0.35	\$0.34	\$0.01	2.9%
*GAAP to Non-GAAP Reconciliation in Appendix								



Revenue Growth

Actual Exchange Rate				
Residential	Q2	YTD 2022		
Acquisition	4.0%	4.1%		
Organic	7.0%	6.6%		
Total	11.0%	10.7%		
Commercial	Q2	YTD 2022		
Acquisition	1.9%	1.5%		
Organic	9.3%	8.7%		
Total	11.2%	10.2%		
Termite	Q2	YTD 2022		
Acquisition	3.8%	4.3%		
Organic	11.2%	9.9%		
Total	15.0%	14.2%		
Total	Q2	YTD 2022	Constant Exchange Rate	
Acquisition	3.2%	3.2%	Q2	YTD 2022
			3.2%	3.2%
Organic	8.7%	8.0%	9.1%	8.2%
Total	11.9%	11.2%	12.3%	11.4%

Certain immaterial changes have been made to the constant currency growth calculation from the initial presentation.



Cost of Services Key Drivers and Gross Margin

Fleet Key Drivers in Q2 2022				
	Miles	% Increase	\$ Increase	Pt Increase
Fuel Costs		60.5%	\$6.8M	0.77
Vehicle Repairs		36.7%	\$1.7M	0.16
Average Price per Gallon		50.6%		
Miles Reduced	5.8+ M		(\$1.3M)	
Average Price per Gallon Increase on Miles Reduced			\$400K	
Net Fuel Costs Saved			<u>(\$875K)</u>	



Sales, General & Administrative (SG&A)

SG&A as a % of Revenue			
(000's)	Q2 2022	Q2 2021	% Change
SG&A Expense	\$219,987	\$183,482	
Revenue	\$714,049	\$638,204	
SG&A % of Revenue	30.8%	28.7%	2.1%

Q2 2022 Key Drivers		
	% Increase	Pt Change
Travel	65.7%	(0.1)
Advertising		(2.0)



Cash Related

Free Cash Flow				
(000's)	Q2 2022	Q2 2021	\$ Change	% Change
Net Cash Provided by Operating Activities*	\$127,285	\$99,719	\$27,566	27.6%
Capital Expenditures	(\$7,886)	(\$5,403)	(\$2,483)	(45.9%)
Free Cash Flow	\$119,399	\$94,316	\$25,083	26.6%
* This increase was primarily driven by timing of income tax payments.				

Cash Related		
(000's)	Q2 2022	% Change over Q2 2021
Dividends	\$49,229	22%
Cash used for Acquisitions	\$36,357	218.7%
All Cash ended 2022	\$220,964	
Cash held by foreign subsidiaries	\$62,894	

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



Appendix

Reconciliation of GAAP and non-GAAP Financial Measures

The Company has used the non-GAAP financial measures of organic revenues, adjusted net income and adjusted earnings per share (“EPS”) in this earnings release, and the non-GAAP financial measures of 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. 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 June 30,				Six Months Ended June 30,			
	2022	2021	Variance \$	%	2022	2021	Variance \$	%
Reconciliation of Net Income to Adjusted Net Income and EPS								
Net income	\$ 100,299	\$ 98,854	\$ 1,445	1.5	\$ 172,744	\$ 191,497	\$ (18,753)	(9.8)
Property disposition gains (net of tax \$337 and \$23,230, respectively)	—	(459)	459	—	—	(31,517)	31,517	—
Adjusted income taxes on excluded items	—	122	(122)	—	—	8,287	(8,287)	—
Adjusted net income	\$ 100,299	\$ 98,517	\$ 1,782	1.8	\$ 172,744	\$ 168,267	\$ 4,477	2.7
Adjusted earnings per share - basic and diluted	\$ 0.20	\$ 0.20	\$ —	—	\$ 0.35	\$ 0.34	\$ 0.01	2.9
Weighted average shares outstanding - basic	492,327	491,999	328	0.1	492,270	491,950	320	0.1
Weighted average shares outstanding - diluted	492,440	491,999	441	0.1	492,382	491,950	432	0.1
Reconciliation of Net Income to EBITDA and Adjusted EBITDA								
Net income	\$ 100,299	\$ 98,854	\$ 1,445	1.5	\$ 172,744	\$ 191,497	\$ (18,753)	(9.8)
Depreciation and amortization	24,325	23,306	1,019	4.4	49,172	46,902	2,270	4.8
Interest expense, net	880	506	374	73.9	1,448	1,112	336	30.2
Provision for income taxes	33,689	35,085	(1,396)	(4.0)	53,625	62,294	(8,669)	(13.9)
EBITDA	159,193	157,751	1,442	0.9	276,989	301,805	(24,816)	(8.2)
Property disposition gains	—	(459)	459	—	—	(31,517)	31,517	—
Adjusted EBITDA	\$ 159,193	\$ 157,292	\$ 1,901	1.2	\$ 276,989	\$ 270,288	\$ 6,701	2.5
Reconciliation of Net Cash Provided by Operating Activities to Free Cash Flow								
Net cash provided by operating activities	\$ 127,285	\$ 99,719	\$ 27,566	27.6	\$ 214,817	\$ 219,205	\$ (4,388)	(2.0)
Capital expenditures	(7,886)	(5,403)	(2,483)	(45.9)	(15,881)	(13,229)	(2,652)	(20.0)
Free Cash Flow	\$ 119,399	\$ 94,316	\$ 25,083	26.6	\$ 198,936	\$ 205,976	\$ (7,040)	(3.4)



Appendix

	Three Months Ended				Six Months Ended			
	June 30,				June 30,			
			Variance					
	2022	2021	\$	%	2022	2021	\$	%
Reconciliation of Revenues to Organic Revenues and Organic Revenues in Constant Dollars								
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
Adjustment to organic revenues on a constant exchange rate	3,016	—	3,016	—	3,850	—	3,850	—
Organic revenues in constant dollars	\$ 696,594	\$ 638,204	58,390	9.1	\$ 1,270,540	\$ 1,173,758	96,782	8.2
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 Revenues to Organic Termite Revenues								
Termite revenues	\$ 146,781	\$ 127,674	19,107	15.0	\$ 266,487	\$ 233,368	33,119	14.2
Termite revenues from acquisitions	(4,903)	—	(4,903)	—	(9,966)	—	(9,966)	—
Termite organic revenues	\$ 141,878	\$ 127,674	14,204	11.2	\$ 256,521	\$ 233,368	23,153	9.9

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