



# Third Quarter 2022 Earnings Webcast

October 26, 2022



# Safe Harbor

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



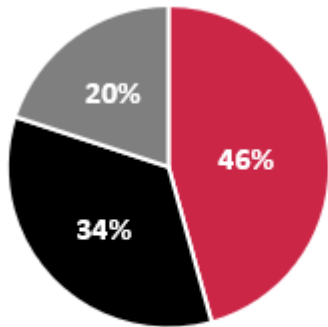
**Ken Krause**  
EVP, CFO and Treasurer



# Rollins Overview

Rollins is a premier global consumer and commercial services company. We have consistently grown through challenging economic cycles while focusing on providing exceptional customer service. Our services are aimed at controlling pests and helping our customers protect their brands and their property.

Revenues by major service line



■ Residential ■ Commercial ■ Termite

## Key Metrics<sup>1</sup>

**\$2.6B**

Revenues

**51.6%**

Gross Margin  
(excluding depreciation & amortization)

**21.6%**

Adjusted EBITDA Margin<sup>2</sup>

**>100%**

Free Cash Flow Conversion

**>17,000**

Employees

**>80%**

Recurring Revenue in Pest Control

Recurring revenue, consistent growth, strong margins and cash generation

<sup>1</sup>Key metrics for latest 12-month period ended September 30, 2022

<sup>2</sup>These amounts are non-GAAP measures (see Appendix)



# Key Messages

- The team had another strong quarter, consisting of double-digit sales and earnings increase
  - Total sales were up 12.2% in the quarter with broad based growth across all major service offerings that drove 14.7% growth in GAAP net income
- Operating cash flow was strong, well in excess of net income
  - Consistently strong cash flow performance
  - We invested \$61 million in acquisitions and paid dividends of \$49 million, representing a 23% increase in the quarter
- The company announced a 30% increase to the quarterly regular dividend for the fourth quarter of 2022
- We are positioned to deliver a strong finish to 2022
- We are extremely proud of our 17,000+ associates for their engagement and exceptional work

**Highly engaged teams driving strong results across the portfolio**

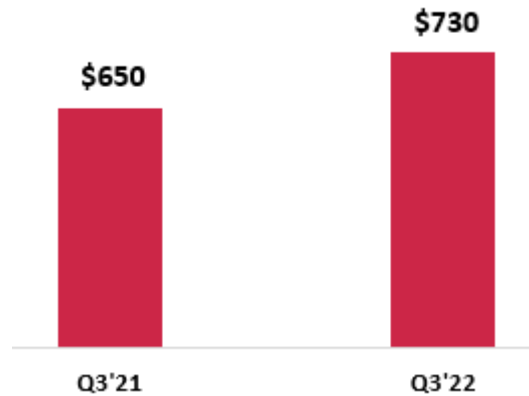


# Q3 2022 Financial Results

\$M, except per share data

## Revenues

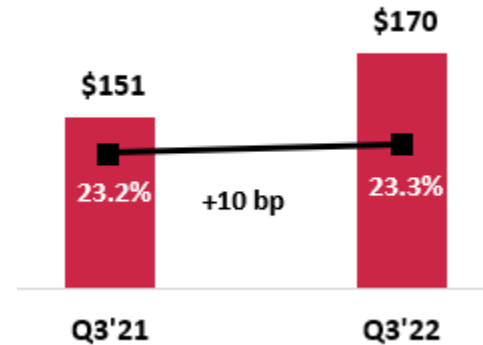
+12.2%



- Double digit revenue growth across all major service lines
- Revenue growth from both organic activity and acquisitions.
- 50 bps reduction in sales for stronger dollar versus foreign currencies in countries where we operate

## Adjusted EBITDA<sup>1</sup>

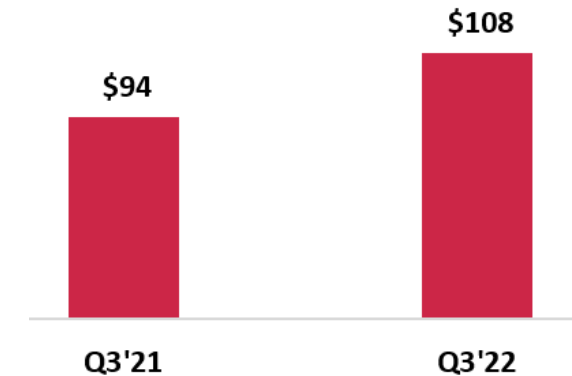
+12.6%



- Revenue growth offset by casualty reserve increase driven by certain asserted claims that evolved during the quarter. 140 bps headwind on adjusted EBITDA margin associated with this item.
- Excluding this headwind, pricing and growth in business offset inflationary pressures and increased people, advertising, and fleet costs
- Our team is focused on managing both pricing and costs

## GAAP Net Income

+14.7%



- Effective tax rate was 25.7% compared to 26.1% in prior year
- EPS increases by \$0.03 to \$0.22
- Growth, improved margin, and lower tax rate drive earnings growth

**Strong financial performance to close out Q3, positioned to deliver a strong 2022**

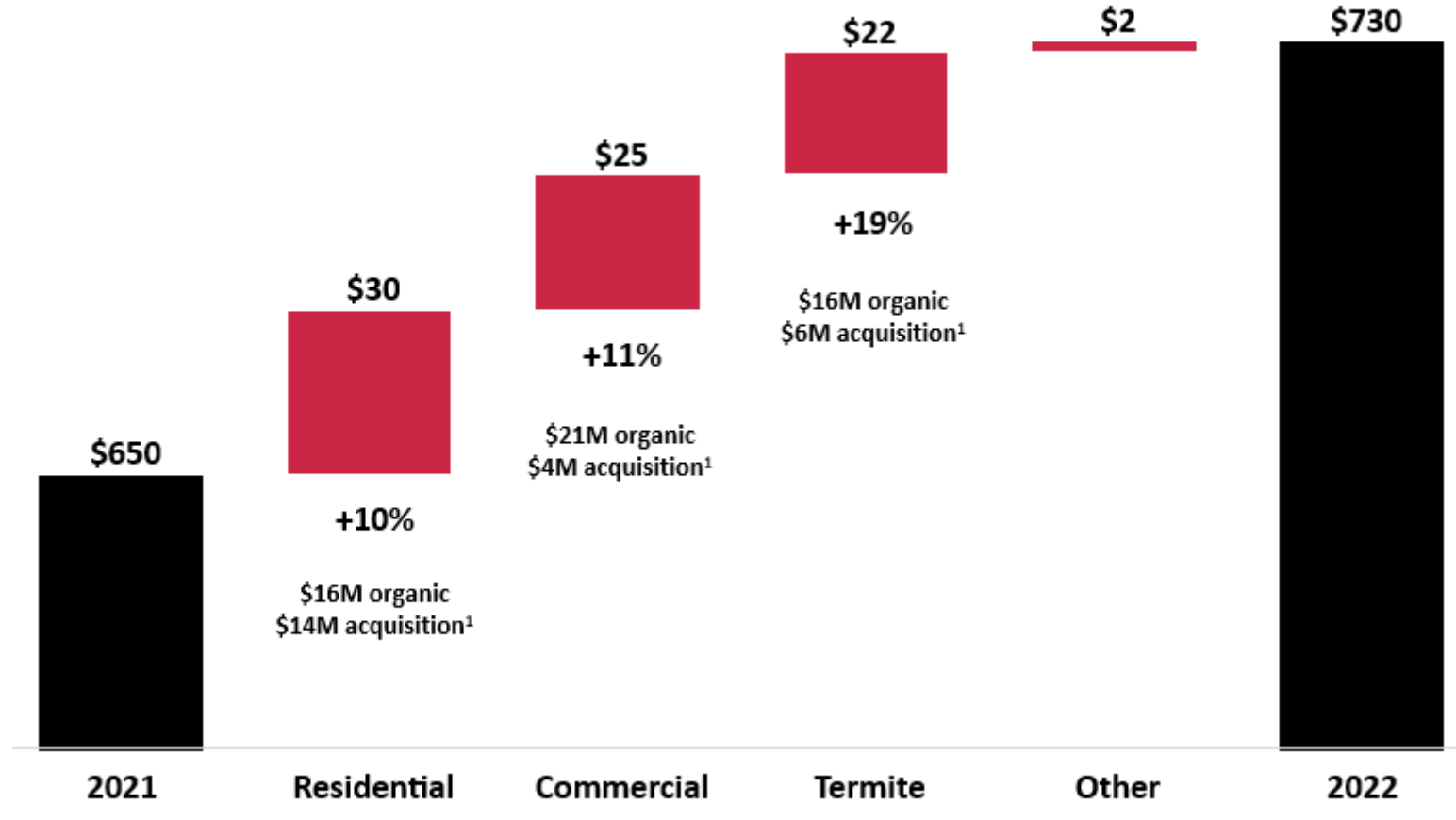
Note: All comparisons are made to Q3 2021 unless otherwise stated

<sup>1</sup>These amounts are non-GAAP measures (see Appendix)



# Revenue Growth

\$M



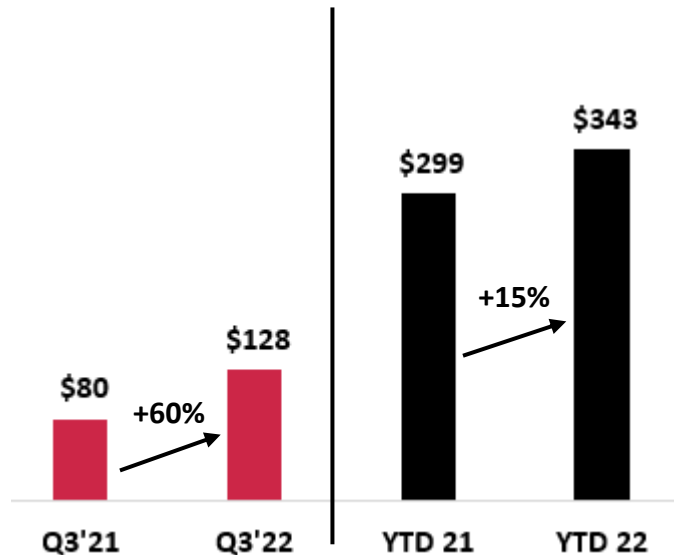
Balanced growth across all major service lines

<sup>1</sup>These amounts are non-GAAP measures (see Appendix)



# Cash Flows and Balance Sheet

## Cash flow from operations (\$M)



## Balance sheet highlights<sup>1</sup> (\$M)

Cash and cash equivalents	\$122
Trade receivables	\$170
Financing receivables, short term	\$32
Materials and supplies	\$29
<b>Total assets</b>	<b>\$2,112</b>
Accounts payable	\$43
<b>Total liabilities</b>	<b>\$916</b>

- **Continued strong cash flow** to support growth initiatives and effective allocation of capital
- **Working Capital – Trade Receivables, Financing receivables, short term, Materials and supplies less Accounts payable** was healthy at \$188M or approximately 7% of LTM revenue
- **Total debt to TTM EBITDA ratio of 0.2x** on September 30, 2022 continues to remain far below our committed capacity

Leveraging our strengths to accelerate growth

<sup>1</sup>As of September 30, 2022

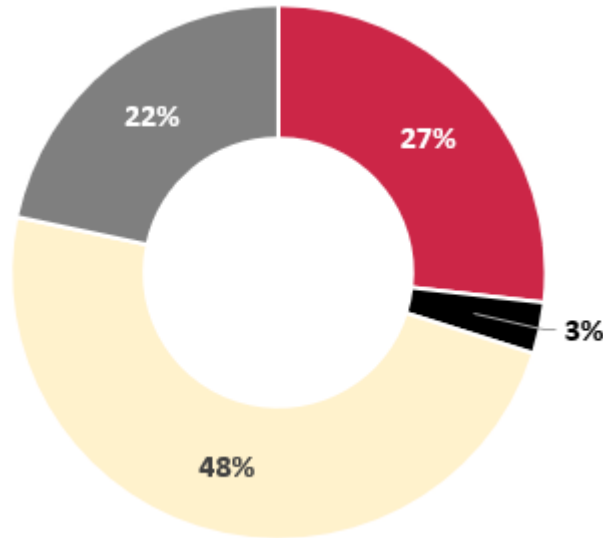




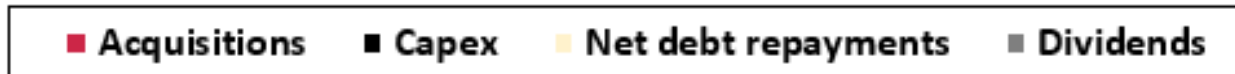
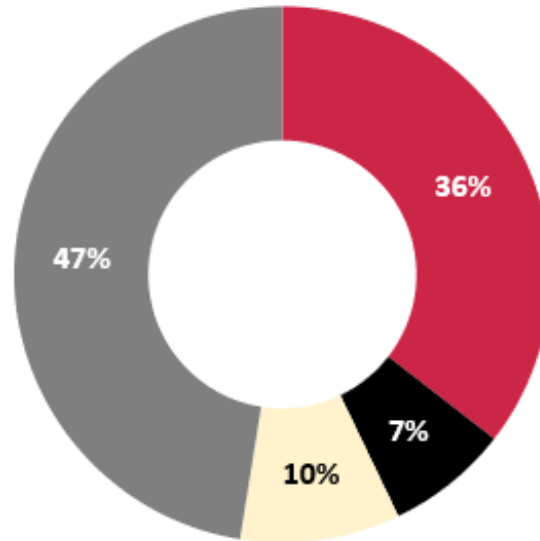
# Effective Capital Allocation

## Total capital deployed

Q3'22: \$227M



YTD 22: \$311M



## Key observations

### Acquisitions

- \$107M for 27 acquisitions YTD
- Pipeline of potential acquisitions is robust
- Funding acquisitions in 2022 through Free Cash Flow

### Capital Expenditures (Capex)

- \$23M Capex YTD

### Dividends

- 2022 cash dividend \$0.30 per share YTD, +25% from 2021
- Announced Q4 regular dividend of \$0.13 +30% from 2021
- Cash flow performance remains strong and supports further growth

### Debt

- \$30M net repayments of debt YTD
- Negligible leverage

Balanced capital allocation supported by strong cash flow generation in the business



# Appendix

## **Reconciliation of GAAP and non-GAAP Financial Measures**

The Company has used the non-GAAP financial measures of organic revenues, adjusted EBITDA, adjusted net income, adjusted earnings per share (“EPS”), organic revenues by type, and free cash flow in this 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 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, 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 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 on the following pages are reconciliations of non-GAAP financial measures used in today’s investor presentation, earnings release, and conference call with their most comparable GAAP measures.



# Appendix

(unaudited in thousands except share data)

	Three Months Ended September 30,				Nine Months Ended September 30,				Three Months Ended December 31,
	2022	2021	Variance		2022	2021	Variance		2021
			\$	%			\$	%	
<b>Reconciliation of Net Income to Adjusted Net Income and EPS</b>									
Net income	\$ 107,622	\$ 93,853	\$ 13,769	14.7	\$ 280,366	\$ 285,350	\$ (4,984)	(1.7)	\$ 65,337
Property disposition gains (net of tax \$23,230)	—	—	—	—	—	(31,517)	31,517	—	—
SEC matter <sup>1</sup>	—	—	—	—	—	—	—	—	5,000
Adjusted income taxes on excluded items	—	—	—	—	—	8,287	(8,287)	—	—
Adjusted net income	<u>\$ 107,622</u>	<u>\$ 93,853</u>	<u>\$ 13,769</u>	<u>14.7</u>	<u>\$ 280,366</u>	<u>\$ 262,120</u>	<u>\$ 18,246</u>	<u>7.0</u>	<u>\$ 70,337</u>
Adjusted earnings per share - basic and diluted	\$ 0.22	\$ 0.19	\$ 0.03	15.8	\$ 0.57	\$ 0.53	\$ 0.04	7.5	\$ 0.14
Weighted average shares outstanding - basic	492,316	492,069	247	0.1	492,285	492,058	227	0.0	492,041
Weighted average shares outstanding - diluted	492,430	492,069	361	0.1	492,398	492,058	340	0.1	492,041
<b>Reconciliation of Net Income to EBITDA and Adjusted EBITDA</b>									
Net income	\$ 107,622	\$ 93,853	\$ 13,769	14.7	\$ 280,366	\$ 285,350	\$ (4,984)	(1.7)	\$ 65,337
Depreciation and amortization	24,282	23,617	665	2.8	73,454	70,519	2,935	4.2	23,686
Interest expense, net	846	222	624	281.1	2,294	1,334	960	72.0	(504)
Provision for income taxes	37,195	33,219	3,976	12.0	90,820	95,513	(4,693)	(4.9)	28,638
EBITDA	169,945	150,911	19,034	12.6	446,934	452,716	(5,782)	(1.3)	117,157
Property disposition gains	—	—	—	—	—	(31,517)	31,517	—	—
SEC matter	—	—	—	—	—	—	—	—	5,000
Adjusted EBITDA	<u>\$ 169,945</u>	<u>\$ 150,911</u>	<u>\$ 19,034</u>	<u>12.6</u>	<u>\$ 446,934</u>	<u>\$ 421,199</u>	<u>\$ 25,735</u>	<u>6.1</u>	<u>\$ 122,157</u>
<b>Flow</b>									
Net cash provided by operating activities	\$ 127,720	\$ 79,706	\$ 48,014	60.2	\$ 342,537	\$ 298,911	\$ 43,626	14.6	\$ 96,062
Capital expenditures	(7,040)	(6,802)	(238)	(3.4)	(22,921)	(20,031)	(2,890)	(14.4)	(7,163)
Free Cash Flow	<u>\$ 120,680</u>	<u>\$ 72,904</u>	<u>\$ 47,776</u>	<u>65.5</u>	<u>\$ 319,616</u>	<u>\$ 278,880</u>	<u>\$ 40,736</u>	<u>14.6</u>	<u>\$ 88,899</u>

<sup>1</sup>These amounts are not tax deductible for state or federal purposes.



# Appendix

(unaudited in thousands)

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2022	2021	Variance		2022	2021	\$	%
			\$	%				
<b>Reconciliation of Revenues to Organic Revenues</b>								
Revenues	\$ 729,704	\$ 650,199	79,505	12.2	\$ 2,034,433	\$ 1,823,957	210,476	11.5
Revenue growth from acquisitions	(23,709)	—	(23,709)	—	(61,748)	—	(61,748)	—
Organic revenues	\$ 705,995	\$ 650,199	55,796	8.6	\$ 1,972,685	\$ 1,823,957	148,728	8.1
<b>Reconciliation of Residential Revenues to Organic Residential Revenues</b>								
Residential revenues	\$ 337,878	\$ 307,747	30,131	9.8	\$ 922,448	\$ 835,871	86,577	10.4
Residential revenues from acquisitions	(13,909)	—	(13,909)	—	(35,818)	—	(35,818)	—
Residential organic revenues	\$ 323,969	\$ 307,747	16,222	5.3	\$ 886,630	\$ 835,871	50,759	6.1
<b>Reconciliation of Commercial Revenues to Organic Commercial Revenues</b>								
Commercial revenues	\$ 243,478	\$ 218,648	24,830	11.4	\$ 683,748	\$ 618,183	65,565	10.6
Commercial revenue growth from acquisitions	(3,693)	—	(3,693)	—	(9,857)	—	(9,857)	—
Commercial organic revenues	\$ 239,785	\$ 218,648	21,137	9.7	\$ 673,891	\$ 618,183	55,708	9.0
<b>Reconciliation of Termite Revenues to Organic Termite Revenues</b>								
Termite revenues	\$ 139,668	\$ 117,423	22,245	18.9	\$ 406,155	\$ 350,791	55,364	15.8
Termite revenues from acquisitions	(6,107)	—	(6,107)	—	(16,073)	—	(16,073)	—
Termite organic revenues	\$ 133,561	\$ 117,423	16,138	13.7	\$ 390,082	\$ 350,791	39,291	11.2



# Appendix

(unaudited in thousands)

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2021	2020	Variance		2021	2020	Variance	
			\$	%			\$	%
<b>Reconciliation of Revenues to Organic Revenues</b>								
Revenues	\$ 650,199	\$ 583,698	66,501	11.4	\$ 1,823,957	\$ 1,624,928	199,029	12.2
Revenue growth from acquisitions	(12,689)	—	(12,689)	—	(42,677)	—	(42,677)	—
Organic revenues	\$ 637,510	\$ 583,698	\$ 53,812	9.2	\$ 1,781,280	\$ 1,624,928	\$ 156,352	9.6
<b>Reconciliation of Residential Revenues to Organic Residential Revenues</b>								
Residential revenues	\$ 307,747	\$ 275,581	32,166	11.7	\$ 835,871	\$ 738,159	97,712	13.2
Residential revenues from acquisitions	(6,004)	—	(6,004)	—	(16,800)	—	(16,800)	—
Residential organic revenues	\$ 301,743	\$ 275,581	\$ 26,162	9.5	\$ 819,071	\$ 738,159	\$ 80,912	11.0
<b>Reconciliation of Commercial Revenues to Organic Commercial Revenues</b>								
Commercial revenues	\$ 218,648	\$ 199,561	19,087	9.6	\$ 618,183	\$ 562,777	55,406	9.8
Commercial revenue growth from acquisitions	(4,532)	—	(4,532)	—	(19,701)	—	(19,701)	—
Commercial organic revenues	\$ 214,116	\$ 199,561	\$ 14,555	7.3	\$ 598,482	\$ 562,777	\$ 35,705	6.3
<b>Reconciliation of Termite Revenues to Organic Termite Revenues</b>								
Termite revenues	\$ 117,423	\$ 102,144	15,279	15.0	\$ 350,791	\$ 306,188	44,603	14.6
Termite revenues from acquisitions	(2,153)	—	(2,153)	—	(6,176)	—	(6,176)	—
Termite organic revenues	\$ 115,270	\$ 102,144	\$ 13,126	12.9	\$ 344,615	\$ 306,188	\$ 38,427	12.6