

# Rollins, Inc.

Baird 2022 Global Industrial  
Conference

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# Safe Harbor

Except for historical information, certain statements in this presentation may contain forward-looking statements that involve risks and uncertainties concerning the business and financial results of Rollins, Inc. Forward-looking statements include, without limitation, all projections and anticipated levels of future performance. These forward-looking statements involve risks, uncertainties and other factors that may cause our actual results to differ materially from those discussed herein. Actual results can be affected by any number of factors, many of which are outside of management's control. These risks, uncertainties and other factors are detailed in our filings with the United States Securities and Exchange Commission ("SEC") including our most recent Form 10-K. Rollins, Inc. undertakes no duty to publicly update any forward-looking statements contained herein, except as required by law.

In this presentation certain non-GAAP financial measures may be used. Please see the appendix for a reconciliation to the appropriate GAAP measure.

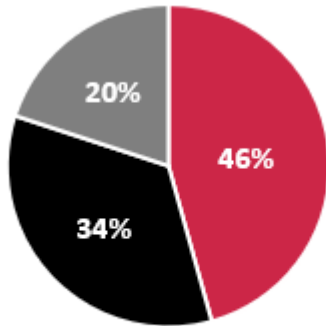




# Rollins Overview

Rollins, Inc. 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>

<b>\$2.6B</b>	<b>51.5%</b>	<b>21.6%</b>	<b>~\$20B</b>
<b>Revenues</b>	<b>Gross Margin</b> <small>(excluding depreciation &amp; amortization)<sup>2</sup></small>	<b>Adjusted EBITDA Margin<sup>2</sup></b>	<b>Market Cap</b> <b>Ticker- ROL</b>
<b>&gt;100%</b>	<b>&gt;17,000</b>	<b>~80%</b>	<b>1968</b>
<b>Free Cash Flow Conversion</b>	<b>Employees</b>	<b>Recurring Revenue in Pest Control</b>	<b>Entry onto NYSE</b>

**Market leadership, recurring revenue, consistent growth, strong cash generation**

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

<sup>2</sup>Non-GAAP measure (see reconciliation in the appendix)



# Protecting where we live, work and play with our strong brands

## Residential Pest Control



## RESIDENTIAL

- Market Leadership in Residential Pest Control globally
- Focused on health, safety and protection of property
- Recession resistant – contract-based revenue and non-discretionary purchase

## Commercial Pest Control



## COMMERCIAL

- Protecting the brand of our customers
- Healthcare, Travel and Hospitality, Logistics are Key Markets
- Recession resistant – contract-based revenue and non-discretionary purchase

## Termite and Ancillary Services



## TERMITE AND ANCILLARY SERVICES

- Termites cost Americans more than \$5 billion in damage each year
- Strong customer base and recurring revenue, high customer retention; An essential service

Providing customers with exceptional service in a defensive and growing market



# Strong Business Model and Disciplined Execution

## Consistent Revenue Growth

Double digit revenue growth across all major service lines YTD September 2022

**~80%**  
Recurring Revenue in Pest Control

**7%**  
Long Term Growth Rate



## Focus on Value Creation

Focused on driving strong incremental margins and margin expansion

**50% +**  
Gross Margin Profile

Potential for **Improved** Margin with strong Incremental Margin Profile

## Robust Acquisition Activity

**Active** pipeline & **3.3%** revenue growth from acquisitions YTD September 2022<sup>1</sup>



## Strong Financial Position

Investment grade profile, **strong** cash flow generation, **balanced** capital allocation

**\$110M**  
Investments in Acquisitions YTD

**>15%**  
Long Term Growth Rate in Free Cash Flow

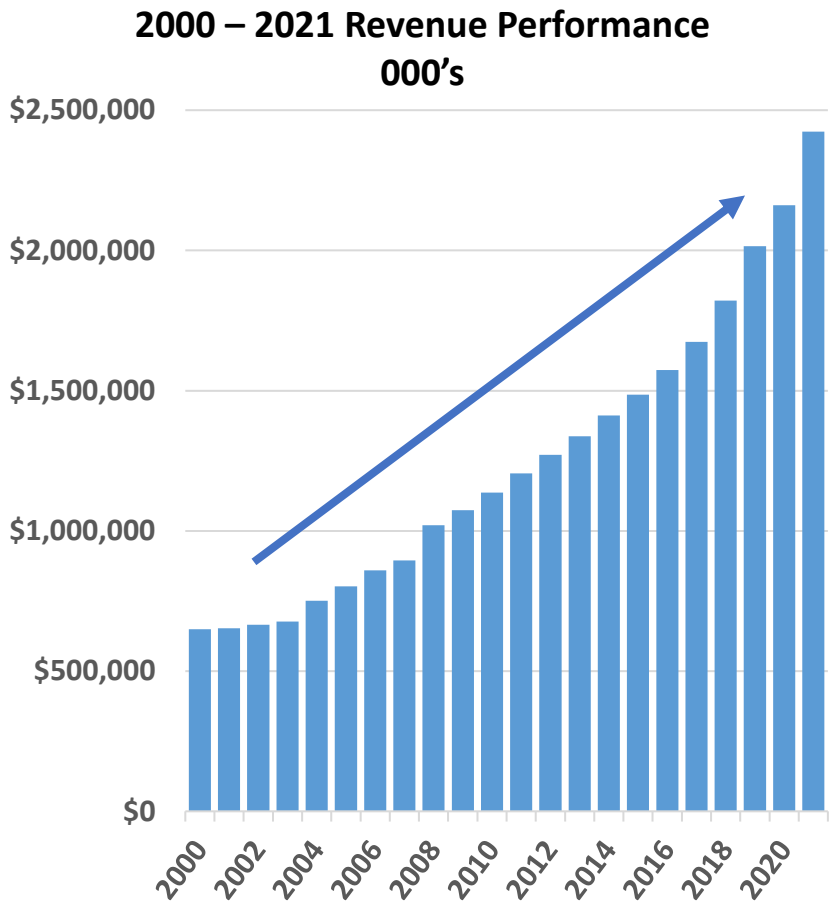
**+30%**  
Increase to Regular Quarterly Dividend in Q4

**Growth, improving profitability and balanced capital allocation drive above-market shareholder returns**

<sup>1</sup>Non-GAAP measure (see reconciliation in the appendix)



# Resilient Business Model



20+ Years of Revenue Growth – approximate 7% CAGR with similar growth over the past 5 years

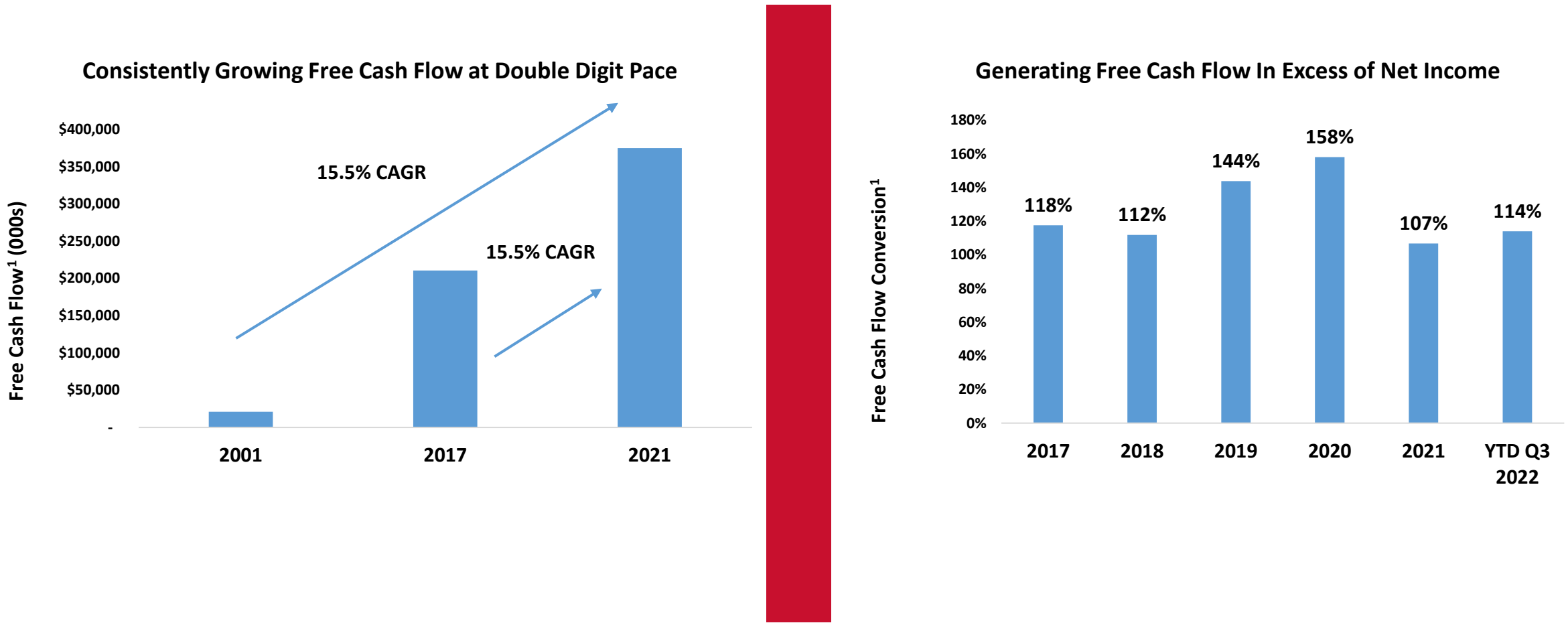
Consistent performance through all cycles

- Great Recession  
2008-2009 5.2% Growth
- Industrial Recession  
2015-2016 5.9% Growth
- COVID  
2019-2020 7.2% Growth

Growing each year since 2000 with just under 7% Sales CAGR over 20 years



# A Consistent Focus on Cash Generation



Strong execution coupled with low capital requirements enable consistent and reliable cash flow generation

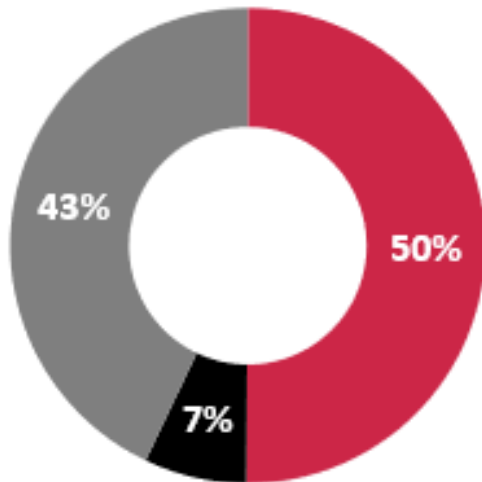
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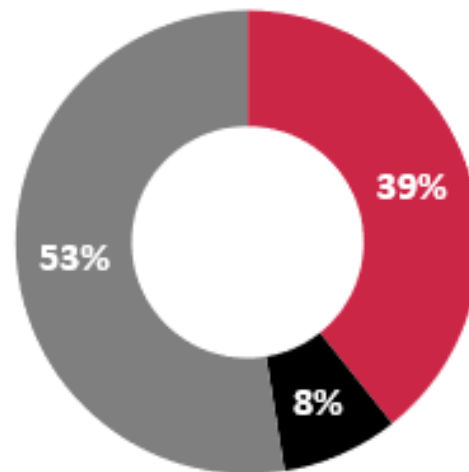
# Balanced Capital Allocation

## Total Capital Deployed

2017 -2021: \$1.9B



YTD Q3 2022: \$281M



### *Consistent Focus on Acquisitions*

- \$110M for 27 acquisitions YTD
- Pipeline of potential acquisitions is robust
- Funding 2022 acquisitions through Free Cash Flow

### *A focus on Paying a Growing Dividend*

- 2022 cash dividend \$0.30 per share YTD Q3
- 30% Increase announced for Q4

### *Low Level of CAPEX*

- Not capital intensive with minor levels of ongoing CAPEX

### *Capacity to Grow*

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

Balanced capital allocation supported by strong cash flow generation





# Q3 2022 Performance Update

## Q3 2022 Highlights

**\$730M**

**Revenues**

+12.2% growth

**\$170M**

**Adjusted EBITDA<sup>1</sup>**

23.3% margin | +10 bps

**\$108M**

**GAAP Net Income**

+14.7% growth

**\$120M**

**Free Cash Flow<sup>1</sup>**

60+% growth

- Strong growth across all major service lines
- Margin improvement despite higher casualty reserves
- Double digit earnings and cash flow growth
- >100% Cash Flow Conversion<sup>1</sup>
- 30% Increase in Regular Dividend

**Growth in revenue and earnings, strong cash generation and increasing dividend**

<sup>1</sup>Non-GAAP measure (see reconciliation in the Appendix)



# Why Invest in Rollins?



Protecting Where You  
Live, Work, and Play

ROL  
LISTED  
NYSE

2021 ANNUAL REPORT

- 20+ Years of consistent growth; Regardless of economic cycle
- Reliable mid-high single digit growth
- ~80% recurring revenue in pest control
- M&A – Strong track record of successfully acquiring in a fragmented market with over 20,000 competitors in the United States alone
- Strong margin performance; opportunities to improve going forward with healthy incremental margins
- Consistent growth in free cash flow with 15%+ growth and reinvestment in accretive acquisitions
- Very healthy balance sheet – Net neutral leverage and a very balanced approach to capital allocation

**Strong business model and consistent execution delivers strong returns**



# Appendix

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

The Company has used the non-GAAP financial measures of gross margin (excluding depreciation & amortization), adjusted EBITDA, adjusted EBITDA margin, organic revenues, free cash flow, and free cash flow conversion 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. Free cash flow is calculated as net cash provided by operating activities less capital expenditures. Free cash flow conversion is calculated as free cash flow as a percentage of net income. These measures should not be considered in isolation or as a substitute for revenues, operating income, net income, or other performance measures prepared in accordance with GAAP.

Management uses 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 and free cash flow conversion 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 presentation with their most comparable GAAP measures.



# Appendix

(unaudited in thousands)

	Three Months Ended September 30,				Nine Months Ended September 30,				Three Months Ended December 31,	Twelve Months Ended September 30,
	2022	2021	Variance		2022	2021	Variance		2021	2022
			\$	%			\$	%		
<b>Reconciliation of Operating Income to Gross Margin (excluding depreciation &amp; amortization)</b>										
Operating income	\$ 143,683	\$ 126,847	\$ 16,836	13.3	\$ 368,310	\$ 260,401	\$ 107,909	41.4	\$ 91,390	\$ 459,700
Sales, general and administrative	213,581	194,261	19,320	(9.8)	612,353	539,951	72,402	(13.4)	187,538	799,891
Depreciation and amortization	24,282	23,617	665	(2.7)	73,454	70,519	2,935	(4.2)	23,686	97,140
Gross Profit (excluding depreciation & amortization)	<u>\$ 381,546</u>	<u>\$ 344,725</u>	<u>\$ 36,821</u>	<u>10.7</u>	<u>\$ 1,054,117</u>	<u>\$ 870,871</u>	<u>\$ 183,246</u>	<u>21.0</u>	<u>\$ 302,614</u>	<u>\$ 1,356,731</u>
Revenues	729,704	650,199			2,034,433	1,823,957			600,343	2,634,776
Gross Margin (excluding depreciation & amortization)	52.3%	53.0%			51.8%	47.7%			50.4%	51.5%
<b>Reconciliation of Net Income to EBITDA and Adjusted EBITDA Margin</b>										
Net income	\$ 107,622	\$ 93,853	\$ 13,769	14.7	\$ 280,366	\$ 285,350	\$ (4,984)	(1.7)	\$ 65,337	\$ 345,703
Depreciation and amortization	24,282	23,617	665	2.8	73,454	70,519	2,935	4.2	23,686	97,140
Interest expense, net	846	222	624	281.1	2,294	1,334	960	72.0	(504)	1,790
Provision for income taxes	37,195	33,219	3,976	12.0	90,820	95,513	(4,693)	(4.9)	28,638	119,458
EBITDA	169,945	150,911	19,034	12.6	446,934	452,716	(5,782)	(1.3)	117,157	564,091
Property disposition gains (net of tax (\$23,230))	—	—	—	—	—	(31,517)	31,517	—	—	—
SEC matter <sup>1</sup>	—	—	—	—	—	—	—	—	5,000	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>	<u>\$ 569,091</u>
Revenues	\$ 729,704	\$ 650,199	79,505	12.2	\$ 2,034,433	\$ 1,823,957	210,476	11.5	600,343	2,634,776
Adjusted EBITDA margin	23.3%	23.2%			22.0%	23.1%			20.3%	21.6%
<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	8.2		

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



# Appendix

(unaudited in thousands)

**Reconciliation of Net Cash Provided by Operating Activities to Free Cash Flow**

	Twelve Months Ended December 31,						Nine Months Ended September 30,	Three Months Ended December 31,	Twelve Months Ended September 30,
	2001	2017	2018	2019	2020	2021	2022	2021	2022
Net cash provided by operating activities	\$ 29,558	\$ 235,370	\$ 286,272	\$ 319,573	\$ 435,785	\$ 401,805	\$ 342,537	\$ 102,894	\$ 445,431
Capital expenditures	(8,474)	(24,680)	(27,179)	(27,146)	(23,229)	(27,194)	(22,921)	(7,163)	(30,084)
Free Cash Flow	<u>\$ 21,084</u>	<u>\$ 210,690</u>	<u>\$ 259,093</u>	<u>\$ 292,427</u>	<u>\$ 412,556</u>	<u>\$ 374,611</u>	<u>\$ 319,616</u>	<u>\$ 95,731</u>	<u>\$ 415,347</u>
Net income		\$ 179,124	\$ 231,663	\$ 203,347	\$ 260,824	\$ 350,687	280,366	65,337	345,703
Free Cash Flow Conversion		118%	112%	144%	158%	107%	114%	147%	120%



**ROLLINS**

®