



# Fourth Quarter 2022 Earnings Webcast

February 16, 2023



# 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 our earnings 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 our fourth quarter 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.



# MANAGEMENT TEAM



**John Wilson**  
Vice Chairman



**Jerry Gahlhoff, Jr.**  
President and CEO



**Ken Krause**  
EVP, CFO and Treasurer

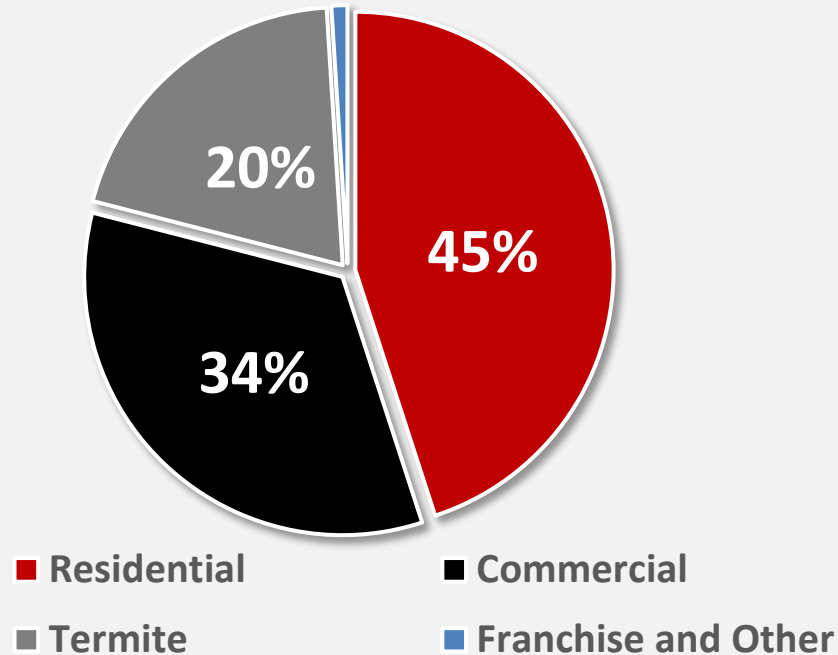


# ROLLINS OVERVIEW

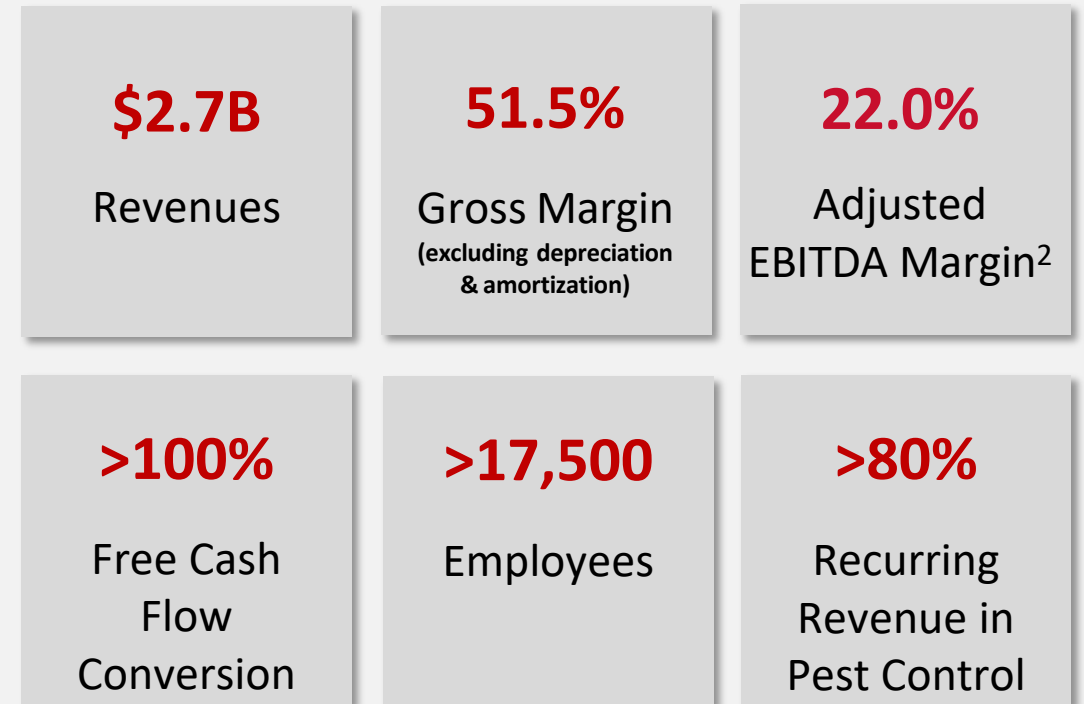
Rollins is a premier global consumer and commercial services company. We have consistently grown through challenging economic cycles while focusing on providing exceptional customer service.

Our services are aimed at controlling pests and helping our customers protect their brands and their property.

## Revenues by Service Offering



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



**Recurring revenue, consistent growth, strong margins and cash generation**

<sup>1</sup>Key metrics for latest 12-month period ended December 31, 2022

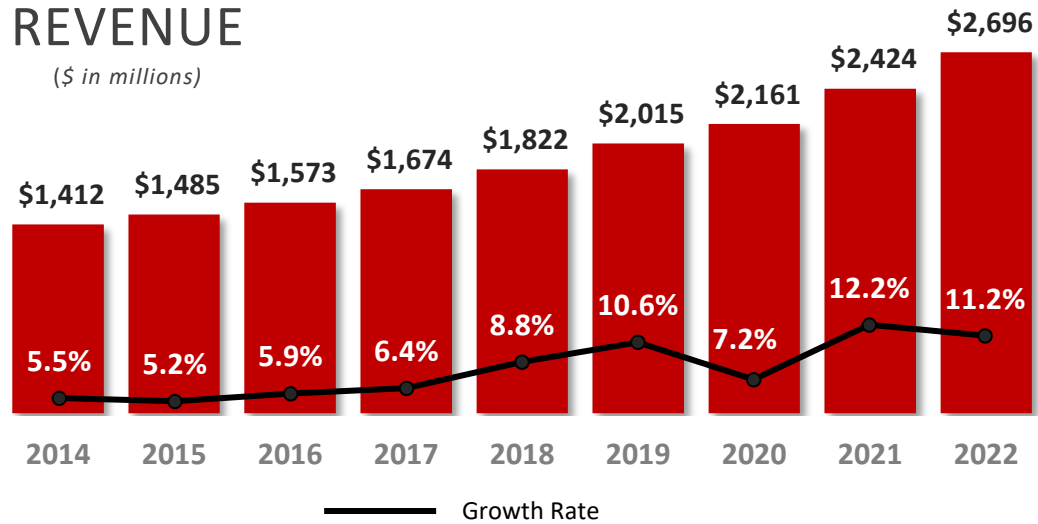
<sup>2</sup>These amounts are non-GAAP measures (see Appendix)



# LONG TERM ANNUAL HIGHLIGHTS

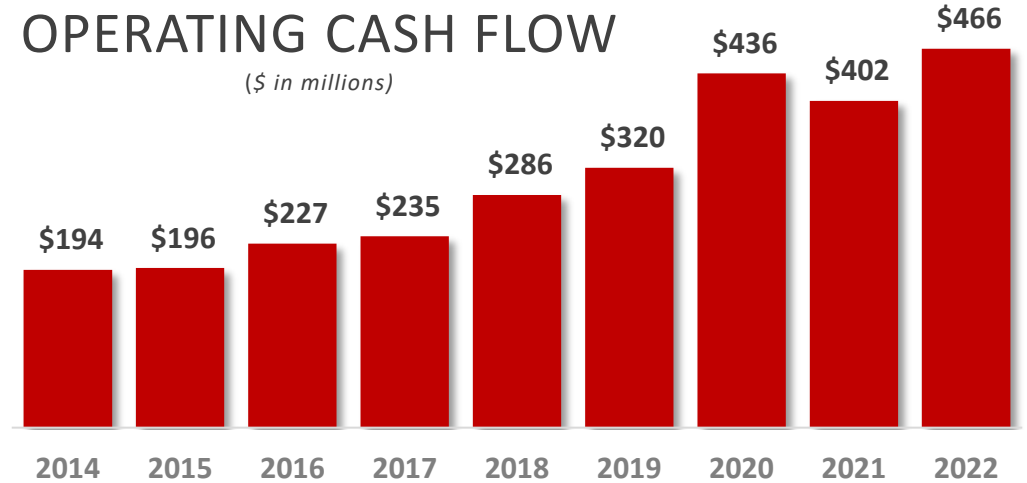
## REVENUE

(\$ in millions)



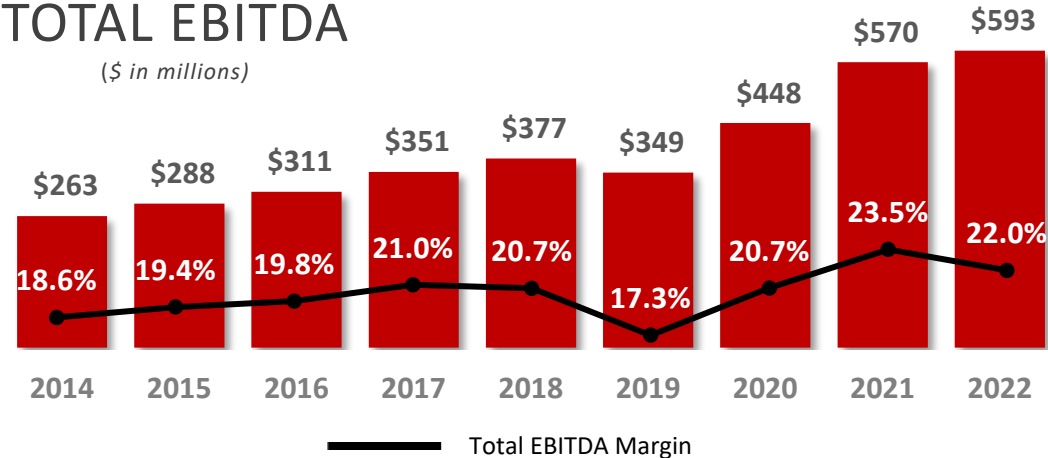
## OPERATING CASH FLOW

(\$ in millions)

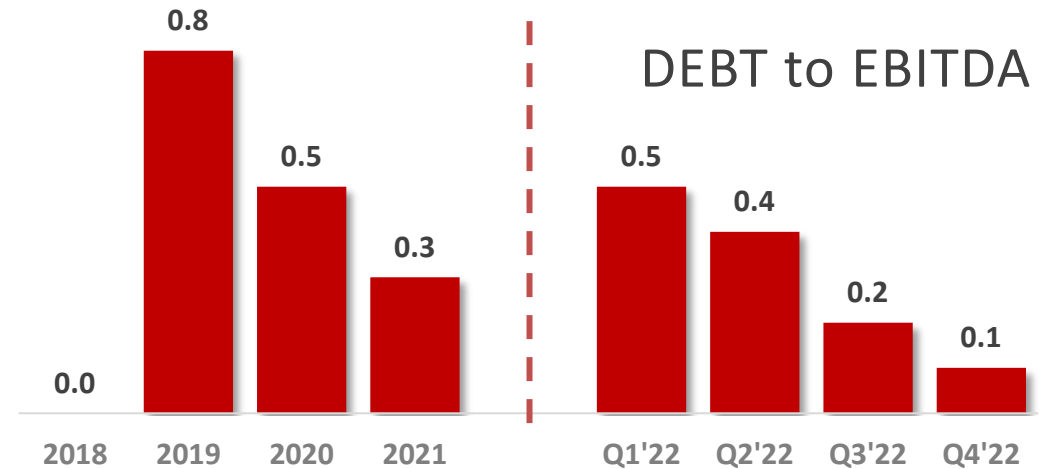


## TOTAL EBITDA

(\$ in millions)



## DEBT to EBITDA



Long-term financial performance reflects a strong focus on continuous improvement



# Q4 AND FULL YEAR INCOME STATEMENT HIGHLIGHTS

## A solid finish to a strong year in revenue

- Balanced growth across all major service categories in both the quarter and full year
- Residential was softer but we saw improvements to start 2023
- Pricing remains a focus and expect to pull pricing actions forward again in 2023

## Margins remain a focus

- Positive on price cost in Q4
- SG&A leverage drives significant improvement in quarterly margins
- Casualty reserves that were recognized primarily in Q3 had largest negative impact on full year

## Outlook

- Positioned well to start 2023
- Expect to drive another year of healthy growth
- Taking actions on pricing to offset inflationary challenges
- Balance sheet positioned well to drive additional acquisition related growth

Q4 2022	Full Year 2022
Revenue Growth 10.2%	Revenue Growth 11.2%
Adjusted EBITDA Margin <sup>1</sup> 22.1% (Up 180 bps)	Adjusted EBITDA Margin <sup>1</sup> 22.0% (Down 50 bps)
GAAP Net Income \$84M (Up 26.1%)	GAAP Net Income \$369M (Up 3.4%)

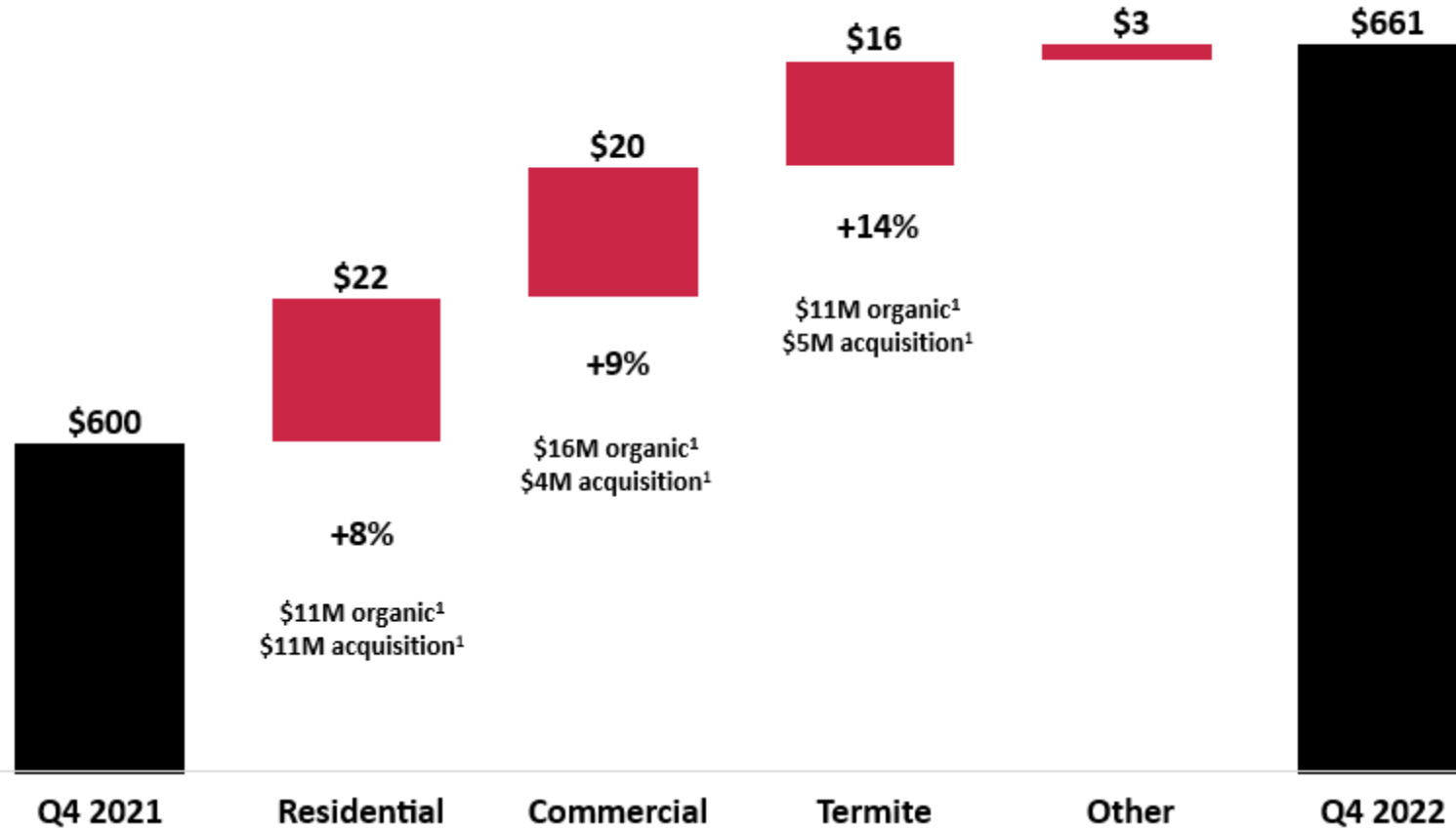
**Strong financial performance in a challenging macro-economic environment**

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



# QUARTERLY REVENUE GROWTH

\$M



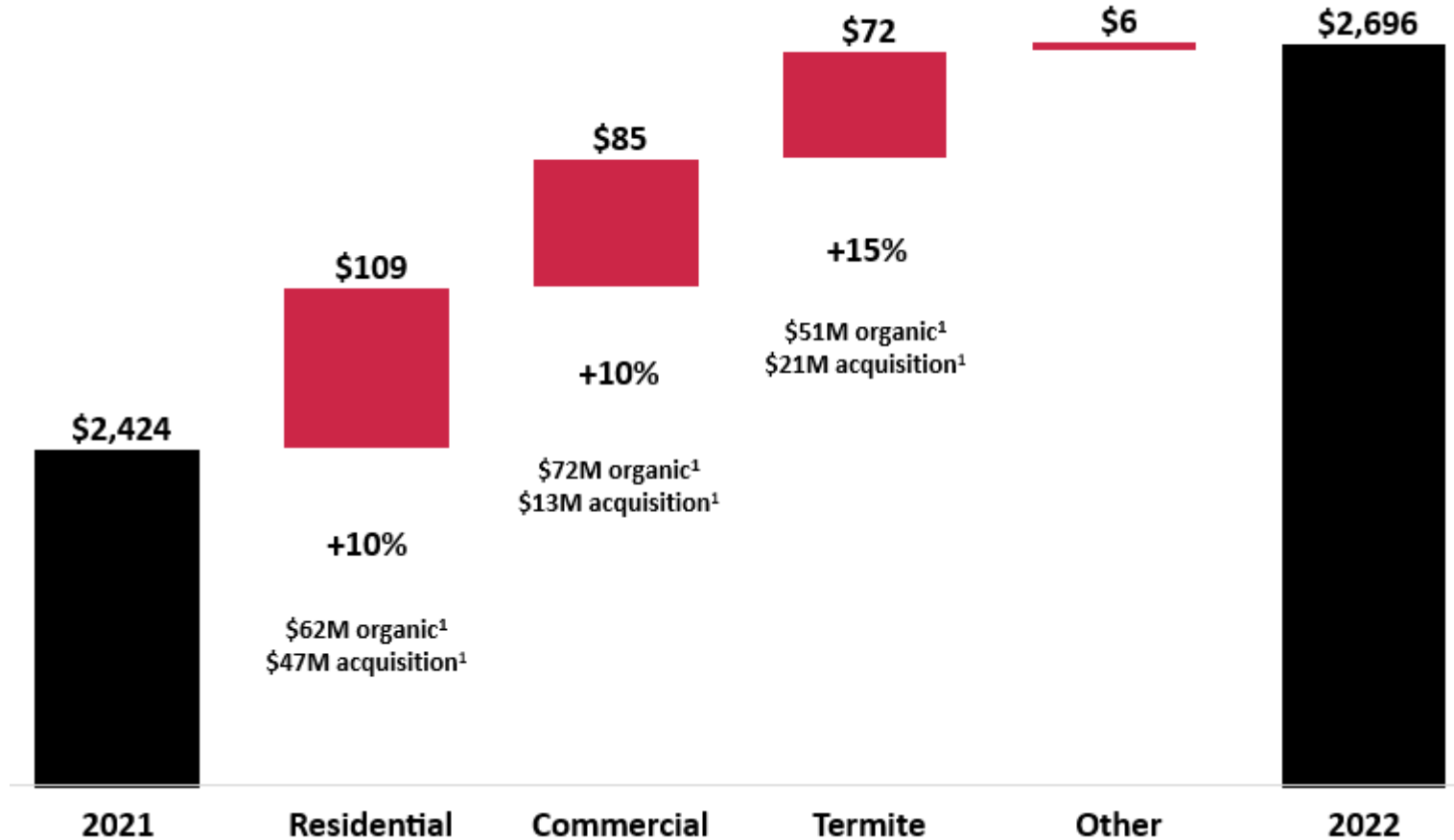
Balanced growth across all major service lines

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



# ANNUAL REVENUE GROWTH

\$M



Balanced growth across all major service lines

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



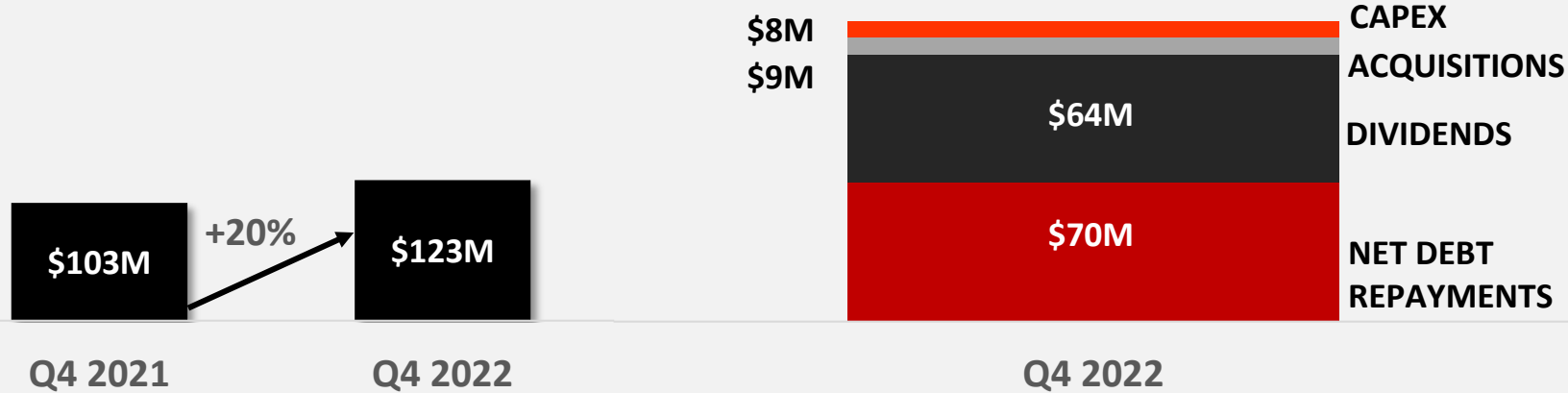


## CASH FLOW FROM OPERATIONS

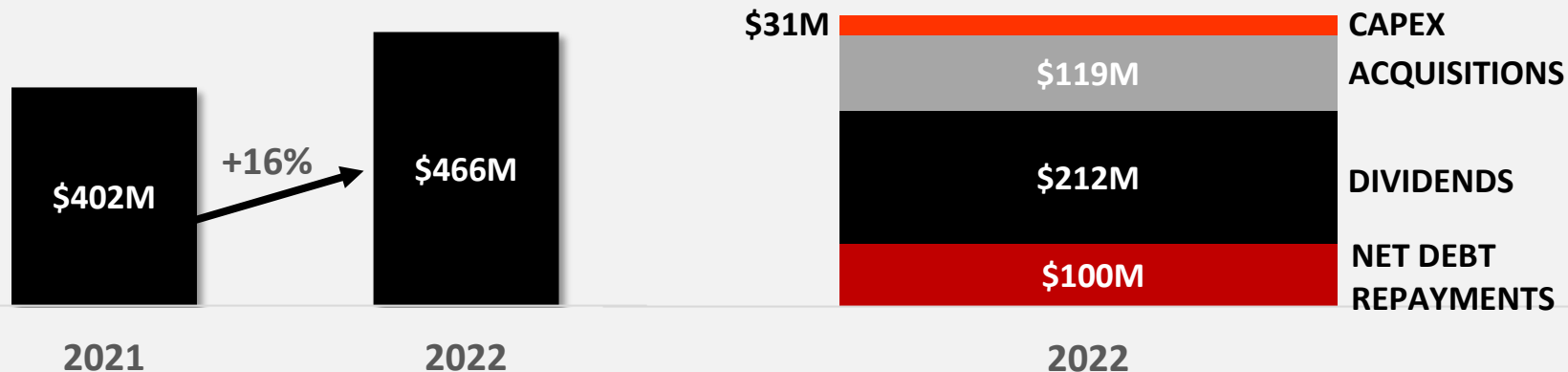
## USE OF OPERATING CASH FLOWS

## OBSERVATIONS

### Fourth Quarter 2022



### Full Year 2022



### Acquisitions

- 31 acquisitions in 2023; 4 made in fourth quarter
- Pipeline is robust and expect to be acquisitive in 2023

### Dividends

- Increased the regular quarterly dividend 30% in Q4
- Committed to funding a growing dividend as cash flow improves

### Debt/Leverage

- Exited year with 0.1x debt to EBITDA
- Evaluating line of debt refinancing options

Strong growth in cash flow with >100% cash flow conversion | Continue to execute a balanced approach to capital allocation



# 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 and adjusted earnings per share (“EPS”) in this earnings release, and the non-GAAP financial measures of organic revenues by type, 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 from the 2019 acquisition of Clark Pest Control of Stockton, Inc., and the settlement of the SEC matter. 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 this investor presentation, and our earnings release and conference call with their most comparable GAAP measures.



# Appendix

	Three Months Ended December 31,				Year Ended December 31,				
	2022	2021	Variance		2022	2021	Variance		
			\$	%			\$	%	
<b>Reconciliation of Net Income to Adjusted Net Income and EPS</b>									
Net income	\$ 84,269	\$ 66,807	\$ 17,462	26.1	\$ 368,599	\$ 356,565	\$ 12,034	3.4	
Property disposition gains (net of tax \$23,230)	—	—	—	—	—	(31,517)	31,517	—	
SEC matter <sup>1</sup>	—	5,000	(5,000)	—	—	8,000	(8,000)	—	
Adjusted income taxes on excluded items	—	—	—	—	—	8,287	(8,287)	—	
Adjusted net income	<u>\$ 84,269</u>	<u>\$ 71,807</u>	<u>\$ 12,462</u>	<u>17.4</u>	<u>\$ 368,599</u>	<u>\$ 341,335</u>	<u>\$ 27,264</u>	<u>8.0</u>	
Adjusted earnings per share - basic and diluted	\$ 0.17	\$ 0.15	\$ 0.02	13.3	\$ 0.75	\$ 0.69	\$ 0.06	8.7	
Weighted average shares outstanding - basic	492,344	492,041	303	0.1	492,300	492,054	246	0.0	
Weighted average shares outstanding - diluted	492,457	492,041	416	0.1	492,413	492,054	359	0.1	
<b>Reconciliation of Net Income to EBITDA and Adjusted EBITDA</b>									
Net income	\$ 84,269	\$ 66,807	\$ 17,462	26.1	\$ 368,599	\$ 356,565	\$ 12,034	3.4	
Depreciation and amortization	23,033	21,774	1,259	5.8	91,326	86,558	4,768	5.5	
Interest expense, net	344	(504)	848	(168.3)	2,638	830	1,808	217.8	
Provision for income taxes	38,300	29,080	9,220	31.7	130,318	125,920	4,398	3.5	
EBITDA	<u>145,946</u>	<u>117,157</u>	<u>28,789</u>	<u>24.6</u>	<u>592,881</u>	<u>569,873</u>	<u>23,008</u>	<u>4.0</u>	
Property disposition gains	—	—	—	—	—	(31,517)	31,517	—	
SEC matter	—	5,000	(5,000)	—	—	8,000	(8,000)	—	
Adjusted EBITDA	<u>\$ 145,946</u>	<u>\$ 122,157</u>	<u>\$ 23,789</u>	<u>19.5</u>	<u>\$ 592,881</u>	<u>\$ 546,356</u>	<u>\$ 46,525</u>	<u>8.5</u>	
Revenues	<u>661,390</u>	<u>600,343</u>	<u>61,047</u>	<u>10</u>	<u>661,390</u>	<u>600,343</u>	<u>61,047</u>	<u>10.2</u>	
<b>Reconciliation of Net Cash Provided by Operating Activities to Free Cash Flow</b>									
Net cash provided by operating activities	\$ 123,392	\$ 102,894	\$ 20,498	19.9	\$ 465,930	\$ 401,805	\$ 64,125	16.0	
Capital expenditures	(7,707)	(7,163)	(544)	(7.6)	(30,628)	(27,194)	(3,434)	(12.6)	
Free cash flow	<u>\$ 115,685</u>	<u>\$ 95,731</u>	<u>\$ 19,954</u>	<u>20.8</u>	<u>\$ 435,302</u>	<u>\$ 374,611</u>	<u>\$ 60,691</u>	<u>16.2</u>	



# Appendix

	Three Months Ended December 31,				Year Ended December 31,			
	2022	2021	Variance		2022	2021	Variance	
			\$	%			\$	%
<b>Reconciliation of Revenues to Organic Revenues</b>								
Revenues	\$ 661,390	\$ 600,343	61,047	10.2	\$ 2,695,823	\$ 2,424,300	271,523	11.2
Revenue growth from acquisitions	(19,743)	—	(19,743)	—	(81,491)	—	(81,491)	—
Organic revenues	\$ 641,647	600,343	41,304	6.9	\$ 2,614,332	2,424,300	190,032	7.8
<b>Reconciliation of Residential Revenues to Organic Residential Revenues</b>								
Residential revenues	\$ 290,043	\$ 267,816	22,227	8.3	\$ 1,212,491	\$ 1,103,687	108,804	9.9
Residential revenues from acquisitions	(11,057)	—	(11,057)	—	(46,874)	—	(46,874)	—
Residential organic revenues	\$ 278,986	\$ 267,816	11,170	4.2	\$ 1,165,617	\$ 1,103,687	61,930	5.7
<b>Reconciliation of Commercial Revenues to Organic Commercial Revenues</b>								
Commercial revenues	\$ 231,091	\$ 211,213	19,878	9.4	\$ 914,839	\$ 829,396	85,443	10.3
Commercial revenue growth from acquisitions	(3,855)	—	(3,855)	—	(13,713)	—	(13,713)	—
Commercial organic revenues	\$ 227,236	\$ 211,213	16,023	7.6	\$ 901,126	\$ 829,396	71,730	8.6
<b>Reconciliation of Termite Revenues to Organic Termite Revenues</b>								
Termite revenues	\$ 130,699	\$ 114,262	16,437	14.4	\$ 536,854	\$ 465,053	71,801	15.4
Termite revenues from acquisitions	(4,831)	—	(4,831)	—	(20,904)	—	(20,904)	—
Termite organic revenues	\$ 125,868	\$ 114,262	11,606	10.2	\$ 515,950	\$ 465,053	50,897	10.9



# Appendix

	Three Months Ended December 31,				Year Ended December 31,			
	2021	2020	Variance		2021	2020	Variance	
			\$	%			\$	%
<b>Reconciliation of Revenues to Organic Revenues</b>								
Revenues	\$ 600,343	\$ 536,292	64,051	11.9	\$ 2,424,300	\$ 2,161,220	263,080	12.2
Revenue growth from acquisitions	(15,910)	—	(15,910)	—	(58,587)	—	(58,587)	—
Organic revenues	\$ 584,433	\$ 536,292	48,141	8.9	\$ 2,365,713	\$ 2,161,220	204,493	9.5
<b>Reconciliation of Residential Revenues to Organic Residential Revenues</b>								
Residential revenues	\$ 267,816	\$ 239,311	28,505	11.9	\$ 1,103,687	\$ 977,470	126,217	12.9
Residential revenues from acquisitions	(8,429)	—	(8,429)	—	(28,130)	—	(28,130)	—
Residential organic revenues	\$ 259,387	\$ 239,311	20,076	8.4	\$ 1,075,557	\$ 977,470	98,087	10.0
<b>Reconciliation of Commercial Revenues to Organic Commercial Revenues</b>								
Commercial revenues	\$ 211,213	\$ 189,572	21,641	11.4	\$ 829,396	\$ 752,349	77,047	10.2
Commercial revenue growth from acquisitions	(3,949)	—	(3,949)	—	(20,748)	—	(20,748)	—
Commercial organic revenues	\$ 207,264	\$ 189,572	17,692	9.3	\$ 808,648	\$ 752,349	56,299	7.4
<b>Reconciliation of Termite Revenues to Organic Termite Revenues</b>								
Termite revenues	\$ 114,262	\$ 100,593	13,669	13.6	\$ 465,053	\$ 406,782	58,271	14.3
Termite revenues from acquisitions	(3,532)	—	(3,532)	—	(9,709)	—	(9,709)	—
Termite organic revenues	\$ 110,730	\$ 100,593	10,137	10.1	\$ 455,344	\$ 406,782	48,562	11.9



# Appendix

	Three Months Ended December 31,			Three Months Ended September 30,		Half Year Ended December 31,		
	2022	2021	Incremental	2022	2021	2022	2021	Incremental
<b>Calculation of Incremental Margins</b>								
Adjusted EBITDA	\$ 145,946	\$ 122,157	\$ 23,789	\$ 169,945	\$ 150,911	\$ 315,891	\$ 273,068	\$ 42,823
Revenues	661,390	600,343	61,047	729,704	650,199	1,391,094	1,250,542	140,552
Incremental Margins			39.0%					30.5%



**ROLLINS**

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