CELEBRATING OUR 50 YEAR ANNIVERSARY ON THE NEW YORK STOCK EXCHANGE

ROL LISTED NYSE

ROLLINS®

2018 Annual Report | 2019 Proxy Statement

AUGUST 10, 2018

AUGUST 12, 1968

ROLLINS®

STATEMENT OF OPERATIONS DATA

(in thousands except per share data)

YEARS ENDED DECEMBER 31,	2018	Increase / Decrease	2017	2016	2015	2014
Revenues	$1,821,565	8.8%	$1,673,957	$1,573,477	$1,485,305	$1,411,566
Income Before Income Taxes	310,733	5.5%	294,502	260,636	243,178	219,484
Net Income	231,663	29.3%	179,124	167,369	152,149	137,664
Earnings Per Share - Basic	0.71	29.1%	0.55	0.51	0.47	0.42
Earnings Per Share - Diluted	0.71	29.1%	0.55	0.51	0.47	0.42
Dividends paid per share	0.47	27.0%	0.37	0.33	0.28	0.23
OTHER DATA:						
Net cash provided by operating activities	$286,272	20.9%	$236,773	$226,525	$196,356	$194,146
Net cash used in investing activities	(101,375)	-34.2%	(154,175)	(76,842)	(69,942)	(89,471)
Net cash used in financing activities	(162,283)	24.6%	(130,263)	(136,371)	(97,216)	(106,519)
Depreciation	30,364	10.9%	27,381	24,725	19,354	16,627
Amortization of intangible assets	36,428	24.8%	29,199	26,177	25,168	26,882
Capital expenditures	(27,179)	10.1%	(24,680)	(33,081)	(39,495)	(28,739)
BALANCE SHEET DATA AT END OF YEAR:						
Current assets	$286,021	8.8%	$262,795	$290,171	$269,434	$241,194
Total assets	1,094,124	5.8%	1,033,663	916,538	848,651	808,162
Stockholders' equity	$711,908	8.9%	$653,924	$568,545	$524,029	$462,676
Number of shares outstanding at year-end	327,308		326,988	326,688	327,830	327,425
Closing stock price at December 31	$36.10	16.4%	$31.02	$22.52	$17.27	$14.71
Shares acquired	—		—	1,254	29	2,262

All share and per share data have been restated for the three-for-two stock splits effective March 10, 2015 and December 10, 2018.

TOP: 2018 Rollins, Inc. Executives at the NYSE.
LOWER: Rollins, Inc. Executives at the NYSE in 1968.
(Photos courtesy of the NYSE.)

50

2018 marked 50 years ROL has been listed on the NYSE

2018 REVENUE
↑8.8%

2018 NET INCOME
↑29.3%

2018 DIVIDENDS
↑27%
PER SHARE

2018 DILUTED EPS
↑29.1%

To our SHAREHOLDERS, VALUED CUSTOMERS, TEAM MEMBERS & PARTNERS

2018 SHARE PRICE
↑16.4%

This year marked an important milestone for Rollins, Inc.—the 50th Anniversary of our listing on the New York Stock Exchange (NYSE).

This event was a momentous occasion as we celebrated our Company's rich history and commitment to world-class service.

Fifty years ago, our 1968 Rollins Annual Letter to Shareholders was authored by our Dad, friend and founder O. Wayne Rollins. Included in this letter were references to:

- New highs in revenues, earnings and cash flow
- 5 for 4 stock split
- Increase in dividend
- Major acquisition of Dwoskin Decorating Company

O. Wayne closed the letter noting "We continue to be optimistic about the future growth of Rollins."

Rollins, Inc. stock price on August 12, 1968.

ROLLINS®

ROLLINS, INC.

Leading pest brands worldwide

ORKIN®

Orkin, the largest pest control company in the U.S., has over 115 years of experience, specializing in protection against common pests, including termites, rodents, and insects.

WESTERN® PEST SERVICES

Since 1928, Western has provided quality residential and commercial pest control in the Northeast, employing a full staff of field supervisors, quality control, and entomologists.

IFC

Established in 1937, IFC is a market leader providing consistent, reliable and high quality pest management and sanitation services and products to the food and commodity industries.

ORKIN CANADA™

Established in 1954, Orkin Canada is Canada's largest pest control provider and a leader in the development of fast, effective and environmentally responsible pest control solutions.

NORTHWEST EXTERMINATING

Since 1951, Northwest has provided pest control, termite, and wildlife services for approximately 120,000 customers in Georgia, South Carolina, Tennessee, Alabama, and North Carolina.

WALTHAM™ PEST SERVICES

Waltham Services has been providing peace of mind from pests since 1893, giving personalized attention to solving and preventing pest infestations throughout New England.

ORKIN AUSTRALIA

Orkin Australia combines international expertise with the local experience of our four regional brands, Orkin Australia delivers unmatched quality, reliability and safety.

CRITTER CONTROL.

Critter Control, the nation's leading wildlife control company, has provided animal control and removal services since 1983, with a focus on vertebrate pests such as squirrels, raccoons, bats and birds.

Safeguard THE PEST CONTROL PEOPLE

Since 1991, Safeguard has had a rich history of providing superior pest control, bird control, and specialist services to residential and commercial customers in the United Kingdom.

HomeTeam PEST DEFENSE®

Established in 1996, HomeTeam Pest Defense is the number one pest management company providing service to home builders with its unique Taexx® tubes in the wall pest control system.

TRUTECH™ WILDLIFE SERVICE

Established in 1984, Trutech is one of the largest animal control and removal and wildlife removal companies in the U.S., ensuring animals are removed in a humane and ethical manner.

GUARDIAN Pest Control Services

Guardian, founded in 2002 in Lincoln, Guardian has a distinguished history of providing pest control, legionella control and hygiene services to commercial customers throughout the midlands.

Ames Group, founded in 1990 in Birmingham, United Kingdom, is a long established pest control company in the UK, with a rich history of providing superior pest control, bird control, and specialist services to commercial customers throughout the midlands and including London.

Aardwolf Pestkare, founded in 1997 in Singapore, is a long established pest control company with a history of providing superior pest control and specialty services to residential and commercial customers.

OPC Services was founded in 1972 in Okolona, a suburban area of Louisville, is the premier pest management company based in Kentucky.

Perma Treat, founded in 1967, is a leader in general pest and termite control, real estate inspections, new construction pretreatment, outdoor pest control for Central and Northern Virginia.

Established in 1930, Crane Pest Control, Inc. is a leading commercial pest control provider serving Northern California and the Reno/Tahoe Basin.

Many things in our industry have changed over the last 50 years. New technology, target pests, competition, and general business circumstances to name a few. But one thing has been consistent: the quality of our people and our commitment to excellent customer service. Because of the efforts of our employees, we are able to celebrate accomplishments that were initiated over the past 50 years.

In 1968, the Company had just moved to our current offices in Atlanta on Piedmont Road and completed the acquisition of Orkin.

Many things in our industry have changed over the last 50 years. New technology, target pests, competition, and general business circumstances to name a few. But one thing has been consistent: the quality of our people and our commitment to excellent customer service. Because of the efforts of our employees, we are able to celebrate accomplishments that were initiated over the past 50 years.

The Importance of Our People

As in 1968, our business today is built on the services that our teammates offer our customers every day. Our most important assets are our 14,000 employees. They provide vital services and establish critical relationships with their customers that are invaluable to our sustained and long-term success. As the world's largest pest control provider, our people protect our customers' peace of mind, health, and property.

The enactment of the 2018 Tax Cuts and Jobs Act (TCJA) provided us the opportunity to share a portion of the financial benefits with our employees through enhanced benefits. Our employees' reaction has been overwhelmingly positive and appreciative. We understood that each of our employees experience different financial and personal priorities, so the combination of the enhancements—with an improved 401k match, one time stock grants based on tenure, more paid time off and more college scholarships for dependents—has contributed to improved employee morale and retention.

These enhanced benefits provided a competitive advantage for us in the tightest labor market in the United States in the past 49 years. In order to be an "Employer of Choice," we must maintain and retain the best, most well-trained employees in our industry. These 2018 benefit improvements were the greatest positive change to our benefits program in our company's history.

Our dedicated employees once again enabled the company to achieve another record revenue and profit year. We were pleased to report that our earnings rose 29.3% to $231.7 million in 2018, compared to $179.1 million in 2017. Revenue grew 8.8% to $1.822 billion, compared to $1.674 billion for 2017. Our earnings per share rose 29.1% to $0.71 for the year. Cash flow continued to grow and our stockholders received $152.7 million in dividends, representing a 25.2% increase over the previous year. This increase included an additional special dividend, which has now been provided for the past 7 years—making the 16th year that dividends have increased over 12%.

50 Years on the NYSE

We achieved many noteworthy accomplishments in 2018. Strategic acquisitions both inside and outside of North America as well as an improved organic growth performance drove strong financial results. However, our 50th Anniversary of being a listed company on the NYSE was a special day for several reasons.

As quoted by the New York Stock Exchange, "For likely the first time in NYSE history, there were two directors present on the day of the company's listing and again on the 50th anniversary of the listing. The consistency of the leadership of R. Randall Rollins and Henry B. Tippie has created an incredible return for the company over the past 50 years"
– Betty Liu, Executive Vice Chairman, NYSE.

2018 REVENUE BREAKDOWN

(by Service Lines)

ROLLINS, INC.

Executive Steering Committee

R. Randall Rollins
Chairman

Gary W. Rollins
Vice Chairman and CEO

John F. Wilson
President and COO

Kevin J. Smith
CMO

Lee W. Crump
CIO

Paul E. Northen
CFO

Elizabeth Chandler
Corporate Secretary and CLO

Freeman Elliott
President of Orkin

Steven Leavitt
President of Rollins Emerging Opportunities Group

Jerry E. Gahlhoff Jr.
President of Rollins Specialty Brands

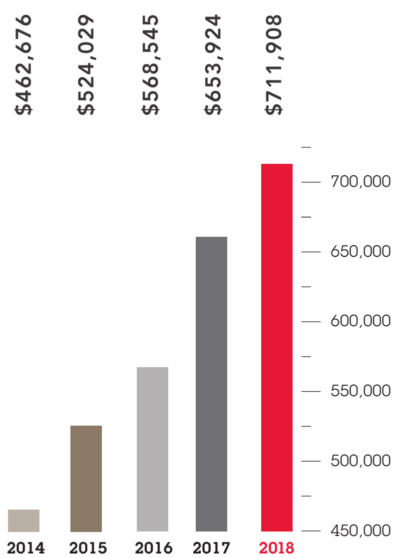
Mr. Henry B. Tippie and Mr. R. Randall Rollins at the New York Stock Exchange celebrating 50 years.


NEW YORK STOCK
ROLLINS
ROL
LISTED
NYSE

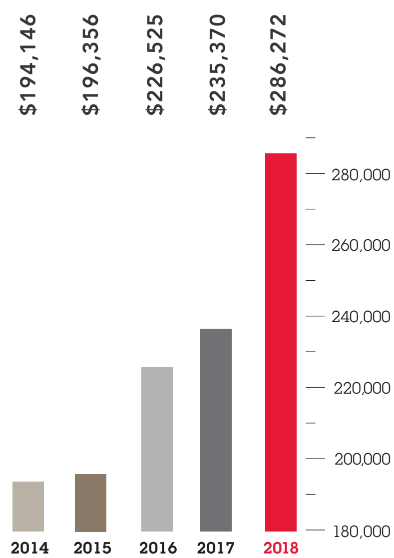

CRITTERCONTROL.COM
GET THEM OUT, KEEP THEM OUT.
SQUIRRELS · BATS · RATS · RACCOONS
ROL
LISTED
NYSE
CRITTER CONTROL.
1-800-CRITTER
27.6%
Our wildlife services
grew by 27.6% in 2018

ROLLINS, INC.

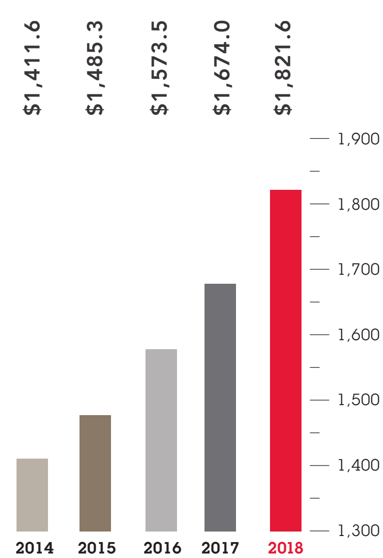
Financial Results 2018



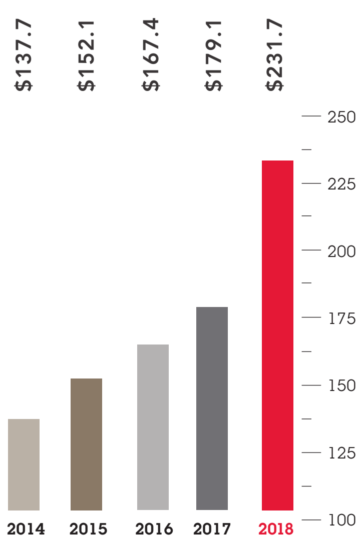
Stockholders' Equity
(in thousands)



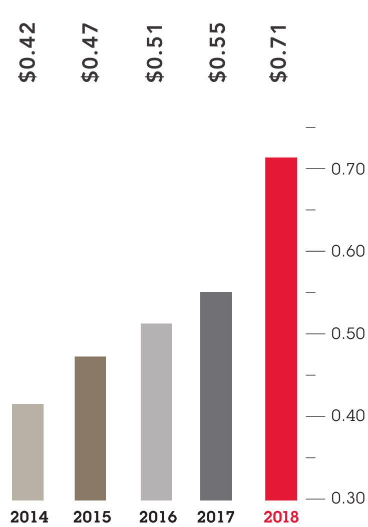
Cash from Operations
(in thousands)



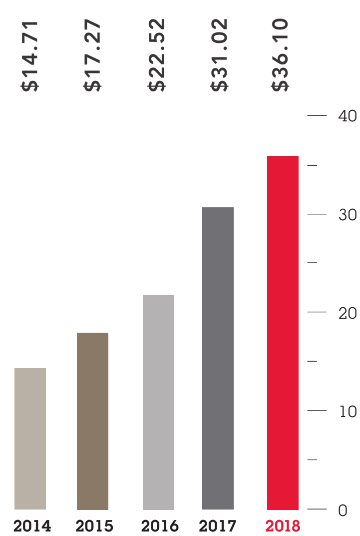
Revenues
(in millions)



Net Income
(in millions)



Diluted Earnings Per Share
($)



Stock Price
($)

Critter Control is the nation's number one animal control company.

Henry B. Tippie is currently our Lead Director and served as the first CFO at Rollins beginning in 1953. Tippie was the architect of Rollins' purchase of Orkin in 1964 and has served in many executive roles for over 66 years. His financial guidance supported our founders, O. Wayne Rollins and John W. Rollins as they established the foundation for the company that has become the largest pest control company in the world.

When we were listed on the NYSE in 1968, Rollins had only been in the industry for 4 years following the acquisition of Orkin. We quickly started to understand the potential of this business compared to other businesses previously under the Rollins umbrella.

Technology has advanced over the past 50 Years

Over the past 50 years, we have greatly improved our customer experience through upgraded technology. Customers' service expectation are ever shifting, and they are now accustomed to ordering something on-line that is delivered the same day. Our company has had to adapt to meet these changing demands. This transformation has been most evident through improved customer retention rates.

As we moved through the year, our Customer Journey Experience and our capabilities continued to become more robust. Rollins Branch Operating Support System (BOSS) is the technological foundation for our future. We added our Virtual Route Management system (VRM) in 2017–18 which significantly improved our service delivery reliability and efficiency. Our routing and scheduling capability enabled our technicians to expand their service time and better fulfill our customers' requirements.

Our Technician Tracking software, launched in 2018, enhanced the methods in which we communicate and interact with our customers in the manner that works best for THEM. Offering options for text messages or email alerts, and the ability to track the exact location of their technician in real-time enables our customers to better plan their day. As we strive to fulfill our mission of "Being the World's Best Service Company", we will continue to listen and react to our customers' feedback to find ways to make it easier for them to do business with us.

TOP: Mr. Henry B. Tippie viewing the Wall of Innovators.
BELOW: R. Randall Rollins and Henry B Tippie ringing the closing bell.
(Photos courtesy of the NYSE.)

YORK STOCK EXCHANGE
ROLLINS
NYSE CLOSING BELL
ROL
LISTED
NYSE
NEW YORK STOCK EXCHANGE

13K

More than 13,000 employees worldwide

Growth through Acquisition

"The real work starts the day after the acquisition."

— Henry B. Tippie

During the year, we marked the first anniversary of our Northwest Exterminating acquisition. This addition to our family of brands has been beneficial for both parties through shared learning, and profitable growth. The Northwest "Pesky" Mouse icon was a big hit at our 50th NYSE Celebration, representing their brand very prominently.

In particular, Northwest's Green Elite Program offers an industry leading service offering to a discerning customer base. Green Elite is an eco-friendly green pest control program using only the most innovative and advanced pest products. The Green Elite Program offers a tremendous alternative to traditional pest control and responds to the differing requirements of many of their customers.

We expanded our geographic coverage into Asia in July by acquiring Singapore based Aardwolf Pestkare. The founders and employees of Aardwolf are a perfect fit for the Rollins culture and customer service focus. From the first time that we visited their company and witnessed the enthusiasm of the employees, we knew that our values were clearly aligned.

Aardwolf has managed its quality service using the acronym "ZIZAR" which stand for "Zero Infestation, Immediate Response (within 1 hour), Zero Accidents, Advice given professionally (at least 1 per visit) and Respect shown to Clients, Colleagues, Suppliers and Competitors at all times." Their focus is all summed up with "It starts with Self-Respect."

During the second half of the year, we evaluated and conducted due diligence for the largest acquisition in our company's history, Clark Pest Control. Clark, located in California and Northern Nevada is a tremendous business that was started by the late Charlie Clark in 1950. Well before Orkin moved West, Clark had become the pest control leader in California. Once we close the acquisition, Clark will join our Rollins Specialty Brands group and will operate as a stand-alone business. As with many past acquisitions, we do not automatically assume that we have more expertise to run a more successful business in their markets. We will offer our "buffet" of options both in the area of expense reduction and revenue generation, to enhance their operations.

TOP and LOWER RIGHT: Rollins, Inc. takes over the NYSE.
LOWER LEFT: The Northwest Exterminating "Pesky" mouse.

On January 7, 2019, Rollins, Inc. entered into an agreement to acquire Clark Pest Control of Lodi, California. We are thrilled to be adding Clark to the Rollins Family of brands and expect to close on this deal in the first or second quarter of 2019.

Closing and moving forward

We executed a 3 for 2 stock split in the fourth quarter which was the sixth split in the last 16 years. As demand for our stock continues to grow, increasing the number of outstanding shares will create more opportunities for investment by stockholders. Additionally, the Board again declared a "special" year-end dividend for the 7th straight year.

2019 will be an exciting year as we anticipate closing and integrating Clark Pest Control, continuing on our technology journey and enhancing our Customer Experience through our best in class pest control service. We had many reasons to celebrate the past 50 Years and look forward to enjoying the success of the next 50 Years.

Sincerely,

Gary W. Rollins
Vice Chairman and
Chief Executive Officer

R. Randall Rollins
Chairman of the Board

John F. Wilson
President and
Chief Operating Officer

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2018

Commission file No. 1-4422

ROLLINS®

ROLLINS, INC.

(Exact name of registrant as specified in its charter)

Delaware	51-0068479
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
2170 Piedmont Road, N.E., Atlanta, Georgia	30324
(Address of principal executive offices)	(Zip Code)
Registrant's telephone number, including area code:	
(404) 888-2000	

Securities registered pursuant to Section 12(b) of the Act:	
Title of each class	Name of each Exchange on which registered
Common Stock, $1 Par Value	The New York Stock Exchange

Securities registered pursuant to section 12(g) of the Act:
None.

Indicate by check mark	YES	NO
• Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.	☑	☐
• Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.	☐	☑
• Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.	☑	☐
• Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).	☑	☐
• Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.		☑
• Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.		
Large accelerated filer ☑ · Accelerated filer ☐ · Non-accelerated filer ☐ · Smaller reporting company ☐ · Emerging growth company ☐		
(Do not check if a smaller reporting company)		
• If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards pursuant to Section 13(a) of the Exchange Act.	☐	
• Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).	☐	☑

The aggregate market value of Rollins, Inc. Common Stock held by non-affiliates on June 30, 2018 was $5,080,852 based on the reported last sale price of common stock on June 30, 2018, which is the last business day of the registrant's most recently completed second fiscal quarter.

Rollins, Inc. had 327,532,811 shares of Common Stock outstanding as of January 31, 2019.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Proxy Statement for the 2019 Annual Meeting of Stockholders of Rollins, Inc. are incorporated by reference into Part III, Items 10-14.

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ROLLINS, INC.
Form 10-K
For the Year Ended December 31, 2018

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Part I

Item 1.

Business

General

Rollins, Inc. (the "Company") was originally incorporated in 1948 under the laws of the state of Delaware as Rollins Broadcasting, Inc.

The Company is an international service company with headquarters located in Atlanta, Georgia, providing pest and termite control services through its wholly-owned subsidiaries to both residential and commercial customers in North America, Australia, and Europe with international franchises in Central America, the Caribbean, the Middle East, Asia, the Mediterranean, Europe, Africa, Canada, Australia, and Mexico. Services are performed through a contract that specifies the pricing arrangement with the customer.

For a listing of the Company's Subsidiaries, see Note 1 – Summary of Significant Accounting Policies of Notes to the Financial Statements (Part II, Item 8, of this Form 10-K).

The Company has only one reportable segment, its pest and termite control business. Revenue, operating profit and identifiable assets for this segment, which includes the United States, Canada, Australia, Central America, the Caribbean, the Middle East, Asia, the Mediterranean, Europe, Africa, and Mexico are included in Item 8 of this document, "Financial Statements and Supplementary Data" on pages 41 and 42. The Company's results of operations and its financial condition are not reliant upon any single customer or a few customers or the Company's foreign operations.

Three-for-Two Stock Split

All share and per share data presented have been adjusted to account for the three-for-two stock split effective December 10, 2018.

Common Stock Repurchase Program

At the July 24, 2012 Quarterly Board of Directors' meeting, the Board authorized the purchase of 11.3 million shares of the Company's common stock. During the years ended December 31, 2018 and 2017, the Company did not repurchase shares on the open market. In total, there are 7.6 million additional shares authorized to be repurchased under prior Board approval. The repurchase program does not have an expiration date.

Backlog

Backlog services and orders are usually provided within the month following the month of order receipt, except in the area of prepaid pest control and bait monitoring services, which are usually provided within twelve months of order receipt. The Company does not have a material portion of its business that may be subject to renegotiation of profits or termination of contracts at the election of a governmental entity.

December 31,	2018	2017	2016
Backlog	$ 5,837	$ 4,875	$ 5,303

Franchising Programs

Orkin Franchises

The Company continues to expand its growth through Orkin's franchise program. This program is primarily used in smaller markets where it is currently not economically feasible to locate a conventional Orkin branch. Domestic franchisees are subject to a contractual buyback provision at Orkin's option with a pre-determined purchase price using a formula applied to revenues of the franchise. International franchise agreements also contain an optional buyback provision; however, the franchisee has the prior right of renewal of agreement. The Company, through its wholly-owned Orkin subsidiary, began its Orkin franchise program in the U.S. in 1994, and established its first international franchise in 2000. It has since been expanded to Central America, South America, the Caribbean, the Middle East, Asia, the Mediterranean, Europe, Africa, and Mexico.

	At December 31,		
Orkin Franchise	2018	2017	2016
Domestic Franchises	47	47	50
International Franchises	86	81	70
Total Orkin Franchises	133	128	120

Critter Control Franchises

The Company expands its animal control growth through Critter Control's franchise program. The Company has purchased several Critter Control locations from its franchise owners while renaming and converting several Trutech locations to Critter Control. The majority of Critter Control's locations are franchised. Critter Control has franchises in the United States and two in Canada as of December 31, 2018 and 2017, respectively.

	At December 31,		
Critter Control Franchises	2018	2017	2016
Critter Control Franchises	80	89	94

Orkin Australia Franchises

The Company has Australian franchises through Orkin Australia's wholly-owned subsidiary, Murray Pest Control and Scientific Pest Management.

	At December 31,		
Orkin Australia Franchises	2018	2017	2016
Total Orkin Australia Franchises	10	11	7

Seasonality

The business of the Company is affected by the seasonal nature of the Company's pest and termite control services. The increase in pest presence and activity, as well as the metamorphosis of termites in the spring and summer (the occurrence of which is determined by the timing of the change in seasons), has historically resulted in an increase in the revenue of the Company's pest and termite control operations during such periods as evidenced by the following chart.

	Total Net Revenues		
(in thousands)	2018	2017	2016
First Quarter	$ 408,742	$ 375,247	$ 352,736
Second Quarter	480,461	433,555	411,133
Third Quarter	487,739	450,442	423,994
Fourth Quarter	444,623	414,713	385,614
Years Ended December 31,	$1,821,565	$1,673,957	$1,573,477

Inventories

The Company has relationships with a national pest control product distributor and other vendors for pest and termite control treatment products. The Company maintains a sufficient level of chemicals, materials and other supplies to fulfill its immediate servicing needs and to alleviate any potential short-term shortage in availability from its national network of suppliers.

Competition

The Company believes that Rollins, through its wholly-owned subsidiaries Orkin, Orkin Canada, HomeTeam Pest Defense, Western Pest Services, The Industrial Fumigant Company, Crane Pest Control, Waltham Services, Trutech, PermaTreat, Orkin Australia, Critter Control, Safeguard Pest Control, Northwest Pest Control, OPC Services, and Aardwolf Pestkare competes favorably with competitors as the world's largest pest and termite control company. The Company's competitors include Terminix, Ecolab, Rentokil and Anticimex.

The principal methods of competition in the Company's pest and termite control markets are quality of service, customer proximity and guarantee terms, reputation for safety, technical proficiency, and price.

Research and Development

Expenditures by the Company on research activities relating to the development of new products or services are not significant. Some of the new and improved service methods and products are researched, developed and produced by unaffiliated universities and companies. Also, a portion of these methods and products are produced to the specifications provided by the Company.

The Company maintains a close relationship with several universities for research and validation of treatment procedures and material selection.

The Company conducts tests of new products with the specific manufacturers of such products. The Company also works closely with leading scientists, educators, industry consultants and suppliers to improve service protocols and materials.

Environmental and Regulatory Considerations

The Company's pest control business is subject to various legislative and regulatory enactments that are designed to protect the environment, public health and consumers. Compliance with these requirements has not had a material negative impact on the Company's financial position, results of operations or liquidity.

Federal Insecticide Fungicide and Rodenticide Act ("FIFRA")

This federal law (as amended) grants to the states the responsibility to be the primary agent in enforcement and conditions under which pest control companies operate. Each state must meet certain guidelines of the Environmental Protection Agency in regulating the following: licensing, record keeping, contracts, standards of application, training and registration of products. This allows each state to institute certain features that set their regulatory programs in keeping with special interests of the citizens' wishes in each state. The pest control industry is impacted by these federal and state regulations.

Food Quality Protection Act of 1996 ("FQPA")

The FQPA governs the manufacture, labeling, handling and use of pesticides and does not have a direct impact on how the Company conducts its business.

Environmental Remediation

The Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA"), also known as Superfund, is the primary Federal statute regulating the cleanup of inactive hazardous substance sites and imposing liability for cleanup on the responsible parties. Responsibilities governed by this statute include the management of hazardous substances, reporting releases of hazardous substances, and establishing the necessary contracts and agreements to conduct cleanup. Customarily, the parties involved will work with the EPA and under the direction of the responsible state agency to agree and implement a plan for site remediation. Consistent with the Company's responsibilities under these regulations, the Company undertakes environmental assessments and remediation of hazardous substances from time to time as the Company determines its responsibilities for these purposes. As these situations arise, the Company accrues management's best estimate of future costs for these activities. Based on management's current estimates of these costs, management does not believe these costs are material to the Company's financial condition or operating results.

Employees

The number of persons employed by the Company as of January 31, 2019 was approximately 14,000.

December 31,	2018	2017	2016
Employees	13,734	13,126	12,153

Available Information

Our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and amendments to these reports, are available free of charge on our website at www.rollins.com, under the heading "Investor Relations – Filings and Reports – SEC Filings," as soon as reasonably practicable after those reports are electronically filed with or furnished to the Securities and Exchange Commission.

Item 1.A.

Risk Factors

Our business depends on our strong brands, and failing to maintain and enhance our brands could hurt our ability to retain and expand our base of customers.

Our strong brands, Rollins, Orkin, HomeTeam Pest Defense, Western Pest Services, Northwest Pest Control, The Industrial Fumigant Company, Crane Pest Control, Waltham Services, Trutech, PermaTreat, Critter Control, Allpest, Safeguard Pest Control, Aardwolf Pestkare, OPC Services, and other strong brands have significantly contributed to the success of our business. Maintaining and enhancing our brands increases our ability to enter new markets and launch new and innovative services that better serve the needs of our customers. Our brands may be negatively impacted by a number of factors, including, among others, reputational issues and product/technical failures. Further, if our brands are significantly damaged, our business, operating results, and financial condition may be materially and adversely affected. Maintaining and enhancing our brands will depend largely on our ability to remain a service leader and continue to provide high-quality, pest control products and services that are truly useful and play a meaningful role in people's lives.

Economic conditions may adversely affect our business.

Pest and termite services represent discretionary expenditures to many of our residential customers. As consumers restrict their discretionary expenditures, we may suffer a decline in revenues from our residential service lines. Economic downturns can also adversely affect our commercial customers, including food service, hospitality and food processing industries whose business levels are particularly sensitive to adverse economies. For example, we may lose commercial customers and related revenues because of consolidation or cessation of commercial businesses or because these businesses switch to a lower cost provider.

Expanding into international markets presents unique challenges and our expansion efforts with respect to international operations may not be successful.

An element of our strategy includes further expansion into international markets. Our ability to successfully operate in international markets may be adversely affected by political, economic and social conditions beyond our control, local laws and customs, and legal and regulatory constraints, including compliance with applicable anti-corruption and currency laws and regulations, of the countries or regions in which we currently operate or intend to operate in the future. Risks inherent in our existing and future international operations also include, among others, the costs and difficulties of managing international operations, difficulties in identifying and gaining access to local suppliers, suffering possible adverse tax consequences from changes in tax laws or the unfavorable resolution of tax assessments or audits, maintaining product quality and greater difficulty in enforcing intellectual property rights. Additionally, foreign currency exchange rates and fluctuations thereof may have an adverse effect on the financial results of our international operations.

Our inability to attract and retain skilled workers may impair growth potential and profitability.

Our ability to remain productive and profitable will depend substantially on our ability to attract and retain skilled workers. Our ability to expand our operations is in part impacted by our ability to increase our labor force. The demand for skilled employees is high, and the supply is very limited. A significant increase in the wages paid by competing employers could result in a reduction in our skilled labor force, increases in wage rates paid by us, or both. If either of these events occurred, our capacity and profitability could be diminished, and our growth potential could be impaired.

We may not be able to maintain our competitive position in the pest control industry in the future.

We operate in a highly competitive industry. Our revenues and earnings may be affected by changes in competitors' prices, and general economic issues. We compete with other large pest control companies, as well as numerous smaller pest control companies, for a finite number of customers. We believe that the principal competitive factors in the market areas that we serve are service quality, and product availability, terms of guarantees, reputation for safety, technical proficiency and price. Although we believe that our experience and reputation for safety and quality service are excellent, we cannot assure investors that we will be able to maintain our competitive position.

Our operations could be affected by pending and ongoing litigation.

In the normal course of business, some of the Company's subsidiaries are defendants in a number of lawsuits or arbitrations, which allege that plaintiffs have been damaged. The Company does not believe that any pending claim, proceeding or litigation, either alone or in the aggregate, will have a material adverse effect on the Company's financial position; however, it is possible that an unfavorable outcome of some or all of the matters, however unlikely, could result in a charge that might be material to the results of an individual year.

Our operations could be affected if there is unauthorized access of personal, financial, or other data or information about our customers, employees, third parties, or of Company's proprietary of confidential information. We could be subject to interruption of our business operations, private litigation, reputational damage and costly penalties.

Our information technology systems, as well as the information technology systems of our third party business partners and service providers, can contain personal, financial, health, or other information that is entrusted to us by our customers and employees. Our information technology systems also contain Company's and its wholly-owned subsidiaries' proprietary and other confidential information related to our business, such as business plans and product development initiatives. We rely on, among other things, commercially available vendors, cyber protection systems, software, tools and monitoring to provide security for processing, transmission and storage of this information and data. The systems currently used for transmission and approval of payment card transactions, and the technology utilized in payment cards themselves, all of which can put payment card data at risk, meet standards set by the payment card industry ("PCI"). We continue to evaluate and modify our systems and protocols for data security compliance purposes, and such standards may change from time to time. Activities by third parties, advances in computer and software capabilities and encryption technology, new tools and discoveries and other events or developments may facilitate or result in a compromise or breach of our systems. Any compromises, breaches or errors in applications related to our systems or failures to comply with applicable standards could cause damage to our reputation and interruptions in our operations, including our customers' ability to pay for our services and products by credit card or their willingness to purchase our services and products and could result in a violation of applicable laws, regulations, orders, industry standards or agreements and subject us to costs, penalties and liabilities which could have a material adverse impact on our reputation, business, financial position, results of operations and cash flows. Also, a breach of data security could expose us to customer litigation and costs related to the reporting and handling of such a breach.

Our operations may be adversely affected if we are unable to comply with regulatory and environmental laws.

Our business is significantly affected by environmental laws and other regulations relating to the pest control industry and by changes in such laws and the level of enforcement of such laws. We are unable to predict the level of enforcement of existing laws and regulations, how such laws and regulations may be interpreted by enforcement agencies or court rulings, or whether additional laws and regulations will be adopted. We believe our present operations substantially comply with applicable federal and state environmental laws and regulations. We also believe that compliance with such laws has had no material adverse effect on our operations to date. However, such environmental laws are changed frequently. We are unable to predict whether environmental laws will, in the future, materially affect our operations and financial condition. Penalties for noncompliance with these laws may include cancellation of licenses, fines, and other corrective actions, which would negatively affect our future financial results.

We may not be able to identify, complete or successfully integrate acquisitions.

Acquisitions have been and may continue to be an important element of our business strategy. We cannot assure investors that we will be able to identify and acquire acceptable acquisition candidates on terms favorable to us in the future. We cannot assure investors that we will be able to integrate successfully the operations and assets of any acquired business with our own business. Any inability on our part to integrate and manage the growth from acquired businesses could have a material adverse effect on our results of operations and financial condition.

Our operations are affected by adverse weather conditions.

Our operations are directly impacted by the weather conditions worldwide. The business of the Company is affected by the seasonal nature of the Company's pest and termite control services. The increase in pest presence and activity, as well as the metamorphosis of termites in the spring and summer (the occurrence of which is determined by the timing of the change in seasons), has historically resulted in an increase in the revenue and income of the Company's pest and termite control operations during such periods. The business of the Company is also affected by extreme weather such as drought which can greatly reduce the pest population for extended periods.

Our franchisees, subcontractors, and vendors could take actions that could harm our business.

Our franchisees, subcontractors, and vendors are contractually obligated to operate their businesses in accordance with the standards set forth in our agreements with them. Each franchising brand also provides training and support to franchisees. However, franchisees, subcontractors, and vendors are independent third parties that we do not control, and who own, operate and oversee the daily operations of their businesses. As a result, the ultimate success of any franchise operation rests with the franchisee. If franchisees do not successfully operate their businesses in a manner consistent with required standards, royalty payments to us will be adversely affected and our brands' image and reputation could be harmed. This could adversely impact our business, financial position, results of operations and cash flows. Similarly, if subcontractors, vendors and franchisees do not successfully operate their businesses in a manner consistent with required laws, standards and regulations, we could be subject to claims from regulators or legal claims for the actions or omissions of such third-party distributors, subcontractors, vendors and franchisees. In addition, our relationship with our franchisees, subcontractors, and vendors could become strained (including resulting in litigation) as we impose new standards or assert more rigorous enforcement practices of the existing required standards. These strains in our relationships or claims could have a material adverse impact on our reputation, business, financial position, results of operations and cash flows.

From time to time, we receive communications from our franchisees regarding complaints, disputes or questions about our practices and standards in relation to our franchised operations and certain economic terms of our franchise arrangements. If franchisees or groups representing franchisees were to bring legal proceedings against us, we would vigorously defend against the claims in any such proceeding. Our reputation, business, financial position, results of operations and cash flows could be materially adversely impacted and the price of our common stock could decline.

Our brand recognition could be impacted if we are not able to adequately protect our intellectual property and other proprietary rights that are material to our business.

Our ability to compete effectively depends in part on our rights to service marks, trademarks, trade names and other intellectual property rights we own or license, particularly our registered brand names and service marks, Orkin®, Orkin Canada®, Acurid℠, Western Pest Services®, the Industrial Fumigant Company®, HomeTeam Pest Defense®, TAEXX®, Critter Control®, Northwest Pest Control®, Allpest®, Murray®, Safeguard® and others. We have not sought to register or protect every one of our marks either in the United States or in every country in which they are or may be used. Furthermore, because of the differences in foreign trademark, patent and other intellectual property or proprietary rights laws, we may not receive the same protection in other countries as we would in the United States. If we are unable to protect our proprietary information and brand names, we could suffer a material adverse impact on our reputation, business, financial position, results of operations and cash flows. Litigation may be necessary to enforce our intellectual property rights and protect our proprietary information, or to defend against claims by third parties that our products, services or activities infringe their intellectual property rights.

The Company's management has a substantial ownership interest; public stockholders may have no effective voice in the Company's management.

The Company has elected the "Controlled Company" exemption under Section 303A of the New York Stock Exchange ("NYSE") Listed Company Manual. The Company is a "Controlled Company" because a group that includes the Company's Chairman of the Board, R. Randall Rollins, and his brother, Gary W. Rollins, who is the Vice Chairman and Chief Executive Officer, and a director of the Company, and certain companies under their control, controls in excess of fifty percent of the Company's voting power. As a "Controlled Company," the Company need not comply with certain NYSE rules.

Rollins, Inc.'s executive officers, directors and their affiliates hold directly, or through indirect beneficial ownership, in the aggregate, approximately 56 percent of the Company's outstanding shares of common stock. As a result, these persons will effectively control the operations of the Company, including the election of directors and approval of significant corporate transactions such as acquisitions and approval of matters requiring stockholder approval. This concentration of ownership could also have the effect of delaying or preventing a third party from acquiring control of the Company at a premium.

Our management has a substantial ownership interest, and the availability of the Company's common stock to the investing public may be limited.

The availability of Rollins' common stock to the investing public would be limited to those shares not held by the executive officers, directors and their affiliates, which could negatively impact Rollins' stock trading prices and affect the ability of minority stockholders to sell their shares. Future sales by executive officers, directors and their affiliates of all or a portion of their shares could also negatively affect the trading price of our common stock.

Provisions in Rollins, Inc.'s certificate of incorporation and bylaws may inhibit a takeover of the Company.

Rollins, Inc.'s certificate of incorporation, bylaws and other documents contain provisions including advance notice requirements for stockholder proposals and staggered terms for the Board of Directors. These provisions may make a tender offer, change in control or takeover attempt that is opposed by the Company's Board of Directors more difficult or expensive.

Item 1.B.

Unresolved Staff Comments

None.

Item 2.

Properties

The Company's administrative headquarters are owned by the Company, and are located at 2170 Piedmont Road, N.E., Atlanta, Georgia 30324. The Company owns or leases over 500 branch offices and operating facilities used in its business as well as the Rollins Training Center located in Atlanta, Georgia, the Rollins Customer Service Center located in Covington, Georgia, and the Pacific Division Administration and Training Center in Riverside, California. None of the branch offices, individually considered, represents a materially important physical property of the Company. The facilities are suitable and adequate to meet the current and reasonably anticipated future needs of the Company.

Item 3.

Legal Proceedings

In the normal course of business, certain of the Company's subsidiaries are defendants in a number of lawsuits, claims or arbitrations which allege that the subsidiaries' services caused damage. In addition, the Company defends employment related cases and claims from time to time. We are involved in certain environmental matters primarily arising in the normal course of business. We are actively contesting each of these matters.

Management does not believe that any pending claim, proceeding or litigation, either alone or in the aggregate will have a material adverse effect on the Company's financial position, results of operations or liquidity; however, it is possible that an unfavorable outcome of some or all of the matters, however unlikely, could result in a charge that might be material to the results of an individual quarter or year.

Item 4.

Mine Safety Disclosures

Not applicable.

Item 4.A.

Executive Officers of the Registrant

Each of the executive officers of the Company was elected by the Board of Directors to serve until the Board of Directors' meeting immediately following the next Annual Meeting of Stockholders or until his or her earlier removal by the Board of Directors or his or her resignation. The following table lists the executive officers of the Company and their ages, offices within the Company, and the dates from which they have continually served in their present offices with the Company.

Name	Age	Office with Registrant	Date First Elected to Present Office
R. Randall Rollins(1)	87	Chairman of the Board of Directors	10/22/1991
Gary W. Rollins(1)(2)	74	Vice Chairman and Chief Executive Officer	7/24/2001
John F. Wilson(3)	61	President and Chief Operating Officer	1/23/2013
Paul E. Northen(4)	54	Senior Vice President, Chief Financial Officer and Treasurer	1/26/2016
Elizabeth B. Chandler(5)	55	Vice President, General Counsel and Corporate Secretary	1/1/2018

(1) R. Randall Rollins and Gary W. Rollins are brothers.

(2) Gary W. Rollins was elevated to Vice Chairman Rollins in January 2013. He was elected to the office of Chief Executive Officer in July 2001. In February 2004, he was named Chairman of Orkin, LLC.

(3) John Wilson joined the Company in 1996 and has held various positions of increasing responsibility, serving as a technician, sales inspector, branch manager, region manager, vice president and division president. His most senior positions have included Vice President of Rollins, Inc., Southeast Division President, Atlantic Division Vice President and Central Commercial region manager. Mr. Wilson was elevated to President and Chief Operating Officer in January 2013.

(4) Paul E. Northen joined Rollins in 2015 as CFO and Corporate Treasurer. He was promoted to Vice President of Rollins, Inc. in January 2016. He began his career with UPS in 1985 and brings a wealth of Tax, Risk Management and Audit experience as well as strong international exposure to Rollins. Prior to joining Rollins, Mr. Northen was Vice President of International Finance and Accounting-Global Business Services for UPS. He previously held the positions of CFO of UPS' Asia Pacific Region based in Hong Kong, and as Vice President of Finance in UPS' Pacific and Western Regions.

(5) Elizabeth (Beth) Brannen Chandler joined Rollins in 2013 as Vice President and General Counsel. In 2016, Beth assumed responsibility for the Risk Management and Internal Audit groups. She was appointed to Corporate Secretary in January 2018. Before joining Rollins, Mrs. Chandler was vice president, general counsel and corporate secretary for Asbury Automotive. Prior to working with Asbury, Mrs. Chandler served as city attorney for the City of Atlanta; and she served as vice president, assistant general counsel and corporate secretary for Mirant Corp.

Part II

Item 5.

Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

The Common Stock of the Company is listed on the New York Stock Exchange and is traded on the Philadelphia, Chicago and Boston Exchanges under the symbol ROL.

As of January 31, 2019, there were 3,502 holders of record of the Company's common stock. However, a large number of our shareholders hold their shares in "street name" in brokerage accounts and, therefore, do not appear on the shareholder list maintained by our transfer agent.

Issuer Purchases of Equity Securities

During the years ended December 31, 2018 and 2017, the Company did not repurchase shares on the open market. In total, there remain 7.6 million additional shares authorized to be repurchased under prior Board approval. The repurchase program does not have an expiration date.

Period	Total Number of Shares Purchased[1]	Weighted Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Repurchase Plans[2]	Maximum Number of Shares that May Yet Be Purchased Under the Repurchase Plans
October 1 to 31, 2018	—	$ —	—	7,610,416
November 1 to 30, 2018	—	—	—	7,610,416
December 1 to 31, 2018	—	—	—	7,610,416
Total	—	$ —	—	7,610,416

(1) Includes repurchases from employees for the payment of taxes on vesting of restricted shares in the following amounts: October 2018: 0; November 2018: 0; and December 2018: 0.

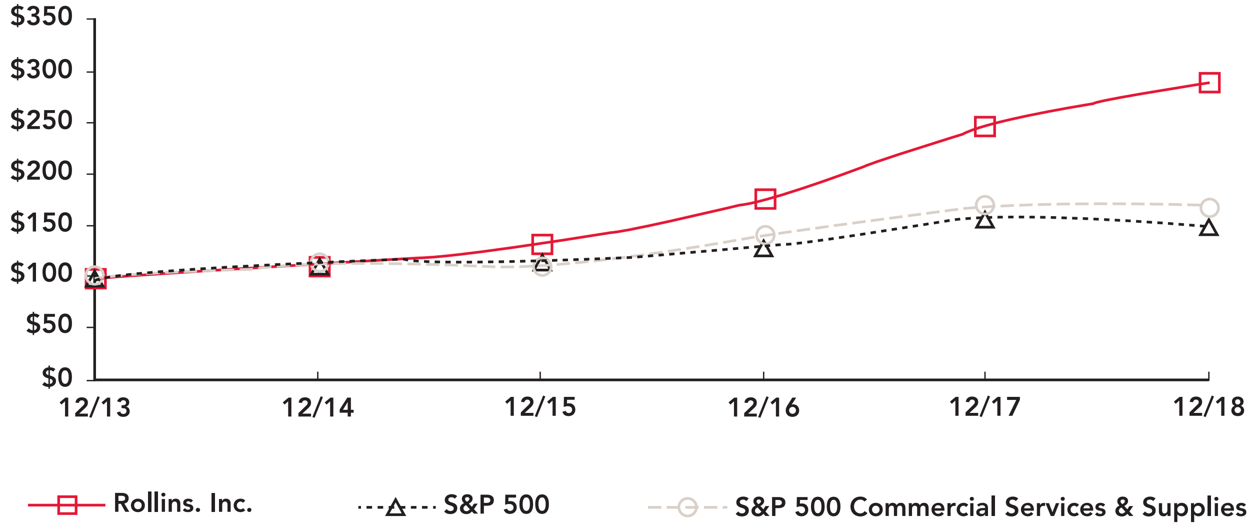
(2) The Company has a share repurchase plan adopted in 2012, to repurchase up to 11.25 million shares of the Company's common stock. The plan has no expiration date.

PERFORMANCE GRAPH

The following graph sets forth a five year comparison of the cumulative total stockholder return based on the performance of the stock of the Company as compared with both a broad equity market index and an industry index. The indices included in the following graph are the S&P 500 Index and the S&P 500 Commercial Services Index.

COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN*

Among Rollins Inc., the S&P 500 Index and the S&P 500 Commercial Services & Supplies Index



*$ 100 invested on 12/31/13 in stock or index, including reinvestment of dividends.
Fiscal year ending December 31.

COMPARISON OF FIVE YEAR CUMULATIVE TOTAL RETURN*

Rollins, Inc., S&P 500 Index and S&P 500 Commercial Services & Supplies composite index

Cumulative Total Shareholder Return $ at Fiscal Year End	2013	2014	2015	2016	2017	2018
Rollins, Inc.	100.00	111.17	132.63	176.07	245.82	289.79
S&P 500	100.00	113.69	115.26	129.05	157.22	150.33
S&P 500 Commercial Services & Supplies	100.00	114.86	111.07	139.68	168.82	169.65

**ASSUMES INITIAL INVESTMENT OF $100
*TOTAL RETURN ASSUMES REINVESTMENT OF DIVIDENDS
NOTE: TOTAL RETURNS BASED ON MARKET CAPITALIZATION**

Item 6.

Selected Financial Data

The following summary financial data of Rollins highlights selected financial data and should be read in conjunction with the financial statements included elsewhere in this document.

All share and per share data presented in the following table have been adjusted for the three-for-two stock splits effective March 10, 2015 and December 10, 2018.

FIVE-YEAR FINANCIAL SUMMARY

Rollins, Inc. and Subsidiaries

STATEMENT OF OPERATIONS DATA

(in thousands except per share data)

Years ended December 31,	2018	2017	2016	2015	2014
Revenues	$ 1,821,565	$ 1,673,957	$ 1,573,477	$ 1,485,305	$ 1,411,566
Income before taxes	310,733	294,502	260,636	243,178	219,484
Net income	$ 231,663	$ 179,124	$ 167,369	$ 152,149	$ 137,664
Earnings per share - Basic:	$ 0.71	$ 0.55	$ 0.51	$ 0.47	$ 0.42
Earnings per share - Diluted:	$ 0.71	$ 0.55	$ 0.51	$ 0.47	$ 0.42
Dividends per share	$ 0.47	$ 0.37	$ 0.33	$ 0.28	$ 0.23
OTHER DATA:					
Net cash provided by operating activities	$ 286,272	$ 235,370	$ 226,525	$ 196,356	$ 194,146
Net cash used in investing activities	(101,375)	(154,175)	(76,842)	(69,942)	(89,471)
Net cash used in financing activities	(162,283)	(130,263)	(136,371)	(97,216)	(106,519)
Depreciation	30,364	27,381	24,725	19,354	16,627
Amortization of intangible assets	36,428	29,199	26,177	25,168	26,882
Capital expenditures	$ (27,179)	$ (24,680)	$ (33,081)	$ (39,495)	$ (28,739)
BALANCE SHEET DATA AT END OF YEAR:					
Current assets	$ 286,021	$ 262,795	$ 290,171	$ 269,434	$ 241,194
Total assets	1,094,124	1,033,663	916,538	848,651	808,162
Stockholders' equity	$ 711,908	$ 653,924	$ 568,545	$ 524,029	$ 462,676
Number of shares outstanding at year-end	327,308	326,988	326,688	327,830	327,425

Item 7.

Management's Discussion and Analysis of Financial Condition and Results of Operations

Presentation

This discussion should be read in conjunction with our audited financial statements and related notes included elsewhere in this document. The following discussion (as well as other discussions in this document) contains forward-looking statements. Please see "Cautionary Statement Regarding Forward-Looking Statements" for a discussion of uncertainties, risks and assumptions associated with these statements.

The Company

Rollins, Inc. (the "Company") was originally incorporated in 1948 under the laws of the state of Delaware as Rollins Broadcasting, Inc. The Company is an international service company with headquarters located in Atlanta, Georgia, providing pest and termite control services through its wholly-owned subsidiaries to both residential and commercial customers in North America, Australia, and Europe with international franchises in Central America, South America, the Caribbean, the Middle East, Asia, the Mediterranean, Europe, Africa, and Mexico. Services are performed through a contract that specifies the treatment and the pricing arrangement with the customer.

The Company has only one reportable segment, its pest and termite control business. The Company's results of operations and its financial condition are not reliant upon any single customer or a few customers or the Company's foreign operations.

Overview

RESULTS OF OPERATIONS

	(in thousands)			% Better/(worse) Compared to Prior Year	
Years ended December 31,	**2018**	**2017**	**2016**	**2018**	**2017**
Revenues	$ 1,821,565	$ 1,673,957	$ 1,573,477	8.8	6.4
Cost of services provided	894,437	819,943	772,348	(9.1)	(6.2)
Depreciation and amortization	66,792	56,580	50,902	(18.0)	(11.2)
Sales, general and administrative	550,698	503,433	490,528	(9.4)	(2.6)
Gain on sales of assets, net	(875)	(242)	(777)	261.6	(68.9)
Interest income, net	(220)	(259)	(160)	(15.1)	61.9
Income before income taxes	310,733	294,502	260,636	5.5	13.0
Provisions for income taxes	79,070	115,378	93,267	31.5	(23.7)
Net income	$ 231,663	$ 179,124	$ 167,369	29.3	7.0

General Operating Comments

2018 marked the Company's 21st consecutive year of improved revenues and profits. Revenues for the year rose 8.8 percent to $1.822 billion compared to $1.674 billion for the prior year. Income before income taxes increased 5.5% to $310.7 million compared to $294.5 million the prior year. Net income increased 29.3% to $231.7 million, with earnings per diluted share of $0.71 compared to $179.1 million, or $0.55 per diluted share for the prior year.

All of the Company's business lines experienced growth for the year, with residential pest control revenues up 9.1%, commercial pest control revenues up 6.0% and termite and ancillary services revenues up 12.8%, each compared to 2017.

Results of Operations—2018 Versus 2017

Overview

The Company's revenues increased to $1.822 billion in 2018, an 8.8% increase compared to 2017. Gross margin decreased to 50.9% for 2018 from 51.0% in 2017. Sales, general and administrative expense were 30.2% of revenues in 2018 compared to 30.1% in 2017. The Company's depreciation and amortization margin increased 0.3 percentage points to 3.7% in 2018 compared to 3.4% in 2017. Rollins' net income of $231.7 million in 2018 was an increase of $52.5 million or 29.3% over $179.1 million in 2017. Net profit margin improved to 12.7% in 2018 from 10.7% in 2017. Rollins continued to expand our global brand recognition with acquisitions in the United States, Canada, Singapore, and Australia as well as expanding our Orkin international franchise program in numerous countries around the globe. The Company is now in 57 countries and continues to seek new international opportunities.

Revenues

Revenues for the year ended December 31, 2018 were $1.822 billion, an increase of $147.6 million or 8.8% from 2017 revenues of $1.674 billion. Growth occurred across all service lines with our Canadian and Australian companies being hindered by unfavorable foreign currency exchange rates. Growth and pricing accounted for approximately 5.3% of our increase and our acquisitions contributed the remaining revenue growth. Commercial pest control represented approximately 39% of the Company's revenue in 2018 and grew 6.0%. Acquisitions from foreign companies, which are primarily commercial, contributed to the increase, as well as increases in sales, an emphasis on closing leads, and better cancellation rates. Commercial pest control was negatively impacted by foreign currency exchange rates as our foreign companies are heavily commercial. Residential pest control, which represented approximately 42% of the Company's revenue, increased 9.1% driven by an increase in sold units, lead closure, a better cancellation rate, and pricing, as well as increased TAEXX® homebuilder installations, and acquisitions. The Company's termite business, which represented approximately 18% of the Company's revenue, grew 12.8% in 2018 due to acquisitions, increases in termite baiting and pretreatments, and ancillary service sales (such as moisture control, insulation and deck and gutter work).

The Company implemented its traditional price increase program in June 2018. Around 1% of the Company's revenue increase is attributable to pricing actions. Approximately 80% of the Company's pest control revenue was recurring in 2018, as well as 2017.

The Company's foreign operations accounted for approximately 8% of total revenues for each of the years ended December 31, 2018 and 2017, respectively. The Company established new franchises in several international countries around the globe in 2018 for a total of 86 Orkin international franchises, two Canadian Critter Control franchises, and ten Orkin Australia franchises at December 31, 2018, compared to 81 Orkin international franchises, two Canadian Critter Control franchises and eleven Orkin Australia Franchises at December 31, 2017.

International and domestic franchising revenue was less than 1% of the Company's revenues for 2018. Orkin had 133 and 128 franchises (domestic and international) at December 31, 2018 and 2017, respectively. The Company had 80 Critter Control franchises at December 31, 2018, down 9 from 2017. Critter Control Operations, Inc., a wholly-owned subsidiary of the Company, has begun the process of purchasing Critter Control franchises. Revenue from franchising was up 30.4% in 2018 compared to 2017 as we expand Orkin's international footprint and recognition of initial franchise fees, partially offset by the decreases associated with acquired franchises from Critter Control.

Cost of Services Provided

For the twelve months ended December 31, 2018, cost of services provided increased $74.5 million or 9.1%, compared to the twelve months ended December 31, 2017. Gross margin for the year decreased to 50.9% for 2018 compared to 51.0% for 2017 due to unfavorable personnel related costs as we increased our 401k match to employees and experienced an increase in group insurance premiums in 2018 and an increase in payroll taxes and FICA taxes. Administrative Salaries were up due to increased office wages as well as an increase in restricted share amortization as we granted our long-term employees time-lapse restricted stock which is amortized over one year. The Company experienced higher fleet costs as gasoline prices per gallon rose and miles driven increased with acquisitions and additional work, which was partially offset by the usage of our routing and scheduling system. Leased vehicle costs increased as we added to our fleet and leased vehicle prices increased. Professional services and Maintenance and repairs increased due to outside consultants and maintenance contracts on various IT projects and equipment.

Depreciation and Amortization

For the twelve months ended December 31, 2018, depreciation and amortization increased $10.2 million, or 18.0% compared to the twelve months ended December 31, 2017. The dollar increase was primarily due to depreciation increasing $3.0 million or 10.9% as we depreciate acquired and purchased assets and depreciation from various IT related projects. Amortization of intangible assets increased $7.2 million or 24.8% for 2018 due to the additional amortization of customer contracts of several acquisitions over the last year including a full year of Northwest Pest Control, acquired late 2017, and the 2018 acquisition of OPC Services as well as several smaller foreign and domestic companies.

Sales, General and Administrative

For the twelve months ended December 31, 2018, sales, general and administrative (SG&A) expenses increased $47.3 million, or 9.4% compared to the twelve months ended December 31, 2017. SG&A increased to 30.2% of revenues for the year ended December 31, 2018 compared to 30.1% in 2017. The Company increased its 401k match to employees and granted a one-time vested stock grant during the year which increased personnel related costs and administrative salaries, respectively. Group insurance premiums were up for the year as well as payroll taxes. The company's acquisitions and rising gasoline costs and lease expenses raised our fleet costs and the Company had increased use of outside professional services in IT projects as well as other projects.

Gain on Sales of assets, Net

Gain on sales of assets, net increased to $0.9 million for the year ended December 31, 2018 compared to $0.2 million in

2018 Form 10-K

2017. The Company recognized gains from the sale of owned vehicles and owned property in 2018 and 2017.

Interest Income, Net

Interest income, net for each of the years ended December 31, 2018 and 2017 was $0.2 million and $0.3 million, respectively. Interest income for each year is due to interest received on cash balances in the Company's various cash accounts.

Taxes

The Company's 2018 net income was positively affected by the TCJA which was signed in to law on December 22, 2017. The estimated positive impact of the enactment of the TCJA was a $38.4 million decrease to tax expense, which was a direct increase to net income. 2017 had an $11.6 million increase in tax as follows: $8.0 million from transition tax on foreign earnings, $2.9 million from the revaluation of deferred tax assets, and $0.7 million from reductions in tax benefits on stock compensation. This resulted in a $0.05 per diluted share decrease in net income for the 2018 fiscal year.

Results of Operations—2017 Versus 2016

Overview

The Company's revenues increased to $1.674 billion in 2017, a 6.4% increase compared to 2016. Gross margin increased to 51.0% for 2017 from 50.9% in 2016. Sales, general and administrative expense were 30.1% of revenues in 2017 compared to 31.2% in 2016. The Company's depreciation and amortization margin increased 0.2 percentage points to 3.4% in 2017 compared to 3.2% in 2016. Rollins' net income of $179.1 million in 2017 was an increase of $11.7 million or 7.0% over $167.4 million in 2016. Net profit margin improved to 10.7% in 2017 from 10.6% in 2016. Rollins continued to expand our global brand recognition with acquisitions in the United States and Canada as well as expanding our Orkin international franchise program in numerous countries around the globe. The Company was in 53 countries at the end of 2017 and continues to seek new international opportunities.

Revenues

Revenues for the year ended December 31, 2017 were $1.674 billion, an increase of $100.5 million or 6.4% from 2016 revenues of $1.573 billion. Growth occurred across all service lines and brands with our Canadian and Australian companies being hindered by unfavorable foreign currency exchange rates. Organic growth and pricing accounted for approximately 4.5% of our increase and our acquisitions contributed the remaining revenue growth. Commercial pest control represented approximately 40% of the Company's revenue in 2017 and grew 5.1% due to increases in sales, an emphasis on closing leads, increased bed bug revenue, and acquisitions. Commercial pest control was negatively impacted by foreign currency exchange as Orkin Canada and Rollins Australia are heavily commercial. Residential pest control, which represented approximately 42% of the Company's revenue, increased 6.4% driven by an increase in lead closure, pricing, as well as increased TAEXX® homebuilder installations, and acquisitions. The Company's termite business, which represented approximately 18% of the Company's revenue, grew 9.7% in 2017 due to acquisitions, increases in drywood fumigations and ancillary service sales (such as moisture control and insulation).

The Company implemented its traditional price increase program in June 2017. Less than 2% of the Company's revenue increase is attributable to pricing actions. Approximately 80% of the Company's pest control revenue was recurring in 2017 as well as 2016.

The Company's foreign operations accounted for approximately 8% and 7% of total revenues for the years ended December 31, 2017 and 2016, respectively. The Company established new franchises in several international countries around the globe in 2017 for a total of 81 Orkin international franchises, two Canadian Critter Control franchises, and eleven Australian franchises operated by Murray Pest Control and Scientific Pest Management at December 31, 2017, compared to 70 Orkin international franchises, two Canadian Critter Control franchises and seven Australian Franchises at December 31, 2016.

International and domestic franchising revenue was less than 1% of the Company's revenues for 2017. Orkin had 128 and 120 franchises (domestic and international) at December 31, 2017 and 2016, respectively. The Company had 89 Critter Control franchises at December 31, 2017, down 5 from 2016. Critter Control Operations, Inc., a wholly-owned subsidiary of the Company, has begun the process of purchasing Critter Control franchises. Revenue from franchises was down 2.9% in 2017 compared to 2016 as we acquire franchises from Critter Control.

Cost of Services Provided

For the twelve months ended December 31, 2017 cost of services provided increased $47.6 million or 6.2%, compared to the twelve months ended December 31, 2016. Gross margin for the year increased to 51.0% for 2017 compared to 50.9% for 2016 due to favorable service salary cost as we utilize BOSS, our CRM and operating system and VRM to improve our customer routing and scheduling to maximize efficiencies. We had lower administrative salaries as we maximize our efficiencies and lower insurance and claims as we saw reductions in our actuarial calculations on future losses and lower vehicle loss expenses. The favorable margins were partially offset by higher fleet costs as gasoline prices rose and leased vehicle costs as we replace our fleet and materials and supplies as we increase termite treatments. We experienced good cost controls across most spending categories during 2017 compared to 2016.

Depreciation and Amortization

For the twelve months ended December 31, 2017, depreciation and amortization increased $5.7 million, or 11.2% compared to the twelve months ended December 31, 2016.

The dollar increase was primarily due to depreciation increasing $2.7 million or 10.7% as we continue to depreciate our CRM software BOSS, while amortization of intangible assets increased $3.0 million or 11.5% for 2017 due to the additional amortization of customer contracts of Northwest Pest Control, as well as several other acquisitions over the last year.

Sales, General and Administrative

For the twelve months ended December 31, 2017, sales, general and administrative (SG&A) expenses increased $12.9 million, or 2.6% compared to the twelve months ended December 31, 2016. SG&A decreased to 30.1% of revenues for the year ended December 31, 2017 compared to 31.2% in 2016. The Company had a one-time tax event to dissolve its subsidiary, Kinro Investment Inc. in 2016. This increased SG&A expense $9.1 million or 0.6 percentage points due to the one-time tax event that was offset as a credit in income tax expense. Administrative salaries were relatively flat to prior year as we reduced the number of temporary personnel working on the BOSS system. Personnel related costs were marginally lower as we experienced leveling of our premiums. Gains in these areas were partially offset by higher sales salaries, fleet expense, and contractor expenses for various projects as well as the aforementioned 2016 foreign tax withholding expense.

Gain on Sales of assets, Net

Gain on sales of assets, net decreased to $0.2 million for the year ended December 31, 2017 compared to $0.8 million in 2016. The Company recognized gains from the sale of owned vehicles and owned property in 2017 and 2016.

Interest Income, Net

Interest income, net for each of the years ended December 31, 2017 and 2016 was $0.3 million and $0.2 million, respectively. Interest income for each year is due to interest received on cash balances in the Company's various cash accounts.

Taxes

The Company's effective tax rate increased to 39.2% in 2017 compared to 35.8% in 2016, due primarily to the effects of the TCJA in 2017, a one-time tax event in 2016 and differences in state and foreign income taxes. The estimated impact of the enactment of the TCJA was an $11.6 million increase to tax expense, which was a direct decrease to net income. The $11.6 million increase in tax was as follows: $8.0 million from transition tax on foreign earnings, $2.9 million from the revaluation of deferred tax assets, and $0.7 million from reductions in tax benefits on stock compensation. The increase due to the TCJA was partially offset by a reduction related to the implementation of ASU 2016-09 that was a $4.0 million benefit.

Liquidity and Capital Resources

Cash and Cash Flow

Cash from operating activities is the principal source of cash generation for our businesses.

The most significant source of cash in Rollins' cash flow from operations is customer-related activities, the largest of which is collecting cash resulting from services sales. The most significant operating use of cash is to pay our suppliers, employees, tax authorities and others for a wide range of material and services.

The Company's cash and cash equivalents at December 31, 2018, 2017, and 2016 were $115.5 million, $107.1 million, and $142.8 million, respectively.

	2018	2017	2016
Net cash provided by operating activities	$ 286,272	$ 235,370	$ 226,525
Net cash used in investing activities	(101,375)	(154,175)	(76,842)
Net cash used in financing activities	(162,283)	(130,263)	(136,371)
Effect of exchange rate on cash	(14,179)	13,333	(5,101)
Net increase (decrease) in cash and cash equivalents	$ 8,435	$ (35,735)	$ 8,211

Cash Provided by Operating Activities

The Company's operations generated cash of $286.3 million for the year ended December 31, 2018 primarily from net income of $231.7 million, compared with cash provided by operating activities of $235.4 million in 2017 and $226.5 million in 2016. The Company believes its current cash and cash equivalents balances, future cash flows expected to be generated from operating activities, available borrowings under its $175.0 million credit facility, and access to additional financing as needed, will be sufficient to finance its current operations and obligations, and fund expansion of the business for the foreseeable future.

The Company's made no contributions to the Rollins, Inc. and its wholly-owned subsidiaries' defined benefit retirement plans (the "Plans") during the year ended December 31, 2018. The Plans were fully-funded with a prepaid balance. No contributions were made in 2017 and $3.3 million was made during 2016, respectively, as a result of the Plans' funding status. The Company's management is not expecting to make a contribution during fiscal year 2019. In the opinion of management, additional Plan contributions, if any, will not have a material effect on the Company's financial position, results of operations or liquidity.

The Company has initiated the process to transition its Pension Plan to an Insurance provider. The timeline will take approximately 6-9 months from December 31, 2018. The Company's Pension Plan is currently more than 100% funded.

Cash Used in Investing Activities

The Company used $101.4 million on investing activities for the year ended December 31, 2018, compared to $154.2 million and $76.8 million during 2017 and 2016, respectively, and of that, invested approximately $27.2 million in capital expenditures during 2018 compared to $24.7 million and $33.1 million during 2017 and 2016, respectively. Capital expenditures for the year consisted primarily of property purchases, equipment replacements and technology related projects. The Company expects to invest between $25 million and $30 million in 2019 in capital expenditures. During 2018, the Company and its subsidiaries acquired several small to mid-sized companies for a total of $76.8 million compared to $130.2 million and $46.3 million in acquisitions during 2017 and 2016, respectively. The expenditures for the Company's acquisitions were funded with cash on hand. The Company continues to seek new acquisitions.

Cash Used in Financing Activities

The Company used cash of $162.3 million on financing activities for the year ended December 31, 2018, compared to $130.3 million and $136.4 million during 2017 and 2016, respectively. A total of $152.7 million was paid in cash dividends ($0.47 per share) during the year ended December 31, 2018 including a special dividend paid in December 2018 of $0.09 per share, compared to $122.0 million in cash dividends paid ($0.37 per share) during the year ended December 31, 2017, including a special dividend paid in December 2017 of $0.07 per share and $109.0 million paid in cash dividends ($0.33 per share) during the year ended December 31, 2016, including a special dividend paid in December 2016 of $0.07 per share.

The Company did not purchase shares on the open market during the years ended December 31, 2018 and 2017 while using $22.7 million to repurchase 1.3 million shares of its common stock at a weighted average price of $18.13 per share during 2016. There remain 7.6 million shares, adjusted for the December 10, 2018 three-for-two stock split, authorized to be repurchased under prior Board approval. The Company repurchased $9.5 million, $8.2 million, and $8.4 million of common stock for the years ended December 31, 2018, 2017 and 2016, respectively, from employees for the payment of taxes on vesting restricted shares.

The Company's $115.5 million of total cash at December 31, 2018 is primarily cash held at various banking institutions. Approximately $53.6 million is held in cash accounts at international bank institutions and the remaining $61.9 million is primarily held in Federal Deposit Insurance Corporation ("FDIC") insured non-interest-bearing accounts at various domestic banks which at times may exceed federally insured amounts.

The Company's international business is expanding and we intend to continue to grow the business in foreign markets in the future through reinvestment of foreign deposits and future earnings as well as acquisitions of unrelated companies. Repatriation of cash from the Company's foreign subsidiaries is not a part of the Company's current business plan.

The Company maintains a large cash position in the United States while having no third-party debt to service. Rollins maintains adequate liquidity and capital resources, without regard to its foreign deposits, that are directed to finance domestic operations and obligations and to fund expansion of its domestic business.

The Company expects to close on the acquisition of Clark Pest Control of Stockton, Inc. during the first or second quarters of 2019. The Company intends to fund purchase of the acquisition with a combination of cash on hand, use of its revolving credit agreement and a new term loan. The Closing of the acquisition is subject to the satisfaction of customary conditions, including the truth and accuracy of the representations and warranties of the sellers, the performance of the obligations of the sellers and the receipt of regulatory clearance.

For Information regarding our Revolving Credit Agreement see Note 4 – Debt of the Notes to Financial Statements (Part II, Item 8 of this Form 10-K).

Litigation

For discussion on the Company's legal contingencies, see 15 – Commitments and Contingencies to the accompanying financial statements.

Off Balance Sheet Arrangements, Contractual Obligations and Contingent Liabilities and Commitments

Other than the operating leases disclosed in the table that follows, the Company has no material off balance sheet arrangements.

The impact that the Company's contractual obligations as of December 31, 2018 are expected to have on our liquidity and cash flow in future periods is as follows:

	Payments due by period				
Contractual obligations (in thousands)	**Total**	**Less than 1 year**	**1 - 3 years**	**4 - 5 years**	**More than 5 years**
Business combinations related liabilities	$ 31,380	$ 21,474	$ 8,441	$ 1,465	$ —
Non-cancelable operating leases	97,612	28,751	32,487	20,140	16,234
Unrecognized tax positions(1)	3,747	3,747	—	—	—
Total(2)	$ 132,739	$ 53,972	$ 40,928	$ 21,605	$ 16,234

(1) These amounts represent expected payments with interest for unrecognized tax benefits as of December 31, 2018.

(2) Minimum pension funding requirements are not included as funding will not be required.

Critical Accounting Policies

The Company views critical accounting policies to be those policies that are very important to the portrayal of our financial condition and results of operations, and that require management's most difficult, complex or subjective judgments. The circumstances that make these judgments difficult or complex relate to the need for management to make estimates about the effect of matters that are inherently uncertain. We believe our critical accounting policies to be as follows:

Accrual for Termite Contracts—The Company maintains an accrual for termite claims representing the estimated costs of reapplications, repairs and associated labor and chemicals, settlements, awards and other costs relative to termite control services. Factors that may impact future cost include termiticide life expectancy and government regulation. It is significant that the actual number of claims has decreased in recent years due to changes in the Company's business practices. However, it is not possible to precisely predict future significant claims. Accruals for termite contracts are included in other current liabilities and long-term accrued liabilities on the Company's consolidated statements of financial position.

Accrued Insurance—The Company retains, up to specified limits, certain risks related to general liability, workers' compensation and vehicle liability. The estimated costs of existing and future claims under the retained loss program are accrued based upon historical trends as incidents occur, whether reported or unreported (although actual settlement of the claims may not be made until future periods) and may be subsequently revised based on developments relating to such claims. The Company contracts with an independent third party actuary on a semi-annual basis to provide the Company an estimated liability based upon historical claims information. The actuarial study is a major consideration in establishing the reserve, along with management's knowledge of changes in business practice and existing claims compared to current balances. Management's judgment is inherently subjective and a number of factors are outside management's knowledge and control. Additionally, historical information is not always an accurate indication of future events. The Company continues to be proactive in risk management to develop and maintain ongoing programs to reduce claims. Initiatives that have been implemented include pre-employment screening and an annual motor vehicle report required on all its drivers, post-offer physicals for new employees, pre-hire, random and post-accident drug testing, increased driver training and a post-injury nurse triage program for employees.

Revenue Recognition—The Company's Revenue recognition policy is to recognize revenue upon transfer of control of promised products or services to customers in an amount that reflects the consideration we expect to receive in exchange for those products or services. We enter into contracts that can include various combinations of products and services, each of which are distinct and accounted for as separate performance obligations. Revenue is recognized net of allowances for returns and any taxes collected from customers, which are subsequently remitted to governmental authorities.

More on the Company's revenue recognition policy can be found in the Company's Notes to the Consolidated Financial Statements, Note 1., Summary of Significant Accounting Policies with the heading Revenue Recognition.

Contingency Accruals—The Company is a party to legal proceedings with respect to matters in the ordinary course of business. In accordance with the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 450 "*Contingencies*," Management estimates and accrues for its liability and costs associated with the litigation. Estimates and accruals are determined in consultation with outside counsel. Because it is not possible to accurately predict the ultimate result of the litigation, judgments concerning accruals for liabilities and costs associated with litigation are inherently uncertain and actual liabilities may vary from amounts estimated or accrued. However, in the opinion of management, the outcome of the litigation will not have a material adverse impact on the Company's financial condition or results of operations. Contingency accruals are included in other current liabilities and long-term accrued liabilities on the Company's consolidated statements of financial position.

Defined benefit pension plans—In 2005, the Company ceased all future benefit accruals under the Rollins, Inc. defined benefit plan, although the Company remains obligated to provide employees benefits earned through June 2005. The Company also includes the Waltham Services, LLC Hourly Employee Pension Plan to the Company's financial statements. Waltham Services, LLC Hourly Employees Pension Plan was amended, effective September 1, 2018, to freeze future benefit accruals for all participants. The Company accounts for these defined benefit plans in accordance with the FASB ASC Topic 715 "*Compensation-Retirement Benefits*", and engages an outside actuary to calculate its obligations and costs. With the assistance of the actuary, the Company evaluates the significant assumptions used on a periodic basis including the estimated future return on plan assets, the discount rate, and other factors, and makes adjustments to these liabilities as necessary.

The Company chooses an expected rate of return on plan assets based on historical results for similar allocations among asset classes, the investments strategy, and the views of our investment adviser. Differences between the expected long-term return on plan assets and the actual return are amortized over future years. Therefore, the net deferral of past asset gains or losses ultimately affects future pension expense. The Company's assumption for the expected return on plan assets is 7.0% which is unchanged from the prior year.

In regards to the Rollins, Inc. Defined Benefit plan the company utilizes a termination liability approach. This approach reflects the estimated impact of the distribution of benefits due to a standard termination. Plan liabilities will be settled through the purchase of annuities from an insurance provider or through the distribution of lump sum payments to eligible participants that elect to receive such a form of payment. Discount rates of 3.90% per year for participants in pay status and 4.11% per year for participants with deferred benefits were selected by the Plan Sponsor to determine the benefit obligation resulting from plan termination annuity purchases. The discount rates reflect the single effective interest rate that produces the same present value as that produced when the expected future cash flows for participants expected to elect an annuity are discounted with the FTSE Yield Curve (formerly Citigroup) as of the measurement date. To determine the benefit obligation resulting from plan termination lump sum payments, the expected future cash flows for lump sum eligible participants, determined with the IRC 417(e) Mortality Table for 2019, were discounted with the IRC 417(e) segment interest rates for the month of November 2018 (3.43%, 4.46%, and 4.88%). Only 50% of active, 30% of deferred vested, and 25% of retired participants that will be eligible to receive a lump sum distribution of their pension benefit upon plan termination, are assumed to elect this form of payment.

The discount rate of 4.00% as of December 31, 2017 was updated as of December 31, 2018 to:

i) 3.90%, based on current market conditions, for participants in pay status expected to elect a plan termination annuity,

ii) 4.11%, based on current market conditions, for active and terminated participants with deferred benefits expected to elect a plan termination annuity,

iii) The IRC 417(e) interest rates for the month of November 2018 (3.43%, 4.46%, and 4.88), based on plan provisions, for all lump sum eligible expected to elect a plan termination lump sum.

Waltham Services, LLC Hourly Employees Pension Plan utilizes a yield curve approach. The approach utilizes an economic model whereby the Company's expected benefit payments over the life of the plans is forecast and then compared to a portfolio of corporate bonds that will mature at the same time that the benefit payments are due in any given year. The economic model then calculates the one discount rate to apply to all benefit payments over the life of the plan which will result in the same total lump sum as the payments from the corporate bonds. The discount rate was 4.05% as of December 31, 2018 compared to 4.05% in 2017 and 4.35% in 2016. A lower discount rate increases the present value of benefit obligation.

As set forth in Note 16 to the Company's financial statements, included among the asset categories for the Plan's investments are real estate, and alternative investments comprised of investments in real estate and hedge funds. These investments are categorized as investments at net asset value ("NAV") and are valued using significant non-observable inputs which do not have a readily determinable fair value. In accordance with Accounting Standards Update ("ASU") No. 2009-12 "*Investments In Certain Entities That Calculate Net Asset Value per Share (Or Its Equivalent),*" these investments are valued based on the net asset value per share calculated by the funds in which the plan has invested. These valuations are subject to judgments and assumptions of the funds which may prove to be incorrect, resulting in risks of incorrect valuation of these investments. The Company seeks to mitigate against these risks by evaluating the appropriateness of the funds' judgments and assumptions by reviewing the financial data included in the funds' financial statements for reasonableness.

As of December 31, 2018, the defined benefit plans were fully-funded and the recorded change within accumulated other comprehensive income increased stockholders' equity by $14.8 million before tax and $11.0 million after tax.

Recent Accounting Guidance

See Note 1 – Summary of Significant Accounting policies of the Notes to Financial Statements (Part II, Item 8 of this Form 10-K) for further discussion.

Forward-Looking Statements

This Annual Report contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements include statements regarding (i) management's belief that the Company competes favorably with competitors; (ii) the expectation for the Company's corporate tax rate for 2018; (iii) the Company's maintenance of sufficient supplies to fulfill its immediate needs and to alleviate potential short-term shortages in such supplies; (iv) any environmental remediation costs estimated to be incurred are not material to the Company's financial condition or operating results, (v) the adequacy of the Company's facilities to meet its future needs; (vi) the outcome of litigation, as discussed in the Legal Proceedings section and elsewhere and the Company's belief that such litigation will not have a material adverse effect on the Company's financial condition, results of operations or liquidity; (vii) the belief that the Company has adequate liquid assets, funding sources and insurance accruals to satisfy any claims; (viii) the Company's expectation to continue its payment of cash dividends; (ix) plans regarding acquisitions and franchise expansion; (x) the adequacy of the Company's resources and borrowings to fund operations, obligations, and expansions; (xi) management's belief that the Company is not expected to make a contribution to the Pension Plans or amortize net loss in 2019, and that the Company expects to transition its Pension Plan to an Insurance provider approximately 6-9 months from December 31, 2018; (xii) the Company's projected 2019 capital expenditures; (xiii) the plans to grow the business in foreign markets through reinvestment of foreign deposits and future earnings and through acquisitions of unrelated companies with no expectation of repatriation of cash from the Company's foreign subsidiaries; (xiv) the Company's expectation to maintain compliance with the covenants contained in its Revolving Credit Agreement throughout 2019; (xv) the impact and amount of the Company's contractual obligations; (xvi) management's expectations regarding termite claims and factors that impact future costs from those claims; (xvii) the expected cost of termite renewals; (xviii) the expected collectability of accounts receivable; (xix) the expected tax consequences and the impact of the TCJA; (xx) expectations and plans regarding any losses from franchisees; (xxi) the impact of recent accounting pronouncements; (xxii) and interest rate risks and foreign exchange currency risk on the Company's financial position, results of operations and liquidity; (xxiii) the ability of the Company to utilize all of its foreign net operating losses and the possibility that the Company's unrecognized tax benefits will increase in the next 12 months; (xxiv) expectation that the Company's proposed acquisition of Clark will close in the first or second quarter of 2019, be funded with a combination of cash on hand, proceeds from its revolving credit agreement and a new term loan and receive appropriate regulatory approvals, including the expiration of the applicable waiting period under the HSR Act; (xxv) the Company's intention to complete the Clark acquisition as soon as practicable following receipt of regulatory clearance from the FTC; and (xxvi) expectation that subject to post-closing adjustments, the final purchase of the proposed Clark acquisition is expected to be in the area of $400 million, including the real estate assets. The actual results of the Company could differ materially from those indicated by the forward-looking statements because of various risks, timing and uncertainties including, without limitation, the possibility of an adverse ruling against the Company in pending litigation; general economic conditions; market risk; changes in industry practices or technologies; the degree of success of the Company's termite process reforms and pest control selling and treatment methods; the Company's ability to identify and integrate potential acquisitions; climate and weather trends; competitive factors and pricing practices; potential increases in labor costs; changes in various government laws and regulations, including environmental regulations; the timing to consummate the proposed Clark acquisition; the risk that the regulatory clearance required for the proposed Clark acquisition may be delayed, not obtained or obtained subject to conditions that are not anticipated; and the risk that a condition to the closing of the proposed Clark acquisition may not be satisfied. All of the foregoing risks and uncertainties are beyond the ability of the Company to control, and in many cases the Company cannot predict the risks and uncertainties that could cause its actual results to differ materially from those indicated by the forward-looking statements.

Item 7A.

Quantitative and Qualitative Disclosures about Market Risk

Market Risk

On October 31, 2012, the Company entered into a Revolving Credit Agreement with SunTrust Bank and Bank of America, N.A. for an unsecured line of credit of up to $175.0 million, which includes a $75.0 million letter of credit subfacility, and a $25.0 million swingline subfacility. The Credit Agreement was amended on October 30, 2014 to extend the maturity date to October 31, 2018 and add three optional one year extensions. On October 27, 2015 the Company exercised a one year extension option to extend the maturity date to October 31, 2019. As of December 31, 2018, no borrowings were outstanding under the line of credit or under the swingline subfacility. The Company maintains approximately $32.9 million in letters of credit. These letters of credit are required by the Company's fronting insurance companies and/or certain states, due to the Company's self-insured status, to secure various workers' compensation and casualty insurance contracts coverage. The Company believes that it has adequate liquid assets, funding sources and insurance accruals to accommodate such claims.

Management's Report on Internal Controls Over Financial Reporting

To the Stockholders of Rollins, Inc.:

The management of Rollins, Inc. is responsible for establishing and maintaining adequate internal control over financial reporting for the Company. Rollins, Inc. maintains a system of internal accounting controls designed to provide reasonable assurance, at a reasonable cost, that assets are safeguarded against loss or unauthorized use and that the financial records are adequate and can be relied upon to produce financial statements in accordance with accounting principles generally accepted in the United States of America. The internal control system is augmented by written policies and procedures, an internal audit program and the selection and training of qualified personnel. This system includes policies that require adherence to ethical business standards and compliance with all applicable laws and regulations.

Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of the effectiveness of the design and operation of internal controls over financial reporting, as of December 31, 2018 based on criteria established in the 2013 Internal Control—Integrated framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, management's assessment is that Rollins, Inc. maintained effective internal control over financial reporting as of December 31, 2018.

The independent registered public accounting firm, Grant Thornton LLP has audited the consolidated financial statements as of and for the year ended December 31, 2018, and has also issued their report on the effectiveness of the Company's internal control over financial reporting, included in this report on page 39.

/s/ Gary W. Rollins
Gary W. Rollins
Vice Chairman and Chief Executive Officer

/s/ Paul E. Northen
Paul E. Northen
Senior Vice President, Chief Financial Officer and Treasurer

Atlanta, Georgia
March 1, 2019

Report of Independent Registered Public Accounting Firm on Internal Control Over Financial Reporting

Board of Directors and Stockholders'

Rollins, Inc.

Opinion on internal control over financial reporting

We have audited the internal control over financial reporting of Rollins, Inc. (a Delaware corporation) and subsidiaries (the "Company") as of December 31, 2018, based on criteria established in the 2013 *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2018, based on criteria established in the 2013 *Internal Control—Integrated Framework* issued by COSO.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the consolidated financial statements of the Company as of and for the year ended December 31, 2018, and our report dated March 1, 2019 expressed an unqualified opinion on those financial statements.

Basis for opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Controls over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and limitations of internal control over financial reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ GRANT THORNTON LLP

Atlanta, Georgia
March 1, 2019

Report of Independent Registered Public Accounting Firm on Consolidated Financial Statements and Schedule

Board of Directors and Stockholders'

Rollins, Inc.

Opinion on the financial statements

We have audited the accompanying consolidated statements of financial position of Rollins, Inc. (a Delaware corporation) and subsidiaries (the "Company") as of December 31, 2018 and 2017, the related consolidated statements of income, comprehensive earnings, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2018, and the related notes and financial statement schedule included under item 15(a) (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2018 and 2017, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2018, in conformity with accounting principles generally accepted in the United States of America.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the Company's internal control over financial reporting as of December 31, 2018, based on criteria established in the 2013 *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"), and our report dated March 1, 2019 expressed an unqualified opinion.

Basis for opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ GRANT THORNTON LLP

We have served as the Company's auditor since 2004.

Atlanta, Georgia
March 1, 2019

Item 8.

Financial Statements and Supplementary Data

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Rollins, Inc. and Subsidiaries
(in thousands except share information)

December 31,	2018	2017
ASSETS		
Cash and cash equivalents	$ 115,485	$ 107,050
Trade receivables, net of allowance for doubtful accounts of $13,285 and $11,814, respectively	104,016	97,802
Financing receivables, short-term, net of allowance for doubtful accounts of $1,845 and $1,535, respectively	18,454	17,263
Materials and supplies	15,788	14,983
Other current assets	32,278	25,697
Total Current Assets	286,021	262,795
Equipment and property, net	136,885	134,088
Goodwill	368,481	346,514
Customer contracts, net	178,075	152,869
Trademarks and tradenames, net	54,140	49,998
Other intangible assets, net	11,043	11,550
Financing receivables, long-term, net of allowance for doubtful accounts of $1,536 and $1,357 respectively	28,227	20,414
Prepaid pension	5,274	17,595
Deferred income taxes	6,915	18,420
Other assets	19,063	19,420
Total Assets	$ 1,094,124	$ 1,033,663
LIABILITIES		
Accounts payable	$ 27,168	$ 26,161
Accrued insurance	27,709	28,018
Accrued compensation and related liabilities	77,741	73,016
Unearned revenue	116,005	109,029
Other current liabilities	50,406	58,345
Total current liabilities	299,029	294,569
Accrued insurance, less current portion	33,867	34,245
Long-term accrued liabilities	49,320	50,925
Total Liabilities	382,216	379,739
Commitments and Contingencies		
STOCKHOLDERS' EQUITY		
Preferred stock, without par value; 500,000 authorized, zero shares issued	—	—
Common stock, par value $1 per share; 375,000,000 shares authorized, 327,308,079 and 326,988,265 shares issued, respectively	327,308	326,988
Paid-in-capital	85,386	81,405
Accumulated other comprehensive loss	(71,078)	(45,956)
Retained earnings	370,292	291,487
Total Stockholders' Equity	711,908	653,924
Total Liabilities and Stockholders' Equity	$ 1,094,124	$ 1,033,663

The accompanying notes are an integral part of these consolidated financial statements.

2018 Form 10-K

CONSOLIDATED STATEMENTS OF INCOME

Rollins, Inc. and Subsidiaries
(in thousands except per share data)

Years ended December 31,	2018	2017	2016
REVENUES			
Customer services	$ 1,821,565	$ 1,673,957	$ 1,573,477
COSTS AND EXPENSES			
Cost of services provided	894,437	819,943	772,348
Depreciation and amortization	66,792	56,580	50,902
Sales, general and administrative	550,698	503,433	490,528
Gain on sales of assets, net	(875)	(242)	(777)
Interest income	(220)	(259)	(160)
	1,510,832	1,379,455	1,312,841
INCOME BEFORE INCOME TAXES	310,733	294,502	260,636
PROVISION FOR INCOME TAXES			
Current	71,442	96,742	96,515
Deferred	7,628	18,636	(3,248)
	79,070	115,378	93,267
NET INCOME	$ 231,663	$ 179,124	$ 167,369
INCOME PER SHARE - BASIC	$ 0.71	$ 0.55	$ 0.51
INCOME PER SHARE - DILUTED	$ 0.71	$ 0.55	$ 0.51
Weighted average shares outstanding - basic	327,291	326,982	327,366
Weighted average shares outstanding - diluted	327,291	326,982	327,366
DIVIDENDS PAID PER SHARE	$ 0.47	$ 0.37	$ 0.33

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE EARNINGS

Rollins, Inc. and Subsidiaries
(in thousands)

Years ended December 31,	2018	2017	2016
NET INCOME	$ 231,663	$ 179,124	$ 167,369
Other comprehensive earnings/(loss), net of tax			
Pension and other postretirement benefit plans	(11,050)	14,159	1,705
Foreign currency translation adjustments	(14,072)	9,960	(602)
Other comprehensive earnings/(loss)	(25,122)	24,119	1,103
Comprehensive earnings	$ 206,541	$ 203,243	$ 168,472

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

Rollins, Inc. and Subsidiaries
(In thousands)

	Common Stock		Treasury			Accumulated Other		
	Shares	Amount	Shares	Amount	Paid-In-Capital	Comprehensive Income (Loss)	Retained Earnings	Total
Balance at December 31, 2015	328,130	$ 328,130	(300)	$ (300)	$ 69,762	$ (71,178)	$ 197,615	$ 524,029
Net Income							167,369	167,369
Other Comprehensive Income, Net of Tax								
Pension Liability Adjustment	—	—	—	—	—	1,705	—	1,705
Foreign Currency Translation Adjustments	—	—	—	—	—	(602)	—	(602)
Cash Dividends	—	—	—	—	—	—	(109,002)	(109,002)
Common Stock Purchased[(1)]	(1,254)	(1,254)	—	—	—	—	(21,465)	(22,719)
Common Stock Retired	(300)	(300)	300	300	—	—	—	—
Stock Compensation	582	582	—	—	12,027	—	(194)	12,415
Employee Stock Buybacks	(470)	(470)	—	—	(8,036)	—	157	(8,349)
Excess Tax Benefit on Share-based payments	—	—	—	—	3,699	—	—	3,699
Balance at December 31, 2016	326,688	$ 326,688	—	$ —	$ 77,452	$ (70,075)	$ 234,480	$ 568,545
Net Income							179,124	179,124
Other Comprehensive Income, Net of Tax								
Pension Liability Adjustment	—	—	—	—	—	14,159	—	14,159
Foreign Currency Translation Adjustments	—	—	—	—	—	9,960	—	9,960
Cash Dividends	—	—	—	—	—	—	(122,017)	(122,017)
Stock Compensation	651	651	—	—	11,965	—	(217)	12,399
Employee Stock Buybacks	(351)	(351)	—	—	(8,012)	—	117	(8,246)
Balance at December 31, 2017	326,988	$ 326,988	—	$ —	$ 81,405	$ (45,956)	$ 291,487	$ 653,924
Net Income							231,663	231,663
Other Comprehensive Income, Net of Tax								
Pension Liability Adjustment	—	—	—	—	—	(11,050)	—	(11,050)
Foreign Currency Translation Adjustments	—	—	—	—	—	(14,072)	—	(14,072)
Cash Dividends	—	—	—	—	—	—	(152,742)	(152,742)
Stock Compensation	605	605	—	—	13,323	—	(202)	13,726
Employee Stock Buybacks	(285)	(285)	—	—	(9,342)	—	86	(9,541)
Balance at December 31, 2018	327,308	$ 327,308	—	$ —	$ 85,386	$ (71,078)	$ 370,292	$ 711,908

(1) Charges to Retained Earnings are from purchases of the Company's Common Stock.

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Rollins, Inc. and Subsidiaries
(in thousands)

Years ended December 31,	2018	2017	2016
OPERATING ACTIVITIES			
Net Income	$ 231,663	$ 179,124	$ 167,369
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation, amortization and other non-cash charges	64,675	55,533	49,894
Provision for deferred income taxes	7,628	18,636	(3,248)
Stock based compensation expense	13,726	12,399	12,415
Excess tax benefits from share-based payments	—	—	(3,699)
Provision for bad debts	13,606	10,455	11,257
Changes in assets and liabilities:			
Trade accounts receivables and other accounts receivables	(12,549)	(13,661)	(15,868)
Financing receivables	(10,784)	(6,527)	(6,133)
Materials and supplies	(374)	(837)	(671)
Other current assets	(7,121)	1,448	(1,464)
Other non-current assets	11,329	(5,137)	(1,934)
Accounts payable and accrued expenses	(23,820)	(25,691)	13,327
Unearned revenue	4,901	1,222	2,842
Accrued insurance	(686)	4,039	2,949
Pension funding	—	—	(3,256)
Long-term accrued liabilities	(5,922)	4,367	2,745
Net cash provided by operating activities	286,272	235,370	226,525
INVESTING ACTIVITIES			
Cash used for acquisitions of companies, net of cash acquired	(76,769)	(130,189)	(46,308)
Capital expenditures	(27,179)	(24,680)	(33,081)
Cash from sale of franchises	343	519	699
Derivative Investments	297	(264)	—
Proceeds from sale of assets	1,840	370	1,663
Investment tax credits	93	69	185
Net cash used in investing activities	(101,375)	(154,175)	(76,842)
FINANCING ACTIVITIES			
Payment of dividends	(152,742)	(122,017)	(109,002)
Cash paid for common stock purchased	(9,541)	(8,246)	(31,068)
Excess tax benefits from share-based payments	—	—	3,699
Net cash used in financing activities	(162,283)	(130,263)	(136,371)
Effect of exchange rate changes on cash	(14,179)	13,333	(5,101)
Net increase (decrease) in cash and cash equivalents	8,435	(35,735)	8,211
Cash and cash equivalents at beginning of year	107,050	142,785	134,574
Cash and cash equivalents at end of year	$ 115,485	$ 107,050	$ 142,785
Supplemental disclosure of cash flow information			
Cash paid for interest	$ 25	$ —	$ 13
Cash paid for income taxes, net	$ 77,351	$ 90,702	$ 88,766

The accompanying notes are an integral part of these consolidated financial statements.

Supplemental Disclosures of Non-Cash Items

Pension—Non-cash (increases)/decreases in the minimum pension liability which were credited to other comprehensive income were ($14.8) million, $19.0 million, and $3.0 million in 2018, 2017, and 2016, respectively.

Business Combinations—There were $18.1 million in non-cash acquisitions of assets in business combinations for the year ended December 31, 2018, $34.0 million in 2017 and $11.4 million for 2016.

Notes to Consolidated Financial Statements

Years ended December 31, 2018, 2017, and 2016, Rollins, Inc. and Subsidiaries

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business Description—Rollins, Inc. (the "Company") was originally incorporated in 1948 under the laws of the state of Delaware as Rollins Broadcasting, Inc.

The Company is an international service company with headquarters located in Atlanta, Georgia, providing pest and termite control services through its wholly-owned subsidiaries to both residential and commercial customers in North America, Australia, and Europe with international franchises in Central America, the Caribbean, the Middle East, Asia, the Mediterranean, Europe, Africa, Canada, Australia, and Mexico. Services are performed through a contract that specifies the pricing arrangement with the customer.

Orkin, LLC. ("Orkin"), a wholly-owned subsidiary of the Company founded in 1901, is the world's largest pest and termite control company. It provides customized services from over 400 locations. Orkin either serves customers directly or through franchise operations, in the United States, Canada, Central America, the Caribbean, the Middle East, Asia, the Mediterranean, Europe, Africa, and Mexico providing essential pest control services and protection against termite damage, rodents and insects to homes and businesses, including hotels, food service establishments, food manufacturers, retailers and transportation companies. Orkin operates under the Orkin®, and Orkin Canada® trademarks and the Acurid℠ service mark. The Orkin® brand name makes Orkin the most recognized pest and termite company throughout the United States. The Orkin Canada brand name provides similar brand recognition throughout Canada.

Orkin Canada, a wholly-owned subsidiary of Orkin founded in 1952, was acquired by Orkin in 1999. Orkin Canada is Canada's largest pest control provider and a leader in the development of fast, effective and environmentally responsible pest control solutions.

Western Pest Services ("Western"), a wholly-owned subsidiary of the Company founded in 1928, was acquired by Rollins, Inc. in 2004. Western is primarily a commercial pest control service company and its business complements most of the services Orkin offers, focusing on the northeastern United States.

The Industrial Fumigant Company ("IFC"), a wholly-owned subsidiary of the Company founded in 1937, was acquired by Rollins, Inc. in 2005. IFC is a leading provider of pest management and sanitation services and products to the food and commodity industries.

HomeTeam Pest Defense ("HomeTeam"), a wholly-owned subsidiary of the Company established in 1996, was acquired by Rollins, Inc. in April 2008. At the time of the acquisition, HomeTeam, with its unique Taexx® tubes in the wall pest control system, was recognized as a premier pest control business and ranked as the 4th largest company in the industry. HomeTeam services home builders nationally.

Rollins Australia ("Rollins Australia"), a wholly-owned subsidiary of the Company, acquired Allpest WA ("Allpest"), in February 2014. Allpest was established in 1959 and is headquartered in Perth, Australia. Allpest provides traditional commercial, residential, and termite service as well as consulting services on border protection related to Australia's biosecurity program and provides specialized services to Australia's mining and oil and gas sectors.

Critter Control, a wholly-owned subsidiary of the Company, was acquired by Rollins, Inc. on February 27, 2015. Critter Control was established in 1983 and is headquartered in Traverse City, Michigan. The business is primarily franchised, operating in 40 states and 2 Canadian provinces.

Rollins UK was formed as a wholly-owned subsidiary of the Company to acquire Safeguard Pest Control ("Safeguard"). Safeguard, which was acquired in June 2016, is a pest control company established in the United Kingdom in 1991 with a history of providing superior pest control, bird control, and specialist services to residential and commercial customers.

Northwest Pest Control, LLC, a wholly-owned subsidiary of the Company founded in 1951, was acquired by Rollins, Inc. in August 2017. Northwest specializes in residential and commercial termite control, pest control, mosquito control, wildlife services, lawn care, insulation, and HVAC services, focusing on the Southeast United States.

The Company has several smaller wholly-owned subsidiaries that in total make up less than 5% of the Company's total revenues.

The Company has only one reportable segment, its pest and termite control business. Revenue, operating profit and identifiable assets for this segment, includes the United States, Canada, Australia, Central America, the Caribbean, the Middle East, Asia, the Mediterranean, Europe, Africa, and Mexico. The Company's results of operations and its financial condition are not reliant upon any single customer, few customers or foreign operations.

Principles of Consolidation—The Company's Consolidated Financial Statements include the accounts of Rollins, Inc. and our wholly-owned subsidiaries and have been prepared in accordance with accounting principles generally accepted in the U.S. ("GAAP"). The Company does not consolidate the financial statements of any company in which it has an ownership interest of 50% or less. The Company is not the primary beneficiary of, nor does it have a controlling financial interest in, any variable interest entity. Accordingly, the Company has not consolidated any variable interest entity. The Company reclassified certain prior period amounts, none of which were material, to conform to the current period presentation. All material intercompany accounts and transactions have been eliminated.

Subsequent Events—The Company evaluates its financial statements through the date the financial statements are issued.

On January 7, 2019, Rollins, Inc. (the "Company") and certain of its affiliates entered into certain agreements providing for the acquisition (the "Acquisition") of a pest control business as follows: (a) a Stock Purchase Agreement among the Company, Clark Pest Control of Stockton, Inc. ("Clark Pest Control"), JJT King, Inc., and the stockholders of Clark Pest Control pursuant to which the Company will acquire all of the issued and outstanding shares of Clark Pest Control, (b) a Real Estate Purchase Agreement between RCI-King, Inc., a wholly-owned subsidiary of the Company, and Clarkson California Properties pursuant to which an affiliate of the Company will acquire certain real estate used in Clark Pest Control's business, and (c) an Asset Purchase Agreement between King Distribution, Inc., a wholly-owned subsidiary of the Company, and Geotech Supply Co., LLC pursuant to which an affiliate of the Company will acquire certain assets used in the business of distributing certain equipment and supplies related to the pest control business of Clark Pest Control. Subject to post-closing adjustments, the final purchase is expected to be in the area of $400 million including the real estate assets. The purchase price was negotiated at arm's-length and the agreement contains customary representations, warranties, noncompetition agreements and holdback provisions.

The Closing of the Acquisition is subject to the satisfaction of customary conditions, including the truth and accuracy of the representations and warranties of the sellers, the performance of the obligations of the sellers and the receipt of regulatory clearance. The Company intends to fund purchase of the Acquisition with a combination of cash on hand, use of its revolving credit agreement and a new term loan. The Company expects the acquisition to close during the first or second quarters of 2019.

Estimates Used in the Preparation of Consolidated Financial Statements—The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the accompanying notes and financial statements. Actual results could differ from those estimates.

Revenue Recognition—The Company's Revenue recognition policy is to recognize revenue upon transfer of control of promised products or services to customers in an amount that reflects the consideration we expect to receive in exchange for those products or services. We enter into contracts that can include various combinations of products and services, each of which are distinct and accounted for as separate performance obligations. Revenue is recognized net of allowances for returns and any taxes collected from customers, which are subsequently remitted to governmental authorities.

Nature of Goods and Services and Performance Obligations

The Company contracts with its customers to provide the following goods and services, each of which is a distinct performance obligation:

Pest control services—Rollins provides pest control services to protect residential and commercial properties from common pests, including rodents and insects. Pest control generally consists of assessing a customer's property for conditions that invite pests, tackling current infestations, and stopping the life cycle to prevent future invaders. Revenue from pest control services is recognized as services are rendered.

The Company's revenue recognition policies are designed to recognize revenues upon satisfaction of the performance obligation at the time services are performed. For certain revenue types, because of the timing of billing and the receipt of cash versus the timing of performing services, certain accounting estimates are utilized. Residential and commercial pest control services are primarily recurring in nature on a monthly, bi-monthly or quarterly basis, while certain types of commercial customers may receive multiple treatments within a given month. In general, pest control customers sign an initial one-year contract, and revenues are recognized at the time services are performed. The Company defers recognition of advance payments and recognizes the revenue as the services are rendered. The Company classifies discounts related to the advance payments as a reduction in revenues.

Termite control services (including traditional and baiting)—Rollins provides both conventional and baiting termite protection services. Traditional termite protection uses "Termidor" liquid treatment and/or dry foam and Orkin foam to treat voids and spaces around the property, while baiting termite protection uses baits to disrupt the molting process termites require for growth and offers ongoing protection. Revenue from initial termite treatment services is recognized as services are provided.

Maintenance/monitoring/inspection—In connection with the initial service offerings, Rollins provides recurring maintenance, monitoring or inspection services to help protect consumer's property for any future sign of termite activities after the original treatment. This recurring service is a service-type warranty under ASC 606 as it is routinely sold and purchased separately from the initial treatment services and is typically purchased or renewed annually.

Termite baiting revenues are recognized based on the transfer of control of the individual units of accounting. At the inception of a new baiting services contract, upon quality control review of the installation, the Company recognizes revenue for the installation of the monitoring stations, initial directed liquid termiticide treatment and servicing of the monitoring stations. A portion of the contract amount is deferred for the undelivered monitoring performance obligation. This portion is recognized as income on a straight-line basis over the remaining contract term, which results in recognition of revenue that depicts the Company's performance in transferring control of the service.

The allocation of the purchase price to the two deliverables is based on the relative stand-alone selling price. There are no contingencies related to the delivery of additional items or meeting other specified performance conditions. Baiting renewal revenue is deferred and recognized over the annual contract period on a straight-line basis that depicts the Company's performance in transferring control of the service.

Revenue received for conventional termite renewals is deferred and recognized on a straight-line basis over the remaining contract term that depicts the Company's performance in transferring control of the service; and, the cost of reinspections, reapplications and repairs and associated labor and chemicals are expensed as incurred. For outstanding claims, an estimate is made of the costs to be incurred (including legal costs) based upon current factors and historical information. The performance of reinspections tends to be close to the contract renewal date and while reapplications and repairs involve an insubstantial number of the contracts, these costs are incurred over the contract term. As the revenue is being deferred, the future cost of reinspections, reapplications and repairs and associated labor and chemicals applicable to the deferred revenue are expensed as incurred. The Company accrues for noticed claims. The costs of providing termite services upon renewal are compared to the expected revenue to be received and a provision is made for any expected losses.

Miscellaneous services (e.g., cleaning, etc.)—In certain agreements with customers, Rollins may offer other miscellaneous services, including restroom cleaning (e.g., eliminating foul odors, grease and grime which could attract pests), training (e.g., seminars covering good manufacturing practices and product stewardship), etc. Revenue from miscellaneous services is recognized when services are provided.

Products—Depending on customer demand, Rollins may separately sell pest control and/or termite protection products, such as traps. Revenue from product sales is recognized upon transfer of control of the asset.

Equipment rental (or lease)—Depending on customer demand, Rollins may lease certain pest control and/or termite protection equipment. Revenue from equipment rentals are recognized over the period of the rental/lease. Revenue from equipment rentals represent less than 1.0% of the Company's revenues for each reported period.

Right to access intellectual property (Franchise)—The right to access Rollins' intellectual property is an essential part of Orkin's franchising agreements. These agreements provide the franchisee (the customer) a license to use the Rollins' name and trademark when advertising and selling services to end customers in their normal course of business. Orkin Franchise agreements contain a clause allowing Orkin to purchase certain assets of the franchisee. This is only an offer for Orkin to re-purchase the assets originally provided by Orkin to the franchisee and is not a performance obligation or a form of consideration. International and domestic franchising revenue was less than 1.0% of the Company's annual revenues.

All Orkin domestic franchises have a guaranteed repurchase clause that the Orkin franchise may be repurchased by Orkin at a later date once it has been established. The Company amortizes the initial franchise fee over the initial franchise term. Deferred Orkin franchise fees were $1.6 million at December 31, 2018 and $3.4 million December 31, 2017.

Royalties from Orkin franchises are accrued and recognized as revenues are earned on a monthly basis. Revenue from Orkin franchises was $8.8 million for the year ended December 31, 2018 and $5.4 million and $3.0 million for the years ended December 31, 2017 and 2016, respectively.

Contract Balances

Timing of revenue recognition may differ from the timing of invoicing to customers. We record unearned revenue when revenue is recognized subsequent to billing. For multi-year agreements, we generally invoice customers annually at the beginning of each annual coverage period. The balance of long-term accounts receivable, net of allowance for doubtful accounts, was $28.2 million as of December 31, 2018 and $20.4 million at December 31, 2017 and is included in financed receivables as a long-term asset on our consolidated statements of financial position.

The allowance for doubtful accounts reflects our best estimate of probable losses inherent in the accounts receivable balance. We determine the allowance based on known troubled accounts, historical experience, and other currently available evidence. Activity in the allowance for doubtful accounts can be found on Schedule II-Valuation and Qualifying Accounts.

Unearned revenue is comprised mainly of unearned revenue related to the Company's termite baiting offering, conventional renewals, and year-in-advance pest control services for which we have been paid in advance and earn the revenue when we transfer control of the product or service.

Refer to Note 12—Unearned Revenue for further information, including changes in unearned revenue for the year.

Payment terms and conditions vary by contract type, although terms generally include a requirement of payment within 30 to 60 days. In instances where the timing of revenue recognition differs from the timing of invoicing, we have determined our contracts generally do not include a significant financing component. The primary purpose of our invoicing terms is to provide customers with simplified and predictable ways of purchasing our products and services, not to receive financing from our customers or to provide customers with financing.

Practical Expedients and Exemptions

We generally expense sales commissions when incurred because the amortization period would have been one year or less. These costs are recorded within sales and marketing expenses.

We do not disclose the value of unsatisfied performance obligations for (i) contracts with an original expected length of one year or less and (ii) contracts for which we recognize revenue at the amount to which we have the right to invoice for services performed. All revenues are reported net of sales taxes.

The Company's foreign operations accounted for approximately 8% of revenues for each of the years ended December 31, 2018 and 2017.

Allowance for Doubtful Accounts—The Company maintains an allowance for doubtful accounts based on the expected collectability of accounts receivable. Management uses historical collection results as well as accounts receivable aging in order to determine the expected collectability of accounts receivable. Substantially all of the Company's receivables are due from pest control and termite services in the United States and selected international locations. The Company's allowance for doubtful accounts is determined using a combination of factors to ensure that our receivables are not overstated due to uncollectability. The Company's established credit evaluation procedures seek to minimize the amount of business we conduct with higher risk customers. Provisions for doubtful accounts are recorded in selling, general and administrative expenses. Accounts are written-off against the allowance for doubtful accounts when the Company determines that amounts are uncollectible and recoveries of amounts previously written off are recorded when collected. Significant recoveries will generally reduce the required provision in the period of recovery. Therefore, the provision for doubtful accounts can fluctuate significantly from period to period. There were no large recoveries in 2018, 2017, and 2016. We record specific provisions when we become aware of a customer's inability to meet its financial obligations to us, such as in the case of bankruptcy filings or deterioration in the customer's operating results or financial position. If circumstances related to customers change, our estimates of the realizability of receivables would be further adjusted, either upward or downward.

Advertising—Advertising costs are charged to sales, general and administrative expense during the year in which they are incurred.

Years ended December 31,	2018	2017	2016
(in thousands)			
Advertising	$ 69,875	$ 66,115	$ 61,258

Cash and Cash Equivalents—The Company considers all investments with an original maturity of three months or less when purchased to be cash equivalents. Short-term investments, included in cash and cash equivalents, are stated at cost, which approximates fair market value.

The Company's $115.5 million of total cash at December 31, 2018, is primarily cash held at various banking institutions. Approximately $53.6 million is held in cash accounts at international bank institutions and the remaining $61.9 million is primarily held in Federal Deposit Insurance Corporation ("FDIC") insured non-interest-bearing accounts at various domestic banks which at times may exceed federally insured amounts.

The Company's international business is expanding and we intend to continue to grow the business in foreign markets in the future through reinvestment of foreign deposits and future earnings as well as acquisitions of unrelated companies. Repatriation of cash from the Company's foreign subsidiaries is not a part of the Company's current business plan.

The Company maintains a large cash position in the United States while having no third-party debt to service. Rollins maintains adequate liquidity and capital resources, without regard to its foreign deposits, that are directed to finance domestic operations and obligations and to fund expansion of its domestic business for the foreseeable future.

At December 31,	2018	2017
(in thousands) (in US dollars)		
Cash held in foreign bank accounts	$ 53,613	$ 57,790

Marketable Securities—From time to time, the Company maintains investments held by several large, well-capitalized financial institutions. The Company's investment policy does not allow investment in any securities rated less than "investment grade" by national rating services.

Management determines the appropriate classification of debt securities at the time of purchase and re-evaluates such designations as of each balance sheet date. Debt securities are classified as available-for-sale because the Company does not have the intent to hold the securities to maturity. Available-for-sale securities are stated at their fair values, with the unrealized gains and losses reported as in earnings. Realized gains and losses and declines in value judged to be other than temporary on available-for-sale securities are included as a component of interest income.

The Company had no marketable securities other than those held in the defined benefit pension plan and the non-qualified deferred compensation plan at December 31, 2018 and 2017. See Note 16 for further details.

Materials and Supplies—Materials and supplies are stated at the lower of cost or net realizable value. Cost is determined on the first-in, first-out method.

Income Taxes—The Company provides for income taxes based on FASB ASC topic 740 "Income Taxes", which requires recognition of deferred tax liabilities and assets for the expected future tax consequences of events that have been included in the consolidated financial statements or tax returns. The Company provides an allowance for deferred tax assets when it determines that it is more likely than not that the deferred tax assets will not be utilized. The Company establishes additional provisions for income taxes when, despite the belief that tax positions are fully supportable, there remain certain positions that do not meet the minimum probability threshold. The Company's policy is to record interest and penalties related to income tax matters in income tax expense.

Equipment and Property—Equipment and Property are stated at cost, net of accumulated depreciation, and are provided principally on a straight- line basis over the estimated useful lives of the related assets. Annual provisions for depreciation are computed using the following asset lives: buildings, 10 to 40 years; and furniture, fixtures, and operating equipment, 2 to 10 years. Expenditures for additions, major renewals and betterments are capitalized and expenditures for maintenance and repairs are expensed as incurred. The cost of assets retired or otherwise disposed of and the related accumulated depreciation and amortization are eliminated from the accounts in the year of disposal with the resulting gain or loss credited or charged to income. The annual provisions for depreciation, below, have been reflected in the Consolidated Statements of Income in the line item entitled Depreciation and Amortization.

Years ended December 31,	2018	2017	2016
(in thousands)			
Depreciation	$ 30,364	$ 27,381	$ 24,725

Goodwill and Other Intangible Assets—In accordance with the FASB ASC Topic 350, *"Intangibles - Goodwill and other"*, the Company classifies intangible assets into three categories: (1) intangible assets with definite lives subject to amortization; (2) intangible assets with indefinite lives not subject to amortization; and (3) goodwill. The Company does not amortize intangible assets with indefinite lives or goodwill. Goodwill and other intangible assets with indefinite useful lives are tested for impairment annually or more frequently if events or circumstances indicate the assets might be impaired. Such conditions may include an economic downturn or a change in the assessment of future operations. The Company performs impairment tests of goodwill at the Company level. Such impairment tests for goodwill include comparing the fair value of the appropriate reporting unit (the Company) with its carrying value. If the fair value of the reporting unit is lower than its carrying value, then the Company will compare the implied fair value of goodwill to its carrying value. Impairment losses are recognized whenever the implied fair value of goodwill is less than its carrying value. The Company performs impairment tests for indefinite-lived intangible assets by comparing the fair value of each indefinite-lived intangible asset unit to its carrying value. The Company recognizes an impairment charge if the asset's carrying value exceeds its estimated fair value. The Company completed its most recent annual impairment analysis as of September 30, 2018. Based upon the results of these analyses, the Company has concluded that no impairment of its goodwill or intangible assets with indefinite lives was indicated.

Impairment of Long-Lived Assets—In accordance with the FASB ASC Topic 360, *"Property, Plant and Equipment"*, the Company's long-lived assets, such as property and equipment and intangible assets with definite lives are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of these assets may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated undiscounted future cash flows, an impairment charge is recognized in the amount by which the carrying amount of the asset exceeds the fair value of the asset. We periodically evaluate the appropriateness of remaining depreciable lives assigned to long-lived assets, including customer contracts and assets that may be subject to a management plan for disposition.

Insurance—The Company retains, up to specified limits, certain risks related to general liability, workers' compensation and vehicle liability. The estimated costs of existing and future claims under the retained loss program are accrued based upon historical trends as incidents occur, whether reported or unreported (although actual settlement of the claims may not be made until future periods) and may be subsequently revised based on developments relating to such claims. The Company contracts with an independent third party actuary on a semi-annual basis to provide the Company an estimated liability based upon historical claims information. The actuarial study is a major consideration in establishing the reserve, along with management's knowledge of changes in business practice and existing claims compared to current balances. Management's judgment is inherently subjective and a number of factors are outside management's knowledge and control. Additionally, historical information is not always an accurate indication of future events.

Accrual for Termite Contracts—The Company maintains an accrual for termite claims representing the estimated costs of reapplications, repairs and associated labor and chemicals, settlements, awards and other costs relative to termite control services. Factors that may impact future costs include termiticide life expectancy and government regulation. It is significant that the actual number of claims has decreased in recent years due to changes in the Company's business practices. However, it is not possible to precisely predict future significant claims. An accrual for termite contracts is included in other current liabilities and long-term accrued liabilities on the Company's consolidated statements of financial position.

Contingency Accruals—The Company is a party to legal proceedings with respect to matters in the ordinary course of business. In accordance with the FASB ASC Topic 450 *"Contingencies,"* management estimates and accrues for its liability and costs associated with the litigation. Estimates and accruals are determined in consultation with outside counsel. Because it is not possible to accurately predict the ultimate result of the litigation, judgments concerning accruals for liabilities and costs associated with litigation are inherently uncertain and actual liability may vary from amounts estimated or accrued. However, in the opinion of management, the outcome of the litigation will not have a material adverse impact on the Company's financial condition or results of operations. Contingency accruals are included in other current liabilities and long-term accrued liabilities on the Company's consolidated statements of financial position.

Three-for-two stock split—The Board of Directors at its quarterly meeting on October 23, 2018, authorized a three-for-two stock split by the issuance on December 10, 2018 of one additional common share for each two common shares held of record at November 9, 2018. All share and per share data appearing in the consolidated financial statements and related notes are restated for the three-for-two stock split.

Earnings Per Share—the FASB ASC Topic 260-10 *"Earnings Per Share-Overall,"* requires a basic earnings per share and diluted earnings per share presentation. Further, all outstanding unvested share-based payment awards that contain non-forfeitable rights to dividends or dividend equivalents, whether paid or unpaid, are considered participating securities and an entity is required to include participating securities in its calculation of basic earnings per share.

The Company has periodically issued share-based payment awards that contain non-forfeitable rights to dividends and therefore are considered participating securities. See Note 17 for further information on restricted stock granted to employees.

The basic and diluted calculations are the same as there were no stock options included in diluted earnings per share as we have no stock options outstanding. Basic and diluted earnings per share are computed by dividing net income by the weighted average number of shares outstanding during the respective periods.

A reconciliation of weighted average shares outstanding along with the earnings per share attributable to restricted shares of common stock (participating securities) is as follows (in thousands except per share data). All share and per share information in the following chart are restated for the stock split effective December 10, 2018:

Years Ended December 31,	2018	2017	2016
Net income available to stockholders	$ 231,663	$ 179,124	$ 167,369
Less: Dividends paid			
Common Stock	(151,458)	(120,930)	(107,880)
Restricted shares of common stock	(1,284)	(1,087)	(1,122)
Undistributed earnings for the period	$ 78,921	$ 57,107	$ 58,367
Allocation of undistributed earnings:			
Common stock	$ 78,255	$ 56,567	$ 57,722
Restricted shares of common stock	666	540	645
Basic and diluted shares outstanding:			
Common stock	324,529	323,890	323,745
Restricted shares of common stock	2,762	3,091	3,619
	327,291	326,981	327,366
Basic and diluted earnings per share:			
Common stock:			
Distributed earnings	$ 0.47	$ 0.37	$ 0.33
Undistributed earnings	0.24	0.18	0.18
	$ 0.71	$ 0.55	$ 0.51
Restricted shares of common stock			
Distributed earnings	$ 0.47	$ 0.35	$ 0.31
Undistributed earnings	0.24	0.18	0.18
	$ 0.71	$ 0.53	$ 0.49

Translation of Foreign Currencies—Assets and liabilities reported in functional currencies other than U.S. dollars are translated into U.S. dollars at the year-end rate of exchange. Revenues and expenses are translated at the weighted-average exchange rates for the year. The resulting translation adjustments are charged or credited to other comprehensive income. Gains or losses from foreign currency transactions, such as those resulting from the settlement of receivables or payables, denominated in foreign currency are included in the earnings of the current period.

Stock-Based Compensation—The Company accounts for its stock-based compensation in accordance with the FASB ASC Topic 718 *"Compensation – Stock Compensation."* Time lapse restricted shares (TLRSs) have been issued to officers and other management employees under the Company's Employee Stock Incentive Plan.

TLRSs provide for the issuance of a share of the Company's Common Stock at no cost to the holder and generally vest after a certain stipulated number of years from the grant date, depending on the terms of the issue. Outstanding TLRSs vest in 20 percent increments starting with the second anniversary of the grant, over six years from the date of grant. During these years, grantees receive all dividends declared and retain voting rights for the granted shares. The agreements under which the restricted stock is issued provide that shares awarded may not be sold or otherwise transferred until restrictions established under the plans have lapsed. The fair value of these awards is recognized as compensation expense, net of forfeitures, on a straight-line basis over six years.

Comprehensive Income (Loss)—Other Comprehensive Income (Loss) results from foreign currency translations and minimum pension liability adjustments.

Franchising Program—Rollins' wholly-owned subsidiary, Orkin, had 47, 47 and 50 domestic franchises as of December 31, 2018, 2017 and 2016, respectively. Transactions with Orkin's domestic franchises involve sales of customer contracts to establish new Orkin franchises, initial franchise fees and royalties. The customer contracts and initial Orkin franchise fees are typically sold for a combination of cash and notes due over periods ranging up to five years. Notes receivable from Orkin franchises were $6.5 million at December 31, 2018 and $5.9 million at December 31, 2017. These amounts are included as financing receivables in the accompanying Consolidated Statements of Financial Position.

Right to access intellectual property (Franchise)—The right to access Rollins' intellectual property is an essential part of Orkin's franchising agreements. These agreements provide the franchisee (the customer) a license to use the Rollins' name and trademark when advertising and selling services to end customers in their normal course of business. Orkin Franchise agreements contain a clause allowing Orkin to purchase certain assets of the franchisee. This is only an offer for Orkin to re-purchase the assets originally provided by Orkin to the franchisee and is not a performance obligation or a form of consideration. International and domestic franchising revenue was less than 1.0% of the Company's annual revenues.

The Company amortizes the initial franchise fee over the initial franchise term. Deferred Orkin franchise fees of $1.6 million at December 31, 2018 and $3.4 million December 31, 2017.

Royalties from Orkin franchises are accrued and recognized as revenues are earned on a monthly basis. Revenue from Orkin franchises was $8.8 million for the year ended December 31, 2018 and $5.4 million and $5.1 million for the years ended December 31, 2017 and 2016, respectively.

As of December 31, 2018, 2017 and 2016, Orkin had 86, 81, and 70 international franchises, respectively. Orkin's international franchise program began with its first international franchise in 2000 and since has expanded to Central America, South America, the Caribbean, the Middle East, Asia, the Mediterranean, Europe, Africa and Mexico.

The Company's maximum exposure to loss (notes receivable from franchises less deferred franchise fees) relating to the Orkin franchises was $4.9 million, $2.5 million, and $2.0 million for the years ended December 31, 2018, 2017 and 2016, respectively.

Rollins' wholly-owned subsidiary, Critter Control, had 80 and 89 franchises in the United States and Canada as of December 31, 2018 and 2017, respectively. Transactions with Critter Control franchises involve sales of territories to establish new franchises, initial franchise fees and royalties. The territories and initial franchise fees are typically sold for a combination of cash and notes. Notes receivable from Critter Control franchises were $0.6 million and $0.2 million at December 31, 2018 and 2017, respectively. These notes are not guaranteed. The Company anticipates that should there be any losses from franchisees these losses would be recouped by removing the individual franchisee and re-selling the abandoned territory. These amounts are included as financing receivables in the accompanying Consolidated Statements of Financial Position.

Recent Accounting Guidance

Recently adopted accounting standards

In May 2014, the Financial Accounting Standards Board ("FASB") and International Accounting Standards Board issued their converged standard on revenue recognition Accounting Standards Update ("ASU") No. 2014-09, Revenue from Contracts with Customers: Topic 606. This ASU replaces nearly all existing U.S. GAAP guidance on revenue recognition. The standard prescribes a five-step model for recognizing revenue, the application of which will require significant judgment. The FASB issued ASU 2015-14 in August 2015 which resulted in a deferral of the original effective date of ASU 2014-09. During 2016, the FASB issued four ASUs that address implementation issues and correct or improve certain aspects of the new revenue recognition guidance, including ASU 2016-08, Principal versus Agent Considerations (Reporting Revenue

Gross versus Net), ASU 2016-10, Identifying Performance Obligations and Licensing, ASU 2016-12, Narrow-Scope Improvements and Practical Expedients and ASU 2016-20, Technical Corrections and Improvements to Topic 606, Revenue from Contracts with Customers. These ASUs do not change the core principles in the revenue recognition guidance outlined above. ASU No. 2014-09 and the related ASUs referenced above are effective for Rollins, Inc. beginning January 1, 2018. The Company has completed its detailed review of all global revenue arrangements in accordance with these ASUs and the adoption of these ASUs January 1, 2018 has had no impact on its consolidated financial statements.

In August 2016, the FASB issued ASU No. 2016-15, Statement of Cash Flow Classification of Certain Cash Receipts and Cash Payments, which addresses eight specific cash flow issues with the objective of reducing the existing diversity in practice in how certain cash receipts and cash payments are presented and classified in the statement of cash flows. The amendments in this update are effective for the Company's financial statements issued for annual periods beginning after December 15, 2017, and interim periods within annual periods. Earlier adoption is permitted for any entity in any interim or annual reporting period. The Company adopted this ASU on January 1, 2018 it had no impact on its consolidated financial statements.

Recently issued accounting standards to be adopted in 2019 or later

In February 2016, the FASB issued ASU 2016-02, Leases (ASC 842), which requires a lessee to recognize right-of-use assets (ROUs) and liabilities on the balance sheet for leases with lease terms greater than 12 months. Leases will be classified as finance or operating, with classification affecting the pattern and classification of expense recognition in the statement of income.

ASU 2016-02 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2018. An entity may elect to adopt the new standard using either 1) a modified retrospective approach with restated comparative period financial statements or 2) a prospective approach with a cumulative-effect adjustment recognized to the opening balance of retained earnings on the date of adoption. We anticipate adopting this standard on January 1, 2019, using the prospective approach. Consequently, the reporting for the comparative periods presented in the financial statements in which the new leases standard has been adopted will continue to be presented in accordance with current GAAP (Topic 840, Leases).

The new standard provides certain practical expedients in transition. We have elected the transition package of practical expedients, which permits us not to reassess under the new standard our prior conclusions about lease identification, lease classification and initial direct cost. The new standard also provides practical expedients for an entity's ongoing accounting. We elected the short-term lease recognition exemption. Accordingly, the Company does not recognize right of use assets or lease liabilities, for existing short-term leases of those assets in transition.

The Company expects the adoption of this guidance to have a material impact on its assets and liabilities due to the recognition of right-of-use assets and lease liabilities on its consolidated balance sheets. The recognition and measurement of expenses and cash flows will not be materially impacted by the new standard. Upon adoption, the Company expects to recognize operating lease ROUs and liabilities of between $175.0 million and $195.0 million. The new standard has enhanced disclosure requirements, including additional disclosures regarding the nature of an entity's leases, significant judgments and assumptions made when applying the standard, and the amounts recognized in the financial statements. The disclosure requirements will have a material impact on our financial statements.

In June of 2016, the FASB issued ASU 2016-13, "Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments." The updated accounting guidance requires changes to the recognition of credit losses on financial instruments not accounted for at fair value through net income. The guidance is effective for interim and annual periods beginning after December 15, 2019. The Company is currently evaluating the effect the guidance will have on its consolidated financial statements.

In January 2017, the FASB issued ASU No. 2017-04, Intangibles-Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment, which eliminates the requirement to calculate the implied fair value of goodwill (i.e., Step 2 of the current goodwill impairment test) to measure a goodwill impairment charge. Instead, entities will record an impairment charge based on the excess of a reporting unit's carrying amount over its fair value (i.e., measure the charge based on the current Step 1). The standard in this update is effective for the Company's financial statements issued for fiscal years beginning in 2020. Early adoption is permitted for annual and interim goodwill impairment testing dates after January 1, 2017. The adoption of this ASU is not expected to have a material impact on the Company's consolidated financial statements.

In August 2017, the FASB issued ASU 2017-12, Derivatives and Hedging (Topic 815), which provides new guidance intended to improve the financial reporting of hedging relationships to better portray the economic results of an entity's risk management activities in its financial statements. This ASU is effective for the Company beginning in fiscal year 2020. The adoption of this ASU is not expected to have a material impact on the Company's consolidated financial statements.

2. ACQUISITIONS

The Company has made 38 and 23 acquisitions during the years ended December 31, 2018, and 2017, respectively, that are not material individually or in the aggregate to the Company's consolidated financial statements. The largest acquisition made during these periods is as follows:

The Company completed the acquisition of Northwest Pest Control effective August 1, 2017. Northwest was established in 1951 and services approximately 120,000 customers in Georgia, South Carolina, Tennessee, Alabama, and North Carolina. Northwest Pest Control is the 17th largest pest control operator in the country, making it the largest Rollins acquisition since the Company acquired HomeTeam Pest Defense in 2008.

Total cash purchase price for the Company's acquisitions in 2018 and 2017 were $76.8 million and $130.2 million, respectively.

The fair values of major classes of assets acquired and liabilities assumed along with the contingent consideration liability recorded during the valuation period of acquisition is included in the reconciliation of the total consideration as follows (in thousands):

December 31,	2018	2017
Accounts receivable	$ 3,558	$ 3,836
Materials and supplies	556	312
Equipment and property	7,374	3,027
Goodwill	25,605	87,261
Customer contracts	62,228	60,695
Other intangible assets	6,936	20,086
Current liabilities	(21,536)	(30,344)
Other assets and liabilities, net	(3,089)	1,209
Total consideration paid	81,632	146,082
Less: Contingent consideration liability	(4,863)	(15,893)
Total cash purchase price	$ 76,769	$ 130,189

3. REVENUE

Adoption of ASC 606, "Revenue from Contracts with Customers". On January 1, 2018, and the Company adopted ASC 606 using the modified retrospective method applied to those contracts which were not completed as of January 1, 2017. Results for reporting periods beginning after January 1, 2018 are presented under ASC 606, while prior period amounts are not adjusted and continue to be reported in accordance with our historic accounting under ASC 605.

There was no material impact on the Company's financial statements as a result of adopting ASC 606 for the twelve months ended December 31, 2018, 2017 and 2016.

The following tables present our revenues disaggregated by revenue source (in thousands, unaudited).

Sales and usage-based taxes are excluded from revenues. No sales to an individual customer or in a country other than the United States accounted for more than 10% of the sales for the periods listed on the following table. Revenue, classified by the major geographic areas in which our customers are located, was as follows:

	2018	2017	2016
(in thousands)			
United States	$ 1,677,116	$ 1,541,336	$ 1,455,196
Other countries	144,449	132,621	118,281
Total Revenues	$ 1,821,565	$ 1,673,957	$ 1,573,477

Revenue from external customers, classified by significant product and service offerings, was as follows:

	2018	2017	2016
(in thousands)			
Residential revenue	$ 773,932	$ 705,787	$ 663,776
Commercial revenue	707,386	666,523	634,767
Termite completions, bait monitoring, and renewals	332,573	294,982	269,431
Other revenues	7,674	6,665	5,503
Total Revenues	$ 1,821,565	$ 1,673,957	$ 1,573,477

4. DEBT

On October 31, 2012, the Company entered into a Revolving Credit Agreement with SunTrust Bank and Bank of America, N.A. for an unsecured line of credit of up to $175.0 million, which includes a $75.0 million letter of credit subfacility, and a $25.0 million swingline subfacility. The Credit Agreement was amended on October 30, 2014 to extend the maturity date to October 31, 2018 and add three optional one year extensions. On October 27, 2015 the Company exercised a one year extension option to extend the maturity date to October 31, 2019. As of December 31, 2018, no borrowings were outstanding under the line of credit or under the swingline subfacility. The Company maintains approximately $32.9 million in letters of credit. These letters of credit are required by the Company's fronting insurance companies and/or certain states, due to the Company's self-insured status, to secure various workers' compensation and casualty insurance contracts coverage. The Company believes that it has adequate liquid assets, funding sources and insurance accruals to accommodate such claims.

The Revolving Credit Agreement is guaranteed by certain of Rollins' domestic-subsidiaries. The maturity date of the Credit Agreement is October 31, 2019, subject to up to two optional extensions of the Credit Agreement for one year each. Revolving loans under the Revolving Credit Agreement bear interest at one of the following two rates, at the Company's election:

- the Base Rate, which shall mean the highest of (i) the per annum rate which the Administrative Agent publicly announces from time to time as its prime lending rate, (ii) the Federal Funds rate, *plus* 0.50% per annum, and (iii) the Adjusted LIBOR Rate (which equals LIBOR as increased to account for the maximum reserve percentages established by the U.S. Federal Reserve) determined on a daily basis for an interest period of one (1) month, *plus* 1.0% per annum.

- with respect to any Eurodollar borrowings, the Adjusted LIBOR Rate plus an additional amount, which varies between .75% and 1.00%, based upon Rollins' then-current debt-to-EBITDA ratio. As of December 31, 2018, the additional rate allocated was .75%.

The Revolving Credit Agreement contains customary terms and conditions, including, without limitation, certain financial covenants including covenants restricting the Company's ability to incur certain indebtedness or liens, or to merge or consolidate with or sell substantially all of its assets to another entity. Further, the Revolving Credit Agreement contains financial covenants restricting the Company's ability to permit the ratio of the Company's consolidated debt to EBITDA to exceed certain limits.

The Company remained in compliance with applicable debt covenants at December 31, 2018 and expects to maintain compliance throughout 2019.

5. TRADE RECEIVABLES

The allowance for doubtful accounts is principally calculated based on the application of estimated loss percentages to delinquency aging totals, based on contractual terms, for the various categories of receivables. Bad debt write-offs occur according to Company policies that are specific to pest control, commercial and termite accounts.

December 31,	2018	2017
(in thousands)		
Gross trade receivables	$ 117,301	$ 109,616
Allowance for doubtful accounts	(13,285)	(11,814)
Net trade receivables	$ 104,016	$ 97,802

At any given time, the Company may have immaterial amounts due from related parties, which are invoiced and settled on a regular basis.

6. FINANCING RECEIVABLES

Rollins manages its financing receivables on an aggregate basis when assessing and monitoring credit risks. The Company's credit risk is generally low with a large number of entities comprising Rollins' customer base and dispersion across many different geographical regions. The credit quality of a potential obligor is evaluated at the loan origination based on an assessment of the individual's Beacon/credit bureau score. Rollins requires a potential obligor to have good credit worthiness with low risk before entering into a contract. Depending upon the individual's credit score the Company may accept with 100% financing or require a significant down payment or turndown the contract. Delinquencies of accounts are monitored each month. Financing receivables include installment receivable amounts which are due subsequent to one year from the balance sheet dates.

At December 31,	2018	2017
(in thousands)		
Gross financing receivables, short-term	$ 20,299	$ 18,798
Gross financing receivables, long-term	29,763	21,771
Allowance for doubtful accounts	(3,381)	(2,892)
Net financing receivables	$ 46,681	$ 37,677

Total financing receivables, net were $46.7 million and $37.7 million at December 31, 2018 and December 31, 2017, respectively. Financing receivables are generally charged-off when deemed uncollectable or when 180 days have elapsed since the date of the last full contractual payment. The Company's charge-off policy has been consistently applied during the periods reported. Management considers the charge-off policy when evaluating the appropriateness of the allowance for doubtful accounts. Gross charge-offs as a percentage of average financing receivables were 3.8% and 4.3% for the twelve months ended December 31, 2018 and December 31, 2017, respectively. Due to the low percentage of charge-off receivables and the high credit worthiness of the potential obligor, the entire Rollins, Inc. financing receivables portfolio has a low credit risk.

The Company offers 90 days same-as-cash financing to some customers based on their credit worthiness. Interest is not recognized until the 91st day at which time it is recognized retrospectively back to the first day if the contract has not been paid in full. In certain circumstances, such as when delinquency is deemed to be of an administrative nature, accounts may still accrue interest when they reach 180 days past due. As of December 31, 2018, there were six accounts that are greater than 180 days past due, which have been fully reserved.

Included in financing receivables are notes receivable from franchise owners. The majority of these notes are low risk as the repurchase of these franchises is guaranteed by the Company's wholly-owned subsidiary, Orkin, Inc., and the repurchase price of the franchise is currently estimated and has historically been well above the receivable due from the franchise owner. Also included in notes receivables are franchise notes from other brands which are not guaranteed and do not have the same historical valuation.

The carrying amount of notes receivable approximates fair value as the interest rates approximate market rates for these types of contracts. Long-Term Installment receivables, net were $28.2 million and $20.4 million at December 31, 2018 and 2017, respectively.

Rollins establishes an allowance for doubtful accounts to insure financing receivables are not overstated due to uncollectability. The allowance balance is comprised of a general reserve, which is determined based on a percentage of the financing receivables balance, and a specific reserve, which is established for certain accounts with identified exposures, such as customer default, bankruptcy or other events, that make it unlikely that Rollins will recover its investment. The general reserve percentages are based on several factors, which include consideration of historical credit losses and portfolio delinquencies, trends in overall weighted-average risk rating of the portfolio and information derived from competitive benchmarking.

The allowance for doubtful accounts related to financing receivables was as follows:

At December 31,	2018	2017
(in thousands)		
Balance, beginning of period	$ 2,892	$ 3,157
Additions to allowance	2,161	1,424
Deductions, net of recoveries	(1,672)	(1,689)
Balance, end of period	$ 3,381	$ 2,892

The following is a summary of the past due financing receivables:

December 31,	2018	2017
(in thousands)		
30-59 days past due	$ 1,566	$ 1,167
60-89 days past due	777	385
90 days or more past due	1,407	995
Total	$ 3,750	$ 2,547

The following is a summary of percentage of gross financing receivables:

December 31,	2018	2017
Current	92.4%	93.7%
30-59 days past due	3.2%	2.9%
60-89 days past due	1.5%	0.9%
90 days or more past due	2.9%	2.5%
Total	100.0%	100.0%

7. EQUIPMENT AND PROPERTY

Equipment and property are presented at cost less accumulated depreciation and are detailed as follows:

December 31,	2018	2017
(in thousands)		
Buildings	$ 53,339	$ 51,023
Operating equipment	103,429	91,430
Furniture and fixtures	18,476	17,672
Computer equipment and systems	177,441	163,220
	352,685	323,345
Less: accumulated depreciation	(240,320)	(213,809)
	112,365	109,536
Land	24,520	24,552
Net equipment and property	$ 136,885	$ 134,088

Included in equipment and property, net at December 31, 2018 and 2017, are fixed assets held in foreign countries of $7.6 million, and $4.9 million, respectively.

Total depreciation expense was approximately $30.4 million in 2018, $27.4 million in 2017 and $24.7 million in 2016.

8. FAIR VALUE MEASUREMENT

The Company's financial instruments consist of cash and cash equivalents, short-term investments, trade and notes receivables, accounts payable, and other short-term liabilities. The carrying amounts of these financial instruments approximate their fair values. The Company has financial instruments related to its defined benefit pension plan and deferred compensation plan detailed in Note 16.

The fair value hierarchy has three levels based on the reliability of the inputs used to determine fair value. Level 1 refers to fair values determined based on quoted prices in active markets for identical assets. Level 2 refers to fair values estimated using significant other observable inputs, and Level 3 includes fair values estimated using significant non-observable inputs.

The following table presents our non-qualified deferred compensation plan assets using the fair value hierarchy as of December 31, 2018.

(in thousands)	Total	Level 1	Level 2	Level 3
Cash and cash equivalents	$ 148	$ 148	$ —	$ —
Total	$ 148	$ 148	$ —	$ —

The following table presents our non-qualified deferred compensation plan assets using the fair value hierarchy as of December 31, 2017.

(in thousands)	Total	Level 1	Level 2	Level 3
Cash and cash equivalents	$ 95	$ 95	$ —	$ —
Total	$ 95	$ 95	$ —	$ —

Cash and cash equivalents, which are used to pay benefits and deferred compensation plan administrative expenses, are held in Money Market Funds.

The Company has contingent considerations from acquisitions that approximate fair value and are Level 3.

At December 31, 2018 the Deferred Compensation Plan had 70 life insurance policies with a net face value of $43.4 million. The cash surrender value of these life insurance policies had a net realizable value of $18.3 million and $18.3 million at December 31, 2018 and 2017, respectively. The total deferred compensation plan assets, recorded in other assets on the Company's consolidated statements of financial position, were $18.4 million and $18.4 million at December 31, 2018 and 2017, respectively.

9. GOODWILL

Goodwill represents the excess of the purchase price over the fair value of net assets of businesses acquired. The carrying amount of goodwill was $368.5 million at December 31, 2018 and $346.5 million as of December 31, 2017. Goodwill increased for the year ended December 31, 2018 due primarily to acquisitions, partially offset by currency conversion of foreign goodwill. The carrying amount of goodwill in foreign countries was $54.9 million as of December 31, 2018 and $46.3 million as of December 31, 2017. The changes in the carrying amount of goodwill for the twelve months ended December 31, 2018 and 2017 are as follows:

(in thousands)	
Goodwill at December 31, 2016	$ 255,665
Goodwill acquired	87,261
Goodwill adjustments due to currency translation	3,588
Goodwill at December 31, 2017	$ 346,514
Goodwill acquired	25,605
Goodwill adjustments due to currency translation	(3,638)
Goodwill at December 31, 2018	$ 368,481

10. CUSTOMER CONTRACTS, TRADENAMES AND TRADEMARKS, AND OTHER INTANGIBLE ASSETS

Customer contracts are amortized on a straight-line basis over the period of the agreements, as straight-line best approximates the ratio that current revenues bear to the total of current and anticipated revenues, based on the estimated lives of the assets. In accordance with the FASB ASC Topic 350 "Intangibles - Goodwill and other", the expected lives of customer contracts were reviewed, and it was determined that customer contracts should be amortized over a life of 7 to 20 years dependent upon customer type. The carrying amount and accumulated amortization for customer contracts were as follows:

December 31,	2018	2017
(in thousands)		
Customer contracts	$ 339,864	$ 290,628
Less: accumulated amortization	(161,789)	(137,759)
Customer contracts, net	$ 178,075	$ 152,869

The carrying amount of customer contracts in foreign countries was $37.1 million as of December 31, 2018 and $29.8 million as of December 31, 2017.

Trademarks and tradenames are amortized on a straight-line basis over the period of its useful life. The Company has determined the assets have useful lives between 7 and 20 years with non-amortizable, indefinite lived Tradenames of $40.5 million and $30.0 million as of December 31, 2018 and 2017, respectively. The carrying amount and accumulated amortization for trademarks and tradenames were as follows:

At December 31,	2018	2017
(in thousands)		
Trademarks and tradenames	$ 58,471	$ 53,549
Less: accumulated amortization	(4,331)	(3,551)
Trademarks and tradenames, net	$ 54,140	$ 49,998

The carrying amount of trademarks and tradenames in foreign countries was $3.7 million as of December 31, 2018 and $1.7 million as of December 31, 2017.

Other intangible assets include non-compete agreements and patents. Non-compete agreements are amortized on a straight-line basis over periods ranging from 3 to 20 years and patents are amortized on a straight-line basis over 15 years. The carrying amount and accumulated amortization for other intangible assets were as follows:

At December 31,	2018	2017
(in thousands)		
Other intangible assets	$ 22,742	$ 22,231
Less: accumulated amortization	(11,699)	(10,681)
Other intangible assets, net	$ 11,043	$ 11,550

The carrying amount of other intangible assets in foreign countries was $1.6 million as of December 31, 2018 and $1.7 million as of December 31, 2017.

Included in the table above are non-amortizable, indefinite lived Internet domain names of $2.2 million at December 31, 2018 and 2017, respectively.

Total amortization expense was approximately $36.4 million in 2018, $29.2 million in 2017 and $26.2 million in 2016.

Estimated amortization expense for the existing carrying amount of customer contracts and other intangible assets for each of the five succeeding fiscal years are as follows:

(in thousands)	
2019	$ 34,697
2020	30,287
2021	28,111
2022	26,604
2023	21,995

11. DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

Risk Management Objective of Using Derivatives

The Company is exposed to certain risk arising from both its business operations and economic conditions. To manage this risk, the Company enters into derivative financial instruments from time to time. Certain of the Company's foreign operations expose the Company to fluctuations of foreign interest rates and exchange rates. These fluctuations may impact the value of the Company's cash receipts and payments in terms of the Company's functional currency. The Company enters into derivative financial instruments from time to time to protect the value or fix the amount of certain obligations in terms of its functional currency, the U.S. dollar.

Hedges of Foreign Exchange Risk

The Company is exposed to fluctuations in various foreign currencies against its functional currency, the US dollar. The Company uses foreign currency derivatives, specifically vanilla foreign currency forwards, to manage its exposure to fluctuations in the USD-CAD and AUD-USD exchange rates. Currency forward agreements involve fixing the foreign currency exchange rate for delivery of a specified amount of foreign currency on a specified date. The currency forward agreements are typically cash settled in US dollars for their fair value at or close to their settlement date.

The Company does not currently designate any of these foreign exchange forwards under hedge accounting, but rather reflects the changes in fair value immediately in earnings. Derivatives not designated as hedges are not speculative and are used to manage the Company's exposure to foreign exchange rates. Changes in the fair value of derivatives not designated in hedging relationships are recorded directly in earnings and were equal to a net gain of $0.5 million for the twelve months ended December 31, 2018 and a net loss of $0.3 million in 2017. As of December 31, 2018, the Company had the following outstanding derivatives that were not designated as hedges in qualifying hedging relationships (in thousands except for number of instruments):

Non-Designated Derivatives Summary

(in thousands except for number of instruments)	Number of Instruments	Sell Notional	Buy Notional
FX Forward Contracts			
Sell AUD/Buy USD Fwd Contract	8	$ 1,000	$ 724
Sell CAD/Buy USD Fwd Contract	10	$ 6,550	$ 4,940
Total	18	—	$ 5,664

The table below presents the fair value of the Company's derivative financial instruments as well as their classification on the Balance Sheet as of December 31, 2018 and December 31, 2017 (in thousands):

The table below presents the effect of the Company's derivative financial instruments on the Income Statement as of December 31, 2018 and December 31, 2017 (in thousands):

Tabular Disclosure of Fair Values of Derivative Instruments

	Derivative Asset		Derivative Liabilities	
	Fair Value as of:			
	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
Derivatives Not Designated as Hedging Instruments				
FX Forward Contracts				
Balance Sheet Location	Other Assets	Other Assets	Other Current Liabilities	Other Current Liabilities
Sell AUD/Buy USD Fwd Contract	$ 18	$ —	$ (1)	$ (9)
Sell CAD/Buy USD Fwd Contract	$ 121	$ —	$ (4)	$ (61)
Total	$ 139	$ —	$ (5)	$ (70)

Effect of Derivative Instruments on the Income Statement for Derivatives Not Designated as Hedging Instruments for the Twelve Months Ended December 31, 2018 and 2017

Derivatives Not Designated as Hedging Instruments	Location of Gain or (Loss) Recognized in Income	Amount of Gain or (Loss) Recognized in Income Twelve Months Ended December 31, 2018	2017
Sell AUD/Buy USD Fwd Contract	Other Inc/(Exp)	$ 67	$ (29)
Sell CAD/Buy USD Fwd Contract	Other Inc/(Exp)	423	(304)
Total		$ 490	$ (333)

NOTE 12. UNEARNED REVENUE

Changes in unearned revenue were as follows:

December 31,	2018	2017
(in thousands)		
Balance at beginning of year	$ 117,614	$ 106,323
Deferral of unearned revenue	166,053	151,139
Recognition of unearned revenue	(156,592)	(139,848)
Balance at December 31,	$ 127,075	$ 117,614

Deferred revenue recognized for the year ended December 31, 2018 and 2017 was $156.6 million and $128.7 million, respectively.

Revenue allocated to remaining performance obligations represents contracted revenue that has not yet been recognized ("contracted not recognized revenue"), which includes both unearned revenue and revenue that will be billed and recognized in future periods. The Company has no material contracted not recognized revenue as of December 31, 2018 or December 31, 2017.

At December 31, 2018 and December 31, 2017, the Company had long-term unearned revenue of $11.1 million and $8.6 million, respectively. Unearned short-term revenue is recognized over the next 12 month period. The majority of unearned long-term revenue is recognized over a period of five years or less with immaterial amounts recognized through 2025.

13. INCOME TAXES

The Company's income tax provision consisted of the following:

For the years ended December 31,	2018	2017	2016
(in thousands)			
Current:			
Federal	$ 49,911	$ 76,178	$ 69,102
State	13,602	13,406	12,949
Foreign	7,929	7,158	14,464
Total current tax	71,442	96,742	96,515
Deferred:			
Federal	6,091	17,249	(5,991)
State	1,957	1,610	2,892
Foreign	(420)	(223)	(149)
Total deferred tax	7,628	18,636	(3,248)
Total income tax provision	$ 79,070	$ 115,378	$ 93,267

The primary factors causing income tax expense to be different than the federal statutory rate for 2018, 2017 and 2016 are as follows:

For the years ended December 31,	2018	2017	2016
(in thousands)			
Income tax at statutory rate	$ 65,254	$ 103,075	$ 91,222
State income tax expense (net of federal benefit)	12,984	9,979	8,876
Foreign tax expense/(benefit)	1,186	(1,613)	9,857
Foreign tax	(234)	(221)	(19,155)
Repatriation tax under TCJA	1,233	7,956	—
Other	(1,353)	(3,798)	2,467
Total income tax provision	$ 79,070	$ 115,378	$ 93,267

Other includes the release of deferred tax liabilities, tax credits, valuation allowance, and other immaterial adjustments.

On December 22, 2017 the Tax Cuts and Jobs Act (TCJA) was signed into law. The TCJA reduced the corporate tax rate from 35% to 21% and made numerous other tax law changes. In 2017, the SEC issued Staff Accounting Bulletin No. 118 which permitted the recording of provisional amounts related to the impact of the TCJA during a measurement period not to exceed one year. A provisional amount based on reasonable estimates was made with respect to the tax implications associated with the deemed repatriated earnings on foreign subsidiaries based on the initial analysis of the TCJA. Certain tax effects of the TCJA were recognized in year ended December 31, 2017 resulting in the recording of $11.6 million of additional tax expense. The additional tax of $11.6 million related to the following components: $8 million related to the imposition of a tax on deemed repatriated earnings of foreign subsidiaries due to implementation of a territorial tax system, $2.9 million related to re-measurement of deferred tax assets to the 21% tax rate, and $0.7 million related to reductions in tax benefits on stock compensation. During 2018 the Company completed the analysis the earnings and profits of foreign investments. This resulted in the recognition at year ended December 31, 2018 of an additional $1.2 million related to the imposition of a tax on deemed repatriated earnings of foreign subsidiaries. The Company has elected to include the global intangible low-taxed income (GILTI) as part of tax expense in the year incurred.

The Provision for Income Taxes resulted in an effective tax rate of 25.4% on Income Before Income Taxes for the year ended December 31, 2018. The effective rate differs from the annual federal statutory rate primarily because of state and foreign income taxes and adjustments due to the TCJA.

For 2017 and 2016 the effective tax rate was 39.2% and 35.8%, respectively. The effective income tax rate differs from the annual federal statutory tax rate primarily because of state and foreign income taxes, adjustments due to the TCJA partially offset by tax benefits associated with restricted stock, and the increase of available foreign tax credits.

During 2018, 2017 and 2016, the Company paid income taxes of $77.3 million, $90.7 million and $88.8 million, respectively, net of refunds.

Deferred income taxes reflect the net tax effects of the temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and income tax purposes. Significant components of the Company's deferred tax assets and liabilities at December 31, 2018 and 2017 are as follows:

December 31,	2018	2017
(in thousands)		
Deferred tax assets:		
Termite accrual	$ 812	$ 1,241
Insurance and contingencies	18,136	18,374
Unearned revenues	11,091	11,152
Compensation and benefits	11,238	11,157
State and foreign operating loss carryforwards	5,346	7,035
Bad debt reserve	3,687	3,203
Foreign tax credit	6,664	7,842
Other	2,060	1,861
Valuation allowance	(76)	(24)
Total deferred tax assets	58,958	61,841
Deferred tax liabilities:		
Depreciation and amortization	(21,237)	(18,453)
Net Pension liability	(1,340)	(3,709)
Intangibles and other	(29,467)	(21,259)
Total deferred tax liabilities	(52,043)	(43,421)
Net deferred tax assets	6,915	18,420

Analysis of the valuation allowance:

December 31,	2018	2017
(in thousands)		
Valuation allowance at beginning of year	$ 24	$ 6,507
Change in valuation allowance	52	(6,483)
Valuation allowance at end of year	$ 76	$ 24

As of December 31, 2018, the Company has net operating loss carryforwards for foreign and state income tax purposes of approximately $111.6 million, which will be available to offset future taxable income. If not used, these carryforwards will expire between 2019 and 2031. Management believes that it is unlikely to be able to utilize approximately $0.4 million of foreign net operating losses before they expire and has included a valuation allowance for the effect of these unrealizable operating loss carryforwards. The valuation allowance increased by $0.1 million due to foreign net operating leases.

Earnings from continuing operations before income tax included foreign income of $22.7 million in 2018, $22.1 million in 2017 and $6.4 million in 2016. The Company's international business is expanding and we intend to continue to grow the business in foreign markets in the future through reinvestment of foreign deposits and future earnings as well as acquisition of unrelated companies. Repatriation of cash from the Company's foreign subsidiaries is not part of the Company's current business plan.

The total amount of unrecognized tax benefits at December 31, 2018 that, if recognized, would affect the effective tax rate is $0.0 million. A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows:

December 31,	2018	2017
(in thousands)		
Balance at Beginning of Year	$ 3,148	$ 2,554
Additions/(reductions) for tax positions of prior years	(594)	594
Balance at End of Year	$ 2,554	$ 3,148

The Company and its subsidiaries are subject to U.S. federal income tax as well as income tax of multiple state and foreign jurisdictions. In addition, the Company has subsidiaries in various state and international jurisdictions that are currently under audit for years ranging from 2012 through 2015. With few exceptions, we are no longer subject to U.S. federal, state and local, or non-U.S., income tax examinations for years prior to 2012.

It is reasonably possible that the amount of unrecognized tax benefits will decrease in the next 12 months.

The Company's policy is to record interest and penalties related to income tax matters in income tax expense. Accrued interest and penalties were $1.0 million and $0.9 million as of December 31, 2018 and December 31, 2017, respectively. During 2018 the Company recognized interest and penalties of $0.1 million.

14. ACCRUAL FOR TERMITE CONTRACTS

In accordance with the FASB ASC Topic 450 *"Contingencies,"* the Company maintains an accrual for termite claims representing the estimated costs of reapplications, repairs and associated labor and chemicals, settlements, awards and other costs relative to termite control services. Factors that may impact future cost include termiticide life expectancy and government regulation.

A reconciliation of changes in the accrual for termite contracts is as follows:

For the years ended December 31,	2018	2017
(in thousands)		
Beginning balance	$ 4,885	$ 4,800
Current year provision	2,392	3,611
Settlements, claims, and expenditures	(4,058)	(3,526)
Ending balance	$ 3,219	$ 4,885

The accrual for termite contracts is included in other current liabilities, $2.2 million and $2.9 million at December 31, 2018 and 2017, respectively and long-term accrued liabilities, $1.0 million and $2.0 million at December 31, 2018 and 2017, respectively on the Company's consolidated statements of financial position.

15. COMMITMENTS AND CONTINGENCIES

The Company leases buildings, vehicles and equipment under operating leases, some of which contain escalation clauses. The Company's operating leases expire at various dates through 2028:

For the years ended December 31,	2018	2017	2016
(in thousands)			
Rental Expense	$ 79,631	$ 72,030	$ 66,774

Future commitments under operating leases are as summarized:

(in thousands)	Operating leases
2019	$ 28,751
2020	18,024
2021	14,463
2022	11,142
2023	8,998
Thereafter	16,234
Total minimum obligation	$ 97,612

In the normal course of business, certain of the Company's subsidiaries are defendants in a number of lawsuits, claims or arbitrations which allege that the subsidiaries' services caused damage. In addition, the Company defends employment related cases and claims from time to time. We are involved in certain environmental matters primarily arising in the normal course of business. We are actively contesting each of these matters.

Management does not believe that any pending claim, proceeding or litigation, either alone or in the aggregate will have a material adverse effect on the Company's financial position, results of operations or liquidity; however, it is possible that an unfavorable outcome of some or all of the matters, however unlikely, could result in a charge that might be material to the results of an individual quarter or year.

16. EMPLOYEE BENEFIT PLANS

Defined Benefit Pension Plans

Rollins, Inc. Retirement Income Plan

The Company maintains several noncontributory tax-qualified defined benefit pension plans (the "Plans") covering employees meeting certain age and service requirements. The Plans provide benefits based on the average compensation for the highest five years during the last ten years of credited service (as defined) in which compensation was received, and the average anticipated Social Security covered earnings. The Company funds the Plans with at least the minimum amount required by ERISA. The Company made no contribution for the years ended December 31, 2018 and 2017 and $3.3 million to the Plans during the year 2016.

In 2005, the Company ceased all future benefit accruals under the Rollins, Inc. Retirement Income Plan, although the Company remains obligated to provide employees benefits earned through June 2005. In 2016, the Plan was amended to allow certain vested participants the ability to elect for a limited time the commencement of their benefit in the form of a single-sum payment, not to exceed $35,000, or an annuity starting date of December 1, 2016. In total $8.8 million was paid by the Plan during the year ended December 31, 2016, under this program. The Plan did not offer any options for the years ended December 31, 2018 and 2017.

The Company includes the Waltham Services, LLC Hourly Employee Pension Plan in the Company's financial statements. The Waltham Services, LLC Hourly Employee Pension Plan was amended, effective September 1, 2018, to freeze future benefit accruals for all participants. The Company accounts for these defined benefit plans in accordance with the FASB ASC Topic 715 "Compensation-Retirement Benefits", and engages an outside actuary to calculate its obligations and costs. With the assistance of the actuary, the Company evaluates the significant assumptions used on a periodic basis including the estimated future return on plan assets, the discount rate, and other factors, and makes adjustments to these liabilities as necessary.

The Company has initiated the process to transition its Pension Plan to an Insurance provider and does not expect to amortize a net loss in 2019. The timeline will take approximately 6-9 months from December 31, 2018. The Company's Pension Plan is currently more than 100% funded.

In June 2005, the Company froze the Rollins, Inc. defined benefit pension plan. The Company currently uses December 31 as the measurement date for its defined benefit post-retirement plans. The funded status of the Plans and the net amount recognized in the statement of financial position are summarized as follows as of:

December 31,	2018	2017
(in thousands)		
CHANGE IN ACCUMULATED BENEFIT OBLIGATION		
Accumulated benefit obligation at beginning of year	$ 202,310	$ 197,222
Service cost	37	58
Interest cost	7,926	8,493
Actuarial loss	11,175	6,762
Benefits paid	(13,023)	(10,225)
Accumulated Benefit obligation at end of year	208,425	202,310
CHANGE IN PLAN ASSETS		
Fair value of plan assets at beginning of year	219,905	194,342
Actual return on plan assets	6,817	35,788
Benefits paid	(13,023)	(10,225)
Fair value of plan assets at end of year	213,699	219,905
Funded status	$ 5,274	$ 17,595

Amounts Recognized in the Statement of Financial Position consist of:

December 31,	2018	2017
(in thousands)		
Noncurrent assets	$ 5,274	$ 17,595

Amounts Recognized in Accumulated Other Comprehensive Income consists of:

December 31,	2018	2017
(in thousands)		
Net actuarial loss	$ 76,362	$ 61,598

The accumulated benefit obligation for the defined benefit pension plans were $203.4 million and $202.3 million at December 31, 2018 and December 31, 2017, respectively. Accumulated benefit obligation and projected benefit obligation are materially the same for the Plans. Pre-tax (increases)/decreases in the pension liability which were (charged, net of tax) credited to other comprehensive income/(loss) were ($14.8) million, $19.0 million, and $3.0 million in 2018, 2017, and 2016, respectively.

The following weighted-average assumptions were used to determine the accumulated benefit obligation and net benefit cost:

December 31,	2018	2017	2016
ACCUMULATED BENEFIT OBLIGATION			
Discount rate	*/4.00%	4.00%	4.45%
Rate of compensation increase	N/A	N/A	N/A
NET BENEFIT COST			
Discount rate	4.05%	4.45%	4.70%
Expected return on plan assets	7.00%	7.00%	7.00%
Rate of compensation increase	N/A	N/A	N/A

* In 2018, the Company used a termination liability approach in calculating the 2018 discount rate for the Rollins, Inc. Pension plan. The following assumptions were used 1) 3.90%, based on current market conditions, for participants in pay status expected to elect a plan termination annuity; 2) 4.11%, based on current market conditions, for active and terminated participants with deferred benefits expected to elect a plan termination annuity; 3) The IRC 417(e) interest rates for the month of November 2018 (3.43%, 4.46%, and 4.88), based on plan provisions, for all lump sum eligible expected to elect a plan termination lump sum. The Waltham Services, LLC Hourly Employee Pension Plan applied 4.05% discount rate based on yield curve analysis.

The return on plan assets reflects the weighted-average of the expected long-term rates of return for the broad categories of investments held in the plan. The expected long-term rate of return is adjusted when there are fundamental changes in the expected returns on the plan investments.

The discount rate reflects the current rate at which the pension liabilities could be effectively settled at the end of the year. In estimating this rate, the Company utilized a termination liability approach for fiscal year 2018 and a yield curve analysis for fiscal year's 2017, and 2016.

The components of net periodic benefit cost are summarized as follows:

Years ended December 31,	2018	2017	2016
(in thousands)			
Service cost	$ 37	$ 58	$ 71
Interest cost	7,926	8,493	9,331
Expected return on plan assets	(13,775)	(13,368)	(13,219)
Amortization of net loss	3,292	3,322	3,263
Preliminary net periodic benefit cost/(income)	$ (2,520)	$ (1,495)	$ (554)
Settlement expense	—	53	—
Net periodic benefit cost	$ (2,520)	$ (1,442)	$ (554)

The benefit obligations recognized in other comprehensive income for the years ended December 31, 2018, 2017, and 2016 are summarized as follows:

(in thousands)	2018	2017	2016
Pretax (income)/loss	$ 18,056	$ (15,650)	$ 218
Amortization of net loss	(3,292)	(3,322)	(3,263)
Total recognized in other comprehensive income	14,764	(18,972)	(3,045)
Total recognized in net periodic benefit (income)/cost and other comprehensive income	$ 12,244	$ (20,414)	$ (3,599)

At December 31, 2018 and 2017, the Plan's assets were comprised of listed common stocks and U.S. government and corporate securities, real estate and other. Included in the assets of the Plan were shares of Rollins, Inc. Common Stock with a market value of $1.6 million and $32.0 million at December 31, 2018 and 2017, respectively.

The Plans' weighted average asset allocation at December 31, 2018 and 2017 by asset category, along with the target allocation for 2018, are as follows:

	Target allocations for	Percentage of plan assets as of December 31,	
Asset category	2019	2018	2017
Cash and cash equivalents	0.0% - 5.0%	3.5%	2.4%
Equity securities - Rollins stock	0.0% - 40.0%	0.4%	14.7%
Domestic equity - all other	0.0% - 40.0%	0.7%	21.8%
International equity	0.0% - 30.0%	0.2%	16.4%
Debt securities - core fixed income	15.0% - 100.0%	91.1%	35.2%
Real estate	0.0% - 20.0%	2.0%	6.5%
Alternative/ Opportunistic/Special	0.0% - 20.0%	2.1%	3.0%
Total		100.0%	100.0%

For each of the asset categories in the pension plan, the investment strategy is identical – maximize the long-term rate of return on plan assets with an acceptable level of risk in order to minimize the cost of providing pension benefits. The investment policy establishes a target allocation for each asset class which is rebalanced as required. The plans utilize a number of investment approaches, including individual market securities, equity and fixed income funds in which the underlying securities are marketable, and debt funds to achieve this target allocation. The Company and management are not considering making contributions to the pension plans during fiscal 2019.

Some of our assets, primarily our private equity, real estate, and hedge funds, do not have readily determinable market values given the specific investment structures involved and the nature of the underlying investments. For the December 31, 2018 plan asset reporting, publicly traded asset pricing was used where possible. For assets without readily determinable values, estimates were derived from investment manager statements combined with discussions focusing on underlying fundamentals and significant events. Additionally, these investments are categorized as NAV investments and are valued using significant non-observable inputs which do not have a readily determinable fair value. In accordance with ASU No. 2011-12 "Investments In Certain Entities That Calculate Net Asset Value per Share (Or Its Equivalent)," these investments are valued based on the net asset value per share calculated by the funds in which the plan has invested. These valuations are subject to judgments and assumptions of the funds which may prove to be incorrect, resulting in risks of incorrect valuation of these investments. The Company seeks to mitigate against these risks by evaluating the appropriateness of the funds' judgments and assumptions by reviewing the financial data included in the funds' financial statements for reasonableness.

Fair Value Measurements

Given the funded status of the Rollins, Inc. Plan, the Company has modified the overall investment strategy to mitigate risk related to volatility with asset types by transitioning to a higher percentage of fixed income securities. As such, the Company's overall investment strategy is to achieve a mix of approximately 50 percent of investments to match long-term pension obligations and 50 percent for near term benefits payments, with a diversification of assets types, fund strategies and fund managers. With the modification of investment strategy, the Company has transitioned the majority of its assets to Fixed-income securities. Fixed-income securities include corporate bonds, mortgage-backed securities, sovereign bonds, and U.S. Treasuries. Equity securities primarily include investments in large-cap and small-cap companies domiciled domestically and internationally. Other types of investments include real estate funds and private equity funds that follow several different investment strategies. For each of the asset categories in the pension plan, the investment strategy is identical – maximize the long-term rate of return on plan assets with an acceptable level of risk in order to minimize the cost of providing pension benefits. The investment policy establishes a target allocation for each asset class which is rebalanced as required. The plans utilize a number of investment approaches, including but not limited to individual market securities, equity and fixed income funds in which the underlying securities are marketable, and debt funds to achieve this target allocation.

The Company has initiated the process to transition its Pension Plan to an Insurance provider and does not expect to amortize a net loss in 2019. The timeline will take approximately 6-9 months from December 31, 2018. The Company's Pension Plan is currently more than 100% funded. Discount rates of 3.90% per year for participants in pay status and 4.11% per year for participants with deferred benefits were selected by the Plan Sponsor to determine the benefit obligation resulting from plan termination annuity purchases. The discount rates reflect the single effective interest rate that produces the same present value as that produced when the expected future cash flows for participants expected to elect an annuity are discounted with the FTSE Yield Curve (formerly Citigroup) as of the measurement date. To determine the benefit obligation resulting from plan termination lump sum payments, the expected future cash flows for lump sum eligible participants, determined with the IRC 417(e) Mortality Table for 2019, were discounted with the IRC 417(e) segment interest rates for the month of November 2018 (3.43%, 4.46%, and 4.88%).

The following table presents our plan assets using the fair value hierarchy as of December 31, 2018. The fair value hierarchy has three levels based on the reliability of the inputs used to determine fair value. See Note 8 for a brief description of the three levels under the fair value hierarchy.

(in thousands)	Total	Level 1	Level 2	NAV
(1) Cash and cash equivalents	$ 7,438	$ 7,438	—	—
(2) Fixed income securities	194,739	170,249	474	24,490
Domestic equity securities				
Rollins, Inc. stock	1,582	1,582	—	—
Other securities	789	—	789	—
(3) International equity securities	363	—	363	—
(4) Real estate	4,204	—	—	4,204
(5) Alternative/opportunistic/special	4,574	—	—	4,574
Total	$ 213,689	$ 203,285	$ 1,626	$ 8,778

The following table presents our plan assets using the fair value hierarchy as of December 31, 2017. The fair value hierarchy has three levels based on the reliability of the inputs used to determine fair value.

(in thousands)	Total	Level 1	Level 2	NAV
(1) Cash and cash equivalents	$ 5,432	$ 5,432	—	—
(2) Fixed income securities	77,214	—	77,214	—
Domestic equity securities				
Rollins, Inc. stock	32,049	32,049	—	—
Other securities	48,511	16,243	32,268	—
(3) International equity securities	36,156	—	36,156	—
(4) Real estate	14,074	—	—	14,074
(5) Alternative/opportunistic/special	6,469	—	—	6,469
Total	$ 219,905	$ 53,724	$ 145,638	$ 20,543

(1) Cash and cash equivalents, which are used to pay benefits and plan administrative expenses, are held in Rule 2a-7 money market funds.

(2) Fixed income securities are primarily valued using a market approach with inputs that include broker quotes, benchmark yields, base spreads and reported trades.

(3) International equity securities are valued using a market approach based on the quoted market prices of identical instruments in their respective markets.

(4) Real estate fund values are primarily reported by the fund manager and are based on valuation of the underlying investments, which include inputs such as cost, discounted future cash flows, independent appraisals and market based comparable data.

(5) Alternative/Opportunistic/Special funds can invest across the capital structure in both liquid and illiquid securities that are valued using a market approach based on the quoted market prices of identical instruments, or if no market price is available, instruments will be held at their fair market value (which may be cost) as reasonably determined by the investment manager, independent dealers, or pricing services.

There were no purchases, sales or transfers of assets classified as Level 3 in 2018 or 2017.

The estimated future benefit payments over the next five years are as follows:

(in thousands)	
2019	$ 209,699
2020	67
2021	74
2022	83
2023	88
Thereafter	639
Total	$ 210,650

Defined Contribution 401(k) Savings Plan

The Company sponsors a defined contribution 401(k) Savings Plan that is available to a majority of the Company's full-time employees the first day of the calendar quarter following completion of three months of service. The Plan is available to non-full-time employees the first day of the calendar quarter following one year of service upon completion of 1000 hours in that year. The Plan changed to provide for a matching contribution of one dollar ($1.00) for each one dollar ($1.00) of a participants contributions to the Plan that do not exceed 3 percent of his or her eligible compensation (which include commissions, overtime, and bonuses) and fifty cents ($0.50) for each one dollar ($1.00) of a participant's contributions to the Plan over the initial 3 percent that do not exceed 6 percent of his or her eligible compensation (which includes commissions, overtime and bonuses), up from a matching contribution of fifty cents ($0.50) for each one dollar ($1.00) of a participants contributions to the Plan that do not exceed 6 percent of his or her eligible compensation (which include commissions, overtime and bonuses) in 2017 and 2016. The charge to expense for the Company match was approximately $21.1 million for the year ended December 31, 2018 and $12.1 million and $11.0 million for the years ended December 31, 2017 and 2016, respectively. At December 31, 2018, 2017, and 2016 approximately, 41.7%, 38.8%, and 36.4%, respectively of the plan assets consisted of Rollins, Inc. Common Stock. Total administrative fees paid by the Company for the Plan were less than $0.1 million for each of the years ended December 31, 2018, 2017 and 2016.

Nonqualified Deferred Compensation Plan

The Deferred Compensation Plan provides that participants may defer up to 50% of their base salary and up to 85% of their annual bonus with respect to any given plan year, subject to a $2 thousand per plan year minimum. The Company may make discretionary contributions to participant accounts. The Company credited accounts of participants of long service to the Company with certain discretionary amounts ("Pension Plan Benefit Restoration Contributions") in lieu of benefits that previously accrued under the Company's Retirement Income Plan up to a maximum of $245 thousand.

Accounts will be credited with hypothetical earnings, and/or debited with hypothetical losses, based on the performance of certain "Measurement Funds." Account values are calculated as if the funds from deferrals and Company credits had been converted into shares or other ownership units of selected Measurement Funds by purchasing (or selling, where relevant) such shares or units at the current purchase price of the relevant Measurement Fund at the time of the participant's selection. Deferred Compensation Plan benefits are unsecured general obligations of the Company to the participants, and these obligations rank in parity with the Company's other unsecured and unsubordinated indebtedness. The Company has established a "rabbi trust," which it uses to voluntarily set aside amounts to indirectly fund any obligations under the Deferred Compensation Plan. To the extent that the Company's obligations under the Deferred Compensation Plan exceed assets available under the trust, the Company would be required to seek additional funding sources to fund its liability under the Deferred Compensation Plan.

Generally, the Deferred Compensation Plan provides for distributions of any deferred amounts upon the earliest to occur of a participant's death, disability, retirement or other termination of employment (a "Termination Event"). However, for any deferrals of salary and bonus (but not Company contributions), participants would be entitled to designate a distribution date which is prior to a Termination Event. Generally, the Deferred Compensation Plan allows a participant to elect to receive distributions under the Deferred Compensation Plan in installments or lump-sum payments.

At December 31, 2018, the Deferred Compensation Plan had 70 life insurance policies with a net face value of $42.6 million. The cash surrender value of these life insurance policies were worth $17.3 million and $18.3 million at December 31, 2018 and 2017, respectively.

The estimated life insurance premium payments over the next five years are as follows:

(in thousands)	
2019	$ 172
2020	0
2021	417
2022	590
2023	206
Total	$ 1,385

Total expense related to deferred compensation was $180 thousand, $241 thousand, and $230 thousand in 2018, 2017, and 2016, respectively. The Company had $18.4 million and $18.4 million in deferred compensation assets as of December 31, 2018 and 2017, respectively, included within other assets on the Company's consolidated statements of financial position and $17.5 million and $18.4 million in deferred compensation liability as of December 31, 2018 and 2017, respectively, located within long-term accrued liabilities on the Company's consolidated statements of financial position. The amounts of assets were marked to fair value.

17. STOCK-BASED COMPENSATION

Stock Compensation Plans

Time Lapse Restricted Shares and Restricted Stock Units

Time lapse restricted shares (TLRSs) have been issued to officers and other management employees under the Company's Employee Stock Incentive Plan. The Company recognizes compensation expense for the unvested portion of awards outstanding over the remainder of the service period. The compensation cost recorded for these awards is based on their closing stock price at the grant date less the cost of estimated forfeitures. Forfeitures are estimated at the time of grant and revised, if necessary, in subsequent periods to reflect actual forfeitures. Cash flows related to share-based payment awards to employees that result in tax benefits in excess of recognized cumulative compensation cost (excess tax benefits) are classified as a financing activity in the accompanying consolidated statements of cash flows.

TLRSs provide for the issuance of a share of the Company's Common Stock at no cost to the holder and generally vest after a certain stipulated number of years from the grant date, depending on the terms of the issue. TLRSs vest in 20 percent increments starting with the second anniversary of the grant, over six years from the date of grant. During these years, grantees receive all dividends declared and retain voting rights for the granted shares. The agreements under which the restricted stock is issued provide that shares awarded may not be sold or otherwise transferred until restrictions established under the plans have lapsed.

In April 2018, the Company granted a one-time issuance of TLRSs on a tiered Company tenure basis to U.S. based employees. The one-time grant vests 100 percent on the first anniversary date of the granted shares. The total shares granted were less than 0.1 million shares. During the year, grantees receive all dividends declared and retain voting rights for the granted shares. The agreements under which the one-time restricted stock is issued provide that shares awarded may not be sold or otherwise transferred until restrictions established under the plans have lapsed.

All share and per share information has been adjusted for the three-for-two stock split effective December 10, 2018.

The Company issued time lapse restricted shares of 0.6, 0.7, and 0.8 million for the years ended December 31, 2018, 2017, and 2016, respectively.

The Company issues new shares from its authorized but unissued share pool. At December 31, 2018, approximately 5.9 million shares of the Company's common stock were reserved for issuance. In accordance with the FASB ASC Topic 718, "*Compensation – Stock Compensation,*" the Company recognizes the fair value of the award on a straight line basis over the service periods of each award. The Company estimates restricted share forfeiture rates based on its historical experience.

The following table summarizes the components of the Company's stock-based compensation programs recorded as expense ($ in thousands):

Years ended December 31,	2018	2017	2016
Time lapse restricted stock:			
Pre-tax compensation expense	$ 13,726	$12,399	$12,415
Tax benefit	(3,486)	(4,799)	(4,805)
Restricted stock expense, net of tax	$ 10,240	$ 7,600	$ 7,610

As of December 31, 2018 and 2017, $39.2 million and $32.9 million, respectively, of total unrecognized compensation cost related to time-lapse restricted shares are expected to be recognized over a weighted average period of approximately 4.1 years and 3.9 years at December 31, 2018 and December 31, 2017, respectively.

The following table summarizes information on unvested restricted stock units outstanding as of December 31, 2018, 2017 and 2016:

	Number of Shares (in thousands)	Weighted-Average Grant-Date Fair Value
Unvested Restricted Stock Grants		
Unvested as of December 31, 2015	4,126	$ 11.47
Forfeited	(171)	13.03
Vested	(1,318)	9.66
Granted	755	17.63
Unvested as of December 31, 2016	3,392	13.47
Forfeited	(51)	14.92
Vested	(1,018)	11.47
Granted	703	22.97
Unvested as of December 31, 2017	3,026	16.33
Forfeited	(35)	19.05
Vested	(910)	13.24
Granted	643	32.25
Unvested as of December 31, 2018	2,724	$ 21.08

18. ACCUMULATED OTHER COMPREHENSIVE INCOME/(LOSS)

Accumulated other comprehensive income/ (loss) consist of the following (in thousands):

	Pension Liability Adjustment	Foreign Currency Translation	Total
Balance at December 31, 2016	$ (49,200)	$ (20,875)	$ (70,075)
Change during 2017:			
Before-tax amount	18,980	9,960	28,940
Tax benefit	(4,821)	—	(4,821)
	14,159	9.960	24,119
Balance at December 31, 2017	(35,041)	(10,915)	(45,956)
Change during 2018:			
Before-tax amount	(14,812)	(14,072)	(28,884)
Tax expense	3,762	—	3,762
	(11,050)	(14,072)	(25,122)
Balance at December 31, 2018	$ (46,091)	$ (24,987)	$ (71,078)

19. RELATED PARTY TRANSACTIONS

The Company provides certain administrative services to RPC, Inc. ("RPC") (a company of which Mr. R. Randall Rollins is also Chairman and which is otherwise affiliated with the Company). The service agreements between RPC and the Company provide for the provision of services on a cost reimbursement basis and are terminable on 6 months' notice. The services covered by these agreements include administration of certain employee benefit programs, and other administrative services. Charges to RPC (or to corporations which are subsidiaries of RPC) for such services and rent totaled approximately $0.1 million for each of the years ended December 31, 2018, 2017, and 2016.

The Company rents office, hanger and storage space to LOR, Inc. ("LOR") (a company controlled by R. Randall Rollins and Gary W. Rollins). Charges to LOR (or corporations which are subsidiaries of LOR) for rent totaled $0.9 million for the year ended December 31, 2018 and $1.0 million for each of the years ended December 31, 2017, 2016, respectively.

In 2014, P.I.A. LLC, a company owned by the Chairman of the Board of Directors, Mr. R. Randall Rollins, purchased a Lear Model 35A jet and entered into a lease arrangement with the Company for Company use of the aircraft for business purposes. The lease is terminable by either party on 30 days' notice. The Company pays $100 per month rent for the leased aircraft, and pays all variable costs and expenses associated with the leased aircraft, such as the costs for fuel, maintenance, storage and pilots. The Company has the priority right to use of the aircraft on business days, and Mr. Rollins has the right to use the aircraft for personal use through the terms of an Aircraft Time Sharing Agreement with the Company. During the years ended December 31, 2018 and 2017, the Company paid approximately $0.7 million, $0.8 million, and $0.5 million in rent and operating costs for the aircraft respectively. During 2018, 2017 and 2016, respectively, the Company accounted for 100 percent of the use of the aircraft. All transactions were approved by the Company's Nominating and Governance Committee of the Board of Directors.

20. UNAUDITED QUARTERLY DATA

(in thousands except per share data)	First	Second	Third	Fourth
2018				
Revenues	$ 408,742	$ 480,461	$ 487,739	$ 444,623
Gross profit (Revenues less cost of services provided)	$ 202,599	$ 249,689	$ 251,452	$ 223,389
Net income	$ 48,525	$ 65,542	$ 66,628	$ 50,968
Income per share:				
Income per share—Basic	$ 0.15	$ 0.20	$ 0.20	$ 0.16
Income per share—Diluted	$ 0.15	$ 0.20	$ 0.20	$ 0.16
2017				
Revenues	$ 375,247	$ 433,555	$ 450,442	$ 414,713
Gross profit (Revenues less cost of services provided)	$ 186,084	$ 229,075	$ 231,661	$ 207,194
Net income	$ 40,270	$ 53,689	$ 51,430	$ 33,735
Income per share:				
Income per share—Basic	$ 0.12	$ 0.17	$ 0.16	$ 0.10
Income per share—Diluted	$ 0.12	$ 0.17	$ 0.16	$ 0.10

21. CASH DIVIDEND

On January 22, 2019, the Board of Directors approved a 12.5% increase in the Company's quarterly cash dividend per common share to $0.105 payable March 11, 2019 to stockholders of record at the close of business February 11, 2019. On October 23, 2018, the Board of Directors declared its regular $0.09 per share as well as a special year-end dividend of $0.09 per share both payable December 10, 2018 to stockholders of record at the close of business November 9, 2018. The Company expects to continue to pay cash dividends to the common stockholders, subject to the earnings and financial condition of the Company and other relevant factors.

Item 9.

Changes in and Disagreements with Accountants on Accounting and Financial Disclosures

None.

Item 9A.

Controls and Procedures

Evaluation of Disclosure Controls and Procedures—We have established disclosure controls and procedures to ensure, among other things, that material information relating to the Company, including its consolidated subsidiaries, is made known to the officers who certify the Company's financial reports and to other members of senior management and the Board of Directors.

Based on management's evaluation as of December 31, 2018, in which the principal executive officer and principal financial officer of the Company participated, the principal executive officer and principal financial officer have concluded that the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934) are effective, at the reasonable assurance level to ensure that the information required to be disclosed by the Company in the reports that it files or submits under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms.

Management's Report on Internal Control Over Financial Reporting—Management's Report on Internal Control Over Financial Reporting is contained on page 38.

Changes in Internal Controls—There were no changes in our internal control over financial reporting during the fourth quarter of 2018 that materially affected or are reasonably likely to materially affect these controls.

Item 9B.

Other Information

None.

PART III

Item 10.

Directors, Executive Officers and Corporate Governance

Information concerning directors and executive officers is included in the Company's Proxy Statement for its 2019 Annual Meeting of Stockholders (the "Proxy Statement"), in the section titled "Proposal 1: Election of Directors". This information is incorporated herein by reference. Information about executive officers is contained on page 26 of this document.

Audit Committee and Audit Committee Financial Expert

Information concerning the Audit Committee of the Company and the Audit Committee Financial Expert(s) is included in the Company's Proxy Statement in the section titled "Corporate Governance and Board of Directors' Committees and Meetings – Audit Committee." This information is incorporated herein by reference.

Code of Ethics

The Company has adopted a Code of Business Conduct that applies to all employees. In addition, the Company has adopted a Code of Business Conduct and Ethics for Directors and Executive Officer and Related Party Transactions policy. Both of these documents are available on the Company's website at www.rollins.com, under the heading "Investor Relations – Corporate Governance," and a copy is available by writing to Investor Relations at 2170 Piedmont Road, Atlanta, Georgia 30324. The Company intends to satisfy the disclosure requirement under Item 10 of Form 10-K[1] regarding an amendment to, or waiver from, a provision of its code of ethics that relates to any elements of the code of ethics definition enumerated in SEC rules by posting such information on its internet website, the address of which is provided above.

Section 16(a) Beneficial Ownership Reporting Compliance

Information regarding compliance with Section 16(a) of the Exchange Act is included under "Compliance with Section 16(a) of the Exchange Act" in the Company's Proxy Statement, which is incorporated herein by reference.

Item 11.

Executive Compensation

The information under the captions "Compensation Committee Interlocks and Insider Participation," "Director Compensation," "Compensation Discussion and Analysis," "Compensation Committee Report," and "Executive Compensation" included in the Proxy Statement is incorporated herein by reference.

Item 12.

Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information under the captions "Capital Stock" and "Election of Directors" included in the Proxy Statement for the Annual Meeting of Stockholders to be held April 23, 2019 is incorporated herein by reference.

EQUITY COMPENSATION PLAN INFORMATION

The following table sets forth certain information regarding equity compensation plans as of December 31, 2018.

Plan Category	Number of Securities To Be Issued Upon Exercise of Outstanding Options, Warrants and Rights (A)	Weighted Average Exercise Price of Outstanding Options, Warrants and Rights (B)	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (A)) (C)
Equity compensation plans approved by security holders	2,724,456	$ —	5,933,319
Equity compensation plans not approved by security holders	—	$ —	—
Total	2,724,456	$ —	5,933,319[1]

[1] Includes 5,933,319 shares available for grant under the 2018 Employee Stock Incentive Plan. The 2018 Employee Stock Incentive Plan provides for awards of the Company's common stock and awards that are valued in whole or in part by reference to the Company's common stock apart from stock options and SARs including, without limitation, restricted stock, performance-accelerated restricted stock, performance stock, performance units, and stock awards or options valued by reference to book value or subsidiary performance.

Item 13.

Certain Relationships and Related Party Transactions, and Director Independence

The information under the caption "Certain Relationships and Related Party Transactions" included in the Proxy Statement is incorporated herein by reference. Information concerning director independence is included in the Proxy Statement, in the section titled "Corporate Governance and Board of Directors' Committees and Meetings." This information is incorporated herein by reference.

Item 14.

Principal Accounting Fees and Services

Information regarding principal accounting fees and services is set forth under "Independent Registered Public Accounting Firm" in the Company's Proxy Statement, which information is incorporated herein by reference.

PART IV

Item 15.

Exhibits and Financial Statement Schedules

(a) *Consolidated Financial Statements, Financial Statement Schedule and Exhibits.*

1. Consolidated financial statements listed in the accompanying Index to Consolidated Financial Statements and Schedule are filed as part of this report.

2. The financial statement schedule listed in the accompanying Index to Consolidated Financial Statements and Schedule is filed as part of this report.

3. Exhibits listed in the accompanying Index to Exhibits are filed as part of this report. The following such exhibits are management contracts or compensatory plans or arrangements:

(10) (a) Rollins, Inc. Amended and Restated Deferred Compensation Plan, incorporated herein by reference to Exhibit 4.1 filed with the registrant's Form S-8 filed November 18, 2005.

(10) (b) Form of Plan Agreement pursuant to the Rollins, Inc. Amended and Restated Deferred Compensation Plan, incorporated herein by reference to Exhibit 4.2 filed with the registrant's Form S-8 filed November 18, 2005.

(10) (c) Written description of Rollins, Inc. Performance-Based Incentive Cash Compensation Plan incorporated herein by reference to Exhibit 10(a) as filed with its Form 8-K dated April 25, 2013.

(10) (d) Forms of award agreements under the 2013 Cash Incentive Plan incorporated herein by reference to Exhibit 10(a) as filed with its Form 10-K dated February 27, 2017.

(10) (e) 2008 Stock Incentive Plan incorporated herein by reference to Exhibit A of the March 17, 2008 Proxy Statement for the Annual Meeting of the Stockholders held on April 22, 2008.

(10) (f) Form of Restricted Stock Grant Agreement incorporated herein by reference to Exhibit 10(d) as filed with its Form 8-K dated April 28, 2008.

(10) (g) Form of Time-Lapse Restricted Stock Agreement incorporated herein by reference to Exhibit 10.1 as filed with its Form 10-Q for the quarter ended March 31, 2012.

(10) (h) Summary of Compensation Arrangements with Executive Officers, incorporated herein reference to Exhibit (10)(q) as filed with its Form 10-K for the year ended December 31, 2010.

(10) (i) Summary of Compensation Arrangements with Non-Employee Directors, incorporated herein by reference to Exhibit 10(i) filed with the Registrant's 10-K filed February 25, 2015.

(b) *Exhibits* (inclusive of item 3 above):

(3) (i)	(A) Restated Certificate of Incorporation of Rollins, Inc. dated July 28, 1981, incorporated herein by reference to Exhibit (3)(i)(A) as filed with the registrant's Form 10-Q filed August 1, 2005.
	(B) Certificate of Amendment of Certificate of Incorporation of Rollins, Inc. dated August 20, 1987, incorporated herein by reference to Exhibit 3(i)(B) filed with the registrant's 10-K filed March 11, 2005.
	(C) Certificate of Change of Location of Registered Office and of Registered Agent dated March 22, 1994, incorporated herein by reference to Exhibit (3)(i)(C) filed with the registrant's Form 10-Q filed August 1, 2005.
	(D) Certificate of Amendment of Certificate of Incorporation of Rollins, Inc. dated April 25, 2006, incorporated herein by reference to Exhibit 3(i)(D) filed with the registrant's 10-Q filed October 31, 2006
	(E) Certificate of Amendment of Certificate of Incorporation of Rollins, Inc. dated April, 26, 2011, incorporated herein by reference to Exhibit 3(i)(E) filed with the Registrant's 10-K filed February 25, 2015.
	(F) Certificate of Amendment of Certificate of Incorporation of Rollins, Inc. dated April 28, 2015, incorporated herein by reference to Exhibit 3(i)(F) filed with the Registrant's 10-Q filed on July 29, 2015.
(ii)	Revised By-laws of Rollins, Inc. dated April 25, 2017, incorporated herein by reference to Exhibit (3) (i) as filed with its Form 10-Q filed April 28, 2017.
(4)	Form of Common Stock Certificate of Rollins, Inc. incorporated herein by reference to Exhibit (4) as filed with its Form 10-K for the year ended December 31, 1998.
(10) (a)	Rollins, Inc. Amended and Restated Deferred Compensation Plan, incorporated herein by reference to Exhibit 4.1 filed with the registrant's Form S-8 filed November 18, 2005.
(10) (b)	Form of Plan Agreement pursuant to the Rollins, Inc. Amended and Restated Deferred Compensation Plan, incorporated herein by reference to Exhibit 4.2 filed with the registrant's Form S-8 filed November 18, 2005.
(10) (c)	Written description of Rollins, Inc. Performance-Based Incentive Cash Compensation Plan incorporated herein by reference to Exhibit 10(a) as filed with its Form 8-K dated April 25, 2013.
(10) (d)	Forms of award agreements under the 2013 Cash Incentive Plan incorporated herein by reference to Exhibit 10(a) as filed with its Form 10-K dated February 27, 2017.
(10) (e)	2008 Stock Incentive Plan incorporated herein by reference to Exhibit A of the March 17, 2008 Proxy Statement for the Annual Meeting of the Stockholders held on April 22, 2008.
(10) (f)	Form of Restricted Stock Grant Agreement incorporated herein by reference to Exhibit 10(d) as filed with its Form 8-K dated April 28, 2008.
(10) (g)	Form of Time-Lapse Restricted Stock Agreement incorporated herein by reference to Exhibit 10.1 as filed with its Form 10-Q for the quarter ended March 31, 2012.
(10) (h)	Summary of Compensation Arrangements with Executive Officers, incorporated herein reference to Exhibit (10)(q) as filed with its Form 10-K for the year ended December 31, 2010.
(10) (i)	Summary of Compensation Arrangements with Non-Employee Directors, incorporated herein by reference to Exhibit 10(i) filed with the Registrant's 10-K filed February 25, 2015.
(10) (j)	Revolving Credit Agreement dated as of October 31, 2012 between Rollins, Inc., SunTrust Bank and Bank of America, N.A., incorporated herein by reference to Exhibit 99.1 as filed with its Form 8-K dated November 2, 2012.
(10) (k)	First Amendment to Revolving Credit Agreement dated as of October 30, 2014 by and among Rollins, Inc., the lenders party thereto and SunTrust Bank and Bank of America, N.A., incorporated herein by reference to Exhibit 10(k) filed with the Registrant's 10-K filed February 25, 2015.

(21)	Subsidiaries of Registrant.
(23.1)	Consent of Grant Thornton LLP, Independent Registered Public Accounting Firm.
(24)	Powers of Attorney for Directors.
(31.1)	Certification of Chief Executive Officer Pursuant to Item 601(b)(31) of Regulation S-K, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
(31.2)	Certification of Chief Financial Officer Pursuant to Item 601(b)(31) of Regulation S-K, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
(32.1)	Certification of Chief Executive Officer and Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
(101.INS)	EX-101 Instance Document
(101.SCH)	EX-101 Schema Document
(101.CAL)	EX-101 Calculation Linkbase Document
(101.LAB)	EX-101 Labels Linkbase Document
(101.PRE)	EX-101 Presentation Linkbase Document
(101.DEF)	Ex-101 Definition Linkbase Document

Signatures

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

ROLLINS, INC.

By: /s/ Gary W. Rollins

Gary W. Rollins
Vice Chairman and Chief Executive Officer
(Principal Executive Officer)

Date: March 1, 2019

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

By: /s/ Gary W. Rollins

Gary W. Rollins
Vice Chairman and Chief Executive Officer
(Principal Executive Officer)

Date: March 1, 2019

By: /s/ Paul E. Northen

Paul E. Northen
Vice President, Chief Financial Officer and Treasurer
(Principal Financial and Accounting Officer)

Date: March 1, 2019

The Directors of Rollins, Inc. (listed below) executed a power of attorney appointing Gary W. Rollins their attorney-in-fact, empowering him to sign this report on their behalf.

R. Randall Rollins, Director
Henry B. Tippie, Director
James B. Williams, Director
Bill J. Dismuke, Director
Thomas J. Lawley, MD, Director
Larry L. Prince, Director
John F. Wilson, Director
Pam R. Rollins, Director

/s/ Gary W. Rollins

Gary W. Rollins
As Attorney-in-Fact & Director
March 1, 2019

Rollins, Inc. And Subsidiaries

Index To Consolidated Financial Statements And Schedule

The following documents are filed as part of this report.

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Consolidated Statements of Comprehensive Earnings for each of the three years in the period ended December 31, 2018	43
Consolidated Statements of Stockholders' Equity for each of the three years in the period ended December 31, 2018	44
Consolidated Statements of Cash Flows for each of the three years in the period ended December 31, 2018	45
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Schedules not listed above have been omitted as not applicable, immaterial or disclosed in the Consolidated Financial Statements or notes thereto.	

Rollins, Inc. And Subsidiaries

Schedule II-Valuation And Qualifying Accounts

	For the years ended December 31, 2018, 2017 and 2016			
(in thousands)	Balance at Beginning of Period	Charged to Costs and Expenses	Net (Deductions) Recoveries	Balance at End of Period
Year ended December 31, 2018				
Allowance for doubtful accounts	**$ 14,706**	**$ 13,606**	**$ (11,646)**	**$ 16,666**
Year ended December 31, 2017				
Allowance for doubtful accounts	$ 14,600	$ 10,455	$ (10,349)	$ 14,706
Year ended December 31, 2016				
Allowance for doubtful accounts	$ 13,636	$ 11,257	$ (10,293)	$ 14,600

Rollins, Inc. And Subsidiaries

Index To Exhibits

Exhibit Number	Exhibit Description
(3) (i)	(A) Restated Certificate of Incorporation of Rollins, Inc. dated July 28, 1981, incorporated herein by reference to Exhibit (3)(i)(A) as filed with the registrant's Form 10-Q filed August 1, 2005.
	(B) Certificate of Amendment of Certificate of Incorporation of Rollins, Inc. dated August 20, 1987, incorporated herein by reference to Exhibit 3(i)(B) filed with the registrant's 10-K filed March 11, 2005.
	(C) Certificate of Change of Location of Registered Office and of Registered Agent dated March 22, 1994, incorporated herein by reference to Exhibit (3)(i)(C) filed with the registrant's Form 10-Q filed August 1, 2005.
	(D) Certificate of Amendment of Certificate of Incorporation of Rollins, Inc. dated April 25, 2006, incorporated herein by reference to Exhibit 3(i)(D) filed with the registrant's 10-Q filed October 31, 2006.
	(E) Certificate of Amendment of Certificate of Incorporation of Rollins, Inc. dated April, 26, 2011, incorporated herein by reference to Exhibit 3(i)(E) filed with the Registrant's 10-K filed February 25, 2015.
	(F) Certificate of Amendment of Certificate of Incorporation of Rollins, Inc. dated April 28, 2015, incorporated herein by reference to Exhibit 3(i)(F) filed with the Registrant's 10-Q filed on July 29, 2015.
(ii)	Revised By-laws of Rollins, Inc. dated April 25, 2017, incorporated herein by reference to Exhibit (3) (i) as filed with its Form 10-Q filed April 28, 2017.
(4)	Form of Common Stock Certificate of Rollins, Inc. incorporated herein by reference to Exhibit (4) as filed with its Form 10-K for the year ended December 31, 1998.
(10.1)+	Membership Interest Purchase Agreement by and among Rollins, Inc., Northwest Exterminating Co., Inc. NW Holdings, LLC and the stockholders of Northwest Exterminating Co., Inc. dated as of July 24, 2017.
(10) (a)	Rollins, Inc. Amended and Restated Deferred Compensation Plan, incorporated herein by reference to Exhibit 4.1 filed with the registrant's Form S-8 filed November 18, 2005.
(10) (b)	Form of Plan Agreement pursuant to the Rollins, Inc. Amended and Restated Deferred Compensation Plan, incorporated herein by reference to Exhibit 4.2 filed with the registrant's Form S-8 filed November 18, 2005.
(10) (c)	Written description of Rollins, Inc. Performance-Based Incentive Cash Compensation Plan incorporated herein by reference to Exhibit 10(a) as filed with its Form 8-K dated April 25, 2013.
(10) (d)	Forms of award agreements under the 2013 Cash Incentive Plan incorporated herein by reference to Exhibit 10(a) as filed with its Form 10-K dated February 27, 2017.
(10) (e)	2008 Stock Incentive Plan incorporated herein by reference to Exhibit A of the March 17, 2008 Proxy Statement for the Annual Meeting of the Stockholders held on April 22, 2008.
(10) (f)	Form of Restricted Stock Grant Agreement incorporated herein by reference to Exhibit 10(d) as filed with its Form 8-K dated April 28, 2008.
(10) (g)	Form of Time-Lapse Restricted Stock Agreement incorporated herein by reference to Exhibit 10.1 as filed with its Form 10-Q for the quarter ended March 31, 2012.
(10) (h)	Summary of Compensation Arrangements with Executive Officers, incorporated herein reference to Exhibit (10)(q) as filed with its Form 10-K for the year ended December 31, 2010.
(10) (i)	Summary of Compensation Arrangements with Non-Employee Directors, incorporated herein by reference to Exhibit 10(i) filed with the Registrant's 10-K filed February 25, 2015.
(10) (j)	Revolving Credit Agreement dated as of October 31, 2012 between Rollins, Inc., SunTrust Bank and Bank of America, N.A., incorporated herein by reference to Exhibit 99.1 as filed with its Form 8-K dated November 2, 2012.
(10) (k)	First Amendment to Revolving Credit Agreement dated as of October 30, 2014 by and among Rollins, Inc., the lenders party thereto and SunTrust Bank and Bank of America, N.A., incorporated herein by reference to Exhibit 10(k) filed with the Registrant's 10-K filed February 25, 2015.

(21)	Subsidiaries of Registrant.
(23.1)	Consent of Grant Thornton LLP, Independent Registered Public Accounting Firm.
(24)	Powers of Attorney for Directors.
(31.1)	Certification of Chief Executive Officer Pursuant to Item 601(b)(31) of Regulation S-K, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
(31.2)	Certification of Chief Financial Officer Pursuant to Item 601(b)(31) of Regulation S-K, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
(32.1)	Certification of Chief Executive Officer and Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
(101.INS)	EX-101 Instance Document
(101.SCH)	EX-101 Schema Document
(101.CAL)	EX-101 Calculation Linkbase Document
(101.LAB)	EX-101 Labels Linkbase Document
(101.PRE)	EX-101 Presentation Linkbase Document
(101.DEF)	Ex-101 Definition Linkbase Document

\+ Confidential treatment has been requested for certain portions of this exhibit (indicated by asterisks). Such information has been omitted and was filed separately with the securities and Exchange Commission.

List of Subsidiaries

Rollins, Inc.	Delaware	
Orkin, LLC	Delaware	
Orkin Systems, LLC	Delaware	
Orkin S.A de C.V.	Mexico	
Orkin Expansion, Inc.	Delaware	
PCO Acquisitions, Inc.	Delaware	
Orkin Services of California, Inc.	Delaware	
Orkin-IFC Properties, LLC	Delaware	
Banks Pest Control	California	
Rollins Continental, Inc.	New York	
Rollins-Western Real Estate Holdings, LLC	Delaware	
RCI – King, Inc.	Delaware	
Western Industries-North, LLC	Delaware	
Western Industries-South, LLC	Delaware	
HomeTeam Pest Defense, Inc.	Delaware	
The Industrial Fumigant Company, LLC	Illinois	
IFC Services of California, Inc.	Delaware	
International Food Consultants, LLC	Texas	40.0%
Crane Acquisition, Inc.	Delaware	
Waltham Services, LLC	Georgia	
TruTech, LLC	Delaware	
B. D. D. Pest Control Incorporated	California	
Wilco Enterprises, Inc.	Virginia	
PermaTreat Pest Control Company, Inc.	Virginia	
Rollins Wildlife Services, Inc.	Delaware	
Critter Control, Inc.	Michigan	
Critter Control Operations, Inc.	Delaware	
Northwest Exterminating Co., LLC	Georgia	
Jody Millard Pest Control, LLC	Tennessee	
Okolona Pest Control, Inc.	Kentucky	
Rollins Employee Relief Fund, Inc.	Georgia	
Rollins Acceptance Company, LLC	Delaware	
King Distribution, Inc.	Delaware	
PCO Acquisitions, Inc.	Delaware	
Rollins Dutch Holdings C.V.	Netherlands	99.0%
Rollins Investment, LLC	Delaware	1.0%
Rollins Dutch Holdings C.V	Netherlands	
Rollins Netherlands B.V.	Netherlands	
Orkin Canada Corporation	Nova Scotia	
PCO Services Holdings Corporation	Ontario	
Critter Control Operations Canada, Inc.	Ontario	
Rollins Europe B.V.	Netherlands	
Rollins Australia Pty Ltd	Australia	

ROL-WA Pty Ltd	Australia
ROL-ADMIN WA Pty Ltd	Australia
ROL-GSN Pty Ltd	Australia
Orkin Australia Pty Ltd	Australia
Statewide Rollins Pty Ltd	Australia
Murray Rollins Pty Ltd	Australia
Rollins Australia Franchising Pty Ltd	Australia
Scientific PM Holdings Pty Ltd	Australia
Scientific Pest Management (Australia/Pacific) Pty Ltd	Australia
Rollins UK Holdings Ltd	United Kingdom
Safeguard Pest Control and Environmental Services Limited	United Kingdom
AMES Group Limited	United Kingdom
Kestrel Pest Control Limited	United Kingdom
Guardian Cleaning Services Ltd	United Kingdom
Guardian Hygiene Services Limited	United Kingdom
Guardian Pest Control Limited	United Kingdom
Baroque (S.W.) Limited	United Kingdom
Aardwolf Pestkare (Singapore) Pte Ltd	Singapore
Rollins Dutch Holdings UK Ltd	England and Wales

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We have issued our reports dated March 1, 2019, with respect to the consolidated financial statements and internal control over financial reporting included in the Annual Report of Rollins, Inc. on Form 10-K for the year ended December 31, 2018. We consent to the incorporation by reference of said reports in the Registration Statements of Rollins, Inc. on Forms S-8 (File No. 333-224654, File No. 33-26056, File No. 33-47528, File No. 33-52355, File No. 333-49308, File No. 333-129789, File No. 333-143692, File No. 333-143693, and File No. 333-150339).

/s/ GRANT THORNTON LLP

Atlanta, Georgia
March 1, 2019

I, Gary W. Rollins, certify that:

1. I have reviewed this annual report on Form 10-K of Rollins, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 1, 2019

/s/ Gary W. Rollins

Gary W. Rollins
Vice Chairman and Chief Executive Officer
(Principal Executive Officer)

I, Paul E. Northen, certify that:

1. I have reviewed this annual report on Form 10-K of Rollins, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 1, 2019

/s/ Paul E. Northern

Paul E. Northern
Senior Vice President, Chief Financial Officer and Treasurer
(Principal Financial and Accounting Officer)

CERTIFICATION OF PERIODIC FINANCIAL REPORTS PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Rollins, Inc., a Delaware corporation (the "Company"), on Form 10-K for the period ended December 31, 2018 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), each of the undersigned certifies, pursuant to 18 U.S.C. sec. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to his knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 1, 2019

By: /s/ Gary W. Rollins

Gary W. Rollins
Vice Chairman and Chief Executive Officer
(Principal Executive Officer)

Date: March 1, 2019

By: /s/ Paul E. Northen

Paul E. Northen
Senior Vice President, Chief Financial Officer and Treasurer
(Principal Financial and Accounting Officer)

This certification shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or incorporated by reference in any filing under the Securities Act of 1933, as amended, or the Exchange Act, except as shall be expressly set forth by specific reference in such a filing.

Additional Annual Report Stockholder's Information

(This is not part of the Company's Form 10-K filed with the Securities and Exchange Commission)

CAUTION CONCERNING FORWARD-LOOKING STATEMENTS

This annual report contains statements that constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995, including all statements that look forward in time or express management's beliefs, expectations or hopes. In particular, such statements include, without limitation, statements regarding: (i) our belief that our Branch Operating Support System is the technological foundation of the future; (ii) our expectations regarding our ability to fulfill our mission of "Being the World's Best Service Company" and our ability to continue to listen and react to our customers' feedback to find ways to make it easier for them to do business with us; (iii) our belief that we will close the proposed acquisition of Clark Pest Control, Inc. (Clark), continue on our technology journey and enhance our customer experience through our best in class pest control service in 2019; and (iv) our expectations regarding our ability to enhance the operations of Clark once we close the proposed Clark acquisition, both generally and specifically with respect to expense reduction and revenue generation. All forward-looking statements are made as of the date hereof and are based on current management expectations and information available to us as of such date. The Company assumes no obligation to update any forward-looking statements. The Company's actual results could differ materially from those indicated by the forward-looking statements because of various risks and uncertainties, including, without limitation, the possibility of an adverse ruling against the Company in pending litigation; general economic conditions; market risk; changes in industry practices or technologies; the degree of success of the Company's termite process reforms and pest control selling and treatment methods; the Company's ability to identify and integrate potential acquisitions; climate and weather trends; competitive factors and pricing practices; potential increases in labor costs; changes in various government laws and regulations, including environmental regulations; the timing to consummate the proposed Clark acquisition; the risk that the regulatory clearance required for the proposed Clark acquisition may be delayed, not obtained or obtained subject to conditions that are not anticipated; the risk that a condition to the closing of the proposed Clark acquisition may not be satisfied; and all other risks identified under the title "Risk Factors" in the Company's Annual Report on Form 10-K included as a part of this Annual Report. All of the foregoing risks and uncertainties are beyond the ability of the Company to control, and in many cases the Company cannot predict the risks and uncertainties that could cause its actual results to differ materially from those indicated by the forward-looking statements.

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ROLLINS, INC.

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

DATE: Tuesday, April 23, 2019

TIME: 12:30 P.M EST.

PLACE: 2170 Piedmont Road, N.E., Atlanta, Georgia 30324

TO THE HOLDERS OF THE COMMON STOCK:

PLEASE TAKE NOTICE that the 2019 Annual Meeting of Stockholders of ROLLINS, INC., a Delaware corporation (the "Company"), will be held at the Company's corporate office located at 2170 Piedmont Road, N.E., Atlanta, Georgia, on Tuesday, April 23, 2019, at 12:30 P.M for the following purposes, as more fully described in the proxy statement accompanying this notice:

1. To elect three Class III nominees identified in the attached Proxy Statement to the Board of Directors;
2. To ratify the appointment of Grant Thornton LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2019;
3. To amend the Certificate of Incorporation of the Company to increase the number of authorized shares of capital stock to 550,500,000 shares; and
4. To consider and act upon such other business as may properly come before the Annual Meeting or any adjournment of the meeting.

The Proxy Statement dated March 21, 2019 is attached.

The Board of Directors has fixed the close of business on February 28, 2019 as the record date for the determination of stockholders entitled to notice of, and to vote at, the Annual Meeting or any adjournment thereof.

This Proxy Statement and accompanying proxy card are being mailed to our stockholders along with the Company's 2018 Annual Report for the fiscal year ended December 31, 2018. Voting can be completed by returning the proxy card, through the telephone at **1-866-804-9616** or online at **http://www.AALVote.com/ROL/.**

Voting can be completed in one of four ways:

returning the proxy card by mail

online at www.AALVote.com/ROL/

through the telephone at 1-866-804-9616

or attending the meeting to vote IN PERSON

Important notice regarding the availability of proxy materials for the Annual Meeting of the Stockholders to be held on April 23, 2019: The proxy statement and annual report to security holders are available at http://www.viewproxy.com/ROL/2019/.

BY ORDER OF THE BOARD OF DIRECTORS

Elizabeth B. Chandler
Secretary

Atlanta, Georgia
March 21, 2019

Whether or not you expect to attend the annual meeting, please sign, date and return the enclosed proxy card promptly. Alternatively, you may give a proxy by telephone or over the Internet by following the instructions on your proxy card. If you decide to attend the meeting, you may, if you wish, revoke the proxy and vote your shares in person.

Proxy Statement

This Proxy Statement and a form of proxy were first mailed to stockholders on or about March 21, 2019. The following information concerning the proxy and the matters to be acted upon at the Annual Meeting of Stockholders to be held on April 23, 2019 is submitted by the Company to the stockholders in connection with the solicitation of proxies on behalf of the Company's Board of Directors.

Three-for-two stock split – All shares, per share and market price data herein have been adjusted for the three-for-two stock split to stockholders of record on November 9, 2018, payable on December 10, 2018.

Solicitation of and Power to Revoke Proxy

A form of proxy is enclosed. Each proxy submitted will be voted as directed, but if not otherwise specified, proxies solicited by the Board of Directors of the Company will be voted in favor of the candidates for the election to the Board of Directors, in favor of ratification of the appointment of our independent registered public accounting firm for the fiscal year ending December 31, 2019 and in favor of the proposal to amend the Certificate of Incorporation of the Company to increase the number of authorized shares of capital stock to 550,500,000 shares.

A stockholder executing and delivering a proxy has power to revoke the same and the authority thereby given at any time prior to the exercise of such authority, if he so elects, by contacting either proxy holder, by timely submitting a later dated proxy changing your vote, or by attending the meeting and voting in person. However, a beneficial stockholder who holds his shares in street name must secure a proxy from his broker before he can attend the meeting and vote. All costs of solicitation have been, and will be, borne by the Company.

Householding and Delivery of Proxy Materials

The Company has adopted the process called "householding" for any proxy materials in order to reduce printing costs and postage fees. Householding means that stockholders who share the same last name and address will receive only one copy of the proxy material, unless we receive contrary instructions from any stockholder at that address. The Company will continue to mail a proxy card to each stockholder of record.

If you prefer to receive multiple copies of the proxy material at the same address, additional copies will be provided to you promptly upon written or oral request. If you are a stockholder of record, you may contact us by writing to the Company at 2170 Piedmont Rd., NE, Atlanta, GA 30324 or by calling 404-888-2000. Eligible stockholders of record receiving multiple copies of the proxy material can request householding by contacting the Company in the same manner.

Capital Stock

The outstanding capital stock of the Company on February 28, 2019 consisted of 327,530,857 shares of Common Stock, par value $1.00 per share. Holders of Common Stock are entitled to one vote (noncumulative) for each share of such stock registered in their respective names at the close of business on February 28, 2019, the record date for determining stockholders entitled to notice of and to vote at the meeting or any adjournment thereof.

A majority of the outstanding shares will constitute a quorum at the Annual Meeting. Abstentions will be counted for purposes of determining the presence or absence of a quorum for the transaction of business. In accordance with the General Corporation Law of the state of Delaware, the election of the nominees named herein as Directors will require the affirmative vote of a plurality of the votes cast by the shares of Company Common Stock entitled to vote in the election provided that a quorum is present at the Annual Meeting. In the case of a plurality vote requirement (as in the election of directors), where no particular percentage vote is required, the outcome is solely a matter of comparing the number of votes cast for each nominee, with those nominees receiving the most votes being elected, and hence only votes for director nominees (and not abstentions or broker non-votes) are relevant to the outcome. In this case, the nominees receiving the most votes will be elected. The affirmative vote of a majority of shares present in person or represented by proxy and entitled to vote at the meeting is required to approve the ratification of the appointment of the Company's independent registered public accounting firm for fiscal year 2019 and to approve the proposal to amend the Certificate of Incorporation of the Company to increase the number of authorized shares of capital stock to 550,500,000 shares. Abstentions will have the effect of a vote against the proposals for the ratification of the appointment of the Company's independent registered public accounting firm and the proposal to amend the Certificate of Incorporation of the Company to increase the number of authorized shares of capital stock to 550,500,000 shares, while broker non-votes will have no effect on either proposal and will be disregarded. There are no rights of appraisal or similar dissenter's rights with respect to any matter to be acted upon pursuant to this Proxy Statement. It is expected that shares held of record by officers and directors of the Company, which in the aggregate represent approximately 57 percent of the outstanding shares of Common Stock, will be voted for the nominees, for the ratification of the appointment of the Company's independent registered public accounting firm, and for the proposal to amend the Certificate of Incorporation of the Company to increase the number of authorized shares of capital stock to 550,500,000 shares.

Stock Ownership of Certain Beneficial Owners and Management

The names of the executives recognized in the Summary Compensation Table and the name and address of each stockholder (or "group" as that term is used in Section 13(d)(3) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")), who owned beneficially over five percent (5%) of the shares of Common Stock of the Company on February 28, 2019, together with the number of shares owned by each such person and the percentage of outstanding shares that ownership represents, and information as to Common Stock ownership of the executive officers and directors of the Company as a group (according to information received by the Company) are set out below:

Name and Address of Beneficial Owner	Amount Beneficially Owned[(1)]	Percent of Outstanding Shares
R. Randall Rollins **Chairman of the Board** **2170 Piedmont Road, N.E.** **Atlanta, Georgia**	172,211,695[(2)]	52.6
Gary W. Rollins **Vice Chairman and Chief Executive Officer** **2170 Piedmont Road, N.E.** **Atlanta, Georgia**	175,016,561[(3)]	53.4
The Vanguard Group **100 Vanguard Blvd.** **Malvern, PA 19355**	18,239,960[(4)]	5.6
John F. Wilson **President and Chief Operating Officer** **2170 Piedmont Road, N.E.** **Atlanta, Georgia**	547,205[(5)]	0.2
Paul E. Northen **Senior Vice President** **Chief Financial Officer and Treasurer** **2170 Piedmont Road, N.E.** **Atlanta, Georgia**	139,965[(6)]	**
Elizabeth B. Chandler **Vice President, General Counsel and** **Corporate Secretary** **2170 Piedmont Road, N.E.** **Atlanta, Georgia**	38,990[(7)]	**
All Directors and Executive Officers as a group (10 persons)	186,343,502[(8)]	56.9

(1) Except as otherwise noted, the nature of the beneficial ownership for all shares is sole voting and investment power.

(2) Includes 9,811,668* shares of Company Common Stock held in two charitable trusts of which he is a co-trustee and as to which he shares voting and investment power. Also includes 716,491* shares of Company Common Stock held by his wife. Also includes 161,225,005* shares of Company Common Stock owned by RFPS Management Company I, L.P., a Georgia limited partnership. The general partner of RFPS Management Company I, L.P., is RFA Management Company, LLC, a Georgia limited liability company, the manager of which is LOR, Inc., a Georgia corporation. Mr. R. Randall Rollins is an officer and director of LOR, Inc. Mr. R. Randall Rollins and Mr. Gary W. Rollins have voting control of LOR, Inc. Also includes 310,500 shares of restricted stock awards for Company Common Stock, 19,332 shares of Company Common Stock in an individual retirement account and 7,986 shares of Company Stock in the Rollins 401(k) Savings Plan. Mr. R. Randall Rollins is part of a control group holding company securities that includes Mr. Gary W. Rollins, as disclosed on a Schedule 13D on file with the U.S. Securities and Exchange Commission.

(3) Includes 9,811,668* shares of the Company Common Stock held in two charitable trusts of which he is a co-trustee and as to which he shares voting and investment power. Also includes 15,645* shares of Company Common Stock held by his wife. Also includes 161,225,005* shares of Company Common Stock owned by RFPS Management Company I, L.P., a Georgia limited partnership. The general partner of RFPS Management Company I, L.P., is RFA Management Company, LLC, a Georgia limited liability company, the manager of which is LOR, Inc., a Georgia corporation. Mr. Gary W. Rollins is an officer and director of LOR, Inc. Mr. R. Randall Rollins and Mr. Gary W. Rollins have voting control of LOR, Inc. Also includes 344,500 shares of restricted stock awards for Company Common Stock, 70,266 shares of Company Common Stock in the Company's employee stock purchase plan, and 11,359 shares of Company Common Stock held in the Rollins 401(k) Savings Plan. Mr. Gary W. Rollins is part of a control group holding company securities that includes Mr. R. Randall Rollins, as disclosed on a Schedule 13D on file with the U.S. Securities and Exchange Commission.

(4) Based upon information received by the Company, an aggregate of 18,239,960 shares of Company Common Stock are beneficially owned by The Vanguard Group – 23-1945930 and entities controlled directly or indirectly by The Vanguard Group – 23-1945930. The Vanguard Group – 23-1945930 has sole power to vote or direct to vote 178,730 shares, shared power to vote or direct to vote 31,982 shares, sole power to dispose of or to direct the disposition of 18,031,601 shares, and shared power to dispose or to direct the disposition of 208,359 shares.

(5) Includes 170,400 shares of restricted stock awards for Company Common Stock and 19,381 shares of Company Common Stock in the Company's employee stock purchase plan.

(6) Includes 43,451 shares of Company Common Stock held by the Rollins Pension Plan as to which Mr. Northen has voting power. Also includes 78,450 shares of restricted stock awards for Company Common Stock.

(7) Includes 31,040 shares of restricted stock awards for Company Common Stock.

(8) Shares held in trusts as to which more than one officer and/or director are co-trustees or entities in which there is common stock ownership have been included only once.

* Mr. R. Randall Rollins and Mr. Gary W. Rollins disclaim any beneficial interest in these holdings.

** Less than 0.1% of the outstanding shares.

Stock Ownership Requirements

The Company has adopted stock ownership guidelines for the named executive officers identified in the previous table and for key executives designated by the Compensation Committee. The current guidelines as determined by the Compensation Committee include:

1. Chairman of the Board of Directors and CEO – Ownership equal to 5 times base salary
2. Rollins, Inc. President – Ownership equal to 4 times base salary
3. Other Rollins Officers and Orkin, LLC President – Ownership equal to 3 times base salary
4. Division and Brand Presidents – Ownership equal to 2 times base salary
5. Other covered executives – Ownership equal to 1 times base salary

The covered executives have a period of four years in which to satisfy the guidelines, from the date of appointment to a qualifying position. Shares counted toward this requirement will be based on shares beneficially owned by such executive (as beneficial ownership is defined by the SEC's rules and regulations) including shares owned outright by the executive, shares held in the Rollins 401(k) Savings Plan, shares held in the Rollins employee stock purchase and dividend reinvestment plan, shares obtained through stock option exercise and held, restricted stock awards whether or not vested and shares held in trust in the employee's name. Once achieved, ownership of the guideline amount must be maintained for as long as the individual is subject to the Executive Stock Ownership Guidelines and the executive is required to retain a minimum of 25% of any future equity awards.

Proposal 1:

Election Of Directors

At the Annual Meeting, Messrs. Bill J. Dismuke, John F. Wilson, and Thomas J. Lawley, M.D. will be nominated to serve as Class III directors. The nominees for election at the 2019 Annual Meeting are now directors of the Company. The directors in Class III will serve for a term of three years. The director nominees will serve in their respective class until their successors are elected and qualified. Five other individuals serve as directors but are not standing for re-election because their terms as directors extend past this Annual Meeting pursuant to provisions of the Company's by-laws, which provide for the election of directors for staggered terms, with each director serving a three-year term. Mr. Larry L. Prince, a long-time director of the Company served as a Class II director until he passed away on March 5, 2019. At this time, the Company's Board of Directors does not have plans to fill Mr. Prince's vacated position on our Board. Unless authority is withheld, the proxy holders will vote for the election of each nominee named below as a director. Although management does not contemplate the possibility, in the event any nominee is not a candidate or is unable to serve as director at the time of the election, unless authority is withheld, the proxies will be voted for any nominee who shall be designated by the present Board of Directors and recommended by the Nominating and Governance Committee to fill such vacancy.

Director Qualifications

As described in more detail below, we believe that each of our directors are well suited to serve on our Board for a variety of individual reasons and because collectively they bring a wealth of experience from diverse backgrounds that have combined to provide us with an excellent mix of experiences and viewpoints. The information below has the name and age of each of our directors and each of the nominees with his or her principal occupation, together with the number of shares of Common Stock beneficially owned, directly or indirectly, by each and the percentage of outstanding shares that ownership represents, all as of the close of business on February 28, 2019 (according to information received by the Company), other board memberships and the period during which he or she has served us as a director.

Name	Principal Occupation[1]	Service as Director	Age	Shares of Common Stock[2]	Percent of Outstanding Shares
Names of Director Nominees					
Class III (Term Expires 2019, New Term Expires 2022)					
Bill J. Dismuke	Retired President of Edwards Baking Company (manufacturer of baked pies and pie pieces)	1984 to date	82	10,248	*
Thomas J. Lawley, M.D.	Retired Dean of the Emory University School of Medicine from 1996 to 2013	2006 to date	72	6,750	*
John F. Wilson	President and Chief Operating Officer of the Company	2013 to date	61	547,205	0.2

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Name		Principal Occupation[1]	Service as Director	Age	Shares of Common Stock[2]	Percent of Outstanding Shares
Names of Directors Whose Terms Have Not Expired						
Class I (Term Expires 2020)						
R. Randall Rollins[3]		Chairman of Rollins, Inc.; Chairman of the Board of the Company; Chairman of the Board of RPC, Inc. (oil and gas field services); and Chairman of the Board of Marine Products Corporation (boat manufacturing)	1968 to date	87	172,211,695[5]	52.6
Henry B. Tippie		Lead Director of the Company; Chairman of the Board and Chief Executive Officer of Tippie Services, Inc. (management services); Chairman of the Board of Dover Downs Gaming & Entertainment, Inc. (operator of multi-purpose gaming and entertainment complex); and Chairman of the Board of Dover Motorsports, Inc. (operator of motorsports tracks); Presiding Director of RPC, Inc. (oil and gas field services) and Marine Products Corporation (boat manufacturing)	1960 to 1970; 1974 to date	92	3,379,550[6]	1.0
James B. Williams		Retired Chairman of the Executive Committee, SunTrust Banks, Inc. (bank holding company)	1978 to date	85	227,811	0.1
Class II (Term Expires 2021)						
Gary W. Rollins[3]		Vice Chairman and Chief Executive Officer of the Company	1981 to date	74	175,016,561[7]	53.4
Pamela R. Rollins[4]		Board Member for Young Harris College, National Monuments Foundation and the O. Wayne Rollins Foundation; Former Board Member of The Lovett School; and Emeritus Board Member of the Schenck School.	2015 to date	62	5,801,400[8]	1.8

(1) Except as noted, each of the directors has held the positions of responsibility set out in this column (but not necessarily his or her present title) and in their respective biographies below for more than five years. In addition to the directorships listed in this column, the following individuals also currently serve on the Boards of Directors of the following companies: R. Randall Rollins: Dover Motorsports, Inc., and Dover Downs Gaming and Entertainment, Inc., Gary W. Rollins, Director Emeritus of Genuine Parts Company and Emory University. All persons named, with the exception of Thomas J. Lawley, M.D. and John F. Wilson, in the above table, are directors of RPC, Inc. and Marine Products Corporation.

(2) Except as otherwise noted, the nature of the beneficial ownership for all shares is sole voting and investment power.

(3) R. Randall Rollins and Gary W. Rollins are brothers.

(4) Pamela R. Rollins is the daughter of R. Randall Rollins and niece of Gary W. Rollins.

(5) See information contained in footnote (2) to the table appearing in the Stock Ownership of Certain Beneficial Owners and Management section.

(6) Includes 1,135 shares held in a wholly owned corporation and 3,415** shares held by his wife.

(7) See information contained in footnote (3) to the table appearing in Stock Ownership of Certain Beneficial Owners and Management section.

(8) Includes 5,722,005 shares of Company common stock held by charitable trust of which she is co-trustee.

* Less than 1% of outstanding shares.

** Mr. Henry B. Tippie disclaims any beneficial interest in these holdings.

The following information is furnished as of February 28, 2019 for each of our directors and each of the nominees:

Key Attributes, Experience and Skills of Directors and Director Nominees

R. Randall Rollins, 87, was elected a Director of Rollins, Inc. in 1968. Mr. Rollins has extensive knowledge of the Company's business and industry serving over 70 years at the Company. Mr. Rollins serves as Chairman of the Board of the Company. He has held the position of Chairman of the Board since October 1991. He is also Chairman of the Board for Marine Products Corporation as well as RPC, Inc. Mr. Rollins has been a Director of Dover Motorsports, Inc. since 1996 and a Director of Dover Downs Gaming & Entertainment, Inc. since 2002. Mr. Rollins served as a Director of SunTrust Banks, Inc. from 1995 to April 20, 2004.

Gary W. Rollins, 74, was elected a Director of Rollins, Inc. in 1981. Mr. Rollins has extensive knowledge of the Company's business and industry serving over 51 years at the Company. He serves as Vice Chairman of the Company. In addition, Mr. Rollins is the Chief Executive Officer of the Company. Mr. Rollins has served as a Director of Marine Products Corporation since 2001 and a Director of RPC, Inc. since 1984. From 2005 until 2017, Mr. Rollins served as a Director of Genuine Parts Company.

Henry B. Tippie, 92, was elected a Director of Rollins, Inc. in 1974. He had previously been a director from 1960 until 1970. Mr. Tippie brings extensive financial and management experience to our Board of Directors serving as not only Controller but also Chief Financial Officer from 1953 until November 1970. Mr. Tippie has over 68 years of experience, including being involved with publicly owned companies during the past 58 years in various positions including founder, CFO, CEO, President, Vice Chairman and Chairman of the Board as the case might be. He is currently Chairman of the Board for Dover Downs Gaming & Entertainment, Inc. as well as Dover Motorsports, Inc. and additionally also a Director for Marine Products Corporation and RPC, Inc.

James B. Williams, 85, was elected a Director of Rollins, Inc. in 1978. Mr. Williams brings extensive financial and management experience to our Board of Directors and has served over 40 years as a Director. He retired in March 1998 as Chairman of the Board and Chief Executive Officer of SunTrust Banks, Inc., a bank holding company. He is a Director of Marine Products Corporation and RPC, Inc. Mr. Williams currently serves as Chair Emeritus of the Woodruff Foundation, the Ichauway Foundation and the Woodruff Fund, Inc. Mr. Williams was previously a director of The Coca-Cola Company.

Bill J. Dismuke, 82, was elected a Director of Rollins, Inc. in 1984. Mr. Dismuke brings extensive financial, management and manufacturing experience to our Board of Directors serving as Senior Vice President of Rollins, Inc. for five years from 1979 until 1984. He retired as President of Edwards Baking Company in 1995. Mr. Dismuke has served as a Director of RPC, Inc. and Marine Products Corporation since January 2005.

Thomas J. Lawley, MD, 72, was elected a Director of Rollins, Inc. in 2006. Dr. Lawley brings extensive medical and management experience in the healthcare industry to the Board of Directors. He served as Dean of Emory University School of Medicine from 1996 to 2013. He has served on many boards and committees; including the National Institutes of Health study sections, the National Institute of Allergy and Infectious Diseases Council, the Grady Health System, and the Association of American Medical Colleges. Dr. Lawley has been president of the Emory Medical Care Foundation, Emory's physician practice plan at Grady Hospital, and was on the board of the Emory Children's Center. He also has served on the boards of directors of the Emory Clinic and Emory Healthcare. Dr. Lawley is currently a Professor of Dermatology at Emory University. In the past year, Thomas J. Lawley, M.D. was appointed to the Board of Trustees for the Woodruff Foundation, the Ichauway Foundation and the Woodruff Fund, Inc.

John F. Wilson, 61, was elected a Director of Rollins, Inc. in 2013. He serves as President and Chief Operating Officer of the Company. He previously served as President of Orkin USA and as a Vice President of the Company. Mr. Wilson joined the Company in 1996 and has held various positions of increasing responsibility, including sales inspector, branch manager, Central Commercial region manager, Atlantic Division vice president, and president of the Southeast Division.

Pamela R. Rollins, 62, was elected a Director of Rollins, Inc. in 2015. She holds a B.A. Degree from Stephens College with a major in Family Community Studies. Ms. Rollins is a Trustee of Young Harris College and The O. Wayne Rollins Foundation, a Trustee Emeritus of The Schenck School, a Board Member of The National Monuments Foundation and a former Board Member of The Lovett School. Ms. Rollins has served as a Director of RPC, Inc. since 2019 and Marine Products Corporation since 2017.

Our Board of Directors recommends a vote FOR the Class III nominees above.

Proposal 2:

Ratification of Appointment of Independent Registered Public Accounting Firm

The Audit Committee of the Board of Directors has appointed Grant Thornton LLP as the Company's independent registered public accounting firm for the fiscal year ending December 31, 2019. During fiscal 2018, Grant Thornton LLP served as the Company's independent registered public accounting firm. Representatives of Grant Thornton LLP are expected to attend the annual meeting and will have the opportunity to respond to appropriate questions and, if they desire, to make a statement.

Although the Company is not required to seek ratification of this appointment, the Audit Committee and the Board of Directors believes that it is appropriate to do so. If stockholders do not ratify the appointment of Grant Thornton LLP, the current appointment will stand, but the Audit Committee will consider the stockholder action in determining whether to retain Grant Thornton LLP as the Company's independent registered public accounting firm for future fiscal years.

Our Board of Directors recommends a vote FOR the ratification of the appointment of Grant Thornton LLP as the Company's independent registered public accounting firm for the 2019 fiscal year.

Proposal 3:

Proposal to Approve an Amendment to the Certificate of Incorporation to Increase the Number of Authorized Shares of Capital Stock

The stockholders will be asked to vote on the approval of an amendment ("Amendment") to the Company's Restated Certificate of Incorporation, as amended (the "Certificate of Incorporation") whereby the authorized capital stock of the Company would be increased from 375,500,000 to 550,500,000 shares. Authorized shares of common stock would be increased from 375,000,000 to 550,000,000 and authorized shares of preferred stock would remain 500,000. There are currently no shares of preferred stock outstanding. The Amendment pertains only to the first paragraph of Article Fourth of the Certificate of Incorporation of the Company. As amended, such paragraph would be as follows:

"FOURTH: The total number of shares of all classes of stock which the Corporation shall have authority to issue is five hundred fifty million five hundred thousand (550,500,000), consisting of five hundred fifty million (550,000,000) shares of Common Stock, par value one dollar ($1.00) per share (the "Common Stock"), and five hundred thousand (500,000) shares of Preferred Stock, no par value per share (the "Preferred Stock")."

As of February 28, 2019, there were 327,530,857 shares of Common Stock outstanding and 47,469,143 shares of Common Stock available for issuance. The Company has 2,502,293 shares of Common Stock reserved for issuance under stock incentive plans.

The Board of Directors has unanimously approved the Amendment and believes the Amendment is necessary in order to meet the Company's business needs and to take advantage of potential future corporate opportunities. At present, there are no plans to issue any authorized shares, other than those reserved under the Company's stock incentive plans. When the Company does issue authorized shares, unless required by New York Stock Exchange rules and regulations or Delaware law, the Company will not need stockholder approval. Under the Company's Certificate of Incorporation, holders of capital stock are not entitled to preemptive rights.

It is expected that members of the Board of Directors and executive officers, and their affiliates, who own of record approximately 57 percent of the voting securities of the Company, will vote "FOR" approval of the Amendment. Since the affirmative vote of a majority of the outstanding Common Stock is required in order to approve the Amendment, the vote "FOR" approval of the Amendment by the stockholders who are members of the Board of Directors or executive officers would assure such approval.

Our Board of Directors recommends a vote "FOR" approval of the Amendment.

Corporate Governance and Board of Directors' Committees and Meetings

Board Meetings and Compensation

The Board of Directors met five times during the year ended December 31, 2018. No director attended fewer than 75 percent of the Board meetings held during such director's term of service and meetings of committees on which he/she served during 2018. In addition, the Company has from time to time formed a special committee for the purpose of evaluating and approving certain transactions in which other directors of the Company have an interest. During 2018, the Company had no such committee.

The Board of Directors has an Audit Committee, Compensation Committee, Diversity Committee, Executive Committee and a Nominating and Governance Committee.

Below is a summary of our committee structure and membership information.

Board of Directors	Audit Committee	Compensation Committee	Diversity Committee	Executive Committee	Nominating & Governance Committee
R. Randall Rollins[1]				Member	
Henry B. Tippie[2]	Chair	Chair	Chair		Chair
James B. Williams[2]	Member	Member	Member		Member
Bill J. Dismuke[2]	Member				
Gary W. Rollins[3]				Member	
Thomas J. Lawley M.D.					
John F. Wilson					
Pamela R. Rollins					

(1) Chairman of the Board of Directors

(2) Financial Expert

(3) Vice Chairman and Chief Executive Officer

Audit Committee

The Audit Committee of the Board of Directors of the Company consists of Messrs. Henry B. Tippie (Chairman), James B. Williams and Bill J. Dismuke, all of whom are independent as discussed below. Mr. Larry L. Prince, a long-time independent director of the Company, served on the Audit Committee until he passed away on March 5, 2019. The Audit Committee held five meetings during the fiscal year ended December 31, 2018, including a meeting to review the Company's Form 10-K for the fiscal year ended December 31, 2017. The Board of Directors has determined that all of the members of the Audit Committee are independent as that term is defined by the rules of the U.S. Securities and Exchange Commission ("SEC") and the New York Stock Exchange ("NYSE"). The Board of Directors has also determined that all of the Audit Committee members are "Audit Committee Financial Experts" as defined in the SEC rules. The Audit Committee meets with the Company's independent registered public accounting firm, Director of Internal Audit, and Chief Financial Officer to review the scope and results of audits and recommendations made with respect to internal and external accounting controls, specific accounting, and financial reporting issues. The Audit Committee has the authority to obtain advice and assistance from, and receive appropriate funding from the Company for, outside legal, accounting or other advisors, as it deems necessary to carry out its duties. The Audit Committee charter is available on the Company's website at www.rollins.com, under the "Investor Relations – Corporate Governance" section.

Compensation Committee

The Compensation Committee of the Board of Directors of the Company consists of Messrs. Henry B. Tippie (Chairman) and James B. Williams, each of whom is independent, as discussed previously. Mr. Larry L. Prince, a long-time independent director of the Company, served on the Compensation Committee until he passed away on March 5, 2019. It held three meetings during the fiscal year ended December 31, 2018. The function of the Compensation Committee is to set the base salary and cash based incentive compensation of all of the executive officers of the Company. The Compensation Committee also administers the Rollins, Inc. Employee Stock Incentive Plan. The Compensation Committee does not have a formal charter, and is not required to have one under the "controlled company" exemption under the NYSE rules, as described in the section titled "Director Independence and NYSE Requirements" below.

Diversity Committee

The Diversity Committee of the Board of Directors of the Company consists of Messrs. Henry B. Tippie (Chairman) and James B. Williams, each of whom is independent, as discussed previously. Mr. Larry L. Prince, a long-time independent director of the Company, served on the Diversity Committee until he passed away on March 5, 2019. It held one meeting during the fiscal year ended December 31, 2018. The function of the Diversity Committee is to monitor compliance with applicable non-discrimination laws.

Nominating and Governance Committee

The Nominating and Governance Committee of the Board of Directors of the Company consists of Messrs. Henry B. Tippie (Chairman) and James B. Williams, each of whom is independent, as discussed previously. Mr. Larry L. Prince, a long-time independent director of the Company, served on the Nominating and Governance committee until he passed away on March 5, 2019. The Committee was formed in 2002 pursuant to a resolution passed by the Board of Directors for the following purposes:

- to recommend to our Board of Directors nominees for director and to consider any nominations properly made by a stockholder;
- upon request of our Board of Directors, to review and report to the Board with regard to matters of corporate governance; and
- to make recommendations to our Board of Directors regarding the agenda for our annual stockholders' meetings and with respect to appropriate action to be taken in response to any stockholder proposals.

The Nominating and Governance Committee held one meeting during the fiscal year ended December 31, 2018. We are not required by law or by New York Stock Exchange rules to have a nominating committee since we are a controlled corporation as described below under the heading "Director Independence and NYSE Requirements." We established the Nominating and Corporate Governance Committee to promote responsible corporate governance practices and we currently intend to maintain the Committee going forward.

Director Nominations

Under Delaware law, there are no statutory criteria or qualifications for directors. The Board has prescribed no criteria or qualifications at this time. The Nominating and Governance Committee does not have a charter or a formal policy with regard to the consideration of director candidates. As such, there is no formal policy relative to diversity, although as noted below, it is one of many factors that the Nominating and Corporate Governance Committee has the discretion to factor into its decision-making. This discretion would extend to how the Committee might define diversity in a particular instance – whether in terms of background, viewpoint, experience, education, race, gender, national origin or other considerations. However, our Nominating and Corporate Governance Committee acts under the guidance of the corporate governance guidelines approved by the Board of Directors on January 27, 2004, as amended January 25, 2005, and posted on the Company's website at www.rollins.com under the "Investor Relations – Corporate Governance" section. The Board believes that it should preserve maximum flexibility in order to select directors with sound judgment and other desirable qualities. According to the Company's corporate governance guidelines, the Board of Directors will be responsible for selecting nominees for election to the Board of Directors. The Board delegates the screening process involved to the Nominating and Governance Committee. This Committee is responsible for determining the appropriate skills and characteristics required of Board members in the context of the then current make-up of the Board. This determination takes into account all factors, which the Committee considers appropriate, such as independence, experience, strength of character, mature judgment, technical skills, diversity, age, and the extent to which the individual would fill a present need on the Board. The Company's by-laws provide that any stockholder entitled to vote for the election of directors may make nominations for the election of directors. Nominations must comply with an advance notice procedure which generally requires, with respect to nominations of directors for election at an annual meeting, that written notice be addressed to: Secretary, Rollins Inc., 2170 Piedmont Road, N.E., Atlanta, Georgia 30324, and received not less than ninety nor more than 130 days prior to the anniversary of the prior year's annual meeting and set forth, among other requirements set forth in detail in the Company's by-laws, the name, age, business address and, if known, residence address of the nominee proposed in the notice, the principal occupation or employment of the nominee for the past five years, the nominee's qualifications, the class or series and number of shares of capital stock of the Company which are owned beneficially or of record by the person and any other information relating to the person that would be required to be disclosed in a proxy statement or other filings. Other requirements related to the notice are contained in the Company's by-laws, and stockholders are advised to carefully review those requirements to ensure that nominations comply with the by-laws. The Committee will consider nominations from stockholders who satisfy these requirements.

The Committee is responsible for screening the nominees that are selected by the Board of Directors for nomination to the Board and for service on committees of the Board. The Company has not received a recommendation for a director nominee from a shareholder. All of the nominees for directors being voted upon at the Annual Meeting to be held on April 23, 2019 are directors standing for re-election.

Board Leadership

Since July 2001, the Company has had separate persons serving as its Chairman of the Board and Chief Executive Officer. R. Randall Rollins is our Chairman and chairs our Board meetings. Gary W. Rollins is our Vice Chairman and Chief Executive Officer. John F. Wilson is our President and Chief Operating Officer. We believe that it represents the appropriate structure for us at this time; the Chairman of the Board provides general oversight and strategic planning for the Company while the Chief Executive Officer and President and Chief Operating Officer focus on optimizing operational efficiencies.

Risk Oversight by Board

Our Board's oversight of risk has not been delegated to any Board Committee. "Risk" is an extremely broad concept that extends to multiple functional areas and crosses multiple disciplines. As such, risk may be addressed from time to time by the full Board or by one or more of our Committees. Senior management is responsible for identifying and managing material risks that we face while insurable risks and litigation risks are handled primarily by the risk management department. Senior management provides the Board with a summary of insurance coverage annually and updates as deemed necessary. Liquidity risk, credit risk and risks associated with our credit facilities and cash management are handled primarily by our finance department, which regularly provides a financial report to both the Audit Committee and to the full Board. Operational, business, regulatory and political risks are handled primarily by senior executive management, which regularly provides various operational reports to, among others, the full Board or to the Executive Committee.

Director Independence and NYSE Requirements

Controlled Company Exemption. We have elected to be treated as a "controlled company" as defined by New York Stock Exchange Section 303A.00. This Section provides that a controlled company need not comply with the requirements of Sections 303A.01, 303A.04 and 303A.05 of the New York Stock Exchange Listed Company Manual. Section 303A.01 requires that listed companies have a majority of independent directors. As a controlled company, this Section does not apply to us. Sections 303A.04 and 303A. 05 require that listed companies have a nominating and corporate governance committee and a compensation committee, in each case composed entirely of independent directors, and that each of these committees must have a charter that addresses both the committee's purpose and responsibilities and the need for an annual performance evaluation by the committee. While we have a nominating and corporate governance committee and a compensation committee, we are not required to and do not comply with all of the provisions of Sections 303A.04 and 303A.05. We are a "controlled company" because a group that includes the Company's Chairman, R. Randall Rollins and his brother, Gary W. Rollins, who is the Company's Vice Chairman and Chief Executive Officer and certain companies under their control, possesses in excess of fifty percent of our voting power. This means that they have the ability to determine the outcome of the election of directors at our annual meetings and to determine the outcome of many significant corporate transactions, many of which only require the approval of a majority of our voting power. Such a concentration of voting power could also have the effect of delaying or preventing a third party from acquiring us at a premium.

The Company's Audit Committee is composed of three "independent" directors as defined by the Company's Corporate Governance Guidelines, the New York Stock Exchange rules, the Exchange Act and SEC rules and regulations promulgated thereunder, and the Company's Audit Committee Charter. The Compensation, Diversity and Nominating and Corporate Governance Committees are also entirely composed of "independent" directors. The Board of Directors has also concluded that all of the members of the Audit Committee and Thomas J. Lawley, M.D. are "independent directors" under the Company's Corporate Governance Guidelines and the New York Stock Exchange listing standards. Mr. Larry L. Prince, a long-time independent director of the Company, served as a member of the Board of Directors until he passed away on March 5, 2019.

Independence Guidelines. Under New York Stock Exchange listing standards, to be considered independent, a director must be determined to have no material relationship with the Company other than as a director. The New York Stock Exchange standards set forth a nonexclusive list of relationships, which are conclusively deemed material.

The Company's Independence Guidelines (Appendix A to the Company's Corporate Governance Guidelines) are posted on the Company's website at www.rollins.com under the "Investor Relations – Corporate Governance" section and include categorical standards for determining independence in specified situations.

Audit Committee Charter. Under the Company's Audit Committee Charter, in accordance with New York Stock Exchange listing requirements and the Exchange Act, all members of the Audit Committee must be independent of management and the Company. A member of the Audit Committee is considered independent as long as he or she (i) does not accept any consulting, advisory, or compensatory fee from the Company, other than as a director or committee member; (ii) is not an affiliated person of the Company or its subsidiaries; and (iii) otherwise meets the independence requirements of the New York Stock Exchange and the Company's Corporate Governance Guidelines.

Nonmaterial Relationships. After reviewing all of the relationships between the members of the Audit Committee, and Thomas J. Lawley, M.D., on the one hand, and the Company, on the other hand, the Board of Directors determined that all of the relationships fell within the categorical standards for independence set forth in the Independence Guidelines except as follows:

1. Mr. Tippie was employed by the Company from 1953 to 1970, and held several offices with the Company during that time, including as Executive Vice President – Finance, Secretary, Treasurer and Chief Financial Officer.

2. Mr. Tippie is Chairman of the Board of Directors of Dover Motorsports, Inc. and Dover Downs Gaming and Entertainment, Inc. R. Randall Rollins is also a director of these companies.

3. Mr. Tippie is a co-trustee of The O. Wayne Rollins Foundation and of the Rollins Children's Trust. O. Wayne Rollins is the father of R. Randall Rollins and Gary W. Rollins. The beneficiaries of the Rollins Children's Trust include the immediate family members of R. Randall Rollins and Gary W. Rollins.

4. Mr. Dismuke was employed by the company from 1979 to 1984, and held several offices with the Company during that time, including Senior Vice President.

5. Each of Messrs. Dismuke, Tippie and Williams also serve on the Boards of RPC, Inc. and Marine Products Corporation. Ms. Pamela R. Rollins serves on the Board of RPC, Inc. and Marine Products Corporation. Messrs. Gary and Randall Rollins are directors of RPC, Inc. and Marine Products Corporation, and have voting control over these companies. These companies are held by a control group of which Messrs. Randall and Gary Rollins are a part. Mr. Randall Rollins is an executive officer of Marine Products Corporation. Ms. Pamela R. Rollins was employed by the Company in various roles from 1997-2008.

6. Thomas J. Lawley, M.D. was the Dean of the Emory University School of Medicine from 1996 to 2013. Various charitable contributions have been made by the O. Wayne Rollins Foundation and the Company to Emory University in the past, including charitable contributions made by the Foundation to the Emory University School of Medicine and to the Emory University School of Public Health. Gary Rollins is Director Emeritus of Emory University.

7. Mr. James B. Williams is the Chair Emeritus of the Woodruff Foundation, the Ichauway Foundation and the Woodruff Fund, Inc. Mr. R. Randall Rollins serves on the Woodruff Fund board and Dr. Lawley is on the Board of Trustees of all three boards.

As required by the Independence Guidelines, the Board of Directors unanimously concluded that the above listed relationships would not affect the independent judgment of the independent directors, based on their experience, character and independent means, and therefore do not preclude an independence determination. All of the members of the Audit Committee are also independent under the heightened standards required for Audit Committee members.

The Company's non-management directors meet at regularly scheduled executive sessions without management. In accordance with the NYSE corporate governance listing standards, Mr. Henry B. Tippie was elected by the Board of Directors as the Lead Director and presides during these executive sessions.

Corporate Governance Guidelines

We have adopted Corporate Governance Guidelines to formalize and promote better understanding of our policies and procedures. At least annually, the Board reviews these guidelines. A copy of our current Corporate Governance Guidelines may be found at our website (www.rollins.com) under the heading "Investor Relations – Corporate Governance." As required by the rules of the New York Stock Exchange, our Corporate Governance Guidelines require that our non-management directors meet in at least two regularly scheduled sessions per year without management.

At the Company's website (www.rollins.com), under the heading "Investor Relations – Corporate Governance," you may access a copy of our Corporate Governance Guidelines, our Audit Committee Charter, our Code of Business Conduct, our Code of Business Conduct and Ethics for Directors and Executive Officers and Related Party Transactions policy, and our Independence Guidelines.

Code of Business Conduct

The Company has adopted a Code of Business Conduct applicable to all directors, officers and employees generally, as well as a supplemental Code of Business Conduct and Ethics for Directors and Executive Officers and Related Party Transactions policy applicable to the directors and the principal executive officer, principal financial officer, principal accounting officer or controller or person performing similar functions for the Company. Both codes are available on the Company's website at www.rollins.com under the "Investor Relations – Corporate Governance" section.

Director Communications

The Company also has a process for interested parties, including stockholders, to send communications to the Board of Directors, Lead Director, any of the Board Committees or the non-management directors as a group. Such communications should be addressed as follows:

Mr. Henry B. Tippie c/o
Internal Audit Department
Rollins, Inc.
2170 Piedmont Road, N.E. Atlanta,
Georgia 30324

The above instructions for communications with the directors are also posted on our website at www.rollins.com under the "Investor Relations – Corporate Governance" section. All communications received from interested parties are forwarded to the Board of Directors. Any communication addressed solely to the Lead Director or the non-management directors will be forwarded directly to the appropriate addressee(s).

Compensation Committee Interlocks and Insider Participation

Neither of the directors named on pages 6 and 7 who serve on the Company's Compensation Committee are currently employees of the Company. Mr. Tippie was employed by the Company from 1953 to 1970, and held several offices with the Company during that time, including as Executive Vice President – Finance, Secretary, Treasurer and Chief Financial Officer.

Director Compensation

The following table sets forth the compensation paid to our directors for services rendered as a director for the year ended December 31, 2018. Three of our directors, Messrs. R. Randall Rollins, Gary W. Rollins and John F. Wilson are our employees. The compensation for Messrs. R. Randall Rollins, Gary W. Rollins and John F. Wilson are set forth in the Summary Compensation Table under Executive Compensation. Messrs. Larry L Prince, James B. Williams and Thomas J. Lawley, M.D. have never been employed by the Company or paid a salary or bonus by the Company, have never been granted any options or other stock-based awards, and do not participate in any Company sponsored retirement plans. Mr. Henry B. Tippie has not been employed by the Company or paid a salary or bonus by the Company, has not been granted any options or other stock- based awards, and has not participated in any Company sponsored retirement plans since his employment with the Company ceased in 1970. Mr. Bill J. Dismuke has not been employed by the Company or paid a salary or bonus by the Company, has not been granted any options or other stock-based awards, and has not participated in any Company sponsored retirement plans since his employment with the Company ceased in 1984. Ms. Pamela R. Rollins has not been employed by the Company or paid a salary or bonus by the Company, has not been granted any options or other stock-based awards, and has not participated in any Company sponsored retirement plans since her employment with the Company ceased in 2008.

Name	Fees Earned or Paid in Cash ($)	Stock Awards ($)	Option Awards ($)	Total ($)
Henry B. Tippie	136,000	—	—	136,000
Larry L. Prince[(1)]	84,000	—	—	84,000
James B. Williams	84,000	—	—	84,000
Bill J. Dismuke	75,000	—	—	75,000
Thomas J. Lawley, M.D.	62,500	—	—	62,500
Pamela R. Rollins	62,500	—	—	62,500

(1) Mr. Larry L. Prince, a long-time director of the Company served as a member of our Board of Directors until he passed away on March 5, 2019.

Directors that are our employees do not receive any additional compensation for services rendered as a director.

Under the previous compensation arrangements effective as of January 1, 2018, non-management directors each received an annual retainer fee of $50,000. This retainer fee was increased to $60,000 effective January 1, 2019. In addition, the Chairman of the Audit Committee receives an annual retainer of $20,000, the Chairman of the Compensation Committee receives an annual retainer of $10,000 and the Chairman of each of the Corporate Governance/Nominating Committee and Diversity Committee receives an annual retainer of $6,000. A director that chairs more than one committee receives a retainer with respect to each Committee he chairs. All of the retainers are paid on a quarterly basis. Current per meeting fees for non-management directors are as follows:

- For meetings of the Board of Directors, $2,500.
- For meetings of the Compensation Committee, $2,000.
- For meetings of the Corporate Governance/Nominating Committee and Diversity Committee, $1,500.
- For meetings of the Audit Committee in person and telephonic, $2,500.
- In addition, the Chairman of the Audit Committee receives an additional $2,500 for preparing to conduct each quarterly Board and Board committee meeting.

All non-management directors are also entitled to reimbursement of expenses for all services as a director, including committee participation or special assignments.

Notwithstanding anything to the contrary set forth in any of the Company's previous filings under the Securities Act of 1933, as amended (the "Securities Act"), or the Exchange Act that might incorporate future filings, including this Proxy Statement, in whole or in part, the Report of the Audit Committee shall not be incorporated by reference into any such filings.

Report of the Audit Committee

Management is responsible for the Company's internal controls and the financial reporting process. The Company's independent registered public accounting firm is responsible for performing an independent audit of the Company's consolidated financial statements in accordance with the standards of the Public Company Accounting Oversight Board (United States) and for issuing a report thereon. The Audit Committee's responsibility is generally to monitor and oversee these processes, as described in the Audit Committee Charter. It is not the duty of the Audit Committee to plan or conduct audits or to determine that the Company's financial statements are complete and accurate and in accordance with generally accepted accounting principles, that is the responsibility of management.

In fulfilling its oversight responsibilities with respect to the year ended December 31, 2018, the Audit Committee:

- Approved the terms of engagement of Grant Thornton LLP as the Company's independent registered public accounting firm for the year ended December 31, 2018;
- Reviewed with management the interim financial information included in the Forms 10-Q prior to their being filed with the SEC. In addition, the Committee reviewed all earnings releases with management and the Company's independent registered public accounting firm prior to their release;
- Reviewed and discussed with the Company's management and the Company's independent registered public accounting firm, the audited consolidated financial statements of the Company as of December 31, 2018 and 2017 and for the three years ended December 31, 2018;
- Reviewed and discussed with the Company's management and the Company's independent registered public accounting firm, management's assessment that the Company maintained effective control over financial reporting as of December 31, 2018;
- Discussed with the Company's independent registered public accounting firm matters required to be discussed by the applicable requirements of the Public Company Accounting Oversight Board; and
- Received from the Company's independent registered public accounting firm the written disclosures and the letter in accordance with the requirements of the Public Company Accounting Oversight Board regarding the firm's communications with the Committee concerning independence, and discussed with such firm its independence from the Company.

Based upon the review and discussions referred to previously, the Committee recommended to the Board of Directors that the audited consolidated financial statements of the Company and subsidiaries as of December 31, 2018 and 2017 and for the three years ended December 31, 2018 be included in the Company's Annual Report on Form 10-K for the year ended December 31, 2018 (the "2018 Form 10-K") for filing with the SEC.

In giving its recommendation to the Board of Directors, the Audit Committee has relied on (i) management's representation that such financial statements have been prepared with integrity and objectivity and in conformity with accounting principles generally accepted in the United States of America and (ii) the report of the Company's independent registered public accounting firm with respect to such financial statements.

Submitted by the Audit Committee of the Board of Directors.

Henry B. Tippie, Chairman
James B. Williams
Bill J. Dismuke
Larry L. Prince(1)

(1) Mr. Larry L. Prince, a long-time director of the Company served on the Audit Committee until he passed away on March 5, 2019.

Compensation Discussion and Analysis

Compensation Committee

During the fiscal year ended December 31, 2018, the members of our Compensation Committee held primary responsibility for determining executive compensation levels. The Committee is composed of three of our non-management directors who do not participate in the Company's compensation plans. The Committee determines the compensation and administers the performance-based cash compensation plan for our executive officers. In addition, the Committee also administers our stock incentive plan for all the employees.

The members of our Compensation Committee have extensive and varied experience with various public and private corporations as investors and stockholders, as senior executives, and as directors charged with the oversight of management and the setting of executive compensation levels. Henry B. Tippie, the Chairman of the Compensation Committee, has served on the board of directors of twelve different publicly traded companies and has been involved in setting executive compensation levels at all of these companies. Mr. James B. Williams has served on the board of directors of several different publicly traded companies and has similarly been involved in setting executive compensation levels at many of these companies. Mr. James B. Williams has served on the board of directors of several different publicly traded companies and has similarly been involved in setting executive compensation levels at many of these companies. Mr. Larry L. Prince, who passed away on March 5, 2019, also had similar experience in setting executive compensation levels for publicly traded companies.

The Compensation Committee has authority to engage attorneys, accountants and consultants, including executive compensation consultants, to solicit input from management concerning compensation matters, and to delegate any of its responsibilities to one or more directors or members of management where it deems such delegation appropriate and permitted under applicable law. The Committee has not used the services of any compensation consultants in determining or recommending the amount or form of executive compensation.

The Compensation Committee believes that determinations relative to executive compensation levels are best left to the discretion of the Committee. In addition to the extensive experience and expertise of the Committee's members and their familiarity with the Company's performance and the performance of our executive officers, the Committee is able to draw on the experience of other directors and on various legal and accounting executives employed by the Company, and the Committee has access to the wealth of readily available public information relative to structuring executive compensation programs and setting appropriate compensation levels. The Committee also believes that the structure of our executive compensation programs should not become overly complicated or difficult to understand. The Committee solicits input from Gary W. Rollins, our Chief Executive Officer, with respect to the performance of our executive officers and their compensation levels.

The Role of Shareholder Say-on-Pay Votes

The Company provides its shareholders with the opportunity to cast an advisory vote on executive compensation (a "say-on-pay proposal") every three years. At the Company's annual meeting of shareholders held in April 2017, a substantial majority of the votes cast on the say-on-pay proposal were voted in favor of the proposal. The Compensation Committee believes this affirms the shareholders' support of the Company's approach to executive compensation. The shareholders voted to hold a say-on-pay advisory vote on executive compensation every three years, and the Board resolved to accept the shareholders' recommendation. As a result, the advisory vote on executive compensation will be held again at the 2020 Annual Meeting. The Compensation Committee will continue to consider the outcome of the Company's say-on-pay votes when making future compensation decisions for the named executive officers.

General Compensation Objectives and Guidelines

The Company is engaged in a highly competitive industry. The success of the Company depends on our ability to attract and retain highly qualified and motivated executives. In order to accomplish this objective, we have endeavored to structure our executive compensation in a fashion that gives our Compensation Committee the flexibility to take into account our operating performance and the individual performance of the executive.

The Compensation Committee endorses the philosophy that executive compensation should reflect Company performance and the contribution of executive officers to that performance. The Company's compensation policy is designed to achieve three fundamental objectives: (i) attract and retain qualified executives, (ii) motivate performance to achieve Company objectives, and (iii) align the interests of our executives with the long-term interests of the Company's stockholders.

The Committee recognizes that there are many intangibles involved in evaluating performance and in motivating performance, and that determining an appropriate compensation level is a highly subjective endeavor. The analysis of the Committee is not based upon a structured formula and the objectives referred to above are not weighted in any formal manner.

Pursuant to our compensation philosophy, the total annual compensation of our executive officers is primarily made up of one or more of three elements. The three elements are salary, annual performance-based incentive compensation and grants of stock-based awards such as restricted stock. In addition, the Company provides retirement compensation plans, group welfare benefits and certain perquisites.

We believe a competitive base salary is important to attract, retain and motivate top executives. We believe annual performance-based incentive compensation is valuable in recognizing and rewarding individual achievement. Finally, we believe equity-based compensation makes executives "think like owners" and, therefore, aligns their interests with those of our stockholders.

Effective November 1, 2006, we adopted formal Stock Ownership Guidelines for our executive officers and note that our executive officers are significant stockholders of the Company, as disclosed elsewhere in this Proxy Statement. The purpose of these Guidelines is to align the interests of executives with the interests of stockholders and further promote our longstanding commitment to sound corporate governance.

The Committee is mindful of the stock ownership of our directors and executive officers, but does not believe that it is appropriate to provide a mechanism or formula to take stock ownership (or gains from prior option or stock awards) into account when setting compensation levels. As do many public companies, we have historically provided in our insider trading policies that directors and executive officers may not sell Company securities short and may not sell puts, calls or other derivative securities tied to our Common Stock.

As a result of the Tax Cuts and Jobs Act, starting with compensation payable in 2018, Section 162(m) of the Internal Revenue Code will limit us from deducting compensation, including performance-based compensation, in excess of $1,000,000 paid to our executive officers. The only exception to this rule is for compensation (including performance-based compensation) that is paid pursuant to a binding contract in effect on November 2, 2017, that would otherwise have been deductible under the prior Section 162(m) rules. Going forward, the Compensation Committee will, as before, retain full discretion to award compensation packages that best attract, retain and reward successful executive officers. Therefore, the Compensation Committee anticipates that it will award compensation that is not fully deductible under Section 162(m).

Our executive bonus agreements contain a provision that provides that, among other things, if any bonus amount is paid as a result of misrepresented or inaccurate performance, the Company may require repayment of some or all of the excess bonus paid, subject to applicable laws. This recoupment policy reflects the Company's high ethical standards and strict compliance with accounting and other regulations applicable to public companies. As all incentives and awards remain within the discretion of the Compensation Committee, the Committee also retains the ability to take any restatements or adjustments into account in subsequent years. In addition, the Sarbanes-Oxley Act requires in the case of accounting restatements that result from material non-compliance with SEC financial reporting requirements, that the Chief Executive Officer and Chief Financial Officer must disgorge bonuses and other incentive-based compensation and profits on stock sales received during the 12 months following publication of the misstated financials, if the non-compliance results from misconduct.

Salary

The salary of each executive officer is determined by the Compensation Committee. In making its determinations, the Committee gives consideration to our operating performance for the prior fiscal year and the individual executive's performance. The Committee solicits input from our Chief Executive Officer with respect to the performance of our executive officers and their compensation levels. Effective January 1, 2018, the following adjustments were made to the base salaries of our executive officers: Gary W. Rollins, Vice Chairman and Chief Executive Officer: $1,000,000 (no change from 2017); Paul E. Northen, Senior Vice President, Chief Financial Officer and Treasurer: $500,000 ($50,000 increase from 2017); R. Randall Rollins, Chairman of the Board: $900,000 (no change from 2017); John F. Wilson, President and Chief Operating Officer: $775,000 ($75,000 increase from 2017); and Thomas E. Luczynski, Corporate Secretary: $300,000 ($20,000 increase from 2017). Effective January 1, 2019, the following adjustments were made to the base salaries of our executive officers: Gary W. Rollins, Vice Chairman and Chief Executive Officer: $1,100,000 ($100,000 increase from 2018); Paul E. Northen, Senior Vice President, Chief Financial Officer and Treasurer: $535,000 ($35,000 increase from 2018); R. Randall Rollins, Chairman of the Board: $1,000,000 ($100,000 increase from 2018); John F. Wilson, President and Chief Operating Officer: $830,000 ($55,000 increase from 2018); and Elizabeth Chandler B., Vice President, General Counsel and Corporate Secretary: $380,000 ($25,000 increase from 2018).

Performance-Based Plan

On January 23, 2018, the Compensation Committee approved the terms of the Company's Performance Based Incentive Cash Compensation Plan for Executive Officers (the "2018 Cash Incentive Plan"). Under the 2018 Cash Incentive Plan, executive officers have an opportunity to earn bonuses of up to 115 percent of their annual salaries, or a maximum dollar amount of $1,150,000 per individual per year, upon achievement of bonus performance goals, which shall be Rollins, Inc.'s achievement of pre-established performance goals in one or more of the following three targeted financial measures: revenue to plan, pre-tax profit plan achievement or key operating initiatives. The bonus performance goals for 2018 were pre-established by the Compensation Committee and approved by the Compensation Committee for all executive officers. For 2018, these performance goals were measured by obtaining specific levels of the following: revenue to plan, pre-tax profit plan achievement, and key operating initiatives. The Compensation Committee has set a maximum award of 115% of base salaries for fiscal year 2018 for Messrs. R. Randall Rollins, Gary W. Rollins, and John F. Wilson. Messrs. Paul E. Northen has a maximum award potential of 65.4% and Ms. Elizabeth B. Chandler has a maximum award potential of 40% of their base salaries for 2018. Awards earned under the 2018 Cash Incentive Plan were accrued in 2018 and paid in 2019.

For the Company revenue to plan performance goal, Messrs. R. Randall Rollins and Gary W. Rollins were eligible to earn bonuses of between 0 and 40 percent of their respective annual salary. Mr. John F. Wilson was eligible to earn a bonus between 0 percent and 30 percent of his annual salary and Mr. Paul E Northen was eligible to earn a bonus of between 0 percent and 18 percent of his annual salary. The minimum achievement of revenue to plan for these persons to be eligible to earn a bonus under this element of the Cash Incentive Plan for 2018 was 95 percent. This performance goal for the plan in 2018 was a 6.3% increase in revenue. Because the actual increase in Company revenue to plan in 2018 was 100.4 percent, this resulted in bonuses of 40 percent of salary for Messrs. R. Randall Rollins and Gary W. Rollins, 30 percent of salary for Messrs. John F. Wilson and 18 percent of salary for Paul E. Northen.

For the Company pre-tax profit to plan performance goal, Messrs. R. Randall Rollins, Gary W. Rollins and John F. Wilson were eligible to earn bonuses of between 0 and 60 percent of their respective annual base salary. Mr. Paul E. Northen was eligible to receive a bonus of between 0 and 36 percent of his annual salary. Ms. Elizabeth B. Chandler was eligible to receive a bonus of between 0 and 24 percent of her annual salary. The minimum growth in the Company's pre-tax profit for 2018 to the corresponding amount in 2017 to be eligible for a bonus was 95 percent and the Company's 2018 performance resulted in an actual achievement in pre-tax profit to plan of 97.9 percent. This resulted in bonuses of 51 percent of salary for each of Messrs. R. Randall Rollins, Gary W. Rollins and John F. Wilson, 30.6 percent of salary for Mr. Paul E. Northen and 20.4 percent of salary for Ms. Elizabeth B. Chandler.

Messrs. John F. Wilson and Paul E. Northen, and Ms. Elizabeth B. Chandler also participate in an individual Key Operating Initiative. Under this element, the participants may receive a bonus of their respective annual salary for achievement of the initiatives tied to Customer Service Index for Mr. John F. Wilson, Trade Receivables for Mr. Paul E. Northen and three individual legal department goals for Ms. Elizabeth Chandler. Mr. John F. Wilson was eligible to earn between 0 and 10 percent for improvement in Customer Service Index, Mr. Paul E. Northen was eligible to earn between 0 and 6 percent for improvement in Trade Receivables and Ms. Elizabeth Chandler was eligible to earn between 0 and 16 percent for the three individual legal department goals. The Company's performance in 2017 resulted in 2.5% percent payout for Customer Service Index and a 0 percent payout for Trade Receivables and 15% percent payout on the three individual legal department goals.

The amount of bonuses under each performance component of the Company's Cash Incentive Plan is determined based upon straight-line interpolation of the applicable formula for each such component without the use of discretion. In addition to any bonuses earned under the Cash Incentive Plan, the Compensation Committee has the authority to award discretionary bonuses. No discretionary bonuses were awarded for 2018.

Equity-Based Awards

All share, per share and market price data herein have been adjusted for the three-for-two stock split to stockholders of record on November 9, 2018, payable on December 10, 2018.

At the annual meeting of stockholders held on April 24, 2018, the stockholders approved the terms of the Company's 2018 Stock Incentive Plan (the "Stock Incentive Plan") Under the Stock Incentive Plan, the Compensation Committee has the authority to grant directors, officers and other key employees who are responsible for or contribute to the growth and/or profitability of the business of the Company restricted stock and other equity compensation. Pursuant to the terms of the Stock Incentive Plan, the Compensation Committee may grant stock options, stock appreciation rights and any other type of award valued by reference to (or otherwise based on) Shares, including, without limitation, restricted stock, restricted stock units, performance accelerated restricted stock, performance stock and performance units, not to exceed a maximum of 100,000 Shares during any fiscal year for any one individual.

Our Stock Incentive Plan allows for a wide variety of stock-based awards such as stock options and restricted stock awards. In recent years, we have awarded time-lapse restricted stock in lieu of granting stock options. The terms and conditions of these awards are described in more detail below.

Awards under the Company's Stock Incentive Plan are purely discretionary, are not based upon any specific formula and may or may not be granted in any given fiscal year. For the past three years, we have granted time-lapse restricted stock to various employees, including our executive officers, in early January during our regularly scheduled meeting of the Compensation Committee during which the Committee reviews executive compensation. Consistent with this practice, we granted time-lapse restricted stock awards to our executive officers in January 2017, 2018 and 2019 as follows:

Name	2017	2018	2019
Gary W. Rollins	94,500	87,000	68,500
R. Randall Rollins	85,500	78,000	61,500
Paul E. Northen	22,500	22,500	17,700
John F. Wilson	45,000	45,000	35,400
Elizabeth B. Chandler	—	—	8,000

The amount of the aggregate stock-based awards to our executive officers in any given year is influenced by the Company's overall performance. The amount of each grant to our executive officers is influenced in part by the Committee's subjective assessment of each individual's respective contributions to achievement of the Company's long-term goals and objectives. In evaluating individual performance for these purposes, the Committee considers the overall contributions of executive management as a group and the Committee's subjective assessment of each individual's relative contribution to that performance rather than specific aspects of each individual's performance over a short-term period. It is our expectation to continue yearly grants of restricted stock awards to selected executives although we reserve the right to modify or discontinue this or any of our other compensation practices at any time.

To date, all of our time-lapse restricted stock awards have had the same features. The shares vest one-fifth per year beginning on the second anniversary of the grant date. Time-lapse restricted shares have full voting and dividend rights. However, until the shares vest, they cannot be sold, transferred or pledged. Should the executive leave our employment for any reason prior to the vesting dates (other than due to death or disability), the unvested shares will be forfeited. In the event of a "change in control" as determined by the Board of Directors, all unvested restricted shares shall vest immediately.

Grants are made under our Stock Incentive Plan and the plan is administered pursuant to Rule 16b-3 of the Exchange Act. When considering the grant of stock-based awards, the Committee considers the overall performance and the performance of individual employees.

Employment Agreements

There are no agreements or understandings between the Company and any executive officer that guarantee continued employment or guarantee any level of severance or compensation, including incentive or bonus payments.

Retirement Plans

The Company maintains a defined benefit plan (Rollins, Inc. Retirement Income Plan) for employees hired prior to January 1, 2002, a non-qualified retirement plan (Rollins, Inc. Deferred Compensation Plan) for our executives and highly compensated employees, and a Rollins 401(k) Savings Plan for the benefit of all of our eligible employees.

The Company froze the Rollins, Inc. Retirement Income Plan effective June 30, 2005 and has initiated the process to transition the administration of its Pension Plan to an Insurance provider. The Company anticipates that the transition will take approximately 6-9 months from December 31, 2018. The Company's Pension Plan is currently more than 100% funded. The Rollins, Inc. Deferred Compensation Plan also provides other benefits as described below under "Nonqualified Deferred Compensation" on page 31.

Other Compensation

Other compensation to our executive officers includes group welfare benefits including group medical, dental and vision coverage, and group life insurance. The Company provides certain perquisites to its executive officers, which are described below under "Executive Compensation." The Company requires that its Chairman and Vice Chairman and Chief Executive Officer use Company or other private aircraft for air travel whenever practicable for security reasons.

The following Compensation Committee Report shall not be incorporated by reference by any general statement incorporating by reference this Proxy Statement into any filing under the Securities Act, except to the extent that the Company specifically incorporates this information by reference, and shall not otherwise be deemed filed under the Securities Act or the Exchange Act.

Compensation Committee Report

We have reviewed and discussed the above Compensation Discussion and Analysis with management.

Based upon this review and discussion, we have recommended to the Board of Directors that the Compensation Discussion and Analysis be included in this proxy statement.

Compensation Committee

Henry B. Tippie, Chairman
James B. Williams
Larry L. Prince[(1)]

(1) Mr. Larry L. Prince, a long-time director of the Company served on the Compensation Committee until he passed away on March 5, 2019.

Compliance with Section 16(a) of the Exchange Act

Section 16(a) of the Exchange Act requires our officers and directors and persons who own more than ten percent of a registered class of the Company's equity securities to file reports of ownership and changes in ownership with the SEC. Officers, directors and greater than ten percent stockholders are required to furnish the Company with copies of all Section 16(a) forms they file.

Based on our review of the copies of such forms, we believe that during fiscal year ended December 31, 2018, all filing requirements applicable to our officers, directors and greater than ten percent beneficial owners were timely satisfied. Each of these transactions were exempt from Section 16(b) of the Exchange Act by reason of Rule 16(b)(3).

Executive Compensation

Shown below is information concerning the annual compensation for the fiscal years ended December 31, 2018, 2017, and 2016 of those persons who were employed during December 31, 2018 as:

- our Principal Executive Officer and Principal Financial Officer; and
- our three other most highly compensated executive officers as of December 31, 2018 whose total annual salary exceeded $100,000.

Summary Compensation Table

Name and Principal Position	Year	Salary ($)[1]	Cash Bonus ($)	Stock Awards ($)[2]	Non-Equity Incentive Plan Compensation ($)[1][3]	Change in Pension Value and Non-Qualified Deferred Compensation Earnings	All Other Compensation ($)[5]	Total ($)
Gary W. Rollins	2018	1,000,000	—	2,777,040	910,000	—	185,035	4,872,075
Chief Executive Officer	2017	1,000,000	—	2,134,440	1,000,000	10,544	182,281	4,327,265
	2016	1,000,000	—	1.666.350	951,733	7,107	222,427	3,847,617
Paul E. Northen	2018	500,000	—	718,200	243,000	—	34,767	1,495,967
Chief Financial Officer	2017	450,000	—	508,200	243,000	—	25,234	1,226,434
	2016	400,000	—	330,625	213,511	—	23,287	967,423
R. Randall Rollins	2018	900,000	—	2,489,760	819,000	—	85,960	4,294,720
Chairman of the Board	2017	900,000	—	1,931,160	900,000	10,544	77,920	3,819,624
	2016	900,000	—	1,507,650	856,587	7,107	83,181	3,354,525
John F. Wilson	2018	775,000	—	1,436,400	647,125	—	20,534	2,879,059
President and Chief	2017	700,000	—	1,016,400	630,000	277,737	25,815	2,649,952
Operating Officer	2016	650,000	—	793,500	618,720	120,088	19,169	2,201,477
Elizabeth B. Chandler[6]	2018	355,000	—	287,280	125,670	—	28,502	796,452
Corporate Secretary								

(1) John F. Wilson deferred $210,317 in salary and bonus compensation in 2018 related to his 2017 salary and bonus compensation that was paid in 2018 and deferred $145,641, and $120,000 in salary and bonus compensation related to 2016 and 2015, respectively that was paid in 2017 and 2016.

(2) These amounts represent the aggregate grant date fair value of restricted Common Stock awarded under our Stock Incentive Plan during the fiscal years 2018, 2017 and 2016, respectively, in accordance with FASB ASC Topic 718. Please refer to Note 17 to our consolidated financial statements contained in our 2018 Form 10-K for the period ending December 31, 2018 for a discussion of the assumptions used in these computations. When calculating the amounts shown in this table, we have disregarded all estimates of forfeitures. Our 2018 Form 10-K has been included in our Annual Report and provided to our stockholders.

(3) Bonuses under the performance-based incentive cash compensation plan are accrued in the fiscal year earned and paid in the following fiscal year.

(4) Pension values decreased as followed: In 2018, Gary W. Rollins (2,802), R. Randall Rollins ($2,802), and John F. Wilson ($67,401), 2017, R. Randall Rollins ($23,901), in 2016, R. Randall Rollins ($33,699), John F. Wilson ($7,161) in 2016.

(5) All other compensation includes the following items for:

Mr. Gary W. Rollins:	\$12,375 of Company contributions to the employee's account of the Rollins 401(k) Savings plan; \$93,840 of incremental costs to the Company for personal use of the Company's airplane (calculated based on the actual variable costs to the Company for such usage); auto allowance and related vehicle expenses; incremental costs to the Company for use of the Company's executive dining room; and use of Company storage space.
Mr. Paul E. Northen:	\$12,375 of Company contributions to the employee's account of the Rollins 401(k) Savings plan; auto allowance and related vehicle expenses; and incremental cost to the Company for use of the Company's executive dining room.
Mr. R. Randall Rollins:	\$12,375 of Company contributions to the employee's account of the Rollins 401(k) Savings plan; auto allowance and related vehicle expenses; incremental costs to the Company for use of the Company's executive dining room; and use of Company storage space.
Mr. John F. Wilson:	\$12,375 of Company contributions to the employee's account of the Rollins 401(k) Savings plan; auto allowance and related vehicle expenses; and incremental cost to the Company for use of the Company's executive dining room.
Ms. Elizabeth B. Chandler:	\$12,017 of Company contributions to the employee's account of the Rollins 401(k) Savings plan; and auto allowance and related vehicle expenses.

(6) Ms. Elizabeth B. Chandler was named Corporate Secretary effective January 1, 2018.

Pay Ratio Disclosure

Pursuant to a mandate of the Dodd-Frank Wall Street Reform and Consumer Protection Act, the SEC adopted a rule requiring annual disclosure of the ratio of the median employee's annual total compensation to the total annual compensation of the principal executive officer ("PEO"). The Company's PEO is Mr. Gary W. Rollins. The purpose of the new required disclosure is to provide a measure of the equitability of pay within the organization. The Company believes its compensation philosophy and process yield an equitable result.

Median Employee annual total compensation for 2018	\$ 111,960
Mr. Gary W. Rollins ("PEO") annual total compensation for 2018	\$4,872,075
Ratio of PEO to Median Employee Compensation for 2018	43.5:1

In determining the median employee, a listing was prepared of all employees as of October 31, 2017, including full-time, part-time, and seasonal or temporary workers employed by the Company or its consolidated subsidiaries, but excluding the PEO, since there has been no significant change to its employee population or employee compensation arrangements that would significantly impact the pay ratio disclosure. As permitted by SEC rules, under the 5% "de minimus" exception, we excluded employees from our foreign subsidiaries in Australia, United Kingdom, and Singapore, which combined were less than 5% of our total employees. Employees on leave of absence were excluded and wages and salaries were annualized for those employees that were not employed for the full year of 2017. The median employee was selected from the annualized list. For simplicity, the value of the Company's 401(k) plan and medical benefits provided was excluded as all employees, including the PEO, are offered the exact same benefits and the Company utilizes the Internal Revenue Service safe harbor provision for 401(k) discrimination testing. As of December 31, 2018, the Company employed 13,734 persons of whom 437 were employed in Australia, the United Kingdom, and Singapore.

The pay ratio disclosure presented above is a reasonable estimate. Because the SEC rules for identifying the median employee and calculating the pay ratio allow companies to use different methodologies, exemptions, estimates and assumptions, our pay ratio disclosure may not be comparable to the pay ratios reported by other companies.

Grants of Plan-Based Awards in 2018

The shares of Common Stock disclosed in the table below represent grants of restricted Common Stock under our Stock Incentive Plan awarded in fiscal year 2018 to the executives named in our Summary Compensation Table. All grants of restricted Common Stock vest one-fifth per year beginning on the second anniversary of the grant date. Restricted shares have full voting and dividend rights. However, until the shares vest, they cannot be sold, transferred or pledged. Should the executive leave the Company's employment for any reason prior to the vesting dates (other than due to death or, with respect to restricted stock awards under the Company's 2018 Stock Incentive Plan, disability), the unvested shares will be forfeited. We have not issued any stock options in the past three fiscal years and have no immediate plans to issue additional stock options.

		Estimated Possible Payouts Under Non-Equity Incentive Plan Awards			All Other Stock Awards: Number of Shares of Stock or Units (#)	Grant Date Fair Value of Stock and Option Awards[3] ($)
	Grant Date	Threshold ($)	Target ($)	Maximum ($)		
Gary W. Rollins	01/23/18[1]	1	937,500	1,150,000		
	01/23/18				87,000	2,777,040
Paul E. Northen	01/23/18[2]	1	281,250	300,000		
	01/23/18				22,500	718,200
R. Randall Rollins	01/23/18[1]	1	843,750	1,035,000		
	01/23/18				78,000	2,489,760
John F. Wilson	01/23/18[1]	1	726,563	891,250		
	01/23/18				45,000	1,436,400
Elizabeth B. Chandler	01/23/18[2]	1	149,766	159,750		
	01/22/18				9,000	287,280

(1) These amounts represent possible payouts of awards granted under the 2018 Cash Incentive Plan in January 2018. The payment of actual awards was approved in January 2019. The amounts of the actual payments are included in the Summary Compensation Table.

(2) These amounts represent possible payouts of awards granted under the 2018 Cash Incentive Plan and the Home Office Cash Incentive Plan in January 2018. The payment of actual awards was approved in January 2019. The amounts of the actual payments are included in the Summary Compensation Table.

(3) These amounts represent aggregate grant date fair value for grants of restricted Common Stock awarded in fiscal year 2018 under our Stock Incentive Plan computed in accordance with ASC Topic 718. Please refer to Note 15 to our Financial Statements contained in our 2018 Form 10-K for a discussion of assumptions used in this computation. Our 2018 Form 10-K has been included in our Annual Report and provided to our stockholders.

There are no agreements or understandings between the Company and any executive officer that guarantee continued employment or guarantee any level of compensation, including incentive or bonus payments, or severance payments, to the executive officer. All of the named executive officers participated in the Company's Cash Incentive Plan. Bonus awards under the 2018 Cash Incentive Plan provide participants an opportunity to earn an annual bonus in a maximum amount of 115 percent of base salary under the 2018 Cash Incentive Plan or $1.15 million per individual per year under the 2018 Cash Incentive Plan, Under the 2018 Cash Incentive Plan, whether a bonus is payable, and the amount of any bonus payable, is contingent upon achievement of certain performance goals, which are set in the annual program adopted under the plan. For 2018, these performance goals were measured by obtaining specific levels of the following: revenue to plan growth and pre-tax profit to plan growth of the Company. Messrs. John F. Wilson, Paul E. Northen and Ms. Elizabeth B. Chandler also participate in an individual Key Operating Initiative and may receive a bonus for achievement of the initiative. The Compensation Committee set a maximum award for fiscal year 2018 of 115 percent of the executive's base salaries for Messrs. R. Randall Rollins, Gary W. Rollins, and John F. Wilson. Mr. Paul E. Northen had a maximum award of 60 percent of his base salary for fiscal year 2018 and Ms. Elizabeth B. Chandler has a maximum award of 40 percent of her base salary for fiscal year 2018. Unless sooner amended or terminated by the Compensation Committee, the 2018 Cash Incentive Plan will be in place until April 24, 2023.

The named executive officers while employed are also eligible to receive options and restricted stock under the Company's stock incentive plan, in such amounts and with such terms and conditions as determined by the Compensation Committee at the time of grant. All of the executive officers are eligible to participate in the Company's Deferred Compensation Plan. The executive officers participate in the Company's regular employee benefit programs, including the 401(k) Plan with Company match, group life insurance, group medical and dental coverage and other group benefit plans. The Deferred Compensation Plan provides that participants may defer up to 50% of their base salary and up to 85% of their annual bonus with respect to any given plan year, subject to a $2,000 per plan year minimum. The Company may make discretionary credits to participant accounts.

Outstanding Equity Awards at Fiscal Year-End

The Company does not have any outstanding option awards to the executives named in our Summary Compensation Table. The table below sets forth the total number of restricted shares of Common Stock outstanding at December 31, 2018 and held by the executives named in our Summary Compensation Table but which have not yet vested, together with the market value of these unvested shares based on the $36.10 the closing price of our Common Stock on December 31, 2018.

	Option Awards				Stock Awards	
Name	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Option Exercise Price ($)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)[(1)]	Market Value of Shares or Units of Stock That Have Not Vested ($)
Gary W. Rollins	—	—	—	—	374,100	13,505,010
Paul E. Northen	—	—	—	—	73,500	2,653,350
R. Randall Rollins	—	—	—	—	337,650	12,189,165
John F. Wilson	—	—	—	—	180,000	6,498,000
Elizabeth B. Chandler	—	—	—	—	29,100	1,050,510

(1) The Company has granted time-lapse restricted shares for the named executive officers that vest 20% annually beginning on the second anniversary of the grant date.

2019 Proxy

Shares of the restricted stocks granted to the executive officers that have not fully vested as of December 31, 2018 are summarized in the table that follows:

Name	Number of shares Granted	Grant Date	Date fully vested
Gary W. Rollins	112,500	1/22/2013	1/22/2019
	94,500	1/28/2014	1/28/2020
	94,500	1/27/2015	1/27/2021
	94,500	1/26/2016	1/26/2022
	94,500	1/24/2017	1/24/2023
	87,000	1/23/2018	1/23/2024
Paul E. Northen	22,500	2/24/2015	2/24/2021
	18,750	1/26/2016	1/26/2022
	22,500	1/24/2017	1/24/2023
R. Randall Rollins	22,500	1/23/2018	1/23/2024
	101,250	1/22/2013	1/22/2019
	85,500	1/28/2014	1/28/2020
	85,500	1/27/2015	1/27/2021
	85,500	1/26/2016	1/26/2022
	85,500	1/24/2017	1/24/2023
John F. Wilson	78,000	1/23/2018	1/23/2024
	45,000	1/22/2013	1/22/2019
	45,000	1/28/2014	1/28/2020
	45,000	1/27/2015	1/27/2021
	45,000	1/26/2016	1/26/2022
	45,000	1/24/2017	1/24/2023
Elizabeth B. Chandler	45,000	1/23/2018	1/23/2024
	9,000	1/28/2014	1/28/2020
	9,000	1/27/2015	1/27/2021
	6,000	1/26/2016	1/26/2022
	6,300	1/24/2017	1/24/2023
	9,000	1/23/2018	1/23/2024

Option Exercises and Stock Vested

The following table sets forth:

- the number of shares of Common Stock acquired by the executives named in the Summary Compensation Table upon the exercise of stock options during the fiscal year ended December 31, 2018.
- the aggregate dollar amount realized on the exercise date for such options computed by multiplying the number of shares acquired by the difference between the market value of the shares on the exercise date and the exercise price of the options.
- the number of shares of restricted Common Stock acquired by the executives named in the Summary Compensation Table upon the vesting of shares during the fiscal year ended December 31, 2018.
- the aggregate dollar amount realized on the vesting date for such restricted stock computed by multiplying the number of shares which vested by the market value of the shares on the vesting date.

	Option Awards		Stock Awards	
Name	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise ($)	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting ($)
Gary W. Rollins	—	—	101,700	3,379,536
Paul E. Northen	—	—	8,250	280,785
R. Randall Rollins	—	—	91,800	3,050,649
John F. Wilson	—	—	45,000	1,496,880
Elizabeth B. Chandler	—	—	4,800	161,088

Pension Benefits

The Company's Retirement Income Plan, a trustee defined benefit pension plan, provides monthly benefits upon retirement at or after age 65 to eligible employees. In the second quarter of 2005, the Company's Board of Directors approved a resolution to cease all future retirement benefit accruals under the Retirement Income Plan effective June 30, 2005. Retirement income benefits are based on the average of the employee's compensation from the Company for the five consecutive complete calendar years of highest compensation during the last ten consecutive complete calendar years ("final average compensation") immediately preceding June 30, 2005. The estimated annual benefit payable at the later of retirement or age 65 is $0 for Mr. Gary W. Rollins, $0 for Mr. Paul E. Northen, $82,059 for Mr. R. Randall Rollins, $11,674 for Mr. John F. Wilson and $0 for Ms. Elizabeth B. Chandler. The Plan also provides reduced early retirement benefits under certain conditions.

Name	Plan Name	Number of Years Credited Service (#)	Present Value of Accumulated Benefit[3] ($)	Payments During Last Fiscal Year ($)
Gary W. Rollins[1]	Pension Plan	35	—	—
Paul E. Northen	Pension Plan	—	—	—
R. Randall Rollins	Pension Plan	21	411,542	82,059
John F. Wilson	Pension Plan	8	131,682	—
Elizabeth B. Chandler	Pension Plan	—	—	—

(1) Pursuant to a Qualified Domestic Relations Order, during 2013 Mr. Rollins' retirement income benefit was awarded in its entirety to his former spouse.

(2) The actuarial present value of the executive's accumulated benefit under the Retirement Income Plan is computed as of the measurement date used for financial statement reporting purposes and the valuation method and material assumptions applied are set forth in Note 16 to our Financial Statements contained in our 2018 Form 10-K. Our 2018 Form 10-K has been included in our Annual Report and provided to our stockholders.

Nonqualified Deferred Compensation

On June 13, 2005, the Company approved the Rollins, Inc. Deferred Compensation Plan (the "Deferred Compensation Plan") that is designed to comply with the provisions of the American Jobs Creation Act of 2004 (including Section 409A of the Internal Revenue Code). The Deferred Compensation Plan provides that employees eligible to participate in the Deferred Compensation Plan include those who are both members of a group of management or highly compensated employees selected by the committee administering the Deferred Compensation Plan. All of the named executive officers are eligible.

Name	Executive contributions in last FY ($)[1]	Registrant contributions in last FY ($)[2]	Aggregate earnings/(losses) in last FY ($)	Aggregate withdrawals/ distributions ($)	Aggregate balance at last FYE ($)
Gary W. Rollins	—	—	(2,802)	—	79,389
Paul E. Northen	—	—	—	—	—
R. Randall Rollins	—	—	(2,802)	—	79,389
John F. Wilson	210,317	—	(67,401)	—	1,719,790
Elizabeth B. Chandler	—	—	—	—	—

(1) Reflects the amounts related to the base salary for 2018, which have been deferred by the executive officers pursuant to the Deferred Compensation Plan, and the bonus compensation amounts deferred related to 2017 that were paid in 2018, which are included in the Summary Compensation Table on page 24.

(2) Reflects the amounts for each of the named executive officers, which are reported as compensation to such named executive officer in the "All Other Compensation" column of the Summary Compensation Table on page 24.

The Deferred Compensation Plan provides that participants may defer up to 50% of their base salary and up to 85% of their annual bonus with respect to any given plan year, subject to a $2,000 per plan year minimum. The Company may make discretionary contributions to participant accounts.

Under the Deferred Compensation Plan, salary and bonus deferrals are fully vested. Any discretionary contributions are subject to vesting in accordance with the matching contribution-vesting schedule set forth in the Rollins 401(k) Savings Plan in which a participant participates.

Accounts will be credited with hypothetical earnings, and/or debited with hypothetical losses, based on the performance of certain "Measurement Funds." Account values are calculated as if the funds from deferrals and Company credits had been converted into shares or other ownership units of selected Measurement Funds by purchasing (or selling, where relevant) such shares or units at the current purchase price of the relevant Measurement Fund at the time of the participant's selection. Deferred Compensation Plan benefits are unsecured general obligations of the Company to the participants, and these obligations rank in parity with the Company's other unsecured and unsubordinated indebtedness. The Company has established a "rabbi trust," which it uses to voluntarily set aside amounts to indirectly fund any obligations under the Deferred Compensation Plan. To the extent that the Company's obligations under the Deferred Compensation Plan exceed assets available under the trust, the Company would be required to seek additional funding sources to fund its liability under the Deferred Compensation Plan.

Generally, the Deferred Compensation Plan provides for distributions of any deferred amounts upon the earliest to occur of a participant's death, disability, retirement or other termination of employment (a "Termination Event"). However, for any deferrals of salary and bonus (but not Company contributions), participants would be entitled to designate a distribution date which is prior to a Termination Event. Generally, the Deferred Compensation Plan allows a participant to elect to receive distributions under the Deferred Compensation Plan in installments or lump-sum payments.

401(k) Plan

Effective October 1, 1983, the Company adopted a qualified retirement plan designed to meet the requirements of Section 401(k) of the Code ("401(k) Plan"). The forms of benefit payment under the Rollins 401(k) Savings Plan are dependent upon the vested account balance. If the vested assets are greater than $1,000 up to and including $5,000, a participant may roll their money into another qualified plan or it will be rolled into a Prudential Individual Retirement Account. If the participant has more than $5,000 invested assets, they can leave their funds in the Plan, take a full or partial lump sum distribution, take systematic distributions or roll their vested assets into another qualified plan. If the account balance is equal to or less than $1,000, the participant may roll their vested balance into another qualified plan or take a lump sum distribution. Under the Rollins 401(k) Savings Plan, the full amount of a participant's vested benefit is payable upon his termination of employment, retirement, total and permanent disability, death or age 59½. A participant may withdraw a certain amount of his pre-tax and rollover contributions upon specified instances of financial hardship. A participant may withdraw all or any portion of his after-tax account at any time and for any reason. Amounts contributed by the Company to the accounts of Named Executives under this plan are included in the "All Other Compensation" column of the Summary Compensation Table on page 24.

Potential Payments Upon Termination or Change in Control

The following table describes the potential payments and benefits under the Company's compensation and benefit plans and arrangements to which the named executive officers would be entitled upon termination of employment. There are no other agreements, arrangements or plans that entitle executive officers to severance, perquisites, or other enhanced benefits upon termination of their employment, except as described below. Any agreement to provide additional payments or benefits to a terminating executive officer would be in the discretion of the Compensation Committee. The executive officers are not entitled to additional benefits at death or disability per the terms of the defined benefit plan. The amounts payable at retirement are disclosed in the "Pension Benefits" section on page 30. The executive officers can choose to receive the amounts accumulated in the Deferred Compensation Plan either as a lump sum or in installments at retirement, death or disability. These amounts have been disclosed under the "Nonqualified Deferred Compensation" section on page 31. The table below shows the incremental restricted shares that would become vested as of December 31, 2018, at the closing market price of $36.10 per share for our Common Stock, as of that date, in the case of retirement, death, disability or change in control.

Name		Stock Awards	
		Number of shares underlying unvested stock (#)	Unrealized value of unvested stock ($)
Gary W. Rollins	Retirement	—	—
	Death	374,100	13,505,010
	Disability	170,404	6,151,590
	Change in Control	374,100	13,505,010
Paul E. Northen	Retirement	—	—
	Death	73,500	2,653,350
	Disability	26,542	958,154
	Change in Control	73,500	2,653,350
R. Randall Rollins	Retirement	—	—
	Death	337,650	12,189,165
	Disability	153,960	5,557,971
	Change in Control	337,650	12,189,165
John F. Wilson	Retirement	—	—
	Death	180,000	6,498,000
	Disability	80,000	2,888,000
	Change in Control	180,000	6,498,000
Elizabeth B. Chandler	Retirement	—	—
	Death	29,100	1,050,510
	Disability	12,196	440,269
	Change in Control	29,100	1,050,510

Accrued Pay and Regular Retirement Benefits. The amounts shown in the table on page 30 do not include payments and benefits to the extent they are provided on a non-discriminatory basis to salaried employees generally upon termination of employment. These include:

- Accrued salary and vacation pay
- Distributions of plan balances under the 401(k) plan, as described on page 32
- Nonqualified Deferred Compensation

Change in Control or Severance. The Company does not have any severance for its executive officers. However, upon the occurrence of a "Change in Control," as determined by the Board of Directors, all unvested time-lapse restricted stock shall immediately vest.

Certain Relationships and Related Party Transactions

A group that includes the Company's Vice Chairman and Chief Executive Officer, Gary W. Rollins, and his brother, Chairman of the Board, R. Randall Rollins, and certain companies under their control possesses in excess of fifty percent of the Company's voting power. Please refer to the discussion on pages 11-33 under the heading, "Corporate Governance and Board of Directors' Committees and Meetings, Director Independence and NYSE Requirements, Controlled Company Exemption." The group discussed above also controls in excess of fifty percent of the voting power of RPC, Inc. and Marine Products, Inc. All of the Company's directors, with the exception of Thomas J. Lawley, M.D. and John F. Wilson, are also directors of RPC, Inc. and Marine Products Corporation.

Our Code of Business Ethics and Related Party Transactions Policy for Executive Officers and Directors provides that related party transactions, as defined in Regulation S-K, Item 404(a), must be reviewed, approved and/or ratified by our Nominating and Corporate Governance Committee. As set forth in our Code, our Nominating and Corporate Governance Committee has the responsibility to ensure that it only approve or ratify related party transactions that are in compliance with applicable law, consistent with the Company's corporate governance policies (including those relative to conflicts of interest and usurpation of corporate opportunities) and on terms that are deemed to be fair to the Company. The Committee has the authority to hire legal, accounting, financial or other advisors, as it may deem necessary or desirable and/or to delegate responsibilities to executive officers of the Company in connection with discharging its duties. A copy of the Code is available at our website (www.rollins.com) under the heading "Investor Relations – Corporate Governance." All covered related party transactions for fiscal year ended December 31, 2018 were reviewed, approved and/or ratified by the Nominating and Corporate Governance Committee in accordance with the Code.

The Company provides certain administrative services to RPC, Inc. ("RPC") (a company of which Mr. R. Randall Rollins is also Chairman and which is otherwise affiliated with the Company). The service agreements between RPC and the Company provide for the provision of services on a cost reimbursement basis and are terminable on six months' notice. The services covered by these agreements include administration of certain employee benefit programs and other administrative services. Charges to RPC (or to corporations which are subsidiaries of RPC) for such services and rent totaled approximately $0.1 million for each of the years ended December 31, 2018, 2017, and 2016.

The Company rents office, hanger and storage space to LOR, Inc. ("LOR") (a company controlled by R. Randall Rollins and Gary W. Rollins). Charges to LOR (or corporations which are subsidiaries of LOR) for rent totaled $0.9 million for the year ended December 31, 2018 and 1.0 million for each of the years ended December 31, 2017 and 2016, respectively.

In 2014, P.I.A. LLC, a company owned by the Chairman of the Board of Directors, R. Randall Rollins, purchased a Lear Model 35A jet and entered into a lease arrangement with the Company for Company use of the aircraft for business purposes. The lease is terminable by either party on 30 days' notice. The Company pays $100.00 per month rent for the leased aircraft, and pays all variable costs and expenses associated with the leased aircraft, such as the costs for fuel, maintenance, storage and pilots. The Company has the priority right to use of the aircraft on business days, and Mr. Rollins has the right to use the aircraft for personal use through the terms of an Aircraft Time Sharing Agreement with the Company. During the years ended December 31, 2018 and 2017, the Company paid approximately $0.7 million and $0.8 million in rent and operating costs for the aircraft respectively. During 2018, the Company accounted for 100 percent of the use of the aircraft. All transactions were approved by the Company's Nominating and Governance Committee of the Board of Directors.

On January 24, 2018, the Company pledged a charitable gift of $0.7 million to Emory University Hospital Midtown. The amount will be paid in equal annual installments over the next five years. Dr. Lawley recused himself from the Board of Director's approval of the gift agreement.

All of the above related party transactions were approved by the Company's Nominating and Governance Committee of the Board of Directors.

Independent Registered Public Accounting Firm

Principal Auditor

Grant Thornton LLP has served as the Company's independent registered public accounting firm for the fiscal years ended December 31, 2018 and 2017.

The Audit Committee has appointed Grant Thornton LLP as Rollins, Inc.'s independent registered public accounting firm for the fiscal year ending December 31, 2019. Grant Thornton LLP has served as the Company's independent auditors for many years and is considered by management to be well qualified. Representatives of Grant Thornton LLP are expected to be present at the annual meeting and they will have the opportunity to make a statement if they desire to do so and are expected to be available to respond to appropriate questions.

Audit Fees

	2018	2017
Audit Fees[1]	$1,600,000	$1,500,000
Audit-Related Fees	—	—
All Other Fees	—	—
Total	$1,600,000	$1,500,000

[1] Audit fees represent fees for professional services provided in connection with the audit of our internal control over financial reporting, audit of our financial statements and review of our quarterly financial statements and audit services provided in connection with other statutory or regulatory filings.

Pre-approval of Services

All of the services described above were pre-approved by the Company's Audit Committee. The Audit Committee has determined that the payments made to its independent registered public accounting firm for these services are compatible with maintaining such auditors' independence. All of the hours expended on the principal accountant's engagement to audit the financial statements of the Company for the years 2018 and 2017 were attributable to work performed by full-time, permanent employees of the principal accountant. The Committee has no pre-approval policies or procedures other than as set forth below.

The Audit Committee is directly responsible for the appointment and termination, compensation, and oversight of the work of the independent registered public accounting firm, including resolution of disagreements between management and the independent registered public accounting firm regarding financial reporting. The Audit Committee is responsible for pre-approving all audit and non-audit services provided by the independent public accountants and ensuring that they are not engaged to perform the specific non-audit services proscribed by law or regulation. The Audit Committee has delegated pre-approval authority to its Chairman with the stipulation that his decision is to be presented to the full Audit Committee at its next scheduled meeting.

Stockholder Proposals

Appropriate proposals of stockholders intended to be presented at the Company's 2020 Annual Meeting of the Stockholders must be received by the Company by November 22, 2019 in order to be included, pursuant to Rule 14a-8 promulgated under the Exchange Act in the proxy statement and form of proxy relating to that meeting. With regard to such stockholder proposals, if the date of the next annual meeting of stockholders is advanced or delayed more than 30 calendar days from April 23, 2019, the Company will, in a timely manner, inform its stockholders of the change and of the date by which such proposals must be received. Stockholders desiring to present business at the 2020 Annual Meeting of Stockholders outside of the stockholder proposal rules of Rule 14a-8 of the Securities Exchange Act of 1934 and instead pursuant to Article Twenty-Seventh of the Company's by-laws must prepare a written notice regarding such proposal addressed to Secretary, Rollins, Inc., 2170 Piedmont Road, NE, Atlanta, Georgia 30324, which must be delivered to or mailed and received at the aforementioned address no later than January 25, 2020 and no earlier than December 16, 2019. Stockholders should consult the by-laws for other specific requirements related to such notice and proposed business.

With respect to stockholder nomination of directors, the Company's by-laws provide that nominations for the election of directors may be made by any stockholder entitled to vote for the election of directors. Nominations must comply with an advance notice procedure which generally requires with respect to nominations for directors for election at an annual meeting, that written notice be addressed to: Secretary, Rollins, Inc., 2170 Piedmont Road, N.E., Atlanta, Georgia 30324, and be received not less than ninety nor more than 130 days prior to the anniversary of the prior year's annual meeting and set forth, among other requirements specified in the by-laws, the name, age, business address and, if known, residence address of the nominee proposed in the notice, the principal occupation or employment of the nominee for the past five years, the nominee's qualifications, the class or series and number of shares of capital stock of the Company which are owned beneficially or of record by the person and any other information relating to the person that would be required to be disclosed in a proxy statement or other filings. Other specific requirements related to such notice, including required disclosures concerning the stockholder intending to present the nomination, are set forth in the Company's by-laws. Notices of nominations must be received by the Secretary of the Company no later than January 25, 2020 and no earlier than December 16, 2019, with respect to directors to be elected at the 2020 Annual Meeting of Stockholders.

Expenses of Solicitiation

The Company will bear the solicitation cost of proxies. Upon request, the Company will reimburse brokers, dealers and banks, or their nominees, for reasonable expenses incurred in forwarding copies of the proxy material to their beneficial stockholders of record. Solicitation of proxies will be made primarily by mail. Proxies also may be solicited in person or by telephone, facsimile or other means by our directors, officers and regular employees. These individuals will receive no additional compensation for these services. The Company has retained Georgeson, LLC to conduct a broker search and to send proxies by mail for an estimated fee of approximately $6,500 plus shipping expenses.

Annual Report

Our Annual Report as of and for the year ended December 31, 2018 is being provided to you with this proxy statement. The Annual Report includes our 2018 Form 10-K (without exhibits). The Annual Report is not considered proxy-soliciting material.

Form 10-K

On written request of any record or beneficial stockholder, we will provide, free of charge, a copy of our 2018 Form 10-K, which includes the consolidated financial statements. Requests should be made in writing and addressed to: Paul E. Northen, Vice President, Chief Financial Officer and Treasurer, Rollins, Inc., 2170 Piedmont Road, NE Atlanta, Georgia 30324. We will charge reasonable out-of-pocket expenses for the reproduction of exhibits to our 2018 Form 10-K should a stockholder request copies of such exhibits.

Other Matters

Our Board of Directors knows of no business other than the matters set forth herein, which will be presented at the meeting. Since matters not known at this time may come before the meeting, the enclosed proxy gives discretionary authority with respect to such matters as may properly come before the meeting and it is the intention of the persons named in the proxy to vote in accordance with their judgment on such matters.

BY ORDER OF THE BOARD OF DIRECTORS

Elizabeth B. Chandler
Secretary

Atlanta, Georgia
March 21, 2019

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SHAREHOLDER INFORMATION

STOCK LISTING

The Common Stock of the Company is listed on the New York Stock Exchange and traded on the Philadelphia, Chicago, and Boston Exchanges under the symbol ROL.

STOCK TRANSFER AGENT, REGISTRAR OF STOCK, DIVIDEND DISBURSING AGENT AND OTHER SHAREHOLDER SERVICES

For inquiries related to stock certificates, including changes of address, lost certificates, dividends, and tax forms, please contact:

American Stock Transfer and Trust
6201 15th Street
Brooklyn, NY 11219
866-708-5581

ROL LISTED NYSE

DIVIDEND REINVESTMENT PLAN

This Plan provides a simple, convenient, and inexpensive way for shareholders to invest cash dividends in additional Rollins, Inc. shares. For further information, contact Investor Relations at the mailing address below.

ANNUAL SHAREHOLDER MEETING

The Annual Meeting of the Shareholders will be held at 12:30 p.m., April 23, 2019, at the Company's corporate offices in Atlanta, Georgia.

EXECUTIVE OFFICES

Rollins, Inc.
2170 Piedmont Road, N.E.
Atlanta, Georgia 30324

MAILING ADDRESS

Rollins, Inc.
P.O. Box 647
Atlanta, Georgia 30301

TELEPHONE

404-888-2000

DIRECTORS

Henry B. Tippie —Lead Director •

Chairman of the Board and Chief Executive Officer of Tippie Services, Inc. (management services)

R. Randall Rollins *

Chairman of the Board of Rollins, Inc.,
Chairman of the Board of RPC, Inc. (oil and gas field services) and Chairman of the Board of Marine Products Corporation (boat manufacturing)

James B. Williams †

Retired Chairman of the Executive Committee of SunTrust Banks, Inc. (bank holding company)

Gary W. Rollins *

Vice Chairman and Chief Executive Officer of Rollins, Inc.

Bill J. Dismuke +

Retired President of Edwards Baking Company

Thomas J. Lawley, M.D.

Former Dean of the Emory University School of Medicine

John F. Wilson

President and Chief Operating Officer of Rollins, Inc.

Pamela R. Rollins

Community Leader

IN MEMORIAM

Larry L. Prince

October 4, 1938 – March 5, 2019
Member of the Board of Directors, Rollins, Inc.
Member of the Board of Directors, Marine Products Corporation
Member of the Board of Directors, RPC, Inc.

• Chairman of the Audit Committee, Compensation Committee, Nominating & Governance Committee, and Diversity Committee
* Member of the Executive Committee
† Member of the Audit Committee, Compensation Committee, Nominating & Governance Committee, and Diversity Committee
+ Member of the Audit Committee

ROLLINS, INC.

Worldwide pest brands

orkincanada.ca

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orkinau.com

pestdefense.com

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