

ROLLINS INC
Form 10-Q
July 31, 2006

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10 Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2006

Commission File Number 1-4422

ROLLINS, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of incorporation or organization)

51-0068479
(I.R.S. Employer Identification No.)

2170 Piedmont Road, N.E., Atlanta, Georgia

(Address of principal executive offices)

30324

(Zip Code)

(404) 888-2000

(Registrant's telephone number, including area code)

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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. Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer Accelerated Filer Non-Accelerated filer

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

Rollins, Inc. had 67,880,545 shares of its \$1 par value Common Stock outstanding as of July 15, 2006.

ROLLINS, INC. AND SUBSIDIARIES

Table of Contents

PART I	<u>FINANCIAL INFORMATION</u>	Page No.
ITEM 1.	<u>Financial Statements</u>	3
	<u>Consolidated Statements of Financial Position as of June 30, 2006 and December 31, 2005</u>	3
	<u>Consolidated Statements of Income for the Three and Six Months Ended June 30, 2006 and 2005.</u>	4
	<u>Consolidated Statements of Cash Flows for the Six Months Ended June 30, 2006 and 2005</u>	5
	<u>Consolidated Statements of Stockholders' Equity</u>	6
	<u>Notes to Consolidated Financial Statements</u>	7
ITEM 2.	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations.</u>	15
ITEM 3.	<u>Quantitative and Qualitative Disclosures About Market Risk.</u>	20
ITEM 4.	<u>Controls and Procedures.</u>	21
PART II	<u>OTHER INFORMATION</u>	21
Item 1.	<u>Legal Proceedings.</u>	21
Item 1A.	<u>Risk Factors</u>	21
Item 2.	<u>Unregistered Sales of Equity Securities and Use of Proceeds.</u>	21
Item 4.	<u>Submission of Matters to a Vote of Security Holders</u>	22
Item 6.	<u>Exhibits.</u>	22
	<u>Signatures</u>	23

ROLLINS, INC. AND SUBSIDIARIES

PART I FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTSCONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2006 AND DECEMBER 31, 2005
(in thousands)

	June 30, 2006 (unaudited)	December 31, 2005
ASSETS		
Cash and cash equivalents	\$ 37,221	\$ 43,065
Trade receivables, short-term, net of allowance for doubtful accounts of \$4,381 and \$4,534, respectively	56,617	47,705
Materials and supplies	8,545	9,082
Deferred income taxes	23,983	27,510
Prepaid taxes	-	3,036
Other current assets	10,023	6,069
Total Current Assets	136,389	136,467
Equipment and property, net	70,908	65,932
Goodwill	134,006	133,743
Customer contracts and other intangible assets, net	71,057	71,841
Deferred income taxes	16,263	15,946
Trade receivables, long-term, net of allowance for doubtful accounts of \$1,629 and \$1,076, respectively	10,170	9,368
Other assets	4,429	5,123
Total Assets	\$ 443,222	\$ 438,420
LIABILITIES		
Capital leases	\$ 705	\$ 825
Accounts payable	14,740	17,204
Accrued insurance	19,143	17,605
Accrued compensation and related liabilities	39,185	41,822
Unearned revenue	84,378	79,990
Accrual for termite contracts	11,335	10,476
Other current liabilities	23,724	21,746
Total Current Liabilities	193,210	189,668
Capital leases, less current portion	287	560
Accrued insurance, less current portion	19,226	18,996
Accrual for termite contracts, less current portion	12,865	12,724
Accrued pension	15,651	20,651
Long-term accrued liabilities	13,942	18,870
Total Liabilities	255,181	261,469
Commitments and Contingencies	-	-
STOCKHOLDERS EQUITY		
Preferred stock, without par value; 500,000 authorized, zero shares issued	-	-
Common stock, par value \$1 per share; 170,000,000 and 99,500,000 shares authorized, respectively; 70,645,337 and 70,079,254 shares issued, respectively	70,645	70,079
Treasury stock, par value \$1 per share; 2,770,768 and 2,068,240 shares respectively	(2,771)	(2,068)
Additional paid-in-capital	9,651	14,464
Accumulated other comprehensive loss	(22,355)	(23,264)

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Unearned compensation	-	(5,881)
Retained earnings	132,871	123,621	
Total Stockholders' Equity	188,041	176,951	
Total Liabilities and Stockholders' Equity	\$ 443,222	\$ 438,420	

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

ROLLINS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2006 AND 2005

(in thousands except per share data)

(unaudited)

	Three months ended June 30		Six months ended June 30	
	2006	2005	2006	2005
REVENUES				
Customer services	\$ 232,222	\$ 214,326	\$ 426,408	\$ 398,241
COSTS AND EXPENSES				
Cost of services provided	119,035	114,294	226,049	214,544
Depreciation and amortization	6,945	6,045	13,738	12,008
Sales, general and administrative	74,368	67,594	136,868	126,265
Pension curtailment gain	-	(4,176)	-	(4,176)
(Gain)/loss on sales of assets	2	(546)	1	(544)
Interest income	(344)	(354)	(636)	(816)
	200,006	182,857	376,020	347,281
INCOME BEFORE TAXES	32,216	31,469	50,388	50,960
PROVISION FOR INCOME TAXES				
Current	11,079	14,144	16,945	19,725
Deferred	1,807	(1,399)	3,210	914
	12,886	12,745	20,155	20,639
NET INCOME	\$ 19,330	\$ 18,724	\$ 30,233	\$ 30,321
NET INCOME PER SHARE - BASIC	\$ 0.29	\$ 0.28	\$ 0.45	\$ 0.45
NET INCOME PER SHARE - DILUTED	\$ 0.28	\$ 0.27	\$ 0.44	\$ 0.43
Weighted average shares outstanding basic	67,556	67,937	67,243	67,940
Weighted average shares outstanding diluted	69,243	70,029	69,040	70,046
DIVIDENDS PAID PER SHARE	\$ 0.0625	\$ 0.0500	\$ 0.1250	\$ 0.1000

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

ROLLINS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
 FOR THE SIX MONTHS ENDED JUNE 30, 2006 AND 2005
 (in thousands)
 (unaudited)

	Six months ended June 30, 2006		2005	
OPERATING ACTIVITIES				
Net Income	\$ 30,233		\$ 30,321	
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	13,738		12,008	
Pension curtailment gain	-		(4,176))
Provision for deferred income taxes	3,210		914	
(Gain)/loss on sales of assets	1		(544))
Other, net	(770)	)	205	
(Increase)/decrease in assets:				
Trade receivables	(9,605)	)	(3,801))
Materials and supplies	537		761	
Other current assets	(910)	)	(3,594))
Other non-current assets	747		297	
Increase/(decrease) in liabilities:				
Accounts payable and accrued expenses	130		5,951	
Unearned revenue	4,388		5,142	
Accrued insurance	1,768		(1,967))
Accrual for termite contracts	1,000		599	
Accrued pension	(5,000))	-	
Long-term accrued liabilities	(5,146)	)	(1,717))
Net cash provided by operating activities	34,321		40,399	
INVESTING ACTIVITIES				
Purchase of equipment and property	(11,351)	)	(14,203))
Acquisitions of companies, net of cash acquired	(5,020)	)	(1,606))
Cash from sales of franchises	401		295	
Marketable securities, net	-		(629))
Proceeds from sales of assets	-		749	
Net cash used in investing activities	(15,970)	)	(15,394))
FINANCING ACTIVITIES				
Dividends paid	(8,556)	)	(6,858))
Common stock purchased	(16,987)	)	(11,105))
Common stock options exercised	381		2,889	
Principal payments on capital leases	(393))	-	
Other	451		(646))
Net cash used in financing activities	(25,104)	)	(15,720))
Effect of exchange rate changes on cash	909		(843))
Net increase/(decrease) in cash and cash equivalents	(5,884)	)	8,442	
Cash and cash equivalents at beginning of period	43,065		56,737	
Cash and cash equivalents at end of period	\$ 37,221		\$ 65,179	
Supplemental disclosure of cash flow information				
Cash paid for interest	\$ 90		\$ 20	
Cash paid for income taxes	\$ 14,064		\$ 12,228	

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

ROLLINS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF
STOCKHOLDERS' EQUITY

(in thousands)

	Common stock		Treasury Stock		Paid In-capital	Paid In-capital	Income/ (Loss)	Accumulated		Retained Earnings	Total
	Shares	Amount	Shares	Amount				Comprehensive Income/(Loss)	Unearned Compensation		
Balance at December 31, 2003	68,356	\$ 68,356	(621)	\$ (621)	\$ 2,321	\$ 2,087	\$ -	\$ (314)	\$ (107)	\$ 67,052	\$ 138,774
Net Income							52,055			52,055	52,055
Other Comprehensive Income, Net of Tax											
Minimum Pension Liability Adjustment							(18,355)				(18,355)
Foreign Currency Translation Adjustments (1)							2,408				2,408
NSO Stock Options											