

Rollins (ROL) Investment Analysis Report

February 27, 2026

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Executive Summary

Rollins is a leading provider of pest control services, operating more than 800 locations, with approximately 93% of total revenue generated in the United States. The company's growth strategy pairs mid to high single digit organic expansion with disciplined tuck-in acquisitions that contribute an average of 2 to 3% to annual revenue growth. Rollins continues to build out a decentralized, multi-brand platform within a highly fragmented industry that benefits from durable secular tailwinds.

This consistent revenue growth, along with margin expansion driven by internal initiatives such as centralizing shared services and optimizing labor costs across brands, should enable Rollins to compound earnings and free cash flow at attractive double digit rates for many years. Our investment thesis is based on the following:

Attractive Organic Growth Driven by Commercial Segment and Cross-selling Termite & Ancillary

The Commercial segment, which provides pest control services to businesses rather than households, remains a central priority given its organic growth potential. Growth in this segment is supported by retention rates above 90%, multiyear contracts that include price escalators, and the ability to serve large enterprise customers that smaller regional operators cannot effectively support. The industry itself remains highly fragmented, with more than 33,000 competitors generating under \$50 million in annual revenue. This leaves Rollins as one of only a few providers with the scale, route density, and regulatory capabilities required to handle national and multi-site accounts. Its commercial customer base spans healthcare, hospitality, food service, and retail.

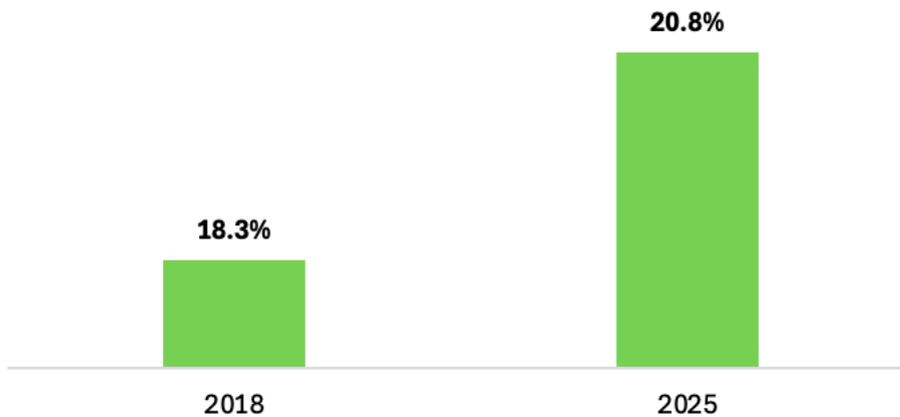
Rollins' multi brand platform, scale, and technical expertise help differentiate the company in competitive bidding situations and support stronger pricing power in Commercial compared to Residential. The multi brand approach also creates multiple points of entry with customers, improving win rates and reinforcing Rollins' reputation as a preferred acquirer in the space. To further accelerate share gains, the company has implemented several targeted initiatives. These include dividing oversized branches, typically those generating \$7 to \$10 million in revenue, into smaller operating units to reduce inefficiencies and sharpen local focus after years of rapid expansion. Rollins has also expanded its commercial salesforce by 15% over the past year and introduced a dedicated Orkin Commercial division.

Rollins also has a meaningful opportunity to increase revenue by cross selling additional services to its existing customer base. Termite & Ancillary is the company's fastest growing segment, delivering low double digit organic growth compared to high single digit growth for the overall business, and represents an important driver of future expansion. Management sees substantial runway to scale offerings such as termite baiting, which typically involve multiyear contracts, along with other higher ticket ancillary services that generally range from \$5,000 to \$7,000 per job. By comparison, the average residential pest control service generates roughly \$500 to \$600 per visit.

Customer penetration for these ancillary services remains under 5%, with nearly all current adoption concentrated within the Orkin brand. As Termite & Ancillary becomes a larger share of

total revenue, its impact on overall company growth should increase, assuming the segment can sustain its current organic growth trajectory.

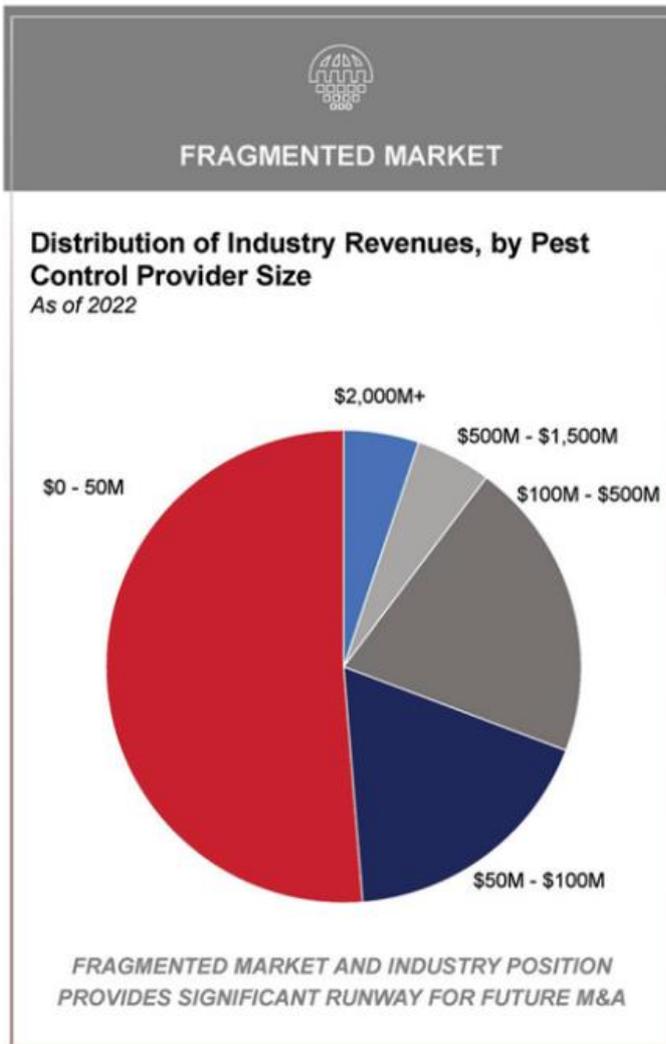
Termite & Ancillary as a % of Total Revenue



M&A Runway Remains Robust for Years to Come

Like other scaled business services leaders operating in fragmented industries, Rollins has a long track record of compounding growth through acquisitions. Unlike many peers, however, its runway for M&A remains substantial. Management continues to target 2 to 3 points of incremental annual revenue growth from acquisitions, in addition to 7 to 8 points of organic growth, supported by a deep pipeline in an industry with thousands of potential targets. Importantly, rather than rebranding acquired operators, Rollins typically retains strong local brands while enhancing back office systems and support. Larger acquisitions such as Saela and Fox have improved route density and strengthened purchasing leverage, while smaller tuck ins expand the company's national footprint and improve its ability to compete for enterprise accounts. This consistent mix of bolt on transactions and selective platform deals extends the consolidation opportunity and reinforces the company's multi brand strategy.

Beyond the strategic rationale, the financial returns on these acquisitions are compelling. Rollins benefits from a meaningful valuation gap between its public market multiple and private market acquisition multiples. While the stock trades at approximately 30x EV to EBITDA, the company generally acquires smaller businesses at 6 to 10x EBITDA, creating immediate value accretion. We expect Rollins to maintain its pace of roughly 20 to 30 smaller acquisitions per year, complemented by occasional larger strategic transactions. Should attractive larger targets become available at reasonable valuations, there is potential upside to the current 2 to 3% annual revenue contribution from M&A.



Source: Pest Control Technology Top 100

Margin Expansion Opportunities

Over the past decade, Rollins has expanded EBITDA margins by roughly 360 basis points. While that level of expansion appears solid at first glance, company revenue grew by more than 150% over the same period. Given the attractive unit economics of the model and the importance of route density, one might have expected a greater degree of operating leverage to flow through to margins. Historically, however, cost efficiency and margin optimization were not primary areas of focus. That dynamic has begun to shift.

Rollins is now in the early stages of a multiyear margin expansion effort driven by a broader modernization initiative under new leadership. CEO Jerry Gahlhoff and CFO Ken Krause, who previously led a successful transformation at MSA Safety, are repositioning the company from what was largely a family run operation toward a more disciplined, efficiency focused organization. Early steps include rolling out a revised pricing strategy, restructuring the organization for the first time in two decades, divesting non-core assets, strengthening investor communications, and setting clearer financial targets. Executive compensation has also been redesigned to explicitly reward margin expansion alongside revenue growth, creating stronger alignment between management incentives and long term shareholder value.

In our view, the margin opportunity has two primary components. First, pricing appears underutilized. Historically, Rollins’ price increases have lagged broader household service inflation, indicating room to narrow that gap through disciplined CPI plus pricing with limited risk of elevated churn given the company’s resilient, recurring revenue model. Second, there is a clear opportunity to streamline costs. Selling, General, and Administrative expense remains above best in class peers, particularly across administrative and corporate overhead functions, creating room for structural efficiencies similar to those realized at MSA under Krause’s leadership. Taken together, more effective pricing and tighter cost control provide a credible path to meaningful EBITDA margin expansion over the next several years.

As illustrated in the table below, management compensation is directly tied to margin improvement. Rollins exited 2025 with EBITDA margins of 22.7%. To achieve the maximum incentive payout, the company must increase its three year average EBITDA margin to 26% or higher. That implies roughly 300 basis points of expansion from current levels and is consistent with management’s public commentary regarding what they believe the business can achieve.

Performance Component	Target Achievement Range	Max Payout (200% of Target)
3-Year Revenue CAGR	7.00% to 7.90%	10.00% of Higher
3-Year Avg. Adj. EBITDA Margin	23.00% to 23.90%	26.00% or Higher
3-Year Relative TSR	S&P 500 Benchmark	Top Quartile Performance

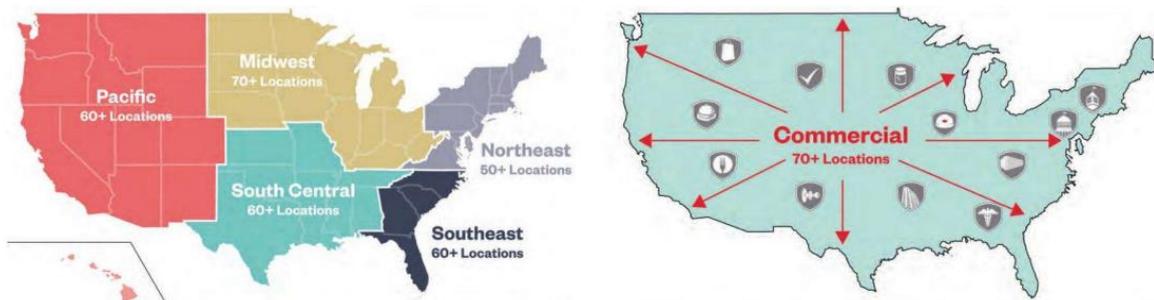
Business Overview

Rollins was established in 1948 by Wayne Rollins and has grown from a small family business into one of the largest pest control providers globally. Over the decades, the company expanded throughout the United States and into select international markets, primarily through a disciplined acquisition strategy. This consistent approach to consolidation helped build Rollins into a leading player in both residential and commercial pest control. For more than two decades, the company was led by Gary W. Rollins, the founder’s son. In 2023, leadership transitioned to Jerry Gahlhoff Jr., who currently serves as Chief Executive Officer and President.

From an organizational standpoint, Rollins functions as a holding company that oversees a portfolio of pest control brands. Instead of operating under a single unified name, the company follows a house of brands model, which enables it to serve different customer segments and employ tailored go to market strategies. Its flagship brand, Orkin, is the most recognized name in the industry and accounts for the largest share of revenue. Beyond Orkin, Rollins owns a range of regional and specialized platforms, including HomeTeam Pest Defense, Western Pest Services, Critter Control, and Clark Pest Control.

These businesses maintain their local branding and long standing customer relationships while benefiting from centralized support in areas such as finance, procurement, IT, and training. This structure strikes a balance between decentralized operations and shared infrastructure, allowing Rollins to preserve local credibility while capturing the efficiencies that come with scale.

Strong Portfolio of Brands



At its foundation, Rollins operates a recurring service model. The company delivers pest control solutions to residential, commercial, and industrial customers with an emphasis on prevention and sustained protection rather than one time treatments. Engagements typically begin with an inspection, followed by a tailored treatment plan. From there, technicians provide regularly scheduled service visits to eliminate pests, seal entry points, and implement preventative measures. Because pest issues often resurface over time, most relationships are structured as ongoing contracts that function similarly to subscriptions, resulting in stable and predictable revenue.

While the service itself may seem straightforward, the underlying economics are compelling. Demand is largely nondiscretionary, visit frequency is consistent, and the cost to customers is modest relative to the potential property damage and health concerns associated with infestations. Rollins has intentionally built its model around recurring revenue. Approximately 85% of total revenue is generated from recurring contracts or ancillary services sold to the existing customer base. Roughly 75% of revenue comes from contracted recurring services, 10% from ancillary cross selling, and only about 15% from one time treatments.

Industry Structure and Background

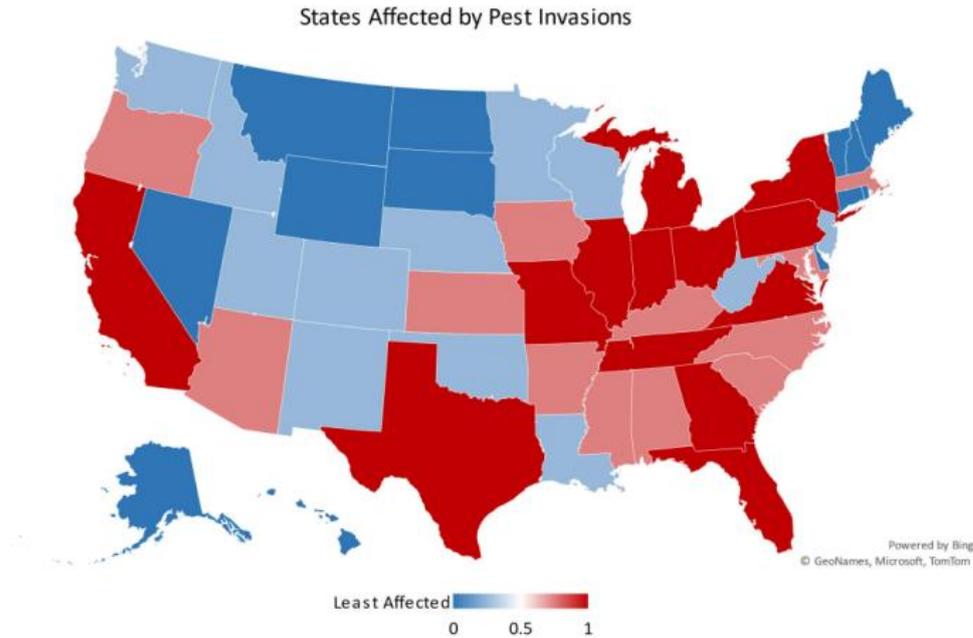
Pest control services are designed to manage and prevent pests from causing damage to buildings, crops, and surrounding environments. Providers generally focus on three core functions: identifying and correcting conditions that attract pests, eliminating active infestations, and disrupting the pest life cycle to reduce the likelihood of recurrence. Because pests are constantly seeking food, water, and shelter, service is typically performed on a recurring schedule, most commonly monthly, every other month, or quarterly.

Commercial clients often enter into multi year agreements, while residential customers usually sign one year contracts that renew at the end of each term. General pest control and mosquito treatments are typically recurring in nature, whereas wildlife removal, bed bug treatments, and wasp or bee services are more often one time engagements. Ancillary offerings can include services such as attic encapsulation, which addresses vulnerable entry points and helps prevent future infestations.

Several long term tailwinds are likely to continue supporting demand for pest control services. Climate and environmental dynamics, including rising temperatures and increasingly dense urban environments, create favorable conditions for pests such as cockroaches and rodents. At the same time, demographic trends such as greater population density and higher levels of global travel and trade increase the likelihood that pests are introduced into new, non native regions. For commercial customers, the stakes are particularly high. The reputational damage associated with a visible pest issue can meaningfully impact traffic and revenue, creating a strong incentive to act quickly and maintain ongoing prevention programs.

Domestic migration trends provide another meaningful tailwind for the industry. The Southeastern United States has seen strong migration in recent years, supported by job creation, lower tax burdens, business friendly policies, attractive weather, and a cost of living that remains relatively affordable compared to many Northern and West Coast markets. As individuals and families move to states such as Florida, Texas, Georgia, Arizona, and the Carolinas, metro areas have grown more densely populated, driving new residential construction and suburban expansion.

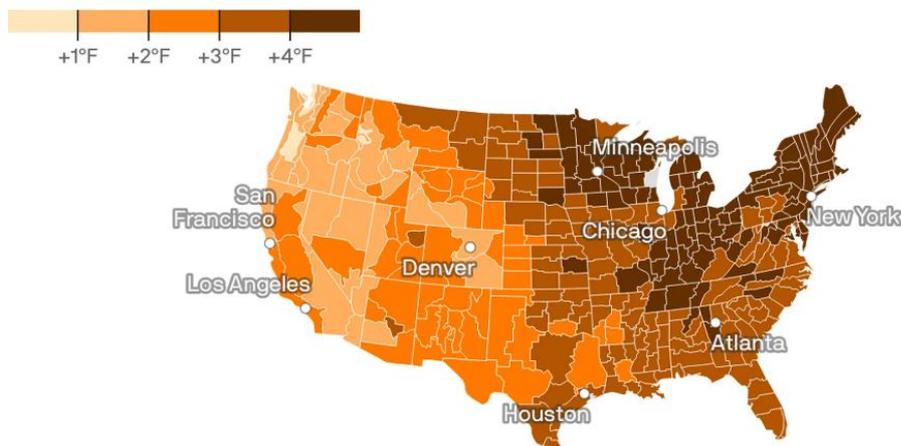
At the same time, the region's warm and humid climate creates ideal conditions for year round pest activity. Unlike colder areas where winter temperatures reduce insect populations, the Southeast's milder winters allow many species to survive and reproduce continuously. States such as Florida and Texas are particularly conducive to mosquitoes, termites, cockroaches, and other moisture driven pests. Elevated humidity, consistent rainfall, and extended warm seasons shorten reproductive cycles and increase infestation risk for both homeowners and businesses. The combination of sustained population growth and favorable environmental conditions has made pest control an increasingly essential service across the region.



Rising global temperatures and milder winters are also lengthening breeding seasons and broadening the geographic reach of many pest species. Warmer climates enable insects such as mosquitoes, termites, ticks, and cockroaches to survive throughout the year in areas that once experienced natural seasonal declines. Higher levels of rainfall, periodic flooding, and sustained humidity further speed up reproduction cycles and create favorable nesting conditions. As a consequence, infestations are occurring more often, lasting longer, and becoming less tied to specific seasons. This shift supports ongoing demand for preventative and maintenance-oriented pest control programs rather than isolated, one time treatments.

Change in average winter temperature from 1970 to 2023

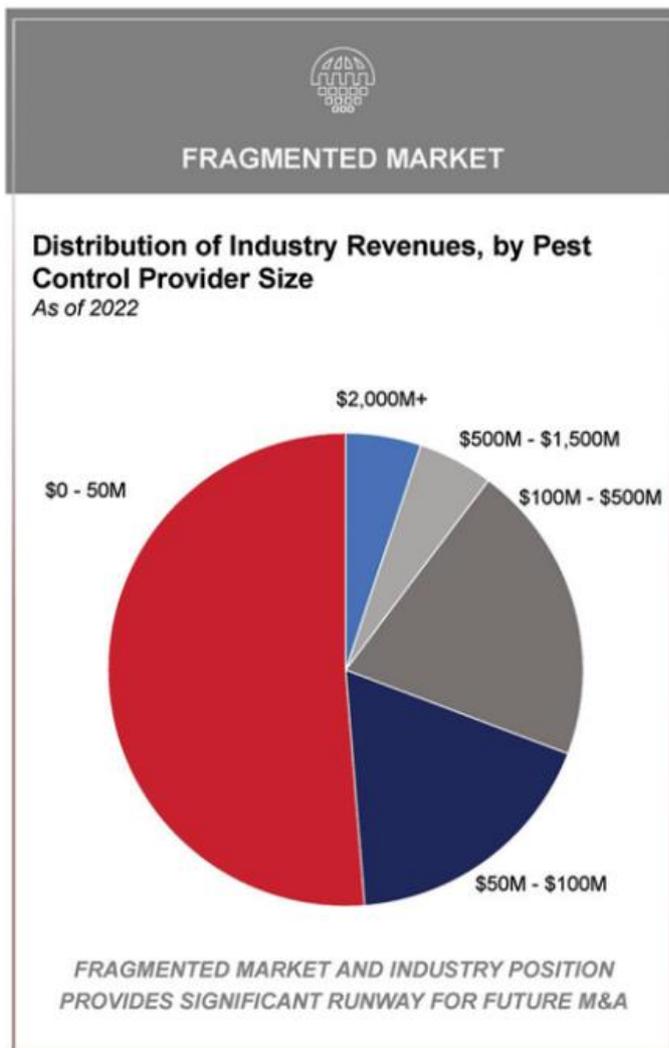
By USGS climate division; Average temperature from Dec. 1 to the last day of February each season



As with many other skilled trades, consumers are increasingly opting for professional providers rather than attempting do it yourself solutions. Effective pest control often involves specialized

chemicals, equipment, safety procedures, and an understanding of insect behavior that goes beyond the capabilities of most homeowners. Recurring service programs also provide convenience and reassurance. With busier schedules and a growing number of dual income households, more consumers are choosing to outsource routine home maintenance tasks, including pest management.

The pest control industry remains highly fragmented, with a large portion of the market comprised of small, locally owned operators and regional providers. Rollins ranks as the second largest pest control company in the United States. Although there are several sizable service and product companies generating more than \$100 million in annual revenue, most of the top 100 pest control providers produce less than \$50 million in revenue. Many firms operate on a local or regional basis, which makes them natural acquisition targets for larger, scaled players such as Rollins.



Source: Pest Control Technology Top 100

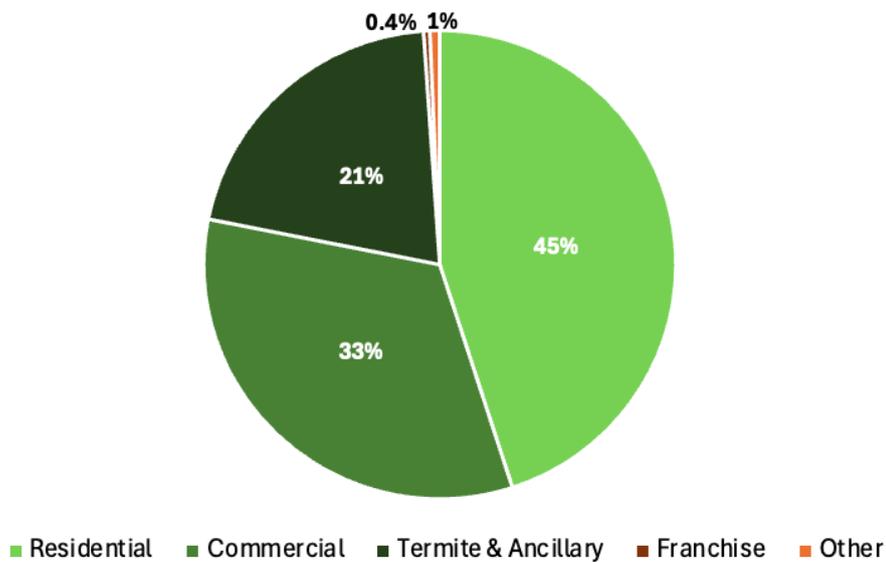
Although the pest control industry is still fragmented, it has steadily consolidated over the past decade as both Rollins and private equity backed platforms have pursued acquisitions. Rollins alone has completed hundreds of transactions during that period. At the same time, multiple private equity groups have built platforms focused on rolling up smaller pest control operators.

The most significant consolidation event occurred in 2022, when UK based pest control and hygiene services company Rentokil agreed to acquire U.S. industry leader Terminix. The transaction combined the second largest U.S. pest control provider, Terminix, with the third largest, Rentokil, creating the largest player in the market and moving ahead of Rollins, which had previously held the top position.

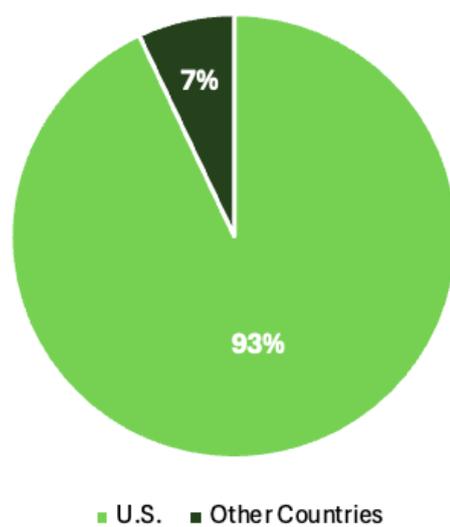
Segment Level Breakdown

Rollins is organized into three main reporting segments: Residential, Commercial, and Termite & Ancillary.

Rollins Revenue Breakdown (FY25)



Rollins Revenue by Region



Residential Pest Control

The Residential segment represents the foundation of Rollins' business and has consistently been the company's largest source of revenue. In fiscal year 2025, it generated approximately \$1.69 billion in revenue and accounted for roughly 45% to 46% of total consolidated sales. Historically, the segment has delivered high single digit to low double digit annual revenue growth, driven by steady organic expansion complemented by acquisitions.

Pricing has also become a more deliberate lever. Management has moved away from historical increases of 1 to 2% and adopted a CPI plus approach, targeting annual price adjustments in the 3 to 4% range to better offset inflation. The recurring nature of the residential customer base provides strong revenue visibility and resilience. That said, results can experience short term fluctuations tied to one time services such as wildlife exclusion or bed bug treatments, which tend to be more sensitive to weather patterns.

Within Residential pest control, Rollins employs what it describes as a multiple bites at the apple approach to customer acquisition. The company leverages a portfolio of distinct brands to reach different segments of the residential market through specialized distribution channels. This strategy includes the following:

- **Digital Marketing:** As the company's flagship national brand, Orkin leans on its strong brand recognition and digital presence to generate customer leads. Rollins operates a well developed digital acquisition funnel and uses its scale advantage to invest more aggressively in paid search and search engine optimization than smaller regional competitors.
- **Homebuilder Partnerships:** Through its HomeTeam brand, Rollins utilizes a differentiated approach by working directly with homebuilders to install a proprietary tubes in the wall pest control system during the construction process. Embedding this infrastructure at the build stage creates a meaningful barrier to entry for competitors and positions Rollins to transition new homeowners into recurring service relationships as soon as they move in.
- **Door to Door Sales:** Historically, Rollins had minimal exposure to door to door sales, a channel that has been used more aggressively by some competitors. The acquisition of Fox Pest Control added immediate scale in this area, enabling Rollins to reach potential customers who may not be actively searching for pest control services and therefore are less likely to be captured through digital marketing, but who remain receptive to direct, in person sales.

Commercial Pest Control

The Commercial segment provides a highly recurring, regulation oriented complement to the more consumer focused residential business. In 2025, it generated approximately \$1.24 billion in revenue, representing about 33% to 34% of total consolidated sales. Over the past five years, the segment has delivered high single digit to low double digit organic revenue growth, supported by pricing strength, new account wins, and consistently high retention rates. The Commercial business is particularly attractive due to its low churn and higher customer lifetime value relative to residential accounts, contributing to greater revenue stability and long term visibility.

Demand within the Commercial segment is driven largely by regulatory requirements and the need to protect brand integrity. While residential customers often engage pest control services for comfort or convenience, commercial clients face far more serious consequences from infestations, including health code violations, temporary closures, and lasting reputational harm. In 2024, for example, the discount retailer Family Dollar pleaded guilty after operating a distribution facility that was found to be infested with pests and rodents and ultimately paid nearly \$42 million in fines. The financial penalty, coupled with reputational fallout, resulted in meaningful losses for the company. Viewed in this context, pest control services represent a relatively modest line item within a commercial customer's overall operating budget, yet the cost of failure can be significant if services are not performed properly.

Selling into the commercial market is fundamentally different from residential sales and typically involves longer sales cycles, detailed RFP processes, and multiple stakeholders. In response, Rollins has made a deliberate shift to strengthen its commercial capabilities by significantly expanding its dedicated B2B sales organization. In 2024, the company increased its commercial sales force by more than 15%.

This investment has centered on hiring specialized account managers focused exclusively on commercial relationships, separate from the residential sales team. By building out a more targeted and experienced commercial sales function, Rollins is positioning itself to compete more effectively for larger and more complex enterprise accounts.

A key attribute of the Commercial segment is its stronger retention profile relative to the Residential business. Commercial relationships are often structured as multi year contracts and tend to renew at high rates given the complexity of the service and the operational risks tied to switching providers. Industry data suggests commercial retention generally falls in the 85% to 90% range, well above the 75% to 80% levels typically seen in residential pest control.

This higher retention, combined with lower price sensitivity and larger contract values, supports a modestly higher margin profile in Commercial. Average annual service revenue per commercial account typically ranges from \$1,200 to \$2,000, compared to approximately \$400 to \$600 for residential customers.

Termite & Ancillary

The Termite & Ancillary Services segment represents a higher growth extension of Rollins' core pest control business and accounts for roughly 20% of total consolidated revenue.

Management views this segment as more than an additional service offering. It is an important driver of increased share of wallet and improved customer retention. While residential pest control typically establishes the initial customer relationship, termite and ancillary services meaningfully increase average ticket size, often generating 10 to 12 times the revenue of a standard pest control visit.

Organically, this segment has outpaced both Residential and Commercial in recent years. If current growth rates are sustained, Termite & Ancillary Services should contribute an increasing share of total company revenue over time as it becomes a larger portion of the overall business.

A key feature of this segment is its dual revenue structure, which combines stable recurring revenue with higher margin but more variable one time project work. The recurring component is driven largely by termite baiting systems and annual bond renewals. Customers typically pay an upfront installation fee followed by an annual subscription that covers monitoring and damage protection. This portion of revenue is durable and closely resembles the recurring dynamics of the core pest control business.

The transactional side of the segment consists mainly of treatments and installation services. These include initial liquid termite applications, pre construction soil treatments, fumigation services for commercial properties or severe infestations, and larger ancillary projects such as insulation installations.

Over time, the Termite & Ancillary segment should support both organic revenue growth and overall margin expansion, particularly due to the higher profitability associated with one time transactional work. Rollins typically prices these projects, such as a \$2,000 exclusion job, under the assumption that the revenue will not recur, which allows the company to capture higher margins than on recurring service contracts.

That said, as transactional work becomes a larger share of total revenue, quarterly results can become more variable. Unlike recurring monitoring services, one time projects are more exposed to external factors. For example, unusually inconsistent winter weather in the fourth quarter of 2025 limited the company's ability to complete exterior exclusion work and pre treatments, resulting in a nearly 3% decline in one time revenue for the quarter. The shortfall weighed on overall results and led to a share price decline of more than 10% in the subsequent trading days.

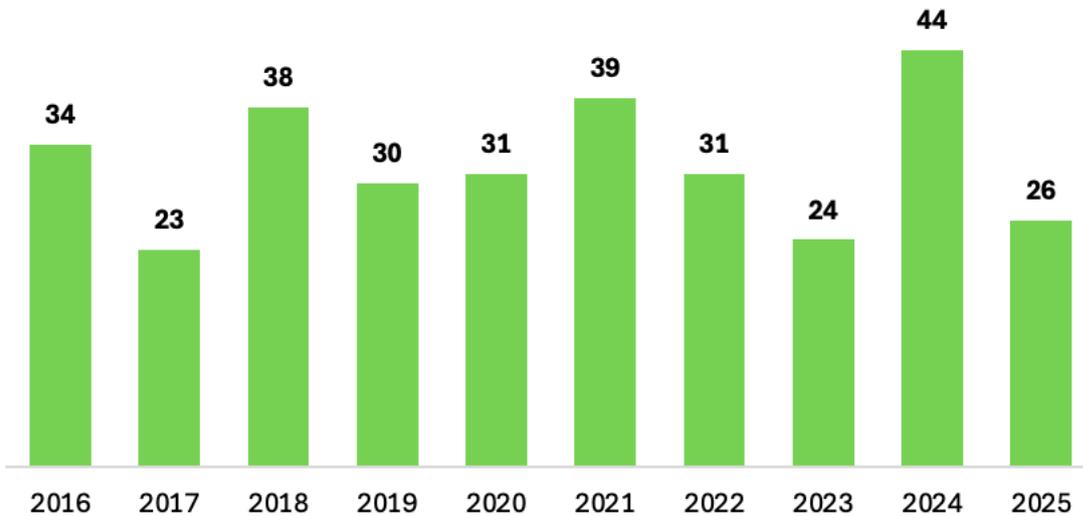
The Role of M&A

Acquisitions are a central component of Rollins' growth strategy. The company targets 2% to 3% annual revenue growth from M&A, complementing its organic expansion. Management approaches acquisitions through two distinct lanes: a steady cadence of smaller tuck in transactions and larger strategic deals that add new capabilities or expand geographic reach.

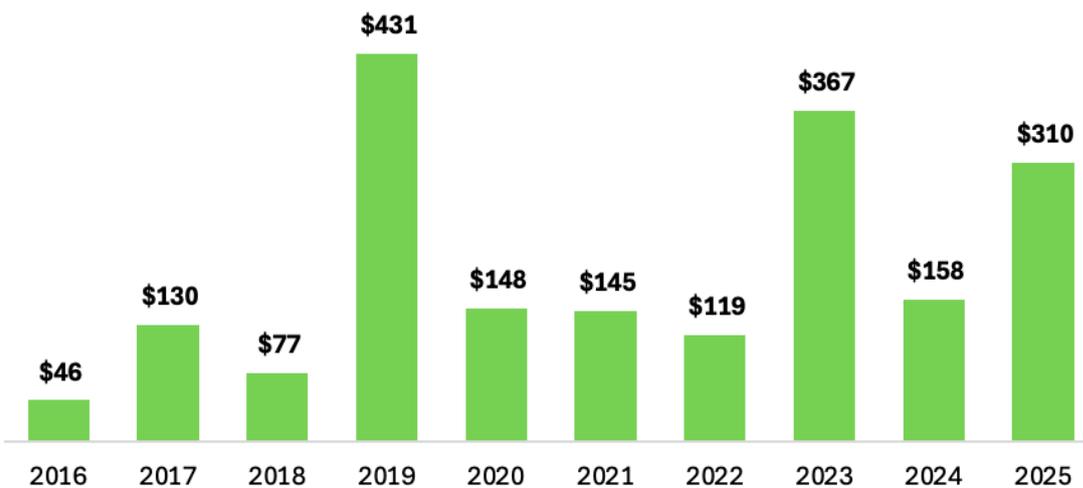
The core of the program is the ongoing purchase of small, local pest control operators. The primary rationale is to increase route density, as newly acquired customers can often be serviced by existing technicians without a proportional increase in fleet or labor costs. In many cases, acquired branches are folded into Rollins' existing infrastructure, enabling the company to eliminate redundant back office expenses while preserving the underlying customer relationships. Given the highly fragmented structure of the industry, the pipeline for these bolt on acquisitions remains deep and should support continued consolidation for years to come.

Beyond the operational and strategic rationale, these transactions also carry a clear financial benefit. Rollins trades at a materially higher public market multiple than the valuations typically seen in private market deals. While the company's shares trade at roughly 30x EV to EBITDA, it often acquires smaller operators at 5 to 7x EBITDA. This spread creates immediate value accretion for shareholders. As illustrated below, most of Rollins' transactions fall into this smaller bolt on category, reinforcing the repeatable nature of its acquisition strategy.

Rollins Number of Acquisitions



Cash Paid for Acquisitions (\$M)



In addition to its steady stream of smaller tuck in transactions, Rollins will at times pursue larger strategic acquisitions. These deals are intended to do more than simply increase route density. They allow the company to enter new verticals or acquire capabilities that would be difficult or time consuming to build internally. A clear example is the 2023 acquisition of Fox Pest Control. The \$350 million transaction established a scaled door to door sales platform, an area where Rollins previously had limited presence. Although the initial purchase price reflected a multiple of 13.4x EBITDA, the effective multiple declined to 9.7x within the first year as synergies were realized and the business continued to grow organically.

Another example is the 2019 acquisition of Clark Pest Control for \$361 million. Based in Central California, Clark was a leading regional operator that Rollins retained as an independent brand within its broader portfolio. Maintaining the Clark name preserved local brand equity while strengthening Rollins' position in the attractive California market. Given the fragmented nature

of the industry, we expect Rollins to continue generating 2% to 3% annual revenue growth from acquisitions on average. This will likely consist of frequent smaller transactions supplemented by occasional larger strategic deals. Should compelling platform opportunities emerge at reasonable valuations, inorganic growth could exceed management's long term 2% to 3% target.

Margin Expansion From Modernization Efforts

For more than 75 years, Rollins operated as a family led business and built a reputation as a high quality operator within a large, fragmented, and structurally growing market that has proven resilient through economic cycles. While the company's historical performance has been strong, we believe there remains meaningful opportunity for further improvement. After decades as a majority family owned enterprise, Rollins is now in the midst of a broader modernization effort aimed at aligning its structure and processes more closely with those of a best in class public company.

With Jerry Gahlhoff serving as CEO as the first leader from outside the Rollins family, alongside CFO Ken Krause, who has experience modernizing founder led organizations, we expect a sustained, multi year enhancement in the company's margin profile.

Rollins has begun executing a well established modernization framework with the addition of CFO Ken Krause, who has significant experience upgrading founder led organizations. Transitioning a business from family leadership to a more institutionally managed structure is not uncommon, and Krause has previously played a central role in a similar evolution. Before joining Rollins, he served as CFO at MSA Safety during a period of leadership transition.

Following the Great Financial Crisis, MSA appointed Krause as CFO in 2015, where he launched a broad operational improvement program centered on productivity, margin expansion, growth, and cash flow generation. By reinvesting in core operations while driving disciplined cost initiatives, MSA expanded EBIT margins by approximately 500 basis points between 2015 and 2022. Over that same period, earnings per share increased by 118%, resulting in total shareholder returns of 173% compared to 87% for the S&P 500.

Pricing Initiatives

Rollins' transformation is already in motion, with a series of growth, margin, and governance initiatives introduced under new leadership. Krause is applying a similar framework to the one he executed at MSA Safety. The company has rolled out a revised pricing strategy that shifts from historical 1 to 2% increases to a CPI plus approach. It has also completed its first restructuring in two decades, reallocating cost savings toward expanding the sales organization. In addition, Rollins divested a non core lawn care business and enhanced financial transparency by providing greater detail around SG&A and COGS, with a clear objective of driving margin improvement.

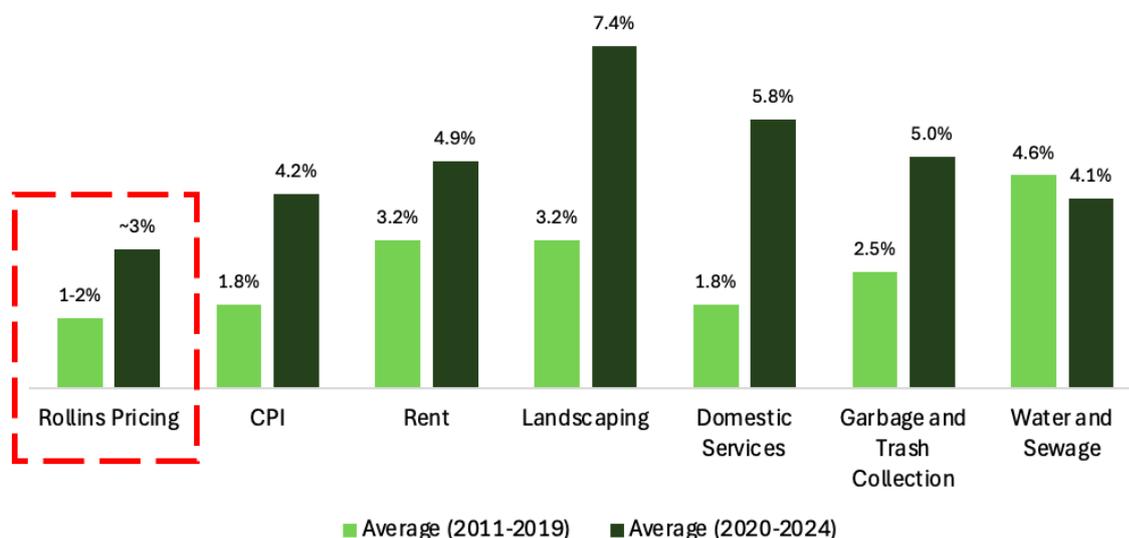
At MSA, Krause targeted incremental EBITDA margins in the 30% to 40% range. At Rollins, management is aiming for 30% to 35%. Following his appointment, the company redesigned its compensation framework to incorporate adjusted EBITDA margin expansion into annual

incentive metrics, directly tying a portion of executive pay to successful margin improvement. Other steps include building out a dedicated investor relations function, expanding revolver capacity and commercial paper abilities, transitioning from a special dividend to a traditional recurring dividend, declassifying the board, and securing an investment grade credit rating for the first time. The sale of approximately 15% of the family’s ownership stake has also increased the public float, improving the stock’s overall investability.

Margin expansion at Rollins is expected to be driven by a combination of more disciplined pricing and targeted cost initiatives. On the pricing front, the company has shifted to a CPI plus framework, generally targeting annual increases of 3% to 4%, to better reflect the value delivered through its service offering. We believe there remains meaningful pricing opportunity that could support margin expansion over the next several years.

From 2011 through 2019, Rollins’ historical price increases of 1% to 2% trailed those seen across comparable household services such as landscaping, domestic services, trash collection, and water and sewer utilities. That gap widened during the pandemic period. While industry structure may explain part of the difference, particularly in more consolidated sectors like waste, other fragmented industries such as landscaping and domestic services were still able to push through higher pricing. Given this backdrop, we believe Rollins has room to price above broader inflation levels in the coming years to offset past underpricing, with limited risk of elevated customer churn.

Avg. Annual Inflation of Household Services vs. Rollins Pricing



Cost Discipline Initiatives

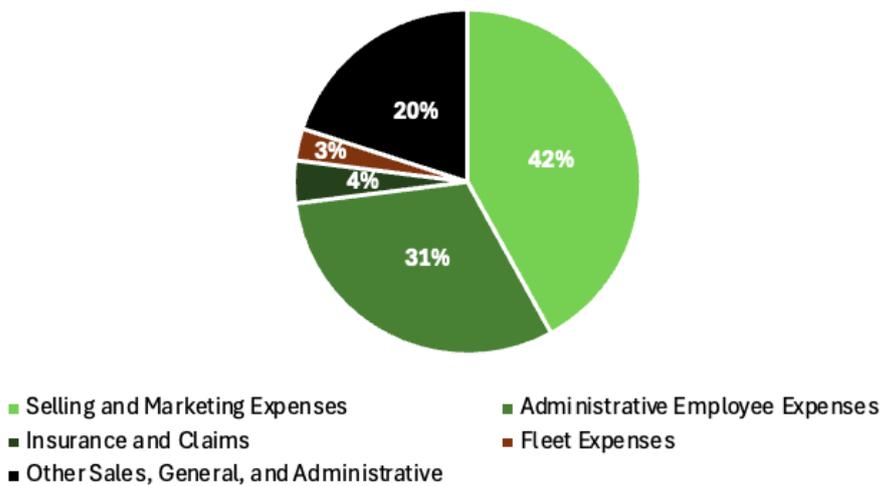
Beyond pricing, we expect cost discipline to serve as an additional lever for margin improvement at Rollins. At MSA, a central focus of Ken Krause’s strategy was reducing SG&A expenses. Through a series of productivity initiatives and structural cost actions, the company achieved a 230 basis point reduction in SG&A and lowered administrative costs by roughly 80 basis points per year on average. Overall, SG&A as a percentage of sales declined by approximately 570 basis points, from 27.9% to 22.2%.

While Rollins operates under a different margin structure than MSA, we anticipate Krause will apply a comparable framework centered on productivity gains and expense rationalization. Over time, similar cost initiatives could contribute meaningfully to margin expansion at Rollins.

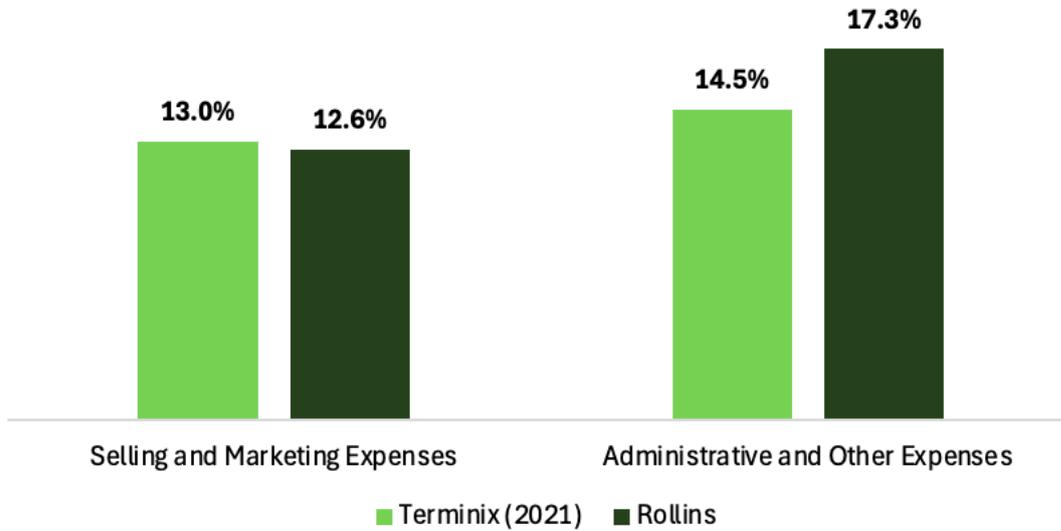
Since joining the company, Krause has expanded financial disclosure around SG&A and acknowledged that the current cost structure leaves room for improvement. SG&A stands at roughly 30.0% of sales, above other route based businesses such as Cintas at 27.2% and well above many industrial peers. Compared with its closest competitor Terminix, Rollins spends approximately 300 basis points more on administrative and related expenses, while both companies allocate a similar percentage of revenue to sales and marketing.

We view cost rationalization as a multi year process that should support steady EBIT margin expansion over time. The primary opportunity appears to reside at the corporate level, including finance, HR, IT, and legal functions, rather than at the branch level. Back office expenses account for roughly 18% to 20% of sales and represent a logical area for productivity gains and structural cost savings.

Rollins SG&A Breakdown (FY24)



SG&A Costs (Rollins vs. Terminix)



As outlined below, Rollins’ current compensation framework explicitly rewards adjusted EBITDA margin expansion, marking a shift from prior incentive structures. The company exited 2025 with EBITDA margins of 22.7%, well below the 26% threshold required to achieve the maximum payout under the plan. This structure creates a clear financial incentive for management to drive meaningful margin improvement.

We also view it positively that revenue growth remains a component of the incentive design. Including both revenue and margin targets reduces the risk that management pursues cost cutting in a way that undermines long term growth. By tying compensation to both top line expansion and profitability, the plan better aligns management’s objectives with shareholder value creation. Under the previous framework, incentives were weighted toward revenue growth alone, which may help explain why cost efficiency received less emphasis in earlier years.

Performance Component	Target Achievement Range	Max Payout (200% of Target)
3-Year Revenue CAGR	7.00% to 7.90%	10.00% of Higher
3-Year Avg. Adj. EBITDA Margin	23.00% to 23.90%	26.00% or Higher
3-Year Relative TSR	S&P 500 Benchmark	Top Quartile Performance

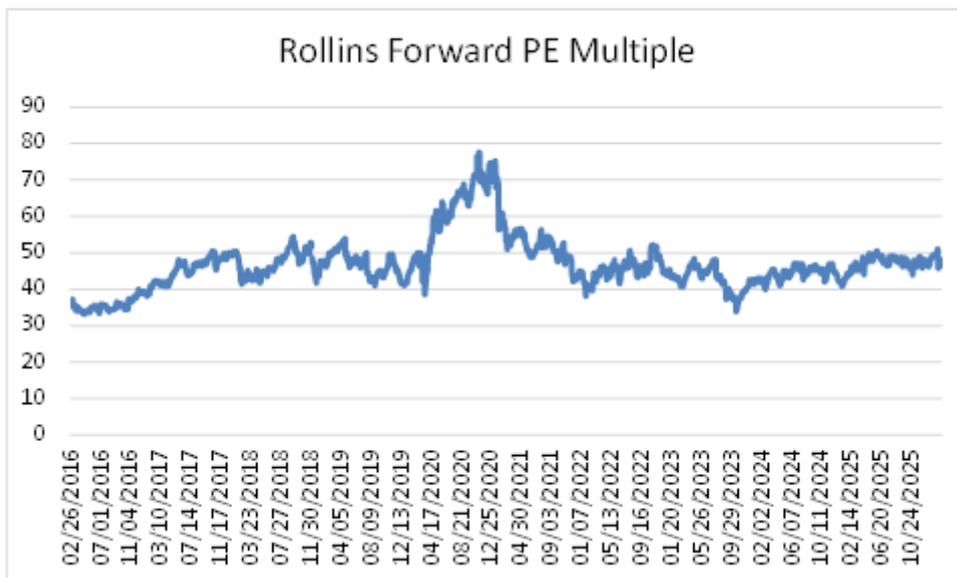
Valuation

Rollins shares currently trade at roughly 46x forward earnings, a clear premium to the broader equity market. On the surface, that valuation may appear demanding. In our view, however, the premium reflects the underlying quality, durability, and long term compounding characteristics of the business. Rollins represents a relatively rare combination of sustained growth and high returns on capital. Many companies can deliver one of those attributes, but few consistently achieve both. By pairing steady organic expansion with disciplined tuck in acquisitions, Rollins has grown revenue at high single digit to low double digit rates over time, with performance that

has generally held up well across economic cycles due to the recurring and essential nature of its services.

The company’s return on invested capital further strengthens the case. Rollins ranks among the top decile of S&P 500 constituents on this measure, supported by a capital light model in which annual capital expenditures represent less than 1% of revenue. Investors are effectively paying a premium for a business capable of compounding earnings at attractive incremental returns over a long horizon.

Another consideration is the limited risk of technological disruption. Many businesses with comparable growth and return profiles operate in technology driven industries where innovation can quickly alter competitive dynamics. Rollins, by contrast, operates in a service based industry supported by structural demand drivers that are unlikely to be displaced by software or automation. Its value proposition depends on physical service delivery, established local relationships, brand reputation, and regulatory compliance, attributes that are difficult to replicate digitally. This durability reduces business risk relative to many high growth peers and supports a sustained premium valuation. Taken together, Rollins’ steady organic growth, disciplined acquisition strategy, strong capital efficiency, and structural industry resilience underpin a high quality compounding profile. While the headline multiple appears elevated, we believe it is justified by the company’s long term earnings power and ability to generate attractive returns for shareholders.



Conclusion

In summary, Rollins combines a durable, recurring revenue model with multiple avenues for sustained growth. The Commercial segment continues to gain traction through high retention, enterprise scale, and targeted sales investments, while Termite & Ancillary services provide an additional lever to increase share of wallet and lift average ticket sizes. These organic drivers are complemented by a long runway for consolidation in a highly fragmented industry, where Rollins’ disciplined acquisition strategy and valuation advantage support consistent, accretive growth.

At the same time, the company is entering a new phase operationally. After decades as a family led organization, leadership has begun implementing a more structured, performance oriented framework focused on pricing discipline, cost efficiency, and capital allocation. With incentives now tied directly to margin expansion and clear benchmarks in place, we see a credible path toward meaningful EBITDA improvement over the next several years. The combination of pricing catch up and targeted SG&A rationalization should enhance an already attractive return profile.

While the stock trades at a premium multiple, we believe it reflects the quality and resilience of the underlying business. Rollins operates in an essential service category supported by favorable secular tailwinds, limited disruption risk, and strong recurring characteristics. When paired with disciplined capital deployment and a clear modernization agenda, these attributes create a high confidence compounding story. For long term investors, Rollins offers a rare blend of growth, durability, and capital efficiency that justifies continued conviction despite the headline valuation.

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