

Rollins Inc.: Choosing the Next Layer of Growth

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A growth system at a sequencing point

By late February 2024, Rollins had reported another year of growth across its pest-control businesses. The company operated through familiar brands such as Orkin and Fox Pest Control, serving residential and commercial customers with recurring pest, termite, and ancillary services. It described route density, technology, and a broad service footprint as advantages that could help manage costs and customer experience. Its public filings did not quantify the savings from route density or show results by branch or acquisition cohort. [P1]

Growth had come through more than one channel. Rollins said 2023 revenue reached \$3.1 billion, up 14.0% from 2022. It attributed 8.2% growth to organic revenue and 5.9% to acquisitions. During the year, Rollins bought Fox Pest Control for \$339.5 million and completed 23 additional acquisitions. It also described continued investment in hiring and in its sales and service teams. The disclosures provided evidence of activity across growth paths, but no comparison of their incremental costs, returns, or operational demands. [P1]

The company had also described its people and customers as part of its operating system. Management said effective sales and service staffing helped Rollins capitalize on demand, and highlighted strategic hiring, training, and tools. At December 31, the company reported 19,031 employees, up from 17,515 a year earlier. The filing warned that labor supply was limited and that shortages could reduce capacity or raise overtime and wage costs. It did not say that a specific staffing shortage had constrained 2023 growth. [P1]

Three routes to growth

For a classroom strategy discussion, assume the Rollins leadership team is considering how to sequence its next phase of growth. This is a hypothetical decision exercise: Rollins had not disclosed a formal choice among these paths, a fixed budget to divide, or an operating bottleneck.

One path is to continue acquiring pest-control businesses across the markets where Rollins operates. The company's 2023 activity showed that acquisitions were a meaningful part of its growth program. More acquired businesses could add local brands, customer relationships, and service routes. But public disclosures did not identify the locations of the 23 smaller deals, the integration work they required, or their subsequent customer retention and returns.

A second path is to favor targets or organic expansion in markets adjacent to existing operations. Rollins said route density can help manage variable costs and described routing and scheduling technology as part of its operating platform. A more concentrated footprint could support more efficient service routes. Yet no filing exhibit reports stops per route, miles driven, technician utilization, or the cost and service results of denser versus less-dense markets.

A third path is to emphasize organic staffing and service execution-hiring, training, customer retention, cross-selling, and the use of routing systems-before broadening geographic reach. The company reported organic revenue growth and management credited sales and service staffing for helping meet demand. However, organic revenue does not separate price changes from volume or mix, and companywide headcount does not reveal technician availability or productivity by branch. [P1]

The paths need not be mutually exclusive. The challenge is to set an order and define what evidence would justify changing it. A broad acquisition may increase coverage quickly; a dense adjacency may fit existing service operations; organic expansion may deepen customer relationships and operating capability. Each path also raises questions about recruiting, training, scheduling, retention, and customer experience.

What the reported results show-and leave open

Rollins reported measure	2023 result	Scope and source
Total revenue	\$3.1bn; +14.0%	Company-wide FY2023; P1, Item 7, printed pp. 24-25
Organic revenue growth	+8.2%	Company-defined measure; excludes revenue from acquisitions completed in the prior 12 months and divested businesses; P1, Item 7, printed pp. 25-26
Acquisition-related growth	+5.9%	Company-wide FY2023 attribution; P1, Item 7, printed p. 25
Residential service revenue	approximately +17%	Includes organic and acquisition-related growth; P1, Item 7, printed p. 25
Commercial service revenue	approximately +11%	Includes organic and acquisition-related growth; P1, Item 7, printed p. 25
Termite and ancillary service revenue	approximately +13%	Includes organic and acquisition-related growth; P1, Item 7, printed p. 25
Fox Pest Control acquisition	\$339.5m consideration; acquired Apr. 1	Fox contributed \$117.8m revenue and \$1.6m net earnings from Apr. 1 to Dec. 31; P1, Note 2, printed pp. 49-51
Other acquisitions	23 deals; \$76.7m aggregate preliminary consideration	P1, Note 2, printed p. 52
Employees	19,031 at Dec. 31, 2023; 17,515 in 2022	Company-wide; P1, Item 1, printed p. 6

The organic and acquisition growth figures are company-defined and rounded; they should not be treated as a precise additive decomposition of the 14.0% total growth. The service-line growth rates include both organic and acquired activity. Fox's reported contribution covers only the period after its April 1 acquisition, and Rollins cautioned that its illustrative pro forma data were not necessarily indicative of results that would have been achieved. None of these figures establishes a return on any acquisition or expansion path. [P1]

Rollins said that demand remained strong across its major services in 2023. In its February 2024 filing, it described healthy lead generation and demand at the start of the year, while noting that colder January weather negatively affected parts of the business. It also said it was managing prices proactively. These company statements offer context, but do not establish how demand, pricing, weather, or service mix affected each branch or customer cohort. [P1, P2]

The company identified competition on service quality and speed, customer proximity and satisfaction, brand reputation, guarantees, safety, technical proficiency, and price. It also described the industry as fragmented with low barriers to entry. Those conditions could support continuing acquisition opportunities, but also mean local operators compete for both customers and skilled workers. [P1]

The assignment

Prepare a recommendation for a hypothetical Rollins strategy discussion: how should the company sequence broad acquisitions, denser geographic adjacencies, and organic staffing/service investment over the next planning period? You may propose a blended sequence. State what evidence would cause you to accelerate, pause, or redirect each path. Identify the operating and customer measures needed to judge progress and explain what the public information does not establish.

Source key

- **P1:** Rollins, Inc., FY2023 Form 10-K, filed Feb. 15, 2024, SEC accession 0000084839-24-000025. Business/operating model and route-density claims: Item 1, printed pp. 2-7. Competition/labor risk: Item 1, printed p. 5 and Item 1A, printed pp. 12-18. FY2023 strategic update/results: Item 7, printed pp. 22-26. Fox and other acquisitions: Note 2, printed pp. 49-52.
- **P2:** Rollins, Inc., Feb. 14, 2024 Form 8-K, Item 2.02 and Exhibit 99.1, Q4 and FY2023 results release; accession 0000084839-24-000022.