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BUSINESS TO BUSINESS

Features

Glen Rollins

Orkin, Inc.'s President and COO leads the pest control giant with energy, enthusiasm and a little help from CEO and father Gary Rollins.

by Tom Barry



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Energy & Experience

Orkin, Inc. President and COO Glen Rollins is ready to lead Orkin to the pinnacle of pest control success under the watchful eye of his father, mentor and self-described “senior-statesman,” CEO Gary Rollins.

By Tom Barry

Glen Rollins, at 14, pictured here with grandparents O. Wayne and Grace Rollins.



Glen Rollins was only 14 years old when he took his first summer job in the family business. Back then, Rollins, Inc. — parent company of Orkin, Inc. — was in lawn care and security as well as pest control, and he worked a month in each of the three areas.

Pest control caught his fancy.

“Looking back, it was a fascinating way for a young person to learn about the world,” he says. “There you are, going into all these homes and businesses and seeing how people live and work. I took a liking to the Orkin people and to the company culture. I still find it a fascinating business. Even the bugs are kinda fun.”

Flash forward 24 years. In February, Rollins, now 38, was named president and COO of Orkin, the 103-year-old subsidiary that comprises almost all of Rollins, Inc. The company was co-founded

in 1948 by his grandfather, the late O. Wayne Rollins, a legendary name in Atlanta business.

Today Glen stands as heir apparent to his father, Rollins CEO Gary Rollins, who recently turned 60.

“I have no immediate plans to retire,” says the senior Rollins with a laugh. “But I’m getting to the point of working in a more executive capacity. It’s a good balance. Glen brings enthusiasm and a lot of energy to the task. As a so-called senior statesman, I bring experience. We complement each other.”

The relationship “is like a doubles tennis team,” says Glen. “We put a lot of trust in each other. There are some things he’s more inclined to do, and there are some things I’m more inclined to do.”

ON THE MOVE

However that parses out operationally, there’s little doubt Rollins,

Inc. is on the move. This past March, the company announced its largest acquisition since buying Orkin back in 1964: the \$110 million purchase of Parsippany, NJ-based Western Industries, parent company of Western Pest Services. The acquisition greatly expands Rollins’ presence in the heavily populated Northeast, adding 100,000 customers to Orkin’s 1.6 million base.

“A milestone purchase,” says Gary Rollins. “While we’ve been in that region for some time, it’s really one of the last frontiers for us. We didn’t have the same brand awareness and penetration that we do in many parts of the country. But now we’ve gained a great foothold in a very important market.”

Pest control is a highly fragmented \$6 billion industry nationally, and Rollins, which operates in all states but Alaska, is expected to make more acquisitions. Numerous

pest control companies were started after World War II, meaning that many aging owners are now looking to sell out and retire.

“At one point I counted about 40 second- and third-generation regional pest control companies with between \$10 million and \$100 million in annual revenue,” says Gary Rollins. “So, yes, we intend to make more acquisitions.

“It’s like catching a marlin, though,” he says. “Everyone wants to put the big fish up on the wall. But first you have to develop a relationship with the (selling) company. We started developing ours with Western five or six years ago. The wonderful thing about that deal was that no other buyers were involved. Western is a long-established business (1928) that decided to sell to us, and we were able to offer a fair price. We didn’t get into a bidding war.”

Rollins hopes his company (2003 revenue: \$677 million) eventually will overtake Terminix (\$945 million) as the nation’s largest pest control business, a title Orkin once held.

“The Western acquisition positioned us to have a shot at some great companies,” the CEO says. “We ended second quarter this year with \$27 million in cash, plus we have three or four banks that are anxious to lend us more money, due to our ability to service debt and the fact that we’re a leader in the industry.”

In a report released earlier this year, analysts for Craig-Hallum Capital Group in Minneapolis predicted accelerating revenue growth and a doubling of operating margins for Rollins over the next three to four years.

Contributing factors will include “strong household formation, urban sprawl and heightened

concerns regarding insect transmission of disease” — notably the well-publicized West Nile virus — as well as various management initiatives, the report states.

“I think our biggest opportunities lie in organic growth,” says Glen Rollins. “Homeowners are spending more money on their homes these days, and they’re also buying multiple homes.

“It used to be that people thought of us as like a towing service,” he says. “In other words, they’d call us when they had a problem. Now they’re making our service part of their everyday life. And we’re very focused on retaining our existing customers.”

Future acquisitions must be carefully considered, he says. “The pest control business generates a lot of cash. The trick is to do smart things with the cash and avoid doing stupid things. Companies like Western don’t come along all the time.”

THE APPRENTICE

Passing the baton — a process that has shipwrecked many a company — is going smoothly at Rollins, in large measure because of the extensive experience Glen has gained since graduating from Princeton University (economics) in 1988. He’s learned the business from the ground up, having held positions at virtually every level of the company.

“It’s not like Glen woke up one day and suddenly was made president and COO,” says Ken Stieren, assistant vice president of Orkin’s commercial division. “Over the years, Glen has been out there drilling for termites, inspecting crawl spaces, selling pest control services and running branches, regional offices and divisional offices.”

Stieren worked with Rollins in

Orkin’s northeast division several years ago. “His whole approach is to build long-term relationships with customers. Glen has an open-door policy, is hands-on and is very bright on many fronts.”

Bill Schwartz, senior vice president of Rockefeller & Co. in

“There you are, going into all these homes and businesses and seeing how people live and work. I took a liking to the Orkin people and to the company culture. I still find it a fascinating business. Even the bugs are kinda fun.”

Atlanta, is a family friend. For many years, he had business dealings with the Rollins family.

“I don’t know of any CEO skill that Glen lacks,” says Schwartz. “My view is that he’ll develop into one of Atlanta’s most compelling corporate leaders. Glen has leadership, sales and strategic-planning skills. He also has an in-depth knowledge of the busi-

ness, which is extremely important in that industry.

"In fact, who in Atlanta has such knowledge of a company?" asks Schwartz. "I can name only two: Bernie Marcus and Arthur Blank. When they started out at Home Depot, they swept the floors and opened the boxes too."

Schwartz adds that Rollins "isn't embarrassed to ask for advice."

"Over the years, Glen has been out there drilling for termites, inspecting crawl spaces, selling pest control services and running branches, regional offices and divisional offices."

"What's more impressive is that he often takes it and lets you know he appreciates it," Schwartz says.

ART OF THE DEAL

Western was a complex and intricate deal, says attorney Stuart Johnson, who headed the Rollins legal team on the acquisition, which landed the eighth-largest company in the pest control industry.

Extensive real estate was involved, plus the sellers insisted that a chemical distribution company they owned be sold along with the pest control operation. Upon buying the two companies, Rollins turned around and sold off the chemical business.

"Rollins is a pest control operator, not a chemical distribution company," says Johnson, a partner in the Atlanta law firm of Arnall Golden Gregory. "There was little interest in keeping that business."

Privacy was a major issue throughout the negotiations.

"Western was a closely held family company that had been around for a very long time," Johnson says. "It's one of the oldest pest control businesses in the country."

"But the owners had never done a deal like this before," he says. "They were worried that if it didn't go through and people found out about it, business would be affected. Everything had to be kept secret."

In turn, this complicated the due diligence process, including environmental testing on the properties involved, standard procedure when chemicals are in the mix, Johnson says. Western's benefit plans also had to be assessed.

"Certainly it's the most significant transaction we've ever done for Rollins," Johnson says. "We had two acquisitions and a sale going on at the same time, plus all that real estate. To get everything done, many different antennae had to be put out in a variety of directions."

OTTO THE RAT MAN

Orkin dates from 1901, when 14-year-old Otto Orkin borrowed 50 cents from his parents and started helping farmers battle rats around his hometown of Allentown, PA. The Latvian immigrant's weapon was commercial

arsenic laced with sugar. Not all of the Pennsylvania Dutch farmers were impressed.

"Who cares about rats?" one asked. "We have cats."

But Orkin persisted and built up a trade. Five years later, "Otto the Rat Man" took his savings and decamped to Richmond, VA. where he opened his first shop.

Why Richmond? "Rats go south," Orkin once said. Over time he came to develop chemical controls for other pests as well. In 1925, he moved the company to Atlanta, continuing the southward migration.

Orkin was a born marketer, a man who would have himself paged in train stations and airports just to get his name out. He was so thrifty that he'd walk on the grass instead of the sidewalk, to reduce wear on his shoes.

Rollins, Inc. had its roots in the broadcasting industry. Brothers Orville Wayne Rollins and John Rollins grew up in rural Catoosa County, near the Tennessee border in north Georgia.

Like Orkin, the brothers had ambitions well beyond their rural roots. By then already successful businessmen, the brothers incorporated Rollins Broadcasting, Inc. in Delaware in 1948, with each brother putting \$12,500 into the operation. From 1950 to 1963, the company purchased 10 radio stations and three television stations across the country. Outdoor advertising was another focus.

"If you wait until you're ready, you'll never do anything," was Wayne Rollins' motto.

An even bigger future beckoned in late 1963. After a messy family squabble, the Orkin company was put up for sale. Sensing its growth potential, Wayne Rollins jumped. At the time, Rollins Broadcasting had \$9.1 million in annual sales versus

\$37.3 million for Orkin, a mouse-swallowing-elephant ratio that took Wall Street by surprise.

The complex \$62.4 million deal, completed in 1964, was said to be the first leveraged buyout in the nation's history. Rollins put only \$10 million of his own capital into the deal.

Then again, O. Wayne Rollins' life was a testament to shrewd dealmaking and he seized upon opportunities others never saw. At the time of his death in 1991, at age 79, this farmer's son was ranked among the 100 richest Americans and was one of Georgia's greatest benefactors.

POSITIONED FOR GROWTH

Today Orkin is primed for further growth, having divested itself of ancillary businesses like lawn care and security in the 1990s to focus on pest control.

"For one thing, we have the best brand awareness in the industry," says Gary Rollins. "If you ask people to name a pest control company, 70 percent of them will say Orkin. It's a very powerful brand name."

Rollins sees particular opportunity in New England and California.

"New England is a fragmented market with a lot of wealth, and we're not as strong there as we'd like to be," Gary Rollins says. "California is one of the best markets in the country, with many people and many bugs. There are numerous \$30 million to \$50 million pest control companies in California, and we have relatively light penetration in that market."

All in all, 2003 was an eventful year for Orkin. In the commercial arena, it started Gold Medal Protection, a custom-designed pest-control service aimed at high-end users in the food manufactur-

ing and processing industries. Orkin also created a quality assurance program to ensure consistent service nationwide.

Residentially, Orkin introduced a new mosquito control program mainly in the northern U.S. and Canada, addressing concerns over the spread of the West Nile virus. While response has been erratic, the program has been hugely successful in some areas, including Atlanta.

The company also launched a new Intranet, boosting communications between the field and the home office and it expanded its state-of-the-art training center in Atlanta.

The original \$3 million facility — the idea of board chairman R. Randall Rollins (Gary's older brother) — had classrooms, a fully built-out 2,100-square-foot house and another partly built house for training technicians. Commercial facilities were added in a recently completed \$575,000 upgrade, including a hospital room, supermarket layout, motel room and warehouse space. Overall space has doubled to 27,000 square feet.

"It's the only facility like it in the industry," says Rollins spokesperson Martha Craft.

Glen Rollins notes the facility reflects the company's sharp focus on developing personnel. In 2003, *Training* magazine named Orkin one of the nation's Top 100 companies for training and employee development.

"People think of Orkin as a pest control business," he says. "Actually, it's a people business. We have an extraordinary group of people working here. They're the real assets of this company."

His grandfather's advice still rings in his ears.

"He always told me that company leaders are responsible for their people," Glen says. "If some-

thing goes wrong, maybe you didn't pick the right person or invest enough time in training. Maybe you managed that person the wrong way."

"People think of Orkin as a pest control business, actually it's a people business. We have an extraordinary group of people working here. They're the real assets of this company."

Among Rollins' biggest challenges in the years ahead, he says, will be hiring and retaining personnel, as baby boomers retire and qualified workers diminish in number. "If we have great people, we'll have great results," he says. "If we have below-average people, we'll have below-average results."

Orkin has not been without its struggles. In recent years, the company has battled a series of high-profile lawsuits arising from its termite control practices, including a class action lawsuit in Alabama. Plaintiffs are now seeking class action status in several other states

as well. The Florida attorney general's office is investigating Rollins over its termite control services.

The trial date in Alabama has been postponed while the parties try to reconcile differences. "We're optimistic that will happen," says Glen Rollins.

"If something goes wrong, maybe you didn't pick the right person or invest enough time in training. Maybe you managed that person the wrong way."

In 2003, a Florida couple received a \$3 million arbitration judgment against the company. An Alabama jury in 2000 awarded \$81 million to a family whose house eventually was destroyed by termites. The sum was reduced to \$2.3 million on appeal.

Lawsuits are not uncommon in the pest control industry, and while Rollins officials decline comment on the litigation, they point to their many customers by way of rebuttal.

"Out of our 1.7 million customers, far fewer than one percent ever file claims or complaints, and

only a very tiny handful go to litigation," says Craft. "What you don't hear about is the quiet satisfaction of all those other customers."

Says Glen Rollins, "Of that small percentage of claims, 98 percent of them are eventually resolved to the customer's satisfaction."

CHARITY AT HOME

Philanthropy, especially on the educational front, has long been a major mission of the Rollins family.

Altogether, Emory University has received more than \$30 million in gifts from the Rollins family, according to an Emory spokesperson. The family name graces the O. Wayne Rollins Research Center and the Grace Crum Rollins Building (home to the Rollins School of Public Health) at Emory.

Berry College, Young Harris College and Cumberland College also have been multi-million-dollar beneficiaries. Many college scholarships have been funded by Rollins largess.

In the wake of 9/11, the O. Wayne Rollins Foundation gave Emory \$4.2 million to establish the Center for Public Health Preparedness and Research. Its mission is to strengthen public health surveillance systems for detecting infectious disease outbreaks, including those caused by terrorism.

Another family foundation, the Gary W. and Ruth M. Rollins Foundation, donated \$1.3 million to create the Orkin Children's Zoo at Zoo Atlanta, which opened in 2002 and was recently expanded with the Australia-themed Outback Station.

The educational thrust also is seen in Rollins' 20-year alliance with the Smithsonian Institution in Washington, D.C., and in a

recently forged partnership with the National Science Teachers Association.

A GRANDFATHER'S WORDS

Glen Rollins has fond memories of his grandfather, who died in 1991. "He was a very important person in many respects, but he always took time out for me," he says.

Their roots, of course, were far different, and in a sense reflect the great distance this state has traveled over the past century. O. Wayne Rollins, born in 1912, grew up in hardscrabble Georgia, reaching manhood during the Depression. Grandson Glen went to Westminster and Princeton University.

"Sometimes I tell people I was born on third base," Glen says with a wry laugh. "Other times I say I won the ovarian lottery. I've never been under any illusions about it all."

But he admits to laboring under the burden of high expectations early in his career.

"I felt the scrutiny," he says. "I thought I had to be the first one at work and the last one to leave. Then in the early 1990s, I had this epiphany. I realized that I can't do everything, so I started to relax a little bit. And I've been fairly comfortable ever since."

Sometimes Glen recalls what his grandfather told him many years ago.

"Glen, nobody expected me to do anything, coming from where I did," O. Wayne Rollins said. "But they'll expect a lot from you. In many ways, I had it easier than you'll have it."

Says Glen today, "That was a very kind and insightful thing for a man to tell his grandson. And I'm very grateful he did." **BtoB**