SECURITIES AND EXCHANGE COMMISSION

FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: **1999-07-27** | Period of Report: **1999-06-30**
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FILER

ROLLINS TRUCK LEASING CORP

CIK:**84244**| IRS No.: **510074022** | State of Incorp.:**DE** | Fiscal Year End: **0930**
Type: **10-Q** | Act: **34** | File No.: **001-05728** | Film No.: **99670665**
SIC: **7510** Auto rental & leasing (no drivers)

Business Address
ONE ROLLINS PLAZA
2200 CONCORD PIKE
WILMINGTON DE 19803
3024262700

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 1999

OR

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

For the transition period from to

Commission file number 1-5728

ROLLINS TRUCK LEASING CORP.
(Exact name of registrant as specified in its charter)

DELAWARE	51-0074022
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

One Rollins Plaza, Wilmington, Delaware	19803
(Address of principal executive offices)	(Zip Code)

(302) 426-2700
(Registrant's telephone number, including area code)

(Former name of registrant)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Sections 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.

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Yes X No _____

The number of shares of the registrant's common stock outstanding as of June 30, 1999 was 57,367,114.

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

A. Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with the instructions to Form 10-Q and do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the quarter and nine months ended June 30, 1999 are not necessarily indicative of the results that may be expected for the year ended September 30, 1999. These statements should be read in conjunction with the financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended September 30, 1998.

B. Earnings Per Share

Pursuant to the provisions of Statement of Financial Accounting Standards No. 128, "Earnings Per Share," the number of weighted average shares used in computing basic and diluted earnings per share (EPS) are as follows (in thousands):

	Three Months Ended June 30,		Nine Months Ended June 30,	
	1999	1998	1999	1998
Basic EPS	57,403	59,676	57,998	60,782
Effect of assumed option exercises	482	834	548	832
Diluted EPS	57,885	60,510	58,546	61,614

No adjustments to net earnings available to common shareholders were required during the periods presented.

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ROLLINS TRUCK LEASING CORP.
CONSOLIDATED STATEMENT OF EARNINGS
($000 Omitted Except for Per Share Amounts)

	Quarter Ended June 30, 1999	Quarter Ended June 30, 1998	Nine Months Ended June 30, 1999	Nine Months Ended June 30, 1998
Revenues	$156,617	$155,215	$462,891	$449,287
Expenses:				
Operating	57,959	61,137	178,880	181,257
Depreciation	49,780	46,243	147,820	135,547
Gain on sale of property and equipment	(4,358)	(1,896)	(13,006)	(6,525)
Selling and administrative	14,111	13,985	41,765	40,769
	117,492	119,469	355,459	351,048
Operating earnings	39,125	35,746	107,432	98,239
Interest expense	14,103	13,176	41,128	38,237
Earnings before income taxes	25,022	22,570	66,304	60,002
Income taxes	9,866	8,724	25,925	23,323
Net earnings	$ 15,156	$ 13,846	$ 40,379	$ 36,679
Earnings per share				
- Basic	$ .26	$ .23	$ .70	$ .60
- Diluted	$ .26	$ .23	$ .69	$ .60
Average common shares outstanding (000)				
- Basic	57,403	59,676	57,998	60,782
- Diluted	57,885	60,510	58,546	61,614
Dividends paid per common share	$ .05	$ .04	$ .15	$ .113

ROLLINS TRUCK LEASING CORP.
CONSOLIDATED BALANCE SHEET
($000 Omitted)

June 30, September 30,

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ASSETS	1999	1998
Current assets		
Cash	$ 63,836	$ 27,015
Accounts receivable, net of allowance for doubtful accounts of: June-$2,405; September-$2,452	74,274	75,227
Inventories	7,653	7,394
Prepaid expenses	16,158	18,056
Deferred income taxes	7,034	7,034
Total current assets	168,955	134,726
Equipment on operating leases, at cost, net of accumulated depreciation of: June-$501,415; September-$477,380	978,337	924,887
Other property and equipment, at cost, net of accumulated depreciation of: June-$96,506; September-$87,734	222,008	219,343
Excess of cost over net assets of businesses acquired	11,561	11,816
Other assets	5,974	5,761
Total assets	$1,386,835	$1,296,533
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities (excluding equipment financing obligations)		
Accounts payable	$ 10,276	$ 12,246
Accrued liabilities	52,485	52,023
Income taxes payable	2,189	1,292
Total current liabilities	64,950	65,561
Equipment financing obligations	812,974	749,876
Other liabilities	14,498	14,144
Deferred income taxes	185,965	174,908
Commitments and contingent liabilities See Part II Legal Proceedings		
Shareholders' equity		
Common stock, $1 par value, 100,000,000 shares authorized; issued and outstanding: June-57,367,114; September-58,799,281	57,367	58,799
Additional paid-in capital	23	11
Retained earnings	251,058	233,234
Total shareholders' equity	308,448	292,044
Total liabilities and shareholders' equity	$1,386,835	$1,296,533

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ROLLINS TRUCK LEASING CORP.
CONSOLIDATED STATEMENT OF CASH FLOWS
($000 Omitted)

	Nine Months Ended June 30, 1999	Nine Months Ended June 30, 1998
Cash flows from operating activities:		
Net earnings	$ 40,379	$ 36,679
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	148,075	135,802
Net gain on sale of property and equipment	(13,006)	(6,525)
Changes in assets and liabilities:		
Accounts receivable	953	(261)
Accounts payable and accrued liabilities	(1,516)	(2,205)
Current and deferred income taxes	11,954	14,877
Other, net	1,780	1,268
Net cash provided by operating activities	188,619	179,635
Cash flows from investing activities:		
Purchase of property and equipment	(259,702)	(238,154)
Proceeds from sales of equipment	68,773	45,211
Net cash used in investing activities	(190,929)	(192,943)
Cash flows from financing activities:		
Proceeds of equipment financing obligations	175,004	88,171
Repayment of equipment financing obligations	(111,898)	(40,297)
Payment of dividends	(8,702)	(6,887)
Proceeds of stock options exercised	824	1,816
Common stock acquired and retired	(16,097)	(34,596)
Other	-	(93)
Net cash provided by financing activities	39,131	8,114
Net increase (decrease) in cash	36,821	(5,194)
Cash beginning of period	27,015	17,637
Cash end of period	$ 63,836	$ 12,443
Supplemental information:		
Interest paid	$ 30,722	$ 31,475
Income taxes paid	$ 13,971	$ 8,446

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Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Results of Operations: Nine Months Ended June 30, 1999 vs. Nine Months Ended June 30, 1998

Revenues for the nine months ended June 30, 1999 increased by $13,604,000 (3.0%) to $462,891,000 compared with $449,287,000 for the same period last year. Full-service lease, guaranteed maintenance and commercial rental revenues all improved over the same period last year. Logistics and dedicated revenues declined by 9.0% due to the loss of two large accounts at the end of the last fiscal year and higher than normal customer turnover during the current fiscal year.

Operating expenses decreased by $2,377,000 (1.3%). The decrease resulted in large part from the Company's completion of its underground storage tank replacement program by the end of calendar 1998. Increased vehicle license and tax expenses and insurance costs were offset by a reduction in driver payroll and fuel costs associated with the decline in logistics and dedicated revenues. Operating expenses as a percentage of revenues were 38.6% and 40.3% in 1999 and 1998, respectively.

Depreciation expense increased by $12,273,000 (9.1%) due to the increased investment in equipment on operating leases, as well as the commercial rental fleet and related transportation service facilities. The increased investment in revenue-producing equipment and related service facilities continued to reflect the increased level of business.

Gain on the sale of property and equipment increased by $6,481,000 (99.3%) principally due to higher average selling prices realized on transportation equipment and an increase in the number of units sold.

Selling and administrative expenses increased by $996,000 (2.4%) to $41,765,000 during the current fiscal year from $40,769,000 last year and reflected the increase in revenue. Increased salaries, wages and related benefits and office expenses were offset in large part by reductions in advertising and insurance costs. As a percent of revenues, selling and administrative expenses decreased to 9.0% in 1999 from 9.1% in 1998.

Interest expense increased by $2,891,000 (7.6%) due to the increased level of borrowings when compared with the same period last year. Interest rates decreased slightly when compared with the prior year.

The effective income tax rate for the first nine months of 1999 and

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1998 was 39.1% and 38.9%, respectively.

Net earnings increased by $3,700,000 (10.1%) to $40,379,000 or $.69 per diluted share from $36,679,000 or $.60 per diluted share in fiscal 1998. The increased net earnings resulted from the higher revenues and the increased gain on the sale of property and equipment. The net earnings increase was offset in part by the incremental costs associated with such revenues.

Results of Operations: Quarter Ended June 30, 1999 vs. Quarter Ended June 30, 1998

Revenues for the quarter ended June 30, 1999 increased by $1,402,000 (.9%) to $156,617,000 compared with $155,215,000 reported for the third fiscal quarter last year. Full-service lease revenues increased by 6.1% while commercial rental revenues increased by 5.8%. Logistics and dedicated revenues decreased by 15.8% in the third fiscal quarter principally due to the loss of two large accounts late in fiscal 1998 and higher than normal customer turnover in the current year. Overall revenue growth continued to be negatively affected during the third fiscal quarter by higher than normal customer turnover and the industry-wide delays experienced in receiving transportation equipment from manufacturers.

Operating expenses decreased by $3,178,000 (5.2%) to $57,959,000 during the third fiscal quarter from $61,137,000 last year. Broad-based expense increases which reflected the Company's modest revenue increase were more than offset by a reduced level of operating expenses associated with the lower level of logistics and dedicated business discussed previously. Operating expenses as a percentage of revenues decreased to 37.0% in 1999 from 39.4% in 1998.

Depreciation expense increased by $3,537,000 (7.6%) due to the increased investment in equipment on operating leases and related transportation service facilities. As a percent of revenues, depreciation expense increased to 31.8% in 1999 from 29.8% in 1998.

Gain on the sale of property and equipment increased by $2,462,000 (129.9%) principally due to an increase in the number of units sold and the realization of larger per unit gains which resulted from lower net carrying values per unit.

Selling and administrative expenses remained essentially flat during the third fiscal quarter and as a percent of revenues were 9.0% in both 1999 and 1998.

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Interest expense increased by $927,000 (7.0%) due to the increased level of borrowings compared with the same period last year.

The effective income tax rates for the third fiscal quarter of 1999 and 1998 were 39.4% and 38.7%, respectively.

Operating earnings increased by $3,379,000 (9.5%) to $39,125,000 compared with $35,746,000 reported for the third fiscal quarter last year. Tight operating controls and additional productivity programs enabled the Company to increase its operating margin by almost 2.0% during the quarter. Net earnings increased by $1,310,000 (9.5%) to $15,156,000 or $.26 per diluted share from $13,846,000 or $.23 per diluted share in fiscal 1998.

Liquidity and Capital Resources

Cash flows from operating activities of $188,619,000 were generated principally from net earnings of $40,379,000 and the noncash depreciation and amortization totaling $148,075,000. The net cash provided by operating activities plus the proceeds of equipment financing obligations of $175,004,000 and cash proceeds received from the sale of equipment of $68,773,000 were used to purchase property and equipment for $259,702,000, reduce equipment financing obligations by $111,898,000, repurchase and

retire common stock for $16,097,000, pay dividends of $8,702,000 and to temporarily increase cash balances.

The Company's principal subsidiary, Rollins Leasing Corp., has a $100,000,000 revolving credit facility all of which was available at June 30, 1999. This credit facility requires the maintenance of specified financial ratios and restricts payments to the Company.

On April 5, 1999, the Company sold $100,000,000 of its 6.75% Collateral Trust Debentures, Series T, due April 5, 2006. At June 30, 1999, the Company could sell an additional $55,000,000 of Collateral Trust Debentures under its current shelf registration statement. Based on its access to the debt markets and relationships with current lending institutions and others who have expressed an interest in providing financing, the Company expects to be able to obtain financing for its equipment and facility purchases at market rates and under satisfactory terms and conditions. Covenants in the Company's outstanding Collateral Trust Debentures restrict the Company's dividend payments to consolidated net earnings subsequent to September 30, 1984 subject to certain adjustments.

Otherwise, there have been no material changes in the Company's financial condition and its liquidity and capital resources since September 30, 1998. For further details, see the Company's 1998 Annual Report on Form 10-K for the year ended September 30, 1998.

Year 2000 ("Y2K") Readiness Disclosure

The Company is aware of the issues related to the approach of the year 2000 and continued its program to ensure that critical systems and

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equipment will function appropriately after the turn of the century.

By June 30, 1999, essentially all host-based coding and testing was completed. Additionally, with regard to the remediated systems, full production implementation was completed.

As part of the Company's remediation efforts, the field data collection systems were rewritten. Essentially all of this effort was completed by June 30, 1999.

With the exception of remediation and implementation consequences not known to the Company at this time, the Company believes that all systems should be fully implemented by October 31, 1999.

While it is not possible for the Company to predict all future outcomes and eventualities, the Company is not aware, at this time, of any Y2K non-compliant situations with regard to any of its purchased software or its use of suppliers and outside service providers which would have a material adverse effect upon the Company.

The Company estimates that it will spend approximately $2,000,000, of which approximately $1,700,000 has been expended through June 30, 1999, to fully implement its Y2K compliance program. All Y2K costs have been and will continue to be funded from operations.

Forward-Looking Statements

The Company may make forward-looking statements relating to anticipated financial performance, business prospects, acquisitions or divestitures, new products, market forces, commitments and other matters. The Private Securities Litigation Reform Act of 1995 provides a safe harbor for forward-looking statements. In order to comply with the terms of the safe harbor, the Company notes that a variety of factors could cause the Company's actual results and experience to differ materially from the anticipated results or other expectations expressed in the Company's forward-looking statements. Forward-looking statements typically contain words such as "anticipates", "believes", "estimates", "expects", "forecasts", "predicts", or "projects", or variations of these words, suggesting that future outcomes are uncertain.

Various risks and uncertainties may affect the operations, performance, development and results of the Company's business and could cause future outcomes to differ materially from those set forth in forward-looking statements, including the following factors: general economic conditions, competitive factors and pricing pressures, shift in market demand, the performance and needs of industries served by the Company, equipment utilization, management's success in developing and introducing new

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services and lines of business, potential increases in labor costs, potential increases in equipment, maintenance and fuel costs, uncertainties of litigation, the Company's ability to finance its future business requirements through outside sources or internally generated funds, the availability of adequate levels of insurance, success or timing of completion of ongoing or anticipated capital or maintenance projects, management retention and development, changes in Federal, State and local laws and regulations, including environmental regulations, as well as the risks, uncertainties and other factors described from time to time in the Company's SEC filings and reports.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

There are no material legal proceedings to which the Company or any of its subsidiaries is a party. Certain subsidiaries of the Company are involved in ordinary routine litigation incidental to the operation of its business.

Item 2. Changes in Securities

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Submission of Matters to a Vote of Security Holders

None.

Item 5. Other Information

None.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

Exhibit 4(a) Instrument defining rights of security holders. Nineteenth Supplemental Indenture dated as of April 5, 1999 to the Collateral Trust Indenture dated as of March 21, 1983, as supplemented and amended by a Third Supplemental Indenture thereto dated as of February 20, 1986, the Eighth Supplemental Indenture dated as of May 15, 1990 and the Seventeenth Supplemental Indenture dated as of March 10, 1997, between the Registrant and First Union National Bank, as Trustee, as filed with the Company's current report on Form 8-K dated April 5, 1999, is incorporated herein by reference.

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Exhibit 4(b) Instrument defining rights of security holders.
Rollins Truck Leasing Corp. Rights Agreement dated as of June 1, 1999 as filed as an Exhibit to Registration Statement on Form 8-A filed by the Company on June 30, 1999 is incorporated herein by reference.

Exhibit 27 - Financial Data Schedule

(b) Reports on Form 8-K
On April 5, 1999, a report on Form 8-K was filed in connection with the sale of $100,000,000 of the Company's 6.75% Collateral Trust Debentures, Series T, due April 5, 2006, which were sold through Merrill Lynch, Pierce, Fenner & Smith Incorporated, sole underwriter under the terms of an Underwriting Agreement which was filed as an Exhibit to the Form 8-K and pursuant to Registration Statement No. 333-21835 filed with the Securities and Exchange Commission on February 14, 1997 and which became effective on February 18, 1997.

SIGNATURES

Pursuant to the requirements 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.

DATE: July 27, 1999

Rollins Truck Leasing Corp.
(Registrant)

/s/ John W. Rollins, Jr.
John W. Rollins, Jr.
President and Chief Operating Officer

/s/ Patrick J. Bagley
Patrick J. Bagley
Vice President-Finance and Treasurer
Chief Financial Officer
Chief Accounting Officer

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