

CLEAN HARBORS INC
Form 10-Q
August 03, 2016
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UNITED STATES OF AMERICA
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

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

FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2016
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 001-34223

CLEAN HARBORS, INC.

(Exact name of registrant as specified in its charter)

Massachusetts

04-2997780

(State or Other Jurisdiction of Incorporation or Organization)

(IRS Employer Identification No.)

42 Longwater Drive, Norwell, MA

02061-9149

(Address of Principal Executive Offices)

(Zip Code)

(781) 792-5000

(Registrant's Telephone Number, Including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

(Do not check if a smaller reporting company)

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Indicate by check mark whether the registrant is a shell company (as defined by Rule 12b-2 of the Exchange Act). Yes No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Common Stock, \$.01 par value	57,495,468
(Class)	(Outstanding as of July 29, 2016)

CLEAN HARBORS, INC.

QUARTERLY REPORT ON FORM 10-Q

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CLEAN HARBORS, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(in thousands)

	June 30, 2016	December 31, 2015
	(unaudited)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$352,923	\$ 184,708
Accounts receivable, net of allowances aggregating \$28,436 and \$31,426, respectively	503,749	496,004
Unbilled accounts receivable	29,119	25,940
Deferred costs	21,261	18,758
Inventories and supplies	162,404	149,521
Prepaid expenses and other current assets	49,678	46,265
Total current assets	1,119,134	921,196
Property, plant and equipment, net	1,594,987	1,532,467
Other assets:		
Deferred financing costs	1,412	1,847
Goodwill	461,491	453,105
Permits and other intangibles, net	492,224	506,818
Other	23,133	15,995
Total other assets	978,260	977,765
Total assets	\$3,692,381	\$ 3,431,428
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$222,302	\$ 241,183
Deferred revenue	70,263	61,882
Accrued expenses	203,813	193,660
Current portion of closure, post-closure and remedial liabilities	24,043	20,395
Total current liabilities	520,421	517,120
Other liabilities:		
Closure and post-closure liabilities, less current portion of \$8,043 and \$7,229, respectively	51,143	49,020
Remedial liabilities, less current portion of \$16,000 and \$13,166, respectively	114,291	118,826
Long-term obligations	1,631,881	1,382,543
Deferred taxes, unrecognized tax benefits and other long-term liabilities	258,302	267,637
Total other liabilities	2,055,617	1,818,026
Commitments and contingent liabilities (See Note 14)		
Stockholders' equity:		
Common stock, \$.01 par value:		
Authorized 80,000,000; shares issued and outstanding 57,495,095 and 57,593,201 shares, respectively	575	576
Shares held under employee participation plan	(469) (469
Additional paid-in capital	730,709	738,401
Accumulated other comprehensive loss	(210,233) (254,892

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Accumulated earnings	595,761	612,666
Total stockholders' equity	1,116,343	1,096,282
Total liabilities and stockholders' equity	\$3,692,381	\$ 3,431,428

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

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CLEAN HARBORS, INC. AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands except per share amounts)

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2016	2015	2016	2015
Revenues:				
Service revenues	\$584,562	\$801,347	\$1,114,793	\$1,397,677
Product revenues	112,948	134,881	218,800	271,050
Total revenues	697,510	936,228	1,333,593	1,668,727
Cost of revenues (exclusive of items shown separately below)				
Service revenues	388,684	544,870	762,670	961,260
Product revenues	91,318	107,818	181,611	237,935
Total cost of revenues	480,002	652,688	944,281	1,199,195
Selling, general and administrative expenses	107,063	120,418	211,547	228,133
Accretion of environmental liabilities	2,548	2,599	5,053	5,218
Depreciation and amortization	73,393	67,773	142,295	136,129
Goodwill impairment charge	—	31,992	—	31,992
Income from operations	34,504	60,758	30,417	68,060
Other expense	(189)	(660)	(539)	(251)
Interest expense, net of interest income of \$225, \$188, \$375 and \$339, respectively	(21,647)	(19,249)	(40,627)	(38,687)
Income (loss) before provision for income taxes	12,668	40,849	(10,749)	29,122
Provision for income taxes	8,702	30,454	6,156	25,816
Net income (loss)	\$3,966	\$10,395	\$(16,905)	\$3,306
Earnings (loss) per share:				
Basic	\$0.07	\$0.18	\$(0.29)	\$0.06
Diluted	\$0.07	\$0.18	\$(0.29)	\$0.06
Shares used to compute earnings (loss) per share - Basic	57,549	58,590	57,599	58,732
Shares used to compute earnings (loss) per share - Diluted	57,678	58,710	57,599	58,832

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

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CLEAN HARBORS, INC. AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(in thousands)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Net income (loss)	\$3,966	\$10,395	\$(16,905)	\$3,306
Other comprehensive (loss) income:				
Foreign currency translation adjustments	(1,178)	12,231	44,659	(65,172)
Other comprehensive (loss) income	(1,178)	12,231	44,659	(65,172)
Comprehensive income (loss)	\$2,788	\$22,626	\$27,754	\$(61,866)

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

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CLEAN HARBORS, INC. AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)

	Six Months Ended	
	June 30,	
	2016	2015
Cash flows from operating activities:		
Net (loss) income	\$(16,905)	\$3,306
Adjustments to reconcile net income to net cash from operating activities:		
Depreciation and amortization	142,295	136,129
Goodwill impairment charge	—	31,992
Allowance for doubtful accounts	3,228	4,536
Amortization of deferred financing costs and debt discount	1,772	1,639
Accretion of environmental liabilities	5,053	5,218
Changes in environmental liability estimates	(315)	887
Deferred income taxes	(6,521)	(908)
Stock-based compensation	4,739	6,146
Excess tax benefit of stock-based compensation	(2)	(102)
Net tax deficiency on stock based awards	(603)	(72)
Other expense	1,049	251
Environmental expenditures	(6,454)	(11,532)
Changes in assets and liabilities, net of acquisitions		
Accounts receivable and unbilled accounts receivable	993	(133,031)
Inventories and supplies	(1,113)	17,694
Other current assets	(4,789)	(816)
Accounts payable	(8,397)	108,639
Other current and long-term liabilities	6,021	23,839
Net cash from operating activities	120,051	193,815
Cash flows used in investing activities:		
Additions to property, plant and equipment	(123,529)	(124,145)
Proceeds from sales of fixed assets	2,668	2,646
Acquisitions, net of cash acquired	(58,989)	(79,610)
Additions to intangible assets, including costs to obtain or renew permits	(973)	(3,088)
Purchases of available-for-sale securities	(598)	—
Net cash used in investing activities	(181,421)	(204,197)
Cash flows from (used in) financing activities:		
Change in uncashed checks	(11,022)	(22,160)
Proceeds from exercise of stock options	184	397
Issuance of restricted shares, net of shares remitted	(1,879)	(1,837)
Repurchases of common stock	(10,134)	(32,203)
Deferred financing costs paid	(2,614)	—
Payments on capital leases	—	(471)
Excess tax benefit of stock-based compensation	2	102
Issuance of senior secured notes, including premium	250,625	—
Net cash from (used in) financing activities	225,162	(56,172)
Effect of exchange rate change on cash	4,423	(6,704)
Increase (decrease) in cash and cash equivalents	168,215	(73,258)

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Cash and cash equivalents, beginning of period	184,708	246,879
Cash and cash equivalents, end of period	\$352,923	\$173,621
Supplemental information:		
Cash payments for interest and income taxes:		
Interest paid	\$44,275	\$37,411
Income taxes paid	23,872	3,068
Non-cash investing and financing activities:		