

SERVICEMASTER CO  
Form 10-Q  
May 15, 2013  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

WASHINGTON, D.C. 20549

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**FORM 10-Q**

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

**For the quarterly period ended March 31, 2013**

**or**

**o 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 1-14762**

## THE SERVICEMASTER COMPANY

(Exact name of registrant as specified in its charter)

**Delaware**

(State or other jurisdiction of  
incorporation or organization)

**36-3858106**

(IRS Employer Identification No.)

**860 Ridge Lake Boulevard, Memphis, Tennessee 38120**

(Address of principal executive offices) (Zip Code)

**901-597-1400**

(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 definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☐

Accelerated filer ☐

Non-accelerated filer ☒  
(Do not check if a smaller reporting company)

Smaller reporting company ☐

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

The registrant is a privately held corporation and its equity shares are not publicly traded. At May 15, 2013, 1,000 shares of the registrant's common stock were outstanding, all of which were owned by CDRSVM Holding, Inc.



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**PART I. FINANCIAL INFORMATION**

**ITEM 1. FINANCIAL STATEMENTS**

**THE SERVICEMASTER COMPANY**

**Condensed Consolidated Statements of Operations and Comprehensive Loss (Unaudited)**

*(In thousands)*

|  | <b>Three months ended<br/>March 31,</b> |             |
|--|---|-------------|
|  | <b>2013</b>                             | <b>2012</b> |
| Operating Revenue                                      | \$ 608,107                              | \$ 654,689  |
| Operating Costs and Expenses:                          |   |             |
| Cost of services rendered and products sold            | 373,175                                 | 386,588     |
| Selling and administrative expenses                    | 197,583                                 | 191,370     |
| Amortization expense                                   | 13,935                                  | 17,989      |
| Restructuring charges                                  | 3,277                                   | 3,990       |
| Total operating costs and expenses                     | 587,970                                 | 599,937     |
| Operating Income                                       | 20,137                                  | 54,752      |
| Non-operating Expense (Income):                        |   |             |
| Interest expense                                       | 60,235                                  | 64,814      |
| Interest and net investment income                     | (2,419)                                 | (2,642)     |
| Loss on extinguishment of debt                         |   | 39,193      |
| Other expense  | 146                                     | 174         |
| Loss from Continuing Operations before Income Taxes    | (37,825)                                | (46,787)    |
| Benefit for income taxes                               | (14,935)                                | (17,681)    |
| Equity in losses of joint venture                      | (54)                                    |             |
| Loss from Continuing Operations                        | (22,944)                                | (29,106)    |
| Loss from discontinued operations, net of income taxes | (165)                                   | (924)       |
| Net Loss   | \$ (23,109)                             | \$ (30,030) |
| Total Comprehensive Loss                               | \$ (20,277)                             | \$ (22,778) |

*See accompanying Notes to the Condensed Consolidated Financial Statements*

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|   | As of<br>March 31, 2013 | As of<br>December 31, 2012 |
|---|-------------------------|----------------------------|
| <b>Assets:</b>  |                         |                            |
| <b>Current Assets:</b>  |                         |                            |
| Cash and cash equivalents   | \$ 353,896              | \$ 422,745                 |
| Marketable securities   | 28,415                  | 19,347                     |
| Receivables, less allowances of \$21,803 and \$21,347, respectively         | 394,689                 | 403,705                    |
| Inventories   | 64,916                  | 56,562                     |
| Prepaid expenses and other assets   | 96,949                  | 37,344                     |
| Deferred customer acquisition costs   | 47,171                  | 33,921                     |
| Deferred taxes  | 109,937                 | 107,499                    |
| Total Current Assets  | 1,095,973               | 1,081,123                  |
| <b>Property and Equipment:</b>  |                         |                            |
| At cost   | 660,544                 | 633,582                    |
| Less: accumulated depreciation  | (314,506)               | (293,534)                  |
| Net Property and Equipment  | 346,038                 | 340,048                    |
| <b>Other Assets:</b>  |                         |                            |
| Goodwill  | 2,415,962               | 2,412,251                  |
| Intangible assets, primarily trade names, service marks and trademarks, net | 2,360,918               | 2,373,469                  |
| Notes receivable  | 22,566                  | 22,419                     |
| Long-term marketable securities   | 127,614                 | 126,456                    |
| Other assets  | 8,448                   | 10,197                     |
| Debt issuance costs   | 47,686                  | 44,951                     |
| Total Assets  | \$ 6,425,205            | \$ 6,410,914               |
| <b>Liabilities and Shareholder's Equity:</b>                                |                         |                            |
| <b>Current Liabilities:</b>   |                         |                            |
| Accounts payable  | \$ 112,390              | \$ 86,710                  |
| <b>Accrued liabilities:</b>   |                         |                            |
| Payroll and related expenses  | 71,180                  | 78,188                     |
| Self-insured claims and related expenses                                    | 75,728                  |                            |