

CLEAN HARBORS INC
Form 10-Q
August 05, 2015
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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, 2015
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 (Class)	58,429,608 (Outstanding as of July 31, 2015)
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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, 2015	December 31,
	(unaudited)	2014
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 173,621	\$ 246,879
Accounts receivable, net of allowances aggregating \$32,207 and \$25,661, respectively	684,875	557,131
Unbilled accounts receivable	37,095	40,775
Deferred costs	19,575	19,018
Inventories and supplies	149,861	168,663
Prepaid expenses and other current assets	60,880	57,435
Deferred tax assets	37,410	36,532
Total current assets	1,163,317	1,126,433
Property, plant and equipment, net	1,562,254	1,558,834
Other assets:		
Deferred financing costs	15,941	17,580
Goodwill	452,858	452,669
Permits and other intangibles, net	534,621	530,080
Other	17,646	18,682
Total other assets	1,021,066	1,019,011
Total assets	\$ 3,746,637	\$ 3,704,278
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current portion of capital lease obligations	\$ 45	\$ 536
Accounts payable	365,088	267,329
Deferred revenue	64,642	62,966
Accrued expenses	241,098	219,549
Current portion of closure, post-closure and remedial liabilities	26,321	22,091
Total current liabilities	697,194	572,471
Other liabilities:		
Closure and post-closure liabilities, less current portion of \$7,693 and \$4,999, respectively	44,153	45,702
Remedial liabilities, less current portion of \$18,628 and \$17,092, respectively	130,149	138,029
Long-term obligations	1,395,000	1,395,000
Deferred taxes, unrecognized tax benefits and other long-term liabilities	306,705	290,205
Total other liabilities	1,876,007	1,868,936
Commitments and contingent liabilities (See Note 15)		
Stockholders' equity:		
Common stock, \$.01 par value:		
Authorized 80,000,000; shares issued and outstanding 58,428,068 and 58,903,482	584	589

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shares, respectively

Shares held under employee participation plan	(469) (469)
Additional paid-in capital	777,465	805,029	
Accumulated other comprehensive loss	(176,014	) (110,842)
Accumulated earnings	571,870	568,564	
Total stockholders' equity	1,173,436	1,262,871	
Total liabilities and stockholders' equity	\$3,746,637	\$3,704,278	

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 INCOME

(in thousands except per share amounts)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Revenues:				
Service revenues	\$801,347	\$665,275	\$1,397,677	\$1,325,370
Product revenues	134,881	193,205	271,050	379,777
Total revenues	936,228	858,480	1,668,727	1,705,147
Cost of revenues (exclusive of items shown separately below)				
Service revenues	544,870	445,757	961,260	912,556
Product revenues	107,818	161,193	237,935	320,113
Total cost of revenues	652,688	606,950	1,199,195	1,232,669
Selling, general and administrative expenses	120,418	115,731	228,133	234,693
Accretion of environmental liabilities	2,599	2,609	5,218	5,333
Depreciation and amortization	67,773	66,075	136,129	135,431
Goodwill impairment charge	31,992	—	31,992	—
Income from operations	60,758	67,115	68,060	97,021
Other (expense) income	(660)	) (655)	) (251)	) 3,523
Interest expense, net of interest income of \$188, \$211, \$339 and \$416, respectively	(19,249)	) (19,382)	) (38,687)	) (38,936)
Income before provision for income taxes	40,849	47,078	29,122	61,608
Provision for income taxes	30,454	18,406	25,816	23,976
Net income	\$10,395	\$28,672	\$3,306	\$37,632
Earnings per share:				
Basic	\$0.18	\$0.47	\$0.06	\$0.62
Diluted	\$0.18	\$0.47	\$0.06	\$0.62
Shares used to compute earnings per share - Basic	58,590	60,665	58,732	60,695
Shares used to compute earnings per share - Diluted	58,710	60,778	58,832	60,822

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		Six Months Ended	
	June 30,		June 30,	
	2015	2014	2015	2014
Net income	\$10,395	\$28,672	\$3,306	\$37,632
Other comprehensive income (loss):				
Unrealized (losses) gains on available-for-sale securities (net of taxes of \$0, \$11, \$0, \$141 respectively)	—	(61	) —	799
Reclassification adjustment for gains on available-for-sale securities included in net income (net of taxes of \$0, \$8, \$0, \$504 respectively)	—	(45	) —	(2,857
Foreign currency translation adjustments	12,231	36,162	(65,172	) (3,411
Other comprehensive income (loss)	12,231	36,056	(65,172	) (5,469
Comprehensive income (loss)	\$22,626	\$64,728	\$(61,866	) \$32,163

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,	
	2015	2014
Cash flows from operating activities:		
Net income	\$3,306	\$37,632
Adjustments to reconcile net income to net cash from operating activities:		
Depreciation and amortization	136,129	135,431
Goodwill impairment charge	31,992	—
Allowance for doubtful accounts	4,536	4,605
Amortization of deferred financing costs and debt discount	1,639	1,576
Accretion of environmental liabilities	5,218	5,333
Changes in environmental liability estimates	887	(1,429)
Deferred income taxes	(908)	(1)
Stock-based compensation	6,146	4,340
Excess tax benefit of stock-based compensation	(102)	(644)
Net tax (deficiency) benefit on stock based awards	(72)	644
Other expense (income)	251	(3,523)
Environmental expenditures	(11,532)	(7,443)
Changes in assets and liabilities, net of acquisitions		
Accounts receivable and unbilled accounts receivable	(133,031)	(9,542)
Inventories and supplies	17,694	(9,556)
Other current assets	(816)	(8,721)
Accounts payable	108,639	(46,421)
Other current and long-term liabilities	23,839	12,663
Net cash from operating activities	193,815	114,944
Cash flows from investing activities:		
Additions to property, plant and equipment	(124,145)	(138,186)
Proceeds from sales of fixed assets	2,646	2,986
Proceeds from sales of marketable securities	—	12,947
Acquisitions, net of cash acquired	(79,610)	(6,150)
Additions to intangible assets, including costs to obtain or renew permits	(3,088)	(2,891)
Net cash used in investing activities	(204,197)	(131,294)
Cash flows from financing activities:		
Change in uncashed checks	(22,160)	3,162
Proceeds from exercise of stock options	397	—
Issuance of restricted shares, net of shares remitted	(1,837)	(2,215)
Repurchases of common stock	(32,203)	(14,657)
Proceeds from employee stock purchase plan	—	4,364
Repayment of long-term obligations	—	(5,000)
Payments on capital leases	(471)	(1,190)
Excess tax benefit of stock-based compensation	102	644
Net cash from financing activities	(56,172)	(14,892)
Effect of exchange rate change on cash	(6,704)	(187)
Decrease in cash and cash equivalents	(73,258)	(31,429)

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Cash and cash equivalents, beginning of period	246,879	310,073
Cash and cash equivalents, end of period	\$	