

CASELLA WASTE SYSTEMS INC
Form 10-Q
July 29, 2016

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

FORM 10-Q

(Mark One)

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 000-23211

CASELLA WASTE SYSTEMS, INC.

(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	03-0338873 (I.R.S. Employer Identification No.)
25 Greens Hill Lane, Rutland, Vermont (Address of principal executive offices)	05701 (Zip Code)
Registrant's telephone number, including area code: (802) 775-0325	

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. (Check One):

Large accelerated filer <input type="checkbox"/>	Accelerated filer <input checked="" type="checkbox"/>
Non-accelerated filer <input type="checkbox"/> (Do not check if a smaller reporting company)	Smaller reporting company <input type="checkbox"/>

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

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of July 15, 2016:

Class A common stock, \$0.01 par value per share:	40,500,202
Class B common stock, \$0.01 par value per share:	988,200

PART I.**ITEM 1. FINANCIAL STATEMENTS****CASELLA WASTE SYSTEMS, INC. AND SUBSIDIARIES****CONSOLIDATED BALANCE SHEETS**

(in thousands)

	June 30, 2016 (Unaudited)	December 31, 2015
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 2,382	\$ 2,312
Accounts receivable - trade, net of allowance for doubtful accounts of \$1,070 and \$988, respectively	61,083	60,167
Refundable income taxes	736	651
Prepaid expenses	8,435	7,670
Inventory	4,603	4,282
Other current assets	1,350	1,586
Total current assets	78,589	76,668
Property, plant and equipment, net of accumulated depreciation and amortization of \$812,737 and \$789,766, respectively	398,747	402,252
Goodwill	119,899	118,976
Intangible assets, net	8,425	9,252
Restricted assets	1,762	2,251
Cost method investments	12,333	12,333
Other non-current assets	11,866	11,937
Total assets	\$ 631,621	\$ 633,669

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

CASELLA WASTE SYSTEMS, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS (Continued)
(in thousands, except for share and per share data)

	June 30, 2016 (Unaudited)	December 31, 2015
LIABILITIES AND STOCKHOLDERS DEFICIT		
CURRENT LIABILITIES:		
Current maturities of long-term debt and capital leases	\$ 1,411	\$ 1,448
Accounts payable	46,037	44,921
Accrued payroll and related expenses	7,595	8,175
Accrued interest	11,866	12,305
Current accrued capping, closure and post-closure costs	604	732
Other accrued liabilities	17,121	17,765
Total current liabilities	84,634	85,346
Long-term debt and capital leases, less current portion	501,804	505,985
Accrued capping, closure and post-closure costs, less current portion	42,874	40,309
Deferred income taxes	5,898	5,595
Other long-term liabilities	18,600	18,031
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS DEFICIT:		
Casella Waste Systems, Inc. stockholders deficit:		
Class A common stock, \$0.01 par value per share; 100,000,000 shares authorized; 40,500,000 and 40,064,000 shares issued and outstanding, respectively	405	401
Class B common stock, \$0.01 par value per share; 1,000,000 shares authorized; 988,000 shares issued and outstanding, 10 votes per share	10	10
Additional paid-in capital	346,324	344,518
Accumulated deficit	(368,872)	(366,459)
Accumulated other comprehensive (loss) income, net of tax	(32)	7
Total Casella Waste Systems, Inc. stockholders deficit	(22,165)	(21,523)
Noncontrolling interests	(24)	(74)
Total stockholders deficit	(22,189)	(21,597)
Total liabilities and stockholders deficit	\$ 631,621	\$ 633,669

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

CASELLA WASTE SYSTEMS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)

(in thousands, except for per share data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Revenues	\$ 144,670	\$ 143,714	\$ 270,103	\$ 260,292
Operating expenses:				
Cost of operations	95,188	98,737	185,606	186,569
General and administration	18,084	18,071	36,672	34,876
Depreciation and amortization	15,802	16,241	30,255	29,990
Divestiture transactions		(677)		(5,611)
	129,074	132,372	252,533	245,824
Operating income	15,596	11,342	17,570	14,468
Other expense (income):				
Interest income	(60)	(70)	(164)	(211)
Interest expense	10,004	10,150	20,034	20,276
Loss on debt extinguishment	593		545	521
Loss on derivative instruments		47		198
Other income	(363)	(46)	(504)	(209)
Other expense, net	10,174	10,081	19,911	20,575
Income (loss) before income taxes	5,422	1,261	(2,341)	(6,107)
Provision for income taxes	230	318	81	914
Net income (loss)	5,192	943	(2,422)	(7,021)
Less: Net (loss) income attributable to noncontrolling interests	(3)	(82)	(9)	1,226
Net income (loss) attributable to common stockholders	\$ 5,195	\$ 1,025	\$ (2,413)	\$ (8,247)
Basic earnings per share attributable to common stockholders:				
Weighted average common shares outstanding	41,132	40,447	41,064	40,432
Basic earnings per share	\$ 0.13	\$ 0.03	\$ (0.06)	\$ (0.20)
Diluted earnings per share attributable to common stockholders:				
Weighted average common shares outstanding	41,598	40,846	41,064	40,432

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Diluted earnings per share	\$	0.12	\$	0.03	\$	(0.06)	\$	(0.20)
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The accompanying notes are an integral part of these consolidated financial statements.

CASELLA WASTE SYSTEMS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF**COMPREHENSIVE INCOME (LOSS)****(Unaudited)****(in thousands)**

	Three Months Ended		Six Months	
	June 30,		Ended	
	2016	2015	2016	2015
Net income (loss)	\$ 5,192	\$ 943	\$ (2,422)	\$ (7,021)
Other comprehensive income (loss), net of tax:				
Unrealized gain (loss) resulting from changes in fair value of marketable securities	44	3	(39)	(31)
Other comprehensive income (loss), net of tax	44	3	(39)	(31)
Comprehensive income (loss)	5,236	946	(2,461)	(7,052)
Less: Comprehensive (loss) income attributable to noncontrolling interests	(3)	(82)	(9)	1,226
Comprehensive income (loss) attributable to common stockholders	\$ 5,239	\$ 1,028	\$ (2,452)	\$ (8,278)

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

CASELLA WASTE SYSTEMS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF**STOCKHOLDERS DEFICIT****(Unaudited)****(in thousands)**

	Casella Waste Systems, Inc. Stockholders						Deficit		
	Class A Common Stock		Class B Common Stock		Additional Paid-In Capital	Accumulated Deficit	Other Comprehensive Income (Loss)	Noncontrolling Interests	
	Total	Shares	Amount	Shares	Amount	Capital	Deficit	Income	Interests
Balance, December 31, 2015	\$ (21,597)	40,064	\$ 401	988	\$ 10	\$ 344,518	\$ (366,459)	\$ 7	\$ (74)
Net loss	(2,422)						(2,413)		(9)
Other comprehensive loss	(39)							(39)	
Issuances of Class A common stock	188	436	4			184			
Stock-based compensation	1,622					1,622			
Contribution from noncontrolling interest holder	59								59
Balance, June 30, 2016	\$ (22,189)	40,500	\$ 405	988	\$ 10	\$ 346,324	\$ (368,872)	\$ (32)	\$ (24)

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

CASELLA WASTE SYSTEMS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS**(Unaudited)****(in thousands)**

	Six Months Ended	
	June 30,	
	2016	2015
Cash Flows from Operating Activities:		
Net loss	\$ (2,422)	\$ (7,021)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	30,255	29,990
Depletion of landfill operating lease obligations	4,443	4,359
Interest accretion on landfill and environmental remediation liabilities	1,782	1,704
Amortization of debt issuance costs and discount on long-term debt	2,079	1,999
Stock-based compensation	1,622	1,435 &nb