

CLEAN HARBORS INC  
Form 10-Q  
May 04, 2016  
Table of Contents

UNITED STATES OF AMERICA  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

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FORM 10-Q

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

FOR THE QUARTERLY PERIOD ENDED MARCH 31, 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

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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)

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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	57,552,959
(Class)	(Outstanding as of April 29, 2016)

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CLEAN HARBORS, INC.

QUARTERLY REPORT ON FORM 10-Q

TABLE OF CONTENTS

	Page No.
<u>PART I: FINANCIAL INFORMATION</u>	
<u>ITEM 1: Unaudited Financial Statements</u>	
<u>Consolidated Balance Sheets</u>	<u>1</u>
<u>Unaudited Consolidated Statements of Operations</u>	<u>2</u>
<u>Unaudited Consolidated Statements of Comprehensive Income (Loss)</u>	<u>3</u>
<u>Unaudited Consolidated Statements of Cash Flows</u>	<u>4</u>
<u>Unaudited Consolidated Statements of Stockholders' Equity</u>	<u>5</u>
<u>Notes to Unaudited Consolidated Financial Statements</u>	<u>6</u>
<u>ITEM 2: Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>24</u>
<u>ITEM 3: Quantitative and Qualitative Disclosures About Market Risk</u>	<u>36</u>
<u>ITEM 4: Controls and Procedures</u>	<u>36</u>
<u>PART II: OTHER INFORMATION</u>	
<u>ITEM 1: Legal Proceedings</u>	<u>37</u>
<u>ITEM 1A: Risk Factors</u>	<u>37</u>
<u>ITEM 2: Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>37</u>
<u>ITEM 3: Defaults Upon Senior Securities</u>	<u>37</u>
<u>ITEM 4: Mine Safety Disclosures</u>	<u>37</u>
<u>ITEM 5: Other Information</u>	<u>37</u>
<u>ITEM 6: Exhibits</u>	<u>38</u>
<u>Signatures</u>	<u>39</u>

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Table of Contents

## CLEAN HARBORS, INC. AND SUBSIDIARIES

## CONSOLIDATED BALANCE SHEETS

(in thousands)

	March 31, 2016	December 31, 2015
	(unaudited)	
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$355,345	\$ 184,708
Accounts receivable, net of allowances aggregating \$28,628 and \$31,426, respectively	458,301	496,004
Unbilled accounts receivable	31,805	25,940
Deferred costs	19,346	18,758
Inventories and supplies	154,768	149,521
Prepaid expenses and other current assets	44,056	46,265
Total current assets	1,063,621	921,196
Property, plant and equipment, net	1,596,872	1,532,467
Other assets:		
Deferred financing costs	1,627	1,847
Goodwill	460,642	453,105
Permits and other intangibles, net	502,532	506,818
Other	16,381	15,995
Total other assets	981,182	977,765
Total assets	\$3,641,675	\$ 3,431,428
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable	\$188,834	\$ 241,183
Deferred revenue	63,587	61,882
Accrued expenses	191,592	193,660
Current portion of closure, post-closure and remedial liabilities	21,497	20,395
Total current liabilities	465,510	517,120
Other liabilities:		
Closure and post-closure liabilities, less current portion of \$7,194 and \$7,229, respectively	50,896	49,020
Remedial liabilities, less current portion of \$14,303 and \$13,166, respectively	117,076	118,826
Long-term obligations	1,631,603	1,382,543
Deferred taxes, unrecognized tax benefits and other long-term liabilities	260,017	267,637
Total other liabilities	2,059,592	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 57,551,188 and 57,593,201 shares, respectively	576	576
Shares held under employee participation plan	(469	) (469
Additional paid-in capital	733,726	738,401
Accumulated other comprehensive loss	(209,055	) (254,892

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Accumulated earnings	591,795	612,666
Total stockholders' equity	1,116,573	1,096,282
Total liabilities and stockholders' equity	\$3,641,675	\$ 3,431,428

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

1

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Table of Contents

## CLEAN HARBORS, INC. AND SUBSIDIARIES

## UNAUDITED CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands except per share amounts)

	Three Months Ended March 31,	
	2016	2015
Revenues:		
Service revenues	\$530,231	\$596,330
Product revenues	105,852	136,169
Total revenues	636,083	732,499
Cost of revenues (exclusive of items shown separately below)		
Service revenues	373,986	416,390
Product revenues	90,293	130,117
Total cost of revenues	464,279	546,507
Selling, general and administrative expenses	104,484	107,715
Accretion of environmental liabilities	2,505	2,619
Depreciation and amortization	68,902	68,356
(Loss) income from operations	(4,087 )	7,302
Other (expense) income	(350 )	409
Interest expense, net of interest income of \$150 and \$151, respectively	(18,980 )	(19,438 )
Loss before benefit for income taxes	(23,417 )	(11,727 )
Benefit for income taxes	(2,546 )	(4,638 )
Net loss	\$(20,871 )	\$(7,089 )
Loss per share:		
Basic	\$(0.36 )	\$(0.12 )
Diluted	\$(0.36 )	\$(0.12 )
Shares used to compute loss per share - Basic	57,617	58,875
Shares used to compute loss per share - Diluted	57,617	58,875

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

Table of Contents

CLEAN HARBORS, INC. AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(in thousands)

	Three Months Ended March 31,	
	2016	2015
Net loss	\$(20,871)	\$(7,089 )
Other comprehensive income (loss):		
Foreign currency translation adjustments	45,837	(77,403 )
Other comprehensive income (loss)	45,837	(77,403 )
Comprehensive income (loss)	\$24,966	\$(84,492)

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

Table of Contents

## CLEAN HARBORS, INC. AND SUBSIDIARIES

## UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)

	Three Months Ended March 31,	
	2016	2015
Cash flows from operating activities:		
Net loss	\$(20,871)	\$(7,089)
Adjustments to reconcile net income to net cash from operating activities:		
Depreciation and amortization	68,902	68,356
Allowance for doubtful accounts	1,072	2,204
Amortization of deferred financing costs and debt discount	872	819
Accretion of environmental liabilities	2,505	2,619
Changes in environmental liability estimates	(95)	) 385
Deferred income taxes	7	(903)
Stock-based compensation	2,093	1,850
Excess tax benefit of stock-based compensation	—	(5)
Net tax deficiency on stock based awards	(345)	) (111)
Other expense (income)	350	(409)
Environmental expenditures	(3,518)	) (5,604)
Changes in assets and liabilities, net of acquisitions		
Accounts receivable and unbilled accounts receivable	35,839	27,065
Inventories and supplies	(2,882)	) 22,131
Other current assets	1,838	374
Accounts payable	(36,195)	) 2,623
Other current and long-term liabilities	(10,283)	) (29,528)
Net cash from operating activities	39,289	84,777
Cash flows from investing activities:		
Additions to property, plant and equipment	(75,781)	) (52,949)
Proceeds from sales of fixed assets	1,273	760
Acquisitions, net of cash acquired	(34,993)	) —
Additions to intangible assets, including costs to obtain or renew permits	(512)	) (1,171)
Net cash used in investing activities	(110,013)	) (53,360)
Cash flows from financing activities:		
Change in uncashed checks	(5,218)	) (20,268)
Issuance of restricted shares, net of shares remitted	(1,425)	) (1,154)
Repurchases of common stock	(4,998)	) (15,379)
Deferred financing costs paid	(2,190)	) —
Payments on capital leases	—	(398)
Excess tax benefit of stock-based compensation	—	5
Issuance of senior secured notes, including premium	250,625	—
Net cash from financing activities	236,794	(37,194)
Effect of exchange rate change on cash	4,567	(7,363)
Increase (decrease) in cash and cash equivalents	170,637	(13,140)
Cash and cash equivalents, beginning of period	184,708	246,879
Cash and cash equivalents, end of period	\$355,345	\$233,739
Supplemental information:		



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Cash payments for interest and income taxes:

Interest paid	\$21,808	\$21,667
Income taxes paid (received)	5,848	(3,790 )

Non-cash investing and financing activities:

Accrual for repurchased shares	—	736
Property, plant and equipment accrued	14,947	22,832
Receivable for estimated purchase price adjustment	250	—

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

## CLEAN HARBORS, INC. AND SUBSIDIARIES

## UNAUDITED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

(in thousands)

	Common Stock Number of Shares	\$ 0.01 Par Value	Shares Held Under Employee Participation Plan	Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Accumulated Earnings	Total Stockholders' Equity
Balance at January 1, 2016	57,593	\$ 576	\$ (469 )	\$ 738,401	\$ (254,892 )	\$ 612,666	\$ 1,096,282
Net loss	—	—	—	—	—	(20,871 )	(20,871 )
Other comprehensive income	—	—	—	—	45,837	—	45,837
Stock-based compensation	—	—	—	2,093	—	—	2,093
Issuance of restricted shares, net of shares remitted	62	1	—	(1,426 )	—	—	(1,425 )
Repurchases of common stock	(104 )	(1 )	—	(4,997 )	—	—	(4,998 )
Net tax deficiency on stock based awards	—	—	—	(345 )	—	—	(345 )
Balance at March 31, 2016	57,551	\$ 576	\$ (469 )				