

US ECOLOGY, INC.
Form 10-Q
October 31, 2016
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended September 30, 2016

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: 0000-11688

US ECOLOGY, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of incorporation or organization)

95-3889638
(I.R.S. Employer Identification No.)

251 E. Front St., Suite 400
Boise, Idaho
(Address of principal executive offices)

83702
(Zip Code)

Registrant's telephone number, including area code: **(208) 331-8400**

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 (§232.405 of this chapter) 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.

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company
(Do not check if a smaller reporting company)

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

At October 26, 2016, there were 21,779,716 shares of the registrant's Common Stock outstanding.

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PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

US ECOLOGY, INC.

CONSOLIDATED BALANCE SHEETS

(Unaudited)

(In thousands, except par value amount)

	September 30, 2016	December 31, 2015
Assets		
Current Assets:		
Cash and cash equivalents	\$ 6,383	\$ 5,989
Receivables, net	98,290	106,380
Prepaid expenses and other current assets	13,241	8,484
Income taxes receivable	951	2,017
Total current assets	118,865	122,870
Property and equipment, net	219,302	210,334
Restricted cash and investments	5,810	5,748
Intangible assets, net	234,466	239,571
Goodwill	193,655	191,823
Other assets	1,212	1,641
Total assets	\$ 773,310	\$ 771,987
Liabilities And Stockholders Equity		
Current Liabilities:		
Accounts payable	\$ 15,489	\$ 17,169
Deferred revenue	6,184	8,078
Accrued liabilities	22,040	25,634
Accrued salaries and benefits	11,740	11,513
Income taxes payable	179	117
Current portion of closure and post-closure obligations	2,211	2,787
Revolving credit facility	2,303	
Current portion of long-term debt	2,903	3,056
Total current liabilities	63,049	68,354
Long-term closure and post-closure obligations	72,055	68,367
Long-term debt	274,869	290,684
Other long-term liabilities	9,764	5,825
Deferred income taxes	79,818	82,622
Total liabilities	499,555	515,852

Commitments and contingencies

Stockholders Equity:

Common stock \$0.01 par value, 50,000 authorized; 21,780 and 21,744 shares issued, respectively	218	217
Additional paid-in capital	171,961	169,873
Retained earnings	118,115	103,300
Treasury stock, at cost, 7 and 5 shares, respectively	(52)	(189)
Accumulated other comprehensive loss	(16,487)	(17,066)
Total stockholders equity	273,755	256,135
Total liabilities and stockholders equity	\$ 773,310	\$ 771,987

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

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US ECOLOGY, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)

(In thousands, except per share amounts)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Revenue	\$ 124,824	\$ 148,414	\$ 360,493	\$ 424,797
Direct operating costs	85,470	102,474	249,025	297,543
Gross profit	39,354	45,940	111,468	127,254
Selling, general and administrative expenses	18,439	23,507	57,683	71,075
Impairment charges				6,700
Operating income	20,915	22,433	53,785	49,479
Other income (expense):				
Interest income	8	17	90	64
Interest expense	(4,288)	(5,081)	(13,150)	(16,208)
Foreign currency gain (loss)	(224)	(994)	192	(1,769)
Other	(19)	387	2,480	1,156
Total other expense	(4,523)	(5,671)	(10,388)	(16,757)
Income before income taxes	16,392	16,762	43,397	32,722
Income tax expense	6,278	6,858	16,828	14,815
Net income	\$ 10,114	\$ 9,904	\$ 26,569	\$ 17,907
Earnings per share:				
Basic	\$ 0.47	\$ 0.46	\$ 1.22	\$ 0.83
Diluted	\$ 0.46	\$ 0.46	\$ 1.22	\$ 0.82
Shares used in earnings per share calculation:				
Basic	21,714	21,655	21,700	21,619
Diluted	21,804	21,749	21,780	21,723
Dividends paid per share	\$ 0.18	\$ 0.18	\$ 0.54	\$ 0.54

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

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US ECOLOGY, INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Unaudited)

(In thousands)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Net income	\$ 10,114	\$ 9,904	\$ 26,569	\$ 17,907
Other comprehensive income (loss):				
Foreign currency translation gain (loss)	(734)	(3,590)	2,555	(6,761)
Net changes in interest rate hedge, net of taxes of \$253, (\$981), (\$1,063) and (\$1,072), respectively	469	(1,821)	(1,976)	(1,991)
Comprehensive income, net of tax	\$ 9,849	\$ 4,493	\$ 27,148	\$ 9,155

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

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US ECOLOGY, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

(In thousands)

	Nine Months Ended September 30,	
	2016	2015
Cash flows from operating activities:		
Net income	\$ 26,569	\$ 17,907
Adjustments to reconcile net income to net cash provided by operating activities:		
Impairment charges		6,700
Depreciation and amortization of property and equipment	18,561	21,726
Amortization of intangible assets	7,907	9,558
Accretion of closure and post-closure obligations	3,081	3,208
Gain on disposition of business	(2,035)	
Unrealized foreign currency (gain) loss	(381)	2,740
Deferred income taxes	(2,832)	(4,015)
Share-based compensation expense	2,182	1,736
Net (gain) loss on disposal of property and equipment	(228)	935
Amortization of debt issuance costs	1,583	1,501
Amortization of debt discount	111	111
Changes in assets and liabilities:		
Receivables	8,713	7,221
Income taxes receivable	1,102	6,560
Other assets	395	284
Accounts payable and accrued liabilities		