

STERICYCLE INC
Form 10-Q
May 07, 2010

UNITED STATES
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 March 31, 2010 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 0-21229

Stericycle, Inc.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

36-3640402

(IRS Employer Identification Number)

28161 North Keith Drive

Lake Forest, Illinois 60045

(Address of principal executive offices, including zip code)

(847) 367-5910

(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 reports), and (2) has been subject to such filing requirements for the past 90 days. YES NO

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

Large accelerated filer [X]

Accelerated filer []

Non-accelerated filer []

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 [X]

As of April 30, 2010 there were 84,628,499 shares of the registrant's Common Stock outstanding.

Stericycle, Inc.

Table of Contents

	<u>Page</u> <u>No.</u>
PART I. Financial Information	
Item 1. Financial Statements	
Condensed Consolidated Balance Sheets as of March 31, 2010 (Unaudited) and December 31, 2009 (Audited)	1
Condensed Consolidated Statements of Income for the three months ended March 31, 2010 and 2009 (Unaudited)	2
Condensed Consolidated Statements of Cash Flows for the three months ended March 31, 2010 and 2009 (Unaudited)	3
Condensed Consolidated Statements of Changes in Equity for the three months ended March 31, 2010 (Unaudited) and December 31, 2009 (Audited)	4
Notes to Condensed Consolidated Financial Statements (Unaudited)	5
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	16
Item 3. Qualitative and Quantitative Disclosures about Market Risk	21
Item 4. Controls and Procedures	21
PART II. Other Information	

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Item 1. Legal Proceedings	23
Item 2. Changes in Securities, Use of Proceeds and Issuer Purchases of Equity Securities	23
Item 6. Exhibits	24
Signature	24
Certifications	25

PART I. FINANCIAL INFORMATION**ITEM 1. FINANCIAL STATEMENTS****STERICYCLE, INC. AND SUBSIDIARIES****CONDENSED CONSOLIDATED BALANCE SHEETS**

In thousands, except share and per share data

	March 31, 2010 (Unaudited)	December 31, 2009 (Audited)
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 22,886	\$ 15,767
Short-term investments	1,786	1,131
Accounts receivable, less allowance for doubtful		
accounts of \$9,370 in 2010 and \$8,709 in 2009	192,296	179,770
Deferred income taxes	9,746	14,087
Prepaid expenses	19,296	12,421
Other current assets	25,804	23,364
Total Current Assets	271,814	246,540
Property, Plant and Equipment, net	253,830	246,154
Other Assets:		
Goodwill	1,428,348	1,394,091
Intangible assets, less accumulated amortization of		
\$20,364 in 2010 and \$18,546 in 2009	304,783	269,454
Other	28,236	26,564
Total Other Assets	1,761,367	1,690,109
Total Assets	\$ 2,287,011	\$ 2,182,803
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Current portion of long-term debt	\$ 67,680	\$ 65,932
Accounts payable	45,922	47,608
Accrued liabilities	113,824	92,226

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Deferred revenues	16,377	14,954
Total Current Liabilities	243,803	220,720
Long-term debt, net of current portion	929,039	922,919
Deferred income taxes	187,797	171,744
Other liabilities	14,482	10,247
Shareholders' Equity:		
Common stock (par value \$.01 per share, 120,000,000		
shares authorized, 84,652,064 issued and outstanding		
in 2010 and 84,715,005 issued and outstanding in 2009)	847	847
Additional paid-in capital	46,290	47,522
Accumulated other comprehensive income	(22,562)	(12,292)
Retained earnings	857,737	809,618
Total Stericycle, Inc. Shareholders Equity	882,312	845,695
Noncontrolling interest	29,578	11,478
Total Shareholders' Equity	911,890	857,173
Total Liabilities and Shareholders' Equity	\$ 2,287,011	\$ 2,182,803

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

STERICYCLE, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(Unaudited)

In thousands

	Three Months Ended March 31,	
	2010	2009
Revenues	\$ 335,177	\$ 277,090
Costs and Expenses:		
Cost of revenues	170,570	142,594
Selling, general and administrative expenses	62,470	50,731
Depreciation and amortization	12,389	8,844
Restructuring costs	667	--
Acquisition related transaction expenses	800	610
Acquisition integration expenses	1,149	111
Total Costs and Expenses	248,045	202,890
Income from Operations	87,132	74,200
Other Income (Expense):		
Interest income	80	174
Interest expense	(8,963)	(8,099)
Other expense, net	(1,003)	(790)
Total Other Expense	(9,886)	(8,715)
Income Before Income Taxes	77,246	65,485
Income Tax Expense	28,612	24,811
Net Income	\$ 48,634	\$ 40,674
Net Income attributable to noncontrolling interests	515	19
Net Income attributable to Stericycle, Inc.	\$ 48,119	\$ 40,655
Earnings Per Common Share:		
Basic	\$ 0.57	\$ 0.48

Diluted	\$	0.56	\$	0.47
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Weighted Average Number of Common Shares

Outstanding:

Basic	84,766,721	84,908,733
Diluted	86,573,237	86,841,903

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

STERICYCLE, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

In thousands

	Three Months Ended March 31,	
	2010	2009
OPERATING ACTIVITIES:		
Net income	\$ 48,634	\$ 40,674
Adjustments to reconcile net income to net cash provided		
by operating activities:		
Stock compensation expense	3,874	3,461
Excess tax benefit stock options exercised	(1,163)	(264)
Depreciation	10,414	7,834
Amortization	1,975	1,010
Deferred income taxes	13,784	7,858
Changes in operating assets and liabilities, net of effect of		
acquisitions and divestitures:		
Accounts receivable	(7,932)	7,882
Accounts payable	(3,522)	(3,715)
Accrued liabilities	15,601	13,527
Deferred revenue	1,611	1,096
Other assets and liabilities	(2,221)	(3,087)
Net cash provided by operating activities	81,055	76,276
INVESTING ACTIVITIES:		
Payments for acquisitions and international investments,		
net of cash acquired	(50,459)	(16,296)
Purchase of short-term investments	(423)	(1,664)
Proceeds from sale of property and equipment	--	244
Capital expenditures	(12,804)	(8,389)
Net cash used in by investing activities	(63,686)	(26,105)

FINANCING ACTIVITIES:

Repayment of long-term debt	(27,533)	(2,908)
Net borrowings / (repayments) on senior credit facility	24,873	(25,112)
Purchase / cancellation of treasury stock	(10,616)	(27,482)
Proceeds from issuance of common stock	4,195	3,229
Excess tax benefit stock options exercised	1,163	264
Net cash used in by financing activities	(7,918)	(52,009)
Effect of exchange rate changes on cash	(2,332)	1,839
Net increase in cash and cash equivalents	7,119	1
Cash and cash equivalents at beginning of period	15,767	9,095
Cash and cash equivalents at end of period	\$ 22,886	\$ 9,096

NON-CASH ACTIVITIES:

Net issuance of notes payable for certain acquisitions	\$ 10,038	\$ 1,900
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The accompanying notes are an integral part of these financial statements.

STERICYCLE, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

March 31, 2010 (Unaudited) and

Year Ended December 31, 2009 (Audited)

In thousands

Stericycle, Inc. Equity

	Issued and Outstanding Shares	Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Non-Controlling Interest	Total Equity
Balance at December 31, 2008	85,253	\$ 852	\$ 67,776	\$ 633,927	\$ (32,075)	\$ 158	\$ 670,638
Issuance of common stock for exercise of options and employee stock purchases	1,132	12	15,889	-- --	--	--	15,901
Purchase/ Cancellation of treasury stock	(1,670)	(17)	(73,164)	-- --	--	--	(73,181)
Stock compensation expense	--	--	14,638	-- --	--	--	14,638
Excess tax benefit of disqualifying	--	--	22,383	-- --	--	--	22,383

dispositions of stock options and							
exercise of non-qualified stock options							
Change in noncontrolling interest	--	--	--	--	--	--	9,7879,787
Currency translation adjustment	--	--	--	--	17,595	835	18,430
Change in fair value of cash flow hedge,							
net of tax of \$454	--	--	--	--	2,188	--	2,188
Net income	--	--	--	175,691	--	698	176,389
Comprehensive income							197,007
Balance at December 31, 2009	84,715	\$ 847	\$ 47,522	\$ 809,618	\$ (12,292)	\$ 11,478	\$ 857,173
Issuance of common stock for							
exercise of options							
and employee stock purchases	155	2	5,541	--	--	--	5,543
Purchase/ Cancellation of treasury	(218)	(2)	(11,810)	--	--	--	(11,812)

stock								
Stock compensation expense	--	--	3,874	--	--	--		3,874
Excess tax benefit of disqualifying dispositions of stock options and exercise of non-qualified stock options	--	--	1,163	--	--	--		1,163
Noncontrolling interest in equity acquired	--	--	--	--		--	17,349	17,349
Currency translation adjustment	--	--	--	--	(10,641)	236		(10,405)
Change in fair value of cash flow hedge, net of tax of \$217	--	--	--	--	371	--		371
Net income	--	--	--	48,119	--	515		