

STERICYCLE INC  
Form 10-Q  
November 09, 2011  
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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, 2011

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)*

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**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

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

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

As of October 31, 2011 there were 85,113,990 shares of the registrant's Common Stock outstanding.

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**Stericycle, Inc.**

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

In thousands, except share and per share data

	September 30, 2011 (Unaudited)	December 31, 2010 (Audited)
<b>ASSETS</b>		
<b>Current Assets:</b>		
Cash and cash equivalents	\$ 23,395	\$ 79,276
Short-term investments	416	16,248
Accounts receivable, less allowance for doubtful accounts of \$18,546 in 2011 and \$10,845 in 2010	283,710	215,420
Deferred income taxes	15,696	16,824
Prepaid expenses	22,160	16,038
Other current assets	39,465	24,882
<b>Total Current Assets</b>	<b>384,842</b>	<b>368,688</b>
<b>Property, Plant and Equipment, net</b>	<b>290,721</b>	<b>267,971</b>
<b>Other Assets:</b>		
Goodwill	1,924,989	1,595,764
Intangible assets, less accumulated amortization of \$38,881 in 2011 and \$28,394 in 2010	524,227	375,174
Other	30,729	31,426
<b>Total Other Assets</b>	<b>2,479,945</b>	<b>2,002,364</b>
<b>Total Assets</b>	<b>\$ 3,155,508</b>	<b>\$ 2,639,023</b>
<b>LIABILITIES AND EQUITY</b>		
<b>Current liabilities:</b>		
Current portion of long-term debt	\$ 95,149	\$ 91,406
Accounts payable	70,285	54,777
Accrued liabilities	140,975	134,355
Deferred revenues	13,662	14,455
Other current liabilities	9,842	13,496
<b>Total Current Liabilities</b>	<b>329,913</b>	<b>308,489</b>
Long-term debt, net of current portion	1,304,628	1,014,222
Deferred income taxes	301,115	222,647
Other liabilities	8,127	13,315
<b>Equity:</b>		
Common stock (par value \$.01 per share, 120,000,000 shares authorized, 85,196,102 issued and outstanding in 2011 and 85,242,387 issued and outstanding in 2010)	852	852
Additional paid-in capital	26,721	46,945
Accumulated other comprehensive loss	(32,870)	(16,869)
Retained earnings	1,187,960	1,017,497
<b>Total Stericycle, Inc. s Equity</b>	<b>1,182,663</b>	<b>1,048,425</b>
Noncontrolling interest	29,062	31,925

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<b>Total Equity</b>	<b>1,211,725</b>	1,080,350
<b>Total Liabilities and Equity</b>	<b>\$ 3,155,508</b>	\$ 2,639,023

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

**Table of Contents****STERICYCLE, INC. AND SUBSIDIARIES****CONDENSED CONSOLIDATED STATEMENTS OF INCOME****(Unaudited)**

In thousands, except share and per share data

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
<b>Revenues</b>	\$ 420,924	\$ 362,988	\$ 1,229,491	\$ 1,045,899
<b>Costs and Expenses:</b>				
Cost of revenues	220,419	185,515	639,773	532,625
Selling, general and administrative expenses	72,582	65,033	214,815	191,067
Depreciation and amortization	16,933	13,504	47,987	38,510
Acquisition expenses	3,195	1,891	12,254	3,247
Integration expenses	1,813	790	3,866	3,253
Restructuring costs and plant closure expense	633	216	1,086	2,446
Litigation settlement	460	0	460	937
Loss/ (gain) on sale of assets	323	0	323	(2,955)
<b>Total Costs and Expenses</b>	<b>316,358</b>	<b>266,949</b>	<b>920,564</b>	<b>769,130</b>
<b>Income from Operations</b>	<b>104,566</b>	<b>96,039</b>	<b>308,927</b>	<b>276,769</b>
<b>Other Income (Expense):</b>				
Interest income	237	82	484	194
Interest expense	(12,034)	(8,509)	(36,413)	(26,342)
Other expense, net	(577)	333	(1,659)	(1,562)
<b>Total Other Expense</b>	<b>(12,374)</b>	<b>(8,094)</b>	<b>(37,588)</b>	<b>(27,710)</b>
<b>Income Before Income Taxes</b>	<b>92,192</b>	<b>87,945</b>	<b>271,339</b>	<b>249,059</b>
<b>Income Tax Expense</b>	<b>32,448</b>	<b>30,645</b>	<b>99,119</b>	<b>89,359</b>
<b>Net Income</b>	<b>\$ 59,744</b>	<b>\$ 57,300</b>	<b>\$ 172,220</b>	<b>\$ 159,700</b>
<b>Less: Net Income Attributable to Noncontrolling Interests</b>	<b>497</b>	<b>614</b>	<b>1,757</b>	<b>1,801</b>
<b>Net Income Attributable to Stericycle, Inc.</b>	<b>\$ 59,247</b>	<b>\$ 56,686</b>	<b>\$ 170,463</b>	<b>\$ 157,899</b>
<b>Earnings Per Common Share Attributable to Stericycle, Inc.</b>				
<b>Common Shareholders:</b>				
Basic	\$ 0.69	\$ 0.66	\$ 1.99	\$ 1.86
Diluted	\$ 0.68	\$ 0.65	\$ 1.95	\$ 1.82
<b>Weighted Average Number of Common Shares Outstanding:</b>				
Basic	85,564,682	85,295,740	85,654,097	84,986,187
Diluted	87,385,121	87,179,057	87,620,867	86,830,761

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



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**STERICYCLE, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**(Unaudited)**

In thousands

	Nine Months Ended September 30,	
	2011	2010
<b>OPERATING ACTIVITIES:</b>		
Net income	\$ 172,220	\$ 159,700
Adjustments to reconcile net income to net cash provided by operating activities:		
Loss/ (gain) on sale of assets	323	(2,955)
Change in fair value of contingent consideration	(2,140)	0
Accelerated amortization of term loan financing fees	1,241	0
Stock compensation expense	11,563	11,441
Excess tax benefit of stock options exercised	(16,614)	(17,951)
Depreciation	36,885	31,858
Amortization	11,102	6,652
Deferred income taxes	27,685	20,307
Changes in operating assets and liabilities, net of effect of acquisitions and divestitures:		
Accounts receivable	(20,288)	(26,366)
Accounts payable	(11,239)	(3,477)
Accrued liabilities	16,694	19,214
Deferred revenues	(1,241)	