

CASELLA WASTE SYSTEMS INC
Form 10-Q
July 30, 2015

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, 2015

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, 2015:

Class A common stock, \$0.01 par value per share:	39,928,206
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, 2015 (Unaudited)	December 31, 2014
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 3,158	\$ 2,205
Restricted cash		76
Accounts receivable trade, net of allowance for doubtful accounts of \$1,903 and \$2,153, respectively	63,509	55,750
Refundable income taxes	664	554
Prepaid expenses	7,329	8,763
Inventory	4,622	4,374
Deferred income taxes	2,013	2,095
Other current assets	3,541	4,852
Total current assets	84,836	78,669
Property, plant and equipment, net of accumulated depreciation and amortization of \$762,442 and \$736,839, respectively	399,022	414,542
Goodwill	118,976	119,170
Intangible assets, net	10,438	11,808
Restricted assets	968	6,632
Cost method investments	14,115	14,432
Other non-current assets	29,173	24,542
Total assets	\$ 657,528	\$ 669,795

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, 2015 (Unaudited)	December 31, 2014
LIABILITIES AND STOCKHOLDERS DEFICIT		
CURRENT LIABILITIES:		
Current maturities of long-term debt and capital leases	\$ 1,437	\$ 1,656
Accounts payable	48,147	48,518
Accrued payroll and related expenses	5,842	6,289
Accrued interest	12,346	11,094
Current accrued capping, closure and post-closure costs	1,658	2,208
Other accrued liabilities	16,629	16,667
Total current liabilities	86,059	86,432
Long-term debt and capital leases, less current portion	526,853	534,055
Accrued capping, closure and post-closure costs, less current portion	39,968	37,621
Deferred income taxes	7,261	7,080
Other long-term liabilities	16,237	16,627
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; 39,927,000 and 39,587,000 shares issued and outstanding, respectively	399	396
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, respectively	10	10
Additional paid-in capital	342,487	340,773
Accumulated deficit	(361,737)	(353,490)
Accumulated other comprehensive income	27	58
Total Casella Waste Systems, Inc. stockholders deficit	(18,814)	(12,253)
Noncontrolling interests	(36)	233
Total stockholders deficit	(18,850)	(12,020)
Total liabilities and stockholders deficit	\$ 657,528	\$ 669,795

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,	
	2015	2014	2015	2014
Revenues	\$ 143,714	\$ 137,279	\$ 260,292	\$ 250,476
Operating expenses:				
Cost of operations	98,737	97,218	186,569	183,622
General and administration	18,071	15,594	34,876	31,981
Depreciation and amortization	16,241	17,167	29,990	30,775
Divestiture transactions	(677)	7,455	(5,611)	7,455
Development project charge		(46)		1,394
Severance and reorganization costs		350		430
Expense from divestiture, acquisition and financing costs		14		24
Gain on settlement of acquisition related contingent consideration				(1,058)
	132,372	137,752	245,824	254,623
Operating income (loss)	11,342	(473)	14,468	(4,147)
Other expense (income):				
Interest income	(70)	(85)	(211)	(195)
Interest expense	10,150	9,588	20,276	19,194
Loss on debt extinguishment			521	
Loss on derivative instruments	47	298	198	448
Income from equity method investments		(63)		(90)
Loss on sale of equity method investment				221
Other income	(46)	(361)	(209)	(568)
Other expense, net	10,081	9,377	20,575	19,010
Income (loss) before income taxes	1,261	(9,850)	(6,107)	(23,157)
Provision for income taxes	318	528	914	831
Net income (loss)	943	(10,378)	(7,021)	(23,988)
Less: Net (loss) income attributable to noncontrolling interests	(82)	(3,723)	1,226	(3,910)
Net income (loss) attributable to common stockholders	\$ 1,025	\$ (6,655)	\$ (8,247)	\$ (20,078)
Basic earnings per share attributable to common stockholders:				
Weighted average common shares outstanding	40,447	39,995	40,432	39,952

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Basic earnings per common share	\$ 0.03	\$ (0.17)	\$ (0.20)	\$ (0.50)
Diluted earnings per share attributable to common stockholders:				
Weighted average common shares outstanding	40,846	39,995	40,432	39,952
Diluted earnings per common share	\$ 0.03	\$ (0.17)	\$ (0.20)	\$ (0.50)

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 June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Net income (loss)	\$ 943	\$ (10,378)	\$ (7,021)	\$ (23,988)
Other comprehensive income, net of tax:				
Unrealized gain (loss) resulting from changes in fair value of marketable securities	3	6	(31)	3
Other comprehensive income (loss), net of tax	3	6	(31)	3
Comprehensive income (loss)	946	(10,372)	(7,052)	(23,985)
Less: Comprehensive (loss) income attributable to noncontrolling interests	(82)	(3,723)	1,226	(3,910)
Comprehensive income (loss) attributable to common stockholders	\$ 1,028	\$ (6,649)	\$ (8,278)	\$ (20,075)

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							Noncontrolling Interests	
	Total	Class A Common Stock Shares	Class A Common Stock Amount	Class B Common Stock Shares	Class B Common Stock Amount	Additional Paid-In Capital	Accumulated Deficit		Other Comprehensive Income
Balance, December 31, 2014	\$ (12,020)	39,587	\$ 396	988	\$ 10	\$ 340,773	\$ (353,490)	\$ 58	\$ 233
Net (loss) income	(7,021)						(8,247)		1,226
Other comprehensive loss	(31)							(31)	
Issuances of Class A common stock	129	340	3			126			
Stock-based compensation	1,435					1,435			
Distribution to noncontrolling interest holder	(1,495)								(1,495)
Excess tax benefit on the vesting of share based awards	153					153			
Balance, June 30, 2015	\$ (18,850)	39,927	\$ 399	988	\$ 10	\$ 342,487	\$ (361,737)	\$ 27	\$ (36)

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,	
	2015	2014
Cash Flows from Operating Activities:		
Net loss	\$ (7,021)	\$ (23,988)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Gain on sale of property and equipment	(93)	(333)
Depletion of landfill operating lease obligations	4,359	5,038
Interest accretion on landfill and environmental remediation liabilities	1,704	1,826
Stock-based compensation	1,435	1,113
Depreciation and amortization	29,990	30,775
Divestiture transactions	(5,611)	7,455
Development project charge		1,394
Gain on settlement of acquisition related contingent consideration		(1,058)
Amortization of discount on long-term debt	174	125