GEN PROBE INC
Form 3
May 10, 2007

FORM 3

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

OMB APPROVAL

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INITIAL STATEMENT OF BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

(Print or Type Responses)

1. Name and Address of Reporting Person *
Â Yang Christina C
(Last) (First) (Middle)

C/O GEN-PROBE INCORPORATED,Â 10210 GENETIC CENTER DRIVE
(Street)

SAN DIEGO,Â CAÂ 92121
(City) (State) (Zip)

2. Date of Event Requiring Statement (Month/Day/Year)
04/30/2007

3. Issuer Name **and** Ticker or Trading Symbol
GEN PROBE INC [GPRO]

4. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

_____ Director _____ 10% Owner
__X__ Officer (give title below) _____ Other (specify below)
VP, Clinical, Reg. & Quality

5. If Amendment, Date Original Filed(Month/Day/Year)

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Beneficially Owned

1.Title of Security (Instr. 4)	2. Amount of Securities Beneficially Owned (Instr. 4)	3. Ownership Form: Direct (D) or Indirect (I) (Instr. 5)	4. Nature of Indirect Beneficial Ownership (Instr. 5)

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

SEC 1473 (7-02)

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Table II - Derivative Securities Beneficially Owned (*e.g.*, puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 4)	2. Date Exercisable and Expiration Date (Month/Day/Year)		3. Title and Amount of Securities Underlying Derivative Security (Instr. 4)		4. Conversion or Exercise Price of Derivative Security	5. Ownership Form of Derivative Security: Direct (D)	6. Nature of Indirect Beneficial Ownership (Instr. 5)
	Date Exercisable	Expiration Date	Title	Amount or Number of			

Shares	or Indirect (I) (Instr. 5)

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
Yang Christina C C/O GEN-PROBE INCORPORATED 10210 GENETIC CENTER DRIVE SAN DIEGO,Â CAÂ 92121	Â	Â	Â VP, Clinical, Reg. & Quality	Â

Signatures

/s/ R. William Bowen	05/10/2007
**Signature of Reporting Person	Date

Explanation of Responses:

No securities are beneficially owned

* If the form is filed by more than one reporting person, *see* Instruction 5(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

Â

Remarks:

R.WillliamÂ Bowen,Â Attorney-inÂ Fact

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *See* Instruction 6 for procedure.

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Numerator for basic earnings per share net income attributable to Stericycle, Inc.

$
75,458

$
79,149

Denominator:

Denominator for basic earnings per share-weighted average shares

85,037,823

85,270,046

Effect of diluted securities:

Employee stock options

1,319,183

1,343,797

Denominator for diluted earnings per share-adjusted weighted average shares and after assumed exercises

86,357,006

86,613,843

Earnings per share – Basic

$
0.89

$
0.93

Earnings per share – Diluted

$
0.87

$
0.91

For additional information regarding outstanding employee stock options, see Note 6 - Stock Based Compensation, in the Notes to the Condensed Consolidated Financial Statements.

NOTE 9 – GOODWILL AND OTHER INTANGIBLE ASSETS
Goodwill and other identifiable indefinite lived intangibles are not amortized, but are subject to an annual impairment test, or more frequent testing if circumstances indicate that they may be impaired.
Goodwill:
We have two geographical reportable segments, "United States" and "International", both of which have goodwill. We have retroactively reclassified $6.4 million of goodwill related to Puerto Rico from the United States segment to the International segment. The changes in the carrying amount of goodwill since January 1, 2014, by reportable segment, were as follows:

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Explanation of Responses:

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In thousands

	United States	International	Total
Balance as of January 1, 2014	$1,671,723	$559,859	$2,231,582
Goodwill acquired during year	169,754	88,263	258,017
Purchase accounting allocation adjustments	(4,825)	(17,595)	(22,420)
Changes due to foreign currency fluctuations	(2,337)	(46,010)	(48,347)
Balance as of December 31, 2014	1,834,315	584,517	2,418,832
Goodwill acquired during year	10,260	28,989	39,249
Purchase accounting allocation adjustments	1,941	—	1,941
Goodwill other changes	—	(440)	(440)
Changes due to foreign currency fluctuations	(2,631)	(37,667)	(40,298)
Balance as of March 31, 2015	$1,843,885	$575,399	$2,419,284

Current year adjustments to goodwill for certain 2014 acquisitions are primarily due to the finalization of intangible asset valuations.

Other Intangible Assets:

As of March 31, 2015 and December 31, 2014, the values of other intangible assets were as follows:

In thousands

	March 31, 2015			December 31, 2014		
	Gross Carrying Amount	Accumulated Amortization	Net Value	Gross Carrying Amount	Accumulated Amortization	Net Value
Amortizable intangibles:						
Covenants not-to-compete	$8,451	$5,959	$2,492	$8,474	$5,688	$2,786
Customer relationships	750,022	112,107	637,915	755,148	107,365	647,783
Tradenames	4,265	880	3,385	6,062	1,313	4,749
Technology	611	547	64	611	521	90
Other	517	42	475	539	35	504
Indefinite lived intangibles:						
Operating permits	239,229	—	239,229	247,933	—	247,933
Tradenames	5,800	—	5,800	5,800	—	5,800
Total	$1,008,895	$119,535	$889,360	$1,024,567	$114,922	$909,645

During the quarter ended March 31, 2015, we wrote off $0.2 million in customer relationships, $1.2 million in operating permits, and $1.0 million in tradenames, due to rationalizing certain of our domestic and international operations (see Note 13 - Restructuring Charges in the Notes to the Condensed Consolidated Financial Statements). These expenses are reflected as part of SG&A on our Condensed Consolidated Statements of Income. Under generally accepted accounting principles, a fair value must be assigned to all acquired assets based on a theoretical "market participant" regardless of the acquirer's intended use for those assets.This accounting treatment can lead to the recognition of losses when a company disposes of acquired assets. We complete our annual impairment analysis of our indefinite lived intangibles during the quarter ended December 31 of each year, or more frequently, if circumstances indicate that they may be impaired.

Our finite-lived intangible assets are amortized over their useful lives. We have determined that our customer relationships have useful lives from 10 to 40 years based upon the type of customer, with a weighted average remaining useful life of 23.6 years. We have covenants not-to-compete intangibles with useful lives from 3 to 14 years, with a weighted average remaining useful life of 4.4 years. We have tradename intangibles with useful lives from 10 to 40 years, with a weighted average remaining useful life of 17.3 years. We have technology with a useful life of 5 years, with a weighted average remaining useful life of 1.0 years. We have

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determined that our permits have indefinite lives due to our ability to renew these permits with minimal additional cost, and therefore these are not amortized.

During the quarters ended March 31, 2015 and 2014, the aggregate amortization expense was $8.8 million and $7.3 million, respectively.

The estimated amortization expense for each of the next five years, assuming no additional amortizable intangible assets, is as follows for the years ended December 31:

In thousands	
2015	$34,084
2016	33,788
2017	33,662
2018	33,624
2019	33,603

Future amortization expense may fluctuate depending on changes in foreign currency rates, future acquisitions, or changes to the estimated amortizable life of the intangibles. The estimates for amortization expense noted above are based upon foreign exchange rates as of March 31, 2015.

NOTE 10 – ENVIRONMENTAL REMEDIATION LIABILITIES

We record a liability for environmental remediation when such liability becomes probable and the costs or damages can be reasonably estimated. We accrue environmental remediation costs, on an undiscounted basis, associated with identified sites where an assessment has indicated that cleanup costs are probable and can be reasonably estimated, but the timing of such payments is not fixed and determinable. Such accruals are based on currently available information, estimated timing of remedial actions, existing technology, and enacted laws and regulations. The liability for environmental remediation is included in the Consolidated Balance Sheets in current liabilities within "Accrued liabilities" and in noncurrent liabilities within "Other liabilities."

At March 31, 2015, the total environmental remediation liabilities recorded were $32.5 million, of which $3.2 million was classified as accrued liabilities and $29.3 million was classified as other liabilities.

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NOTE 11 – DEBT

Long-term debt consisted of the following:

In thousands

	March 31, 2015	December 31, 2014
Obligations under capital leases	$7,427	$9,185
$1.2 billion senior credit facility weighted average rate 1.72%, due in 2019	175,564	459,975
$250 million term loan 0.92%, due in 2015	250,000	—
$100 million private placement notes 5.64%, due in 2015	100,000	100,000
$175 million private placement notes 3.89%, due in 2017	175,000	175,000
$125 million private placement notes 2.68%, due in 2019	125,000	125,000
$225 million private placement notes 4.47%, due in 2020	225,000	225,000
$125 million private placement notes 3.26%, due in 2022	125,000	125,000
Promissory notes and deferred consideration weighted average rate of 3.92% and weighted average maturity of 3.3 years	274,804	279,590
Foreign bank debt weighted average rate 8.98% and weighted average maturity of 1.8 years	117,594	160,465
Total debt	1,575,389	1,659,215
Less: current portion of total debt	113,212	131,969
Long-term portion of total debt	$1,462,177	$1,527,246

Our $1.2 billion senior credit facility maturing in June 2019, our $250.0 million term loan maturing in July 2015, our $100.0 million private placement notes maturing April 2015, our $175.0 million private placement notes maturing in October 2017, our $125.0 million private placement notes maturing in December 2019, our $225.0 million private placement notes maturing in October 2020, and our $125.0 million private placement notes maturing in December 2022, all require us to comply with various financial, reporting and other covenants and restrictions, including a restriction on dividend payments. The financial debt covenants are the same for the senior credit facility and the private placement notes. At March 31, 2015, we were in compliance with all of our financial debt covenants.

As of March 31, 2015 and December 31, 2014, we had $157.7 million and $162.9 million, respectively, committed to outstanding letters of credit under our senior credit facility. The unused portion of the revolving credit facility as of March 31, 2015 and December 31, 2014 was $866.7 million and $577.1 million, respectively.

Both our $100.0 million private placement notes that mature in April 2015 and our $250.0 million term loan that matures in July 2015 were classified as long-term debt due to our intent and ability to refinance these obligations by using other senior credit facility.

NOTE 12 – GEOGRAPHIC INFORMATION

Management has determined that we have two reportable segments: United States and International. Revenues are attributed to countries based on the location of customers. The same accounting principles and critical accounting policies are used in the preparation of the financial statements for both reportable segments.

We have retroactively reclassified immaterial amounts related to Puerto Rico from the United States segment to the International segment.

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Detailed information for our United States reportable segment is as follows:
In thousands

	Three Months Ended March 31,	
	2015	2014
Regulated and compliance solutions revenues	$452,269	$366,699
Recall and returns solutions revenues	19,979	23,064
Total revenues	472,248	389,763
Net interest expense	10,845	10,646
Income before income taxes	102,890	104,492
Income taxes	37,880	37,039
Net income attributable to Stericycle, Inc.	$65,010	$67,453
Depreciation and amortization	$16,140	$12,697

Detailed information for our International reportable segment is as follows:
In thousands

	Three Months Ended March 31,	
	2015	2014
Regulated and compliance solutions revenues	$191,071	$180,192
Net interest expense	7,753	4,252
Income before income taxes	4,967	12,569
Income taxes	(5,833)	252
Net income	10,800	12,317
Less: net income attributable to noncontrolling interests	352	621
Net income attributable to Stericycle, Inc.	$10,448	$11,696
Depreciation and amortization	$11,423	$10,659

NOTE 13 – RESTRUCTURING CHARGES

During the first quarter of 2015, management began executing a realignment of our operations to reduce labor redundancies and facility costs. As part of this realignment, the Company recorded charges related to severance, fixed asset impairments, write-off of intangible assets, and recognition of lease expense for properties no longer used but for which we have a contractual obligation. The recorded restructuring liabilities are expected to be paid primarily within the current year. While the Company believes the recorded restructuring liabilities are adequate, revisions to current estimates may be recorded in future periods based on new information as it becomes available. There could be additional initiatives in the future to further streamline our operations. As such, the Company expects further expenses related to workforce reductions and other facility rationalization costs when those restructuring plans are finalized and related expenses are estimable.

The following table below highlights $12.3 million pre-tax charges for the quarter ended March 31, 2015, which are reflected as part of SG&A on our Condensed Consolidated Statements of Income.

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In thousands

	United States	International	Total Charges to Income
Employee severance and related costs	$1,736	$2,229	$3,965
Other costs	1,458	704	2,162
Non-cash items:			
Fixed assets impairment	3,133	—	3,133
Intangible assets impairment	2,167	247	2,414
Other	—	628	628
Total pre-tax restructuring expenses	$8,494	$3,808	$12,302

The following table summarizes restructuring activity during 2015 which is reflected in the Condensed Consolidated Balance Sheets as part of "Accrued liabilities":

In thousands

	Employee Severance and Related Costs	Other Costs	Total
Liability balance at January 1, 2015	$—	$—	$—
Charges to income	3,965	2,162	6,127
Payments	(1,057)	(735)	(1,792)
Other	(24)	—	(24)
Liability balance at March 31, 2015	$2,884	$1,427	$4,311

NOTE 14 – LEGAL PROCEEDINGS

We operate in a highly regulated industry and must deal with regulatory inquiries or investigations from time to time that may be instituted for a variety of reasons. We are also involved in a variety of civil litigation from time to time.

Class Action Lawsuits. As we have previously disclosed, we were served on March 12, 2013 with a class action complaint filed in the U.S. District Court for the Western District of Pennsylvania by an individual plaintiff for itself and on behalf of all other "similarly situated" customers of ours. The complaint alleges, among other things, that we imposed unauthorized or excessive price increases and other charges on our customers in breach of our contracts and in violation of the Illinois Consumer Fraud and Deceptive Business Practices Act. The complaint sought certification of the lawsuit as a class action and the award to class members of appropriate damages and injunctive relief.

The Pennsylvania class action complaint was filed in the wake of a settlement with the State of New York of an investigation under the New York False Claims Act (which the class action complaint describes at some length). The New York investigation arose out of a qui tam (or "whistle blower") complaint under the federal False Claims Act and comparable state statutes which was filed under seal in the U.S. District Court for the Northern District of Illinois in April 2008 by a former employee of ours. The qui tam complaint was filed on behalf of the United States and 14 states and the District of Columbia. On September 4, 2013, we filed our answer to Plaintiff-Relator’s Second Amended Complaint, generally denying the allegations therein. Also, as previously disclosed, Tennessee, Massachusetts, Virginia and North Carolina have issued

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civil investigative demands to explore the allegations made on their behalf in the qui tam complaint but have not yet decided whether to join the Illinois action. The qui tam case is in the early stages of discovery.

Following the filing of the Pennsylvania class action complaint, we were served with class action complaints filed in federal court in California, Florida, Illinois, Mississippi and Utah and in state court in California. These complaints asserted claims and allegations substantially similar to those made in the Pennsylvania class action complaint. All of these cases appear to be follow-on litigation to our settlement with the State of New York. On August 9, 2013, the Judicial Panel on Multidistrict Litigation (MDL) granted our Motion to Transfer these related actions to the Northern District of Illinois for centralized pretrial proceedings. On December 10, 2013, we filed our answer to the Amended Consolidated Class Action Complaint in the MDL action, generally denying the allegations therein. The MDL action is in the early stages of discovery.

We believe that we have operated in accordance with the terms of our customer contracts and that these complaints are without merit. We intend to vigorously defend ourselves against each of these lawsuits.

We have not accrued any amounts in respect of these lawsuits, and we cannot estimate the reasonably possible loss or the range of reasonably possible losses that we may incur. We are unable to make such an estimate because (i) litigation is by its nature uncertain and unpredictable, (ii) the proceedings are at an early stage and (iii) in our judgment, there are no comparable proceedings against other defendants that might provide guidance in making estimates.

Utah Proceedings. As previously disclosed, on December 3, 2014, we entered into an administrative settlement order (the "Settlement") with the State of Utah Division of Air Quality (the "DAQ") concerning a notice of violation and order to comply issued by the DAQ on May 28, 2013 and superseded by an amended notice of violation and order to comply issued on August 28, 2013 (the "NOV"). Under the Settlement, without admitting to any of the allegations contained in the NOV, we agreed to pay a civil penalty of $2.3 million, of which half, or $1.2 million , was paid within 30 days after December 3, 2014. The remaining $1.2 million will not be paid but instead will be credited to us as a Supplemental Environmental Project credit when we permanently close our North Salt Lake incineration facility which is required to occur no later than three years after we receive all permits and approvals necessary to commence construction of a new incineration facility to be located in Tooele County, Utah. The Settlement provides full and final resolution of any and all claims under the authority of the DAQ arising out of the allegations contained in the NOV and cannot be used by other parties to allege violations or negligence on our part in any other litigation or proceeding.

Junk Fax Lawsuit. On April 2, 2014, we were served with a class action complaint filed in the U.S. District Court for the Northern District of Illinois (Case 1:14-cv-02070) by an individual plaintiff for himself and on behalf of all other "similarly situated" persons. The complaint alleges, among other things, that we sent facsimile transmissions of unsolicited advertisements to plaintiff and others similarly situated in violation of the Telephone Consumer Protection Act of 1991, as amended by the Junk Fax Prevention Act of 2005 (the "TCPA"). The complaint seeks certification of the lawsuit as a class action and the award to class members of the greater of actual damages or the sum of $500 for each violation and injunctive and other relief. Under the TCPA, the statutory remedy of $500 per violation may be trebled if the Court finds the violations to be willful or knowing. On May 22, 2014, we filed our answer to the complaint, generally denying the allegations therein. Discovery in the case is proceeding.

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We have not accrued any amounts in respect of the TCPA action, and we cannot estimate the reasonably possible loss or the range of reasonably possible losses that we may incur. We are unable to make such an estimate because (i) the proceedings are at an early stage and discovery is ongoing and (ii) other reported TCPA claims have resulted in a broad range of outcomes, with each case being dependent on its own unique facts and circumstances.

We review all of our outstanding legal proceedings with counsel quarterly, and we will disclose an estimate of any reasonably possible loss or range of reasonably possible losses if and when we are able to make such an estimate and the reasonably possible loss or range of reasonably possible losses is material to our financial statements.

Environmental Matters. On April 22, 2014, we completed our acquisition of PSC Environmental Services, LLC ("PSC Environmental") and consequently became subject to the legal proceedings in which PSC Environmental was a party on that date. PSC Environmental's operations are regulated by federal, state and local laws enacted to regulate the discharge of materials into the environment, remediate contaminated soil and groundwater or otherwise protect the environment. As a result of this continuing regulation, PSC Environmental frequently becomes a party to legal or administrative proceedings involving various governmental authorities and other interested parties. The issues involved in these proceedings generally relate to alleged violations of existing permits and licenses or alleged responsibility under federal or state Superfund laws to remediate contamination at properties owned either by PSC Environmental or by other parties to which either PSC Environmental or the prior owners of certain of its facilities shipped wastes.

From time to time, PSC Environmental pays fines or penalties in regulatory proceedings relating primarily to waste treatment, storage or disposal facilities. We believe that the fines or other penalties that PSC Environmental may pay in connection with any pending regulatory proceedings of this nature will not, individually or in the aggregate, be material to our financial statements.

On September 18, 2014, our wholly-owned subsidiary, Stericycle Specialty Waste Solutions, Inc., received a notice of violation ("NOV") from the New Mexico Environment Department ("NMED") concerning our 10-day transfer facility in Albuquerque. The violations alleged in the NOV generally relate to the management of Conditionally Exempt Small Quantity Generator ("CESQG") waste under a CESQG agreement that we have with NMED, as well as some recordkeeping matters. We have met with NMED and are currently in discussions regarding a resolution of the matters alleged in the NOV. We believe that the penalties ultimately assessed under the NOV could exceed $100,000 but that, in any event, they will not be material to our financial statements.

NOTE 15 – SUBSEQUENT EVENT

The Company evaluated subsequent events through the date of filing this Quarterly Report on Form 10-Q.

On April 30, 2015, we entered into a note purchase agreement with several institutional purchasers pursuant to which we will issue and sell to the purchasers $200.0 million of our new 2.67% seven-year unsecured senior notes (the "Series A notes") and $100.0 million of our new eight-year 2.74% unsecured senior notes (the "Series B notes").

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Interest will be payable in arrears semi-annually on January 1, and July 1, beginning on January 1, 2016. The principal of the Series A notes will be payable at the maturity of the notes on July 1, 2022, and the principal of the Series B notes will be payable at the maturity of the notes on July 1, 2023. The notes will be unsecured obligations.

ITEM 2. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

We are in the business of providing regulated and compliance solutions to healthcare and commercial businesses. This includes the collection and processing of specialized waste for disposal, and a variety of training, consulting, recall/return, communication, and compliance services. We were incorporated in 1989 and presently serve a diverse customer base of more than 604,000 customers throughout the United States, Argentina, Brazil, Canada, Chile, Ireland, Japan, Mexico, Portugal, Romania, Republic of Korea, Spain, and the United Kingdom.

The regulated solutions we provide include: medical waste disposal, our Steri-Safe® medical waste and compliance program, our Clinical Services program, our Sharps Management Service featuring Bio Systems® reusable sharps containers, pharmaceutical waste disposal, and hazardous waste disposal. Our compliance solutions include: training, consulting, inbound/outbound communications, data reporting, and other regulatory compliance services. In addition to our regulated and compliance solutions, we offer regulated recall and returns management solutions which encompass a number of services for a variety of businesses, but consist primarily of managing the recall, withdrawal, or return of expired or recalled products and pharmaceuticals.

There were no material changes in the Company’s critical accounting policies since the filing of its 2014 Form 10-K. As discussed in the 2014 Form 10-K, the preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States requires management to make certain estimates and assumptions that affect the amount of reported assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and revenues and expenses during the periods reported. Actual results may differ from those estimates.

Highlights of the three months ended March 31, 2015:

- revenues were $663.3 million, up $93.4 million or 16.4% from $570.0 million in the first quarter last year;
- first quarter gross profit as a percent of revenues decreased to 42.4% from 44.8% in 2014;
- operating income was $127.1 million, down $5.6 million or 4.2% from $132.7 million in the first quarter last year;
- we incurred $25.9 million in pre-tax expenses related to acquisitions, integration expense related to acquisitions, restructuring expense, litigation expenses, partially offset by change in fair value of contingent consideration;
- cash flow from operations was $132.6 million.

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THREE MONTHS ENDED MARCH 31, 2015 COMPARED TO
THREE MONTHS ENDED MARCH 31, 2014
The following summarizes the Company's operations:
In thousands, except per share data

	Three Months Ended March 31,			
	2015		2014	
	$	%	$	%
Revenues	$663,319	100.0	$569,955	100.0
Cost of revenues	367,340	55.4	301,186	52.8
Depreciation - cost of revenues	14,648	2.2	12,726	2.2
Plant conversion expenses	—	—	574	0.1
Total cost of revenues	381,988	57.6	314,486	55.2
Gross profit	281,331	42.4	255,469	44.8
Selling, general and administrative expenses (exclusive of adjusting items shown below)	115,431	17.4	100,180	17.6
Acquisition expenses	3,296	0.5	3,221	0.6
Integration expenses	8,886	1.3	2,485	0.4
Change in fair value of contingent consideration	(675)	(0.1)	4,789	0.8
Restructuring expenses	12,302	1.9	—	0.0
Litigation expenses	2,123	0.3	1,505	0.3
Total SG&A expenses (exclusive of depreciation and amortization shown below)	141,363	21.3	112,180	19.7
Depreciation	4,118	0.6	3,315	0.6
Amortization	8,797	1.3	7,315	1.3
Income from operations	127,053	19.2	132,659	23.3
Net interest expense	18,598	2.8	14,898	2.6
Other expense, net	598	0.1	700	0.1
Income tax expense	32,047	4.8	37,291	6.5
Net income	75,810	11.4	79,770	14.0
Less: net income attributable to noncontrolling interests	352	0.1	621	0.1
Net income attributable to Stericycle, Inc.	$75,458	11.4	$79,149	13.9
Earnings per share- diluted	$0.87		$0.91	

Revenues: Our revenues increased $93.4 million, or 16.4%, in the first quarter of 2015 to $663.3 million from $570.0 million in the same period in 2014. Domestic revenues increased $82.5 million, or 21.2%, to $472.2 million from $389.8 million in the same period in 2014. Organic revenue growth for domestic small account customers increased by $17.2 million, or approximately 7.6%, driven by higher revenues from our Steri-Safe and regulated waste services for retailers. Organic revenue from domestic large account customers increased by $6.4 million, or approximately 4.6%, as we increased the total number of accounts and expanded our reusable sharps services and pharmaceutical waste disposal programs as well as strong performance in our specialty waste services. Organic revenues for recall and returns management services decreased by $6.9 million in 2015. Although our recall and returns management services had an overall increase in the number of recall events, there were fewer large scale events. Organic revenues exclude revenue growth attributed to businesses acquired within the preceding twelve months. Revenues from domestic acquisitions closed within the preceding twelve months contributed $65.8 million to the increase in revenues in the first quarter of 2015.

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International revenues increased $10.9 million, or 6.0%, in the first quarter of 2015, to $191.1 million from $180.2 million in the same period in 2014. Organic growth, currency rate fluctuations and acquisitions impact the comparison of 2015 and 2014. Organic growth in the international segment contributed $13.5 million in revenues, or approximately 7.5%. Organic growth excludes the effect of foreign exchange and acquisitions and divestitures less than one year old. The effect of foreign exchange rates unfavorably impacted international revenues in 2015 by $23.1 million as foreign currencies declined against the U.S. dollar. Revenue from international acquisitions closed within the preceding twelve months contributed $20.5 million to the increase in revenues in the first quarter of 2015.

Cost of Revenues: Our cost of revenues increased $67.5 million, or 21.5%, in the first quarter of 2015 to $382.0 million from $314.5 million in the same period in 2014. We recognized $0.6 million in plant conversion expenses during the first quarter 2014.

Our domestic cost of revenues increased $57.5 million, or 29.5%, in the first quarter of 2015 to $252.3 million from $194.8 million in the same period in 2014 as a result of costs related to a proportional increase in revenues from acquisitions and internal growth. In addition, unusually severe weather negatively impacted our domestic cost of revenues.

Our international cost of revenues increased $10.0 million, or 8.4%, in the first quarter of 2015 to $129.7 million from $119.7 million in the same period in 2014 as a result of costs related to proportional increase in revenues from acquisitions and internal growth.

Our consolidated gross profit as a percent of revenues decreased to 42.4% during the first quarter of 2015 from 44.8% during the same period in 2014. In general, international gross profits are lower than domestic gross profits because international operations have fewer small account customers, which tend to provide higher gross profits. Historically, the international operations have had most of their revenues from large account customers, such as hospitals. As the international revenues increase, consolidated gross profits receive downward pressure due to this "business mix" shift, which may be offset by additional international small account market penetration, integration savings, and domestic business expansion.

Domestic gross profit as a percent of revenues decreased to 46.6% during the first quarter of 2015 from 50.0% in the same period in 2014 primarily due to the inclusion of the PSC Environmental acquisition results and unusually severe weather in 2015. International gross profit as a percent of revenues decreased to 32.1% during the first quarter of 2015 from 33.6% during the same period in 2014 due to service mix shift on new revenues.

Selling, General and Administrative Expenses: Excluding the effect of acquisition and integration expenses, and other items (collectively the "Adjusting Items"), depreciation, and amortization expenses, our selling, general and administrative ("SG&A") expenses increased $15.2 million, or 15.2%, in the first quarter of 2015 to $115.4 million from $100.2 million in the same period in 2014 primarily as investment spending supported the increase in revenues. As a percent of revenues, these costs decreased to 17.4% in the first quarter of 2015 from 17.6% during the same period in 2014.

Domestically, first quarter SG&A expenses, excluding Adjusting Items, depreciation, and amortization expenses, increased $9.9 million, or 14.4%, to $78.5 million from $68.6 million in the same period in 2014. As a percent of revenues, SG&A was at 16.6% in the first quarter of 2015 and 17.6% in the same period in 2014. As a percent of revenues, amortization expense of acquired intangible assets increased by 0.1%.

Internationally, first quarter SG&A expenses, excluding Adjusting Items, depreciation, and amortization expenses, increased $5.3 million, or 16.8%, to $36.9 million from $31.6 million in the same period in 2014. As a percent of revenues, SG&A was at 19.3% in the first quarter of 2015 compared to 17.5%

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in the same period in 2014 in support of new business growth opportunities. As a percent of revenues, amortization expense of acquired intangible assets increased by 0.1%.

During the quarter ended March 31, 2015, we recognized $3.3 million in acquisition expenses, $8.9 million of expenses related to the integration of our acquisitions, $12.3 million in restructuring expenses (see Note 13 - Restructuring Charges in the Notes to the Condensed Consolidated Financial Statements), $2.1 million in litigation expenses, partially offset by a $0.7 million gain related to a change in the fair value of contingent consideration.

During the quarter ended March 31, 2014, we recognized $3.2 million in acquisition expenses, $2.5 million of expenses related to the integration of our acquisitions, $4.8 million related to a change in the fair value of contingent consideration, and $1.5 million in litigation expenses.

Income from Operations: Income from operations decreased $5.6 million, or 4.2%, in the first quarter of 2015 to $127.1 million from $132.7 million in same period in 2014. Comparison of income from operations between the first quarter of 2015 and the same period of 2014 was affected by Adjusting Items described above in the SG&A section. Domestically, our income from operations decreased $0.5 million, or 0.4%, to $115.1 million in the first quarter of 2015 from $115.6 million in the same period in 2014. Internationally, our income from operations decreased $5.1 million, or 29.8%, to $12.0 million in the first quarter of 2015 from $17.1 million in the same period in 2014 primarily related to increased acquisition and integration expenses.

During the first quarter of 2015, management began executing a realignment of our operations to reduce labor redundancies and facility costs. As part of this realignment, the Company recorded charges related to severance, fixed asset impairments, write-off of intangible assets, and recognition of lease expense for properties no longer used but for which we have a contractual obligation.

Net Interest Expense: Net interest expense increased to $18.6 million during the first quarter of 2015 from $14.9 million during the same period in 2014. The increase in interest expense was due to increased borrowings and higher interest costs in Latin America.

Income Tax Expense: Income tax expense decreased to $32.0 million in the first quarter of 2015 from $37.3 million in the same period in 2014. The reported tax rates for the quarters ended March 31, 2015 and 2014 were 29.7% and 31.9%, respectively. The decrease in the current quarter tax rate is primarily related to a benefit from the recognition of tax deductible goodwill associated with legal entity mergers in Spain and Brazil.

LIQUIDITY AND CAPITAL RESOURCES

Our $1.2 billion senior credit facility maturing in June 2019, our $250.0 million term loan maturing in July 2015, our $100.0 million private placement notes maturing April 2015, our $175.0 million private placement notes maturing in October 2017, our $125.0 million private placement notes maturing in December 2019, our $225.0 million private placement notes maturing in October 2020, and our $125.0 million private placement notes maturing in December 2022, all require us to comply with various financial, reporting and other covenants and restrictions, including a restriction on dividend payments. The financial debt covenants are the same for the senior credit facility and the private placement notes. At March 31, 2015, we were in compliance with all of our financial debt covenants.

As of March 31, 2015, we had $175.6 million of borrowings outstanding under our $1.2 billion senior unsecured credit facility, which includes foreign currency borrowings of $75.6 million. We also had $157.7

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million committed to outstanding letters of credit under this facility. The unused portion of the revolving credit facility as of March 31, 2015 was $866.7 million. At March 31, 2015, our interest rates on borrowings under our revolving credit facility were as follows:

- A fee of 0.125% on our revolving credit facility
- For borrowings less than one month, the higher of the following
  Federal funds rate plus 0.5%
  Euro Currency rate plus 1.0% or the prime rate
- For borrowings greater than one month: LIBOR plus 1.0%

The weighted average rate of interest on the unsecured revolving credit facility was 1.72% per annum, which includes the 0.125% facility fee at March 31, 2015.

Our $250.0 million term loan matures in July 2015.

As of March 31, 2015, we had outstanding $100.0 million of seven-year 5.64% unsecured senior notes issued to nine institutional purchasers in a private placement completed in April 2008. Interest is payable in arrears semi-annually on April 15 and October 15 beginning on October 15, 2009, and principal is payable at the maturity of the notes on April 15, 2015. These notes have been classified as long-term debt due to our intent to pay this obligation by borrowing on our $1.2 billion senior credit facility.

As of March 31, 2015, we had outstanding $175.0 million of seven-year 3.89% unsecured senior notes and $225.0 million of 10-year 4.47% unsecured senior notes issued to 39 institutional purchasers in a private placement completed in October 2010. Interest is payable in arrears semi-annually on April 15 and October 15 beginning on April 15, 2011, and principal is payable at the maturity of the notes, October 15, 2017 in the case of the seven-year notes and October 15, 2020 in the case of the 10-year notes.

As of March 31, 2015, we had outstanding $125.0 million of seven-year 2.68% unsecured senior notes and $125.0 million of 10-year 3.26% unsecured senior notes issued to 46 institutional purchasers in a private placement completed in December 2012. Interest is payable in arrears semi-annually on June 12 and December 12 beginning on June 12, 2013, and principal is payable at the maturity of the notes, December 12, 2019 in the case of the seven-year notes and December 12, 2022 in the case of the 10-year notes.

As of March 31, 2015, we had $274.8 million in promissory notes issued in connection with acquisitions during 2007 through 2014, $117.6 million in foreign subsidiary bank debt outstanding, and $7.4 million in capital lease obligations.

Working Capital: At March 31, 2015, our working capital decreased $5.0 million to $113.7 million compared to $118.7 million at December 31, 2014.

Current assets increased by $15.8 million, mainly driven by $16.0 million increase in cash and cash equivalents due to high collections at the end of March. Days sales outstanding ("DSO") was calculated at 63 days at March 31, 2015 and 63 days at December 31, 2014.

Current liabilities increased by $20.9 million, primarily related to an increase in accrued liabilities, contingent consideration from new acquisitions and accounts payable, offset by a decrease in the current portion of foreign bank debt. We recapitalized our Latin America subsidiaries to pay down high interest local bank debt.

Net Cash Provided or Used: Net cash provided by operating activities decreased $13.3 million, or 9.1%, to $132.6 million during the three months ended March 31, 2015 compared to $145.8 million for the comparable period in 2014. Cash provided by operations as a ratio to net income was 175% and 183% for the three months ended March 31, 2015 and 2014, respectively.

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Net cash used in investing activities for the three months ended March 31, 2015 was $55.3 million compared to $30.6 million in the same period in 2014. We used $21.9 million more in funds to acquire new businesses in 2015 compare to the same period of 2014. Our capital expenditures, as a percent of revenues, were at 3.2% and 2.9% in 2015 and 2014, respectively.

Net cash used in financing activities was $57.6 million during the three months ended March 31, 2015 compared to $132.8 million in the same period in 2014. We had share repurchases of $11.5 million in 2015 compared to $76.9 million in 2014, a decrease of $65.4 million.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are subject to market risks arising from changes in interest rates. Our potential additional interest expense over one year that would result from a hypothetical, instantaneous and unfavorable change of 100 basis points in the interest rate on all of our variable rate obligations would be approximately $5.8 million on a pre-tax basis.

We have exposure to commodity pricing for gas and diesel fuel for our trucks and for the purchase of containers and boxes. We do not hedge these items to manage the exposure.

We have exposure to foreign currency fluctuations. We have subsidiaries in twelve foreign countries whose functional currency is the local currency. Our international subsidiaries use local currency denominated lines of credit for their funding needs which is has no exposure to currency fluctuations. We translate results of operations of our international operations using an average exchange rate. Changes in foreign currency exchange rates could unfavorably impact our consolidated results of operations.

ITEM 4. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

Our management, with the participation of our President and Chief Executive Officer and our Chief Financial Officer, conducted an evaluation of the effectiveness of our disclosure controls and procedures as of the end of the fiscal quarter covered by this Report. On the basis of this evaluation, our President and Chief Executive Officer and our Chief Financial Officer each concluded that our disclosure controls and procedures were effective.

The term "disclosure controls and procedures" is defined in Rule 13a-15(e) of the Securities Exchange Act of 1934 as "controls and other procedures designed to ensure that information required to be disclosed by the issuer in the reports, files or submits under the Act is recorded, processed, summarized and reported, within the time periods specified in the Securities and Exchange Commission’s rules and forms." Our disclosure controls and procedures are designed to ensure that material information relating to us and our consolidated subsidiaries is accumulated and communicated to our management, including our President and Chief Executive Officer and our Chief Financial Officer, as appropriate to allow timely decisions regarding our required disclosures.

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Internal Control Over Financial Reporting

The term internal control over financial reporting is defined as a process designed by, or under the supervision of, the issuers' principal executive and principal financial officers, and effected by the issuer's Board of Directors, management, and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. During the quarter ended March 31, 2015, there were no changes in our internal controls over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

During 2014, we completed the acquisition of PSC Environmental Services, LLC ("PSC Environmental"). As of March 31, 2015, we were in the process of integrating PSC Environmental's processes and related internal controls into our overall assessment of internal control over financial reporting. As permitted, our assessment of internal control over financial reporting did not include PSC Environmental. During the quarter ended March 31, 2015, there were no changes in our internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

FROM TIME TO TIME WE ISSUE FORWARD-LOOKING STATEMENTS RELATING TO SUCH THINGS AS ANTICIPATED FINANCIAL PERFORMANCE, BUSINESS PROSPECTS, ACQUISITION ACTIVITIES AND SIMILAR MATTERS.

THESE FORWARD-LOOKING STATEMENTS MAY INVOLVE RISKS AND UNCERTAINTIES, SOME OF WHICH ARE BEYOND OUR CONTROL (FOR EXAMPLE, GENERAL ECONOMIC CONDITIONS). OUR ACTUAL RESULTS COULD DIFFER SIGNIFICANTLY FROM THE RESULTS DESCRIBED IN THE FORWARD-LOOKING STATEMENTS. FACTORS THAT COULD CAUSE SUCH DIFFERENCES INCLUDE DIFFICULTIES IN COMPLETING THE INTEGRATION OF ACQUIRED BUSINESSES, CHANGES IN GOVERNMENTAL REGULATION OF MEDICAL WASTE COLLECTION AND TREATMENT, AND INCREASES IN TRANSPORTATION AND OTHER OPERATING COSTS, AS WELL AS VARIOUS OTHER FACTORS.

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PART II. – OTHER INFORMATION
ITEM 1. LEGAL PROCEEDINGS
See Note 14 - Legal Proceedings, in the Notes to the Condensed Consolidated Financial Statements (Item 1 of Part I).
ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Under resolutions that our Board of Directors has adopted, we have been authorized to purchase a cumulative total of 24,621,640 shares of our common stock on the open market. As of March 31, 2015, we had purchased a cumulative total of 19,987,168 shares.

The following table provides information about our purchases of shares of our common stock during the three months ended March 31, 2015:
Issuer Purchase of Equity Securities

Period	Total Number of Share (or Units) Purchased *	Average Price Paid per Share (or Unit)	Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs
January 1 - January 31, 2015	—	$—	—	4,735,185
February 1 - February 28, 2015	—	—	—	4,735,185
March 1 - March 31, 2015	100,713	136.74	100,713	4,634,472

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ITEM 6. EXHIBITS

31.1	Rules 13a-14(a)/15d-14(a) Certification of Charles A. Alutto, President and Chief Executive Officer
31.2	Rule 13a-14(a)/15d-14(a) Certification of Daniel V. Ginnetti, Executive Vice President and Chief Financial Officer
32	Section 1350 Certification of Charles A. Alutto, President and Chief Executive Officer, and Daniel V. Ginnetti, Executive Vice President and Chief Financial Officer
101.INS XBRL	Instance Document
101.SCH XBRL	Taxonomy Extension Schema Document
101.CAL XBRL	Taxonomy Extension Calculation Linkbase Document
101.DEF XBRL	Taxonomy Definition Linkbase Document
101.LAB XBRL	Taxonomy Extension Label Linkbase Document
101.PRE XBRL	Taxonomy Extension Presentation Linkbase Document

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Dated: May 7, 2015

STERICYCLE, INC.
(Registrant)
By: /s/ DANIEL V. GINNETTI
Daniel V. Ginnetti
Executive Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)

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