

REPUBLIC SERVICES, INC.

Form 10-Q

July 29, 2011

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**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, 2011**

**OR**

**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: 1-14267**

**REPUBLIC SERVICES, INC.**

(Exact name of registrant as specified in its charter)

**DELAWARE**

(State or other jurisdiction of incorporation or  
organization)

**65-0716904**

(IRS Employer Identification No.)

**18500 NORTH ALLIED WAY  
PHOENIX, ARIZONA**

(Address of principal executive offices)

**85054**

(Zip code)

Registrant's telephone number, including area code: **(480) 627-2700**

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 the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

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 Exchange Act).  
Yes  No

On July 20, 2011, the registrant had outstanding 376,530,530 shares of Common Stock, par value \$.01 per share (excluding treasury shares of 25,219,427).



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ITEM 1. FINANCIAL STATEMENTS.****REPUBLIC SERVICES, INC.  
CONSOLIDATED BALANCE SHEETS  
(in millions, except per share amounts)**

	June 30, 2011 (Unaudited)	December 31, 2010
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 320.5	\$ 88.3
Accounts receivable, less allowance for doubtful accounts of \$47.1 and \$50.9, respectively	872.3	828.9
Prepaid expenses and other current assets	169.6	207.4
Deferred tax assets	117.2	121.5
Total current assets	1,479.6	1,246.1
Restricted cash and marketable securities	160.1	172.8
Property and equipment, net	6,702.7	6,698.5
Goodwill	10,640.2	10,655.3
Other intangible assets, net	439.2	451.3
Other assets	260.2	237.9
Total assets	\$ 19,682.0	\$ 19,461.9
<b>LIABILITIES AND STOCKHOLDERS EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 476.8	\$ 606.5
Notes payable and current maturities of long-term debt	397.8	878.5
Deferred revenue	304.9	295.1
Accrued landfill and environmental costs, current portion	187.9	182.0
Accrued interest	84.4	93.1
Other accrued liabilities	752.2	621.3
Total current liabilities	2,204.0	2,676.5
Long-term debt, net of current maturities	6,907.7	5,865.1
Accrued landfill and environmental costs, net of current portion	1,433.8	1,416.6
Deferred income taxes and other long-term tax liabilities	975.7	1,044.8
Self-insurance reserves, net of current portion	299.6	304.5
Other long-term liabilities	194.5	305.5
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, par value \$0.01 per share; 50 shares authorized; none issued		
Common stock, par value \$0.01 per share; 750 shares authorized; 401.6 and 400.2 issued including shares held in treasury, respectively	4.0	4.0
Additional paid-in capital	6,477.1	6,431.1
Retained earnings	1,943.5	1,890.3

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Treasury stock, at cost (25.1 and 16.5 shares, respectively)	(763.7)	(500.8)
Accumulated other comprehensive income, net of tax	3.8	21.9
Total Republic Services, Inc. stockholders' equity	7,664.7	7,846.5
Noncontrolling interests	2.0	2.4
Total stockholders' equity	7,666.7	7,848.9
Total liabilities and stockholders' equity	\$ 19,682.0	\$ 19,461.9

The accompanying notes are an integral part of these statements.

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**REPUBLIC SERVICES, INC.**  
**UNAUDITED CONSOLIDATED STATEMENTS OF INCOME**  
(in millions, except per share data)

	Three Months Ended June		Six Months Ended June	
	30,		30,	
	2011	2010	2011	2010
Revenue	\$ 2,086.6	\$ 2,066.4	\$ 4,051.5	\$ 4,024.1
Expenses:				
Cost of operations	1,237.8	1,218.3	2,397.5	2,355.1
Depreciation, amortization and depletion	208.6	213.8	414.4	416.8
Accretion	19.5	20.2	39.2	40.4
Selling, general and administrative	200.1	210.8	404.0	421.1
Loss on disposition of assets and impairments, net	19.4	1.1	19.0	1.6
Restructuring charges		1.4		7.0
Operating income	401.2	400.8	777.4	782.1
Interest expense	(111.4)	(130.5)	(227.1)	(265.0)
Loss on extinguishment of debt	(199.5)		(201.3)	(132.3)
Interest income	0.1	0.1	0.3	0.1
Other income, net	0.9	(0.1)	2.0	1.6
Income before income taxes	91.3	270.3	351.3	386.5
Provision for income taxes	45.1	110.4	147.0	161.4
Net income	46.2	159.9	204.3	225.1
Net loss (income) attributable to noncontrolling interests	0.3	(0.2)	0.4	(0.4)
Net income attributable to Republic Services, Inc.	\$ 46.5	\$ 159.7	\$ 204.7	\$ 224.7
Basic earnings per share attributable to Republic Services, Inc. stockholders:				
Basic earnings per share	\$ 0.12	\$ 0.42	\$ 0.54	\$ 0.59
Weighted average common shares outstanding	378.2	382.5	380.2	382.0
Diluted earnings per share attributable to Republic Services, Inc. stockholders:				
Diluted earnings per share	\$ 0.12	\$ 0.42	\$ 0.54	\$ 0.59
Weighted average common and common equivalent shares outstanding	380.2	384.7	382.1	384.0
Cash dividends per common share	\$ 0.20	\$ 0.19	\$ 0.40	\$ 0.38

The accompanying notes are an integral part of these statements.





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**REPUBLIC SERVICES, INC.**  
**UNAUDITED CONSOLIDATED STATEMENT OF STOCKHOLDERS EQUITY**  
**(in millions)**

	Republic Services, Inc. Stockholders Equity							Accumulated Other Comprehensive Income (Loss), Net of Tax	Noncontrolling Interests
	Total	Common Stock		Additional Paid-In Capital		Retained Earnings	Treasury Stock		
		Shares	Amount	Capital	Earnings	Shares	Amount		
Balance as of December 31, 2010	\$ 7,848.9	400.2	\$ 4.0	\$ 6,431.1	\$ 1,890.3	(16.5)	\$ (500.8)	\$ 21.9	\$ 2.4
Net income	204.3				204.7				(0.4)
Other comprehensive loss	(18.1)							(18.1)	
Cash dividends declared	(151.1)				(151.1)				
Issuances of common stock	33.5	1.4		33.5					
Stock-based compensation	12.1			12.5	(0.4)				
Purchase of common stock for treasury	(262.9)					(8.6)	(262.9)		
Balance as of June 30, 2011	\$ 7,666.7	401.6	\$ 4.0	\$ 6,477.1	\$ 1,943.5	(25.1)	\$ (763.7)	\$ 3.8	\$ 2.0

The accompanying notes are an integral part of these statements.

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**REPUBLIC SERVICES, INC.**  
**UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(in millions)

	Six Months Ended June 30,	
	2011	2010
Cash provided by operating activities:		
Net income	\$ 204.3	\$ 225.1
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation and amortization of property and equipment	256.0	255.9
Landfill depletion and amortization	120.8	125.7
Amortization of intangible and other assets	37.6	35.2
Accretion	39.2	40.4
Non-cash interest expense debt	16.1	28.6
Non-cash interest expense other	24.5	24.2
Stock-based compensation	12.1	12.0
Deferred tax benefit	(58.3)	(58.3)
Provision for doubtful accounts, net of adjustments	6.1	10.3
Excess income tax benefit from stock option exercises	(2.1)	(1.8)
Asset impairments	39.4	0.5
Loss on extinguishment of debt	201.3	132.3
Gain on disposition of assets, net	(29.8)	(6.5)
Other non-cash items	(5.1)	0.8
Change in assets and liabilities, net of effects from business acquisitions and divestitures:		
Accounts receivable	(47.6)	(43.9)
Prepaid expenses and other assets	32.0	(1.8)
Accounts payable	(33.1)	(62.8)
Restructuring and synergy related expenditures	(2.7)	(13.0)
Capping, closure and post-closure expenditures	(35.2)	(28.0)
Remediation expenditures	(16.2)	(23.4)
Other liabilities	36.3	(56.7)
Cash provided by operating activities	795.6	594.8
Cash used in investing activities:		
Purchases of property and equipment	(481.7)	(385.4)
Proceeds from sales of property and equipment	16.3	12.6
Cash used in acquisitions, net of cash acquired	(28.0)	(0.8)
Cash proceeds from divestitures, net of cash divested	10.4	
Change in restricted cash and marketable securities	12.7	(76.0)
Other	(1.9)	0.1
Cash used in investing activities	(472.2)	(449.5)
Cash used in financing activities:		
Proceeds from notes payable and long-term debt	819.5	1,020.2

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Proceeds from issuance of senior notes, net of discount	1,844.9	1,499.4
Payments of notes payable and long-term debt	(2,228.3)	(2,494.8)
Premiums paid on extinguishment of debt	(86.8)	(30.4)
Fees paid to issue and retire senior notes and certain hedging relationships	(58.6)	(20.8)
Issuances of common stock	31.4	34.3
Excess income tax benefit from stock option exercises	2.1	1.8
Purchases of common stock for treasury	(262.9)	(1.4)
Cash dividends paid	(152.5)	(144.9)
Distributions paid to noncontrolling interests		(0.7)
Cash used in financing activities	(91.2)	(137.3)
Increase in cash and cash equivalents	232.2	8.0
Cash and cash equivalents at beginning of period	88.3	48.0
Cash and cash equivalents at end of period	\$ 320.5	\$ 56.0

The accompanying notes are an integral part of these statements.

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**REPUBLIC SERVICES, INC.**

**NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS**

**1. BASIS OF PRESENTATION AND RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS**

Republic Services, Inc. (a Delaware corporation) and its subsidiaries (also referred to collectively as Republic, we, us, our, or the company in this report) is the second largest provider of non-hazardous solid waste collection, transfer, recycling and disposal services in the United States, as measured by revenue. We manage and evaluate our operations through four geographic regions – Eastern, Midwestern, Southern, and Western, which we have identified as our reportable segments.

The accompanying unaudited consolidated financial statements include the accounts of Republic and its wholly owned and majority owned subsidiaries in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). We account for investments in entities in which we do not have a controlling financial interest under either the equity method or cost method of accounting, as appropriate. Our investments in variable interest entities are not material to our consolidated financial statements.

We have prepared these unaudited consolidated financial statements pursuant to the rules and regulations of the Securities and Exchange Commission (SEC). All significant intercompany accounts and transactions have been eliminated. Certain information related to our organization, significant accounting policies and footnote disclosures normally included in financial statements prepared in accordance with U.S. GAAP has been condensed or omitted. In the opinion of management, these financial statements include all adjustments that, unless otherwise disclosed, are of a normal recurring nature and necessary for a fair presentation of the financial position, results of operations and cash flows for the periods presented. Operating results for interim periods are not necessarily indicative of the results that can be expected for a full year. You should read these interim financial statements in conjunction with our audited consolidated financial statements and notes thereto appearing in our Annual Report on Form 10-K for the year ended December 31, 2010.

For comparative purposes, certain prior year amounts have been reclassified to conform to the current year presentation.

**Management's Estimates and Assumptions**

In preparing our financial statements, we include numerous estimates and assumptions that affect the accounting, recognition and disclosure of assets, liabilities, stockholders' equity, revenue and expenses. We must make these estimates and assumptions because certain information that we use is dependent on future events, cannot be calculated with a high degree of precision from data available or simply cannot be readily calculated based on generally accepted methodologies. In some cases, these estimates are particularly difficult to determine and we must exercise significant judgment. In preparing our financial statements, the most difficult, subjective and complex estimates and assumptions that deal with the greatest amount of uncertainty relate to our accounting for our long-lived assets, landfill development costs, final capping, closure and post-closure costs and the recoverability of goodwill; our valuation allowances for accounts receivable and deferred tax assets; our liabilities for potential litigation, claims and assessments; and our liabilities for environmental remediation, employee benefit plans, stock-based compensation, deferred taxes, uncertain tax positions and self-insurance. Each of these items is discussed in more detail in our description of our significant accounting policies in Note 2, *Summary of Significant Accounting Policies*, of the Notes to Consolidated Financial Statements in our Annual Report on Form 10-K for the year ended December 31, 2010. Our actual results may differ significantly from our estimates.

**New Accounting Pronouncements**

***Goodwill Impairment Test***

In December 2010, the Financial Accounting Standards Board (FASB) issued authoritative guidance which modifies the requirements of Step 1 of the goodwill impairment test for reporting units with zero or negative carrying amounts. We adopted this guidance effective January 1, 2011, and it did not have a material impact on our consolidated financial position or results of operations.

***Other Comprehensive Income***

In June 2011, the FASB issued a new accounting standard on the presentation of comprehensive income. The new standard requires the presentation of comprehensive income, the components of net income and the components of

other comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements. The new standard also

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requires presentation of adjustments for items that are reclassified from other comprehensive income to net income in the statement where the components of net income and the components of other comprehensive income are presented. We will adopt this new presentation standard as of the beginning of 2012. The adoption of this standard will only impact the presentation of our financial statements and will not impact our consolidated financial position or results of operations.

**2. BUSINESS ACQUISITIONS, DISPOSITION OF ASSETS AND ASSET IMPAIRMENTS****Acquisitions**

We acquired various solid waste businesses during the six months ended June 30, 2011 and 2010. These acquisitions resulted in cash used of \$28.0 million and \$0.8 million, respectively. The purchase price paid for these acquisitions and the allocation of the purchase price as of June 30 are as follows (in millions):

	2011	2010
Purchase price:		
Cash used in acquisitions, net of cash acquired	\$ 28.0	\$ 0.8
Fair value of operations surrendered	47.8	
Holdbacks	1.0	0.5
 Total	 76.8	 1.3
 Allocated as follows:		
Working capital	6.4	
Property and equipment	41.6	0.9
Other liabilities, net	(6.5)	(0.2)
 Net book value of assets acquired and liabilities assumed	 41.5	 0.7
 Excess purchase price to be allocated	 \$ 35.3	 \$ 0.6
 Excess purchase price to be allocated as follows:		
Other intangible assets	24.5	0.6
Goodwill	10.8	
 Total allocated	 \$ 35.3	 \$ 0.6

Substantially all of the goodwill and intangible assets recorded for these acquisitions are deductible for tax purposes.

**Disposition of Assets and Asset Impairments**

We disposed of various solid waste assets during the three and six months ended June 30, 2011. These divestitures resulted in cash proceeds of \$5.5 million and \$10.4 million, respectively. The components of the loss on disposition of assets and impairments, net during the three and six months ended June 30, 2011 are as follows (in millions):

	Three Months Ended June 30, 2011	Six Months Ended June 30, 2011
Gain on the disposition of businesses	\$ (17.1)	\$ (17.1)
Southern Region landfill asset impairment	28.5	28.5
Western Region asset impairment	7.2	7.2

All other, net		0.8		0.4
Loss on disposition of assets and impairments, net	\$	19.4	\$	19.0

We disposed of businesses in three markets in our Southern Region during the three months ended June 30, 2011, resulting in a gain of \$17.1 million. In connection with the disposition of these businesses, we closed a landfill site resulting in an asset impairment charge of \$28.5 million for the remaining landfill assets and the acceleration of capping, closure and post-closure costs.

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Separately, during the three months ended June 30, 2011, we recorded asset impairments of \$7.2 million for expected losses on the divestiture of certain businesses and related goodwill in our Western Region.

**3. GOODWILL AND OTHER INTANGIBLE ASSETS, NET****Goodwill**

A summary of the activity and balances in goodwill accounts by operating segment is as follows (in millions):

	Balance at December 31, 2010	Acquisitions	Divestitures	Adjustments to Acquisitions	Balance at June 30, 2011
Eastern	\$ 2,791.9	\$ 3.6	\$ (0.7)	\$ (0.5)	\$ 2,794.3
Midwestern	2,129.6	4.8			2,134.4
Southern	2,721.8	2.4	(19.5)	(0.4)	2,704.3
Western	3,012.0		(4.3)	(0.5)	3,007.2
Total	\$ 10,655.3	\$ 10.8	\$ (24.5)	\$ (1.4)	\$ 10,640.2

	Balance at December 31, 2009	Acquisitions	Divestitures	Adjustments to Acquisitions	Balance at June 30, 2010
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