

WASTE CONNECTIONS, INC.

Form 10-Q

October 20, 2010

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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 September 30, 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 1-31507

WASTE CONNECTIONS, INC.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

94-3283464

(I.R.S. Employer Identification No.)

2295 Iron Point Road, Suite 200, Folsom, CA 95630

(Address of principal executive offices) (Zip code)

(916) 608-8200

(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 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

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 issuer's classes of common stock:

As of October 15, 2010: 76,765,629 shares of common stock

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PART I FINANCIAL INFORMATION

Item 1. Financial Statements

WASTE CONNECTIONS, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

(In thousands, except share and per share amounts)

	December 31, 2009	September 30, 2010
ASSETS		
Current assets:		
Cash and equivalents	\$ 9,639	\$ 13,556
Accounts receivable, net of allowance for doubtful accounts of \$4,058 and \$4,241 at December 31, 2009 and September 30, 2010, respectively	138,972	155,082
Deferred income taxes	17,748	18,554
Prepaid expenses and other current assets	33,495	27,372
Total current assets	199,854	214,564
Property and equipment, net	1,308,392	1,303,463
Goodwill	906,710	910,286
Intangible assets, net	354,303	344,690
Restricted assets	27,377	28,823
Other assets, net	23,812	22,237
	\$ 2,820,448	\$ 2,824,063
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable	\$ 86,669	\$ 80,471
Book overdraft	12,117	11,743
Accrued liabilities	93,380	103,065
Deferred revenue	50,138	53,598
Current portion of long-term debt and notes payable	2,609	1,849
Total current liabilities	244,913	250,726
Long-term debt and notes payable	867,554	831,123
Other long-term liabilities	45,013	49,460
Deferred income taxes	305,932	319,870
Total liabilities	1,463,412	1,451,179
Commitments and contingencies (Note 15)		
Equity:		
Preferred stock: \$0.01 par value per share; 7,500,000 shares authorized; none issued and outstanding		
Common stock: \$0.01 par value per share; 150,000,000 shares authorized; 78,599,083 and 76,757,970 shares issued and outstanding at December 31,	786	767

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2009 and September 30, 2010, respectively

Additional paid-in capital	625,173	543,555
Accumulated other comprehensive loss	(4,892)	(7,114)
Retained earnings	732,738	831,697
Total Waste Connections equity	1,353,805	1,368,905
Noncontrolling interests	3,231	3,979
Total equity	1,357,036	1,372,884
	\$ 2,820,448	\$ 2,824,063

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

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WASTE CONNECTIONS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)

(In thousands, except share and per share amounts)

	Three months ended September		Nine months ended September	
	30,		30,	
	2009	2010	2009	2010
Revenues	\$ 315,990	\$ 345,785	\$ 881,496	\$ 983,802
Operating expenses:				
Cost of operations	180,440	193,638	510,830	557,974
Selling, general and administrative	35,753	38,455	104,411	110,465
Depreciation	31,226	34,441	86,127	99,349
Amortization of intangibles	3,671	3,616	9,351	10,800
Loss (gain) on disposal of assets	139	(50)	(1,037)	572
Operating income	64,761	75,685	171,814	204,642
Interest expense	(12,259)	(9,419)	(36,817)	(30,842)
Interest income	134	135	1,275	453
Loss on extinguishment of debt				(10,193)
Other income, net	879	1,500	1,055	1,970
Income before income tax provision	53,515	67,901	137,327	166,030
Income tax provision	(19,252)	(26,644)	(50,070)	(66,323)
Net income	34,263	41,257	87,257	99,707
Less: Net income attributable to noncontrolling interests	(113)	(271)	(691)	(748)
Net income attributable to Waste Connections	\$ 34,150	\$ 40,986	\$ 86,566	\$ 98,959
Earnings per common share attributable to Waste Connections common stockholders:				
Basic	\$ 0.43	\$ 0.53	\$ 1.09	\$ 1.28
Diluted	\$ 0.43	\$ 0.53	\$ 1.08	\$ 1.26
Shares used in the per share calculations:				
Basic	78,837,984	77,062,885	79,618,566	77,419,498
Diluted	79,824,616	77,852,569	80,468,180	78,281,132

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

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WASTE CONNECTIONS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF EQUITY AND COMPREHENSIVE INCOME
NINE MONTHS ENDED SEPTEMBER 30, 2010
(Unaudited)
(In thousands, except share amounts)

	Comprehensive Income	Common Shares	Stock Amount	Additional Paid-In Capital	Equity Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Noncontrolling Interests	Total
Balances at December 31, 2009		78,599,083	\$ 786	\$ 625,173	\$ (4,892)	\$ 732,738	\$ 3,231	\$ 1,357,036
Vesting of restricted stock		337,205	3	(3)				
Shares withheld for payroll taxes for vesting of restricted stock and warrants		(115,722)	(1)	(3,723)				(3,724)
Equity-based compensation				8,488				8,488
Exercise of stock options and warrants		1,262,609	12	23,232				23,244
Excess tax benefit associated with equity-based compensation				8,935				8,935
Repurchase of common stock		(3,347,111)	(33)	(116,252)				(116,285)
Reacquisition of equity component resulting from conversion of 2026 Convertible Senior Notes				(2,295)				(2,295)
Issuance of shares in connection with conversion of 2026 Convertible Senior Notes		21,906						
Amounts reclassified into					6,308			6,308

earnings, net of taxes					
Changes in fair value of swaps, net of taxes		(8,530)			(8,530)
Net income	\$ 99,707		98,959	748	99,707
Other comprehensive loss	(3,610)				
Income tax effect of other comprehensive loss	1,388				
Comprehensive income	97,485				
Comprehensive income attributable to noncontrolling interests	(748)				
Comprehensive income attributable to Waste Connections	\$ 96,737				

**Balances at
September 30,
2010**

76,757,970 \$ 767 \$ 543,555 \$ (7,114) \$ 831,697 \$ 3,979 \$ 1,372,884

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

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WASTE CONNECTIONS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF EQUITY AND COMPREHENSIVE INCOME
NINE MONTHS ENDED SEPTEMBER 30, 2009
(Unaudited)
(In thousands, except share amounts)

	Comprehensive Income	Common Shares	Stock Amount	Paid-In Capital	Waste Connections Equity Accumulated Other Additional Comprehensive Income (Loss)	Retained Earnings	Noncontrolling Interests	Total
Balances at December 31, 2008		79,842,239	\$ 798	\$ 661,555	\$ (23,937)	\$ 622,913	\$ 668	\$ 1,261,997
Vesting of restricted stock		269,165	3	(3)				
Shares withheld for payroll taxes for vesting of restricted stock and warrants		(90,251)	(1)	(2,502)				(2,503)
Equity-based compensation				6,965				6,965
Exercise of stock options and warrants		223,630	2	4,950				4,952
Excess tax benefit associated with equity-based compensation				696				696
Repurchase of common stock		(1,557,628)	(15)	(40,153)				(40,168)
Amounts reclassified into earnings, net of taxes					11,929			11,929
Changes in fair value of swaps, net of taxes					(3,462)			(3,462)
Fair value of noncontrolling interest associated with business acquired							1,514	1,514
Net income	\$ 87,257					86,566	691	87,257
Other comprehensive	13,737							

income
 Income tax effect
 of other
 comprehensive
 income (5,270)

Comprehensive
 income 95,724

Comprehensive
 income
 attributable to
 noncontrolling
 interests (691)

Comprehensive
 income
 attributable to
 Waste
 Connections \$ 95,033

**Balances at
 September 30,
 2009**

78,687,155 \$ 787 \$ 631,508 \$ (15,470) \$ 709,479 \$ 2,873 \$ 1,329,177

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

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WASTE CONNECTIONS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
(In thousands)

	Nine months ended September 30,	
	2009	2010
Cash flows from operating activities:		
Net income	\$ 87,257	\$ 99,707
Adjustments to reconcile net income to net cash provided by operating activities:		
Loss (gain) on disposal of assets	(1,037)	572
Depreciation	86,127	99,349
Amortization of intangibles	9,351	10,800
Deferred income taxes, net of acquisitions	28,605	15,925
Loss on redemption of 2026 Convertible Senior Notes, net of make-whole payment		2,255
Amortization of debt issuance costs	1,455	1,332
Amortization of debt discount	3,513	1,245
Equity-based compensation	6,965	8,488
Interest income on restricted assets	(369)	(397)
Closure and post-closure accretion	1,496	1,323
Excess tax benefit associated with equity-based compensation	(696)	(8,935)
Net change in operating assets and liabilities, net of acquisitions	19,578	10,634
Net cash provided by operating activities	242,245	242,298
Cash flows from investing activities:		
Payments for acquisitions, net of cash acquired	(422,078)	(17,391)
Capital expenditures for property and equipment	(84,289)	(86,121)
Proceeds from disposal of assets	4,348	5,786
Increase in restricted assets, net of interest income	(2,014)	(1,048)
Increase in other assets	(887)	(2,034)
Net cash used in investing activities	(504,920)	(100,808)
Cash flows from financing activities:		
Proceeds from long-term debt	217,000	331,253
Principal payments on notes payable and long-term debt	(175,053)	(384,346)
Change in book overdraft	47	(374)
Proceeds from option and warrant exercises	4,952	23,244
Excess tax benefit associated with equity-based compensation	696	8,935
Payments for repurchase of common stock	(40,168)	(116,285)
Debt issuance costs	(42)	
Net cash provided by (used in) financing activities	7,432	(137,573)

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Net increase (decrease) in cash and equivalents	(255,243)	3,917
Cash and equivalents at beginning of period	265,264	9,639
Cash and equivalents at end of period	\$	