

CLEAN HARBORS INC  
Form 10-Q  
November 01, 2017  
Table of Contents

UNITED STATES OF AMERICA  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

---

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF  
 1934

FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2017  
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 001-34223

---

CLEAN HARBORS, INC.

(Exact name of registrant as specified in its charter)

Massachusetts

04-2997780

(State or Other Jurisdiction of Incorporation or Organization)

(IRS Employer Identification No.)

42 Longwater Drive, Norwell, MA

02061-9149

(Address of Principal Executive Offices)

(Zip Code)

(781) 792-5000

(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, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth 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) Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Edgar Filing: CLEAN HARBORS INC - Form 10-Q

Indicate by check mark whether the registrant is a shell company (as defined by 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 the latest practicable date.

|                               |                                      |
|-------------------------------|--------------------------------------|
| Common Stock, \$.01 par value | 56,933,498                           |
| (Class)                       | (Outstanding as of October 27, 2017) |

---

CLEAN HARBORS, INC.

QUARTERLY REPORT ON FORM 10-Q

TABLE OF CONTENTS

|  | Page No.  |
|--|-----------|
| <u>PART I: FINANCIAL INFORMATION</u>   |           |
| <u>ITEM 1: Unaudited Financial Statements</u>  |           |
| <u>Consolidated Balance Sheets</u>   | <u>1</u>  |
| <u>Unaudited Consolidated Statements of Operations</u>   | <u>2</u>  |
| <u>Unaudited Consolidated Statements of Comprehensive Income (Loss)</u>                              | <u>3</u>  |
| <u>Unaudited Consolidated Statements of Cash Flows</u>   | <u>4</u>  |
| <u>Unaudited Consolidated Statements of Stockholders' Equity</u>                                     | <u>5</u>  |
| <u>Notes to Unaudited Consolidated Financial Statements</u>  | <u>6</u>  |
| <u>ITEM 2: Management's Discussion and Analysis of Financial Condition and Results of Operations</u> | <u>29</u> |
| <u>ITEM 3: Quantitative and Qualitative Disclosures About Market Risk</u>                            | <u>42</u> |
| <u>ITEM 4: Controls and Procedures</u>   | <u>43</u> |
| <u>PART II: OTHER INFORMATION</u>  |           |
| <u>ITEM 1: Legal Proceedings</u>   | <u>44</u> |
| <u>ITEM 1A: Risk Factors</u>   | <u>44</u> |
| <u>ITEM 2: Unregistered Sales of Equity Securities and Use of Proceeds</u>                           | <u>44</u> |
| <u>ITEM 3: Defaults Upon Senior Securities</u>   | <u>44</u> |
| <u>ITEM 4: Mine Safety Disclosures</u>   | <u>44</u> |
| <u>ITEM 5: Other Information</u>   | <u>44</u> |
| <u>ITEM 6: Exhibits</u>  | <u>45</u> |
| <u>Signatures</u>  | <u>46</u> |

---

Table of Contents

## CLEAN HARBORS, INC. AND SUBSIDIARIES

## CONSOLIDATED BALANCE SHEETS

(in thousands)

|   | September 30,<br>2017 | December 31,<br>2016 |
|---|-----------------------|----------------------|
|   | (unaudited)           |                      |
| <b>ASSETS</b>   |                       |                      |
| Current assets:   |                       |                      |
| Cash and cash equivalents   | \$ 361,658            | \$ 306,997           |
| Accounts receivable, net of allowances aggregating \$28,537 and \$29,249, respectively              | 531,696               | 496,226              |
| Unbilled accounts receivable  | 40,933                | 36,190               |
| Deferred costs  | 20,237                | 18,914               |
| Inventories and supplies  | 173,097               | 178,428              |
| Prepaid expenses and other current assets   | 32,637                | 56,116               |
| Total current assets  | 1,160,258             | 1,092,871            |
| Property, plant and equipment, net  | 1,611,971             | 1,611,827            |
| Other assets:   |                       |                      |
| Goodwill  | 478,728               | 465,154              |
| Permits and other intangibles, net  | 477,639               | 498,721              |
| Other   | 19,757                | 13,347               |
| Total other assets  | 976,124               | 977,222              |
| Total assets  | \$ 3,748,353          | \$ 3,681,920         |
| <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>   |                       |                      |
| Current liabilities:  |                       |                      |
| Current portion of long-term obligations  | \$ 4,000              | \$ —                 |
| Accounts payable  | 223,599               | 229,534              |
| Deferred revenue  | 69,236                | 64,397               |
| Accrued expenses  | 213,189               | 190,721              |
| Current portion of closure, post-closure and remedial liabilities                                   | 19,516                | 20,016               |
| Total current liabilities   | 529,540               | 504,668              |
| Other liabilities:  |                       |                      |
| Closure and post-closure liabilities, less current portion of \$4,077 and \$6,220, respectively     | 55,762                | 52,111               |
| Remedial liabilities, less current portion of \$15,439 and \$13,796, respectively                   | 110,074               | 114,211              |
| Long-term obligations, less current portion   | 1,625,971             | 1,633,272            |
| Deferred taxes, unrecognized tax benefits and other long-term liabilities                           | 298,659               | 293,417              |
| Total other liabilities   | 2,090,466             | 2,093,011            |
| Commitments and contingent liabilities (See Note 15)  |                       |                      |
| Stockholders' equity:   |                       |                      |
| Common stock, \$.01 par value:  |                       |                      |
| Authorized 80,000,000; shares issued and outstanding 56,926,549 and 57,297,978 shares, respectively | 569                   | 573                  |
| Shares held under employee participation plan   | —                     | (469                 |
| Additional paid-in capital  | 708,358               | 725,670              |

Edgar Filing: CLEAN HARBORS INC - Form 10-Q

|  |              |              |   |
|--|--------------|--------------|---|
| Accumulated other comprehensive loss       | (169,468     | ) (214,326   | ) |
| Accumulated earnings                       | 588,888      | 572,793      |   |
| Total stockholders' equity                 | 1,128,347    | 1,084,241    |   |
| Total liabilities and stockholders' equity | \$ 3,748,353 | \$ 3,681,920 |   |

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

1

---

Table of Contents

## CLEAN HARBORS, INC. AND SUBSIDIARIES

## UNAUDITED CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands except per share amounts)

|   | Three Months Ended |             | Nine Months Ended |             |
|---|--------------------|-------------|-------------------|-------------|
|   | September 30,      |             | September 30,     |             |
|   | 2017               | 2016        | 2017              | 2016        |
| Revenues:   |                    |             |                   |             |
| Service revenues  | \$612,352          | \$594,225   | \$1,783,506       | \$1,709,018 |
| Product revenues  | 143,494            | 135,295     | 414,069           | 354,095     |
| Total revenues  | 755,846            | 729,520     | 2,197,575         | 2,063,113   |
| Cost of revenues (exclusive of items shown separately below)                              |                    |             |                   |             |
| Service revenues  | 412,369            | 385,542     | 1,215,812         | 1,148,212   |
| Product revenues  | 107,226            | 106,373     | 320,171           | 287,984     |
| Total cost of revenues  | 519,595            | 491,915     | 1,535,983         | 1,436,196   |
| Selling, general and administrative expenses  | 113,252            | 110,954     | 337,767           | 322,501     |
| Accretion of environmental liabilities  | 2,347              | 2,476       | 7,053             | 7,529       |
| Depreciation and amortization   | 72,989             | 73,360      | 216,932           | 215,655     |
| Goodwill impairment charge  | —                  | 34,013      | —                 | 34,013      |
| Income from operations  | 47,663             | 16,802      | 99,840            | 47,219      |
| Other expense   | (432 )             | (198 )      | (2,814 )          | (737 )      |
| Loss on early extinguishment of debt  | (1,846 )           | —           | (7,891 )          | —           |
| (Loss) gain on sale of businesses   | (77 )              | 16,431      | 31,645            | 16,431      |
| Interest expense, net of interest income of \$573, \$196, \$1,098 and \$571, respectively | (20,675 )          | (21,565 )   | (65,743 )         | (62,192 )   |
| Income before provision for income taxes  | 24,633             | 11,470      | 55,037            | 721         |
| Provision for income taxes  | 12,575             | 21,725      | 38,492            | 27,881      |
| Net income (loss)   | \$12,058           | \$(10,255 ) | \$16,545          | \$(27,160 ) |
| Earnings (loss) per share:  |                    |             |                   |             |
| Basic   | \$0.21             | \$(0.18 )   | \$0.29            | \$(0.47 )   |
| Diluted   | \$0.21             | \$(0.18 )   | \$0.29            | \$(0.47 )   |
| Shares used to compute earnings (loss) per share - Basic                                  | 57,033             | 57,487      | 57,149            | 57,575      |
| Shares used to compute earnings (loss) per share - Diluted                                | 57,195             | 57,487      | 57,280            | 57,575      |

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

Table of Contents

## CLEAN HARBORS, INC. AND SUBSIDIARIES

## UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(in thousands)

|  | Three Months<br>Ended<br>September 30, |            | Nine Months<br>Ended<br>September 30, |            |
|--|--|------------|---------------------------------------|------------|
|  | 2017                                   | 2016       | 2017                                  | 2016       |
| Net income (loss)  | \$12,058                               | \$(10,255) | \$16,545                              | \$(27,160) |
| Other comprehensive income (loss):   |  |            |                                       |            |
| Unrealized gains (losses) on available-for-sale securities (net of tax (benefit) of \$7, \$(238), \$129 and \$(238), respectively)                           | 11                                     | (164 )     | 170                                   | (358 )     |
| Reclassification adjustment for losses on available-for-sale securities included in net income (loss) (net of taxes of \$0, \$0, \$79 and \$0, respectively) | —                                      | —          | 143                                   | —          |
| Foreign currency translation adjustments   | 23,698                                 | (1,147 )   | 44,545                                | 43,706     |
| Other comprehensive income (loss)  | 23,709                                 | (1,311 )   | 44,858                                | 43,348     |
| Comprehensive income (loss)  | \$35,767                               | \$(11,566) | \$61,403                              | \$16,188   |

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

Table of Contents

## CLEAN HARBORS, INC. AND SUBSIDIARIES

## UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)

|   | Nine Months Ended<br>September 30, |             |
|---|------------------------------------|-------------|
|   | 2017                               | 2016        |
| Cash flows from operating activities:   |                                    |             |
| Net income (loss)   | \$16,545                           | \$(27,160 ) |
| Adjustments to reconcile net income (loss) to net cash from operating activities: |                                    |             |
| Depreciation and amortization   | 216,932                            | 215,655     |
| Goodwill impairment charge  | —                                  | 34,013      |
| Allowance for doubtful accounts   | 5,635                              | 6,203       |
| Amortization of deferred financing costs and debt discount                        | 2,562                              | 2,685       |
| Accretion of environmental liabilities  | 7,053                              | 7,529       |
| Changes in environmental liability estimates                                      | (312 )                             | (349 )      |
| Deferred income taxes   | 184                                | (28,826 )   |
| Stock-based compensation  | 9,212                              | 7,735       |
| Excess tax benefit of stock-based compensation                                    | —                                  | (21 )       |
| Net tax deficiency on stock based awards  | —                                  | (642 )      |
| Other expense   | 2,814                              | 1,247       |
| Gain on sale of business  | (31,645 )                          | (16,431 )   |
| Loss on early extinguishment of debt  | 7,891                              | —           |
| Environmental expenditures  | (10,078 )                          | (9,374 )    |
| Changes in assets and liabilities, net of acquisitions                            |                                    |             |
| Accounts receivable and unbilled accounts receivable                              | (38,122 )                          | (32,944 )   |
| Inventories and supplies  | (4,975 )                           | (13,722 )   |
| Other current assets  | 18,305                             | 5,619       |
| Accounts payable  | (7,085 )                           | (11,951 )   |
| Other current and long-term liabilities   | 26,553                             | 39,561      |
| Net cash from operating activities  | 221,469                            | 178,827     |
| Cash flows used in investing activities:  |                                    |             |
| Additions to property, plant and equipment  | (127,736 )                         | (175,348 )  |
| Proceeds from sale and disposal of fixed assets                                   | 5,375                              | 3,982       |
| Acquisitions, net of cash acquired  | (44,432 )                          | (207,089 )  |
| Proceeds on sale of businesses, net of transactional costs                        | 46,339                             | 47,134      |
| Additions to intangible assets, including costs to obtain or renew permits        | (1,348 )                           | (1,920 )    |
| Purchases of available-for-sale securities  | —                                  | (598 )      |
| Proceeds from sale of investments   | 376                                | —           |
| Net cash used in investing activities   | (121,426 )                         | (333,839 )  |
| Cash flows from financing activities:   |                                    |             |
| Change in uncashed checks   | (8,657 )                           | (7,084 )    |
| Proceeds from exercise of stock options   | 46                                 | 230         |
| Issuance of restricted shares, net of shares remitted                             | (2,321 )                           | (2,500 )    |
| Repurchases of common stock   | (24,465 )                          | (15,869 )   |
| Deferred financing costs paid   | (5,746 )                           | (2,614 )    |
| Excess tax benefit of stock-based compensation                                    | —                                  | 21          |
| Premiums paid on early extinguishment of debt                                     | (6,028 )                           | —           |
| Principal payment on debt   | (401,000 )                         | —           |



Edgar Filing: CLEAN HARBORS INC - Form 10-Q

|   |           |           |
|---|-----------|-----------|
| Issuance of senior secured notes, net of discount   | 399,000   | —         |
| Issuance of senior unsecured notes, including premium   | —         | 250,625   |
| Net cash (used in) from financing activities  | (49,171 ) | 222,809   |
| Effect of exchange rate change on cash  | 3,789     | 5,352     |
| Increase in cash and cash equivalents   | 54,661    | 73,149    |
| Cash and cash equivalents, beginning of period  | 306,997   | 184,708   |
| Cash and cash equivalents, end of period  | \$361,658 | \$257,857 |
| Supplemental information:   |           |           |
| Cash payments for interest and income taxes:  |           |           |
| Interest paid   | \$67,550  | \$66,261  |
| Income taxes paid   | 14,321    | 27,196    |
| Non-cash investing and financing activities:  |           |           |
| Accrual for repurchased shares  | —         | 479       |
| Property, plant and equipment accrued   | 14,509    | 18,181    |
| Transfer of inventory to property, plant and equipment  | 12,641    | —         |
| Receivable for estimated purchase price adjustment  | —         | 1,910     |
| The accompanying notes are an integral part of these unaudited consolidated financial statements. |           |           |

## CLEAN HARBORS, INC. AND SUBSIDIARIES

## UNAUDITED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

(in thousands)

|  | Common Stock<br>Number<br>of<br>Shares | \$ 0.01<br>Par<br>Value | Shares Held<br>Under<br>Employee<br>Participation<br>Plan | Additional<br>Paid-in<br>Capital | Accumulated<br>Other<br>Comprehensive<br>Loss | Accumulated<br>Earnings | Total<br>Stockholders'<br>Equity |
|--|--|-------------------------|---|----------------------------------|---|-------------------------|----------------------------------|
| Balance at January 1, 2017   | 57,298                                 | \$573                   | \$ (469 )   | \$725,670                        | \$ (214,326 )                                 | \$ 572,793              | \$1,084,241                      |
| Cumulative effect of change in<br>accounting for stock based<br>compensation | —                                      | —                       | —   | 681                              | —   | (450 )                  | 231                              |
| Net income   | —                                      | —                       | —   | —                                | —   | 16,545                  | 16,545                           |
| Other comprehensive income   | —                                      | —                       | —   | —                                | 44,858  | —                       | 44,858                           |
| Stock-based compensation   | —                                      | —                       | —   | 9,212                            | —   | —                       | 9,212                            |
| Issuance of restricted shares, net of<br>shares remitted                     | 100                                    | 1                       | —   | (2,322 )                         | —   | —                       | (2,321 )                         |
| Shares held under employee<br>participation plan                             | (25 )                                  | —                       | 469   | (469 )                           | —   | —                       | —                                |
| Repurchases of common stock  | (448 )                                 | (5 )                    | —   | (24,460 )                        | —   | —                       | (24,465 )                        |
| Exercise of stock options  | 2                                      | —                       | —   | 46                               | —   | —                       | 46                               |
| Balance at September 30, 2017  | 56,927                                 | \$569                   | \$ —  | \$708,358                        | \$ (169,468 )                                 | \$ 588,888              | \$1,128,347                      |

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

Table of Contents

CLEAN HARBORS, INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

(1) BASIS OF PRESENTATION

The accompanying consolidated interim financial statements are unaudited and include the accounts of Clean Harbors, Inc. and its subsidiaries (collectively, "Clean Harbors," the "Company" or "we") and have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission (the "SEC") and, in the opinion of management, include all adjustments which are of a normal recurring nature, necessary for a fair presentation of the financial position, results of operations, and cash flows for the periods presented. Management has made estimates and assumptions affecting the amounts reported in the Company's consolidated interim financial statements and accompanying footnotes, actual results could differ from those estimates and judgments. The results for interim periods are not necessarily indicative of results for the entire year or any other interim periods. The financial statements presented herein should be read in connection with the financial statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2016, which includes the audited consolidated balance sheet as of December 31, 2016 from which the one presented herein was derived.

(2) SIGNIFICANT ACCOUNTING POLICIES

The Company's significant accounting policies are described in Note 2, "Significant Accounting Policies," in the Company's Annual Report on Form 10-K for the year ended December 31, 2016. There have been no material changes in these policies or their application.

Reclassifications

As disclosed in the Company's Annual Report on Form 10-K for the year ended December 31, 2016, in the fourth quarter of 2016 the Company changed the manner in which it manages its business, makes operating decisions and assesses the Company's performance. The Company's operations are now managed in six operating segments: Technical Services, Industrial Services, Field Services, Safety-Kleen, Oil and Gas Field Services and Lodging Services. For purposes of segment disclosure the Industrial Services and Field Services operating segments have been aggregated into a single reportable segment based upon their similar economic and other characteristics, and the Oil and Gas Field Services and Lodging Services operating segments have been combined as they do not meet the quantitative thresholds for separate presentation. The amounts presented for the three and nine months ended September 30, 2016 have been recast to reflect the impact of such changes. These reclassifications and adjustments had no effect on consolidated statements of operations, consolidated statements of comprehensive income (loss), consolidated statements of cash flows or consolidated statements of stockholders' equity for any of the periods presented.

Recent Accounting Pronouncements

Standards implemented

In July 2015, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2015-11, Inventory (Topic 330). The amendment provides guidance regarding the measurement of inventory. Entities should measure inventory within the scope of this update at the lower of cost and net realizable value. The adoption of ASU 2015-11 was applied prospectively and as of January 1, 2017 did not have an impact on the Company's consolidated financial statements.

In March 2016, the FASB issued ASU 2016-09, Compensation-Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting. The amendment simplifies several aspects of the accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities and classification on the statement of cash flows. Stock-based compensation excess tax benefits or deficiencies are now reflected in the Consolidated Statements of Operations as a component of the provision for income taxes, whereas they previously were recognized in equity. Additionally, the Consolidated Statements of Cash Flows now include excess tax benefits as an operating activity. Previously, income tax benefits at settlement of an

award were reported as a reduction to operating cash flows and an increase to financing cash flows to the extent that those benefits exceeded the income tax benefits reported in earnings during the award's vesting period. The Company has elected to apply that change in cash flow classification on a prospective basis, leaving previously reported net cash from operating activities and net cash from financing activities in the accompanying consolidated statement of cash flows for the period ended September 30, 2016 unchanged. Finally, the Company has elected to account for forfeitures as they occur, rather than estimate expected forfeitures. As a result of the adoption of this update, the Company recorded a cumulative-effect adjustment that reduced beginning retained earnings by \$0.5 million, net of tax.

Table of Contents

In August 2016, the FASB issued ASU 2016-15, Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments (a consensus of the Emerging Issues Task Force). The amendment provides updated guidance on eight specific cash flow issues, including debt prepayment or debt extinguishment costs, settlement of zero-coupon debt instruments, contingent consideration payments made after a business combination, proceeds from settlement of insurance claims and corporate-owned life insurance, distributions received from equity method investees, beneficial interests in securitization transactions and separately identifiable cash flows and application of the predominance principle. The Company early adopted the amendments in the Update on a retrospective basis in the second quarter of fiscal year 2017. As a result of adoption, the Company has recorded cash paid in the second and third quarters of 2017 for debt prepayment and extinguishment costs as financing activities in the accompanying consolidated statements of cash flows.

Standard to be implemented

In May 2014, FASB issued ASU 2014-09, Revenue from Contracts with Customers (Topic 606). ASU 2014-09 outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. In August 2015, FASB issued ASU 2015-14 which deferred the effective date of ASU 2014-09 for all entities by one year. In March 2016, FASB issued ASU 2016-08, which reduces the potential for diversity in practice arising from inconsistent application of the principal versus agent guidance, as well as the cost and complexity of applying Topic 606 both at transition and on an ongoing basis. In April 2016, FASB issued ASU 2016-10, which reduces the potential for diversity in initial application, as well as the cost and complexity of applying Topic 606 both at transition and on an ongoing basis. In May 2016, FASB issued ASU 2016-12, which provided narrow scope improvements and practical expedients on assessing collectability, presentation of sales taxes, noncash consideration, and completed contracts and contract modifications at transition. ASU 2014-09 is currently effective for annual reporting periods (including interim reporting periods within those periods) beginning after December 15, 2017. The guidance permits two methods of adoption: retrospectively to each prior reporting period presented (full retrospective method), or retrospectively with the cumulative effect of initially applying the guidance recognized at the date of initial application (the cumulative catch-up transition method). The Company expects that it will adopt ASU 2014-09 beginning in the first quarter of 2018 and continues its evaluation of the impact of the new standard on its accounting policies, disclosures, processes, and system requirements. The Company has assigned internal resources to assist in this implementation project and believes that the project is progressing timely. The Company currently anticipates adopting this ASU using the modified retrospective method. While the Company's impact assessment is not yet complete, based on the results of its work to date, it currently does not expect the application of the new standard to have a material impact to its consolidated financial statement results. As the Company completes its evaluation of this new standard, the Company's preliminary assessments could change.

In October 2016, the FASB issued ASU 2016-16, Income Tax - Intra-Entity Transfers of Assets Other than Inventory. The amendment improves the accounting for the income tax consequences of intra-entity transfers of assets other than inventory. The amendment should be applied using a modified retrospective basis and are effective for annual reporting periods (including interim reporting periods within those periods) beginning after December 15, 2017. The Company is currently in the process of evaluating the impact of adoption on its consolidated financial statements.

In February 2017, the FASB issued ASU 2017-05, Other Income-Gains and Losses from the Derecognition of Nonfinancial Assets (Subtopic 610-20): Clarifying the Scope of Asset Derecognition Guidance and Accounting for Partial Sales of Nonfinancial Assets. The amendment is meant to clarify the scope of ASC Subtopic 610-20, Other Income-Gains and Losses from the Derecognition of Nonfinancial Assets and to add guidance for partial sales of nonfinancial assets. The amendment should be applied using a full retrospective method or a modified retrospective method and are effective at the same time as ASU 2014-09. Further, the Company is required to adopt ASU 2017-05 at the same time that it adopts the guidance in ASU 2014-09. Adoption is not expected to have a material impact on the Company's consolidated financial statements.

In May 2017, the FASB issued ASU 2017-09, Compensation-Stock Compensation (Topic 718): Scope of Modification Accounting. The amendment is meant to provide guidance about which changes to the terms or conditions of a share-based payment award require an entity to apply modification accounting in Topic 718. The amendment should be applied prospectively to an award modified on or after the adoption date and are effective for annual reporting periods (including interim reporting periods within those periods) beginning after December 15, 2017. Adoption is not expected to have a material impact on the Company's consolidated financial statements.

Table of Contents

(3) BUSINESS COMBINATIONS

2017 Acquisitions

On September 22, 2017, the Company acquired a privately held company which manufactures and sells part washer machines and related equipment for approximately \$2.1 million. The acquired company is included in the Safety-Kleen operating segment. In connection with this acquisition a preliminary goodwill amount of \$0.7 million was recognized.

On July 14, 2017, the Company acquired Lonestar West Inc. ("Lonestar"), a public company headquartered in Alberta, Canada, for approximately CAD \$41.8 million, (\$33.1 million USD), net of cash acquired, which included an equity payout of CAD \$0.72 per share to Lonestar shareholders and the assumption of approximately CAD \$21.3 million (\$16.8 million USD) in outstanding debt, which Clean Harbors subsequently repaid. The acquisition is expected to support the Company's growth in the daylight and hydro excavation services markets. In addition to increasing the size of the Company's hydro vac fleet, Lonestar's network of locations will provide the Company with direct access to key geographic markets in both the United States and Canada. The acquired company will be included in the Industrial and Field Services segment. In connection with this acquisition a preliminary goodwill amount of \$3.0 million was recognized.

On January 31, 2017, the Company acquired a privately held company for a purchase price of approximately \$11.9 million in cash, net of cash acquired, and subject to customary post-closing adjustments. The acquired business produces and distributes oil products and therefore complements the Company's closed loop model as it relates to the sale of its oil products. The acquired company is included in the Safety-Kleen operating segment. In connection with this acquisition a preliminary goodwill amount of \$4.9 million was recognized.

2016 Acquisitions

During 2016, the Company acquired seven businesses that complement the strategy to create a closed loop model as it relates to the sale of the Company's oil products. These acquisitions provided the Company with three additional oil re-refineries while also expanding its used motor oil collection network and providing greater blending and packaging capabilities. These acquisitions also provided the Company with greater access to customers in the West Coast region of the United States and additional locations with Part B permits. Operations of these acquisitions are primarily being integrated into the Safety-Kleen operating segment with certain operations also being integrated into the Technical Services and Industrial Services operating segments. The combined purchase price for the seven acquisitions was \$204.8 million in cash, net of cash acquired. Upon acquisition, the acquired entities were immediately integrated into the Company's operating segments. Therefore it is impracticable to measure earnings attributable to the acquired businesses.

The allocation of the purchase price was based on estimates of the fair value of assets acquired and liabilities assumed as of the acquisition dates. The Company believes that such information provides a reasonable basis for estimating the fair values of assets acquired and liabilities assumed. The Company finalized the purchase accounting for the seven acquisitions in the second quarter of 2017.

Table of Contents

The components and allocation of the purchase price consist of the following amounts (in thousands):

|   | At<br>Acquisition<br>Dates As<br>Reported<br>December<br>31, 2016 | Measurement<br>Period<br>Adjustments | Final<br>Allocations |
|---|---|--------------------------------------|----------------------|
| Accounts receivable   | \$ 15,767   | \$ 475                               | \$ 16,242            |
| Inventories and supplies  | 12,515  | 173                                  | 12,688               |
| Prepaid expenses and other current assets                                 | 777   | (25 )                                | 752                  |
| Property, plant and equipment   | 143,025   | 891                                  | 143,916              |
| Permits and other intangibles   | 28,856  | —                                    | 28,856               |
| Current liabilities   | (20,258 )   | 353                                  | (19,905 )            |
| Closure and post-closure liabilities                                      | (2,408 )  | (596 )                               | (3,004 )             |
| Remedial liabilities, less current portion                                | (2,041 )  | (504 )                               | (2,545 )             |
| Deferred taxes, unrecognized tax benefits and other long-term liabilities | (17,019 )   | (3,200 )                             | (20,219 )            |
| Total identifiable net assets   | 159,214   | (2,433 )                             | 156,781              |
| Goodwill  | 45,791  | 2,186                                | 47,977               |
| Total purchase price, net of cash acquired                                | \$ 205,005  | \$ (247 )                            | \$ 204,758           |

Pro forma revenue and earnings amounts on a combined basis as if these acquisitions had been completed on January 1, 2016 are immaterial to the consolidated financial statements of the Company since that date.

**(4) DISPOSITION OF BUSINESSES****2017 Disposition**

On June 30, 2017, the Company completed the sale of its Transformer Services business, as part of its continuous focus on improving or divesting certain non-core operations. The Transformer Services business was a non-core business previously included within the Technical Services operating segment and was sold for approximately \$46.5 million (\$44.4 million net of \$2.1 million in transactional related costs) subject to potential adjustments from customary post-closing conditions. As a result of the sale, the Company has recognized in the nine months ended September 30, 2017, a pre-tax gain \$31.6 million which is included in (loss) gain on sale of business in the Company's consolidated statement of operations.

The following table presents the carrying amounts of the Company's Transformer Services business that was disposed of on June 30, 2017 (in thousands):

|                                    | June 30,<br>2017 |
|------------------------------------|------------------|
| Total current assets               | \$7,241          |
| Property, plant and equipment, net | 8,773            |
| Total other assets                 | 1,681            |
| Total assets divested              | \$17,695         |
| Total current liabilities          | 3,849            |
| Total other liabilities            | 1,170            |
| Total liabilities divested         | \$5,019          |
| Net carrying value divested        | \$12,676         |

The Company evaluated the disposition and determined it did not meet the "major effect" criteria for classification as a discontinued operation largely due to the nature and size of the operations of the disposed entity. However, the



Edgar Filing: CLEAN HARBORS INC - Form 10-Q

Company determined that the disposition represented an individually significant component of the Company's business. The following table presents income attributable to the Transformer Services business included in the Company's consolidated results of operations for each of the periods shown and through its disposition on June 30, 2017 (in thousands):

|  | Three Months Ended |      | Nine Months Ended |         |
|--|--------------------|------|-------------------|---------|
|  | September 30,      |      | September 30,     |         |
|  | 2017               | 2016 | 2017              | 2016    |
| Income before provision for income taxes | \$                 | —    | \$                | 318     |
|  |                    |      | \$2,771           | \$2,111 |

9

---

Table of Contents

## 2016 Disposition

On September 1, 2016, the Company completed the sale of its Catalyst Services business, which was a non-core business previously included within the Industrial and Field Services segment. During the first quarter of 2017, the Company and the buyer of the Catalyst Services business agreed to final working capital amounts and as a result the Company received \$2.0 million of additional final sale proceeds.

The following table presents the income before provision for (loss) income taxes attributable to the Catalyst Services business included in the Company's consolidated results of operations for three and nine months ended September 30, 2016 (in thousands):

|   | Three Months Ended<br>September 30, 2016 | Nine Months<br>Ended<br>September 30,<br>2016 |
|---|--|---|
| (Loss) income before provision for income taxes | \$ (1,218 )                              | \$ 290  |

## (5) INVENTORIES AND SUPPLIES

Inventories and supplies consisted of the following (in thousands):

|                                | September 30,<br>2017 | December 31,<br>2016 |
|--------------------------------|-----------------------|----------------------|
| Oil and oil products           | \$ 57,602             | \$ 52,158            |
| Supplies and drums             | 93,654                | 90,610               |
| Solvent and solutions          | 8,680                 | 8,566                |
| Modular camp accommodations    | 1,945                 | 15,255               |
| Other                          | 11,216                | 11,839               |
| Total inventories and supplies | \$ 173,097            | \$ 178,428           |

As of September 30, 2017 and December 31, 2016, other inventories consisted primarily of cleaning fluids, such as absorbents and wipers, and automotive fluids, such as windshield washer fluid and antifreeze. Supplies and drums consist primarily of drums and containers as well as critical spare parts to support its incinerator and re-refinery operations. During the second quarter of 2017, \$12.6 million of modular camp accommodations inventory was transferred to and included as camp equipment within the Company's property, plant and equipment amount as such assets will be utilized in the Company's ongoing camp and lodging operations.

## (6) PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consisted of the following (in thousands):

|  | September 30,<br>2017 | December 31,<br>2016 |
|--|-----------------------|----------------------|
| Land   | \$ 121,806            | \$ 120,575           |
| Asset retirement costs (non-landfill)            | 14,905                | 14,567               |
| Landfill assets                                  | 143,503               | 139,708              |
| Buildings and improvements                       | 411,006               | 373,160              |
| Camp equipment                                   | 171,163               | 152,740              |
| Vehicles   | 613,767               | 541,022              |
| Equipment  | 1,628,256             | 1,483,736            |
| Furniture and fixtures                           | 5,586                 | 5,492                |
| Construction in progress                         | 52,523                | 146,904              |
|  | 3,162,515             | 2,977,904            |
| Less - accumulated depreciation and amortization | 1,550,544             | 1,366,077            |

Edgar Filing: CLEAN HARBORS INC - Form 10-Q

Total property, plant and equipment, net                      \$ 1,611,971      \$ 1,611,827

Interest in the amount of \$0.2 million and \$0.4 million was capitalized to fixed assets during the three and nine months ended September 30, 2017, respectively. Interest in the amount of \$1.5 million and \$4.0 million was capitalized to fixed assets during the three and nine months ended September 30, 2016, respectively. Depreciation expense, inclusive of landfill amortization, was \$64.0 million and \$189.2 million for the three and nine months ended September 30, 2017, respectively. Depreciation expense,

Table of Contents

inclusive of landfill amortization, was \$62.6 million and \$185.4 million for the three and nine months ended September 30, 2016, respectively.

## (7) GOODWILL AND OTHER INTANGIBLE ASSETS

The changes in goodwill by segment for the nine months ended September 30, 2017 were as follows (in thousands):

|   | Technical Services | Industrial & Field Services | Safety-Kleen | Oil, Gas and Lodging Services | Totals     |
|---|--------------------|-----------------------------|--------------|-------------------------------|------------|
| Balance at January 1, 2017                                    | \$61,116           | \$107,968                   | \$296,070    | \$                            | —\$465,154 |
| Increase from current period acquisitions                     | —                  | 2,999                       | 5,613        | —                             | 8,612      |
| Measurement period adjustments from prior period acquisitions | —                  | —                           | 2,186        | —                             | 2,186      |
| Decrease from disposition of business                         | (1,300 )           | —                           | —            | —                             | (1,300 )   |
| Foreign currency translation and other                        | 338                | 1,398                       | 2,340        | —                             | 4,076      |
| Balance at September 30, 2017                                 | \$60,154           | \$112,365                   | \$306,209    | \$                            | —\$478,728 |

The Company assesses goodwill for impairment on an annual basis as of December 31, or at an interim date when events or changes in the business environment would more likely than not reduce the fair value of a reporting unit below its carrying value. The Company conducted the annual impairment test of goodwill for all reporting units as of December 31, 2016 and determined that no adjustment to the carrying value of goodwill for any reporting units was necessary because the fair value of each of the reporting units exceeded that reporting unit's respective carrying value. As a result of the sale of the Transformer Services business discussed in Note 4, "Disposition of Businesses", to the accompanying financial statements, the Company assessed qualitative factors to determine whether it was more likely than not that the fair value of the remaining Technical Services reporting unit was less than its carrying value. As a result of its qualitative assessment, the Company noted no indicators of impairment for the remaining Technical Services reporting unit existed as of the date of sale.

As of September 30, 2017 and December 31, 2016, the Company's total finite-lived and indefinite-lived intangible assets consisted of the following (in thousands):

|   | September 30, 2017 |                          |           |   | December 31, 2016 |                          |           |   |
|---|--------------------|--------------------------|-----------|---|-------------------|--------------------------|-----------|---|
|   | Cost               | Accumulated Amortization | Net       | Weighted Average Remaining Amortization Period (in years) | Cost              | Accumulated Amortization | Net       | Weighted Average Remaining Amortization Period (in years) |
| Permits   | \$174,571          | \$72,788                 | \$101,783 | 21.2  | \$171,637         | \$67,301                 | \$104,336 | 18.9  |
| Customer and supplier relationships                   | 398,778            | 151,744                  | 247,034   | 11.5  | 393,426           | 127,462                  | 265,964   | 12.2  |
| Other intangible assets                               | 36,077             | 31,414                   | 4,663     | 7.3   | 34,254            | 28,456                   | 5,798     | 7.1   |
| Total amortizable permits and other intangible assets | 609,426            | 255,946                  | 353,480   | 14.2  | 599,317           | 223,219                  | 376,098   | 13.9  |
| Trademarks and trade names                            | 124,159            | —                        | 124,159   | Indefinite  | 122,623           | —                        | 122,623   | Indefinite  |
| Total permits and other intangible assets             | \$733,585          | \$255,946                | \$477,639 |   | \$721,940         | \$223,219                | \$498,721 |   |

Amortization expense of permits and other intangible assets was \$8.9 million and \$27.7 million for the three and nine months ended September 30, 2017, respectively. Amortization expense of permits and other intangible assets was \$10.8 million and \$30.3 million for the three and nine months ended September 30, 2016, respectively.

Table of Contents

The expected amortization of the net carrying amount of finite-lived intangible assets at September 30, 2017 was as follows (in thousands):

| Years Ending December 31, | Expected Amortization |
|---------------------------|-----------------------|
| 2017 (three months)       | \$ 9,039              |
| 2018                      | 34,463                |
| 2019                      | 31,521                |
| 2020                      | 29,206                |
| 2021                      | 26,747                |
| Thereafter                | 222,504               |
|                           | \$ 353,480            |

**(8) ACCRUED EXPENSES**

Accrued expenses consisted of the following at September 30, 2017 and December 31, 2016 (in thousands):

|  | September 30, December 31, |            |
|--|----------------------------|------------|
|  | 2017                       | 2016       |
| Insurance                                  | \$ 59,552                  | \$ 63,061  |
| Interest                                   | 18,321                     | 21,536     |
| Accrued compensation and benefits          | 52,408                     | 34,641     |
| Income, real estate, sales and other taxes | 49,892                     | 35,083     |
| Other                                      | 33,016                     | 36,400     |
|  | \$ 213,189                 | \$ 190,721 |

As of September 30, 2017 and December 31, 2016, other accrued expenses included accrued legal matters of \$1.0 million and \$3.8 million, respectively, and accrued severance charges of \$1.3 million and \$2.9 million, respectively.

**(9) CLOSURE AND POST-CLOSURE LIABILITIES**

The changes to closure and post-closure liabilities (also referred to as “asset retirement obligations”) from January 1, 2017 through September 30, 2017 were as follows (in thousands):

|   | Landfill Retirement Liability | Non-Landfill Retirement Liability | Total     |
|---|-------------------------------|-----------------------------------|-----------|
| Balance at January 1, 2017                                    | \$ 30,630                     | \$ 27,701                         | \$ 58,331 |
| Liabilities assumed in acquisitions                           | —                             | 27                                | 27        |
| Measurement period adjustments from prior period acquisitions | —                             | 596                               | 596       |
| New asset retirement obligations                              | 1,376                         | —                                 | 1,376     |
| Adjustment related to disposition of business                 | —                             | (1,170)                           | (1,170)   |
| Accretion   | 1,658                         | 1,882                             | 3,540     |
| Changes in estimates recorded to statement of operations      | (131)                         | (126)                             | (257)     |
| Changes in estimates recorded to balance sheet                | —                             | (284)                             | (284)     |
| Expenditures  | (2,269)                       | (352)                             | (2,621)   |
| Currency translation and other                                | 182                           | 119                               | 301       |
| Balance at September 30, 2017                                 | \$ 31,446                     | \$ 28,393                         | \$ 59,839 |

All of the landfill facilities included in the above were active as of September 30, 2017. There were no significant charges (benefits) in 2017 resulting from changes in estimates for closure and post-closure liabilities.

New asset retirement obligations incurred during the first nine months of 2017 were discounted at the credit-adjusted risk-free rate of 6.32%.



Table of Contents

## (10) REMEDIAL LIABILITIES

The changes to remedial liabilities for the nine months ended September 30, 2017 were as follows (in thousands):

|   | Remedial<br>Liabilities for<br>Landfill Sites | Remedial<br>Liabilities for<br>Inactive Sites | Remedial<br>Liabilities<br>(Including<br>Superfund) for<br>Non-Landfill<br>Operations | Total      |
|---|---|---|---|------------|
| Balance at January 1, 2017                                    | \$ 1,777                                      | \$ 64,151                                     | \$ 62,079   | \$ 128,007 |
| Measurement period adjustments from prior period acquisitions | —   | —   | 504   | 504        |
| Accretion   | 64  | 1,976   | 1,473   | 3,513      |
| Changes in estimates recorded to statement of operations      | (34   | ) (277  | ) 256   | (55        |
| Expenditures  | (30   | ) (3,099                                      | ) (4,328  | ) (7,457   |
| Currency translation and other                                | (1  | ) 2,742                                       | (1,740  | ) 1,001    |
| Balance at September 30, 2017                                 | \$ 1,776                                      | \$ 65,493                                     | \$ 58,244   | \$ 125,513 |

In the nine months ended September 30, 2017, there were no significant charges (benefits) resulting from changes in estimates for remedial liabilities.

## (11) FINANCING ARRANGEMENTS

The following table is a summary of the Company's financing arrangements (in thousands):

|   | September 30,<br>2017 | December 31,<br>2016 |
|---|-----------------------|----------------------|
| Senior secured notes due June 30, 2024 ("Term Loan"), current       | \$ 4,000              | \$ —                 |
| Current portion of long-term obligations, at carrying value         | \$ 4,000              | \$ —                 |
| Senior secured notes due June 30, 2024                              | \$ 395,000            | \$ —                 |
| Senior unsecured notes, at 5.25%, due August 1, 2020 ("2020 Notes") | 400,000               | 800,000              |
| Senior unsecured notes, at 5.125%, due June 1, 2021 ("2021 Notes")  | 845,000               | 845,000              |
| Long-term obligations   | \$ 1,640,000          | \$ 1,645,000         |
| Unamortized debt issuance costs and debt discount/premium, net      | (14,029               | ) (11,728            |
| Long-term obligations, at carrying value                            | \$ 1,625,971          | \$ 1,633,272         |
| Total current and long-term obligations, at carrying value          | \$ 1,629,971          | \$ 1,633,272         |

On June 30, 2017, the Company, and substantially all of the Company's domestic subsidiaries as guarantors, entered into a \$400.0 million senior secured Credit Agreement (the "Term Loan Agreement"). Loans under the Term Loan Agreement will mature on June 30, 2024 and may be prepaid at any time without premium or penalty other than customary breakage costs with respect to Eurodollar based loans or if the Company engages in certain repricing transactions before December 31, 2017, in which event a 1.0% prepayment premium would be due. The Company's obligations under the Term Loan Agreement are guaranteed by all of the Company's domestic restricted subsidiaries and secured by liens on substantially all of the assets of the Company and the guarantors.

Borrowings under the Term Loan Agreement will bear interest, at the Company's election, at either of the following rates: (a) the sum of the Eurodollar Rate (as defined in the Term Loan Agreement) plus 2.00%, or (b) the sum of the Base Rate (as defined in the Term Loan Agreement) plus 1.00%, with the Eurodollar Rate being subject to a floor of 0.00%. The effective interest rate of the Term Loan on September 30, 2017 was 3.24%. The Term Loan Agreement contains representations and warranties, affirmative and negative covenants, and events of default, which the Company believes are usual and customary for an agreement of this type. Such covenants restrict the Company's



ability, among other matters, to incur debt, create liens on the Company's assets, make restricted payments or investments or enter into transactions with affiliates. In accordance with the Term Loan Agreement required payments equal to .25% of the initial \$400.0 million are due upon the last day of each calendar quarter.

Upon entering into the Term Loan Agreement on June 30, 2017, the Company used approximately \$312.6 million of the proceeds to purchase approximately \$296.2 million aggregate principal amount (the "Repurchased Notes") of the Company's previously outstanding 2020 Notes, pay accrued interest of approximately \$6.4 million on the Repurchased Notes, premiums to repay

Table of Contents

the debt early of \$4.7 million and expenses incurred of approximately \$5.3 million in connection with the Term Loan financing and the tender offer for the 2020 Notes.

On June 30, 2017, the Company also delivered a notice of redemption to the holders of the approximately \$503.8 million aggregate principal amount of 2020 Notes which remained outstanding after the purchase of the Repurchased Notes. Pursuant to that notice, the Company redeemed on August 1, 2017, approximately \$103.8 million aggregate principal amount of 2020 Notes at a redemption price of 101.313%, plus accrued but unpaid interest. In conjunction with the redemption, the Company paid premiums to repay the debt early of \$1.3 million and expenses incurred of approximately \$0.8 million. The Company financed the redemption through the remaining net proceeds of the Term Loan financing described above, plus available cash.

At September 30, 2017, the fair value of the Term Loan debt was \$399.8 million. At September 30, 2017 and December 31, 2016, the fair value of the Company's 2020 Notes was \$405.6 million and \$820.0 million, respectively, based on quoted market prices for the instrument. At September 30, 2017 and December 31, 2016, the fair value of the Company's 2021 Notes was \$857.8 million and \$861.9 million, respectively, based on quoted market prices for the instrument. The fair value of the Term Loan debt, 2020 Notes and 2021 Notes are considered a Level 2 measure according to the fair value hierarchy.

The Company also maintains a \$400.0 million revolving credit facility under which as of September 30, 2017 and December 31, 2016, the Company had no outstanding loan balances. At September 30, 2017, approximately \$238.3 million was available to borrow and outstanding letters of credit were \$124.9 million. At December 31, 2016, \$195.2 million was available to borrow and outstanding letters of credit were \$132.6 million.

**(12) EARNINGS (LOSS) PER SHARE**

The following are computations of basic and diluted earnings (loss) per share (in thousands except for per share amounts):

|  | Three Months Ended    |                       | Nine Months Ended     |                       |
|--|-----------------------|-----------------------|-----------------------|-----------------------|
|  | September 30,<br>2017 | September 30,<br>2016 | September 30,<br>2017 | September 30,<br>2016 |
| Numerator for basic and diluted earnings (loss) per share: |                       |                       |                       |                       |
| Net income (loss)  | \$ 12,058             | \$ (10,255 )          | \$ 16,545             | \$ (27,160)           |
| Denominator:   |                       |                       |                       |                       |
| Basic shares outstanding                                   | 57,033                | 57,487                | 57,149                | 57,575                |
| Dilutive effect of equity-based compensation awards        | 162                   | —                     | 131                   | —                     |
| Dilutive shares outstanding                                | 57,195                | 57,487                | 57,280                | 57,575                |
| Basic earnings (loss) per share:                           | \$0.21                | \$ (0.18 )            | \$0.29                | \$ (0.47 )            |
| Diluted earnings (loss) per share:                         | \$0.21                | \$ (0.18 )            | \$0.29                | \$ (0.47 )            |

For the three and nine months ended September 30, 2017, the dilutive effect of all then outstanding restricted stock and performance awards is included in the EPS calculations above except for 301,300 of outstanding performance stock awards for which the performance criteria were not attained at that time and 3,724 and 19,485, respectively, of restricted stock awards which were antidilutive at that time.

As a result of the net loss reported for the three and nine months ended September 30, 2016, all then outstanding stock options, restricted stock awards and performance awards totaling 835,482 were excluded from the calculation of diluted earnings (loss) per share as their inclusion would have an antidilutive effect.

(13) ACCUMULATED OTHER COMPREHENSIVE LOSS

The changes in accumulated other comprehensive loss by component and related tax effects for the nine months ended September 30, 2017 were as follows (in thousands):

14

---

Table of Contents

|  | Foreign<br>Currency<br>Translation | Unrealized<br>(Losses) Gains on<br>Available-For-Sale<br>Securities | Unfunded<br>Pension<br>Liability | Total         |
|--|------------------------------------|---|----------------------------------|---------------|
| Balance at January 1, 2017                                       | \$ (212,211 )                      | \$ (321 )   | \$ (1,794 )                      | \$ (214,326 ) |
| Other comprehensive income before reclassifications              | 44,545                             | 299   | —                                | 44,844        |
| Amounts reclassified out of accumulated other comprehensive loss | —                                  | 222   | —                                | 222           |
| Tax effects  | —                                  | (208 )  | —                                | (208 )        |
| Other comprehensive income                                       | \$ 44,545                          | \$ 313  | \$ —                             | \$ 44,858     |
| Balance at September 30, 2017                                    | \$ (167,666 )                      | \$ (8 )   | \$ (1,794 )                      | \$ (169,468 ) |

The amounts reclassified out of accumulated other comprehensive loss into the consolidated statements of operations, with presentation location during the three and nine months ended September 30, 2017 were as follows (in thousands):

| Comprehensive (Loss) Income Components | For the Three<br>Months<br>Ended<br>September 30,<br>2017  | For the Nine<br>Months<br>Ended<br>September 30,<br>2017 | Location |
|--|--|--|----------|
|  | Unrealized holding gains on available-for-sale investments | \$ —   | \$ 222   |

There were no reclassifications out of accumulated other comprehensive loss into the consolidated statements of operations during the three and nine months ended September 30, 2016.

**(14) STOCK-BASED COMPENSATION**

Total stock-based compensation cost charged to selling, general and administrative expenses for the three and nine months ended September 30, 2017 was \$4.0 million and \$9.2 million, respectively. Total stock-based compensation cost charged to selling, general and administrative expenses for the three and nine months ended September 30, 2016 was \$3.0 million and \$7.7 million, respectively. The total income tax benefit recognized in the consolidated statements of operations from stock-based compensation was \$1.2 million and \$2.7 million for the three and nine months ended September 30, 2017, respectively. The total income tax benefit recognized in the consolidated statements of operations from stock-based compensation was \$0.9 million and \$2.3 million for the three and nine months ended September 30, 2016, respectively.

**Restricted Stock Awards**

The following information relates to restricted stock awards that have been granted to employees and directors under the Company's equity incentive plans (the "Plans"). The restricted stock awards are not transferable until vested and the restrictions generally lapse upon the achievement of continued employment over a three-to-five-year period or service as a director until the following annual meeting of shareholders. The fair value of each restricted stock grant is based on the closing price of the Company's common stock on the date of grant and is amortized to expense over its vesting period.

The following table summarizes information about restricted stock awards for the nine months ended September 30, 2017:

| Restricted Stock           | Number<br>of Shares | Weighted<br>Average<br>Grant-Date<br>Fair Value |
|----------------------------|---------------------|---|
| Balance at January 1, 2017 | 510,041             | \$ 52.65  |
| Granted                    | 295,568             | \$ 56.00  |
| Vested                     | (115,365)           | \$ 53.89  |
| Forfeited                  | (47,784 )           | \$ 51.35  |

Balance at September 30, 2017 642,460 \$ 54.07

As of September 30, 2017, there was \$27.8 million of total unrecognized compensation cost arising from restricted stock awards under the Company's Plans. This cost is expected to be recognized over a weighted average period of 2.9 years. The total fair value of restricted stock vested during the three and nine months ended September 30, 2017 was \$0.5 million and \$6.2 million, respectively. The total fair value of restricted stock vested during the three and nine months ended September 30, 2016 was \$1.8 million and \$7.9 million, respectively.

Table of Contents

## Performance Stock Awards

The following information relates to performance stock awards that have been granted to employees under the Company's Plans. Performance stock awards are subject to performance criteria established by the compensation committee of the Company's board of directors prior to or at the date of grant. The vesting of the performance stock awards is based on achieving such targets typically based on revenue, Adjusted EBITDA margin, Free Cash Flow and Total Recordable Incident Rate. In addition, performance stock awards include continued service conditions. The fair value of each performance stock award is based on the closing price of the Company's common stock on the date of grant and is amortized to expense over the service period if achievement of performance measures is considered probable.

The following table summarizes information about performance stock awards for the nine months ended September 30, 2017:

| Performance Stock             | Number of Shares | Weighted Average Grant-Date Fair Value |
|-------------------------------|------------------|--|
| Balance at January 1, 2017    | 220,882          | \$ 54.69                               |
| Granted                       | 167,964          | \$ 55.84                               |
| Vested                        | (25,168 )        | \$ 54.84                               |
| Forfeited                     | (25,544 )        | \$ 56.19                               |
| Balance at September 30, 2017 | 338,134          | \$ 55.25                               |

As of September 30, 2017, there was \$1.5 million of total unrecognized compensation cost arising from unvested performance stock awards deemed probable of vesting under the Company's Plans. No performance awards vested during the three months ended September 30, 2017. The total fair value of performance awards vested during the nine months ended September 30, 2017 was \$1.4 million. No performance awards vested during the three months ended September 30, 2016. The total fair value of performance awards vested during the nine months ended September 30, 2016 was \$0.4 million.

## Common Stock Repurchases

On October 31, 2017, the Company's board of directors authorized the repurchase of up to an additional \$300 million of the Company's common stock, resulting in a total of \$375.7 million currently being available for stock repurchase. During the three and nine months ended September 30, 2017, the Company repurchased and retired a total of 0.2 million shares and 0.5 million respectively, of the Company's common stock for a total cost of \$12.2 million and \$24.5 million, respectively. During the three and nine months ended September 30, 2016, the Company repurchased and retired a total of 0.1 million shares and 0.3 million shares, respectively, of the Company's common stock for a total cost of \$6.2 million and \$16.3 million, respectively. Through September 30, 2017, the Company had repurchased and retired a total of 4.3 million shares of the Company's common stock for a total cost of \$224.3 million under this program. As of September 30, 2017, an additional \$75.7 million remained available for repurchase of shares under the previously authorized program.

## (15) COMMITMENTS AND CONTINGENCIES

## Legal and Administrative Proceedings

The Company and its subsidiaries are subject to legal proceedings and claims arising in the ordinary course of business. Actions filed against the Company arise from commercial and employment-related claims including alleged class actions related to sales practices and wage and hour claims. The plaintiffs in these actions may be seeking damages or injunctive relief or both. These actions are in various jurisdictions and stages of proceedings, and some are covered in part by insurance. In addition, the Company's waste management services operations are regulated by

federal, state, provincial and local laws enacted to regulate discharge of materials into the environment, remediation of contaminated soil and groundwater or otherwise protect the environment. This ongoing regulation results in the Company frequently becoming a party to legal or administrative proceedings involving all levels of governmental authorities and other interested parties. The issues involved in such 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 the Company or by other parties (“third party sites”) to which either the Company or the prior owners of certain of the Company’s facilities shipped wastes.

At September 30, 2017 and December 31, 2016, the Company had recorded reserves of \$19.1 million and \$22.0 million, respectively, in the Company's financial statements for actual or probable liabilities related to the legal and administrative proceedings in which the Company was then involved, the principal of which are described below. At September 30, 2017 and

Table of Contents

December 31, 2016, the Company also believed that it was reasonably possible that the amount of these potential liabilities could be as much as \$1.8 million and \$1.9 million more, respectively. The Company periodically adjusts the aggregate amount of these reserves when actual or probable liabilities are paid or otherwise discharged, new claims arise, or additional relevant information about existing or probable claims becomes available. As of September 30, 2017 and December 31, 2016, the \$19.1 million and \$22.0 million, respectively, of reserves consisted of (i) \$18.1 million and \$18.2 million, respectively, related to pending legal or administrative proceedings, including Superfund liabilities, which were included in remedial liabilities on the consolidated balance sheets, and (ii) \$1.0 million and \$3.8 million, respectively, primarily related to federal, state and provincial enforcement actions, which were included in accrued expenses on the consolidated balance sheets.

As of September 30, 2017, the principal legal and administrative proceedings in which the Company was involved, or which had been terminated during 2017, were as follows:

**Ville Mercier.** In September 2002, the Company acquired the stock of a subsidiary (the "Mercier Subsidiary") which owns a hazardous waste incinerator in Ville Mercier, Quebec (the "Mercier Facility"). The property adjacent to the Mercier Facility, which is also owned by the Mercier Subsidiary, is now contaminated as a result of actions dating back to 1968, when the Government of Quebec issued to a company unrelated to the Mercier Subsidiary two permits to dump organic liquids into lagoons on the property. In 1999, Ville Mercier and three neighboring municipalities filed separate legal proceedings against the Mercier Subsidiary and the Government of Quebec. In 2012, the municipalities amended their existing statement of claim to seek \$2.9 million (Cdn) in general damages and \$10.0 million (Cdn) in punitive damages, plus interest and costs, as well as injunctive relief. Both the Government of Quebec and the Company have filed summary judgment motions against the municipalities. The parties are currently attempting to negotiate a resolution and hearings on the motions have been delayed. In September 2007, the Quebec Minister of Sustainable Development, Environment and Parks issued a Notice pursuant to Section 115.1 of the Environment Quality Act, superseding Notices issued in 1992, which are the subject of the pending litigation. The more recent Notice notifies the Mercier Subsidiary that, if the Mercier Subsidiary does not take certain remedial measures at the site, the Minister intends to undertake those measures at the site and claim direct and indirect costs related to such measures. The Company has accrued for costs expected to be incurred relative to the resolution of this matter and believes this matter will not have future material effect on its financial position or results of operations.

**Safety-Kleen Legal Proceedings.** On December 28, 2012, the Company acquired Safety-Kleen, Inc. ("Safety-Kleen") and thereby became subject to the legal proceedings in which Safety-Kleen was a party on that date. In addition to certain Superfund proceedings in which Safety-Kleen has been named as a potentially responsible party as described below under "Superfund Proceedings," the principal such legal proceedings involving Safety-Kleen which were outstanding as of September 30, 2017 were as follows:

**Product Liability Cases.** Safety-Kleen has been named as a defendant in various lawsuits that are currently pending in various courts and jurisdictions throughout the United States, including approximately 59 proceedings (excluding cases which have been settled but not formally dismissed) as of September 30, 2017, wherein persons claim personal injury resulting from the use of Safety-Kleen's parts cleaning equipment or cleaning products. These proceedings typically involve allegations that the solvent used in Safety-Kleen's parts cleaning equipment contains contaminants and/or that Safety-Kleen's recycling process does not effectively remove the contaminants that become entrained in the solvent during their use. In addition, certain claimants assert that Safety-Kleen failed to warn adequately the product user of potential risks, including an historic failure to warn that solvent contains trace amounts of toxic or hazardous substances such as benzene.

Safety-Kleen maintains insurance that it believes will provide coverage for these product liability claims (over amounts accrued for self-insured retentions and deductibles in certain limited cases), except for punitive damages to the extent not insurable under state law or excluded from insurance coverage. Safety-Kleen also believes that these claims lack merit and has historically vigorously defended, and intends to continue to vigorously defend, itself and the safety of its products against all of these claims. Such matters are subject to many uncertainties and outcomes are not predictable with assurance. Consequently, Safety-Kleen is unable to ascertain the ultimate aggregate amount of monetary liability or financial impact with respect to these matters as of September 30, 2017. From January 1, 2017 to September 30, 2017, 25 product liability claims were settled or dismissed. Due to the nature of these claims and the



related insurance, the Company did not incur any expense as Safety-Kleen's insurance provided coverage in full for all such claims. Safety-Kleen may be named in similar, additional lawsuits in the future, including claims for which insurance coverage may not be available.

Table of Contents

## Superfund Proceedings

The Company has been notified that either the Company (which, since December 28, 2012, includes Safety-Kleen) or the prior owners of certain of the Company's facilities for which the Company may have certain indemnification obligations have been identified as potentially responsible parties ("PRPs") or potential PRPs in connection with 129 sites which are subject to or are proposed to become subject to proceedings under federal or state Superfund laws. Of the 129 sites, three (including the BR Facility described below) involve facilities that are now owned or leased by the Company and 126 involve third party sites to which either the Company or the prior owners of certain of the Company's facilities shipped wastes. Of the 126 third party sites, 33 are now settled, 16 are currently requiring expenditures on remediation and 77 are not currently requiring expenditures on remediation.

In connection with each site, the Company has estimated the extent, if any, to which it may be subject, either directly or as a result of any indemnification obligations, for cleanup and remediation costs, related legal and consulting costs associated with PRP investigations, settlements, and related legal and administrative proceedings. The amount of such actual and potential liability is inherently difficult to estimate because of, among other relevant factors, uncertainties as to the legal liability (if any) of the Company or the prior owners of certain of the Company's facilities to contribute a portion of the cleanup costs, the assumptions that must be made in calculating the estimated cost and timing of remediation, the identification of other PRPs and their respective capability and obligation to contribute to remediation efforts, and the existence and legal standing of indemnification agreements (if any) with prior owners, which may either benefit the Company or subject the Company to potential indemnification obligations. The Company believes its potential liability could exceed \$100,000 at 11 of the 126 third party sites.

**BR Facility.** The Company acquired in 2002 a former hazardous waste incinerator and landfill in Baton Rouge (the "BR Facility"), for which operations had been previously discontinued by the prior owner. In September 2007, the Environmental Protection Agency (the "EPA") issued a special notice letter to the Company related to the Devil's Swamp Lake Site ("Devil's Swamp") in East Baton Rouge Parish, Louisiana. Devil's Swamp includes a lake located downstream of an outfall ditch where wastewater and storm water have been discharged, and Devil's Swamp is proposed to be included on the National Priorities List due to the presence of Contaminants of Concern ("COC") cited by the EPA. These COCs include substances of the kind found in wastewater and storm water discharged from the BR Facility in past operations. The EPA originally requested COC generators to submit a good faith offer to conduct a remedial investigation feasibility study directed towards the eventual remediation of the site. The Company is currently performing corrective actions at the BR Facility under an order issued by the Louisiana Department of Environmental Quality, and has begun conducting the remedial investigation and feasibility study under an order issued by the EPA. The Company cannot presently estimate the potential additional liability for the Devil's Swamp cleanup until a final remedy is selected by the EPA.

**Third Party Sites.** Of the 126 third party sites at which the Company has been notified it is a PRP or potential PRP or may have indemnification obligations, Clean Harbors has an indemnification agreement at 11 of these sites with ChemWaste, a former subsidiary of Waste Management, Inc., and at six additional of these third party sites, Safety-Kleen has a similar indemnification agreement with McKesson Corporation. These agreements indemnify the Company (which now includes Safety-Kleen) with respect to any liability at the 17 sites for waste disposed prior to the Company's (or Safety-Kleen's) acquisition of the former subsidiaries of Waste Management and McKesson which had shipped wastes to those sites. Accordingly, Waste Management or McKesson are paying all costs of defending those subsidiaries in those 17 cases, including legal fees and settlement costs. However, there can be no guarantee that the Company's ultimate liabilities for those sites will not exceed the amount recorded or that indemnities applicable to any of these sites will be available to pay all or a portion of related costs. Except for the indemnification agreements which the Company holds from ChemWaste, McKesson and one other entity, the Company does not have an indemnity agreement with respect to any of the 126 third party sites discussed above.

## Federal, State and Provincial Enforcement Actions

From time to time, the Company pays fines or penalties in regulatory proceedings relating primarily to waste treatment, storage or disposal facilities. As of September 30, 2017 and December 31, 2016, there were five proceedings for which the Company reasonably believes that the sanctions could equal or exceed \$100,000. The Company believes that the fines or other penalties in these or any of the other regulatory proceedings will,

individually or in the aggregate, not have a material effect on its financial condition, results of operations or cash flows.

(16) INCOME TAXES

The Company records a tax provision or benefit on an interim basis using an estimated annual effective tax rate. This rate is applied to the current period ordinary income or loss to determine the income tax provision or benefit allocated to the interim period. Losses from jurisdictions for which no benefit can be recognized and the income tax effects of unusual or infrequent items are excluded from the estimated annual effective tax rate and are recognized in the impacted interim period. The estimated annual

Table of Contents

effective tax rate may be significantly impacted by projected earnings mix by tax jurisdiction. Adjustments to the estimated annual effective income tax rate are recognized in the period when such estimates are revised.

The Company's effective tax rate for the three and nine months ended September 30, 2017 was 51.0% and 69.9% compared to 47.8% and 80.3% for the same periods in 2016. The variations in the effective income tax rates for the three and nine months ended September 30, 2017 as compared to more customary relationships between pre-tax income and the provision for income taxes were primarily due to the Company not recognizing income tax benefits from current operating losses related to certain Canadian entities and in the second quarter of 2017 the tax expense associated with the gain on the sale of the Transformer Services business.

As of September 30, 2017 and December 31, 2016, the Company had recorded \$1.8 million and \$1.7 million, respectively, of liabilities for unrecognized tax benefits and \$0.4 million and \$0.3 million of interest, respectively. Due to expiring statute of limitation periods, the Company believes that total unrecognized tax benefits will decrease by \$0.4 million within the next 12 months.

**(17) SEGMENT REPORTING**

Segment reporting is prepared on the same basis that the Company's chief executive officer, who is the Company's chief operating decision maker, manages its business, makes operating decisions and assesses performance. The Company's operations are managed in six operating segments: Technical Services, Industrial Services, Field Services, Safety-Kleen, Oil and Gas Field Services and Lodging Services. For purposes of segment disclosure the Industrial Services and Field Services operating segments have been aggregated into a single reportable segment based upon their similar economic and other characteristics, and the Oil and Gas Field Services and Lodging Services operating segments have been combined as they do not meet the quantitative thresholds for separate presentation.

Third-party revenue is revenue billed to outside customers by a particular segment. Direct revenue is revenue allocated to the segment providing the product or service. Intersegment revenues represent the sharing of third-party revenues among the segments based on products and services provided by each segment as if the products and services were sold directly to the third-party. The intersegment revenues are shown net. The negative intersegment revenues are due to more transfers out of customer revenues to other segments than transfers in of customer revenues from other segments. The operations not managed through the Company's operating segments described above are recorded as "Corporate Items." Corporate Items revenues consist of two different operations for which the revenues are insignificant. Corporate Items cost of revenues represents certain central services that are not allocated to the Company's operating segments for internal reporting purposes. Corporate Items selling, general and administrative expenses include typical corporate items such as legal, accounting and other items of a general corporate nature that are not allocated to the Company's operating segments.

The following table reconciles third party revenues to direct revenues for the three and nine months ended September 30, 2017 and 2016 (in thousands):

|                               | For the Three Months Ended September 30, 2017 |                            |                      |                 | For the Three Months Ended September 30, 2016 |                            |                      |                 |
|-------------------------------|---|----------------------------|----------------------|-----------------|---|----------------------------|----------------------|-----------------|
|                               | Third party revenues                          | Intersegment revenues, net | Corporate Items, net | Direct revenues | Third party revenues                          | Intersegment revenues, net | Corporate Items, net | Direct revenues |
| Technical Services            | \$246,329                                     | \$ 41,366                  | \$ 637               | \$288,332       | \$232,482                                     | \$ 38,795                  | \$ 492               | \$271,769       |
| Industrial and Field Services | 163,808                                       | (10,262 )                  | 45                   | 153,591         | 172,191                                       | (10,867 )                  | (32 )                | 161,292         |
| Safety-Kleen                  | 315,028                                       | (31,757 )                  | 3                    | 283,274         | 297,082                                       | (28,716 )                  | 1                    | 268,367         |
| Oil, Gas and Lodging Services | 30,026  | 653                        | 79                   | 30,758          | 27,644  | 788                        | 105                  | 28,537          |
| Corporate Items               | 655   | —                          | (764 )               | (109 )          | 121   | —                          | (566 )               | (445 )          |
| Total                         | \$755,846                                     | \$ —                       | \$ —                 | \$755,846       | \$729,520                                     | \$ —                       | \$ —                 | \$729,520       |



Table of Contents

|                               | For the Nine Months Ended September 30, 2017 |                            |                      |                 | For the Nine Months Ended September 30, 2016 |                            |                      |                 |
|-------------------------------|--|----------------------------|----------------------|-----------------|--|----------------------------|----------------------|-----------------|
|                               | Third party revenues                         | Intersegment revenues, net | Corporate Items, net | Direct revenues | Third party revenues                         | Intersegment revenues, net | Corporate Items, net | Direct revenues |
| Technical Services            | \$731,034                                    | \$121,411                  | \$1,767              | \$854,212       | \$680,717                                    | \$109,217                  | \$1,547              | \$791,481       |
| Industrial and Field Services | 465,264                                      | (27,688 )                  | 16                   | 437,592         | 467,019                                      | (25,464 )                  | (348 )               | 441,207         |
| Safety-Kleen                  | 910,885                                      | (95,465 )                  | 4                    | 815,424         | 821,758                                      | (86,329 )                  | 368                  | 735,797         |
| Oil, Gas and Lodging Services | 89,403                                       | 1,742                      | 218                  | 91,363          | 91,555                                       | 2,576                      | 288                  | 94,419          |
| Corporate Items               | 989  | —                          | (2,005 )             | (1,016 )        | 2,064  | —                          | (1,855 )             | 209             |
| Total                         | \$2,197,575                                  | \$—                        | \$—                  | \$2,197,575     | \$2,063,113                                  | \$—                        | \$—                  | \$2,063,113     |

The primary financial measure by which the Company evaluates the performance of its segments is "Adjusted EBITDA" which consists of net income (loss) plus accretion of environmental liabilities, depreciation and amortization, other expense, interest expense, net, loss on early extinguishment of debt, goodwill impairment charge, provision for income taxes and excludes (loss) gain on sale of business. Transactions between the segments are accounted for at the Company's best estimate based on similar transactions with outside customers.

The following table presents Adjusted EBITDA information used by management by reported segment (in thousands):

|  | For the Three Months Ended |                    | For the Nine Months Ended |                    |
|--|----------------------------|--------------------|---------------------------|--------------------|
|  | September 30, 2017         | September 30, 2016 | September 30, 2017        | September 30, 2016 |
| Adjusted EBITDA:   |                            |                    |                           |                    |
| Technical Services                                       | \$72,338                   | \$72,333           | \$203,906                 | \$201,622          |
| Industrial and Field Services                            | 13,255                     | 18,234             | 36,652                    | 38,627             |
| Safety-Kleen   | 70,305                     | 70,053             | 182,953                   | 165,342            |
| Oil, Gas and Lodging Services                            | 912                        | 24                 | 969                       | 135                |
| Corporate Items  | (33,811 )                  | (33,993 )          | (100,655 )                | (101,310 )         |
| Total  | \$122,999                  | \$126,651          | \$323,825                 | \$304,416          |
| Reconciliation to Consolidated Statements of Operations: |                            |                    |                           |                    |
| Accretion of environmental liabilities                   | 2,347                      | 2,476              | 7,053                     | 7,529              |
| Depreciation and amortization                            | 72,989                     | 73,360             | 216,932                   | 215,655            |
| Goodwill impairment charge                               | —                          | 34,013             | —                         | 34,013             |
| Income from operations                                   | 47,663                     | 16,802             | 99,840                    | 47,219             |
| Other expense  | 432                        | 198                | 2,814                     | 737                |
| Loss on early extinguishment of debt                     | 1,846                      | —                  | 7,891                     | —                  |
| Loss (gain) on sale of business                          | 77                         | (16,431 )          | (31,645 )                 | (16,431 )          |
| Interest expense, net of interest income                 | 20,675                     | 21,565             | 65,743                    | 62,192             |
| Income before provision for income taxes                 | \$24,633                   | \$11,470           | \$55,037                  | \$721              |

Table of Contents

The following table presents certain assets by reportable segment and in the aggregate (in thousands):

|                                    | September 30, 2017    |                                     |              |  |                    |             |
|------------------------------------|-----------------------|-------------------------------------|--------------|--|--------------------|-------------|
|                                    | Technical<br>Services | Industrial<br>and Field<br>Services | Safety-Kleen | Oil, Gas<br>and<br>Lodging<br>Services | Corporate<br>Items | Totals      |
| Property, plant and equipment, net | \$507,069             | \$264,662                           | \$585,493    | \$177,106                              | \$77,641           | \$1,611,971 |
| Goodwill                           | 60,154                | 112,365                             | 306,209      | —                                      | —                  | 478,728     |
| Permits and other intangibles, net | 75,260                | 17,139                              | 377,458      | 7,782                                  | —                  | 477,639     |
| Total assets                       | \$848,578             | \$485,297                           | \$1,475,764  | \$239,308                              | \$699,406          | \$3,748,353 |
|                                    | December 31, 2016     |                                     |              |  |                    |             |
|                                    | Technical<br>Services | Industrial<br>and Field<br>Services | Safety-Kleen | Oil, Gas<br>and<br>Lodging<br>Services | Corporate<br>Items | Totals      |
| Property, plant and equipment, net | \$521,134             | \$245,143                           | \$584,647    | \$182,038                              | \$78,865           | \$1,611,827 |
| Goodwill                           | 61,116                | 107,968                             | 296,070      | —                                      | —                  | 465,154     |
| Permits and other intangibles, net | 78,625                | 17,817                              | 391,390      | 10,889                                 | —                  | 498,721     |
| Total assets                       | \$862,957             | \$446,826                           | \$1,474,755  | \$253,242                              | \$644,140          | \$3,681,920 |

The following table presents total assets by geographical area (in thousands):

|               | September 30, December 31, |              |
|---------------|----------------------------|--------------|
|               | 2017                       | 2016         |
| United States | \$ 3,005,644               | \$ 2,960,337 |
| Canada        | 742,709                    | 721,583      |
| Total         | \$ 3,748,353               | \$ 3,681,920 |

**(18) GUARANTOR AND NON-GUARANTOR SUBSIDIARIES FINANCIAL INFORMATION**

The 2020 Notes and the 2021 Notes (collectively, the "Notes") are guaranteed by substantially all of the Company's subsidiaries organized in the United States. Each guarantor for the Notes is a 100% owned subsidiary of Clean Harbors, Inc. and its guarantee is both full and unconditional and joint and several. The guarantees are, however, subject to customary release provisions under which, in particular, the guarantee of any domestic restricted subsidiary will be released if the Company sells such subsidiary to an unrelated third party in accordance with the terms of the indentures which govern the Notes. The Notes are not guaranteed by the Company's subsidiaries organized outside the United States. The following supplemental condensed consolidating financial information for the parent company, the guarantor subsidiaries and the non-guarantor subsidiaries, respectively, is presented in conformity with the requirements of Rule 3-10 of SEC Regulation S-X ("Rule 3-10").

Table of Contents

Following is the condensed consolidating balance sheet at September 30, 2017 (in thousands):

|  | Clean<br>Harbors, Inc. | Guarantor<br>Subsidiaries | Non-Guarantor<br>Subsidiaries | Consolidating<br>Adjustments | Total        |
|--|------------------------|---------------------------|-------------------------------|------------------------------|--------------|
| Assets:  |                        |                           |                               |                              |              |
| Cash and cash equivalents                              | \$ 51,514              | \$ 221,552                | \$ 88,592                     | \$—                          | \$ 361,658   |
| Intercompany receivables                               | 230,084                | 451,146                   | 38,451                        | (719,681 )                   | —            |
| Accounts receivables, net                              | —                      | 435,058                   | 96,638                        | —                            | 531,696      |
| Other current assets                                   | 897                    | 215,847                   | 51,871                        | (1,711 )                     | 266,904      |
| Property, plant and equipment, net                     | —                      | 1,182,922                 | 429,049                       | —                            | 1,611,971    |
| Investments in subsidiaries                            | 2,933,843              | 585,660                   | —                             | (3,519,503 )                 | —            |
| Intercompany debt receivable                           | —                      | 92,938                    | 21,000                        | (113,938 )                   | —            |
| Goodwill   | —                      | 415,056                   | 63,672                        | —                            | 478,728      |
| Permits and other intangibles, net                     | —                      | 415,708                   | 61,931                        | —                            | 477,639      |
| Other long-term assets                                 | 2,448                  | 13,312                    | 5,065                         | (1,068 )                     | 19,757       |
| Total assets   | \$ 3,218,786           | \$ 4,029,199              | \$ 856,269                    | \$(4,355,901 )               | \$ 3,748,353 |
| Liabilities and Stockholders' Equity:                  |                        |                           |                               |                              |              |
| Current liabilities                                    | \$ 22,595              | \$ 385,734                | \$ 122,922                    | \$(1,711 )                   | \$ 529,540   |
| Intercompany payables                                  | 441,873                | 266,776                   | 11,032                        | (719,681 )                   | —            |
| Closure, post-closure and<br>remedial liabilities, net | —                      | 148,791                   | 17,045                        | —                            | 165,836      |
| Long-term obligations                                  | 1,625,971              | —                         | —                             | —                            | 1,625,971    |
| Intercompany debt payable                              | —                      | 21,000                    | 92,938                        | (113,938 )                   | —            |
| Other long-term liabilities                            | —                      | 278,700                   | 21,027                        | (1,068 )                     | 298,659      |
| Total liabilities                                      | 2,090,439              | 1,101,001                 | 264,964                       | (836,398 )                   | 2,620,006    |
| Stockholders' equity                                   | 1,128,347              | 2,928,198                 | 591,305                       | (3,519,503 )                 | 1,128,347    |
| Total liabilities and stockholders' equity             | \$ 3,218,786           | \$ 4,029,199              | \$ 856,269                    | \$(4,355,901 )               | \$ 3,748,353 |



Table of Contents

Following is the condensed consolidating balance sheet at December 31, 2016 (in thousands):

|  | Clean<br>Harbors, Inc. | Guarantor<br>Subsidiaries | Non-Guarantor<br>Subsidiaries | Consolidating<br>Adjustments | Total        |
|--|------------------------|---------------------------|-------------------------------|------------------------------|--------------|
| Assets:  |                        |                           |                               |                              |              |
| Cash and cash equivalents                              | \$ 51,417              | \$ 155,943                | \$ 99,637                     | \$—                          | \$ 306,997   |
| Intercompany receivables                               | 200,337                | 354,836                   | 49,055                        | (604,228 )                   | —            |
| Accounts receivables, net                              | —                      | 417,029                   | 79,197                        | —                            | 496,226      |
| Other current assets                                   | 3,096                  | 234,408                   | 69,257                        | (17,113 )                    | 289,648      |
| Property, plant and equipment, net                     | —                      | 1,211,210                 | 400,617                       | —                            | 1,611,827    |
| Investments in subsidiaries                            | 2,851,571              | 580,124                   | —                             | (3,431,695 )                 | —            |
| Intercompany debt receivable                           | —                      | 86,409                    | 24,701                        | (111,110 )                   | —            |
| Goodwill   | —                      | 412,638                   | 52,516                        | —                            | 465,154      |
| Permits and other intangibles, net                     | —                      | 435,594                   | 63,127                        | —                            | 498,721      |
| Other long-term assets                                 | 2,446                  | 7,582                     | 4,387                         | (1,068 )                     | 13,347       |
| Total assets   | \$ 3,108,867           | \$ 3,895,773              | \$ 842,494                    | \$(4,165,214 )               | \$ 3,681,920 |
| Liabilities and Stockholders' Equity:                  |                        |                           |                               |                              |              |
| Current liabilities                                    | \$ 21,805              | \$ 366,831                | \$ 133,145                    | \$(17,113 )                  | \$ 504,668   |
| Intercompany payables                                  | 365,848                | 237,058                   | 1,322                         | (604,228 )                   | —            |
| Closure, post-closure and remedial liabilities,<br>net | —                      | 150,682                   | 15,640                        | —                            | 166,322      |
| Long-term obligations                                  | 1,633,272              | —                         | —                             | —                            | 1,633,272    |
| Intercompany debt payable                              | 3,701                  | 21,000                    | 86,409                        | (111,110 )                   | —            |
| Other long-term liabilities                            | —                      | 275,649                   | 18,836                        | (1,068 )                     | 293,417      |
| Total liabilities                                      | 2,024,626              | 1,051,220                 | 255,352                       | (733,519 )                   | 2,597,679    |
| Stockholders' equity                                   | 1,084,241              | 2,844,553                 | 587,142                       | (3,431,695 )                 | 1,084,241    |
| Total liabilities and stockholders' equity             | \$ 3,108,867           | \$ 3,895,773              | \$ 842,494                    | \$(4,165,214 )               | \$ 3,681,920 |

Table of Contents

Following is the consolidating statement of operations for the three months ended September 30, 2017 (in thousands):

|   | Clean<br>Harbors, Inc. | Guarantor<br>Subsidiaries | Non-Guarantor<br>Subsidiaries | Consolidating<br>Adjustments | Total      |
|---|------------------------|---------------------------|-------------------------------|------------------------------|------------|
| Revenues  |                        |                           |                               |                              |            |
| Service revenues  | \$ —                   | \$ 473,428                | \$ 152,997                    | \$ (14,073 )                 | \$ 612,352 |
| Product revenues  | —                      | 127,355                   | 19,435                        | (3,296 )                     | 143,494    |
| Total revenues  | —                      | 600,783                   | 172,432                       | (17,369 )                    | 755,846    |
| Cost of revenues (exclusive of items shown<br>separately below) |                        |                           |                               |                              |            |
| Service cost of revenues  | —                      | 306,291                   | 120,151                       | (14,073 )                    | 412,369    |
| Product cost of revenues  | —                      | 97,353                    | 13,169                        | (3,296 )                     | 107,226    |
| Total cost of revenues  | —                      | 403,644                   | 133,320                       | (17,369 )                    | 519,595    |
| Selling, general and administrative expenses                    | 19                     | 92,299                    | 20,934                        | —                            | 113,252    |
| Accretion of environmental liabilities                          | —                      | 2,092                     | 255                           | —                            | 2,347      |
| Depreciation and amortization                                   | —                      | 50,917                    | 22,072                        | —                            | 72,989     |
| (Loss) income from operations                                   | (19 )                  | 51,831                    | (4,149 )                      | —                            | 47,663     |
| Other expense   | —                      | (305 )                    | (127 )                        | —                            | (432 )     |
| Loss on early extinguishment of debt                            | (1,846 )               | —                         | —                             | —                            | (1,846 )   |
| Loss on sale of business  | —                      | (77 )                     | —                             | —                            | (77 )      |
| Interest (expense) income                                       | (21,135 )              | 517                       | (57 )                         | —                            | (20,675 )  |
| Equity in earnings of subsidiaries, net of taxes                | 25,858                 | (5,620 )                  | —                             | (20,238 )                    | —          |
| Intercompany interest income (expense)                          | —                      | 1,372                     | (1,372 )                      | —                            | —          |
| Income (loss) before (benefit) provision for income<br>taxes    | 2,858                  | 47,718                    | (5,705 )                      | (20,238 )                    | 24,633     |
| (Benefit) provision for income taxes                            | (9,200 )               | 20,824                    | 951                           | —                            | 12,575     |
| Net income (loss)   | 12,058                 | 26,894                    | (6,656 )                      | (20,238 )                    | 12,058     |
| Other comprehensive income                                      | 23,709                 | 23,709                    | 20,263                        | (43,972 )                    | 23,709     |
| Comprehensive income  | \$ 35,767              | \$ 50,603                 | \$ 13,607                     | \$ (64,210 )                 | \$ 35,767  |

Table of Contents

Following is the consolidating statement of operations for the three months ended September 30, 2016 (in thousands):

|   | Clean<br>Harbors, Inc. | Guarantor<br>Subsidiaries | Non-Guarantor<br>Subsidiaries | Consolidating<br>Adjustments | Total        |
|---|------------------------|---------------------------|-------------------------------|------------------------------|--------------|
| Revenues  |                        |                           |                               |                              |              |
| Service revenues  | \$ —                   | \$ 461,139                | \$ 145,780                    | \$ (12,694 )                 | \$ 594,225   |
| Product revenues  | —                      | 118,106                   | 20,072                        | (2,883 )                     | 135,295      |
| Total revenues  | —                      | 579,245                   | 165,852                       | (15,577 )                    | 729,520      |
| Cost of revenues (exclusive of items shown<br>separately below) |                        |                           |                               |                              |              |
| Service cost of revenues  | (598 )                 | 288,764                   | 110,070                       | (12,694 )                    | 385,542      |
| Product cost of revenues  | —                      | 94,050                    | 15,206                        | (2,883 )                     | 106,373      |
| Total cost of revenues  | (598 )                 | 382,814                   | 125,276                       | (15,577 )                    | 491,915      |
| Selling, general and administrative expenses                    | 23                     | 88,652                    | 22,279                        | —                            | 110,954      |
| Accretion of environmental liabilities                          | —                      | 2,243                     | 233                           | —                            | 2,476        |
| Depreciation and amortization                                   | —                      | 51,957                    | 21,403                        | —                            | 73,360       |
| Goodwill impairment charge                                      | —                      | —                         | 34,013                        | —                            | 34,013       |
| Income (loss) from operations                                   | 575                    | 53,579                    | (37,352 )                     | —                            | 16,802       |
| Other expense   | —                      | (188 )                    | (10 )                         | —                            | (198 )       |
| Gain on sale of business  | —                      | 1,288                     | 15,143                        | —                            | 16,431       |
| Interest (expense) income                                       | (23,042 )              | 1,456                     | 21                            | —                            | (21,565 )    |
| Equity in earnings of subsidiaries, net of taxes                | 3,225                  | (22,341 )                 | —                             | 19,116                       | —            |
| Intercompany interest income (expense)                          | —                      | 5,235                     | (5,235 )                      | —                            | —            |
| (Loss) income before (benefit) provision for<br>income taxes    | (19,242 )              | 39,029                    | (27,433 )                     | 19,116                       | 11,470       |
| (Benefit) provision for income taxes                            | (8,987 )               | 35,803                    | (5,091 )                      | —                            | 21,725       |
| Net (loss) income   | (10,255 )              | 3,226                     | (22,342 )                     | 19,116                       | (10,255 )    |
| Other comprehensive loss  | (1,311 )               | (1,311 )                  | (3,927 )                      | 5,238                        | (1,311 )     |
| Comprehensive (loss) income                                     | \$ (11,566 )           | \$ 1,915                  | \$ (26,269 )                  | \$ 24,354                    | \$ (11,566 ) |

Table of Contents

Following is the consolidating statement of operations for the nine months ended September 30, 2017 (in thousands):

|   | Clean<br>Harbors, Inc. | Guarantor<br>Subsidiaries | Non-Guarantor<br>Subsidiaries | Consolidating<br>Adjustments | Total       |
|---|------------------------|---------------------------|-------------------------------|------------------------------|-------------|
| <b>Revenues</b>   |                        |                           |                               |                              |             |
| Service revenues  | \$ —                   | \$1,391,534               | \$ 431,992                    | \$ (40,020 )                 | \$1,783,506 |
| Product revenues  | —                      | 369,864                   | 53,496                        | (9,291 )                     | 414,069     |
| Total revenues  | —                      | 1,761,398                 | 485,488                       | (49,311 )                    | 2,197,575   |
| <b>Cost of revenues (exclusive of items shown separately below)</b> |                        |                           |                               |                              |             |
| Service cost of revenues  | —                      | 907,396                   | 348,436                       | (40,020 )                    | 1,215,812   |
| Product cost of revenues  | —                      | 292,503                   | 36,959                        | (9,291 )                     | 320,171     |
| Total cost of revenues  | —                      | 1,199,899                 | 385,395                       | (49,311 )                    | 1,535,983   |
| Selling, general and administrative expenses                        | 70                     | 276,974                   | 60,723                        | —                            | 337,767     |
| Accretion of environmental liabilities                              | —                      | 6,328                     | 725                           | —                            | 7,053       |
| Depreciation and amortization                                       | —                      | 154,754                   | 62,178                        | —                            | 216,932     |
| (Loss) income from operations                                       | (70 )                  | 123,443                   | (23,533 )                     | —                            | 99,840      |
| Other expense   | (222 )                 | (2,100 )                  | (492 )                        | —                            | (2,814 )    |
| Loss on early extinguishment of debt                                | (7,891 )               | —                         | —                             | —                            | (7,891 )    |
| Gain on sale of business  | —                      | 31,645                    | —                             | —                            | 31,645      |
| Interest (expense) income   | (66,408 )              | 876                       | (211 )                        | —                            | (65,743 )   |
| Equity in earnings of subsidiaries, net of taxes                    | 61,388                 | (32,776 )                 | —                             | (28,612 )                    | —           |
| Intercompany interest income (expense)                              | —                      | 3,937                     | (3,937 )                      | —                            | —           |
| (Loss) income before (benefit) provision for income taxes           | (13,203 )              | 125,025                   | (28,173 )                     | (28,612 )                    | 55,037      |
| (Benefit) provision for income taxes                                | (29,748 )              | 62,442                    | 5,798                         | —                            | 38,492      |
| Net income (loss)   | 16,545                 | 62,583                    | (33,971 )                     | (28,612 )                    | 16,545      |
| Other comprehensive income  | 44,858                 | 44,858                    | 38,132                        | (82,990 )                    | 44,858      |
| Comprehensive income  | \$ 61,403              | \$ 107,441                | \$ 4,161                      | \$ (111,602 )                | \$ 61,403   |

Table of Contents

Following is the consolidating statement of operations for the nine months ended September 30, 2016 (in thousands):

|   | Clean<br>Harbors, Inc. | Guarantor<br>Subsidiaries | Non-Guarantor<br>Subsidiaries | Consolidating<br>Adjustments | Total        |
|---|------------------------|---------------------------|-------------------------------|------------------------------|--------------|
| <b>Revenues</b>   |                        |                           |                               |                              |              |
| Service revenues  | \$ —                   | \$ 1,345,629              | \$ 399,216                    | \$ (35,827 )                 | \$ 1,709,018 |
| Product revenues  | —                      | 303,342                   | 58,176                        | (7,423 )                     | 354,095      |
| Total revenues  | —                      | 1,648,971                 | 457,392                       | (43,250 )                    | 2,063,113    |
| <b>Cost of revenues (exclusive of items shown separately below)</b> |                        |                           |                               |                              |              |
| Service cost of revenues  | (1,185 )               | 864,071                   | 321,153                       | (35,827 )                    | 1,148,212    |
| Product cost of revenues  | —                      | 252,512                   | 42,895                        | (7,423 )                     | 287,984      |
| Total cost of revenues  | (1,185 )               | 1,116,583                 | 364,048                       | (43,250 )                    | 1,436,196    |
| Selling, general and administrative expenses                        | 84                     | 253,189                   | 69,228                        | —                            | 322,501      |
| Accretion of environmental liabilities                              | —                      | 6,846                     | 683                           | —                            | 7,529        |
| Depreciation and amortization                                       | —                      | 151,348                   | 64,307                        | —                            | 215,655      |
| Goodwill impairment charge  | —                      | —                         | 34,013                        | —                            | 34,013       |
| Income (loss) from operations                                       | 1,101                  | 121,005                   | (74,887 )                     | —                            | 47,219       |
| Other income (expense)  | —                      | 124                       | (861 )                        | —                            | (737 )       |
| Gain on sale of business  | —                      | 1,288                     | 15,143                        | —                            | 16,431       |
| Interest (expense) income   | (66,147 )              | 3,851                     | 104                           | —                            | (62,192 )    |
| Equity in earnings of subsidiaries, net of taxes                    | 11,867                 | (58,031 )                 | —                             | 46,164                       | —            |
| Intercompany interest income (expense)                              | —                      | 15,891                    | (15,891 )                     | —                            | —            |
| (Loss) income before (benefit) provision for income taxes           | (53,179 )              | 84,128                    | (76,392 )                     | 46,164                       | 721          |
| (Benefit) provision for income taxes                                | (26,019 )              | 72,260                    | (18,360 )                     | —                            | 27,881       |
| Net (loss) income   | (27,160 )              | 11,868                    | (58,032 )                     | 46,164                       | (27,160 )    |
| Other comprehensive income  | 43,348                 | 43,348                    | 24,403                        | (67,751 )                    | 43,348       |
| Comprehensive income (loss)   | \$ 16,188              | \$ 55,216                 | \$ (33,629 )                  | \$ (21,587 )                 | \$ 16,188    |

Table of Contents

Following is the condensed consolidating statement of cash flows for the nine months ended September 30, 2017 (in thousands):

|  | Clean Harbors, Inc. | Guarantor Subsidiaries | Non-Guarantor Subsidiaries | Consolidating Adjustments | Total      |
|--|---------------------|------------------------|----------------------------|---------------------------|------------|
| Net cash from operating activities   | \$ 16,196           | \$ 169,715             | \$ 35,558                  | \$ —                      | \$ 221,469 |
| Cash flows from (used in) investing activities:                            |                     |                        |                            |                           |            |
| Additions to property, plant and equipment                                 | —                   | (105,564 )             | (22,172 )                  | —                         | (127,736 ) |
| Proceeds from sale and disposal of fixed assets                            | —                   | 1,625                  | 3,750                      | —                         | 5,375      |
| Acquisitions, net of cash acquired   | —                   | (11,427 )              | (33,005 )                  | —                         | (44,432 )  |
| Proceeds on sale of business, net of transactional costs                   | —                   | 46,158                 | 181                        | —                         | 46,339     |
| Additions to intangible assets, including costs to obtain or renew permits | —                   | (1,018 )               | (330 )                     | —                         | (1,348 )   |
| Proceeds from sale of investments  | 376                 | —                      | —                          | —                         | 376        |
| Intercompany   | —                   | (27,740 )              | —                          | 27,740                    | —          |
| Intercompany debt  | —                   | —                      | 3,701                      | (3,701)                   | —          |
| Net cash from (used in) investing activities                               | 376                 | (97,966 )              | (47,875 )                  | 24,039                    | (121,426 ) |
| Cash flows used in financing activities:                                   |                     |                        |                            |                           |            |
| Change in uncashed checks  | —                   | (6,140 )               | (2,517 )                   | —                         | (8,657 )   |
| Proceeds from exercise of stock options                                    | 46                  | —                      | —                          | —                         | 46         |
| Issuance of restricted shares, net of shares remitted                      | (2,321 )            | —                      | —                          | —                         | (2,321 )   |
| Repurchases of common stock  | (24,465 )           | —                      | —                          | —                         | (24,465 )  |
| Deferred financing costs paid  | (5,746 )            | —                      | —                          | —                         | (5,746 )   |
| Premiums paid on early extinguishment of debt                              | (6,028 )            | —                      | —                          | —                         | (6,028 )   |
| Principal payment on debt  | (401,000 )          | —                      | —                          | —                         | (401,000 ) |
| Issuance of senior secured notes, net of discount                          | 399,000             | —                      | —                          | —                         | 399,000    |
| Intercompany   | 27,740              | —                      | —                          | (27,740)                  | —          |
| Intercompany debt  | (3,701 )            | —                      | —                          | 3,701                     | —          |
| Net cash used in financing activities                                      | (16,475 )           | (6,140 )               | (2,517 )                   | (24,039)                  | (49,171 )  |
| Effect of exchange rate change on cash                                     | —                   | —                      | 3,789                      | —                         | 3,789      |
| Increase (decrease) in cash and cash equivalents                           | 97                  | 65,609                 | (11,045 )                  | —                         | 54,661     |
| Cash and cash equivalents, beginning of period                             | 51,417              | 155,943                | 99,637                     | —                         | 306,997    |
| Cash and cash equivalents, end of period                                   | \$ 51,514           | \$ 221,552             | \$ 88,592                  | \$ —                      | \$ 361,658 |

Table of Contents

Following is the condensed consolidating statement of cash flows for the nine months ended September 30, 2016 (in thousands):

|  | Clean Harbors, Inc. | Guarantor Subsidiaries | Non-Guarantor Subsidiaries | Consolidating Adjustments | Total      |
|--|---------------------|------------------------|----------------------------|---------------------------|------------|
| Net cash from operating activities   | \$ 43,033           | \$ 128,182             | \$ 7,612                   | \$ —                      | \$ 178,827 |
| Cash flows used in investing activities:                                   |                     |                        |                            |                           |            |
| Additions to property, plant and equipment                                 | —                   | (152,836 )             | (22,512 )                  | —                         | (175,348 ) |
| Proceeds from sale and disposal of fixed assets                            | —                   | 950                    | 3,032                      | —                         | 3,982      |
| Acquisitions, net of cash acquired   | —                   | (197,089 )             | (10,000 )                  | —                         | (207,089 ) |
| Proceeds on sale of business   | —                   | 18,885                 | 28,249                     | —                         | 47,134     |
| Additions to intangible assets, including costs to obtain or renew permits | —                   | (949 )                 | (971 )                     | —                         | (1,920 )   |
| Purchases of available-for-sale securities                                 | (102 )              | —                      | (496 )                     | —                         | (598 )     |
| Intercompany   | —                   | (18,118 )              | —                          | 18,118                    | —          |
| Investment in subsidiaries   | (250,625 )          | —                      | —                          | 250,625                   | —          |
| Net cash used in investing activities                                      | (250,727 )          | (349,157 )             | (2,698 )                   | 268,743                   | (333,839 ) |
| Cash flows from (used in) financing activities:                            |                     |                        |                            |                           |            |
| Change in uncashed checks  | —                   | (6,064 )               | (1,020 )                   | —                         | (7,084 )   |
| Proceeds from exercise of stock options                                    | 230                 | —                      | —                          | —                         | 230        |
| Issuance of restricted shares, net of shares remitted                      | (2,500 )            | —                      | —                          | —                         | (2,500 )   |
| Repurchases of common stock  | (15,869 )           | —                      | —                          | —                         | (15,869 )  |
| Excess tax benefit of stock-based compensation                             | 21                  | —                      | —                          | —                         | 21         |
| Deferred financing costs paid  | (2,614 )            | —                      | —                          | —                         | (2,614 )   |
| Issuance of senior unsecured notes, including premium                      | 250,625             | 250,625                | —                          | (250,625)                 | 250,625    |
| Intercompany   | 18,118              | —                      | —                          | (18,118)                  | —          |
| Intercompany debt  | —                   | 63,118                 | (63,118 )                  | —                         | —          |
| Net cash from (used in) financing activities                               | 248,011             | 307,679                | (64,138 )                  | (268,743)                 | 222,809    |
| Effect of exchange rate change on cash                                     | —                   | —                      | 5,352                      | —                         | 5,352      |
| Increase (decrease) in cash and cash equivalents                           | 40,317              | 86,704                 | (53,872 )                  | —                         | 73,149     |
| Cash and cash equivalents, beginning of period                             | 11,017              | 83,479                 | 90,212                     | —                         | 184,708    |
| Cash and cash equivalents, end of period                                   | \$ 51,334           | \$ 170,183             | \$ 36,340                  | \$ —                      | \$ 257,857 |

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

### Forward-Looking Statements

In addition to historical information, this Quarterly Report on Form 10-Q contains forward-looking statements, which are generally identifiable by use of the words “believes,” “expects,” “intends,” “anticipates,” “plans to,” “estimates,” “projects,” similar expressions. These forward-looking statements are subject to certain risks and uncertainties that could cause actual results to differ materially from those reflected in these forward-looking statements. Factors that might cause such a difference include, but are not limited to, those discussed under Item 1A, “Risk Factors,” in our Annual Report on Form 10-K filed with the Securities and Exchange Commission on February 22, 2017, under Item 1A, “Risk Factors,” included in Part II—Other Information in this report, and in other documents we file from time to time with the SEC. Readers are cautioned not to place undue reliance on these forward-looking statements, which reflect management’s opinions only as of the date hereof. We undertake no obligation to revise or publicly release the results of any revision to these forward-looking statements.





Table of Contents

Overview

We are North America's leading provider of environmental, energy and industrial services. We believe we operate, in the aggregate, the largest number of hazardous waste incinerators, landfills and treatment, storage and disposal facilities ("TSDFs") in North America. We serve a diverse customer base, including Fortune 500 companies, across the chemical, energy, manufacturing and additional markets, as well as numerous government agencies. These customers rely on us to deliver a broad range of services including but not limited to end-to-end hazardous waste management, emergency spill response, industrial cleaning and maintenance, and recycling services. We are also the largest re-refiner and recycler of used oil in the world and the largest provider of parts cleaning and related environmental services to commercial, industrial and automotive customers in North America.

Performance of our segments is evaluated on several factors of which the primary financial measure is Adjusted EBITDA as described more fully below. The following is a discussion of how management evaluates its segments in regards to other factors including key performance indicators that management uses to assess the segments' results, as well as certain macroeconomic trends and influences that impact each reportable segment:

**Technical Services** - Technical Services segment results are predicated upon the demand by our customers for waste services directly attributable to waste volumes generated by them and project work contracted by our Technical Services segment and/or other segments for which waste handling and/or disposal is required. In managing the business and evaluating performance, management tracks the volumes of waste handled and disposed of through our owned incinerators and landfills as well as the utilization of such incinerators. Levels of activity and ultimate performance associated with this segment can be impacted by inherent seasonality in the business and weather conditions, market conditions and overall U.S. GDP and U.S. industrial production, efficiency of our operations, competition and market pricing of our services and the management of our related operating costs.

**Industrial and Field Services** - Industrial and Field Services segment results are impacted by the demand for planned and unplanned industrial related cleaning and maintenance services at customer sites and the requirement for environmental cleanup services on a scheduled or emergency basis, including response to national events such as major oil spills, natural disasters or other events where immediate and specialized services are pertinent. Management considers the number of plant sites where services are contracted and expected site turnaround schedules to be indicators of the business' performance along with the existence of local or national events.

**Safety-Kleen** - Safety-Kleen segment results are significantly impacted by the overall market pricing and product mix associated with base and blended oil products and, more specifically, the market prices of Group II base oils, which historically have correlated with overall crude oil prices. Costs incurred in connection with the collection of used oils, which are raw materials associated with the segment's products, can also be volatile. Starting in 2015, we began charging for collection of used oils, which has allowed us to more effectively manage the profit spreads inherent in the business. The implementation of our OilPlus™ closed loop initiative resulting in the sale of our renewable oil products directly to our end customers will also impact future operating results. In addition, this segment's results are also impacted by the number of parts washers serviced by the business and the ability to attract small quantity waste producers as customers and integrate them into the Clean Harbors waste network.

**Oil, Gas and Lodging Services** - Oil, Gas and Lodging Services segment results are dependent upon levels of oil and gas related exploration, drilling and refining activity in North America. The levels of such exploration, drilling and refining activity are largely dependent upon the number of oil rigs in operation, which also drives the demand and related pricing for lodging and camp accommodations. In addition, global and North American crude oil prices on which such activity levels are strongly predicated have significantly declined since a high of \$106.57 in 2013 to a low of \$30.32 in the beginning of 2016. In the nine months ended September 30, 2017, crude oil prices averaged \$49.39. This oil price volatility and uncertainty relative

to future prices has resulted in lower customer spending and activity levels which have negatively impacted the business' results. To mitigate the decrease in demand experienced in the manufacturing operation of our lodging business, we have targeted more non-traditional markets such as schools, hospitals, and other municipal structures to offer our modular unit accommodations and related services. The majority of the segment's operations are in Canada, and therefore the impact of US to Canadian dollar foreign currency translation also significantly impacts the segment's results.

Table of Contents

## Highlights

Total revenues for the three and nine months ended September 30, 2017 were \$755.8 million and \$2.2 billion compared with \$729.5 million and \$2.1 billion in the three and nine months ended September 30, 2016. In the three and nine months ended September 30, 2017, our Safety-Kleen segment increased direct revenues 5.6% and 10.8%, respectively, from the comparable periods in 2016, as a result of improved pricing conditions related to our renewable oil products, incremental revenues generated from recent acquisitions, continued organic growth related to our Safety-Kleen Environmental services business and the implementation of our OilPlus™ closed loop initiative. In the three and nine months ended September 30, 2017, our Technical Services segment increased direct revenues 6.1% and 7.9% from the comparable periods in 2016 primarily related to increased revenues associated with higher waste volumes disposed of in our network, which in 2017 includes our new hazardous waste incinerator at our El Dorado, Arkansas site. The strengthening of the Canadian dollar during fiscal 2017 has positively impacted our consolidated revenues by \$6.0 million and \$5.0 million for the three and nine months ended September 30, 2017, respectively.

We reported income from operations for the three and nine months ended September 30, 2017 of \$47.7 million and \$99.8 million, respectively, compared with \$16.8 million and \$47.2 million in the three and nine months ended September 30, 2016. We reported net income for the three and nine months ended September 30, 2017 of \$12.1 million and \$16.5 million, respectively, compared with net loss of \$10.3 million and \$27.2 million, respectively, in the three and nine months ended September 30, 2016. The net loss for the three and nine months ended September 30, 2016 was attributable in part to a goodwill impairment charge of \$34.0 million related to our Lodging Services segment in the third quarter of 2016. Adjusted EBITDA, which is the primary financial measure by which our segments are evaluated, decreased 2.9% to \$123.0 million in the three months ended September 30, 2017 from \$126.7 million in the three months ended September 30, 2016 and increased 6.4% to \$323.8 million in the nine months ended September 30, 2017 from \$304.4 million in the nine months ended September 30, 2016. Adjusted EBITDA results in the third quarter of 2017 were negatively impacted by incremental costs associated with the recent hurricanes affecting Texas, Florida and Puerto Rico. These storms caused disruptions at our facilities, increased transportation costs and temporarily limited production and associated waste volumes at customer locations across these affected areas. Additional information, including a reconciliation of Adjusted EBITDA to net income (loss), appears below under the heading "Adjusted EBITDA."

Net cash from operating activities for the nine months ended September 30, 2017 was \$221.5 million, an increase of \$42.6 million from the comparable period in 2016. Adjusted free cash flow, which management uses to measure our strength and ability to generate cash, was \$99.1 million in the nine months ended September 30, 2017, which represents a \$91.6 million increase over the comparable period of 2016 due to the increase in operating income, a significant reduction in capital expenditures and lower cash taxes. Additional information, including a reconciliation of Adjusted free cash flow to net cash from operating activities, appears below under the heading "Adjusted Free Cash Flow."

Table of Contents

## Segment Performance

The primary financial measure by which we evaluate the performance of our segments is Adjusted EBITDA. The following table sets forth certain financial information associated with our results of operations for the three and nine months ended September 30, 2017 and 2016 (in thousands).

|  | Summary of Operations (in thousands) |                    |                  |               |                           |                    |                 |             |
|--|--------------------------------------|--------------------|------------------|---------------|---------------------------|--------------------|-----------------|-------------|
|  | For the Three Months Ended           |                    |                  |               | For the Nine Months Ended |                    |                 |             |
|  | September 30, 2017                   | September 30, 2016 | \$ Change        | % Change      | September 30, 2017        | September 30, 2016 | \$ Change       | % Change    |
| <b>Direct Revenues<sup>(1)</sup>:</b>                  |                                      |                    |                  |               |                           |                    |                 |             |
| Technical Services                                     | \$288,332                            | \$271,769          | \$16,563         | 6.1%          | \$854,212                 | \$791,481          | \$62,731        | 7.9%        |
| Industrial and Field Services                          | 153,591                              | 161,292            | (7,701)          | (4.8)         | 437,592                   | 441,207            | (3,615)         | (0.8)       |
| Safety-Kleen   | 283,274                              | 268,367            | 14,907           | 5.6           | 815,424                   | 735,797            | 79,627          | 10.8        |
| Oil, Gas and Lodging Services                          | 30,758                               | 28,537             | 2,221            | 7.8           | 91,363                    | 94,419             | (3,056)         | (3.2)       |
| Corporate Items  | (109)                                | (445)              | 336              | (75.5)        | (1,016)                   | 209                | (1,225)         | (586.1)     |
| <b>Total</b>   | <b>755,846</b>                       | <b>729,520</b>     | <b>26,326</b>    | <b>3.6</b>    | <b>2,197,575</b>          | <b>2,063,113</b>   | <b>134,462</b>  | <b>6.5</b>  |
| <b>Cost of Revenues<sup>(2)</sup>:</b>                 |                                      |                    |                  |               |                           |                    |                 |             |
| Technical Services                                     | 194,633                              | 178,456            | 16,177           | 9.1           | 585,851                   | 529,410            | 56,441          | 10.7        |
| Industrial and Field Services                          | 124,733                              | 126,796            | (2,063)          | (1.6)         | 354,682                   | 354,544            | 138             | —           |
| Safety-Kleen   | 175,220                              | 163,770            | 11,450           | 7.0           | 519,653                   | 471,797            | 47,856          | 10.1        |
| Oil, Gas and Lodging Services                          | 26,585                               | 24,663             | 1,922            | 7.8           | 80,321                    | 82,985             | (2,664)         | (3.2)       |
| Corporate Items  | (1,576)                              | (1,770)            | 194              | 11.0          | (4,524)                   | (2,540)            | (1,984)         | (78.1)      |
| <b>Total</b>   | <b>519,595</b>                       | <b>491,915</b>     | <b>27,680</b>    | <b>5.6</b>    | <b>1,535,983</b>          | <b>1,436,196</b>   | <b>99,787</b>   | <b>6.9</b>  |
| <b>Selling, General &amp; Administrative Expenses:</b> |                                      |                    |                  |               |                           |                    |                 |             |
| Technical Services                                     | 21,361                               | 20,980             | 381              | 1.8           | 64,455                    | 60,449             | 4,006           | 6.6         |
| Industrial and Field Services                          | 15,603                               | 16,262             | (659)            | (4.1)         | 46,258                    | 48,036             | (1,778)         | (3.7)       |
| Safety-Kleen   | 37,749                               | 34,544             | 3,205            | 9.3           | 112,818                   | 98,658             | 14,160          | 14.4        |
| Oil, Gas and Lodging Services                          | 3,261                                | 3,850              | (589)            | (15.3)        | 10,073                    | 11,299             | (1,226)         | (10.9)      |
| Corporate Items  | 35,278                               | 35,318             | (40)             | (0.1)         | 104,163                   | 104,059            | 104             | 0.1         |
| <b>Total</b>   | <b>113,252</b>                       | <b>110,954</b>     | <b>2,298</b>     | <b>2.1</b>    | <b>337,767</b>            | <b>322,501</b>     | <b>15,266</b>   | <b>4.7</b>  |
| <b>Adjusted EBITDA:</b>                                |                                      |                    |                  |               |                           |                    |                 |             |
| Technical Services                                     | 72,338                               | 72,333             | 5                | —             | 203,906                   | 201,622            | 2,284           | 1.1         |
| Industrial and Field Services                          | 13,255                               | 18,234             | (4,979)          | (27.3)        | 36,652                    | 38,627             | (1,975)         | (5.1)       |
| Safety-Kleen   | 70,305                               | 70,053             | 252              | 0.4           | 182,953                   | 165,342            | 17,611          | 10.7        |
| Oil, Gas and Lodging Services                          | 912                                  | 24                 | 888              | 3,700.0       | 969                       | 135                | 834             | 617.8       |
| Corporate Items  | (33,811)                             | (33,993)           | 182              | 0.5           | (100,655)                 | (101,310)          | 655             | 0.6         |
| <b>Total</b>   | <b>\$122,999</b>                     | <b>\$126,651</b>   | <b>\$(3,652)</b> | <b>(2.9)%</b> | <b>\$323,825</b>          | <b>\$304,416</b>   | <b>\$19,409</b> | <b>6.4%</b> |

1. Direct revenue is revenue allocated to the segment performing the provided service.

2. Cost of revenue is shown exclusive of items presented separately on the statements of operations which consist of (i) accretion of environmental liabilities and (ii) depreciation and amortization.

Table of Contents

## Direct Revenues

There are many factors which have impacted and continue to impact our revenues. These factors include, but are not limited to: overall industrial activity and growth in North America, existence of large scale environmental waste and remediation projects, general conditions of the energy related industries, competitive industry pricing, the effects of fuel prices on our fuel recovery fees, acquisitions, the level of emergency response projects and foreign currency translation. In addition, customer efforts to minimize hazardous waste and changes in regulation can also impact our revenues.

## Technical Services

| For the Three Months Ended |           |                |          | For the Nine Months Ended |      |                |           |          |     |   |
|----------------------------|-----------|----------------|----------|---------------------------|------|----------------|-----------|----------|-----|---|
| September 30,              |           | 2017 over 2016 |          | September 30,             |      | 2017 over 2016 |           |          |     |   |
| 2017                       | 2016      | \$             | %        | 2017                      | 2016 | \$             | %         |          |     |   |
|                            |           | Change         | Change   |                           |      | Change         | Change    |          |     |   |
| Direct revenues            | \$288,332 | \$271,769      | \$16,563 | 6.1                       | %    | \$854,212      | \$791,481 | \$62,731 | 7.9 | % |

Technical Services direct revenues for the three and nine months ended September 30, 2017 increased \$16.6 million and \$62.7 million from the comparable periods in 2016. Included in the three months ended September 30, 2016 was \$9.3 million of direct revenues from our Transformer Services business, which we sold on June 30, 2017. Excluding those direct revenues, Technical Services direct revenue increased \$25.9 million and \$72.0 million primarily due to increased revenues associated with waste projects and higher waste volumes disposed of in our incinerators and landfills. For the three and nine months ended September 30, 2017, landfill volumes increased 39.7% and 10.5%, respectively, from the comparable periods in 2016. The utilization rate at our incinerators was 91.9% and 86.0%, respectively, on a practical capacity of 561,721 tons for the three and nine months ended September 30, 2017, compared with 90.0% and 88.2%, respectively, on a practical capacity of 491,721 tons in the comparable periods of 2016. The increase in practical capacity was the result of the addition of our state-of-the-art hazardous waste incinerator at our El Dorado, Arkansas site, which came online in the first quarter of 2017 and adds 70,000 tons of additional capacity to our network.

## Industrial and Field Services

| For the Three Months Ended |           |                |           | For the Nine Months Ended |      |                |           |           |       |   |
|----------------------------|-----------|----------------|-----------|---------------------------|------|----------------|-----------|-----------|-------|---|
| September 30,              |           | 2017 over 2016 |           | September 30,             |      | 2017 over 2016 |           |           |       |   |
| 2017                       | 2016      | \$             | %         | 2017                      | 2016 | \$             | %         |           |       |   |
|                            |           | Change         | Change    |                           |      | Change         | Change    |           |       |   |
| Direct revenues            | \$153,591 | \$161,292      | \$(7,701) | (4.8)                     | %    | \$437,592      | \$441,207 | \$(3,615) | (0.8) | % |

Industrial and Field Services direct revenues for the three and nine months ended September 30, 2017 decreased \$7.7 million and \$3.6 million from the comparable periods in 2016. Included in the three and nine months ended September 30, 2016 results was \$6.7 million and \$36.7 million of direct revenues from our Catalyst Services business, which we sold on September 1, 2016. Excluding those direct revenues, Industrial and Field Services direct revenues for the three months ended September 30, 2017 decreased \$1.0 million from the comparable period in 2016. Revenues from our industrial services business decreased approximately \$5.6 million as a result of decreased turnaround and project related work and negative effects of the hurricanes, partially offset by an increase in daylighting and production services revenues generated from growth initiatives in the daylighting business and the acquisition of Lonestar. In addition, revenues from our field services business increased \$3.6 million due to increased emergency response services from the hurricanes which impacted the United States during the third quarter. Excluding the impact of the divestiture of the Catalyst services business for the nine months ended September 30, 2017, direct revenues increased \$33.1 million from the comparable period in 2016. Revenues from our industrial services business increased \$13.9 million primarily due to increased turnaround work in Western Canada in the first half of 2017 and growth from acquisitions and new business offerings. In addition revenues from our field services business increased \$17.4 million due to the opening of new branch locations and increased emergency response services in the third quarter as mentioned above.

## Safety-Kleen

Edgar Filing: CLEAN HARBORS INC - Form 10-Q

|                 | For the Three Months Ended |           |                |       | For the Nine Months Ended |           |                |        |
|-----------------|----------------------------|-----------|----------------|-------|---------------------------|-----------|----------------|--------|
|                 | September 30,              |           | 2017 over 2016 |       | September 30,             |           | 2017 over 2016 |        |
|                 | 2017                       | 2016      | \$             | %     | 2017                      | 2016      | \$             | %      |
|                 |                            | Change    | Change         |       |                           | Change    | Change         |        |
| Direct revenues | \$283,274                  | \$268,367 | \$14,907       | 5.6 % | \$815,424                 | \$735,797 | \$79,627       | 10.8 % |

33

---

Table of Contents

Safety-Kleen direct revenues for the three and nine months ended September 30, 2017 increased \$14.9 million and \$79.6 million from the comparable periods in 2016 primarily from more favorable pricing on oil products, incremental revenues from acquisitions and organic growth in the business. Increased base and blended oil volumes and pricing accounted for \$17.3 million and \$60.7 million, respectively, of incremental direct revenue from the comparable periods in 2016. For the three months ended September 30, 2017, the increase in base and blended oil volumes and pricing was partially offset by lower revenue from used motor oil collection as prices charged for such services decreased in the current period. For the nine months ended September 30, 2017, growth across our other business lines resulting from our 2016 acquisitions and organic growth also increased revenues from the comparable period in 2016.

## Oil, Gas and Lodging Services

|                 | For the Three Months Ended |          |                |        | For the Nine Months Ended |          |                |        |
|-----------------|----------------------------|----------|----------------|--------|---------------------------|----------|----------------|--------|
|                 | September 30,              |          | 2017 over 2016 |        | September 30,             |          | 2017 over 2016 |        |
|                 | 2017                       | 2016     | \$             | %      | 2017                      | 2016     | \$             | %      |
|                 |                            |          | Change         | Change |                           |          | Change         | Change |
| Direct revenues | \$30,758                   | \$28,537 | \$2,221        | 7.8 %  | \$91,363                  | \$94,419 | \$(3,056)      | (3.2)% |

Oil, Gas and Lodging Services direct revenues for the three months ended September 30, 2017 increased \$2.2 million from the comparable period in 2016 primarily due to increased revenues from oil and gas field services of \$6.8 million as a result of growth in surface rentals and directional boring driven by the increase in average rigs serviced, partially offset by decreased revenue of \$4.5 million from lodging services due to lower occupancy and pricing. Occupancy in our fixed lodges for the third quarter ended September 30, 2017 was 27% compared with 49% in the prior year when higher occupancy rates reflected the increased demand resulting from the wildfires seen in Alberta, Canada.

Oil, Gas and Lodging Services direct revenues for the nine months ended September 30, 2017 decreased \$3.1 million from the comparable period in 2016 primarily due to decreased revenue of \$14.3 million from lodging services as a result of lower occupancy, pricing and manufacturing partially offset by increased revenues from oil and gas field services of \$10.7 million as a result of growth in surface rentals and directional boring driven by the increase in average rigs serviced.

## Cost of Revenues

We believe that our ability to manage operating costs is important to our ability to remain price competitive. We continue to upgrade the quality and efficiency of our services through the development of new technology and continued modifications at our facilities, invest in new business opportunities and aggressively implement strategic sourcing and logistics solutions as well as other cost reduction initiatives in an effort to optimize our operating margins.

## Technical Services

|                          | For the Three Months Ended |           |                |        | For the Nine Months Ended |           |                |        |
|--------------------------|----------------------------|-----------|----------------|--------|---------------------------|-----------|----------------|--------|
|                          | September 30,              |           | 2017 over 2016 |        | September 30,             |           | 2017 over 2016 |        |
|                          | 2017                       | 2016      | \$             | %      | 2017                      | 2016      | \$             | %      |
|                          |                            |           | Change         | Change |                           |           | Change         | Change |
| Cost of revenues         | \$194,633                  | \$178,456 | \$16,177       | 9.1 %  | \$585,851                 | \$529,410 | \$56,441       | 10.7%  |
| As a % of Direct Revenue | 67.5                       | % 65.7    | %              | 1.8 %  | 68.6                      | % 66.9    | %              | 1.7 %  |

Technical Services cost of revenues for the three and nine months ended September 30, 2017 increased \$16.2 million and \$56.4 million from the comparable periods in 2016. Included in the results for the three months ended September 30, 2016 was \$8.0 million of cost of revenues from our Transformer Services business, which we sold on June 30, 2017. Excluding those costs, Technical Services cost of revenues for the three and nine months ended September 30, 2017 increased \$24.2 million and \$64.4 million from the comparable periods in 2016 primarily due to increases in equipment and supply costs of \$8.4 million and \$21.1 million, respectively, labor related costs of \$7.5 million and \$17.9 million, respectively, and transportation, disposal and fuel costs of \$7.3 million and \$18.6 million, respectively. These increases during the three and nine months ended September 30, 2017 were reflective of higher activity levels and increased volumes of waste handled in our network, incremental operating costs associated with the

new El Dorado incinerator which came online in early 2017 and incremental costs related primarily to transportation and facility disruptions resulting from the recent hurricanes which impacted the southeast and gulf regions of the United States as well as Puerto Rico during the third quarter of 2017. The increase in these costs resulted in increased costs as a percentage of direct revenues due to the negative impact of the hurricanes, and the total mix of waste profiles being different as we focused on driving utilization of the network in reaction to the increased capacity.



Table of Contents

## Industrial and Field Services

|                          | For the Three Months Ended |           |                |        | For the Nine Months Ended |           |                |       |
|--------------------------|----------------------------|-----------|----------------|--------|---------------------------|-----------|----------------|-------|
|                          | September 30,              |           | 2017 over 2016 |        | September 30,             |           | 2017 over 2016 |       |
|                          | 2017                       | 2016      | \$             | %      | 2017                      | 2016      | \$             | %     |
| Cost of revenues         | \$124,733                  | \$126,796 | \$(2,063)      | (1.6)% | \$354,682                 | \$354,544 | \$138          | — %   |
| As a % of Direct Revenue | 81.2                       | % 78.6    | %              | 2.6 %  | 81.1                      | % 80.4    | %              | 0.7 % |

Industrial and Field Services cost of revenues for the three months ended September 30, 2017 decreased \$2.1 million from the comparable period in 2016. Included in the results for the three months ended September 30, 2016 was \$7.0 million of cost of revenues from our Catalyst Services business, which we sold on September 1, 2016. Excluding those costs, Industrial and Field Services cost of revenues for the three months ended September 30, 2017 increased \$4.9 million from the comparable period in 2016 primarily due to increased costs from growth initiatives in the daylighting business and the acquisition of Lonestar within our industrial services business as well as growth in our field services business partially offset by decreased equipment and supply costs. As a percentage of direct revenues, these costs increased 2.6% as a result of lower revenue levels experienced during the three months ended September 30, 2017 which outpaced decreases in cost of revenues.

Industrial and Field Services cost of revenues for the nine months ended September 30, 2017 remained flat with the comparable period in 2016. Included in the results for the nine months ended September 30, 2016 was \$32.2 million of cost of revenues from our Catalyst Services business, which we sold on September 1, 2016. Excluding those costs, Industrial and Field Services cost of revenues for the nine months ended September 30, 2017 increased \$32.3 million from the comparable period in 2016 primarily due to increased labor related costs of \$16.8 million, increased equipment and supply costs of \$6.8 million and increased transportation, disposal and fuel costs of \$3.8 million. These increases are in line with the growth initiatives in the daylighting business and the acquisition of Lonestar within our industrial services business as well as new branch locations and increased emergency response services in our field services business.

## Safety-Kleen

|                          | For the Three Months Ended |           |                |       | For the Nine Months Ended |           |                |         |
|--------------------------|----------------------------|-----------|----------------|-------|---------------------------|-----------|----------------|---------|
|                          | September 30,              |           | 2017 over 2016 |       | September 30,             |           | 2017 over 2016 |         |
|                          | 2017                       | 2016      | \$             | %     | 2017                      | 2016      | \$             | %       |
| Cost of revenues         | \$175,220                  | \$163,770 | \$11,450       | 7.0 % | \$519,653                 | \$471,797 | \$47,856       | 10.1 %  |
| As a % of Direct Revenue | 61.9                       | % 61.0    | %              | 0.9 % | 63.7                      | % 64.1    | %              | (0.4) % |

Safety-Kleen cost of revenues for the three months ended September 30, 2017 increased \$11.5 million from the comparable period in 2016 primarily due to increased equipment and supply costs of \$3.8 million, increased labor related costs of \$2.1 million, increased transportation, disposal and fuel costs of \$1.8 million and an additional \$3.8 million spread across various expense categories. These increases are in line with the overall growth of the business and increased direct revenues as such costs as a percentage of revenues has remained consistent with the comparable period of 2016.

Safety-Kleen cost of revenues for the nine months ended September 30, 2017 increased \$47.9 million from the comparable period in 2016 primarily due to increased equipment and supply costs of \$16.0 million, increased labor related costs of \$11.2 million, increased transportation, disposal and fuel costs of \$7.3 million and an additional \$13.4 million spread across various expense categories. These increases are in line with the overall growth of the business as such costs as a percentage of revenues has remained consistent with the comparable period of 2016.

## Oil, Gas and Lodging Services

|  | For the Three Months Ended |      |                |        | For the Nine Months Ended |      |                |        |
|--|----------------------------|------|----------------|--------|---------------------------|------|----------------|--------|
|  | September 30,              |      | 2017 over 2016 |        | September 30,             |      | 2017 over 2016 |        |
|  | 2017                       | 2016 | \$             | %      | 2017                      | 2016 | \$             | %      |
|  |                            |      | Change         | Change |                           |      | Change         | Change |

Edgar Filing: CLEAN HARBORS INC - Form 10-Q

|                          |          |          |         |       |          |          |           |        |
|--------------------------|----------|----------|---------|-------|----------|----------|-----------|--------|
| Cost of revenues         | \$26,585 | \$24,663 | \$1,922 | 7.8 % | \$80,321 | \$82,985 | \$(2,664) | (3.2)% |
| As a % of Direct Revenue | 86.4     | % 86.4   | %       | — %   | 87.9     | % 87.9   | %         | — %    |

Oil, Gas and Lodging Services cost of revenues for the three months ended September 30, 2017 increased \$1.9 million spread across various expense categories from the comparable period in 2016 as a result of the overall growth of the business and remains consistent as a percentage of revenues with the comparable period of 2016.

Table of Contents

Oil, Gas and Lodging Services cost of revenues for the nine months ended September 30, 2017 decreased \$2.7 million spread across various expense categories from the comparable period in 2016 as a result of decreased direct revenues and remains consistent as a percentage of revenues with the comparable period of 2016.

## Selling, General and Administrative ("SG&amp;A") Expenses

Selling, General and Administrative expenses represent costs incurred in aspects of our business which are directly attributable to the sale of our services and/or products. We strive to manage such costs commensurate with the overall performance of our segments and corresponding revenue levels. We believe that our ability to properly align these costs with overall business performance is reflective of our strong management of the businesses and further promotes our ability to remain competitive in the marketplace.

## Technical Services

|                          | For the Three Months Ended |          |                | For the Nine Months Ended |               |          |                |         |
|--------------------------|----------------------------|----------|----------------|---------------------------|---------------|----------|----------------|---------|
|                          | September 30,              |          | 2017 over 2016 |                           | September 30, |          | 2017 over 2016 |         |
|                          | 2017                       | 2016     | \$             | %                         | 2017          | 2016     | \$             | %       |
|                          |                            |          | Change         | Change                    |               |          | Change         | Change  |
| SG&A                     | \$21,361                   | \$20,980 | \$381          | 1.8 %                     | \$64,455      | \$60,449 | \$4,006        | 6.6 %   |
| As a % of Direct Revenue | 7.4 %                      | 7.7 %    |                | (0.3) %                   | 7.5 %         | 7.6 %    |                | (0.1) % |

Technical Services selling, general and administrative expenses for the three and nine months ended September 30, 2017 increased \$0.4 million and \$4.0 million from the comparable periods in 2016 due primarily to increased labor related costs including commissions. These increases were consistent with the growth of the business during those periods as compared to the comparable periods in 2016.

## Industrial and Field Services

|                          | For the Three Months Ended |          |                | For the Nine Months Ended |               |          |                |         |
|--------------------------|----------------------------|----------|----------------|---------------------------|---------------|----------|----------------|---------|
|                          | September 30,              |          | 2017 over 2016 |                           | September 30, |          | 2017 over 2016 |         |
|                          | 2017                       | 2016     | \$             | %                         | 2017          | 2016     | \$             | %       |
|                          |                            |          | Change         | Change                    |               |          | Change         | Change  |
| SG&A                     | \$15,603                   | \$16,262 | \$(659)        | (4.1) %                   | \$46,258      | \$48,036 | \$(1,778)      | (3.7) % |
| As a % of Direct Revenue | 10.2 %                     | 10.1 %   |                | 0.1 %                     | 10.6 %        | 10.9 %   |                | (0.3) % |

Industrial and Field Services selling, general and administrative expenses for the three and nine months ended September 30, 2017 decreased \$0.7 million and \$1.8 million from the comparable periods in 2016 due primarily to decreased labor related costs.

## Safety-Kleen

|                          | For the Three Months Ended |          |                | For the Nine Months Ended |               |          |                |        |
|--------------------------|----------------------------|----------|----------------|---------------------------|---------------|----------|----------------|--------|
|                          | September 30,              |          | 2017 over 2016 |                           | September 30, |          | 2017 over 2016 |        |
|                          | 2017                       | 2016     | \$             | %                         | 2017          | 2016     | \$             | %      |
|                          |                            |          | Change         | Change                    |               |          | Change         | Change |
| SG&A                     | \$37,749                   | \$34,544 | \$3,205        | 9.3 %                     | \$112,818     | \$98,658 | \$14,160       | 14.4 % |
| As a % of Direct Revenue | 13.3 %                     | 12.9 %   |                | 0.4 %                     | 13.8 %        | 13.4 %   |                | 0.4 %  |

Safety-Kleen selling, general and administrative expenses for the three and nine months ended September 30, 2017 increased \$3.2 million and \$14.2 million from the comparable periods in 2016 primarily due to labor related costs of \$2.6 million and \$8.5 million, respectively, and an additional \$0.6 million and \$5.7 million, respectively, related to costs generated from strategic initiatives in the areas of the OilPlus™ closed loop initiative and centralization activities associated with this segment.

Table of Contents

## Oil, Gas and Lodging Services

|                          | For the Three Months Ended |         |                |         | For the Nine Months Ended |          |                |         |
|--------------------------|----------------------------|---------|----------------|---------|---------------------------|----------|----------------|---------|
|                          | September 30,              |         | 2017 over 2016 |         | September 30,             |          | 2017 over 2016 |         |
|                          | 2017                       | 2016    | \$             | %       | 2017                      | 2016     | \$             | %       |
| SG&A                     | \$3,261                    | \$3,850 | \$(589)        | (15.3)% | \$10,073                  | \$11,299 | \$(1,226)      | (10.9)% |
| As a % of Direct Revenue | 10.6 %                     | 13.5 %  |                | (2.9)%  | 11.0 %                    | 12.0 %   |                | (1.0)%  |

Oil, Gas and Lodging Services selling, general and administrative expenses for the three and nine months ended September 30, 2017 decreased \$0.6 million and \$1.2 million, respectively, from the comparable periods in 2016 primarily due to lower bad debt expense. As a percentage of direct revenues, these costs decreased 2.9% and 1.0%, respectively, from the comparable periods in 2016 as management continues to focus on proper alignment of its costs structure for this business.

## Corporate Items

|      | For the Three Months Ended |          |                |        | For the Nine Months Ended |           |                |       |
|------|----------------------------|----------|----------------|--------|---------------------------|-----------|----------------|-------|
|      | September 30,              |          | 2017 over 2016 |        | September 30,             |           | 2017 over 2016 |       |
|      | 2017                       | 2016     | \$             | %      | 2017                      | 2016      | \$             | %     |
| SG&A | \$35,278                   | \$35,318 | \$(40)         | (0.1)% | \$104,163                 | \$104,059 | \$104          | 0.1 % |

Corporate Items selling, general and administrative expenses for the three months ended September 30, 2017 remained flat from the comparable period in 2016.

Corporate Items selling, general and administrative expenses for the nine months ended September 30, 2017 increased \$0.1 million from the comparable period in 2016 primarily due to an increase to variable compensation of \$2.0 million and stock-based compensation of \$2.8 million, partially offset by a decrease in severance costs of \$4.7 million.

Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization ("Adjusted EBITDA")

Management considers Adjusted EBITDA to be a measurement of performance which provides useful information to both management and investors. Adjusted EBITDA should not be considered an alternative to net income or other measurements under generally accepted accounting principles ("GAAP"). Adjusted EBITDA is not calculated identically by all companies, and therefore our measurements of Adjusted EBITDA, while defined consistently and in accordance with our existing credit agreement, may not be comparable to similarly titled measures reported by other companies.

|                               | For the Three Months Ended |           |                |         | For the Nine Months Ended |           |                |       |
|-------------------------------|----------------------------|-----------|----------------|---------|---------------------------|-----------|----------------|-------|
|                               | September 30,              |           | 2017 over 2016 |         | September 30,             |           | 2017 over 2016 |       |
|                               | 2017                       | 2016      | \$             | %       | 2017                      | 2016      | \$             | %     |
| Adjusted EBITDA:              |                            |           |                |         |                           |           |                |       |
| Technical Services            | \$72,338                   | \$72,333  | \$5            | —%      | \$203,906                 | \$201,622 | \$2,284        | 1.1%  |
| Industrial and Field Services | 13,255                     | 18,234    | (4,979)        | (27.3)  | 36,652                    | 38,627    | (1,975)        | (5.1) |
| Safety-Kleen                  | 70,305                     | 70,053    | 252            | 0.4     | 182,953                   | 165,342   | 17,611         | 10.7  |
| Oil, Gas and Lodging Services | 912                        | 24        | 888            | 3,700.0 | 969                       | 135       | 834            | 617.8 |
| Corporate Items               | (33,811)                   | (33,993)  | 182            | 0.5     | (100,655)                 | (101,310) | 655            | 0.6   |
| Total                         | \$122,999                  | \$126,651 | \$(3,652)      | (2.9)%  | \$323,825                 | \$304,416 | \$19,409       | 6.4%  |

We use Adjusted EBITDA to enhance our understanding of our operating performance, which represents our views concerning our performance in the ordinary, ongoing and customary course of our operations. We historically have found it helpful, and believe that investors have found it helpful, to consider an operating measure that excludes certain expenses relating to transactions not reflective of our core operations.

The information about our operating performance provided by this financial measure is used by our management for a variety of purposes. We regularly communicate Adjusted EBITDA results to our lenders since our loan covenants are based upon levels of Adjusted EBITDA achieved and to our board of directors and we discuss with the board our

interpretation of such results. We also compare our Adjusted EBITDA performance against internal targets as a key factor in determining cash and equity bonus compensation for executives and other employees, largely because we believe that this measure is indicative of how the fundamental business is performing and is being managed.

Table of Contents

We also provide information relating to our Adjusted EBITDA so that analysts, investors and other interested persons have the same data that we use to assess our core operating performance. We believe that Adjusted EBITDA should be viewed only as a supplement to the GAAP financial information. We also believe, however, that providing this information in addition to, and together with, GAAP financial information permits the foregoing persons to obtain a better understanding of our core operating performance and evaluate the efficacy of the methodology and information used by management to evaluate and measure such performance on a standalone and a comparative basis.

The following is a reconciliation of net income (loss) to Adjusted EBITDA for the following periods (in thousands):

|  | For the Three Months Ended |                    | For the Nine Months Ended |                    |
|--|----------------------------|--------------------|---------------------------|--------------------|
|  | September 30, 2017         | September 30, 2016 | September 30, 2017        | September 30, 2016 |
| Net income (loss)                      | \$12,058                   | \$(10,255)         | \$16,545                  | \$(27,160)         |
| Accretion of environmental liabilities | 2,347                      | 2,476              | 7,053                     | 7,529              |
| Depreciation and amortization          | 72,989                     | 73,360             | 216,932                   | 215,655            |
| Goodwill impairment charge             | —                          | 34,013             | —                         | 34,013             |
| Other expense                          | 432                        | 198                | 2,814                     | 737                |
| Loss on early extinguishment of debt   | 1,846                      | —                  | 7,891                     | —                  |
| Loss (gain) on sale of business        | 77                         | (16,431)           | (31,645)                  | (16,431)           |
| Interest expense, net                  | 20,675                     | 21,565             | 65,743                    | 62,192             |
| Provision for income taxes             | 12,575                     | 21,725             | 38,492                    | 27,881             |
| Adjusted EBITDA                        | \$122,999                  | \$126,651          | \$323,825                 | \$304,416          |

## Depreciation and Amortization

|  | For the Three Months Ended |          |                |        | For the Nine Months Ended |           |                |       |
|--|----------------------------|----------|----------------|--------|---------------------------|-----------|----------------|-------|
|  | September 30,              |          | 2017 over 2016 |        | September 30,             |           | 2017 over 2016 |       |
|  | 2017                       | 2016     | \$             | %      | 2017                      | 2016      | \$             | %     |
| Depreciation of fixed assets and landfill amortization | \$64,044                   | \$62,603 | \$1,441        | 2.3 %  | \$189,210                 | \$185,399 | \$3,811        | 2.1 % |
| Permits and other intangibles amortization             | 8,945                      | 10,757   | (1,812)        | (16.8) | 27,722                    | 30,256    | (2,534)        | (8.4) |
| Total depreciation and amortization                    | \$72,989                   | \$73,360 | \$(371)        | (0.5)% | \$216,932                 | \$215,655 | \$1,277        | 0.6 % |

Depreciation and amortization decreased \$0.4 million for the three months ended September 30, 2017 from the comparable period in 2016 and increased \$1.3 million for the nine months ended September 30, 2017 from the comparable period in 2016.

## Loss on Early Extinguishment of Debt

|                                      | For the Three Months Ended |      |                |       | For the Nine Months Ended |      |                |       |
|--------------------------------------|----------------------------|------|----------------|-------|---------------------------|------|----------------|-------|
|                                      | September 30,              |      | 2017 over 2016 |       | September 30,             |      | 2017 over 2016 |       |
|                                      | 2017                       | 2016 | \$             | %     | 2017                      | 2016 | \$             | %     |
| Loss on early extinguishment of debt | \$(1,846)                  | \$—  | \$(1,846)      | 100 % | \$(7,891)                 | \$—  | \$(7,891)      | 100 % |

During the third quarter of 2017, we recorded a \$1.8 million loss on the early extinguishment of debt in connection with the extinguishment of the remaining \$103.8 million previously outstanding senior unsecured notes which were refinanced in connection with the issuance of the \$400 million Term Loan agreement which was completed in the second quarter. Also included in the nine months ended September 30, 2017 is a \$6.0 million loss on the early extinguishment of debt in connection with the extinguishment of \$296.2 million previously outstanding senior unsecured notes in the second quarter of 2017. The loss consists of amounts paid in excess of par in order to extinguish the debt prior to maturity and non-cash expenses related to the write-off of unamortized financing costs. For additional information regarding our financing arrangements, see Note 11, "Financing Arrangements" to the

accompanying financial statements.

38

---

Table of Contents

## (Loss) Gain on sale of business

|                                 | For the Three Months Ended |          |                |        | For the Nine Months Ended |          |                |        |
|---------------------------------|----------------------------|----------|----------------|--------|---------------------------|----------|----------------|--------|
|                                 | September 30,              |          | 2017 over 2016 |        | September 30,             |          | 2017 over 2016 |        |
|                                 | 2017                       | 2016     | \$             | %      | 2017                      | 2016     | \$             | %      |
|                                 |                            |          | Change         | Change |                           |          | Change         | Change |
| (Loss) Gain on sale of business | \$(77)                     | \$16,431 | \$(16,508)     | 100 %  | \$31,645                  | \$16,431 | \$(16,508)     | 100 %  |

During the three and nine months ended September 30, 2017, we recorded a \$0.1 million loss and \$31.6 million gain, respectively, on the sale of a non-core line of business within our Technical Services operating segment. During the three and nine months ended September 30, 2016, we recorded a \$16.4 million gain on the sale of a non-core line of business within our Industrial and Field Services segment. For additional information regarding this (loss) gain on sale of business, see Note 4, "Disposition of Business" to the accompanying financial statements.

## Provision for Income Taxes

|                            | For the Three Months Ended |          |                |         | For the Nine Months Ended |          |                |        |
|----------------------------|----------------------------|----------|----------------|---------|---------------------------|----------|----------------|--------|
|                            | September 30,              |          | 2017 over 2016 |         | September 30,             |          | 2017 over 2016 |        |
|                            | 2017                       | 2016     | \$             | %       | 2017                      | 2016     | \$             | %      |
|                            |                            |          | Change         | Change  |                           |          | Change         | Change |
| Provision for income taxes | \$12,575                   | \$21,725 | \$(9,150)      | (42.1)% | \$38,492                  | \$27,881 | \$10,611       | 38.1 % |

The income tax provision for the three and nine months ended September 30, 2017 decreased \$9.2 million and increased \$10.6 million, respectively, as compared to the comparable period in 2016. The decrease in the three months ended September 30, 2017 was primarily due to changes in the jurisdictional mix and amounts of taxable income for the periods and incremental income tax expense recorded in the third quarter of 2016 related to the sale of the Catalyst Services business which occurred in that period. The increase in the provision in the nine months ended September 30, 2017 was due to the increases in taxable income, primarily from the gain on sale of the Transformer Services business. Our effective tax rate for the three and nine months ended September 30, 2017 was 51.0% and 69.9%, respectively, compared to 47.8% and 80.3%, respectively, for the same periods in 2016. The variations in the effective income tax rates for the three and nine months ended September 30, 2017 as compared to more customary relationships between pre-tax income and the provision for income taxes were primarily due to not recognizing income tax benefits from current operating losses related to certain Canadian entities.

## Liquidity and Capital Resources

| (in thousands)                               | Nine Months Ended  |                    |
|--|--------------------|--------------------|
|  | September 30, 2017 | September 30, 2016 |
| Net cash from operating activities           | \$221,469          | \$178,827          |
| Net cash used in investing activities        | (121,426)          | (333,839)          |
| Net cash (used in) from financing activities | (49,171)           | 222,809            |

## Net cash from operating activities

Net cash from operating activities for the nine months ended September 30, 2017 was \$221.5 million, an increase of \$42.6 million from the comparable period in 2016. The change was primarily due to higher income levels generated.

## Net cash used in investing activities

Net cash used in investing activities for the nine months ended September 30, 2017 was \$121.4 million, a decrease of \$212.4 million from the comparable period in 2016. The change was primarily driven by a decrease in cash paid for acquisitions as compared to the nine months ended September 30, 2016. During the nine months ended September 30, 2017, we also had a decrease in cash paid for additions to property, plant and equipment, which was greater during the nine months ended September 30, 2016 primarily due to the construction of our new hazardous waste incinerator at our El Dorado, Arkansas site which came online in the first quarter of 2017.

## Net cash from financing activities

Net cash used in financing activities for the nine months ended September 30, 2017 was \$49.2 million, compared with net cash from financing activities of \$222.8 million for the comparable period in 2016. The change was primarily due



to the issuance of

39

---

Table of Contents

\$250.0 million in aggregate principal amount of 5.125% senior unsecured notes due 2021 in March 2016. During the nine months ended September 30, 2017, there were no net proceeds from issuance of debt as we entered into a \$400.0 million senior secured Credit Agreement and used the proceeds to purchase approximately \$400.0 million aggregate principal amount of our previously outstanding 2020 Notes. In addition, during the nine months ended September 30, 2017, we increased repurchases of our common stock from the comparable period in 2016.

**Adjusted Free Cash Flow**

Management considers adjusted free cash flow to be a measurement of liquidity which provides useful information to both management and investors about our strength and our ability to generate cash. Additionally, adjusted free cash flow is a metric on which management incentive compensation is based. We define adjusted free cash flow as net cash from operating activities excluding cash impacts of items derived from non-operating activities, such as taxes paid in connection with divestitures less additions to property, plant and equipment plus proceeds from sales of fixed assets. Adjusted free cash flow should not be considered an alternative to net cash from operating activities or other measurements under GAAP. Adjusted free cash flow is not calculated identically by all companies, and therefore our measurements of adjusted free cash flow may not be comparable to similarly titled measures reported by other companies.

The following is a reconciliation from net cash from operating activities to adjusted free cash flow for the following periods (in thousands):

|   | Nine Months Ended |            |
|---|-------------------|------------|
|   | September 30,     |            |
|   | 2017              | 2016       |
| Net cash from operating activities              | \$221,469         | \$178,827  |
| Additions to property, plant and equipment      | (127,736 )        | (175,348 ) |
| Proceeds from sale and disposal of fixed assets | 5,375             | 3,982      |
| Adjusted free cash flow                         | \$99,108          | \$7,461    |

**Working Capital**

At September 30, 2017, cash and cash equivalents totaled \$361.7 million, compared to \$307.0 million at December 31, 2016. At September 30, 2017, cash and cash equivalents held by our foreign subsidiaries totaled \$54.7 million and were readily convertible into other foreign currencies including U.S. dollars. At September 30, 2017, the cash and cash equivalent balance for our U.S. operations was \$307.0 million, and our U.S. operations had net operating cash flow of \$171.7 million for the nine months ended September 30, 2017. Additionally, we have a \$400.0 million revolving credit facility of which approximately \$238.3 million was available to borrow at September 30, 2017. Based on the above and on our current plans, we believe that our U.S. operations have and will continue to have adequate financial resources to satisfy their liquidity needs without being required to repatriate earnings from foreign subsidiaries. We also believe that cash held by our foreign subsidiaries will be required to fund those foreign operations. Accordingly, although repatriation to the U.S. of foreign earnings would generally be subject to U.S. income taxation, net of any available foreign tax credits, we have not recorded any deferred tax liability related to such repatriation since we intend to permanently reinvest foreign earnings outside the U.S.

We assess our liquidity in terms of our ability to generate cash to fund our operating, investing, and financing activities. Our primary ongoing cash requirements will be to fund operations, capital expenditures, interest payments and investments in line with our business strategy. We believe our future operating cash flows will be sufficient to meet our future operating and internal investing cash needs as well as any cash needs relating to our stock repurchase program. Furthermore, our existing cash balance and the availability of additional borrowings under our revolving credit facility provide additional potential sources of liquidity should they be required.

**Financing Arrangements**

The financing arrangements and principal terms of our \$400.0 million principal amount of 5.25% senior unsecured notes due 2020, \$845.0 million principal amount of 5.125% senior unsecured notes due 2021 and \$400.0 million senior secured notes due 2024 which were outstanding at September 30, 2017, and our \$400.0 million revolving credit facility, are discussed further in Note 11, "Financing Arrangements," to our consolidated financial statements included herein.

As of September 30, 2017, we were in compliance with the covenants of all of our debt agreements, and we believe it is reasonably likely that we will continue to meet such covenants.

Table of Contents

## Common Stock Repurchase Program

On October 31, 2017, our board of directors authorized the repurchase of up to an additional \$300 million of our common stock, resulting in a total of \$375.7 million currently being available for stock repurchase. We have funded and intend to continue to fund the repurchases through available cash resources. The repurchase program authorizes us to purchase our common stock on the open market or in privately negotiated transactions periodically in a manner that complies with applicable U.S. securities laws. The number of shares purchased and the timing of the purchases has depended and will depend on a number of factors including share price, cash required for business plans, trading volume and other conditions. We have no obligation to repurchase stock under this program and may suspend or terminate the program at any time. During the three and nine months ended September 30, 2017, we repurchased and retired a total of 0.2 million shares and 0.5 million shares, respectively, of our common stock for a total cost of \$12.2 million and \$24.5 million, respectively. During the three and nine months ended September 30, 2016, we repurchased and retired a total of 0.1 million shares and 0.3 million shares, respectively, of our common stock for a total cost of \$6.2 million and \$16.3 million, respectively. Through September 30, 2017, we have repurchased and retired a total of 4.3 million shares of our common stock for a total cost of \$224.3 million under this program. As of September 30, 2017, an additional \$75.7 million remained available for repurchase of shares under the previously authorized program.

## Environmental Liabilities

| (in thousands)                       | September 30,<br>2017 | December 31,<br>2016 | \$,<br>Change | %,<br>Change |
|--------------------------------------|-----------------------|----------------------|---------------|--------------|
| Closure and post-closure liabilities | \$ 59,839             | \$ 58,331            | \$1,508       | 2.6 %        |
| Remedial liabilities                 | 125,513               | 128,007              | (2,494 )      | (1.9 )       |
| Total environmental liabilities      | \$ 185,352            | \$ 186,338           | \$(986 )      | (0.5 )%      |

Total environmental liabilities as of September 30, 2017 were \$185.4 million, a decrease of \$1.0 million, compared to the liabilities as of December 31, 2016 primarily due to expenditures of \$10.1 million partially offset by accretion of \$7.1 million as well as new asset retirement obligations and measurement period adjustments associated with prior period acquisitions of \$2.5 million.

We anticipate our environmental liabilities, substantially all of which we assumed in connection with our acquisitions, will be payable over many years and that cash flow from operations will generally be sufficient to fund the payment of such liabilities when required. However, events not anticipated (such as future changes in environmental laws and regulations) could require that such payments be made earlier or in greater amounts than currently anticipated, which could adversely affect our results of operations, cash flow and financial condition.

## Capital Expenditures

We anticipate that 2017 capital spending, net of disposals, will be in the range of \$160.0 million to \$170.0 million. However, changes in environmental regulations or unscheduled capital needs could require us to make significant capital expenditures for our facilities and adversely affect our results of operations and cash flow.

## Critical Accounting Policies and Estimates

Other than described below, there were no material changes in the first nine months of 2017 to the information provided under the heading "Critical Accounting Policies and Estimates" included in our Annual Report on Form 10-K for the year ended December 31, 2016.

Goodwill. Goodwill is not amortized but is reviewed for impairment annually as of December 31 or when events or changes in the business environment indicate the carrying value of the reporting unit may exceed its fair value. This review is performed by comparing the fair value of each reporting unit to its carrying value, including goodwill. If the fair value is less than the carrying amount, a Step II analysis of the fair value of all the elements of the reporting unit is performed to determine if and to what degree goodwill is impaired. The loss, if any, is measured as the excess of the carrying value of the goodwill over the value of the goodwill implied by the results of the Step II analysis.

We determine our reporting units by identifying the components of each operating segment, and then in some circumstances aggregate components having similar economic characteristics based on quantitative and/or qualitative factors. We have determined that, as of both December 31, 2016 and September 30, 2017, we have seven reporting units. Our Technical Services, Industrial Services, Field Services, Kleen Performance Products, SK Environmental Services, Oil and Gas Field Services and Lodging Services each constitutes a reporting unit. The results of operations for our Industrial Services and Field Services reporting units are included in our Industrial and Field Services segment, the results of operations for our SK Environmental and Kleen Performance Products

Table of Contents

reporting units are included in our Safety-Kleen segment, and the results of operations for our Oil and Gas Field Services and Lodging Services reporting units are included in our Oil, Gas and Lodging Services segment.

We conducted our annual impairment test of goodwill for all of our reporting units to which goodwill is allocated as of December 31, 2016 and determined that no adjustment to the carrying value of goodwill for any reporting unit was then necessary. In all cases except for our Industrial Services and Kleen Performance Products reporting units, the estimated fair value of each reporting unit significantly exceeded its carrying value. The annual impairment test fair value for all of our reporting units is determined using an income approach (a discounted cash flow analysis) which incorporates several underlying estimates and assumptions with varying degrees of uncertainty. The discounted cash flow analyses include estimated cash flows for a discrete five year future period and for a terminal period thereafter. In all instances, we corroborate our estimated fair values by also considering other factors such as the fair value of comparable companies to businesses contained in our reporting units. As part of the annual test we also perform a reconciliation of the total estimated fair values of all reporting units to our market capitalization.

During the nine months ended September 30, 2017, we continued to evaluate the Industrial Services and Kleen Performance Products reporting units' results and monitor for events or changes in circumstances which might indicate that the estimated fair values of these reporting units were below their carrying value. No such events or changes in circumstances existed in the three months ended September 30, 2017. However, given the results of our most recent annual impairment test performed at December 31, 2016 and considerations assessed during the current quarter, we continue to believe that there is risk of future impairment relative to the goodwill balance of the Industrial Services reporting unit. As of September 30, 2017, goodwill attributable to this reporting unit was \$28.2 million. We will continue to monitor the business for events or circumstances which could indicate that the reporting unit's fair value more likely than not no longer exceeds its carrying value and perform interim goodwill impairment tests as deemed necessary.

As a result of the sale of the Transformer Services business in the second quarter of 2017, we assessed qualitative factors to determine if it was more likely than not the estimated fair value of the remaining Technical Services reporting unit was less than its carrying value at that time. Based on our assessment of these factors, the performance of the Technical Services business to-date relative to budget, and the fact that the estimated fair value of the Technical Services reporting unit significantly exceeded its carrying value at year-end, we noted no indicators of impairment for the remaining Technical Services reporting unit as of the date of the sale.

Other Long-Lived Assets. As of September 30, 2017, the Oil and Gas Field Services reporting unit had other long-lived assets consisting of: property, plant and equipment, net of \$76.9 million and intangible assets of \$3.3 million. In consideration of the reporting unit's continued lower than historical results and overall slowdown in the oil and gas related industries, we continue to monitor the carrying value of the segment's long-lived assets and assess the risk of asset impairment. As a result of analyses performed as of September 30, 2017, we concluded that no impairment of intangible or other long-lived assets then existed.

We will continue to evaluate all of our goodwill and other long lived assets impacted by economic downturns in oil and energy related markets in which they operate. If further economic difficulties resulting from depressed oil and gas related pricing and lower overall activity levels continue for a significant foreseeable period of time, impairments may result and be recorded relative to our long-lived assets held by businesses impacted by the oil and gas and industrial related markets.

**ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

There were no material changes in the first nine months of 2017 to the information provided under Item 7A.

“Quantitative and Qualitative Disclosures about Market Risk” in the Company's Annual Report on Form 10-K for the year ended December 31, 2016.



Table of Contents

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Based on an evaluation under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, as of the end of the period covered by this Quarterly Report on 10-Q, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures (as defined under Rule 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”)) were effective as of September 30, 2017 to ensure that information required to be disclosed by us in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms and is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting

There were no changes in the Company’s internal control over financial reporting identified in connection with the evaluation required by paragraph (d) of Exchange Act Rules 13a-15 or 15d-15 that was conducted during the quarter ending September 30, 2017 that have materially affected, or are reasonably likely to materially affect, the Company’s internal control over financial reporting.



Table of Contents

## CLEAN HARBORS, INC. AND SUBSIDIARIES

## PART II—OTHER INFORMATION

## ITEM 1. LEGAL PROCEEDINGS

See Note 15, “Commitments and Contingencies,” to the financial statements included in Item 1 of this report, which description is incorporated herein by reference.

## ITEM 1A. RISK FACTORS

During the nine months ended September 30, 2017, there were no material changes from the risk factors as previously disclosed in Item 1A in the Company's Annual Report on Form 10-K for the year ended December 31, 2016.

## ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

## Common Stock Repurchase Program

The following table provides information with respect to the shares of common stock repurchased by us for the periods indicated.

| Period                                       | Total<br>Number of<br>Shares<br>Purchased<br>(1) | Average<br>Price<br>Paid Per<br>Share<br>(2) | Total<br>Number of<br>Shares<br>Purchased<br>as Part of<br>Publicly<br>Announced<br>Plans or<br>Programs | Approximate<br>Dollar Value<br>of Shares<br>that May<br>Yet Be<br>Purchased<br>Under the<br>Plans or<br>Programs (3) |
|--|--|--|--|--|
| July 1, 2017 through July 31, 2017           | 227  | \$ 55.83                                     | —  | \$87,866,072   |
| August 1, 2017 through August 31, 2017       | 235,595  | \$ 52.19                                     | 234,060  | \$75,658,142   |
| September 1, 2017 through September 30, 2017 | 1,617  | \$ 54.39                                     | —  | \$75,658,142   |
| Total  | 237,439  | \$ 52.21                                     | 234,060  | \$75,658,142   |

(1) Includes 19,389 shares withheld by us from employees to satisfy employee tax obligations upon vesting of restricted stock units granted to our employees under our long-term equity incentive programs.

(2) The average price paid per share of common stock repurchased under the stock repurchase program includes the commissions paid to brokers.

(3) On October 31, 2017, our board of directors authorized the repurchase of up to an additional \$300 million of our common stock, resulting in a total of \$375.7 million currently being available for stock repurchase. We have funded and intend to fund the repurchases through available cash resources. The stock repurchase program authorizes us to purchase our common stock on the open market or in privately negotiated transactions periodically in a manner that complies with applicable U.S. securities laws. The number of shares purchased and the timing of the purchases has depended and will depend on a number of factors, including share price, cash required for business plans, trading volume and other conditions. We have no obligation to repurchase stock under this program and may suspend or terminate the repurchase program at any time.

## ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None

## ITEM 4. MINE SAFETY DISCLOSURE

Not applicable

## ITEM 5. OTHER INFORMATION

None



Table of Contents

| ITEM 6. EXHIBITS |   |                   |
|------------------|---|-------------------|
| Item No.         | Description   | Location          |
| 31.1             | <u>Rule 13a-14a/15d-14(a) Certification of the CEO Alan S. McKim</u>  | Filed<br>herewith |
| 31.2             | <u>Rule 13a-14a/15d-14(a) Certification of the CFO Michael L. Battles</u>   | Filed<br>herewith |
| 32               | <u>Section 1350 Certifications</u>  | Filed<br>herewith |
| 101              | Interactive Data Files Pursuant to Rule 405 of Regulation S-T: Financial statements from the quarterly report on Form 10-Q of Clean Harbors, Inc. for the quarter ended September 30, 2017, formatted in XBRL: (i) Consolidated Balance Sheets, (ii) Unaudited Consolidated Statements of Operations, (iii) Unaudited Consolidated Statements of Comprehensive Income (Loss), (iv) Unaudited Consolidated Statements of Cash Flows, (v) Unaudited Consolidated Statements of Stockholders' Equity, and (vi) Notes to Unaudited Consolidated Financial Statements. | *                 |

---

Interactive data files are furnished and deemed not filed or part of a registration statement or prospectus for purposes \*of Sections 11 or 12 of the Securities Act of 1933, as amended, are deemed not filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and otherwise are not subject to liability under those sections.

Table of Contents

CLEAN HARBORS, INC. AND SUBSIDIARIES

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.

CLEAN HARBORS, INC.  
Registrant

By: /s/ ALAN S. MCKIM  
Alan S. McKim  
Chairman, President and Chief Executive Officer

Date: November 1, 2017

By: /s/ MICHAEL L. BATTLES  
Michael L. Battles  
Executive Vice President and Chief Financial Officer

Date: November 1, 2017