

US ECOLOGY, INC.
Form 10-Q
April 30, 2010

UNITED STATES
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: March 31, 2010

or

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

For the transition period from _____ to _____

Commission File Number: 0-11688

US ECOLOGY, INC.
(Exact Name of Registrant as Specified in Its Charter)

Delaware
(State of Incorporation)

95-3889638
(I.R.S. Employer Identification
Number)

Lakepointe Centre I,
300 E. Mallard, Suite 300
Boise, Idaho
(Address of Principal Executive
Offices)

83706
(Zip Code)

(208) 331-8400
(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

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Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer (Do not check if smaller reporting company)

Smaller Reporting Company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

The number of shares of the registrant's common stock, \$0.01 par value, outstanding as of April 28, 2010 was 18,305,614.

US ECOLOGY, INC.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

US ECOLOGY, INC.

CONSOLIDATED BALANCE SHEETS

(in thousands, except share and per share amounts)

(unaudited)

	March 31, 2010	December 31, 2009
Assets		
Current Assets:		
Cash and cash equivalents	\$32,706	\$31,347
Short-term investments	1,383	1,395
Receivables, net	13,739	16,302
Prepaid expenses and other current assets	1,200	1,752
Deferred income taxes	252	41
Total current assets	49,280	50,837
Property and equipment, net	68,341	67,485
Restricted cash	4,796	4,800
Other assets	509	540
Total assets	\$122,926	\$123,662
Liabilities and Stockholders' Equity		
Current Liabilities:		
Accounts payable	\$2,956	\$4,264
Deferred revenue	1,489	1,353
Accrued liabilities	4,550	4,150
Accrued salaries and benefits	1,396	1,735
Income taxes payable	1,099	201
Current portion of closure and post-closure obligations	1,366	293
Current portion of capital lease obligations	11	11
Total current liabilities	12,867	12,007
Long-term closure and post-closure obligations	12,184	13,070
Long-term capital lease obligations	7	10
Deferred income taxes	5,457	5,077
Total liabilities	30,515	30,164
Contingencies and commitments		
Stockholders' Equity		
Common stock \$0.01 par value, 50,000 authorized; 18,306 shares issued	183	183
Additional paid-in capital	61,301	61,459
Retained earnings	32,966	34,446

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Common stock held in treasury, at cost, 122 and 155 shares, respectively	(2,039)	(2,590)
Total stockholders' equity	92,411	93,498
Total liabilities and stockholders' equity	\$122,926	\$123,662

See Notes to Consolidated Financial Statements.

US ECOLOGY, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except per share data)
(unaudited)

	Three Months Ended March 31,	
	2010	2009
Revenue	\$19,540	\$34,965
Direct operating costs	10,285	11,245
Transportation costs	2,680	14,174
Gross profit	6,575	9,546
Selling, general and administrative expenses	3,567	3,573
Operating income	3,008	5,973
Other income (expense):		
Interest income	14	48
Interest expense	(1)	(1)
Other	41	33
Total other income	54	80
Income before income taxes	3,062	6,053
Income taxes	1,272	2,409
Net income	\$1,790	\$3,644
Earnings per share:		
Basic	\$0.10	\$0.20
Dilutive	\$0.10	\$0.20
Shares used in earnings per share calculation:		
Basic	18,163	18,143
Dilutive	18,185	18,176
Dividends paid per share	\$0.18	\$0.18

See Notes to Consolidated Financial Statements.

US ECOLOGY, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)
(unaudited)

	Three Months Ended March 31,	
	2010	2009
Cash Flows From Operating Activities:		
Net income	\$1,790	\$3,644
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, amortization and accretion	1,792	2,286
Deferred income taxes	169	240
Stock-based compensation expense	393	218
Net loss (gain) on sale of property and equipment	48	(34)
Investment premium amortization	12	-
Changes in assets and liabilities:		
Receivables	2,563	5,213
Income tax receivable	-	2,452
Other assets	583	121
Accounts payable and accrued liabilities	(1,236)	(1,722)
Deferred revenue	136	477
Accrued salaries and benefits	(339)	(1,202)
Income tax payable	898	-
Closure and post-closure obligations	(83)	(148)
Net cash provided by operating activities	6,726	11,545
Cash Flows From Investing Activities:		
Purchases of property and equipment	(2,114)	(2,661)
Proceeds from sale of property and equipment	16	42
Restricted cash	4	(8)
Net cash used in investing activities	(2,094)	(2,627)
Cash Flows From Financing Activities:		
Dividends paid	(3,270)	(3,267)
Common stock repurchases	-	(2)
Other	(3)	(1)
Net cash used in financing activities	(3,273)	(3,270)
Increase in cash and cash equivalents	1,359	5,648
Cash and cash equivalents at beginning of period	31,347	18,473
Cash and cash equivalents at end of period	\$32,706	\$24,121
Supplemental Disclosures		
Income taxes paid, net of receipts	\$206	\$(399)
Interest paid	1	1
Non-cash investing and financing activities:		

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Capital expenditures in accounts payable	328	128
Restricted stock issued from treasury shares	551	-

See Notes to Consolidated Financial Statements.

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US ECOLOGY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

NOTE 1 – GENERAL

Basis of Presentation

The accompanying unaudited consolidated financial statements include the results of operations, financial position and cash flows of US Ecology, Inc., (formerly known as American Ecology Corporation) and its wholly-owned subsidiaries (collectively, “US Ecology” or “the Company”). All material intercompany balances have been eliminated.

In the opinion of management, the accompanying unaudited consolidated financial statements include all adjustments necessary to present fairly, in all material respects, the results of the Company for the periods presented. These consolidated financial statements have been prepared by the Company pursuant to the rules and regulations of the Securities and Exchange Commission (“SEC”). Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States have been omitted pursuant to the rules and regulations of the SEC. These consolidated financial statements should be read in conjunction with the consolidated financial statements and accompanying notes included in the Company’s 2009 Annual Report on Form 10-K filed with the SEC on March 4, 2010. The results of operations for the three months ended March 31, 2010 are not necessarily indicative of results to be expected for the entire fiscal year.

The Company’s Consolidated Balance Sheet as of December 31, 2009 has been derived from the Company’s audited Consolidated Balance Sheet as of that date.

Use of Estimates

The preparation of the Company’s consolidated financial statements, in conformity with accounting principles generally accepted in the United States, requires management to make estimates and assumptions. Some of these estimates require difficult, subjective or complex judgments about matters that are inherently uncertain. As a result, actual results could differ from these estimates, in some cases materially. These estimates and assumptions affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period.

NOTE 2 – EFFECT OF RECENTLY ISSUED ACCOUNTING STANDARDS

In May 2009, the Financial Accounting Standards Board (“FASB”) issued a new statement that establishes general standards of accounting for, and disclosure of events that occur after the balance sheet date but before the financial statements are issued or are available to be issued. The new statement, located under the FASB Accounting Standards Codification™ (“ASC”) Topic 855 Subsequent Events (formerly SFAS 165, Subsequent Events) requires entities to disclose the date through which subsequent events were evaluated as well as the rationale for why that date was selected, that is, whether that date represents the date the financial statements were issued or were available to be issued. The new statement is effective for interim or annual periods ending after June 15, 2009, which was the quarter ended June 30, 2009 for the Company. In February 2010, the FASB amended its guidance removing the requirement for SEC filers to disclose the date through which an entity has evaluated subsequent events. The adoption of this new statement did not have a material impact on our consolidated financial statements.

NOTE 3 – CONCENTRATION AND CREDIT RISK

Major Customers. The Company has a multiple year disposal contract with the U.S. Army Corps of Engineers (“USACE”). Revenue under this contract represented 19% and 6% of total revenue for the three months ended March 31, 2010 and 2009, respectively. No other customer represented more than 10% of total revenue for the three months ended March 31, 2010. The Company had a contract with Honeywell International, Inc. (“Honeywell”) for transportation, treatment and disposal of hazardous waste from a multi-year clean-up site and other, smaller sites in New Jersey. Services under this contract were completed in early October 2009. Revenue under this bundled service contract represented 44% of our total revenue for the three months ended March 31, 2009. No other customer represented more than 10% of total revenue for the three months ended March 31, 2009. Receivables from the USACE represented 17% of our total trade receivables at March 31, 2010 and 18% of our trade receivables at December 31, 2009. One other customer represented 12% of our total trade receivables at March 31, 2010 and one other customer represented 11% of our total trade receivables at December 31, 2009. No other customer’s receivable balances exceeded 10% of our total trade receivables at March 31, 2010 or December 31, 2009.

Credit Risk Concentration. We maintain most of our cash and short-term investments with nationally recognized financial institutions like Wells Fargo Bank, N.A. (“Wells Fargo”). Substantially all balances are uninsured and are not used as collateral for other obligations. Concentrations of credit risk on accounts receivable are believed to be limited due to the number, diversification and character of the obligors and our credit evaluation process.

NOTE 4 – CASH AND CASH EQUIVALENTS

Cash and cash equivalents include funds held in managed money market funds with Wells Fargo, U.S. Bancorp and Fidelity Investments. The fair value of these money market funds, using Level 1 inputs consistent with ASC Topic 820 Fair Value Measurements and Disclosures was \$22.3 million at March 31, 2010.

NOTE 5 – SHORT-TERM INVESTMENTS

Short-term investments at March 31, 2010 and December 31, 2009 were comprised of \$1.4 million in fixed maturity, high-grade, commercial paper maturing in June 2010.

NOTE 6 – RECEIVABLES

Receivables were as follows:

(in thousands)	March 31, 2010	December 31, 2009
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