

WASTE MANAGEMENT INC
Form 10-Q
October 29, 2013

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

(Mark One)

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934**
For the Quarterly Period Ended September 30, 2013

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from _____ to _____
Commission file number 1-12154

Waste Management, Inc.

(Exact name of registrant as specified in its charter)

Delaware
*(State or other jurisdiction of
incorporation or organization)*

73-1309529
*(I.R.S. Employer
Identification No.)*

1001 Fannin

Suite 4000

Houston, Texas 77002

(Address of principal executive offices)

(713) 512-6200

(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

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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 Smaller reporting company

(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes No

The number of shares of Common Stock, \$0.01 par value, of the registrant outstanding at October 18, 2013 was 469,186,159 (excluding treasury shares of 161,096,302).

PART I.

Item 1. *Financial Statements.*

WASTE MANAGEMENT, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(In Millions, Except Share and Par Value Amounts)

	September 30, 2013 (Unaudited)	December 31, 2012
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 157	\$ 194
Accounts receivable, net of allowance for doubtful accounts of \$40 and \$45, respectively	1,751	1,737
Other receivables	109	102
Parts and supplies	178	174
Deferred income taxes	84	76
Other assets	138	140
Total current assets	2,417	2,423
Property and equipment, net of accumulated depreciation and amortization of \$16,805 and \$16,112, respectively	12,621	12,651
Goodwill	6,593	6,291
Other intangible assets, net	569	397
Investments in unconsolidated entities	656	667
Other assets	757	668
Total assets	\$ 23,613	\$ 23,097
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable	\$ 763	\$ 842
Accrued liabilities	1,059	986
Deferred revenues	472	465
Current portion of long-term debt	568	743
Total current liabilities	2,862	3,036
Long-term debt, less current portion	9,491	9,173
Deferred income taxes	1,994	1,947
Landfill and environmental remediation liabilities	1,507	1,459
Other liabilities	744	807
Total liabilities	16,598	16,422
Commitments and contingencies		
Equity:		
Waste Management, Inc. stockholders' equity:		
Common stock, \$0.01 par value; 1,500,000,000 shares authorized; 630,282,461 shares issued	6	6
Additional paid-in capital	4,582	4,549
Retained earnings	7,066	6,879

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Accumulated other comprehensive income	169	193
Treasury stock at cost, 161,100,606 and 166,062,235 shares, respectively	(5,115)	(5,273)
Total Waste Management, Inc. stockholders' equity	6,708	6,354
Noncontrolling interests	307	321
Total equity	7,015	6,675
Total liabilities and equity	\$ 23,613	\$ 23,097

See notes to Condensed Consolidated Financial Statements.

WASTE MANAGEMENT, INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(In Millions, Except per Share Amounts)

(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
Operating revenues	\$ 3,621	\$ 3,461	\$ 10,483	\$ 10,215
Costs and expenses:				
Operating	2,325	2,229	6,845	6,655
Selling, general and administrative	349	335	1,092	1,116
Depreciation and amortization	344	331	1,006	971
Restructuring	3	44	13	51
(Income) expense from divestitures, asset impairments and unusual items	23	22	38	55
	3,044	2,961	8,994	8,848
Income from operations	577	500	1,489	1,367
Other income (expense):				
Interest expense	(119)	(123)	(363)	(366)
Interest income		2	2	4
Equity in net losses of unconsolidated entities	(3)	(17)	(19)	(35)
Other, net	(3)	(14)	(12)	(16)
	(125)	(152)	(392)	(413)
Income before income taxes	452	348	1,097	954
Provision for income taxes	155	125	368	329
Consolidated net income	297	223	729	625
Less: Net income attributable to noncontrolling interests	6	9	26	32
Net income attributable to Waste Management, Inc.	\$ 291	\$ 214	\$ 703	\$ 593
Basic earnings per common share	\$ 0.62	\$ 0.46	\$ 1.50	\$ 1.28
Diluted earnings per common share	\$ 0.62	\$ 0.46	\$ 1.50	\$ 1.28
Cash dividends declared per common share	\$ 0.365	\$ 0.355	\$ 1.095	\$ 1.065

See notes to Condensed Consolidated Financial Statements.

WASTE MANAGEMENT, INC.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In Millions)

(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
Consolidated net income	\$ 297	\$ 223	\$ 729	\$ 625
Other comprehensive income (loss), net of taxes:				
Gains and losses on derivative instruments:				
Unrealized gains (losses), resulting from changes in fair value, net of tax expense (benefit) of \$(4), \$(8), \$6 and \$(16), respectively	(5)	(13)	10	(25)
Reclassification adjustment for (gains) losses included in net income, net of tax (expense) benefit of \$4, \$6, \$1 and \$6, respectively	7	10	2	10
	2	(3)	12	(15)
Unrealized gains (losses) on available-for-sale securities, net of tax expense (benefit) of \$0, \$0, \$0 and \$1, respectively	1	1	1	2
Foreign currency translation adjustments	32	39	(37)	41
Change in funded status of post-retirement benefit obligation, net of tax benefit of \$0, \$0, \$0 and \$0, respectively				
Other comprehensive income (loss), net of taxes	35	37	(24)	28
Comprehensive income	332	260	705	653
Less: Comprehensive income attributable to noncontrolling interests	6	9	26	32
Comprehensive income attributable to Waste Management, Inc.	\$ 326	\$ 251	\$ 679	\$ 621

See notes to Condensed Consolidated Financial Statements.

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Consolidated Balance Sheet	As of September 30, 2006	
	Previously Reported	As Restated
Tenant deposits and other liabilities	\$ 16,791	\$ 21,023
Total liabilities	\$ 1,099,562	\$ 1,103,794
Minority interest	\$ 28,704	\$ 28,553
Retained deficit	\$ (480,753)	\$ (484,834)
Total stockholders' equity	\$ 433,217	\$ 429,136
Total liabilities and stockholders' equity	\$ 1,561,483	\$ 1,561,483

Consolidated Statement of Operations	Three Months Ended September 30, 2006		Nine Months Ended September 30, 2006	
	Previously Reported	As Restated	Previously Reported	As Restated
Loss from continuing operations before income tax benefit and allocation to minority interest	\$ (12,956)	\$ (12,956)	\$ (38,929)	\$ (38,928)
Income tax benefit from continuing operations		4,472		9,043
Loss before allocation to minority interest	(12,956)	(8,484)	(38,929)	(29,885)
Minority interest	182	27	744	429
Loss from continuing operations	(12,774)	(8,457)	(38,185)	(29,456)
Income from discontinued operations	276	276	2,657	2,657
Gain on sale of discontinued operations	5,220	5,220	31,130	31,129
Income tax expense from discontinued operations	206	(2,198)	(239)	(13,514)
Minority interest in discontinued operations	(196)	(113)	(1,175)	(709)
Net loss	(7,268)	(5,272)	(5,812)	(9,893)
Preferred stock dividend	(2,578)	(2,578)	(7,734)	(7,734)
Net loss attributable to common stockholders	\$ (9,846)	\$ (7,850)	\$ (13,546)	\$ (17,627)
Loss per share from continuing operations				
Basic loss per share	\$ (0.35)	\$ (0.25)	\$ (1.05)	\$ (0.85)
Diluted loss per share	\$ (0.35)	\$ (0.25)	\$ (1.05)	\$ (0.85)
Income per share from discontinued operations				
Basic income per share	\$ 0.12	\$ 0.07	\$ 0.74	\$ 0.45
Diluted income per share	\$ 0.12	\$ 0.07	\$ 0.74	\$ 0.45
Loss per share attributable to common stockholders				
Basic loss per share	\$ (0.23)	\$ (0.18)	\$ (0.31)	\$ (0.40)
Diluted loss per share	\$ (0.23)	\$ (0.18)	\$ (0.31)	\$ (0.40)
Weighted average common shares outstanding	43,718	43,718	43,666	43,666

Item 5.02 Departure of Directors or Principal Officers; Election of Directors; Appointment of Principal Officers.

On March 8, 2007, the Company's board of directors elected C. Clifton Robinson (69) as a director of the Company. Mr. Robinson is the former chairman and chief executive officer of NLASCO, Inc. ("NLASCO"). Pursuant to a Stock Purchase Agreement (the "NLASCO Agreement"), on January 31, 2007, the Company acquired all of the outstanding capital stock of NLASCO from Mr. Robinson and his affiliates for consideration consisting of \$105,750,000 in cash and 1,218,880 shares of the Company's common stock. Pursuant to the NLASCO Agreement, the Company agreed to take such action as is necessary and appropriate to appoint Mr. Robinson to the Company's board of directors following the consummation of the acquisition.

From 2000 until the Company's acquisition of NLASCO, Mr. Robinson was chairman of the board of directors and chief executive officer of NLASCO. In 2000 Mr. Robinson formed NLASCO in conjunction with the acquisition of American Summit Insurance Company and the reacquisition of National Lloyds Insurance Company, which he had initially acquired in 1964 and later sold. In 1979, he organized National Group Corporation for the purpose of purchasing insurance companies and related businesses. In 1964, he became the president and CEO of National Lloyds Insurance Company in Waco, Texas, one of the two current insurance subsidiaries of NLASCO. From 1964 to present Mr. Robinson has participated in the formation, acquisition and management of numerous insurance business enterprises. Mr. Robinson established the Robinson-Lanham Insurance Agency in 1961. He has previously held positions with various insurance industry associations, including vice chairman of the board of Texas Life and Health Guaranty Association, president of the Independent Insurance Agents of Waco-McLennan County and membership on the board of directors of the Texas Life Insurance Association and the Texas Medical Liability Insurance Underwriters Association. Mr. Robinson currently serves on the Board of Trustees of the Scottish Rite Hospital for Children in Dallas, Texas. Mr. Robinson holds a BBA degree in real estate and insurance from Baylor University.

In connection with the Company's acquisition of NLASCO, and the issuance of shares of its common stock to Mr. Robinson, on January 31, 2007, the Company entered into a Registration Rights Agreement (the "Robinson Registration Rights Agreement") with Mr. Robinson pursuant to which the Company agreed to prepare and file with the Securities and Exchange Commission (the "SEC"), within 18 months after the date of the Robinson Registration Rights Agreement, a registration statement with respect to the resale of the 1,218,880 shares of the Company's common stock issued to Mr. Robinson.

Additionally, at the closing of the NLASCO acquisition, Mr. Robinson and his son, Gordon Robinson, the former vice chairman and deputy chief executive officer of NLASCO, entered into employment agreements with NLASCO. C. Clifton Robinson's employment agreement provides that he will serve as chairman of NLASCO and will be paid \$100,000 per year. Gordon Robinson's employment agreement provides that he will serve as a senior advisor to NLASCO and will be paid \$100,000 per year. Both employment agreements are for a one-year term with automatic one-year extensions by agreement of the parties.

The Company also leases office space for NLASCO and its affiliates in Waco Texas from affiliates of Mr. Robinson. There are 3 separate leases. The first lease is a month to month lease for office space at a rate of \$900.00 per month. The second lease is a month to month lease at a monthly rental rate of \$3500.00 per month. The third lease requires payments of \$40,408.20 per month and expires on December 31, 2009, but does have renewal options at the discretion of the lessee.

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SIGNATURES

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

Date: March 12, 2007

AFFORDABLE RESIDENTIAL COMMUNITIES INC.

By: /s/ Scott L. Gesell
Scott L. Gesell
Executive Vice President

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