CLEAN HARBORS INC
Form 10-Q
August 01, 2018
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UNITED STATES OF AMERICA
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

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

FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2018
OR

o 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 x No o

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 x No o

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 x | Accelerated filer o |
| Non-accelerated filer o | Smaller reporting company o |
| (Do not check if a smaller reporting company) | Emerging growth company o |

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. o

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

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 | 56,088,908 |
| (Class) | (Outstanding as of July 30, 2018) |

CLEAN HARBORS, INC.

QUARTERLY REPORT ON FORM 10-Q

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CLEAN HARBORS, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(in thousands)

| | June 30, 2018 (unaudited) | December 31, 2017 |
|---|---|---|
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | $197,068 | $319,399 |
| Short-term marketable securities | 36,862 | 38,179 |
| Accounts receivable, net of allowances aggregating $34,033 and $27,799, respectively | 590,580 | 528,924 |
| Unbilled accounts receivable | 62,762 | 35,922 |
| Deferred costs | 20,832 | 20,445 |
| Inventories and supplies | 193,544 | 176,012 |
| Prepaid expenses and other current assets | 34,834 | 35,175 |
| Total current assets | 1,136,482 | 1,154,056 |
| Property, plant and equipment, net | 1,609,382 | 1,587,365 |
| Other assets: | | |
| Goodwill | 497,251 | 478,523 |
| Permits and other intangibles, net | 455,920 | 469,128 |
| Other | 16,426 | 17,498 |
| Total other assets | 969,597 | 965,149 |
| Total assets | $3,715,461 | $3,706,570 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Current liabilities: | | |
| Current portion of long-term obligations | $4,000 | $4,000 |
| Accounts payable | 247,821 | 224,231 |
| Deferred revenue | 68,705 | 67,822 |
| Accrued expenses | 200,135 | 187,982 |
| Current portion of closure, post-closure and remedial liabilities | 23,007 | 19,782 |
| Total current liabilities | 543,668 | 503,817 |
| Other liabilities: | | |
| Closure and post-closure liabilities, less current portion of $6,514 and $6,444, respectively | 58,990 | 54,593 |
| Remedial liabilities, less current portion of $16,493 and $13,338, respectively | 104,782 | 111,130 |
| Long-term obligations, less current portion | 1,624,727 | 1,625,537 |
| Deferred taxes, unrecognized tax benefits and other long-term liabilities | 222,246 | 223,291 |
| Total other liabilities | 2,010,745 | 2,014,551 |
| Commitments and contingent liabilities (See Note 16) | | |
| Stockholders' equity: | | |
| Common stock, $.01 par value: | | |
| Authorized 80,000,000; shares issued and outstanding 56,087,256 and 56,501,190 shares, respectively | 561 | 565 |
| Additional paid-in capital | 664,948 | 686,962 |
| Accumulated other comprehensive loss | (194,095) | (172,407) |

| | | |
|---|---|---|
| Accumulated earnings | 689,634 | 673,082 |
| Total stockholders’ equity | 1,161,048 | 1,188,202 |
| Total liabilities and stockholders’ equity | $ 3,715,461 | $ 3,706,570 |

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

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CLEAN HARBORS, INC. AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands except per share amounts)

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| Revenues: | | | | |
| Service revenues | $696,779 | $610,940 | $1,316,498 | $1,171,154 |
| Product revenues | 152,361 | 141,848 | 282,420 | 270,575 |
| Total revenues | 849,140 | 752,788 | 1,598,918 | 1,441,729 |
| Cost of revenues: (exclusive of items shown separately below) | | | | |
| Service revenues | 473,423 | 412,356 | 921,072 | 803,443 |
| Product revenues | 110,161 | 107,447 | 208,937 | 212,945 |
| Total cost of revenues | 583,584 | 519,803 | 1,130,009 | 1,016,388 |
| Selling, general and administrative expenses | 125,995 | 112,294 | 241,083 | 224,515 |
| Accretion of environmental liabilities | 2,448 | 2,416 | 4,878 | 4,706 |
| Depreciation and amortization | 72,760 | 71,531 | 147,604 | 143,943 |
| Income from operations | 64,353 | 46,744 | 75,344 | 52,177 |
| Other income (expense), net | 846 | (833) | 547 | (2,382) |
| Loss on early extinguishment of debt | — | (6,045) | — | (6,045) |
| Gain on sale of business | — | 31,722 | — | 31,722 |
| Interest expense, net of interest income of $587, $311, $1,350 and $520, respectively | (20,769) | (22,492) | (41,039) | (45,068) |
| Income before provision for income taxes | 44,430 | 49,096 | 34,852 | 30,404 |
| Provision for income taxes | 13,683 | 23,216 | 16,736 | 25,917 |
| Net income | $30,747 | $25,880 | $18,116 | $4,487 |
| Earnings per share: | | | | |
| Basic | $0.55 | $0.45 | $0.32 | $0.08 |
| Diluted | $0.54 | $0.45 | $0.32 | $0.08 |
| Shares used to compute earnings per share - Basic | 56,410 | 57,190 | 56,304 | 57,226 |
| Shares used to compute earnings per share - Diluted | 56,505 | 57,336 | 56,399 | 57,349 |

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

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CLEAN HARBORS, INC. AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(in thousands)

| | Three Months Ended | | Six Months Ended | |
|---|---|---|---|---|
| | June 30, | | June 30, | |
| | 2018 | 2017 | 2018 | 2017 |
| Net income | $30,747 | $25,880 | $18,116 | $4,487 |
| Other comprehensive (loss) income: | | | | |
| Unrealized (losses) gains on available-for-sale securities (net of tax of $8, $20, $88 and $122, respectively) | (11) | 27 | (206) | 159 |
| Reclassification adjustment for losses on available-for-sale securities included in net income (net of taxes of $0, $29, $0 and $79, respectively) | — | 47 | — | 143 |
| Foreign currency translation adjustments (including a tax benefit of $5.6 million in 2018) | (4,931) | 15,024 | (21,482) | 20,847 |
| Other comprehensive (loss) income | (4,942) | 15,098 | (21,688) | 21,149 |
| Comprehensive income (loss) | $25,805 | $40,978 | $(3,572) | $25,636 |

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

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CLEAN HARBORS, INC. AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

| | Six Months Ended June 30, 2018 | 2017 |
|---|---|---|
| Cash flows from operating activities: | | |
| Net income | $18,116 | $4,487 |
| Adjustments to reconcile net income to net cash from operating activities: | | |
| Depreciation and amortization | 147,604 | 143,943 |
| Allowance for doubtful accounts | 7,389 | 3,580 |
| Amortization of deferred financing costs and debt discount | 1,881 | 1,660 |
| Accretion of environmental liabilities | 4,878 | 4,706 |
| Changes in environmental liability estimates | (673) | (129) |
| Deferred income taxes | (10) | 190 |
| Stock-based compensation | 6,639 | 5,172 |
| Other (income) expense, net | (547) | 2,382 |
| Gain on sale of business | — | (31,722) |
| Loss on early extinguishment of debt | — | 6,045 |
| Environmental expenditures | (4,585) | (6,102) |
| Changes in assets and liabilities, net of acquisitions | | |
| Accounts receivable and unbilled accounts receivable | (62,764) | (31,154) |
| Inventories and supplies | (18,625) | (6,307) |
| Other current assets | 180 | 13,918 |
| Accounts payable | 23,605 | (2,686) |
| Other current and long-term liabilities | 6,582 | 8,948 |
| Net cash from operating activities | 129,670 | 116,931 |
| Cash flows used in investing activities: | | |
| Additions to property, plant and equipment | (94,139) | (88,742) |
| Proceeds from sale and disposal of fixed assets | 2,641 | 2,121 |
| Acquisitions, net of cash acquired | (123,750) | (9,277) |
| Proceeds from sale of businesses, net of transactional costs | — | 46,391 |
| Additions to intangible assets, including costs to obtain or renew permits | (2,106) | (1,239) |
| Proceeds from sale of available-for-sale securities | 11,214 | 376 |
| Purchases of available-for-sale securities | (10,001) | — |
| Net cash used in investing activities | (216,141) | (50,370) |
| Cash flows (used in) from financing activities: | | |
| Change in uncashed checks | (2,803) | (8,361) |
| Proceeds from exercise of stock options | — | 46 |
| Tax payments related to withholdings on vested restricted stock | (2,175) | (2,132) |
| Repurchases of common stock | (26,482) | (12,257) |
| Deferred financing costs paid | (468) | (4,727) |
| Premiums paid on early extinguishment of debt | — | (4,665) |
| Principal payment on debt | (2,000) | (296,202) |
| Issuance of senior secured notes, net of discount | — | 399,000 |
| Net cash (used in) from financing activities | (33,928) | 70,702 |
| Effect of exchange rate change on cash | (1,932) | 2,106 |
| (Decrease) increase in cash and cash equivalents | (122,331) | 139,369 |

| | | |
|---|---|---|
| Cash and cash equivalents, beginning of period | 319,399 | 306,997 |
| Cash and cash equivalents, end of period | $197,068 | $446,366 |
| Supplemental information: | | |
| Cash payments for interest and income taxes: | | |
| Interest paid | $40,745 | $50,432 |
| Income taxes paid | 14,118 | 13,407 |
| Non-cash investing activities: | | |
| Property, plant and equipment accrued | 13,041 | 16,213 |
| Transfer of inventory to property, plant and equipment | — | 12,641 |

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 Number of Shares | $ 0.01 Par Value | Additional Paid-in Capital | Accumulated Other Comprehensive Loss | Accumulated Earnings | Total Stockholders' Equity |
|---|---|---|---|---|---|---|
| Balance at January 1, 2018 | 56,501 | $565 | $686,962 | $ (172,407) | $ 673,082 | $ 1,188,202 |
| Cumulative effect of change in accounting principle | — | — | — | — | (1,564) | (1,564) |
| Net income | — | — | — | — | 18,116 | 18,116 |
| Other comprehensive loss | — | — | — | (21,688) | — | (21,688) |
| Stock-based compensation | — | — | 6,639 | — | — | 6,639 |
| Issuance of restricted shares, net of shares remitted and tax withholdings | 118 | 1 | (2,176) | — | — | (2,175) |
| Repurchases of common stock | (532) | (5) | (26,477) | — | — | (26,482) |
| Balance at June 30, 2018 | 56,087 | $561 | $664,948 | $ (194,095) | $ 689,634 | $ 1,161,048 |

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

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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, 2017.

## (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, 2017. There have been no material changes in these policies or their application except for the changes described below.

### Reclassifications

During the first quarter of fiscal year 2018, certain of the Company's businesses undertook a reorganization which included changes to the underlying business and management structures. The reorganization resulted in combining the Environmental Services businesses from an operational and management perspective and is expected to deepen customer relationships and allow for efficiencies across the Company's operations through the sharing of resources, namely labor and equipment which will reduce third party spend and promote the cross selling of such business offerings. In connection with this reorganization, the Company’s chief operating decision maker also requested changes in the information that he regularly reviews for purposes of allocating resources and assessing performance. These changes required a reconsideration of the Company’s operating segments in the first quarter of 2018 and resulted in a change in the Company’s assessment of its operating segments. Upon reconsideration of the identification of the Company’s operating segments, the Company concluded that there are now two operating segments for disclosure in accordance with ASC 280 Segment reporting; (i) the Environmental Services segment which consists of the Company’s historical Technical Services, Industrial Services, Field Services and Oil, Gas and Lodging businesses and (ii) the Safety-Kleen segment. See Note 18, "Segment Reporting," for more information. The amounts presented for the three and six months ended June 30, 2017 have been recast to reflect the impact of such changes. These reclassifications and adjustments had no effect on the consolidated statements of operations, consolidated statements of comprehensive loss, consolidated statements of cash flows or consolidated statements of stockholders' equity for any of the periods presented.

### Recent Accounting Pronouncements

#### Standards implemented

In May 2014, the Financial Accounting Standards Board ("FASB") issued ASU 2014-09, Revenue from Contracts with Customers (Topic 606), which replaces numerous requirements in U.S. GAAP, including industry-specific requirements, and provides companies with a single revenue recognition model for recognizing revenue from contracts with customers. 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 modified retrospective method). On January 1, 2018, the Company adopted Topic 606 using the modified retrospective method for all contracts. Results for reporting periods beginning on the date of adoption are presented under ASC 606, while prior period amounts have not been adjusted and continue to be reported in accordance with the Company's historical accounting methodology pursuant to ASC

605, Revenue Recognition ("ASC 605"). Upon adoption, a cumulative effect adjustment was not required as the majority of the Company's contracts are recognized based on time and materials incurred and were not impacted by the new guidance. The Company has concluded that the most significant impact of the standard relates to the incremental disclosures required.

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

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Company adopted the amendment on a modified retrospective basis effective January 1, 2018. As a result of adoption, the Company recorded a cumulative effect adjustment that reduced retained earnings by $1.6 million.

In March 2017, the FASB issued ASU 2017-07, Compensation-Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost. The amendment requires an employer to report the service cost component of net benefit cost in the same line item as other compensation costs arising from services rendered by the pertinent employees during the period. The other components of net benefit cost are required to be presented in the income statement separately from the service cost component and outside a subtotal of income from operations. In addition, the amendment allows only the service cost component to be eligible for capitalization when applicable. The Company adopted the amendment in the first quarter of 2018. Adoption did not have a material impact on the Company's consolidated financial statements.

Standards to be implemented

The Company is evaluating the impact that the below standards to be implemented will have on the Company's consolidated financial statements.

In February 2016, FASB issued ASU 2016-02, Leases (Topic 842). The amendment increases transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. In February 2018, FASB issued ASU 2018-01, Leases (Topic 842): Land Easement Practical Expedient for Transition to Topic 842. The amendment clarifies that land easements are within the scope of the new leases standard (ASC 842) and introduces a new transition practical expedient allowing a company to not assess whether existing and expired land easements that were not previously accounted for as leases under current US GAAP (ASC 840) are or contain leases under ASC 842. In July 2018, FASB issued ASU 2018-10, Codification Improvements to Topic 842, Leases. The amendment provides improvements that clarify specific aspects of the guidance in ASU 2016-02. The Company will adopt the new standard beginning on January 1, 2019. A modified retrospective transition approach is required for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. While the Company is still continuing to assess the effect of adoption, it expects that the new standard will have a material effect on its consolidated balance sheet related to the recognition of new assets and lease liabilities. In preparation for the adoption of the guidance, the Company is in the process of implementing new software and assessing changes to controls and processes to enable the preparation of financial information.

In June 2016, FASB issued ASU 2016-13, Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments. The amendment changes the way entities recognize impairment of many financial assets, including accounts receivable and investments in debt securities, by requiring immediate recognition of estimated credit losses expected to occur over their remaining lives. The amendment should be applied using a modified-retrospective approach and is effective for the Company for annual and interim reporting periods beginning after January 1, 2020, with early adoption permitted. The Company is currently evaluating the impact ASU 2016-13 will have on its consolidated financial statements.

In August 2017, the FASB issued ASU 2017-12, Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities. The amendment better aligns an entity’s risk management activities and financial reporting for hedging relationships through changes to both the designation and measurement guidance for qualifying hedging relationships and the presentation of hedge results. The amendment is effective for the Company for annual and interim reporting periods beginning after December 15, 2018, with early adoption permitted. The Company is currently evaluating the impact ASU 2017-12 will have on its consolidated financial statements.

## (3) REVENUES

### Revenue Recognition

Revenues are recognized when control of the promised goods or services is transferred to the Company’s customers, in an amount that reflects the consideration the Company expects to be entitled to in exchange for those goods or services.

### Nature of Goods and Services

The Company generates services and product revenues through its Environmental Services and Safety-Kleen operating segments. The majority of the Company's contracts are for services, which are recognized based on time and materials incurred at contractually agreed-upon rates. Product revenues are recognized when the products are delivered and control transfers to the customer. The Company's payment terms vary by the type and location of its customers and the products or services offered. The

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term between invoicing and when payment is due is not significant. The Company excludes sales taxes that it collects from customers from its revenues.

Disaggregation of Revenue

The following table presents the Company’s revenues disaggregated by revenue source (in thousands):

| | For the Three Months Ended June 30, 2018 | | | |
|---|---|---|---|---|
| | Environmental Services | Safety-Kleen | Corporate | Total |
| Primary Geographical Markets | | | | |
| United States | $408,127 | $ 306,059 | $ 363 | $714,549 |
| Canada | 111,789 | 22,656 | 146 | 134,591 |
| | 519,916 | 328,715 | 509 | 849,140 |
| Sources of Revenue (1) | | | | |
| Technical Services | 257,006 | — | — | $257,006 |
| Field and Emergency Response Services | 76,092 | — | — | 76,092 |
| Industrial Services | 161,046 | — | — | 161,046 |
| Oil, Gas and Lodging Services and Other | 25,772 | — | 509 | 26,281 |
| Safety-Kleen Environmental Services | — | 200,034 | — | 200,034 |
| Kleen Performance Products | — | 128,681 | — | 128,681 |
| Total third party revenues | $519,916 | $ 328,715 | $ 509 | $849,140 |

| | For the Three Months Ended June 30, 2017 | | | |
|---|---|---|---|---|
| | Environmental Services | Safety-Kleen | Corporate | Total |
| Primary Geographical Markets | | | | |
| United States | $343,323 | $ 280,617 | $ 155 | $624,095 |
| Canada | 106,308 | 22,339 | 46 | 128,693 |
| | 449,631 | 302,956 | 201 | 752,788 |
| Sources of Revenue (1) | | | | |
| Technical Services | 254,487 | — | — | 254,487 |
| Field and Emergency Response Services | 70,707 | — | — | 70,707 |
| Industrial Services | 99,733 | — | — | 99,733 |
| Oil, Gas and Lodging Services and Other | 24,704 | — | 201 | 24,905 |
| Safety-Kleen Environmental Services | — | 192,817 | — | 192,817 |
| Kleen Performance Products | — | 110,139 | — | 110,139 |
| Total third party revenues | $449,631 | $ 302,956 | $ 201 | $752,788 |

| | For the Six Months Ended June 30, 2018 | | | |
|---|---|---|---|---|
| | Environmental Services | Safety-Kleen | Corporate | Total |
| Primary Geographical Markets | | | | |
| United States | $752,099 | $ 593,701 | $ 508 | $1,346,308 |
| Canada | 207,505 | 44,932 | 173 | 252,610 |
| | 959,604 | 638,633 | 681 | 1,598,918 |
| Sources of Revenue (1) | | | | |
| Technical Services | 493,312 | — | — | 493,312 |
| Field and Emergency Response Services | 146,027 | — | — | 146,027 |
| Industrial Services | 264,809 | — | — | 264,809 |
| Oil, Gas and Lodging Services and Other | 55,456 | — | 681 | 56,137 |
| Safety-Kleen Environmental Services | — | 394,195 | — | 394,195 |

| | | | | |
|---|---|---|---|---|
| Kleen Performance Products | — | 244,438 | — | 244,438 |
| Total third party revenues | $959,604 | $ 638,633 | $ 681 | $1,598,918 |

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| | For the Six Months Ended June 30, 2017 | | | |
|---|---|---|---|---|
| | Environmental Services | Safety-Kleen | Corporate | Total |
| Primary Geographical Markets | | | | |
| United States | $657,106 | $ 552,688 | $ 288 | $1,210,082 |
| Canada | 188,432 | 43,169 | 46 | 231,647 |
| | 845,538 | 595,857 | 334 | 1,441,729 |
| Sources of Revenue (1) | | | | |
| Technical Services | 484,705 | — | — | 484,705 |
| Field and Emergency Response Services | 131,726 | — | — | 131,726 |
| Industrial Services | 174,801 | — | — | 174,801 |
| Oil, Gas and Lodging Services and Other | 54,306 | — | 334 | 54,640 |
| Safety-Kleen Environmental Services | — | 384,544 | — | 384,544 |
| Kleen Performance Products | — | 211,313 | — | 211,313 |
| Total third party revenues | $845,538 | $ 595,857 | $ 334 | $1,441,729 |

1. All revenue except Kleen Performance Products and product sales within Safety-Kleen Environmental Services, including allied products and direct blended oil sales, are recognized over time. Kleen Performance Products and Safety-Kleen Environmental Services product revenues are recognized at a point in time.

Technical Services. Technical Services revenues are generated from fees charged for waste material management and disposal services including onsite environmental management services, collection and transportation, packaging, recycling, treatment and disposal of waste. Revenue is primarily generated by short-term projects, most of which are governed by master service agreements that are long-term in nature. These master service agreements are typically entered into with the Company's larger customers and outline the pricing and legal frameworks for such arrangements. Services are provided based on purchase orders or agreements with the customer and include prices based upon units of volume of waste, and transportation and other fees. Collection and transportation revenues are recognized over time, as the customer receives and consumes the benefits of the service as they are being performed and the Company has a right to payment for performance completed to date. The Company uses the input method to recognize revenue over time, based on time and materials incurred. Revenues for treatment and disposal of waste are recognized upon completion of treatment, final disposition in a landfill or incineration, or when the waste is shipped to a third party for processing and disposal. The Company periodically enters into bundled arrangements for the collection and transportation and disposal of waste. For such arrangements, transportation and disposal are considered distinct performance obligations and the Company allocates revenue to each based on their relative standalone selling price (i.e. the estimated price that a customer would pay for the services on a standalone basis). Revenues from waste that is not yet completely processed and disposed and the related costs are deferred. The revenue is recognized and the deferred costs are expensed when the related services are completed. The period between collection and transportation and the final processing and disposal ranges depending on location of the customer, but generally is measured in days.

Field and Emergency Response Services. Field Services revenues are generated from cleanup services at customer sites, including municipalities and utilities, or other locations on a scheduled or emergency response basis. Services include confined space entry for tank cleaning, site decontamination, large remediation projects, demolition, spill cleanup on land and water, railcar cleaning, product recovery and transfer and vacuum services. Additional services include filtration and water treatment services. Response services for environmental emergencies include any scale from man-made disasters such as oil spills, to natural disasters such as hurricanes. These services are provided based on purchase orders or agreements with customers and include prices generally based upon daily, hourly or job rates for equipment, materials and personnel. The Company recognizes revenue for these services over time, as the customer receives and consumes the benefits of the service as they are being performed and the Company has a right to payment for performance completed to date. The Company uses the input method to recognize revenue over time, based on time and materials incurred. The duration of such services can be over a number of hours, several days or even months for larger scale projects.

Industrial Services. Industrial Services revenues are generated from industrial and specialty services provided to refineries, mines, upgraders, chemical plants, pulp and paper mills, manufacturing facilities, power generation facilities and other industrial customers throughout North America. Services include in-plant cleaning and maintenance services, plant outage and turnaround

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services, decoking and pigging, chemical cleaning, high and ultra-high pressure water cleaning, pipeline inspection and coating services, large tank and surface impoundment cleaning, oilfield transport, daylighting, production services and directional boring services (previously included in Oil, Gas and Lodging service offerings) supporting drilling, completions and production programs. These services are provided based on purchase orders or agreements with the customer and include prices based upon daily, hourly or job rates for equipment, materials and personnel. The Company recognizes revenue for these services over time, as the customer receives and consumes the benefits of the service as they are being performed and the Company has a right to payment for performance completed to date. The Company uses the input method to recognize revenue over time, based on time and materials incurred.

Safety-Kleen Environmental Services. Safety-Kleen Environmental Services revenues are generated from providing parts washer services, containerized waste handling and disposal services, oil collection services, direct sales of blended oil products, and other complementary services and product sales. Containerized waste services consist of profiling, collecting, transporting and recycling or disposing of a wide variety of waste. Other complementary products and services include vacuum services, sale of allied supply products and other environmental services. Revenues from parts washer services include fees charged to customers for their use of parts washer equipment, to clean and maintain parts washer equipment and to remove and replace used cleaning fluids. Parts washer services are considered a single performance obligation due to the highly integrated and interdependent nature of the arrangement. Revenue from parts washer services is recognized over the service interval as the customer receives the benefit of the service. Collection and transportation revenues are recognized over time, as the customer receives and consumes the benefits of the service as they are being performed and the Company has a right to payment for performance completed to date. The Company uses the input method to recognize revenue over time, based on time and materials incurred. Product revenue is recognized upon the transfer of control. Control transfers when the products are delivered to the customer.

Kleen Performance Products. Kleen Performance Products revenues are generated from sales of high quality base and blended lubricating oils to third-party distributors, government agencies, fleets, railroads and industrial customers. The business also sells recycled fuel oil to asphalt plants, industrial plants, blenders, pulp and paper companies, vacuum gas oil producers and marine diesel oil producers. Revenue for oil products is recognized at a point in time, upon the transfer of control. Control transfers when the products are delivered to the customer.

Oil, Gas and Lodging Services and Other. Oil, Gas and Lodging Services and Other is primarily comprised of revenues generated from providing Oil and Gas Field Services that support upstream activities such as exploration and drilling for oil and gas companies and Lodging Services to customers in Western Canada. The Company recognizes Oil and Gas Field Services revenue over time, as the customer receives and consumes the benefits of the service as they are being performed and the Company has a right to payment for performance completed to date. The Company uses the input method to recognize revenue over time, based on time and materials incurred. Revenue for lodging accommodation services is recognized over time based on passage of time. Revenue for manufacturing services is recognized over time using a cost-to-cost measure of progress or completed units to depict the transfer of assets to the customer.

Contract Balances

| | June 30, 2018 | December 31, 2017 | June 30, 2017 | December 31, 2016 |
|---|---|---|---|---|
| Receivables | $590,580 | $ 528,924 | $512,375 | $ 496,226 |
| Contract Assets (Unbilled Receivables) | 62,762 | 35,922 | 46,576 | 36,190 |
| Contract Liabilities (Deferred Revenue) | 68,705 | 67,822 | 72,089 | 64,397 |

The timing of revenue recognition, billings and cash collections results in billed accounts receivable, unbilled receivables (contract assets), and customer advances and deposits or deferred revenue (contract liabilities) on the

Consolidated Balance Sheet. Generally, billing occurs subsequent to revenue recognition, as a right to payment is not just subject to passage of time, resulting in contract assets. Contract assets are generally classified as current. The Company sometimes receives advances or deposits from its customers before revenue is recognized, resulting in contract liabilities. These assets and liabilities are reported on the Consolidated Balance Sheet on a contract-by-contract basis at the end of each reporting period. As part of the acquisition of the Veolia Business on February 23, 2018, the Company acquired receivables and contract assets of $20.5 million and $17.6 million, respectively. Changes in the contract asset and liability balances during the six-month period ended June 30, 2018 and June 30, 2017 were not materially impacted by any other factors. The contract liability balances at the beginning of each period presented were fully recognized in the subsequent three-month period.

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Remaining Performance Obligations

Remaining performance obligations represent the transaction price of orders for which work has not been performed. As of June 30, 2018, all remaining performance obligations were for contracts with an original expected length of one year or less.

Variable Consideration

The nature of the Company's contracts gives rise to certain types of variable consideration, including in limited cases volume and payment discounts. The Company estimates the amount of variable consideration to include in the estimated transaction price based on historical experience, anticipated performance and its best judgment at the time and to the extent it is probable that a significant reversal of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is resolved. Variable consideration was not material in any of the periods presented.

Contract Costs

Contract costs include direct and incremental costs to obtain or fulfill a contract. The Company’s contract costs that are subject to capitalization are comprised of costs associated with parts washer services and costs associated with the treatment and disposal of waste. Parts washer costs include costs of solvent, commissions paid relating to revenue generated from parts washer services, and transportation costs associated with transferring the product picked up from the services as it is returned to the Company’s facilities or a third party site. Costs related to the treatment of waste include costs for waste receiving, drum movement and storage, waste consolidation and transportation between facilities. Deferred costs associated with parts washer services are amortized ratably over the average service interval, which ranges between seven and 14 weeks. Deferred costs related to treatment and disposal of waste are recognized when the corresponding waste is disposed of and are included in Deferred Costs within total current assets in the Company’s consolidated balance sheets. The deferred contract cost balances at the beginning of each period presented were fully recognized in cost of revenue in the subsequent three-month period.

(4) BUSINESS COMBINATIONS

2018 Acquisition

On February 23, 2018, the Company completed the acquisition of the U.S. Industrial Cleaning Business of Veolia Environmental Services North America LLC (the "Veolia Business"). The acquisition will provide significant scale and industrial services capabilities while increasing the size of the Company's existing U.S. Industrial Services business. The Company acquired the Veolia Business for a purchase price of $120.0 million subject to certain post-closing adjustments. The acquisition was financed with cash on hand. The amount of revenue from the Veolia Business included in the Company's results of operations for the three and six months ended June 30, 2018 was $46.3 million and $63.9 million, respectively. The amount of pre-tax income for the three and six months ended June 30, 2018 was $2.1 million and $3.3 million, respectively. During the three and six months ended June 30, 2018, the Company incurred acquisition-related costs of approximately $0.4 million and $0.9 million, respectively, in connection with the transaction which are included in selling, general and administrative expenses in the consolidated statements of operations.

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The allocation of the purchase price was based on preliminary estimates of the fair value of assets acquired and liabilities assumed as of February 23, 2018, as the Company is continuing to obtain information to complete its valuation of these accounts and the associated tax accounting. The components and preliminary allocation of the purchase price consist of the following amounts (in thousands):

| | At Acquisition Date | Measurement Period Adjustments | At Acquisition Date As Reported June 30, 2018 |
|---|---|---|---|
| Accounts receivable, including unbilled receivables | $ 40,773 | $ (2,691) | $ 38,082 |
| Inventories and supplies | 1,442 | (316) | 1,126 |
| Prepaid expenses and other current assets | 1,005 | (80) | 925 |
| Property, plant and equipment | 72,244 | — | 72,244 |
| Permits and other intangibles | 5,140 | — | 5,140 |
| Current liabilities | (15,908) | (2,631) | (18,539) |
| Closure and post-closure liabilities | (604) | — | (604) |
| Total identifiable net assets | 104,092 | (5,718) | 98,374 |
| Goodwill | 15,908 | 5,718 | 21,626 |
| Total purchase price | $ 120,000 | $ — | $ 120,000 |

The weighted average amortization period for the intangibles acquired is 8.2 years. The excess of the total purchase price, which includes the aggregate cash consideration paid in excess of the fair value of the tangible net assets and intangible assets acquired, was recorded as goodwill. The goodwill recognized is attributable to the expected operating synergies and growth potential that the Company expects to realize from this acquisition. Goodwill generated from the acquisition is deductible for tax purposes.

Pro forma revenue and earnings amounts on a combined basis as if this acquisition had been completed on January 1, 2017 are immaterial to the consolidated financial statements of the Company since that date.

2017 Acquisitions

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 supports the Company's growth in the daylighting and hydro excavation services markets. In addition to increasing the size of the Company's hydro vac fleet, Lonestar's network of locations provides the Company with direct access to key geographic markets in both the United States and Canada. The acquired company is included in the Environmental Services segment. In connection with this acquisition, a goodwill amount of $2.8 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. 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 segment. In connection with this acquisition, a goodwill amount of $5.0 million was recognized.

Pro forma revenue and earnings amounts on a combined basis as if these acquisitions had been completed on January 1, 2017 are immaterial to the consolidated financial statements of the Company since that date.

(5) DISPOSITION OF BUSINESS

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 sale price was $45.5 million. The Transformer Services business was a non-core business previously included within the legacy Technical Services operating segment.

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The following table presents income attributable to the Transformer Services business included in the Company's consolidated results of operations for the three and six months ended June 30, 2017 (in thousands):

| | Three Months Ended June 30, 2017 | Six Months Ended June 30, 2017 |
|---|---|---|
| Income before provision for income taxes | $ 1,873 | $ 2,771 |

(6) INVENTORIES AND SUPPLIES

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

| | June 30, 2018 | December 31, 2017 |
|---|---|---|
| Oil and oil products | $ 68,125 | $ 58,142 |
| Supplies and drums | 100,118 | 94,242 |
| Solvent and solutions | 9,230 | 9,167 |
| Modular camp accommodations | 2,494 | 1,826 |
| Other | 13,577 | 12,635 |
| Total inventories and supplies | $ 193,544 | $ 176,012 |

As of June 30, 2018 and December 31, 2017, other inventories consisted primarily of parts washer components, cleaning fluids, absorbents and automotive fluids, such as windshield washer fluid and antifreeze. Supplies and drums consisted primarily of drums and containers as well as critical spare parts to support the Company's incinerator and re-refinery operations.

(7) PROPERTY, PLANT AND EQUIPMENT

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

| | June 30, 2018 | December 31, 2017 |
|---|---|---|
| Land | $ 123,984 | $ 121,658 |
| Asset retirement costs (non-landfill) | 14,780 | 14,593 |
| Landfill assets | 145,068 | 144,539 |
| Buildings and improvements | 429,880 | 414,384 |
| Camp equipment | 161,899 | 170,012 |
| Vehicles | 689,846 | 617,959 |
| Equipment | 1,675,920 | 1,644,102 |
| Furniture and fixtures | 5,623 | 5,708 |
| Construction in progress | 39,569 | 57,618 |
| | 3,286,569 | 3,190,573 |
| Less - accumulated depreciation and amortization | 1,677,187 | 1,603,208 |
| Total property, plant and equipment, net | $ 1,609,382 | $ 1,587,365 |

Interest in the amount of $0.1 million and $0.4 million was capitalized to property, plant and equipment during the three and six months ended June 30, 2018, respectively. Interest in the amount of $0.1 million and $0.2 million was capitalized to property, plant and equipment during the three and six months ended June 30, 2017, respectively. Depreciation expense, inclusive of landfill amortization, was $64.2 million and $129.8 million for the three and six months ended June 30, 2018, respectively. Depreciation expense, inclusive of landfill amortization, was $61.8 million and $125.2 million for the three and six months ended June 30, 2017, respectively.

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## (8) GOODWILL AND OTHER INTANGIBLE ASSETS

The changes in goodwill by segment for the six months ended June 30, 2018 were as follows (in thousands):

| | Environmental Services | Safety-Kleen | Totals |
|---|---|---|---|
| Balance at January 1, 2018 | $ 172,386 | $ 306,137 | $478,523 |
| Increase from current period acquisition | 21,626 | — | 21,626 |
| Measurement period adjustments from prior period acquisitions | (78 ) | — | (78 ) |
| Foreign currency translation | (1,305 ) | (1,515 ) | (2,820 ) |
| Balance at June 30, 2018 | $ 192,629 | $ 304,622 | $497,251 |

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.

As discussed in Note 18, “Segment Reporting,” during the first quarter of fiscal year 2018 and as a result of operational and managerial changes in several of the Company’s businesses, the identification of operating segments in accordance with ASC 280, Segment Information, was changed. As a result of the Company's conclusions around the identification of operating segments, the Company also concluded that, for purposes of reviewing for potential goodwill impairment, it now has four reporting units, consisting of Environmental Sales and Service, Environmental Facilities, Kleen Performance Products and Safety-Kleen Environmental Services. The Company allocated goodwill to the newly identified reporting units using a relative fair value approach. In addition, the Company completed an assessment of any potential goodwill impairment for all reporting units immediately prior and subsequent to the reallocation and determined that no impairment existed.

As of June 30, 2018 and December 31, 2017, the Company's total finite-lived and indefinite-lived intangible assets consisted of the following (in thousands):

| | June 30, 2018 | | | December 31, 2017 | | |
|---|---|---|---|---|---|---|
| | Cost | Accumulated Amortization | Net | Cost | Accumulated Amortization | Net |
| Permits | $175,317 | $ 76,707 | $98,610 | $174,721 | $ 74,347 | $100,374 |
| Customer and supplier relationships | 399,012 | 170,866 | 228,146 | 399,224 | 158,972 | 240,252 |
| Other intangible assets | 37,431 | 31,107 | 6,324 | 36,766 | 31,592 | 5,174 |
| Total amortizable permits and other intangible assets | 611,760 | 278,680 | 333,080 | 610,711 | 264,911 | 345,800 |
| Indefinite lived trademarks and trade names | 122,840 | — | 122,840 | 123,328 | — | 123,328 |
| Total permits and other intangible assets | $734,600 | $ 278,680 | $455,920 | $734,039 | $ 264,911 | $469,128 |

Amortization expense of permits and other intangible assets was $8.6 million and $17.8 million in the three and six months ended June 30, 2018, respectively. Amortization expense of permits and other intangible assets was $9.7 million and $18.8 million in the three and six months ended June 30, 2017, respectively.

The expected amortization of the net carrying amount of finite-lived intangible assets at June 30, 2018 was as follows (in thousands):

| Years Ending December 31, | Expected Amortization |
|---|---|
| 2018 (six months) | $ 16,927 |
| 2019 | 32,143 |
| 2020 | 29,850 |
| 2021 | 27,381 |
| 2022 | 27,222 |
| Thereafter | 199,557 |
| | $ 333,080 |

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## (9) ACCRUED EXPENSES

Accrued expenses consisted of the following at June 30, 2018 and December 31, 2017 (in thousands):

| | June 30, 2018 | December 31, 2017 |
|---|---|---|
| Insurance | $68,701 | $ 57,889 |
| Interest | 12,693 | 12,660 |
| Accrued compensation and benefits | 56,073 | 55,861 |
| Income, real estate, sales and other taxes | 27,116 | 27,330 |
| Other | 35,552 | 34,242 |
| | $200,135 | $ 187,982 |

## (10) CLOSURE AND POST-CLOSURE LIABILITIES

The changes to closure and post-closure liabilities (also referred to as "asset retirement obligations") from January 1, 2018 through June 30, 2018 were as follows (in thousands):

| | Landfill Retirement Liability | Non-Landfill Retirement Liability | Total |
|---|---|---|---|
| Balance at January 1, 2018 | $ 32,382 | $ 28,655 | $61,037 |
| Liabilities assumed in acquisition | — | 604 | 604 |
| New asset retirement obligations | 1,478 | — | 1,478 |
| Accretion | 1,284 | 1,245 | 2,529 |
| Changes in estimates recorded to statement of operations | — | 85 | 85 |
| Changes in estimates recorded to balance sheet | 430 | — | 430 |
| Expenditures | (359) | (88) | (447) |
| Currency translation and other | (127) | (85) | (212) |
| Balance at June 30, 2018 | $ 35,088 | $ 30,416 | $65,504 |

All of the landfill facilities included in the above were active as of June 30, 2018. There were no significant charges (benefits) in 2018 resulting from changes in estimates for closure and post-closure liabilities.

New asset retirement obligations incurred during the first six months of 2018 were discounted at the credit-adjusted risk-free rate of 5.66%.

## (11) REMEDIAL LIABILITIES

The changes to remedial liabilities for the six months ended June 30, 2018 were as follows (in thousands):

| | Remedial Liabilities for Landfill Sites | Remedial Liabilities for Inactive Sites | Remedial Liabilities (Including Superfund) for Non-Landfill Operations | Total |
|---|---|---|---|---|
| Balance at January 1, 2018 | $ 1,800 | $ 65,342 | $ 57,326 | $124,468 |
| Accretion | 43 | 1,375 | 931 | 2,349 |
| Changes in estimates recorded to statement of operations | — | 83 | (841) | (758) |
| Expenditures | (23) | (1,939) | (2,176) | (4,138) |
| Currency translation and other | — | 882 | (1,528) | (646) |
| Balance at June 30, 2018 | $ 1,820 | $ 65,743 | $ 53,712 | $121,275 |

In the six months ended June 30, 2018, there were no significant charges (benefits) resulting from changes in estimates for remedial liabilities.

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(12) FINANCING ARRANGEMENTS

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

| | June 30, 2018 | December 31, 2017 |
|---|---|---|
| Senior secured Term Loan Agreement ("Term Loan Agreement") | $4,000 | $4,000 |
| Current portion of long-term obligations, at carrying value | $4,000 | $4,000 |
| | | |
| Senior secured Term Loan Agreement due June 30, 2024 | $392,000 | $394,000 |
| Senior unsecured notes, at 5.25%, due August 1, 2020 ("2020 Notes") | 400,000 | 400,000 |
| Senior unsecured notes, at 5.125%, due June 1, 2021 ("2021 Notes") | 845,000 | 845,000 |
| Long-term obligations, at par | $1,637,000 | $1,639,000 |
| Unamortized debt issuance costs and premium, net | (12,273) | (13,463) |
| Long-term obligations, at carrying value | $1,624,727 | $1,625,537 |
| | | |
| Total current and long-term obligations, at carrying value | $1,628,727 | $1,629,537 |

On April 17, 2018, the Company, and substantially all of the Company's domestic subsidiaries as guarantors, entered into the first amendment (“First Amendment”) of the Term Loan Agreement. The First Amendment reduced the applicable interest rate margin for the Company’s initial term loans outstanding (the "Term Loans") under the Term Loan Agreement by 25 basis points for both Eurocurrency borrowings and base rate borrowings. After giving effect to the repricing, the applicable interest rate margin for the Term Loans are 1.75% for Eurocurrency borrowings and 0.75% for base rate borrowings.

On July 19, 2018, the Company, and substantially all of the Company’s domestic subsidiaries as guarantors, entered into an Incremental Facility Amendment (the “Incremental Facility Amendment”) to the Company’s existing Term Loan Agreement. The Incremental Facility Amendment increases the principal amount of the initial term loans (the “Initial Term Loans”) outstanding under the Term Loan Agreement by $350.0 million and, as a result of such increase, an aggregate of $746.0 million of principal was outstanding at July 19, 2018. Initial Term 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 January 19, 2019, 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.

Concurrently with the closing on July 19, 2018 of the Incremental Facility Amendment, the Company purchased $322.0 million aggregate principal of 2020 Notes. Total amount paid in purchasing the 2020 Notes was $330.9 including $7.9 million of accrued interest.

On August 1, 2018, the Company redeemed the remaining $78.0 million outstanding 2020 Notes. In connection with the redemption of the $78.0 million of 2020 Notes, the Company borrowed $50.0 million under the Company's revolving credit facility.

At June 30, 2018 and December 31, 2017, the fair value of the Term Loans was $394.5 million and $400.5 million, respectively, based on quoted market prices or other available market data. At June 30, 2018 and December 31, 2017, the fair value of the Company's 2020 Notes was $400.9 million and $404.6 million, respectively, based on quoted market prices for the instrument. At June 30, 2018 and December 31, 2017, the fair value of the Company's 2021 Notes was $848.6 million and $855.7 million, respectively, based on quoted market prices for the instrument. The fair values of the Term Loans, 2020 Notes and 2021 Notes are considered Level 2 measures according to the fair value hierarchy.

The Company also maintains a $400.0 million revolving credit facility under which the Company had no outstanding loan balances as of June 30, 2018 and December 31, 2017. At June 30, 2018, approximately $244.3 million was available to borrow and outstanding letters of credit were $132.4 million. At December 31, 2017, $217.8 million was available to borrow and outstanding letters of credit were $134.1 million.

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## (13) EARNINGS PER SHARE

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

| | Three Months Ended | | Six Months Ended | |
|---|---|---|---|---|
| | June 30, | | June 30, | |
| | 2018 | 2017 | 2018 | 2017 |
| Numerator for basic and diluted earnings per share: | | | | |
| Net income | $ 30,747 | $ 25,880 | $18,116 | $4,487 |
| | | | | |
| Denominator: | | | | |
| Basic shares outstanding | 56,410 | 57,190 | 56,304 | 57,226 |
| Dilutive effect of equity-based compensation awards | 95 | 146 | 95 | 123 |
| Dilutive shares outstanding | 56,505 | 57,336 | 56,399 | 57,349 |
| | | | | |
| Basic income per share: | $ 0.55 | $ 0.45 | $0.32 | $0.08 |
| | | | | |
| Diluted income per share: | $ 0.54 | $ 0.45 | $0.32 | $0.08 |

For the three months ended June 30, 2018 and June 30, 2017, the dilutive effect of all then outstanding restricted stock and performance awards is included in the EPS calculation above except for 146,159 and 142,503 of performance stock awards for which the performance criteria were not attained at that time and 136,155 and 14,699, respectively, of restricted stock awards which were antidilutive at that time.

For the six months ended June 30, 2018 and June 30, 2017, the dilutive effect of all then outstanding restricted stock and performance awards is included in the EPS calculation above except for 146,159 and 142,503 of performance stock awards for which the performance criteria were not attained at that time and 130,932 and 21,013, respectively, of restricted stock awards which were antidilutive at that time.

## (14) ACCUMULATED OTHER COMPREHENSIVE LOSS

The changes in accumulated other comprehensive loss by component and related tax effects for the six months ended