

WASTE MANAGEMENT INC
Form 10-Q
April 28, 2016

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 March 31, 2016

**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 Street

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

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

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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 April 18, 2016 was 444,261,668 (excluding treasury shares of 186,020,793).

PART I.

Item 1. *Financial Statements.*

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

	March 31, 2016 (Unaudited)	December 31, 2015
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 104	\$ 39
Accounts receivable, net of allowance for doubtful accounts of \$26 and \$25, respectively	1,532	1,549
Other receivables	456	545
Parts and supplies	92	92
Other assets	118	120
Total current assets	2,302	2,345
Property and equipment, net of accumulated depreciation and amortization of \$16,597 and \$16,420, respectively	10,796	10,665
Goodwill	6,215	5,984
Other intangible assets, net	645	477
Investments in unconsolidated entities	371	360
Other assets	452	536
Total assets	\$ 20,781	\$ 20,367
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable	\$ 591	\$ 721
Accrued liabilities	980	1,064
Deferred revenues	465	472
Current portion of long-term debt	524	253
Total current liabilities	2,560	2,510
Long-term debt, less current portion	9,072	8,676
Deferred income taxes	1,438	1,391
Landfill and environmental remediation liabilities	1,606	1,584
Other liabilities	795	839
Total liabilities	15,471	15,000
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	4,795	4,827
Retained earnings	7,012	6,939
Accumulated other comprehensive income (loss)	(58)	(127)

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Treasury stock at cost, 185,558,853 and 183,105,326 shares, respectively	(6,465)	(6,300)
Total Waste Management, Inc. stockholders' equity	5,290	5,345
Noncontrolling interests	20	22
Total equity	5,310	5,367
Total liabilities and equity	\$ 20,781	\$ 20,367

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 March 31,	
	2016	2015
Operating revenues	\$ 3,176	\$ 3,040
Costs and expenses:		
Operating	1,993	1,946
Selling, general and administrative	362	348
Depreciation and amortization	312	292
Restructuring	2	1
(Income) expense from divestitures, asset impairments and unusual items	(1)	13
	2,668	2,600
Income from operations	508	440
Other income (expense):		
Interest expense, net	(95)	(104)
Loss on early extinguishment of debt	(1)	(550)
Equity in net losses of unconsolidated entities	(7)	(8)
Other, net	(9)	
	(112)	(662)
Income (loss) before income taxes	396	(222)
Provision for (benefit from) income taxes	140	(91)
Consolidated net income (loss)	256	(131)
Less: Net income (loss) attributable to noncontrolling interests	(2)	(2)
Net income (loss) attributable to Waste Management, Inc.	\$ 258	\$ (129)
Basic earnings (loss) per common share	\$ 0.58	\$ (0.28)
Diluted earnings (loss) per common share	\$ 0.58	\$ (0.28)
Cash dividends declared per common share	\$ 0.41	\$ 0.385

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(In Millions)

(Unaudited)

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	Three Months Ended	
	March 31,	
	2016	2015
Consolidated net income (loss)	\$ 256	\$ (131)
Other comprehensive income (loss), net of taxes:		
Derivative instruments, net	7	3
Available-for-sale securities, net	1	
Foreign currency translation adjustments	61	(76)
Other comprehensive income (loss), net of taxes	69	(73)
Comprehensive income (loss)	325	(204)
Less: Comprehensive income (loss) attributable to noncontrolling interests	(2)	(2)
Comprehensive income (loss) attributable to Waste Management, Inc.	\$ 327	\$ (202)

See notes to Condensed Consolidated Financial Statements.

WASTE MANAGEMENT, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Millions)

(Unaudited)

	Three Months Ended March 31,	
	2016	2015
Cash flows from operating activities:		
Consolidated net income (loss)	\$ 256	\$ (131)
Adjustments to reconcile consolidated net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	312	292
Deferred income tax provision	32	38
Interest accretion on landfill liabilities	22	21
Interest accretion on and discount rate adjustments to environmental remediation liabilities and recovery assets	1	1
Provision for bad debts	11	12
Equity-based compensation expense	30	20
Excess tax benefits associated with equity-based transactions	(7)	(7)
Net gain from disposal of assets	(5)	(7)
Effect of (income) expense from divestitures, asset impairments and unusual items and other, net	(1)	13
Equity in net losses of unconsolidated entities, net of dividends	7	8
Loss on early extinguishment of debt	1	550
Change in operating assets and liabilities, net of effects of acquisitions and divestitures:		
Receivables	111	(59)
Other current assets	(11)	(4)
Other assets	75	(19)
Accounts payable and accrued liabilities	(109)	(195)
Deferred revenues and other liabilities	(19)	(34)
Net cash provided by operating activities	706	499
Cash flows from investing activities:		
Acquisitions of businesses, net of cash acquired	(537)	(445)
Capital expenditures	(317)	(233)
Proceeds from divestitures of businesses and other assets (net of cash divested)	13	19
Net receipts from restricted trust and escrow accounts		34
Other, net	(6)	(3)
Net cash used in investing activities	(847)	(628)
Cash flows from financing activities:		
New borrowings	1,301	1,817
Debt repayments	(647)	(2,029)
Premiums paid on early extinguishment of debt	(1)	(554)
Common stock repurchases	(250)	
Cash dividends	(183)	(176)
Exercise of common stock options	18	39
Excess tax benefits associated with equity-based transactions	7	7
Other, net	(39)	(2)
Net cash provided by (used in) financing activities	206	(898)
Effect of exchange rate changes on cash and cash equivalents		(3)

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Increase (decrease) in cash and cash equivalents	65	(1,030)
Cash and cash equivalents at beginning of period	39	1,307
Cash and cash equivalents at end of period	\$ 104	\$ 277

See notes to Condensed Consolidated Financial Statements.

WASTE MANAGEMENT, INC.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(In Millions, Except Shares in Thousands)

(Unaudited)