

Heritage-Crystal Clean, Inc.
Form 10-Q
October 23, 2009

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 12, 2009

OR

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

For the transition period from _____ to _____

Commission File Number 001-33987

HERITAGE-CRYSTAL CLEAN, INC.
(Exact name of registrant as specified in its charter)

Delaware
State or other jurisdiction of
Incorporation

26-0351454
(I.R.S. Employer
Identification No.)

2175 Point Boulevard
Suite 375
Elgin, IL 60123
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code (847) 836-5670

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 (§232.405 of this chapter) 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, or a non-accelerated filer. See 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

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

Number of shares outstanding of registrant's class of common stock as of October 9, 2009: 10,708,471

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PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

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Heritage-Crystal Clean, Inc.
 Consolidated Balance Sheets
 (In Thousands, Except Share and Par Value Amounts)
 (Unaudited)

	September 12, 2009	January 3, 2009
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 1,190	\$ 327
Receivables:		
Trade, net of allowance for doubtful accounts of \$369 and \$616 at September 12, 2009 and January 3, 2009, respectively	12,183	14,040
Trade - affiliates	184	331
Other	133	245
Total receivables	12,500	14,616
Income tax refund	—	480
Inventory – net	9,303	10,609
Deferred tax assets	794	942
Prepaid income taxes	701	901
Prepaid and other current assets	1,811	1,386
Total Current Assets	26,299	29,261
Property, plant and equipment:		
Land	183	—
Buildings and storage tanks	3,615	—
Leasehold improvements	503	758
In-service equipment	27,045	24,634
Machinery, vehicles and equipment	11,705	11,492
Construction in progress	731	427
	43,782	37,311
Less: Accumulated depreciation	(18,786)	(16,433)
Net property, plant and equipment	24,996	20,878
Software and intangible assets, net of accumulated amortization of \$1,824 and \$1,524 at September 12, 2009 and January 3, 2009, respectively	2,875	1,877
Total Assets	\$ 54,170	\$ 52,016
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	\$ 5,536	\$ 5,227
Accounts payable – affiliates	254	534
Accrued salaries, wages and benefits	2,037	1,920
Taxes payable	1,051	978
Accrued workers compensation	644	526
Other accrued expenses	698	876
Total Current Liabilities	10,220	10,061
Note payable – bank	—	20
Deferred tax liabilities	718	379

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Total Liabilities	10,938	10,460
Commitments and contingencies		
STOCKHOLDERS' EQUITY:		
Common stock – 15,000,000 shares authorized at \$0.01 par value, 10,704,643 and 10,680,609 shares issued and outstanding at September 12, and January 3, 2009, respectively		
	107	107
Additional paid-in capital	43,048	42,643
Retained earnings (accumulated deficit)	77	(1,194)
Total Stockholders' Equity	43,232	41,556
Total Liabilities and Stockholders' Equity	\$ 54,170	\$ 52,016

Heritage-Crystal Clean, Inc.
Consolidated Statements of Operations
(In Thousands, Except per Share Amounts)
(Unaudited)

	Third Quarter Ended,		First Three Quarters Ended,	
	September 12, 2009	September 6, 2008	September 12, 2009	September 6, 2008
Sales	\$22,284	\$ 25,646	\$ 68,441	\$ 73,482
Cost of sales	5,553	6,020	18,290	17,936
Gross profit	16,731	19,626	50,151	55,546
Operating costs	11,772	12,523	36,105	36,640
Selling, general, and administrative expenses	3,834	4,278	11,664	15,042
Operating income	1,125	2,825	2,382	3,864
Interest expense – net	3	24	3	395
Loss on retirement of fixed assets – net	100	—	159	—
Income before income taxes	1,022	2,801	2,220	3,469
Provision for income taxes	453	1,179	949	3,206
Net income	569	1,622	1,271	263
Preferred return	—	—	—	339
Net income (loss) available to common stockholders	\$569	\$ 1,622	\$ 1,271	\$ (76)
Net income (loss) per share available to common stockholders: basic	\$0.05	\$ 0.15	\$ 0.12	\$ (0.01)
Net income (loss) per share available to common stockholders: diluted	\$0.05	\$ 0.15	\$ 0.12	\$ (0.01)
Number of weighted average common shares outstanding: basic	10,704	10,675	10,696	9,657
Number of weighted average common shares outstanding: diluted	10,834	10,848	10,753	9,657

Heritage-Crystal Clean, Inc.

Consolidated Statement of Stockholders' Equity
(In Thousands, Except Share Amounts)
(Unaudited)

	Shares	Par Value	Paid-in Capital	(Accumulated Deficit) Retained Earnings	Total
Balance, January 3, 2009	10,680,609	\$ 107	\$ 42,643	\$ (1,194)	\$ 41,556
Net income	—	—	—	1,271	1,271
Issuance of common stock – ESPP	14,962	—	158	—	158
Vested restricted common stock	9,072	—	—	—	—
Share-based compensation	—	—	247	—	247
Balance, September 12, 2009	10,704,643	\$ 107	\$ 43,048	\$ 77	\$ 43,232

Heritage-Crystal Clean, Inc.
Consolidated Statements of Cash Flows
(In Thousands)
(Unaudited)

	First Three Quarters Ended,	
	September 12, 2009	September 6, 2008
Cash Flows from Operating Activities:		
Net income	\$ 1,271	\$ 263
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	2,858	2,441
Bad debt provision	576	584
Share-based compensation	247	3,333
Deferred rent	64	—
Deferred tax expense	486	1,048
Changes in operating assets and liabilities:		
Decrease (increase) in accounts receivable	1,541	(2,654)
Decrease (increase) in income tax refunds	480	—
Decrease (increase) in inventory	1,306	(4,082)
Decrease (increase) in prepaid and other current assets	(225)	(730)
Increase (decrease) in accounts payable	43	210
Increase (decrease) in accrued expenses	67	1,824
Cash provided by operating activities	8,714	2,237
Cash flows from Investing Activities:		
Capital expenditures	(6,690)	(3,436)
Software and intangible asset costs	(1,299)	(489)
Cash used in investing activities	(7,989)	(3,925)
Cash flows from Financing Activities:		
Proceeds from issuance of common stock, net of offering costs	158	34,220
Proceeds from note payable – bank	3,800	30,760
Repayments of note payable – bank	(3,820)	