

STERICYCLE INC
Form 10-Q
August 08, 2007

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 June 30, 2007 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 0-21229

Stericycle, Inc.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

36-3640402

(IRS Employer Identification Number)

28161 North Keith Drive

Lake Forest, Illinois 60045

(Address of principal executive offices including zip code)

(847) 367-5910

(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 reports), and (2) has been subject to such filing requirements for the past 90 days. YES NO

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See the definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one)

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Large accelerated filer Accelerated filer Non-accelerated filer

Indicate by check mark whether the Registrant is a shell company (as defined in Exchange Act Rule 12b-2). YES
NO

As of July 31, 2007 there were 87,621,634 shares of the Registrant's Common Stock outstanding.

Stericycle, Inc.

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PART I. FINANCIAL INFORMATION**ITEM 1. FINANCIAL STATEMENTS****STERICYCLE, INC. AND SUBSIDIARIES****CONDENSED CONSOLIDATED BALANCE SHEETS**

In thousands, except share and per share data

| | June 30, 2007 (Unaudited) | December 31, 2006 (Audited) |
|---|--|--|
| ASSETS | | |
| Current Assets: | | |
| Cash and cash equivalents | \$ 1,707 | \$ 13,492 |
| Short-term investments | 600 | 2,548 |
| Accounts receivable, less allowance for doubtful | | |
| accounts of \$6,017 in 2007 and \$5,411 in 2006 | 154,293 | 130,354 |
| Deferred tax assets | 14,674 | 16,072 |
| Assets of disposal group held for sale | -- | 33,674 |
| Other current assets | 23,843 | 22,462 |
| Total Current Assets | 195,117 | 218,602 |
| Property, Plant and Equipment, net | 177,182 | 156,953 |
| Other Assets: | | |
| Goodwill | 887,379 | 813,973 |
| Intangible assets, less accumulated amortization of | | |
| \$13,098 in 2007 and \$11,454 in 2006 | 134,160 | 115,879 |
| Notes receivable | 15,327 | 14,546 |
| Other | 6,015 | 7,953 |
| Total Other Assets | 1,042,881 | 952,351 |
| Total Assets | \$ 1,415,180 | \$ 1,327,906 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| Current liabilities: | | |
| Current portion of long-term debt | \$ 14,219 | \$ 22,681 |
| Accounts payable | 32,207 | 25,033 |

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| | | |
|---|---------------------|---------------------|
| Accrued liabilities | 69,144 | 75,434 |
| Deferred revenue | 14,021 | 11,662 |
| Liabilities of disposal group held for sale | -- | 7,221 |
| Total Current Liabilities | 129,591 | 142,031 |
| Long-term debt, net of current portion | 508,746 | 443,115 |
| Deferred income tax | 114,932 | 105,521 |
| Other liabilities | 12,637 | 12,158 |
| Common Shareholders' Equity: | | |
| Common stock (par value \$.01 per share, 120,000,000 | | |
| shares authorized, 87,534,190 issued and outstanding | | |
| in 2007, 88,503,930 issued and outstanding in 2006 | 876 | 886 |
| Additional paid-in capital | 210,830 | 252,125 |
| Accumulated other comprehensive income | 9,343 | 5,229 |
| Retained earnings | 428,225 | 366,841 |
| Total Shareholders' Equity | 649,274 | 625,081 |
| Total Liabilities and Shareholders' Equity | \$ 1,415,180 | \$ 1,327,906 |

The accompanying notes are integral part of these financial statements.

STERICYCLE, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(Unaudited)

In thousands, except share and per share data

| | Three Months Ended | | Six Months Ended | |
|---|--------------------|------------------|------------------|------------------|
| | June 30, | | June 30, | |
| | 2007 | 2006 | 2007 | 2006 |
| Revenues | \$ 232,845 | \$ 198,424 | \$ 443,894 | \$ 377,673 |
| Costs and Expenses: | | | | |
| Cost of revenues | 122,577 | 105,883 | 234,196 | 201,726 |
| Selling, general and administrative expenses | 42,192 | 34,903 | 78,895 | 66,637 |
| Depreciation and amortization | 7,708 | 6,713 | 14,846 | 13,008 |
| Gain on sale of business | (1,075) | -- | (1,898) | -- |
| Impairment of intangible assets | 228 | -- | 228 | -- |
| Impairment of fixed assets | 611 | 300 | 1,261 | 300 |
| Acquisition integration expenses | 606 | 664 | 919 | 1,295 |
| Total Costs and Expenses | 172,847 | 148,463 | 328,447 | 282,966 |
| Income from Operations | 59,998 | 49,961 | 115,447 | 94,707 |
| Other Income (Expense): | | | | |
| Interest income | 537 | 251 | 938 | 507 |
| Interest expense | (8,276) | (7,253) | (15,976) | (13,159) |
| Insurance proceeds | -- | -- | 500 | -- |
| Other expense, net | (230) | (1,700) | (783) | (2,230) |
| Total Other Expense | (7,969) | (8,702) | (15,321) | (14,882) |
| Income Before Income Taxes | 52,029 | 41,259 | 100,126 | 79,825 |
| Income Tax Expense | 20,031 | 16,091 | 38,741 | 31,132 |
| Net Income | \$ 31,998 | \$ 25,168 | \$ 61,385 | \$ 48,693 |

Earnings Per Common Share:

| | | | | | | | | |
|---------|----|-------------|----|------|----|-------------|----|------|
| Basic | \$ | 0.37 | \$ | 0.28 | \$ | 0.70 | \$ | 0.55 |
| Diluted | \$ | 0.36 | \$ | 0.28 | \$ | 0.68 | \$ | 0.54 |

Weighted Average Number of

Common Shares Outstanding:

| | | | | |
|---------|-------------------|------------|-------------------|------------|
| Basic | 87,634,365 | 88,461,750 | 87,957,649 | 88,317,702 |
| Diluted | 89,956,735 | 90,621,330 | 90,203,819 | 90,474,400 |

The accompanying notes are integral part of these financial statements.

STERICYCLE, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

In thousands

| | Six Months Ended June 30, | |
|---|---------------------------|-----------|
| | 2007 | 2006 |
| OPERATING ACTIVITIES: | | |
| Net income | \$ 61,385 | \$ 48,693 |
| Adjustments to reconcile net income to net cash provided by | | |
| operating activities: | | |
| Gain on sale of assets | (1,898) | -- |
| Impairment of fixed assets | 1,261 | 300 |
| Impairment of permit intangible | 228 | -- |
| Write down of investment in securities | -- | 1,000 |
| Stock compensation expense | 5,074 | 5,274 |
| Excess tax benefit of disqualifying dispositions of stock | | |
| options and exercise of non-qualified stock options | (2,444) | (3,141) |
| Depreciation | 13,096 | 11,713 |
| Amortization | 1,750 | 1,295 |
| Deferred income taxes | 8,189 | 3,716 |
| Changes in operating assets and liabilities, net of effect of | | |
| acquisitions and divestitures: | | |
| Accounts receivable | (18,613) | (12,181) |
| Accounts payable | 4,755 | (4,999) |
| Accrued liabilities | (6,584) | 9,540 |
| Deferred revenue | 2,359 | 1,923 |
| Other assets | 1,913 | 1,216 |
| Net cash provided by operating activities | 70,471 | 64,349 |
| INVESTING ACTIVITIES: | | |
| Payments for acquisitions and international investments, | (51,529) | (126,091) |

| | | |
|---|------------------|------------------|
| net of cash acquired | | |
| Proceeds from maturity/(purchase) of short-term investments | 1,948 | (1,964) |
| Proceeds from sale of assets | 26,453 | -- |
| Proceeds from sale of property and equipment | 124 | 215 |
| Capital expenditures | (23,031) | (15,720) |
| Net cash used in investing activities | (46,035) | (143,560) |
| FINANCING ACTIVITIES: | | |
| Proceeds from issuance of note payable | -- | 4,572 |
| Repayment of long-term debt | (32,856) | (12,452) |
| Net borrowings on senior credit facility | 49,142 | 89,120 |
| Principal payments on capital lease obligations | (341) | (749) |
| Purchase/ cancellation of treasury stock | (58,661) | (13,866) |
| Proceeds from other issuance of common stock | 9,473 | 7,925 |
| Excess tax benefit of stock options exercised | 2,444 | 3,141 |
| Net cash (used in)/ provided by financing activities | (30,799) | 77,691 |
| Effect of exchange rate changes on cash | (5,422) | (1,697) |
| Net decrease in cash and cash equivalents | (11,785) | (3,217) |
| Cash and cash equivalents at beginning of period | 13,492 | 7,825 |
| Cash and cash equivalents at end of period | \$ 1,707 | \$ 4,608 |
| NON-CASH ACTIVITIES: | | |
| Net issuance of note payable for certain acquisitions | \$ 37,215 | \$ 27,245 |
| Net issuance of common stock for certain acquisitions | 365 | -- |

The accompanying notes are integral part of these financial statements.

STERICYCLE, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

Unless the context requires otherwise, we, us or our refers to Stericycle, Inc. and its subsidiaries on a consolidated basis.

NOTE 1 BASIS OF PRESENTATION

The accompanying condensed consolidated financial statements have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in annual consolidated financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations; but the Company believes the disclosures in the accompanying condensed consolidated financial statements are adequate to make the information presented not misleading. In our opinion, all adjustments necessary for a fair presentation for the periods presented have been reflected and are of a normal recurring nature. These condensed consolidated financial statements should be read in conjunction with the Consolidated Financial Statements and notes thereto for the year ended December 31, 2006, as filed with our Annual Report on Form 10-K for the year ended December 31, 2006. The results of operations for the six months ended June 30, 2007 are not necessarily indicative of the results that may be achieved for the entire year ending December 31, 2007. As more fully described in Note 5, share and per share data have been adjusted to reflect a 2-for-1 stock split effective May 31, 2007.

NOTE 2 ACQUISITIONS AND DIVESTITURE

During the quarter ended March 31, 2007, we completed five acquisitions, of which three were domestic medical waste businesses, one was a domestic manufacturer of containers that we use in our mail-back program for medical waste, and one was a medical waste business in Latin America. We acquired all of the stock of one domestic business, and we acquired selected assets of the other four businesses.

During the quarter ended June 30, 2007, we completed six acquisitions, of which two were domestic medical waste businesses, three were medical waste businesses in Latin America, and one was a medical waste business in Europe. We acquired all of the stock of the four international businesses, and we acquired selected assets of the two domestic businesses.

The aggregate net purchase price of all our acquisitions, including adjustments for purchase accounting, during the six months ended June 30, 2007 was approximately \$89.1 million, of which \$51.5 million was paid in cash and \$37.2 million was paid by the issuance of promissory notes and \$0.4 million was paid by the issuance of shares of our common stock. These acquisitions were not significant to our operations, either individually or in the aggregate. For financial reporting purposes these acquisition

transactions were accounted for using the purchase method of accounting. The purchase prices of these acquisitions have been primarily allocated to goodwill and are preliminary pending completion of certain intangible asset valuations. For financial reporting purposes these acquisition transactions were accounted for using the purchase method of accounting. The results of operations of these acquired businesses have been included in the consolidated statements of income from the dates of acquisition. These acquisitions resulted in recognition of goodwill in our financial statements because the purchase price reflects the complementary strategic fit that the acquired business brings to us.

In February 2007, we sold three incinerators and associated customer contracts in the United Kingdom to comply with a remedy accepted by United Kingdom Competition Commission, as we reported in our Form 10-K for 2006. The sales price was \$26.5 million and resulted in a gain of \$0.8 million recognized in the quarter ended March 31, 2007 and an additional gain of \$1.1 million recognized in the quarter ended June 30, 2007. The selected assets and related liabilities are presented on our balance sheet at December 31, 2006 as Assets of disposal group held for sale and Liabilities of disposal group held for sale .

NOTE 3 INCOME TAXES

In June 2006, the Financial Accounting Standards Board (FASB) issued FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes - an interpretation of FASB Statement No. 109" ("FIN 48"). This interpretation clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with Statement of Financial Accounting Standards (SFAS) No. 109, Accounting for Income Taxes . This Interpretation prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken, or expected to be taken, in a tax return. This interpretation also provides guidance on de-recognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. We adopted the provisions of FIN 48 on January 1, 2007. The adoption of FIN 48 did not have a material impact on our consolidated financial statements.

We and our subsidiaries file income tax returns in the U.S. federal jurisdiction, and various states and foreign jurisdictions. With a few exceptions, we are no longer subject to U.S. federal, state and local, or non-U.S. income tax examinations by tax authorities for years before 2001. In the third quarter of 2006 the Internal Revenue Service (IRS) commenced an examination of the Company's U.S. income tax return for 2004. This examination was settled in the second quarter of 2007, and we paid an immaterial amount during the third quarter of 2007 for additional tax and interest with respect to adjustments to our deduction for state income tax expense and currency losses. Tax years 2005 and 2006 remain open and subject to examination by the IRS. Tax year for 2006 is open and subject to examination in the Republic of Ireland; tax years 2005 and 2006 are open and subject to examination in the United Kingdom; tax years 2003 through 2006 are open and subject to examination in Canada; and tax years 2002 through 2006 are open and subject to examination in Mexico.

The total amount of income tax contingency reserve as of January 1, 2007 is \$4.4 million, which includes immaterial amounts in interest and penalties and is reflected as a liability on the balance sheet. The amount of income tax contingency reserve that, if recognized, would affect the effective tax rate is approximately \$4.4 million. At June 30, 2007, the balances have not materially changed nor do we expect a significant increase or decrease to these balances over the next twelve months. We recognize interest and penalties accrued related to income tax reserves in income tax expense. This method of accounting is consistent with prior years.

NOTE 4 STOCK BASED COMPENSATION

At June 30, 2007 we have stock options outstanding under the following plans: (i) the 2005 Incentive Stock Plan, which our stockholders approved in April 2005; (ii) the 2000 Nonstatutory Stock Option Plan (the 2000 Plan), which our Board of Directors adopted in February 2000; (iii) the 1997 Stock Option Plan (the 1997 Plan), which expired in January 2007; (iv) the Directors Stock Option Plan (the Directors Plan), which expired in May 2006; and (v) the 1995 Incentive Compensation Plan (the 1995 Plan), which our stockholders approved in September 1995 (and which expired in July 2005) and our employee Stock Purchase Plan (the ESPP) effective as of July 1, 2001, which our stockholders approved in May 2001.

The following table sets forth the expense related to stock compensation (in thousands):

| | Three Months Ended | | Six Months Ended | |
|---------------------------------|--------------------|----------|------------------|----------|
| | June 30, | | June 30, | |
| | 2007 | 2006 | 2007 | 2006 |
| Stock options | \$ 2,522 | \$ 2,612 | \$ 4,877 | \$ 5,126 |
| Employee Stock Purchase Program | 102 | 73 | 197 | 148 |
| Total pre-tax expense | \$ 2,624 | \$ 2,685 | \$ 5,074 | \$ 5,274 |

The following table sets forth the tax benefits related to stock compensation (in thousands):

| | Three Months Ended | | Six Months Ended | |
|----------------------------------|--------------------|--------|------------------|----------|
| | June 30, | | June 30, | |
| | 2007 | 2006 | 2007 | 2006 |
| Tax benefit recognized in income | | | | |
| statement | \$ 1,451 | \$ 917 | \$ 2,388 | \$ 1,895 |
| Excess tax benefit realized | 1,868 | 885 | 2,444 | 3,141 |

The Black-Scholes option-pricing model is used in determining the fair value of each option grant using the assumptions noted in the table below. The expected term of options granted is based on historical experience and represents the period of time that awards granted are expected to be outstanding. Expected volatility is based upon historical volatility of the company's stock. The expected dividend yield is zero. The risk-free interest rate is based on the average of the U.S. Treasury three and five year yield rates which equal the expected term of the option.

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The significant weighted average assumptions relating to the valuation of the stock options granted during the three and six months ended June 30, 2007 and 2006, were as follows:

| | Three Months Ended | | Six Months Ended | |
|--------------------------|--------------------|--------|------------------|--------|
| | June 30, | | June 30, | |
| | 2007 | 2006 | 2007 | 2006 |
| Expected term (in years) | 4.7 | 4.3 | 4.1 | 3.9 |
| Expected volatility | 24.64% | 28.15% | 27.18% | 28.96% |
| Expected dividend yield | 0.00% | 0.00% | 0.00% | 0.00% |
| Risk free interest rate | 4.72% | 5.08% | 4.55% | 4.86% |

The weighted average grant date fair value of the stock options granted during the three and six months ended June 30, 2007 and 2006, was \$12.93 and \$8.57, and \$11.20 and \$8.76, respectively.

Stock option activity for the six months ended June 30, 2007, was as follows:

| | Number of options | Weighted average exercise price per share | Weighted average remaining contractual life (in years) | Aggregate intrinsic value |
|---|----------------------|---|---|---------------------------------|
| Outstanding at December 31, 2006 | 7,037,310 | \$ 20.96 | | |
| Granted | 1,309,928 | 39.06 | | |
| Exercised | (512,250) | 17.01 | | |
| Cancelled or expired | (132,564) | 27.85 | | |
| Outstanding at June 30, 2007 | 7,702,424 | \$ 24.18 | 7.10 | \$ 156,188,841 |
| Exercisable at June 30, 2007 | 3,729,809 | \$ 17.48 | 5.64 | \$ 100,626,618 |
| Vested and expected to vest in the future | | | | |
| at June 30, 2007 | 6,825,573 | \$ 23.16 | 0.80 | \$ 145,377,003 |

The total intrinsic value of options exercised for the three and six months ended June 30, 2007 and 2006 was \$9.1 million and \$2.2 million, and \$12.8 million and \$14.4 million, respectively. Intrinsic value is measured using the fair market value at the date of the exercise (for options exercised) or at June 30, 2007 (for outstanding options), less the applicable exercise price.

As of June 30, 2007, there was \$16.3 million of total unrecognized compensation expense, related to non-vested compensation expense, which is expected to be recognized over a weighted-average period of 2.00 years.

NOTE 5 COMMON STOCK

During the quarter ended March 31, 2007, we repurchased on the open market, and subsequently cancelled, 1,179,572 shares of common stock. The weighted average repurchase price was \$39.06 per share.

During the quarter ended June 30, 2007 our shareholders approved the increase in our authorized shares of common stock from 80,000,000 shares to 120,000,000 shares. In addition, the Board of Directors authorized a 2-for-1 stock split. The stock split was in the form of a stock dividend of one share payable on May 31, 2007 in respect of each share of common stock outstanding on the record date of May 17, 2007, as reported in our current report on Form 8-K filed on May 17, 2007. Historic share and per share amounts have been adjusted to reflect the stock split. During the quarter ended June 30, 2007, we repurchased, and subsequently cancelled, 291,566 shares of common stock. The weighted average repurchase price was \$43.18 per share.

NOTE 6 NET INCOME PER COMMON SHARE

The following table sets forth the computation of basic and diluted net income per share (in thousands, except share and per share data):

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|--------------------------------|------------|------------------------------|------------|
| | 2007 | 2006 | 2007 | 2006 |
| Numerator: | | | | |
| Numerator for basic earnings per share | | | | |
| Net income | \$ 31,998 | \$ 25,168 | \$ 61,385 | \$ 48,693 |
| Denominator: | | | | |
| Denominator for basic earnings per share weighted average share | | | | |
| | 87,634,365 | 88,461,750 | 87,957,649 | 88,317,702 |
| Effect of diluted securities: | | | | |
| Employee stock options | 2,317,753 | 2,159,030 | 2,242,521 | 2,156,194 |
| Warrants | 4,617 | 550 | 3,649 | 504 |
| Dilutive potential share | 2,322,370 | 2,159,580 | 2,246,170 | 2,156,698 |
| Denominator for diluted earnings per share-adjusted weighted average shares and after assumed conversions | | | | |
| | 89,956,735 | 90,621,330 | 90,203,819 | 90,474,400 |
| Earnings per share Basic | \$ 0.37 | \$ 0.28 | \$ 0.70 | \$ 0.55 |
| Earnings per share Diluted | \$ 0.36 | \$ 0.28 | \$ 0.68 | \$ 0.54 |

NOTE 7 COMPREHENSIVE INCOME

The components of total comprehensive income are net income, the change in cumulative currency translation adjustments and gains and losses on derivative instruments qualifying as cash flow hedges. The following table sets forth the components of total comprehensive income for the three and six months ended June 30, 2007 and 2006 (in thousands):

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| | Three Months Ended | | Six Months Ended | |
|------------------------------------|--------------------|-----------|------------------|-----------|
| | June 30, | | June 30, | |
| | 2007 | 2006 | 2007 | 2006 |
| Net income | \$ 31,998 | \$ 25,168 | \$ 61,385 | \$ 48,693 |
| Other comprehensive income: | | | | |
| Currency translation adjustments | 5,180 | 3,017 | 4,566 | 2,588 |
| Net loss on derivative instruments | (389) | (25) | (452) | (95) |
| Other comprehensive income | 4,791 | 2,992 | 4,114 | 2,493 |
| Total comprehensive income | \$ 36,789 | \$ 28,160 | \$ 65,499 | \$ 51,186 |

NOTE 8 GUARANTEE

We have guaranteed a loan to JPMorganChase Bank N.A. on behalf of Shiraishi-Sogyo Co. Ltd (Shiraishi). Shiraishi is a customer in Japan that is expanding their medical waste management business and has a six month loan with a current balance of \$3.9 million with JPMorganChase Bank N.A. that expires in November 2007.

NOTE 9 GOODWILL

We have two geographical reporting segments, United States and Foreign Countries, both of which have goodwill. The changes in the carrying amount of goodwill, net of amortization, for the six months ended June 30, 2007 were as follows (in thousands):

| | United States | Foreign Countries | Total |
|---|---------------|-------------------|------------|
| Balance as of January 1, 2007 | \$ 647,524 | \$ 166,449 | \$ 813,973 |
| Changes due to currency fluctuation | -- | 3,147 | 3,147 |
| Allocated intangibles | 291 | (9,191) | (8,900) |
| Changes in Goodwill for 2006 acquisitions | 93 | 3,151 | 3,244 |

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| | | | |
|-------------------------------|-------------------|-------------------|-------------------|
| Goodwill on 2007 acquisitions | 62,476 | 13,439 | 75,915 |
| Balance as of June 30, 2007 | \$ 710,384 | \$ 176,995 | \$ 887,379 |

During the quarter ended June 30, 2007 we performed our annual goodwill impairment evaluation for our three reporting units, Domestic Regulated Medical Waste, Domestic Regulated Returns Management, and Foreign Countries, and determined that none of our recorded goodwill was impaired. During this evaluation we calculated the fair value of the reporting units by multiplying their EBITDA for the prior twelve months times a valuation multiple. The valuation multiple was consistent with multiples of EBITDA used to determine the fair value of acquisitions. The fair value was then compared to the reporting units book value and determined to be in excess of the book value by a considerable margin. The book value was determined by subtracting their total liabilities from their total assets. We complete our annual impairment analysis of our indefinite lived intangibles (facility permits) during the quarter ended December 31 of each year.

NOTE 10 LEGAL PROCEEDINGS

We operate in a highly regulated industry and must deal with regulatory inquiries or investigations from time to time that may be instituted for a variety of reasons. We are also involved in a variety of civil litigation from time to time.

In Australia, we are currently in arbitration proceedings with SteriCorp Limited over the performance of equipment sold to them. We anticipate that these proceedings will be concluded during the third quarter of 2007. Management cannot make a reasonable estimate of the financial outcome of these proceedings.

NOTE 11 -- NEW ACCOUNTING STANDARDS

In September 2006, the FASB issued SFAS No. 157, Fair Value Measurements (SFAS No. 157). SFAS No. 157 defines fair value, establishes a framework for measuring fair value in accordance with generally accepted accounting principles, and expands disclosure about fair value measurements. This statement does not require any new fair value measurements; rather, it applies to other accounting pronouncements that require or permit fair value measurements. SFAS 157 is effective for fiscal years beginning after November 15, 2007 and interim periods within those fiscal years. We do not believe the adoption of SFAS No. 157 will have a material impact on our financial position, cash flows or results of operations.

In February 2007, the FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities - Including an amendment of FASB Statement No. 115" (SFAS No. 159). SFAS No. 159 allows measurement at fair value of eligible financial assets and liabilities that are not otherwise measured at fair value. If the fair value option for an eligible item is elected, unrealized gains and losses for that item are reported in current earnings at each subsequent reporting date. SFAS No. 159 also establishes presentation and disclosure requirements designed to draw comparison between the different measurement attributes that we elect for similar types of assets and liabilities. This statement is effective for fiscal years beginning after November 15, 2007. We are in the process of evaluating the application of the fair value option and the effect on its financial position and results of operations.

NOTE 12 GEOGRAPHIC INFORMATION

Management has determined that we have two reportable segments, United States and Foreign Countries based on our consideration of the criteria detailed in SFAS No. 131, Disclosures about Segments of an Enterprise and Related

Information. Revenues are attributed to countries based on the location of customers. Inter-company revenues recorded by the United States for work performed in Canada, which are immaterial, are eliminated prior to reporting United States revenues. The same accounting principles and critical accounting policies are used in the preparation of the financial statements for both reporting segments.

Detailed information for our United States reporting segment is as follows:

| | Three Months Ended | | Six Months Ended | |
|---|--------------------|------------|------------------|------------|
| | June 30, | | June 30, | |
| | 2007 | 2006 | 2007 | 2006 |
| | (in thousands) | | | |
| Regulated medical waste management services | \$ 157,416 | \$ 139,108 | \$ 304,939 | \$ 272,905 |
| Regulated returns management services | 24,746 | 14,509 | 40,310 | 27,071 |
| Total revenue | 182,162 | 153,617 | 345,249 | 299,976 |
| Net interest expense | 6,702 | 6,135 | 12,664 | 11,107 |
| Income before income taxes | 44,985 | 35,410 | 86,544 | 69,785 |
| Income taxes | 17,333 | 15,052 | 33,836 | 29,148 |
| Net income | \$ 27,652 | \$ 20,358 | \$ 52,708 | \$ 40,637 |
| Depreciation and amortization | \$ 5,443 | \$ 4,837 | \$ 10,702 | \$ 9,406 |

Detailed information for our Foreign Countries reporting segment is as follows:

| | Three Months Ended | | Six Months Ended | |
|---|--------------------|-----------|------------------|-----------|
| | June 30, | | June 30, | |
| | 2007 | 2006 | 2007 | 2006 |
| | (in thousands) | | | |
| Regulated medical waste management services | \$ 50,573 | \$ 44,676 | \$ 98,409 | \$ 77,418 |
| Property equipment and technology license sales | 110 | 131 | 236 | 279 |
| Total revenue | 50,683 | 44,807 | 98,645 | 77,697 |
| Net interest expense | 1,037 | 867 | 2,374 | 1,545 |
| Income before income taxes | 7,044 | 5,849 | 13,582 | 10,040 |
| Income taxes | 2,698 | 1,039 | 4,905 | 1,984 |
| Net income | \$ 4,346 | \$ 4,810 | \$ 8,677 | \$ 8,056 |

| | | | | | | | | |
|------------------------------|----|--------------|----|-------|----|--------------|----|-------|
| Deprecation and amortization | \$ | 2,265 | \$ | 1,876 | \$ | 4,144 | \$ | 3,602 |
|------------------------------|----|--------------|----|-------|----|--------------|----|-------|

ITEM 2. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

We were incorporated in 1989 and presently serve approximately 375,000 customers throughout the United States, United Kingdom, Mexico, Canada, Ireland, Argentina, and Puerto Rico. In North America we have a fully integrated, national network. Our network includes processing centers and transfer and collection sites. We use this network to provide a broad range of services to our customers including regulated medical waste management services and regulated return management services. Regulated medical waste management services include servicing a variety of customers to remove and process waste while regulated return management services are physical services provided to companies and individual businesses that assist with the handling of products that are being removed from the supply chain due to recalls and expiration. These services also included advanced notification technology that is used to

communicate specific instructions to the users of the product. Our waste treatment technologies include autoclaving, incineration, chemical treatment and our proprietary electro-thermal-deactivation system. In the United Kingdom and Ireland we have a fully integrated network, which includes processing/collection centers and transfer/collection sites. In Argentina we own facilities that use incineration and autoclave treatments. In addition, we have technology licensing agreements with companies located in Japan, Brazil, South Africa, and Australia.

Other than the adoption of FIN 48 (see Note 3 Income Taxes), there were no material changes on the Company's critical accounting policies since the filing of its 2006 Form 10-K. As discussed in the 2006 Form 10-K, the preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States requires management to make certain estimates and assumptions that affect the amount of reported assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and revenues and expenses during the periods reported. Actual results may differ from those estimates.

THREE MONTHS ENDED JUNE 30, 2007 COMPARED TO THREE MONTHS ENDED JUNE 30, 2006

The following summarizes (in thousands) the Company's operations:

| | Three Months Ended June 30, | | | |
|--|-----------------------------|-------|------------|-------|
| | 2007 | | 2006 | |
| | \$ | % | \$ | % |
| Revenues | \$ 232,845 | 100.0 | \$ 198,424 | 100.0 |
| Cost of revenues | 122,577 | 52.6 | 105,883 | 53.4 |
| Depreciation | 5,751 | 2.5 | 4,980 | 2.5 |
| Total cost of revenues | 128,328 | 55.1 | 110,863 | 55.9 |
| Gross profit | 104,517 | 44.9 | 87,561 | 44.1 |
| Selling, general and administrative expenses | 42,192 | 18.1 | 34,903 | 17.6 |
| Depreciation | 1,075 | 0.5 | 949 | 0.5 |
| Amortization | 882 | 0.4 | 784 | 0.4 |
| Acquisition integration expenses | 606 | 0.3 | 664 | 0.3 |
| Total selling, general and administrative expenses | 44,755 | 19.2 | 37,300 | 18.8 |
| Gain on sale of assets | (1,075) | -0.5 | -- | -- |
| Impairment of intangible assets | 228 | 0.1 | -- | -- |
| Impairment of fixed assets | 611 | 0.3 | 300 | 0.2 |

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| | | | | |
|-----------------------------------|----------------|-------------|---------|------|
| Income from operations | 59,998 | 25.8 | 49,961 | 25.2 |
| Write-down of security investment | -- | | 1,000 | 0.5 |
| Net income | 31,998 | 13.7 | 25,168 | 12.7 |
| Earnings per share- diluted | \$ 0.36 | | \$ 0.28 | |

Revenues. Revenues increased \$34.4 million or 17.3%, to \$232.8 million during the quarter ended June 30, 2007 from \$198.4 million during the comparable quarter in 2006 as a result of acquisitions completed during both 2006 and 2007, and our continued strategy of focusing on sales to higher-margin small quantity customers. During the

quarter ended June 30, 2007, acquisitions less than one year old contributed approximately \$11.0 million in revenue for the quarter. For the quarter, our base internal revenue growth for the company was 11.8%, which is not adjusted for the divestiture of three plants from Sterile Technologies Group (STG) or foreign exchange. Domestic growth was 14.0% and international growth was 8.7%.

We believe the size of the regulated waste market in the United States remained relatively stable during the quarter.

Cost of Revenues. Cost of revenues increased by \$17.5 million to \$128.3 million during the quarter ended June 30, 2007 from \$110.9 million during the comparable quarter in 2006. This increase is primarily related to our increased revenues during 2007 compared to 2006. Our gross margin percentage increased to 44.9% during the quarter from 44.1% during the comparable quarter in 2006 due to an increase in gross margins on our domestic business as we continued to realize improvements from our ongoing programs, including growth in Steri-Safe customers and improvement in margins on our large quantity business.

Selling, General and Administrative Expenses. Selling, general and administrative expenses, including acquisition related costs, increased to \$44.8 million for the quarter ended June 30, 2007 from \$37.3 million for the comparable quarter in 2006. The increase was primarily due to costs associated with additional revenues. As a percentage of revenue, these costs increased by 0.4% for the quarter ended June 30, 2007.

Amortization expense increased to \$0.9 million during the quarter from \$0.8 million in the same quarter in 2006, consistent when compared as a percentage of revenues. Acquisition integration expense for the quarter ended June 30, 2007 decreased to \$0.6 million compared to \$0.7 million for the quarter year-ago ended.

Income from Operations. Income from operations increased to \$60.0 million for the quarter ended June 30, 2007 from \$50.0 million for the comparable quarter in 2006. The increase was due to higher gross profit, as well as additional gain on sale of assets of \$1.1 million. Partially offsetting the gain on sale of assets were \$0.6 million in fixed asset write-offs and \$0.2 million write-off of intangible assets. Income from operations increased to 25.8% from 25.2% during the same quarter in 2006.

Net Interest Expense. Net interest expense increased to \$7.7 million during the quarter ended June 30, 2007 from \$7.0 million during the comparable quarter in 2006 due to increased borrowings related to stock repurchases and acquisitions.

Income Tax Expense. Income tax expense increased to \$20.0 million for the quarter ended June 30, 2007 from \$16.1 million for the comparable quarter in 2006. The increase was due to higher taxable income. The effective tax rates for the quarters ended June 30, 2007 and 2006 were 38.50% and 39.0%, respectively.

SIX MONTHS ENDED JUNE 30, 2007 COMPARED TO SIX MONTHS ENDED JUNE 30, 2006

The following summarizes (in thousands) the Company's operations:

| | Six Months Ended June 30, | | | |
|--|--|----------|-------------|----------|
| | (in thousands, except per share data) | | | |
| | 2007 | | 2006 | |
| | \$ | % | \$ | % |
| Revenues | \$ 443,894 | 100.0 | \$ 377,673 | 100.0 |
| Cost of revenues | 234,196 | 52.8 | 201,726 | 53.4 |
| Depreciation | 10,945 | 2.5 | 9,633 | 2.6 |
| Total cost of revenues | 245,141 | 55.2 | 211,359 | 56.0 |
| Gross profit | 198,753 | 44.8 | 166,314 | 44.0 |
| Selling, general and administrative expenses | 78,895 | 17.8 | 66,637 | 17.6 |
| Depreciation | 2,151 | 0.5 | 2,080 | 0.6 |
| Amortization | 1,750 | 0.4 | 1,295 | 0.3 |
| Acquisition integration expenses | 919 | 0.2 | 1,295 | 0.3 |
| Total selling, general and administrative expenses | 83,715 | 18.9 | 71,307 | 18.9 |
| Gain on sale of assets | (1,898) | -0.4 | -- | -- |
| Impairment of intangible assets | 228 | 0.1 | -- | -- |
| Impairment of fixed assets | 1,261 | 0.3 | 300 | 0.1 |
| Income from operations | 115,447 | 26.0 | 94,707 | 25.1 |
| Write-down of security investment | -- | 0.0 | 1,000 | 0.3 |
| Net income | 61,385 | 13.8 | 48,693 | 12.9 |
| Earnings per share- diluted | \$ 0.68 | | \$ 0.54 | |

Revenues. Revenues increased \$66.2 million or 17.5%, to \$443.9 million during the six months ended June 30, 2007 from \$377.7 million during the comparable period in 2006 as a result of acquisitions completed during both 2006 and 2007, and our continued strategy of focusing on sales to higher-margin small quantity customers. During the six months ended June 30, 2007, acquisitions less than one year old contributed approximately \$24.9 million in revenue. For the period, our base internal revenue growth for the company was \$41.3 million or 10.9%. Domestic growth was 11.5% and international growth was 10.0%.

We believe the size of the regulated medical waste market in the United States remained relatively stable during the period.

Cost of Revenues. Cost of revenues increased by \$33.8 million to \$245.1 million during the six months ended June 30, 2007 from \$211.4 million during the comparable period in 2006. This increase is primarily related to our increased revenues during 2007 compared to 2006. Our gross margin percentage increased to 44.8% during the current period from 44.0% during the comparable period in 2006 due to an increase in gross margins on our domestic business as we continued to realize improvements from our ongoing programs, including growth in Steri-Safe customers and improvement in margins on our large quantity business.

Selling, General and Administrative Expenses. Selling, general and administrative expenses, including acquisition related costs, increased to \$83.7 million for the six months ended June 30, 2007 from \$71.3 million for the comparable period in 2006. The increase was primarily due to costs associated with additional revenues. As a percentage of revenue, these costs remained the same.

Amortization expense increased to \$1.8 million during the current period from \$1.3 million in the comparable period in 2006, an increase of 0.1% of revenues. Acquisition integration expense for the six months ended June 30, 2007 decreased to \$0.9 million compared to \$1.3 million for the comparable period in 2006.

Income from Operations. Income from operations increased to \$115.4 million for the six months ended June 30, 2007 from \$94.7 million for the comparable period in 2006. The increase was due to higher gross profit, as well as a gain on sale of assets of \$1.9 million. Partially offsetting the gain on sale of assets were \$1.3 million of fixed asset write-off and \$0.2 million of intangible write-off. Income from operations increased to 26.0% from 25.1% during the same period in 2006.

Net Interest Expense. Net interest expense increased to \$15.0 million during the six months ended June 30, 2007 from \$12.7 million during the comparable quarter in 2006 due to increased borrowings related to stock repurchases and acquisitions as well as slightly higher interest rates on our senior unsecured revolving credit facility.

Income Tax Expense. Income tax expense increased to \$38.7 million for the six months ended June 30, 2007 from \$31.1 million for the comparable period in 2006. The increase was due to higher taxable income. The effective tax rates for the six months ended June 30, 2007 and 2006 were 38.7% and 39.0%, respectively.

LIQUIDITY AND CAPITAL RESOURCES

Our credit agreement requires us to comply with various financial, reporting, and other covenants and restrictions, including restrictions on dividend payments. At June 30, 2007 we were in compliance with all of our financial debt covenants. As of June 30, 2007, we had \$428.7 million of borrowings outstanding under our senior unsecured credit facility, which includes foreign currency borrowings of \$13.7 million. In addition, we had \$63.9 million committed to outstanding letters of credit. The weighted average rate of interest on the unsecured revolving credit facility was 6.12% per annum.

At June 30, 2007 we had \$93.5 million in other debt outstanding, which includes promissory notes issued in connection with acquisitions during 2004 through 2007 and some other foreign subsidiary bank debt and \$0.7 million in capital leases.

Working Capital. At June 30, 2007, our working capital decreased \$11.1 million to \$65.5 million compared to working capital of \$76.6 million at December 31, 2006. \$26.5 million of the decrease was the result of the completion of sale of part of the United Kingdom business that was classified as Assets of disposal group held for sale and Liabilities of disposal group held for sale and presented as current assets and current

liabilities at December 31, 2006. Cash was also used to pay down short-term debt which was \$8.5 million less than at December 31, 2006. Offsetting increases to working capital at June 30, 2007 were primarily the result of higher revenues resulting in an increase in accounts receivable of \$23.9 million.

Net Cash Provided or Used. Net cash provided by operating activities was \$70.5 million during the six months ended June 30, 2007 compared to \$64.3 million for the comparable period in 2006. The increase was primarily due to increased revenues offset by increased receivables and decreased accrued liabilities.

Net cash from investing activities for the six months ended June 30, 2007 was a \$46.0 million outflow compared to \$143.6 million outflow for the comparable period in 2006. The difference is due to a cash inflow of \$26.5 million from the sale of assets in the current period and a cash outflow of \$126.1 million for acquisitions, primarily Sterile Technologies Group, in the comparable period ended 2006. Capital expenditures were \$23.0 million for the six months ended June 3, 2007 compared to \$15.7 million for the comparable period in 2006 as we continue to invest and improve our infrastructure. At June 30, 2007 we had approximately 9% of our treatment capacity in North America in incineration and approximately 91% in non-incineration technologies such as our proprietary patented ETD technology and autoclaving. The implementation of our commitment to move away from incineration in North America may result in a write-down of the incineration equipment as and when we close incinerators that we are currently operating. Our commitment to move away from incineration in North America is in the nature of a goal to be accomplished over an undetermined number of years. Because of uncertainties relating, among other things, to customer education and acceptance and legal requirements to incinerate portions of the medical waste, we do not have a timetable for this transition or specific plans to close any of our existing incinerators.

Net cash used in financing activities was \$30.8 million during the six months ended June 30, 2007 compared to net cash provided of \$77.7 million for the comparable period in 2006. Approximately \$40.0 million of this difference is the result of lower net borrowings of our senior unsecured credit facility, reduction of our other long-term debt of \$20.4 million, and an increase in the repurchase of and cancellation of common stock by \$44.8 million.

Guarantees: We have guaranteed a loan to JPMorganChase Bank N.A. on behalf of Shiraishi-Sogyo Co. Ltd (Shiraishi). Shiraishi is a customer in Japan that is expanding their medical waste management business and has a six month loan with a current balance of \$3.9 million with JPMorganChase Bank N.A. that expires in November 2007.

ITEM 3. QUALITATIVE AND QUANTITATIVE DISCLOSURES ABOUT MARKET RISK

We are subject to market risks arising from changes in interest rates. Our potential additional interest expense over one year that would result from a hypothetical,

instantaneous and unfavorable change of 100 basis points in the interest rate on all of our variable rate obligations would be approximately \$4.5 million on a pre-tax basis.

We have exposure to currency exchange rate fluctuations between the U.S. dollar (USD) and U.K. pound sterling (GBP) related to a 11 million GBP inter-company loan with Stericycle International, Ltd., the parent company of White Rose Environmental. We use cash flow hedge accounting treatment on our forward contracts. Both the inter-company loan balance and the forward contracts are marked to market at the end of each reporting period and the impact on the balances is recorded on the balance sheet to other comprehensive income.

We have exposure to commodity pricing for gas and diesel fuel for our trucks and for the purchase of containers and boxes. We do not hedge these items to manage the exposure.

ITEM 4. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

Our management, with the participation of our President and Chief Executive Officer and our Chief Financial Officer, conducted an evaluation of the effectiveness of our disclosure controls and procedures as of the end of the fiscal quarter covered by this Report. On the basis of this evaluation, our President and Chief Executive Officer and our Chief Financial Officer each concluded that our disclosure controls and procedures were effective.

The term *disclosure controls and procedures* is defined in Rule 13a-14(e) of the Securities Exchange Act of 1934 as controls and other procedures designed to ensure that information required to be disclosed by the issuer in the reports, files or submits under the Act is recorded, processed, summarized and reported, within the time periods specified in the [Securities and Exchange] Commission's rules and forms. Our disclosure controls and procedures are designed to ensure that material information relating to us and our consolidated subsidiaries is accumulated and communicated to our management, including our President and Chief Executive Officer and our Chief Financial Officer, as appropriate to allow timely decisions regarding our required disclosures.

Internal Control Over Financial Reporting

During the quarter ended June 30, 2007, there were no changes in our internal controls over financial reporting that have materially affected, or are reasonably likely materially to affect, our internal controls over financial reporting.

FROM TIME TO TIME WE ISSUE FORWARD-LOOKING STATEMENTS RELATING TO SUCH THINGS AS ANTICIPATED FINANCIAL PERFORMANCE, BUSINESS PROSPECTS, ACQUISITION ACTIVITIES AND SIMILAR MATTERS.

THESE FORWARD-LOOKING STATEMENTS MAY INVOLVE RISKS AND UNCERTAINTIES, SOME OF WHICH ARE BEYOND OUR CONTROL (FOR EXAMPLE, GENERAL ECONOMIC CONDITIONS). OUR ACTUAL RESULTS COULD DIFFER SIGNIFICANTLY FROM THE RESULTS DESCRIBED IN THE FORWARD-LOOKING STATEMENTS. FACTORS THAT COULD CAUSE SUCH DIFFERENCES INCLUDE DIFFICULTIES IN COMPLETING THE INTEGRATION OF ACQUIRED BUSINESSES, CHANGES IN GOVERNMENTAL REGULATION OF MEDICAL WASTE COLLECTION AND TREATMENT, AND INCREASES IN TRANSPORTATION AND OTHER OPERATING COSTS, AS WELL AS VARIOUS OTHER FACTORS.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

See Note 10, Legal Proceedings, in the Notes to the Condensed Consolidated Financial Statements (Item 1 of Part I).

ITEM 2. CHANGES IN SECURITIES, USES OF PROCEEDS AND ISSUER PURCHASES OF EQUITY SECURITIES

In May 2002 our Board of Directors authorized the Company to repurchase up to 6,000,000 shares of our common stock, in the open market or through privately negotiated transactions, at times and in amounts in the Company's discretion.

In February 2005, at a time when we had purchased a total of 2,956,860 shares, the Board authorized the Company to purchase an additional 2,956,860 shares.

In February 2007, at a time when we had purchased an additional 3,142,080 shares since the prior increase in authorization, the Board authorized the Company to purchase up to an additional 3,142,080 shares.

In May 2007, at a time when we had purchased an additional 923,142 shares since the prior increase in authorization, the Board authorized the Company to purchase up to an additional 923,142 shares, thereby again giving the Company the authority to purchase up to a total of 6,000,000 additional shares.

The following table provides information about our purchases during the six months ended June 30, 2007 of shares of our common stock.

Issuer Purchase of Equity Securities

| | Total Number of Share (or Unites) Purchased | Average Price Paid per Share (or Unit) | Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs | Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs |
|----------------------------------|--|---|--|--|
| January 1- January 31, 2007 | 0 | \$ 0.00 | 0 | 2,857,920 |
| February 1- February 28, 2007 | 264,000 | 39.31 | 264,000 | 5,736,000 |
| March 1- March 31, 2007 | 915,572 | 38.99 | 915,572 | 4,820,428 |
| April 1- April 30, 2007 | 7,570 | 40.53 | 0 | 4,812,858 |
| May 1- May 31, 2007 | 0 | 0.00 | 0 | 6,000,000 |
| June 1- June 30, 2007 | 283,996 | 43.25 | 283,996 | 5,716,004 |

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

We held our 2007 Annual Meeting of Stockholders on May 16, 2007 in Rosemont, Illinois. At the meeting, all eight of our incumbent directors standing for re-election were reelected by the stockholders, by the following votes:

| Nominee | Votes For | Votes Withheld |
|------------------------|------------------|-----------------------|
| Jack W. Schuler | 39,997,616 | 997,635 |
| Mark C. Miller | 40,106,407 | 888,844 |
| Rod F. Dammeyer | 40,708,353 | 286,898 |
| William K. Hall | 40,882,882 | 112,369 |
| Jonathan T. Lord, M.D. | 40,855,089 | 140,162 |
| John Patience | 40,003,635 | 991,616 |
| Thomas R. Reusché | 40,844,895 | 150,356 |
| Peter Vardy | 40,074,319 | 920,932 |

In addition, the stockholders voted on a proposal to amend our certificate of incorporation to increase our authorized shares of common stock from 80,000,000 shares to 120,000,000 shares. The stockholders approved this proposal by the following vote:

| For | Against | Abstain | Broker Non-Vote |
|------------|----------------|----------------|------------------------|
| 40,268,187 | 680,319 | 46,743 | 2 |

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The stockholders also voted to ratify the appointment of Ernst & Young LLP as our independent public accountants for 2007 by the following vote:

| For | Against | Abstain | Broker Non-Vote |
|------------|----------------|----------------|------------------------|
| 40,136,663 | 817,740 | 40,848 | |

ITEM 6. EXHIBITS

31.1

Rules 13a-14(a)/15d-14(a) Certification of Mark C. Miller, President and Chief Executive Officer

31.2

Rule 13a-14(a)/15d-14(a) Certification of Frank J.M. ten Brink, Executive Vice President and Chief Financial Officer

31.3

Section 1350 Certification of Mark C. Miller, President and Chief Executive Officer, and Frank J.M. ten Brink, Executive Vice President and Chief Financial Officer

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, thereunto duly authorized.

Dated: August 7, 2007

STERICYCLE, INC.

(Registrant)

By:

/s/ Frank J.M. ten Brink

Frank J.M. ten Brink

Executive Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)

