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 SEPTEMBER 30, 2020

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 001-34223

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)

Registrant’s Telephone Number, Including area code: **(781) 792-5000**

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol	Name of each exchange on which registered
Common Stock, $0.01 par value	CLH	New York Stock Exchange

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 every Interactive Data File required to be submitted 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 such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a 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 ☒	Accelerated filer ☐
Non-accelerated filer ☐	Smaller reporting company ☐
	Emerging growth company ☐

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. ☐

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

The number of shares of Common Stock, $0.01 par value, of the registrant outstanding at October 30, 2020 was 55,246,298.

CLEAN HARBORS, INC.

QUARTERLY REPORT ON FORM 10-Q

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CLEAN HARBORS, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(in thousands)

	September 30, 2020 (unaudited)	December 31, 2019
ASSETS		
Current assets:		
Cash and cash equivalents	$ 475,706	$ 371,991
Short-term marketable securities	56,639	42,421
Accounts receivable, net of allowances aggregating $41,714 and $38,711, respectively	602,069	644,738
Unbilled accounts receivable	59,438	56,326
Deferred costs	20,212	21,746
Inventories and supplies	220,884	214,744
Prepaid expenses and other current assets	58,711	48,942
Total current assets	1,493,659	1,400,908
Property, plant and equipment, net	1,539,333	1,588,151
Other assets:		
Operating lease right-of-use assets	146,454	162,206
Goodwill	524,261	525,013
Permits and other intangibles, net	392,401	419,066
Other	10,079	13,560
Total other assets	1,073,195	1,119,845
Total assets	$ 4,106,187	$ 4,108,904
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current portion of long-term obligations	$ 7,535	$ 7,535
Accounts payable	213,776	298,375
Deferred revenue	67,412	73,370
Accrued expenses	293,200	276,540
Current portion of closure, post-closure and remedial liabilities	22,324	23,301
Current portion of operating lease liabilities	36,814	40,979
Total current liabilities	641,061	720,100
Other liabilities:		
Closure and post-closure liabilities, less current portion of $7,146 and $7,283, respectively	77,070	68,368
Remedial liabilities, less current portion of $15,178 and $16,018, respectively	100,389	98,155
Long-term obligations, less current portion	1,550,756	1,554,116
Operating lease liabilities, less current portion	110,097	121,020
Deferred taxes, unrecognized tax benefits and other long-term liabilities	322,099	277,332
Total other liabilities	2,160,411	2,118,991
Commitments and contingent liabilities (See Note 16)		
Stockholders' equity:		
Common stock, $0.01 par value: authorized 80,000,000 shares; issued and outstanding 55,245,611 and 55,797,734 shares, respectively	552	558
Additional paid-in capital	613,208	644,412
Accumulated other comprehensive loss	(239,444)	(210,051)
Accumulated earnings	930,399	834,894
Total stockholders' equity	1,304,715	1,269,813
Total liabilities and stockholders' equity	$ 4,106,187	$ 4,108,904

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

CLEAN HARBORS, INC. AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except per share amounts)

	Three Months Ended September 30, 2020	Three Months Ended September 30, 2019	Nine Months Ended September 30, 2020	Nine Months Ended September 30, 2019
Revenues:				
Service revenues	$ 681,306	$ 739,919	$ 2,039,012	$ 2,111,662
Product revenues	98,038	151,749	308,895	429,523
Total revenues	779,344	891,668	2,347,907	2,541,185
Cost of revenues: (exclusive of items shown separately below)				
Service revenues	428,735	496,005	1,332,516	1,439,717
Product revenues	82,894	116,749	256,460	332,334
Total cost of revenues	511,629	612,754	1,588,976	1,772,051
Selling, general and administrative expenses	106,544	122,301	339,690	361,033
Accretion of environmental liabilities	2,822	2,490	8,149	7,624
Depreciation and amortization	74,470	73,756	221,497	223,328
Income from operations	83,879	80,367	189,595	177,149
Other income (expense), net	2,268	(427)	(597)	1,992
Loss on sale of businesses	(118)	—	(3,376)	—
Loss on early extinguishment of debt	—	(6,119)	—	(6,119)
Interest expense, net of interest income of $1,236, $1,152, $2,902 and $2,981, respectively	(17,407)	(19,702)	(54,848)	(59,681)
Income before provision for income taxes	68,622	54,119	130,774	113,341
Provision for income taxes	13,712	17,750	35,269	39,752
Net income	$ 54,910	$ 36,369	$ 95,505	$ 73,589
Earnings per share:				
Basic	$ 0.99	$ 0.65	$ 1.72	$ 1.32
Diluted	$ 0.99	$ 0.65	$ 1.71	$ 1.31
Shares used to compute earnings per share - Basic	55,592	55,850	55,646	55,858
Shares used to compute earnings per share - Diluted	55,738	56,165	55,832	56,109

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

CLEAN HARBORS, INC. AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(in thousands)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Net income	$ 54,910	$ 36,369	$ 95,505	$ 73,589
Other comprehensive income (loss), net of tax:				
Unrealized (losses) gains on available-for-sale securities	(121)	9	111	(84)
Reclassification adjustment for losses on available-for-sale securities included in net income	—	—	—	332
Unrealized loss on interest rate hedge	(123)	(3,865)	(21,505)	(17,896)
Reclassification adjustment for losses on interest rate hedge included in net income	2,468	614	5,696	1,369
Foreign currency translation adjustments	10,161	(6,177)	(13,695)	15,960
Other comprehensive income (loss), net of tax	12,385	(9,419)	(29,393)	(319)
Comprehensive income	$ 67,295	$ 26,950	$ 66,112	$ 73,270

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

CLEAN HARBORS, INC. AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	Nine Months Ended September 30,	
	2020	2019
Cash flows from operating activities:		
Net income	$ 95,505	$ 73,589
Adjustments to reconcile net income to net cash from operating activities:		
Depreciation and amortization	221,497	223,328
Allowance for doubtful accounts	10,441	(745)
Amortization of deferred financing costs and debt discount	2,688	2,908
Accretion of environmental liabilities	8,149	7,624
Changes in environmental liability estimates	9,050	(585)
Deferred income taxes	—	(973)
Other expense (income), net	597	(1,992)
Stock-based compensation	12,739	14,664
Loss on sale of businesses	3,376	—
Loss on early extinguishment of debt	—	6,119
Environmental expenditures	(8,816)	(12,804)
Changes in assets and liabilities, net of acquisitions:		
Accounts receivable and unbilled accounts receivable	23,969	(31,408)
Inventories and supplies	(9,554)	(11,982)
Other current and non-current assets	(19,320)	(5,425)
Accounts payable	(63,898)	3,035
Other current and long-term liabilities	31,009	19,322
Net cash from operating activities	317,432	284,675
Cash flows used in investing activities:		
Additions to property, plant and equipment	(150,357)	(174,533)
Proceeds from sale and disposal of fixed assets	7,307	8,948
Acquisitions, net of cash acquired	(8,839)	(29,479)
Proceeds from sale of businesses, net of transactional costs	7,712	—
Additions to intangible assets including costs to obtain or renew permits	(1,863)	(2,896)
Proceeds from sale of available-for-sale securities	39,141	41,612
Purchases of available-for-sale securities	(53,397)	(30,761)
Net cash used in investing activities	(160,296)	(187,109)
Cash flows used in financing activities:		
Change in uncashed checks	381	(3,516)
Tax payments related to withholdings on vested restricted stock	(4,407)	(5,505)
Repurchases of common stock	(39,542)	(16,390)
Deferred financing costs paid	—	(10,053)
Premiums paid on early extinguishment of debt	—	(2,689)
Payments on finance leases	(2,755)	(327)
Principal payments on debt	(5,652)	(850,652)
Issuance of unsecured senior notes	—	845,000
Borrowing from revolving credit facility	150,000	—
Payment on revolving credit facility	(150,000)	—
Net cash used in financing activities	(51,975)	(44,132)
Effect of exchange rate change on cash	(1,446)	2,292
Increase in cash and cash equivalents	103,715	55,726
Cash and cash equivalents, beginning of period	371,991	226,507
Cash and cash equivalents, end of period	$ 475,706	$ 282,233
Supplemental information:		
Cash payments for interest and income taxes:		
Interest paid	$ 66,000	$ 52,440
Income taxes paid, net of refunds	14,195	23,797
Non-cash investing activities:		
Property, plant and equipment accrued	11,732	14,875
ROU assets obtained in exchange for operating lease liabilities	19,993	8,008
ROU assets obtained in exchange for finance lease liabilities	28,333	31,011

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, 2020	55,798	$ 558	$ 644,412	$ (210,051)	$ 834,894	$ 1,269,813
Net income	—	—	—	—	11,572	11,572
Other comprehensive loss	—	—	—	(59,306)	—	(59,306)
Stock-based compensation	—	—	3,291	—	—	3,291
Issuance of common stock for restricted share vesting, net of employee tax withholdings	59	1	(2,225)	—	—	(2,224)
Repurchases of common stock	(302)	(3)	(17,338)	—	—	(17,341)
Balance at March 31, 2020	55,555	556	628,140	(269,357)	846,466	1,205,805
Net income	—	—	—	—	29,023	29,023
Other comprehensive income	—	—	—	17,528	—	17,528
Stock-based compensation	—	—	2,786	—	—	2,786
Issuance of common stock for restricted share vesting, net of employee tax withholdings	58	—	(1,171)	—	—	(1,171)
Balance at June 30, 2020	55,613	556	629,755	(251,829)	875,489	1,253,971
Net income	—	—	—	—	54,910	54,910
Other comprehensive income	—	—	—	12,385	—	12,385
Stock-based compensation	—	—	6,662	—	—	6,662
Issuance of common stock for restricted share vesting, net of employee tax withholdings	35	—	(1,012)	—	—	(1,012)
Repurchases of common stock	(402)	(4)	(22,197)	—	—	(22,201)
Balance at September 30, 2020	55,246	$ 552	$ 613,208	$ (239,444)	$ 930,399	$ 1,304,715

CLEAN HARBORS, INC. AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (CONTINUED)
(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, 2019	55,847	$ 558	$ 655,415	$ (223,371)	$ 737,154	$ 1,169,756
Net income	—	—	—	—	976	976
Other comprehensive income	—	—	—	4,024	—	4,024
Stock-based compensation	—	—	5,809	—	—	5,809
Issuance of common stock for restricted share vesting, net of employee tax withholdings	78	1	(2,277)	—	—	(2,276)
Repurchases of common stock	(97)	(1)	(6,323)	—	—	(6,324)
Balance at March 31, 2019	55,828	558	652,624	(219,347)	738,130	1,171,965
Net income	—	—	—	—	36,244	36,244
Other comprehensive income	—	—	—	5,076	—	5,076
Stock-based compensation	—	—	3,834	—	—	3,834
Issuance of common stock for restricted share vesting, net of employee tax withholdings	105	1	(2,705)	—	—	(2,704)
Repurchases of common stock	(74)	—	(4,948)	—	—	(4,948)
Balance at June 30, 2019	55,859	559	648,805	(214,271)	774,374	1,209,467
Net income	—	—	—	—	36,369	36,369
Other comprehensive loss	—	—	—	(9,419)	—	(9,419)
Stock-based compensation	—	—	5,021	—	—	5,021
Issuance of common stock for restricted share vesting, net of employee tax withholdings	17	—	(525)	—	—	(525)
Repurchases of common stock	(68)	(1)	(5,117)	—	—	(5,118)
Balance at September 30, 2019	55,808	$ 558	$ 648,184	$ (223,690)	$ 810,743	$ 1,235,795

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

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 and are 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 conjunction with the financial statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2019.

A novel strain of coronavirus ("COVID-19") was first identified in December 2019, and subsequently declared a global pandemic by the World Health Organization on March 11, 2020. As a result of the outbreak, many companies have experienced disruptions in their operations, workforce and markets served, including a significant reduction in the demand for petroleum-based products. The Company's businesses and operations began being adversely impacted by effects of COVID-19 in March of 2020 when circumstances surrounding and responses to the pandemic, including stay-at-home orders, began to materialize in North America. These disruptions have had a significant impact on the Company's operating results since then, and the Company expects that operations will continue to be impacted. The full extent of the ongoing COVID-19 outbreak and changes in demand for oil and the impact on the Company's operations is uncertain. A prolonged disruption could have a material adverse impact on financial results and business operations of the Company.

In response to the COVID-19 outbreak, the Company has seen increased demand in emergency response decontamination services related to the coronavirus. In particular, the Company is addressing the safety of its customers and communities by providing contagion decontamination services. In conducting these services, employee safety is paramount and the Company has been able to provide appropriate personal protective equipment and support to those performing these services.

(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, 2019. There have been no material changes in these policies or their application except for the changes described below.

Landfill Accounting

Landfill capacity - During the first nine months of 2020, the Company has taken actions to begin the closure of one of the Company's commercial landfill sites. The planned closure will nominally reduce the Company's remaining highly probable airspace. See Note 9, "Closure and Post-Closure Liabilities," for additional information.

Government Grants

On March 27, 2020, the Coronavirus Aid, Relief and Economic Security Act ("CARES Act") was signed into law in response to the widespread economic impact of the COVID-19 pandemic. On April 11, 2020, the Canadian federal government enacted the COVID-19 Emergency Response Act, No.2, which implemented the Canada Emergency Wage Subsidy ("CEWS").

During the three and nine months ended September 30, 2020, the Company recorded benefits of $13.3 million and $36.7 million, respectively, as an offset to the related operating expenses in either cost of revenues or selling, general and administrative expenses for the eligible employee retention credit under the CARES Act and the subsidy under CEWS. The benefits received under these government sponsored programs do not require repayment.

(3) REVENUES

The Company generates revenues through its Environmental Services and Safety-Kleen operating segments. The Company's Environmental Services operating segment generally has the following three sources of revenue:

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 services 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 the 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 deferred revenues and costs are recognized when the related services are completed. The period between collection and transportation and the final processing and disposal ranges depending on the 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, contamination or pandemic related emergencies include any scale from man-made disasters such as oil spills, to natural disasters such as hurricanes. More recently demand has increased for projects involving contagion disinfection, decontamination and disposal services in response to the COVID-19 pandemic. Field and emergency response 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 and Other—Industrial Services revenues are primarily 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 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 upstream energy services, such as exploration and drilling for industrial oil and gas customers. 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 services 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 Company's Safety-Kleen operating segment generally has the following two sources of revenue:

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, vacuum 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 products and services include sale of complementary supply products including automotive fluids and shop supplies and other environmental services. Parts washer services include customer use of our parts washer equipment, cleaning and maintenance of the parts washer equipment and removal and replacement of 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 services. Collection and transportation revenues are recognized over time, as the customer receives and consumes the benefits of the services 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 whereby control transfers when the products are delivered to the customer.

Safety-Kleen Oil—Revenues from Safety-Kleen Oil 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 and pulp and paper companies. The used oil is also processed into vacuum gas oil which can be further re-refined into lubricant base oils or sold directly into the marine diesel oil fuel market. 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.

Disaggregation of Revenue

We disaggregate the Company's third party revenues by geographic location and source of revenue as we believe these categories depict how revenue and cash flows are affected by economic factors (in thousands):

	For the Three Months Ended September 30, 2020			
	Environmental Services	Safety-Kleen	Corporate	Total
Primary Geographical Markets				
United States	$ 409,787	$ 257,048	$ (186)	$ 666,649
Canada	88,396	24,041	258	112,695
Total third-party revenues	$ 498,183	$ 281,089	$ 72	$ 779,344
Sources of Revenue [1]				
Technical Services	$ 257,612	$ —	$ —	$ 257,612
Field and Emergency Response Services	115,989	—	—	115,989
Industrial Services and Other	124,582	—	72	124,654
Safety-Kleen Environmental Services	—	203,455	—	203,455
Safety-Kleen Oil	—	77,634	—	77,634
Total third-party revenues	$ 498,183	$ 281,089	$ 72	$ 779,344

	For the Three Months Ended September 30, 2019			
	Environmental Services	Safety-Kleen	Corporate	Total
Primary Geographical Markets				
United States	$ 450,638	$ 313,979	$ (265)	$ 764,352
Canada	99,484	27,438	394	127,316
Total third-party revenues	$ 550,122	$ 341,417	$ 129	$ 891,668
Sources of Revenue [1]				
Technical Services	$ 292,506	$ —	$ —	$ 292,506
Field and Emergency Response Services	95,546	—	—	95,546
Industrial Services and Other [2]	162,070	—	129	162,199
Safety-Kleen Environmental Services	—	217,439	—	217,439
Safety-Kleen Oil	—	123,978	—	123,978
Total third-party revenues	$ 550,122	$ 341,417	$ 129	$ 891,668

	For the Nine Months Ended September 30, 2020			
	Environmental Services	Safety-Kleen	Corporate	Total
Primary Geographical Markets				
United States	$ 1,253,252	$ 791,919	$ (648)	$ 2,044,523
Canada	237,389	65,129	866	303,384
Total third-party revenues	$ 1,490,641	$ 857,048	$ 218	$ 2,347,907
Sources of Revenue [1]				
Technical Services	$ 774,814	$ —	$ —	$ 774,814
Field and Emergency Response Services	349,254	—	—	349,254
Industrial Services and Other	366,573	—	218	366,791
Safety-Kleen Environmental Services	—	612,808	—	612,808
Safety-Kleen Oil	—	244,240	—	244,240
Total third-party revenues	$ 1,490,641	$ 857,048	$ 218	$ 2,347,907

	For the Nine Months Ended September 30, 2019			
	Environmental Services	Safety-Kleen	Corporate	Total
Primary Geographical Markets				
United States	$ 1,270,556	$ 917,240	$ 531	$ 2,188,327
Canada	279,558	72,906	394	352,858
Total third-party revenues	$ 1,550,114	$ 990,146	$ 925	$ 2,541,185
Sources of Revenue (1)				
Technical Services	$ 820,333	$ —	$ —	$ 820,333
Field and Emergency Response Services	253,894	—	—	253,894
Industrial Services and Other (2)	475,887	—	925	476,812
Safety-Kleen Environmental Services	—	640,956	—	640,956
Safety-Kleen Oil	—	349,190	—	349,190
Total third-party revenues	$ 1,550,114	$ 990,146	$ 925	$ 2,541,185

(1) All revenue except oil and oil product sales within Safety-Kleen Oil and product sales within Safety-Kleen Environmental Services, which include various automotive related fluids, shop supplies and direct blended oil sales, are recognized over time. Safety-Kleen Oil and Safety-Kleen Environmental Services product sales are recognized at a point in time.
(2) Third-party revenues previously reported as Oil, Gas and Lodging Services of $30.2 million and Other of $0.1 million for the three months ended September 30, 2019, respectively, and $91.9 million and $0.9 million, respectively for the nine months ended September 30, 2019, are now disclosed within Industrial Services and Other based on relative materiality to the business.

Contract Balances

(in thousands)	September 30, 2020	December 31, 2019
Receivables	$ 602,069	$ 644,738
Contract assets (unbilled receivables)	59,438	56,326
Contract liabilities (deferred revenue)	67,412	73,370

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. The contract liability balances at the beginning of each period presented were generally fully recognized in the subsequent three-month period.

(4) BUSINESS COMBINATIONS

2020 Acquisition

On April 17, 2020, the Company acquired a privately-owned business for $8.8 million cash consideration. The acquired company expands the Safety-Kleen segment's oil re-refining operations to the northeast United States. In connection with this acquisition, a preliminary goodwill amount of $1.4 million was recognized.

2019 Acquisitions

On May 31, 2019, the Company acquired a privately-owned business for $14.8 million cash consideration. The acquired company expands the environmental services and hazardous materials management services of the Company and is included in the Environmental Services segment. In connection with this acquisition, a goodwill amount of $7.4 million was recognized.

On March 1, 2019, the Company acquired certain assets of a privately-owned business for $10.4 million cash consideration. The acquired business complements the Safety-Kleen segment's core service offerings, such as used motor oil collection, parts washers, oil filter recycling and vacuum services. In connection with this acquisition, a goodwill amount of $5.2 million was recognized.

(5) INVENTORIES AND SUPPLIES

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

	September 30, 2020	December 31, 2019
Oil and oil related products	$ 77,808	$ 75,408
Supplies and drums	119,157	115,128
Solvent and solutions	10,290	9,973
Other	13,629	14,235
Total inventories and supplies	$ 220,884	$ 214,744

Supplies and drums consist primarily of drums and containers used in providing the Company's products and services, critical spare parts to support the Company's incinerator and re-refinery operations and personal protective equipment. Other inventories consisted primarily of parts washer components, cleaning fluids, absorbents and automotive fluids, such as windshield washer fluid and antifreeze.

(6) PROPERTY, PLANT AND EQUIPMENT

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

	September 30, 2020	December 31, 2019
Land	$ 139,184	$ 131,023
Asset retirement costs (non-landfill)	16,185	15,924
Landfill assets	185,678	182,276
Buildings and improvements (1)	502,507	499,159
Camp equipment	154,427	158,277
Vehicles (2)	819,583	785,056
Equipment (3)	1,798,792	1,779,366
Furniture and fixtures	6,920	6,054
Construction in progress	20,928	36,679
	3,644,204	3,593,814
Less - accumulated depreciation and amortization	2,104,871	2,005,663
Total property, plant and equipment, net	$ 1,539,333	$ 1,588,151

(1) Balances inclusive of gross right-of-use ("ROU") assets classified as finance leases of $8.0 million and $31.0 million, respectively.
(2) Balances inclusive of gross ROU assets classified as finance leases of $43.8 million and $2.4 million, respectively.
(3) September 30, 2020 balance inclusive of gross ROU assets classified as finance leases of $9.1 million.

Depreciation expense, inclusive of landfill and finance lease amortization, was $64.9 million and $193.9 million for the three and nine months ended September 30, 2020, respectively. Depreciation expense, inclusive of landfill and finance lease amortization, was $65.3 million and $196.7 million for the three and nine months ended September 30, 2019, respectively.

(7) GOODWILL AND OTHER INTANGIBLE ASSETS

The changes in goodwill by segment for the nine months ended September 30, 2020 were as follows (in thousands):

	Environmental Services	Safety-Kleen	Totals
Balance at January 1, 2020	$ 212,531	$ 312,482	$ 525,013
Increase from current period acquisition	—	1,440	1,440
Measurement period adjustments from prior period acquisitions	23	—	23
Decrease from disposition of businesses	(674)	—	(674)
Foreign currency translation	(741)	(800)	(1,541)
Balance at September 30, 2020	$ 211,139	$ 313,122	$ 524,261

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 ("triggering events") would more likely than not reduce the fair value of a reporting unit below its carrying value. During the period ended September 30, 2020, the Company considered the effects of COVID-19 and evolving changes in demand and pricing for oil, but concluded that there were no triggering events requiring an impairment assessment. This conclusion was based on a qualitative analysis incorporating (i) the significant excess fair value that previously existed in each reporting unit and (ii) assessing the current and long-term performance of the Company given the expectation that these negative effects on the operations and cash flows of each reporting unit arising from COVID-19 related disruptions will be short-lived.

The Company continues to evaluate the impact of macroeconomic conditions including, but not limited to, the impact of the COVID-19 pandemic on the Company, customers and the greater economy as well as the impact on trends of oil demand. If these macroeconomic conditions are protracted or result in significant changes in demand for our products and services, a goodwill impairment might be identified and the amount might be material.

As of September 30, 2020 and December 31, 2019, the Company's intangible assets consisted of the following (in thousands):

	September 30, 2020			December 31, 2019		
	Cost	Accumulated Amortization	Net	Cost	Accumulated Amortization	Net
Permits	$ 182,478	$ 92,725	$ 89,753	$ 184,235	$ 87,228	$ 97,007
Customer and supplier relationships	388,862	213,700	175,162	401,696	207,884	193,812
Other intangible assets	38,153	33,334	4,819	38,331	33,018	5,313
Total amortizable permits and other intangible assets	609,493	339,759	269,734	624,262	328,130	296,132
Trademarks and trade names	122,667	—	122,667	122,934	—	122,934
Total permits and other intangible assets	$ 732,160	$ 339,759	$ 392,401	$ 747,196	$ 328,130	$ 419,066

Amortization expense of permits and other intangible assets was $9.6 million and $27.6 million in the three and nine months ended September 30, 2020, respectively. Amortization expense of permits and other intangible assets was $8.4 million and $26.6 million in the three and nine months ended September 30, 2019, respectively.

The expected amortization of the net carrying amount of finite-lived intangible assets at September 30, 2020 was as follows (in thousands):

Years Ending December 31,	Expected Amortization
2020 (three months)	$ 7,841
2021	29,997
2022	29,742
2023	25,482
2024	23,997
Thereafter	152,675
	$ 269,734

(8) ACCRUED EXPENSES

Accrued expenses consisted of the following (in thousands):

	September 30, 2020	December 31, 2019
Accrued insurance	$ 77,985	$ 74,376
Accrued interest	9,179	21,222
Accrued compensation and benefits	60,784	72,473
Accrued income, real estate, sales and other taxes	54,677	35,749
Interest rate swap liability	36,649	20,840
Accrued other	53,926	51,880
	$ 293,200	$ 276,540

(9) CLOSURE AND POST-CLOSURE LIABILITIES

The changes to closure and post-closure liabilities (also referred to as “asset retirement obligations”) from January 1, 2020 through September 30, 2020 were as follows (in thousands):

	Landfill Retirement Liability	Non-Landfill Retirement Liability	Total
Balance at January 1, 2020	$ 39,401	$ 36,250	$ 75,651
Liabilities assumed in acquisitions	—	265	265
New asset retirement obligations	1,643	—	1,643
Accretion	2,373	2,516	4,889
Changes in estimates recorded to statement of operations	4,503	(14)	4,489
Changes in estimates recorded to balance sheet	179	15	194
Expenditures	(2,116)	(622)	(2,738)
Currency translation and other	(133)	(44)	(177)
Balance at September 30, 2020	$ 45,850	$ 38,366	$ 84,216

During the first nine months of 2020, the Company has taken actions to begin the closure of one of its commercial landfill sites resulting in a $4.5 million increase to the related closure and post-closure liability. The remaining ten landfill facilities remain active as of September 30, 2020. In the nine months ended September 30, 2020, other than this charge, there were no significant charges (benefits) resulting from changes in estimates for closure and post-closure liabilities.

New asset retirement obligations incurred during the first nine months of 2020 were discounted at the credit-adjusted risk-free rate of 5.60%.

(10) REMEDIAL LIABILITIES

The changes to remedial liabilities from January 1, 2020 through September 30, 2020 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, 2020	$ 1,851	$ 61,991	$ 50,331	$ 114,173
Accretion	67	1,914	1,279	3,260
Changes in estimates recorded to statement of operations	(14)	3,023	1,552	4,561
Expenditures	(46)	(3,278)	(2,754)	(6,078)
Currency translation and other	—	(912)	563	(349)
Balance at September 30, 2020	$ 1,858	$ 62,738	$ 50,971	$ 115,567

In the nine months ended September 30, 2020, the Company increased its remedial liabilities for an inactive site by $3.3 million and increased its remedial liabilities for a Superfund site by $1.8 million due to changes in the estimates of the related liabilities. These changes in estimates were triggered by the receipts of updated regulatory approval requirements for remediation. Other than these charges, there were no significant charges (benefits) resulting from changes in estimates for remedial liabilities.

(11) FINANCING ARRANGEMENTS

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

Current Obligations:	September 30, 2020	December 31, 2019
Secured senior term loans ("Term Loans")	$ 7,535	$ 7,535
Long-Term Obligations:		
Secured senior Term Loans due June 30, 2024	$ 721,510	$ 727,162
Unsecured senior notes, at 4.875%, due July 15, 2027 ("2027 Notes")	545,000	545,000
Unsecured senior notes, at 5.125%, due July 15, 2029 ("2029 Notes")	300,000	300,000
Long-term obligations, at par	$ 1,566,510	$ 1,572,162
Unamortized debt issuance costs and premium, net	(15,754)	(18,046)
Long-term obligations, at carrying value	$ 1,550,756	$ 1,554,116

Financing Activities

As of September 30, 2020 and December 31, 2019, the estimated fair value of the Company’s outstanding long-term obligations, including the current portion, was $1.6 billion. The Company’s estimates of fair value of its long-term obligations, including the current portion, are based on quoted market prices or other available market data which are considered Level 2 measures according to the fair value hierarchy. Level 2 utilizes quoted market prices in markets that are not active, broker or dealer quotations or alternative pricing sources with reasonable levels of price transparency for similar assets and liabilities.

The Company maintains a $400.0 million revolving credit facility. On March 31, 2020, the Company drew down $150.0 million on the revolving credit facility in response to the uncertainty surrounding the COVID-19 global pandemic. The Company repaid $75.0 million of that borrowing on June 29, 2020, and the remaining $75.0 million on July 28, 2020. As of September 30, 2020, the Company had $249.1 million available to borrow under the revolving credit facility and outstanding letters of credit were $123.5 million. At December 31, 2019, $229.2 million was available to borrow and outstanding letters of credit were $146.9 million.

On October 28, 2020, the Company entered into an amended and restated credit agreement for its revolving credit facility. Under the amended and restated agreement, the terms are substantially the same as under the prior agreement, but the facility termination date has been extended to October 28, 2025, subject to certain conditions.

Cash Flow Hedges

The Company’s strategy to hedge against fluctuations in variable interest rates involves entering into interest rate derivative agreements. Although the interest rate on the Term Loans is variable, the Company has effectively fixed the interest rate on $350.0 million aggregate principal amount of the Term Loans outstanding by entering into interest rate swap agreements in 2018 with a notional amount of $350.0 million. Under the terms of the interest rate swap agreements, the Company receives interest based on the one-month LIBOR index and pays interest at a weighted average annual interest rate of 2.92%, resulting in an effective annual interest rate of 4.67%.

The Company recognizes derivative instruments as either assets or liabilities on the balance sheet at fair value. No ineffectiveness has been identified on these swaps and, therefore, all unrealized changes in fair value are recorded in accumulated other comprehensive loss. Amounts are reclassified from accumulated other comprehensive loss into interest expense on the statement of operations in the same period or periods during which the hedged transaction affects earnings.

As of September 30, 2020 and December 31, 2019, the Company has recorded an interest rate swap liability with a fair value of $36.6 million and $20.8 million, respectively, within accrued expenses in connection with these cash flow hedges.

The fair value of the interest rate swaps is calculated using discounted cash flow valuation methodologies based upon the one-month LIBOR yield curves that are observable at commonly quoted intervals for the full term of the interest rate swaps and as such is considered a Level 2 measure according to the fair value hierarchy.

(12) INCOME TAXES

The Company records a tax provision or benefit on an interim basis using an estimated annual effective tax rate. This rate is applied to the current period ordinary income or loss to determine the income tax provision or benefit allocated to the interim period. Losses from jurisdictions for which no benefit can be recognized and the income tax effects of unusual or infrequent items are excluded from the estimated annual effective tax rate and are recognized in the impacted interim period. The estimated annual effective tax rate may be significantly impacted by projected earnings mix by tax jurisdiction. Adjustments to the estimated annual effective income tax rate are recognized in the period when such estimates are revised.

The Company’s effective tax rate for the three and nine months ended September 30, 2020 was 20.0% and 27.0%, compared to 32.8% and 35.1%, respectively, for the comparable periods in 2019.

As of September 30, 2020 and December 31, 2019, the Company had recorded $5.2 million and $6.4 million, respectively, of liabilities for unrecognized tax benefits and $1.9 million and $1.7 million, respectively, of interest. The Company released $1.1 million of uncertain tax positions in the three months ended September 30, 2020.

The Internal Revenue Service ("IRS") completed its examination of the Company’s tax years 2014-2016 and the Joint Committee on Taxation completed its review and took no exception. No material adjustments were made to the previously filed returns as a result of this process. In the third quarter of 2020, the Company received a refund of $7.7 million associated with the amended returns for these tax years.

(13) EARNINGS PER SHARE

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Numerator for basic and diluted earnings per share:				
Net income	$ 54,910	$ 36,369	$ 95,505	$ 73,589
Denominator:				
Basic shares outstanding	55,592	55,850	55,646	55,858
Dilutive effect of outstanding stock awards	146	315	186	251
Dilutive shares outstanding	55,738	56,165	55,832	56,109
Basic earnings per share:	$ 0.99	$ 0.65	$ 1.72	$ 1.32
Diluted earnings per share:	$ 0.99	$ 0.65	$ 1.71	$ 1.31

For the three months ended September 30, 2020 and September 30, 2019, all then outstanding performance awards and restricted stock awards were included in the calculation of diluted earnings per share except for 235,806 and 147,075, respectively, of performance stock awards for which the performance criteria were not attained at the time and 16,183 and 3,567, respectively, of restricted stock awards which were excluded as their inclusion would have an antidilutive effect.

For the nine months ended September 30, 2020 and September 30, 2019, all then outstanding performance awards and restricted stock awards were included in the calculation of diluted earnings per share except for 235,806 and 147,075, respectively, of performance stock awards for which the performance criteria were not attained at the time and 14,516 and 14,223, respectively, of restricted stock awards which were excluded as their inclusion would have an antidilutive effect.

(14) ACCUMULATED OTHER COMPREHENSIVE LOSS

The changes in accumulated other comprehensive loss by component and related tax impacts for the nine months ended September 30, 2020 were as follows (in thousands):

	Foreign Currency Translation	Unrealized Gains (Losses) on Available-For-Sale Securities	Unrealized Loss on Interest Rate Hedge	Unfunded Pension Liability	Total
Balance at January 1, 2020	$ (187,795)	$ 143	$ (20,839)	$ (1,560)	$ (210,051)
Other comprehensive (loss) income before reclassifications and tax impacts	(15,044)	141	(21,505)	—	(36,408)
Amounts reclassified out of accumulated other comprehensive loss	—	—	5,696	—	5,696
Tax gain (loss)	1,349	(30)	—	—	1,319
Other comprehensive (loss) income, net of tax	(13,695)	111	(15,809)	—	(29,393)
Balance at September 30, 2020	$ (201,490)	$ 254	$ (36,648)	$ (1,560)	$ (239,444)

The amount reclassified out of accumulated other comprehensive loss into the consolidated statement of operations, with presentation location, during the three and nine months ended September 30, 2020 was as follows (in thousands):

Other Comprehensive Income (Loss) Components	For the Three Months Ended September 30, 2020	For the Nine Months Ended September 30, 2020	Location
Unrealized loss on interest rate hedge	$ (2,468)	$ (5,696)	Interest expense, net of interest income

(15) STOCK-BASED COMPENSATION

On June 3, 2020, our shareholders approved the Clean Harbor's Inc. 2020 Stock Incentive Plan (the "2020 Plan"), which became effective on that date. The 2020 Plan provides for future awards of up to 2.5 million shares of the Company's common stock (subject to certain anti-dilution adjustments) in the form of stock options, stock appreciation rights, restricted stock, restricted stock units and other stock-based awards. The 2020 Plan is administered by the Compensation Committee of the Company's Board of Directors. The Company's previous stock incentive plan (the "2010 Plan") expired on May 10, 2020. In connection with the adoption of the 2020 Plan, no further awards will be made under the 2010 Plan.

Total stock-based compensation cost charged to selling, general and administrative expenses for the three and nine months ended September 30, 2020 was $6.7 million and $12.7 million, respectively. Total stock-based compensation cost charged to selling, general and administrative expenses for the three and nine months ended September 30, 2019 was $5.0 million and $14.7 million, respectively. The total income tax benefit recognized in the consolidated statements of operations from stock-based compensation expense for the three and nine months ended September 30, 2020 was $1.7 million and $2.9 million, respectively. The total income tax benefit recognized in the consolidated statements of operations from stock-based compensation expense for the three and nine months ended September 30, 2019 was $1.0 million and $2.8 million, respectively.

Restricted Stock Awards

The following table summarizes information about restricted stock awards for the nine months ended September 30, 2020:

Restricted Stock	Number of Shares	Weighted Average Grant-Date Fair Value
Balance at January 1, 2020	522,597	$ 59.57
Granted	205,548	58.54
Vested	(199,476)	57.59
Forfeited	(38,515)	58.81
Balance at September 30, 2020	490,154	60.01

As of September 30, 2020, there was $22.0 million of total unrecognized compensation cost arising from restricted stock awards. This cost is expected to be recognized over a weighted average period of 2.8 years. The total fair value of restricted stock vested during the three and nine months ended September 30, 2020 was $3.1 million and $12.8 million, respectively. The total fair value of restricted stock vested during the three and nine months ended September 30, 2019 was $4.2 million and $15.3 million, respectively.

Performance Stock Awards

Performance stock awards are subject to performance criteria established by the Compensation Committee of the Company's Board of Directors prior to or at the date of grant. The vesting of the performance stock awards is based on achieving targets typically based on revenue, Adjusted EBITDA margin, Adjusted Free Cash Flow and Total Recordable Incident Rate. In addition, performance stock awards include continued service conditions.

The following table summarizes information about performance stock awards for the nine months ended September 30, 2020:

Performance Stock	Number of Shares	Weighted Average Grant-Date Fair Value
Balance at January 1, 2020	204,553	$ 64.78
Granted	161,610	58.30
Vested	(23,222)	55.75
Forfeited	(16,330)	64.59
Balance at September 30, 2020	326,611	62.22

As of September 30, 2020, there was $5.7 million of total unrecognized compensation cost arising from unvested performance stock awards deemed probable of vesting. No performance awards vested during the three months ended September 30, 2020 and September 30, 2019. The total fair value of performance awards vested during the nine months ended September 30, 2020 and September 30, 2019 was $1.3 million and $2.9 million, respectively.

(16) COMMITMENTS AND CONTINGENCIES

The Company and its subsidiaries are subject to legal proceedings and claims arising in the ordinary course of business. Actions filed against the Company arise from commercial and employment-related claims including alleged class actions related to sales practices and wage and hour claims. The plaintiffs in these actions may be seeking damages or injunctive relief or both. These actions are in various jurisdictions and stages of proceedings, and some are covered in part by insurance. In addition, the Company’s waste management services operations are regulated by federal, state, provincial and local laws enacted to regulate discharge of materials into the environment, remediation of contaminated soil and groundwater or otherwise protect the environment. This ongoing regulation results in the Company frequently becoming a party to legal or administrative proceedings involving all levels of governmental authorities and other interested parties. The issues involved in such proceedings generally relate to alleged violations of existing permits and licenses or alleged responsibility under federal or state Superfund laws to remediate contamination at properties owned either by the Company or by other parties (“third-party sites”) to which either the Company or the prior owners of certain of the Company’s facilities shipped waste.

At September 30, 2020 and December 31, 2019, the Company had recorded reserves of $29.9 million and $26.0 million, respectively, in the Company's financial statements for actual or probable liabilities related to the legal and administrative proceedings in which the Company was then involved, the principal of which are described below. In management's opinion, it is not reasonably possible that the potential liability beyond what has been recorded, if any, that may result from these actions, either individually or collectively, will have a material effect on our financial position, results of operations or cash flows. The Company periodically adjusts the aggregate amount of these reserves when actual or probable liabilities are paid or otherwise discharged, new claims arise or additional relevant information about existing or probable claims becomes available. As of September 30, 2020 and December 31, 2019, the $29.9 million and $26.0 million, respectively, of reserves consisted of (i) $24.1 million and $18.4 million, respectively, related to pending legal or administrative proceedings, including Superfund liabilities, which were included in remedial liabilities on the consolidated balance sheets, and (ii) $5.8 million and $7.6 million, respectively, primarily related to federal, state and provincial enforcement actions, which were included in accrued expenses on the consolidated balance sheets.

Legal and Administrative Proceedings

As of September 30, 2020, the principal legal and administrative proceedings in which the Company was involved, or which had been terminated during 2020, were as follows:

Ville Mercier. In September 2002, the Company acquired the stock of a subsidiary (the "Mercier Subsidiary") which owns a hazardous waste incinerator in Ville Mercier, Quebec (the "Mercier Facility"). The property adjacent to the Mercier Facility, which is also owned by the Mercier Subsidiary, is now contaminated as a result of actions dating back to 1968, when the Government of Quebec issued two permits to dump organic liquids into lagoons on the property to a company unrelated to the Mercier Subsidiary. In 1999, Ville Mercier and three neighboring municipalities filed separate legal proceedings against the Mercier Subsidiary and the Government of Quebec. In 2012, the municipalities amended their existing statement of claim to seek $2.9 million (CAD) in general damages and $10.0 million (CAD) in punitive damages, plus interest and costs, as well as injunctive relief. Both the Government of Quebec and the Company have filed summary judgment motions against the municipalities. The parties are attempting to negotiate a resolution and hearings on the motions have been delayed. In September 2007, the Quebec Minister of Sustainable Development, Environment and Parks issued a notice pursuant to Section 115.1 of the Environment Quality Act, superseding notices issued in 1992, which are the subject of the pending litigation. The more recent notice notifies the Mercier Subsidiary that, if the Mercier Subsidiary does not take certain remedial measures at the site, the Minister intends to undertake those measures at the site and claim direct and indirect costs related to such measures. The Company has accrued for costs expected to be incurred relative to the resolution of this matter and believes this matter will not have future material effect on its financial position, results of operations or cash flows.

Safety-Kleen Legal Proceedings. On December 28, 2012, the Company acquired Safety-Kleen, Inc. ("Safety-Kleen") and thereby became subject to the legal proceedings in which Safety-Kleen was a party on that date. In addition to certain Superfund proceedings in which Safety-Kleen has been named as a potentially responsible party as described below under “Superfund Proceedings,” the principal such legal proceedings involving Safety-Kleen which were outstanding as of September 30, 2020 were as follows:

Product Liability Cases. Safety-Kleen has been named as a defendant in various lawsuits that are currently pending in various courts and jurisdictions throughout the United States, including approximately 69 proceedings (excluding cases which have been settled but not formally dismissed) as of September 30, 2020, wherein persons claim personal injury resulting from the use of Safety-Kleen's parts washer equipment or cleaning products. These proceedings typically involve allegations that the solvent used in Safety-Kleen's parts washer equipment contains contaminants and/or that Safety-Kleen's recycling process does not effectively remove the contaminants that become entrained in the solvent during their use. In addition, certain claimants assert that Safety-Kleen failed to adequately warn the product user of potential risks, including a historic failure to warn that solvent contains trace amounts of toxic or hazardous substances such as benzene.

The Company maintains insurance that it believes will provide coverage for these product liability claims (over amounts accrued for self-insured retentions and deductibles in certain limited cases), except for punitive damages to the extent not insurable under state law or excluded from insurance coverage. The Company also believes that these claims lack merit and has historically vigorously defended, and intends to continue to vigorously defend, itself and the safety of its products against all these claims. Such matters are subject to many uncertainties and outcomes are not predictable with assurance. Consequently, the Company is unable to ascertain the ultimate aggregate amount of monetary liability or financial impact with respect to these matters as of September 30, 2020. From January 1, 2020 to September 30, 2020, ten product liability claims were settled or dismissed. Due to the nature of these claims and the related insurance, the Company did not incur any expense as insurance provided coverage in full for all such claims. Safety-Kleen may be named in similar, additional lawsuits in the future, including claims for which insurance coverage may not be available.

Superfund Proceedings

The Company has been notified that either the Company (which, since December 28, 2012, includes Safety-Kleen) or the prior owners of certain of the Company's facilities for which the Company may have certain indemnification obligations have been identified as potentially responsible parties ("PRPs") or potential PRPs in connection with 130 sites which are subject to or are proposed to become subject to proceedings under federal or state Superfund laws. Of the 130 sites, five (including the BR Facility described below) involve facilities that are now owned or leased by the Company and 125 involve third-party sites to which either the Company or the prior owners of certain of the Company’s facilities shipped wastes. Of the 125 third-party sites, 31 are now settled, 15 are currently requiring expenditures on remediation and 79 are not currently requiring expenditures on remediation.

In connection with each site, the Company has estimated the extent, if any, to which it may be subject, either directly or as a result of any indemnification obligations, for cleanup and remediation costs, related legal and consulting costs associated with PRP investigations, settlements and related legal and administrative proceedings. The amount of such actual and potential liability is inherently difficult to estimate because of, among other relevant factors, uncertainties as to the legal liability, if any, of the Company or the prior owners of certain of the Company's facilities to contribute a portion of the cleanup costs, the assumptions that must be made in calculating the estimated cost and timing of remediation, the identification of other PRPs and their respective capability and obligation to contribute to remediation efforts and the existence and legal standing of indemnification agreements, if any, with prior owners, which may either benefit the Company or subject the Company to potential indemnification obligations. The Company believes its potential liability could exceed $100,000 at nine of the 125 third-party sites.

BR Facility. The Company acquired in 2002 a former hazardous waste incinerator and landfill in Baton Rouge (the "BR Facility"), for which operations had been previously discontinued by the prior owner. In September 2007, the U.S. Environmental Protection Agency ("EPA") issued a special notice letter to the Company related to the Devil's Swamp Lake Site ("Devil's Swamp") in East Baton Rouge Parish, Louisiana. Devil's Swamp includes a lake located downstream of an outfall ditch where wastewater and storm water have been discharged, and Devil's Swamp is proposed to be included on the National Priorities List due to the presence of Contaminants of Concern ("COC") cited by the EPA. These COCs include substances of the kind found in wastewater and storm water discharged from the BR Facility in past operations. The EPA originally requested COC generators to submit a good faith offer to conduct a remedial investigation feasibility study directed towards the eventual remediation of the site. In 2018, the Company completed performing corrective actions at the BR Facility under an order issued by the Louisiana Department of Environmental Quality and has also completed conducting the remedial investigation feasibility study for Devil's Swamp under the order issued by the EPA at which point the feasibility study, with several remedial alternatives, was submitted to the EPA for review. During the quarter ended September 30, 2020, the EPA signed a Record of Decision which defines the remediation alternative selected and approved by the EPA. Based upon this Record of Decision, the Company increased the estimated remedial liability for this inactive site by $3.3 million. As of September 30, 2020, the Company has recorded the best estimate of the costs to execute upon this remediation alternative. Changes in the natural landscape and/or new information identified during the remediation could impact this estimate, however are not expected to have a future material effect on the Company's financial position, liquidity or results of operation.

Third-Party Sites. Of the 125 third-party sites at which the Company has been notified it is a PRP or potential PRP or may have indemnification obligations, Clean Harbors has an indemnification agreement at 11 of these sites with ChemWaste, a former subsidiary of Waste Management, Inc., and at six additional of these third-party sites, Safety-Kleen has a similar indemnification agreement with McKesson Corporation. These agreements indemnify the Company (which now includes Safety-Kleen) with respect to any liability at the 17 sites for waste disposed prior to the Company's (or Safety-Kleen's) acquisition of the former subsidiaries of Waste Management and McKesson which had shipped wastes to those sites. Accordingly, Waste Management or McKesson are paying all costs of defending those subsidiaries in those 17 cases, including legal fees and settlement costs. However, there can be no guarantee that the Company's ultimate liabilities for those sites will not exceed the amount recorded or that indemnities applicable to any of these sites will be available to pay all or a portion of related costs. Except for the indemnification agreements which the Company holds from ChemWaste, McKesson and two other entities, the Company does not have an indemnity agreement with respect to any of the 125 third-party sites discussed above.

Federal, State and Provincial Enforcement Actions

From time to time, the Company pays fines or penalties in regulatory proceedings relating primarily to waste treatment, storage or disposal facilities. As of September 30, 2020 and December 31, 2019, there were 11 and 12 proceedings, respectively, for which the Company reasonably believes that the sanctions could equal or exceed $100,000. The Company believes that the fines or other penalties in these or any of the other regulatory proceedings will, individually or in the aggregate, not have a material effect on its financial condition, results of operations or cash flows.

Self-Insurance Liabilities

Under the Company's insurance programs, coverage is obtained for catastrophic exposures, as well as those risks required to be insured by law or contract. The Company's policy is to retain a significant portion of certain expected losses related to employee medical, workers' compensation, comprehensive general liability and vehicle liability. A portion of these self-insured liabilities are managed through its wholly-owned captive insurance subsidiary. Provisions for losses expected under these programs are recorded based upon the Company's estimates of the aggregate liability for claims. We maintain umbrella insurance to limit our exposure to certain catastrophic claim costs, including general liability and vehicle claim costs. For the policy year starting in the fourth quarter of 2020, the Company changed the umbrella policy terms to include a $5.0 million annual aggregate self-insured corridor retention.

(17) SEGMENT REPORTING

Segment reporting is prepared on the same basis that the Company's chief executive officer, who is the Company's chief operating decision maker, manages the business, makes operating decisions and assesses performance. The Company is managed and reports as two operating segments; (i) the Environmental Services segment and (ii) the Safety-Kleen segment.

Third-party revenue is revenue billed to outside customers by a particular segment. Direct revenues is revenue allocated to the segment providing the product or service. Intersegment revenues represent the sharing of third-party revenues among the segments based on products and services provided by each segment as if the products and services were sold directly to the third-party. The intersegment revenues are shown net. The operations not managed through the Company’s operating segments described above are recorded as “Corporate Items.”

The following table reconciles third-party revenues to direct revenues for the three and nine months ended September 30, 2020 and September 30, 2019 (in thousands):

	For the Three Months Ended September 30, 2020				For the Three Months Ended September 30, 2019			
	Third-party revenues	Intersegment revenues, net	Corporate Items, net	Direct revenues	Third-party revenues	Intersegment revenues, net	Corporate Items, net	Direct revenues
Environmental Services	$ 498,183	$ 29,448	$ 339	$ 527,970	$ 550,122	$ 35,274	$ 1,476	$ 586,872
Safety-Kleen	281,089	(29,448)	(1)	251,640	341,417	(35,274)	2	306,145
Corporate Items	72	—	(338)	(266)	129	—	(1,478)	(1,349)
Total	$ 779,344	$ —	$ —	$ 779,344	$ 891,668	$ —	$ —	$ 891,668

	For the Nine Months Ended September 30, 2020				For the Nine Months Ended September 30, 2019			
	Third-party revenues	Intersegment revenues, net	Corporate Items, net	Direct revenues	Third-party revenues	Intersegment revenues, net	Corporate Items, net	Direct revenues
Environmental Services	$ 1,490,641	$ 97,782	$ 2,823	$ 1,591,246	$ 1,550,114	$ 105,555	$ 3,301	$ 1,658,970
Safety-Kleen	857,048	(97,782)	142	759,408	990,146	(105,555)	15	884,606
Corporate Items	218	—	(2,965)	(2,747)	925	—	(3,316)	(2,391)
Total	$ 2,347,907	$ —	$ —	$ 2,347,907	$ 2,541,185	$ —	$ —	$ 2,541,185

The primary financial measure by which the Company evaluates the performance of its segments is "Adjusted EBITDA," which consists of net income plus accretion of environmental liabilities, depreciation and amortization, net interest expense, loss on early extinguishment of debt, provision for income taxes and other gains, losses or non-cash charges not deemed representative of fundamental segment results and other expense (income), net. Transactions between the segments are accounted for at the Company’s best estimate based on similar transactions with outside customers.

The following table presents Adjusted EBITDA information used by management by reported segment (in thousands):

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2020	2019	2020	2019
Adjusted EBITDA:				
Environmental Services	$ 140,854	$ 121,658	$ 387,851	$ 329,036
Safety-Kleen	68,761	81,326	176,498	215,578
Corporate Items	(48,444)	(46,371)	(145,108)	(136,513)
Total	161,171	156,613	419,241	408,101
Reconciliation to Consolidated Statements of Operations:				
Accretion of environmental liabilities	2,822	2,490	8,149	7,624
Depreciation and amortization	74,470	73,756	221,497	223,328
Income from operations	83,879	80,367	189,595	177,149
Other (income) expense, net	(2,268)	427	597	(1,992)
Loss on early extinguishment of debt	—	6,119	—	6,119
Loss on sale of businesses	118	—	3,376	—
Interest expense, net of interest income	17,407	19,702	54,848	59,681
Income before provision for income taxes	$ 68,622	$ 54,119	$ 130,774	$ 113,341

The following table presents certain assets by reportable segment and in the aggregate (in thousands):

	September 30, 2020	December 31, 2019
Property, plant and equipment, net:		
Environmental Services	$ 890,262	$ 939,352
Safety-Kleen	559,178	555,310
Corporate Items	89,893	93,489
Total property, plant and equipment, net	$ 1,539,333	$ 1,588,151
Goodwill and Permits and other intangibles, net:		
Environmental Services		
Goodwill	$ 211,139	$ 212,531
Permits and other intangibles, net	80,535	89,722
Total Environmental Services	291,674	302,253
Safety-Kleen		
Goodwill	$ 313,122	$ 312,482
Permits and other intangibles, net	311,866	329,344
Total Safety-Kleen	624,988	641,826
Total	$ 916,662	$ 944,079

The following table presents the total assets by geographical area (in thousands):

	September 30, 2020	December 31, 2019
United States	$ 3,452,839	$ 3,413,254
Canada and other foreign	653,348	695,650
Total	$ 4,106,187	$ 4,108,904

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

Forward-Looking Statements

In addition to historical information, this Quarterly Report on Form 10-Q contains forward-looking statements, which are generally identifiable by use of the words "believes," "expects," "intends," "anticipates," "plans to," "seeks," "should," "estimates," "projects," "may," "likely" or similar expressions. Such statements may include, but are not limited to, statements about future financial and operating results, the Company's plans, objectives, expectations and intentions and other statements that are not historical facts. Forward-looking statements are neither historical facts nor assurances of future performance. Such statements are based upon the beliefs and expectations of Clean Harbors' management as of this date only and are subject to certain risks and uncertainties that could cause actual results to differ materially, including, without limitation, the risks and uncertainties surrounding Coronavirus ("COVID-19") and the related impact on our business, and those items identified as "Risk Factors,” in this report under Item 1A and in our Annual Report on Form 10-K filed with the Securities and Exchange Commission on February 26, 2020, and in other documents we file from time to time with the SEC. Therefore, readers are cautioned not to place undue reliance on these forward-looking statements, which reflect management’s opinions only as of the date hereof. Our actual results and financial condition may differ materially from those indicated in the forward-looking statements. Clean Harbors undertakes no obligation to revise or publicly release the results of any revision to these forward-looking statements other than through its filings with the SEC, which may be viewed in the "Investors" section of the Clean Harbors website.

Overview

We are North America’s leading provider of environmental and industrial services supporting our customers in finding environmentally responsible solutions to further their sustainability goals in today's world. We believe we operate, in the aggregate, the largest number of hazardous waste incinerators, landfills and treatment, storage and disposal facilities ("TSDFs") in North America. We serve a diverse customer base, including Fortune 500 companies, across the chemical, energy, manufacturing and additional markets, as well as numerous government agencies. These customers rely on us to deliver a broad range of services including but not limited to end-to-end hazardous waste management, emergency response, industrial cleaning and maintenance and recycling services. We are also the largest re-refiner and recycler of used oil in North America and the largest provider of parts washer and related environmental services to commercial, industrial and automotive customers in North America.

Performance of our segments is evaluated on several factors of which the primary financial measure is Adjusted EBITDA as described more fully below. The following is a discussion of how management evaluates its segments in regards to other factors including key performance indicators that management uses to assess the segments' results, as well as certain macroeconomic trends and influences that impact each reportable segment:

- **Environmental Services -** Environmental Services segment results are predicated upon the demand by our customers for waste services directly attributable to waste volumes generated by them and project work for which waste handling and/or disposal is required. In managing the business and evaluating performance, management tracks the volumes and mix of waste handled and disposed of through our owned incinerators and landfills, as well as utilization of such incinerators, labor and billable hours and equipment among other key metrics. Levels of activity and ultimate performance associated with this segment can be impacted by several factors including overall U.S. GDP and U.S. industrial production, weather conditions, efficiency of our operations, technology, changing regulations, competition, market pricing of our services and the management of our related operating costs. Environmental Services results are also impacted by the demand for planned and unplanned industrial related cleaning and maintenance services at customer sites, environmental cleanup services on a scheduled or emergency basis, including response to national events such as major chemical spills, natural disasters, or other events where immediate and specialized services are required. As a result of the recent COVID-19 pandemic, the business has also seen increased demand for response services relative to contagion disinfection, decontamination and disposal.

- **Safety-Kleen -** Safety-Kleen segment results are impacted by an array of core service and product offerings that serve to attract small quantity waste producers as customers and integrate them into the Clean Harbors waste network. Core service offerings include parts washer services, containerized waste services, vacuum services, used motor oil collection and contract blending and packaging services. Key performance indicators tracked by the Company relative to these services include the number of parts washer services performed and pricing and volume of used motor oil and waste collected. Results from these services are primarily driven by the overall number of parts washers placed at customer sites and volumes of waste and used motor oil collected, as well as the demand for and frequency of other offered services. These factors can be impacted by overall economic conditions in the marketplace, especially in the automotive and manufacturing related areas. The overall market price of oil and regulations that change the possible usage of used motor oil, including the International Maritime Organization's 2020 regulation, both impact the premium the segment can charge for used motor oil collections. In addition to its core service offerings, Safety-Kleen offers high quality recycled base and blended oil products to end users including fleet customers, distributors and manufacturers of oil products. Other product offerings include automotive related fluids and shop supplies. Relative to its oil related products, management tracks the Company's volumes and relative percentages of base and blended oil sales along with various pricing metrics associated with the commodity driven marketplace. The segment's results are significantly impacted by overall market pricing and product mix associated with base and blended oil products and, more specifically, the market prices of Group II base oils. Costs incurred in connection with the collection of used oil and other raw materials associated with the segment's oil related products can also be volatile. Our OilPlus® closed loop initiative, which results in the sale of our renewable oil products directly to our end customers, may also be impacted by changes in customer demand for high-quality, environmentally responsible recycled oil.

Impact of COVID-19

Corporate Response

In response to the COVID-19 pandemic, the Company has created a dedicated crisis response team to proactively monitor and respond to Company and customer operations, implement plans to execute on opportunities of COVID-19 related decontamination services and enhance health and safety measures for all our employees as well as customers to which we have provided these services.

Health and safety is our #1 priority. Our commitment to ensuring the health and safety of our employees, particularly those performing COVID-19 decontamination services for our customers is a pillar of our overall corporate culture. During the pandemic, we have been able to successfully supply our employees with appropriate personal protective equipment ("PPE") for use in servicing our customers in the field and working at our operational and administrative facilities. To support the safety of all of our employees and operations, early precautionary measures were implemented including actively monitoring and reporting employee illness, acquiring and maintaining adequate levels of PPE inventory, suspending non-essential travel, limiting the number of employees attending meetings and reducing the number of people at our locations at any one time. In an effort to contain COVID-19, governments have enacted various measures, including orders to close non-essential businesses and personal and commercial travel restrictions. Operations at our facilities complied with government ordered shutdowns and reopening plans. The COVID-19 pandemic continues to be an evolving situation. We continue to monitor changes in the various locations in which we operate and adapting our protocols accordingly as well as on a proactive basis wherever possible.

Impact on Our Financial Statements and Business Operations

The COVID-19 pandemic has resulted in, and is likely to continue to result in economic disruption. The Company's financial results for the three and nine months ended September 30, 2020 were significantly impacted by the COVID-19 pandemic. In the latter half of March 2020 and throughout the second and third quarters, we were measurably impacted by an overall slowdown in economic activity which included closures at some of our customer sites and rising general uncertainty about future economic activity. In the third quarter, financial results, including direct revenues and EBITDA, improved for both segments when compared to the second quarter of 2020 as we began to see the increased return to operations at our customers.

In our Environmental Services segment, continued lower activity levels and shutdowns of customers' operations decrease the level of our services that are required and the quantities of commercial and industrial waste disposed of throughout our network of facilities. Lower demand for oil and overall price declines in the global oil market, resulting from COVID-19 impacts, impacts the level of environmental services we provide to our customers in that market.

We continue to see demand for disinfecting, decontamination and disposal related emergency response services specifically in response to COVID-19. The Company completed more than 9,000 projects responding specifically to the risk of COVID-19, amounting to nearly $90 million of direct revenues during the nine months ended September 30, 2020. Although uncertain as to the prevalence of such services for the remainder of the year, we do expect demand for these COVID-19 response services to continue. The increased level of emergency response work, however, did not overcome the overall levels of service work lost due to the impacts of the COVID-19 pandemic.

We expect that the services provided by our Safety-Kleen segment will continue to be impacted by less automotive related travel and any ongoing customer shutdowns reducing demand for Safety-Kleen core services and products. We have observed declining demand in the primary sectors impacting this business including the overall automotive sector, as consumer activity lags historical levels across the United States and Canada. Lower oil related demand and price declines in the global oil market, exacerbated by COVID-19 impacts, are also expected to reduce revenues generated by the business in 2020. In order to respond to the impact on the Safety-Kleen business and in particular the reduced availability of used motor oils which are utilized as feedstock in our re-refining processes and reduced demand for base and blended oil products, in April 2020, we temporarily shuttered nearly half of the total production capacity of our oil re-refineries. In response to more positive trends in oil demand, certain facilities were brought back online, increasing available production to approximately 90% of the total production capacity by the end of the third quarter of 2020.

The Company considered the impact of COVID-19 on the assumptions and estimates used in the preparation of the financial statements and did not identify any significant changes in estimates. Specifically, management concluded that there had not been any triggering events requiring further assessment of asset impairments. Management also assessed the extent to which the current macroeconomic events brought about by COVID-19 and significant declines in oil demand may have impacted the valuation of expected credit losses on accounts receivable and certain inventory items or resulted in modifications to any significant contracts. Ultimately the results of these assessments did not have a material impact on the Company's results as of September 30, 2020.

In regards to liquidity and capital resources, as of September 30, 2020, the Company had $532.3 million in cash and marketable securities and $249.1 million of borrowing availability under the revolving credit facility. Other than $7.5 million of annual payments on the Company's secured senior term loans, there are no debt maturities until June 2024, when those term loans are due. To maintain a strong liquidity position through 2020 and beyond, the Company remains active in executing cost reduction initiatives, significantly reduced 2020 capital expenditures from originally forecasted amounts and continues to consider all aspects of eligible government programs.

Impact of Government Programs

On March 27, 2020, the Coronavirus Aid, Relief and Economic Security Act ("CARES Act") was signed into law in response to the widespread economic impact of the COVID-19 pandemic. On April 11, 2020, the Canadian federal government enacted the COVID-19 Emergency Response Act, No.2, which implemented the Canada Emergency Wage Subsidy ("CEWS"). Since the establishment of these programs, management has considered and analyzed the Company's eligibility under such government programs. Most significantly, the Company applied for certain employee retention credits under the CARES Act and the wage subsidy under the CEWS. Although the Company did implement certain cost reduction plans associated with labor in the second quarter, these government programs have allowed our workforce to remain stable during the temporary slowdown in activity. The table below summarizes the benefit of these government programs recorded in the statement of operations for the periods ended September 30, 2020 (in thousands):

	Three Months Ended September 30, 2020				Nine Months Ended September 30, 2020			
	Environmental Services	Safety-Kleen	Corporate Items	Total	Environmental Services	Safety-Kleen	Corporate Items	Total
Cost of revenues	$ 8,481	$ 1,802	$ 145	$ 10,428	$ 17,478	$ 6,666	$ 560	$ 24,704
Selling, general and administrative expenses	1,488	685	668	2,841	5,755	4,092	2,117	11,964
Total	$ 9,969	$ 2,487	$ 813	$ 13,269	$ 23,233	$ 10,758	$ 2,677	$ 36,668

In addition to the credits and subsidies outlined above, which do not require any repayment to be made by the Company, the CARES Act also allows for the deferral of payment related to certain payroll taxes. In total, we deferred payroll tax payments of $23.2 million during the nine months ended September 30, 2020 which are required to be paid in equal installments, in the fourth quarters of 2021 and 2022.

Highlights

Total revenues for the three and nine months ended September 30, 2020 were $779.3 million and $2,347.9 million, compared with $891.7 million and $2,541.2 million for the three and nine months ended September 30, 2019. In the three and nine months ended September 30, 2020, our Environmental Services segment direct revenues decreased 10.0% and 4.1% from the comparable periods in 2019, primarily due to lower demand for our industrial and technical related services. Lower overall economic activity due to the COVID-19 pandemic has most notably reduced the demand for industrial turnaround, environmental remediation and waste disposal projects. This decrease was partially offset by increased emergency response decontamination services in the wake of the COVID-19 pandemic. In the three and nine months ended September 30, 2020, our Safety-Kleen segment direct revenues decreased 17.8% and 14.2% from the comparable periods in 2019, predominantly due to lower demand across the Safety-Kleen portfolio of products and core services also resulting from overall lower economic activity, customer shutdowns as well as lower oil demand and pricing driven by the COVID-19 pandemic. Increased revenues from used motor oil collections partially offset these decreases in the Safety-Kleen segment. The fluctuation of the Canadian dollar negatively impacted our consolidated revenues by $1.0 million and $5.2 million in the three and nine months ended September 30, 2020.

We reported income from operations for the three and nine months ended September 30, 2020 of $83.9 million and $189.6 million compared with $80.4 million and $177.1 million in the three and nine months ended September 30, 2019. We reported net income for the three and nine months ended September 30, 2020 of $54.9 million and $95.5 million compared with net income of $36.4 million and $73.6 million in the three and nine months ended September 30, 2019.

Adjusted EBITDA, which is the primary financial measure by which our segments are evaluated, increased 2.9% to $161.2 million in the three months ended September 30, 2020 from $156.6 million in the three months ended September 30, 2019 and increased 2.7% to $419.2 million in the nine months ended September 30, 2020 from $408.1 million in the nine months ended September 30, 2019. Our relatively consistent levels of EBITDA in these periods, despite the notable decline in revenues can be attributed to incremental cost controls put in place by the Company, the improved mix of revenue generating services as well as benefits received from the government programs discussed above. Additional information, including a reconciliation of Adjusted EBITDA to net income, appears below under the heading *"Adjusted EBITDA."*

Net cash from operating activities for the nine months ended September 30, 2020 was $317.4 million, an increase of $32.8 million from the comparable period in 2019. Adjusted free cash flow, which management uses to measure our financial strength and ability to generate cash, was an inflow of $195.5 million in the nine months ended September 30, 2020, compared to an inflow of $119.1 million in the comparable period of 2019. These increased levels of adjusted cash flows are the result of lower capital expenditures, as well as the benefits received from the government programs discussed above. Additional information, including a reconciliation of adjusted free cash flow to net cash from operating activities, appears below under the heading *"Adjusted Free Cash Flow."*

Segment Performance

The primary financial measure by which we evaluate the performance of our segments is Adjusted EBITDA. The following table sets forth certain financial information associated with our results of operations for the three and nine months ended September 30, 2020 and September 30, 2019 (in thousands, except percentages):

	Summary of Operations							
	For the Three Months Ended				For the Nine Months Ended			
	September 30, 2020	September 30, 2019	$ Change	% Change	September 30, 2020	September 30, 2019	$ Change	% Change
Direct Revenues[(1)]:								
Environmental Services	$ 527,970	$ 586,872	$ (58,902)	(10.0)%	$ 1,591,246	$ 1,658,970	$ (67,724)	(4.1)%
Safety-Kleen	251,640	306,145	(54,505)	(17.8)	759,408	884,606	(125,198)	(14.2)
Corporate Items	(266)	(1,349)	1,083	N/M	(2,747)	(2,391)	(356)	N/M
Total	779,344	891,668	(112,324)	(12.6)	2,347,907	2,541,185	(193,278)	(7.6)
Cost of Revenues[(2)]:								
Environmental Services	350,072	417,954	(67,882)	(16.2)	1,084,450	1,203,367	(118,917)	(9.9)
Safety-Kleen	154,729	189,190	(34,461)	(18.2)	489,358	558,609	(69,251)	(12.4)
Corporate Items	6,828	5,610	1,218	N/M	15,168	10,075	5,093	N/M
Total	511,629	612,754	(101,125)	(16.5)	1,588,976	1,772,051	(183,075)	(10.3)
Selling, General & Administrative Expenses:								
Environmental Services	37,044	47,260	(10,216)	(21.6)	118,945	126,567	(7,622)	(6.0)
Safety-Kleen	28,150	35,629	(7,479)	(21.0)	93,552	110,419	(16,867)	(15.3)
Corporate Items	41,350	39,412	1,938	4.9	127,193	124,047	3,146	2.5
Total	106,544	122,301	(15,757)	(12.9)	339,690	361,033	(21,343)	(5.9)
Adjusted EBITDA:								
Environmental Services	140,854	121,658	19,196	15.8	387,851	329,036	58,815	17.9
Safety-Kleen	68,761	81,326	(12,565)	(15.5)	176,498	215,578	(39,080)	(18.1)
Corporate Items	(48,444)	(46,371)	(2,073)	(4.5)	(145,108)	(136,513)	(8,595)	(6.3)
Total	$ 161,171	$ 156,613	$ 4,558	2.9%	$ 419,241	$ 408,101	$ 11,140	2.7%

N/M = not meaningful

(1) Direct revenue is revenue allocated to the segment performing the provided service.

(2) Cost of revenue is shown exclusive of items presented separately on the statements of operations which consist of (i) accretion of environmental liabilities and (ii) depreciation and amortization.

Direct Revenues

There are many factors which have impacted and continue to impact our revenues, including a significant impact to our revenue resulting from COVID-19 as discussed in *Impact of COVID-19* above. Other factors impacting our revenues include, but are not limited to: overall levels of industrial activity and growth in North America, existence or non-existence of large scale environmental waste and remediation projects, competitive industry pricing, miles driven and related lubricant demand, impacts of acquisitions and divestitures, the level of emergency response services, weather related events, base and blended oil pricing, market changes relative to the collection of used oil, the number of parts washers placed at customer sites and foreign currency translation. In addition, customer efforts to minimize hazardous waste and changes in regulation can also impact our revenues.

Environmental Services

	For the Three Months Ended September 30,		2020 over 2019		For the Nine Months Ended September 30,		2020 over 2019	
(in thousands, except percentages)	2020	2019	Change	% Change	2020	2019	Change	% Change
Direct revenues	$ 527,970	$ 586,872	$ (58,902)	(10.0)%	$ 1,591,246	$ 1,658,970	$ (67,724)	(4.1)%

Environmental Services direct revenues for the three months ended September 30, 2020 decreased $58.9 million from the comparable period in 2019, driven primarily by significantly lower demand for our industrial and technical related services, partially offset by direct revenues earned in connection with COVID-19 emergency response decontamination services. Lower economic activity throughout the COVID-19 pandemic reduced the demand for industrial and technical related services as customers postponed and/or reduced the levels of industrial turnarounds, environmental remediation projects and other waste disposal services. Direct revenues associated with disposal services at our incinerator and landfill facilities decreased $9.9 million and $1.7 million, respectively, when compared with the same quarter in the prior year, due to lower volumes of waste disposed of in our network of facilities. Incinerator utilization was 80%. A maintenance related turnaround at a key incinerator facility was pulled forward into the third quarter of 2020 increasing the number of down days and contributing to a 12% decrease in incinerator utilization when compared to the same period in the prior year. Decreased direct revenues from these lower volumes were partially offset by the processing of higher value waste streams through our network of facilities during the period. Direct revenues of $28.9 million from COVID-19 related emergency response decontamination services in the third quarter of 2020 partially offset these overall decreases in direct revenues. The impact of foreign currency translation on our Environmental Services Canadian operations was minimal.

Environmental Services direct revenues for the nine months ended September 30, 2020 decreased $67.7 million from the comparable period in 2019 driven primarily by significantly lower demand for our industrial and technical related services, partially offset by COVID-19 emergency response decontamination services. Lower economic activity throughout the COVID-19 pandemic reduced the demand for industrial and technical related services as customers postponed and/or reduced the levels of industrial turnarounds, environmental remediation projects and other waste disposal services. Direct revenues at our landfill facilities decreased $2.0 million when compared with the same period in the prior year due to lower volumes of waste streams. In the nine months ended September 30, 2020, the Company generated $88.9 million of direct revenues from COVID-19 related emergency response decontamination services, which partially offset these direct revenue decreases. Additionally, direct revenues at our incinerator facilities increased by $20.7 million when compared to the same period in 2019 due to higher value waste streams. Utilization at our incinerator facilities remained consistent with the prior year at 84%. Also impacting the year over year change in direct revenues within this segment was the negative impact of foreign currency translation on our Canadian operations of $4.2 million.

Safety-Kleen

	For the Three Months Ended September 30,		2020 over 2019		For the Nine Months Ended September 30,		2020 over 2019	
(in thousands, except percentages)	2020	2019	Change	% Change	2020	2019	Change	% Change
Direct revenues	$ 251,640	$ 306,145	$ (54,505)	(17.8)%	$ 759,408	$ 884,606	$ (125,198)	(14.2)%

Safety-Kleen direct revenues for the three months ended September 30, 2020 decreased $54.5 million from the comparable period in 2019. Reduced demand for oil related products and our core services continued to drive lower levels of direct revenues within this segment. Base oil sales decreased $24.9 million from the comparable period in 2019 due to lower sales volume and lower pricing, while blended oil sales decreased approximately $15.4 million from the comparable period in 2019, principally due to lower sales volumes. Decreased demand for Safety-Kleen's core service offerings contributed to the decline in direct revenues as containerized waste and vacuum services decreased $15.4 million from the comparable period in 2019. Recycled fuel oil and refinery byproducts sales also decreased $11.4 million, driven by both lower sales volume and lower pricing, and parts washer service revenues decreased $6.3 million due to lower demand. Given the impact of COVID-19 on our customers, these decreases were expected. Partially offsetting these decreases was a $15.9 million increase in direct revenues from used motor oil collections due to pricing increases on these services despite lower volumes of oil collected in the current period. The impact of foreign currency translation on our Safety-Kleen Canadian operations was minimal.

Safety-Kleen direct revenues for the nine months ended September 30, 2020 decreased $125.2 million from the comparable period in 2019. Reduced demand for oil related products and core services resulting from lower automotive travel and customer shutdowns, arising from the COVID-19 pandemic, drove these lower direct revenue levels. Base oil sales decreased $52.8 million from the comparable period in 2019 due to lower volume and lower pricing, and blended oil sales decreased $33.5 million due to lower volumes. Decreased demand for Safety-Kleen's core service offerings contributed to the decline in direct revenues as containerized waste and vacuum services decreased $33.0 million from the comparable period in 2019. Recycled fuel oil and refinery byproducts decreased $29.5 million, driven by lower volumes and, to a lesser extent, lower pricing, and parts washer service revenues decreased by $15.0 million, from the comparable period in 2019, due to lower demand particularly in the last two fiscal quarters. Partially offsetting these decreases was a $31.2 million increase in direct revenue from used motor oil collections due to pricing increases on these services. The impact of foreign currency translation on our Safety-Kleen Canadian operations was minimal. Slow incremental improvements in the demand for the segment's core service offerings are expected to continue into the fourth quarter if national and state reopening plans continue to prove successful.

Cost of Revenues

We believe that our ability to manage operating costs is important to our ability to remain price competitive. We continue to upgrade the quality and efficiency of our services through the development of new technology and continued modifications at our facilities, invest in new business opportunities and aggressively implement strategic sourcing and logistics solutions as well as other cost reduction initiatives, while also continuing to optimize our management and operating structure in an effort to maintain and increase operating margins.

Environmental Services

	For the Three Months Ended				For the Nine Months Ended			
	September 30,		2020 over 2019		September 30,		2020 over 2019	
(in thousands, except percentages)	2020	2019	Change	% Change	2020	2019	Change	% Change
Cost of revenues	$ 350,072	$ 417,954	$ (67,882)	(16.2)%	$ 1,084,450	$ 1,203,367	$ (118,917)	(9.9)%
As a % of Direct revenues	66.3 %	71.2 %	(4.9)%		68.2 %	72.5 %	(4.3)%	

Environmental Services cost of revenues for the three months ended September 30, 2020 decreased $67.9 million from the comparable period in 2019, including a $24.4 million decrease to labor and benefits related costs, including travel costs, a $23.1 million decrease to equipment and supply costs and an $18.8 million decrease in external transportation, disposal and fuel costs. These decreases were attributable to lower direct revenues and successful cost control initiatives, as well as an $8.5 million benefit from the employee retention credit and subsidies recorded in the third quarter of 2020 under the CARES Act and CEWS which helped defray certain labor and benefits costs and is reflected in the decrease to labor and benefits related costs identified above. Absent this benefit, cost of revenues as a percentage of direct revenues still improved 3.3% primarily due an operational focus on better leverage of our employee and asset bases resulting in lower third party transportation, subcontractor and equipment rental spending.

Environmental Services cost of revenues for the nine months ended September 30, 2020 decreased $118.9 million from the comparable period in 2019, including a $45.7 million decrease to labor and benefits related costs, including travel costs, a $36.9 million decrease to external transportation, disposal and fuel costs and a $34.9 million decrease to equipment and supply costs. These decreases were mainly attributable to lower direct revenues and successful cost control initiatives, as well as a $17.5 million benefit from the employee retention credits and subsidies recorded in 2020 under the CARES Act and CEWS which is reflected in the reduction to labor and benefits related costs above. Absent this benefit, cost of revenues as a percentage of direct revenues still improved 3.3% primarily due to an operational focus on better leverage of our employee and asset bases resulting in lower third party transportation, subcontractor and equipment rental spending. In the future, we expect continued benefits from our operational focus on better leverage of our employee and asset bases.

Safety-Kleen

(in thousands, except percentages)	For the Three Months Ended September 30, 2020	2019	2020 over 2019 Change	% Change	For the Nine Months Ended September 30, 2020	2019	2020 over 2019 Change	% Change
Cost of revenues	$ 154,729	$ 189,190	$ (34,461)	(18.2)%	$ 489,358	$ 558,609	$ (69,251)	(12.4)%
As a % of Direct revenues	61.5 %	61.8 %	(0.3)%		64.4 %	63.1 %	1.3 %	

Safety-Kleen cost of revenues for the three months ended September 30, 2020 decreased $34.5 million from the comparable period in 2019, including a $13.9 million decrease in costs of oil additives and other raw materials, a $10.0 million decrease in labor and benefits related costs, including travel costs and a $6.6 million decrease in transportation, disposal and fuel costs. These decreases were mainly attributable to lower direct revenues, as well as a $1.8 million benefit related to the employee retention credits and subsidies recorded in the third quarter of 2020 under the CARES Act and CEWS which is reflected in the decrease in labor and benefits related costs above. Absent this benefit, costs of revenues as a percentage of direct revenues were relatively consistent with the prior year.

Safety-Kleen cost of revenues for the nine months ended September 30, 2020 decreased $69.3 million from the comparable period in 2019, including a $30.1 million decrease in costs of oil additives and other raw materials, an $18.1 million decrease in labor and benefits related costs, including travel costs and a $15.6 million decrease in transportation, disposal and fuel costs. These decreases were mainly attributable to lower direct revenues, as well as a $6.7 million benefit related to employee retention credits and subsidies recorded in 2020 under the CARES Act and CEWS which is reflected in the decrease in labor and benefits related costs above. Absent this benefit, costs of revenues as a percentage of direct revenues increased 2.2%. This increase resulted from certain fixed costs which could not be reduced proportionate to the overall lower business activity, partially offset by an operational focus on cost reductions, specifically in transportation and subcontractor costs.

Selling, General and Administrative Expenses

We strive to manage our selling, general and administrative ("SG&A") expenses commensurate with the overall performance of our segments and corresponding revenue levels. We believe that our ability to properly align these costs with business performance is reflective of our strong management of the businesses and further promotes our ability to remain competitive in the marketplace.

Environmental Services

(in thousands, except percentages)	For the Three Months Ended September 30, 2020	2019	2020 over 2019 Change	% Change	For the Nine Months Ended September 30, 2020	2019	2020 over 2019 Change	% Change
SG&A expenses	$ 37,044	$ 47,260	$ (10,216)	(21.6)%	$ 118,945	$ 126,567	$ (7,622)	(6.0)%
As a % of Direct revenues	7.0 %	8.1 %	(1.1)%		7.5 %	7.6 %	(0.1)%	

Environmental Services SG&A expenses for the three months ended September 30, 2020 decreased $10.2 million from the comparable period in 2019. This decrease in SG&A expenses was primarily attributable to lower direct revenues and therefore lower sales related costs, such as travel and other selling related costs, as well as a $1.5 million benefit related to the employee retention credits and subsidies recorded in the third quarter of 2020 under the CARES Act and CEWS which helped to defray labor and benefits related costs. Absent these benefits, Environmental Services SG&A expenses as a percentage of direct revenues remained relatively consistent with the comparable period in 2019.

Environmental Services SG&A expenses for the nine months ended September 30, 2020 decreased $7.6 million from the comparable period in 2019 primarily due to lower direct revenues and therefore lower sales related costs, such as travel and other selling related costs, as well as a $5.8 million benefit in labor and benefits related costs related to the employee retention credits and subsidies recorded in 2020 under the CARES Act and CEWS. Also contributing to the period comparison are a $5.5 million favorable resolution of a litigation matter and recovery of certain trade receivables of $5.4 million, both of which were recorded in the first quarter of 2019, and favorably impacted the SG&A expenses for the nine months ended September 30, 2019. Absent these nonrecurring transactions, Environmental Services SG&A expenses as a percentage of direct revenues remained relatively consistent with the comparable period in 2019.

Safety-Kleen

(in thousands, except percentages)	For the Three Months Ended September 30, 2020	2019	2020 over 2019 Change	% Change	For the Nine Months Ended September 30, 2020	2019	2020 over 2019 Change	% Change
SG&A expenses	$ 28,150	$ 35,629	$ (7,479)	(21.0)%	$ 93,552	$ 110,419	$ (16,867)	(15.3)%
As a % of Direct revenues	11.2 %	11.6 %	(0.4)%		12.3 %	12.5 %	(0.2)%	

Safety-Kleen SG&A expenses for the three and nine months ended September 30, 2020 decreased $7.5 million and $16.9 million, respectively, from the comparable periods in 2019. These decreases were primarily attributable to lower direct revenues and therefore lower sales related costs, as well as a reduction in labor and benefit related costs of $0.7 million and $4.1 million for the three and nine months ended September 30, 2020, respectively, attributable to employee retention credits and subsidies under the CARES Act and CEWS. Absent these benefits, Safety-Kleen SG&A expenses as a percentage of direct revenues for the three and nine months ended September 30, 2020 were relatively consistent with the comparable periods in the prior year.

Corporate Items

(in thousands, except percentages)	For the Three Months Ended September 30, 2020	2019	2020 over 2019 Change	% Change	For the Nine Months Ended September 30, 2020	2019	2020 over 2019 Change	% Change
SG&A expenses	$ 41,350	$ 39,412	$ 1,938	4.9 %	$ 127,193	$ 124,047	$ 3,146	2.5 %

Corporate Items SG&A expenses for the three months ended September 30, 2020 increased $1.9 million from the comparable period in 2019 due to a $3.3 million change in an environmental remedial liability estimate for an inactive site recorded in the third quarter of 2020 and a $1.6 million increase in stock-based compensation. These increases were partially offset by an overall decrease of $0.8 million in labor and benefits related costs, predominately driven by employee retention credits and subsidies under the CARES Act and CEWS, and a decrease in travel and real estate related expenses of $0.8 million and $0.4 million respectively, due to cost reduction initiatives. The remaining expense reductions offsetting the noted increases were spread across various cost components.

Corporate Items SG&A expenses for the nine months ended September 30, 2020 increased $3.1 million from the comparable period in 2019 primarily due to increased marketing expenses of $3.9 million to expand brand awareness, increased severance costs of $3.4 million and a $3.3 million change in an environmental remedial liability estimate for an inactive site. These increases were partially offset by a $2.1 million reduction in labor costs from employee retention credits and subsidies recorded in 2020 under the CARES Act and CEWS, a $1.9 million decrease in stock-based compensation and decreases in travel and real estate related expenses of $1.4 million and $1.0 million, respectively. The remaining expense reductions offsetting the noted increases were spread across various cost components.

Adjusted EBITDA

Management considers Adjusted EBITDA to be a measurement of performance which provides useful information to both management and investors. Adjusted EBITDA should not be considered an alternative to net income or other measurements under generally accepted accounting principles ("GAAP"). Adjusted EBITDA is not calculated identically by all companies and therefore our measurements of Adjusted EBITDA, while defined consistently and in accordance with our historical credit agreement, may not be comparable to similarly titled measures reported by other companies.

(in thousands, except percentages)	For the Three Months Ended September 30, 2020	2019	2020 over 2019 Change	% Change	For the Nine Months Ended September 30, 2020	2019	2020 over 2019 Change	% Change
Adjusted EBITDA:								
Environmental Services	$ 140,854	$ 121,658	$ 19,196	15.8 %	$ 387,851	$ 329,036	$ 58,815	17.9 %
Safety-Kleen	68,761	81,326	(12,565)	(15.5)	176,498	215,578	(39,080)	(18.1)
Corporate Items	(48,444)	(46,371)	(2,073)	(4.5)	(145,108)	(136,513)	(8,595)	(6.3)
Total	$ 161,171	$ 156,613	$ 4,558	2.9 %	$ 419,241	$ 408,101	$ 11,140	2.7 %

We use Adjusted EBITDA to enhance our understanding of our operating performance, which represents our views concerning our performance in the ordinary, ongoing and customary course of our operations. We historically have found it helpful, and believe that investors have found it helpful, to consider an operating measure that excludes certain expenses relating to transactions not reflective of our core operations.

The information about our operating performance provided by this financial measure is used by our management for a variety of purposes. We regularly communicate Adjusted EBITDA results to our lenders since our loan covenants are based upon levels of Adjusted EBITDA achieved and to our board of directors and we discuss with the board our interpretation of such results. We also compare our Adjusted EBITDA performance against internal targets as a key factor in determining cash and stock bonus compensation for executives and other employees, largely because we believe that this measure is indicative of how the fundamental business is performing and is being managed.

We also provide information relating to our Adjusted EBITDA so that analysts, investors and other interested persons have the same data that we use to assess our core operating performance. We believe that Adjusted EBITDA should be viewed only as a supplement to the GAAP financial information. We also believe, however, that providing this information in addition to, and together with, GAAP financial information permits the users of our financial statements to obtain a better understanding of our core operating performance and to evaluate the efficacy of the methodology and information used by management to evaluate and measure such performance on a standalone and a comparative basis.

The following is a reconciliation of net income to Adjusted EBITDA for the following periods (in thousands, except percentages):

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2020	2019	2020	2019
Net income	$ 54,910	$ 36,369	$ 95,505	$ 73,589
Accretion of environmental liabilities	2,822	2,490	8,149	7,624
Depreciation and amortization	74,470	73,756	221,497	223,328
Other (income) expense, net	(2,268)	427	597	(1,992)
Loss on early extinguishment of debt	—	6,119	—	6,119
Loss on sale of businesses	118	—	3,376	—
Interest expense, net of interest income	17,407	19,702	54,848	59,681
Provision for income taxes	13,712	17,750	35,269	39,752
Adjusted EBITDA	$ 161,171	$ 156,613	$ 419,241	$ 408,101
As a % of Direct revenues	20.7 %	17.6 %	17.9 %	16.1 %

Depreciation and Amortization

	For the Three Months Ended September 30,		2020 over 2019		For the Nine Months Ended September 30,		2020 over 2019	
(in thousands, except percentages)	2020	2019	Change	% Change	2020	2019	Change	% Change
Depreciation of fixed assets and amortization of landfills and finance leases	$ 64,913	$ 65,335	$ (422)	(0.6)%	$ 193,935	$ 196,729	$ (2,794)	(1.4)%
Permits and other intangibles amortization	9,557	8,421	1,136	13.5 %	27,562	26,599	963	3.6 %
Total depreciation and amortization	$ 74,470	$ 73,756	$ 714	1.0 %	$ 221,497	$ 223,328	$ (1,831)	(0.8)%

Depreciation and amortization for the three months ended September 30, 2020 increased due to the acceleration of amortization associated with a landfill permit. Depreciation and amortization for the nine months ended September 30, 2020 decreased from the comparable periods in 2019 primarily due to certain assets becoming fully depreciated.

Provision for Income Taxes

(in thousands, except percentages)	For the Three Months Ended September 30, 2020	2019	2020 over 2019 Change	% Change	For the Nine Months Ended September 30, 2020	2019	2020 over 2019 Change	% Change
Provision for income taxes	$ 13,712	$ 17,750	$ (4,038)	(22.7)%	$ 35,269	$ 39,752	$ (4,483)	(11.3)%

The provision for income taxes for the three and nine months ended September 30, 2020 decreased $4.0 million and $4.5 million, respectively, from the comparable periods in 2019, despite an increase in income before provision for income taxes. Our effective tax rate also decreased from 32.8% and 35.1%, respectively for the three and nine months ended September 30, 2019 to 20.0% and 27.0%, respectively for same periods in 2020.

In recent years, we have incurred losses in certain Canadian operations and have not recognized any tax benefits on those losses. In the three and nine months ended September 30, 2020, these Canadian operations were profitable, and we were able to recognize a portion of those unrecorded tax benefits. As a comparison, for the nine months ended September 30, 2019, our tax losses in Canada generated $4.8 million of income tax benefits which we did not recognize in the income tax provision, as compared to taxable income in Canada for the nine months ended September 30, 2020, which resulted in the recognition of $2.9 million in tax benefits. Decreased taxable income in the remainder of our Canadian entities further reduced our provision for income taxes which was partially offset by an increase in taxable income in the United States. The provision for income taxes and the effective tax rate were also impacted by the release of $1.1 million of uncertain tax liabilities in the third quarter of 2020.

Liquidity and Capital Resources

(in thousands)	**Nine Months Ended September 30, 2020**	**2019**
Net cash from operating activities	$ 317,432	$ 284,675
Net cash used in investing activities	(160,296)	(187,109)
Net cash used in financing activities	(51,975)	(44,132)

Net cash from operating activities

Net cash from operating activities for the nine months ended September 30, 2020 was $317.4 million, an increase of $32.8 million from the comparable period in 2019. The increase in operating cash flows from the comparable period of 2019 was most predominantly attributable to deferring the payment of certain payroll taxes amounting to approximately $23.2 million as allowed for under the CARES Act, the refund of $7.7 million associated with prior year amended tax returns previously under audit and the receipt of $10.5 million associated with the CEWS subsidy, partially offset by a $13.6 million increase in interest payments.

Net cash used in investing activities

Net cash used in investing activities for the nine months ended September 30, 2020 was $160.3 million, a decrease of $26.8 million from the comparable period in 2019. Net cash used in investing activities decreased most notably due to decreases in cash paid for additions to property, plant and equipment and acquisitions, offset by an increase in cash paid for available-for-sale securities. As noted earlier, in response to the uncertainty surrounding COVID-19, we reduced our 2020 planned capital expenditure spending.

Net cash used in financing activities

Net cash used in financing activities for the nine months ended September 30, 2020 was $52.0 million, compared to $44.1 million for the comparable period in 2019. This increase of $7.8 million was mostly due to an increase in repurchases of common stock of $23.2 million, partially offset by a decrease in deferred financing costs and premium paid related to the 2019 refinancing of long term debt. For additional information regarding our financing activities, see Note 11, "Financing Arrangements," to the accompanying unaudited consolidated financial statements.

Adjusted Free Cash Flow

Management considers adjusted free cash flow to be a measurement of liquidity which provides useful information to both management, creditors and investors about our financial strength and our ability to generate cash. Additionally, adjusted free cash flow is a metric on which a portion of management incentive compensation is based. We define adjusted free cash flow as net cash from operating activities, less additions to property, plant and equipment plus proceeds from sales or disposals of fixed assets. We exclude cash impacts of items derived from non-operating activities such as taxes paid in connection with divestitures and in the current period have also excluded cash paid in connection with the purchase of our corporate headquarters and certain capital improvements to the site as these expenditures are considered one-time in nature. Adjusted free cash flow should not be considered an alternative to net cash from operating activities or other measurements under GAAP. Adjusted free cash flow is not calculated identically by all companies, and therefore our measurements of adjusted free cash flow may not be comparable to similarly titled measures reported by other companies.

The following is a reconciliation of net cash from operating activities to adjusted free cash flow for the following periods (in thousands):

	Nine Months Ended September 30,	
	2020	**2019**
Net cash from operating activities	$ 317,432	$ 284,675
Additions to property, plant and equipment	(150,357)	(174,533)
Purchase and capital improvements of corporate headquarters	21,080	—
Proceeds from sale and disposal of fixed assets	7,307	8,948
Adjusted free cash flow	$ 195,462	$ 119,090

Working Capital

At September 30, 2020, cash and cash equivalents and marketable securities totaled $532.3 million, compared to $414.4 million at December 31, 2019. At September 30, 2020, cash and cash equivalents held by our foreign subsidiaries totaled $113.8 million and were readily convertible into other currencies including U.S. dollars. At September 30, 2020, the cash and cash equivalents and marketable securities balance for our U.S. operations was $418.6 million, and our U.S. operations had net operating cash flows of $256.1 million for the nine months ended September 30, 2020. Additionally, we have a $400.0 million revolving credit facility of which approximately $249.1 million was available to borrow at September 30, 2020. Based on the above and on our current plans, we believe that our operations have and will continue to have adequate financial resources to satisfy current liquidity needs.

We assess our liquidity in terms of our ability to generate cash to fund our operating, investing and financing activities. Our primary ongoing cash requirements will be to fund operations, capital expenditures, interest payments and investments in line with our business strategy. We believe our future operating cash flows will be sufficient to meet our future operating and internal investing cash needs as well as any cash needs relating to our stock repurchase program. Furthermore, our existing cash balance and the availability of borrowings under our revolving credit facility provide additional potential sources of liquidity should they be required.

Financing Arrangements

Financing arrangements are discussed in Note 11, “Financing Arrangements,” to our unaudited consolidated financial statements included in this report. As discussed therein, the Company maintains a $400.0 million revolving credit facility, the expiration of which has been extended from November 1, 2021 to October 28, 2025 through an amended and restated credit facility executed on October 28, 2020. The Company had approximately $249.1 million available to borrow and outstanding letters of credit were $123.5 million at September 30, 2020. At December 31, 2019, approximately $229.2 million was available to borrow and outstanding letters of credit were $146.9 million. We continue to monitor our debt instruments and evaluate opportunities where it may be beneficial to refinance or reallocate the portfolio.

As of September 30, 2020, we were in compliance with the covenants of all our debt agreements, and we believe it is reasonably likely that we will continue to meet such covenants.

Common Stock Repurchases Pursuant to Publicly Announced Plan

The Company's common stock repurchases are made pursuant to the previously authorized board approved plan to repurchase up to $600.0 million of the Company's common stock. During the three and nine months ended September 30, 2020, the Company repurchased and retired a total of approximately 0.4 million and 0.7 million shares, respectively, of the Company's common stock for total costs of approximately $22.2 million and $39.5 million, respectively. During the three and nine months ended September 30, 2019, the Company repurchased and retired a total of approximately 0.1 million and 0.2 million shares, respectively, of the Company's common stock for total costs of approximately $5.1 million and $16.4 million, respectively.

Through September 30, 2020, the Company has repurchased and retired a total of approximately 6.6 million shares of its common stock for approximately $354.9 million under this program. As of September 30, 2020, an additional $245.1 million remained available for repurchase of shares under this program.

Environmental Liabilities

(in thousands, except percentages)	September 30, 2020	December 31, 2019	Change	% Change
Closure and post-closure liabilities	$ 84,216	$ 75,651	$ 8,565	11.3 %
Remedial liabilities	115,567	114,173	1,394	1.2
Total environmental liabilities	$ 199,783	$ 189,824	$ 9,959	5.2 %

Total environmental liabilities as of September 30, 2020 were $199.8 million, an increase of $10.0 million compared to December 31, 2019. This increase was primarily due to accretion of $8.1 million, a $4.5 million increase in the closure and post-closure liabilities associated with one commercial landfill for which the Company has initiated closure plans and increases to remedial liabilities of $3.3 million and $1.8 million for an inactive site and Superfund site, respectively, resulting from receiving updated regulatory remediation requirements. These increases were partially offset by expenditures of $8.8 million.

We anticipate our environmental liabilities, substantially all of which we assumed in connection with our acquisitions, will be payable over many years and that cash flow from operations will generally be sufficient to fund the payment of such liabilities when required. However, events not anticipated (such as future changes in environmental laws and regulations) could require that such payments be made earlier or in greater amounts than currently anticipated, which could adversely affect our results of operations, cash flow and financial condition.

Capital Expenditures

Capital expenditures in the first nine months of 2020 were $150.4 million as compared to $174.5 million in the same period of 2019. The decrease was primarily due to planned reductions in spending in response to the uncertainty surrounding COVID-19 offset by the purchase of our corporate headquarters in January 2020. We anticipate that 2020 capital spending, net of disposals, will be in the range of $176.0 million to $196.0 million, inclusive of the $21.1 million already spent on the purchase and capital improvements of our corporate headquarters. However, unanticipated changes in environmental regulations could require us to make significant capital expenditures for our facilities and adversely affect our results of operations and cash flow.

Critical Accounting Policies and Estimates

Other than as described below, there were no material changes in the first nine months of 2020 to the information provided under the heading "Critical Accounting Policies and Estimates" included in our Annual Report on Form 10-K for the year ended December 31, 2019.

Goodwill and Other Long-Lived Assets. Goodwill is reviewed for impairment annually as of December 31 or when events or changes in the business environment (triggering events) indicate the carrying value of a reporting unit may exceed its fair value. This review is performed by comparing the fair value of each reporting unit to its carrying value, including goodwill. If the fair value is less than the carrying amount, a loss is recorded for the excess of the carrying value over the fair value up to the carrying amount of goodwill.

We determine our reporting units by identifying the components of each operating segment, and then in some circumstances aggregate components having similar economic characteristics based on quantitative and/or qualitative factors. As of September 30, 2020 and December 31, 2019, we continue to have four reporting units, consisting of Environmental Sales and Service, Environmental Facilities, Safety-Kleen Oil and Safety-Kleen Environmental Services.

We conducted our annual impairment test of goodwill for all of our reporting units to which goodwill was allocated as of December 31, 2019 and determined that no adjustment to the carrying value of goodwill for any reporting unit was then necessary. In all cases the estimated fair value of each reporting unit significantly exceeded its carrying value.

Our long-lived assets are carried on our financial statements based on their cost less accumulated depreciation or amortization. Long-lived assets with finite lives are reviewed for impairment whenever events or changes in circumstances ("triggering events") indicate that their carrying value may not be entirely recoverable. When such factors and circumstances exist, management compares the projected undiscounted future cash flows associated with the related asset or group of assets to the respective carrying amounts. The impairment loss, if any, would be measured as the excess of the carrying amount over the fair value of the asset and is recorded in the period in which the determination is made.

During the three month periods ended March 31, 2020, June 30, 2020 and September 30, 2020, we considered the actual and expected future impacts of COVID-19 and the overall decline in oil demand and pricing, partially driven by the global response to COVID-19, and concluded that no triggering event had occurred. This conclusion was based on a qualitative analysis incorporating (i) the significant excess fair value that previously existed in each reporting unit, (ii) an assessment of the actual operations of the Company during the nine months ended September 30, 2020 and (iii) an assessment of the current and long-term performance of the Company given expectations that the effects on the operations and cash flows of each reporting unit arising from these disruptions will be short lived.

We will continue to evaluate our goodwill and other long-lived assets impacted by economic downturns. The market conditions which could lead to such future impairments are currently most prevalent for assets supporting our oil and gas field services and lodging services operations within the Environmental Sales & Services reporting unit and goodwill associated with our Safety-Kleen Oil reporting unit.

Our assumptions with respect to future cash flows and conclusions with respect to asset impairments could be impacted by changes arising from (i) a further significant deterioration in market conditions arising from COVID-19, (ii) a sustained period of economic and industrial slowdowns resulting from social distancing guidelines and/or larger scale economic shutdowns, (iii) continued reduced demand for base and blended oil products and an inability to price our oil related products and services to maintain profitability, (iv) inability to scale our operations and implement cost reduction efforts in light of reduced demand or (v) a further decline in our share price for a sustained period of time. These factors, among others, could significantly impact the impairment analysis and may result in future goodwill or asset impairment charges that, if incurred, could have a material adverse effect on our financial condition and results of operations.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Other than the draw down on March 31, 2020, of $150.0 million from our available borrowings under our revolving credit facility, which had been repaid in full as of September 30, 2020, there were no material changes in the first nine months of 2020 to the information provided under Item 7A. “Quantitative and Qualitative Disclosures about Market Risk” in the Company's Annual Report on Form 10-K for the year ended December 31, 2019.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Based on an evaluation under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, as of the end of the period covered by this Quarterly Report on Form 10-Q, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures (as defined under Rule 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) were effective as of September 30, 2020 to ensure that information required to be disclosed by us in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms and is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting

There were no changes in the Company's internal control over financial reporting identified in connection with the evaluation required by paragraph (d) of Exchange Act Rules 13a-15 or 15d-15 that was conducted during the nine months ended September 30, 2020 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting. As a result of the COVID-19 pandemic, certain employees of the Company began working remotely in March 2020, and some continue to work remotely through September 30, 2020. These changes to the working environment did not have a material effect on the Company's internal control over financial reporting. We will continue to monitor the impact of COVID-19 on our internal control over financial reporting.

CLEAN HARBORS, INC. AND SUBSIDIARIES

PART II—OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

See Note 16, “Commitments and Contingencies,” to the unaudited consolidated financial statements included in Item 1 of this report, which description is incorporated herein by reference.

ITEM 1A. RISK FACTORS

Except as set forth below, during the nine months ended September 30, 2020, there were no material changes from the risk factors as previously disclosed in Item 1A in the Company's Annual Report on Form 10-K for the year ended December 31, 2019 other than the update described below.

Natural disasters or other catastrophic events, including pandemics, could negatively affect our business, financial condition and results of operations.

Natural disasters such as hurricanes, tornados or earthquakes or other catastrophic events including public health threats or outbreaks of communicable diseases including the recent novel coronavirus pandemic could negatively affect our operations and financial performance. The impact of such events could include physical damage to one or more of our facilities or equipment, the temporary lack of an adequate workforce in a market and the temporary disruption in rail or truck transportation services upon which we rely. These events could prevent or delay shipments from suppliers or to customers and reduce both volumes and revenue. Weather conditions and other event driven special projects also cause interim variations in our results. These events could adversely impact the ability of the Company's suppliers and customers to conduct business activities and could ultimately do so for an indefinite period of time. As a result, we may be required to suspend operations in some or all of our locations, which could have a material adverse effect on our business, financial condition and results of operations.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Common Stock Repurchase Program

The following table provides information with respect to the shares of common stock repurchased by us for the periods indicated.

Period	Total Number of Shares Purchased (1)	Average Price Paid Per Share (2)	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs (in thousands) (3)
July 1, 2020 through July 31, 2020	12,352	$ 58.30	—	$ 267,346
August 1, 2020 through August 31, 2020	41,562	62.26	38,316	264,952
September 1, 2020 through September 30, 2020	365,614	54.43	363,977	245,149
Total	419,528	55.32	402,293	

(1) Includes 17,235 shares withheld by us from employees to satisfy employee tax obligations upon vesting of restricted stock granted to our employees under the Company's equity incentive plans.
(2) The average price paid per share of common stock repurchased under the stock repurchase program includes the commissions paid to brokers.
(3) Our board of directors has authorized the repurchase of up to $600.0 million of our common stock. We have funded and intend to fund the repurchases through available cash resources. The stock repurchase program authorizes us to purchase our common stock on the open market or in privately negotiated transactions periodically in a manner that complies with applicable U.S. securities laws. The number of shares purchased and the timing of the purchases has depended and will depend on several factors, including share price, cash required for business plans, trading volume and other conditions. During April 2018, we implemented a repurchase plan in accordance with Rule 10b5-1 promulgated under the Securities Exchange Act of 1934, as amended. On March 19, 2020, we cancelled this Rule 10b5-1 plan. All future repurchases will be made in the open market or privately negotiated transactions as described above or upon the execution of a new Rule 10b5-1 plan, if implemented. We have no obligation to repurchase stock under this program and may suspend or terminate the repurchase program at any time.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None

ITEM 4. MINE SAFETY DISCLOSURE

Not applicable

ITEM 5. OTHER INFORMATION

None

ITEM 6. EXHIBITS

Item No.	Description	Location
31.1	Rule 13a-14a/15d-14(a) Certification of the CEO Alan S. McKim	Filed herewith
31.2	Rule 13a-14a/15d-14(a) Certification of the CFO Michael L. Battles	Filed herewith
32	Section 1350 Certifications	Filed herewith
101	Interactive Data Files Pursuant to Rule 405 of Regulation S-T: Financial statements from the quarterly report on Form 10-Q of Clean Harbors, Inc. for the quarter ended September 30, 2020, formatted in iXBRL (Inline eXtensible Business Reporting Language): (i) Consolidated Balance Sheets, (ii) Unaudited Consolidated Statements of Operations, (iii) Unaudited Consolidated Statements of Comprehensive Income, (iv) Unaudited Consolidated Statements of Cash Flows, (v) Unaudited Consolidated Statements of Stockholders’ Equity and (vi) Notes to Unaudited Consolidated Financial Statements.	*
104	The cover page from the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2020, formatted in iXBRL and contained in Exhibit 101.	

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* Interactive data files are furnished and deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, are deemed not filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and otherwise are not subject to liability under those sections.

CLEAN HARBORS, INC. AND SUBSIDIARIES

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.

CLEAN HARBORS, INC.
Registrant

By: /s/ ALAN S. MCKIM
Alan S. McKim
Chairman, President and Chief Executive Officer

Date: November 4, 2020

By: /s/ MICHAEL L. BATTLES
Michael L. Battles
Executive Vice President and Chief Financial Officer

Date: November 4, 2020

EXHIBIT 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

I, Alan S. McKim, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Clean Harbors, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Alan S. McKim

Alan S. McKim
Chairman, President and Chief Executive Officer

Date: November 4, 2020

EXHIBIT 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER

I, Michael L. Battles, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Clean Harbors, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Michael L. Battles

Michael L. Battles
Executive Vice President and Chief Financial Officer

Date: November 4, 2020

EXHIBIT 32

CLEAN HARBORS, INC. AND SUBSIDIARIES

CERTIFICATION PURSUANT TO
SECTION 1350, CHAPTER 63 OF TITLE 18, UNITED STATES CODE,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES OXLEY ACT OF 2002

Pursuant to 18 U.S.C. §1350, each of the undersigned certifies that, to his knowledge, this Quarterly Report on Form 10-Q for the period ended September 30, 2020 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and the information contained in this report fairly presents, in all material respects, the financial condition and results of operations of Clean Harbors, Inc.

By: /s/ ALAN S. MCKIM
Alan S. McKim
Chairman, President and Chief Executive Officer

Date: November 4, 2020

By: /s/ MICHAEL L. BATTLES
Michael L. Battles
Executive Vice President and Chief Financial Officer

Date: November 4, 2020