UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

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

FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2021

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 July 30, 2021 was 54,402,611.

CLEAN HARBORS, INC.

QUARTERLY REPORT ON FORM 10-Q

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CLEAN HARBORS, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(in thousands)

	June 30, 2021	December 31, 2020
ASSETS	(unaudited)	
Current assets:		
Cash and cash equivalents	$ 595,574	$ 519,101
Short-term marketable securities	70,683	51,857
Accounts receivable, net of allowances aggregating $40,009 and $44,749, respectively	659,364	611,534
Unbilled accounts receivable	59,446	55,681
Inventories and supplies	215,725	220,498
Prepaid expenses and other current assets	76,524	67,051
Total current assets	1,677,316	1,525,722
Property, plant and equipment, net	1,531,289	1,525,298
Other assets:		
Operating lease right-of-use assets	135,363	150,341
Goodwill	544,639	527,023
Permits and other intangibles, net	374,230	386,620
Other	13,042	16,516
Total other assets	1,067,274	1,080,500
Total assets	$ 4,275,879	$ 4,131,520
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current portion of long-term debt	$ 7,535	$ 7,535
Accounts payable	249,206	195,878
Deferred revenue	83,733	74,066
Accrued expenses	311,656	295,823
Current portion of closure, post-closure and remedial liabilities	23,865	26,093
Current portion of operating lease liabilities	35,074	36,750
Total current liabilities	711,069	636,145
Other liabilities:		
Closure and post-closure liabilities, less current portion of $9,752 and $13,903, respectively	83,742	74,023
Remedial liabilities, less current portion of $14,113 and $12,190, respectively	98,341	102,623
Long-term debt, less current portion	1,547,398	1,549,641
Operating lease liabilities, less current portion	101,377	114,258
Deferred tax liabilities	228,718	230,097
Other long-term liabilities	95,647	83,182
Total other liabilities	2,155,223	2,153,824
Commitments and contingent liabilities (See Note 16)		
Stockholders' equity:		
Common stock, $0.01 par value:		
Authorized 80,000,000 shares; issued and outstanding 54,393,252 and 54,772,696 shares, respectively	544	548
Additional paid-in capital	539,390	582,749
Accumulated other comprehensive loss	(188,889)	(211,477)
Accumulated earnings	1,058,542	969,731
Total stockholders' equity	1,409,587	1,341,551
Total liabilities and stockholders' equity	$ 4,275,879	$ 4,131,520

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 June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Revenues:				
Service revenues	$ 734,563	$ 637,839	$ 1,397,271	$ 1,357,706
Product revenues	191,895	72,161	337,335	210,857
Total revenues	926,458	710,000	1,734,606	1,568,563
Cost of revenues: (exclusive of items shown separately below)				
Service revenues	492,662	411,065	943,000	903,781
Product revenues	125,224	59,616	235,422	173,566
Total cost of revenues	617,886	470,681	1,178,422	1,077,347
Selling, general and administrative expenses	124,106	103,839	245,747	233,146
Accretion of environmental liabilities	2,873	2,766	5,826	5,327
Depreciation and amortization	71,592	72,494	143,755	147,027
Income from operations	110,001	60,220	160,856	105,716
Other expense, net	(1,480)	(500)	(2,708)	(2,865)
Loss on sale of businesses	—	(184)	—	(3,258)
Interest expense, net of interest income of $580, $668, $1,060 and $1,666, respectively	(18,051)	(18,654)	(35,969)	(37,441)
Income before provision for income taxes	90,470	40,882	122,179	62,152
Provision for income taxes	23,395	11,859	33,368	21,557
Net income	$ 67,075	$ 29,023	$ 88,811	$ 40,595
Earnings per share:				
Basic	$ 1.23	$ 0.52	$ 1.63	$ 0.73
Diluted	$ 1.22	$ 0.52	$ 1.62	$ 0.73
Shares used to compute earnings per share - Basic	54,529	55,590	54,625	55,673
Shares used to compute earnings per share - Diluted	54,854	55,748	54,945	55,882

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

CLEAN HARBORS, INC. AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(in thousands)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Net income	$ 67,075	$ 29,023	$ 88,811	$ 40,595
Other comprehensive income (loss), net of tax:				
Unrealized (losses) gains on available-for-sale securities	(48)	296	(122)	232
Unrealized (losses) gains on interest rate hedge	(349)	(3,000)	2,759	(21,382)
Reclassification adjustment for losses on interest rate hedge included in net income	2,494	2,130	4,942	3,228
Foreign currency translation adjustments	8,543	18,102	15,009	(23,856)
Other comprehensive income (loss), net of tax	10,640	17,528	22,588	(41,778)
Comprehensive income (loss)	$ 77,715	$ 46,551	$ 111,399	$ (1,183)

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)

	Six Months Ended June 30, 2021	Six Months Ended June 30, 2020
Cash flows from operating activities:		
Net income	$ 88,811	$ 40,595
Adjustments to reconcile net income to net cash from operating activities:		
Depreciation and amortization	143,755	147,027
Allowance for doubtful accounts	2,109	9,006
Amortization of deferred financing costs and debt discount	1,806	1,787
Accretion of environmental liabilities	5,826	5,327
Changes in environmental liability estimates	445	5,607
Deferred income taxes	1,912	—
Other expense, net	2,708	2,865
Stock-based compensation	6,785	6,077
Loss on sale of businesses	—	3,258
Environmental expenditures	(6,594)	(6,104)
Changes in assets and liabilities, net of acquisitions:		
Accounts receivable and unbilled accounts receivable	(51,285)	67,540
Inventories and supplies	765	(9,024)
Other current and non-current assets	(12,043)	(25,840)
Accounts payable	49,880	(82,134)
Other current and long-term liabilities	30,552	7,499
Net cash from operating activities	265,432	173,486
Cash flows used in investing activities:		
Additions to property, plant and equipment	(91,988)	(125,721)
Proceeds from sale and disposal of fixed assets	3,479	3,101
Acquisitions, net of cash acquired	(22,918)	(8,877)
Proceeds from sale of businesses, net of transactional costs	—	7,753
Additions to intangible assets including costs to obtain or renew permits	(1,750)	(1,242)
Proceeds from sale of available-for-sale securities	70,526	28,851
Purchases of available-for-sale securities	(89,689)	(45,550)
Net cash used in investing activities	(132,340)	(141,685)
Cash flows (used in) from financing activities:		
Change in uncashed checks	(2,895)	(1,689)
Tax payments related to withholdings on vested restricted stock	(4,739)	(3,395)
Repurchases of common stock	(45,409)	(17,341)
Deferred financing costs paid	(146)	—
Payments on finance leases	(3,577)	(1,790)
Principal payments on debt	(3,768)	(3,768)
Borrowing from revolving credit facility	—	150,000
Payment on revolving credit facility	—	(75,000)
Net cash (used in) from financing activities	(60,534)	47,017
Effect of exchange rate change on cash	3,915	(3,443)
Increase in cash and cash equivalents	76,473	75,375
Cash and cash equivalents, beginning of period	519,101	371,991
Cash and cash equivalents, end of period	$ 595,574	$ 447,366
Supplemental information:		
Cash payments for interest and income taxes:		
Interest paid	$ 34,164	$ 38,327
Income taxes paid, net of refunds	32,519	1,478
Non-cash investing activities:		
Property, plant and equipment accrued	8,807	7,421
ROU assets obtained in exchange for operating lease liabilities	5,774	16,216
ROU assets obtained in exchange for finance lease liabilities	18,704	16,452

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, 2021	54,773	$ 548	$ 582,749	$ (211,477)	$ 969,731	$ 1,341,551
Net income	—	—	—	—	21,736	21,736
Other comprehensive income	—	—	—	11,948	—	11,948
Stock-based compensation	—	—	3,480	—	—	3,480
Issuance of common stock for restricted share vesting, net of employee tax withholdings	78	1	(3,720)	—	—	(3,719)
Repurchases of common stock	(300)	(3)	(26,543)	—	—	(26,546)
Balance at March 31, 2021	54,551	546	555,966	(199,529)	991,467	1,348,450
Net income	—	—	—	—	67,075	67,075
Other comprehensive income	—	—	—	10,640	—	10,640
Stock-based compensation	—	—	3,305	—	—	3,305
Issuance of common stock for restricted share vesting, net of employee tax withholdings	42	—	(1,020)	—	—	(1,020)
Repurchases of common stock	(200)	(2)	(18,861)	—	—	(18,863)
Balance at June 30, 2021	54,393	$ 544	$ 539,390	$ (188,889)	$ 1,058,542	$ 1,409,587

	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

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, 2020.

(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, 2020. There have been no material changes in these policies or their application except for the changes described below.

Changes in Operating Segments

During the first quarter of 2021, the Company reorganized its Safety-Kleen business. The collection services for waste oil, used oil filters, antifreeze and related items and bulk blended oil sales operations were combined with the Safety-Kleen Oil business to form the Safety-Kleen Sustainability Solutions business. Under this structure, Safety-Kleen Sustainability Solutions will encompass both sides of the spread the Company manages in its re-refinery business, and the Company expects this change to drive additional growth in its sustainable lubricant products and related services.

Concurrently with this change, the Company consolidated the Safety-Kleen Environmental branches' core offerings, including containerized waste, parts washer and vacuum services, into the legacy Clean Harbors Environmental Services sales and service operations. The Company expects this change to foster enhanced cross-selling opportunities within the environmental businesses and increase market presence with small quantity generators of hazardous waste.

In restructuring the operations of the Company in this manner, the information that the chief operating decision maker regularly reviews for purposes of allocating resources and assessing performance changed to conform to this new operating structure of the business and the Company reevaluated the identification of its operating segments. In accordance with ASC 280, *Segment Reporting*, Environmental Services and Safety-Kleen Sustainability Solutions are the Company's operating segments and reportable segments starting in the first quarter of 2021, with the operations not managed through the Company's operating segments described above continuing to be recorded as Corporate Items. See Note 17, "Segment Reporting" for more information. The amounts presented for the three and six months ended June 30, 2020 and any segment information presented as of December 31, 2020 have been recast to reflect the impact of such changes. In addition, certain intercompany transactions previously recorded in Corporate Items have been allocated to the segments. These reclassifications and adjustments had no effect on the consolidated statements of operations, consolidated statements of comprehensive income (loss), consolidated statements of cash flows or consolidated statements of stockholders' equity for any of the periods presented.

(3) REVENUES

The Company generates revenues through its Environmental Services and Safety-Kleen Sustainability Solutions operating segments. The Company's Environmental Services operating segment has four sources of revenue and the Safety-Kleen Sustainability Solutions operating segment has two sources of revenue.

Technical Services—Technical Services contribute to the revenues of the Environmental Services operating segment. These services 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 as a basis for measuring the satisfaction of the performance obligation. 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 and the related costs from waste that is not yet completely processed and disposed of are deferred. The deferred revenues and costs are recognized when the 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 and Emergency Response Services contribute to the revenues of the Environmental Services operating segment. 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 and more recently, 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 contribute to the revenues of the Environmental Services operating segment. These 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, specialty cleaning services including chemical cleaning and high and ultra-high pressure water cleaning, daylighting, production services and upstream energy services. 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.

Safety-Kleen Environmental Services—Safety-Kleen Environmental Services revenues contribute both to the Environmental Services operating segment and the Safety-Kleen Sustainability Solutions operating segment depending upon the nature of such revenues and operating responsibilities relative to satisfying the related performance obligations. Revenues from providing containerized waste handling and disposal services, parts washer services and vacuum services, referred to collectively as the Safety-Kleen Environmental core service offerings, contribute to the revenues of the Environmental Services operating segment. In addition, sales of packaged blended oil products and other complementary product sales contribute to the revenues of the Environmental Services operating segment. Revenues generated from waste oil, anti-freeze and oil filter collection services, sales of bulk blended oil products and sales of bulk automotive fluids contribute to the Safety-Kleen Sustainability Solutions operating segment.

Generally, the service related revenue is 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 duration of such services can be over a number of hours or several days. 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. Containerized waste services consist of profiling, collecting, transporting and recycling or disposing of a wide variety of waste. Related 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. 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.

Safety-Kleen Oil—Safety-Kleen Oil revenues contribute to the revenues of the Safety-Kleen Sustainability Solutions segment. These revenues are generated from sales of high-quality base and blended lubricating oils to third-party distributors, government agencies, fleets, railroads and industrial customers. The business also sells recycled fuel oil to asphalt plants, industrial plants 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 June 30, 2021			
	Environmental Services	Safety-Kleen Sustainability Solutions	Corporate	Total
Primary Geographical Markets				
United States	$ 616,585	$ 180,216	$ 79	$ 796,880
Canada	106,562	23,016	—	129,578
Total third-party revenues	$ 723,147	$ 203,232	$ 79	$ 926,458
Sources of Revenue				
Technical Services	$ 306,865	$ —	$ —	$ 306,865
Field and Emergency Response Services	106,986	—	—	106,986
Industrial Services and Other	150,367	—	79	150,446
Safety-Kleen Environmental Services	158,929	40,453	—	199,382
Safety-Kleen Oil	—	162,779	—	162,779
Total third-party revenues	$ 723,147	$ 203,232	$ 79	$ 926,458

	For the Three Months Ended June 30, 2020			
	Environmental Services	Safety-Kleen Sustainability Solutions	Corporate	Total
Primary Geographical Markets				
United States	$ 543,785	$ 88,004	$ (160)	$ 631,629
Canada	68,935	9,220	216	78,371
Total third-party revenues	$ 612,720	$ 97,224	$ 56	$ 710,000
Sources of Revenue				
Technical Services	$ 241,929	$ —	$ —	$ 241,929
Field and Emergency Response Services	127,353	—	—	127,353
Industrial Services and Other	95,072	—	56	95,128
Safety-Kleen Environmental Services	148,366	46,506	—	194,872
Safety-Kleen Oil	—	50,718	—	50,718
Total third-party revenues	$ 612,720	$ 97,224	$ 56	$ 710,000

	For the Six Months Ended June 30, 2021			
	Environmental Services	Safety-Kleen Sustainability Solutions	Corporate	Total
Primary Geographical Markets				
United States	$ 1,192,093	$ 319,206	$ 158	$ 1,511,457
Canada	183,932	39,217	—	223,149
Total third-party revenues	$ 1,376,025	$ 358,423	$ 158	$ 1,734,606
Sources of Revenue				
Technical Services	$ 578,905	$ —	$ —	$ 578,905
Field and Emergency Response Services	212,154	—	—	212,154
Industrial Services and Other	270,177	—	158	270,335
Safety-Kleen Environmental Services	314,789	79,431	—	394,220
Safety-Kleen Oil	—	278,992	—	278,992
Total third-party revenues	$ 1,376,025	$ 358,423	$ 158	$ 1,734,606

	For the Six Months Ended June 30, 2020			
	Environmental Services	Safety-Kleen Sustainability Solutions	Corporate	Total
Primary Geographical Markets				
United States	$ 1,150,895	$ 227,441	$ (462)	$ 1,377,874
Canada	166,861	23,220	608	190,689
Total third-party revenues	$ 1,317,756	$ 250,661	$ 146	$ 1,568,563
Sources of Revenue				
Technical Services	$ 517,202	$ —	$ —	$ 517,202
Field and Emergency Response Services	233,265	—	—	233,265
Industrial Services and Other	241,991	—	146	242,137
Safety-Kleen Environmental Services	325,298	84,055	—	409,353
Safety-Kleen Oil	—	166,606	—	166,606
Total third-party revenues	$ 1,317,756	$ 250,661	$ 146	$ 1,568,563

Contract Balances

ands)	June 30, 2021	December 31, 2020
ables	$ 659,364	611,534
ct assets (unbilled receivables)	59,446	55,681
ct liabilities (deferred revenue)	83,733	74,066

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 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

2021 Acquisition

On March 27, 2021, the Company acquired a privately-owned business for $22.9 million cash consideration. The acquired company increases the Safety-Kleen Sustainability Solutions segment's network within the south central United States. In connection with this acquisition, a preliminary goodwill amount of $16.0 million was recognized.

2021 Proposed Acquisitions

On June 29, 2021, the Company signed a definitive agreement with Vertex Energy, Inc. to acquire certain assets related to Vertex's used motor oil collection and re-refinery business in an all-cash transaction for $140.0 million, subject to working capital and other adjustments. The Company intends to fund the acquisition with available cash. The acquisition will include re-refineries in Marrero, Louisiana and Columbus, Ohio and service locations throughout the Midwest and Gulf Coast, as well as certain associated equipment and an assembled workforce. The acquisition is subject to approval by U.S. regulators and Vertex shareholders, and other customary closing conditions and is currently anticipated to close later in 2021. The acquisition will expand the Safety-Kleen Sustainability Solutions segment's oil re-refining capacity and collection and distribution network.

On August 3, 2021, the Company signed a definitive agreement to acquire HydroChemPSC ("HPC"), a privately-owned company. With more than 5,000 employees, over 240 service locations and a fleet of specialized vehicles and equipment, HPC is a leading U.S. provider of industrial cleaning, specialty maintenance and utility services. The acquisition will enhance the Company's Environmental Services segment.

Under the terms of the agreement, at the closing of the transaction, the Company will pay cash consideration in an amount equal to $1.25 billion, subject to customary purchase price adjustments. The Company plans to finance the acquisition of HPC with a combination of cash on hand and long-term debt. The Company has obtained a financing commitment from Goldman Sachs Bank USA, for term loan debt financing. The acquisition is subject to approval by regulators, as well as other customary closing conditions, and is anticipated to close later in 2021.

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 Sustainability Solutions segment's oil re-refining operations to the northeast United States. In connection with this acquisition, a goodwill amount of $1.4 million was recognized.

(5) INVENTORIES AND SUPPLIES

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

	June 30, 2021	December 31, 2020
Oil and oil related products	$ 75,162	$ 76,209
Supplies	119,388	120,007
Solvent and solutions	8,976	8,812
Other	12,199	15,470
Total inventories and supplies	$ 215,725	$ 220,498

Supplies consists primarily of critical spare parts to support the Company's incinerator and re-refinery operations, personal protective equipment and other general supplies used in our normal day-to-day operations. Other inventories consists 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):

	June 30, 2021	December 31, 2020
Land	$ 148,749	$ 139,776
Asset retirement costs (non-landfill)	17,851	16,407
Landfill assets	196,156	191,687
Buildings and improvements [1]	523,136	509,804
Camp equipment	157,554	159,021
Vehicles [2]	867,498	844,026
Equipment [3]	1,821,298	1,807,235
Furniture and fixtures	7,195	7,082
Construction in progress	44,555	24,378
	3,783,992	3,699,416
Less - accumulated depreciation and amortization	2,252,703	2,174,118
Total property, plant and equipment, net	$ 1,531,289	$ 1,525,298

(1) Balances inclusive of gross right-of-use ("ROU") assets classified as finance leases of $8.9 million in both periods.
(2) Balances inclusive of gross ROU assets classified as finance leases of $66.0 million and $47.2 million, respectively.
(3) Balances inclusive of gross ROU assets classified as finance leases of $9.3 million in both periods.

Depreciation expense, inclusive of landfill and finance lease amortization, was $63.8 million and $128.4 million for the three and six months ended June 30, 2021, respectively. Depreciation expense, inclusive of landfill and finance lease amortization, was $63.7 million and $129.0 million for the three and six months ended June 30, 2020, respectively.

(7) GOODWILL AND OTHER INTANGIBLE ASSETS

The changes in goodwill by segment for the six months ended June 30, 2021 were as follows (in thousands):

	Environmental Services	Safety-Kleen Sustainability Solutions	Totals
Balance at January 1, 2021	$ 401,918	$ 125,105	$ 527,023
Increase from current period acquisition	—	15,958	15,958
Foreign currency translation	1,218	440	1,658
Balance at June 30, 2021	$ 403,136	$ 141,503	$ 544,639

The balances in the table above have been recast to reflect the Company's segment change in the first quarter of 2021. As discussed in Note 17, "Segment Reporting," as a result of operational and managerial changes, the Company changed its operating segments in accordance with ASC 280, *Segment Reporting*. In addition, the Company concluded that, for purposes of reviewing for potential goodwill impairment, it now has three reporting units. The Environmental Services operating segment has two reporting units consisting of (i) Environmental Sales and Service which includes the legacy Environmental Sales and Service reporting unit and certain operations previously included within Safety-Kleen Environmental Services including the core service offerings of containerized waste, parts washer and vacuum services and (ii) Environmental Facilities, unchanged from prior year. The Safety-Kleen Sustainability Solutions operating segment is a single reporting unit which includes the legacy Safety-Kleen Oil reporting unit and the remaining operations of the legacy Safety-Kleen Environmental Services reporting unit primarily consisting of collection services for waste oil, anti-freeze and used oil filters as well as the sale of bulk blended re-refined oil and other automotive related finished fluid products. The Company allocated goodwill to the newly identified reporting units using a relative fair value approach. In addition, the Company completed an assessment of any potential goodwill impairment for all reporting units immediately prior and subsequent to the reallocation and determined that no impairment existed.

As of June 30, 2021 and December 31, 2020, the Company's intangible assets consisted of the following (in thousands):

	June 30, 2021			December 31, 2020		
	Cost	Accumulated Amortization	Net	Cost	Accumulated Amortization	Net
Permits	$ 186,292	$ 99,143	$ 87,149	$ 183,766	$ 95,033	$ 88,733
Customer and supplier relationships	366,913	207,196	159,717	382,083	211,895	170,188
Other intangible assets	21,223	17,309	3,914	39,287	34,744	4,543
Total amortizable permits and other intangible assets	574,428	323,648	250,780	605,136	341,672	263,464
Trademarks and trade names	123,450	—	123,450	123,156	—	123,156
Total permits and other intangible assets	$ 697,878	$ 323,648	$ 374,230	$ 728,292	$ 341,672	$ 386,620

Amortization expense of permits, customer and supplier relationships and other intangible assets was $7.8 million and $15.4 million in the three and six months ended June 30, 2021, respectively. Amortization expense of permits, customer and supplier relationships and other intangible assets was $8.8 million and $18.0 million in the three and six months ended June 30, 2020, respectively. The net decrease in total amortizable permits and other intangible assets is attributable to writing off fully amortized intangible assets with a cost of $35.4 million during the six months ended June 30, 2021.

The expected amortization of the net carrying amount of finite-lived intangible assets at June 30, 2021 was as follows (in thousands):

Years Ending December 31,	Expected Amortization
2021 (six months)	$ 15,119
2022	30,075
2023	25,735
2024	24,231
2025	23,254
Thereafter	132,366
	$ 250,780

(8) ACCRUED EXPENSES

Accrued expenses consisted of the following (in thousands):

	June 30, 2021	December 31, 2020
Accrued insurance	$ 78,708	$ 77,514
Accrued interest	19,760	19,697
Accrued compensation and benefits	94,856	81,437
Accrued income, real estate, sales and other taxes	25,616	25,843
Interest rate swap liability	25,929	33,630
Accrued other	66,787	57,702
	$ 311,656	$ 295,823

(9) CLOSURE AND POST-CLOSURE LIABILITIES

The changes to closure and post-closure liabilities (also referred to as "asset retirement obligations") from January 1, 2021 through June 30, 2021 were as follows (in thousands):

	Landfill Retirement Liability	Non-Landfill Retirement Liability	Total
Balance at January 1, 2021	$ 48,412	$ 39,514	$ 87,926
Liabilities assumed in acquisitions	—	451	451
New asset retirement obligations	1,342	—	1,342
Accretion	1,781	1,844	3,625
Changes in estimates recorded to consolidated statement of operations	—	300	300
Changes in estimates recorded to consolidated balance sheet	—	1,137	1,137
Expenditures	(1,163)	(319)	(1,482)
Currency translation and other	153	42	195
Balance at June 30, 2021	$ 50,525	$ 42,969	$ 93,494

In the six months ended June 30, 2021, 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 six months of 2021 were discounted at the credit-adjusted risk-free rate of 4.84%.

(10) REMEDIAL LIABILITIES

The changes to remedial liabilities from January 1, 2021 through June 30, 2021 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, 2021	$ 1,865	$ 63,060	$ 49,888	$ 114,813
Accretion	45	1,320	836	2,201
Changes in estimates recorded to consolidated statement of operations	(22)	312	(145)	145
Expenditures	(24)	(2,833)	(2,255)	(5,112)
Currency translation and other	—	(805)	1,212	407
Balance at June 30, 2021	$ 1,864	$ 61,054	$ 49,536	$ 112,454

In the six months ended June 30, 2021, there were no significant (benefits) charges 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 Debt:	**June 30, 2021**	**December 31, 2020**
Secured senior term loans ("Term Loans")	$ 7,535	$ 7,535
Long-Term Debt:		
Secured senior Term Loans due June 30, 2024	$ 715,859	$ 719,626
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 debt, at par	$ 1,560,859	$ 1,564,626
Unamortized debt issuance costs and premium, net	(13,461)	(14,985)
Long-term debt, at carrying value	$ 1,547,398	$ 1,549,641

Financing Activities

As of June 30, 2021 and December 31, 2020, the estimated fair value of the Company's outstanding long-term debt, including the current portion, was $1.6 billion. The Company's estimates of fair value of its long-term debt, 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 under which the Company had no outstanding loan balances as of June 30, 2021 and December 31, 2020. As of June 30, 2021, the Company had $287.3 million available to borrow under the revolving credit facility and outstanding letters of credit were $112.7 million.

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 interest rate swap agreements terminate in 2024.

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 June 30, 2021 and December 31, 2020, the Company has recorded a derivative liability with a fair value of $25.9 million and $33.6 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 six months ended June 30, 2021 was 25.9% and 27.3%, compared to 29.0% and 34.7%, respectively, for the comparable periods in 2020.

As of June 30, 2021 and December 31, 2020, the Company had recorded $5.1 million and $5.5 million, respectively, of liabilities for unrecognized tax benefits and $2.3 million and $2.1 million, respectively, of accrued interest.

(13) EARNINGS PER SHARE

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Numerator for basic and diluted earnings per share:				
Net income	$ 67,075	$ 29,023	$ 88,811	$ 40,595
Denominator:				
Basic shares outstanding	54,529	55,590	54,625	55,673
Dilutive effect of outstanding stock awards	325	158	320	209
Dilutive shares outstanding	54,854	55,748	54,945	55,882
Basic earnings per share:	$ 1.23	$ 0.52	$ 1.63	$ 0.73
Diluted earnings per share:	$ 1.22	$ 0.52	$ 1.62	$ 0.73

For the three months ended June 30, 2021 and June 30, 2020, all then outstanding performance awards and restricted stock awards were included in the calculation of diluted earnings per share except for 33,708 and 96,018, respectively, of performance stock awards for which the performance criteria were not attained at the reporting dates and 500 and 149,460, respectively, of restricted stock awards and performance awards which were excluded as their inclusion would have an antidilutive effect.

For the six months ended June 30, 2021 and June 30, 2020, all then outstanding performance awards and restricted stock awards were included in the calculation of diluted earnings per share except for 33,708 and 96,018, respectively, of performance stock awards for which the performance criteria were not attained at the reporting dates and 12,604 and 14,716, 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 six months ended June 30, 2021 were as follows (in thousands):

	Foreign Currency Translation	Unrealized Gains (Losses) on Available-For-Sale Securities	Unrealized (Losses) Gains on Interest Rate Hedge	Unrealized Losses on Unfunded Pension Liability	Total
Balance at January 1, 2021	$ (176,234)	$ 135	$ (33,629)	$ (1,749)	$ (211,477)
Other comprehensive income (loss) before reclassifications	15,009	(155)	2,759	—	17,613
Amounts reclassified out of accumulated other comprehensive loss	—	—	4,942	—	4,942
Tax benefit	—	33	—	—	33
Other comprehensive income (loss)	15,009	(122)	7,701	—	22,588
Balance at June 30, 2021	$ (161,225)	$ 13	$ (25,928)	$ (1,749)	$ (188,889)

The amount reclassified out of accumulated other comprehensive loss into the consolidated statement of operations, with presentation location, during the three and six months ended June 30, 2021 was as follows (in thousands):

Other Comprehensive Income (Loss) Component	For the Three Months Ended June 30, 2021	For the Six Months Ended June 30, 2021	Location
Unrealized losses on interest rate hedge	$ (2,494)	$ (4,942)	Interest expense, net of interest income

(15) STOCK-BASED COMPENSATION

Total stock-based compensation cost charged to selling, general and administrative expenses for the three and six months ended June 30, 2021 was $3.3 million and $6.8 million, respectively. Total stock-based compensation cost charged to selling, general and administrative expenses for the three and six months ended June 30, 2020 was $2.8 million and $6.1 million, respectively. The total income tax benefit recognized in the consolidated statements of operations from stock-based compensation expense for the three and six months ended June 30, 2021 was $0.8 million and $1.5 million, respectively. The total income tax benefit recognized in the consolidated statements of operations from stock-based compensation expense for the three and six months ended June 30, 2020 was $0.4 million and $1.2 million, respectively.

Restricted Stock Awards

The following table summarizes information about restricted stock awards for the six months ended June 30, 2021:

Restricted Stock	Number of Shares	Weighted Average Grant-Date Fair Value
Balance at January 1, 2021	493,879	$ 59.74
Granted	51,354	87.86
Vested	(103,449)	57.35
Forfeited	(32,321)	58.87
Balance at June 30, 2021	409,463	63.94

As of June 30, 2021, there was $17.8 million of total unrecognized compensation cost arising from restricted stock awards. This cost is expected to be recognized over a weighted average period of 2.5 years. The total fair value of restricted stock vested during the three and six months ended June 30, 2021 was $4.9 million and $8.9 million, respectively. The total fair value of restricted stock vested during the three and six months ended June 30, 2020 was $4.4 million and $9.7 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 currently based on revenue, Adjusted EBITDA, 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 six months ended June 30, 2021:

Performance Stock	Number of Shares	Weighted Average Grant-Date Fair Value
Balance at January 1, 2021	254,449	$ 61.75
Granted	5,897	86.15
Vested	(71,815)	62.27
Forfeited	(20,003)	61.54
Balance at June 30, 2021	168,528	62.41

As of June 30, 2021, there was $1.8 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 June 30, 2021 and June 30, 2020. The total fair value of performance awards vested during the six months ended June 30, 2021 and June 30, 2020 was $6.4 million and $1.3 million, respectively.

(16) COMMITMENTS AND CONTINGENCIES

Legal and Administrative Proceedings

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 June 30, 2021 and December 31, 2020, the Company had recorded reserves of $31.8 million and $29.8 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 June 30, 2021 and December 31, 2020, the $31.8 million and $29.8 million, respectively, of reserves consisted of (i) $23.6 million and $24.0 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) $8.2 million and $5.8 million, respectively, primarily related to federal, state and provincial enforcement actions, which were included in accrued expenses on the consolidated balance sheets.

As of June 30, 2021, the principal legal and administrative proceedings in which the Company was involved, or which had been terminated during 2021, 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 June 30, 2021 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 67 proceedings (excluding cases which have been settled but not formally dismissed) as of June 30, 2021, 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 June 30, 2021. From January 1, 2021 to June 30, 2021, 11 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 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 131 sites which are subject to or are proposed to become subject to proceedings under federal or state Superfund laws. Of the 131 Superfund related sites, six (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 $1.0 million at three of the 131 Superfund related 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 2020, the EPA signed a Record of Decision which defined the remediation alternative selected and approved by the EPA and in return, the Company increased the estimated remedial liability for this inactive site by $3.3 million. 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 June 30, 2021 there was one proceeding for which the Company reasonably believes that the sanctions could equal or exceed $1.0 million, and none as of December 31, 2020. The Company believes that the fines or other penalties in these or any of the other regulatory proceedings will not, individually or in the aggregate, have a material effect on its financial condition, results of operations or cash flows.

(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. As described in the *Changes in Operating Segments* section of Note 2, "Significant Accounting Policies" during the first quarter of 2021, certain of the Company's businesses undertook a reorganization which included changes to the underlying business and management structures. The Company's chief operating decision maker also requested changes in the information that he regularly reviews for purposes of allocating resources and assessing performance so that the information would align with the new operating structure of the business. Due to these changes the Company reassessed its operating segment conclusions in the first quarter of 2021 which resulted in a change in the operating segments. The Company consolidated the core services of Safety-Kleen Environmental Services into its Environmental Services segment, eliminated its Safety-Kleen segment and created the Safety-Kleen Sustainability Solutions segment. In addition, certain intercompany transactions previously recorded as Corporate Items have been allocated to the segments. All the historical balances presented below have been recast to reflect the impact of these changes.

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. Transactions between the segments are accounted for at the Company's best estimate based on similar transactions with outside customers. 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 six months ended June 30, 2021 and June 30, 2020 (in thousands):

	For the Three Months Ended June 30, 2021			For the Three Months Ended June 30, 2020		
	Third-party revenues	Intersegment revenues, net	Direct revenues	Third-party revenues	Intersegment revenues, net	Direct revenues
Environmental Services	$ 723,147	$ 950	$ 724,097	$ 612,720	$ (126)	$ 612,594
Safety-Kleen Sustainability Solutions	203,232	(950)	202,282	97,224	126	97,350
Corporate Items	79	—	79	56	—	56
Total	$ 926,458	$ —	$ 926,458	$ 710,000	$ —	$ 710,000

	For the Six Months Ended June 30, 2021			For the Six Months Ended June 30, 2020		
	Third-party revenues	Intersegment revenues, net	Direct revenues	Third-party revenues	Intersegment revenues, net	Direct revenues
Environmental Services	$ 1,376,025	$ 2,674	$ 1,378,699	$ 1,317,756	$ 30	$ 1,317,786
Safety-Kleen Sustainability Solutions	358,423	(2,674)	355,749	250,661	(30)	250,631
Corporate Items	158	—	158	146	—	146
Total	$ 1,734,606	$ —	$ 1,734,606	$ 1,568,563	$ —	$ 1,568,563

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, stock-based compensation, depreciation and amortization, net interest expense, loss on early extinguishment of debt, provision for income taxes and excludes other gains, losses or non-cash charges not deemed representative of fundamental segment results and other expense, net. Beginning in the first quarter of 2021, we revised our calculation of reported Adjusted EBITDA to add stock-based compensation, a non-cash item, to other charges which are added back to net income determined in accordance with generally accepted accounting principles ("GAAP") for purposes of calculating Adjusted EBITDA. The amount added back each period matches the line item for stock-based compensation as recorded on the consolidated statements of cash flows. All relevant prior period Adjusted EBITDA amounts were recast to provide comparative information.

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

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2021	2020	2021	2020
Adjusted EBITDA:				
Environmental Services	$ 176,041	$ 176,241	$ 316,295	$ 322,099
Safety-Kleen Sustainability Solutions	63,314	8,431	94,946	32,635
Corporate Items	(51,584)	(46,406)	(94,019)	(90,587)
Total	187,771	138,266	317,222	264,147
Reconciliation to Consolidated Statements of Operations:				
Accretion of environmental liabilities	2,873	2,766	5,826	5,327
Stock-based compensation	3,305	2,786	6,785	6,077
Depreciation and amortization	71,592	72,494	143,755	147,027
Income from operations	110,001	60,220	160,856	105,716
Other expense, net	1,480	500	2,708	2,865
Loss on sale of businesses	—	184	—	3,258
Interest expense, net of interest income	18,051	18,654	35,969	37,441
Income before provision for income taxes	$ 90,470	$ 40,882	$ 122,179	$ 62,152

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

	June 30, 2021	December 31, 2020
Property, plant and equipment, net:		
Environmental Services	$ 1,068,270	$ 1,068,910
Safety-Kleen Sustainability Solutions	371,056	366,160
Corporate Items	91,963	90,228
Total property, plant and equipment, net	$ 1,531,289	$ 1,525,298
Goodwill and Permits and other intangibles, net:		
Environmental Services		
Goodwill	$ 403,136	$ 401,918
Permits and other intangibles, net	221,437	228,237
Total Environmental Services	624,573	630,155
Safety-Kleen Sustainability Solutions		
Goodwill	$ 141,503	$ 125,105
Permits and other intangibles, net	152,793	158,383
Total Safety-Kleen Sustainability Solutions	294,296	283,488
Total	$ 918,869	$ 913,643

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

	June 30, 2021	December 31, 2020
United States	$ 3,566,318	$ 3,447,811
Canada and other foreign	709,561	683,709
Total	$ 4,275,879	$ 4,131,520

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 expected completion and impact of our proposed acquisition of HydroChemPSC ("HPC"), 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 ("SEC") on February 24, 2021, 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. Everywhere industry meets the environment, we strive to provide eco-friendly products and services that protect and restore North America's natural environment. 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.

During the first quarter of 2021, we reorganized our Safety-Kleen business. The collection services for waste oil, used oil filters, antifreeze and related items and bulk blended oil sales operations were combined with the Safety-Kleen Oil business to form the Safety-Kleen Sustainability Solutions business. Under this structure, Safety-Kleen Sustainability Solutions encompasses both sides of the spread we manage in our re-refinery business, and we expect this change to drive additional growth in our sustainable lubricant products and related services.

Concurrently with this change, we consolidated the Safety-Kleen Environmental branches' core offerings, including containerized waste, parts washer and vacuum services, into the legacy Clean Harbors Environmental Services sales and service operations. We expect this change to foster enhanced cross-selling opportunities within the environmental businesses and increase market presence with small quantity generators of hazardous waste.

In restructuring the operations of the Company in this manner, the information that the chief operating decision maker regularly reviews for purposes of allocating resources and assessing performance was changed to conform to the new operating structure of the business. As a result, we reevaluated the identification of our operating segments and concluded that, starting in the first quarter of 2021, Environmental Services and Safety-Kleen Sustainability Solutions are our operating segments and reportable segments, with the operations not managed through the operating segments described above continuing to be reported as Corporate Items. The amounts presented for the three and six months ended June 30, 2020 have been recast to reflect the impact of such changes.

Performance of our segments is evaluated on several factors of which the primary financial measure is Adjusted EBITDA. Beginning in the first quarter of 2021, we revised our calculation of reported Adjusted EBITDA to add back stock-based compensation, a non-cash item, to other charges which are added back to net income determined in accordance with generally accepted accounting principles ("GAAP"). See the Adjusted EBITDA section below for additional details regarding this change and our consideration of this metric. Prior period amounts have been recast to conform to this presentation.

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, waste volumes generated by such services and project work for which waste handling and/or disposal is required. 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 Coronavirus ("COVID-19") pandemic, the business saw increased demand for response services relative to contagion disinfection, decontamination and disposal in 2020 and into 2021. With the addition of the Safety-Kleen core service offerings, including containerized waste disposal, parts washer and vacuum services, the Environmental Services results are further driven by the volumes of waste collected from these customers, the overall number of parts washers placed at customer sites and the demand for and frequency of other offered services. In managing the business and evaluating performance, management tracks the volumes and mix of waste handled and disposed of or recycled, generally through our owned facilities, the utilization rates of our incinerators, equipment and workforce, including billable hours, and number of parts washer services performed, 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, U.S. industrial production, economic conditions in the automotive, chemical, manufacturing and other industrial markets, weather conditions, efficiency of our operations, technology, changing regulations, competition, market pricing of our services and the management of our related operating costs.
- **Safety-Kleen Sustainability Solutions** - Safety-Kleen Sustainability Solutions segment results are impacted by our customers' demand for high-quality, environmentally responsible recycled oil products and their demand for our related service offerings and products. Safety-Kleen Sustainability Solutions offers high quality recycled base and blended oil products to end users including fleet customers, distributors and manufacturers of oil products. Segment results are impacted by overall demand as well as product mix as it relates to these oil products. Segment results are also predicated on the demand for the Safety-Kleen Sustainability Solutions other product and service offerings including collection services for used oil, used oil filters and other automotive fluids. These fluid collections are used as feedstock in our oil re-refining to make our base and blended oil products and our recycled automotive related fluid products or are integrated into the Clean Harbors' recycling and disposal network. In operating the business and evaluating performance, management tracks the volumes and relative percentages of base and blended oil sales along with various pricing metrics associated with the commodity driven margin. Management also tracks the volumes and pricing of used oil and automotive fluid collections. Levels of activity and ultimate performance associated with this segment can be impacted by economic conditions in the automotive services and manufacturing markets, efficiency of our operations, technology, weather conditions, changing regulations, competition and the management of our related operating costs. 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. The overall market price of oil and regulations that change the possible usage of used oil, including the International Maritime Organization's 2020 regulation ("IMO 2020") and other regulations related to the burning of used motor oil as a fuel, both impact the premium the segment can charge for used oil collections.

Highlights

Total revenues for the three and six months ended June 30, 2021 were $926.5 million and $1,734.6 million, compared with $710.0 million and $1,568.6 million for the three and six months ended June 30, 2020. Prior year operations were negatively affected by the impact of the COVID-19 pandemic. In the three and six months ended June 30, 2021, our Environmental Services segment direct revenues increased 18.2% and 4.6% from the comparable periods in 2020. Current period results were driven primarily by greater volumes of higher value waste streams at our incinerators and higher demand throughout most of our portfolio of services, most predominantly our industrial services operations, partially offset by lower demand for our COVID-19 decontamination services. In the three and six months ended June 30, 2021, our Safety-Kleen Sustainability Solutions segment direct revenues increased 107.8% and 41.9% from the comparable periods in 2020 due to increased pricing and increased demand for base and blended oil which increased volumes of products sold. The fluctuation of the Canadian dollar positively impacted our consolidated revenues by $16.2 million and $22.1 million in the three and six months ended June 30, 2021, respectively.

In the three and six months ended June 30, 2021, costs have increased in both the Environmental Services and Safety-Kleen Sustainability Solutions segments when comparing to the prior year given the increase in business levels and revenue mix combined with lower benefits from the Government Programs. Despite the increased costs seen in the current period, gross margins for the Environmental Services and Safety-Kleen Sustainability Solutions segments have improved from pre-pandemic levels.

We reported income from operations for the three and six months ended June 30, 2021 of $110.0 million and $160.9 million compared with $60.2 million and $105.7 million in the three and six months ended June 30, 2020, and net income for the three and six months ended June 30, 2021 of $67.1 million and $88.8 million compared with net income of $29.0 million and $40.6 million in the three and six months ended June 30, 2020.

Adjusted EBITDA, which is the primary financial measure by which our segments are evaluated, increased 35.8% to $187.8 million in the three months ended June 30, 2021 from $138.3 million in the three months ended June 30, 2020 and increased 20.1% to $317.2 million in the six months ended June 30, 2021 from $264.1 million in the six months ended June 30, 2020. This improved profitability was primarily driven by the mix of product sales and strong spread management in the Safety-Kleen Sustainability Solutions segment, as well as continued cost management. 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 six months ended June 30, 2021 was $265.4 million, an increase of $91.9 million from the comparable period in 2020. Adjusted free cash flow, which management uses to measure our financial strength and ability to generate cash, was $176.9 million in the six months ended June 30, 2021, compared to $71.9 million in the comparable period of 2020. These increased levels of cash flows are the result of greater levels of operating income and improved working capital management in 2021. 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."*

Impact of COVID-19

During the second quarter of 2021, we continued to see incremental improvements in the demand for our products and services consistent with the lifting of travel and other government restrictions and the ongoing national and state vaccination efforts. Over the last year, our business has been slowly recovering after the sharp decline in the second quarter of 2020. As we exited the second quarter of 2021, both quarter to date and year to date direct revenues and Adjusted EBITDA were comparable or higher than pre-pandemic levels for each of our segments.

In the first six months of 2021, we recognized $39.7 million of direct revenues specifically related to COVID-19 disinfecting, decontamination and disposal related emergency response services. We began to see slower demand in the second quarter of 2021 when we recognized direct revenues of $11.5 million for such work. Although we are uncertain as to the exact level of such services throughout the remainder of 2021, we expect to continue to see slowing demand for these COVID-19 response services as vaccination levels continue to increase.

The potential impact of COVID-19 variants (e.g. the Delta variant) remains unknown at this time, however could impact both our business recovery and the demand for our COVID-19 response services.

Impact of Government Programs

In 2020, the Governments of Canada and the United States announced the Canada Emergency Wage Subsidy ("CEWS") and the Coronavirus Aid, Relief and Economic Security Act ("CARES Act"), respectively, in response to the widespread economic impact of the COVID-19 pandemic (collectively referred to as "Government Programs"). Both Government Programs have been extended into 2021 and as such, management has continued to consider and analyze the Company's eligibility under such

Government Programs. During 2021 the Company recognized certain employee wage subsidies under the CEWS and, to a lesser extent, employee retention credits under the CARES Act. We do not anticipate any future significant benefits from the Government Programs given the current status of our operations. The table below summarizes the benefit of the Government Programs recorded in the statement of operations for the three and six months ended June 30, 2021 and June 30, 2020 (in thousands):

	Three Months Ended June 30, 2021				Three Months Ended June 30, 2020			
	Environmental Services	Safety-Kleen Sustainability Solutions	Corporate Items	Total	Environmental Services	Safety-Kleen Sustainability Solutions	Corporate Items	Total
Cost of revenues	$ 3,369	$ 256	$ 56	$ 3,681	$ 12,950	$ 911	$ 415	$ 14,276
Selling, general and administrative expenses	1,032	219	263	1,514	6,743	931	1,449	9,123
Total	$ 4,401	$ 475	$ 319	$ 5,195	$ 19,693	$ 1,842	$ 1,864	$ 23,399

	Six Months Ended June 30, 2021				Six Months Ended June 30, 2020			
	Environmental Services	Safety-Kleen Sustainability Solutions	Corporate Items	Total	Environmental Services	Safety-Kleen Sustainability Solutions	Corporate Items	Total
Cost of revenues	$ 7,136	$ 725	$ 80	$ 7,941	$ 12,950	$ 911	$ 415	$ 14,276
Selling, general and administrative expenses	1,779	545	343	2,667	6,743	931	1,449	9,123
Total	$ 8,915	$ 1,270	$ 423	$ 10,608	$ 19,693	$ 1,842	$ 1,864	$ 23,399

Proposed acquisition of HydroChemPSC

On August 3, 2021, we signed a definitive agreement to acquire HydroChemPSC for $1.25 billion ("HPC Acquisition") in cash consideration subject to customary purchase price adjustments. HPC is a leading U.S. provider of industrial cleaning, specialty maintenance and utility services. The HPC Acquisition is subject to approval by regulators, as well as other customary closing conditions, and is expected to close later this year.

HPC serves customers across a broad range of markets and provides solutions to customers focused on cleaning, maintenance and environmental compliance of essential, mission critical equipment and infrastructure. HPC has more than 5,000 employees, over 240 service locations across the United States and has a fleet of specialized equipment and vehicles as well as technology which will enhance and add to the assets of the Environmental Services segment.

Given the size and complexity of the HPC Acquisition and the required regulatory approval, we cannot definitively state when the HPC Acquisition will be completed. We currently anticipate that the HPC Acquisition will be completed later in 2021, however, consummation will be subject to certain conditions, including, among others, expiration or termination of the applicable Hart-Scott-Rodino antitrust waiting periods. The terms and conditions of any authorization or consent that is granted, if any, may impose requirements, limitations or restrictions that may materially delay the completion of the HPC Acquisition.

We expect to incur significant costs in connection with the HPC Acquisition, including costs related to financing the HPC Acquisition and ultimate integration of the business. We will be subject to capital debt market risks in connection with our plan to finance the portion of the purchase price above the amount of available cash which we plan to use. We have a financing commitment for term loan debt financing from Goldman Sachs Bank USA.

Upon completion of the HPC Acquisition, successful integration of the HPC business and operations into our business will be necessary to realize the anticipated benefits from combining HPC with Clean Harbors. We believe that the combined business will benefit from incremental waste volumes through Clean Harbors' network of facilities, greater customer relationships and cross selling opportunities and synergistic opportunities within customer service, transportation, branch network, asset rentals and vehicle and tank refurbishment among others. The success of the HPC Acquisition will depend, in part, on integration of the financial reporting systems and controls and the focused attention (time and resources) of both Clean Harbors' and HPC's management teams.

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 six months ended June 30, 2021 and June 30, 2020 (in thousands, except percentages):

	Summary of Operations							
	For the Three Months Ended				For the Six Months Ended			
	June 30, 2021	June 30, 2020	$ Change	% Change	June 30, 2021	June 30, 2020	$ Change	% Change
Direct Revenues[1]:								
Environmental Services	$ 724,097	$ 612,594	$ 111,503	18.2%	$ 1,378,699	$ 1,317,786	$ 60,913	4.6%
Safety-Kleen Sustainability Solutions	202,282	97,350	104,932	107.8	355,749	250,631	105,118	41.9
Corporate Items	79	56	23	N/M	158	146	12	N/M
Total	926,458	710,000	216,458	30.5	1,734,606	1,568,563	166,043	10.6
Cost of Revenues[2]:								
Environmental Services	487,257	385,113	102,144	26.5	938,512	876,234	62,278	7.1
Safety-Kleen Sustainability Solutions	123,025	76,318	46,707	61.2	231,401	190,146	41,255	21.7
Corporate Items	7,604	9,250	(1,646)	N/M	8,509	10,967	(2,458)	N/M
Total	617,886	470,681	147,205	31.3	1,178,422	1,077,347	101,075	9.4
Selling, General & Administrative Expenses:								
Environmental Services	60,799	51,240	9,559	18.7	123,892	119,453	4,439	3.7
Safety-Kleen Sustainability Solutions	15,943	12,601	3,342	26.5	29,402	27,850	1,552	5.6
Corporate Items	47,364	39,998	7,366	18.4	92,453	85,843	6,610	7.7
Total	124,106	103,839	20,267	19.5	245,747	233,146	12,601	5.4
Adjusted EBITDA:								
Environmental Services	176,041	176,241	(200)	(0.1)	316,295	322,099	(5,804)	(1.8)
Safety-Kleen Sustainability Solutions	63,314	8,431	54,883	651.0	94,946	32,635	62,311	190.9
Corporate Items	(51,584)	(46,406)	(5,178)	(11.2)	(94,019)	(90,587)	(3,432)	(3.8)
Total	$ 187,771	$ 138,266	$ 49,505	35.8%	$ 317,222	$ 264,147	$ 53,075	20.1%

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 consolidated 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, but 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, our ability to manage the spread between oil product prices and prices for 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				For the Six Months Ended			
	June 30,		2021 over 2020		June 30,		2021 over 2020	
(in thousands, except percentages)	2021	2020	$ Change	% Change	2021	2020	$ Change	% Change
Direct revenues	$ 724,097	$ 612,594	$ 111,503	18.2 %	$ 1,378,699	$ 1,317,786	$ 60,913	4.6 %

Environmental Services direct revenues for the three months ended June 30, 2021 increased $111.5 million from the comparable period in 2020 driven primarily by higher demand throughout our portfolio of services and greater volumes of higher value waste streams at our incinerators and landfills, partially offset by lower demand for our COVID-19 decontamination services. Direct revenues related to our industrial services increased $49.6 million predominately due to increased demand for industrial cleanings as overall economic activity began to improve and industrial cleaning services previously delayed due to the impacts of COVID-19 were executed combined with a renewed sales strategy for the business. Demand for our base field services, excluding any COVID-19 decontamination services, increased approximately $18.2 million from the same period in 2020. Direct revenues for the Safety-Kleen core service offerings increased $14.0 million from the comparable period in 2020 due to improved pricing and higher demand for these containerized waste, vacuum and parts washer services. Direct revenues at our incinerators increased $12.8 million when comparing the three months ended June 30, 2021 to the same period in 2020, resulting from greater volumes of higher value waste streams. Overall, incinerator utilization was 87% which was consistent with the same period in 2020 and illustrates the shifting of mix to higher value waste streams. Higher pricing and volumes at our landfill facilities increased direct revenues by $3.9 million. In the three months ended June 30, 2021, lower demand for our COVID-19 decontamination services resulted in a direct revenue decrease of $38.5 million, partially offsetting all of the increases noted above. The Canadian operations of the Environmental Services segment were positively impacted by $12.9 million due to foreign currency translation.

Environmental Services direct revenues for the six months ended June 30, 2021 increased $60.9 million from the comparable period in 2020 driven primarily by returning demand for our services, specifically in the three months ended June 30, 2021 as compared to the same period in the prior year. Demand for industrial services increased direct revenues by $19.2 million from the comparable period in the prior year, as overall economic activity began to improve and industrial cleaning services delayed due to the impacts of COVID-19 were executed combined with a renewed sales strategy for the business. Utilization at the incinerators for the six months ended June 30, 2021 was 83% as compared to 86% in the prior year. This lower utilization was generally the result of more down days due to significant weather events which occurred during the first quarter of 2021. Despite the lower utilization, greater volumes of higher value waste streams drove a $9.0 million increase in direct revenues at our incinerator facilities. Direct revenues at our landfill facilities increased $2.4 million from the comparable period in 2020 due to higher value waste streams overcoming lower volumes. In the six months ended June 30, 2021, direct revenues from COVID-19 decontamination services decreased by $20.3 million, partially offsetting the increases noted above, due to lower demand for such services, specifically in the second quarter of 2021. Also impacting the year over year change in direct revenues within this segment was the positive impact of foreign currency translation on our Canadian operations of $17.6 million.

Safety-Kleen Sustainability Solutions

	For the Three Months Ended				For the Six Months Ended			
	June 30,		2021 over 2020		June 30,		2021 over 2020	
(in thousands, except percentages)	2021	2020	$ Change	% Change	2021	2020	$ Change	% Change
Direct revenues	$ 202,282	$ 97,350	$ 104,932	107.8 %	$ 355,749	$ 250,631	$ 105,118	41.9 %

Safety-Kleen Sustainability Solutions direct revenues for the three months ended June 30, 2021 increased $104.9 million from the comparable period in 2020. A number of price increases experienced throughout the quarter and increased demand and resulting volumes of product sold drove an $84.7 million increase in revenue from base oil sales and a $17.5 million increase revenue from blended oil sales. Revenues from contract blending and packaging increased $10.0 million in the three months ended June 30, 2021 when compared to the three months ended June 30, 2021 as well. Pricing increases in recycled fuel oil and refinery byproducts increased revenues by $4.4 million. Revenues from used oil collection services decreased $11.6 million in the second quarter of 2021, when compared to the second quarter of 2020 due to pricing decreases. The prices charged for used oil collection services are generally correlated with base oil pricing and therefore this pricing decrease was expected in light of the overall oil market conditions. The volume of the used oil collected increased from the prior year. Collection volumes for used oil have nearly rebounded to pre-pandemic levels. Foreign currency translation positively impacted the Canadian operations of Safety-Kleen Sustainability Solutions by $3.3 million.

Safety-Kleen Sustainability Solutions direct revenues for the six months ended June 30, 2021 increased $105.1 million from the comparable period in 2020. Due to the pricing increases and rebounding demand described above relative to the second quarter of 2021, higher pricing and volumes drove a $91.7 million increase in revenue from base oil sales and a $12.2 million increase in revenues from blended oil sales. Revenues from contract blending and packaging increased $11.5 million from the comparable period. As expected in light of the oil market conditions noted above, revenues from used oil collection services decreased $6.9 million due to pricing decreases. Collection volumes for used oil increased during the six months ended June 30, 2021 when compared to the comparable period in 2020, and have nearly rebounded to pre-pandemic levels. Foreign currency translation positively impacted the Canadian operations of Safety-Kleen Sustainability Solutions by $4.5 million.

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 and expansion 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 Six Months Ended			
	June 30,		2021 over 2020		June 30,		2021 over 2020	
(in thousands, except percentages)	2021	2020	$ Change	% Change	2021	2020	$ Change	% Change
Cost of revenues	$ 487,257	$ 385,113	$ 102,144	26.5 %	$ 938,512	$ 876,234	$ 62,278	7.1 %
As a % of Direct revenues	67.3 %	62.9 %	4.4 %		68.1 %	66.5 %	1.6 %	

Environmental Services cost of revenues for the three months ended June 30, 2021 increased $102.1 million from the comparable period in 2020, primarily due to the increase in direct revenues. Cost of revenues as a percentage of direct revenues increased 4.4% from the comparable period in the prior year, in part due to a $9.6 million reduction in benefits recognized under the Government Programs in the second quarter of 2021 as compared to the same period of the prior year. After adjusting for this difference, cost as a percentage of revenues increased 2.8%, primarily due to the mix of services being performed, including lower COVID-19 decontamination services. Overall, labor and benefits related costs increased $37.5 million, equipment and supply costs increased $35.6 million and transportation, disposal, vehicle and fuel related costs increased $18.6 million from the comparable period in 2020.

Environmental Services cost of revenues for the six months ended June 30, 2021 increased $62.3 million from the comparable period in 2020, primarily due to an increase in direct revenues. Cost of revenues as a percentage of direct revenues increased 1.6% from the comparable period in the prior year. Excluding the $5.8 million year over year reduction in benefits recognized under the Government Programs, cost of revenues as a percentage of direct revenues increased 1.1%. Overall, equipment and supply costs increased $19.0 million, labor and benefits related costs increased $17.3 million and transportation, disposal, vehicle and fuel related costs increased $15.4 million.

Safety-Kleen Sustainability Solutions

	For the Three Months Ended				For the Six Months Ended			
	June 30,		2021 over 2020		June 30,		2021 over 2020	
(in thousands, except percentages)	2021	2020	$ Change	% Change	2021	2020	$ Change	% Change
Cost of revenues	$ 123,025	$ 76,318	$ 46,707	61.2 %	$ 231,401	$ 190,146	$ 41,255	21.7 %
As a % of Direct revenues	60.8 %	78.4 %	(17.6)%		65.0 %	75.9 %	(10.9)%	

Safety-Kleen Sustainability Solutions cost of revenues for the three months ended June 30, 2021 increased $46.7 million from the comparable period in 2020 due to the increase in direct revenues. Cost of revenue as a percentage of direct revenues improved by 17.6% due to production volume efficiencies generated by our re-refineries, some of which were temporarily closed in the prior year due to impacts from COVID-19, lower relative spend on oil additives due to the overall oil product mix and the continuation of the cost management initiatives implemented in the latter half of 2020. In total, costs of oil additives and other raw materials increased $25.4 million, transportation, vehicle and fuel costs increased $11.2 million and labor and benefits related costs increased $7.7 million.

Safety-Kleen Sustainability Solutions cost of revenues for the six months ended June 30, 2021 increased $41.3 million from the comparable period in 2020 due to the increase in direct revenues. Cost of revenue as a percentage of direct revenues improved by 10.9% for reasons consistent with those noted in the preceding paragraph. In total, costs of oil additives and other raw materials increased $23.9 million, transportation, vehicle and fuel costs increased $12.1 million and labor and benefits related costs increased $5.3 million.

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

	For the Three Months Ended				For the Six Months Ended			
	June 30,		2021 over 2020		June 30,		2021 over 2020	
(in thousands, except percentages)	2021	2020	$ Change	% Change	2021	2020	$ Change	% Change
SG&A expenses	$ 60,799	$ 51,240	$ 9,559	18.7 %	$ 123,892	$ 119,453	$ 4,439	3.7 %
As a % of Direct revenues	8.4 %	8.4 %	— %		9.0 %	9.1 %	(0.1)%	

Environmental Services SG&A expenses for the three and six months ended June 30, 2021 increased $9.6 million and $4.4 million from the comparable periods in 2020 while remaining consistent as a percentage of direct revenues. For the three and six months ended June 30, 2020, reduced benefits recognized under the Government Programs of $5.7 million and $5.0 million drove the increases in SG&A expenses, as compared to the relevant period in the prior year. Absent these benefits recognized under Government Programs, Environmental Services SG&A expenses as a percentage of revenue remained relatively consistent with the prior year.

Safety-Kleen Sustainability Solutions

(in thousands, except percentages)	For the Three Months Ended June 30, 2021	June 30, 2020	2021 over 2020 $ Change	2021 over 2020 % Change	For the Six Months Ended June 30, 2021	June 30, 2020	2021 over 2020 $ Change	2021 over 2020 % Change
SG&A expenses	$ 15,943	$ 12,601	$ 3,342	26.5 %	$ 29,402	$ 27,850	$ 1,552	5.6 %
As a % of Direct revenues	7.9 %	12.9 %	(5.0)%		8.3 %	11.1 %	(2.8)%	

Safety-Kleen Sustainability Solutions SG&A expenses for the three and six months ended June 30, 2021 increased $3.3 million and $1.6 million from the comparable periods in 2020 primarily attributable to the increases in direct revenues. Safety-Kleen Sustainability Solutions SG&A expenses as percentage of revenues improved 5.0% and 2.8%, respectively, due in part, to a $1.8 million change in an environmental liability estimate for a Superfund site recorded in the second quarter of 2020 which did not recur in 2021. Absent this nonrecurring item, SG&A expenses as a percentage of revenues improved 3.2% and 2.1%, respectively, primarily due to the continuation of cost management initiatives implemented in the latter half of 2020.

Corporate Items

(in thousands, except percentages)	For the Three Months Ended June 30, 2021	June 30, 2020	2021 over 2020 $ Change	2021 over 2020 % Change	For the Six Months Ended June 30, 2021	June 30, 2020	2021 over 2020 $ Change	2021 over 2020 % Change
SG&A expenses	$ 47,364	$ 39,998	$ 7,366	18.4 %	$ 92,453	$ 85,843	$ 6,610	7.7 %

Corporate Items SG&A expenses for the three months ended June 30, 2021 increased $7.4 million from the comparable period in 2020. The most significant driver of this increase was $5.2 million of increased labor related costs due to increased variable compensation and $1.2 million of lower benefits recognized from the Government Programs in the three months ended June 30, 2021 when compared to the three months ended June 30, 2020. In addition, information technology costs increased by $2.4 million and fees for mergers and acquisitions, integration and strategic initiatives increased by $2.3 million. Partially offsetting these increases were decreases in bad debt expense of $2.7 million and lower severance costs of $3.0 million.

Corporate Items SG&A expenses for the six months ended June 30, 2021 increased $6.6 million from the comparable period in 2021. The most significant driver of this increase was $8.4 million of increased labor related costs both due to increased variable compensation and lower benefits recognized from the Government Programs in the six months ended June 30, 2021 when compared to the six months ended June 30, 2020. In addition, fees for mergers and acquisitions, integration and strategic initiatives increased by $3.0 million and information technology costs increased $1.8 million. Partially offsetting these increases were decreases in bad debt expense of $4.9 million and marketing expenses of $4.0 million.

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 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 June 30, 2021	June 30, 2020	2021 over 2020 $ Change	2021 over 2020 % Change		For the Six Months Ended June 30, 2021	June 30, 2020	2 $ Change
Adjusted EBITDA:								
Environmental Services	$ 176,041	$ 176,241	$ (200)	(0.1)	%	$ 316,295	$ 322,099	$ (5,804
Safety-Kleen Sustainability Solutions	63,314	8,431	54,883	651.0		94,946	32,635	62,311
Corporate Items	(51,584)	(46,406)	(5,178)	(11.2)		(94,019)	(90,587)	(3,432
Total	$ 187,771	$ 138,266	$ 49,505	35.8	%	$ 317,222	$ 264,147	$ 53,075

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 our interpretation of such results with the board. 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 June 30,		For the Six Months Ended June 30,	
	2021	**2020**	**2021**	**2020**
Net income	$ 67,075	$ 29,023	$ 88,811	$ 40,595
Accretion of environmental liabilities	2,873	2,766	5,826	5,327
Stock-based compensation	3,305	2,786	6,785	6,077
Depreciation and amortization	71,592	72,494	143,755	147,027
Other expense, net	1,480	500	2,708	2,865
Loss on sale of businesses	—	184	—	3,258
Interest expense, net of interest income	18,051	18,654	35,969	37,441
Provision for income taxes	23,395	11,859	33,368	21,557
Adjusted EBITDA	$ 187,771	$ 138,266	$ 317,222	$ 264,147
As a % of Direct revenues	20.3 %	19.5 %	18.3 %	16.8 %

Beginning in the first quarter of 2021, we revised our calculation of reported Adjusted EBITDA to add stock-based compensation, a non-cash item, to other charges which are added back to GAAP net income for purposes of calculating Adjusted EBITDA. We made this change in order to be more consistent with how certain of our peer group companies report their non-GAAP results, to align with how management will evaluate the operating performance of the Company and performance metrics for certain incentive compensation awards to be issued in 2021, and to be consistent with the definition of “Adjusted EBITDA” now used for covenant compliance purposes in our outstanding financing agreements as amended to date. The amount added back each period is expected to match the line item for stock-based compensation as recorded on the Company's GAAP consolidated statements of cash flows. In the future, when we report our results, all relevant prior period Adjusted EBITDA amounts will be recast to provide comparative information.

Depreciation and Amortization

	For the Three Months Ended				For the Six Months Ended			
	June 30,		2021 over 2020		June 30,		2021 over 2020	
(in thousands, except percentages)	2021	2020	$ Change	% Change	2021	2020	$ Change	% Change
Depreciation of fixed assets and amortization of landfills and finance leases	$ 63,828	$ 63,656	$ 172	0.3 %	$ 128,402	$ 129,021	$ (619)	(0.5)%
Permits and other intangibles amortization	7,764	8,838	(1,074)	(12.2)	15,353	18,006	(2,653)	(14.7)
Total depreciation and amortization	$ 71,592	$ 72,494	$ (902)	(1.2)%	$ 143,755	$ 147,027	$ (3,272)	(2.2)%

Depreciation and amortization for the three and six months ended June 30, 2021 decreased from the comparable periods in 2020 primarily due to certain assets becoming fully amortized.

Provision for Income Taxes

	For the Three Months Ended				For the Six Months Ended			
	June 30,		2021 over 2020		June 30,		2021 over 2020	
(in thousands, except percentages)	2021	2020	$ Change	% Change	2021	2020	$ Change	% Change
Provision for income taxes	$ 23,395	$ 11,859	$ 11,536	97.3 %	$ 33,368	$ 21,557	$ 11,811	54.8 %
Effective tax rate	25.9 %	29.0 %	(3.1)%		27.3 %	34.7 %	(7.4)%	

The provision for income taxes for the three and six months ended June 30, 2021 increased $11.5 million and $11.8 million, respectively, from the comparable periods in 2020, due to an increase in income before provision for income taxes. Our effective tax rates for the three and six months ended June 30, 2021 decreased by 3.1% and 7.4%, respectively, from the comparable periods in 2020.

In recent years, we have incurred losses in certain Canadian operations and have not recognized tax benefits related to those losses. In the first three months of 2021, certain Canadian operations with valuation allowances generated losses of approximately $5.9 million for which no tax benefit was recognized. Through June 30, 2021, these certain Canadian operations are profitable, primarily due to the employee wage subsidies received in accordance with CEWS and increased operational performance. As a result of the positive second quarter earnings related to these certain Canadian operations and therefore the absence of unbenefited tax losses relative to these Canadian operations, the Company posted an overall lower effective rate of 25.9% for the three months. Additionally, this reduction in unbenefited losses in the six months ended 2021 is also driving the 7.4% improvement in the effective tax rate when compared to 2020.

Liquidity and Capital Resources

	Six Months Ended June 30,	
(in thousands)	2021	2020
Net cash from operating activities	$ 265,432	$ 173,486
Net cash used in investing activities	(132,340)	(141,685)
Net cash (used in) from financing activities	(60,534)	47,017

Net cash from operating activities

Net cash from operating activities for the six months ended June 30, 2021 was $265.4 million, an increase of $91.9 million from the comparable period in 2020. The increase in operating cash flows from the comparable period of 2020 resulted from greater levels of operating income and improved working capital management in 2021 despite a $31.0 million increase in the amount of cash taxes paid in the six months ended June 30, 2021 when compared to the six months ended June 30, 2020. This increase in cash taxes was primarily due to the deferral of federal tax payments from the second quarter of 2020 to the third quarter of 2020 as allowable under COVID relief guidance from the Internal Revenue Service in 2020.

Net cash used in investing activities

Net cash used in investing activities for the six months ended June 30, 2021 was $132.3 million, a decrease of $9.3 million from the comparable period in 2020. The decrease in net cash used in investing activities was most notably due to a $33.7 million reduction in capital expenditure levels in 2021. Capital expenditures for the six months ended June 30, 2020 included the $21.1 million nonrecurring purchase of our corporate headquarters. Offsetting this decrease in capital expenditures is an increase of $14.1 million in cash paid for acquisitions and a reduction of $7.8 million in proceeds from the sale of businesses.

Net cash (used in) from financing activities

Net cash used in financing activities for the six months ended June 30, 2021 was $60.5 million, compared to net cash from financing activities of $47.0 million for the comparable period in 2020. This decrease of $107.6 million was mostly due to $75.0 million of net borrowings from our revolving credit facility during the first six months of 2020 and an increase in repurchases of common stock of $28.1 million during the first six months of 2021. 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 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):

	Six Months Ended June 30,	
	2021	**2020**
Net cash from operating activities	$ 265,432	$ 173,486
Additions to property, plant and equipment	(91,988)	(125,721)
Purchase and capital improvements of corporate headquarters	—	21,080
Proceeds from sale and disposal of fixed assets	3,479	3,101
Adjusted free cash flow	$ 176,923	$ 71,946

Summary of Capital Resources including Financing Arrangements

At June 30, 2021, cash and cash equivalents and marketable securities totaled $666.3 million, compared to $571.0 million at December 31, 2020. At June 30, 2021, cash and cash equivalents held by our foreign subsidiaries totaled $135.5 million. The cash and cash equivalents and marketable securities balance for our U.S. operations was $530.8 million at June 30, 2021, and our U.S. operations had net operating cash flows of $268.0 million for the six months ended June 30, 2021. Additionally, we have a $400.0 million revolving credit facility of which, as of June 30, 2021, approximately $287.3 million was available to borrow and letters of credit under the credit facility in the amount of $112.7 million were outstanding. 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.

Financing arrangements are discussed in Note 11, “Financing Arrangements,” to our unaudited consolidated financial statements included in this report. 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. 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. We continue to monitor our debt instruments and evaluate opportunities where it may be beneficial to refinance or reallocate the portfolio.

On August 3, 2021, we signed a definitive agreement to acquire HydroChemPSC, a leading U.S. provider of industrial cleaning, specialty maintenance and utility services, for $1.25 billion. We expect to fund the HPC Acquisition with cash on hand and long-term debt and as such we contemporaneously entered into a commitment letter with Goldman Sachs Bank USA to borrow up to $1.0 billion of term loan debt to fund the HPC Acquisition. We anticipate that our future cash flows provided by operating activities will provide the necessary funds on a short and long term basis to meet our operating cash requirements, including servicing the incremental debt used to fund the HPC Acquisition.

As of June 30, 2021, 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 six months ended June 30, 2021 the Company repurchased and retired a total of approximately 0.2 million and 0.5 million, respectively, of the Company's common stock for total expenditures of approximately $18.9 million and $45.4 million, respectively. During the three months ended June 30, 2020, the Company did not repurchase any shares of its common stock. During the six months ended June 30, 2020, the Company repurchased and retired a total of approximately 0.3 million of the Company's common stock for total costs of approximately $17.3 million.

Through June 30, 2021, the Company has repurchased and retired a total of approximately 7.6 million shares of its common stock for approximately $435.6 million under this program. As of June 30, 2021, an additional $164.4 million remained available for repurchase of shares under this program.

Environmental Liabilities

(in thousands, except percentages)	June 30, 2021	December 31, 2020	Change	% Change
Closure and post-closure liabilities	$ 93,494	$ 87,926	$ 5,568	6.3 %
Remedial liabilities	112,454	114,813	(2,359)	(2.1)
Total environmental liabilities	$ 205,948	$ 202,739	$ 3,209	1.6 %

Total environmental liabilities as of June 30, 2021 were $205.9 million, an increase of $3.2 million compared to December 31, 2020, primarily due to accretion of $5.8 million, new liabilities, including those assumed in acquisitions, of $1.8 million and changes in estimates recorded to the consolidated balance sheet of $1.1 million, partially offset by expenditures of $6.6 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. 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. Conversely, the development of new treatment technologies or other circumstances may arise in the future which may reduce amounts ultimately paid.

Capital Expenditures

Capital expenditures in the first six months of 2021 were $92.0 million as compared to $125.7 million in the same period of 2020. This decrease was primarily due to the nonrecurring purchase of our corporate headquarters in January of 2020. We anticipate that 2021 capital spending, net of disposals, will be in the range of $190.0 million to $210.0 million. We are currently in the process of permitting a new incinerator at our Kimball, Nebraska facility, which we intend to construct with an estimated completion date in early 2025. We are endeavoring upon this project in response to continued increasing demand for disposal outlets of regulated waste materials and we expect the new incinerator to have an annual practical capacity of approximately 70,000 tons. 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 six months of 2021 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, 2020.

Goodwill. Goodwill is reviewed for impairment annually as of December 31 or when events or changes in the business environment 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 conducted our annual impairment test of goodwill for all of our reporting units to which goodwill is allocated as of December 31, 2020 and determined that no adjustment to the carrying value of goodwill for any reporting unit was then necessary. As a result of changes in our organizational structure and resulting change in our operating segments discussed above, we concluded that, for purposes of reviewing for potential goodwill impairment, we now have three reporting units. The Environmental Services operating segment has two reporting units consisting of (i) Environmental Sales and Service which includes the legacy Environmental Sales and Service reporting unit and certain operations previously included within Safety-Kleen Environmental Services including the core service offerings of containerized waste, parts washer and vacuum services and (ii) Environmental Facilities, unchanged from prior year. The Safety-Kleen Sustainability Solutions operating segment is a single reporting unit which includes the legacy Safety-Kleen Oil reporting unit and the remaining operations of the legacy Safety-Kleen Environmental Services reporting unit primarily consisting of collection services for waste oil, anti-freeze and used oil filters as well as the sale of bulk blended re-refined oil and other automotive related finished fluid products. The Company allocated goodwill to the newly identified reporting units using a relative fair value approach. In addition, the Company completed an assessment of any potential goodwill impairment for all reporting units immediately prior and subsequent to the reallocation and determined that no impairment existed.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There were no material changes in the first six months of 2021 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, 2020.

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 June 30, 2021 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 six months ended June 30, 2021 that have materially affected, or are reasonably likely to materially affect, the Company’s 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

In light of signing a definitive agreement to acquire HydroChemPSC ("HPC"), the following supplements and updates Item 1A in the Company's Annual Report on Form 10-K for the year ended December 31, 2020.

Risks Related to our Proposed Acquisition of HydroChemPSC

The proposed acquisition of HydroChemPSC ("HPC Acquisition") is subject to conditions, some of which are outside of the control of the Company. We cannot assure that the proposed HPC Acquisition will be completed or completed on a timely basis primarily due to the required government approval of this transaction. Failure to complete the HPC Acquisition, or complete it in a timely manner, could have material adverse effects on Clean Harbors.

On August 3, 2021, we entered into a definitive agreement to acquire HydroChemPSC for cash consideration in an amount equal to $1.25 billion, subject to customary purchase price adjustments. We anticipate that the acquisition will close later in 2021. Consummation of the HPC Acquisition will be subject to certain conditions, including, among others, expiration or termination of the applicable Hart-Scott-Rodino antitrust waiting period, the absence of any order, injunction, or other judgment by any governmental authority of competent jurisdiction, and the accuracy of the representations and warranties of the parties. We cannot assure you that the required conditions will be met or that the proposed HPC Acquisition will be completed. In connection with the required approvals, circumstances could arise which would require divestiture of certain assets of HPC, Clean Harbors or some combination thereof. Additionally, in certain circumstances, conditions could arise which may result in the Company paying a termination fee of $50 million. Potential divestitures or termination fees could impact the cash flows and results of operations of the Company.

In connection with our plan to finance a portion of the purchase price above the amount of available cash we plan to use, we will be subject to capital market risks until the closing of the HPC Acquisition-related financing. In addition, we must pay costs related to the HPC Acquisition, including, among others, legal, accounting and financial advisory fees, as well as fees and expenses with respect to the financing commitment we have obtained, whether or not the HPC Acquisition is completed. We also could be subject to litigation related to the failure to complete the HPC Acquisition. These costs, which could increase if the HPC Acquisition is not completed in a timely manner on the conditions discussed above, could have a significant impact on the cash flows 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)
April 1, 2021 through April 30, 2021	6,951	$ 86.15	—	$ 183,306
May 1, 2021 through May 31, 2021	242	88.96	—	183,306
June 1, 2021 through June 30, 2021	204,243	94.32	200,000	164,442
Total	211,436	94.04	200,000	

(1) Includes 11,436 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. We maintain a repurchase plan in accordance with Rule 10b5-1 promulgated under the Securities Exchange Act of 1934, as amended. Future repurchases will be made under the Rule 10b5-1 plan as well as open market or privately negotiated transactions as described above. 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 June 30, 2021, 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 (Loss), (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 June 30, 2021, formatted in iXBRL and contained in Exhibit 101.	

* 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: August 4, 2021

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

Date: August 4, 2021

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: August 4, 2021

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: August 4, 2021

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 June 30, 2021 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: August 4, 2021

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

Date: August 4, 2021