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, 2020

OR

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

FOR THE TRANSITION PERIOD FROM TO

Commission File Number 001-34223

CLEAN HARBORS, INC.

(Exact name of registrant as specified in its charter)

Massachusetts	**04-2997780**
(State or Other Jurisdiction of Incorporation or Organization)	(IRS Employer Identification No.)
42 Longwater Drive Norwell MA	**02061-9149**
(Address of Principal Executive Offices)	(Zip Code)

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

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

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☒	Accelerated filer ☐
Non-accelerated filer ☐	Smaller reporting company ☐
	Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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

The number of shares of Common Stock, $0.01 par value, of the registrant outstanding at July 31, 2020 was 55,638,158.

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, 2020	December 31, 2019
ASSETS	(unaudited)	
Current assets:		
Cash and cash equivalents	$ 447,366	$ 371,991
Short-term marketable securities	59,326	42,421
Accounts receivable, net of allowances aggregating $44,632 and $38,711, respectively	572,373	644,738
Unbilled accounts receivable	44,761	56,326
Deferred costs	18,715	21,746
Inventories and supplies	219,808	214,744
Prepaid expenses and other current assets	69,455	48,942
Total current assets	1,431,804	1,400,908
Property, plant and equipment, net	1,553,808	1,588,151
Other assets:		
Operating lease right-of-use assets	153,522	162,206
Goodwill	523,154	525,013
Permits and other intangibles, net	400,448	419,066
Other	14,893	13,560
Total other assets	1,092,017	1,119,845
Total assets	$ 4,077,629	$ 4,108,904
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current portion of long-term obligations	$ 7,535	$ 7,535
Accounts payable	188,340	298,375
Deferred revenue	61,902	73,370
Accrued expenses	289,414	276,540
Current portion of closure, post-closure and remedial liabilities	19,129	23,301
Current portion of operating lease liabilities	38,620	40,979
Total current liabilities	604,940	720,100
Other liabilities:		
Closure and post-closure liabilities, less current portion of $5,708 and $7,283, respectively	76,933	68,368
Remedial liabilities, less current portion of $13,421 and $16,018, respectively	99,062	98,155
Long-term obligations, less current portion	1,626,871	1,554,116
Operating lease liabilities, less current portion	115,089	121,020
Deferred taxes, unrecognized tax benefits and other long-term liabilities	300,763	277,332
Total other liabilities	2,218,718	2,118,991
Commitments and contingent liabilities (See Note 16)		
Stockholders' equity:		
Common stock, $0.01 par value: authorized 80,000,000 shares; issued and outstanding 55,612,860 and 55,797,734 shares, respectively	556	558
Additional paid-in capital	629,755	644,412
Accumulated other comprehensive loss	(251,829)	(210,051)
Accumulated earnings	875,489	834,894
Total stockholders' equity	1,253,971	1,269,813
Total liabilities and stockholders' equity	$ 4,077,629	$ 4,108,904

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

CLEAN HARBORS, INC. AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands, except per share amounts)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	**2019**	**2020**	**2019**
Revenues:				
Service revenues	$ 637,839	$ 715,085	$ 1,357,706	$ 1,371,743
Product revenues	72,161	153,593	210,857	277,774
Total revenues	710,000	868,678	1,568,563	1,649,517
Cost of revenues: (exclusive of items shown separately below)				
Service revenues	411,065	480,229	903,781	943,712
Product revenues	59,616	114,704	173,566	215,585
Total cost of revenues	470,681	594,933	1,077,347	1,159,297
Selling, general and administrative expenses	103,839	123,920	233,146	238,732
Accretion of environmental liabilities	2,766	2,560	5,327	5,134
Depreciation and amortization	72,494	74,217	147,027	149,572
Income from operations	60,220	73,048	105,716	96,782
Other (expense) income, net	(500)	(564)	(2,865)	2,419
Loss on sale of businesses	(184)	—	(3,258)	—
Interest expense, net of interest income of $668, $903, $1,666 and $1,829, respectively	(18,654)	(20,215)	(37,441)	(39,979)
Income before provision for income taxes	40,882	52,269	62,152	59,222
Provision for income taxes	11,859	16,025	21,557	22,002
Net income	$ 29,023	$ 36,244	$ 40,595	$ 37,220
Earnings per share:				
Basic	$ 0.52	$ 0.65	$ 0.73	$ 0.67
Diluted	$ 0.52	$ 0.65	$ 0.73	$ 0.66
Shares used to compute earnings per share - Basic	55,590	55,875	55,673	55,861
Shares used to compute earnings per share - Diluted	55,748	56,066	55,882	56,001

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,	
	2020	2019	2020	2019
Net income	$ 29,023	$ 36,244	$ 40,595	$ 37,220
Other comprehensive income (loss), net of tax:				
Unrealized gains (losses) on available-for-sale securities	296	(236)	232	(93)
Reclassification adjustment for losses on available-for-sale securities included in net income	—	332	—	332
Unrealized loss on interest rate hedge	(3,000)	(9,014)	(21,382)	(14,031)
Reclassification adjustment for losses on interest rate hedge included in net income	2,130	397	3,228	755
Foreign currency translation adjustments	18,102	13,597	(23,856)	22,137
Other comprehensive income (loss), net of tax	17,528	5,076	(41,778)	9,100
Comprehensive income (loss)	$ 46,551	$ 41,320	$ (1,183)	$ 46,320

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, 2020	Six Months Ended June 30, 2019
Cash flows from operating activities:		
Net income	$ 40,595	$ 37,220
Adjustments to reconcile net income to net cash from operating activities:		
Depreciation and amortization	147,027	149,572
Allowance for doubtful accounts	9,006	(2,233)
Amortization of deferred financing costs and debt discount	1,787	2,000
Accretion of environmental liabilities	5,327	5,134
Changes in environmental liability estimates	5,607	(748)
Deferred income taxes	—	(1,636)
Other expense (income), net	2,865	(2,419)
Stock-based compensation	6,077	9,643
Loss on sale of businesses	3,258	—
Environmental expenditures	(6,104)	(6,134)
Changes in assets and liabilities, net of acquisitions:		
Accounts receivable and unbilled accounts receivable	67,540	(13,284)
Inventories and supplies	(9,024)	(4,129)
Other current and non-current assets	(25,840)	(10,706)
Accounts payable	(82,134)	(20,915)
Other current and long-term liabilities	7,499	(2,895)
Net cash from operating activities	173,486	138,470
Cash flows used in investing activities:		
Additions to property, plant and equipment	(125,721)	(118,372)
Proceeds from sale and disposal of fixed assets	3,101	7,389
Acquisitions, net of cash acquired	(8,877)	(29,479)
Proceeds from sale of businesses, net of transactional costs	7,753	—
Additions to intangible assets including costs to obtain or renew permits	(1,242)	(1,923)
Proceeds from sale of available-for-sale securities	28,851	26,518
Purchases of available-for-sale securities	(45,550)	(24,001)
Net cash used in investing activities	(141,685)	(139,868)
Cash flows from (used in) financing activities:		
Change in uncashed checks	(1,689)	(3,514)
Tax payments related to withholdings on vested restricted stock	(3,395)	(4,980)
Repurchases of common stock	(17,341)	(11,272)
Payments on finance leases	(1,790)	(259)
Principal payments on debt	(3,768)	(3,768)
Borrowing from revolving credit facility	150,000	—
Payment on revolving credit facility	(75,000)	—
Net cash from (used in) financing activities	47,017	(23,793)
Effect of exchange rate change on cash	(3,443)	3,139
Increase (decrease) in cash and cash equivalents	75,375	(22,052)
Cash and cash equivalents, beginning of period	371,991	226,507
Cash and cash equivalents, end of period	$ 447,366	$ 204,455
Supplemental information:		
Cash payments for interest and income taxes:		
Interest paid	$ 38,327	$ 39,369
Income taxes paid	1,478	12,697
Non-cash investing activities:		
Property, plant and equipment accrued	7,421	14,103
ROU assets obtained in exchange for operating lease liabilities	16,216	5,575
ROU assets obtained in exchange for finance lease liabilities	16,452	23,027

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

CLEAN HARBORS, INC. AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

(in thousands)

	Common Stock					
	Number of Shares	$0.01 Par Value	Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Accumulated Earnings	Total Stockholders' Equity
Balance at January 1, 2020	55,798	$ 558	$ 644,412	$ (210,051)	$ 834,894	$ 1,269,813
Net income	—	—	—	—	11,572	11,572
Other comprehensive loss	—	—	—	(59,306)	—	(59,306)
Stock-based compensation	—	—	3,291	—	—	3,291
Issuance of common stock for restricted share vesting, net of employee tax withholdings	59	1	(2,225)	—	—	(2,224)
Repurchases of common stock	(302)	(3)	(17,338)	—	—	(17,341)
Balance at March 31, 2020	55,555	556	628,140	(269,357)	846,466	1,205,805
Net income	—	—	—	—	29,023	29,023
Other comprehensive income	—	—	—	17,528	—	17,528
Stock-based compensation	—	—	2,786	—	—	2,786
Issuance of common stock for restricted share vesting, net of employee tax withholdings	58	—	(1,171)	—	—	(1,171)
Balance at June 30, 2020	55,613	$ 556	$ 629,755	$ (251,829)	$ 875,489	$ 1,253,971

	Common Stock					
	Number of Shares	$0.01 Par Value	Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Accumulated Earnings	Total Stockholders' Equity
Balance at January 1, 2019	55,847	$ 558	$ 655,415	$ (223,371)	$ 737,154	$ 1,169,756
Net income	—	—	—	—	976	976
Other comprehensive income	—	—	—	4,024	—	4,024
Stock-based compensation	—	—	5,809	—	—	5,809
Issuance of common stock for restricted share vesting, net of employee tax withholdings	78	1	(2,277)	—	—	(2,276)
Repurchases of common stock	(97)	(1)	(6,323)	—	—	(6,324)
Balance at March 31, 2019	55,828	558	652,624	(219,347)	738,130	1,171,965
Net income	—	—	—	—	36,244	36,244
Other comprehensive income	—	—	—	5,076	—	5,076
Stock-based compensation	—	—	3,834	—	—	3,834
Issuance of common stock for restricted share vesting, net of employee tax withholdings	105	1	(2,705)	—	—	(2,704)
Repurchases of common stock	(74)	—	(4,948)	—	—	(4,948)
Balance at June 30, 2019	55,859	$ 559	$ 648,805	$ (214,271)	$ 774,374	$ 1,209,467

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

CLEAN HARBORS, INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

(1) BASIS OF PRESENTATION

The accompanying consolidated interim financial statements are unaudited and include the accounts of Clean Harbors, Inc. and its subsidiaries (collectively, “Clean Harbors,” the “Company” or "we") and have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission (the “SEC”) and, in the opinion of management, include all adjustments which are of a normal recurring nature and are necessary for a fair presentation of the financial position, results of operations and cash flows for the periods presented. Management has made estimates and assumptions affecting the amounts reported in the Company's consolidated interim financial statements and accompanying footnotes; actual results could differ from those estimates and judgments. The results for interim periods are not necessarily indicative of results for the entire year or any other interim periods. The financial statements presented herein should be read in conjunction with the financial statements included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2019.

A novel strain of coronavirus ("COVID-19") was first identified in December 2019, and subsequently declared a global pandemic by the World Health Organization on March 11, 2020. As a result of the outbreak, many companies have experienced disruptions in their operations, workforce and markets served, including a significant reduction in the demand for petroleum-based products. The Company's businesses and operations began being adversely impacted by effects of COVID-19 in March of 2020 when circumstances surrounding and responses to the pandemic, including stay-at-home orders, began to materialize in North America. These disruptions had a significant impact on the Company's operating results during the three months ended June 30, 2020 and the Company expects that operations will continue to see an impact. The full extent of the ongoing COVID-19 outbreak and changes in demand for oil and the impact on the Company’s operations is uncertain. A prolonged disruption could have a material adverse impact on financial results and business operations of the Company.

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

(2) SIGNIFICANT ACCOUNTING POLICIES

The Company's significant accounting policies are described in Note 2, "Significant Accounting Policies," in the Company's Annual Report on Form 10-K for the year ended December 31, 2019. There have been no material changes in these policies or their application except for the changes described below.

Landfill Accounting

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

Government Grants

On March 27, 2020, the Coronavirus Aid, Relief and Economic Security Act ("CARES Act") was signed into law in response to the widespread economic impact of the COVID-19 pandemic. On April 11, 2020, the Canadian federal government enacted the COVID-19 Emergency Response Act, No.2, which implemented the Canada Emergency Wage Subsidy ("CEWS"). During the quarter ended June 30, 2020, the Company recorded a benefit of $23.4 million as an offset to the related operating expenses in either cost of revenues or selling, general and administrative expenses for the eligible employee retention credit under the CARES Act and the subsidy under CEWS.

(3) REVENUES

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

Technical Services—Technical Services revenues are generated from fees charged for waste material management and disposal services including onsite environmental management services, collection and transportation, packaging, recycling, treatment and disposal of waste. Revenue is primarily generated by short-term projects, most of which are governed by master service agreements that are long-term in nature. These master service agreements are typically entered into with the Company's larger customers and outline the pricing and legal frameworks for such arrangements. Services are provided based on purchase orders or agreements with the customer and include prices based upon units of volume of waste and transportation and other fees. Collection and transportation revenues are recognized over time, as the customer receives and consumes the benefits of the services as they are being performed and the Company has a right to payment for performance completed to date. The Company uses the input method to recognize revenue over time, based on time and materials incurred. Revenues for treatment and disposal of waste are recognized upon completion of treatment, final disposition in a landfill or incineration, or when the waste is shipped to a third party for processing and disposal. The Company periodically enters into bundled arrangements for the collection and transportation and disposal of waste. For such arrangements, transportation and disposal are considered distinct performance obligations and the Company allocates revenue to each based on the relative standalone selling price (i.e., the estimated price that a customer would pay for the services on a standalone basis). Revenues from waste that is not yet completely processed and disposed and the related costs are deferred. The deferred revenues and costs are recognized when the related services are completed. The period between collection and transportation and the final processing and disposal ranges depending on the location of the customer, but generally is measured in days.

Field and Emergency Response Services—Field Services revenues are generated from cleanup services at customer sites, including municipalities and utilities, or other locations on a scheduled or emergency response basis. Services include confined space entry for tank cleaning, site decontamination, large remediation projects, demolition, spill cleanup on land and water, railcar cleaning, product recovery and transfer and vacuum services. Additional services include filtration and water treatment services. Response services for environmental, contamination or pandemic related emergencies include any scale from man-made disasters such as oil spills, to natural disasters such as hurricanes. More recently demand has increased for projects involving contagion disinfection, decontamination and disposal services in response to the COVID-19 pandemic. Field and emergency response services are provided based on purchase orders or agreements with customers and include prices generally based upon daily, hourly or job rates for equipment, materials and personnel. The Company recognizes revenue for these services over time, as the customer receives and consumes the benefits of the service as they are being performed and the Company has a right to payment for performance completed to date. The Company uses the input method to recognize revenue over time, based on time and materials incurred. The duration of such services can be over a number of hours, several days or even months for larger scale projects.

Industrial Services and Other—Industrial Services revenues are primarily generated from industrial and specialty services provided to refineries, mines, upgraders, chemical plants, pulp and paper mills, manufacturing facilities, power generation facilities and other industrial customers throughout North America. Services include in-plant cleaning and maintenance services, plant outage and turnaround services, decoking and pigging, chemical cleaning, high and ultra-high pressure water cleaning, pipeline inspection and coating services, large tank and surface impoundment cleaning, oilfield transport, daylighting, production services and upstream energy services, such as exploration and drilling for industrial oil and gas customers. Services are provided based on purchase orders or agreements with the customer and include prices based upon daily, hourly or job rates for equipment, materials and personnel. The Company recognizes revenue for these services over time, as the customer receives and consumes the benefits of the services as they are being performed and the Company has a right to payment for performance completed to date. The Company uses the input method to recognize revenue over time, based on time and materials incurred.

The Company's Safety-Kleen operating segment generally has the following two sources of revenue:

Safety-Kleen Environmental Services—Safety-Kleen Environmental Services revenues are generated from providing parts washer services, containerized waste handling and disposal services, oil collection services, vacuum services, direct sales of blended oil products and other complementary services and product sales. Containerized waste services consist of profiling, collecting, transporting and recycling or disposing of a wide variety of waste. Other products and services include sale of complementary supply products including automotive fluids and shop supplies and other environmental services. Parts washer services include customer use of our parts washer equipment, cleaning and maintenance of the parts washer equipment and removal and replacement of used cleaning fluids. Parts washer services are considered a single performance obligation due to the highly integrated and interdependent nature of the arrangement. Revenue from parts washer services is recognized over the service interval as the customer receives the benefit of the services. Collection and transportation revenues are recognized over time, as the customer receives and consumes the benefits of the services as they are being performed and the Company has a right to payment for performance completed to date. The Company uses the input method to recognize revenue over time, based on time and materials incurred. Product revenue is recognized upon the transfer of control whereby control transfers when the products are delivered to the customer.

Safety-Kleen Oil—Revenues from Safety-Kleen Oil are generated from sales of high-quality base and blended lubricating oils to third-party distributors, government agencies, fleets, railroads and industrial customers. The business also sells recycled fuel oil to asphalt plants, industrial plants and pulp and paper companies. The used oil is also processed into vacuum gas oil which can be further re-refined into lubricant base oils or sold directly into the marine diesel oil fuel market. Revenue for oil products is recognized at a point in time, upon the transfer of control. Control transfers when the products are delivered to the customer.

Disaggregation of Revenue

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

	For the Three Months Ended June 30, 2020			
	Environmental Services	Safety-Kleen	Corporate	Total
Primary Geographical Markets				
United States	$ 403,451	$ 228,338	$ (160)	$ 631,629
Canada	60,903	17,252	216	78,371
Total third-party revenues	$ 464,354	$ 245,590	$ 56	$ 710,000
Sources of Revenue [(1)]				
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	—	194,872	—	194,872
Safety-Kleen Oil	—	50,718	—	50,718
Total third-party revenues	$ 464,354	$ 245,590	$ 56	$ 710,000

	For the Three Months Ended June 30, 2019			
	Environmental Services	Safety-Kleen	Corporate	Total
Primary Geographical Markets				
United States	$ 431,749	$ 316,688	$ 202	$ 748,639
Canada	94,545	25,494	—	120,039
Total third-party revenues	$ 526,294	$ 342,182	$ 202	$ 868,678
Sources of Revenue [(1)]				
Technical Services	$ 275,908	$ —	$ —	$ 275,908
Field and Emergency Response Services	86,722	—	—	86,722
Industrial Services and Other [(2)]	163,664	—	202	163,866
Safety-Kleen Environmental Services	—	216,434	—	216,434
Safety-Kleen Oil	—	125,748	—	125,748
Total third-party revenues	$ 526,294	$ 342,182	$ 202	$ 868,678

	For the Six Months Ended June 30, 2020			
	Environmental Services	Safety-Kleen	Corporate	Total
Primary Geographical Markets				
United States	$ 843,465	$ 534,871	$ (462)	$ 1,377,874
Canada	148,993	41,088	608	190,689
Total third-party revenues	$ 992,458	$ 575,959	$ 146	$ 1,568,563
Sources of Revenue [(1)]				
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	—	409,353	—	409,353
Safety-Kleen Oil	—	166,606	—	166,606
Total third-party revenues	$ 992,458	$ 575,959	$ 146	$ 1,568,563

	For the Six Months Ended June 30, 2019			
	Environmental Services	Safety-Kleen	Corporate	Total
Primary Geographical Markets				
United States	$ 819,918	$ 603,262	$ 796	$ 1,423,976
Canada	180,074	45,467	—	225,541
Total third-party revenues	$ 999,992	$ 648,729	$ 796	$ 1,649,517
Sources of Revenue (1)				
Technical Services	$ 527,827	$ —	$ —	$ 527,827
Field and Emergency Response Services	158,348	—	—	158,348
Industrial Services and Other (2)	313,817	—	796	314,613
Safety-Kleen Environmental Services	—	423,517	—	423,517
Safety-Kleen Oil	—	225,212	—	225,212
Total third-party revenues	$ 999,992	$ 648,729	$ 796	$ 1,649,517

(1) All revenue except oil and oil product sales within Safety-Kleen Oil and product sales within Safety-Kleen Environmental Services, which include various automotive related fluids, shop supplies and direct blended oil sales, are recognized over time. Safety-Kleen Oil and Safety-Kleen Environmental Services product sales are recognized at a point in time.
(2) Third-party revenues of $27,653 and $202 for the three months ended June 30, 2019, respectively, and third-party revenues of $61,708 and $796 for the six months ended June 30, 2019, respectively, previously reported as Oil, Gas and Lodging Services and Other, are now disclosed within Industrial Services and Other based on relative materiality to the business.

Contract Balances

(in thousands)	June 30, 2020	December 31, 2019
Receivables	$ 572,373	$ 644,738
Contract assets (unbilled receivables)	44,761	56,326
Contract liabilities (deferred revenue)	61,902	73,370

The timing of revenue recognition, billings and cash collections results in billed accounts receivable, unbilled receivables (contract assets) and customer advances and deposits or deferred revenue (contract liabilities) on the consolidated balance sheet. Generally, billing occurs subsequent to revenue recognition, as a right to payment is not just subject to passage of time, resulting in contract assets. Contract assets are generally classified as current. The Company sometimes receives advances or deposits from its customers before revenue is recognized, resulting in contract liabilities. These assets and liabilities are reported on the consolidated balance sheet on a contract-by-contract basis at the end of each reporting period. The contract liability balances at the beginning of each period presented were generally fully recognized in the subsequent three-month period.

(4) BUSINESS COMBINATIONS

2020 Acquisition

On April 17, 2020, the Company acquired a privately-owned business for $8.9 million cash consideration. The acquired company expands the Safety-Kleen segment's oil re-refining operations to the northeast United States. In connection with this acquisition, a preliminary goodwill amount of $1.5 million was recognized.

2019 Acquisitions

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

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

(5) INVENTORIES AND SUPPLIES

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

	June 30, 2020	December 31, 2019
Oil and oil related products	$ 77,117	$ 75,408
Supplies and drums	118,086	115,128
Solvent and solutions	10,553	9,973
Other	14,052	14,235
Total inventories and supplies	$ 219,808	$ 214,744

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

(6) PROPERTY, PLANT AND EQUIPMENT

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

	June 30, 2020	December 31, 2019
Land	$ 139,859	$ 131,023
Asset retirement costs (non-landfill)	16,102	15,924
Landfill assets	182,287	182,276
Buildings and improvements (1)	499,701	499,159
Camp equipment	153,980	158,277
Vehicles (2)	809,790	785,056
Equipment (3)	1,776,574	1,779,366
Furniture and fixtures	6,860	6,054
Construction in progress	21,040	36,679
	3,606,193	3,593,814
Less - accumulated depreciation and amortization	2,052,385	2,005,663
Total property, plant and equipment, net	$ 1,553,808	$ 1,588,151

(1) Balances inclusive of gross right-of-use ("ROU") assets classified as finance leases of $8.0 million and $31.0 million, respectively.
(2) Balances inclusive of gross ROU assets classified as finance leases of $37.6 million and $2.4 million, respectively.
(3) June 30, 2020 balance inclusive of gross ROU assets classified as finance leases of $3.3 million.

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. Depreciation expense, inclusive of landfill and finance lease amortization, was $65.5 million and $131.4 million for the three and six months ended June 30, 2019, respectively.

(7) GOODWILL AND OTHER INTANGIBLE ASSETS

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

	Environmental Services	Safety-Kleen	Totals
Balance at January 1, 2020	$ 212,531	$ 312,482	$ 525,013
Increase from current period acquisition	—	1,487	1,487
Measurement period adjustments from prior period acquisitions	23	—	23
Decrease from disposition of businesses	(674)	—	(674)
Foreign currency translation	(1,263)	(1,432)	(2,695)
Balance at June 30, 2020	$ 210,617	$ 312,537	$ 523,154

The Company assesses goodwill for impairment on an annual basis as of December 31 or at an interim date when events or changes in the business environment ("triggering events") would more likely than not reduce the fair value of a reporting unit below its carrying value. During the period ended June 30, 2020, the Company considered the effects of COVID-19 and evolving changes in demand and pricing for oil, but concluded that there were no triggering events requiring an impairment assessment. This conclusion was based on a qualitative analysis incorporating (i) the significant excess fair value that previously existed in each reporting unit and (ii) assessing the current and long-term performance of the Company given the expectation that these negative effects on the operations and cash flows of each reporting unit arising from COVID-19 related disruptions will be short-lived.

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

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

	June 30, 2020			December 31, 2019		
	Cost	Accumulated Amortization	Net	Cost	Accumulated Amortization	Net
Permits	$ 182,689	$ 90,360	$ 92,329	$ 184,235	$ 87,228	$ 97,007
Customer and supplier relationships	388,341	207,604	180,737	401,696	207,884	193,812
Other intangible assets	37,480	32,561	4,919	38,331	33,018	5,313
Total amortizable permits and other intangible assets	608,510	330,525	277,985	624,262	328,130	296,132
Trademarks and trade names	122,463	—	122,463	122,934	—	122,934
Total permits and other intangible assets	$ 730,973	$ 330,525	$ 400,448	$ 747,196	$ 328,130	$ 419,066

Amortization expense of permits and other intangible assets was $8.8 million and $18.0 million in the three and six months ended June 30, 2020, respectively. Amortization expense of permits and other intangible assets was $8.7 million and $18.2 million in the three and six months ended June 30, 2019, respectively.

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

Years Ending December 31,	Expected Amortization
2020 (six months)	$ 16,038
2021	29,858
2022	29,594
2023	25,391
2024	23,919
Thereafter	153,185
	$ 277,985

(8) ACCRUED EXPENSES

Accrued expenses consisted of the following (in thousands):

	June 30, 2020	December 31, 2019
Accrued insurance	$ 72,081	$ 74,376
Accrued interest	19,589	21,222
Accrued compensation and benefits	48,427	72,473
Accrued income, real estate, sales and other taxes	54,667	35,749
Interest rate swap liability	38,993	20,840
Accrued other	55,657	51,880
	$ 289,414	$ 276,540

(9) CLOSURE AND POST-CLOSURE LIABILITIES

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

	Landfill Retirement Liability	Non-Landfill Retirement Liability	Total
Balance at January 1, 2020	$ 39,401	$ 36,250	$ 75,651
Liabilities assumed in acquisitions	—	265	265
New asset retirement obligations	1,080	—	1,080
Accretion	1,521	1,655	3,176
Changes in estimates recorded to statement of operations	4,503	(36)	4,467
Changes in estimates recorded to balance sheet	129	(53)	76
Expenditures	(1,254)	(491)	(1,745)
Currency translation and other	(249)	(80)	(329)
Balance at June 30, 2020	$ 45,131	$ 37,510	$ 82,641

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

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

(10) REMEDIAL LIABILITIES

The changes to remedial liabilities from January 1, 2020 through June 30, 2020 were as follows (in thousands):

	Remedial Liabilities for Landfill Sites	Remedial Liabilities for Inactive Sites	Remedial Liabilities (Including Superfund) for Non-Landfill Operations	Total
Balance at January 1, 2020	$ 1,851	$ 61,991	$ 50,331	$ 114,173
Accretion	44	1,265	842	2,151
Changes in estimates recorded to statement of operations	(14)	(330)	1,484	1,140
Expenditures	(30)	(2,171)	(2,158)	(4,359)
Currency translation and other	—	(923)	301	(622)
Balance at June 30, 2020	$ 1,851	$ 59,832	$ 50,800	$ 112,483

In the six months ended June 30, 2020, the Company increased its remedial liabilities for a Superfund site by $1.8 million due to a change in the estimate of the related liabilities. This change in estimate was triggered by the receipt of updated regulatory approval requirements for remediation. Other than this charge, there were no significant charges (benefits) resulting from changes in estimates for remedial liabilities.

(11) FINANCING ARRANGEMENTS

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

Current Obligations:	June 30, 2020	December 31, 2019
Secured senior term loans ("Term Loans")	$ 7,535	$ 7,535
Long-Term Obligations:		
Secured senior Term Loans due June 30, 2024	$ 723,394	$ 727,162
Unsecured senior notes, at 4.875%, due July 15, 2027 ("2027 Notes")	545,000	545,000
Unsecured senior notes, at 5.125%, due July 15, 2029 ("2029 Notes")	300,000	300,000
Revolving credit facility	75,000	—
Long-term obligations, at par	$ 1,643,394	$ 1,572,162
Unamortized debt issuance costs and premium, net	(16,523)	(18,046)
Long-term obligations, at carrying value	$ 1,626,871	$ 1,554,116

Financing Activities

As of June 30, 2020 and December 31, 2019, the estimated fair value of the Company’s outstanding long-term obligations, including the current portion, was $1.7 billion and $1.6 billion, respectively. The Company’s estimates of fair value of its long-term obligations, including the current portion, are based on quoted market prices or other available market data which are considered Level 2 measures according to the fair value hierarchy. Level 2 utilizes quoted market prices in markets that are not active, broker or dealer quotations or alternative pricing sources with reasonable levels of price transparency for similar assets and liabilities.

The Company maintains a $400.0 million revolving credit facility expiring November 1, 2021. On March 31, 2020, the Company drew down $150.0 million on the revolving credit facility in response to the uncertainty surrounding the COVID-19 global pandemic. The Company repaid $75.0 million of that borrowing on June 29, 2020, and the remaining $75.0 million was repaid on July 28, 2020. As of June 30, 2020, the Company had $135.3 million available to borrow under the revolving credit facility and outstanding letters of credit were $142.5 million. At December 31, 2019, $229.2 million was available to borrow and outstanding letters of credit were $146.9 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 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, 2020 and December 31, 2019, the Company has recorded an interest rate swap liability with a fair value of $39.0 million and $20.8 million, respectively, within accrued expenses in connection with these cash flow hedges.

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

(12) INCOME TAXES

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

The Company's effective tax rate for the three and six months ended June 30, 2020 was 29.0% and 34.7%, compared to 30.7% and 37.2%, respectively, for the comparable periods in 2019.

As of June 30, 2020 and December 31, 2019, the Company had recorded $6.1 million and $6.4 million, respectively, of liabilities for unrecognized tax benefits and $1.9 million and $1.7 million, respectively, of interest.

The Internal Revenue Service ("IRS") completed its examination of the Company's tax years 2014-2016 and submitted its audit report to the Joint Committee on Taxation ("Joint Committee"). In July 2020, we received notification from the IRS that the Joint Committee has completed its review and taken no exception. No material adjustments were made to the previously filed returns as a result of this process.

The Company believes that within the next 12 months uncertain tax positions may be resolved and statutes of limitations will expire which could result in a decrease in the gross amount of unrecognized tax benefits of $1.0 million.

(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,	
	2020	2019	2020	2019
Numerator for basic and diluted earnings per share:				
Net income	$ 29,023	$ 36,244	$ 40,595	$ 37,220
Denominator:				
Basic shares outstanding	55,590	55,875	55,673	55,861
Dilutive effect of outstanding stock awards	158	191	209	140
Dilutive shares outstanding	55,748	56,066	55,882	56,001
Basic earnings per share:	$ 0.52	$ 0.65	$ 0.73	$ 0.67
Diluted earnings per share:	$ 0.52	$ 0.65	$ 0.73	$ 0.66

For the three months ended June 30, 2020 and June 30, 2019, all then outstanding performance awards and restricted stock awards were included in the calculation of diluted earnings per share except for 96,018 and 75,759, respectively, of performance stock awards for which the performance criteria were not attained at the time and 149,460 and 4,623, 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, 2020 and June 30, 2019, all then outstanding performance awards and restricted stock awards were included in the calculation of diluted earnings per share except for 96,018 and 75,759, respectively, of performance stock awards for which the performance criteria were not attained at the time and 14,716 and 78,892, 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 effects for the six months ended June 30, 2020 were as follows (in thousands):

	Foreign Currency Translation	Unrealized Gains (Losses) on Available-For-Sale Securities	Unrealized Loss on Interest Rate Hedge	Unfunded Pension Liability	Total
Balance at January 1, 2020	$ (187,795)	$ 143	$ (20,839)	$ (1,560)	$ (210,051)
Other comprehensive (loss) income before reclassifications and tax impacts	(25,205)	294	(21,382)	—	(46,293)
Amounts reclassified out of accumulated other comprehensive loss	—	—	3,228	—	3,228
Tax gain (loss)	1,349	(62)	—	—	1,287
Other comprehensive (loss) income	(23,856)	232	(18,154)	—	(41,778)
Balance at June 30, 2020	$ (211,651)	$ 375	$ (38,993)	$ (1,560)	$ (251,829)

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, 2020 was as follows (in thousands):

Other Comprehensive Income (Loss) Components	For the Three Months Ended June 30, 2020	For the Six Months Ended June 30, 2020	Location
Unrealized loss on interest rate hedge	$ (2,130)	$ (3,228)	Interest expense, net of interest income

(15) STOCK-BASED COMPENSATION

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

Total stock-based compensation cost charged to selling, general and administrative expenses for the three and six months ended June 30, 2020 was $2.8 million and $6.1 million, respectively. Total stock-based compensation cost charged to selling, general and administrative expenses for the three and six months ended June 30, 2019 was $3.8 million and $9.6 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. 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, 2019 was $0.7 million and $1.8 million, respectively.

Restricted Stock Awards

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

Restricted Stock	Number of Shares	Weighted Average Grant-Date Fair Value
Balance at January 1, 2020	522,597	$ 59.57
Granted	52,078	59.07
Vested	(147,197)	57.33
Forfeited	(31,640)	58.64
Balance at June 30, 2020	395,838	60.42

As of June 30, 2020, there was $16.5 million of total unrecognized compensation cost arising from restricted stock awards. This cost is expected to be recognized over a weighted average period of 2.3 years. 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. The total fair value of restricted stock vested during the three and six months ended June 30, 2019 was $7.9 million and $11.1 million, respectively.

Performance Stock Awards

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

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

Performance Stock	Number of Shares	Weighted Average Grant-Date Fair Value
Balance at January 1, 2020	204,553	$ 64.78
Granted	—	—
Vested	(23,222)	55.75
Forfeited	(11,976)	65.71
Balance at June 30, 2020	169,355	65.95

As of June 30, 2020, there was $1.6 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, 2020 and June 30, 2019. The total fair value of performance awards vested during the six months ended June 30, 2020 and June 30, 2019 was $1.3 million and $2.9 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, 2020 and December 31, 2019, the Company had recorded reserves of $23.5 million and $26.0 million, respectively, in the Company's financial statements for actual or probable liabilities related to the legal and administrative proceedings in which the Company was then involved, the principal of which are described below. In management's opinion, it is not reasonably possible that the potential liability beyond what has been recorded, if any, that may result from these actions, either individually or collectively, will have a material effect on our financial position, results of operations or cash flows. The Company periodically adjusts the aggregate amount of these reserves when actual or probable liabilities are paid or otherwise discharged, new claims arise or additional relevant information about existing or probable claims becomes available. As of June 30, 2020 and December 31, 2019, the $23.5 million and $26.0 million, respectively, of reserves consisted of (i) $17.7 million and $18.4 million, respectively, related to pending legal or administrative proceedings, including Superfund liabilities, which were included in remedial liabilities on the consolidated balance sheets, and (ii) $5.8 million and $7.6 million, respectively, primarily related to federal, state and provincial enforcement actions, which were included in accrued expenses on the consolidated balance sheets.

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

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

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

Product Liability Cases. Safety-Kleen has been named as a defendant in various lawsuits that are currently pending in various courts and jurisdictions throughout the United States, including approximately 67 proceedings (excluding cases which have been settled but not formally dismissed) as of June 30, 2020, wherein persons claim personal injury resulting from the use of Safety-Kleen's parts washer equipment or cleaning products. These proceedings typically involve allegations that the solvent used in Safety-Kleen's parts washer equipment contains contaminants and/or that Safety-Kleen's recycling process does not effectively remove the contaminants that become entrained in the solvent during their use. In addition, certain claimants assert that Safety-Kleen failed to adequately warn the product user of potential risks, including a historic failure to warn that solvent contains trace amounts of toxic or hazardous substances such as benzene.

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

Superfund Proceedings

The Company has been notified that either the Company (which, since December 28, 2012, includes Safety-Kleen) or the prior owners of certain of the Company's facilities for which the Company may have certain indemnification obligations have been identified as potentially responsible parties ("PRPs") or potential PRPs in connection with 130 sites which are subject to or are proposed to become subject to proceedings under federal or state Superfund laws. Of the 130 sites, five (including the BR Facility described below) involve facilities that are now owned or leased by the Company and 125 involve third-party sites to which either the Company or the prior owners of certain of the Company’s facilities shipped wastes. Of the 125 third-party sites, 31 are now settled, 78 are currently requiring expenditures on remediation and 16 are not currently requiring expenditures on remediation.

In connection with each site, the Company has estimated the extent, if any, to which it may be subject, either directly or as a result of any indemnification obligations, for cleanup and remediation costs, related legal and consulting costs associated with PRP investigations, settlements and related legal and administrative proceedings. The amount of such actual and potential liability is inherently difficult to estimate because of, among other relevant factors, uncertainties as to the legal liability, if any, of the Company or the prior owners of certain of the Company's facilities to contribute a portion of the cleanup costs, the assumptions that must be made in calculating the estimated cost and timing of remediation, the identification of other PRPs and their respective capability and obligation to contribute to remediation efforts and the existence and legal standing of indemnification agreements, if any, with prior owners, which may either benefit the Company or subject the Company to potential indemnification obligations. The Company believes its potential liability could exceed $100,000 at 10 of the 125 third-party sites.

BR Facility. The Company acquired in 2002 a former hazardous waste incinerator and landfill in Baton Rouge (the "BR Facility"), for which operations had been previously discontinued by the prior owner. In September 2007, the U.S. Environmental Protection Agency ("EPA") issued a special notice letter to the Company related to the Devil's Swamp Lake Site ("Devil's Swamp") in East Baton Rouge Parish, Louisiana. Devil's Swamp includes a lake located downstream of an outfall ditch where wastewater and storm water have been discharged, and Devil's Swamp is proposed to be included on the National Priorities List due to the presence of Contaminants of Concern ("COC") cited by the EPA. These COCs include substances of the kind found in wastewater and storm water discharged from the BR Facility in past operations. The EPA originally requested COC generators to submit a good faith offer to conduct a remedial investigation feasibility study directed towards the eventual remediation of the site. In 2018, the Company completed performing corrective actions at the BR Facility under an order issued by the Louisiana Department of Environmental Quality and has also completed conducting the remedial investigation and feasibility study for Devil's Swamp under an order issued by the EPA. The Company cannot presently estimate the potential additional liability for the Devil's Swamp cleanup until a final remedy is selected by the EPA with issuance of a Record of Decision.

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, 2020 and December 31, 2019, there were 11 and 12 proceedings, respectively, for which the Company reasonably believes that the sanctions could equal or exceed $100,000. The Company believes that the fines or other penalties in these or any of the other regulatory proceedings will, individually or in the aggregate, not have a material effect on its financial condition, results of operations or cash flows.

(17) SEGMENT REPORTING

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

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

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

	For the Three Months Ended June 30, 2020				For the Three Months Ended June 30, 2019			
	Third-party revenues	Intersegment revenues, net	Corporate Items, net	Direct revenues	Third-party revenues	Intersegment revenues, net	Corporate Items, net	Direct revenues
Environmental Services	$ 464,354	$ 31,171	$ 1,389	$ 496,914	$ 526,294	$ 36,206	$ 576	$ 563,076
Safety-Kleen	245,590	(31,171)	137	214,556	342,182	(36,206)	8	305,984
Corporate Items	56	—	(1,526)	(1,470)	202	—	(584)	(382)
Total	$ 710,000	$ —	$ —	$ 710,000	$ 868,678	$ —	$ —	$ 868,678

	For the Six Months Ended June 30, 2020				For the Six Months Ended June 30, 2019			
	Third-party revenues	Intersegment revenues, net	Corporate Items, net	Direct revenues	Third-party revenues	Intersegment revenues, net	Corporate Items, net	Direct revenues
Environmental Services	$ 992,458	$ 68,334	$ 2,484	$ 1,063,276	$ 999,992	$ 70,281	$ 1,825	$ 1,072,098
Safety-Kleen	575,959	(68,334)	143	507,768	648,729	(70,281)	13	578,461
Corporate Items	146	—	(2,627)	(2,481)	796	—	(1,838)	(1,042)
Total	$ 1,568,563	$ —	$ —	$ 1,568,563	$ 1,649,517	$ —	$ —	$ 1,649,517

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

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

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2020	2019	2020	2019
Adjusted EBITDA:				
Environmental Services	$ 138,083	$ 117,868	$ 246,997	$ 207,378
Safety-Kleen	46,589	79,459	107,737	134,252
Corporate Items	(49,192)	(47,502)	(96,664)	(90,142)
Total	135,480	149,825	258,070	251,488
Reconciliation to Consolidated Statements of Operations:				
Accretion of environmental liabilities	2,766	2,560	5,327	5,134
Depreciation and amortization	72,494	74,217	147,027	149,572
Income from operations	60,220	73,048	105,716	96,782
Other expense (income), net	500	564	2,865	(2,419)
Loss on sale of businesses	184	—	3,258	—
Interest expense, net of interest income	18,654	20,215	37,441	39,979
Income before provision for income taxes	$ 40,882	$ 52,269	$ 62,152	$ 59,222

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

	June 30, 2020	December 31, 2019
Property, plant and equipment, net:		
Environmental Services	$ 904,626	$ 939,352
Safety-Kleen	558,597	555,310
Corporate Items	90,585	93,489
Total property, plant and equipment, net	$ 1,553,808	$ 1,588,151
Goodwill and Permits and other intangibles, net:		
Environmental Services		
Goodwill	$ 210,617	$ 212,531
Permits and other intangibles, net	83,465	89,722
Total Environmental Services	294,082	302,253
Safety-Kleen		
Goodwill	$ 312,537	$ 312,482
Permits and other intangibles, net	316,983	329,344
Total Safety-Kleen	629,520	641,826
Total	$ 923,602	$ 944,079

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

	June 30, 2020	December 31, 2019
United States	$ 3,461,132	$ 3,413,254
Canada and other foreign	616,497	695,650
Total	$ 4,077,629	$ 4,108,904

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

Forward-Looking Statements

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

Overview

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

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

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

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

Impact of COVID-19

Corporate Response

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

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

Impact on Our Financial Statements and Business Operations

The COVID-19 pandemic has resulted in, and is likely to continue to result in, significant economic disruption. The Company's financial results for the three and six months ended June 30, 2020 were significantly impacted by the COVID-19 pandemic. In the latter half of March 2020 and throughout the second quarter, we were measurably impacted by an overall slowdown in economic activity which included closures at some of our customer sites and rising general uncertainty about economic activity into the future. During this time, we have also seen an increase in demand from several customers for disinfecting, decontamination and disposal related emergency response services specifically in response to COVID-19. During the quarter, the Company completed more than 5,500 projects responding specifically to the risk of COVID-19 and amounting to approximately $50.0 million of revenue. These increased levels of emergency response work, however, did not overcome the overall levels of service work lost due to the impacts of the COVID-19 pandemic.

The Company expects to continue to experience the impacts of COVID-19 throughout the remainder of 2020. In our Environmental Services segment, continued lower activity levels and shutdowns of customers' operations could decrease the level of our services that are required and the quantities of commercial and industrial waste disposed of throughout our network of facilities. Lower demand for oil and overall price declines in the global oil market, resulting from COVID-19 impacts, could impact the level of environmental services we provide to our customers in that market. We expect the increase in emergency response work for COVID-19 related decontamination services to continue, however these additional services are not expected to fully offset the negative impact of COVID-19 on our Environmental Services segment.

We expect that the services provided by our Safety-Kleen segment will continue to be significantly impacted by less automotive related travel and any ongoing customer shutdowns reducing demand for Safety-Kleen core services and products. We have observed declining demand in the primary sectors impacting this business including the overall automotive sector, as consumer activity decelerated across the United States and Canada. Lower oil related demand and price declines in the global oil market, exacerbated by COVID-19 impacts, are also expected to reduce revenues generated by the business in 2020. In order to respond to the impact on the Safety-Kleen business and in particular the reduced availability of used motor oils which are utilized as feedstock in our re-refining processes and reduced demand for base and blended oil products, in April 2020, we temporarily shuttered nearly half of the total production capacity of our oil re-refineries. However, in July 2020, in response to more positive trends in oil demand, certain facilities were brought back online, increasing the current production to approximately 70% of total production capacity.

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

In regards to liquidity and capital resources, as of June 30, 2020, the Company had $506.7 million in cash and marketable securities and $135.3 million of remaining borrowing availability under the revolving credit facility. On July 28, 2020, the Company repaid the remaining $75.0 million outstanding balance on the revolving credit facility. Other than $7.5 million of annual payments on the Company's secured senior term loans, there are no debt maturities until June 2024, when those term loans are due. To maintain a strong liquidity position through 2020 and beyond, the Company is actively considering, planning and executing cost reduction initiatives, significantly reducing 2020 capital expenditures from previously forecasted amounts and considering all aspects of eligible government programs.

Impact of Government Programs

On March 27, 2020, the Coronavirus Aid, Relief and Economic Security Act ("CARES Act") was signed into law in response to the widespread economic impact of the COVID-19 pandemic. On April 11, 2020, the Canadian federal government enacted the COVID-19 Emergency Response Act, No.2, which implemented the Canada Emergency Wage Subsidy ("CEWS"). During the quarter ended June 30, 2020, management considered and analyzed the Company's eligibility under such government programs. Most significantly, the Company applied for certain employee retention credits under the CARES Act and the wage subsidy under the CEWS. The table below summarizes the benefit of these government programs recorded in the statement of operations for the periods ending June 30, 2020 (in thousands):

	Environmental Services	Safety-Kleen	Corporate Items	Total
Cost of revenues	$ 8,997	$ 4,864	$ 415	$ 14,276
Selling, general and administrative expenses	4,267	3,407	1,449	9,123
Total	$ 13,264	$ 8,271	$ 1,864	$ 23,399

The Company received $3.3 million of the total subsidy under the CEWS prior to June 30, 2020 and the remaining portion was received in early July 2020. The Company expects to receive the CARES Act funds in the third quarter of 2020. Although the Company did implement certain cost reduction plans associated with labor in the second quarter, these government programs have allowed our workforce to remain stable during the temporary slowdown in activity.

The CARES Act and earlier issued guidance by the Internal Revenue Service allowed us to defer the payment of certain payroll and income tax payments. In total, we deferred operating cash payments of $25.0 million during the six months ended June 30, 2020, comprised of $11.9 million of payroll taxes which will be repaid in 2021 and 2022 and $13.1 million of income taxes which were paid in July 2020.

Highlights

Total revenues for the three and six months ended June 30, 2020 were $710.0 million and $1,568.6 million, compared with $868.7 million and $1,649.5 million for the three and six months ended June 30, 2019. In the three and six months ended June 30, 2020, our Environmental Services segment direct revenues decreased 11.8% and 0.8% from the comparable periods in 2019, primarily due to significantly lower demand for our industrial and technical related services resulting from lower overall economic activity which also caused some of our customers to delay the timing of industrial turnarounds, environmental related projects and other waste disposal services in response to the COVID-19 pandemic. This decrease was partially offset by increased emergency response services in the wake of the COVID-19 pandemic. In the three and six months ended June 30, 2020, our Safety-Kleen segment direct revenues decreased 29.9% and 12.2% from the comparable periods in 2019, predominantly due to lower demand and prices across the Safety-Kleen portfolio of products and core services also resulting from overall lower economic activity, customer shutdowns and lower oil demand stemming from the COVID-19 pandemic. Increased revenues from used motor oil collections partially offset these decreases for the Safety-Kleen segment. The fluctuation of the Canadian dollar negatively impacted our consolidated revenues by $3.1 million and $4.3 million in the three and six months ended June 30, 2020.

We reported income from operations for the three and six months ended June 30, 2020 of $60.2 million and $105.7 million compared with $73.0 million and $96.8 million in the three and six months ended June 30, 2019. We reported net income for the three and six months ended June 30, 2020 of $29.0 million and $40.6 million compared with net income of $36.2 million and $37.2 million in the three and six months ended June 30, 2019.

Adjusted EBITDA, which is the primary financial measure by which our segments are evaluated, decreased 9.6% to $135.5 million in the three months ended June 30, 2020 from $149.8 million in the three months ended June 30, 2019 and increased 2.6% to $258.1 million in the six months ended June 30, 2020 from $251.5 million in the six months ended June 30, 2019. 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, 2020 was $173.5 million, an increase of $35.0 million from the comparable period in 2019. Adjusted free cash flow, which management uses to measure our financial strength and ability to generate cash, was an inflow of $71.9 million in the six months ended June 30, 2020, compared to an inflow of $27.5 million in the comparable period of 2019. Additional information, including a reconciliation of adjusted free cash flow to net cash from operating activities, appears below under the heading *"Adjusted Free Cash Flow."*

Segment Performance

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

	Summary of Operations							
	For the Three Months Ended				For the Six Months Ended			
	June 30, 2020	June 30, 2019	$ Change	% Change	June 30, 2020	June 30, 2019	$ Change	% Change
Direct Revenues[(1)]:								
Environmental Services	$ 496,914	$ 563,076	$ (66,162)	(11.8)%	$ 1,063,276	$ 1,072,098	$ (8,822)	(0.8)%
Safety-Kleen	214,556	305,984	(91,428)	(29.9)	507,768	578,461	(70,693)	(12.2)
Corporate Items	(1,470)	(382)	(1,088)	N/M	(2,481)	(1,042)	(1,439)	N/M
Total	710,000	868,678	(158,678)	(18.3)	1,568,563	1,649,517	(80,954)	(4.9)
Cost of Revenues[(2)]:								
Environmental Services	322,906	400,306	(77,400)	(19.3)	734,378	785,413	(51,035)	(6.5)
Safety-Kleen	140,051	189,053	(49,002)	(25.9)	334,629	369,419	(34,790)	(9.4)
Corporate Items	7,724	5,574	2,150	N/M	8,340	4,465	3,875	N/M
Total	470,681	594,933	(124,252)	(20.9)	1,077,347	1,159,297	(81,950)	(7.1)
Selling, General & Administrative Expenses:								
Environmental Services	35,925	44,902	(8,977)	(20.0)	81,901	79,307	2,594	3.3
Safety-Kleen	27,916	37,472	(9,556)	(25.5)	65,402	74,790	(9,388)	(12.6)
Corporate Items	39,998	41,546	(1,548)	(3.7)	85,843	84,635	1,208	1.4
Total	103,839	123,920	(20,081)	(16.2)	233,146	238,732	(5,586)	(2.3)
Adjusted EBITDA:								
Environmental Services	138,083	117,868	20,215	17.2	246,997	207,378	39,619	19.1
Safety-Kleen	46,589	79,459	(32,870)	(41.4)	107,737	134,252	(26,515)	(19.8)
Corporate Items	(49,192)	(47,502)	(1,690)	(3.6)	(96,664)	(90,142)	(6,522)	(7.2)
Total	$ 135,480	$ 149,825	$ (14,345)	(9.6)%	$ 258,070	$ 251,488	$ 6,582	2.6%

N/M = not meaningful

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

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

Direct Revenues

There are many factors which have impacted and continue to impact our revenues, including a significant impact to our revenue resulting from COVID-19 as discussed in *Impact of COVID-19* above. Other factors impacting our revenues include, but are not limited to: overall levels of industrial activity and growth in North America, existence or non-existence of large scale environmental waste and remediation projects, competitive industry pricing, miles driven and related lubricant demand, impacts of acquisitions and divestitures, the level of emergency response projects, base and blended oil pricing, market changes relative to the collection of used oil, the number of parts washers placed at customer sites and foreign currency translation. In addition, customer efforts to minimalize 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,		2020 over 2019		June 30,		2020 over 2019	
(in thousands, except percentages)	2020	2019	$ Change	% Change	2020	2019	$ Change	% Change
Direct revenues	$ 496,914	$ 563,076	$ (66,162)	(11.8)%	$ 1,063,276	$ 1,072,098	$ (8,822)	(0.8)%

Environmental Services direct revenues for the three months ended June 30, 2020 decreased $66.2 million from the comparable period in 2019, driven primarily by significantly lower demand for our industrial and technical related services due to slowing economic activity in light of the COVID-19 pandemic, which also caused our customers to delay the timing of industrial turnarounds, environmental remediation projects and other waste disposal services. The Company generated $50.0 million of direct revenues from COVID-19 related emergency response services in the second quarter of 2020. Operations at our network of facilities were relatively consistent with the comparable period in the prior year. Direct revenues at our incinerator facilities increased $6.9 million from prior year, which was driven by an increased volume of higher value waste streams. Incinerator utilization was at 87%, a 5% increase over the prior year. In the second quarter of 2019, utilization at our incinerators had been unfavorably impacted by down days for maintenance related turnarounds which did not recur in 2020. Lower volumes at our landfill facilities resulted in a $3.0 million decrease in direct revenues in the second quarter of 2020 when compared with the same quarter in the prior year. Also impacting this change in direct revenues within the Environmental Services segment was the negative impact of foreign currency translation on our Canadian operations of $2.5 million.

Environmental Services direct revenues for the six months ended June 30, 2020 decreased $8.8 million from the comparable period in 2019 primarily due to the impacts of the COVID-19 pandemic experienced in the second quarter. The Company generated $60.0 million of direct revenues from COVID-19 related emergency response services and increased utilization and average pricing at our incinerator facilities which contributed $30.9 million of incremental direct revenues in the first six months of 2020. Utilization at our incinerator facilities was 86% for the six months ended June 30, 2020, a 7% increase over the same period in the prior year. In the first half of 2019, incinerator utilization was unfavorably impacted by a fire at a neighboring facility and additional down days for maintenance-related turnarounds, neither of which recurred in 2020. Also impacting the year over year change in direct revenues within this segment was the negative impact of foreign currency translation on our Canadian operations of $3.4 million. We expect to see a slowdown in the volume of waste disposed of in our network of facilities in the third quarter due to the economic slowdowns thus far in 2020 as waste disposal tends to lag behind overall economic changes.

Safety-Kleen

	For the Three Months Ended				For the Six Months Ended			
	June 30,		2020 over 2019		June 30,		2020 over 2019	
(in thousands, except percentages)	2020	2019	$ Change	% Change	2020	2019	$ Change	% Change
Direct revenues	$ 214,556	$ 305,984	$ (91,428)	(29.9)%	$ 507,768	$ 578,461	$ (70,693)	(12.2)%

Safety-Kleen direct revenues for the three months ended June 30, 2020 decreased $91.4 million from the comparable period in 2019. Significantly reduced demand for core services resulting from lower automotive travel, customer shutdowns, in many cases forced by government directives and lower demand for oil related products, all stemming from the COVID-19 pandemic, drove these lower revenue levels. Base oil sales decreased $43.1 million from the comparable period in 2019 due to lower sales volume and lower pricing, while blended oil sales decreased approximately $22.2 million from the comparable period in 2019, more predominately due to lower sales volumes. Recycled fuel oil and refinery byproducts sales decreased $13.3 million, driven by both lower sales volume and lower pricing. Decreased demand for Safety-Kleen's branch network's core service offerings also contributed to the decline in direct revenues as containerized waste and vacuum services revenues and parts washer services revenues decreased by $21.2 million and $7.8 million, respectively, from the comparable period in 2019. Offsetting these decreases was a $15.1 million increase in direct revenues from used motor oil collections due to pricing increases on these services. The impact of foreign currency translation on our Safety-Kleen Canadian operations was minimal.

Safety-Kleen direct revenues for the six months ended June 30, 2020 decreased $70.7 million from the comparable period in 2019 due to the impacts of the COVID-19 pandemic experienced in the second quarter. Base oil sales decreased $28.0 million from the comparable period in 2019 due to lower volume and lower pricing, and blended oil sales decreased $18.0 million due to lower volumes. Recycled fuel oil and refinery byproducts decreased $18.0 million, driven by lower volumes and, to a lesser extent, lower pricing. Decreased demand for Safety-Kleen's branch network's core service offerings also contributed to the decline in direct revenues as containerized waste and vacuum services revenues and parts washer services revenues decreased by $17.6 million and $8.8 million, respectively, from the comparable period in 2019. Offsetting these decreases was a $15.3 million increase in direct revenue from used motor oil collections due to pricing increases on these services. The impact of foreign currency translation on our Safety-Kleen Canadian operations was minimal. Slow incremental improvements in the demand for the segment's core service offerings in the latter half of the second quarter are expected to continue in the second half of the year if national and state reopening plans continue to prove successful.

Cost of Revenues

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

Environmental Services

	For the Three Months Ended				For the Six Months Ended			
	June 30,		2020 over 2019		June 30,		2020 over 2019	
(in thousands, except percentages)	2020	2019	$ Change	% Change	2020	2019	$ Change	% Change
Cost of revenues	$ 322,906	$ 400,306	$ (77,400)	(19.3)%	$ 734,378	$ 785,413	$ (51,035)	(6.5)%
As a % of Direct revenues	65.0 %	71.1 %		(6.1)%	69.1 %	73.3 %		(4.2)%

Environmental Services cost of revenues for the three months ended June 30, 2020 decreased $77.4 million from the comparable period in 2019, including a $33.5 million decrease to labor and benefits related costs, including travel costs, a $24.1 million decrease to equipment and supply costs and a $17.0 million decrease in transportation, disposal and fuel costs. These decreases were mainly attributable to lower direct revenues, as well as a $9.0 million reduction to labor and benefits related costs directly attributable to the employee retention credit and subsidies recorded in the second quarter of 2020 under the CARES Act and CEWS. Absent these benefits, cost of revenues as a percentage of direct revenues improved 4.3% primarily due to better leverage of our employee base in connection with our emergency response work resulting in lower subcontractor spending, cost reduction initiatives and higher utilization at our incinerators.

Environmental Services cost of revenues for the six months ended June 30, 2020 decreased $51.0 million from the comparable period in 2019, including a $21.4 million decrease to labor and benefits related costs, including travel costs, an $18.1 million decrease to transportation, disposal and fuel costs and an $11.8 million decrease to equipment and supply costs. These decreases were mainly attributable to lower direct revenues, as well as a $9.0 million reduction to labor and benefits related costs for the employee retention credit and subsidies recorded in the second quarter of 2020 under the CARES Act and CEWS. Absent these benefits, costs of revenues as a percentage of direct revenues improved 3.3% also primarily due to better leverage of employee base in connection with our emergency response work resulting in lower subcontractor spending, cost reduction initiatives and higher utilization at our incinerators.

Safety-Kleen

	For the Three Months Ended June 30,		2020 over 2019		For the Six Months Ended June 30,		2020 over 2019	
(in thousands, except percentages)	2020	2019	$ Change	% Change	2020	2019	$ Change	% Change
Cost of revenues	$ 140,051	$ 189,053	$ (49,002)	(25.9)%	$ 334,629	$ 369,419	$ (34,790)	(9.4)%
As a % of Direct revenues	65.3 %	61.8 %		3.5 %	65.9 %	63.9 %		2.0 %

Safety-Kleen cost of revenues for the three months ended June 30, 2020 decreased $49.0 million from the comparable period in 2019, including a $19.4 million decrease in costs of oil additives and other raw materials, a $12.3 million decrease in labor and benefits related costs, including travel costs and an $11.2 million decrease in transportation, disposal and fuel costs. These decreases were mainly attributable to lower direct revenues, as well as a $4.9 million reduction to labor and benefits related costs directly related to the employee retention credit and subsidies recorded in the second quarter of 2020 under the CARES Act and CEWS. Absent these benefits, costs of revenues as a percentage of direct revenues increased 5.8% as certain fixed costs could not be reduced proportionate to the overall lower business activity.

Safety-Kleen cost of revenues for the six months ended June 30, 2020 decreased $34.8 million from the comparable period in 2019, including a $16.2 million decrease in costs of oil additives and other raw materials, a $9.1 million decrease in transportation, disposal and fuel costs and an $8.1 million decrease in labor and benefits related costs, including travel costs. These decreases were mainly attributable to lower direct revenues, as well as a $4.9 million reduction to labor and benefits related costs for the employee retention credit and subsidies recorded in the second quarter of 2020 under the CARES Act and CEWS. Absent these benefits, costs of revenues as a percentage of direct revenues increased 3.0% as certain fixed costs could not be reduced proportionate to the overall lower business activity.

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 June 30,		2020 over 2019		For the Six Months Ended June 30,		2020 over 2019	
(in thousands, except percentages)	2020	2019	$ Change	% Change	2020	2019	$ Change	% Change
SG&A expenses	$ 35,925	$ 44,902	$ (8,977)	(20.0)%	$ 81,901	$ 79,307	$ 2,594	3.3 %
As a % of Direct revenues	7.2 %	8.0 %		(0.8)%	7.7 %	7.4 %		0.3 %

Environmental Services SG&A expenses for the three months ended June 30, 2020 decreased $9.0 million from the comparable period in 2019. This decrease in SG&A expenses was primarily attributable to lower direct revenues and therefore lower sales related costs, as well as a $4.3 million reduction in labor and benefits related costs for the employee retention credit and subsidies recorded in the second quarter of 2020 under the CARES Act and CEWS. Absent these benefits, Environmental Services SG&A expenses as a percentage of direct revenues remained relatively consistent with the comparable period in 2019.

Environmental Services SG&A expenses for the six months ended June 30, 2020 increased $2.6 million from the comparable period in 2019. Contributing to this increase was the favorable resolution of a litigation matter of $5.5 million and recovery of certain trade receivables of $5.4 million, both of which were recorded in the first quarter of 2019, offset by the $4.3 million reduction in labor and benefits related costs for the employee retention credit and subsidies recorded in the second quarter of 2020 under the CARES Act and CEWS. Absent these nonrecurring transactions, Environmental Services SG&A expenses as a percentage of direct revenues remained relatively consistent with the comparable period in 2019.

Safety-Kleen

	For the Three Months Ended June 30,		2020 over 2019		For the Six Months Ended June 30,		2020 over 2019	
(in thousands, except percentages)	2020	2019	$ Change	% Change	2020	2019	$ Change	% Change
SG&A expenses	$ 27,916	$ 37,472	$ (9,556)	(25.5)%	$ 65,402	$ 74,790	$ (9,388)	(12.6)%
As a % of Direct revenues	13.0 %	12.2 %		0.8 %	12.9 %	12.9 %		— %

Safety-Kleen SG&A expenses for the three and six months ended June 30, 2020 decreased $9.6 million and $9.4 million, respectively, from the comparable periods in 2019. These decreases were primarily attributable to lower direct revenues and therefore lower sales related costs, as well as a $3.4 million reduction in labor and benefits related costs for the employee retention credit and subsidies recorded in the second quarter of 2020 under the CARES Act and CEWS. Absent these benefits, Safety-Kleen SG&A expenses as a percentage of direct revenues were higher than the comparable periods in 2019 due to a $1.8 million change in an environmental liability estimate for a Superfund site recorded in the second quarter of 2020.

Corporate Items

	For the Three Months Ended June 30,		2020 over 2019		For the Six Months Ended June 30,		2020 over 2019	
(in thousands, except percentages)	2020	2019	$ Change	% Change	2020	2019	$ Change	% Change
SG&A expenses	$ 39,998	$ 41,546	$ (1,548)	(3.7)%	$ 85,843	$ 84,635	$ 1,208	1.4 %

Corporate Items SG&A expenses for the three months ended June 30, 2020 decreased $1.5 million from the comparable period in 2019 due a $1.9 million reduction in labor and benefits related costs, predominately driven by the employee retention credit and subsidies of $1.4 million recorded in the second quarter of 2020 under the CARES Act and CEWS. Corporate Items SG&A expenses for the three months ended June 30, 2020, also decreased by $1.0 million each for stock-based compensation and professional fees, partially offset by a $3.1 million increase in severance related costs.

Corporate Items SG&A expenses for the six months ended June 30, 2020 increased $1.2 million from the comparable period in 2019 primarily due to increased marketing expenses of $4.0 million to expand brand awareness and a $3.1 million increase in severance related costs, partially offset by a $3.6 million decrease in stock-based compensation and the $1.4 million reduction in labor costs for the employee retention credit and subsidies recorded in the second quarter of 2020 under the CARES Act and CEWS.

Adjusted EBITDA

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

	For the Three Months Ended June 30,		2020 over 2019		For the Six Months Ended June 30,		2020 over 2019	
(in thousands, except percentages)	2020	2019	$ Change	% Change	2020	2019	$ Change	% Change
Adjusted EBITDA:								
Environmental Services	$ 138,083	$ 117,868	$ 20,215	17.2 %	$ 246,997	$ 207,378	$ 39,619	19.1 %
Safety-Kleen	46,589	79,459	(32,870)	(41.4)	107,737	134,252	(26,515)	(19.8)
Corporate Items	(49,192)	(47,502)	(1,690)	(3.6)	(96,664)	(90,142)	(6,522)	(7.2)
Total	$ 135,480	$ 149,825	$ (14,345)	(9.6)%	$ 258,070	$ 251,488	$ 6,582	2.6 %

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

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

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

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

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2020	**2019**	**2020**	**2019**
Net income	$ 29,023	$ 36,244	$ 40,595	$ 37,220
Accretion of environmental liabilities	2,766	2,560	5,327	5,134
Depreciation and amortization	72,494	74,217	147,027	149,572
Other expense (income), net	500	564	2,865	(2,419)
Loss on sale of businesses	184	—	3,258	—
Interest expense, net of interest income	18,654	20,215	37,441	39,979
Provision for income taxes	11,859	16,025	21,557	22,002
Adjusted EBITDA	$ 135,480	$ 149,825	$ 258,070	$ 251,488
As a % of Direct revenues	19.1 %	17.2 %	16.5 %	15.2 %

Depreciation and Amortization

	For the Three Months Ended				For the Six Months Ended			
	June 30,		2020 over 2019		June 30,		2020 over 2019	
(in thousands, except percentages)	**2020**	**2019**	**$ Change**	**% Change**	**2020**	**2019**	**$ Change**	**% Change**
Depreciation of fixed assets and amortization of landfills and finance leases	$ 63,656	$ 65,523	$ (1,867)	(2.8)%	$ 129,021	$ 131,394	$ (2,373)	(1.8)%
Permits and other intangibles amortization	8,838	8,694	144	1.7	18,006	18,178	(172)	(0.9)
Total depreciation and amortization	$ 72,494	$ 74,217	$ (1,723)	(2.3)%	$ 147,027	$ 149,572	$ (2,545)	(1.7)%

Depreciation and amortization for the three and six months ended June 30, 2020 decreased from the comparable periods in 2019 primarily due to certain assets becoming fully depreciated.

Provision for Income Taxes

	For the Three Months Ended				For the Six Months Ended			
	June 30,		2020 over 2019		June 30,		2020 over 2019	
(in thousands, except percentages)	**2020**	**2019**	**$ Change**	**% Change**	**2020**	**2019**	**$ Change**	**% Change**
Provision for income taxes	$ 11,859	$ 16,025	$ (4,166)	(26.0)%	$ 21,557	$ 22,002	$ (445)	(2.0)%

The provision for income taxes for the three and six months ended June 30, 2020 decreased $4.2 million and $0.4 million, respectively, from the comparable periods in 2019. The decrease in the three and six months ended June 30, 2020 was primarily due to decreased taxable income in the United States. Our effective tax rate for the three and six months ended June 30, 2020 was 29.0% and 34.7%, respectively, compared to 30.7% and 37.2%, respectively, for the same periods in 2019.

For the six months ended June 30, 2020, we did not record an income tax benefit of $1.1 million associated with the loss on sale of businesses and $0.6 million of income tax benefits generated from losses at certain of our Canadian entities. This compares to $4.8 million of income tax benefits generated in the comparable period of 2019 which also were not recorded in that period's income tax provision.

Liquidity and Capital Resources

	Six Months Ended June 30,	
(in thousands)	**2020**	**2019**
Net cash from operating activities	$ 173,486	$ 138,470
Net cash used in investing activities	(141,685)	(139,868)
Net cash from (used in) financing activities	47,017	(23,793)

Net cash from operating activities

Net cash from operating activities for the six months ended June 30, 2020 was $173.5 million, an increase of $35.0 million from the comparable period in 2019. The increase in operating cash flows from the comparable period of 2019 was attributable to deferring the payment of certain payroll and income taxes amounting to approximately $25.0 million as allowed for under the CARES Act and earlier issued guidance by the Internal Revenue Service.

Net cash used in investing activities

Net cash used in investing activities for the six months ended June 30, 2020 was $141.7 million, an increase of $1.8 million from the comparable period in 2019. Net cash used in investing activities increased most notably due to the timing of proceeds received from the purchase and sale of marketable securities in the comparative periods, offset by a decrease in cash paid for acquisitions. As noted earlier, in response to the uncertainty surrounding COVID-19, we reduced our planned capital expenditure spending. As such, additions to property, plant and equipment between the two periods were relatively consistent despite the purchase of our Norwell, Massachusetts corporate headquarters in January 2020.

Net cash from (used in) financing activities

Net cash from financing activities for the six months ended June 30, 2020 was $47.0 million, compared to net cash used in financing activities of $23.8 million for the comparable period in 2019. On March 31, 2020, we borrowed $150.0 million under our revolving credit facility in response to the uncertainty surrounding the COVID-19 global pandemic. We subsequently repaid $75.0 million of this borrowing on June 29, 2020. This net financing cash inflow was partially offset by an increase in repurchases of common stock of $6.1 million from the comparable period in 2019. For additional information regarding our financing activities, see Note 11, "Financing Arrangements," to the accompanying unaudited consolidated financial statements.

Adjusted Free Cash Flow

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

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

	Six Months Ended June 30,	
	2020	2019
Net cash from operating activities	$ 173,486	$ 138,470
Additions to property, plant and equipment	(125,721)	(118,372)
Purchase and capital improvements of corporate headquarters	21,080	—
Proceeds from sale and disposal of fixed assets	3,101	7,389
Adjusted free cash flow	$ 71,946	$ 27,487

Working Capital

At June 30, 2020, cash and cash equivalents and marketable securities totaled $506.7 million, compared to $414.4 million at December 31, 2019. At June 30, 2020, cash and cash equivalents held by our foreign subsidiaries totaled $99.6 million and were readily convertible into other currencies including U.S. dollars. At June 30, 2020, the cash and cash equivalents and marketable securities balance for our U.S. operations was $407.1 million, and our U.S. operations had net operating cash flows of $125.1 million for the six months ended June 30, 2020. Additionally, we have a $400.0 million revolving credit facility of which approximately $135.3 million was available to borrow at June 30, 2020. Based on the above and on our current plans, we believe that our U.S. operations have and will continue to have adequate financial resources to satisfy their current liquidity needs.

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

Financing Arrangements

Financing arrangements are discussed in Note 11, “Financing Arrangements,” to our unaudited consolidated financial statements included in this report. As discussed therein, the Company maintains a $400.0 million revolving credit facility expiring on November 1, 2021. On March 31, 2020, the Company drew down $150.0 million on the revolving credit facility in response to the uncertainty surrounding the COVID-19 global pandemic. The Company repaid $75.0 million of that borrowing on June 29, 2020, and the remaining $75.0 million was repaid on July 28, 2020. The Company had $135.3 million available to borrow and outstanding letters of credit were $142.5 million at June 30, 2020. At December 31, 2019, $229.2 million was available to borrow and outstanding letters of credit were $146.9 million. We continue to monitor our debt instruments and evaluate opportunities where it may be beneficial to refinance or reallocate the portfolio.

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

Common Stock Repurchases Pursuant to Publicly Announced Plan

The Company's common stock repurchases are made pursuant to the previously authorized board approved plan to repurchase up to $600.0 million of the Company's common stock. During the three 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 shares of the Company's common stock for total costs of approximately $17.3 million. During the three and six months ended June 30, 2019, the Company repurchased and retired a total of approximately 0.1 million and 0.2 million shares, respectively, of the Company's common stock for total costs of approximately $4.9 million and $11.3 million, respectively.

Through June 30, 2020, the Company has repurchased and retired a total of approximately 6.2 million shares of its common stock for approximately $332.7 million under this program. As of June 30, 2020, an additional $267.3 million remained available for repurchase of shares under this program.

Environmental Liabilities

(in thousands, except percentages)	June 30, 2020	December 31, 2019	$ Change	% Change
Closure and post-closure liabilities	$ 82,641	$ 75,651	$ 6,990	9.2 %
Remedial liabilities	112,483	114,173	(1,690)	(1.5)
Total environmental liabilities	$ 195,124	$ 189,824	$ 5,300	2.8 %

Total environmental liabilities as of June 30, 2020 were $195.1 million, an increase of $5.3 million compared to December 31, 2019 primarily due to a $4.5 million increase in the closure and post-closure liabilities associated with one commercial landfill for which the Company has initiated closure plans and a $1.8 million increase to the estimated remedial liabilities for a Superfund site due to the receipt of updated regulatory approval requirements for remediation. The remaining change is resulting from accretion of $5.3 million, partially offset by expenditures of $6.1 million.

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

Capital Expenditures

Capital expenditures in the first six months of 2020 were $125.7 million as compared to $118.4 million in the same period of 2019. The increase was primarily due to the purchase of our corporate headquarters in January 2020 offset by planned reductions in spending in response to the uncertainty surrounding COVID-19. We anticipate that 2020 capital spending, net of disposals, will be in the range of $176.0 million to $196.0 million, inclusive of the $21.1 million already spent on the purchase and capital improvements of our corporate headquarters. However, unanticipated changes in environmental regulations could require us to make significant capital expenditures for our facilities and adversely affect our results of operations and cash flow.

Critical Accounting Policies and Estimates

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

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

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

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

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

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

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

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

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Other than the draw down on March 31, 2020, of $150.0 million from our available borrowings under our revolving credit facility, of which $75.0 million was subsequently repaid on June 29, 2020 and the remaining $75.0 million was repaid on July 28, 2020, there were no material changes in the first six months of 2020 to the information provided under Item 7A. “Quantitative and Qualitative Disclosures about Market Risk” in the Company's Annual Report on Form 10-K for the year ended December 31, 2019. The revolving credit facility will expire on November 1, 2021, at which point, the amount of then outstanding borrowings will be due. However, the Company can repay the borrowings without penalty (other than customary LIBOR breakage fees) at any point. Interest on the credit facility is based on one-month LIBOR, and as of June 30, 2020, the effective interest rate on the remaining $75.0 million outstanding under our revolving credit facility was 1.44%. Interest payments are due monthly until the borrowing is repaid.

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, 2020 to ensure that information required to be disclosed by us in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms and is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting

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

CLEAN HARBORS, INC. AND SUBSIDIARIES

PART II—OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

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

ITEM 1A. RISK FACTORS

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

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

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

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

Common Stock Repurchase Program

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

Period	Total Number of Shares Purchased (1)	Average Price Paid Per Share (2)	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs (in thousands) (3)
April 1, 2020 through April 30, 2020	14,337	$ 45.91	—	$ 267,346
May 1, 2020 through May 31, 2020	217	51.62	—	267,346
June 1, 2020 through June 30, 2020	7,929	60.78	—	267,346
Total	22,483	$ 51.21	—	

(1) Includes 22,483 shares withheld by us from employees to satisfy employee tax obligations upon vesting of restricted stock granted to our employees under the Company's equity incentive plans.
(2) The average price paid per share of common stock repurchased under the stock repurchase program includes the commissions paid to brokers.
(3) Our board of directors has authorized the repurchase of up to $600.0 million of our common stock. We have funded and intend to fund the repurchases through available cash resources. The stock repurchase program authorizes us to purchase our common stock on the open market or in privately negotiated transactions periodically in a manner that complies with applicable U.S. securities laws. The number of shares purchased and the timing of the purchases has depended and will depend on several factors, including share price, cash required for business plans, trading volume and other conditions. During April 2018, we implemented a repurchase plan in accordance with Rule 10b5-1 promulgated under the Securities Exchange Act of 1934, as amended. 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, 2020, formatted in iXBRL (Inline eXtensible Business Reporting Language): (i) Consolidated Balance Sheets, (ii) Unaudited Consolidated Statements of Operations, (iii) Unaudited Consolidated Statements of Comprehensive Income (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, 2020, 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 5, 2020

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

Date: August 5, 2020

EXHIBIT 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

I, Alan S. McKim, certify that:

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

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

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

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

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

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

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

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

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

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

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

/s/ Alan S. McKim

Alan S. McKim

Chairman, President and Chief Executive Officer

Date: August 5, 2020

EXHIBIT 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER

I, Michael L. Battles, certify that:

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

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

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

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

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

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

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

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

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

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

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

/s/ Michael L. Battles

Michael L. Battles

Executive Vice President and Chief Financial Officer

Date: August 5, 2020

EXHIBIT 32

CLEAN HARBORS, INC. AND SUBSIDIARIES

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

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

By: /s/ ALAN S. MCKIM

Alan S. McKim

Chairman, President and Chief Executive Officer

Date: August 5, 2020

By: /s/ MICHAEL L. BATTLES

Michael L. Battles

Executive Vice President and Chief Financial Officer

Date: August 5, 2020