

SERVICEMASTER GLOBAL HOLDINGS INC

Form 10-Q

August 05, 2015

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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, 2015

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 001-36507

ServiceMaster Global Holdings, Inc.

(Exact name of registrant as specified in its charter)

Delaware	20-8738320
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)
Commission file number 001-14762	

The ServiceMaster Company, LLC

(Exact name of registrant as specified in its charter)

Delaware	90-1036521
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)
860 Ridge Lake Boulevard, Memphis, Tennessee 38120	

(Address of principal executive offices) (Zip Code)

901-597-1400

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

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ServiceMaster Global Holdings, Inc. Yes No
The ServiceMaster Company, LLC Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

ServiceMaster Global Holdings, Inc. Yes No
The ServiceMaster Company, LLC Yes No

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

ServiceMaster Global Holdings, Inc.

Large accelerated filer

Accelerated filer Non-accelerated filer

(Do not check if a smaller reporting company)

Smaller reporting company

The ServiceMaster Company, LLC

Large accelerated filer

Accelerated filer Non-accelerated filer

(Do not check if a smaller reporting company)

Smaller reporting company

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Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

ServiceMaster Global Holdings, Inc.	Yes	No
The ServiceMaster Company, LLC	Yes	No

The number of shares of the registrant's common stock outstanding as of July 31, 2015:

ServiceMaster Global Holdings, Inc. 135,195,492 shares of common stock, par value \$0.01 per share
The ServiceMaster Company, LLC is a privately held limited liability company, and its membership interests are not publicly traded. At July 31, 2015, all of the registrant's membership interests were owned by CDRSVM Holding, LLC.

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EXPLANATORY NOTE

This Form 10-Q is a combined quarterly report being filed separately by two registrants: ServiceMaster Global Holdings, Inc. and The ServiceMaster Company, LLC. Unless the context indicates otherwise, any reference in this report to “Holdings” refers to ServiceMaster Global Holdings, Inc., any reference to “SvM” refers to The ServiceMaster Company, LLC, the indirect wholly-owned subsidiary of Holdings, and any references to the “Company,” “we,” “us,” and “our” refer to ServiceMaster Global Holdings, Inc. together with its direct and indirect subsidiaries, including SvM. Each registrant hereto is filing on its own behalf all of the information contained in this quarterly report that relates to such registrant. Each registrant hereto is not filing any information that does not relate to such registrant, and therefore makes no representation as to any such information.

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

Condensed Consolidated Statements of Operations and Comprehensive Income (Unaudited)

(In millions, except per share data)

	Holdings		SvM	
	Three Months		Three Months	
	Ended		Ended	
	June 30,		June 30,	
	2015	2014	2015	2014
	\$ 716	\$ 683	\$ 716	\$ 683
Revenue	\$ 716	\$ 683	\$ 716	\$ 683
Cost of services rendered and products sold	365	351	365	351
Selling and administrative expenses	182	178	182	177
Amortization expense	12	14	12	14
Impairment of software and other related costs	—	(1)	—	(1)
Restructuring charges	—	1	—	1
Gain on sale of Merry Maids branches	(2)	—	(2)	—
Interest expense	42	61	42	61
Interest and net investment income	(7)	(1)	(7)	(1)
Loss on extinguishment of debt	14	—	14	—
Income from Continuing Operations before Income Taxes	109	80	109	81
Provision for income taxes	42	38	42	38
Income from Continuing Operations	67	42	67	43
Loss from discontinued operations, net of income taxes	—	(2)	—	(2)
Net Income	\$ 67	\$ 40	\$ 67	\$ 41
Total Comprehensive Income	\$ 65	\$ 42	\$ 65	\$ 43
Weighted-average common shares outstanding - Basic	134.9	91.9		
Weighted-average common shares outstanding - Diluted	136.5	92.2		
Basic Earnings (Loss) Per Share:				
Income from Continuing Operations	\$ 0.50	\$ 0.46		
Loss from discontinued operations, net of income taxes	—	(0.02)		
Net Income	0.49	0.44		

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Diluted Earnings (Loss) Per Share:

Income from Continuing Operations	\$ 0.49	\$ 0.46
Loss from discontinued operations, net of income taxes	—	(0.02)
Net Income	0.49	0.44

See accompanying Notes to the unaudited Condensed Consolidated Financial Statements

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Condensed Consolidated Statements of Operations and Comprehensive Income (Loss) (Unaudited)

(In millions, except per share data)

	Holdings		SvM	
	Six Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Revenue	\$ 1,288	\$ 1,216	\$ 1,288	\$ 1,216
Cost of services rendered and products sold	668	639	668	639
Selling and administrative expenses	334	329	334	328
Amortization expense	25	27	25	27
Impairment of software and other related costs	—	47	—	47
Restructuring charges	2	6	2	6
Gain on sale of Merry Maids branches	(3)	—	(3)	—
Interest expense	88	122	88	122
Interest and net investment income	(7)	(7)	(7)	(7)
Loss on extinguishment of debt	27	—	27	—
Income from Continuing Operations before Income Taxes	154	53	154	54
Provision for income taxes	59	29	59	29
Income from Continuing Operations	95	24	95	25
Loss from discontinued operations, net of income taxes	(1)	(97)	(1)	(97)
Net Income (Loss)	\$ 94	\$ (73)	\$ 94	\$ (72)
Total Comprehensive Income (Loss)	\$ 88	\$ (74)	\$ 88	\$ (74)
Weighted-average common shares outstanding - Basic	134.7	91.8		
Weighted-average common shares outstanding - Diluted	136.3	92.1		
Basic Earnings (Loss) Per Share:				
Income from Continuing Operations	\$ 0.71	\$ 0.26		
Loss from discontinued operations, net of income taxes	(0.01)	(1.06)		
Net Income (Loss)	0.70	(0.79)		
Diluted Earnings (Loss) Per Share:				
Income from Continuing Operations	\$ 0.70	\$ 0.26		
Loss from discontinued operations, net of income taxes	(0.01)	(1.05)		
Net Income (Loss)	0.69	(0.79)		

See accompanying Notes to the unaudited Condensed Consolidated Financial Statements

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Condensed Consolidated Statements of Financial Position (Unaudited)

(In millions, except per share data)

	Holdings		SvM	
	As of	As of	As of	As of
	June 30,	December	June 30,	December
	2015	31, 2014	2015	31, 2014
Assets:				
Current Assets:				
Cash and cash equivalents	\$ 361	\$ 389	\$ 348	\$ 368
Marketable securities	23	19	23	19
Receivables, less allowances of \$25 and \$25, respectively	476	441	476	441
Inventories	40	42	40	42
Prepaid expenses and other assets	50	44	50	44
Deferred customer acquisition costs	34	35	34	35
Deferred taxes	66	76	77	97
Total Current Assets	1,049	1,044	1,048	1,045
Property and Equipment:				