

SERVICEMASTER CO, LLC  
Form 10-Q  
May 02, 2014  
[Table of Contents](#)

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

WASHINGTON, D.C. 20549

---

**FORM 10-Q**

---

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

**For the quarterly period ended March 31, 2014**

**or**

**o 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 1-14762**

## THE SERVICEMASTER COMPANY, LLC

(Exact name of registrant as specified in its charter)

**Delaware**  
(State or other jurisdiction of  
incorporation or organization)

**90-1036521**  
(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. 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). 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.

Large accelerated filer

Accelerated filer

Non-accelerated filer   
(Do not check if a smaller reporting company)

Smaller reporting company

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

The registrant is a privately held limited liability company and its membership interests are not publicly traded. At May 2, 2014, all of the registrant's membership interests were owned by CDRSVM Holding, LLC.

Edgar Filing: SERVICEMASTER CO, LLC - Form 10-Q

The ServiceMaster Company, LLC is not required to file this Quarterly Report on Form 10-Q with the Securities and Exchange Commission and is doing so on a voluntary basis.

---

Table of Contents

TABLE OF CONTENTS

|  | <b>Page<br/>No.</b> |
|--|---------------------|
| <u>Part I. Financial Information</u>   |                     |
| <u>Item 1. Financial Statements (Unaudited)</u>  |                     |
| <u>Condensed Consolidated Statements of Operations and Comprehensive Loss for the three months ended March 31, 2014 and March 31, 2013</u> | 3                   |
| <u>Condensed Consolidated Statements of Financial Position as of March 31, 2014 and December 31, 2013</u>                                  | 4                   |
| <u>Condensed Consolidated Statements of Cash Flows for the three months ended March 31, 2014 and March 31, 2013</u>                        | 5                   |
| <u>Notes to Condensed Consolidated Financial Statements</u>  | 6                   |
| <u>Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations</u>                                       | 28                  |
| <u>Item 3. Quantitative and Qualitative Disclosures About Market Risk</u>  | 42                  |
| <u>Item 4. Controls and Procedures</u>   | 43                  |
| <u>Part II. Other Information</u>  | 43                  |
| <u>Item 1. Legal Proceedings</u>   | 43                  |
| <u>Item 1A. Risk Factors</u>   | 43                  |
| <u>Item 6. Exhibits</u>  | 53                  |
| <u>Signature</u>   | 55                  |

---

Table of Contents**PART I. FINANCIAL INFORMATION****ITEM 1. FINANCIAL STATEMENTS****THE SERVICEMASTER COMPANY, LLC****Condensed Consolidated Statements of Operations and Comprehensive Loss (Unaudited)***(In millions)*

|  | <b>Three months ended</b> |       |             |      |
|--|---------------------------|-------|-------------|------|
|  | <b>March 31,</b>          |       |             |      |
|  | <b>2014</b>               |       | <b>2013</b> |      |
| Operating Revenue  | \$                        | 533   | \$          | 514  |
| Cost of services rendered and products sold                  |                           | 288   |             | 270  |
| Selling and administrative expenses                          |                           | 151   |             | 158  |
| Amortization expense   |                           | 13    |             | 13   |
| Impairment of software and other related costs               |                           | 48    |             |      |
| Restructuring charges  |                           | 5     |             | 3    |
| Interest expense   |                           | 61    |             | 60   |
| Interest and net investment income                           |                           | (6)   |             | (2)  |
| (Loss) Income from Continuing Operations before Income Taxes |                           | (27)  |             | 12   |
| (Benefit) Provision for income taxes                         |                           | (9)   |             | 6    |
| (Loss) Income from Continuing Operations                     |                           | (18)  |             | 6    |
| Loss from discontinued operations, net of income taxes       |                           | (95)  |             | (29) |
| Net Loss   | \$                        | (113) | \$          | (23) |
| Total Comprehensive Loss                                     | \$                        | (116) | \$          | (20) |

Table of Contents**THE SERVICEMASTER COMPANY, LLC****Condensed Consolidated Statements of Financial Position (Unaudited)***(In millions)*

|   | As of<br>March 31,<br>2014 | As of<br>December 31,<br>2013 |
|---|----------------------------|-------------------------------|
| <b>Assets:</b>  |                            |                               |
| <b>Current Assets:</b>  |                            |                               |
| Cash and cash equivalents   | \$ 421                     | \$ 476                        |
| Marketable securities   | 23                         | 27                            |
| Receivables, less allowances of \$25 and \$26, respectively                 | 393                        | 394                           |
| Inventories   | 38                         | 39                            |
| Prepaid expenses and other assets   | 57                         | 56                            |
| Deferred customer acquisition costs   | 28                         | 30                            |
| Deferred taxes  | 107                        | 107                           |
| Assets of discontinued operations   |                            | 76                            |
| <b>Total Current Assets</b>   | <b>1,067</b>               | <b>1,205</b>                  |
| <b>Property and Equipment:</b>  |                            |                               |
| At cost   | 345                        | 381                           |
| Less: accumulated depreciation  | (211)                      | (204)                         |
| <b>Net Property and Equipment</b>   | <b>134</b>                 | <b>177</b>                    |
| <b>Other Assets:</b>  |                            |                               |
| Goodwill  | 2,055                      | 2,018                         |
| Intangible assets, primarily trade names, service marks and trademarks, net | 1,729                      | 1,721                         |
| Notes receivable  | 37                         | 37                            |
| Long-term marketable securities   | 90                         | 122                           |
| Other assets  | 51                         | 49                            |
| Debt issuance costs   | 38                         | 41                            |
| Assets of discontinued operations   |                            | 542                           |
| <b>Total Assets</b>   | <b>\$ 5,201</b>            | <b>\$ 5,912</b>               |
| <b>Liabilities and Shareholders (Deficit) Equity:</b>                       |                            |                               |
| <b>Current Liabilities:</b>   |                            |                               |
| Accounts payable  | \$ 92                      | \$ 92                         |
| <b>Accrued liabilities:</b>   |                            |                               |
| Payroll and related expenses  | 54                         | 70                            |
| Self-insured claims and related expenses                                    | 86                         | 78                            |
| Accrued interest payable  | 16                         | 51                            |
| Other   | 55                         | 55                            |
| Deferred revenue  | 487                        | 448                           |
| Liabilities of discontinued operations                                      | 7                          | 139                           |
| Current portion of long-term debt   | 41                         | 39                            |
| <b>Total Current Liabilities</b>  | <b>838</b>                 | <b>972</b>                    |