FLEETCOR TECHNOLOGIES INC
Form 10-Q
November 09, 2012
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 September 30, 2012

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: 001-35004

FleetCor Technologies, Inc.

(Exact name of registrant as specified in its charter)

Delaware	**72-1074903**
(State or other jurisdiction of **incorporation or organization)**	**(I.R.S. Employer** **Identification No.)**
5445 Triangle Parkway, Norcross, Georgia	**30092**
(Address of principal executive offices)	**(Zip Code)**

Registrant s telephone number, including area code: (770) 449-0479

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 x 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 (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x 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 the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer x	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 x

Indicate the number of shares outstanding of each of the issuer s classes of common stock, as of the latest practicable date.

Class	**Outstanding at November 2, 2012**
Common Stock, $0.001 par value	84,526,098

Table of Contents

FLEETCOR TECHNOLOGIES, INC. AND SUBSIDIARIES

FORM 10-Q

For the Quarterly Period Ended September 30, 2012

INDEX

		Page
PART I- FINANCIAL INFORMATION		
Item 1.	FINANCIAL STATEMENTS	
	Consolidated Balance Sheets at September 30, 2012 (unaudited) and December 31, 2011	3
	Unaudited Consolidated Statements of Income for the Three and Nine Months Ended September 30, 2012 and 2011	4
	Unaudited Consolidated Statements of Comprehensive Income for the Three and Nine Months Ended September 30, 2012 and 2011	5
	Unaudited Statements of Cash Flows for the Nine Months Ended September 30, 2012 and 2011	6
	Notes to Unaudited Consolidated Financial Statements	7
Item 2.	MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS	18
Item 3.	QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK	34
Item 4.	CONTROLS AND PROCEDURES	34
PART II- OTHER INFORMATION		
Item 1.	LEGAL PROCEEDINGS	36
Item 1A.	RISK FACTORS	36
Item 2.	UNREGISTERED SALES OF EQUITY SECURITIES	36
Item 3.	DEFAULTS UPON SENIOR SECURITIES	36
Item 4.	MINE SAFETY DISCLOSURES	36
Item 5.	OTHER INFORMATION	36
Item 6.	EXHIBITS	37
SIGNATURES		38

Table of Contents

PART I FINANCIAL INFORMATION

Item 1. Financial Statements

FleetCor Technologies, Inc. and Subsidiaries

Consolidated Balance Sheets

(In Thousands, Except Share and Par Value Amounts)

	September 30, 2012 (Unaudited)	December 31, 2011
Assets		
Current assets:		
Cash and cash equivalents	$ 300,061	$ 285,159
Restricted cash	52,186	55,762
Accounts receivable (less allowance for doubtful accounts of $19,995 and $15,315, respectively)	578,818	481,791
Securitized accounts receivable restricted for securitization investors	355,000	280,000
Prepaid expenses and other current assets	25,608	15,416
Deferred income taxes	6,296	4,797
Total current assets	1,317,969	1,122,925
Property and equipment	117,008	93,380
Less accumulated depreciation and amortization	(70,466)	(60,656)
Net property and equipment	46,542	32,724
Goodwill	923,715	756,597
Other intangibles, net	465,785	385,607
Other assets	88,110	45,834
Total assets	$ 2,842,121	$ 2,343,687
Liabilities and stockholders equity		
Current liabilities:		
Accounts payable	$ 533,113	$ 478,882
Accrued expenses	60,697	41,565
Customer deposits	177,952	180,269
Securitization facility	355,000	280,000
Current portion of notes payable and other obligations	228,639	140,354
Total current liabilities	1,355,401	1,121,070
Notes payable and other obligations, less current portion	278,863	278,429
Deferred income taxes	172,789	132,752
Total noncurrent liabilities	451,652	411,181
Commitments and contingencies		
Stockholders equity:		
Common stock, $0.001 par value; 475,000,000 shares authorized, 116,266,406 shares issued and 84,384,736 shares outstanding at September 30, 2012; and 475,000,000 shares authorized, 113,741,883	116	114

shares issued and 81,860,213 shares outstanding at December 31, 2011		
Additional paid-in capital	525,056	466,203
Retained earnings	690,626	534,498
Accumulated other comprehensive loss	(5,067)	(13,716)
Less treasury stock (31,881,670 shares at September 30, 2012 and December 31, 2011)	(175,663)	(175,663)
Total stockholders equity	1,035,068	811,436
Total liabilities and stockholders equity	$ 2,842,121	$ 2,343,687

See accompanying notes to unaudited consolidated financial statements.

3

Table of Contents

FleetCor Technologies, Inc. and Subsidiaries

Unaudited Consolidated Statements of Income

(In Thousands, Except Per Share Amounts)

	Three months ended September 30,		Nine months ended September 30,	
	2012	2011	2012	2011
Revenues, net	$ 186,932	$ 134,213	$ 504,917	$ 379,431
Expenses:				
Merchant commissions	12,930	13,347	40,974	36,505
Processing	30,568	20,878	83,161	58,585
Selling	12,790	9,484	33,239	26,274
General and administrative	31,219	19,729	78,866	59,718
Depreciation and amortization	13,591	9,052	36,920	26,247
Operating income	85,834	61,723	231,757	172,102
Other (income) expense, net	(3)	(518)	519	(608)
Interest expense, net	3,246	3,130	9,627	9,944
Loss on early extinguishment of debt				2,669
Total other expense	3,243	2,612	10,146	12,005
Income before taxes	82,591	59,111	221,611	160,097
Provision for income taxes	22,943	18,597	65,483	50,534
Net income	$ 59,648	$ 40,514	$ 156,128	$ 109,563
Earnings per share:				
Basic earnings per share	$ 0.71	$ 0.50	$ 1.88	$ 1.36
Diluted earnings per share	$ 0.69	$ 0.48	$ 1.82	$ 1.31
Weighted average shares outstanding:				
Basic weighted average shares outstanding	84,002	80,819	83,260	80,305
Diluted weighted average shares outstanding	86,224	83,649	85,681	83,526

See accompanying notes to unaudited consolidated financial statements.

Table of Contents

FleetCor Technologies, Inc. and Subsidiaries

Consolidated Statements of Comprehensive Income

(In Thousands)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
Net income	$ 59,648	$ 40,514	$ 156,128	$ 109,563
Other comprehensive income:				
Foreign currency translation adjustment gain (loss), net of tax	8,774	(4,885)	8,649	(545)
Total other comprehensive income (loss)	8,774	(4,885)	8,649	(545)
Total comprehensive income	$ 68,422	$ 35,629	$ 164,777	$ 109,018

See accompanying notes to unaudited consolidated financial statements.

Table of Contents

FleetCor Technologies, Inc. and Subsidiaries

Unaudited Consolidated Statements of Cash Flows

(In Thousands)

	Nine months ended September 30, 2012	2011
Operating activities		
Net income	$ 156,128	$ 109,563
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	9,831	8,477
Stock-based compensation	14,287	15,622
Provision for losses on accounts receivable	16,788	13,600
Amortization of deferred financing costs	1,596	1,351
Amortization of intangible assets	23,044	13,969
Amortization of premium on receivables	2,449	2,450
Deferred income taxes	2,501	(863)
Loss on early extinguishment of debt		2,669
Changes in operating assets and liabilities (net of acquisitions):		
Restricted cash	3,576	4,942
Accounts receivable	(178,715)	(140,491)
Prepaid expenses and other current assets	(4,352)	14,732
Other assets	(45,291)	(81)
Excess tax benefits related to stock-based compensation	(23,177)	(8,170)
Accounts payable, accrued expenses and customer deposits	54,466	32,747
Net cash provided by operating activities	33,131	70,517
Investing activities		
Acquisitions, net of cash acquired	(189,819)	(21,933)
Purchases of property and equipment	(13,634)	(8,408)
Net cash used in investing activities	(203,453)	(30,341)
Financing activities		
Excess tax benefits related to stock-based compensation	23,177	8,170
Borrowings on securitization facility, net	75,000	6,000
Deferred financing costs paid	(796)	(7,839)
Proceeds from issuance of common stock	21,391	5,066
Principal payments on notes payable	(23,492)	(335,215)
Borrowings on notes payable		300,000
Principal payments on revolver	(250,000)	
Borrowings from revolver	330,000	
Borrowings on swing line of credit, net	1,000	
Other	(129)	(179)
Net cash provided by (used in) financing activities	176,151	(23,997)
Effect of foreign currency exchange rates on cash	9,073	6,301
Net increase in cash and cash equivalents	14,902	22,480
Cash and cash equivalents, beginning of period	285,159	114,804

Cash and cash equivalents, end of period	$	300,061	$	137,284
Supplemental cash flow information				
Cash paid for interest	$	10,858	$	11,213
Cash paid for income taxes	$	29,428	$	35,171

See accompanying notes to unaudited consolidated financial statements.

Table of Contents

FleetCor Technologies, Inc. and Subsidiaries

Notes to Unaudited Consolidated Financial Statements

September 30, 2012

1. Summary of Significant Accounting Policies

Basis of Presentation

Throughout this report, the terms our, we, us, and the Company refers to FleetCor Technologies, Inc. and its subsidiaries. The Company prepared the accompanying interim consolidated financial statements in accordance with Rule 10-01 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States (GAAP). The unaudited consolidated financial statements reflect all adjustments considered necessary for fair presentation. These adjustments consist primarily of normal recurring accruals and estimates that impact the carrying value of assets and liabilities. Actual results may differ from these estimates. Operating results for the three and nine month periods ended September 30, 2012 are not necessarily indicative of the results that may be expected for the year ending December 31, 2012.

The unaudited consolidated interim financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto included in the Company s Annual Report on Form 10-K for the year ended December 31, 2011.

Foreign Currency Translation

Assets and liabilities of foreign subsidiaries are translated into U.S. dollars at the rates of exchange in effect at period-end. The related translation adjustments are recorded directly to accumulated other comprehensive income. Income and expenses are translated at the average monthly rates of exchange in effect during the period. Gains and losses from foreign currency transactions of these subsidiaries are included in net income. The Company recognized a foreign exchange loss of $128,000 and a foreign exchange gain of $527,000 for the three months ended September 30, 2012 and 2011, respectively. The Company recognized a foreign exchange loss of $19,000 for the nine months ended September 30, 2012 and a foreign exchange gain of $654,000 for the nine months ended September 30, 2011, which are classified within other income, net in the Unaudited Consolidated Statements of Income.

Processing Expenses

The Company has recorded $6.9 million of expenses related to sales of equipment within the processing expenses line of the consolidated statements of income for the three and nine months ended September 30, 2012.

Comprehensive Income

Comprehensive income is defined as the total of net income and all other changes in equity that result from transactions and other economic events of a reporting period other than transactions with owners. The Company discloses comprehensive income in the Consolidated Statements of Comprehensive Income.

Reclassifications

Certain prior period amounts have been reclassified to conform to the current period presentation. The December 31, 2011 consolidated balance sheet has been recast to reflect adjustments to the provisional opening balance sheet amounts as discussed further in Note 5.

Adoption of New Accounting Standards

Fair Value Measurement and Disclosure Requirements

In May 2011, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2011-04, Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRS, which amends Accounting Standards Codification (ASC) 820, Fair Value Measurement to improve the comparability of fair value measurements presented and disclosed in financial statements prepared in accordance with GAAP and IFRS. The amendments in this update explain how to measure fair value. They do not require additional

fair value measurements and are not intended to establish valuation standards or affect valuation practices outside of financial reporting. The amendments were effective for and adopted by the Company on January 1, 2012 and are required to be applied prospectively. Since ASU 2011-04 is a disclosure-only standard, the Company s adoption of this ASU did not affect the Company s results of operations, financial condition, or cash flows.

Other Comprehensive Income Reclassifications

In December 2011, the FASB issued ASU 2011-12, Deferral of the Effective Date for Amendments to the Presentation of Reclassifications of Items Out of Accumulated Other Comprehensive Income in Accounting Standards Update No. 2011-05, which supersedes certain pending paragraphs in ASU 2011-05. ASU 2011-12 defers the requirement of ASU 2011-05 requiring entities to present reclassification adjustments by component in both the statement where net income is presented and the statement where other

comprehensive income is presented for both interim and annual financial statements. ASU 2011-12 was effective for and adopted by the Company beginning January 1, 2012. The Company s adoption of this ASU did not affect the Company s results of operations, financial condition, or cash flows.

Qualitative Impairment Test for Indefinite-Lived Intangibles

In July 2012, the FASB issued ASU 2012-02, Intangibles Goodwill and Other, which gives companies the option to first perform a qualitative assessment to determine whether it is more likely than not that an indefinite-lived intangible asset is impaired. The proposed guidance is similar to ASU 2011-08 for goodwill. Companies would consider relevant events and circumstances that may affect the significant inputs used in determining the fair value of an indefinite-lived intangible asset. A company that concludes that it is more likely than not that the fair value of such an asset exceeds its carrying amount would not need to calculate the fair value of the asset in the current year. However, if a company concludes that it is more likely than not that the asset is impaired, it must calculate the fair value of the asset and compare that value with its carrying amount, as is required by current guidance. ASU 2012-02 would be applied prospectively for annual and interim impairment tests performed for fiscal years beginning after September 15, 2012, with early adoption permitted. The Company s adoption of this ASU is not expected to affect the Company s results of operations, financial condition, or cash flows.

2. Accounts Receivable

The Company maintains a $500 million revolving trade accounts receivable Securitization Facility. Pursuant to the terms of the Securitization Facility, the Company transfers certain of its domestic receivables, on a revolving basis, to FleetCor Funding LLC (Funding) a wholly-owned bankruptcy remote subsidiary. In turn, Funding sells, without recourse, on a revolving basis, up to $500 million of undivided ownership interests in this pool of accounts receivable to a multi-seller, asset-backed commercial paper conduit (Conduit). Funding maintains a subordinated interest, in the form of over-collateralization, in a portion of the receivables sold to the Conduit. Purchases by the Conduit are financed with the sale of highly-rated commercial paper.

The Company utilizes proceeds from the sale of its accounts receivable as an alternative to other forms of debt, effectively reducing its overall borrowing costs. The Company has agreed to continue servicing the sold receivables for the financial institution at market rates, which approximates the Company s cost of servicing. The Company retains a residual interest in the accounts receivable sold as a form of credit enhancement. The residual interest s fair value approximates carrying value due to its short-term nature. Funding determines the level of funding achieved by the sale of trade accounts receivable, subject to a maximum amount.

On February 6, 2012, the Company extended the term of its asset Securitization Facility to February 4, 2013. The Company capitalized $0.6 million in deferred financing fees in connection with this extension.

The Company s accounts receivable and securitized accounts receivable include the following at September 30, 2012 and December 31, 2011 (in thousands):

	September 30, 2012	December 31, 2011
Gross domestic accounts receivable	$ 99,573	$ 84,087
Gross securitized accounts receivable	355,000	280,000
Gross foreign receivables	499,240	413,019
Total gross receivables	953,813	777,106
Less allowance for doubtful accounts	(19,995)	(15,315)
Net accounts and securitized accounts receivable	$ 933,818	$ 761,791

A rollforward of the Company s allowance for doubtful accounts related to accounts receivable for nine months ended September 30 is as follows (in thousands):

	2012	2011
Allowance for doubtful accounts beginning of period	$ 15,315	$ 14,256
Add:		
Provision for bad debts	16,788	13,600
Less:		
Write-offs	(12,108)	(12,890)
Allowance for doubtful accounts end of period	$ 19,995	$ 14,966

Table of Contents

All foreign receivables are Company owned receivables and are not included in the Company s accounts receivable securitization program. At September 30, 2012 and December 31, 2011, there was $355 million and $280 million, respectively, of short-term debt outstanding under the Company s accounts receivable Securitization Facility.

3. Fair Value Measurements

The Company measures certain financial assets and liabilities at fair value on a recurring basis as of September 30, 2012 and December 31, 2011. The carrying value of the Company s cash, accounts receivable, securitized accounts receivable and related facility, prepaid expenses and other current assets, accounts payable, accrued expenses, customer deposits and short-term borrowings approximate their respective carrying values due to the short-term maturities of the instruments. The carrying value of the Company s debt obligations approximates fair value as the interest rates on the debt are variable market based interest rates that reset on a quarterly basis.

The Company s nonfinancial assets which are measured at fair value on a nonrecurring basis include property, plant and equipment, goodwill and other intangible assets. The Company generally uses projected cash flows, discounted as necessary, to estimate the fair values of the assets using key inputs such as management s projections of cash flows on a held-and-used basis (if applicable), management s projections of cash flows upon disposition and discount rates. Accordingly, these fair value measurements fall in Level 3 of the fair value hierarchy. These assets and certain liabilities are measured at fair value on a nonrecurring basis as part of the Company s annual impairment assessments and as circumstances require.

Fair value is a market-based measurement that is determined based on assumptions that market participants would use in pricing an asset or liability. The authoritative guidance discusses valuation techniques, such as the market approach (comparable market prices), the income approach (present value of future income or cash flow), and the cost approach (cost to replace the service capacity of an asset or replacement cost). These valuation techniques are based upon observable and unobservable inputs. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the Company s market assumptions.

As the basis for evaluating such inputs, a three-tier value hierarchy prioritizes the inputs used in measuring fair value as follows:

Level 1: Observable inputs such as quoted prices for identical assets or liabilities in active markets.

Level 2: Observable inputs other than quoted prices that are directly or indirectly observable for the asset or liability, including quoted prices for similar assets or liabilities in active markets; quoted prices for similar or identical assets or liabilities in markets that are not active; and model-derived valuations whose inputs are observable or whose significant value drivers are observable.

Level 3: Unobservable inputs that reflect the reporting entity s own assumptions.

The Company has certain cash and cash equivalents that are invested on an overnight basis in repurchase agreements. The value of overnight repurchase agreements is determined based upon the quoted market prices for the treasury securities associated with the repurchase agreements.

The following table presents the Company s financial assets and liabilities which are measured at fair values on a recurring basis and that are subject to the disclosure requirements of the authoritative guidance as of September 30, 2012 and December 31, 2011 (in thousands).

	Fair Value	Level 1	Level 2	Level 3
September 30, 2012				
Assets:				
Overnight repurchase agreements	$ 101,411	$ 0	$ 101,411	$ 0
Total	$ 101,411	$ 0	$ 101,411	$ 0
December 31, 2011				

Assets:				
Overnight repurchase agreements	$ 100,077	$ 0	$ 100,077	$ 0
Total	$ 100,077	$ 0	$ 100,077	$ 0

4. Share Based Compensation

The Company has Stock Incentive Plans (the Plans) pursuant to which the Company s board of directors may grant stock options or restricted stock to employees. The Company is authorized to issue grants of restricted stock and stock options to purchase up to 26,963,150 shares as of September 30, 2012 and December 31, 2011. There were 888,766 additional shares remaining available for grant under the Plans at September 30, 2012.

Table of Contents

The table below summarizes the expense recognized related to share-based payments recognized for the three and nine month periods ended September 30 (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
Stock options	$ 2,836	$ 2,032	$ 7,462	$ 7,086
Restricted stock	3,658	1,607	6,825	8,536
Stock-based compensation	$ 6,494	$ 3,639	$ 14,287	$ 15,622

The tax benefits recorded on stock based compensation were $1.4 million and $1.1 million for the three month periods ended September 30, 2012 and 2011, respectively. The tax benefits recorded on stock based compensation were $3.8 million and $5.1 million for the nine month periods ended September 30, 2012 and 2011, respectively.

The following table summarizes the Company s total unrecognized compensation cost related to stock-based compensation as of September 30, 2012 (in thousands):

	Unrecognized Compensation Cost	Weighted Average Period of Expense Recognition (in Years)
Stock options	$ 30,449	2.34
Restricted stock	7,684	1.21
Total	$ 38,133	

Stock Options

Stock options are granted with an exercise price estimated to be equal to the fair market value on the date of grant as authorized by the Company s board of directors. Options granted have vesting provisions ranging from one to six years. Stock option grants are generally subject to forfeiture if employment terminates prior to vesting.

The following summarizes the changes in the number of shares of common stock under option for the nine month period ended September 30, 2012 (shares and aggregate intrinsic value in thousands):

	Shares	Weighted Average Exercise Price	Options Exercisable at End of Period	Weighted Average Exercise Price of Exercisable Options	Weighted Average Fair Value of Options Granted During the Period	Aggregate Intrinsic Value
Outstanding at December 31, 2011	8,341	$ 15.51	4,394	$ 10.13		$ 119,802
Granted	1,158	36.34			$ 10.65	
Exercised	(2,425)	8.71				87,521

Forfeited	(44)	15.54			
Outstanding at September 30, 2012	7,031	$ 21.22	3,052	$ 13.72	$ 165,792
Expected to vest as of September 30, 2012	7,031	$ 21.22			

The fair value of stock option awards granted was estimated using the Black-Scholes option pricing model during the nine months ended September 30, 2012 and 2011, with the following weighted-average assumptions for grants during the period.

	Nine Months Ended September 30,	
	2012	**2011**
Risk-free interest rate	0.59%	1.74%
Dividend yield		
Expected volatility	36.53%	39.06%
Expected life (in years)	4.0	4.0

Table of Contents

The Company considered the retirement and forfeiture provisions of the options and utilized its historical experience to estimate the expected life of the options.

The risk-free interest rate is based on the yield of a zero coupon U.S. Treasury security with a maturity equal to the expected life of the option from the date of the grant. In periods prior to June 30, 2012, the Company estimated the volatility of the share price of the Company s common stock by considering the historical volatility of the stock of similar public entities. In determining the appropriateness of the public entities included in the volatility assumption the Company considered a number of factors, including the entity s life cycle stage, size, financial leverage, and products offered. Beginning July 1, 2012, the Company began utilizing the volatility of the share price of the Company s common stock to estimate the volatility assumption for the Black-Scholes option pricing model.

The weighted-average remaining contractual life for options outstanding was 7.41 and 7.00 years at September 30, 2012 and December 31, 2011, respectively.

Restricted Stock

Awards of restricted stock and restricted stock units are independent of stock option grants and are generally subject to forfeiture if employment terminates prior to vesting. The vesting of the shares granted in 2012 and 2011 are generally based on the passage of time, performance or market conditions. Shares vesting based on the passage of time have vesting provisions ranging from one to six years.

There were no restricted stock awards granted which included market conditions during the nine months ended September 30, 2012. The fair value of restricted stock awards granted which included market conditions during the nine months ended September 30, 2011 was estimated using the Monte Carlo option pricing model at the grant date, with the following assumptions.

	Nine Months Ended September 30, 2011
Risk-free interest rate	1.25%
Dividend yield	
Expected volatility	37.00%
Expected life (in years)	0.63

The risk-free interest rate and volatility assumptions were calculated consistently with those applied in the Black-Scholes options pricing model utilized in determining the fair value of the stock option awards.

The following table summarizes the changes in the number of shares of restricted stock and restricted stock units for the nine months ended September 30, 2012 (shares in thousands):

	Shares	Weighted Average Grant Date Fair Value
Unvested at December 31, 2011	840	$ 23.15
Granted	131	36.27
Vested	(224)	23.31
Cancelled	(25)	33.49
Unvested at September 30, 2012	722	$ 25.21

5. Acquisitions

2012 Acquisitions

During the nine months ended September 30, 2012 the Company completed acquisitions with an aggregate purchase price of $206.8 million, net of cash acquired, which includes deferred payments of $11.3 million and a contingent earn-out payment of $5.1 million.

Russian Fuel Card Company

On June 15, 2012, the Company acquired all of the outstanding stock of a leading Russian fuel card company. The consideration for the transaction was paid using the Company s existing cash and credit facilities. In connection with the transaction, a final payment of $11.25 million is due December 15, 2013. This deferred payment is included in notes payable and other obligations, less current portion, within the consolidated balance sheet. The acquired company is the Russian leader in fuel card systems, and serves major oil clients, and hundreds of independent fuel card issuers. Its technology allows issuers to share their retail network, thereby expanding

Table of Contents

the reach of their networks. Results from the acquired Russian business have been reported in the Company s International segment since the date of acquisition. The purpose of this acquisition was to further expand the Company s presence in the Russian fuel card marketplace. This business acquisition was not material to the Company s consolidated financial statements. The goodwill acquired with this business is not deductible for tax purposes.

CTF Technologies, Inc.

On July 3, 2012, the Company acquired all of the outstanding stock of CTF Technologies, Inc. (CTF), a British Columbia organization, for $155.7 million. The consideration for the transaction was paid using the Company s existing cash and credit facilities. CTF Technologies Do Brasil Ltda and certain of the Company s other subsidiaries are wholly-owned entities of CTF. The acquisition was carried out pursuant to a plan of arrangement under the Business Corporations Act (British Columbia) and was approved by final order of the Supreme Court of British Columbia. The purpose of the transaction was to establish the Company s presence in the Brazilian marketplace.

CTF provides fuel payment processing services for over-the-road fleets, ships, mining equipment, and railroads in Brazil. CTF s payment platform links together fleet operators, banks, and oil companies. CTF earns revenue primarily from a recurring transaction fee paid by the oil companies who purchase services for their fleet customers under multi-year customer contracts. The goodwill acquired with this business is not deductible for tax purposes.

2012 Totals

The following table summarizes the allocation of the purchase price for all acquisitions during 2012 (in thousands):

Trade and other receivables	$ 10,852
Prepaid expenses and other	6,167
Property and equipment	8,877
Goodwill	166,288
Other intangible assets	102,658
Notes and other liabilities assumed	(41,598)
Deferred tax liabilities	(46,481)
Aggregate purchase prices	$ 206,763

The purchase price is net of cash and cash equivalents acquired, totaling $2.1 million, and also includes deferred payments of $11.3 million and a contingent earn-out payment of $5.1 million.

Intangible assets allocated in connection with the purchase price allocations consisted of the following (in thousands):

	Weighted Average Useful Lives (in Years)	Value
Customer relationships	10-20	$ 73,884
Trade names and trademarks indefinite	N/A	14,700
Merchant network	10	6,574
Software	3-10	6,700
Non-compete	2-6	800
		$ 102,658

2011 Acquisitions

During 2011, the Company completed two foreign acquisitions with an aggregate purchase price of $333.8 million, net of cash acquired, the largest of which was Allstar Business Solutions Limited.

Allstar Business Solutions Limited

On December 13, 2011, the Company acquired all of the outstanding stock of Allstar Business Solutions Limited (Allstar) in the United Kingdom. The purpose of the transaction was to expand the Company s European commercial fleet card offerings. The results of Allstar are included in the Company s consolidated financial statements from the date of the acquisition. The total consideration for this acquisition was £200 million or approximately $312 million, including amounts applied at the closing to the repayment of Allstar s debt. The consideration for the transaction was paid using the Company s existing cash and credit facilities.

Table of Contents

The following table summarizes the preliminary allocation of the purchase price for Allstar (in thousands):

Trade and other receivables	$ 253,628
Prepaid expenses and other	139
Property and equipment	601
Goodwill	106,279
Other intangible assets	168,200
Notes and other liabilities assumed	(176,327)
Deferred tax liabilities	(40,357)
Purchase price	$ 312,163

Intangible assets allocated in connection with the purchase price allocations consisted of the following (in thousands):

	Weighted Average Useful Lives (in Years)	Value
Customer relationships	10-20	$ 141,600
Trade names and trademarks indefinite	N/A	18,400
Merchant network	10	8,200
		$ 168,200

During the nine months ended September 30, 2012, after the December 31, 2011 financial statements were issued, the Company completed a preliminary valuation of tangible and intangible assets and in connection with such valuation considered the report of an independent third party. With this valuation, the Company identified additional intangible assets and deferred tax liabilities acquired as of the acquisition date. Based on the Company s valuation, the Company has estimated the fair values of the customer-related intangible assets, trade names and trademark assets and merchant network assets acquired as part of the acquisition of Allstar are $141.6 million, $18.4 million and $8.2 million, respectively. As a result, the carrying amount of the customer-related intangible assets, trade names and trademark assets and merchant network assets were increased by an aggregate $86.1 million during the nine months ended September 30, 2012, due to the identification of this information that existed at the acquisition date, with a corresponding decrease to goodwill of $66.3 million and increase to deferred tax liabilities of $19.9 million. In addition, the Company reduced accrued liabilities acquired by $0.7 million, with a corresponding increase to goodwill during the nine months ended September 30, 2012, due to the identification of this information that existed at the acquisition date subsequent to the issuance of the December 31, 2011 financial statements. The Company has recast the December 31, 2011 consolidated balance sheet to reflect these purchase accounting adjustments. Due to the acquisition of the Allstar business occurring during December 2011, the preliminary purchase accounting adjustments recorded during the nine months ended September 30, 2012 did not have a significant impact on the consolidated income statement or consolidated statement of cash flows, thus the Company has not recast these statements.

The allocation of purchase price is preliminary for the Allstar acquisition as the Company has not yet finalized the valuation of assets acquired and liabilities assumed. Goodwill recognized is comprised primarily of expected synergies from combining the operations of the Company and Allstar. The goodwill acquired with this business is not deductible for tax purposes.

6. Goodwill and Other Intangible Assets

A summary of changes in the Company s goodwill by reportable business segment is as follows (in thousands):

	December 31, 2011	Acquisitions	Purchase Accounting Adjustments	Foreign Currency	September 30, 2012

Segment					
North America	$ 276,714	$	$	$	$ 276,714
International	479,883	166,288	427	403	647,001
	$ 756,597	$ 166,288	$ 427	$ 403	$ 923,715

Table of Contents

As of September 30, 2012 and December 31, 2011 other intangible assets consisted of the following (in thousands):

		September 30, 2012			December 31, 2011		
	Useful Lives (Years)	Gross Carrying Amounts	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amounts	Accumulated Amortization	Net Carrying Amount
Customer and vendor agreements	5 to 20	$ 485,607	$ (82,655)	$ 402,952	$ 404,586	$ (61,110)	$ 343,476
Trade names and trademarks indefinite lived	N/A	51,726		51,726	37,026		37,026
Trade names and trademarks other	3 to 15	3,160	(1,365)	1,795	3,160	(1,200)	1,960
Software	3 to 10	12,230	(4,359)	7,871	5,530	(3,383)	2,147
Non-compete agreements	2 to 5	3,271	(1,830)	1,441	2,471	(1,473)	998
Total other intangibles		$ 555,994	$ (90,209)	$ 465,785	$ 452,773	$ (67,166)	$ 385,607

Purchase accounting adjustments recorded during the nine months ended September 30, 2012 relate to an additional payment due to final working capital adjustments. Amortization expense related to intangible assets for the nine month periods ended September 30, 2012 and 2011 was $23.0 million and $14.0 million, respectively.

7. Debt

The Company s debt instruments are as follows (in thousands):

	September 30, 2012	December 31, 2011
Term note payable domestic(a)	$ 281,250	$ 292,500
Revolving line of credit domestic(a)	205,000	125,000
Swing line of credit foreign (a)	2,830	
Other debt (c)	18,422	1,283
Total notes payable and other obligations	507,502	418,783
Securitization facility(b)	355,000	280,000
Total notes payable, credit agreements and Securitization Facility	$ 862,502	$ 698,783
Current portion	$ 583,639	$ 420,354
Long-term portion	278,863	278,429
Total notes payable, credit agreements and Securitization Facility	$ 862,502	$ 698,783

(a) The Company entered into a Credit Agreement on June 22, 2011. On November 6, 2012, the Company entered into a second amendment to the Credit Agreement to add an additional term loan of $250 million and increase the borrowing limit on the revolving line of credit from $600 million to $850 million. The Company also revised the option to increase the facility from an additional $150 million to an additional $250 million. As amended, the Credit Agreement provides for a $550 million term loan facility and a $850 million revolving credit facility. The interest rates on the amended Credit Agreement did not change. The revolving line of credit contains a $20 million sublimit for letters of credit, a $20 million sublimit for swing line loans and a sublimit for multicurrency borrowings in Euros, Sterling and Japanese Yen. Proceeds from this new credit facility were used to retire the Company s indebtedness under its 2005 Credit Facility and CCS Credit Facility, as described below. On March 13, 2012, the Company entered into the first amendment to the Credit Agreement. This Amendment added two United Kingdom entities as designated borrowers and added a $110 million foreign currency swing line of credit sub facility under the existing revolver, which allows for alternate currency borrowing on the swing line. Interest ranges from the sum of

the Base Rate plus 0.25% to 1.25% or the Eurodollar Rate plus 1.25% to 2.25%. The term note is payable in quarterly installments and is due on the last business day of each March, June, September, and December with the final principal payment due in June 2016. Borrowings on the revolving line of credit are repayable at our option of one, two, three or six months after borrowing, depending on the term of the borrowing on the facility. Borrowings on the foreign swing line of credit are due no later than ten business days after such loan is made. This facility is referred to as the Credit Facility. Principal payments of $11.3 million were made on the term loan during the nine months ended September 30, 2012.

(b) The Company is party to a receivables purchase agreement (Securitization Facility) that was amended and restated for the fourth time as of October 29, 2007 and which has been amended seven times since then to add or remove purchasers, extend the facility termination date and remove all financial covenants. The current purchase limit under the Securitization Facility is

$500 million. The Securitization Facility was amended for the seventh time on February 6, 2012 to add a new purchaser and extend the facility termination date to February 4, 2013. There is a program fee equal to the Commercial Paper Rate of 0.27%, plus 0.75% as of September 30, 2012. The unused facility fee is payable at a rate of 0.35% per annum as of September 30, 2012. The Securitization Facility provides for certain termination events, which includes nonpayment, upon the occurrence of which the administrator may declare the facility termination date to have occurred, may exercise certain enforcement rights with respect to the receivables, and may appoint a successor servicer, among other things.

(c) In connection with the Company s acquisition of a Russian fuel card company, there is a final payment of $11.3 million due on December 15, 2013. The Company also is party to another acquisition agreement that includes contingent earn-out payments of $5.1 million, which is payable in three installments in December 2012, November 2013 and May 2016.

The Company was in compliance with all financial and non-financial covenants at September 30, 2012.

The Company has deferred debt issuance costs associated with its new Credit Facility of $6.3 million as of September 30, 2012, which is classified in Other Assets within the Company s unaudited Consolidated Balance Sheet.

8. Income Taxes

The provision for income taxes differs from amounts computed by applying the U.S. federal tax rate of 35% to income before income taxes for the three months ended September 30, 2012 and 2011 due to the following (in thousands):

	2012		2011	
Income tax expense at federal statutory rate	$ 28,909	35.0%	$ 20,689	35.0%
Changes resulting from:				
Foreign income tax differential	(3,030)	(3.6)	(2,404)	(4.1)
Effect of statutory rate change	(3,473)	(4.1)	(467)	(0.8)
State taxes, net of federal benefit	1,366	1.7	1,262	2.2
Foreign-sourced nontaxable income	(1,826)	(2.2)	(731)	(1.2)
Other	997	1.0	248	0.4
Provision for income taxes	$ 22,943	27.8%	$ 18,597	31.5%

At September 30, 2012 and December 31, 2011, notes payable and other obligations noncurrent, included liabilities for unrecognized income tax benefits of $6.9 million and $4.2 million, respectively. During the three months ended September 30, 2012 and 2011 the Company recognized additional liabilities of $1.2 million and $0.5 million, respectively. During the nine months ended September 30, 2012 and 2011 the Company recognized additional liabilities of $1.9 million and $0.8 million, respectively. During the three and nine months ended September 30, 2012 and 2011, amounts recorded for accrued interest and penalties expense related to the unrecognized income tax benefits were not significant.

The Company files numerous consolidated and separate income tax returns in the U.S. federal jurisdiction and various state and foreign jurisdictions. The statute of limitations for the Company s U.S. federal income tax returns has expired for years prior to 2009. The statute of limitations for the Company s U.K. income tax returns has expired for years prior to 2010. The statute of limitations has expired for years prior to 2008 for the Company s Czech Republic income tax returns.

9. Earnings Per Share

The Company reports basic and diluted earnings per share. Basic earnings per share is computed by dividing net income attributable to shareholders of the Company by the weighted average number of common shares outstanding during the reported period. Diluted earnings per share reflect the potential dilution related to equity-based incentives using the if-converted and treasury stock method, where applicable.

The calculation and reconciliation of basic and diluted earnings per share for the three and nine months ended September 30 (in thousands, except per share data):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
Net income	$ 59,648	$ 40,514	$ 156,128	$ 109,563
Denominator for basic and diluted earnings per share:				
Weighted-average shares outstanding	83,229	79,790	82,435	79,093
Share-based payment awards classified as participating securities	773	1,029	825	1,212
Denominator for basic earnings per share	84,002	80,819	83,260	80,305
Dilutive securities	2,222	2,830	2,421	3,221
Denominator for diluted earnings per share	86,224	83,649	85,681	83,526
Basic earnings per share	$ 0.71	$ 0.50	$ 1.88	$ 1.36
Diluted earnings per share	$ 0.69	$ 0.48	$ 1.82	$ 1.31

Table of Contents

Diluted earnings per share for the three month periods ended September 30, 2012 and 2011 excludes the effect of 0.2 million and 0.4 million shares of common stock, respectively, that may be issued upon the exercise of employee stock options because such effect would be antidilutive.

10. Segments

The Company s reportable segments represent components of the business for which separate financial information is evaluated regularly by the chief operating decision maker in determining how to allocate resources and in assessing performance. The Company operates in two reportable segments, North America and International. The Company has identified these segments due to commonality of the products in each of their business lines having similar economic characteristics, services, customers and processes. There were no significant inter-segment sales.

The results from the Company s Mexican prepaid fuel card and food voucher business acquired during the third quarter of 2011, Allstar business acquired during the fourth quarter of 2011, a Russian fuel card business acquired during the second quarter of 2012 and CTF Technologies, Inc. acquired during the third quarter of 2012 are reported in our International segment.

The Company s segment results are as follows (in thousands):

	Three months ended September 30,		Nine months ended September 30,	
	2012	**2011**	**2012**	**2011**
Revenues, net:				
North America	$ 101,495	$ 92,995	$ 291,593	$ 257,444
International	85,437	41,218	213,324	121,987
	$ 186,932	$ 134,213	$ 504,917	$ 379,431
Operating income:				
North America	$ 49,273	$ 43,070	$ 140,984	$ 114,387
International	36,561	18,653	90,773	57,715
	$ 85,834	$ 61,723	$ 231,757	$ 172,102
Depreciation and amortization:				
North America	$ 5,046	$ 4,990	$ 15,064	$ 14,821
International	8,545	4,062	21,856	11,426
	$ 13,591	$ 9,052	$ 36,920	$ 26,247
Capital expenditures:				
North America	$ 1,153	$ 1,142	$ 5,749	$ 3,975
International	4,050	1,350	7,885	4,433
	$ 5,203	$ 2,492	$ 13,634	$ 8,408

Table of Contents

Revenues, net and long-lived assets for the United States, our country of domicile, as well as the Company s significant foreign operations are as follows (in thousands):

	Three months ended September 30,		Nine months ended September 30,	
	2012	2011	2012	2011
Revenues, net:				
United States	$ 101,350	$ 92,793	$ 291,157	$ 256,863
United Kingdom	37,942	17,054	113,734	54,872

	September 30, 2012	December 31, 2011
Long-lived assets (excluding goodwill):		
United States	$ 151,320	$ 113,030
United Kingdom	213,541	225,212

We attribute revenues, net from external customers to individual countries based upon the country in which the related services were rendered.

11. Commitments and Contingencies

In the ordinary course of business, the Company is involved in various pending or threatened legal actions. The Company is currently involved in an investigation by the Office of Fair Trading in the United Kingdom, relating to its Keyfuels product line. This product line consists of a proprietary payment card and associated site network in the United Kingdom. A competitor alleged that a Company subsidiary is dominant in a relevant market with its Keyfuels product line. The Office of Fair Trading is investigating whether the Company is dominant and, if dominant, whether some of its contracts with some sites and dealers would constitute exclusive dealings requiring them to be reformed to eliminate exclusivity. The Office of Fair Trading has issued a statement of objections, which the Company responded to, and it is awaiting the regulator s conclusions. If determined adversely, the regulator has authority to require the Company to reform contracts to eliminate exclusivity and impose significant fines, which could be material. Any adverse determination is appealable to the Competition Appeal Tribunal. The Company does not believe that a reasonable estimate of the range of loss can be made at this time.

The Company has recorded reserves for certain legal proceedings. The amounts recorded are estimated and as additional information becomes available, the Company will reassess the potential liability related to its pending litigation and revise its estimate in the period that information becomes known. In the opinion of management, the amount of ultimate liability, if any, with respect to these actions will not have a material adverse effect on the Company s consolidated financial position, results of operations, or liquidity.

Table of Contents

Item 2. Management s Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with the unaudited consolidated financial statements and related notes appearing elsewhere in this report. In addition to historical information, this discussion contains forward-looking statements that involve risks, uncertainties and assumptions that could cause actual results to differ materially from management s expectations. Factors that could cause such differences include, but are not limited to, those identified below and those described in Part I, Item 1A Risk Factors appearing in our Annual Report on Form 10-K. All foreign currency amounts that have been converted into U.S. dollars in this discussion are based on the exchange rate as reported by Oanda for the applicable periods.

This management s discussion and analysis should also be read in conjunction with the management s discussion and analysis and consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2011.

Overview

FleetCor is a leading independent global provider of specialized payment products and services to businesses, commercial fleets, major oil companies, petroleum marketers and government entities in countries throughout North America, South America, Latin America and Europe. Our payment programs enable our customers to better manage and control employee spending and provide card-accepting merchants with a high volume customer base that can increase their sales and customer loyalty. We believe that our size and scale, geographic reach, advanced technology and our expansive suite of products, services, brands and proprietary networks contribute to our leading industry position.

We provide our payment products and services in a variety of combinations to create customized payment solutions for our customers and partners. We sell these products and services directly and indirectly through partners with whom we have strategic relationships, such as major oil companies and petroleum marketers. We refer to these major oil companies and petroleum marketers as our partners. We provide our customers with various card products that typically function like a charge card to purchase fuel, lodging and related products and services at participating locations. Our payment programs enable businesses to better manage and control employee spending and provide card-accepting merchants with a high volume customer base that can increase their sales and customer loyalty.

In order to deliver our payment programs and services and process transactions, we own and operate proprietary closed-loop networks through which we electronically connect to merchants and capture, analyze and report customized information. We also use third-party networks to deliver our payment programs and services in order to broaden our card acceptance and use. To support our payment products, we also provide a range of services, such as issuing and processing, as well as specialized information services that provide our customers with value-added functionality and data. Our customers can use this data to track important business productivity metrics, combat fraud and employee misuse, streamline expense administration and lower overall fleet operating costs.

Our segments, sources of revenue and expenses

Segments

We operate in two segments, which we refer to as our North America and International segments. The results from our Mexican prepaid fuel card and food voucher company (Mexican business) acquired during the third quarter of 2011, Allstar Business Solutions (Allstar) acquired during the fourth quarter of 2011, Russian fuel card business acquired during the second quarter of 2012 and CTF Technologies, Inc. acquired during the third quarter of 2012 are reported in our International segment. Our revenue is reported net of the wholesale cost for underlying products and services. In this report, we refer to this net revenue as revenue. For the three and nine months ended September 30, 2012 and 2011, our North America and International segments generated the following revenue:

	Three months ended September 30,				Nine months ended September 30,			
	2012		2011		2012		2011	
(dollars in millions)	Revenue	% of total revenue	Revenue	% of total revenue	Revenue	% of total revenue	Revenue	% of total revenue
North America	$ 101.5	54.3%	$ 93.0	69.3%	$ 291.6	57.8%	$ 257.4	67.9%
International	85.4	45.7%	41.2	30.7%	213.3	42.2%	122.0	32.1%
	$ 186.9	100.0%	$ 134.2	100.0%	$ 504.9	100.0%	$ 379.4	100.0%

Table of Contents

Sources of Revenue

Transactions In both of our segments, we derive revenue from transactions and the related revenue per transaction. As illustrated in the diagram below, a transaction is defined as a purchase by a customer. Our customers include holders of our card products and those of our partners, for whom we manage card programs. Revenue from transactions is derived from our merchant and network relationships, as well as our customers and partners. Through our merchant and network relationships we primarily offer fuel, vehicle maintenance or lodging services to our customers. We also earn revenue from our customers and partners through program fees and charges. The following diagram illustrates a typical transaction flow.

Illustrative Transaction Flow for Fuel

From our merchant and network relationships, we derive revenue from the difference between the price charged to a customer for a transaction and the price paid to the merchant or network for the same transaction. As illustrated in the table below, the price paid to a merchant or network may be calculated as (i) the merchant s wholesale cost of fuel plus a markup; (ii) the transaction purchase price less a percentage discount; or (iii) the transaction purchase price less a fixed fee per unit. The difference between the price we pay to a merchant and the merchant s wholesale cost for the underlying products and services is considered a merchant commission and is recognized as an expense. Approximately 49.2% and 49.4% of our revenue was derived from our merchant and network relationships during the three months ended September 30, 2012 and 2011, respectively. Approximately 53.8% and 49.1% of our revenue was derived from our merchant and network relationships during the nine months ended September 30, 2012 and 2011, respectively.

Illustrative Revenue Model for Fuel Purchases

(unit of one gallon)

Illustrative Revenue Model		**Merchant Payment Methods**					
Retail Price	$ 3.00	**i) Cost Plus Mark-up:**		**ii) Percentage Discount:**		**iii) Fixed Fee:**	
Wholesale Cost	(2.86)	Wholesale Cost	$ 2.86	Retail Price	$ 3.00	Retail Price	$ 3.00
		Mark-up	0.05	Discount (3%)	(0.09)	Fixed Fee	(0.09)
FleetCor Revenue	$ 0.14						
Merchant Commission	$ (0.05)	Price Paid to Merchant	$ 2.91	Price Paid to Merchant	$ 2.91	Price Paid to Merchant	$ 2.91
Price Paid to Merchant	$ 2.91						

From our customers and partners, we derive revenue from a variety of program fees such as transaction fees, card fees, network fees and report fees. Our payment programs include other fees and charges associated with late payments and based on customer credit risk. Approximately 50.8% and 50.6% of our revenue was derived from customer and partner program fees and charges during the three months ended September 30, 2012 and 2011, respectively. Approximately 46.2% and 50.9% of our revenue was derived from customer and partner program fees and charges during the nine months ended September 30, 2012 and 2011, respectively.

Table of Contents

Key operating metrics

Transaction volume and revenue per transaction Set forth below is revenue per transaction information for the three and nine months ended September 30, 2012 and 2011:

	Three months ended September 30, 2012	Three months ended September 30, 2011	Nine months ended September 30, 2012	Nine months ended September 30, 2011
Transactions (in millions)				
North America	41.2	39.9	117.2	114.7
International	38.1	14.3	108.2	36.2
Total transactions	79.3	54.2	225.4	150.9
Revenue per transaction				
North America	$ 2.46	$ 2.33	$ 2.49	$ 2.25
International	2.24	2.89	1.97	3.37
Consolidated revenue per transaction	2.36	2.48	2.24	2.52

Revenue per transaction is derived from the various revenue types as discussed above and can vary based on geography, the relevant merchant relationship, the payment product utilized and the types of products or services purchased, the mix of which would be influenced by our acquisitions, organic growth in our business and the overall macroeconomic environment, including fluctuations in foreign currency exchange rates. Revenue per transaction per customer changes as the level of services we provide to a customer increases or decreases, as macroeconomic factors change and as adjustments are made to merchant and customer rates.

Revenue per transaction in the International segment has historically run higher than the North America segment primarily due to higher margins and higher fuel prices in our international product lines. However, acquisitions in 2011 have significantly impacted revenue per transactions in our International segment as well as on a consolidated basis. In 2011, we acquired a Mexican business and Allstar, which contributed to the increase in transaction volumes and revenues in our International segment. While the Allstar business in the UK and our business in Mexico represent good profit margin businesses, they do have lower revenue per transaction products in comparison to our other businesses. The impact of the products offered by our businesses acquired in the UK and Mexico were partially offset by the impact of acquisitions completed in 2012. In 2012, we acquired a Russian fuel card business and CTF Technologies, Inc., which have higher revenue per transaction products in comparison to our other businesses. However, the overall impact of these acquisitions resulted in lower revenue per transaction for our international segment and on a consolidated basis.

Sources of Revenue Set forth below is information on our sources of revenue for the three and nine months ended September 30, 2012 and 2011 expressed as a percentage of consolidated revenues:

	Three months ended September 30, 2012	Three months ended September 30, 2011	Nine months ended September 30, 2012	Nine months ended September 30, 2011
Revenue from customers and partners	50.8%	50.6%	46.2%	50.9%
Revenue from merchants and networks	49.2%	49.4%	53.8%	49.1%
Revenue tied to fuel-price spreads	14.0%	19.6%	17.6%	19.4%
Revenue influenced by the absolute price of fuel	21.7%	24.0%	20.8%	24.0%
Revenue from program fees, late fees, interest and other	64.3%	56.4%	61.6%	56.6%

Adjusted Revenues, EBITDA, Adjusted Net Income and Adjusted Net Income Per Diluted Share Set forth below is adjusted revenues, EBITDA, adjusted net income and diluted adjusted net income per share for the three and nine months ended September 30, 2012 and 2011:

	Three Months Ended September 30, 2012	Three Months Ended September 30, 2011	Nine Months Ended September 30, 2012	Nine Months Ended September 30, 2011
(in thousands, except per share amounts)				

Adjusted revenues	$ 174,002	$ 120,866	$ 463,943	$ 342,926
EBITDA	$ 99,428	$ 71,293	$ 268,158	$ 196,288
Adjusted net income	$ 71,595	$ 47,193	$ 185,278	$ 134,241
Adjusted net income per diluted share	$ 0.83	$ 0.56	$ 2.16	$ 1.61

We use adjusted revenues as a basis to evaluate our revenues, net of the commissions that are paid to merchants to participate in our card programs. The commissions paid to merchants can vary when market spreads fluctuate in much the same way as revenues are impacted when market spreads fluctuate. Thus, we believe this is a more effective way to evaluate our revenue performance on a consistent basis. We use EBITDA, calculated as earnings before interest, taxes, depreciation and amortization to eliminate the impact of certain non-core items during the period. We use adjusted net income and adjusted net income per diluted share to eliminate the effect of items that we do not consider indicative of our core operating performance on a consistent basis. Adjusted revenues, EBITDA, adjusted net income and adjusted net income per diluted share are supplemental non-GAAP financial measures of operating performance. See the heading entitled Management s Use of Non-GAAP Financial Measures.

Factors and trends impacting our business

We believe that the following factors and trends are important in understanding our financial performance:

Fuel prices Our fleet customers use our products and services primarily in connection with the purchase of fuel. Accordingly, our revenue is affected by fuel prices, which are subject to significant volatility. A change in retail fuel prices could cause a decrease or increase in our revenue from several sources, including fees paid to us based on a percentage of each customer s total purchase. We believe that approximately 21.7% and 24.0% of our consolidated revenue during the three months ended September 30, 2012 and 2011, respectively, and 20.8% and 24.0% of our consolidated revenue during the nine months ended September 30, 2012 and 2011, respectively, was directly influenced by the absolute price of fuel. Changes in the absolute price of fuel may also impact unpaid account balances and the late fees and charges based on these amounts.

Fuel-price spread volatility A portion of our revenue involves transactions where we derive revenue from fuel-price spreads, which is the difference between the price charged to a fleet customer for a transaction and the price paid to the merchant for the same transaction. In these transactions, the price paid to the merchant is based on the wholesale cost of fuel. The merchant s wholesale cost of fuel is dependent on several factors including, among others, the factors described above affecting fuel prices. The fuel price that we charge to our customer is dependent on several factors including, among others, the fuel price paid to the merchant, posted retail fuel prices and competitive fuel prices. We experience fuel-price spread contraction when the merchant s wholesale cost of fuel increases at a faster rate than the fuel price we charge to our customers, or the fuel price we charge to our customers decreases at a faster rate than the merchant s wholesale cost of fuel. Approximately 14.0% and 19.6% of our consolidated revenue during the three months ended September 30, 2012 and 2011, respectively, and 17.6% and 19.4% of our consolidated revenue during the nine months ended September 30, 2012 and 2011, respectively, was derived from transactions where our revenue is tied to fuel-price spreads.

Acquisitions Since 2002, we have completed over 45 acquisitions of companies and commercial account portfolios. Acquisitions have been an important part of our growth strategy, and it is our intention to continue to seek opportunities to increase our customer base and diversify our service offering through further strategic acquisitions. The impact of acquisitions has, and may continue to have, a significant impact on our results of operations and may make it difficult to compare our results between periods.

Interest rates Our results of operations are affected by interest rates. We are exposed to market risk changes in interest rates on our cash investments and debt.

Global economic environment Our results of operations are materially affected by conditions in the economy generally, both in North America and internationally. Factors affected by the economy include our transaction volumes and the credit risk of our customers. These factors affected our businesses in both our North America and International segments.

Foreign currency changes Our results of operations are impacted by changes in foreign currency rates; namely, by movements of the British pound, the Czech koruna, the Russian ruble, the Canadian dollar, the Euro, the Mexican Peso and the Brazilian Real relative to the U.S. dollar. Approximately 54.2% and 69.1% of our revenue during the three months ended September 30, 2012 and 2011, respectively, and 57.7% and 67.7% of our revenue during the nine months ended September 30, 2012 and 2011, respectively, was derived in U.S.

dollars and was not affected by foreign currency exchange rates.

Expenses Over the long term, we expect that our general and administrative expense will decrease as a percentage of revenue as our revenue increases. To support our expected revenue growth, we plan to continue to incur additional sales and marketing expense by investing in our direct marketing, third-party agents, internet marketing, telemarketing and field sales force.

Table of Contents

Results of Operations

Three months ended September 30, 2012 compared to the three months ended September 30, 2011

The following table sets forth selected consolidated statement of income data for the three months ended September 30, 2012 and 2011 (in thousands).