

FLEETCOR TECHNOLOGIES INC

Form 10-Q

November 08, 2013

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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, 2013

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)

<p>Delaware (State or other jurisdiction of incorporation or organization)</p> <p>5445 Triangle Parkway, Norcross, Georgia (Address of principal executive offices)</p> <p>Registrant's telephone number, including area code: (770) 449-0479</p>	<p>72-1074903 (I.R.S. Employer Identification No.)</p> <p>30092 (Zip Code)</p>
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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 (§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 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 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

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 October 31, 2013
Common Stock, \$0.001 par value	82,248,320

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FLEETCOR TECHNOLOGIES, INC. AND SUBSIDIARIES

FORM 10-Q

For the Quarterly Period Ended September 30, 2013

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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, 2013 (Unaudited)	December 31, 2012
Assets		
Current assets:		
Cash and cash equivalents	\$ 345,689	\$ 283,649
Restricted cash	50,008	53,674
Accounts receivable (less allowance for doubtful accounts of \$21,173 and \$19,463, respectively)	661,901	525,441
Securitized accounts receivable restricted for securitization investors	394,000	298,000
Prepaid expenses and other current assets	32,988	28,126
Deferred income taxes	5,938	6,464
Total current assets	1,490,524	1,195,354
Property and equipment	108,288	93,902
Less accumulated depreciation and amortization	(59,491)	(48,706)
Net property and equipment	48,797	45,196
Goodwill	1,241,969	926,609
Other intangibles, net	643,938	463,864
Other assets	49,877	90,847
Total assets	\$ 3,475,105	\$ 2,721,870
Liabilities and stockholders equity		
Current liabilities:		
Accounts payable	\$ 567,420	\$ 418,609
Accrued expenses	69,054	75,812
Customer deposits	177,511	187,627
Securitization facility	394,000	298,000
Current portion of notes payable and lines of credit	260,890	141,875
Other current liabilities	128,085	20,299
Total current liabilities	1,596,960	1,142,222

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Notes payable and other obligations, less current portion	479,082	485,217
Deferred income taxes	225,161	180,609
Total noncurrent liabilities	704,243	665,826
Commitments and contingencies (Note 11)		
Stockholders' equity:		
Common stock, \$0.001 par value; 475,000,000 shares authorized, 117,898,939 shares issued and 82,164,447 shares outstanding at September 30, 2013; and 475,000,000 shares authorized, 116,772,324 shares issued and 81,037,832 shares outstanding at December 31, 2012	117	116
Additional paid-in capital	601,577	542,018
Retained earnings	967,078	750,697
Accumulated other comprehensive loss	(19,207)	(3,346)
Less treasury stock (35,734,492 shares at September 30, 2013 and December 31, 2012)	(375,663)	(375,663)
Total stockholders' equity	1,173,902	913,822
Total liabilities and stockholders' equity	\$ 3,475,105	\$ 2,721,870

See accompanying notes to unaudited consolidated financial statements.

Table of Contents**FleetCor Technologies, Inc. and Subsidiaries****Unaudited Consolidated Statements of Income***(In Thousands, Except Per Share Amounts)*

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2013	2012	2013	2012
Revenues, net	\$ 225,150	\$ 186,932	\$ 639,670	\$ 504,917
Expenses:				
Merchant commissions	16,944	12,930	50,360	40,974
Processing	33,473	30,568	95,426	83,161
Selling	13,859	12,790	38,949	33,239
General and administrative	31,559	31,219	91,774	78,866
Depreciation and amortization	18,060	13,591	48,579	36,920
Operating income	111,255	85,834	314,582	231,757
Other (income) expense, net	(156)	(3)	130	519
Interest expense, net	3,756	3,246	10,960	9,627
Total other expense	3,600	3,243	11,090	10,146
Income before taxes	107,655	82,591	303,492	221,611
Provision for income taxes	29,035	22,943	87,111	65,483
Net income	\$ 78,620	\$ 59,648	\$ 216,381	\$ 156,128
Earnings per share:				
Basic earnings per share	\$ 0.96	\$ 0.71	\$ 2.65	\$ 1.88
Diluted earnings per share	\$ 0.93	\$ 0.69	\$ 2.56	\$ 1.82
Weighted average shares outstanding:				
Basic weighted average shares outstanding	81,974	84,002	81,592	83,260
Diluted weighted average shares outstanding	84,905	86,224	84,446	85,681

See accompanying notes to unaudited consolidated financial statements.

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FleetCor Technologies, Inc. and Subsidiaries
Consolidated Statements of Comprehensive Income

(In Thousands)

	Three Months Ended		Nine months Ended	
	September 30,		September 30,	
	2013	2012	2013	2012
Net income	\$ 78,620	\$ 59,648	\$ 216,381	\$ 156,128
Other comprehensive income:				
Foreign currency translation adjustment gain (loss), net of tax	18,293	8,774	(15,861)	8,649
Total other comprehensive income (loss)	18,293	8,774	(15,861)	8,649
Total comprehensive income	\$ 96,913	\$ 68,422	\$ 200,520	\$ 164,777

See accompanying notes to unaudited consolidated financial statements.

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FleetCor Technologies, Inc. and Subsidiaries
Unaudited Consolidated Statements of Cash Flows
(In Thousands)

	Nine months ended September 30,	
	2013	2012
Operating activities		
Net income	\$ 216,381	\$ 156,128
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	12,162	9,831
Stock-based compensation	12,441	14,287
Provision for losses on accounts receivable	14,069	16,788
Amortization of deferred financing costs	2,434	1,596
Amortization of intangible assets	31,535	23,044
Amortization of premium on receivables	2,448	2,449
Deferred income taxes	(4,524)	2,501
Changes in operating assets and liabilities (net of acquisitions):		
Restricted cash	3,666	3,576
Accounts receivable	(184,367)	(178,715)
Prepaid expenses and other current assets	(1,774)	(4,352)
Other assets	38,580	(45,291)
Excess tax benefits related to stock-based compensation	(24,319)	(23,177)
Accounts payable, accrued expenses and customer deposits	89,279	54,466
Net cash provided by operating activities	208,011	33,131
Investing activities		
Acquisitions, net of cash acquired	(376,971)	(189,819)
Purchases of property and equipment	(15,348)	(13,634)
Net cash used in investing activities	(392,319)	(203,453)
Financing activities		
Excess tax benefits related to stock-based compensation	24,319	23,177
Proceeds from issuance of common stock	22,800	21,391
Borrowings on securitization facility, net	96,000	75,000
Deferred financing fees paid	(1,970)	(796)
Principal payments on notes payable	(21,250)	(23,492)
Payments on US revolver	(155,000)	(250,000)
Borrowings from US revolver	280,000	330,000
Borrowings from swing line of credit, net		1,000
Borrowings from foreign revolver	53,494	
Payments on foreign revolver, net	(44,533)	
Other	(255)	(129)

Net cash provided by financing activities	253,605	176,151
Effect of foreign currency exchange rates on cash	(7,257)	9,073
Net increase in cash and cash equivalents	62,040	14,902
Cash and cash equivalents, beginning of period	283,649	285,159
Cash and cash equivalents, end of period	\$ 345,689	\$ 300,061
Supplemental cash flow information		
Cash paid for interest	\$ 13,041	\$ 10,858
Cash paid for income taxes	\$ 84,695	\$ 29,428

See accompanying notes to unaudited consolidated financial statements.

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FleetCor Technologies, Inc. and Subsidiaries

Notes to Unaudited Consolidated Financial Statements

September 30, 2013

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 month and nine month periods ended September 30, 2013 are not necessarily indicative of the results that may be expected for the year ending December 31, 2013.

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, 2012.

Foreign Currency Gains and Losses

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 made 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 gain of \$0.3 million and a foreign exchange loss of \$0.1 million in the three months ended September 30, 2013 and 2012, respectively. The Company recognized a foreign exchange gain of \$0.1 million and a foreign exchange loss of \$0.02 million in the nine months ended September 30, 2013 and 2012, respectively. Foreign exchange gains and losses are classified within other income, net in the Unaudited Consolidated Statements of Income.

Reclassifications

Certain prior period amounts have been reclassified to conform to the current period presentation, which were not material for separate financial statement presentation in the prior year.

Adoption of New Accounting Standards

Qualitative Impairment Test for Indefinite-Lived Intangibles

In July 2012, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (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 will be applied prospectively for annual and interim impairment tests performed. ASU 2012-02 was effective for and adopted by the Company beginning January 1, 2013. The Company's adoption of this ASU did not affect the Company's results of operations, financial condition, or cash flows.

Accumulated Other Comprehensive Income

In February 2013, the FASB issued ASU 2013-02, Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income (AOCI) (ASU 2013-02). Under ASU 2013-02, an entity is required to provide information about the amounts reclassified out of AOCI by component. In addition, an entity is required to present, either on the face of the financial statements or in the notes, significant amounts reclassified out of AOCI by the respective line items of net income, but only if the amount reclassified is required to be reclassified in its entirety in the same reporting period. For amounts that are not required to be reclassified in their entirety to net income, an entity is required to cross-reference to other disclosures that provide additional details about those amounts. ASU 2013-02 does not change the current requirements for reporting net income or other comprehensive income in the financial statements. ASU 2013-02 was effective for and adopted by the Company beginning January 1, 2013. The Company has not reclassified any items out of AOCI to the income statement during the three and nine months ended September 30, 2013.

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Disclosures about Offsetting Assets and Liabilities

In December 2011, the FASB issued FASB ASU 2011-11, *Disclosures about Offsetting Assets and Liabilities*, which requires entities to disclose information about offsetting and related arrangements to enable users of financial statements to understand the effect of those arrangements on an entity's financial position. The amendments require enhanced disclosures about financial instruments and derivative instruments that are either (i) offset in accordance with current literature or (ii) subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are offset in accordance with current literature. ASU 2011-11 is effective for fiscal years, and interim periods within those years, beginning on or after January 1, 2013. This standard will become effective for us beginning October 2013. In January 2013, the FASB issued Accounting Standards Update 2013-01, *Scope Clarification of Disclosures about Offsetting Assets and Liabilities*, to limit the scope of the new balance sheet offsetting disclosure requirements to derivatives (including bifurcated embedded derivatives), repurchase agreements and reverse repurchase agreements, and securities borrowing and lending transactions. As we are not party to any derivatives, repurchase agreements, reverse repurchase agreements, securities borrowing and lending transactions we do not expect the adoption of these standards will have a material impact on the presentation of or disclosures within our financial statements.

Pending Adoption of Recently Issued Accounting Standards

Foreign Currency

In March 2013, the FASB issued ASU 2013-05 *Parent's Accounting for the Cumulative Translation Adjustment upon Derecognition of Certain Subsidiaries or Groups of Assets within a Foreign Entity or of an Investment in a Foreign Entity*, which indicates that the entire amount of a cumulative translation adjustment (CTA) related to an entity's investment in a foreign entity should be released when there has been a sale of a subsidiary or group of net assets within a foreign entity and the sale represents the substantially complete liquidation of the investment in the foreign entity, loss of a controlling financial interest in an investment in a foreign entity (i.e., the foreign entity is deconsolidated) or step acquisition for a foreign entity (i.e., when an entity has changed from applying the equity method for an investment in a foreign entity to consolidating the foreign entity). The ASU does not change the requirement to release a pro rata portion of the CTA of the foreign entity into earnings for a partial sale of an equity method investment in a foreign entity. This ASU is effective for the Company for fiscal years and interim periods within those fiscal years beginning on or after December 15, 2013. The Company's adoption of this ASU is not expected to affect the Company's results of operations, financial condition, or cash flows unless transactions within the scope of the ASU occur.

Unrecognized Tax Benefit When an NOL Exists

In July 2013, the FASB issued ASU 2013-11 *Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists*, which indicates that to the extent a net operating loss carryforward, a similar tax loss, or a tax credit carryforward is not available at the reporting date under the tax law of the applicable jurisdiction to settle any additional income taxes that would result from the disallowance of a tax position or the tax law of the applicable jurisdiction does not require the entity to use, and the entity does not intend to use, the deferred tax asset for such purpose, the unrecognized tax benefit should be presented in the financial statements as a liability and should not be combined with deferred tax assets. This ASU is effective for the Company for fiscal years and interim periods within those fiscal years beginning on or after December 15, 2013. The Company's adoption of this ASU is not expected to affect the Company's results of operations, financial condition, or cash flows unless transactions within the scope of the ASU occur.

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 4, 2013, the Company extended the term of its asset Securitization Facility to February 3, 2014. The Company capitalized \$0.6 million in deferred financing fees in connection with this extension.

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The Company's accounts receivable and securitized accounts receivable include the following at September 30, 2013 and December 31, 2012 (in thousands):

	September 30, 2013	December 31, 2012
Gross domestic accounts receivable	\$ 133,429	\$ 96,964
Gross domestic securitized accounts receivable	394,000	298,000
Gross foreign receivables	549,645	447,940
Total gross receivables	1,077,074	842,904
Less allowance for doubtful accounts	(21,173)	(19,463)
Net accounts and securitized accounts receivable	\$ 1,055,901	\$ 823,441

All foreign receivables are Company owned receivables and are not included in the Company's accounts receivable securitization program. At September 30, 2013 and December 31, 2012, there was \$394 million and \$298 million, respectively, of short-term debt outstanding under the Company's accounts receivable Securitization Facility.

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):

	2013	2012
Allowance for doubtful accounts beginning of period	\$ 19,463	\$ 15,315
Add:		
Provision for bad debts	14,069	16,788
Less:		
Write-offs	(12,359)	(12,108)
Allowance for doubtful accounts end of period	\$ 21,173	\$ 19,995

3. Fair Value Measurements

The Company measures certain financial assets and liabilities at fair value on a recurring basis. The carrying value of the Company's cash, accounts receivable, securitized accounts receivable and related Securitization 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. As necessary, the Company generally uses projected cash flows, discounted as appropriate under the relevant guidance, 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 if interim impairment indicators exist.

Fair value is a market-based measurement that should be 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.

Level 2 fair value determinations are derived from directly or indirectly observable (market based) information. The Company has certain cash and cash equivalents that are invested on an overnight basis in repurchase agreements. The value of overnight repurchase

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agreements is determined based upon the quoted market prices for the treasury securities associated with the repurchase agreements. Certificates of deposit are valued at cost, plus interest accrued. Given the short term nature of these instruments (less than 90 days), the carrying value approximates fair value.

Level 3 fair value determinations are derived from the Company's estimate of recovery based on historical collection trends. There were no Level 3 assets or liabilities which required fair value determinations at September 30, 2013 and December 31, 2012.

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 as of September 30, 2013 and December 31, 2012 (in thousands).

	Fair Value	Level 1	Level 2	Level 3
September 30, 2013				
Assets:				
Overnight repurchase agreements	\$ 131,183	\$	\$ 131,183	\$
Certificates of deposit	7,232		7,232	
Total	\$ 138,415	\$	\$ 138,415	\$
December 31, 2012				
Assets:				
Overnight repurchase agreements	\$ 128,269	\$	\$ 128,269	\$
Certificates of deposit	11,849		11,849	
Total	\$ 140,118	\$	\$ 140,118	\$

4. Share Based Compensation

The Company has Equity Compensation Plans (the Plans) pursuant to which the Company's board of directors may grant stock options or restricted stock to employees. On May 30, 2013, the Company's stockholders authorized an increase of 6,500,000 shares of common stock available for grant pursuant to the 2010 Equity Compensation Plan. Giving effect to this increase, there were 7,189,714 additional shares remaining available for grant under the Plans at September 30, 2013.

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,	
	2013	2012	2013	2012
Stock options	\$ 3,051	\$ 2,836	\$ 8,553	\$ 7,462
Restricted stock	1,331	3,658	3,888	6,825

Stock-based compensation	\$ 4,382	\$ 6,494	\$ 12,441	\$ 14,287
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The tax benefits recorded on stock based compensation were \$1.5 million and \$1.4 million for the three month periods ended September 30, 2013 and 2012, respectively. The tax benefits recorded on stock based compensation were \$4.2 million and \$3.8 million for the nine month periods ended September 30, 2013 and 2012, respectively.

The following table summarizes the Company's total unrecognized compensation cost related to stock-based compensation as of September 30, 2013 (in thousands):

	Unrecognized Compensation Cost	Weighted Average Period of Expense Recognition (in Years)
Stock options	\$ 24,479	1.90
Restricted stock	3,835	0.74
Total	\$ 28,314	

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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 nine years. Stock option grants are generally subject to forfeiture if employment terminates prior to vesting.

The following table summarizes the changes in the number of shares of common stock under option for the nine month period ended September 30, 2013 (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, 2012	6,565	\$ 22.17	2,666	\$ 14.71		\$ 206,636
Granted	271	76.86			\$ 21.86	
Exercised	(1,117)	20.30				100,381
Forfeited	(116)	28.68				
Outstanding at September 30, 2013	5,603	\$ 25.06	2,802	\$ 16.96		\$ 476,854
Expected to vest as of September 30, 2013	5,603	\$ 25.06				

The aggregate intrinsic value of stock options exercisable at September 30, 2013 was \$261.2 million. The weighted average contractual term of options exercisable at September 30, 2013 was 5.9 years.

The fair value of stock option awards granted was estimated using the Black-Scholes option pricing model during the nine months ended September 30, 2013, with the following weighted-average assumptions for grants during the period.

	Nine months Ended September 30,	
	2013	2012
Risk-free interest rate	0.73%	0.59%
Dividend yield		
Expected volatility	34.95%	36.53%
Expected life (in years)	4.0	4.0

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

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 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.

The weighted-average remaining contractual life for options outstanding was 6.9 and 7.4 years at September 30, 2013 and December 31, 2012, respectively.

Restricted Stock

Awards of restricted stock are independent of stock option grants and are generally subject to forfeiture if employment terminates prior to vesting. The vesting of the restricted stock and restricted stock units granted is 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 four years.

The fair value of restricted stock granted based on market conditions was estimated using the Monte Carlo option pricing model at the grant date. The risk-free interest rate and volatility assumptions for restricted stock shares granted with market conditions were calculated consistently with those applied in the Black-Scholes options pricing model utilized in determining the fair value of the stock option awards. No such awards were granted during the nine months ended September 30, 2013.

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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, 2013 (shares in thousands):

	Shares	Weighted Average Grant Date Fair Value
Unvested at December 31, 2012	472	\$ 28.98
Granted	41	61.31
Vested	(105)	24.41
Cancelled	(31)	35.42
Unvested at September 30, 2013	377	\$ 39.94

5. Acquisition**2013 Acquisitions**

During the nine months ended September 30, 2013, the Company completed acquisitions with an aggregate purchase price of \$482.5 million, net of cash acquired of \$7.8 million, including deferred payments of \$1.3 million and the estimated fair value of contingent earn out payments of \$104.3 million.

VB

On August 9, 2013, the Company acquired all of the outstanding stock of VB Servicos, Comercio e Administracao LTDA (VB), a provider of transportation cards and vouchers in Brazil. The consideration for the transaction was paid using the Company's existing cash and credit facilities. VB is a provider of transportation cards in Brazil where employers are required by legislation to provide certain employees with prepaid public transportation cards to subsidize their commuting expenses. VB serves over 35,000 business clients and supports approximately 800 transportation agencies across Brazil. VB also markets food cards. The purpose of this acquisition was to strengthen the Company's presence in the Brazilian marketplace. Results from the acquired business have been reported in the Company's International segment since the date of acquisition. This business acquisition was not material individually or in the aggregate with other current year acquisitions to the Company's consolidated financial statements in accordance with SEC Rule S-X 3-05. The goodwill related to this acquisition is not deductible for tax purposes. The purchase price allocation and valuation of remaining payments related to this acquisition is preliminary.

Fleet Card

On March 25, 2013, the Company acquired certain fuel card assets from GE Capital Australia's Custom Fleet leasing business. The consideration for the transaction was paid using the Company's existing cash and credit facilities. GE Capital's Fleet Card is a multi-branded fuel card product with acceptance in over 6,000 fuel outlets and over 7,000 automotive service and repair centers across Australia. Through this transaction, the Company acquired the Fleet Card product, brand, acceptance network contracts, supplier contracts, and approximately one-third of the customer relationships with regards to fuel cards (together, Fleet Card). The remaining customer relationships will be retained by Custom Fleet, and are comprised of companies which have commercial relationships with Custom Fleet beyond

fueling, such as fleet management and leasing. The purpose of this acquisition was to establish the Company's presence in the Australian marketplace. Results from the acquired business have been reported in the Company's International segment since the date of acquisition. This business acquisition was not material individually or in the aggregate with other current year acquisitions to the Company's consolidated financial statements in accordance with SEC Rule S-X 3-05. The goodwill related to this acquisition is not deductible for tax purposes. The purchase price allocation related to this acquisition is preliminary.

CardLink

On April 29, 2013, the Company acquired all of the outstanding stock of CardLink. The consideration for the transaction was paid using the Company's existing cash and credit facilities. CardLink provides a proprietary fuel card program with acceptance at retail fueling stations across New Zealand. CardLink markets its fuel cards directly to mostly small-to-mid-sized businesses, and provides processing and outsourcing services to oil companies and other partners. With this transaction, the Company entered into a 12.0 million New Zealand dollar (\$11.0 million) revolving line of credit, which will be used to fund the working capital needs of the

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CardLink business. The purpose of this acquisition was to enter the Australia and New Zealand regions and follows the Company's recent purchase of GE Capital's Fleet Card business in Australia. Results from the acquired business have been reported in the Company's International segment since the date of acquisition. This business acquisition was not material individually or in the aggregate with other current year acquisitions to the Company's consolidated financial statements in accordance with SEC Rule S-X 3-05. The goodwill related to this acquisition is not deductible for tax purposes. The purchase price allocation related to this acquisition is preliminary.

2013 Totals

The following table summarizes the preliminary allocation of the purchase price for all acquisitions during the nine months ended September 30, 2013 (in thousands):

Trade and other receivables	\$ 50,719
Prepaid expenses and other	3,781
Property and equipment	907
Goodwill	319,704
Other intangible assets	214,313
Notes and other liabilities assumed	(50,419)
Deferred tax liabilities	(56,474)
 Aggregate purchase price	 \$ 482,531

The purchase price is net of cash and cash equivalents acquired, totaling \$7.8 million, and also includes deferred payments of \$1.3 million and contingent earn out payments of \$104.3 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	3 20	\$ 161,123
Trade names and trademarks indefinite	N/A	20,000
Trade names and trademarks	15	200
Merchant network	10	4,900
Software	3 10	13,090
Non-compete	6	15,000
		 \$ 214,313

2012 Acquisitions

During 2012, the Company completed several foreign acquisitions with an aggregate purchase price of \$207.4 million, net of cash acquired of \$1.9 million, which includes a deferred payment of \$11.3 million and the estimated fair value

of contingent earn-out payments of \$4.9 million. The Company made a first payment of \$1.3 million related to this earn-out in December 2012.

Russian Fuel Card Company

On June 15, 2012, the Company acquired all of the outstanding stock of a Russian fuel card company. The consideration for the transaction was paid using the Company's existing cash and credit facilities. The acquired company is a 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 the reach of their networks. The purpose of this acquisition was to further expand the Company's presence in the Russian fuel card marketplace. Results from the acquired business have been reported in the Company's International segment since the date of acquisition. This business acquisition was not material individually or in the aggregate with other current year acquisitions to the Company's consolidated financial statements in accordance with SEC Rule S-X 3-05. The goodwill acquired with this business is not deductible for tax purposes.

Table of Contents**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 \$156 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. Results from the acquired business have been reported in the Company's International segment since the date of acquisition. 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. This business acquisition was not material individually or in the aggregate with other current year acquisitions to the Company's consolidated financial statements in accordance with SEC Rule S-X 3-05. 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, net of cash acquired (in thousands):

Trade and other receivables	\$ 13,196
Prepaid expenses and other	6,185
Property and equipment	6,701
Goodwill	165,398
Other intangible assets	109,758
Notes and other liabilities assumed	(42,912)
Deferred tax liabilities	(50,936)
Aggregate purchase prices	\$ 207,390

The purchase price is net of cash and cash equivalents acquired, totaling \$1.9 million, and also includes a deferred payment of \$11.3 million and contingent earn-out payments of \$4.9 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	\$ 77,654
Trade names and trademarks	indefinite	16,900
Merchant network	10	4,604

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Software	3-10	9,800
Non-compete	2-6	800

\$ 109,758

At September 30, 2013, approximately \$245 million of the Company's goodwill is deductible for tax purposes. Goodwill recognized is comprised primarily of expected synergies from combining the operations of the Company and the acquired businesses. The Company incurred acquisition related costs of \$6.0 million and \$1.0 million in the nine months ended September 30, 2013 and 2012, which are included within general and administrative expenses in the Consolidated Statements of Income.

Additionally, in connection with the acquisition of two businesses, the Company owes final payments of \$11.3 million and \$1.3 million due on December 15, 2013 and April 2, 2014, respectively. The Company also is party to several acquisition agreements that include remaining contingent earn-out payments totaling \$109.3 million, which are payable \$22.8 million in 2013, \$84.5 million in 2014, \$0.8 million in 2015, \$0.9 million in 2016 and \$0.3 million in 2017, and are included in other current liabilities and notes payable and other obligations, less current portion in the consolidated balance sheets.

Table of Contents**6. Goodwill and Other Intangible Assets**

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

Segment	December 31, 2012	Acquisitions	Purchase Accounting Adjustments	Foreign Currency Fluctuations	September 30, 2013
North America	\$ 276,714	\$ 6,810	\$	\$	\$ 283,524
International	649,895	312,894	80	(4,424)	958,445
	\$ 926,609	319,704	80	\$ (4,424)	\$ 1,241,969

As of September 30, 2013 and December 31, 2012 other intangible assets consisted of the following (in thousands):

	Useful Lives (Years)	September 30, 2013			December 31, 2012		
		Gross Carrying Amounts	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amounts	Accumulated Amortization	Net Carrying Amount
Customer and vendor agreements	3 to 20	\$ 650,724	\$ (120,234)	\$ 530,490	\$ 487,718	\$ (90,920)	\$ 396,798
Trade names and trademarks indefinite lived	N/A	73,964		73,964	53,926		53,926
Trade names and trademarks other	3 to 15	3,341	(1,581)	1,760	3,160	(1,420)	1,740
Software	3 to 10	28,486	(6,848)	21,638	15,330	(5,208)	10,122
Non-compete agreements	2 to 6	18,499	(2,413)	16,086	3,271	(1,993)	1,278
Total other intangibles		\$ 775,014	\$ (131,076)	\$ 643,938	\$ 563,405	\$ (99,541)	\$ 463,864

Purchase accounting adjustments recorded during the nine months ended September 30, 2013 relate to purchase price adjustments related to our Russian business acquisitions completed in 2012. Amortization expense related to intangible assets for the nine month periods ended September 30, 2013 and 2012 was \$31.5 million and \$23 million, respectively. Changes in foreign currency exchange rates reduced intangible assets by \$2.7 million in the nine months ended September 30, 2013.

7. Debt

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

	September 30, 2013	December 31, 2012
Term note payable domestic(a)	\$ 503,750	\$ 525,000
Revolving line of credit A Facility domestic(a)	225,000	100,000
Revolving line of credit B Facility foreign (a)	8,390	
Revolving line of credit New Zealand (c)		
Other debt (d)	2,832	2,092
Total notes payable and other obligations	739,972	627,092
Securitization Facility(b)	394,000	298,000
Total notes payable, credit agreements and Securitization Facility	\$ 1,133,972	\$ 925,092
Current portion	\$ 654,890	\$ 439,875
Long-term portion	479,082	485,217
Total notes payable, credit agreements and Securitization Facility	\$ 1,133,972	\$ 925,092

- (a) The Company entered into a Credit Agreement on June 22, 2011. 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. 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. In addition, we increased the accordion feature from \$150 million to \$250 million. As amended, the Credit Agreement provides for a \$550 million term loan facility and an \$850 million revolving credit facility. On March 20, 2013, the Company entered into a third amendment to the Credit Agreement to extend the term of the facility for an additional five years from the amendment date, with a new maturity date of March 20, 2018, separated the revolver into two tranches (a \$815 million Revolving A facility and a \$35 million Revolving B facility), added a designated borrower in Australia and another in New Zealand with the ability to borrow in local currency and US Dollars under the Revolving B

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facility and removed a cap to allow for additional investments in certain business relationships. The revolving line of credit contains a \$20 million sublimit for letters of credit, a \$20 million sublimit for swing line loans and sublimits for multicurrency borrowings in Euros, Sterling, Japanese Yen, Australian Dollars and New Zealand Dollars.

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 March 2018. Borrowings on the revolving line of credit are repayable at our option of one, two, three or nine 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 \$21.3 million were made on the term loan during the nine months ended September 30, 2013. This facility includes a foreign currency swing line of credit on which the Company borrowed funds during the periods presented. The Company did not have an outstanding unpaid balance on the foreign currency swing line of credit at September 30, 2013.

- (b) The Company is party to a \$500 million receivables purchase agreement (Securitization Facility) with a facility termination date of February 3, 2014. The Securitization Facility was amended for the ninth time on September 25, 2013 to change a committed purchaser. There is a program fee equal to the Commercial Paper Rate of 0.24% plus 0.75% and 0.17% plus 0.675% as of December 31, 2012 and September 30, 2013, respectively. The unused facility fee is payable at a rate of 0.35% per annum as of December 31, 2012 and 0.30% per annum as of September 30, 2013. 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 in New Zealand, the Company entered into a \$12 million New Zealand dollar (\$9.9 million) facility that is used for local working capital needs. This facility is a one year facility that matures on April 30, 2014. A line of credit charge of 0.025% times the facility limit is charged each month plus interest on outstanding borrowings is charged at the Bank Bill Mid-Market (BKBM) settlement rate plus a margin of 1.0%. The Company did not have an outstanding unpaid balance on this facility at September 30, 2013.
- (d) Other debt includes deferred liabilities associated with certain of our businesses and is recorded within notes payable and other obligations, less current portion in the consolidated balance sheets.

The Company was in compliance with all financial and non-financial covenants at September 30, 2013.

The Company has deferred debt issuance costs associated with its new Credit Facility of \$7.5 million as of September 30, 2013, 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, 2013 and 2012 due to the following (in thousands):

	2013		2012	
Income tax expense at federal statutory rate	\$ 37,679	35.0%	\$ 28,909	35.0%
Changes resulting from:				
Foreign income tax differential	(3,874)	(3.6)	(3,030)	(3.6)
State taxes, net of federal benefit	1,084	1.0	1,366	1.7

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Foreign-sourced nontaxable income	(3,360)	(3.1)	(1,826)	(2.2)
Other	1,228	1.2	997	1.0
Effect of Statutory Rate Change	(3,722)	(3.5)	(3,473)	(4.1)
Provision for income taxes	\$ 29,035	26.9%	\$ 22,943	27.8%

The estimated effective tax rate for the year ending December 31, 2013 is 29.1%. At September 30, 2013 and December 31, 2012, accrued expenses included liabilities for unrecognized income tax benefits of \$8.0 million and \$7.1 million, respectively. During the three months ended September 30, 2013 and 2012, the Company recognized additional liabilities of \$0.2 million and \$1.2 million, respectively. During the nine months ended September 30, 2013 and 2012, the Company recognized additional liabilities of \$0.9 million and \$1.9 million respectively. During the three months ended September 30, 2013 and 2012, 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 has expired for tax years prior to 2010 for the Company's U.S. federal income tax returns, 2011 for the Company's U.K. income tax returns, 2009 for the Company's Czech Republic income tax returns, 2010 for the

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Company's Russian income tax returns, 2008 for the Company's Mexican income tax returns, 2008 for the Company's Brazilian income tax returns, 2008 for the Company's Luxembourg income tax returns, 2009 for the Company's New Zealand income tax returns and 2013 for the Company's Australian 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. 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,	
	2013	2012	2013	2012
Net income	\$ 78,620	\$ 59,648	\$ 216,381	\$ 156,128
Denominator for basic earnings per share	81,974	84,002	81,592	83,260
Dilutive securities	2,931	2,222	2,854	2,421
Denominator for diluted earnings per share	84,905	86,224	84,446	85,681
Basic earnings per share	\$ 0.96	\$ 0.71	\$ 2.65	\$ 1.88
Diluted earnings per share	\$ 0.93	\$ 0.69	\$ 2.56	\$ 1.82

Basic shares includes the impact of share-based payment awards classified as participating securities, which are not material to the calculation of basic shares. Diluted earnings per share for the three month periods ended September 30, 2012 excludes the effect of 0.2 million shares of common stock, respectively, that may be issued upon the exercise of employee stock options because such effect would be antidilutive. There were no antidilutive shares for the three months ended September 30, 2013.

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 Russian fuel card business acquired during the second quarter of 2012, CTF Technologies, Inc. acquired during the third quarter of 2012, Fleet Card acquired during the first quarter of 2013, CardLink acquired during the second quarter of 2013 and VB acquired during the third quarter of 2013 are reported in the Company's International segment.

The Company's segment results are as follows as of and for the three and nine month periods ended September 30 (in thousands):

	Three months ended September 30,		Nine months ended September 30,	
	2013	2012	2013	2012
Revenues, net:				
North America	\$ 115,266	\$ 101,495	\$ 335,346	\$ 291,593
International	109,884	85,437	304,324	213,324
	\$ 225,150	\$ 186,932	\$ 639,670	\$ 504,917
Operating income:				
North America	\$ 59,093	\$ 49,273	\$ 168,622	\$ 140,984
International	52,162	36,561	145,960	90,773
	\$ 111,255	\$ 85,834	\$ 314,582	\$ 231,757
Depreciation and amortization:				
North America	\$ 5,159	\$ 5,046	\$ 15,598	\$ 15,064
International	12,901	8,545	32,981	21,856
	\$ 18,060	\$ 13,591	\$ 48,579	\$ 36,920
Capital expenditures:				
North America	\$ 1,942	\$ 1,153	\$ 4,298	\$ 5,749
International	3,298	4,050	11,050	7,885
	\$ 5,240	\$ 5,203	\$ 15,348	\$ 13,634

Table of Contents**11. Commitments and Contingencies**

In the ordinary course of business, the Company is involved in various pending or threatened legal actions. 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.

Since 2010, the Company has been 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 the Company's proprietary payment card and associated site network in the United Kingdom. A competitor alleged the Company was dominant in a relevant market with its Keyfuels product. The Office of Fair trading has investigated the allegations and following an extensive enquiry process, the Office of Fair Trading has concluded that it has no grounds to take action against the Company or its subsidiaries over the alleged abuse of dominance. The Office of Fair Trading issued a news release to this effect on October 31, 2013.

12. Subsequent Events

Subsequent to September 30, 2013, the Company completed acquisitions with an aggregate purchase price of approximately \$500 million, which were funded using the Company's existing cash and credit facilities, as follows:

Epyx

On October 1, 2013, the Company acquired all of the outstanding stock of Epyx, a provider to the fleet maintenance, service and repair marketplace in the UK. Epyx provides an internet based system and a vehicle repair network of approximately 9,000 service garages to fleet operators in the UK. The Epyx service helps its customers better manage their vehicle maintenance, service, and repair needs. The Epyx service automates repair authorization, schedules service appointments, controls costs, and simplifies overall vehicle service administration. Epyx earns transaction fees on each of the millions of service incidents that it supports each year. The purpose of this acquisition is to allow the Company to extend beyond fleet fueling, to fleet maintenance in the UK marketplace. This business acquisition was not material individually or in the aggregate with other current year acquisitions to the Company's consolidated financial statements in accordance with SEC Rule S-X 3-05.

DB

On October 15, 2013, the Company acquired DB Trans S.A. (DB), a provider of payment solutions for independent truckers in Brazil. The purpose of this acquisition is to strengthen the Company's presence in the Brazilian marketplace. This business acquisition was not material individually or in the aggregate with other current year acquisitions to the Company's consolidated financial statements in accordance with SEC Rule S-X 3-05.

NexTraq

On October 17, 2013, the Company acquired NexTraq, a US based provider of telematics solutions to small and medium-sized businesses. NexTraq provides fleet operators with an internet based system that enhances workforce productivity through real time vehicle tracking, route optimization, job dispatch, and fuel usage monitoring, and has 100,000 active subscribers. The purpose of this acquisition is to provide the Company with a cross marketing opportunity due to the similarity of the commercial fleet customer base. This business acquisition was not material

individually or in the aggregate with other current year acquisitions to the Company's consolidated financial statements in accordance with SEC Rule S-X 3-05.

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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 for the year ended December 31, 2012. 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, 2012.

Overview

FleetCor is a leading independent global provider of fuel cards and workforce payment products and services to businesses, commercial fleets, major oil companies, petroleum marketers and government entities in countries throughout North America, Latin America, Europe, Australia and New Zealand. 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. In 2012, we processed approximately 304 million transactions on our proprietary networks and third-party networks. 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, food, toll road fees 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 Russian business acquired during the second quarter of 2012, CTF Technologies, Inc. acquired during the third quarter of 2012, our Australian Fleet Card business acquired during the first quarter of 2013, New Zealand CardLink acquired during the second quarter of 2013 and Brazilian VB business acquired during the third quarter of 2013 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, 2013 and 2012, our North America and International segments generated the following revenue:

	Three months ended September 30,				Nine months ended September 30,			
	2013		2012		2013		2012	
(dollars in millions)	Revenue	% of total revenue	Revenue	% of total revenue	Revenue	% of total revenue	Revenue	% of total revenue
North America	\$ 115.3	51.2%	\$ 101.5	54.3%	\$ 335.4	52.4%	\$ 291.6	57.8%
International	109.9	48.8%	85.4	45.7%	304.3	47.6%	213.3	42.2%
	\$ 225.2	100.0%	\$ 186.9	100.0%	\$ 639.7	100.0%	\$ 504.9	100.0%

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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 cards and payment 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, products, food or lodging services to our customers. We also earn revenue from our customers and partners through program fees and charges, which can be fixed fees, cost plus a mark-up or based on a percentage discount from retail prices. The following diagram illustrates a typical transaction flow.

Illustrative Transaction Flow

From our merchant and network relationships, we mostly 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 45.6% and 49.2% of our revenue was derived from our merchant and network relationships during the three months ended September 30, 2013 and 2012, respectively. Approximately 47.7% and 53.8% of our revenue was derived from our merchant and network relationships during the nine months ended September 30, 2013 and 2012, respectively.

The following table presents an illustrative revenue model for transactions with the merchant, which is primarily applicable to fuel based product transactions, but may also be applied to our vehicle maintenance, lodging and food products, substituting transactions for gallons. This representative model may not include all of our businesses.

Illustrative Revenue Model for Fuel Purchases

(unit of one gallon)

Illustrative Revenue Model		Merchant Payment Methods			
		i) Cost Plus Mark-up:	ii) Percentage Discount:	iii) Fixed Fee:	
Retail Price	\$ 3.00	Wholesale Cost	\$ 2.86	Retail Price	\$ 3.00
Wholesale Cost	(2.86)	Mark-up	0.05	Discount (3%)	(0.09)
FleetCor Revenue	\$ 0.14	Price Paid to Merchant	\$ 2.91	Price Paid to Merchant	\$ 2.91
Merchant Commission	\$ (0.05)	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 54.4% and 50.8% of our revenue was derived from customer and partner program fees and charges during the three months ended September 30, 2013 and 2012, respectively. Approximately 52.3% and 46.2% of our revenue was derived from customer and partner program fees and charges during the nine months ended September 30, 2013 and 2012, 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, 2013 and 2012:

	Three months ended September 30,		Nine months ended September 30,	
	2013	2012	2013	2012
Transactions (in millions)				
North America	43.3	41.2	122.7	117.2
International	41.0	38.1	114.7	108.2
Total transactions	84.3	79.3	237.4	225.4
Revenue per transaction				
North America	\$ 2.66	\$ 2.46	\$ 2.73	\$ 2.49
International	2.68	2.24	2.65	1.97
Consolidated revenue per transaction	2.67	2.36	2.69	2.24
Adjusted revenue per transaction				
Consolidated adjusted revenue per transaction	\$ 2.47	\$ 2.20	\$ 2.48	\$ 2.06

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. When we talk about the macroeconomic environment, we are referring to the impact of market spread margins, fuel prices, foreign exchange rates and the economy in general can have on our business. 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 has been positively impacted by our acquisitions in 2012 and 2013, which each have higher revenue per transaction products in comparison to our other businesses, as well as organic growth in certain of our businesses.

Total transactions increased from 79.3 million in the three months ended September 30, 2012 to 84.3 million in the comparable period in 2013, an increase of 5.0 million transactions or 6.4%. Total transactions increased from 225.4 million in the nine months ended September 30, 2012 to 237.4 million in the comparable period in 2013, an increase of 12.1 million transactions or 5.4%. We experienced an increase in transactions in our North American and International segments due to organic growth in certain of our payment programs and the impact of acquisitions completed in 2012 and 2013.

Sources of Revenue Set forth below is information on our sources of revenue for the three and nine months ended September 30, 2013 and 2012 expressed as a percentage of consolidated revenues:

	Three months ended September 30,		Nine months ended September 30,	
	2013	2012	2013	2012

Revenue from customers and partners	54.4%	50.8%	52.3%	46.2%
Revenue from merchants and networks	45.6%	49.2%	47.7%	53.8%
Revenue tied to fuel-price spreads	14.8%	14.0%	16.5%	17.6%
Revenue influenced by the absolute price of fuel	20.0%	21.7%	20.1%	20.8%
Revenue from program fees, late fees, interest and other	65.2%	64.3%	63.4%	61.6%

Adjusted Revenues, EBITDA, Adjusted Net Income and Adjusted Net Income Per Diluted Share. Set forth below are adjusted revenues, EBITDA, adjusted net income and diluted adjusted net income per share for the three and nine months ended September 30, 2013 and 2012.

(in thousands, except per share amounts)	Three Months Ended September 30,		Nine months Ended September 30,	
	2013	2012	2013	2012
Adjusted revenues	\$ 208,206	\$ 174,002	\$ 589,310	\$ 463,943
EBITDA	\$ 129,315	\$ 99,425	\$ 363,161	\$ 268,677
Adjusted net income	\$ 91,359	\$ 71,595	\$ 250,600	\$ 185,278
Adjusted net income per diluted share	\$ 1.08	\$ 0.83	\$ 2.97	\$ 2.16

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

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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 20.0% and 21.7% of our consolidated revenue during the three months ended September 30, 2013 and 2012, respectively, and 20.1% and 20.8% of our consolidated revenue during the nine months ended September 30, 2013 and 2012, 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 14.8% and 14.0% of our consolidated revenue during the three months ended September 30, 2013 and 2012, respectively, and 16.5% and 17.6% of our consolidated revenue during the nine months ended September 30, 2013 and 2012, respectively, was derived from transactions where our revenue is tied to fuel-price spreads.

Acquisitions Since 2002, we have completed over 60 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 downturn 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 American 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, Czech koruna, Russian ruble, Canadian dollar, Euro, Brazilian real, Mexican peso, Australian dollar and New Zealand dollar relative to the U.S. dollar. Approximately 51.1% and 54.2% of our revenue during the three months ended September 30, 2013 and 2012, respectively, and 52.4% and 57.7% of our revenue during the nine months ended September 30, 2013 and 2012, 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.

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Throughout this discussion, calculations of changes may not equal the totals presented due to rounding.

Three months ended September 30, 2013 compared to the three months ended September 30, 2012

The following table sets forth selected consolidated statement of income data for the three months ended September 30, 2013 and 2012 (in thousands).

	Three months ended		Three months ended		Increase (decrease)	% Change
	September 30, 2013	% of total revenue	September 30, 2012	% of total revenue		
Revenues, net:						
North America	\$ 115,266	51.2%	\$ 101,495	54.3%	\$ 13,771	13.6%
International	109,884	48.8%	85,437	45.7%	24,447	28.6%
Total revenues, net	225,150	100.0%	186,932	100.0%	38,218	20.4%
Consolidated operating expenses:						
Merchant commissions	16,944	7.5%	12,930	6.9%	4,014	31.0%
Processing	33,473	14.9%	30,568	16.4%	2,905	9.5%
Selling	13,859	6.2%	12,790	6.8%	1,069	8.4%
General and administrative	31,559	14.0%	31,219	16.7%	340	1.1%
Depreciation and amortization	18,060	8.0%	13,591	7.3%	4,469	32.9%
Operating income	111,255	49.4%	85,834	45.9%	25,421	29.6%
Other income, net	(156)	(0.1)%	(3)	0.0%	(153)	NM
Interest expense, net	3,756	1.7%	3,246	1.7%	510	15.7%
Provision for income taxes	29,035	12.9%	22,943	12.3%	6,092	26.6%
Net income	\$ 78,620	34.9%	\$ 59,648	31.9%	\$ 18,972	31.8%
Operating income for segments:						
North America	\$ 59,093		\$ 49,273		\$ 9,820	19.9%
International	52,162		36,561		15,601	42.7%
Operating income	\$ 111,255		\$ 85,834		\$ 25,421	29.6%
Operating margin for segments:						
North America	51.3%		48.5%		2.8%	
International	47.5%		42.8%		4.7%	
Total	49.4%		45.9%		3.5%	

NM = Not Meaningful

Revenues and revenue per transaction

Our consolidated revenues increased from \$186.9 million in the three months ended September 30, 2012 to \$225.2 million in the three months ended September 30, 2013, an increase of \$38.2 million, or 20.4%. The increase in our consolidated revenue was primarily due to:

organic growth in certain of our payment programs driven primarily by increases in both volume and revenue per transaction; and

the full period impact of acquisitions completed in 2012 as well as acquisitions completed in 2013, which contributed approximately \$18 million in additional revenue in the three months ended September 30, 2013 over the comparable period in 2012.

Although we cannot precisely measure the impact of the macroeconomic environment, in total we believe it had a slightly positive impact on our consolidated revenue for the three months ended September 30, 2013 over the comparable period in 2012. The macroeconomic environment was primarily impacted by slightly higher fuel spread margins offset by slightly lower fuel prices and the unfavorable impact of changes in foreign exchange rates in the three months ended September 30, 2013 over the comparable period in 2012. Changes in foreign exchange rates were mixed and had a slightly unfavorable impact on our business of approximately \$2.3 million due primarily to unfavorable fluctuations in the Brazilian Real and British Pound, during the three months ended September 30, 2013 over the comparable period in 2012.

Consolidated revenue per transaction increased from \$2.36 in the three months ended September 30, 2012 to \$2.67 in the three months ended September 30, 2013, an increase of \$0.31 or 13.2%. This increase is primarily due to organic growth in certain of our payment programs and the full period impact of acquisitions completed in 2012, as well as acquisitions completed in 2013, the majority of which have higher revenue per transaction products in comparison to our other businesses.

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North America segment revenues and revenue per transaction

North America revenues increased from \$101.5 million in the three months ended September 30, 2012 to \$115.3 million in the three months ended September 30, 2013, an increase of \$13.8 million, or 13.6%. The increase in our North America segment revenue was primarily due to:

organic growth in certain of our payment programs driven primarily by increases in both volume and revenue per transaction; and

the impact of an acquisition completed in 2013, which contributed approximately \$3 million in additional revenue in the three months ended September 30, 2013 over the comparable period in 2012.

Although we cannot precisely measure the impact of the macroeconomic environment, in total we believe it had a slightly positive impact on our North American segment revenue for the three months ended September 30, 2013 over the comparable period in 2012, primarily due to the impact of higher fuel spread margins, partially offset by the impact of slightly lower fuel prices.

North America segment revenue per transaction increased from \$2.46 in the three months ended September 30, 2012 to \$2.66 in the three months ended September 30, 2013, an increase of \$0.20 or 8.1%. North America revenue per transaction was impacted by the reasons discussed above.

International segment revenues and revenue per transaction

International segment revenues increased from \$85.4 million in the three months ended September 30, 2012 to \$109.9 million in the three months ended September 30, 2013, an increase of \$24.5 million, or 28.6%. The increase in our International segment revenue was primarily due to:

organic growth in certain of our payment programs driven primarily by increases in both volume and revenue per transaction; and

the full period impact of acquisitions completed in 2012 as well as acquisitions completed in 2013, which contributed approximately \$15 million in additional revenue in the three months ended September 30, 2013 over the comparable period in 2012.

Although we cannot precisely measure the impact of the macroeconomic environment, in total we believe it had a slightly negative impact on our International segment revenue for the three months ended September 30, 2013 over the comparable period in 2012, due to the unfavorable impact of changes in foreign exchange rates of approximately \$2.3 million, due primarily to unfavorable fluctuations in the Brazilian Real and British Pound, partially offset by the positive impact of slightly higher fuel spread margins and slightly higher fuel prices internationally during the three months ended September 30, 2013 over the comparable period in 2012.

International segment revenue per transaction increased from \$2.24 in the three months ended September 30, 2012 to \$2.68 in the three months ended September 30, 2013, an increase of \$0.43 or 19.4%. This increase is primarily due to organic growth in certain of our payment programs and the full period impact of acquisitions completed in 2012, as well as acquisitions completed in 2013, the majority of which have higher revenue per transaction products in comparison to our other businesses.

Consolidated operating expenses

Merchant commissions Merchant commissions increased from \$12.9 million in the three months ended September 30, 2012 to \$16.9 million in the three months ended September 30, 2013, an increase of \$4.0 million, or 31.0%. This increase was due primarily to the fluctuation of the margin between the wholesale cost and retail price of fuel, which impacted merchant commissions, as well as the impact of higher volume in revenue streams where merchant commissions are paid, primarily in our North American segment.

Processing Processing expenses increased from \$30.6 million in the three months ended September 30, 2012 to \$33.5 million in the three months ended September 30, 2013, an increase of \$2.9 million, or 9.5%. Our processing expenses primarily increased due to the impact of acquisitions completed in 2012 and 2013.

Selling Selling expenses increased from \$12.8 million in the three months ended September 30, 2012 to \$13.9 million in the three months ended September 30, 2013, an increase of \$1.1 million, or 8.4%. Our selling expenses primarily increased due to the impact of acquisitions completed in 2012 and 2013, as well as additional sales and marketing spending in certain markets.

General and administrative General and administrative expenses increased from \$31.2 million in the three months ended September 30, 2012 to \$31.6 million in the three months ended September 30, 2013, an increase of \$0.4 million, or 1.1%. Our general and administrative expenses increased primarily due to the impact of acquisitions completed in 2012 and 2013, as well as approximately \$1.8 million of additional one-time deal related costs, which was partially offset by lower stock based compensation expense.

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Depreciation and amortization Depreciation and amortization increased from \$13.6 million in the three months ended September 30, 2012 to \$18.1 million in the three months ended September 30, 2013, an increase of \$4.5 million, or 32.9%. The increase in our depreciation and amortization expense is primarily due to acquisitions completed during 2012 and 2013, which resulted in an increase of \$5.8 million related to the amortization of acquired intangible assets for customer and vendor relationships, trade names and trademarks, non-compete agreements and software, as well as acquired fixed assets and development related to our Global FleetNet (GFN) application. These increases were partially offset by the impact of certain assets becoming fully depreciated and amortized.

Operating income and operating margin***Consolidated operating income***

Operating income increased from \$85.8 million in the three months ended September 30, 2012 to \$111.3 million in the three months ended September 30, 2013, an increase of \$25.5 million, or 29.6%. Our operating margin was 45.9% and 49.4% for the three months ended September 30, 2012 and 2013, respectively. The increase in operating income and operating margin is due primarily to the impact of acquisitions completed during 2012 and 2013, organic growth in the business driven by increases in volume and revenue per transaction, as well as synergies gained in certain of our acquired businesses. The macroeconomic environment had a neutral impact on consolidated operating income.

For the purpose of segment operating results, we calculate segment operating income by subtracting segment operating expenses from segment revenue. Similarly, segment operating margin is calculated by dividing segment operating income by segment revenue.

North America segment operating income

North America operating income increased from \$49.3 million in the three months ended September 30, 2012 to \$59.1 million in the three months ended September 30, 2013, an increase of \$9.8 million, or 19.9%. North America operating margin was 48.5% and 51.3% for the three months ended September 30, 2012 and 2013, respectively. The increase in operating income and operating margin is due primarily to organic growth in the business driven by increases in volume and revenue per transaction. The macroeconomic environment had a slightly positive impact on North American operating income.

International segment operating income

International operating income increased from \$36.6 million in the three months ended September 30, 2012 to \$52.2 million in the three months ended September 30, 2013, an increase of \$15.6 million, or 42.7%. International operating margin was 42.8% and 47.5% for the three months ended September 30, 2012 and 2013, respectively. The increase in operating income and operating margin is due primarily to the impact of acquisitions completed in 2012 and 2013, organic growth in the business driven by increases in volume and revenue per transaction, as well as synergies gained in certain of our acquired businesses. The macroeconomic environment had a slightly negative effect on International segment operating income.

Other income, net

Other income, net increased from \$0.0 million in the three months ended September 30, 2012 to \$0.2 million in the three months ended September 30, 2013, a negligible change.

Interest expense, net

Interest expense increased from \$3.3 million in the three months ended September 30, 2012 to \$3.8 million in the three months ended September 30, 2013, an increase of \$0.5 million, or 15.7%. The increase is due to increased borrowings in the three months ended September 30, 2013 over the comparable period in 2012, primarily due to funding the purchase price for acquisitions. The following table sets forth the average interest rates paid on borrowings under our Credit Facility, to include our term loan, domestic Revolver A, foreign Revolver B and foreign swing line of credit, as well as the relevant unused credit facility fees in the three months ended September 30, 2013 and 2012. There were no borrowings under our foreign Revolver B in the three months ended September 30, 2012. There were no borrowings under our foreign swing line of credit in the three months ended September 30, 2013.

	Three months ended September 30,	
	2013	2012
Term loan	1.69%	1.74%
Domestic Revolver A	1.76%	1.74%
Domestic Revolver A- Unused Credit Facility Fee	0.25%	0.25%
Foreign Revolver B	4.25%	N/A
Foreign Revolver B- Unused Credit Facility Fee	0.27%	N/A
Foreign swing line	N/A	2.02%

Table of Contents***Provision for income taxes***

The provision for income taxes increased from \$22.9 million in the three months ended September 30, 2012 to \$29.0 million in the three months ended September 30, 2013, an increase of \$6.1 million, or 26.6%. We provide for income taxes during interim periods based on an estimate of our effective tax rate for the year. Discrete items and changes in the estimate of the annual tax rate are recorded in the period they occur. Our effective tax rate decreased slightly from 27.8% for three months ended September 30, 2012 to 27.0% for the three months ended September 30, 2013. Included in income tax expense in both the three months ended September 30, 2012 and 2013 is the impact of income tax benefits resulting from the enactment of a U.K. statutory tax rate reduction during each of the periods. This lower statutory rate was applied to deferred tax items, which are primarily payable in future periods, reducing income tax expense in the three months ended September 30, 2012 and 2013 by approximately \$3.5 million and \$3.8 million, respectively.

We pay taxes in many different taxing jurisdictions, including the U.S., most U.S. states and many non-U.S. jurisdictions. The tax rates in certain non-U.S. taxing jurisdictions are lower than the U.S. tax rate. Consequently, as our earnings fluctuate between taxing jurisdictions, our effective tax rate fluctuates.

Net income

For the reasons discussed above, our net income increased from \$59.6 million in the three months ended September 30, 2012 to \$78.6 million in the three months ended September 30, 2013, an increase of \$19.0 million, or 31.8%.

Nine months ended September 30, 2013 compared to the nine months ended September 30, 2012

The following table sets forth selected consolidated statement of income data for the nine months ended September 30, 2013 and 2012 (in thousands).

	Nine months ended September 30, 2013		% of total revenue		Nine months ended September 30, 2012		% of total revenue		Increase (decrease)	% Change
Revenues, net:										
North America	\$	335,346	52.4%		\$	291,593	57.8%		\$ 43,753	15.0%
International		304,324	47.6%			213,324	42.2%		91,000	42.7%
Total revenues, net		639,670	100.0%			504,917	100.0%		134,753	26.7%
Consolidated operating expenses:										
Merchant commissions		50,360	7.9%			40,974	8.1%		9,386	22.9%
Processing		95,426	14.9%			83,161	16.5%		12,265	14.7%
Selling		38,949	6.1%			33,239	6.6%		5,710	17.2%
General and administrative		91,774	14.3%			78,866	15.6%		12,908	16.4%
Depreciation and amortization		48,579	7.6%			36,920	7.3%		11,659	31.6%
Operating income		314,582	49.2%			231,757	45.9%		82,825	35.7%

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Other expense, net	130	0.0%	519	0.1%	(389)	(75.2)%
Interest expense, net	10,960	1.7%	9,627	1.9%	1,333	13.8%
Provision for income taxes	87,111	13.6%	65,483	13.0%	21,628	33.0%
Net income	\$ 216,381	33.8%	\$ 156,128	30.9%	\$ 60,253	38.6%

Operating income for segments:

North America	\$ 168,622		\$ 140,984		\$ 27,638	19.6%
International	145,960		90,773		55,187	60.8%
Operating income	\$ 314,582		\$ 231,757		\$ 82,825	35.7%

Operating margin for segments:

North America	50.3%		48.3%		2.0%
International	48.0%		42.6%		5.4%
Total	49.2%		45.9%		3.3%

Revenues and revenue per transaction

Our consolidated revenues increased from \$504.9 million in the nine months ended September 30, 2012 to \$639.7 million in the nine months ended September 30, 2013, an increase of \$134.8 million, or 26.7%. The increase in our consolidated revenue was primarily due to:

organic growth in certain of our payment programs driven primarily by increases in both volume and revenue per transaction; and

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the full period impact of acquisitions completed in 2012 as well as acquisitions completed in 2013, which contributed approximately \$56 million in additional revenue in the nine months ended September 30, 2013 over the comparable period in 2012.

Although we cannot precisely measure the impact of the macroeconomic environment, in total we believe it had a positive impact on our consolidated revenue for the nine months ended September 30, 2013 over the comparable period in 2012. The macroeconomic environment was primarily impacted by the impact of higher fuel spread margins, partially offset by the unfavorable impact of changes in foreign exchange rates of \$3.5 million, due to unfavorable fluctuations in the Brazilian Real and British Pound, as well as lower fuel prices in the nine months ended September 30, 2013 over the comparable period in 2012.

Consolidated revenue per transaction increased from \$2.24 in the nine months ended September 30, 2012 to \$2.69 in the nine months ended September 30, 2013, an increase of \$0.45 or 20.3%. This increase is primarily due to organic growth in certain of our payment programs and the full period impact of acquisitions completed in 2012, as well as acquisitions completed in 2013, the majority of which have higher revenue per transaction products in comparison to our other businesses.

North America segment revenues and revenue per transaction

North America revenues increased from \$291.6 million in the nine months ended September 30, 2012 to \$335.3 million in the nine months ended September 30, 2013, an increase of \$43.8 million, or 15.0%. The increase in our North America segment revenue was primarily due to:

organic growth in certain of our payment programs driven primarily by increases in both volume and revenue per transaction; and

the impact of an acquisition completed in 2013, which contributed approximately \$6 million in additional revenue in the nine months ended September 30, 2013 over the comparable period in 2012.

Although we cannot precisely measure the impact of the macroeconomic environment, in total we believe it positively impacted our North American segment revenue for the nine months ended September 30, 2013 over the comparable period in 2012, primarily due to the impact of higher fuel spread margins, partially offset by the impact of lower fuel prices in the US.

North America segment revenue per transaction increased from \$2.49 in the nine months ended September 30, 2012 to \$2.73 in the nine months ended September 30, 2013, an increase of \$0.25 or 9.9%. North America revenue per transaction was impacted by the reasons discussed above.

International segment revenues and revenue per transaction

International segment revenues increased from \$213.3 million in the nine months ended September 30, 2012 to \$304.3 million in the nine months ended September 30, 2013, an increase of \$91.0 million, or 42.7%. The increase in our International segment revenue was primarily due to:

organic growth in certain of our payment programs driven primarily by increases in both volume and revenue per transaction; and

the full period impact of acquisitions completed in 2012, as well as acquisitions completed in 2013, which contributed approximately \$50 million in additional revenue in the nine months ended September 30, 2013 over the comparable period in 2012.

Although we cannot precisely measure the impact of the macroeconomic environment, in total we believe it had a slightly negative impact on our International segment revenue for the nine months ended September 30, 2013 over the comparable period in 2012, primarily due to lower fuel prices internationally and changes in foreign exchange rates, partially offset by the impact of higher fuel spread margins. Changes in foreign exchange rates had a slightly unfavorable impact on revenues of approximately \$3.5 million in the nine months ended September 30, 2013 over the comparable period in 2012, due primarily to unfavorable fluctuations in the Brazilian Real and British Pound.

International segment revenue per transaction increased from \$1.97 in the nine months ended September 30, 2012 to \$2.65 in the nine months ended September 30, 2013, an increase of \$0.68 or 34.5%. This increase is primarily due to organic growth in certain of our payment programs and the full period impact of acquisitions completed in 2012, as well as acquisitions completed in 2013, the majority of which have higher revenue per transaction products in comparison to our other businesses.

Table of Contents***Consolidated operating expenses***

Merchant commissions Merchant commissions increased from \$41.0 million in the nine months ended September 30, 2012 to \$50.4 million in the nine months ended September 30, 2013, an increase of \$9.4 million, or 22.9%. This increase was due primarily to the fluctuation of the margin between the wholesale cost and retail price of fuel, which impacted merchant commissions, as well as the impact of higher volume in revenue streams where merchant commissions are paid, primarily in our North American segment.

Processing Processing expenses increased from \$83.2 million in the nine months ended September 30, 2012 to \$95.4 million in the nine months ended September 30, 2013, an increase of \$12.2 million, or 14.7%. Our processing expenses primarily increased due to acquisitions completed in 2012 and 2013, partially offset by efficiencies gained in certain of our more recently acquired businesses.

Selling Selling expenses increased from \$33.2 million in the nine months ended September 30, 2012 to \$39.0 million in the nine months ended September 30, 2013, an increase of \$5.7 million, or 17.2%. Our selling expenses primarily increased due to acquisitions completed in 2012 and 2013, as well as additional sales and marketing spending in certain markets.

General and administrative General and administrative expenses increased from \$78.9 million in the nine months ended September 30, 2012 to \$91.8 million in the nine months ended September 30, 2013, an increase of \$12.9 million, or 16.4%. Our general and administrative expenses primarily increased due to acquisitions completed in 2012 and 2013, as well as approximately \$4.2 million in additional one-time deal related costs, which was partially offset by lower stock based compensation expense.

Depreciation and amortization Depreciation and amortization increased from \$36.9 million in the nine months ended September 30, 2012 to \$48.6 million in the nine months ended September 30, 2013, an increase of \$11.7 million, or 31.6%. The increase in our depreciation and amortization expense is primarily due to acquisitions completed during 2012 and 2013, which resulted in an increase of \$9.8 million related to the amortization of acquired intangible assets for customer and vendor relationships, trade names and trademarks, non-compete agreements and software, as well as acquired fixed assets and development related to our GFN application.

Operating income and operating margin***Consolidated operating income***

Operating income increased from \$231.8 million in the nine months ended September 30, 2012 to \$314.6 million in the nine months ended September 30, 2013, an increase of \$82.8 million, or 35.7%. Our operating margin was 45.9% and 49.2% for the nine months ended September 30, 2012 and 2013, respectively. The increase in operating income and operating margin was due primarily to the impact of acquisitions completed during 2012 and 2013, organic growth in the business driven by increases in volume and revenue per transaction, the positive effect of the macroeconomic environment, driven by the impact of higher fuel spreads, as well as synergies gained in certain of our acquired businesses. The overall positive impact of the macroeconomic environment was slightly offset by the impact of unfavorable changes in foreign exchange rates and lower fuel prices.

For the purpose of segment operating results, we calculate segment operating income by subtracting segment operating expenses from segment revenue. Similarly, segment operating margin is calculated by dividing segment operating income by segment revenue.

North America segment operating income

North America operating income increased from \$141.0 million in the nine months ended September 30, 2012 to \$168.6 million in the nine months ended September 30, 2013, an increase of \$27.6 million, or 19.6%. North America operating margin was 48.3% and 50.3% for the nine months ended September 30, 2012 and 2013, respectively. The increase in operating income and operating margin was due primarily to organic growth in the business driven by increases in volume and revenue per transaction, as well as the impact of the positive macroeconomic environment, driven by the impact of higher fuel spread margins.

International segment operating income

International operating income increased from \$90.8 million in the nine months ended September 30, 2012 to \$146.0 million in the nine months ended September 30, 2013, an increase of \$55.2 million, or 60.8%. International operating margin was 42.6% and 48.0% for the nine months ended September 30, 2012 and 2013, respectively. The increase in operating income and operating margin was due primarily to the impact of acquisitions completed in 2012 and 2013, organic growth in the business driven by increases in volume and revenue per transaction, as well as synergies gained in certain of our acquired businesses. The macroeconomic environment had a slightly negative effect on International segment operating income, primarily driven by the unfavorable impact of foreign exchange rates and lower fuel prices.

Other expense, net

Other expense, net decreased from \$0.5 million in the nine months ended September 30, 2012 to \$0.1 million in the nine months ended September 30, 2013, a decrease of \$0.4 million, a negligible change.

Table of Contents***Interest expense, net***

Interest expense increased from \$9.6 million in the nine months ended September 30, 2012 to \$11.0 million in the nine months ended September 30, 2013, an increase of \$1.4 million, or 13.8%. The increase is due to an increase in borrowings in the nine months ended September 30, 2013 over the comparable period in 2012, primarily due to funding the purchase price for acquisitions. The following table sets forth the average interest rates paid on borrowings under our Credit Facility, to include our term loan, domestic Revolver A, foreign Revolver B and foreign swing line of credit, as well as the relevant unused credit facility fees in the nine months ended September 30, 2013 and 2012. There were no borrowings under our foreign Revolver B in the nine months ended September 30, 2012. There were no borrowings under our foreign swing line of credit in the nine months ended September 30, 2013.

	Nine months ended September 30,	
	2013	2012
Term loan	1.74%	1.75%
Domestic Revolver A	1.76%	1.75%
Domestic Revolver A- Unused Credit Facility Fee	0.29%	0.25%
Foreign Revolver B	4.40%	N/A
Foreign Revolver B- Unused Credit Facility Fee	0.27%	N/A
Foreign swing line	N/A	2.04%

Provision for income taxes

The provision for income taxes increased from \$65.5 million in the nine months ended September 30, 2012 to \$87.1 million in the nine months ended September 30, 2013, an increase of \$21.6 million, or 33.0%. We provide for income taxes during interim periods based on an estimate of our effective tax rate for the year. Discrete items and changes in the estimate of the annual tax rate are recorded in the period they occur. Our effective tax rate decreased from 29.5% for nine months ended September 30, 2012 to 28.7% for the nine months ended September 30, 2013. Included in income tax expense in both the nine months ended September 30, 2012 and 2013 is the impact of income tax benefits resulting from the enactment of a U.K. statutory tax rate reduction during the third quarter of each period. This lower statutory rate was applied to deferred tax items, which are primarily payable in future periods, reducing income tax expense in the nine months ended September 30, 2012 and 2013 by approximately \$3.5 million and \$3.8 million, respectively. The decrease is also driven by a shift in the mix of earnings to foreign jurisdictions with lower tax rates.

We pay taxes in many different taxing jurisdictions, including the U.S., most U.S. states and many non-U.S. jurisdictions. The tax rates in certain non-U.S. taxing jurisdictions are lower than the U.S. tax rate. Consequently, as our earnings fluctuate between taxing jurisdictions, our effective tax rate fluctuates.

Net income

For the reasons discussed above, our net income increased from \$156.1 million in the nine months ended September 30, 2012 to \$216.4 million in the nine months ended September 30, 2013, an increase of \$60.3 million, or 38.6%.

Liquidity and capital resources

Our principal liquidity requirements are to service and repay our indebtedness, make acquisitions of businesses and commercial account portfolios and meet working capital, tax and capital expenditure needs.

Sources of liquidity

At September 30, 2013, our unrestricted cash and cash equivalent balance totaled \$345.7 million. Our restricted cash balance at September 30, 2013 totaled \$50.0 million. Restricted cash primarily represents customer deposits in the Czech Republic, which we are restricted from using other than to repay customer deposits.

At September 30, 2013, cash and cash equivalents held in foreign subsidiaries where we have determined such cash and cash equivalents are permanently reinvested is \$317.8 million. All of the cash and cash equivalents held by our foreign subsidiaries, excluding restricted cash, are available for general corporate purposes. Our current intent is to permanently reinvest these funds outside of the U.S. Our current expectation for funds held in our foreign subsidiaries is to use the funds to finance foreign organic growth, to pay for potential future foreign acquisitions and to repay any foreign borrowings that may arise from time to time. We currently believe that funds generated from our U.S. operations, along with potential borrowing capabilities in the U.S. will be sufficient to fund our U.S. operations for the foreseeable future, and therefore do not foresee a need to repatriate cash held by our foreign subsidiaries in a taxable transaction to fund our U.S. operations. However, if at a future date or time these funds are needed for our operations in the U.S. or we otherwise believe it is in the best interests of the Company to repatriate all or a portion of such funds, we may be required to accrue and pay U.S. taxes to repatriate these funds. No assurances can be provided as to the amount or timing thereof, the tax consequences related thereto or the ultimate impact any such action may have on our results of operations or financial condition.

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We utilize an accounts receivable Securitization Facility to finance a majority of our domestic fuel card receivables, to lower our cost of funds and more efficiently use capital. We generate and record accounts receivable when a customer makes a purchase from a merchant using one of our card products and generally pay merchants within seven days of receiving the merchant billing. As a result, we utilize the asset Securitization Facility as a source of liquidity to provide the cash flow required to fund merchant payments prior to collecting customer balances. These balances are primarily composed of charge balances, which are typically billed to the customer on a weekly, semimonthly or monthly basis, and are generally required to be paid within 14 days of billing. We also consider the undrawn amounts under our Securitization Facility and Credit Facility as funds available for working capital purposes and acquisitions. At September 30, 2013, we had approximately \$8.7 million available under our Securitization Facility. At September 30, 2012, we had approximately \$617 million available under our Credit Facility, of which approximately \$400 million was used for acquisitions completed subsequent to September 30, 2012.

Based on our current forecasts and anticipated market conditions, we believe that our current cash balances, our available borrowing capacity and our ability to generate cash from operations, will be sufficient to fund our liquidity needs for at least the next twelve months, absent any major acquisition opportunities that might arise. However, we regularly evaluate our cash requirements for current operations, commitments, capital requirements and acquisitions, and we may elect to raise additional funds for these purposes in the future, either through the issuance of debt or equity securities. We may not be able to obtain additional financing on terms favorable to us, if at all.

Cash flows

The following table summarizes our cash flows for the nine months ended September 30, 2013 and 2012.

(in millions)	Nine months ended September 30,	
	2013	2012
Net cash provided by operating activities	\$ 208.0	\$ 33.1
Net cash used in investing activities	(392.3)	(203.5)
Net cash provided by financing activities	253.6	176.2

Operating activities Net cash provided by operating activities increased from \$33.1 million in the nine months ended September 30, 2012 to \$208.0 million in the nine months ended September 30, 2013. The increase is primarily due to a liability acquired with the Allstar business of \$108 million and customer deposit of \$44 million, each of which were paid during the first nine months of 2012. The remaining fluctuation is due to changes in working capital, as well as additional net income during the nine months ended September 30, 2013 over the comparable period in 2012.

Investing activities Net cash used in investing activities increased from \$203.5 million in the nine months ended September 30, 2012 to \$392.3 million in the nine months ended September 30, 2013. This increase is primarily due to the increase in cash paid for acquisitions in the nine months ended September 30, 2013.

Financing activities Net cash provided by financing activities increased from \$176.2 million in the nine months ended September 30, 2012 to \$253.6 million in the nine months ended September 30, 2013. The increase is primarily due to increased net borrowings on our Credit Facility and Securitization Facility of \$45 million and \$21 million, respectively, in the nine months ended September 30, 2013 over the comparable period in 2012, primarily due to funding the purchase price for acquisitions, as well as working capital needs.

Capital spending summary

Our capital expenditures increased from \$13.6 million in the nine months ended September 30, 2012 to \$15.3 million in the nine months ended September 30, 2013, an increase of \$1.7 million, or 12.6%. The increase was primarily related to additional investments to continue to enhance our existing processing systems and continued development of our European processing system GFN. We anticipate our capital expenditures for all of 2013 to be approximately \$23 million as we continue to enhance our existing processing systems.

Credit Facility

We are party to a five-year, \$1.4 billion Credit Agreement (the Credit Agreement) with a syndicate of banks, which we originally entered into on June 22, 2011 and have amended three times since. The Credit Agreement provides for a \$550 million term loan facility and an \$850 million revolving credit facility, with sublimits for letters of credit, swing line loans and multicurrency borrowings. Subject to certain conditions, including obtaining commitments of lenders, we have the option to increase the facility up to an additional \$250 million via an accordion feature. The Credit Agreement contains representations, warranties and events of

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default, as well as certain affirmative and negative covenants, customary for financings of this nature. These covenants include limitations on our ability to pay dividends and make other restricted payments under certain circumstances and compliance with certain financial ratios. Proceeds from this new Credit Facility may also be used for working capital purposes, acquisitions, and other general corporate purposes.

On March 13, 2012, we 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. On November 6, 2012, we 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. In addition, we increased the accordion feature from \$150 million to \$250 million. On March 20, 2013, we entered into a third amendment to the Credit Agreement to extend the term of the facility for an additional five years from the amendment date, with a new maturity date of March 20, 2018, separated the revolver into two tranches (a \$815 million Revolving A facility and a \$35 million Revolving B facility), added a designated borrower in Australia and another in New Zealand, with the ability to borrow in local currency and US Dollars under the Revolving B facility and removed a cap to allow for additional investments in certain business relationships. The revolving line of credit contains a \$20 million sublimit for letters of credit, a \$20 million sublimit for swing line loans and sublimits for multicurrency borrowings in Euros, Sterling, Japanese Yen, Australian Dollars and New Zealand Dollars.

At September 30, 2013, we had \$503.8 million in outstanding term loans, \$225.0 million in borrowings outstanding on the domestic revolving A facility and \$8.4 million in borrowings outstanding on the foreign revolving B facility.

Interest on amounts outstanding under the Credit Agreement accrues based on the British Bankers Association LIBOR Rate (the Eurocurrency Rate), plus a margin based on a leverage ratio, or at our option, the Base Rate (defined as the rate equal to the highest of (a) the Federal Funds Rate plus 0.50%, (b) the prime rate announced by Bank of America, N.A., or (c) the Eurocurrency Rate plus 1.00%) plus a margin based on a leverage ratio. Interest is payable quarterly in arrears. In addition, we have agreed to pay a quarterly commitment fee at a rate per annum ranging from 0.20% to 0.40% of the daily unused portion of the credit facility. At September 30, 2013, the interest rate on the term loan and domestic revolving A facility was 1.67% plus an unused credit facility fee of 0.25% and the interest rate on the foreign revolving B facility was 4.12% plus an unused credit facility fee of 0.25%.

The stated maturity date for our term loan and revolving loans and letters of credit under the Credit Agreement is March 20, 2018. The term loan is payable in quarterly installments and are due on the last business day of each March, June, September, and December with the final principal payment due in March 2018. Borrowings on the revolving line of credit are repayable at our option of one, two, three or nine 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.

During the nine months ended September 30, 2013, we made principal payments of \$21.3 million on the term loan, \$155.0 million on the domestic revolving A facility and \$44.5 million on the foreign revolving B facility. As of September 30, 2013, we were in compliance with each of the covenants under the Credit Facility.

New Zealand Facility

On April 29, 2013, we entered into a 12 million New Zealand dollar (\$9.9 million) facility with Westpac Bank in New Zealand (New Zealand Facility). This facility is for purposes of funding the working capital needs of our recently acquired business, CardLink, in New Zealand. This facility matures on April 30, 2014. A line of credit charge accrues at a rate of 0.025% times the facility limit each month. Interest accrues on outstanding borrowings at the Bank Bill

Mid-Market (BKBM) settlement rate plus a margin of 1.0%. The New Zealand Facility contains representations, warranties and events of default, as well as certain affirmative and negative covenants, customary for financings of this nature. These covenants include compliance with certain financial ratios.

We did not have an outstanding unpaid balance on this facility at September 30, 2013. As of September 30, 2013, we were in compliance with each of the covenants under the New Zealand Facility.

Securitization Facility

We are a party to a receivables purchase agreement among FleetCor Funding LLC, as seller, PNC Bank, National Association as administrator, and the various purchaser agents, conduit purchasers and related committed purchasers parties thereto, with a purchase limit of \$500 million. We refer to this arrangement as the Securitization Facility in this report. The facility was amended for the eighth time on February 4, 2013 to extend the facility termination date to February 3, 2014. There is a program fee equal to the commercial paper rate of 0.17%, plus 0.675% as of September 30, 2013. The unused facility fee is payable at a rate of 0.30% per annum as of September 30, 2013.

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Under a related purchase and sale agreement, dated as of December 20, 2004, and most recently amended on July 7, 2008, between FleetCor Funding LLC, as purchaser, and certain of our subsidiaries, as originators, the receivables generated by the originators are deemed to be sold to FleetCor Funding LLC immediately and without further action upon creation of such receivables. At the request of FleetCor Funding LLC, as seller, undivided percentage ownership interests in the receivables are ratably purchased by the purchasers in amounts not to exceed their respective commitments under the facility. Collections on receivables are required to be made pursuant to a written credit and collection policy and may be reinvested in other receivables, may be held in trust for the purchasers, or may be distributed. Fees are paid to each purchaser agent for the benefit of the purchasers and liquidity providers in the related purchaser group in accordance with the Securitization Facility and certain fee letter agreements.

The Securitization Facility provides for certain termination events, 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. There are no financial covenant requirements related to our Securitization Facility.

Other Liabilities

Additionally, in connection with the acquisition of two businesses, we owe final payments of \$11.3 million and \$1.3 million due on December 15, 2013 and April 2, 2014, respectively. We are also party to several acquisition agreements that include remaining contingent earn out payments which have an estimated fair value totaling \$109.8 million, which are payable \$25.9 million in 2013, \$81.9 million in 2014, \$0.8 million in 2015, \$0.9 million in 2016 and \$0.3 million in 2017.

Critical accounting policies and estimates

In applying the accounting policies that we use to prepare our consolidated financial statements, we necessarily make accounting estimates that affect our reported amounts of assets, liabilities, revenue and expenses. Some of these estimates require us to make assumptions about matters that are highly uncertain at the time we make the accounting estimates. We base these assumptions and the resulting estimates on historical information and other factors that we believe to be reasonable under the circumstances, and we evaluate these assumptions and estimates on an ongoing basis. In many instances, however, we reasonably could have used different accounting estimates and, in other instances, changes in our accounting estimates could occur from period to period, with the result in each case being a material change in the financial statement presentation of our financial condition or results of operations. We refer to estimates of this type as critical accounting estimates.

Accounting estimates necessarily require subjective determinations about future events and conditions. During the nine months ended September 30, 2013, we have not adopted any new critical accounting policies that had a significant impact upon our consolidated financial statements, have not changed any critical accounting policies and have not changed the application of any critical accounting policies from the year ended December 31, 2012. For critical accounting policies, refer to the Critical Accounting Estimates in Item 7 Management's Discussion and Analysis of Financial Condition and Results of Operations included in our Annual Report on Form 10-K for the year ended December 31, 2012 and our summary of significant accounting policies in Note 1 of our notes to the unaudited consolidated financial statements in this Form 10-Q.

Management's Use of Non-GAAP Financial Measures

We have included in the discussion under the caption Adjusted Revenues, EBITDA, Adjusted Net Income and Adjusted Net Income Per Diluted Share above certain financial measures that were not prepared in accordance with

GAAP. Any analysis of non-GAAP financial measures should be used only in conjunction with results presented in accordance with GAAP. Below, we define the non-GAAP financial measures, provide a reconciliation of the non-GAAP financial measure to the most directly comparable financial measure calculated in accordance with GAAP, and discuss the reasons that we believe this information is useful to management and may be useful to investors.

Adjusted revenues

We have defined the non-GAAP measure adjusted revenues as revenues, net less merchant commissions as reflected in our income statement.

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. We believe that adjusted revenue is an appropriate supplemental measure of financial performance and may be useful to investors to understanding our revenue performance on a consistent basis. Adjusted revenues are not intended to be a substitute for GAAP financial measures and should not be used as such.

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Set forth below is a reconciliation of adjusted revenues to the most directly comparable GAAP measure, revenues, net (in thousands):

	Three Months Ended September 30,		The months Ended September 30,	
	2013	2012	2013	2012
Revenues, net	\$ 225,150	\$ 186,932	\$ 639,670	\$ 504,917
Merchant commissions	16,944	12,930	50,360	40,974
Total adjusted revenues	\$ 208,206	\$ 174,002	\$ 589,310	\$ 463,943

EBITDA

We have defined the non-GAAP measure EBITDA, as net income as reflected in our income statement, adjusted to eliminate (a) interest expense, (b) tax expense, (c) depreciation of long-lived assets, (d) amortization of intangible assets and (e) other (income) expense, net.

We use EBITDA as a basis to evaluate our operating performance net of the impact of certain non-core items during the period. We believe that EBITDA may be useful to investors to understanding our operating performance on a consistent basis. EBITDA is not intended to be a substitute for GAAP financial measures and should not be used as such.

Set forth below is a reconciliation of EBITDA to the most directly comparable GAAP measure, net income (in thousands):

	Three Months Ended September 30,		The months Ended September 30,	
	2013	2012	2013	2012
Net income	\$ 78,620	\$ 59,648	\$ 216,381	\$ 156,128
Provision for income taxes	29,035	22,943	87,111	65,483
Interest expense, net	3,756	3,246	10,960	9,627
Depreciation and amortization	18,060	13,591	48,579	36,920
Other (income) expense, net	(156)	(3)	130	519
EBITDA	\$ 129,315	\$ 99,425	\$ 363,161	\$ 268,677

Adjusted net income and adjusted net income per diluted share

We have defined the non-GAAP measure adjusted net income as net income as reflected in our income statement, adjusted to eliminate (a) non-cash stock based compensation expense related share-based compensation awards, (b) amortization of deferred financing costs and intangible assets and (c) amortization of the premium recognized on the purchase of receivable. We have defined the non-GAAP measure adjusted net income per diluted share as the calculation previously noted divided by the weighted average diluted shares outstanding as reflected in our income statement.

We use adjusted net income to eliminate the effect of items that we do not consider indicative of our core operating performance. We believe it is useful to exclude non-cash stock based compensation expense from adjusted net income because non-cash equity grants made at a certain price and point in time do not necessarily reflect how our business is performing at any particular time and stock based compensation expense is not a key measure of our core operating performance. We also believe that amortization expense can vary substantially from company to company and from period to period depending upon their financing and accounting methods, the fair value and average expected life of their acquired intangible assets, their capital structures and the method by which their assets were acquired. Therefore, we have excluded amortization expense from adjusted net income. We believe that adjusted net income and adjusted net income per diluted share are appropriate supplemental measures of financial performance and may be useful to investors to understanding our operating performance on a consistent basis. Adjusted net income and adjusted net income per diluted share are not intended to be a substitute for GAAP financial measures and should not be used as such.

Set forth below is a reconciliation of adjusted net income and adjusted net income per diluted share to the most directly comparable GAAP measure, net income and net income per diluted share (in thousands, except per share amounts):

	Three Months Ended September 30,		Six months Ended September 30,	
	2013	2012	2013	2012
Net income	\$ 78,620	\$ 59,648	\$ 216,381	\$ 156,128
Stock based compensation	4,382	6,494	12,441	14,287
Amortization of intangible assets	12,296	8,687	31,535	23,044
Amortization of premium on receivables	816	816	2,448	2,449
Amortization of deferred financing costs	841	545	2,434	1,596
Total pre-tax adjustments	18,335	16,542	48,858	41,376
Income tax impact of pre-tax adjustments at the effective tax rate	(5,596)	(4,595)	(14,639)	(12,226)

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	Three Months Ended September 30,		One months Ended September 30,	
	2013	2012	2013	2012
Adjusted net income	\$ 91,359	\$ 71,595	\$ 250,600	\$ 185,278
Net income per diluted share	\$ 0.93	\$ 0.69	\$ 2.56	\$ 1.82
Adjusted net income per diluted share	\$ 1.08	\$ 0.83	\$ 2.97	\$ 2.16
Diluted shares	84,905	86,224	84,446	85,681

Special Cautionary Notice Regarding Forward-Looking Statements

This report contains forward-looking statements within the meaning of the federal securities laws. Statements that are not historical facts, including statements about our beliefs, expectations and future performance, are forward-looking statements. Forward-looking statements can be identified by the use of words such as anticipate, intend, believe, estimate, plan, seek, project or expect, may, will, would, could or should, the negative of these terms and other comparable terminology.

These forward-looking statements are not a guarantee of performance, and you should not place undue reliance on such statements. We have based these forward-looking statements largely on our current expectations and projections about future events. Forward-looking statements are subject to many uncertainties and other variable circumstances, such as delays or failures associated with implementation; fuel price and spread volatility; changes in credit risk of customers and associated losses; the actions of regulators relating to payment cards or investigations; failure to maintain or renew key business relationships; failure to maintain competitive offerings; failure to maintain or renew sources of financing; failure to complete, or delays in completing, anticipated new partnership arrangements or acquisitions and the failure to successfully integrate or otherwise achieve anticipated benefits from such partnerships or acquired businesses; failure to successfully expand business internationally; the impact of foreign exchange rates on operations, revenue and income; the effects of general economic conditions on fueling patterns and the commercial activity of fleets, as well as the other risks and uncertainties identified under the caption Risk Factors in our Annual Report on Form 10-K for the year ended December 31, 2012. These factors could cause our actual results and experience to differ materially from any forward-looking statement. Given these risks and uncertainties, you are cautioned not to place undue reliance on these forward-looking statements. The forward-looking statements included in this report are made only as of the date hereof. We do not undertake, and specifically decline, any obligation to update any such statements or to publicly announce the results of any revisions to any of such statements to reflect future events or developments.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

As of September 30, 2013 there have been no material changes to our market risk from that disclosed in our Annual Report on Form 10-K for the year ended December 31, 2012.

Item 4. Controls and Procedures

As of September 30, 2013, management carried out, under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934). Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of September 30, 2013, our disclosure controls and procedures were effective in ensuring that information required to be disclosed by us in the reports that we file or submit under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in applicable rules and forms and are designed to ensure that information required to be disclosed in those reports is accumulated and communicated to

management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

There were no changes in our internal control over financial reporting during the quarter ended September 30, 2013, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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PART II OTHER INFORMATION

Item 1. Legal Proceedings

As of the date of this filing, we are not currently party to any legal proceedings or governmental inquiries or investigations that we consider to be material and we were not involved in any material legal proceedings that terminated during the fourth quarter, except as described below. We are and may become, however, subject to lawsuits from time to time in the ordinary course of our business. Since 2010, we have been involved in an investigation by the Office of Fair Trading in the United Kingdom, relating to our Keyfuels product line. This product line consists of our proprietary payment card and associated site network in the United Kingdom. A competitor alleged we were dominant in a relevant market with its Keyfuels product. The Office of Fair trading has investigated the allegations and following an extensive enquiry process, the Office of Fair Trading has concluded that it has no grounds to take action against us or our subsidiaries over the alleged abuse of dominance. The Office of Fair Trading issued a news release to this effect on October 31, 2013.

Item 1A. Risk Factors

In addition to the other information set forth in this report, you should carefully consider the factors discussed in Part I, Item 1A. Risk Factors in our Annual Report on Form 10-K for the year ended December 31, 2012, which could materially affect our business, financial condition or future results.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Not applicable.

Item 3. Defaults Upon Senior Securities

Not applicable.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

Not applicable.

Item 6. Exhibits

Exhibit

No.

- 3.1 Amended and Restated Certificate of Incorporation of FleetCor Technologies, Inc. (incorporated by reference to Exhibit 3.1 to the Registrant's Annual Report on Form 10-K, File No. 001-35004, filed with the Securities and Exchange Commission (the SEC) on March 25, 2011)

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- 3.2 Amended and Restated Bylaws of FleetCor Technologies, Inc. (incorporated by reference to Exhibit 3.2 to the Registrant's Annual Report on Form 10-K, File No. 001-35004, filed with the SEC on March 25, 2011)
- 4.1 Form of Stock Certificate for Common Stock (incorporated by reference to Exhibit 4.1 to Amendment No. 3 to the Registrant's Registration Statement on Form S-1, File No. 333-166092, filed with the SEC on June 29, 2010)
- 10.1 Ninth Amendment, dated September 25, 2013, to the Fourth Amended and Restated Receivables Purchase Agreement, dated February 4, 2013, among FleetCor Funding LLC, FleetCor Technologies Operating Company, LLC, the various purchaser agents, conduit purchasers and related committed purchasers listed on the signature pages thereto, and PNC Bank, National Association, as administrator
- 31.1 Certification of Chief Executive Officer pursuant to Rule 13a-14(a) and rule 15d-14(a) of the Securities Exchange Act, as amended
- 31.2 Certification of Chief Financial Officer pursuant to Rule 13a-14(a) and rule 15d-14(a) of the Securities Exchange Act, as amended
- 32.1 Certification of Chief Executive Officer pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2001
- 32.2 Certification of Chief Financial Officer pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2001
- 101 The following financial information for the Registrant formatted in XBRL (Extensible Business Reporting Language): (i) the Consolidated Balance Sheets, (ii) the Unaudited Consolidated Statements of Income, (iii) the Unaudited Consolidated Statements of Comprehensive Income; (iv) the Unaudited Consolidated Statements of Cash Flows and (v) the Notes to Unaudited Consolidated Financial Statements

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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, in their capacities indicated on November 8, 2013.

FleetCor Technologies, Inc.

(Registrant)

Signature	Title
/s/ Ronald F. Clarke Ronald F. Clarke	President, Chief Executive Officer and Chairman of the Board of Directors (Duly Authorized Officer and Principal Executive Officer)
/s/ Eric R. Dey Eric R. Dey	Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)