FLEETCOR TECHNOLOGIES INC
Form 10-Q
November 09, 2012
Table of Contents

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended September 30, 2012

OR

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

For the transition period from to

Commission file number: 001-35004

FleetCor Technologies, Inc.

(Exact name of registrant as specified in its charter)

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

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

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No ¨

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

Large accelerated filer x	Accelerated filer ¨
Non-accelerated filer ¨ (Do not check if a smaller reporting company)	Smaller reporting company ¨

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

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

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

Table of Contents

FLEETCOR TECHNOLOGIES, INC. AND SUBSIDIARIES

FORM 10-Q

For the Quarterly Period Ended September 30, 2012

INDEX

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

Table of Contents

PART I FINANCIAL INFORMATION

Item 1. Financial Statements

FleetCor Technologies, Inc. and Subsidiaries

Consolidated Balance Sheets

(In Thousands, Except Share and Par Value Amounts)

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

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

See accompanying notes to unaudited consolidated financial statements.

Table of Contents

FleetCor Technologies, Inc. and Subsidiaries

Unaudited Consolidated Statements of Income

(In Thousands, Except Per Share Amounts)

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

See accompanying notes to unaudited consolidated financial statements.

Table of Contents

FleetCor Technologies, Inc. and Subsidiaries

Consolidated Statements of Comprehensive Income

(In Thousands)

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

See accompanying notes to unaudited consolidated financial statements.

Table of Contents

FleetCor Technologies, Inc. and Subsidiaries

Unaudited Consolidated Statements of Cash Flows

(In Thousands)

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

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

See accompanying notes to unaudited consolidated financial statements.

Table of Contents

FleetCor Technologies, Inc. and Subsidiaries

Notes to Unaudited Consolidated Financial Statements

September 30, 2012

1. Summary of Significant Accounting Policies

Basis of Presentation

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

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

Foreign Currency Translation

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

Processing Expenses

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

Comprehensive Income

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

Reclassifications

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

Adoption of New Accounting Standards

Fair Value Measurement and Disclosure Requirements

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

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

Other Comprehensive Income Reclassifications

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

Table of Contents

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

Qualitative Impairment Test for Indefinite-Lived Intangibles

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

2. Accounts Receivable

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

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

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

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

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

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

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

Table of Contents

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

3. Fair Value Measurements

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

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

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

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

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

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

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

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

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

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

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

4. Share Based Compensation

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

Table of Contents

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

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

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

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

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

Stock Options

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

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

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

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

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

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

Table of Contents

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

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

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

Restricted Stock

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

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

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

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

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

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

5. Acquisitions

2012 Acquisitions

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

Russian Fuel Card Company

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

Table of Contents

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

CTF Technologies, Inc.

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

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

2012 Totals

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

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

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

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

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

2011 Acquisitions

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

Allstar Business Solutions Limited

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

Table of Contents

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

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

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

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

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

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

6. Goodwill and Other Intangible Assets

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

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

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

Table of Contents

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

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

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

7. Debt

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

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

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

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

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

Table of Contents

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

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

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

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

8. Income Taxes

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

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

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

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

9. Earnings Per Share

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

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

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

Table of Contents

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

10. Segments

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

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

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

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

Table of Contents

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

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

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

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

11. Commitments and Contingencies

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

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

Table of Contents

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

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

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

Overview

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

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

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

Our segments, sources of revenue and expenses

Segments

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

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

18

Table of Contents

Sources of Revenue

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

Illustrative Transaction Flow for Fuel

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

Illustrative Revenue Model for Fuel Purchases

(unit of one gallon)

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

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

Table of Contents

Key operating metrics

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

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

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

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

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

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

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

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

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

Table of Contents

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

Factors and trends impacting our business

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

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

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

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

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

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

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

dollars and was not affected by foreign currency exchange rates.

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

Table of Contents

Results of Operations

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

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

	Three months ended September 30, 2012	% of total revenue	Three months ended September 30, 2011	% of total revenue	Increase (decrease)	% Change
Revenues, net:						
North America	$ 101,495	54.3%	$ 92,995	69.3%	$ 8,500	9.1%
International	85,437	45.7%	41,218	30.7%	44,219	107.3%
Total revenues, net	186,932	100.0%	134,213	100.0%	52,719	39.3%
Consolidated operating expenses:						
Merchant commissions	12,930	6.9%	13,347	9.9%	(417)	(3.1)%
Processing	30,568	16.4%	20,878	15.6%	9,690	46.4%
Selling	12,790	6.8%	9,484	7.1%	3,306	34.9%
General and administrative	31,219	16.7%	19,729	14.7%	11,490	58.2%
Depreciation and amortization	13,591	7.3%	9,052	6.7%	4,539	50.1%
Operating income	85,834	45.9%	61,723	46.0%	24,111	39.1%
Other income, net	(3)	0.0%	(518)	(0.4)%	515	(99.4)%
Interest expense, net	3,246	1.7%	3,130	2.3%	116	3.7%
Provision for income taxes	22,943	12.3%	18,597	13.9%	4,346	23.4%
Net income	$ 59,648	31.9%	$ 40,514	30.2%	$ 19,134	47.2%
Operating income for segments:						
North America	$ 49,273	26.4%	$ 43,070	32.1%	$ 6,203	14.4%
International	36,561	19.6%	18,653	13.9%	17,908	96.0%
Operating income	$ 85,834	45.9%	$ 61,723	46.0%	$ 24,111	39.1%
Operating margin for segments:						
North America	48.5%		46.3%		2.2%	
International	42.8%		45.3%		(2.5)%	

Revenues and revenue per transaction

Our consolidated revenues increased from $134.2 million in the three months ended September 30, 2011 to $186.9 million in the three months ended September 30, 2012, an increase of $52.7 million, or 39.3%. During the three months ended September 30, 2012, our consolidated revenue was impacted by:

organic growth in certain of our payment programs driven by both rate and volume increases; and

acquisitions completed during 2011 and 2012, which contributed approximately $41 million in revenue for the three months ended September 30, 2012 over the comparable period in 2011.

We believe the macroeconomic environment had a negative effect on our consolidated revenue for the three months ended September 30, 2012 over the comparable period in 2011, due to the impact of lower fuel spread margins, unfavorable foreign exchange rates, continued soft economic conditions in the U.K. and Czech Republic and the competitive environment. Unfavorable exchange rates resulted in a $2.9 million reduction in revenues for the three months ended September 30, 2012 over the comparable period in 2011.

Consolidated revenue per transaction decreased from $2.48 in the three months ended September 30, 2011 to $2.36 in the three months ended September 30, 2012, a decrease of $0.12 or 4.8%. Consolidated revenue per transaction was impacted by the reasons discussed above. The acquisitions of our Mexican business and Allstar in 2011 also contributed to the increase in transaction volumes on a consolidated basis. While the Allstar business in the UK and our business in Mexico represent good profit margin businesses, they do have lower revenue per transaction products in comparison to our other businesses and when combined with our other businesses transactions and revenues, results in a lower revenue per transaction than would have resulted without the acquisitions. In

Table of Contents

2012, we acquired a Russian fuel card business and CTF Technologies, Inc., which have higher revenue per transaction products in comparison to our other businesses, which partially offset the impact of the lower margin product businesses acquired in 2011. The results from our recently acquired Mexican, Allstar, Russian fuel card and CTF Technologies, Inc. businesses are reported in our International segment.

North America segment revenues and revenue per transaction

North America revenues increased from $93.0 million in the three months ended September 30, 2011 to $101.5 million in the three months ended September 30, 2012, an increase of $8.5 million, or 9.1%. During the three months ended September 30, 2012, our North America segment revenue was impacted by:

- organic growth in certain of our payment programs driven by both rate and volume increases.

- We believe the macroeconomic environment had a negative effect on our North American revenue for the three months ended September 30, 2012 over the comparable period in 2011, due to the impact of lower fuel spread margins.

North America segment revenue per transaction increased from $2.33 in the three months ended September 30, 2011 to $2.46 in the three months ended September 30, 2012, an increase of $0.13 or 5.6%. North America revenue per transaction was impacted by the reasons discussed above.

International segment revenues and revenue per transaction

International segment revenues increased from $41.2 million in the three months ended September 30, 2011 to $85.4 million in the three months ended September 30, 2012, an increase of $44.2 million, or 107.3%. During the three months ended September 30, 2012, our International segment revenue was primarily impacted by:

- organic growth in certain of our payment programs driven by both rate and volume increases; and

- acquisitions completed during 2011 and 2012, which contributed approximately $41 million in revenue for the three months ended September 30, 2012 over the comparable period in 2011.

- We believe the macroeconomic environment had a negative effect on our International revenue for the three months ended September 30, 2012 over the comparable period in 2011, due to the impact of unfavorable foreign exchange rates, continued soft economic conditions in the U.K. and Czech Republic and the competitive environment. Unfavorable exchange rates resulted in a $2.9 million reduction in revenues for the three months ended September 30, 2012 over the comparable period in 2011.

International segment revenue per transaction decreased from $2.89 in the three months ended September 30, 2011 to $2.24 in the three months ended September 30, 2012, a decrease of $0.65 or 22.5%. International revenue per transaction was impacted by the reasons discussed above. International revenue per transaction decreased due to the impact of our Mexican and Allstar acquisitions in 2011, which have good profit margins but lower revenue per transaction products in comparison to our other businesses. Our acquisitions in 2012 of another Russian fuel card business and CTF Technologies, Inc. have higher revenue per transaction products in comparison to our other businesses, which partially offset the impact of the lower margin product businesses acquired in 2011.

Consolidated operating expenses

Merchant commissions Merchant commissions decreased from $13.3 million in the three months ended September 30, 2011 to $12.9 million in the three months ended September 30, 2012, a decrease of $0.4 million, or 3.1%. This decrease was due primarily to the fluctuation of the margin between the wholesale cost and retail price of fuel, which impacted merchant commissions.

Processing Processing expenses increased from $20.9 million in the three months ended September 30, 2011 to $30.6 million in the three months ended September 30, 2012, an increase of $9.7 million, or 46.4%. During the three months ended September 30, 2012, our processing expenses primarily increased due to acquisitions completed in 2011 and 2012, some of which have a higher rate of processing expenses as a percentage of revenues in comparison to our other businesses.

Selling Selling expenses increased from $9.5 million in the three months ended September 30, 2011 to $12.8 million in the three months ended September 30, 2012, an increase of $3.3 million, or 34.9%. The increase was primarily due to acquisitions completed in 2011 and 2012, as well as additional sales and marketing spending in certain markets.

General and administrative General and administrative expenses increased from $19.7 million in the three months ended September 30, 2011 to $31.2 million in the three months ended September 30, 2012, an increase of $11.5 million, or 58.2%. The increase was primarily due to acquisitions completed in 2011 and 2012 as well as an increase in compensation expense associated with our stock based incentive plans of $3.2 million in the three months ended September 30, 2012 over the comparable period in 2011.

Depreciation and amortization Depreciation and amortization increased from $9.1 million in the three months ended September 30, 2011 to $13.6 million in the three months ended September 30, 2012, an increase of $4.5 million, or 50.1%. The increase was primarily due to acquisitions completed during 2011 and 2012, which resulted in an increase of $5.7 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.

Table of Contents

Operating income and operating margin

Consolidated operating income

Operating income increased from $61.7 million in the three months ended September 30, 2011 to $85.8 million in the three months ended September 30, 2012, an increase of $24.1 million, or 39.1%. Our operating margin decreased slightly from 46.0% for the three months ended September 30, 2011 to 45.9% for the three months ended September 30, 2012. The increase in operating income from the three months ended September 30, 2011 to the three months ended September 30, 2012 was due primarily to the impact of acquisitions completed during 2011 and 2012 and organic growth in the business, partially offset by additional amortization related to acquisitions completed during 2011 and 2012 and by the impact of generally negative macroeconomic conditions, which includes the unfavorable impact of foreign exchange rates and lower fuel spread revenues.

The lower operating margin is due to the impact of recent acquisitions of Allstar and in Mexico in 2011 and an additional Russian fuel card company and CTF Technologies Inc. in 2012. While these acquired businesses represent good profit margin businesses, they produce lower margin products in comparison to our other businesses and when combined with our other business operating income, produced a lower margin than would have resulted without the acquisitions.

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 $43.1 million in the three months ended September 30, 2011 to $49.3 million in the three months ended September 30, 2012, an increase of $6.2 million, or 14.4%. North America operating margin increased from 46.3% for the three months ended September 30, 2011 to 48.5% for the three months ended September 30, 2012. The increase in operating income and operating margin was due primarily to organic growth in the business and lower operating expenses as a percentage of revenue, partially offset by the impact of generally negative macroeconomic conditions, which includes lower fuel spread revenues.

International segment operating income

International operating income increased from $18.7 million in the three months ended September 30, 2011 to $36.6 million in the three months ended September 30, 2012, an increase of $17.9 million, or 96.0%. International operating margin decreased from 45.3% for the three months ended September 30, 2011 to 42.8% for the three months ended September 30, 2012. The increase in operating income is due primarily to the impact of acquisitions completed in 2011 and 2012, which was partially offset by additional amortization related to acquisitions completed during 2011 and 2012 and the impact of generally negative macroeconomic conditions, which includes the unfavorable impact of foreign exchange rates.

The lower operating margin is due to the impact of recent acquisitions in 2011 and 2012. While theses acquired businesses represent good profit margin businesses, they produce lower margin products in comparison to our other businesses and when combined with our other business operating income, produced a lower margin than would have resulted without the acquisitions.

Other income, net

Other income, net increased from income of $0.5 million in the three months ended September 30, 2011 to approximately zero in the three months ended September 30, 2012. The decrease was due primarily to foreign currency exchange gains recognized during the three months ended September 30, 2011.

Interest expense, net

Interest expense increased from $3.1 million in the three months ended September 30, 2011 to $3.2 million in the three months ended September 30, 2012, an increase of $0.1 million, or 3.7%. The increase is due to increased borrowings in the three months ended September 30, 2012 over the comparable period in 2011. The impact of increased borrowings was partially offset by the impact of lower average interest rates paid on debt instruments in the three months ended September 30, 2012 over the comparable period in 2011. The reduction in our average interest rates is a result of the pay down of our 2005 Credit Facility and CCS Facility upon entry into our new Credit Facility on June 22, 2011 and lower interest rates to finance accounts receivable. The average interest rate paid on borrowings on our domestic revolving line of credit and term loans (including the unused credit facility fee) and foreign swing line of credit under our new Credit Facility was 1.99%, 1.99% and 2.02%,

respectively, during the three months ended September 30, 2012. The average interest rate paid on borrowings on our term loans was 2.10% during the three months ended September 30, 2011. There were no borrowings under our revolving line of credit and foreign swing line of credit during the three months ended September 30, 2011.

Table of Contents

Provision for income taxes

The provision for income taxes increased from $18.6 million in the three months ended September 30, 2011 to $22.9 million in the three months ended September 30, 2012, an increase of $4.3 million, or 23.4%. 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 31.5% for three months ended September 30, 2011 to 27.8% for the three months ended September 30, 2012. The decrease in our effective tax rate was primarily due to the enactment of a U.K. statutory tax rate reduction during the period. This lower statutory rate was applied to deferred tax items, which are payable in future periods, reducing income tax expense in the three months ended September 30, 2012 by approximately $3.5 million.

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 $40.5 million in the three months ended September 30, 2011 to $59.6 million in the three months ended September 30, 2012, an increase of $19.1 million, or 47.2%.

Nine months ended September 30, 2012 compared to the nine months ended September 30, 2011

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

	Nine months ended September 30, 2012	% of total revenue	Nine months ended September 30, 2011	% of total revenue	Increase (decrease)	% Change
Revenues, net:						
North America	$ 291,593	57.8%	$ 257,444	67.9%	$ 34,149	13.3%
International	213,324	42.2%	121,987	32.1%	91,337	74.9%
Total revenues, net	504,917	100.0%	379,431	100.0%	125,486	33.1%
Consolidated operating expenses:						
Merchant commissions	40,974	8.1%	36,505	9.6%	4,469	12.2%
Processing	83,161	16.5%	58,585	15.4%	24,576	41.9%
Selling	33,239	6.6%	26,274	6.9%	6,965	26.5%
General and administrative	78,866	15.6%	59,718	15.7%	19,148	32.1%
Depreciation and amortization	36,920	7.3%	26,247	6.9%	10,673	40.7%
Operating income	231,757	45.9%	172,102	45.4%	59,655	34.7%
Other expense (income), net	519	0.1%	(608)	(0.2)%	1,127	NR
Interest expense, net	9,627	1.9%	9,944	2.6%	(317)	(3.2)%
Loss on extinguishment of debt			2,669	0.7%	(2,669)	(100.0)%
Provision for income taxes	65,483	13.0%	50,534	13.3%	14,949	29.6%
Net income	$ 156,128	30.9%	$ 109,563	28.9%	$ 46,565	42.5%
Operating income for segments:						
North America	$ 140,984	27.9%	$ 114,387	30.1%	$ 26,597	23.3%
International	90,773	18.0%	57,715	15.2%	33,058	57.3%
Operating income	$ 231,757	45.9%	$ 172,102	45.4%	$ 59,655	34.7%

Operating margin for segments:			
North America	48.3%	44.4%	3.9%
International	42.6%	47.3%	(4.7)%

Revenues and revenue per transaction

Our consolidated revenues increased from $379.4 million in the nine months ended September 30, 2011 to $504.9 million in the nine months ended September 30, 2012, an increase of $125.5 million, or 33.1%. During the nine months ended September 30, 2012, our consolidated revenue was impacted by:

organic growth in certain of our payment programs driven by both rate and volume increases; and

acquisitions completed during 2011 and 2012, which contributed approximately $94 million in revenue for the nine months ended September 30, 2012 over the comparable period in 2011.

We believe the macroeconomic environment had a positive effect on our consolidated revenue for the nine months ended September 30, 2012 over the comparable period in 2011, due to the impact of higher fuel spread margins, which were partially offset by the impact of unfavorable foreign exchange rates, continued soft economic conditions in the U.K. and Czech Republic and the competitive environment. Unfavorable exchange rates resulted in a $7.5 million reduction in revenues for the nine months ended September 30, 2012 over the comparable period in 2011.

Table of Contents

Consolidated revenue per transaction decreased from $2.52 in the nine months ended September 30, 2011 to $2.24 in the nine months ended September 30, 2012, a decrease of $0.28 or 11.1%. Consolidated revenue per transaction was impacted by the reasons discussed above. The acquisitions of our Mexican business and Allstar in 2011 also contributed to the increase in transaction volumes on a consolidated basis. While the Allstar business in the UK and our business in Mexico represent good profit margin businesses, they do have lower revenue per transaction products in comparison to our other businesses and when combined with our other businesses transactions and revenues, results in a lower revenue per transaction than would have resulted without the acquisitions. In 2012, we acquired a Russian fuel card business and CTF Technologies, Inc., which have higher revenue per transaction products in comparison to our other businesses, which partially offset the impact of the lower margin product businesses acquired in 2011. The results from our recently acquired Mexican, Allstar, Russian fuel card and CTF Technologies, Inc. businesses are reported in our International segment.

North America segment revenues and revenue per transaction

North America revenues increased from $257.4 million in the nine months ended September 30, 2011 to $291.6 million in the nine months ended September 30, 2012, an increase of $34.2 million, or 13.3%. During the nine months ended September 30, 2012, our North America segment revenue was impacted by:

- organic growth in certain of our payment programs driven by both rate and volume increases.

- We believe the macroeconomic environment had a generally positive effect on our North American revenue for the nine months ended September 30, 2012 over the comparable period in 2011, due to the impact of higher fuel spread margins.

North America segment revenue per transaction increased from $2.25 in the nine months ended September 30, 2011 to $2.49 in the nine months ended September 30, 2012, an increase of $0.24 or 10.8%. North America revenue per transaction was impacted by the reasons discussed above.

International segment revenues and revenue per transaction

International segment revenues increased from $122.0 million in the nine months ended September 30, 2011 to $213.3 million in the nine months ended September 30, 2012, an increase of $91.3 million, or 74.9%. During the nine months ended September 30, 2012, our International segment revenue was impacted by:

- organic growth in certain of our payment programs driven by volume increases; and

- acquisitions completed during 2011 and 2012, which contributed approximately $94 million in revenue for the nine months ended September 30, 2012 over the comparable period in 2011.

- We believe the macroeconomic environment had a negative effect on our International revenue for the nine months ended September 30, 2012 over the comparable period in 2011, due to the impact of unfavorable foreign exchange rates, continued soft economic conditions in the U.K. and Czech Republic and the competitive environment, partially offset by the impact of slightly higher fuel prices and higher fuel spread margins. Unfavorable exchange rates resulted in a $7.5 million reduction in revenues for the nine months ended September 30, 2012 over the comparable period in 2011.

International segment revenue per transaction decreased from $3.37 in the nine months ended September 30, 2011 to $1.97 in the nine months ended September 30, 2012, a decrease of $1.40 or 41.5%. International revenue per transaction was impacted by the reasons discussed above. International revenue per transaction decreased due to the impact of our Mexican and Allstar acquisitions in 2011, which have good profit margins but lower revenue per transaction products in comparison to our other businesses. Our acquisitions in 2012 of another Russian fuel card business and CTF Technologies, Inc. have higher revenue per transaction products in comparison to our other businesses, which partially offset the impact of the lower margin product businesses acquired in 2011.

Consolidated operating expenses

Merchant commissions Merchant commissions increased from $36.5 million in the nine months ended September 30, 2011 to $41.0 million in the nine months ended September 30, 2012, an increase of $4.5 million, or 12.2%. This increase was due primarily to the fluctuation of the margin between the wholesale cost and retail price of fuel, which impacted merchant commissions and the impact of higher volume in revenue streams where merchant commissions are paid.

Processing Processing expenses increased from $58.6 million in the nine months ended September 30, 2011 to $83.2 million in the nine months ended September 30, 2012, an increase of $24.6 million, or 41.9%. During the nine months ended September 30, 2012, our processing expenses primarily increased due to acquisitions completed in 2011 and 2012, which have a higher rate of processing expenses as a percentage of revenues in comparison to our other businesses and higher MasterCard processing fees associated with organic growth in certain of our payment programs.

Table of Contents

Selling Selling expenses increased from $26.3 million in the nine months ended September 30, 2011 to $33.2 million in the nine months ended September 30, 2012, an increase of $6.9 million, or 26.5%. The increase was primarily due to acquisitions completed in 2011 and 2012, as well as additional sales and marketing spending in certain markets.

General and administrative General and administrative expenses increased from $59.7 million in the nine months ended September 30, 2011 to $78.9 million in the nine months ended September 30, 2012, an increase of $19.2 million, or 32.1%. The increase was primarily due to acquisitions completed in 2011 and 2012 and an increase in compensation expense associated with our stock based incentive plans of $0.4 million in the nine months ended September 30, 2012 over the comparable period in 2011.

Depreciation and amortization Depreciation and amortization increased from $26.2 million in the nine months ended September 30, 2011 to $36.9 million in the nine months ended September 30, 2012, an increase of $10.7 million, or 40.7%. The increase was primarily due to acquisitions completed during 2011 and 2012, which resulted in an increase of $10.2 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.

Operating income and operating margin

Consolidated operating income

Operating income increased from $172.1 million in the nine months ended September 30, 2011 to $231.8 million in the nine months ended September 30, 2012, an increase of $59.7 million, or 34.7%. Our operating margin increased from 45.4% for the nine months ended September 30, 2011 to 45.9% for the nine months ended September 30, 2012. The increase in operating income was due primarily to the impact of acquisitions completed during 2011 and 2012, organic growth in the business and the generally positive macroeconomic conditions, which includes the impact of higher fuel spread revenues. These increases were partially offset by additional amortization related to acquisitions completed during 2011 and 2012 and the unfavorable impact of foreign exchange rates.

In addition to the reasons discussed above, operating margin was positively impacted by lower overall operating expenses as a percentage of revenues over the comparable period, partially offset by the impact of recent acquisitions. We completed the acquisition of Allstar and our Mexican business in 2011 and an additional Russian fuel card company and CTF Technologies Inc. in 2012. While these acquired businesses represent good profit margin businesses, they produce lower margin products in comparison to our other businesses and when combined with our other business operating income, produced a lower margin than would have resulted without the acquisitions.

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 $114.4 million in the nine months ended September 30, 2011 to $141.0 million in the nine months ended September 30, 2012, an increase of $26.6 million, or 23.3%. North America operating margin increased from 44.4% for the nine months ended September 30, 2011 to 48.3% for the nine months ended September 30, 2012. The increase in operating income and operating margin is due primarily to organic growth in the business, the impact of generally positive macroeconomic conditions, which includes the impact of higher fuel spread revenues and lower overall operating expenses as a percentage of revenues. These increases were partially offset by higher merchant commissions as a percentage of revenues due to volume increases in certain businesses where commissions are paid, as well as the fluctuation of the margin between the wholesale cost and retail price of fuel, which increased merchant commissions.

International segment operating income

International operating income increased from $57.7 million in the nine months ended September 30, 2011 to $90.8 million in the nine months ended September 30, 2012, an increase of $33.1 million, or 57.3%. International operating margin decreased from 47.3% for the nine months ended September 30, 2011 to 42.6% for the nine months ended September 30, 2012. The increase in operating income is primarily due to the impact of acquisitions completed in 2011 and 2012, the impact of slightly higher fuel prices and the impact of higher fuel spread revenues, which were partially offset by the impact of generally negative macroeconomic conditions, which includes the unfavorable impact of foreign exchange rates and additional amortization related to these acquisitions.

The lower operating margin is due to the impact of recent acquisitions in 2011 and 2012. While these acquired businesses represent good profit margin businesses, they produce lower margin products in comparison to our other businesses and when combined with our other business

operating income, produced a lower margin than would have resulted without the acquisitions.

Other income, net

Other income, net decreased from income of $0.6 million in the nine months ended September 30, 2011 to an expense of $0.5 million in the nine months ended September 30, 2012, a decrease of $1.1 million. The decrease was due primarily to expenses related to our secondary stock offering during the first quarter of 2012, as well as foreign currency exchange gains recognized during the nine months ended September 30, 2011.

Table of Contents

Interest expense, net

Interest expense decreased from $9.9 million in the nine months ended September 30, 2011 to $9.6 million in the nine months ended September 30, 2012, a decrease of $0.3 million, or 3.2%. The decrease is due to lower average interest rates paid on debt instruments in the nine months ended September 30, 2012 over the comparable period in 2011. The reduction in our average interest rates is a result of the pay down of our 2005 Credit Facility and CCS Facility upon entry into our new Credit Facility on June 22, 2011 and lower interest rates to finance accounts receivable. The average interest rate paid on borrowings on our domestic revolving line of credit, term loans (including the unused credit facility fee) and foreign swing line of credit under our new Credit Facility was 2.00%, 2.00% and 2.04%, respectively, during the nine months ended September 30, 2012. The average interest rate paid on borrowings on our term loans was 2.10% during the nine months ended September 30, 2011. The average interest rate on the 2005 Credit Facility was 2.54% in the nine months ended September 30, 2011. The average interest rate on the CCS Credit Facility was 2.66% in the nine months ended September 30, 2011.

Loss on extinguishment of debt

Loss on early extinguishment of debt decreased from $2.7 million in the nine months ended September 30, 2011 to zero in the nine months ended September 30, 2012. This decrease is due to the write-off of $1.7 million and $1.0 million in deferred debt issuance costs associated with the early extinguishment of the 2005 Facility and CCS Credit Facility, respectively, upon retirement of these credit facilities with the proceeds from our new Credit Facility signed on June 22, 2011.

Provision for income taxes

The provision for income taxes increased from $50.5 million in the nine months ended September 30, 2011 to $65.5 million in the nine months ended September 30, 2012, an increase of $15.0 million, or 29.6%. 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 from 31.6% for nine months ended September 30, 2011 to 29.5% for the nine months ended September 30, 2012. The decrease in our effective tax rate was primarily due to the enactment of a U.K. statutory tax rate reduction during the period. This lower statutory rate was applied to deferred tax items, which are payable in future periods, reducing income tax expense in the nine months ended September 30, 2012 by approximately $3.5 million.

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 $109.6 million in the nine months ended September 30, 2011 to $156.1 million in the nine months ended September 30, 2012, an increase of $46.5 million, or 42.5%.

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, 2012, our unrestricted cash and cash equivalent balance totaled $300.1 million. Our restricted cash balance at September 30, 2012 totaled $52.2 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, 2012, cash and cash equivalents held in foreign subsidiaries where we have determined such cash and cash equivalents are permanently reinvested totaled $273.0 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.

Table of Contents

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, 2012, we had the ability to generate approximately $15.0 million of liquidity under our Securitization Facility and had $392.2 million available under the new Credit Facility.

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. Our option to increase the facility was increased from an additional $150 million to an additional $250 million. As amended, the Credit Agreement provides for a $550 million term loan facility and a $850 million revolving credit facility. The second amendment to the Credit Facility provides $500 million of additional liquidity, which when combined with the availability under the Credit Facility at September 30, 2012, provides us with total liquidity under the Credit Facility of approximately $900 million. We anticipate using the increased facility primarily to help fund future acquisitions, for working capital and other general corporate purposes, including to potentially fund share repurchases from certain of our significant legacy investors. The terms and timing of any future repurchases would be subject to the discretion of the Company s board of directors and the Company currently does not have any specific plans.

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, 2012 and 2011.

	Nine months ended September 30,	
(in millions)	**2012**	**2011**
Net cash provided by operating activities	$ 33.1	$ 70.5
Net cash used in investing activities	(203.5)	(30.3)
Net cash provided by (used in) financing activities	176.2	(24.0)

Operating activities Net cash provided by operating activities decreased from $70.5 million in the nine months ended September 30, 2011 to $33.1 million used in operating activities in the nine months ended September 30, 2012. The decrease is primarily due to a decrease in working capital, driven by increases in accounts receivable and other assets, partially offset by additional net income during the period.

Investing activities Net cash used in investing activities increased from $30.3 million in the nine months ended September 30, 2011 to $203.5 million in the nine months ended September 30, 2012. This increase is primarily due to the increase in cash used for acquisitions during the nine months ended September 30, 2012 over the comparable period in 2011.

Financing activities Net cash provided by (used in) financing activities increased from $24.0 million used in financing activities in the nine months ended September 30, 2011 to $176.2 million provided by financings activities in the nine months ended September 30, 2012. The increase is primarily due to additional borrowings on the Securitization Facility of $65.0 million and revolver of $80.0 million in the nine months ended September 30, 2012 over the comparable period in 2011, as well as an increase of $15 million in tax benefits related to stock based compensation in the nine months ended September 30, 2012 over the comparable period in 2011.

Capital spending summary

Our capital expenditures increased from $8.4 million in the nine months ended September 30, 2011 to $13.6 million in the nine months ended September 30, 2012, an increase of $5.2 million, or 62.2%. The increase was primarily related to additional investments to continue to enhance our existing processing systems and continued development of a new European processing system. We anticipate our capital expenditures to

increase to approximately $16.0 million for 2012 as compared to $13.5 million in 2011, as we continue to enhance our existing processing systems.

Table of Contents

Credit Facility

On June 22**,** 2011, we entered into a new five-year, $900 million Credit Agreement (the Credit Agreement) with a syndicate of banks. 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. Our option to increase the facility was increased from an additional $150 million to an additional $250 million. The interest rates on the amended Credit Agreement did not change. As amended, the Credit Agreement provides for a $550 million term loan facility and a $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. The Credit Agreement contains representations, warranties and events of 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 were used to retire our existing indebtedness under our 2005 Credit Facility and CCS Credit Facility. 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. The Amendment adds two U.K. entities as designated borrowers and adds a $110 million foreign currency swing line subfacility under the existing revolver, which will allow for alternate currency borrowing on the swing line. The Amendment also permits us to provide a cash deposit of up to $50 million to a processor in connection with one of our MasterCard programs.

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, 2012, the interest rate on the term loan and domestic revolving line of credit was 1.72% and the unused credit facility fee was 0.25%. At September 30, 2012, the interest rate on the foreign swing line of credit was 2.00%.

The stated maturity date for our term loan and revolving loans and letters of credit under the Credit Agreement is June 22, 2016. 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 on June 22, 2016. Borrowings on the revolving line of credit are repayable at our option of one, two, three or six months after borrowing, depending on the term of the borrowing on the facility. Borrowings on the foreign swing line of credit are due no later than ten business days after such loan is made.

During the nine months ended September 30, 2012, we made principal payments of $11.3 million on the term loan and $250.0 million on the domestic revolving line of credit. At September 30, 2012, we had $281.3 million in outstanding term loans, $205.0 million in borrowings outstanding on the domestic revolving line of credit and $18.4 million in borrowings outstanding on the foreign swing line of credit. As of September 30, 2012, we were in compliance with each of the covenants under the new Credit Facility agreement.

2005 Credit Facility

We were party to a credit agreement, dated as of June 29, 2005, which was subsequently amended and restated as of April 30, 2007, with a syndicate of banks. We refer to this facility as the 2005 Credit Facility in this report.

The 2005 Credit Facility provided for term loans in the amount of $250.0 million and two tranches of multicurrency revolving loans, each of which revolving loans were available to be made in U.S. dollars, British pounds or Euros; a U.S. tranche for the U.S. borrower of up to $30.0 million (with a $10.0 million sub-limit for letters of credit), and a global tranche for both the U.S. borrower and U.K. borrower of up to $20.0 million. The 2005 Credit Facility also included a $10.0 million swing line facility which was available to the U.S. borrower. The credit agreement also provided for delayed draw term loans in the amount of up to $50.0 million, of which $50.0 million was borrowed in April 2008. The 2005 Credit Facility further provided for incremental term loans in an aggregate amount not to exceed $100.0 million. None of the incremental term loans were made.

Interest on the facilities accrued, at our election, based on a base rate, EURIBOR or LIBOR, plus a margin. The margin with respect to the term loans was fixed at 2.25% for LIBOR and EURIBOR loans and at 1.25% for base rate loans. With respect to revolving loans and letter of credit fees, the margin or fee was determined based on our leverage ratio and ranged from 2.00% to 2.50% for LIBOR and EURIBOR loans and from 1.00% to 1.50% for base rate loans. Interest on overdue amounts accrued at a rate equal to the applicable interest rate plus 2.00% per annum.

The stated maturity date for our term loans was April 30, 2013 and the stated maturity date for our revolving loans and letters of credit was April 30, 2012. The term loans were payable in quarterly installments of 0.25% of the initial aggregate principal amount of the loans and are due on the last business day of each March, June, September, and December, with the final principal payment due in April 2013. Principal payments of $270.4 million were made on the term loan during the nine months ended September 30, 2011.

Table of Contents

On June 22, 2011, we retired our indebtedness under the 2005 Credit Facility with the proceeds from our new Credit Facility. As of the date of retirement of this indebtedness, we were in compliance with each of the covenants under the 2005 Credit Facility.

CCS Credit Facility

Certain of our subsidiaries were party to a credit agreement, dated as of December 7, 2006, which was subsequently amended as of March 28, 2008, with a syndicate of banks. We refer to this facility as the CCS Credit Facility in this report.

The CCS Credit Facility agreement provided for term loans in the total amount of CZK 1.675 billion ($84.3 million), which consisted of a Facility A amortized term loan in the amount of CZK 990 million ($49.8 million) and a Facility B bullet term loan in the amount of CZK 685.0 million ($34.2 million).

Interest on the term loans accrued, calculated according to the term selected by CCS, based on a base rate, PRIBOR (Prague Interbank Offered Rate), plus a margin and a mandatory cost. The margin was determined based on CCS s leverage ratio and ranges from 0.95% to 1.75% for the Facility A term loan and from 2.00% to 2.90% for the Facility B term loan.

The stated maturity date for CCS s term loans was December 21, 2013 with respect to Facility A and December 21, 2014 with respect to Facility B . The Facility A term loan was payable in semiannual payments in June and December of each year, ending in December 2013 and the Facility B term loan was payable in one lump sum on December 21, 2014. CCS had the right to prepay the loans without premium or penalty on the last day of an interest period. Principal payments of $59.7 million were made on these facilities during the nine months ended September 30, 2011.

On June 22, 2011, we retired our indebtedness under the CCS Credit Facility with the proceeds from our new Credit Facility. As of the date of retirement of this indebtedness, we were in compliance with each of the covenants under the CCS Credit Facility agreement.

Other Debt

In connection with our acquisition of CTF Technologies, Inc. on July 3, 2012, we paid down notes outstanding on the books of the seller of $12.2 million, at the time of closing.

Two of our subsidiaries entered into a Purchase Agreement dated June 15, 2012 for the acquisition of a Russian fuel card company. In connection with the purchase, a final payment of $11.25 million is due December 15, 2013.

One of our subsidiaries entered into a Purchase Agreement during June 2012, which includes contingent earn-out payments related to an acquired business of $5.1 million, which is payable in three installments in December 2012, November 2013 and May 2016.

One of our subsidiaries, FleetCor Luxembourg Holding2 S.à r.l. (Lux 2), entered into a Share Sale and Purchase Agreement dated April 24, 2008 (the Purchase Agreement) with ICP Internet Cash Payments B.V. for the purchase of ICP International Card Products B.V. The acquired business is now being operated in the Netherlands as FleetCor Technologieën B.V. In connection with the purchase Lux 2 agreed to make deferred payments in the aggregate amount of 1.0 million ($1.4 million), of which the final payment was made on June 6, 2011 in the amount of 0.33 million ($0.47 million).

In connection with an acquisition by FleetCor Luxembourg Holding4 S.à r.l. in October 2010, the parties agreed to defer payment of a portion of the purchase price, equal to approximately $1.1 million, which was paid in February 2011.

Table of Contents

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, which was amended and restated for the fourth time as of October 29, 2007 and which has been amended seven times since then to add or remove purchasers, extend the facility termination date and remove financial covenants. We refer to this arrangement as the Securitization Facility in this report. The current purchase limit under the Securitization Facility is $500 million. On June 22, 2011, concurrently with the signing of the Credit Agreement, FleetCor Funding LLC entered into a fifth amendment to the fourth amended and restated receivables purchase agreement. The amendment to the Securitization Facility revised certain definitions, removed the compliance certification reporting requirement, and removed financial covenant requirements. The Securitization Facility was amended for a sixth time on September 30, 2011 to permit us to sell receivables to the purchasers and repay purchasers on a non-ratable basis in order to take advantage of the lower cost of capital of certain purchasers. The facility was amended for the seventh time on February 6, 2012 to add a new purchaser and extend the facility termination date to February 4, 2013. There is a program fee equal to the commercial paper rate of 0.25%, plus 0.75% as of September 30, 2012. The unused facility fee is payable at a rate of 0.35% per annum as of September 30, 2012.

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.

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, 2012, 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, 2011. 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, 2011 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 in the three and nine months ended September 30, 2011 and 2012.

Table of Contents

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.

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,		Nine Months Ended September 30,	
	2012	2011	2012	2011
Revenues, net	$ 186,932	$ 134,213	$ 504,917	$ 379,431
Merchant commissions	12,930	13,347	40,974	36,505
Total adjusted revenues	$ 174,002	$ 120,866	$ 463,943	$ 342,926

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, and (d) amortization of intangible assets in the three and nine months ended September 30, 2011 and 2012, as applicable.

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,		Nine Months Ended September 30,	
	2012	2011	2012	2011
Net income	$ 59,648	$ 40,514	$ 156,128	$ 109,563
Provision for income taxes	22,943	18,597	65,483	50,534
Interest expense, net	3,246	3,130	9,627	9,944
Depreciation and amortization	13,591	9,052	36,920	26,247
EBITDA	$ 99,428	$ 71,293	$ 268,158	$ 196,288

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, (c) amortization of the premium recognized on the purchase of receivables, and (d) loss on the early extinguishment of debt in the three and nine months ended September 30, 2011 and 2012, as applicable.

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 in the three and nine months ended September 30, 2011 and 2012.

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 also exclude loss on the early extinguishment of debt from adjusted net income, as this expense is non-cash and is one-time in nature and does not reflect the ongoing operations of the business. 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.

Table of Contents

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,		Nine Months Ended September 30,	
	2012	2011	2012	2011
Net income	$ 59,648	$ 40,514	$ 156,128	$ 109,563
Net income per diluted share	$ 0.71	$ 0.69	$ 1.88	$ 1.82
Stock based compensation	6,494	3,639	14,287	15,622
Amortization of intangible assets	8,687	4,782	23,044	13,969
Amortization of premium on receivables	816	816	2,449	2,450
Amortization of deferred financing costs	545	508	1,596	1,351
Loss on extinguishment of debt				2,669
Total pre-tax adjustments	16,542	9,745	41,376	36,061
Income tax impact of pre-tax adjustments at the effective tax rate	(4,595)	(3,066)	(12,226)	(11,383)
Adjusted net income	$ 71,595	$ 47,193	$ 185,278	$ 134,241
Adjusted net income per diluted share	$ 0.83	$ 0.56	$ 2.16	$ 1.61
Diluted shares	86,224	83,649	85,681	83,526

Special Cautionary Notice Regarding Forward-Looking Statements

This report contains statements that express our opinions, expectations, beliefs, plans, objectives, assumptions or projections regarding future events or future results, in contrast with statements that reflect historical facts. In some cases, we have identified such forward-looking statements with typical conditional words such as anticipate, intend, believe, estimate, plan, seek, project or expect, may, will, should, the negative of these terms or 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, 2011. 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, 2012, 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, 2011.

Item 4. Controls and Procedures

As of September 30, 2012, 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

Table of Contents

Executive Officer and Chief Financial Officer concluded that, as of September 30, 2012, 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, 2012, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Table of Contents

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, except as described below, and were not involved in any material legal proceedings that terminated during the third quarter. We are and may become, however, subject to lawsuits from time to time in the ordinary course of our business. We are currently 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 are dominant in a relevant market with our Keyfuels product line. The Office of Fair Trading is investigating whether we are dominant and, if dominant, whether some of our contracts with some sites and dealers would constitute exclusive dealings requiring them to be reformed to eliminate exclusivity. The Office of Fair Trading has issued a statement of objections, which we responded to, and we are awaiting its conclusions. If determined adversely, the regulator has authority to require us to reform contracts to eliminate exclusivity and impose significant fines, which could be material. Any adverse determination is appealable to the Competition Appeal Tribunal.

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, 2011 (the Form 10-K), which could materially affect our business, financial condition or future results.

The risk factor in the Form 10-K entitled Litigation and regulatory actions could subject us to significant fines, penalties or requirements resulting in increased expenses is hereby updated with the additional information regarding the Office of Fair Trading investigation described in response to Part II, Item 1. Legal Proceedings above.

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.

Table of Contents

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)
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	Arrangement Agreement Among FleetCor Luxembourg Holdings2 S.À.R.L, FleetCor Technologies, Inc. and CTF Technologies, Inc. (incorporated by reference to Exhibit 10.1 to the Registrant s Quarterly Report on Form 10-Q, filed with the SEC on May 10, 2012)
10.2	Second Amendment to the First Amended Credit Agreement, by and among FleetCor Technologies, Inc. and certain of its subsidiaries, as borrowers and guarantors, Bank of America, N.A., as administrative agent, swing line lender and letter of credit issuer, and other lenders party thereto (incorporated by reference to Exhibit 10.1 to the Registrant s Form 8-K, filed with the SEC on November 7, 2012)
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 Cash Flows and (iv) the Notes to Unaudited Consolidated Financial Statements.

Table of Contents

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 9, 2012.

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)