

FLEETCOR TECHNOLOGIES INC

Form 10-Q

November 08, 2018

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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

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FORM 10-Q

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

For the quarterly period ended September 30, 2018

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

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FleetCor Technologies, Inc.  
(Exact name of registrant as specified in its charter)

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Delaware	72-1074903
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

5445 Triangle Parkway, Peachtree Corners, Georgia 30092  
(Address of principal executive offices) (Zip Code)  
Registrant's telephone number, including area code: (770) 449-0479

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted 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 such files). Yes  No

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

Large accelerated filer  Accelerated filer   
Non-accelerated filer  Smaller reporting company   
Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

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

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Class	Outstanding at November 1, 2018
Common Stock, \$0.001 par value	122,850,784

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FLEETCOR TECHNOLOGIES, INC. AND SUBSIDIARIES  
 FORM 10-Q  
 For the Three and Nine Month Periods Ended September 30, 2018  
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## 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, 2018 <sup>1</sup> (Unaudited)	December 31, 2017
Assets		
Current assets:		
Cash and cash equivalents	\$924,442	\$913,595
Restricted cash	264,108	217,275
Accounts and other receivables (less allowance for doubtful accounts of \$52,022 at September 30, 2018 and \$46,031 at December 31, 2017)	1,811,339	1,420,011
Securitized accounts receivable—restricted for securitization investors	931,000	811,000
Prepaid expenses and other current assets	202,102	187,820
Total current assets	4,132,991	3,549,701
Property and equipment, net	184,979	180,057
Goodwill	4,517,348	4,715,823
Other intangibles, net	2,438,627	2,724,957
Investments	33,032	32,859
Other assets	143,913	114,962
Total assets	\$ 11,450,890	\$ 11,318,359
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	\$ 1,616,949	\$ 1,437,314
Accrued expenses	252,069	238,472
Customer deposits	825,371	732,171
Securitization facility	931,000	811,000
Current portion of notes payable and lines of credit	768,548	805,512
Other current liabilities	90,531	71,033
Total current liabilities	4,484,468	4,095,502
Notes payable and other obligations, less current portion	2,773,378	2,902,104
Deferred income taxes	506,310	518,912
Other noncurrent liabilities	124,486	125,319
Total noncurrent liabilities	3,404,174	3,546,335
Commitments and contingencies (Note 13)		
Stockholders' equity:		
Common stock, \$0.001 par value; 475,000,000 shares authorized; 122,823,669 shares issued and 88,648,486 shares outstanding at September 30, 2018; and 122,083,059 shares issued and 89,803,982 shares outstanding at December 31, 2017	123	122
Additional paid-in capital	2,316,753	2,214,224
Retained earnings	3,515,657	2,958,921
Accumulated other comprehensive loss	(944,746 )	(551,857 )
Less treasury stock (34,175,183 shares at September 30, 2018 and 32,279,077 shares at December 31, 2017)	(1,325,539 )	(944,888 )
Total stockholders' equity	3,562,248	3,676,522
Total liabilities and stockholders' equity	\$ 11,450,890	\$ 11,318,359

<sup>1</sup>Reflects the impact of the Company's adoption of Accounting Standards Update 2014-09, "Revenue from Contracts with Customers (Topic 606)" ("ASC 606") and related cost capitalization guidance, which was adopted by the Company on January 1, 2018 using the modified retrospective transition method. The adoption of ASC 606 resulted in an adjustment to retained earnings in our consolidated balance sheet for the cumulative effect of applying the standard, which included costs incurred to obtain a contract, as well as presentation changes in our statements of income, including the classification of certain amounts previously classified as merchant commissions and processing expense net with revenues. As a result of the application of the modified retrospective transition method, the Company's prior period results within its annual report on Form 10-K and quarterly reports on Form 10-Q will not be restated to reflect the impact of ASC 606. See footnote 1, "Summary of Significant Accounting Policies", in the accompanying notes to the unaudited consolidated financial statements.  
See accompanying notes to unaudited consolidated financial statements.

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FLEETCOR Technologies, Inc. and Subsidiaries  
 Unaudited Consolidated Statements of Income  
 (In Thousands, Except Per Share Amounts)

	Three Months Ended		Nine Months Ended	
	September 30, 2018 <sup>1</sup>	2017	September 30, 2018 <sup>1</sup>	2017
Revenues, net	\$619,586	\$577,877	\$1,790,070	\$1,639,547
Expenses:				
Merchant commissions	—	27,687	—	82,690
Processing	128,400	111,283	356,086	316,429
Selling	44,806	45,060	135,926	122,854
General and administrative	98,023	92,054	284,718	275,095
Depreciation and amortization	67,267	69,156	207,379	198,731
Operating income	281,090	232,637	805,961	643,748
Investment loss	7,147	47,766	7,147	52,497
Other expense (income), net	303	(175,271 )	465	(173,626 )
Interest expense, net	36,072	29,344	100,287	76,322
Loss on extinguishment of debt	—	3,296	—	3,296
Total other expense (income)	43,522	(94,865 )	107,899	(41,511 )
Income before income taxes	237,568	327,502	698,062	685,259
Provision for income taxes	79,874	124,679	188,579	227,756
Net income	\$157,694	\$202,823	\$509,483	\$457,503
Basic earnings per share	\$1.78	\$2.23	\$5.72	\$4.99
Diluted earnings per share	\$1.71	\$2.18	\$5.50	\$4.87
Weighted average shares outstanding:				
Basic shares	88,456	90,751	89,126	91,619
Diluted shares	92,081	93,001	92,671	93,923

<sup>1</sup> Reflects the impact of the Company's adoption of ASC 606 and related cost capitalization guidance, which was adopted by the Company on January 1, 2018 using the modified retrospective transition method. The adoption of ASC 606 resulted in an adjustment to retained earnings in our consolidated balance sheet for the cumulative effect of applying the standard, which included costs incurred to obtain a contract, as well as presentation changes in our statements of income, including the classification of certain amounts previously classified as merchant commissions and processing expense net with revenues. As a result of the application of the modified retrospective transition method, the Company's prior period results within its annual report on Form 10-K and quarterly reports on Form 10-Q will not be restated to reflect the impact of ASC 606. See footnote 1, "Summary of Significant Accounting Policies", in the accompanying notes to the unaudited consolidated financial statements. See accompanying notes to unaudited consolidated financial statements.

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FLEETCOR Technologies, Inc. and Subsidiaries  
 Unaudited Consolidated Statements of Comprehensive Income  
 (In Thousands)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Net income	\$157,694	\$202,823	\$509,483	\$457,503
Other comprehensive (loss) income:				
Foreign currency translation (losses) gains, net of tax	(74,058 )	112,301	(392,889 )	168,655
Reclassification of foreign currency translation loss to investment, net of tax	—	31,381	—	31,381
Total other comprehensive (loss) income	(74,058 )	143,682	(392,889 )	200,036
Total comprehensive income	\$83,636	\$346,505	\$116,594	\$657,539
See accompanying notes to unaudited consolidated financial statements.				



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

	Nine Months Ended September 30,	
	2018 <sup>1</sup>	2017 <sup>1</sup>
Operating activities		
Net income	\$509,483	\$457,503
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	38,174	35,096
Stock-based compensation	54,207	68,897
Provision for losses on accounts receivable	43,520	35,949
Amortization of deferred financing costs and discounts	4,035	5,411
Amortization of intangible assets	165,002	158,897
Amortization of premium on receivables	4,202	4,738
Loss on extinguishment of debt	—	3,296
Deferred income taxes	(6,334	) (38,092 )
Investment loss	7,147	52,497
Gain on disposition of business	—	(174,984 )
Other non-cash operating income	(140	) (49 )
Changes in operating assets and liabilities (net of acquisitions):		
Accounts and other receivables	(640,859	) (440,011 )
Prepaid expenses and other current assets	(19,618	) (86,648 )
Other assets	(19,922	) (15,378 )
Accounts payable, accrued expenses and customer deposits	416,483	364,473
Net cash provided by operating activities	555,380	431,595
Investing activities		
Acquisitions, net of cash acquired	(3,799	) (602,298 )
Purchases of property and equipment	(56,312	) (49,459 )
Proceeds from disposal of a business	—	316,501
Other	(11,192	) (6,327 )
Net cash used in investing activities	(71,303	) (341,583 )
Financing activities		
Proceeds from issuance of common stock	48,322	20,192
Repurchase of common stock	(380,651	) (402,392 )
Borrowings on securitization facility, net	120,000	203,000
Deferred financing costs paid and debt discount	(166	) (11,230 )
Proceeds from issuance of notes payable	—	780,656
Principal payments on notes payable	(103,500	) (388,656 )
Borrowings from revolver	834,019	845,000
Payments on revolver	(897,861	) (804,808 )
Borrowings on swing line of credit, net	23,735	7,800
Other	(230	) 537
Net cash (used in) provided by financing activities	(356,332	) 250,099
Effect of foreign currency exchange rates on cash	(70,065	) 34,390
Net increase in cash and cash equivalents and restricted cash	57,680	374,501
Cash and cash equivalents and restricted cash, beginning of period	1,130,870	643,770
Cash and cash equivalents and restricted cash, end of period	\$1,188,550	\$1,018,271
Supplemental cash flow information		

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Cash paid for interest	\$ 113,785	\$ 79,144
Cash paid for income taxes	\$ 162,563	\$ 257,349

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<sup>1</sup> Reflects the impact of the Company's adoption of Accounting Standards Update 2016-18, "Statement of Cash Flows (Topic 230)", which was adopted by the Company on January 1, 2018 and applied retrospectively to results for 2017. The adoption of Topic 230 resulted in the statement of cash flows presenting the changes in the total of cash, cash equivalents and restricted cash. As a result, the Company will no longer present transfers between cash and cash equivalents and restricted cash in the statement of cash flows.

See accompanying notes to unaudited consolidated financial statements.

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FLEETCOR Technologies, Inc. and Subsidiaries  
Notes to Unaudited Consolidated Financial Statements  
September 30, 2018

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 of normal recurring accruals and estimates that impact the carrying value of assets and liabilities. Actual results may differ from these estimates.

The unaudited interim consolidated 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, 2017.

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 made directly to accumulated other comprehensive income. Income and expenses are translated at the average monthly rates of exchange in effect during the period. Gains and losses from foreign currency transactions of these subsidiaries are included in net income. The Company recognized foreign exchange losses of \$0.2 million and foreign exchange gains of \$0.6 million in the three months ended September 30, 2018 and 2017, respectively, which are recorded within other (income) expense, net in the Unaudited Consolidated Statements of Income. The Company recognized foreign exchange gains of \$0.2 million and foreign exchange losses of \$0.2 million in the nine months ended September 30, 2018 and 2017, respectively.

Derivatives

The Company, through its Cambridge Global Payments (“Cambridge”) subsidiary, facilitates cross-currency corporate payments by writing derivatives to customers, which are not designated as hedging instruments. The majority of this business' revenue is from exchanges of currency at spot rates, which enable customers to make cross-currency payments. In addition, the Company also writes foreign currency forward and option contracts for its customers to facilitate future payments. The duration of these derivative contracts at inception is generally less than one year. The Company aggregates its foreign exchange exposures arising from customer contracts, including forwards, options and spot exchanges of currency, and hedges (economic hedge) the resulting net currency risks by entering into offsetting contracts with established financial institution counterparties. The changes in fair value related to these contracts are recorded in the Unaudited Consolidated Statements of Income.

The Company recognizes all derivatives in “prepaid expenses and other current assets” and “other current liabilities” in the accompanying Unaudited Consolidated Balance Sheets at their fair value. All cash flows associated with derivatives are included in cash flows from operating activities in the Unaudited Consolidated Statements of Cash Flows.

Adoption of New Accounting Standards

Impact of Adoption of ASC 606

In May 2014, the FASB issued ASU 2014-09, “Revenue from Contracts with Customers (Topic 606)”, which replaces numerous requirements in U.S. GAAP, including industry-specific requirements, and provides companies with a single revenue recognition model for recognizing revenue from contracts with customers. The core principle of ASU 2014-09 is that an entity should recognize revenue to depict the transfer of promised goods or services in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The two permitted transition methods under the new standard are the full retrospective method, in which case the standard would be applied to each prior reporting period presented and the cumulative effect of applying the standard would be recognized at the earliest period shown, or the modified retrospective method, in which case the cumulative effect of

applying the standard would be recognized at the date of initial application. ASU 2014-09, as amended by ASU 2015-14, "Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date", is effective for years beginning after December 15, 2017, including interim periods, with early adoption permitted for years beginning after December 15, 2016. Since the issuance of ASU 2014-09, the FASB has issued additional interpretive guidance, including new accounting standard updates, which clarifies certain points of the standard and modifies certain requirements.

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Effective January 1, 2018, we adopted ASC 606 using the modified retrospective method, for contracts that were not completed as of the date of initial application, resulting in a cumulative effect adjustment to retained earnings on January 1, 2018. For contracts that were modified before January 1, 2018, the Company has not retrospectively restated contracts for those modifications but instead reflected the aggregate effect of these modifications when identifying the satisfied and unsatisfied performance obligations, as allowed within the transition practical expedients. The cumulative impact to our retained earnings at January 1, 2018 was \$30.9 million, due to the capitalization of costs to acquire contracts under the new standard, with a corresponding increase to prepaid expense and other current assets of \$10.2 million, other assets of \$30.3 million and deferred income taxes (liabilities) of \$9.6 million. Additionally, under the new standard certain costs (e.g., merchant commissions and fees paid to credit card associations) will be presented net in revenues as the amounts represent payments to our customers that are not considered in exchange for a distinct good or service that the customer transfers to the Company.

The impact to the Company's revenue, operating expenses, income from continuing operations after taxes, net income and basic and diluted earnings per share (EPS) for the three and nine months ended September 30, 2018 was as follows:

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2018 As Reported	Impact of ASC 606	2018 Prior to Adoption	2018 As Reported	Impact of ASC 606	2018 Prior to Adoption
Revenues, net	\$619,586	\$27,958	\$647,544	\$1,790,070	\$75,513	\$1,865,583
Expenses:						
Merchant commissions	—	30,909	30,909	—	84,199	84,199
Processing	128,400	(2,498 )	125,902	356,086	(7,282 )	348,804
Selling	44,806	875	45,681	135,926	3,392	139,318
General and administrative	98,023	—	98,023	284,718	—	284,718
Depreciation and amortization	67,267	—	67,267	207,379	—	207,379
Operating income	281,090	(1,328 )	279,762	805,961	(4,796 )	801,165
Total other expense	43,522	—	43,522	107,899	—	107,899
Income before income taxes	237,568	(1,328 )	236,240	698,062	(4,796 )	693,266
Provision for income taxes	79,874	(498 )	79,376	188,579	(1,346 )	187,233
Net income	\$157,694	\$(830 )	\$156,864	\$509,483	\$(3,450 )	\$506,033
Basic earnings per share	\$1.78	\$(0.01 )	\$1.77	\$5.72	\$(0.04 )	\$5.68
Diluted earnings per share	\$1.71	\$(0.01 )	\$1.70	\$5.50	\$(0.04 )	\$5.46

The adoption of ASC 606 did not impact our accounting for revenues derived from late fees, finance charges, and certain other charge card fees or certain of our foreign currency contracts, which continue to be accounted for under existing authoritative guidance, as discussed further below.

Accounting for Leases

In February 2016, the FASB issued ASU 2016-02, "Leases", which requires lessees to recognize a right-of-use asset and a lease liability on the balance sheet for all leases with the exception of short-term leases. This ASU also requires disclosures to provide additional information about the amounts recorded in the financial statements. This ASU is effective for the Company for annual periods beginning after December 15, 2018 and interim periods therein. Early adoption is permitted. On July 31, 2018, the FASB issued ASU 2018-11, "Leases (Topic 842): Targeted Improvements", which provides (1) an optional transition method that entities can use when adopting ASC 842 and (2) a practical expedient that permits lessors to not separate nonlease components from the associated lease component if certain conditions are met. Under this new transition method, an entity initially applies the new leases standard at the adoption date and recognizes a cumulative-effect adjustment to the opening balance of retained earnings in the period

of adoption. The Company expects to elect this transition method at the adoption date of January 1, 2019 and will not restate comparative periods. The Company is assessing the practical expedients available for adoption under the new standard and expects to adopt the package of practical expedients. The Company is analyzing our lease portfolio and updating accounting policies and internal controls that will be impacted by the new guidance. The Company has also selected lease accounting software to support the new reporting requirements. The Company expects to record right of use assets and liabilities for its leases in the consolidated balance sheet upon adoption.

#### Accounting for Breakage

In March 2016, the FASB issued ASU 2016-04, “Liabilities-Extinguishments of Liabilities: Recognition of Breakage for Certain Prepaid Stored-Value Products”, which requires entities that sell prepaid stored value products redeemable for goods, services or cash at third-party merchants to derecognize liabilities related to those products for breakage. This ASU is effective for the Company for reporting periods beginning after December 15, 2017. The ASU must be adopted using either a modified

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retrospective approach with a cumulative effect adjustment to retained earnings as of the beginning of the period of adoption or a full retrospective approach. The Company adopted this guidance on January 1, 2018, which did not have a material impact on the Company's results of operations, financial condition, or cash flows.

### Intra-Entity Transfers

In October 2016, the FASB issued ASU 2016-16 "Income Taxes (Topic 740): Intra-Entity Transfers of Assets Other Than Inventory." The new guidance requires the recognition of the income tax consequences of an intercompany asset transfer, other than transfers of inventory, when the transfer occurs. For intercompany transfers of inventory, the income tax effects will continue to be deferred until the inventory has been sold to a third party. The Company adopted this ASU on January 1, 2018, which resulted in an increase of approximately \$17.1 million to retained earnings and deferred tax assets net of valuation allowances.

### Cash Flow Classification

In August 2016, the FASB issued ASU 2016-15, "Classification of Certain Cash Receipts and Cash Payments", which amends the guidance in ASC 230, Statement of Cash Flows. This amended guidance reduces the diversity in practice that has resulted from the lack of consistent principles related to the classification of certain cash receipts and payments in the statement of cash flows. This ASU is effective for the Company for reporting periods beginning after December 15, 2017. Entities must apply the guidance retrospectively to all periods presented but may apply it prospectively from the earliest date practicable if retrospective application would be impracticable. The Company adopted this new guidance on January 1, 2018. The adoption of this new guidance did not have a material impact on the results of operations, financial condition, or cash flows.

In November 2016, the FASB issued ASU 2016-18, "Statement of Cash Flows (Topic 230): Restricted Cash", which amends the guidance in ASC 230, Statement of Cash Flows, on the classification and presentation of restricted cash in the statement of cash flows. This ASU is effective for the Company for reporting periods beginning after December 15, 2017 and changes due to adoption are applied using a retrospective transition method to each period presented. The Company adopted this new guidance on January 1, 2018, and applied retrospectively to results for 2017. The adoption of Topic 230 resulted in the statement of cash flows presenting the changes in the total of cash, cash equivalents and restricted cash.

### Intangibles - Goodwill and Other Impairment

In January 2017, the FASB issued ASU 2017-04, "Simplifying the Test for Goodwill Impairment", which eliminates the requirement to calculate the implied fair value of goodwill (i.e., Step 2 of the goodwill impairment test) to measure a goodwill impairment charge. Instead, entities will record an impairment charge based on the excess of a reporting unit's carrying amount over its fair value (i.e., measure the charge based on Step 1). The standard has tiered effective dates, starting in 2020 for calendar-year public business entities that meet the definition of an SEC filer. Early adoption is permitted for interim and annual goodwill impairment testing dates after January 1, 2017. The adoption of this ASU on January 1, 2018 did not have a material impact on the results of operations, financial condition, or cash flows.

### Definition of a Business

In January 2017, the FASB issued ASU 2017-01, "Clarifying the Definition of a Business", which amends the definition of a business to assist entities with evaluating when a set of transferred assets and activities is a business. The guidance requires an entity to evaluate if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or a group of similar identifiable assets. If so, the set of transferred assets and activities is not a business. The guidance also requires a business to include at least one substantive process and narrows the definition of outputs. The guidance is effective for the Company for reporting periods beginning after December 15, 2017, and interim periods within those years. The Company adopted this new guidance on January 1, 2018. The adoption of this new guidance did not have a material impact on the results of operations, financial condition, or cash flows.

### Accounting for Modifications to Stock-Based Compensation

In May 2017, the FASB issued ASU 2017-09, "Compensation—Stock Compensation (Topic 718): Scope of Modification Accounting", which amends the scope of modification accounting for share-based payment arrangements. The ASU provides guidance on the types of changes to the terms or conditions of share-based payment



awards to which an entity would be required to apply modification accounting under ASC 718. Specifically, an entity would not apply modification accounting if the fair value, vesting conditions and classification of the awards are the same immediately before and after the modification. The guidance is effective for the Company for reporting periods beginning after December 15, 2017, and interim periods within those years. The Company adopted this new guidance on January 1, 2018. The adoption of this new guidance did not have a material impact on the results of operations, financial condition, or cash flows.

#### Accounting for Derivative Financial Instruments

In August 2017, the FASB issued ASU 2017-12, "Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities", which amends the hedge accounting recognition and presentation requirements in ASC 815. The FASB issued accounting guidance to better align hedge accounting with a company's risk management activities, simplify the

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application of hedge accounting and improve the disclosures of hedging arrangements. The guidance is effective for the Company for reporting periods beginning after December 15, 2018, and interim periods within those years. Early adoption is permitted. The Company's adoption of this ASU is not expected to have a material impact on the results of operations, financial condition, or cash flows.

### Comprehensive Income Classification

In February 2018, the FASB issued ASU 2018-02, "Income Statement - Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income", that gives entities the option to reclassify to retained earnings tax effects related to items that have been stranded in accumulated other comprehensive income as a result of the Tax Cuts and Jobs Act (the "Tax Act"). An entity that elects to reclassify these amounts must reclassify stranded tax effects related to the Tax Act's change in U.S. federal tax rate for all items accounted for in other comprehensive income. These entities can also elect to reclassify other stranded effects that relate to the Tax Act but do not directly relate to the change in the federal rate. For all entities, the guidance is effective for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years. Early adoption is permitted for periods for which financial statements have not yet been issued or made available for issuance. Entities can choose whether to apply the amendments retrospectively to each period in which the effect of the Tax Act is recognized or to apply the amendments in the period of adoption. The Company's adoption of this ASU is not expected to have a material impact on the results of operations, financial condition, or cash flows.

### Non-Employee Share-Based Payments

In June 2018, the FASB issued ASU 2018-07, "Compensation—Stock Compensation (Topic 718): Improvements to Non-employee Share-Based Payment Accounting", that supersedes ASC 505-50 and expands the scope of ASC 718 to include all share-based payment arrangements related to the acquisition of goods and services from both non-employees and employees. Under the new guidance, the existing employee guidance will apply to non-employee share-based transactions (as long as the transaction is not effectively a form of financing), with the exception of specific guidance related to the attribution of compensation cost. The cost of non-employee awards will continue to be recorded as if the grantor had paid cash for the goods or services. In addition, the contractual term will be able to be used in lieu of an expected term in the option-pricing model for non-employee awards. The guidance is effective for the Company for fiscal years beginning after December 15, 2018, including interim periods within that fiscal year. Early adoption is permitted, including in interim periods, but no earlier than an entity's adoption of ASC 606. The Company's adoption of this ASU is not expected to have a material impact on the results of operations, financial condition, or cash flows.

### Cloud Computing Arrangements

On August 29, 2018, the FASB issued ASU 2018-15, "Intangibles—Goodwill and Other— Internal-Use Software (Subtopic 350-40): Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract", that provides guidance on implementation costs incurred in a cloud computing arrangement (CCA) that is a service contract. The ASU, which was released in response to a consensus reached by the EITF at its June 2018 meeting, aligns the accounting for such costs with the guidance on capitalizing costs associated with developing or obtaining internal-use software. Specifically, the ASU amends ASC 350 to include in its scope implementation costs of a CCA that is a service contract and clarifies that a customer should apply ASC 350-40 to determine which implementation costs should be capitalized in such a CCA. The guidance is effective for the Company for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. Early adoption is permitted, including in interim periods. The guidance should be applied either retrospectively or prospectively to all implementation costs incurred after the date of adoption. The Company's adoption of this ASU is not expected to have a material impact on the results of operations, financial condition, or cash flows.

### Fair Value Measurement

On August 28, 2018, the FASB issued ASU 2018-13, "Fair Value Measurement (Topic 820): Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement", which removes, modifies, and adds certain disclosure requirements related to fair value measurements in ASC 820. The guidance is effective for the Company for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. The guidance on changes in unrealized gains and losses, the range and weighted average of significant unobservable inputs

used to develop Level 3 fair value measurements, and the narrative description of measurement uncertainty should be applied prospectively for only the most recent interim or annual period presented in the initial fiscal year of adoption. All other guidance should be applied retrospectively to all periods presented upon their effective date. The Company is permitted to early adopt any removed or modified disclosures upon issuance of this guidance and delay adoption of the additional disclosures until their effective date. The Company's adoption of this ASU is not expected to have a material impact on the results of operations, financial condition, or cash flows.

## 2. Revenue Recognition

The Company provides payment solutions to our business, merchant, consumer and payment network customers. Our payment solutions are primarily focused on specific commercial spend categories, including fuel, lodging, tolls, and general corporate payments, as well as gift card solutions (stored value cards). The Company provides products that help businesses of all sizes

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control, simplify and secure payment of various domestic and cross-border payables using specialized payment products. The Company also provides other payment solutions for fleet maintenance, employee benefits and long haul transportation-related services.

### Payment Services

The Company's primary performance obligation for the majority of its payment solution products (fuel, lodging, tolls, corporate payments, among others) is to stand-ready to provide authorization and processing services ("payment services") for an unknown or unspecified quantity of transactions and the consideration received is contingent upon the customer's use (e.g., number of transactions submitted and processed) of the related payment services.

Accordingly, the total transaction price is variable. Payment services involve a series of distinct daily services that are substantially the same, with the same pattern of transfer to the customer. As a result, the Company allocates and recognizes variable consideration in the period it has the contractual right to invoice the customer.

The Company records revenue for its payment services net of (i) the cost of the underlying products and services; (ii) assessments and other fees charged by the credit and debit payment networks (along with any rebates provided by them); (iii) customer rebates and other discounts; and (iv) taxes assessed (e.g. VAT and VAT-like taxes) by a government, imposed concurrent with, a revenue producing transaction.

The majority of the transaction price the Company receives for fulfilling the Payment Services performance obligation are comprised of one or a combination of the following: 1) interchange fees earned from the payment networks; 2) discount fees earned from merchants; 3) fees calculated based on a number of transactions processed; and 4) fees calculated based upon a percentage of the transaction value for the underlying goods or services (i.e. fuel, food, toll and transportation cards and vouchers).

The Company recognizes revenue when the underlying transactions are complete and its performance obligations are satisfied. Transactions are considered complete depending upon the related payment solution but generally when the Company has authorized the transaction, validated that the transaction has no errors and accepted and posted the data to the Company's records.

The Company's performance obligation for its foreign exchange payment services is providing a foreign currency payment to a customer's designated recipient and therefore, the Company recognizes revenue on foreign exchange payment services when the underlying payment is made. Revenues from foreign exchange and payment services are primarily comprised of the difference between the exchange rate set by the Company to the customer and the rate available in the wholesale foreign exchange market.

### Gift Card Products and Services

The Company's Gift product line delivers both stored value cards and card-based services primarily in the form of gift cards to retailers. These activities each represent performance obligations that are separate and distinct. Revenue for stored valued cards are recognized (gross of the underlying cost of the related card) at the point in time when control passes to the Company's customer, which is generally upon shipment.

Card-based services consist of transaction processing and reporting of gift card transactions where the Company recognizes revenue based on an output measure of elapsed time for an unknown or unspecified quantity of transactions. As a result, the Company allocates and recognizes variable consideration over the estimated period of time over which the performance obligation is satisfied.

### Other

The Company accounts for revenue from late fees and finance charges, in jurisdictions where permitted under local regulations, primarily in the U.S. and Canada in accordance with ASC 310, "Receivables". Such fees are recognized net of a provision for estimated uncollectible amounts, at the time the fees and finance charges are assessed and services are provided. The Company ceases billing and accruing for late fees and finance charges approximately 30 - 40 days after the customer's balance becomes delinquent.

The Company also writes foreign currency forward and option contracts for its customers to facilitate future payments in foreign currencies, and recognizes revenue in accordance with authoritative fair value and derivative accounting (ASC 815, "Derivatives").

Revenue is also derived from the sale of equipment in certain of the Company's businesses, which is recognized at the time the device is sold and control has passed to the customer. This revenue is recognized gross of the cost of sales

related to the equipment in "revenues, net" within the Unaudited Consolidated Statements of Income. The related cost of sales for the equipment is recorded within "processing expenses" in the Unaudited Consolidated Statements of Income.

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## Disaggregation of Revenues

The Company provides its services to customers across different payment solutions and geographies. Revenue by product (in millions) for the three and nine months ended September 30, 2018 was as follows:

Revenue, net by Product Category*	Three Months Ended		September 30, 2018		Nine Months Ended		September 30, 2018	
		%		%		%		%
Fuel	\$276	45 %	\$805	45 %				
Corporate Payments	105	17 %	300	17 %				
Tolls	78	13 %	250	14 %				
Lodging	48	8 %	132	7 %				
Gift	57	9 %	139	8 %				
Other	56	9 %	164	9 %				
Consolidated Revenues, net	\$620	100%	\$1,790	100%				

\*Columns may not calculate due to rounding.

Revenue by geography (in millions) for the three and nine months ended September 30, 2018 was as follows:

Revenue, net by Geography*	Three Months Ended		September 30, 2018		Nine Months Ended		September 30, 2018	
		%		%		%		%
United States	\$391	63 %	1,082	60 %				
Brazil	92	15 %	296	17 %				
United Kingdom	63	10 %	192	11 %				
Other	74	12 %	220	12 %				
Consolidated Revenues, net	\$620	100%	\$1,790	100%				

\*Columns may not calculate due to rounding.

Revenues from contracts with customers, within the scope of Topic 606, represents approximately 90% of total consolidated revenues, net, in the three and nine month periods ended September 30, 2018.

## Contract Liabilities

Deferred revenue contract liabilities for customers subject to ASC 606 were \$19.9 million and \$24.7 million as of September 30, 2018 and January 1, 2018, respectively. We expect to recognize substantially all of these amounts in revenues within approximately 12 months. Revenue recognized in the three and nine months ended September 30, 2018, that was included in the deferred revenue contract liability as of January 1, 2018 was approximately \$17.1 million and \$56.2 million, respectively.

## Costs to Obtain or Fulfill a Contract

With the adoption of ASC 606, the Company began capitalizing the incremental costs of obtaining a contract with a customer if the Company expects to recover those costs. The incremental costs of obtaining a contract are those that the Company incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained (for example, a sales commission).

Costs incurred to fulfill a contract are capitalized if those costs meet all of the following criteria:

- The costs relate directly to a contract or to an anticipated contract that the Company can specifically identify.
- The costs generate or enhance resources of the Company that will be used in satisfying (or in continuing to satisfy) performance obligations in the future.

c. The costs are expected to be recovered.

In order to determine the appropriate amortization period for contract costs, the Company considered a combination of factors, including customer attrition rates, estimated terms of customer relationships, the useful lives of technology used by the Company to provide products and services to its customers, whether further contract renewals are expected and if there is any

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incremental commission to be paid on a contract renewal. Contract acquisition and fulfillment costs are amortized using the straight-line method over the expected period of benefit (ranging from five to ten years). Costs to obtain a contract with an expected period of benefit of one year or less are recognized as an expense when incurred. The amortization of contract acquisition costs associated with sales commissions that qualify for capitalization will be recorded as selling expense in the Company's Unaudited Consolidated Statements of Income. The amortization of contract acquisition costs associated with cash payments for client incentives is included as a reduction of revenues in the Company's Unaudited Consolidated Statements of Income. During the three and nine months ended September 30, 2018, amortization of capitalized contract costs recorded in selling expense was \$3.0 million and \$9 million, respectively.

Costs to obtain or fulfill a contract are classified as contract cost assets within "prepaid expenses and other current assets" and "other assets" in the Company's Unaudited Consolidated Balance Sheets. At September 30, 2018, the Company had capitalized costs to obtain a contract of \$12.2 million within prepaid expenses and \$32.6 million within "other assets" in the Company's Unaudited Consolidated Balance Sheets, respectively.

### Practical Expedients

ASC 606 requires disclosure of the aggregate amount of the transaction price allocated to unsatisfied performance obligations; however, as allowed by ASC 606, the Company has elected to exclude this disclosure for any contracts with an original duration of one year or less and any variable consideration that meets specified criteria. As described above, the Company's most significant performance obligations consist of variable consideration under a stand-ready series of distinct days of service. Such variable consideration meets the specified criteria for the disclosure exclusion; therefore, the majority of the aggregate amount of transaction price that is allocated to performance obligations that have not yet been satisfied is variable consideration that is not required for this disclosure. The aggregate fixed consideration portion of customer contracts with an initial contract duration greater than one year is not material. The Company has elected to exclude all sales taxes and other similar taxes from the transaction price. Accordingly, the Company presents all collections from customers for these taxes on a net basis, rather than having to assess whether the Company is acting as an agent or a principal in each taxing jurisdiction.

In certain arrangements with customers, the Company has determined that certain promised services and products are immaterial in the context of the contract, both quantitatively and qualitatively.

As a practical expedient, the Company is not required to adjust the promised amount of consideration for the effects of a significant financing component if the Company expects, at contract inception, that the period between when the Company transfers a promised service or product to a customer and when the customer pays for the service or product will be one year or less. As of September 30, 2018, the Company's contracts with customers did not contain a significant financing component.

The Company adopted Topic 606 as of January 1, 2018, using the modified retrospective method for all contracts not completed as of the date of adoption. For contracts that were modified before the effective date, the Company utilized a practical expedient to consider the aggregate effect of all modifications when identifying performance obligations and allocating transaction price.

### 3. Accounts Receivable

The Company maintains a \$1.2 billion revolving trade accounts receivable Securitization Facility. Accounts receivable collateralized within our Securitization Facility relate to our U.S. trade receivables resulting from charge card activity. 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 transfers, on a revolving basis, up to \$1.2 billion 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 transferred assets as an alternative to other forms of financing to reduce 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.

The Company's Unaudited Consolidated Balance Sheets and Statements of Income reflect the activity related to securitized accounts receivable and the corresponding securitized debt, including interest income, fees generated from late payments, provision for losses on accounts receivable and interest expense. The cash flows from borrowings and repayments, associated with the securitized debt, are presented as cash flows from financing activities.

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The Company's accounts receivable and securitized accounts receivable include the following at September 30, 2018 and December 31, 2017 (in thousands):

	September 30, 2018	December 31, 2017
Gross domestic accounts receivable	\$951,331	\$661,677
Gross domestic securitized accounts receivable	931,000	811,000
Gross foreign receivables	912,030	804,365
Total gross receivables	2,794,361	2,277,042
Less allowance for doubtful accounts	(52,022 )	(46,031 )
Net accounts and securitized accounts receivable	\$2,742,339	\$2,231,011

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

	2018	2017
Allowance for doubtful accounts beginning of period	\$46,031	\$32,506
Provision for bad debts	43,520	35,949
Write-offs	(37,529 )	(20,676 )
Allowance for doubtful accounts end of period	\$52,022	\$47,779

#### 4. Fair Value Measurements

Fair value is a market-based measurement that reflects assumptions that market participants would use in pricing an asset or liability. GAAP 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 for which there is little or no market data, which require the reporting entity to develop its own assumptions. The fair value hierarchy also requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

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The following table presents the Company's financial assets and liabilities which are measured at fair values on a recurring basis at September 30, 2018 and December 31, 2017, (in thousands).

	Fair Value	Level 1	Level 2	Level 3
September 30, 2018				
Assets:				
Repurchase agreements	\$ 526,730	\$ —	\$ 526,730	\$ —
Money market	50,395	—	50,395	—
Certificates of deposit	172	—	172	—
Foreign exchange contracts	28,293	—	28,293	—
Total assets	\$ 605,590	\$ —	\$ 605,590	\$ —
Cash collateral for foreign exchange contracts	\$ 26,499	\$ —	\$ —	\$ —
Liabilities:				
Foreign exchange contracts	\$ 28,626	\$ —	\$ 28,626	—
Total liabilities	\$ 28,626	\$ —	\$ 28,626	\$ —
Cash collateral obligation for foreign exchange contracts	\$ 12,307	\$ —	\$ —	\$ —
December 31, 2017				
Assets:				
Repurchase agreements	\$ 420,838	\$ —	\$ 420,838	\$ —
Money market	50,423	—	50,423	—
Certificates of deposit	7,417	—	7,417	—
Foreign exchange contracts	39,045	10	39,035	—
Total assets	\$ 517,723	\$ 10	\$ 517,713	\$ —
Cash collateral for foreign exchange contracts	\$ 12,540	\$ —	\$ —	\$ —
Liabilities:				
Foreign exchange contracts	\$ 26,888	\$ 67	\$ 26,821	\$ —
Total liabilities	\$ 26,888	\$ 67	\$ 26,821	\$ —
Cash collateral obligation for foreign exchange contracts	\$ 10,882	\$ —	\$ —	\$ —

The Company has highly-liquid investments classified as cash equivalents, with original maturities of 90 days or less, included in our Unaudited Consolidated Balance Sheets. The Company utilizes Level 2 fair value determinations derived from directly or indirectly observable (market based) information to determine the fair value of these highly liquid investments. The Company has certain cash and cash equivalents that are invested on an overnight basis in repurchase agreements, money markets and certificates of deposit. The value of overnight repurchase agreements is determined based upon the quoted market prices for the treasury securities associated with the repurchase agreements. The value of money market instruments is the financial institutions' month-end statement, as these instruments are not tradeable and must be settled directly by us with the respective financial institution. Certificates of deposit are valued at cost, plus interest accrued. Given the short-term nature of these instruments, the carrying value approximates fair value. Foreign exchange derivative contracts are carried at fair value, with changes in fair value recognized in the Unaudited Consolidated Statements of Income. The fair value of the Company's derivatives is derived with reference to a valuation from a derivatives dealer operating in an active market, which approximates the fair value of these instruments. The fair value represents what would be received and or paid by the Company if the contracts were terminated as of the reporting date. Cash collateral received for foreign exchange derivatives is recorded within customer deposits in the Company's Unaudited Consolidated Balance Sheet at September 30, 2018. Cash collateral paid for foreign exchange derivatives is recorded within restricted cash in the Company's Unaudited Consolidated Balance Sheet at September 30, 2018.

The level within the fair value hierarchy and the measurement technique are reviewed quarterly. Transfers between levels are deemed to have occurred at the end of the quarter. There were no transfers between fair value levels during the periods presented for 2018 and 2017.

The Company's assets that are measured at fair value on a nonrecurring basis or are evaluated with periodic testing for impairment include property, plant and equipment, investments, goodwill and other intangible assets. Estimates of the fair value of assets acquired and liabilities assumed in business combinations are generally developed using key inputs such as management's projections of cash flows on a held-and-used basis (if applicable), discounted as appropriate, management's

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projections of cash flows upon disposition and discount rates. Accordingly, these fair value measurements are in Level 3 of the fair value hierarchy.

The Company regularly evaluates the carrying value of its cost method investments and during the third quarter of 2018, determined that the fair value of its investment in Qui was impaired as a result of a decline in operating results and difficulty in obtaining financing. The Company concluded that this decline in fair value was other than temporary and recorded a full write-off of the investment of \$7.1 million.

The fair 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. These are each Level 2 fair value measurements, except for cash, which is a Level 1 fair value measurement.

#### 5. Stockholders' Equity

On February 4, 2016, the Company's Board of Directors approved a stock repurchase program (the "Program") under which the Company may purchase up to an aggregate of \$500 million of its common stock over the following 18 month period. On July 27, 2017, the Company's Board of Directors authorized an increase in the size of the Program by an additional \$250 million and an extension of the Program by an additional 18 months. On November 1, 2017, the Company announced that its Board of Directors had authorized an increase in the size of the Program by an additional \$350 million, and on July 17, 2018, our Board of Directors authorized an additional increase of \$500 million in the size of the Program resulting in total aggregate repurchases authorized under the Program of \$1.6 billion. With the increase and giving effect to the Company's \$970.8 million of previous repurchases, the Company may repurchase up to \$629.2 million in shares of its common stock at any time prior to February 1, 2019.

Any stock repurchases may be made at times and in such amounts as deemed appropriate. The timing and amount of stock repurchases, if any, will depend on a variety of factors including the stock price, market conditions, corporate and regulatory requirements, and any additional constraints related to material inside information the Company may possess. Any repurchases have been and are expected to be funded by a combination of available cash flow from the business, working capital and debt.

Since the beginning of the Program, 6,010,210 shares for an aggregate purchase price of \$970.8 million have been repurchased. There were 1,896,106 shares totaling \$380.7 million repurchased under the Program during the nine months ended September 30, 2018. No repurchases were made during the three months ended September 30, 2018.

#### 6. Stock-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.

On February 7, 2018, the stockholders of the Company approved the FleetCor Technologies, Inc. Amended and Restated 2010 Equity Incentive Plan (the "Amended Plan"). The Amended Plan was authorized and approved by the Company's Board of Directors on December 20, 2017, and Company's stockholders at a meeting held on February 7, 2018. The Amended Plan amends the Registrant's existing 2010 Equity Incentive Plan (as amended, the "Prior Plan") to, among other things, increase the number of shares of common stock available for issuance from 13,250,000 to 16,750,000 and make certain other amendments to the Prior Plan.

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, 2018		Nine Months Ended September 30, 2017	
Stock options	\$11,154	\$16,212	\$33,205	\$42,254
Restricted stock	9,548	8,443	21,002	26,643
Stock-based compensation	\$20,702	\$24,655	\$54,207	\$68,897

The tax benefits recorded on stock based compensation were \$31.2 million and \$36.1 million for the nine month period ended September 30, 2018 and 2017, respectively.

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The following table summarizes the Company's total unrecognized compensation cost related to stock-based compensation as of September 30, 2018 (cost in thousands):

	Unrecognized Compensation Cost	Weighted Average Period of Expense Recognition (in Years)
Stock options	\$ 68,687	1.41
Restricted stock	13,456	0.53
Total	\$ 82,143	

**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 five years and vesting of the options is generally based on the passage of time or performance. Stock option grants are 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, 2018 (shares/options 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, 2017	8,031	\$ 109.78	4,029	\$ 75.80		\$ 663,815
Granted	408	204.57			\$ 50.04	
Exercised	(692 )	71.50				108,164
Forfeited	(40 )	149.22				
Outstanding at September 30, 2018	7,707	\$ 118.03	4,588	\$ 91.27		\$ 846,395
Expected to vest as of September 30, 2018	7,707	\$ 118.03				

The aggregate intrinsic value of stock options exercisable at September 30, 2018 was \$626.5 million. The weighted average remaining contractual term of options exercisable at September 30, 2018 was 5.2 years.

The fair value of stock option awards granted was estimated using the Black-Scholes option pricing model with the following weighted-average assumptions for grants or modifications during the nine month periods ended September 30, 2018 and 2017:

	September 30,	
	2018	2017
Risk-free interest rate	2.57 %	1.65 %
Dividend yield	—	—
Expected volatility	26.93 %	28.02 %
Expected life (in years)	3.8	3.4

**Restricted Stock**

Awards of restricted stock and restricted stock units are independent of stock option grants and are subject to forfeiture if employment terminates prior to vesting. The vesting of shares granted is generally based on the passage of time, performance or market conditions, or a combination of these. Shares vesting based on the passage of time have vesting provisions of one to three years.





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The following table summarizes the changes in the number of shares of restricted stock and restricted stock units for the nine months ended September 30, 2018 (shares in thousands):

	Shares	Weighted Average Grant Date Fair Value
Outstanding at December 31, 2017	365	\$ 155.58
Granted	104	190.18
Vested	(49 )	157.66
Canceled or forfeited	(26 )	157.39
Outstanding at September 30, 2018	394	\$ 173.21

## 7. Acquisitions

## 2018 Acquisitions

During the nine months ended September 2018, the Company made payments of \$3.8 million related to acquisitions occurring in prior years.

## 2017 Acquisitions

During 2017, the Company completed acquisitions with an aggregate purchase price of \$725.1 million, net of cash acquired of \$96.3 million and inclusive of notes payable of \$29.3 million. During 2017, the Company made investments in other businesses of \$39 million.

## Cambridge Global Payments

On August 9, 2017, the Company acquired Cambridge, a business to business (B2B) international payments provider, for approximately \$616.0 million in cash, net of cash acquired of \$94.5 million and inclusive of a note payable of \$23.8 million. Cambridge processes B2B cross-border payments, assisting business clients in making international payments. The purpose of this acquisition is to further expand the Company's corporate payments footprint. The Company financed the acquisition using a combination of existing cash and borrowings under its existing credit facility. The results from Cambridge are reported in its North America segment. The following table summarizes the acquisition accounting for Cambridge (in thousands):

Restricted cash	\$37,666
Trade and other receivables	61,806
Prepaid expenses and other	18,071
Property and equipment	7,106
Other long term assets	10,025
Goodwill	500,212
Customer relationships and other identifiable intangible assets	271,793
Liabilities assumed	(197,335 )
Deferred tax liabilities	(93,364 )
Aggregate purchase price	\$615,980

The fair value of intangible assets acquired and the related estimated useful lives consisted of the following (in thousands):

	Useful Lives (in Years)	Value
Banking relationships	20	\$705
Trade name and trademarks	Indefinite	35,110
Technology	5	16,039
Customer relationships - excluding Accounts Payable Solutions	7-18	178,190
Customer relationships - Accounts Payable Solutions	20	41,749
		\$271,793



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Along with the Company's acquisition of Cambridge, the Company signed noncompete agreements with certain parties with an estimated fair value of \$5.8 million. Goodwill recorded is comprised primarily of expected synergies from combining the operations of the Company and Cambridge, as well as assembled workforce.

## Other

During 2017, the Company acquired Creative Lodging Solutions ("CLS"), a lodging business, and a fuel card provider in Russia for approximately \$109.1 million, net of cash acquired of \$1.8 million and inclusive of a note payable of \$5.5 million. The Company financed the acquisitions using a combination of existing cash and borrowings under its existing credit facility. The following table summarizes the acquisition accounting for the acquisitions (in thousands):

Trade and other receivables \$38,038

Prepaid expenses and other 1,426

Property and equipment 5,745

Goodwill 59,946

Other intangible assets 53,459

Liabilities assumed (32,274 )

Deferred tax liabilities (17,217 )

Aggregate purchase prices \$109,123

The estimated fair value of intangible assets acquired and the related estimated useful lives consisted of the following (in thousands):

	Useful Lives (in Years)	Value
Trade name and trademarks	1	\$180
Technology	4	1,750
Customer relationships	8	51,529
		\$53,459

Along with the Company's acquisition of CLS, the Company signed noncompete agreements with certain parties with an estimated fair value of \$3.9 million.

## 8. Goodwill and Other Intangible Assets

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

Segment	December 31, 2017	Acquisition Accounting Adjustments	Foreign Currency	September 30, 2018
North America	\$3,084,123	\$ 4,036	\$(7,152 )	\$3,081,007
International	1,631,700	20	(195,379 )	1,436,341
	\$4,715,823	\$ 4,056	\$(202,531)	\$4,517,348

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As of September 30, 2018 and December 31, 2017, other intangible assets consisted of the following (in thousands):

	September 30, 2018				December 31, 2017		
	Weighted-Avg Useful Lives (Years)	Gross Carrying Amounts	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amounts	Accumulated Amortization	Net Carrying Amount
Customer and vendor relationships	17.1	\$2,609,056	\$(734,726)	\$1,874,330	\$2,698,428	\$(605,347)	\$2,093,081
Trade names and trademarks— indefinite lived	N/A	476,820	—	476,820	499,587	—	499,587
Trade names and trademarks—other	13.8	2,963	(2,457)	506	2,986	(2,207)	779
Software	5.9	212,288	(144,880)	67,408	219,019	(116,654)	102,365
Non-compete agreements	4.2	45,786	(26,223)	19,563	48,221	(19,076)	29,145
Total other intangibles		\$3,346,913	\$(908,286)	\$2,438,627	\$3,468,241	\$(743,284)	\$2,724,957

Changes in foreign exchange rates resulted in a \$125.2 million decrease to the carrying values of other intangible assets in the nine months ended September 30, 2018. Amortization expense related to intangible assets for the nine months ended September 30, 2018 and 2017 was \$165.0 million and \$158.9 million, respectively.

## 9. Debt

The Company's debt instruments consist primarily of term notes, revolving lines of credit and a Securitization Facility as follows (in thousands):

	September 30, 2018	December 31, 2017
Term notes payable—domestic(a), net of discounts	\$2,892,205	\$2,993,667
Revolving line of credit A Facility—domestic(a)	440,000	635,000
Revolving line of credit B Facility—foreign(a)	140,717	28,334
Revolving line of credit B Facility—swing line(a)	29,407	6,879
Other debt(c)	39,597	43,736
Total notes payable and other obligations	3,541,926	3,707,616
Securitization Facility(b)	931,000	811,000
Total notes payable, credit agreements and Securitization Facility	\$4,472,926	\$4,518,616
Current portion	\$1,699,548	\$1,616,512
Long-term portion	2,773,378	2,902,104
Total notes payable, credit agreements and Securitization Facility	\$4,472,926	\$4,518,616

The Company has a Credit Agreement, which has been amended multiple times, most recently on August 30, 2018, and provides for senior secured credit facilities consisting of a revolving A credit facility (Revolver) in the amount of \$1.285 billion, a term loan A facility in the amount of \$2.69 billion and a term loan B facility in the amount of \$350 million as of September 30, 2018. The revolving credit facility consists of (a) a revolving A credit facility in the amount of \$800 million, with sublimits for letters of credit and swing line loans, (b) a revolving B facility in the amount of \$450 million for swing line loans and multi-currency borrowings and, (c) a revolving C facility in the amount of \$35 million for multi-currency borrowings in Australian Dollars or New Zealand Dollars. The Credit Agreement also includes an accordion feature for borrowing an additional \$750 million in term A, term B, revolver A or revolver B debt. Proceeds from the credit facilities may be used for working capital purposes, acquisitions, and other general corporate purposes. The maturity dates are August 2, 2022 for term A loan, revolving loans, and letters of credit under the Credit Agreement and August 2, 2024 for the term B loan.

Interest on amounts outstanding under the Credit Agreement (other than the term B loan) accrues based on the British Bankers Association LIBOR Rate (the Eurocurrency Rate), plus a margin based on a leverage ratio, or 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

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announced by Bank of America, N.A., or (c) the Eurocurrency Rate plus 1.00%) plus a margin based on a leverage ratio. Interest on the term B loan facility accrues based on the Eurocurrency Rate plus 2.00% for Eurocurrency Loans or 1.00% for Base Rate Loans. In addition, the Company pays 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. The Company has unamortized debt issuance costs of \$8.0 million related to the Revolver as of September 30, 2018 recorded within other assets in the unaudited consolidated balance sheet. The Company has unamortized debt discounts of \$4.9 million related to the term A facility and \$0.6 million related to the term B facility, and deferred financings costs of \$4.3 million at September 30, 2018. At September 30, 2018, the interest rate on the term A loan and the domestic revolving A facility was 3.74%, the interest rate on the foreign revolving B facility was 2.23%, the interest rate on the revolving B facility foreign swing line of credit was 2.20% and the interest rate on the term B loan was 4.24%. The unused credit facility fee was 0.30% for all revolving facilities at September 30, 2018.

The Company is party to a \$1.2 billion receivables purchase agreement (Securitization Facility) that was amended on August 30, 2018. There is a program fee equal to one month LIBOR plus 0.90% or the Commercial Paper Rate plus 0.80%. The program fee was 2.28% plus 0.87% as of September 30, 2018 and 1.55% plus 0.86% as of (b) December 31, 2017. The unused facility fee is payable at a rate of 0.40% per annum as of September 30, 2018 and December 31, 2017. The Company has unamortized debt issuance costs of \$1.4 million related to the Securitization Facility as of September 30, 2018 recorded within other assets in the consolidated balance sheet.

(c) Other debt includes the long-term portion of deferred payments associated with business acquisitions. The Company was in compliance with all financial and non-financial covenants at September 30, 2018.

## 10. Income Taxes

Our tax provision or benefit from income taxes for interim periods is determined using an estimate of our annual effective tax rate, adjusted for discrete items, if any, that are taken into account in the relevant period. Each quarter we update our estimate of the annual effective tax rate, and if our estimated tax rate changes, we make a cumulative adjustment. Our quarterly tax provision and our quarterly estimate of our annual effective tax rate are subject to variation due to several factors, including variability in accurately predicting our pre-tax and taxable income and loss and the mix of jurisdictions to which they relate. Additionally, our effective tax rate can be more or less volatile based on the amount of pre-tax income or loss. For example, the impact of discrete items and non-deductible expenses on our effective tax rate is greater when our pre-tax income is lower.

On December 22, 2017, the U.S. government enacted tax legislation referred to as the Tax Act. The Tax Act makes broad and complex changes to the U.S. tax code, including, but not limited to, (1) reducing the U.S. federal corporate tax rate from 35 percent to 21 percent; (2) requiring companies to pay a one-time Deemed Repatriation Transition Tax (“Transition Tax”) on certain unrepatriated earnings of foreign subsidiaries that can be paid over eight years; (3) a new provision designed to tax global intangible low-taxed income (GILTI), which allows for the possibility of using foreign tax credits (FTCs) and a deduction of up to 50 percent to offset the income tax liability (subject to some limitations); (4) the repeal of the domestic production activity deduction beginning January 1, 2018; (5) limitations on the deductibility of certain executive compensation; and (6) a new limitation on deductible interest expense beginning January 1, 2018.

The Company has not completed its accounting for the tax effects of enactment of the Tax Act. However, the Company has made a reasonable estimate of the effects on its existing deferred tax balances and the one-time Transition Tax. During the three month period ended September 30, 2018, the Company recognized adjustments totaling \$22.7 million to the provisional amounts recorded at December 31, 2017 and included these adjustments as a component of income tax expense from continuing operations.

The Company will continue to make and refine its calculations as additional analysis is completed. The Company is continuing to gather additional information, including, but not limited to, finalizing the calculation of post-1986 prescribed foreign E&P, finalizing foreign tax pools for foreign tax credit purposes, and finalizing the amounts held in cash or other specified assets, to complete the Company's accounting for these items and expect to complete its accounting within the measurement period.

The SEC staff issued Staff Accounting Bulletin No. 118, "Income Tax Accounting Implications of the Tax Cuts and Jobs Act" ("SAB 118"), which provides guidance on accounting for the tax effects of the Tax Act. SAB 118 provides a measurement period that should not extend beyond one year from the Tax Act enactment date for companies to complete the accounting under ASC 740. In accordance with SAB 118, a company must reflect the income tax effects of those aspects of the Act for which the accounting under ASC 740 is complete. To the extent that a company's accounting for certain income tax effects of the Tax Act is incomplete but it is able to determine a reasonable estimate, it must record a provisional estimate in the financial statements. If a company cannot determine a provisional estimate to be included in the financial statements, it should continue to apply ASC 740 on the basis of the provisions of the tax laws that were in effect immediately before the enactment of the Tax Act.

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For those items for which it was able to determine a reasonable estimate, the Company recognized a provisional net tax benefit of \$128.2 million during 2017. This net benefit primarily consists of a net benefit for the corporate rate reduction on the deferred tax assets and liabilities of \$210 million and a net expense for the Transition Tax of \$81.8 million. After the adjustments recognized during the three months ended September 30, 2018, the provisional net tax benefit was adjusted to \$105.5 million. This net benefit primarily consists of a net benefit on deferred tax assets and liabilities of \$202.9 million and a net expense for the Transition Tax of \$97.4 million.

Previously, the Company was not able to make a reasonable estimate of the impact of state taxes on adjustments made to federal temporary differences as a result of the Tax Act, or the impact of the new limitations on the deductibility of certain executive compensation. Included in the adjustments recognized during the three months ended September 30, 2018 in the amount of \$22.7 million is an adjustment in the amount of \$9.3 million. The adjustment is to recognize the impact of state taxes on adjustments made to federal temporary differences as a result of the Tax Act.

The provision for income taxes differs from amounts computed by applying the U.S. federal tax rate of 21% for 2018 and 35% for 2017 to income before income taxes for the three months ended September 30, 2018 and 2017 due to the following (in thousands):

	2018		2017	
Computed tax expense at the U.S. federal tax rate	\$49,889	21.0 %	\$114,626	35.0 %
Changes resulting from:				
Foreign income tax differential	2,359	1.0 %	(9,247)	(2.8) %
Excess tax benefits related to stock-based compensation	(7,562)	(3.2) %	(4,360)	(1.3) %
State taxes net of federal benefits	3,119	1.3 %	5,926	1.8 %
Foreign-sourced nontaxable income	(5,620)	(2.4) %	1,558	0.5 %
Foreign withholding taxes <sup>1</sup>	4,578	1.9 %	3,065	0.9 %
GILTI tax, net of foreign tax credits	5,576	2.4 %	—	— %
Valuation allowance on investment loss	—	— %	16,718	5.1 %
Transition tax, net of foreign tax credits	22,731	9.6 %	—	— %
Other <sup>1</sup>	4,804	2.0 %	(3,607)	(1.1) %
Provision for income taxes	\$79,874	33.6 %	\$124,679	38.1 %

<sup>1</sup>Certain amounts have been reclassified within the schedule above for comparative purposes.

## 11. 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 treasury stock method. The calculation and reconciliation of basic and diluted earnings per share for the three and nine month periods ended September 30 follows (in thousands, except per share data):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Net income	\$157,694	\$202,823	\$509,483	\$457,503
Denominator for basic earnings per share	88,456	90,751	89,126	91,619
Dilutive securities	3,625	2,250	3,545	2,304
Denominator for diluted earnings per share	92,081	93,001	92,671	93,923
Basic earnings per share	\$1.78	\$2.23	\$5.72	\$4.99
Diluted earnings per share	\$1.71	\$2.18	\$5.50	\$4.87

Diluted earnings per share for the three months ended September 30, 2018 and 2017 excludes the effect of 0.1 million and 3.5 million shares of common stock, respectively, that may be issued upon the exercise of employee stock options because such effect would be anti-dilutive. Diluted earnings per share also excludes the effect of 0.2 million and 0.3



million shares of performance based restricted stock for which the performance criteria have not yet been achieved for the three month periods ended September 30, 2018 and 2017, respectively.

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## 12. Segments

The Company reports information about its operating segments in accordance with the authoritative guidance related to 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. There were no inter-segment sales.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017 <sup>2</sup>	2018	2017 <sup>2</sup>
Revenues, net: <sup>1</sup>				
North America	\$412,816	\$368,006	\$1,148,034	\$1,040,949
International	206,770	209,871	642,036	598,598
	\$619,586	\$577,877	\$1,790,070	\$1,639,547
Operating income: <sup>1</sup>				
North America	\$177,769	\$138,480	\$495,095	\$394,378
International	103,321	94,157	310,866	249,370
	\$281,090	\$232,637	\$805,961	\$643,748
Depreciation and amortization:				
North America	\$39,049	\$38,399	\$116,041	\$104,960
International	28,218	30,757	91,338	93,771
	\$67,267	\$69,156	\$207,379	\$198,731
Capital expenditures:				
North America	\$12,604	\$9,167	\$32,700	\$30,901
International	9,094	7,692	23,612	18,558
	\$21,698	\$16,859	\$56,312	\$49,459

<sup>1</sup>Reflects the impact of the Company's adoption of ASC 606 and related cost capitalization guidance, which was adopted by the Company on January 1, 2018 using the modified retrospective transition method. The adoption of ASC 606 resulted in an adjustment to retained earnings in our consolidated balance sheet for the cumulative effect of applying the standard, which included costs incurred to obtain a contract, as well as presentation changes in our statements of income, including the classification of certain amounts previously classified as merchant commissions and processing expense net with revenues. As a result of the application of the modified retrospective transition method, the Company's prior period results within its Form 10-K and quarterly reports on Form 10-Q will not be restated to reflect ASC 606.

<sup>2</sup>The results from our Cambridge business acquired in the third quarter of 2017 are reported in our North America segment. As we have concluded that this business is part of our North America segment, the results for this business have been recast from International segment into our North America segment for the three and nine month periods ended September 30, 2017.

## 13. Commitments and Contingencies

In the ordinary course of business, the Company is involved in various pending or threatened legal actions, arbitration proceedings, claims, subpoenas, and matters relating to compliance with laws and regulations (collectively, legal proceedings). Based on our current knowledge, management presently does not believe that the liabilities arising from these legal proceedings will have a material adverse effect on our consolidated financial condition, results of operations or cash flows. However, it is possible that the ultimate resolution of these legal proceedings could have a material adverse effect on our results of operations and financial condition for any particular period.

Shareholder Class Action and Derivative Lawsuits

On June 14, 2017, a shareholder filed a class action complaint in the United States District Court for the Northern District of Georgia against the Company and certain of its officers and directors on behalf of all persons who purchased or otherwise acquired the Company's stock between February 5, 2016 and May 2, 2017. On October 13, 2017, the shareholder filed an amended complaint asserting claims on behalf of a putative class of all persons who purchased or otherwise acquired the Company's common stock between February 4, 2016 and May 3, 2017. The complaint alleges that the defendants made false or

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misleading statements regarding fee charges and the reasons for its earnings and growth in certain press releases and other public statements in violation of the federal securities laws. Plaintiff seeks class certification, unspecified monetary damages, costs, and attorneys' fees. The Company disputes the allegations in the complaint and intends to vigorously defend against the claims.

On July 10, 2017, a shareholder derivative complaint was filed against the Company and certain of the Company's directors and officers in the United States District Court for the Northern District of Georgia seeking recovery on behalf of the Company. The derivative complaint alleges that the defendants issued a false and misleading proxy statement in violation of the federal securities laws; that defendants breached their fiduciary duties by causing or permitting the Company to make allegedly false and misleading public statements concerning the Company's fee charges, and financial and business prospects; and that certain defendants breached their fiduciary duties through allegedly improper sales of stock. The complaint seeks unspecified monetary damages on behalf of the Company, corporate governance reforms, disgorgement of profits, benefits and compensation by the defendants, restitution, costs, and attorneys' and experts' fees. The defendants dispute the allegations in the complaint and intend to vigorously defend against the claims.

Estimating an amount or range of possible losses resulting from litigation proceedings is inherently difficult and requires an extensive degree of judgment, particularly where, as here, the matters involve indeterminate claims for monetary damages, and are in the stages of the proceedings where key factual and legal issues have not been resolved. For these reasons, the Company is currently unable to predict the ultimate timing or outcome of, or reasonably estimate the possible losses or a range of possible losses resulting from the matters described above.

14. Asset Dispositions

Telematics Businesses

As part of the Company's plan to exit the telematics business, on July 27, 2017, the Company sold NexTraq, a U.S. fleet telematics business, to Michelin Group for \$316 million. The Company recorded a pre-tax gain on the disposal of NexTraq of \$175.0 million during the third quarter of 2017, which was net of transaction closing costs. The Company recorded tax on the gain of disposal of \$65.8 million. NexTraq was historically included in the Company's North America segment.

On September 30, 2017, the Company entered into an amended Masternaut investment agreement that resulted in the loss of significant influence, and the Company began accounting for the Masternaut investment by applying the cost method.

Additionally, in October 2018, the Company reached an agreement on the terms for the sale and transition of the Chevron portfolio for approximately \$160 million, which will be recorded as a pre-tax gain, less any transaction costs.

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## 15. Derivative Financial Instruments

As a result of the Cambridge acquisition during 2017, the Company writes derivatives, primarily foreign currency forward contracts, option contracts, and swaps, mostly with small and medium size enterprises that are customers and derives a currency spread from this activity. Derivative transactions include:

- Forward contracts, which are commitments to buy or sell at a future date a currency at a contract price and will be settled in cash.

- Option contracts, which gives the purchaser, the right, but not the obligation to buy or sell within a specified time a currency at a contracted price that may be settled in cash.

- Swap contracts, which are commitments to settlement in cash at a future date or dates, usually on an overnight basis. The credit risk inherent in derivative agreements represents the possibility that a loss may occur from the nonperformance of a counterparty to the agreements. The Company performs a review of the credit risk of these counterparties at the inception of the contract and on an ongoing basis. The Company also monitors the concentration of its contracts with any individual counterparty against limits at the individual counterparty level. The Company anticipates that the counterparties will be able to fully satisfy their obligations under the agreements, but takes action when doubt arises about the counterparties' ability to perform. These actions may include requiring customers to post or increase collateral, and for all counterparties, the possible termination of the related contracts. The Company does not designate any of its foreign exchange derivatives as hedging instruments in accordance with ASC 815.

The aggregate equivalent U.S. dollar notional amount of foreign exchange derivative customer contracts held by the Company as of September 30, 2018 and December 31, 2017 (in millions) is presented in the table below. Notional amounts do not reflect the netting of offsetting trades, although these offsetting positions may result in minimal overall market risk. Aggregate derivative notional amounts can fluctuate from period to period in the normal course of business based on market conditions, levels of customer activity and other factors.

	Notional	
	September 30, 2018	December 31, 2017
Foreign exchange contracts:		
Swaps	\$ 330.4	\$ 515.4
Futures, forwards and spot	2,905.7	3,274.5
Written options	3,033.1	2,934.2
Purchased options	2,435.8	2,314.1
Total	\$8,705.0	\$9,038.1

The majority of customer foreign exchange contracts are written in currencies such as the U.S. Dollar, Canadian Dollar, British Pound, Euro and Australian Dollar.

The following table summarizes the fair value of derivatives reported in the Unaudited Consolidated Balance Sheet as of September 30, 2018 and December 31, 2017 (in millions):

	September 30, 2018				December 31, 2017			
	Fair Value, Gross		Fair Value, Net		Fair Value, Gross		Fair Value, Net	
Derivatives	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Derivatives - undesignated:								
Over the counter	\$ 75.3	\$ 75.6	\$ 28.3	\$ 28.6	\$ 80.4	\$ 68.2	\$ 39.0	\$ 26.8
Exchange traded	—	—	—	—	—	0.1	—	0.1
Foreign exchange contracts	75.3	75.6	28.3	28.6	80.4	68.3	39.0	26.9
Cash collateral	26.5	12.3	26.5	12.3	12.5	10.9	12.5	10.9
Total net derivative assets and liabilities	\$ 48.8	\$ 63.3	\$ 1.8	\$ 16.3	\$ 67.9	\$ 57.4	\$ 26.5	\$ 16.0

The fair values of derivative assets and liabilities associated with contracts which include netting language that the Company believes to be enforceable have been netted to present the Company's net exposure with these counterparties. The Company

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recognizes all derivative assets, net in prepaid expense and other current assets and all derivative liabilities, net in other current liabilities, after netting at the customer level, as right of offset exists, in its Unaudited Consolidated Balance Sheets at their fair value. The gain or loss on the fair value is recognized immediately within revenues, net in the Unaudited Consolidated Statements of Income. The Company does not offset fair value amounts recognized for the right to reclaim cash collateral or the obligation to return cash collateral. The derivative assets and derivative liabilities in the preceding table were recorded in "other current assets" and "other current liabilities" at each balance sheet date, respectively, in the Unaudited Consolidated Balance Sheet. The Company receives cash from customers as collateral for trade exposures, which is recorded within "cash and cash equivalents: and "customer deposits" in the Unaudited Consolidated Balance Sheet. The customer has the right to recall their collateral in the event exposures move in their favor, they unwind all outstanding trades or they cease to do business with the Company.

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

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with the unaudited consolidated financial statements and related notes appearing elsewhere in this report. In addition to historical information, this discussion contains forward-looking statements that involve risks, uncertainties and assumptions that could cause actual results to differ materially from management's expectations. See "Special Cautionary Notice Regarding Forward-Looking Statements". 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 and related notes included in our Annual Report on Form 10-K for the year ended December 31, 2017.

#### General Business

FLEETCOR is a leading global provider of commercial payment solutions. We help businesses of all sizes control, simplify and secure payment of various domestic and cross-border payables using specialized payment products. We serve businesses, merchants and partners in North America, Latin America, Europe, and Australasia. FLEETCOR's predecessor company was organized in the United States in 1986, and FLEETCOR had its initial public offering in 2010 (NYSE: FLT).

FLEETCOR has two reportable segments, North America and International. We report these two segments as they align with our senior executive organizational structure, reflect how we organize and manage our employees around the world, manage operating performance, contemplate the differing regulatory environments in North America versus other geographies, and help us isolate the impact of foreign exchange fluctuations on our financial results.

Our payment solutions provide our customers with a payment method designed to be superior to and more robust and effective than what they use currently, whether they use a competitor's product or another alternative method such as cash or check. Our solutions are comprised of payment products, networks and associated services.

Our payment products function like a charge card or prepaid card and tend to be specialized for specific spend categories, such as fuel or lodging, and/or specific customer groups, such as long haul transportation. FLEETCOR's five primary product lines are Fuel, Lodging, Tolls, Corporate Payments and Gift. Additionally, we provide other payment products including fleet maintenance, employee benefits and long haul transportation-related services. Our products are used in 56 countries around the world, with our primary geographies being the U.S., Brazil and the United Kingdom, which combined accounted for approximately 90% of our revenue in 2017.

FLEETCOR uses both proprietary and third-party networks to deliver our payment solutions. FLEETCOR owns and operates proprietary networks with well-established brands throughout the world, bringing incremental sales and loyalty to affiliated merchants. Third-party networks are used to broaden payment product acceptance and use. In 2017, we processed approximately 3 billion transactions within these networks, of which approximately 1.4 billion were related to our Gift product line.

FLEETCOR capitalizes on its products' specialization with sales and marketing efforts by deploying product-dedicated sales forces to target specific customer segments. We market our products directly through multiple sales channels, including field sales, telesales and digital marketing, and indirectly through our partners, which include major oil companies, leasing companies, petroleum marketers, value-added resellers and referral partners.

We believe that our size and scale, product breadth and specialization, geographic reach, proprietary networks, robust distribution capabilities and advanced technology contribute to our industry leading position.

#### Executive Overview

We operate in two segments, which we refer to as our North America and International segments. Our revenue is generally reported net of the cost for underlying products and services. In this report, we refer to this net revenue as "revenues, net". See "Results of Operations" for additional segment information.

Results presented for 2018 reflects the impact of the Company's adoption of Accounting Standards Update 2014-09, "Revenue from Contracts with Customers" ("Topic 606") ("ASC 606") and related cost capitalization guidance, which was adopted by the Company on January 1, 2018, using the modified retrospective transition method. The adoption of



Topic 606 resulted in the classification of certain amounts previously classified as merchant commissions and processing expense net with revenues. As

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a result of the application of the modified retrospective transition method, the Company's prior period results within its annual report on Form 10-K and quarterly reports on Form 10-Q will not be restated to reflect the impact of Topic 606.

The adoption of Topic 606 had the impact of reducing revenues by approximately \$28.0 million and \$75.5 million for the three and nine months ended September 30, 2018, respectively. Such expenses were not reflected as a reduction of revenues in the 2017 amounts presented. This lack of comparability should be considered in reviewing the transaction analysis and the various breakdowns of revenue by geography, product and source in this discussion and analysis.

Revenues, net, by Segment. For the three and nine months ended September 30, 2018 and 2017, our North America and International segments generated the following revenue (in millions):

	Three Months Ended September 30, 2018		2017 <sup>1</sup>		Nine Months Ended September 30, 2018		2017 <sup>1</sup>	
	Revenues, net	% of total revenues, net	Revenues, net	% of total revenues, net	Revenues, net	% of total revenues, net	Revenues, net	% of total revenues, net
(Unaudited) North America	\$412.8	66.6 %	\$368.0	63.7 %	\$1,148.0	64.1 %	\$1,040.9	63.5 %
International	206.8	33.4 %	209.9	36.3 %	642.0	35.9 %	598.6	36.5 %
	\$619.6	100.0 %	\$577.9	100.0 %	\$1,790.1	100.0 %	\$1,639.5	100.0 %

<sup>1</sup>The results from our Cambridge business acquired in the third quarter of 2017 are reported in our North America segment. As we have concluded that this business is part of our North America segment, the results for this business have been recast from our International segment into our North America segment for the three and nine month periods ended September 30, 2017.

Revenues, net, Net Income and Net Income Per Diluted Share. Set forth below are revenues, net, net income and net income per diluted share for the three and nine months ended September 30, 2018 and 2017 (in millions, except per share amounts).

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
(Unaudited) Revenues, net	\$619.6	\$577.9	\$1,790.1	\$1,639.5
Net income	\$157.7	\$202.8	\$509.5	\$457.5
Net income per diluted share	\$1.71	\$2.18	\$5.50	\$4.87

Adjusted Net Income and Adjusted Net Income Per Diluted Share. Set forth below are adjusted net income and adjusted net income per diluted share for the three and nine months ended September 30, 2018 and 2017 (in millions, except per share amounts).

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
(Unaudited) Adjusted net income	\$246.6	\$202.8	\$717.9	\$574.8
Adjusted net income per diluted share	\$2.68	\$2.18	\$7.75	\$6.12

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." 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.

#### Sources of Revenue

Transactions. In both of our segments, we derive revenue from transactions. A transaction is defined as a purchase by a customer utilizing one of our payment products at a participating merchant. The following diagram illustrates a typical transaction flow, which is representative of many, but not all, of our businesses.

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## Illustrative Transaction Flow

The revenue we derive from transactions is generated from both customers and merchants. Customers may include commercial businesses (obtained through direct and indirect channels), as well as partners for whom we manage payment programs. Merchants, who may also be customers under relevant accounting guidance, may include those merchants affiliated with our proprietary networks or those participating in the third-party networks we utilize. From our customers and partners, we generate revenue through a variety of program fees, including transaction fees, card fees, network fees and charges. These fees may be charged as fixed amounts, costs plus a mark-up, or based on a percentage of the transaction purchase amounts, or a combination thereof. Our programs include other fees and charges associated with late payments and based on customer credit risk.

From our merchants and third-party networks, we generate revenue mostly from the difference between the amount charged to a customer and the amount paid to the merchant or network for a given transaction, as well as network fees and charges in certain businesses. The amount paid to a merchant or network may be calculated as (i) the merchant's wholesale product cost plus a markup; (ii) the transaction purchase amount less a percentage discount; or (iii) the transaction purchase amount less a fixed fee per unit. The following table provides illustrations of these three merchant payment models, which are representative of many, but not all, of our businesses.

## Illustrative Merchant Payment Models

i) Cost Plus Mark-up:		ii) Percentage Discount:		iii) Fixed Fee:	
Wholesale Cost	\$2.86	Retail Price	\$3.00	Retail Price	\$3.00
Mark-up	0.05	Discount (3%)	(0.09 )	Fixed Fee	(0.09 )
Price Paid to Merchant	\$2.91	Price Paid to Merchant	\$2.91	Price Paid to Merchant	\$2.91

For a transaction involving the purchase of fuel where the amount paid to the merchant is calculated under the cost plus markup model, we refer to the difference between the amount charged to the customer and the amount paid to the merchant as revenue tied to fuel-price spreads. In all other cases, we refer to the difference between the amount charged to the customer and the amount paid to the merchant for a given transaction as interchange revenue.

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Revenue per transaction. Set forth below is revenue per transaction by segment information for the three and nine months ended September 30, 2018 and 2017. Revenue per transactions by segment is affected by the mix of products and acquisitions, as well as the impact of the adoption of ASC 606, which may result in revenue per transaction by product providing more meaningful data for analysis.

	Three Months Ended September 30, 2018		Nine Months Ended September 30, 2017	
(Unaudited)	2018	2017	2018	2017
Transactions (in millions)				
North America	380.8	398.4	1,257.5	1,256.9 <sup>1</sup>
International <sup>2</sup>	277.8	275.9	810.6	806.1
Total transactions	658.6	674.3	2,068.1	2,062.9
Revenue per transaction				
North America	\$1.08	\$0.92	\$0.91	\$0.83
International	0.74	0.76	0.79	0.74
Consolidated revenue per transaction	0.94	0.86	0.87	0.79

<sup>1</sup> For purposes of comparability, reflects adjustment for 44.3 million non-recurring transactions at SVS in the first quarter of 2017 due to system driven balance inquiries.

<sup>2</sup> Reflects adjustments from previously disclosed amounts for the prior period to conform to current presentation.

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The following table provides a breakdown of revenue per transaction by product for the three months ended September 30, 2018 and 2017.

(Unaudited)*	As Reported					Pro Forma and Macro Adjusted				
	Three Months Ended September 30,					Three Months Ended September 30,				
	2018 <sup>1</sup>	2017	Change	% Change		2018 <sup>1</sup>	2017 <sup>1</sup>	Change	% Change	
<b>FUEL<sup>4</sup></b>										
┆ Transactions	122.9	119.3	3.6	3 %		122.9	121.1	1.9	2 %	
┆ Revenues, net per transaction	\$2.25	\$2.32	\$(0.07)	(3 )%		\$2.15	\$2.07	\$0.08	4 %	
┆ Revenues, net	\$276.0	\$276.2	\$(0.3 )	— %		\$263.8	\$250.5	\$13.3	5 %	
<b>CORPORATE PAYMENTS</b>										
┆ Transactions	13.1	10.9	2.2	20 %		13.1	11.1	2.0	18 %	
┆ Revenues, net per transaction	\$8.05	\$6.63	\$1.42	21 %		\$8.10	\$7.52	\$0.59	8 %	
┆ Revenues, net	\$105.5	\$72.2	\$33.3	46 %		\$106.2	\$83.2	\$23.0	28 %	
<b>TOLLS</b>										
┆ Transactions <sup>2</sup>	221.9	226.1	(4.2 )	(2 )%		221.9	226.1	(4.2 )	(2 )%	
┆ Revenues, net per transaction	\$0.35	\$0.37	\$(0.02)	(4 )%		\$0.44	\$0.37	\$0.07	19 %	
┆ Revenues, net	\$77.8	\$82.9	\$(5.2 )	(6 )%		\$97.0	\$82.9	\$14.1	17 %	
<b>LODGING</b>										
┆ Transactions	4.5	4.1	0.4	11 %		4.5	4.6	(0.1 )	(3 )%	
┆ Revenues, net per transaction	\$10.64	\$8.14	\$2.49	31 %		\$10.64	\$8.53	\$2.10	25 %	
┆ Revenues, net	\$48.0	\$33.2	\$14.8	45 %		\$48.0	\$39.6	\$8.4	21 %	
<b>GIFT</b>										
┆ Transactions	277.6	294.1	(16.5 )	(6 )%		277.6	294.1	(16.5 )	(6 )%	
┆ Revenues, net per transaction	\$0.20	\$0.19	\$0.02	10 %		\$0.20	\$0.19	\$0.02	10 %	
┆ Revenues, net	\$56.7	\$54.8	\$1.9	4 %		\$56.7	\$54.8	\$1.9	4 %	
<b>OTHER<sup>3,4</sup></b>										
┆ Transactions	18.6	19.7	(1.2 )	(6 )%		18.6	19.7	(1.1 )	(6 )%	
┆ Revenues, net per transaction	\$3.00	\$2.97	\$0.03	1 %		\$3.13	\$2.84	\$0.29	10 %	
┆ Revenues, net	\$55.7	\$58.5	\$(2.9 )	(5 )%		\$58.1	\$55.8	\$2.3	4 %	
<b>FLEETCOR CONSOLIDATED REVENUES</b>										
┆ Transactions	658.6	674.3	(15.7 )	(2 )%		658.6	676.7	(18.1 )	(3 )%	
┆ Revenues, net per transaction	\$0.94	\$0.86	\$0.08	10 %		\$0.96	\$0.84	\$0.12	14 %	
┆ Revenues, net	\$619.6	\$577.9	\$41.7	7 %		\$629.8	\$566.8	\$63.0	11 %	

\* Columns may not calculate due to rounding.

<sup>1</sup> Reflects the impact of the Company's adoption of Accounting Standards Update 2014-09, "Revenue from Contracts with Customers (Topic 606)" ("ASC 606") and related cost capitalization guidance, which was adopted by the Company on January 1, 2018 using the modified retrospective transition method. The adoption of ASC 606 resulted in an adjustment to retained earnings in our consolidated balance sheet for the cumulative effect of applying the standard, which included costs incurred to obtain a contract, as well as presentation changes in our statements of income, including the classification of certain amounts previously classified as merchant commissions and processing expense net with revenues. As a result of the application of the modified retrospective transition method, the Company's prior period results within its annual report on Form 10-K and quarterly reports on Form 10-Q will not be restated to reflect the impact of ASC 606. For purposes of comparability, 2017 has been recast and is reconciled to GAAP in the section entitled "Management's Use of Non-GAAP Financial Measures", which includes certain estimates and assumptions made by the Company for the impact of ASC 606 on 2017 revenues, as the Company did not apply a full retrospective adoption.

<sup>2</sup> Reflects adjustments from previously disclosed amounts for the prior period to conform to current presentation.

<sup>3</sup> Other includes telematics, maintenance, food, and transportation related businesses.

<sup>4</sup> Fuel Cards product category further refined to Fuel, to reflect different ways that fuel is paid for by our customers and as a result, reflects immaterial reclassifications from previously disclosed amounts for the prior period.

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, fuel prices and fuel spread margins. Revenue per transaction per customer changes as the level of services we provide to a customer increases or decreases, as macroeconomic factors change

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and as adjustments are made to merchant and customer rates. See “Results of Operations” for further discussion of transaction volumes and revenue per transaction.

### Sources of Expenses

We incur expenses in the following categories:

**Merchant commissions**—In certain of our card programs, we incur merchant commissions expense when we reimburse merchants with whom we have direct, contractual relationships for specific transactions where a customer purchases products or services from the merchant. In the card programs where it is paid, merchant commissions equal the difference between the price paid by us to the merchant and the merchant’s wholesale cost of the underlying products or services. The adoption of ASC 606 on January 1, 2018, resulted in a change in the presentation of amounts previously classified as merchant commissions, resulting in these amounts being recorded within revenues, net in periods beginning in 2018.

**Processing**—Our processing expense consists of expenses related to processing transactions, servicing our customers and merchants, bad debt expense and cost of goods sold related to our hardware sales in certain businesses. Effective with the adoption of ASC 606 on January 1, 2018, certain third party processing expenses are netted with consolidated revenues, where the network is considered to be our customer.

**Selling**—Our selling expenses consist primarily of wages, benefits, sales commissions (other than merchant commissions) and related expenses for our sales, marketing and account management personnel and activities.

**General and administrative**—Our general and administrative expenses include compensation and related expenses (including stock-based compensation) for our executives, finance and accounting, information technology, human resources, legal and other administrative personnel. Also included are facilities expenses, third-party professional services fees, travel and entertainment expenses, and other corporate-level expenses.

**Depreciation and amortization**—Our depreciation expenses include depreciation of property and equipment, consisting of computer hardware and software (including proprietary software development amortization expense), card-reading equipment, furniture, fixtures, vehicles and buildings and leasehold improvements related to office space. Our amortization expenses include amortization of intangible assets related to customer and vendor relationships, trade names and trademarks, software and non-compete agreements. We are amortizing intangible assets related to business acquisitions and certain private label contracts associated with the purchase of accounts receivable.

**Other operating, net**—Our other operating, net includes other operating expenses and income items that do not relate to our core operations or that occur infrequently.

**Investment loss**—Our investment results relate to our minority interest in Masternaut, a provider of telematics solutions to commercial fleets in Europe, which we historically accounted for using the equity method and recorded our share of earnings and losses. On September 30, 2017, we entered into an amended Masternaut investment agreement that resulted in the loss of significant influence, and we began accounting for the Masternaut investment by applying the cost method. Also includes impairment charges related to Masternaut and other cost method investments.

**Other expense (income), net**—Our other expense (income), net includes proceeds/costs from the sale of assets, foreign currency transaction gains or losses and other miscellaneous operating costs and revenue.

**Interest expense, net**—Our interest expense, net includes interest income on our cash balances and interest expense on our outstanding debt and on our Securitization Facility. We have historically invested our cash primarily in short-term money market funds.

**Loss on extinguishment of debt**—Loss on extinguishment of debt relates to our write-off of debt issuance costs associated with the refinancing of our existing Credit Facility.

**Provision for income taxes**—Our provision for income taxes consists primarily of corporate income taxes related to profits resulting from the sale of our products and services on a global basis.

### Factors and Trends Impacting our Business

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

- **Global economic conditions**—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, the credit risk of our customers and changes in tax laws across the globe. These factors affected our businesses in both our North America and International segments.

Foreign currency changes—Our results of operations are significantly impacted by changes in foreign currency rates; namely, by movements of the Australian dollar, Brazilian real, British pound, Canadian dollar, Czech koruna, Euro, Mexican peso, New Zealand dollar and Russian ruble, relative to the U.S. dollar. Approximately 60% and 63% of our revenue in the nine months ended September 30, 2018 and 2017, respectively, was derived in U.S. dollars and was not

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affected by foreign currency exchange rates. See “Results of Operations” for information related to foreign currency impact on our total revenue, net.

**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. Changes in the absolute price of fuel may also impact unpaid account balances and the late fees and charges based on these amounts. See “Sources of Revenue” above for further information related to the absolute price of fuel.

**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. See “Sources of Revenue” above for further information related to fuel-price spreads.

**Acquisitions**—Since 2002, we have completed over 75 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 to changes in interest rates on our cash investments and debt.

**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.

**Taxes**— 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 higher than the U.S. tax rate. Consequently, as our earnings fluctuate between taxing jurisdictions, our effective tax rate fluctuates.

### Acquisitions and Investments

During the nine months ended September 30, 2018, the Company made deferred payments of \$3.8 million related to acquisitions occurring in prior years.

During 2017, the Company completed acquisitions with an aggregate purchase price of \$725.1 million, net of cash acquired of \$96.3 million. During 2017, the Company made investments in other businesses of \$39 million.

On August 9, 2017, we acquired Cambridge, a business to business (B2B) international payments provider, for approximately \$616.0 million in cash, net of cash acquired of \$94.5 million and inclusive of a note payable of \$23.8 million. Cambridge processes B2B cross-border payments, assisting business clients in making international payments. The purpose of this acquisition is to further expand our corporate payments footprint.

On September 26, 2017, we acquired a fuel card provider in Russia.

On October 13, 2017, we completed the acquisition of CLS, a small lodging business, in the United States.

We report our results from Cambridge and CLS acquired in the third and fourth quarters of 2017, respectively, in our North America segment, from the date of acquisition. The results of operations from the fuel card business in Russia are included within our International segment, from the date of acquisition.

## Asset Dispositions

### Telematics Businesses

As part of our plan to exit the telematics business, on July 27, 2017, we sold NexTraq, a U.S. fleet telematics business, to Michelin Group for \$316 million. We recorded a pre-tax gain on the disposal of NexTraq of \$175.0 million during the third quarter of 2017, which was net of transaction closing costs. We recorded tax on the gain of disposal of \$65.8 million. NexTraq was historically included in our North America segment.

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On September 30, 2017, we entered into an amended Masternaut investment agreement that resulted in the loss of significant influence, and we began accounting for the Masternaut investment by applying the cost method.

Chevron Portfolio

In October 2018, we reached an agreement on the terms for the sale and transition of the Chevron portfolio for approximately \$160 million, which will be recorded as a pre-tax gain, less any transaction costs.

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## Results of Operations

Three months ended September 30, 2018 compared to the three months ended September 30, 2017

The following table sets forth selected consolidated statement of income and selected operational data for the three months ended September 30, 2018 and 2017 (in millions, except percentages)\*.

(Unaudited)	Three Months Ended June 30, 2018 <sup>1</sup>	% of total revenue	Three Months Ended September 30, 2017 <sup>2</sup>	% of total revenue	Increase (decrease)	% Change
Revenues, net:						
North America	\$412.8	66.6 %	\$368.0	63.7 %	\$44.8	12.2 %
International	206.8	33.4 %	209.9	36.3 %	(3.1 )	(1.5 )%
Total revenues, net	619.6	100.0 %	577.9	100.0 %	41.7	7.2 %
Consolidated operating expenses:						
Merchant commissions	—	— %	27.7	4.8 %	(27.7 )	(100.0 )%
Processing	128.4	20.7 %	111.3	19.3 %	17.1	15.4 %
Selling	44.8	7.2 %	45.1	7.8 %	(0.3 )	(0.6 )%
General and administrative	98.0	15.8 %	92.1	15.9 %	6.0	6.5 %
Depreciation and amortization	67.3	10.9 %	69.2	12.0 %	(1.9 )	(2.7 )%
Operating income	281.1	45.4 %	232.6	40.3 %	48.5	20.8 %
Investment loss	7.1	1.2 %	47.8	8.3 %	(40.6 )	(85.0 )%
Other expense (income), net	0.3	— %	(175.3 )	(30.3 )%	(175.6 )	NM
Interest expense, net	36.1	5.8 %	29.3	5.1 %	6.7	22.9 %
Loss on extinguishment of debt	—	— %	3.3	0.6 %	(3.3 )	(100.0 )%
Provision for income taxes	79.9	12.9 %	124.7	21.6 %	(44.8 )	(35.9 )%
Net income	\$157.7	25.5 %	\$202.8	35.1 %	\$(45.1 )	(22.3 )%
Operating income for segments:						
North America	\$177.8		\$138.5		\$39.3	28.4 %
International	103.3		94.2		9.2	9.7 %
Operating income	\$281.1		\$232.6		\$48.5	20.8 %
Operating margin for segments:						
North America	43.1 %		37.6 %		5.4 %	
International	50.0 %		44.9 %		5.1 %	
Total	45.4 %		40.3 %		5.1 %	

NM = Not Meaningful

\*The sum of the columns and rows may not calculate due to rounding.

<sup>1</sup> Reflects the impact of the Company's adoption of ASC 606 and related cost capitalization guidance, which was adopted by the Company on January 1, 2018, using the modified retrospective transition method. The adoption of ASC 606 resulted in an adjustment to retained earnings in our consolidated balance sheet for the cumulative effect of applying the standard, which included costs incurred to obtain a contract, as well as presentation changes in our statements of income, including the classification of certain amounts previously classified as merchant commissions and processing expense net with revenues. As a result of the application of the modified retrospective transition method, the Company's prior period results within its annual report on Form 10-K and quarterly reports on Form 10-Q will not be restated to reflect the impact of ASC 606.

<sup>2</sup>The results from our Cambridge business acquired in the third quarter of 2017 are reported in our North America segment. As we have concluded that this business is part of our North America segment, the results for this business have been recast from our International segment into our North America segment for the three and nine month periods ended September 30, 2017.



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### Revenues

Our consolidated revenues were \$619.6 million in the three months ended September 30, 2018, an increase of \$41.7 million or 7.2%, from \$577.9 million in the three months ended September 30, 2017. The increase in our consolidated revenue was primarily due to:

Organic growth of approximately 11% on a constant fuel price, fuel spread margin, foreign currency and acquisition and disposition basis, driven by increases in both volume and revenue per transaction in certain of our payment programs. Organic revenue growth has been calculated assuming ASC 606 was implemented on January 1, 2017, in order to calculate organic growth using comparable revenue results in each period.

The impact of acquisitions during 2017, which contributed approximately \$20 million in additional revenue.

Although we cannot precisely measure the impact of the macroeconomic environment, in total we believe it had a negative impact on our consolidated revenue for the three months ended September 30, 2018 over the comparable period in 2017 of approximately \$9 million. Foreign exchange rates had an unfavorable impact on consolidated revenues in the three months ended September 30, 2018 over the comparable period in 2017 of approximately \$26 million, primarily due to unfavorable changes in foreign exchange rates mostly in Brazil, partially offset by the favorable impact of higher fuel prices of approximately \$14 million and favorable fuel spread margins of approximately \$3 million, in the three months ended September 30, 2018 over the comparable period in 2017.

These increases were partially offset by the impact of the adoption of ASC 606, which decreased consolidated revenues, net by netting approximately \$28 million of amounts previously classified as merchant commissions and processing expense against revenues and by approximately \$2 million due to the disposition of the NexTraq business in July 2017.

### North America segment revenues

North America revenues were \$412.8 million in the three months ended September 30, 2018, an increase of \$44.8 million or 12.2%, from \$368.0 million in the three months ended September 30, 2017. The increase in our North America segment revenue was primarily due to:

Organic growth of approximately 11%, on a constant fuel price, fuel spread margin and acquisition and disposition basis, driven by increases in both volume and revenue per transaction in certain of our payment programs. Organic revenue growth has been calculated assuming ASC 606 was implemented on January 1, 2017, in order to calculate organic growth using comparable revenue results in each period.

The impact of our Cambridge and CLS acquisitions during 2017, which contributed approximately \$18 million in additional revenue.

Although we cannot precisely measure the impact of the macroeconomic environment, in total we believe it had a positive impact on our North America segment revenue in three months ended September 30, 2018 over the comparable period in 2017 of approximately \$14 million, primarily due to the favorable impact of higher fuel prices of approximately \$11 million and favorable fuel spread margins of approximately \$3 million.

These increases were partially offset by the impact of the adoption of ASC 606, which decreased North America revenues, net by approximately \$23 million and by approximately \$2 million due to the disposition of the NexTraq business in July 2017.

### International segment revenues

International segment revenues were \$206.8 million in the three months ended September 30, 2018, a decrease of \$3.1 million or 1.5%, from \$209.9 million in the three months ended September 30, 2017. The decrease in our International segment revenue was primarily due to:

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Although we cannot precisely measure the impact of the macroeconomic environment, in total we believe it had a negative impact on our International segment revenue for the three months ended September 30, 2018 over the comparable period in 2017 of approximately \$23 million. Unfavorable foreign exchange rates negatively impacted consolidated revenues by approximately \$25 million primarily due to unfavorable changes in foreign exchange rates mostly in Brazil, partially offset by the favorable impact of higher fuel prices on consolidated revenues of approximately \$3 million.

Organic growth of approximately 11% on a constant fuel price, fuel spread margin and acquisition basis, driven by increases in both volume and revenue per transaction in certain of our payment programs. Organic revenue growth has been calculated assuming ASC 606 was implemented in January 2017 in order to calculate organic growth using a consistent revenue standard in both periods.

The impact of a small fuel card acquisition during 2017, which contributed approximately \$2 million in additional revenue.

The impact of the adoption of ASC 606 also decreased International revenues, net by approximately \$5 million.



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Revenues by geography, product and source. Set forth below are further breakdowns of revenue by geography, product and source for the three months ended September 30, 2018 and 2017 (in millions).

Revenue, net by Geography* (Unaudited)	Three Months Ended September 30,					
	2018 <sup>1</sup>			2017		
		% of		% of		
	Revenue, net	total revenues, net		Revenue, net	total revenues, net	
United States	\$391	63 %		\$358	62 %	
Brazil	92	15 %		101	17 %	
United Kingdom	63	10 %		61	11 %	
Other	74	12 %		58	10 %	
Consolidated revenues, net	\$620	100 %		\$578	100 %	

\*Columns may not calculate due to rounding.

Revenue, net by Product Category* (Unaudited)	Three Months Ended September 30,					
	2018 <sup>1</sup>			2017		
		% of		% of		
	Revenue, net	total revenues, net		Revenue, net	total revenues, net	
Fuel	\$276	45 %		\$276	48 %	
Corporate Payments	105	17 %		72	12 %	
Tolls	78	13 %		83	14 %	
Lodging	48	8 %		33	6 %	
Gift	57	9 %		55	9 %	
Other	56	9 %		59	10 %	
Consolidated revenues, net	\$620	100 %		\$578	100 %	

\*Columns may not calculate due to rounding.

Major Sources of Revenue, net* (Unaudited)	Three Months Ended September 30,			
	2018 <sup>1</sup>		2017	
		%		%
Processing and Program Revenue <sup>2</sup>	\$322	52 %	\$288	50 %
Late Fees and Finance Charges <sup>3</sup>	38	6 %	34	6 %
Miscellaneous Fees <sup>4</sup>	39	6 %	32	5 %
Discount Revenue (Fuel) <sup>5</sup>	87	14 %	77	13 %
Discount Revenue (NonFuel) <sup>6</sup>	51	8 %	45	8 %
Tied to Fuel-Price Spreads <sup>7</sup>	31	5 %	53	9 %
Merchant Program Revenue <sup>8</sup>	53	9 %	49	8 %
Consolidated revenues, net	\$620	100 %	\$578	100 %

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<sup>1</sup> Reflects the impact of the Company's adoption of ASC 606 and related cost capitalization guidance, which was adopted by the Company on January 1, 2018 using the modified retrospective transition method. The adoption of ASC 606 resulted in an adjustment to retained earnings in our consolidated balance sheet for the cumulative effect of applying the standard, which included costs incurred to obtain a contract, as well as presentation changes in our statements of income, including the classification of certain amounts previously classified as merchant commissions and processing expense net with revenues. As a result of the application of the modified retrospective transition method, the Company's prior period results within its annual report on Form 10-K and quarterly reports on Form 10-Q will not be restated to reflect the impact of ASC 606.

<sup>2</sup> Includes revenue from customers based on accounts, cards, devices, transactions, load amounts and/or purchase amounts, etc. for participation in our various fleet and workforce related programs, as well as revenue from partners (e.g., major retailers, leasing companies, oil companies, petroleum marketers, etc.) for processing and network management services. Primarily represents revenue from North American trucking, lodging, prepaid benefits, telematics, gift cards and toll related businesses.

<sup>3</sup> Fees for late payment and interest charges for carrying a balance charged to a customer.

<sup>4</sup> Non-standard fees charged to customers based on customer behavior or optional participation, primarily including high credit risk surcharges, over credit limit charges, minimum processing fees, printing and mailing fees, etc.

<sup>5</sup> Interchange revenue directly influenced by the absolute price of fuel and other interchange related to fuel products.

<sup>6</sup> Interchange revenue related to nonfuel products.

<sup>7</sup> Revenue derived from the difference between the price charged to a fleet customer for a transaction and the price paid to the merchant for the same transaction.

<sup>8</sup> Revenue derived primarily from the sale of equipment, software and related maintenance to merchants.

\* We may not be able to precisely calculate revenue by source, as certain estimates were made in these allocations. Columns may not calculate due to rounding.

Consolidated operating expenses

Merchant commissions. The adoption of ASC 606 on January 1, 2018, resulted in a change in the presentation of amounts previously classified as merchant commissions of \$30.9 million in the three months ended September 30, 2018. As of January 1, 2018, these amounts are recorded within revenues, net. Merchant commissions were \$27.7 million in the three months ended September 30, 2017.

Processing. Processing expenses were \$128.4 million in the three months ended September 30, 2018, an increase of \$17.1 million or 15.4%, from \$111.3 million in the comparable prior period. Increases in processing expenses were primarily due to incremental bad debt expense of approximately \$9 million, expenses related to acquisitions completed in 2017 of approximately \$7 million and increased volumes in certain product lines. Additionally, the adoption of ASC 606 on January 1, 2018, resulted in a \$2 million increase to processing expenses in the three months ended September 30, 2018. As of January 1, 2018, these amounts are recorded within revenues, net. These increases were partially offset by the favorable impact of fluctuations in foreign exchange rates of approximately \$6 million and the impact of disposition of the NexTraq business.

Selling. Selling expenses were \$44.8 million in the three months ended September 30, 2018, a decrease of \$0.3 million or 0.6%, from \$45.1 million in the comparable prior period. Selling expenses decreased primarily due the favorable impact of fluctuations in foreign exchange rates of approximately \$2 million and the impact of disposition of the NexTraq business, mostly offset by expenses related to acquisitions completed in 2017 of approximately \$2 million. Additionally, the adoption of ASC 606 and related cost capitalization guidance on January 1, 2018, resulted in the capitalization of certain costs incurred to obtain a contract (sales commissions) and deferral over the period of benefit, resulting in reduced selling expenses of approximately \$1 million.

General and administrative. General and administrative expenses were \$98.0 million in the three months ended September 30, 2018, an increase of \$6.0 million or 6.5%, from \$92.1 million in the comparable prior period. The increase was primarily due to expenses related to acquisitions completed in 2017 of approximately \$5 million and additional other professional and legal expenses of approximately \$3 million over the comparable prior period. These increases were partially offset by a decrease in stock compensation expense of approximately \$4 million and by the favorable impacts from fluctuations in foreign exchange rates of approximately \$3 million and the impact of

disposition of the NexTraq business.

**Depreciation and amortization.** Depreciation and amortization expenses were \$67.3 million in the three months ended September 30, 2018, a decrease of \$1.9 million or 2.7%, from \$69.2 million in the comparable prior period. The decrease was primarily due to the favorable impact of foreign exchange rates of approximately \$4 million and the impact of disposition of the NexTraq business, partially offset by the impact of expenses related to acquisitions completed in 2017 of approximately \$4 million.

**Investment loss.** Investment loss was \$7.1 million in the three months ended September 30, 2018, a decrease of \$40.6 million or 85.0%, from \$47.8 million in the comparable prior period. The decrease in investment loss was due to a non-cash impairment charge of \$7.1 million recorded to a cost method investment in the third quarter of 2018 as compared to a non-cash impairment charge of \$44.6 million recorded to our Masternaut investment in the third quarter of 2017.

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Other expense (income), net. Other expense, net was \$0.3 million in the three months ended September 30, 2018, compared to other income, net of \$175.3 million in the three months ended September 30, 2017. The decrease was due primarily to the pre-tax gain on the sale of our NexTraq business of \$175 million in the third quarter of 2017.

Interest expense, net. Interest expense was \$36.1 million in the three months ended September 30, 2018, an increase of \$6.7 million or 22.9%, from \$29.3 million in the comparable prior period. The increase in interest expense is primarily due to the impact of additional borrowings to finance the acquisition of Cambridge completed in 2017 and to repurchase our common stock, as well as increases in LIBOR. The following table sets forth the average interest rates paid on borrowings under our Credit Facility, excluding the related unused credit facility fees.

(Unaudited)	Three Months Ended September 30,	
	2018	2017
Term loan A	3.59%	2.98%
Term loan B	4.09%	3.32%
Domestic Revolver A	3.59%	2.99%
Foreign Revolver A	2.13%	2.00%
Foreign swing line	2.12%	1.97%

The average unused credit facility fee for Domestic Revolver A was 0.30% and 0.35% in the three month periods ending September 30, 2018 and 2017, respectively.

Loss on extinguishment of debt. Loss on early extinguishment of debt of \$3.3 million related to our write-off of debt issuance costs associated with the refinancing of our existing credit facility during the third quarter of 2017.

Provision for income taxes. The provision for income taxes was \$79.9 million in the three months ended September 30, 2018, a decrease of \$44.8 million or 35.9%, from \$124.7 million in the comparable prior period. 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 for the three months ended September 30, 2018 was 33.6% compared to 38.1% for three months ended September 30, 2017.

The 2018 rate included a \$23 million true-up of our provisional transition tax liability originally recorded at the end of 2017 in connection with US tax reform. If we exclude the impact of the transitional tax adjustment, the tax rate for the quarter was 23.4%. The reduction in the tax rate was primarily due to the effect of the Tax Act, which went into effect on December 22, 2017. Also, the third quarter of 2017 rate was impacted by the non-recurring gain realized on the sale of the Nextraq business and the Masternaut impairment charge.

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 decreased to \$157.7 million in the three months ended September 30, 2018, a decrease of \$45.1 million or 22.3%, from \$202.8 million in the three months ended September 30, 2017.

#### Operating income and operating margin

Consolidated operating income. Operating income was \$281.1 million in the three months ended September 30, 2018, an increase of \$48.5 million or 20.8%, from \$232.6 million in the comparable prior period. Our operating margin was 45.4% and 40.3% for the three months ended September 30, 2018 and 2017, respectively. These increases were driven primarily by organic growth, acquisitions completed in 2017 and the positive impact of the macroeconomic environment of approximately \$5 million, driven by higher fuel prices and fuel price spreads. Increases were also driven by lower stock based compensation expense of \$4 million. These increases were partially offset by the negative impact of unfavorable movements in foreign exchange rates, as well as the disposition of NexTraq of approximately

\$1 million.

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

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North America segment operating income. North America operating income was \$177.8 million in the three months ended September 30, 2018, an increase of \$39.3 million or 28.4%, from \$138.5 million in the comparable prior period. North America operating margin was 43.1% and 37.6% for the three months ended September 30, 2018 and 2017, respectively. These increases were due primarily to organic growth and the positive impact of the macroeconomic environment of approximately \$14 million, driven by higher fuel prices and fuel price spreads and the impact of acquisitions completed in 2017. These increases were also driven by lower stock based compensation expense of \$4 million. These increases were partially offset by the disposition of NexTraQ of approximately \$1 million.

International segment operating income. International operating income was \$103.3 million in the three months ended September 30, 2018, an increase of \$9.2 million or 9.7%, from \$94.2 million in the comparable prior period. International operating margin was 50.0% and 44.9% for the three months ended September 30, 2018 and 2017, respectively. These increases were due primarily to organic growth and acquisitions completed in 2017. These increases were partially offset by the negative impact of the macroeconomic environment of approximately \$9 million, driven primarily by unfavorable movements in foreign exchange rates.

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Nine months ended September 30, 2018 compared to the Nine months ended September 30, 2017

The following table sets forth selected consolidated statement of income and selected operational data for the nine months ended September 30, 2018 and 2017 (in millions, except percentages)\*.

(Unaudited)	Nine Months Ended September 30, 2018 <sup>1</sup>	% of total revenue		Nine Months Ended September 30, 2017 <sup>2</sup>	% of total revenue	Increase (decrease)	% Change	
Revenues, net:								
North America	\$1,148.0	64.1 %		\$1,040.9	63.5 %	\$ 107.1	10.3	%
International	642.0	35.9 %		598.6	36.5 %	43.4	7.3	%
Total revenues, net	1,790.1	100.0 %		1,639.5	100.0 %	150.5	9.2	%
Consolidated operating expenses:								
Merchant commissions	—	— %		82.7	5.0 %	(82.7 )	(100.0 )	%
Processing	356.1	19.9 %		316.4	19.3 %	39.7	12.5	%
Selling	135.9	7.6 %		122.9	7.5 %	13.1	10.6	%
General and administrative	284.7	15.9 %		275.1	16.8 %	9.6	3.5	%
Depreciation and amortization	207.4	11.6 %		198.7	12.1 %	8.6	4.4	%
Operating income	806.0	45.0 %		643.7	39.3 %	162.2	25.2	%
Investment loss	7.1	0.4 %		52.5	3.2 %	(45.4 )	(86.4 )	%
Other expense (income), net	0.5	— %		(173.6 )	(10.6 )%	174.1	NM	
Interest expense, net	100.3	5.6 %		76.3	4.7 %	24.0	31.4	%
Loss on extinguishment of debt	—	— %		3.3	0.2 %	(3.3 )	(100.0 )	%
Provision for income taxes	188.6	10.5 %		227.8	13.9 %	(39.2 )	(17.2 )	%
Net income	\$509.5	28.5 %		\$457.5	27.9 %	\$ 52.0	11.4	%
Operating income for segments:								
North America	\$495.1			\$394.4		\$ 100.7	25.5	%
International	310.9			249.4		61.5	24.7	%
Operating income	\$806.0			\$643.7		\$ 162.2	25.2	%
Operating margin for segments:								
North America	43.1	%		37.9	%	5.2	%	
International	48.4	%		41.7	%	6.8	%	
Total	45.0	%		39.3	%	5.8	%	

\*The sum of the columns and rows may not calculate due to rounding.

<sup>1</sup> Reflects the impact of the Company's adoption of ASC 606 and related cost capitalization guidance, which was adopted by the Company on January 1, 2018, using the modified retrospective transition method. The adoption of ASC 606 resulted in an adjustment to retained earnings in our consolidated balance sheet for the cumulative effect of applying the standard, which included costs incurred to obtain a contract, as well as presentation changes in our statements of income, including the classification of certain amounts previously classified as merchant commissions and processing expense net with revenues. As a result of the application of the modified retrospective transition method, the Company's prior period results within its annual report on Form 10-K and quarterly reports on Form 10-Q will not be restated to reflect the impact of ASC 606.

<sup>2</sup>The results from our Cambridge business acquired in the third quarter of 2017 are reported in our North America segment. As we have concluded that this business is part of our North America segment, the results for this business have been recast from our International segment into our North America segment for the three and nine month periods ended September 30, 2017.

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### Revenues

Our consolidated revenues were \$1,790.1 million in the nine months ended September 30, 2018, an increase of \$150.5 million or 9.2%, from \$1,639.5 million in the nine months ended September 30, 2017. The increase in our consolidated revenue was primarily due to:

Organic growth of approximately 10% on a constant fuel price, fuel spread margin, foreign currency and acquisition, and disposition basis, driven by increases in both volume and revenue per transaction in certain of our payment programs. Organic revenue growth has been calculated assuming ASC 606 was implemented on January 1, 2017, in order to calculate organic growth using comparable revenue results in each period.

The impact of acquisitions during 2017, which contributed approximately \$96 million in additional revenue.

Although we cannot precisely measure the impact of the macroeconomic environment, in total we believe it had a favorable impact on our consolidated revenue for the nine months ended September 30, 2018 over the comparable period in 2017 of approximately \$7 million. We believe the higher fuel priced, had a favorable impact on consolidated revenues in the nine months ended September 30, 2018 over the comparable period in 2017 of approximately \$36 million. Conversely, foreign exchange rates and fuel spread margins had an unfavorable impact on consolidated revenues in the nine months ended September 30, 2018 compared to the comparable period in 2017 of approximately \$25 million and \$4 million, respectively.

These increases were partially offset by the impact of the adoption of ASC 606, which decreased consolidated revenues, net by netting approximately \$76 million of amounts previously classified as merchant commissions and processing expense against revenues and by approximately \$26 million due to the disposition of the NexTraq business in July 2017.

### North America segment revenues

North America revenues were \$1,148.0 million in the nine months ended September 30, 2018, an increase of \$107.1 million or 10.3%, from \$1,040.9 million in the nine months ended September 30, 2017. The increase in our North America segment revenue was primarily due to:

Organic growth of approximately 9%, on a constant fuel price, fuel spread margin and acquisition and disposition basis, driven by increases in both volume and revenue per transaction in certain of our payment programs. Organic revenue growth has been calculated assuming ASC 606 was implemented on January 1, 2017, in order to calculate organic growth using comparable revenue results in each period.

The impact of our Cambridge and CLS acquisitions during 2017, which contributed approximately \$90 million in additional revenue.

Although we cannot precisely measure the impact of the macroeconomic environment, in total we believe it had a positive impact on our North America segment revenue in the nine month period ended September 30, 2018 over the comparable period in 2017 of approximately \$27 million, primarily due to the favorable impact of higher fuel prices of approximately \$31 million, partially offset by lower fuel spread margins of approximately \$4 million.

These increases were partially offset by the impact of the adoption of ASC 606, which decreased North America revenues, net by approximately \$60 million and by approximately \$26 million due to the disposition of the NexTraq business in July 2017.

### International segment revenues

International segment revenues were \$642.0 million in the nine months ended September 30, 2018, an increase of \$43.4 million or 7.3%, from \$598.6 million in the nine months ended September 30, 2017. The increase in our International segment revenue was primarily due to:

Organic growth of approximately 12% on a constant fuel price, fuel spread margin and acquisition basis, driven by increases in both volume and revenue per transaction in certain of our payment programs. Organic revenue growth has been calculated assuming ASC 606 was implemented in January 2017 in order to calculate organic growth using a



consistent revenue standard in both periods.

Although we cannot precisely measure the impact of the macroeconomic environment, in total we believe it had a negative impact on our International segment revenue for the nine months ended September 30, 2018 over the comparable period in 2017 of approximately \$20 million. Changes in foreign exchange rates had an unfavorable impact on consolidated revenues of approximately \$25 million, partially offset by the favorable impact of higher fuel prices of approximately \$5 million.

The impact of a small fuel card acquisition during 2017, which contributed approximately \$7 million in additional revenue.

These increases were partially offset by the impact of the adoption of ASC 606, which decreased International revenues, net by approximately \$15 million.

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Revenues by geography, product and source. Set forth below are further breakdowns of revenue by geography, product and source for the nine months ended September 30, 2018 and 2017 (in millions).

Revenue, net by Geography* (Unaudited)	Nine Months Ended September 30,					
	2018 <sup>1</sup>			2017		
	Revenue, net	% of total revenues, net		Revenue, net	% of total revenues, net	
United States	\$1,082	60	%	\$1,031	63	%
Brazil	296	17	%	287	17	%
United Kingdom	192	11	%	174	11	%
Other	220	12	%	148	9	%
Consolidated revenues, net	\$1,790	100	%	\$1,640	100	%

\*Columns may not calculate due to rounding.

Revenue, net by Product Category* (Unaudited)	Nine Months Ended September 30,					
	2018 <sup>1</sup>			2017		
	Revenue, net	% of total revenues, net		Revenue, net	% of total revenues, net	
Fuel cards	\$805	45	%	\$815	50	%
Corporate Payments	300	17	%	150	9	%
Tolls	250	14	%	236	14	%
Lodging	132	7	%	86	5	%
Gift	139	8	%	144	9	%
Other	164	9	%	209	13	%
Consolidated revenues, net	\$1,790	100	%	\$1,640	100	%

\*Columns may not calculate due to rounding.

Major Sources of Revenue, net* (Unaudited)	Nine Months Ended September 30,					
	2018 <sup>1</sup>			2017		
	Revenue, net	% of total revenues, net		Revenue, net	% of total revenues, net	
Processing and Program Revenue <sup>2</sup>	\$932	52	%	\$781	48	%
Late Fees and Finance Charges <sup>3</sup>	109	6	%	105	6	%
Miscellaneous Fees <sup>4</sup>	113	6	%	97	6	%
Discount Revenue (Fuel) <sup>5</sup>	257	14	%	223	14	%
Discount Revenue (NonFuel) <sup>6</sup>	139	8	%	130	8	%
Tied to Fuel-Price Spreads <sup>7</sup>	86	5	%	165	10	%
Merchant Program Revenue <sup>8</sup>	154	9	%	139	8	%
Consolidated revenues, net	\$1,790	100	%	\$1,640	100	%

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<sup>1</sup> Reflects the impact of the Company's adoption of ASC 606 and related cost capitalization guidance, which was adopted by the Company on January 1, 2018 using the modified retrospective transition method. The adoption of ASC 606 resulted in an adjustment to retained earnings in our consolidated balance sheet for the cumulative effect of applying the standard, which included costs incurred to obtain a contract, as well as presentation changes in our statements of income, including the classification of certain amounts previously classified as merchant commissions and processing expense net with revenues. As a result of the application of the modified retrospective transition method, the Company's prior period results within its annual report on Form 10-K and quarterly reports on Form 10-Q will not be restated to reflect the impact of ASC 606.

<sup>2</sup> Includes revenue from customers based on accounts, cards, devices, transactions, load amounts and/or purchase amounts, etc. for participation in our various fleet and workforce related programs, as well as revenue from partners (e.g., major retailers, leasing companies, oil companies, petroleum marketers, etc.) for processing and network management services. Primarily represents revenue from North American trucking, lodging, prepaid benefits, telematics, gift cards and toll related businesses.

<sup>3</sup> Fees for late payment and interest charges for carrying a balance charged to a customer.

<sup>4</sup> Non-standard fees charged to customers based on customer behavior or optional participation, primarily including high credit risk surcharges, over credit limit charges, minimum processing fees, printing and mailing fees, etc.

<sup>5</sup> Interchange revenue directly influenced by the absolute price of fuel and other interchange related to fuel products.

<sup>6</sup> Interchange revenue related to nonfuel products.

<sup>7</sup> Revenue derived from the difference between the price charged to a fleet customer for a transaction and the price paid to the merchant for the same transaction.

<sup>8</sup> Revenue derived primarily from the sale of equipment, software and related maintenance to merchants.

\* We may not be able to precisely calculate revenue by source, as certain estimates were made in these allocations. Columns may not calculate due to rounding.

Consolidated operating expenses

Merchant commissions. The adoption of ASC 606 on January 1, 2018, resulted in a change in the presentation of amounts previously classified as merchant commissions of \$84.2 million in the nine months ended September 30, 2018. As of January 1, 2018, these amounts are recorded within revenues, net. Merchant commissions were \$83 million in the nine months ended September 30, 2017.

Processing. Processing expenses were \$356.1 million in the nine months ended September 30, 2018, an increase of \$39.7 million or 12.5%, from \$316.4 million in the comparable prior period. Increases in processing expenses were primarily due to expenses related to acquisitions completed in 2017 of approximately \$35 million, incremental bad debt expense of approximately \$8 million and increased volumes in certain lines of business. Additionally, the adoption of ASC 606 on January 1, 2018, resulted in an increase of \$7 million to processing expenses in the nine months ended September 30, 2018. As of January 1, 2018, these amounts are recorded within revenues, net. These increases were partially offset by the favorable impact of fluctuations in foreign exchange rates of approximately \$8 million and the impact of disposition of the NexTraQ business of approximately \$6 million.

Selling. Selling expenses were \$135.9 million in the nine months ended September 30, 2018, an increase of \$13.1 million or 10.6% from \$122.9 million in the comparable prior period. Increases in spending were primarily due to ongoing incremental expenses related to acquisitions completed in 2017 of approximately \$15 million and additional spending in certain lines of business. These increases were partially offset by the impact of disposition of the NexTraQ business of approximately \$3 million and the favorable impact of fluctuations in foreign exchange rates of approximately \$2 million. Additionally, the adoption of ASC 606 and related cost capitalization guidance on January 1, 2018, resulted in the capitalization of certain costs incurred to obtain a contract (sales commissions) and deferral over the period of benefit, resulting in reduced selling expenses of approximately \$3 million.

General and administrative. General and administrative expenses were \$284.7 million in the nine months ended September 30, 2018, an increase of \$9.6 million or 3.5%, from \$275.1 million in the comparable prior period. The increase was primarily due to expenses related to acquisitions completed in 2017 of approximately \$23 million and additional spending in certain lines of business. These increases were partially offset by a decrease in stock compensation expense of approximately \$15 million, the impact of disposition of the NexTraQ business of

approximately \$3 million and the favorable impact of fluctuations in foreign exchange rates of approximately \$3 million.

Depreciation and amortization. Depreciation and amortization expenses were \$207.4 million in the nine months ended September 30, 2018, an increase of \$8.6 million or 4.4%, from \$198.7 million in the comparable prior period. The increase was primarily due to amortization of intangible assets related to acquisitions completed in 2017 of approximately \$20 million. These increases were partially offset by the impact of disposition of the NexTraq business of approximately \$5 million and the favorable impact of fluctuations in foreign exchange rates of approximately \$5 million.

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Investment loss. Investment loss was \$7.1 million in the nine months ended September 30, 2018, a decrease of \$45.4 million or 86.4%, from \$52.5 million in the comparable prior period. The decrease in investment loss was due to a non-cash impairment charge of \$7.1 million recorded to a cost method investment in the third quarter of 2018 as compared to a non-cash impairment charge of \$44.6 million recorded to our Masternaut investment in the third quarter of 2017.

Other expense (income), net. Other expense, net was \$0.5 million in the nine months ended September 30, 2018, compared to other income, net of \$173.6 million in the nine months ended September 30, 2017. The decrease was due primarily to the pre-tax gain on the sale of our NexTraQ business of \$175 million in the third quarter of 2017.

Interest expense, net. Interest expense was \$100.3 million in the nine months ended September 30, 2018, an increase of \$24.0 million or 31.4%, from \$76.3 million in the comparable prior period. The increase in interest expense is primarily due to the impact of additional borrowings to repurchase our common stock, to finance the acquisition of Cambridge completed in 2017 and increases in LIBOR. The following table sets forth the average interest rates paid on borrowings under our Credit Facility, excluding the related unused credit facility fees.

	Nine Months Ended September 30,	
(Unaudited)	2018	2017
Term loan A	3.43 %	2.74 %
Term loan B	3.87 %	3.28 %
Domestic Revolver A	3.42 %	2.78 %
Foreign Revolver A	2.10 %	2.01 %
Foreign swing line	2.08 %	1.97 %

The average unused credit facility fee for Domestic Revolver A was 0.31% and 0.35% in the nine months period ending September 30, 2018 and 2017, respectively.

Loss on extinguishment of debt. Loss on early extinguishment of debt of \$3.3 million related to our write-off of debt issuance costs associated with the refinancing of our existing credit facility during the third quarter of 2017.

Provision for income taxes. The provision for income taxes was \$188.6 million in the nine months ended September 30, 2018, a decrease of \$39.2 million or 17.2%, from \$227.8 million in the comparable prior period. 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 to 27.0% for the nine months ended September 30, 2018 from 33.2% for nine months ended September 30, 2017.

The 2018 rate included a \$23 million true-up of our provisional transition tax liability originally recorded at the end of 2017 in connection with US tax reform. The reduction in the tax rate was primarily due to the effect of the Tax Act, which went into effect on December 22, 2017. Also, the third quarter of 2017 rate was impacted by the non-recurring gain realized on the sale of the Nextraq business and the Masternaut impairment charge.

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 to \$509.5 million in the nine months ended September 30, 2018, an increase of \$52.0 million or 11.4%, from \$457.5 million in the nine months ended September 30, 2017.

Operating income and operating margin

Consolidated operating income. Operating income was \$806.0 million in the nine months ended September 30, 2018, an increase of \$162.2 million or 25.2%, from \$643.7 million in the comparable prior period. Our operating margin was 45.0% and 39.3% for the nine months ended September 30, 2018 and 2017, respectively. These increases were driven by organic growth, acquisitions completed in 2017 and the positive impact of the macroeconomic environment of approximately \$23 million, driven by higher fuel prices. The increase was also driven by lower stock based compensation of \$15 million. These increases were partially offset by the unfavorable impact of foreign exchange rates and unfavorable fuel spread margins, as well as the negative impact of the disposition of NexTraq of approximately \$9 million.

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

North America segment operating income. North America operating income was \$495.1 million in the nine months ended September 30, 2018, an increase of \$100.7 million or 25.5%, from \$394.4 million in the comparable prior period. North America operating margin was 43.1% and 37.9% for the nine months ended September 30, 2018 and 2017, respectively. These increases were due primarily to organic growth, acquisitions completed in 2017 and the positive impact of the macroeconomic environment of approximately \$27 million, driven by higher fuel prices. The increase was also driven by lower stock based compensation of \$14 million. These increases were partially offset by unfavorable fuel spread margins and the negative impact of the disposition of NexTraQ of approximately \$9 million.

International segment operating income. International operating income was \$310.9 million in the nine months ended September 30, 2018, an increase of \$61.5 million or 24.7%, from \$249.4 million in the comparable prior period. International operating margin was 48.4% and 41.7% for the nine months ended September 30, 2018 and 2017, respectively. These increases were due primarily to organic growth and acquisitions completed in 2017, partially offset by the negative impact of the macroeconomic environment of approximately \$4 million, driven by unfavorable movements in foreign exchange rates. Unfavorable movements in foreign exchange rates were partially offset by higher fuel prices.

### Liquidity and capital resources

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

Sources of liquidity. At September 30, 2018, our cash balances totaled \$1,188.6 million, with approximately \$264.1 million restricted. Restricted cash represents customer deposits in the Czech Republic and in our Comdata business in the U.S., as well as collateral received from customers for cross-currency transactions in our Cambridge business, which are restricted from use other than to repay customer deposits, as well as secure and settle cross-currency transactions.

At September 30, 2018, cash and cash equivalents held in foreign subsidiaries where we have determined we are permanently reinvested is \$630.2 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 available borrowing capacity 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 to fund our U.S. operations.

In the fourth quarter of 2017, the U.S. government enacted the Tax Act, which includes provisions for a tax on all previously undistributed earnings in foreign jurisdictions. We have provisionally recorded an \$81.8 million charge on these undistributed earnings in 2017. We recognized adjustments totaling \$22.7 million to these provisional amounts during the nine months ended September 30, 2018 and included these adjustments as a component of income tax expense from continuing operations. We are continuing to gather additional information to complete our accounting for these items and expect to complete our accounting within the measurement period. As permitted by the Tax Act, we intend to pay the one-time transition tax in eight annual interest-free installments beginning in 2018. We are currently evaluating the remaining undistributed foreign earnings for which we have not provided deferred taxes for foreign withholding tax, as these earnings are considered to be indefinitely reinvested. The amount of these unrecorded deferred taxes is not expected to be material.

We utilize an accounts receivable Securitization Facility to finance a majority of our domestic fuel card receivables, to lower our cost of borrowing 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 before collecting the receivable. As a result, we utilize the Securitization Facility as a source of liquidity to provide the cash flow required to fund merchant payments while we collect 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, 2018, we had no additional liquidity under our Securitization Facility. At September 30, 2018, we had approximately \$675 million available under our Credit Facility.

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. However, we regularly evaluate our cash requirements for current operations, commitments, capital



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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 month periods ended September 30, 2018 and 2017 (in millions).

(Unaudited)	Nine Months Ended September 30,	
	2018	2017
Net cash provided by operating activities	\$555.4	\$431.6
Net cash used in investing activities	(71.3 )	(341.6 )
Net cash (used in) provided by financing activities	(356.3 )	250.1

Operating activities. Net cash provided by operating activities was \$555.4 million in the nine months ended September 30, 2018, an increase from \$431.6 million in the comparable prior period. The increase in operating cash flows was primarily due to higher net income, partially offset by unfavorable working capital adjustments primarily due to the timing of cash receipts and payments in the nine months ended September 30, 2018 over the comparable period in 2017.

Investing activities. Net cash used in investing activities was \$71.3 million in the nine months ended September 30, 2018 compared to \$341.6 million in the nine months ended September 30, 2017. The decrease was primarily due to a reduction in cash outlay for acquisitions, net of the proceeds received from the sale of our NexTraq business during the third quarter of 2017.

Financing activities. Net cash used in financing activities was \$356.3 million in the nine months ended September 30, 2018, compared to net cash provided of \$250.1 million in the nine months ended September 30, 2017. The increased use of cash is primarily due to a reduction in net borrowings of \$583.6 million on our Credit Facility and a reduction in borrowings of \$83 million on our Securitization Facility. These additional uses of cash were partially offset by fewer repurchases of our common stock of \$22 million in the nine months ended September 30, 2018 over the comparable period in 2017.

## Capital spending summary

Our capital expenditures were \$56.3 million in the nine months ended September 30, 2018, an increase of \$6.9 million or 13.9%, from \$49.5 million in the comparable prior period. This increase is primarily due to increased spending on strategic projects, including continued investment in our operating systems, as well as incremental spending related to acquisitions completed in 2017.

## Credit Facility

FLEETCOR Technologies Operating Company, LLC, and certain of our domestic and foreign owned subsidiaries, as designated co-borrowers (the "Borrowers"), are parties to a \$4.33 billion Credit Agreement (the "Credit Agreement"), with Bank of America, N.A., as administrative agent, swing line lender and local currency issuer, and a syndicate of financial institutions (the "Lenders"), which has been amended multiple times. On August 30, 2018, the Credit Agreement was amended to change the consolidated leverage ratio definition and the negative covenant related to indebtedness. The Credit Agreement provides for senior secured credit facilities consisting of a revolving A credit facility in the amount of \$1.285 billion, a term loan A facility in the amount of \$2.69 billion and a term loan B facility in the amount of \$350.0 million as of September 30, 2018. The revolving credit facility consists of (a) a revolving A credit facility in the amount of \$800 million, with sublimits for letters of credit and swing line loans, (b) a revolving B facility in the amount of \$450 million for swing line loans and multi-currency borrowings and, (c) a revolving C facility in the amount of \$35 million for multi-currency borrowings in Australian Dollars or New Zealand Dollars. The Credit Agreement also contains an accordion feature for borrowing an additional \$750 million in term A, term B, revolver A or revolver B. Proceeds from the Credit Facility may be used for working capital purposes, acquisitions, and other general corporate purposes. The term A and revolver maturity dates are August 2, 2022 and the term B maturity date is August 2, 2024.

The term loans are 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 the respective maturity date. Borrowings on the revolving line of credit are repayable at our option of one, two, three or nine months after borrowing, depending on the term of the borrowing on the facility. Borrowings on the foreign swing line of credit are due no later than ten business days after such loan is made.

The Credit Facility contains representations, warranties and events of default, as well as certain affirmative and negative covenants, customary for financings of this nature. These covenants include limitations on the ability to pay dividends and

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make other restricted payments under certain circumstances and compliance with certain financial ratios. As of September 30, 2018, we were in compliance with each of the covenants under the Credit Facility.

At September 30, 2018, the interest rate on the term A loan and the domestic revolving A facility was 3.74%, the interest rate on the foreign revolving B facility was 2.23%, the interest rate on the revolving B facility foreign swing line of credit was 2.20% and the interest rate on the term B loan was 4.24%. The unused credit facility fee was 0.30% for all revolving facilities at September 30, 2018.

At September 30, 2018, we had \$2.6 billion in borrowings outstanding on the term A loan, excluding the related debt discount, \$346.5 million in borrowings outstanding on term B loan, excluding the related debt discount, \$440 million in borrowings outstanding on the domestic revolving A facility, \$140.7 million in borrowings outstanding on the foreign revolving B facility and \$29.4 million in borrowings outstanding on the swing line revolving B facility. We have unamortized debt issuance costs of \$8.0 million related to the Revolver as of September 30, 2018 recorded within other assets in the unaudited consolidated balance sheet. We have unamortized debt discounts and debt issuance costs related to the term loans of \$5.5 million and \$4.3 million at September 30, 2018, respectively. During the nine months ended September 30, 2018, we made principal payments of \$103.5 million on the term loans, \$735.0 million on the domestic revolving A facility, \$162.9 million on the foreign revolving B facility and \$11.0 million on the swing line revolving facilities.

**Securitization Facility**

We are a party to a receivables purchase agreement among FLEETCOR Funding LLC, as seller, PNC Bank, National Association as administrator, and various purchaser agents, conduit purchasers and related committed purchasers parties thereto, which was amended and restated for the fifth time as of November 14, 2014. We refer to this arrangement as the Securitization Facility. There have been several amendments to the Securitization Facility the latest being the Fourth Amendment to the Fifth Amended and Restated Receivables Purchase Agreement executed on August 30, 2018, which increased the current purchase limit under the Securitization Facility from \$950 million to \$1.2 billion. The Securitization Facility expires on November 14, 2020 and contains certain customary financial covenants.

There is a program fee equal to one month LIBOR plus 0.90% or the Commercial Paper Rate plus 0.80%. The program fee was 2.28% plus 0.87% and 1.55% plus 0.86% as of September 30, 2018 and December 31, 2017, respectively. The unused facility fee is payable at a rate of 0.40% as of September 30, 2018 and December 31, 2017, respectively. We have unamortized debt issuance costs of \$1.4 million related to the Securitization Facility as of September 30, 2018 recorded within other assets in the consolidated balance sheet.

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.

We were in compliance with the financial covenant requirements related to our Securitization Facility as of September 30, 2018.

**Stock Repurchase Program**

On February 4, 2016, our Board of Directors approved a stock repurchase program (the "Program") under which we may purchase up to an aggregate of \$500 million of our common stock over the following 18 month period. On July 27, 2017, our Board of Directors authorized an increase in the size of the Program by an additional \$250 million and an extension of the Program by an additional 18 months. On November 1, 2017, we announced that our Board of Directors had authorized an increase in the size of the Program by an additional \$350 million and on July 17, 2018, our Board of Directors authorized an additional increase of \$500 million in the size of the Program, resulting in total aggregate repurchases authorized under the Program of \$1.6 billion. With the increase and giving effect to our \$970.8 million of previous repurchases, we may repurchase up to \$629.2 million in shares of our common stock at any time prior to February 1, 2019.

Any stock repurchases may be made at times and in such amounts as deemed appropriate. The timing and amount of stock repurchases, if any, will depend on a variety of factors including the stock price, market conditions, corporate and regulatory requirements, and any additional constraints related to material inside information the Company may possess. Any repurchases have been and are expected to be funded by a combination of available cash flow from the

business, working capital and debt.

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Since the beginning of the Program, 6,010,210 shares for an aggregate purchase price of \$970.8 million have been repurchased as of September 30, 2018. There were 1,896,106 shares totaling \$380.7 million repurchased under the Program during the nine months ended September 30, 2018. No repurchases were made during the three months ended September 30, 2018. Subsequent to September 30, 2018 and through November 8, 2018, the Company repurchased an additional 519,954 shares totaling \$104.7 million under the Program.

### Chevron Portfolio Disposition

In October 2018, we reached an agreement on the terms for the sale and transition of the Chevron portfolio for approximately \$160 million, which will be recorded as a pre-tax gain, less any transaction costs.

### 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 three months ended September 30, 2018, other than noted in footnote 1, "Summary of Significant Accounting Policies" and footnote 2, "Revenue Recognition", related to our adoption of new revenue recognition guidance in accordance with ASC 606, 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, 2017. 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, 2017 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 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.

We have defined the non-GAAP measure adjusted net income as net income as reflected in our statement of income, adjusted to eliminate (a) non-cash stock based compensation expense related to share based compensation awards, (b) amortization of deferred financing costs, discounts and intangible assets, amortization of the premium recognized on the purchase of receivables, and our proportionate share of amortization of intangible assets at our equity method investment, (c) other non-recurring items, including the impact of the Tax Act, impairment charges, restructuring costs, gains due to disposition of business, loss on extinguishment of debt and the unauthorized access impact.

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 statement of income.

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 our adjusted net income. We also believe one-time non-recurring gains, losses, and impairment charges do not necessarily reflect how our investment and business is performing. 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 in understanding our operating

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performance on a consistent basis. Adjusted net income and adjusted net income per diluted share are not intended to be a substitute for GAAP financial measures and should not be used as such.

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

(Unaudited)	Three Months Ended		Nine Months Ended	
	September 30, 2018	September 30, 2017	September 30, 2018	September 30, 2017
Net income	\$157,694	\$202,823	\$509,483	\$457,503
Stock based compensation	20,702	24,654	54,207	68,897
Amortization of intangible assets, premium on receivables, deferred financing costs and discounts	55,482	60,229	173,239	177,387
Impairment of investment	7,147	44,600	7,147	44,600
Net gain on disposition of business	—	(109,205 )	—	(109,205 )
Loss on extinguishment of debt	—	3,296	—	3,296
Non recurring loss due to merger of entities	—	2,028	—	2,028
Restructuring costs	481	—	3,917	—
Unauthorized access impact	322	—	2,065	—
Total pre-tax adjustments	84,134	25,602	240,575	187,003
Income tax impact of pre-tax adjustments at the effective tax rate <sup>1</sup>	(17,977 )	(25,656 )	(54,904 )	(69,711 )
Impact of tax reform	22,731	—	22,731	—
Adjusted net income	\$246,582	\$202,769	\$717,885	\$574,795
Adjusted net income per diluted share	\$2.68	\$2.18	\$7.75	\$6.12
Diluted shares	92,081	93,001	92,671	93,923

<sup>1</sup>Excludes the results of the Company's investments on our effective tax rate, as results from our investments are reported within the consolidated statements of income on a post-tax basis and no tax-over-book outside basis differences related to our investments reversed during 2017. Excludes impact of tax reform adjustments during the period included in our effective tax rate. Also excludes the net gain realized upon our disposition of Nextraq, representing a pretax gain of \$175.0 million and tax on gain of \$65.8 million. The tax on the gain is included in "Net gain on disposition of business".

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Pro Forma and Macro Adjusted Revenue and Transactions by Product

We define pro forma and macro adjusted revenue as revenue, net as reflected in our statement of income, adjusted to eliminate the impact of the macroeconomic environment and the impact of acquisitions, dispositions and the impact of adoption of ASC 606. The macroeconomic environment includes the impact that market fuel spread margins, fuel prices and foreign exchange rates have on our business. We use pro forma and macro adjusted revenue and transactions to evaluate the organic growth in our revenue and the associated transactions. Set forth below is a reconciliation of pro forma and macro adjusted revenue and transactions to the most directly comparable GAAP measure, revenue, net and transactions (in millions):

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	Revenue		Transactions	
	Three Months		Three	
	Ended September		Months	
	30,		Ended	
	2018*		September	
	2017*	2018*	2017*	
<b>FUEL</b>				
Pro forma and macro adjusted	\$263.8	\$250.5	122.9	121.1
Impact of acquisitions/dispositions	—	(2.3 )	—	(1.8 )
Impact of fuel prices/spread	16.8	—	—	—
Impact of foreign exchange rates	(4.6 )	—	—	—
Impact of adoption of ASC 606	—	28.0	—	—
As reported	\$276.0	\$276.2	122.9	119.3
<b>CORPORATE PAYMENTS</b>				
Pro forma and macro adjusted	\$106.2	\$83.2	13.1	11.1
Impact of acquisitions/dispositions	—	(11.5 )	—	(0.2 )
Impact of fuel prices/spread	0.2	—	—	—
Impact of foreign exchange rates	(0.9 )	—	—	—
Impact of adoption of ASC 606	—	0.5	—	—
As reported	\$105.5	\$72.2	13.1	10.9
<b>TOLLS</b>				
Pro forma and macro adjusted	\$97.0	\$82.9	221.9	226.1
Impact of acquisitions/dispositions	—	—	—	—
Impact of fuel prices/spread	—	—	—	—
Impact of foreign exchange rates	(19.2 )	—	—	—
Impact of adoption of ASC 606	—	—	—	—
As reported	\$77.8	\$82.9	221.9	226.1
<b>LODGING</b>				
Pro forma and macro adjusted	\$48.0	\$39.6	4.5	4.6
Impact of acquisitions/dispositions	—	(6.4 )	—	(0.5 )
Impact of fuel prices/spread	—	—	—	—
Impact of foreign exchange rates	—	—	—	—
Impact of adoption of ASC 606	—	—	—	—
As reported	\$48.0	\$33.2	4.5	4.1
<b>GIFT</b>				
Pro forma and macro adjusted	\$56.7	\$54.8	277.6	294.1
Impact of acquisitions/dispositions	—	—	—	—
Impact of fuel prices/spread	—	—	—	—
Impact of foreign exchange rates	—	—	—	—
Impact of adoption of ASC 606	—	—	—	—
As reported	\$56.7	\$54.8	277.6	294.1
<b>OTHER<sup>1</sup></b>				
Pro forma and macro adjusted	\$58.1	\$55.8	18.6	19.7
Impact of acquisitions/dispositions	—	2.2	—	0.1
Impact of fuel prices/spread	—	—	—	—
Impact of foreign exchange rates	(2.4 )	—	—	—
Impact of adoption of ASC 606	—	0.5	—	—
As reported	\$55.7	\$58.5	18.6	19.7

FLEETCOR CONSOLIDATED REVENUES

Pro forma and macro adjusted	\$629.8	\$566.8	658.6	676.7
Impact of acquisitions/dispositions	—	(18.0 )	—	(2.4 )
Impact of fuel prices/spread	17.0	—	—	—
Impact of foreign exchange rates	(27.2 )	—	—	—
Impact of adoption of ASC 606	—	29.0	—	—
As reported	\$619.6	\$577.9	658.6	674.3

\* Columns may not calculate due to rounding.

<sup>1</sup>Other includes telematics, maintenance, and transportation related businesses.

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### Special Cautionary Notice Regarding Forward-Looking Statements

This report contains forward-looking statements within the meaning of the federal securities laws. Statements that are not historical facts, including statements about FleetCor's beliefs, expectations and future performance, are forward-looking statements. Forward-looking statements can be identified by the use of words such as “anticipate,” “intend,” “believe,” “estimate,” “plan,” “seek,” “project” or “expect,” “may,” “will,” “would,” “could” or “should,” the negative 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; other risks related to our international operations, including the potential impact to our business as a result of the United Kingdom's referendum to leave the European Union; the impact of foreign exchange rates on operations, revenue and income; the effects of general economic and political conditions on fueling patterns and the commercial activity of fleets; risks related to litigation; risks related to unauthorized access to systems and information; 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, 2017 filed with the Securities and Exchange Commission on March 1, 2018 and in our Quarterly Reports on Form 10-Q for the three months ended March 31, 2018 and June 30, 2018, filed with the Securities and Exchange Commission on May 10, 2018 and August 9, 2018, respectively, and this Quarterly Report. 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 disclaim, 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, 2018, 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, 2017.

### Item 4. Controls and Procedures

#### Evaluation of Disclosure Controls and Procedures

As of September 30, 2018, 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, which included the previously announced unauthorized system access, our Chief Executive Officer and Chief Financial Officer concluded that, as of September 30, 2018, 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.

#### Changes in Internal Control over Financial Reporting

We added internal controls in support of the accounting, reporting and disclosure requirements of the new revenue accounting standard, Topic 606, which became effective for us as of January 1, 2018. In August 2017, we completed the acquisition of Cambridge Global Payments. In accordance with our integration efforts, we plan to incorporate

Cambridge Global Payments operations into our internal control over financial reporting program within the time period provided by the applicable SEC rules and regulations. We have also enhanced information technology internal controls in consideration of the recently announced unauthorized system access.

Other than as discussed above, there were no changes in our internal control over financial reporting during the quarter ended September 30, 2018, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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PART II—OTHER INFORMATION

Item 1. Legal Proceedings

In the ordinary course of business, we are subject to various pending and potential legal actions, arbitration proceedings, claims, subpoenas, and matters relating to compliance with laws and regulations (collectively, legal proceedings). Based on our current knowledge, management presently does not believe that the liabilities arising from these legal proceedings will have a material adverse effect on our consolidated financial condition, results of operations or cash flows. However, it is possible that the ultimate resolution of these legal proceedings could have a material adverse effect on our results of operations and financial condition for any particular period.

Shareholder Class Action and Derivative Lawsuits

On June 14, 2017, a shareholder filed a class action complaint in the United States District Court for the Northern District of Georgia against the Company and certain of its officers and directors on behalf of all persons who purchased or otherwise acquired the Company's stock between February 5, 2016 and May 2, 2017. On October 13, 2017, the shareholder filed an amended complaint asserting claims on behalf of a putative class of all persons who purchased or otherwise acquired the Company's common stock between February 4, 2016 and May 3, 2017. The complaint alleges that the defendants made false or misleading statements regarding fee charges and the reasons for its earnings and growth in certain press releases and other public statements in violation of the federal securities laws. Plaintiff seeks class certification, unspecified monetary damages, costs, and attorneys' fees. The Company disputes the allegations in the complaint and intends to vigorously defend against the claims.

On July 10, 2017, a shareholder derivative complaint was filed against the Company and certain of the Company's directors and officers in the United States District Court for the Northern District of Georgia seeking recovery on behalf of the Company. The derivative complaint alleges that the defendants issued a false and misleading proxy statement in violation of the federal securities laws; that defendants breached their fiduciary duties by causing or permitting the Company to make allegedly false and misleading public statements concerning the Company's fee charges, and financial and business prospects; and that certain defendants breached their fiduciary duties through allegedly improper sales of stock. The complaint seeks unspecified monetary damages on behalf of the Company, corporate governance reforms, disgorgement of profits, benefits and compensation by the defendants, restitution, costs, and attorneys' and experts' fees. The defendants dispute the allegations in the complaint and intend to vigorously defend against the claims.

Estimating an amount or range of possible losses resulting from litigation proceedings is inherently difficult and requires an extensive degree of judgment, particularly where, as here, the matters involve indeterminate claims for monetary damages, and are in the stages of the proceedings where key factual and legal issues have not been resolved. For these reasons, we are currently unable to predict the ultimate timing or outcome of, or reasonably estimate the possible losses or a range of possible losses resulting from the matters described above.

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, 2017 filed with the Securities and Exchange Commission on March 1, 2018, which could materially affect our business, financial condition or future results. Other than as set forth herein and in our Quarterly Reports on Form 10-Q for the three months ended March 31, 2018 and June 30, 2018, filed with the Securities and Exchange Commission on May 10, 2018 and August 9, 2018, respectively, there have been no material changes from the risk factors previously disclosed in the Company's Annual Report on Form 10-K for the year ended December 31, 2017.

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.

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Item 5. Other Information

Not applicable.

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Item 6. Exhibits

Exhibit

No.	
<u>2.1</u>	Acquisition agreement to acquire Serviços e Tecnologia de Pagamentos S.A. (incorporated by reference to Exhibit 2.1 to the Registrant's Form 8-K, File No. 001-35004, filed with the Securities and Exchange Commission ("SEC") on March 18, 2016)
<u>3.1</u>	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 SEC on March 25, 2011)
<u>3.2</u>	Certificate of Amendment to the Amended and Restated Certificate of Incorporation of FleetCor Technologies, Inc. (incorporated by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K, File No. 001-35004, file with the SEC on June 8, 2018)
<u>3.3</u>	Amended and Restated Bylaws of FleetCor Technologies, Inc. (incorporated by reference to Exhibit 3.1 to the Registrant's Annual Report on Form 8-K, File No. 001-35004, filed with the SEC on January 29, 2018)
<u>4.1</u>	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)
<u>10.2*</u>	Fourth Amendment to Credit Agreement, dated August 30, 2018, among FleetCor Technologies Operating Company, LLC, FleetCor Technologies Operating Company, LLC, FleetCor Technologies, Inc., the designated borrowers party thereto, Cambridge Mercantile Corp. (U.S.A.), the other guarantors party thereto, Bank of America, N.A., as administrative agent, swing line lender and l/c issuer, and the other lenders party thereto
<u>10.3*</u>	Fourth Amendment to Fifth Amended and Restated Receivables Purchase Agreement, dated August 30, 2018, by and among FleetCor Funding LLC, FleetCor Technologies Operating Company, LLC, PNC Bank, National Association as administrator for a group of purchasers and purchaser agents, and certain other parties thereto
<u>31.1</u>	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) and rule 15d-14(a) of the Securities Exchange Act, as amended
<u>31.2</u>	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) and rule 15d-14(a) of the Securities Exchange Act, as amended
<u>32.1</u>	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
<u>32.2</u>	Certification of Chief Financial Officer pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2001
101	The following financial information for the Registrant formatted in XBRL (Extensible Business Reporting Language): (i) the Consolidated Balance Sheets, (ii) the Unaudited Consolidated Statements of Income, (iii) the Unaudited Consolidated Statements of Comprehensive Income; (iv) the Unaudited Consolidated



\*Filed Herein

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned; thereunto duly authorized, in their capacities indicated on November 8, 2018.

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)