

FLEETCOR TECHNOLOGIES INC
Form 10-Q
November 09, 2016
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended September 30, 2016

OR

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

For the transition period from _____ to _____

Commission file number: 001-35004

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

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

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

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

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

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

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

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

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

Class	Outstanding at November 4, 2016
Common Stock, \$0.001 par value	92,791,739

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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, 2016 (Unaudited)	December 31, 2015
Assets		
Current assets:		
Cash and cash equivalents	\$ 405,435	\$ 447,152
Restricted cash	199,319	167,492
Accounts receivable (less allowance for doubtful accounts of \$30,072 and \$21,903 at September 30, 2016 and December 31, 2015, respectively)	1,334,686	638,954
Securitized accounts receivable—restricted for securitization investors	656,000	614,000
Prepaid expenses and other current assets	80,837	68,113
Deferred income taxes	8,879	8,913
Total current assets	2,685,156	1,944,624
Property and equipment	251,394	163,569
Less accumulated depreciation and amortization	(106,908)	(82,809)
Net property and equipment	144,486	80,760
Goodwill	4,183,981	3,546,034
Other intangibles, net	2,758,877	2,183,595
Equity method investment	79,717	76,568
Other assets	63,837	58,225
Total assets	\$ 9,916,054	\$ 7,889,806
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	\$ 1,230,339	\$ 669,528
Accrued expenses	206,386	150,677
Customer deposits	595,405	507,233
Securitization facility	656,000	614,000
Current portion of notes payable and other obligations	727,763	261,100
Other current liabilities	39,080	44,936
Total current liabilities	3,454,973	2,247,474
Notes payable and other obligations, less current portion	2,552,357	2,059,900
Deferred income taxes	692,221	713,428
Other noncurrent liabilities	37,982	38,957
Total noncurrent liabilities	3,282,560	2,812,285
Commitments and contingencies (Note 12)		
Stockholders' equity:		
Common stock, \$0.001 par value; 475,000,000 shares authorized; 121,188,761 shares issued and 92,765,739 shares outstanding at September 30, 2016; and 120,539,041 shares issued and 92,376,335 shares outstanding at December 31, 2015	121	121
Additional paid-in capital	2,057,562	1,988,917
Retained earnings	2,123,297	1,766,336
Accumulated other comprehensive loss	(612,150)	(570,811)
Less treasury stock, 28,423,022 and 28,162,706 shares at September 30, 2016 and December 31, 2015, respectively	(390,309)	(354,516)

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Total stockholders' equity	3,178,521	2,830,047
Total liabilities and stockholders' equity	\$ 9,916,054	\$ 7,889,806
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 September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Revenues, net	\$484,426	\$451,493	\$1,316,593	\$1,272,264
Expenses:				
Merchant commissions	28,214	31,726	78,755	80,777
Processing	96,233	90,959	256,738	246,879
Selling	34,180	27,383	92,680	81,011
General and administrative	77,904	66,142	209,084	199,252
Depreciation and amortization	57,084	48,526	141,848	145,435
Other operating, net	(244)	(1,703)	(690)	(2,475)
Operating income	191,055	188,460	538,178	521,385
Equity method investment loss (income)	2,744	6,108	(2,247)	13,926
Other expense (income), net	293	(168)	1,056	2,345
Interest expense, net	17,814	17,163	49,905	54,818
Total other expense	20,851	23,103	48,714	71,089
Income before income taxes	170,204	165,357	489,464	450,296
Provision for income taxes	40,586	48,587	132,503	140,695
Net income	\$129,618	\$116,770	\$356,961	\$309,601
Earnings per share:				
Basic earnings per share	\$1.40	\$1.27	\$3.85	\$3.37
Diluted earnings per share	\$1.36	\$1.24	\$3.75	\$3.29
Weighted average shares outstanding:				
Basic weighted average shares outstanding	92,631	92,110	92,604	91,923
Diluted weighted average shares outstanding	95,307	94,157	95,204	94,069

See accompanying notes to unaudited consolidated financial statements.

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FleetCor Technologies, Inc. and Subsidiaries

Consolidated Statements of Comprehensive Income (Loss)

(In Thousands)

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2016	2015	2016	2015
Net income	\$129,618	\$116,770	\$356,961	\$309,601
Other comprehensive loss:				
Foreign currency translation loss, net of tax	(52,409)	(163,030)	(41,339)	(263,968)
Total other comprehensive loss	(52,409)	(163,030)	(41,339)	(263,968)
Total comprehensive income (loss)	\$77,209	\$(46,260)	\$315,622	\$45,633

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, 2016		2015	
Operating activities				
Net income	\$	356,961	\$	309,601
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation		25,706		22,941
Stock-based compensation		50,025		44,387
Provision for losses on accounts receivable		24,512		18,287
Amortization of deferred financing costs and discounts		5,568		5,295
Amortization of intangible assets		112,455		120,055
Amortization of premium on receivables		3,687		2,439
Deferred income taxes	(23,566	)	(27,640)
Equity method investment (income) loss	(2,247	)	13,926	
Other non-cash operating income	(690	)	(2,476)
Changes in operating assets and liabilities (net of acquisitions):				
Restricted cash	(28,744	)	5,697	
Accounts receivable	(527,255	)	(71,310)
Prepaid expenses and other current assets	(1,291	)	2,724	
Other assets	(9,115	)	(3,297)
Excess tax benefits related to stock-based compensation	—		(24,455)
Accounts payable, accrued expenses and customer deposits	418,280		108,278	
	404,286		524,452	

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Net cash provided by operating activities				
Investing activities				
Acquisitions, net of cash acquired	(1,331,079)	(9,239)
Purchases of property and equipment	(41,877	)	(29,526)
Other	1,411		(7,782)
Net cash used in investing activities	(1,371,545	)	(46,547)
Financing activities				
Excess tax benefits related to stock-based compensation	—		24,455	
Proceeds from issuance of common stock	18,620		13,977	
Repurchase of common stock	(35,492)	—	
Borrowings (payments) on securitization facility, net	42,000		(10,000)
Deferred financing costs paid	(2,272)	—	
Borrowings from notes payable	600,000		—	
Principal payments on notes payable	(85,125	)	(77,625)
Borrowings from revolver – A Facility	1,105,107		—	
Payments on revolver – A Facility	(670,940	)	(411,818)
Borrowings (payments) on swing line of credit, net	5,188		(601)
Payment of contingent consideration	—		(40,310)
Other	(673	)	(342)
Net cash provided by (used in) financing activities	976,413		(502,264)
Effect of foreign currency exchange rates on cash	(50,871	)	(30,320)
Net decrease in cash and cash equivalents	(41,717	)	(54,679)
Cash and cash equivalents, beginning of period	447,152		477,069	

Cash and cash equivalents, end of period	\$	405,435	\$	422,390
Supplemental cash flow information				
Cash paid for interest	\$	48,525	\$	55,959
Cash paid for income taxes	\$	79,599	\$	47,339

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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, 2016

1. Summary of Significant Accounting Policies

Basis of Presentation

Throughout this report, the terms “our,” “we,” “us,” and the “Company” refers to FleetCor Technologies, Inc. and its subsidiaries. The Company prepared the accompanying interim consolidated financial statements in accordance with Rule 10-01 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States (“GAAP”). The unaudited consolidated financial statements reflect all adjustments considered necessary for fair presentation. These adjustments consist primarily of normal recurring accruals and estimates that impact the carrying value of assets and liabilities. Actual results may differ from these estimates. Operating results for the three and nine month periods ended September 30, 2016 are not necessarily indicative of the results that may be expected for the year ending December 31, 2016.

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, 2015.

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 \$0.7 million for the three months ended September 30, 2016 and no foreign exchange losses or gains for the three months ended September 30, 2015. The Company recognized foreign exchange losses of \$1.5 million and \$2.6 million for the nine months ended September 30, 2016 and 2015, respectively, which are recorded within other expense, net in the Unaudited Consolidated Statements of Income.

Revision of Previously Issued Financial Statements

As discussed in footnote 2 to the Company’s 2015 consolidated financial statements, the Company corrected a misstatement in other comprehensive income to properly reflect the translation of goodwill and certain acquired intangible assets. Other comprehensive income for the three and nine months ended September 30, 2015 has been revised from our previously reported loss of \$89.5 million and \$175.7 million, respectively, to be consistent with the presentation in the December 31, 2015 financial statements. The Company does not believe this revision is material to any prior period financial statements.

Certain amounts related to transactions with our equity method investment have been reclassified to conform to current period presentation in the Consolidated Statements of Cash Flows within investing activities.

Adoption of New Accounting Standards

Going Concern

In August 2013, the Financial Accounting Standards Board (the “FASB”) issued Accounting Standards Update (“ASU”) 2014-15 “Disclosure of Uncertainties About an Entity’s Ability to Continue as a Going Concern”, which requires entities to perform interim and annual assessments of the entity’s ability to continue as a going concern within one year of the date of issuance of the entity’s financial statements. This ASU is effective for fiscal years ending after December 15, 2016 and interim periods thereafter, with early adoption 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, as it is disclosure based.

Revenue Recognition

In May 2014, the FASB issued Accounting Standards Codification (“ASC”) 606, “Revenue from Contracts with Customers”, which amends the guidance in former ASC 605, Revenue Recognition. This amended guidance requires revenue to be recognized in an amount that reflects the consideration to which the company expects to be entitled for those goods and services when the performance obligation has been satisfied. This amended guidance also requires enhanced disclosures regarding the nature, amount, timing and uncertainty of revenue and related cash flows arising

from contracts with customers. In August 2015, the FASB issued ASU 2015-14, “Revenue from Contracts with Customers: Deferral of the Effective Date”, which defers the effective date of the new revenue recognition standard by one year. In March 2016, the FASB issued ASU 2016-08, “Revenue from Contracts with Customers: Principal versus Agent Considerations (Reporting Revenue Gross versus

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Net)", which clarifies how an entity should identify the unit of accounting for the principal versus agent evaluation and how it should apply the control principle to certain types of arrangements. In April 2016, the FASB issued ASU 2016-10, "Identifying Performance Obligations and Licensing", which clarifies the accounting for intellectual property licenses and identifying performance obligations. In May 2016, the FASB issued ASU 2016-11, "Rescission of SEC Guidance Because of Accounting Standards Updates 2014-09 and 2014-16 Pursuant to Staff Announcements at the March 3, 2016 EITF Meeting", which rescinds certain SEC guidance in response to announcements made by the SEC staff at the EITF's March 3, 2016 meeting and ASU 2016-12, "Revenue from Contracts with Customers (Topic 606): Narrow-Scope Improvements and Practical Expedients", which clarifies the guidance on collectibility, non-cash consideration, the presentation of sales and other similar taxes collected from customers and contract modifications and completed contracts at transition. Additionally, ASU 2016-12 clarifies that entities electing the full retrospective transition method would no longer be required to disclose the effect of the change in accounting principle on the period of adoption; however, entities would still be required to disclose the effects on preadoption periods that were retrospectively adjusted. These ASUs are effective for the Company for reporting periods beginning after December 15, 2017, but permit companies the option to adopt as of the original effective date. The Company is currently evaluating the impact of the provisions of ASC 606. The guidance permits the use of either a retrospective or cumulative effect transition method. The Company anticipates selecting the modified retrospective method during transition and is currently evaluating the impact of the provisions of ASC 606 on the results of operations, financial condition, and cash flows.

Simplification of Guidance on Debt Issuance Costs

In April 2015, the FASB issued ASU 2015-3, "Interest—Imputation of Interest", which changes the presentation of debt issuance costs in financial statements as a direct deduction from the related debt liability rather than as an asset. This ASU is effective for us for fiscal years ending after December 15, 2015 and interim periods. Early adoption is permitted. In August 2015, the FASB issued ASU 2015-15, "Interest-Imputation of Interest: Presentation and Subsequent Measurement of Debt Issuance Costs Associated with Line-of-Credit Arrangements", which is effective immediately. The SEC staff clarified that entities may continue presenting unamortized debt issuance costs for line-of-credit arrangements as an asset. The Company adopted this new guidance on January 1, 2016. As a result of the adoption of this ASU, \$0.6 million and \$1.5 million of unamortized debt issuance costs were retrospectively adjusted from prepaid expenses and other current assets to the current portion of notes payable and lines of credit and other assets to notes payable and other obligations, less current portion, respectively, in the Company's Consolidated Balance Sheet as of December 31, 2015.

Simplification of Balance Sheet Classification of Deferred Taxes

In November 2015, the FASB issued ASU 2015-17, "Balance Sheet Classification of Deferred Taxes", which requires entities to present deferred tax assets (DTAs) and deferred tax liabilities (DTLs) as noncurrent in a classified balance sheet. It thus simplifies the current guidance, which requires entities to separately present DTAs and DTLs as current or noncurrent in a classified balance sheet. Netting of DTAs and DTLs by tax jurisdiction is still required under the new guidance. This ASU is effective for the Company for annual reporting periods beginning after December 15, 2016, and interim periods within those annual periods. Early adoption is permitted. The Company's adoption of this ASU in 2017 is not expected to have a material impact on the results of operations, financial condition, or cash flows.

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. The new standard must be adopted using a modified retrospective transition and requires application of the new guidance for leases that exist or are entered into after the beginning of the earliest comparative period presented. The Company is currently evaluating the impact of this ASU on the results of operations, financial condition, or cash flows.

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. Early adoption is permitted. The ASU must be adopted using either a modified 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's adoption of this ASU is not expected to have a material impact on the results of operations, financial condition, or cash flows.

Accounting for Employee Stock-Based Payment

In March 2016, the FASB issued ASU 2016-09, "Compensation-Stock Compensation: Improvements to Employee Share-Based Payment Accounting", which requires excess tax benefits recognized on stock-based compensation expense be reflected in the consolidated statements of operations as a component of the provision for income taxes on a prospective basis. ASU 2016-09 also requires excess tax benefits recognized on stock-based compensation expense be classified as an operating activity in the

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consolidated statements of cash flows rather than a financing activity. Companies can elect to apply this provision retrospectively or prospectively. ASU 2016-09 also requires entities to elect whether to account for forfeitures as they occur or estimate expected forfeitures over the course of a vesting period. This ASU is effective for the Company for annual periods beginning after December 15, 2016. Early adoption is permitted.

During the third quarter of 2016, the Company elected to early adopt ASU 2016-09. The adoption of this ASU resulted in excess tax benefits being recorded as a reduction of income tax expense prospectively for all periods during 2016, rather than additional paid in capital, and an increase in the number of dilutive shares outstanding at the end of each period, which resulted in an increase to diluted earnings per share during the respective period. As required by ASU 2016-09, excess tax benefits recognized on stock-based compensation expense are classified as an operating activity in our consolidated statements of cash flows on a prospective basis within changes in accounts payable, accrued expenses and customer deposits. In accordance with ASU 2016-09, prior periods related to the classification of excess tax benefits have not been adjusted. The Company also elected to account for forfeitures as they occur, rather than estimate expected forfeitures over the course of a vesting period. As a result of the adoption of ASU 2016-09, the net cumulative effect of this change was not material.

The following table shows the impact of retrospectively applying ASU 2016-09 to the previously issued consolidated statements of operations for the three month period ended March 31 and the three and six month periods ended June 30 (in thousands, except per share amounts):

	Three Months Ended March 31, 2016			Three Months Ended June 30, 2016		
	As Previously Reported	Adjustments	As Recast	As Previously Reported	Adjustments	As Recast
Income before income taxes	\$ 156,912	\$ —	\$ 156,912	\$ 162,348	\$ —	\$ 162,348
Provision for income taxes	46,940	(1,118)	45,822	48,163	(2,068)	46,095
Net income	\$ 109,972	\$ 1,118	\$ 111,090	\$ 114,185	\$ 2,068	\$ 116,253
Earnings per share:						
Basic earnings per share	\$ 1.19	\$ 0.01	\$ 1.20	\$ 1.23	\$ 0.02	\$ 1.25
Diluted earnings per share	\$ 1.17	\$ —	\$ 1.17	\$ 1.21	\$ 0.01	\$ 1.22
Weighted average common shares outstanding:						
Basic	92,516	—	92,516	92,665	—	92,665
Diluted	94,329	701	95,030	94,549	729	95,279
Six Months Ended June 30, 2016						
	As Previously Reported	Adjustments	As Recast			
Income before income taxes	\$ 319,260	\$ —	\$ 319,260			
Provision for income taxes	95,103	(3,186)	\$ 91,917			
Net income	\$ 224,157	\$ 3,186	\$ 227,343			
Earnings per share:						
Basic earnings per share	\$ 2.42	\$ 0.04	\$ 2.46			
Diluted earnings per share	\$ 2.37	\$ 0.02	\$ 2.39			
Weighted average common shares outstanding:						
Basic	92,591	—	92,591			
Diluted	94,433	703	95,137			

The following table shows the impact of retrospectively applying this guidance to the Consolidated Statement of Cash flows for the three months ended March 31, 2016 and six months ended June 30, 2016 (in thousands):

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	Three Months Ended March 31, 2016			Six Months Ended June 30, 2016		
	As Previously Reported	Adjustments	As Recast	As Previously Reported	Adjustments	As Recast
Net cash provided by operating activities	\$121,505	\$ 1,118	\$122,623	\$208,856	\$ 3,186	\$212,042
Net cash used in investing activities	(20,745)	—	(20,745)	(37,924)	—	(37,924)
Net cash used in financing activities	(157,389)	(1,118)	(158,507)	(118,303)	(3,186)	(121,489)
Effect of foreign currency exchange rates on cash	8,795	—	8,795	(6,696)	—	(6,696)
Net (decrease) increase in cash	\$(47,834)	\$ —	\$(47,834)	\$45,933	\$ —	\$45,933

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. Early adoption is permitted. 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's adoption of this ASU is not expected to have a material impact on the results of operations, financial condition, or cash flows.

2. Accounts Receivable

The Company maintains a \$950 million revolving trade accounts receivable Securitization Facility. Accounts receivable collateralized within our Securitization Facility relate to 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 sells, without recourse, on a revolving basis, up to \$950 million of undivided ownership interests in this pool of accounts receivable to a multi-seller, asset-backed commercial paper conduit (Conduit). Funding maintains a subordinated interest, in the form of over-collateralization, in a portion of the receivables sold to the Conduit. Purchases by the Conduit are financed with the sale of highly-rated commercial paper.

The Company utilizes proceeds from the sale of its accounts receivable as an alternative to other forms of 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 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.

The Company's accounts receivable and securitized accounts receivable include the following at September 30, 2016 and December 31, 2015 (in thousands):

	September 30, 2016	December 31, 2015
Gross domestic accounts receivable	\$627,138	\$338,275
Gross domestic securitized accounts receivable	656,000	614,000
Gross foreign receivables	737,620	322,582
Total gross receivables	2,020,758	1,274,857
Less allowance for doubtful accounts	(30,072)	(21,903)

Net accounts and securitized accounts receivable \$1,990,686 \$1,252,954

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

	2016	2015
Allowance for doubtful accounts beginning of period	\$21,903	\$23,842
Provision for bad debts	24,512	18,287
Write-offs	(16,343)	(19,586)
Allowance for doubtful accounts end of period	\$30,072	\$22,543

Foreign receivables are not included in the Company's accounts receivable securitization program. At September 30, 2016 and December 31, 2015, there was \$656 million and \$614 million, respectively, of short-term debt outstanding under the Company's accounts receivable Securitization Facility.

3. 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.

The following table presents the Company's financial assets and liabilities which are measured at fair values on a recurring basis as of September 30, 2016 and December 31, 2015, (in thousands).

	Fair Value	Level 1	Level 2	Level 3
September 30, 2016				
Assets:				
Repurchase agreements	\$ 142,379	\$	—\$142,379	\$ —
Money market	55,159	—	55,159	—
Certificates of deposit	46	—	46	—
Total cash equivalents	\$ 197,584	\$	—\$197,584	\$ —
December 31, 2015				
Assets:				
Repurchase agreements	\$ 144,082	\$	—\$144,082	\$ —
Money market	55,062	—	55,062	—
Certificates of deposit	9,373	—	9,373	—
Total cash equivalents	\$ 208,517	\$	—\$208,517	\$ —

The Company has highly liquid investments classified as cash equivalents, with original maturities of 90 days or less, included in our 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'

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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.

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 2016 and 2015.

The Company's nonfinancial assets that are measured at fair value on a nonrecurring basis include those in connection with periodic testing for impairment include property, plant and equipment, equity method investment, goodwill and other intangible assets. While completing the preliminary acquisition accounting in 2016, the Company generally uses projected cash flows, discounted as appropriate, to estimate the fair values of the assets acquired and liabilities assumed using key inputs such as management's projections of cash flows on a held-and-used basis (if applicable), management's projections of cash flows upon disposition and discount rates. Accordingly, these fair value measurements are in Level 3 of the fair value hierarchy.

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.

4. Stockholders' Equity

On February 4, 2016, the Company's Board of Directors approved a stock repurchase program (the "Program") under which the Company may begin purchasing up to an aggregate of \$500 million of its common stock over the following 18 month period. 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 that the Company may possess. Any repurchases are expected to be funded by available cash flow from the business and working capital. There were 259,145 shares totaling \$35.5 million repurchased under the Program during the nine months ended September 30, 2016.

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

	Three Months Ended September 30, 2016		Nine Months Ended September 30, 2015	
Stock options	\$8,304	\$4,348	\$25,942	\$13,190
Restricted stock	9,101	9,539	24,083	31,197
Stock-based compensation	\$17,405	\$13,887	\$50,025	\$44,387

The tax benefits recorded on stock based compensation were \$28.4 million and \$13.9 million for the nine month periods ended September 30, 2016 and 2015, respectively.

The following table summarizes the Company's total unrecognized compensation cost related to stock-based compensation as of September 30, 2016 (cost in thousands):

	Unrecognized Compensation Cost	Weighted Average Period of Expense Recognition (in Years)
Stock options	\$ 50,191	1.39
Restricted stock	10,090	0.44

Total \$ 60,281
Stock Options

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Stock options are granted with an exercise price estimated to be equal to the fair market value of the Company's stock on the date of grant as authorized by the Company's board of directors. Options granted have vesting provisions ranging from one to six years 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, 2016 (shares and aggregate intrinsic value in thousands):

	Shares	Weighted Average Exercise Price	Options Exercisable at End of Period	Weighted Average Exercise Price of Exercisable Options	Weighted Average Fair Value of Options Granted During the Period	Aggregate Intrinsic Value
Outstanding at December 31, 2015	5,003	\$ 72.72	2,545	\$ 26.82		\$ 351,277
Granted	1,418	122.88			\$ 26.27	
Exercised	(431)	43.17				56,330
Forfeited	(137)	140.67				
Outstanding at September 30, 2016	5,853	\$ 85.43	3,240	\$ 47.84		\$ 516,756
Expected to vest as of September 30, 2016	5,853	\$ 85.43				

The aggregate intrinsic value of stock options exercisable at September 30, 2016 was \$407.9 million. The weighted average remaining contractual term of options exercisable at September 30, 2016 was 5.1 years.

The fair value of stock option awards granted was estimated using the Black-Scholes option pricing model during the nine months ended September 30, 2016 and 2015, with the following weighted-average assumptions for grants or modifications during the period:

	September 30	
	2016	2015
Risk-free interest rate	1.09 %	1.27 %
Dividend yield	—	—
Expected volatility	27.37 %	27.71 %
Expected life (in years)	3.4	3.8

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 or performance, or a combination of these. Shares vesting based on the passage of time have vesting provisions of one year.

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, 2016 (shares in thousands):

	Shares	Weighted Average Grant Date Fair Value
Outstanding at December 31, 2015	497	\$ 149.40
Granted	131	126.31
Vested	(227)	151.68
Cancelled	(42)	145.56
Outstanding at September 30, 2016	359	\$ 142.48

6. Acquisitions**2016 Acquisitions**

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During the nine months ended September 30, 2016, the Company completed acquisitions with an aggregate purchase price of \$1.33 billion, net of cash acquired of \$51.4 million, which includes deferred payments made during the period related to prior acquisitions of \$5.3 million.

During the nine months ended September 30, 2016, the Company made additional investments of \$7.9 million related to its equity method investment at Masternaut Group Holdings Limited ("Masternaut"). Additionally, during the nine months ended September 30, 2016, the Company recorded an approximately \$9.3 million non-recurring gain recorded within operating results related to its investment at Masternaut.

STP

On August 31, 2016, the Company acquired all of the outstanding stock of Serviços e Tecnologia de Pagamentos S.A. ("STP"), for approximately \$1.25 billion, net of cash acquired of \$40.3 million. STP is an electronic toll payments company in Brazil and provides cardless fuel payments at a number of Shell sites throughout Brazil. The purpose of this acquisition was to enter the toll market in Brazil. The Company financed the acquisition using a combination of existing cash and borrowings under its existing credit facility. Results from the acquired business have been reported in the Company's international segment since the date of acquisition. The following table summarizes the preliminary acquisition accounting for STP (in thousands):

Trade and other receivables	\$238,997
Prepaid expenses and other	5,163
Deferred tax assets	2,353
Property and equipment	46,024
Other long term assets	1,029
Goodwill	621,741
Customer relationships and other identifiable intangible assets	642,012
Deferred tax liabilities	(4,905)
Liabilities assumed	(303,369)
Aggregate purchase price	\$1,249,045

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
Customer relationships and other identifiable intangible assets	4-10	\$642,012
		\$642,012

The purchase price allocation related to this acquisition is preliminary as the Company is still completing the valuation for intangible assets, income taxes, certain acquired contingencies and the working capital adjustment period remains open. Goodwill recognized is comprised primarily of expected synergies from combining the operations of the Company and STP and assembled workforce. The allocation of the goodwill to the reporting units has not been completed. The goodwill acquired with this business is expected to be deductible for tax purposes.

Other

During the nine months ended September 30, 2016, the Company acquired additional fuel card portfolios in the U.S. and the United Kingdom, additional Shell fuel card markets in Europe and Travelcard in the Netherlands totaling approximately \$76.7 million, net of cash acquired of \$11.1 million. The following table summarizes the preliminary acquisition accounting for these acquisitions (in thousands):

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Trade and other receivables	\$27,810
Prepaid expenses and other	5,097
Property and equipment	992
Goodwill	21,820
Other intangible assets	63,410
Deferred tax asset	146
Liabilities assumed	(42,541)
Aggregate purchase prices	\$76,734

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
Customer relationships and other identifiable intangible assets	10-20	\$63,410
		\$63,410

The other 2016 acquisitions were not material individually or in the aggregate to the Company's consolidated financial statements. The accounting for certain of these acquisitions is preliminary as the Company is still completing the valuation of intangible assets, income taxes and evaluation of acquired contingencies.

2015 Acquisitions

During 2015, the Company completed acquisitions of Shell portfolios related to its fuel card businesses in Europe, as well as a small acquisition internationally, with an aggregate purchase price of \$46.3 million, made additional investments of \$8.4 million related to Masternaut and deferred payments of \$3.4 million related to acquisitions occurring in prior years.

The following table summarizes the acquisition accounting for the acquisitions completed during 2015 (in thousands):

Trade and other receivables	\$521
Prepaid expenses and other	996
Property and equipment	197
Goodwill	9,561
Other intangible assets	39,791
Deferred tax liabilities	(2,331)
Liabilities assumed	(2,437)
Aggregate purchase prices	\$46,298

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

	Useful Lives (in Years)	Value
Customer relationships	14-20	\$39,791
		\$39,791

The 2015 acquisitions were not material individually or in the aggregate to the Company's consolidated financial statements.

7. Goodwill and Other Intangible Assets

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

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Segment	December 31, 2015	Acquisitions/Dispositions	Acquisition Accounting Adjustments	Foreign Currency	September 30, 2016
North America	\$2,640,409	\$ —	\$ —	\$—	\$2,640,409
International	905,625	642,876	163	(5,092)	1,543,572
	\$3,546,034	\$ 642,876	\$ 163	\$(5,092)	\$4,183,981

As of September 30, 2016 and December 31, 2015, other intangible assets consisted of the following (in thousands):

	Weighted-Avg Useful Lives (Years)	September 30, 2016			December 31, 2015		
		Gross Carrying Amounts	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amounts	Accumulated Amortization	Net Carrying Amount
Customer and vendor agreements	15.8	\$2,760,942	\$(418,166)	\$2,342,776	\$2,071,928	\$(329,664)	\$1,742,264
Trade names and trademarks—indefinite lived	N/A	320,408	—	320,408	318,048	—	318,048
Trade names and trademarks—other	14.4	2,825	(1,986)	839	3,067	(2,058)	1,009
Software	5.1	167,573	(76,851)	90,722	170,085	(54,250)	115,835
Non-compete agreements	4.8	14,326	(10,194)	4,132	15,209	(8,770)	6,439
Total other intangibles		\$3,266,074	\$(507,197)	\$2,758,877	\$2,578,337	\$(394,742)	\$2,183,595

Changes in foreign exchange rates resulted in a \$18.0 million decrease to the carrying values of other intangible assets in the nine months ended September 30, 2016. Amortization expense related to intangible assets for the nine months ended September 30, 2016 and 2015 was \$112.5 million and \$120.1 million, respectively.

8. 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, 2016	December 31, 2015
Term notes payable—domestic(a), net of discounts	\$2,671,875	\$2,157,376
Revolving line of credit A Facility—domestic(a)	430,000	160,000
Revolving line of credit A Facility—foreign(a)	162,128	—
Revolving line of credit A Facility—swing line(a)	5,188	—
Other debt(c)	10,929	3,624
Total notes payable and other obligations	3,280,120	2,321,000
Securitization Facility(b)	656,000	614,000
Total notes payable, credit agreements and Securitization Facility	\$3,936,120	\$2,935,000
Current portion	\$1,383,763	\$875,100
Long-term portion	2,552,357	2,059,900
Total notes payable, credit agreements and Securitization Facility	\$3,936,120	\$2,935,000

(a) On October 24, 2014, the Company entered into a \$3.36 billion Credit Agreement, which provides for senior secured credit facilities consisting of (a) a revolving A credit facility in the amount of \$1.0 billion, with sublimits for letters of credit, swing line loans and multi-currency borrowings, (b) a revolving B facility in the amount of \$35

million for loans in Australian Dollars or New Zealand Dollars, (c) a term loan A facility in the amount of \$2.02 billion and (d) a term loan B facility in the amount of \$300 million. On August 22, 2016, the Company entered into the first Amendment to

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the existing Credit Agreement, which established an incremental term A loan in the amount of \$600 million under the Credit Agreement accordion feature. The proceeds from the additional \$600 million in term A loans were used to partially finance the STP acquisition. The Amendment also established an accordion feature for borrowing an additional \$500 million in term A, term B or revolver A debt. The stated maturity dates for the term A loans, revolving loans, and letters of credit under the Credit Agreement is November 14, 2019 and November 14, 2021 for the term loan B. The Company has unamortized debt discounts of \$6.8 million related to the term A facility and \$1.0 million related to the term B facility at September 30, 2016.

The Company is party to a \$950 million receivables purchase agreement ("Securitization Facility") that was amended and restated on December 1, 2015. There is a program fee equal to one month LIBOR and the (b) Commercial Paper Rate of 0.66% plus 0.90% and 0.43% plus 0.90% as of September 30, 2016 and December 31, 2015, respectively. The unused facility fee is payable at a rate of 0.40% per annum as of September 30, 2016 and December 31, 2015.

(c) Other debt includes the long-term portion of contingent consideration and deferred payments associated with certain of our businesses.

The Company was in compliance with all financial and non-financial covenants at September 30, 2016.

9. Income Taxes

The provision for income taxes differs from amounts computed by applying the U.S. federal tax rate of 35% to income before income taxes for the three months ended September 30, 2016 and 2015 due to the following (in thousands):

	2016		2015	
Computed "expected" tax expense	\$59,571	35.0 %	\$57,875	35.0 %
Changes resulting from:				
Foreign income tax differential	(4,265)	(2.5)%	(5,860)	(3.5)%
Excess tax benefits related to stock-based compensation	(8,247)	(4.9)%	—	— %
State taxes net of federal benefits	1,678	1.0 %	2,501	1.5 %
Foreign-sourced nontaxable income	(6,691)	(3.9)%	(2,344)	(1.4)%
Domestic production activities deduction	(4,282)	(2.5)%	(7,950)	(4.8)%
Other	2,822	1.7 %	4,365	2.6 %
Provision for income taxes	\$40,586	23.9 %	\$48,587	29.4 %

10. 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 months ended September 30 (in thousands, except per share data) follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Net income	\$129,618	\$116,770	\$356,961	\$309,601
Denominator for basic earnings per share	92,631	92,110	92,604	91,923
Dilutive securities	2,676	2,047	2,600	2,146
Denominator for diluted earnings per share	95,307	94,157	95,204	94,069
Basic earnings per share	\$1.40	\$1.27	\$3.85	\$3.37
Diluted earnings per share	\$1.36	\$1.24	\$3.75	\$3.29

There were 0.1 million antidilutive shares during the three month period ended September 30, 2016. Diluted earnings per share for the three month period ended September 30, 2015 excludes the effect of 0.6 million shares of common stock that may be issued upon the exercise of employee stock options because such effect would be antidilutive. Diluted earnings per share also excludes the effect of 0.3 million and 0.4 million shares of performance based restricted stock for which the performance criteria have not yet been achieved for the three month period ended September 30, 2016 and 2015, respectively.

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11. 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		Nine Months Ended	
	September 30,		September 30,	
	2016	2015	2016	2015
Revenues, net:				
North America	\$345,868	\$334,944	\$950,542	\$918,333
International	138,558	116,549	366,051	353,931
	\$484,426	\$451,493	\$1,316,593	\$1,272,264
Operating income:				
North America	\$135,760	\$132,428	\$367,221	\$351,778
International	55,295	56,032	170,957	169,607
	\$191,055	\$188,460	\$538,178	\$521,385
Depreciation and amortization:				
North America	\$32,739	\$32,257	\$96,351	\$96,200
International	24,345	16,269	45,497	49,235
	\$57,084	\$48,526	\$141,848	\$145,435
Capital expenditures:				
North America	\$11,980	\$6,493	\$28,501	\$14,510
International	5,140	6,799	13,376	15,016
	\$17,120	\$13,292	\$41,877	\$29,526

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12. Commitments and Contingencies

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

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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, 2015.

General Business

FleetCor is a leading independent global provider of fuel cards, commercial payment and data solutions, stored value solutions, and workforce payment products and services to businesses, retailers, commercial fleets, major oil companies, petroleum marketers and government entities in countries throughout North America, South America, Europe, Australia and New Zealand. Our payment programs enable our customers to better manage and control their commercial payments, card programs, and employee spending and provide card-accepting merchants with a high volume customer base that can increase their sales and customer loyalty. We also provide a suite of fleet related and workforce payment solution products, including a mobile telematics service, fleet maintenance management and employee benefit and transportation related payments. In 2015, we processed approximately 1.9 billion transactions on our proprietary networks and third-party networks (which includes approximately 1.3 billion transactions related to our Stored Value Solutions ("SVS") product, acquired with Comdata). We believe that our size and scale, geographic reach, advanced technology and our expansive suite of products, services, brands and proprietary networks contribute to our leading industry position.

We provide our payment products and services in a variety of combinations to create customized payment solutions for our customers and partners. We collectively refer to our suite of product offerings as workforce productivity enhancement products for commercial businesses. We sell a range of customized fleet and lodging payment programs directly and indirectly to our customers through partners, such as major oil companies, leasing companies and petroleum marketers. We refer to these major oil companies, leasing companies, petroleum marketers, value-added resellers (VARs) and other referral partners with whom we have strategic relationships as our "partners". We provide our customers with various card products that typically function like a charge card to purchase fuel, lodging, food, toll, transportation and related products and services at participating locations.

We support our products with specialized issuing, processing and information services that enable us to manage card accounts, facilitate the routing, authorization, clearing and settlement of transactions, and provide value-added functionality and data, including customizable card-level controls and productivity analysis tools. In order to deliver our payment programs and services and process transactions, we own and operate proprietary "closed-loop" networks through which we electronically connect to merchants and capture, analyze and report customized information in North America and internationally. We also use third-party networks to deliver our payment programs and services in order to broaden our card acceptance and use. To support our payment products, we also provide a range of services, such as issuing and processing, as well as specialized information services that provide our customers with value-added functionality and data. Our customers can use this data to track important business productivity metrics, combat fraud and employee misuse, streamline expense administration and lower overall workforce and fleet operating costs. Depending on our customer's and partner's needs, we provide these services in a variety of outsourced solutions ranging from a comprehensive "end-to-end" solution (encompassing issuing, processing and network services) to limited back office processing services.

Executive Overview

Segments

We operate in two segments, which we refer to as our North America and International segments. Our revenue is reported net of the wholesale cost for underlying products and services. In this report, we refer to this net revenue as

“revenue.” See “Results of Operations” for additional segment information.

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For the three and nine months ended September 30, 2016 and 2015, our North America and International segments generated the following revenue:

(dollars in millions)	Three Months Ended September 30, 2016		2015		2016		2015	
	Revenues, net	% of total revenues, net	Revenues, net	% of total revenues, net	Revenues, net	% of total revenues, net	Revenues, net	% of total revenues, net
North America	\$345.9	71.4 %	\$334.9	74.2 %	\$950.5	72.2 %	\$918.4	72.2 %
International	138.6	28.6 %	116.6	25.8 %	366.1	27.8 %	353.9	27.8 %
	\$484.4	100.0 %	\$451.5	100.0 %	\$1,316.6	100.0 %	\$1,272.3	100.0 %

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, 2016 and 2015.

(in thousands, except per share amounts)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Revenues, net	\$484,426	\$451,493	\$1,316,593	\$1,272,264
Net income	\$129,618	\$116,770	\$356,961	\$309,601
Net income per diluted share	\$1.36	\$1.24	\$3.75	\$3.29

Sources of Revenue

Transactions. In both of our segments, we derive revenue from transactions. As illustrated in the diagram below, a transaction is defined as a purchase by a customer. Our customers include holders of our card products and those of our partners, for whom we manage card programs, members of our proprietary networks who are provided access to our products and services and commercial businesses to whom we provide workforce payment productivity solutions. Revenue from transactions is derived from our merchant and network relationships, as well as our customers and partners. Through our merchant and network relationships we primarily offer fuel cards, corporate cards, virtual cards, purchasing cards, T&E cards, gift cards, stored value payroll cards, vehicle maintenance, food, fuel, toll and transportation cards and vouchers and lodging services to our customers.

The following diagram illustrates a typical card transaction flow, but may also be applied to our vehicle maintenance, lodging and food, fuel, toll and transportation card and voucher products, substituting transactions for gallons. This representative model may not include all of our businesses.

Illustrative Transaction Flow

From our customers and partners, we derive revenue from a variety of program fees, including transaction fees, card fees, network fees and charges, which can be fixed fees, cost plus a mark-up or based on a percentage discount from retail prices. Our programs include other fees and charges associated with late payments and based on customer credit risk.

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From our merchant and network relationships, we derive revenue mostly from the difference between the price charged to a customer for a transaction and the price paid to the merchant or network for the same transaction, as well as network fees and charges in certain businesses. As illustrated in the table below, the price paid to a merchant or network may be calculated as (i) the merchant's wholesale cost of the product plus a markup; (ii) the transaction purchase price less a percentage discount; or (iii) the transaction purchase price less a fixed fee per unit.

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

Illustrative Revenue Model for Fuel Purchases

(unit of one gallon)

Illustrative

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

Set forth below are our sources of revenue for the three and nine months ended September 30, 2016 and 2015, expressed as a percentage of consolidated revenues:

	Three Months Ended September 30, 2016		Nine Months Ended September 30, 2015	
Revenue from customers and partners	57.0 %	53.3 %	55.3 %	52.5 %
Revenue from merchants and networks	43.0 %	46.7 %	44.7 %	47.5 %
	100.0%	100.0%	100.0%	100.0%
Revenue directly tied to fuel-price spreads ¹	11.2 %	13.0 %	11.2 %	12.4 %
Revenue directly influenced by the absolute price of fuel ¹	14.0 %	15.3 %	14.3 %	15.5 %
Revenue from program fees, late fees, interest and other	74.8 %	71.7 %	74.5 %	72.1 %
	100.0%	100.0%	100.0%	100.0%

¹ Although we cannot precisely calculate the absolute impact of fuel price spreads and the absolute price of fuel on our consolidated revenues, we believe these percentages approximate their relative impacts.

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Revenue per transaction. Set forth below is revenue per transaction information for the three and nine months ended September 30, 2016 and 2015:

	Three		Nine Months	
	Months Ended September 30, 2016	2015	2016	2015
Transactions (in millions) ²				
North America	371.2	371.5	1,217.3	1,145.3
International	127.4	45.6	233.3	138.0
Total transactions	498.6	417.1	1,450.6	1,283.3
Revenue per transaction				
North America	\$0.93	\$0.90	\$0.78	\$0.80
International	1.09	2.56	1.57	2.56
Consolidated revenue per transaction	0.97	1.08	0.91	0.99
Consolidated adjusted revenue per transaction ³	0.92	1.01	0.85	0.93

SVS, Stored Value Solutions, is our global provider of gift card and stored value solutions, which is part of the Comdata business acquired in November 2014, and has a low revenue per transaction product. Transactions in the ² three month periods ended September 30, 2016 and 2015 include approximately 270 million and 274 million transactions, respectively, and approximately 924 million and 872 million transactions in the nine months ended September 30, 2016 and 2015, respectively.

Adjusted revenues is a non-GAAP financial measure defined as revenues, net less merchant commissions. We believe this measure is a more effective way to evaluate our revenue performance. We use adjusted revenues as a ³ basis to evaluate our revenues, net of the commissions that are paid to merchants to participate in our card programs. Adjusted revenues is a supplemental non-GAAP financial measure of operating performance. See the heading entitled "Management's Use of Non-GAAP Financial Measures."

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

For the three months ended September 30, 2016, transaction volumes increased 19.5% to 498.6 million transactions from 417.1 million transactions in the comparable period of 2015. For the nine months ended September 30, 2016, transaction volumes increased 13.0% to 1,450.6 million transactions from 1,283.3 million transactions in the comparable period of 2015. Excluding the impact of the SVS business, North American segment transactions increased approximately 5% in the three months ended September 30, 2016 as compared to 2015 and grew by approximately 7% in the nine months ended September 30, 2016 over the comparable period in 2015, primarily due to growth in our MasterCard and corporate payments businesses. Transaction volumes in our international segment increased by 179.4% and 69.0% in the three and nine months ended September 30, 2016, respectively, over the comparable periods in 2015, primarily due to the acquisition of STP and Travelcard during the third quarter of 2016, the addition of new Shell fuel card markets in 2015 and 2016 and additional transactions from a small acquisition in Brazil in the first quarter of 2016.

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.

• 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.

• 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.

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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 unusual to the period and presented separately.

Equity method investment loss (income)—Our equity method investment results relate to our minority interest in Masternaut, a provider of telematics solutions to commercial fleets in Europe, which we account for using the equity method.

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

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 in the United States and internationally. Our worldwide effective tax rate is lower than the U.S. statutory rate of 35%, due primarily to lower rates in foreign jurisdictions and foreign-sourced non-taxable income.

Adjusted Revenues, Adjusted Net Income and Adjusted Net Income Per Diluted Share. Set forth below are adjusted revenues, adjusted net income and adjusted net income per diluted share for the three and nine months ended September 30, 2016 and 2015.

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in thousands, except per share amounts)	2016	2015	2016	2015
Adjusted revenues	\$456,212	\$419,767	\$1,237,838	\$1,191,487
Adjusted net income	\$183,310	\$157,570	\$478,679	\$432,424
Adjusted net income per diluted share	\$1.92	\$1.67	\$5.03	\$4.60

Adjusted revenues, adjusted net income and adjusted net income per diluted share are supplemental non-GAAP financial measures of operating performance. We use adjusted revenues as a basis to evaluate our revenues, net of the commissions that are paid to merchants that participate in certain of our card programs. The commissions paid to merchants can vary when market spreads fluctuate in much the same way as revenues are impacted when market spreads fluctuate. Thus, we believe this is a more effective way to evaluate our revenue performance on a consistent basis. We use 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. See the heading entitled “Management’s Use of Non-GAAP Financial Measures.”

Factors and Trends Impacting our Business

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

Fuel prices—Our fleet customers use our products and services primarily in connection with the purchase of fuel. Accordingly, our revenue is affected by fuel prices, which are subject to significant volatility. A change in retail fuel

prices could cause a decrease or increase in our revenue from several sources, including fees paid to us based on a percentage of each customer's total purchase. 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

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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 70 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.

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

Foreign currency changes—Our results of operations are 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 72% of our revenue in both the nine months ended September 30, 2016 and 2015, respectively, was derived in U.S. dollars and was not affected by foreign currency exchange rates. See "Results of Operations" for information related to foreign currency impact on our total revenue, net.

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.

Acquisitions and Investments

2016 Acquisitions

During the nine months ended September 30, 2016, we completed acquisitions with an aggregate purchase price of \$1.33 billion, net of cash acquired of \$51.4 million, which includes deferred payments made during the period related to prior acquisitions of \$5.3 million.

STP

On August 31, 2016, we acquired all of the outstanding stock of STP for approximately \$1.25 billion, net of cash acquired of \$40.3 million. STP is an electronic toll payments company in Brazil and provides cardless fuel payments at a number of Shell sites throughout Brazil. The purpose of this acquisition was to enter the toll market in the Brazil. We financed the acquisition using a combination of existing cash and borrowings under our existing credit facility.

Other

During the nine months ended September 30, 2016, we also acquired a fuel card portfolio in the U.S., a fuel card portfolio in the United Kingdom, additional Shell markets related to our fuel card products in Europe, a travel card portfolio in the Netherlands and a small business in Brazil totally approximately \$76.7 million, net of cash acquired of \$11.1 million.

The results of operations from the fuel card portfolio acquired in the U.S. are included within our North America segment, from the date of acquisition. The results of operations of STP, the fuel card portfolio in the United Kingdom, the additional Shell markets, the travel card portfolio in the Netherlands and the small business in Brazil are included

within our International segment, from the date of acquisition.

Equity Method Investment

During the nine months ended September 30, 2016, we made additional investments of \$7.9 million related to our equity method investment at Masternaut Group Holdings Limited ("Masternaut"). Additionally, during the nine months ended

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September 30, 2016, we recorded an approximately \$9.3 million non-recurring gain recorded within operating results related to its investment at Masternaut.

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Results of Operations

Three months ended September 30, 2016 compared to the three months ended September 30, 2015

The following table sets forth selected consolidated statement of income data for the three months ended September 30, 2016 and 2015 (in thousands).

	Three Months Ended September 30, 2016	% of total revenue		Three Months Ended September 30, 2015	% of total revenue	Increase (decrease)	% Change	
Revenues, net:								
North America	\$345,868	71.4 %		\$334,944	74.2 %	\$10,924	3.3 %	
International	138,558	28.6 %		116,549	25.8 %	22,009	18.9 %	
Total revenues, net	484,426	100.0 %		451,493	100.0 %	32,933	7.3 %	
Consolidated operating expenses:								
Merchant commissions	28,214	5.8 %		31,726	7.0 %	(3,512)	(11.1)%	
Processing	96,233	19.9 %		90,959	20.1 %	5,274	5.8 %	
Selling	34,180	7.1 %		27,383	6.1 %	6,797	24.8 %	
General and administrative	77,904	16.1 %		66,142	14.6 %	11,762	17.8 %	
Depreciation and amortization	57,084	11.8 %		48,526	10.7 %	8,558	17.6 %	
Other operating, net	(244)	(0.1)%		(1,703)	(0.4)%	1,459	85.7 %	
Operating income	191,055	39.4 %		188,460	41.7 %	2,595	1.4 %	
Equity method investment loss (income)	2,744	0.6 %		6,108	1.4 %	(3,364)	(55.1)%	
Other expense, net	293	0.1 %		(168)	—	461	(274.4)%	
Interest expense, net	17,814	3.7 %		17,163	3.8 %	651	3.8 %	
Provision for income taxes	40,586	8.4 %		48,587	10.8 %	(8,001)	(16.5)%	
Net income	\$129,618	26.8 %		\$116,770	25.9 %	\$12,848	11.0 %	
Operating income for segments:								
North America	\$135,760			\$132,428		\$3,332	2.5 %	
International	55,295			56,032		(737)	(1.3)%	
Operating income	\$191,055			\$188,460		\$2,595	1.4 %	
Operating margin for segments:								
North America	39.3 %			39.5 %		(0.2)%		
International	39.9 %			48.1 %		(8.2)%		
Total	39.4 %			41.7 %		(2.3)%		

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

Revenues and revenue per transaction

Our consolidated revenues increased from \$451.5 million in the three months ended September 30, 2015 to \$484.4 million in the three months ended September 30, 2016, an increase of \$32.9 million, or 7.3%. The increase in our consolidated revenue was primarily due to:

• The impact of acquisitions during the three months ended September 30, 2016 which contributed approximately \$25 million in additional revenue.

• Organic growth in certain of our payment programs driven by increases in both volume and revenue.

Partially offsetting this growth was the negative impact of the macroeconomic environment. Although we cannot precisely measure the impact of the macroeconomic environment, in total we believe it had a negative impact on our consolidated segment revenue for the three months ended September 30, 2016 over the comparable period in 2015 by

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approximately \$28 million. We believe the impact of lower fuel prices, primarily in the U.S., and lower fuel spread margins, had an unfavorable impact on consolidated revenues of approximately \$18 million. Additionally, changes in foreign exchange rates had an unfavorable impact on consolidated revenues of approximately \$10 million due to unfavorable fluctuations in rates in most geographies in the three months ended September 30, 2016 compared to 2015.

Consolidated revenue per transaction decreased from \$1.08 in the three months ended September 30, 2015 to \$0.97 in the three months ended September 30, 2016, a decrease of \$0.11, or 10.2%. This decrease was due primarily to the unfavorable impact of the macroeconomic environment, the mix impact of acquisitions (STP, Travelcard and a small acquisition in Brazil), which have transactions at much lower revenue per transaction than the historical average, and the impact of SVS, partially offset by organic growth. Excluding these items, revenue per transaction increased approximately 3% to \$2.88 in the third quarter of 2016 compared to \$2.78 in 2015.

Revenue per transaction can vary based on the geography, the relevant merchant and customer relationship, the payment product utilized, and the types of products or services purchased. The revenue mix was influenced by our acquisitions, organic growth in the business, and fluctuations in the macroeconomic environment, including fuel prices, fuel spread margins and foreign exchange rates.

North America segment revenues and revenue per transaction

North America revenues increased from \$334.9 million in the three months ended September 30, 2015 to \$345.9 million in the three months ended September 30, 2016, an increase of \$10.9 million, or 3.3%. The increase in our North America segment revenue was primarily due to:

• Organic growth in certain of our payment programs driven by increases in both volume and revenue.

Partially offsetting the organic growth was the negative impact of macroeconomic environment. Although we cannot precisely measure the impact of the macroeconomic environment, in total we believe it had a negative impact on our North America segment revenue in three months ended September 30, 2016 over the comparable period in 2015 of approximately \$18 million, primarily due to the impact of lower fuel prices and lower fuel spread margins.

North America segment revenue per transaction increased from \$0.90 in the September 30, 2015 to \$0.93 in the three months ended September 30, 2016, an increase of \$0.03, or 3.4%. When discussing revenue per transaction in the North America segment, we typically exclude the impact of the SVS business, which had approximately 270 million and 274 million transactions in the third quarter of 2016 and 2015, respectively. Revenue per transaction in our North America segment for the third quarter of 2016, excluding SVS, decreased 2% to \$2.83 from \$2.89 in the third quarter of 2015, due primarily to the impact of lower fuel prices during the quarter and lower fuel spread margins over the comparable period in 2015. Excluding the negative impact of the macroeconomic environment of approximately \$18 million and SVS, revenue per transaction increased approximately 4% to \$3.00 in the third quarter of 2016 compared to \$2.89 in 2015.

International segment revenues and revenue per transaction

International segment revenues increased from \$116.5 million in the three months ended September 30, 2015 to \$138.6 million in the three months ended September 30, 2016, an increase of \$22.0 million, or 18.9%. The increase in our International segment revenue was primarily due to:

• The impact of acquisitions during the three months ended September 30, 2016 which contributed approximately \$25 million in additional revenue.

• Organic growth in certain of our payment programs driven by increases in both volume and revenue.

Partially offsetting this growth was the negative impact of the macroeconomic environment. 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, 2016 over the comparable period in 2015 of approximately \$10 million, primarily due to unfavorable fluctuations in foreign exchange rates in most geographies where we do business and slightly lower fuel prices.

International segment revenue per transaction decreased from \$2.56 in the three months ended September 30, 2015 to \$1.09 in the three months ended September 30, 2016, a decrease of \$1.47 per transaction, or 57.5%. This decrease was due primarily to the unfavorable impact of foreign exchange rates across most geographies and the mix impact of acquisitions (STP, Travelcard and a small acquisition in Brazil), which have transactions at much lower revenue per transaction than the historical average, partially offset by organic growth. Excluding these items, our International revenue per transaction increased approximately 2% to \$2.61 in the third quarter of 2016 compared to \$2.56 in 2015. Consolidated operating expenses

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Merchant commissions. Merchant commissions decreased from \$31.7 million in the three months ended September 30, 2015 to \$28.2 million in the three months ended September 30, 2016, a decrease of \$3.5 million, or 11.1%. This decrease was due primarily to the fluctuation of the margin between the wholesale cost and retail price of fuel, which impacted merchant commissions in certain card programs, as well as the impact of fluctuations in foreign exchange rates.

Processing. Processing expenses increased from \$91.0 million in the three months ended September 30, 2015 to \$96.2 million in the three months ended September 30, 2016, an increase of \$5.3 million, or 5.8%. Increases in processing expenses were primarily due to ongoing expenses related to acquisitions completed in 2016, partially offset by the impact of fluctuations in foreign exchange rates.

Selling. Selling expenses increased from \$27.4 million in the three months ended September 30, 2015 to \$34.2 million in the three months ended September 30, 2016, an increase of \$6.8 million, or 24.8%. Increases in spending were primarily due to ongoing expenses related to acquisitions completed in 2016 and Comdata, partially offset by the impact of fluctuations in foreign exchange rates.

General and administrative. General and administrative expenses increased from \$66.1 million in the three months ended September 30, 2015 to \$77.9 million in the three months ended September 30, 2016, an increase of 11.8 million, or 17.8%. The increase was primarily due to ongoing expenses related to acquisitions completed in 2016, incremental acquisition related expenses of approximately \$3 million and an increase in stock based compensation expense of approximately \$3 million, partially offset by the impact of fluctuations in foreign exchange rates.

Depreciation and amortization. Depreciation and amortization increased from \$48.5 million in the three months ended September 30, 2015 to \$57.1 million in the three months ended September 30, 2016, an increase of \$8.6 million, or 17.6%. The increase was primarily due to ongoing expenses related to acquisitions completed in 2016, which resulted in an increase of approximately \$7.6 million related to the amortization of acquired intangible assets, as well as depreciation of acquired fixed assets, partially offset by decreases due to the impact of fluctuations in foreign exchange rates.

Equity method investment loss (income). Equity method investment loss decreased to \$2.7 million in the three months ended September 30, 2016, compared to \$6.1 million in the three months ended September 30, 2015. Included in 2015, were higher costs incurred to restructure the operations of the business.

Interest expense, net. Interest expense increased from \$17.2 million in the three months ended September 30, 2015 to \$17.8 million in the three months ended September 30, 2016, an increase of \$0.7 million, or 3.8%. The increase in interest expense is primarily due to the impact of additional borrowings for the acquisitions of STP and Travelcard during the third quarter of 2016. The following table sets forth the average interest rates paid on borrowings under our Credit Facility, excluding the relevant unused credit facility fees.

	Three Months Ended September 30, 2016 2015	
Term loan A	1.99%	1.94%
Term loan B	3.75%	3.75%
Domestic Revolver A	2.08%	1.94%
Foreign Revolver A	1.77%	— %
Foreign swing line	1.73%	2.23%

The average unused credit facility fee for Domestic Revolver A was 0.30% and 0.35% in the three month period ending September 30, 2016 and 2015, respectively.

Provision for income taxes. The provision for income taxes decreased from \$48.6 million in the three months ended September 30, 2015 to \$40.6 million in the three months ended September 30, 2016, a decrease of \$8.0 million, or

16.5%. We provide for income taxes during interim periods based on an estimate of our effective tax rate for the year. Discrete items and changes in the estimate of the annual tax rate are recorded in the period they occur. Our effective tax rate decreased from 29.4% for three months ended September 30, 2015 to 23.9% for the three months ended September 30, 2016. The decrease in the provision for income taxes and in the effective tax rate was due primarily to the early adoption of new guidance on accounting for stock-based payments to employees. In addition, the U.K. corporate income tax rate was reduced from 18% to 17% beginning on April 1, 2020. The rate reduction was enacted on September 15, 2016. The total effect of tax rate changes on deferred tax balances is recorded as a component of the income tax provision related to continuing operations for the period in which the law is enacted.

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

Net income. For the reasons discussed above, our net income increased from \$116.8 million in the three months ended September 30, 2015 to \$129.6 million in the three months ended September 30, 2016, an increase of \$12.8 million, or 11.0%.

Operating income and operating margin

Consolidated operating income. Operating income increased from \$188.5 million in the three months ended September 30, 2015 to \$191.1 million in the three months ended September 30, 2016, an increase of \$2.6 million, or 1.4%. Our operating margin was 41.7% and 39.4% for the three months ended September 30, 2015 and 2016, respectively. The increase in operating income was primarily due to acquisitions completed in 2016 and organic growth in the business, partially offset by the negative impact of the macroeconomic environment of approximately \$23 million, driven by lower fuel prices and spreads, as well as unfavorable fluctuations in foreign exchange rates. 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 increased from \$132.4 million in the three months ended September 30, 2015 to \$135.8 million in the three months ended September 30, 2016, an increase of \$3.3 million, or 2.5%. North America operating margin was 39.5% and 39.3% for the three months ended September 30, 2015 and 2016, respectively. The increase in operating income was due primarily to organic growth in the business, partially offset by the negative impact of the macroeconomic environment of approximately \$15 million, driven by lower fuel prices and spreads.

International segment operating income. International operating income decreased from \$56.0 million in the three months ended September 30, 2015 to \$55.3 million in the three months ended September 30, 2016, a decrease of \$0.7 million, or 1.3%. International operating margin was 48.1% and 39.9% for the three months ended September 30, 2015 and 2016, respectively. The decrease in operating income was due primarily to the negative impact of the macroeconomic environment of approximately \$8 million, driven by unfavorable fluctuations in foreign exchange rates, which was partially offset by the impact of acquisitions completed in 2016 and organic growth in the business.

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Nine months ended September 30, 2016 compared to the nine months ended September 30, 2015
The following table sets forth selected consolidated statement of income data for the nine months ended September 30, 2016 and 2015 (in thousands).

	Nine Months Ended September 30, 2016		Nine Months Ended September 30, 2015		Increase (decrease)	% Change
		% of total revenue		% of total revenue		
Revenues, net:						
North America	\$950,542	72.2 %	\$918,333	72.2 %	\$32,209	3.5 %
International	366,051	27.8 %	353,931	27.8 %	12,120	3.4 %
Total revenues, net	1,316,593	100.0 %	1,272,264	100.0 %	44,329	3.5 %
Consolidated operating expenses:						
Merchant commissions	78,755	6.0 %	80,777	6.3 %	(2,022)	(2.5)%
Processing	256,738	19.5 %	246,879	19.4 %	9,859	4.0 %
Selling	92,680	7.0 %	81,011	6.4 %	11,669	14.4 %
General and administrative	209,084	15.9 %	199,252	15.7 %	9,832	4.9 %
Depreciation and amortization	141,848	10.8 %	145,435	11.4 %	(3,587)	(2.5)%
Other operating, net	(690)	(0.1)%	(2,475)	(0.2)%	1,785	72.1 %
Operating income	538,178	40.9 %	521,385	41.0 %	16,793	3.2 %
Equity method investment (income) loss	(2,247)	(0.2)%	13,926	1.1 %	(16,173)	(116.1)%
Other expense, net	1,056	0.1 %	2,345	0.2 %	(1,289)	(55.0)%
Interest expense, net	49,905	3.8 %	54,818	4.3 %	(4,913)	(9.0)%
Provision for income taxes	132,503	10.1 %	140,695	11.1 %	(8,192)	(5.8)%
Net income	\$356,961	27.1 %	\$309,601	24.3 %	\$47,360	15.3 %
Operating income for segments:						
North America	\$367,221		\$351,778		\$15,443	4.4 %
International	170,957		169,607		1,350	0.8 %
Operating income	\$538,178		\$521,385		\$16,793	3.2 %
Operating margin for segments:						
North America	38.6 %		38.3 %		0.3 %	
International	46.7 %		47.9 %		(1.2)%	
Total	40.9 %		41.0 %		(0.1)%	

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

Revenues and revenue per transaction

Our consolidated revenues increased from \$1,272.3 million in the nine months ended September 30, 2015 to \$1,316.6 million in the nine months ended September 30, 2016, an increase of \$44.3 million, or 3.5%. The increase in our consolidated revenue was primarily due to:

- The impact of acquisitions during the nine months ended September 30, 2016, which contributed approximately \$25 million in additional revenue.

- Organic growth in certain of our payment programs driven by increases in both volume and revenue.

- Partially offsetting this growth was the negative impact of the macroeconomic environment. Although we cannot precisely measure the impact of the macroeconomic environment, in total we believe it had a negative impact on our

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consolidated segment revenue for the nine months ended September 30, 2016 over the comparable period in 2015 of approximately \$90 million. We believe the impact of lower fuel prices and lower fuel spread margins, primarily in the U.S., had an unfavorable impact on consolidated revenues of approximately \$58 million. Additionally, changes in foreign exchange rates had an unfavorable impact on consolidated revenues of approximately \$32 million due to unfavorable fluctuations in rates in most geographies in the nine months ended September 30, 2016 compared to 2015. Consolidated revenue per transaction decreased from \$0.99 in the nine months ended September 30, 2015 to \$0.91 in the nine months ended September 30, 2016, a decrease of \$0.08, or 8.5%. This decrease was due primarily to the unfavorable impact of the macroeconomic environment, the mix impact of acquisitions (STP, Travelcard and a small acquisition in Brazil), which have transactions at much lower revenue per transaction than the historical average, and the impact of SVS, partially offset by organic growth. Excluding these items, revenue per transaction increased approximately 4% to \$2.88 in the nine months ended September 30, 2016 compared to \$2.78 in 2015.

Revenue per transaction can vary based on the geography, the relevant merchant and customer relationship, the payment product utilized, and the types of products and services purchased. The revenue mix was influenced by our acquisitions, organic growth in the business, and fluctuations in the macroeconomic environment, including fuel prices, fuel spread margins and foreign exchange rates.

North America segment revenues and revenue per transaction

North America revenues increased from \$918.3 million in the nine months ended September 30, 2015 to \$950.5 million in the nine months ended September 30, 2016, an increase of \$32.2 million, or 3.5%. The increase in our North America segment revenue was primarily due to:

• Organic growth in certain of our payment programs driven by increases in both volume and revenue.

Partially offsetting the organic growth was the negative impact of the macroeconomic environment. Although we cannot precisely measure the impact of the macroeconomic environment, in total we believe it had a negative impact on our North America segment revenue for the nine months ended September 30, 2016 over the comparable period in 2015 by approximately \$57 million, primarily due to the impact of lower fuel prices and lower fuel spread margins.

North America segment revenue per transaction decreased from \$0.80 in the nine months ended September 30, 2015 to \$0.78 in the nine months ended September 30, 2016, a decrease of \$0.02, or 2.6%. When discussing revenue per transaction in the North America segment, we typically exclude the impact of the SVS business, which had approximately 924 million and 872 million transactions in the nine months ended September 30, 2016 and 2015, respectively, at a very low revenue per transaction. Revenue per transaction in our North America segment for the nine months ended September 30, 2016, excluding SVS, decreased 4% to \$2.77 from \$2.89 compared to 2015, due primarily to the impact of lower fuel prices during the period and lower fuel spread margins over the comparable period in 2015. Excluding the negative impact of the macroeconomic environment of approximately \$57 million and SVS, revenue per transaction increased approximately 3% to \$2.97 in the nine months ended September 30, 2016 compared to \$2.89 in 2015.

International segment revenues and revenue per transaction

International segment revenues increased from \$353.9 million in the nine months ended September 30, 2015 to \$366.1 million in the nine months ended September 30, 2016, an increase of \$12.1 million, or 3.4%. The increase in our International segment revenue was primarily due to:

• The impact of acquisitions during the nine months ended September 30, 2016, which contributed approximately \$25 million in additional revenue.

• Organic growth in certain of our payment programs driven by increases in both volume and revenue.

Partially offsetting this growth was the negative impact of the macroeconomic environment. 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, 2016 over the comparable period in 2015, of approximately \$33 million, primarily due to unfavorable fluctuations in foreign exchange rates in most geographies where we do business and slightly lower fuel prices.

International segment revenue per transaction decreased from \$2.56 in the nine months ended September 30, 2015 to \$1.57 in the nine months ended September 30, 2016, a decrease of \$1.00 per transaction, or 38.8%. This decrease was due primarily to the unfavorable impact of foreign exchange rates across most geographies and the mix impact of acquisitions (STP, Travelcard and a small acquisition in Brazil), which have transactions at much lower revenue per transaction than the historical average, partially offset by organic growth. Excluding these items, our International revenue per transaction increased approximately 5% to \$2.69 in the nine months ended September 30, 2016 compared to \$2.56 in 2015.

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Consolidated operating expenses

Merchant commissions. Merchant commissions decreased from \$80.8 million in the nine months ended September 30, 2015 to \$78.8 million in the nine months ended September 30, 2016, a decrease of \$2.0 million, or 2.5%. This decrease was primarily to the fluctuation of the margin between the wholesale cost and retail price of fuel, which impacted merchant commissions in certain card programs, as well as the impact of fluctuations in foreign exchange rates.

Processing. Processing expenses increased from \$246.9 million in the nine months ended September 30, 2015 to \$256.7 million in the nine months ended September 30, 2016, an increase of \$9.9 million, or 4.0%. Increases in processing expenses were primarily due to ongoing expenses related to acquisitions completed in 2016, partially offset by the impact of fluctuations in foreign exchange rates.

Selling. Selling expenses increased from \$81.0 million in the nine months ended September 30, 2015 to \$92.7 million in the nine months ended September 30, 2016, an increase of \$11.7 million, or 14.4%. Increases in spending primarily due to ongoing expenses related to acquisitions completed in 2016 and Comdata, were partially offset by the impact of fluctuations in foreign exchange rates.

General and administrative. General and administrative expenses increased from \$199.3 million in the nine months ended September 30, 2015 to \$209.1 million in the nine months ended September 30, 2016, an increase of \$9.8 million, or 4.9%. The increase was primarily due to increased stock based compensation of approximately \$5 million over the comparable period in 2015, ongoing expenses related to acquisitions completed in 2016 and incremental acquisition related expenses of approximately \$3 million, partially offset by the impact of fluctuations in foreign exchange rates.

Depreciation and amortization. Depreciation and amortization decreased from \$145.4 million in the nine months ended September 30, 2015 to \$141.8 million in the nine months ended September 30, 2016, a decrease of \$3.6 million, or 2.5%. The decrease was primarily due to movements in and adjustments from changes in foreign exchange rates of approximately \$2.9 million, partially offset by ongoing expenses related to acquisitions completed in 2016.

Equity method investment (income) loss. Equity method investment income was \$2.2 million in the nine months ended September 30, 2016 as compared to a loss of \$13.9 million in the nine months ended September 30, 2015. Included in 2016, was a non-recurring net recovery of purchase price of approximately \$11 million and included in 2015, were higher costs incurred to restructure the operations of the business.

Interest expense, net. Interest expense decreased from \$54.8 million in the nine months ended September 30, 2015 to \$49.9 million in the nine months ended September 30, 2016, a decrease of \$4.9 million, or 9.0%. The decrease in interest expense is primarily due to the impact of delevering from the first quarter of 2015 through the third quarter of 2016 and overall lower interest rates, partially offset by the impact of additional borrowings for acquisitions in 2016. The following table sets forth the average interest rates paid on borrowings under our Credit Facility, excluding the relevant unused credit facility fees.

	Nine Months Ended September 30, 2016 2015	
Term loan A	1.96%	1.99%
Term loan B	3.75%	3.75%
Domestic Revolver A	2.00%	1.99%
Foreign Revolver A	1.77%	2.36%
Foreign swing line	1.73%	2.29%

The average unused credit facility fee for Domestic Revolver A was 0.30% and 0.36% in the nine month period ending September 30, 2016 and 2015, respectively.

Provision for income taxes. The provision for income taxes decreased from \$140.7 million in the nine months ended September 30, 2015 to \$132.5 million in the nine months ended September 30, 2016, a decrease of \$8.2 million, or 5.8%. We provide for income taxes during interim periods based on an estimate of our effective tax rate for the year. Discrete items and changes in the estimate of the annual tax rate are recorded in the period they occur. Our effective tax rate decreased from 31.2% for nine months ended September 30, 2015 to 27.1% for the nine months ended September 30, 2016. The decrease in the provision for income taxes and the effective tax rate was due to a one-time net gain recorded by our equity method investment, which favorably impacted pre-tax earnings but was not subject to U.S. income taxes, and the impact of the early adoption of the new guidance on accounting for stock-based payments to employees.

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

Net income. For the reasons discussed above, our net income increased from \$309.6 million in the nine months ended September 30, 2015 to \$357.0 million in the nine months ended September 30, 2016, an increase of \$47.4 million, or 15.3%.

Operating income and operating margin

Consolidated operating income. Operating income increased from \$521.4 million in the nine months ended September 30, 2015 to \$538.2 million in the nine months ended September 30, 2016, an increase of \$16.8 million, or 3.2%. Our operating margin was 41.0% and 40.9% for the nine months ended September 30, 2015 and 2016, respectively. The increase in operating income was primarily due to organic growth in the business and the impact of acquisitions completed in 2016, partially offset by the negative impact of the macroeconomic environment of approximately \$68 million, driven by lower fuel prices and spreads, as well as unfavorable fluctuations in foreign exchange rates.

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 increased from \$351.8 million in the nine months ended September 30, 2015 to \$367.2 million in the nine months ended September 30, 2016, an increase of \$15.4 million, or 4.4%. North America operating margin was 38.3% and 38.6% for the nine months ended September 30, 2015 and 2016, respectively. The increase in operating income was due primarily to organic growth in the business, partially offset by the negative impact of the macroeconomic environment of approximately \$51 million, driven by lower fuel prices and spreads.

International segment operating income. International operating income increased from \$169.6 million in the nine months ended September 30, 2015 to \$171.0 million in the nine months ended September 30, 2016, an increase of \$1.4 million, or 0.8%. International operating margin was 47.9% and 46.7% for the nine months ended September 30, 2015 and 2016, respectively. The increase in operating income was due to the impact of acquisitions completed in 2016 and organic growth in the business, partially offset by the negative impact of the macroeconomic environment of approximately \$18 million, driven by unfavorable fluctuations in foreign exchange rates.

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 needs, tax and capital expenditure needs.

Sources of liquidity

At September 30, 2016, our cash balances totaled \$604.8 million, with approximately \$199.3 million restricted. Restricted cash represents customer deposits in the Czech Republic and in our Comdata business in the U.S., which we are restricted from using other than to repay customer deposits.

At September 30, 2016, cash and cash equivalents held in foreign subsidiaries where we have determined we are permanently reinvested is \$250.2 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 in a taxable transaction to fund our U.S. operations. However, if at a future date or time these funds are needed for our operations in the U.S. or we otherwise believe it is in our best interests to repatriate all or a portion of such funds, we may be required to accrue

and pay U.S. taxes to repatriate these funds. No assurances can be provided as to the amount or timing thereof, the tax consequences related thereto or the ultimate impact any such action may have on our results of operations or financial condition.

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 charge card products and generally pay merchants within seven days of receiving the merchant billing. 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,

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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, 2016, we had the ability to generate approximately \$75 million of additional liquidity under our Securitization Facility. At September 30, 2016, we had approximately \$438 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 requirements and acquisitions, and we may elect to raise additional funds for these purposes in the future, either through the issuance of debt or equity securities. We may not be able to obtain additional financing on terms favorable to us, if at all.

Cash flows

The following table summarizes our cash flows for the nine months ended September 30, 2016 and 2015.

(in millions)	Nine Months Ended September 30,	
	2016	2015
Net cash provided by operating activities	\$404.3	\$524.5
Net cash used in investing activities	(1,371.5)	(46.5)
Net cash provided by (used in) financing activities	976.4	(502.3)

Operating activities. Net cash provided by operating activities decreased from \$524.5 million in the nine months ended September 30, 2015 to \$404.3 million in the nine months ended September 30, 2016. The decrease is primarily due to changes in working capital. Fluctuations in receivables and payables, which affect working capital the most significantly, are largely due to timing of month end transactions and volume. The decrease was partially offset by additional net income of \$47.4 million during the nine months ended September 30, 2016 over the comparable period in 2015 and a one-time nonrecurring net gain of approximately \$11 million recorded by our equity method investment.

Investing activities. Net cash used in investing activities increased from \$46.5 million in the nine months ended September 30, 2015 to \$1,371.5 million in the nine months ended September 30, 2016. This increase is primarily due to the increase in cash paid for acquisitions completed in 2016.

Financing activities. Net cash used in financing activities was \$502.3 million in the nine months ended September 30, 2015 compared to net cash provided by financing activities of \$976.4 million in the nine months ended September 30, 2016. The increase in cash provided by financing activities is primarily due to an increase in net borrowings on our revolving A credit facility and our term loans of \$852 million and \$593 million, respectively, to fund acquisitions during the nine months ended September 30, 2016.

Capital spending summary

Our capital expenditures increased from \$29.5 million in the nine months ended September 30, 2015 to \$41.9 million in the nine months ended September 30, 2016, an increase of \$12.4 million, or 41.8%. This increase is primarily due to increased spending on strategic projects, including continued investment in our GFN application.

Credit Facility

We are party to a \$3.96 billion Credit Agreement (the "Credit Facility") with a syndicate of banks, which we originally entered into on October 24, 2014. The Credit Facility provides for (a) a revolving A credit facility in the amount of \$1.0 billion, with sublimits for letters of credit, swing line loans and multicurrency borrowings, (b) a revolving B facility in the amount of \$35 million for loans in Australian Dollars or New Zealand Dollars, (c) a term loan A facility in the amount of \$2.02 billion and (d) a term loan B facility in the amount \$300 million. On August 22, 2016, we entered into the first Amendment to the existing Credit Agreement. The Amendment established an incremental term A loan in the amount of \$600 million under the Credit Agreement accordion feature. The proceeds from the additional \$600 million in term A loans were used to partially finance the STP acquisition. The Amendment also established an

accordion feature for borrowing an additional \$500 million in term A, term B or revolver A debt. 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 our ability to pay dividends and make other restricted payments under certain circumstances and compliance with certain financial ratios. As of September 30, 2016, we were in compliance with each of the covenants under the Credit Facility.

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The stated maturity dates for our term A loans, revolving loans, and letters of credit under the New Credit Agreement is November 14, 2019 and November 14, 2021 for our term loan B. 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. At September 30, 2016, we had \$2,435.8 million in borrowings outstanding on term loan A, \$245.6 million in borrowings outstanding on term loan B, \$430.0 million in borrowings outstanding on the domestic revolving A facility, \$162.1 million in borrowings outstanding on the foreign revolving A facility and \$5.2 million in borrowings outstanding on the swing line revolving A facility. Unamortized debt discounts are \$7.8 million at September 30, 2016. During the nine months ended September 30, 2016, we made principal payments of \$83.3 million on the term loan A, \$1.9 million on the term loan B, \$645.0 million on the domestic revolving A facility and \$188.1 million on the foreign revolving A facility.

Securitization Facility

We are a party to a receivables purchase agreement among FleetCor Funding LLC, as seller, PNC Bank, National Association as administrator, and various purchaser agents, conduit purchasers and related committed purchasers parties thereto, which was amended and restated as of December 1, 2015. We refer to this arrangement as the Securitization Facility. The current purchase limit under the Securitization Facility is \$950 million. There is a program fee equal to one month LIBOR and the Commercial Paper Rate of 0.66% plus 0.90% and 0.43% plus 0.90% as of September 30, 2016 and December 31, 2015, respectively. The unused facility fee is payable at a rate of 0.40% per annum as of September 30, 2016 and December 31, 2015, respectively.

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, 2016.

Other Liabilities

In connection with our acquisition of certain businesses, we owe final payments of \$3.9 million, which are payable in the next twelve months.

Stock Repurchase Program

On February 4, 2016, our Board of Directors approved a stock repurchase program under which we may begin purchasing up to an aggregate of \$500 million of the Company's common stock over the next 18 months. Any stock repurchases may be made at times and in such amounts as we deem 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 we may possess. Any repurchases are expected to be funded by available cash flow from the business and working capital. There were 259,145 shares totaling \$35.5 million repurchased under the Program during the nine months ended September 30, 2016.

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, 2016, 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, 2015. 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

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included in our Annual Report on Form 10-K for the year ended December 31, 2015 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.

Adjusted revenues

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

We use adjusted revenues as a basis to evaluate our revenues, net of the commissions that are paid to merchants to participate in our card programs. The commissions paid to merchants can vary when market spreads fluctuate in much the same way as revenues are impacted when market spreads fluctuate. We believe that adjusted revenue is an appropriate supplemental measure of financial performance and may be useful to investors to understanding our revenue performance on a consistent basis. Adjusted revenues are not intended to be a substitute for GAAP financial measures and should not be used as such.

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

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2016	2015	2016	2015
Revenues, net	\$484,426	\$451,493	\$1,316,593	\$1,272,264
Merchant commissions	(28,214)	(31,726)	(78,755)	(80,777)
Total adjusted revenues	\$456,212	\$419,767	\$1,237,838	\$1,191,487

Adjusted net income and adjusted net income per diluted share

We have defined the non-GAAP measure adjusted net income as net income as reflected in our statement of income, adjusted to eliminate (a) non-cash stock-based compensation expense related to stock-based compensation awards, (b) amortization of deferred financing costs, discounts and intangible assets, (c) amortization of the premium recognized on the purchase of receivables, (d) our proportionate share of amortization of intangible assets at our equity method investment, and (e) a non-recurring net gain at our equity method investment.

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 adjusted net income. We believe that adjusted net income and adjusted net income per diluted share are appropriate supplemental measures of financial performance and may be useful to investors to understanding our operating performance on a consistent basis. Adjusted net income and adjusted net income per diluted share are not intended to be a substitute for GAAP financial measures and should not be used as such.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016 ²	2015	2016 ²	2015
Net income	\$129,618	\$116,770	\$356,961	\$309,601
Net income per diluted share	1.36	1.24	3.75	3.29
Stock based compensation	17,405	13,887	50,025	44,387
Amortization of intangible assets	46,341	39,869	112,455	120,055
Amortization of premium on receivables	1,348	812	3,687	2,439
Amortization of deferred financing costs and discounts	1,917	1,778	5,568	5,295
Amortization of intangibles at equity method investment	2,406	3,032	7,533	8,404
Non-recurring net gain at equity method investment	—	—	(10,845)	—
Total pre-tax adjustments	69,417	59,378	168,423	180,580
Income tax impact of pre-tax adjustments at the effective tax rate*	(15,726)	(18,579) ¹	(46,705)	(57,758) ¹
Adjusted net income	\$183,310	\$157,570	\$478,679	\$432,424
Adjusted net income per diluted share	\$1.92	\$1.67	\$5.03	\$4.60
Diluted shares	95,307	94,157	95,204	94,069

¹Effective tax rate utilized excludes the impact of a one time tax benefit recognized during the three months ended September 30, 2015 of approximately \$7.9 million.

²Reflects the impact of the Company's adoption of Accounting Standards Update 2016-09, "Compensation-Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting", to simplify several aspects of the accounting for the stock-based compensation, including the income tax consequences.

*Excludes the results of our equity method investment on our effective tax rate, as results from our equity method investment are reported within the Consolidated Income Statements on a post-tax basis and no tax-over-book outside basis differences related to our equity method investment reversed during 2016.

Special Cautionary Notice Regarding Forward-Looking Statements

This report contains forward-looking statements within the meaning of the federal securities laws. Statements that are not historical facts, including statements about our beliefs, expectations and future performance, are forward-looking statements. Forward-looking statements can be identified by the use of words such as "anticipate," "intend," "believe," "estimate," "plan," "seek," "project" or "expect," "may," "will," "would," "could" or "should," the negative of these terms or 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 recent referendum to leave the European Union; the impact of foreign exchange rates on operations, revenue and income; the effects of general economic conditions on fueling patterns and the commercial activity of fleets, as well as the other risks and uncertainties identified under the caption "Risk Factors" in our Annual Report on Form 10-K for the year ended

December 31, 2015. 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

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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, 2016, 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, 2015.

Item 4. Controls and Procedures

As of September 30, 2016, management carried out, under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934). Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of September 30, 2016, our disclosure controls and procedures were effective in ensuring that information required to be disclosed by us in the reports that we file or submit under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in applicable rules and forms and are designed to ensure that information required to be disclosed in those reports is accumulated and communicated to management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

There were no changes in our internal control over financial reporting during the quarter ended September 30, 2016, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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PART II—OTHER INFORMATION

Item 1. Legal Proceedings

As of the date of this filing, we are not currently party to any legal proceedings or governmental inquiries or investigations that we consider to be material and we were not involved in any material legal proceedings that terminated during the third quarter. We are and may become, however, subject to lawsuits from time to time in the ordinary course of our business.

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, 2015, which could materially affect our business, financial condition or future results.

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

On February 4, 2016, our Board of Directors approved a stock repurchase program (the "Program") under which we may begin purchasing up to an aggregate of \$500 million of the Company's common stock over the next 18 months. The following table presents information with respect to purchases of common stock of the Company made during the three months ended September 30, 2016 by the Company as defined in Rule 10b-18(a)(3) under the Exchange Act:

Period	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of the Publicly Announced Plan	Maximum Value that May Yet be Purchased Under the Publicly Announced Plan (in thousands)
July 1, 2016 through July 31, 2016	67,854	\$ 139.31	259,145	\$ 464,514

Item 3. Defaults Upon Senior Securities

Not applicable.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

Not applicable.

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Item 6. Exhibits

Exhibit

Exhibit No.	
2.1	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)
3.1	Amended and Restated Certificate of Incorporation of FleetCor Technologies, Inc. (incorporated by reference to Exhibit 3.1 to the Registrant's Annual Report on Form 10-K, File No. 001-35004, filed with the SEC on March 25, 2011)
3.2	Amended and Restated Bylaws of FleetCor Technologies, Inc. (incorporated by reference to Exhibit 3.2 to the Registrant's Annual Report on Form 10-K, File No. 001-35004, filed with the SEC on March 25, 2011)
4.1	Form of Stock Certificate for Common Stock (incorporated by reference to Exhibit 4.1 to Amendment No. 3 to the Registrant's Registration Statement on Form S-1, File No. 333-166092, filed with the SEC on June 29, 2010)
10.1	First Amendment to Credit Agreement and Lender Joinder Agreement, dated as of August 22, 2016, by and among FleetCor Funding LLC, FleetCor Technologies Operating Company, LLC and PNC Bank, National Association, as administrator for a group of purchasers and purchaser agents, and certain other parties
31.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) and rule 15d-14(a) of the Securities Exchange Act, as amended
31.2	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) and rule 15d-14(a) of the Securities Exchange Act, as amended
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2001
32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2001
101	The following financial information for the Registrant formatted in XBRL (Extensible Business Reporting Language): (i) the Consolidated Balance Sheets, (ii) the Unaudited Consolidated Statements of Income, (iii) the Unaudited Consolidated Statements of Comprehensive Income; (iv) the Unaudited Consolidated Statements of Cash Flows and (v) the Notes to Unaudited Consolidated Financial Statements

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned; thereunto duly authorized, in their capacities indicated on November 9, 2016.

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)