

FLEETCOR TECHNOLOGIES INC

Form 10-Q

May 10, 2012

[Table of Contents](#)

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 10-Q**

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

March 31, 2012 For the quarterly period ended March 31, 2012

OR

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

For the transition period from            to

Commission file number: 001-35004

**FleetCor Technologies, Inc.**

(Exact name of registrant as specified in its charter)

Edgar Filing: FLEETCOR TECHNOLOGIES INC - Form 10-Q

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

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.

<u>Class</u>	<u>Outstanding at April 30, 2012</u>
Common Stock, \$0.001 par value	83,087,791

**Table of Contents**

**FLEETCOR TECHNOLOGIES, INC. AND SUBSIDIARIES**

**FORM 10-Q**

**For the Three Month Period Ended March 31, 2012**

**INDEX**

	<b>Page</b>
<b>PART I- FINANCIAL INFORMATION</b>	
Item 1. <b><u>FINANCIAL STATEMENTS</u></b>	
<u>Consolidated Balance Sheets at March 31, 2012 (unaudited) and December 31, 2011</u>	3
<u>Unaudited Consolidated Statements of Income for the Three Months Ended March 31, 2012 and 2011</u>	4
<u>Unaudited Consolidated Statements of Comprehensive Income for the Three Months Ended March 31, 2012 and 2011</u>	5
<u>Unaudited Statements of Cash Flows for the Three Months Ended March 31, 2012 and 2011</u>	6
<u>Notes to Unaudited Consolidated Financial Statements</u>	7
Item 2. <b><u>MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS</u></b>	17
Item 3. <b><u>QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK</u></b>	28
Item 4. <b><u>CONTROLS AND PROCEDURES</u></b>	28
<b>PART II- OTHER INFORMATION</b>	
Item 1. <b><u>LEGAL PROCEEDINGS</u></b>	29
Item 1A. <b><u>RISK FACTORS</u></b>	29
Item 2. <b><u>UNREGISTERED SALES OF EQUITY SECURITIES</u></b>	29
Item 3. <b><u>DEFAULTS UPON SENIOR SECURITIES</u></b>	29
Item 4. <b><u>MINE SAFETY DISCLOSURES</u></b>	29
Item 5. <b><u>OTHER INFORMATION</u></b>	29
Item 6. <b><u>EXHIBITS</u></b>	30
<b><u>SIGNATURES</u></b>	31

**Table of Contents****PART I FINANCIAL INFORMATION****Item 1. Financial Statements****FleetCor Technologies, Inc. and Subsidiaries****Consolidated Balance Sheets***(In Thousands, Except Share and Par Value Amounts)*

	<b>March 31, 2012 (Unaudited)</b>	<b>December 31, 2011</b>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 287,119	\$ 285,159
Restricted cash	57,209	55,762
Accounts receivable (less allowance for doubtful accounts of \$17,742 and \$15,315, respectively)	599,810	481,791
Securitized accounts receivable restricted for securitization investors	341,000	280,000
Prepaid expenses and other current assets	17,305	15,416
Deferred income taxes	4,337	4,797
<b>Total current assets</b>	<b>1,306,780</b>	<b>1,122,925</b>
Property and equipment	99,479	93,380
Less accumulated depreciation and amortization	(65,252)	(60,656)
Net property and equipment	34,227	32,724
Goodwill	763,487	823,549
Other intangibles, net	373,412	299,460
Other assets	83,010	45,834
<b>Total assets</b>	<b>\$ 2,560,916</b>	<b>\$ 2,324,492</b>
<b>Liabilities and stockholders equity</b>		
Current liabilities:		
Accounts payable	\$ 534,111	\$ 478,882
Accrued expenses	40,237	42,242
Customer deposits	174,975	180,269
Securitization facility	341,000	280,000
Current portion of notes payable and other obligations	179,359	140,354
<b>Total current liabilities</b>	<b>1,269,682</b>	<b>1,121,747</b>
Notes payable and other obligations, less current portion	274,883	278,429
Deferred income taxes	133,310	112,880
<b>Total noncurrent liabilities</b>	<b>408,193</b>	<b>391,309</b>
Commitments and contingencies (Note 11)		
Stockholders equity:		
Common stock, \$0.001 par value; 475,000,000 shares authorized, 114,801,901 shares issued and 82,920,231 shares outstanding at March 31, 2012; and 475,000,000 shares authorized, 113,741,883 shares issued and	114	114

## Edgar Filing: FLEETCOR TECHNOLOGIES INC - Form 10-Q

81,860,213 shares outstanding at December 31, 2011

Additional paid-in capital	486,657	466,203
Retained earnings	576,577	534,498
Accumulated other comprehensive loss	(4,644)	(13,716)
Less treasury stock (31,881,670 shares at March 31, 2012 and 31,881,670 at December 31, 2011)	(175,663)	(175,663)
<b>Total stockholders' equity</b>	<b>883,041</b>	<b>811,436</b>
 Total liabilities and stockholders' equity	 \$ 2,560,916	 \$ 2,324,492

*See accompanying notes to unaudited consolidated financial statements.*

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

	<b>Three months ended March 31,</b>	
	<b>2012</b>	<b>2011</b>
Revenues, net	\$ 146,165	\$ 111,005
Expenses:		
Merchant commissions	10,393	8,277
Processing	25,579	17,932
Selling	10,175	7,787
General and administrative	23,823	17,915
Depreciation and amortization	11,720	8,607
Operating income	64,475	50,487
Other expense (income), net	588	(34)
Interest expense, net	3,563	3,363
Total other expense	4,151	3,329
Income before taxes	60,324	47,158
Provision for taxes	18,245	14,823
Net income	\$ 42,079	\$ 32,335
Earnings per share:		
Basic earnings per share	\$ 0.51	\$ 0.40
Diluted earnings per share	\$ 0.49	\$ 0.39
Weighted average shares outstanding:		
Basic weighted average shares outstanding	82,565	79,937
Diluted weighted average shares outstanding	85,164	83,378

*See accompanying notes to unaudited consolidated financial statements.*

**Table of Contents****FleetCor Technologies, Inc. and Subsidiaries**  
**Consolidated Statements of Comprehensive Income***(In Thousands)*

	<b>Three Months Ended March 31,</b>	
	<b>2012</b>	<b>2011</b>
Net income	\$ 42,079	\$ 32,335
Other comprehensive income:		
Foreign currency translation adjustment gain, net of tax	9,072	3,972
Total other comprehensive income	9,072	3,972
Total comprehensive income	\$ 51,151	\$ 36,307

*See accompanying notes to unaudited consolidated financial statements.*

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

	<b>Three months ended March 31,</b>	
	<b>2012</b>	<b>2011</b>
<b>Operating activities</b>		
Net income	\$ 42,079	\$ 32,335
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation	3,119	2,725
Stock-based compensation	3,834	4,141
Provision for losses on accounts receivable	4,957	3,847
Amortization of deferred financing costs	510	466
Amortization of intangible assets	7,276	4,600
Amortization of premium on receivables	816	816
Deferred income taxes	(17)	(340)
Changes in operating assets and liabilities (net of acquisitions):		
Restricted cash	(1,447)	(3,978)
Accounts receivable	(183,976)	(132,635)
Prepaid expenses and other current assets	(1,889)	(3,035)
Other assets	(37,821)	(1,114)
Excess tax benefits related to stock-based compensation	(8,883)	(787)
Accounts payable, accrued expenses and customer deposits	57,508	84,165
Net cash used in operating activities	(113,934)	(8,794)
<b>Investing activities</b>		
Acquisitions, net of cash acquired	(10)	
Purchases of property and equipment	(3,563)	(2,594)
Net cash used in investing activities	(3,573)	(2,594)
<b>Financing activities</b>		
Excess tax benefits related to stock-based compensation	8,883	787
Borrowings on securitization facility, net	61,000	10,000
Deferred financing costs paid	(681)	(550)
Proceeds from issuance of common stock	7,737	484
Principal payments on notes payable	(3,750)	(1,729)
Borrowings from revolver and swing line of credit, net	38,960	
Net cash provided by financing activities	112,149	8,992
Effect of foreign currency exchange rates on cash	7,318	7,371
Net increase in cash and cash equivalents	1,960	4,975
Cash and cash equivalents, beginning of period	285,159	114,804
Cash and cash equivalents, end of period	\$ 287,119	\$ 119,779
<b>Supplemental cash flow information</b>		
Cash paid for interest	\$ 4,028	\$ 4,182



Cash paid for income taxes	\$	6,004	\$	3,103
----------------------------	----	-------	----	-------

*See accompanying notes to unaudited consolidated financial statements.*

**Table of Contents**

**FleetCor Technologies, Inc. and Subsidiaries**

**Notes to Unaudited Consolidated Financial Statements**

**September 30, 2011**

**1. Summary of Significant Accounting Policies**

**Basis of Presentation**

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

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

**Foreign Currency Translation**

Assets and liabilities of foreign subsidiaries are translated into U.S. dollars at the rates of exchange in effect at period-end. The related translation adjustments are made directly to accumulated other comprehensive income. Income and expenses are translated at the average monthly rates of exchange in effect during the period. Gains and losses from foreign currency transactions of these subsidiaries are included in net income. The Company recognized a foreign exchange loss of \$175,000 for the three months ended March 31, 2012 and a foreign exchange gain of \$37,000 for the three months ended March 31, 2011, which are classified within other income, net in the Unaudited Consolidated Statements of Income.

**Comprehensive Income**

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

**Table of Contents****Adoption of New Accounting Standards***Fair Value Measurement and Disclosure Requirements*

In May 2011, the Financial Accounting Standards Board ( FASB ) issued Accounting Standards Update ( ASU ) 2011-04, Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRS, which amends Accounting Standards Codification ( ASC ) 820, Fair Value Measurement to improve the comparability of fair value measurements presented and disclosed in financial statements prepared in accordance with GAAP and IFRS. The amendments in this update explain how to measure fair value. They do not require additional fair value measurements and are not intended to establish valuation standards or affect valuation practices outside of financial reporting. The amendments were effective for and adopted by the Company on January 1, 2012 and are required to be applied prospectively. Since ASU 2011-04 is a disclosure-only standard, the Company's adoption of this ASU did not affect the Company's results of operations, financial condition, or cash flows.

*Other Comprehensive Income Reclassifications*

In December 2011, the FASB issued ASU 2011-12, Deferral of the Effective Date for Amendments to the Presentation of Reclassifications of Items Out of Accumulated Other Comprehensive Income in Accounting Standards Update No. 2011-05, which supersedes certain pending paragraphs in ASU 2011-05. ASU 2011-12 defers the requirement of ASU 2011-05 requiring entities to present reclassification adjustments by component in both the statement where net income is presented and the statement where other comprehensive income is presented for both interim and annual financial statements. ASU 2011-12 was effective for and adopted by the Company beginning January 1, 2012. The Company's adoption of this ASU did not affect the Company's results of operations, financial condition, or cash flows.

**2. Accounts Receivable**

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

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

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

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

	<b>March 31, 2012</b>	<b>December 31, 2011</b>
Gross domestic accounts receivable	\$ 82,296	\$ 84,087
Gross securitized accounts receivable	341,000	280,000
Gross foreign receivables	535,256	413,019
Total gross receivables	958,552	777,106
Less allowance for doubtful accounts	(17,742)	(15,315)
Net accounts and securitized accounts receivable	\$ 940,810	\$ 761,791

## Edgar Filing: FLEETCOR TECHNOLOGIES INC - Form 10-Q

A rollforward of the Company's allowance for doubtful accounts related to accounts receivable for three months ended March 31 is as follows (in thousands):

	<b>2012</b>	<b>2011</b>
Allowance for doubtful accounts beginning of period	\$ 15,315	\$ 14,256
Add:		
Provision for bad debts	4,957	3,847
Less:		
Write-offs	(2,530)	(2,916)
Allowance for doubtful accounts end of period	\$ 17,742	\$ 15,187

## **Table of Contents**

All foreign receivables are Company owned receivables and are not included in the Company's accounts receivable securitization program. At March 31, 2012 and December 31, 2011, there was \$341 million and \$280 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 is determined based on assumptions that market participants would use in pricing an asset or liability. The authoritative guidance discusses valuation techniques, such as the market approach (comparable market prices), the income approach (present value of future income or cash flow), and the cost approach (cost to replace the service capacity of an asset or replacement cost). These valuation techniques are based upon observable and unobservable inputs. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the Company's market assumptions.

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

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

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

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

There were no financial assets and liabilities measured at fair value on a recurring basis as of March 31, 2012 or December 31, 2011.

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

### **4. Share Based Compensation**

The Company has Stock Incentive Plans (the Plans) pursuant to which the Company's board of directors may grant stock options or restricted stock to employees. The Company is authorized to issue grants of restricted stock and stock options to purchase up to 26,963,150 shares as of March 31, 2012 and December 31, 2011. There were 2,099,349 additional shares remaining available for grant under the Plans at March 31, 2012.

**Table of Contents**

The table below summarizes the expense recognized related to share-based payments recognized for the three month periods ended March 31 (in thousands):

	<b>Three Months Ended March 31,</b>	
	<b>2012</b>	<b>2011</b>
Stock options	\$ 2,277	\$ 2,460
Restricted stock	1,557	1,681
<b>Stock-based compensation</b>	<b>\$ 3,834</b>	<b>\$ 4,141</b>

The tax benefits recorded on stock based compensation were \$1.2 million and \$0.7 million for the three month periods ended March 31, 2012 and 2011, respectively.

The following table summarizes the Company's total unrecognized compensation cost related to stock-based compensation as of March 31, 2012 (in thousands):

	<b>Unrecognized Compensation Cost</b>	<b>Weighted Average Period of Expense Recognition (in Years)</b>
Stock options	\$ 23,368	2.18
Restricted stock	11,503	1.60
<b>Total</b>	<b>\$ 34,871</b>	

**Stock Options**

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

The following summarizes the changes in the number of shares of common stock under option for the three month period ended March 31, 2012 (shares and aggregate intrinsic value in thousands):

	<b>Shares</b>	<b>Weighted Average Exercise Price</b>	<b>Options Exercisable at End of Period</b>	<b>Weighted Average Exercise Price of Exercisable Options</b>	<b>Weighted Average Fair Value of Options Granted During the Period</b>	<b>Aggregate Intrinsic Value</b>
Outstanding at December 31, 2011	8,341	\$ 15.51	4,394	\$ 10.13		\$ 119,802
Exercised	(1,019)	7.77				31,607
Forfeited	(30)	10.00				
Outstanding at March 31, 2012	7,292	\$ 16.61	3,716	\$ 11.09		\$ 161,530

## Edgar Filing: FLEETCOR TECHNOLOGIES INC - Form 10-Q

Expected to vest as of March 31, 2012	7,292	\$ 16.61
---------------------------------------	-------	----------

The aggregate intrinsic value of stock options exercised during the three months ended March 31, 2012 was \$31.6 million.

The fair value of stock option awards granted was estimated using the Black-Scholes option pricing model during the three months ended March 31, 2011, with the following weighted-average assumptions for grants during the period.

Risk-free interest rate	1.76%
Dividend yield	
Expected volatility	39.27%
Expected life (in years)	4.0

There were no stock option awards granted in the three months ended March 31, 2012.

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

**Table of Contents**

The risk-free interest rate is based on the yield of a zero coupon U.S. Treasury security with a maturity equal to the expected life of the option from the date of the grant. The Company estimates the volatility of the share price of the Company's common stock by considering the historical volatility of the stock of similar public entities. In determining the appropriateness of the public entities included in the volatility assumption the Company considered a number of factors, including the entity's life cycle stage, size, financial leverage, and products offered.

The weighted-average remaining contractual life for options outstanding was 7.08 and 7.00 years at March 31, 2012 and December 31, 2011, respectively.

**Restricted Stock**

Awards of restricted stock and restricted stock units are independent of stock option grants and are generally subject to forfeiture if employment terminates prior to vesting. Prior to the Company's initial public offering, the vesting of the shares granted in 2010 were contingent on the sale of the Company or a public offering of the Company's common stock, subject to certain other conditions. The vesting of the shares granted in 2012 and 2011 are generally based on the passage of time, performance or market conditions. Shares vesting based on the passage of time have vesting provisions ranging from one to six years.

There were no restricted stock shares granted based on market conditions during the three months ended March 31, 2012. The fair value of restricted stock shares granted based on market conditions during the three months ended March 31, 2011 was estimated using the Monte Carlo option pricing model at the grant date, with the following assumptions.

	<b>Three Months Ended March 31, 2011</b>
Risk-free interest rate	1.25%
Dividend yield	
Expected volatility	37.00%
Expected life (in years)	0.63

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

The following table summarizes the changes in the number of shares of restricted stock and restricted stock units for the three months ended March 31, 2012 (shares in thousands):

	<b>Shares</b>	<b>Weighted Average Grant Date Fair Value</b>
Unvested at December 31, 2011	840	\$ 23.15
Granted	41	34.35
Vested	(22)	29.59
Cancelled		
Unvested at March 31, 2012	859	\$ 23.52

**5. Acquisition****2011 Acquisitions**

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

Allstar Business Solutions Limited



## Edgar Filing: FLEETCOR TECHNOLOGIES INC - Form 10-Q

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

The following unaudited pro forma statements of income for the years ended December 31, 2011 and 2010 have been prepared to give effect to the Allstar acquisition described above assuming that it occurred on January 1 of each fiscal year presented. The pro forma statements of income are presented for illustrative purposes only and are not necessarily indicative of the results of operations that

**Table of Contents**

would have been obtained had this transaction actually occurred at the beginning of the periods presented, nor do they intend to be a projection of future results of operations. The pro forma statements of income have been prepared from the Company's and Allstar's historical audited consolidated statements of income for the years ended December 31, 2011 and 2010.

The pro forma information is based on estimates and assumptions that have been made solely for purposes of developing such pro forma information, including without limitation, purchase accounting adjustments. The pro forma financial information presented below also includes depreciation and amortization based on the valuation of Allstar's tangible and intangible assets resulting from the acquisition. The pro forma financial information does not include any synergies or operating cost reductions that may be achieved from the combined operations.

	<b>Pro forma statements of income for the year ended December 31 (unaudited) (in thousands except per share data)</b>	
	<b>2011</b>	<b>2010</b>
<b>Income statement data:</b>		
Revenues, net	\$ 595,864	\$ 505,287
Income before income taxes	223,251	162,153
Net income	156,430	115,496
<b>Earnings per share:</b>		
Basic	\$ 1.94	\$ 3.22
Diluted	1.87	1.43
<b>Weighted average shares outstanding:</b>		
Basic	80,610	35,434
Diluted	83,654	80,751

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

Trade and other receivables	\$ 253,628
Prepaid expenses and other	139
Property and equipment	601
Goodwill	112,562
Other intangible assets	162,500
Notes and other liabilities assumed	(177,004)
Deferred tax liabilities	(40,596)
 Purchase price	 \$ 311,830

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

	<b>Weighted Average Useful Lives (in Years)</b>	<b>Value</b>
Customer relationships	10 20	\$ 135,400
Trade names and trademarks indefinite	N/A	18,900
Merchant network	10	8,200
		\$ 162,500

## Edgar Filing: FLEETCOR TECHNOLOGIES INC - Form 10-Q

During the three months ended March 31, 2012, we completed a preliminary valuation of the goodwill and intangible assets of Allstar, indicating additional intangible assets and deferred tax liabilities should be recorded as of the acquisition date. The allocation of purchase price is preliminary for the Allstar acquisition as we have not yet finalized the valuation of goodwill, intangible assets and the determination of certain working capital adjustments. Goodwill recognized is comprised primarily of expected synergies from combining the operations of the Company and Allstar. The goodwill acquired with this business is not deductible for tax purposes.

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

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

Segment	December 31, 2011	Purchase Accounting Adjustments	Foreign Currency	March 31, 2012
North America	\$ 276,714	\$	\$	\$ 276,714
International	546,835	(60,335)	273	486,773
	\$ 823,549	(60,335)	\$ 273	\$ 763,487

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

	Useful Lives (Years)	Gross Carrying Amounts	March 31, 2012		December 31, 2011		Net Carrying Amount
			Accumulated Amortization	Net Carrying Amount	Gross Carrying Amounts	Accumulated Amortization	
Customer and vendor agreements	5 to 20	\$ 399,167	\$ (67,998)	\$ 331,169	\$ 336,839	\$ (61,110)	\$ 275,729
Trade names and trademarks indefinite lived	N/A	37,526		37,526	18,626		18,626
Trade names and trademarks other	3 to 15	3,160	(1,255)	1,905	3,160	(1,200)	1,960
Software	3 to 10	5,530	(3,620)	1,910	5,530	(3,383)	2,147
Non-compete agreements	2 to 5	2,471	(1,569)	902	2,471	(1,473)	998
Total other intangibles		\$ 447,854	\$ (74,442)	373,412	\$ 366,626	\$ (67,166)	\$ 299,460

Purchase accounting adjustments recorded during the three months ended March 31, 2012 relate to the reallocation of purchase price between goodwill, intangible assets and deferred tax liabilities. Amortization expense related to intangible assets for the three month periods ended March 31, 2012 and 2011 was \$7.3 million and \$4.6 million, respectively.

**7. Debt**

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

	March 31, 2012	December 31, 2011
Term note payable domestic(a)	\$ 288,750	\$ 292,500
Revolving line of credit domestic(a)	100,000	125,000
Swing line of credit foreign (a)	63,960	
Other debt	1,532	1,283
Total notes payable and other obligations	454,242	418,783
Securitization Facility(b)	341,000	280,000
Total notes payable, credit agreements and Securitization Facility	\$ 795,242	\$ 698,783
Current portion	\$ 520,359	\$ 420,354

## Edgar Filing: FLEETCOR TECHNOLOGIES INC - Form 10-Q

Long-term portion	274,883	278,429
Total notes payable, credit agreements and Securitization Facility	\$ 795,242	\$ 698,783

- (a) The Company entered into a \$300 million term loan and a \$600 million revolving line of credit on June 22, 2011. The revolving line of credit contains a \$20 million sublimit for letters of credit, a \$20 million sublimit for swing line loans and a sublimit for multicurrency borrowings in Euros, Sterling and Japanese Yen. Proceeds from this new credit facility were used to retire the Company's indebtedness under its 2005 Credit Facility and CCS Credit Facility, as described below. On March 13, 2012, the Company entered into the first amendment to the Credit Agreement. This Amendment added two United Kingdom entities as designated borrowers and added a \$110 million foreign currency swing line sub facility under the existing revolver, which will allow for alternate currency borrowing on the swing line. At March 31, 2012, the Company had \$289 million borrowings outstanding on the term loan, \$100 million outstanding on the revolving line of credit and \$64 million (£40 million GBP) outstanding on the foreign currency swing line, respectively. Interest on the line of credit ranges from the sum of the Base Rate plus 0.25% to 1.25% or the Eurodollar Rate plus 1.25% to 2.25%. The term note is payable in quarterly installments and is due

**Table of Contents**

on the last business day of each March, June, September, and December with the final principal payment due in June 2016. Borrowings on the revolving line of credit are repayable at our option of one, two, three or six months after borrowing, depending on the term of the borrowing on the facility. Borrowings on the foreign swing line of credit are due no later than ten business days after such loan is made. This facility is referred to as the Credit Facility. Principal payments of \$3.8 million were made on the term loan during the three months ended March 31, 2012.

- (b) The Company is party to a receivables purchase agreement (Securitization Facility) that was amended and restated for the fourth time as of October 29, 2007 and which has been amended seven times since then to add or remove purchasers, extend the facility termination date and remove all financial covenants. The current purchase limit under the Securitization Facility is \$500 million. The Securitization Facility was amended for the seventh time on February 6, 2012 to add a new purchaser and extend the facility termination date to February 4, 2013. There is a program fee equal to the Commercial Paper Rate of 0.26%, plus 0.75% as of March 31, 2012. The unused facility fee is payable at a rate of 0.35% per annum as of March 31, 2012. The Securitization Facility provides for certain termination events, which includes nonpayment, upon the occurrence of which the administrator may declare the facility termination date to have occurred, may exercise certain enforcement rights with respect to the receivables, and may appoint a successor servicer, among other things. The Company was in compliance with all financial and non-financial covenants at March 31, 2012.

The Company has deferred debt issuance costs associated with its new Credit Facility of \$6.3 million as of March 31, 2012, which is classified in Other Assets within the Company's unaudited Consolidated Balance Sheet.

**8. Income Taxes**

The provision for income taxes differs from amounts computed by applying the U.S. federal tax rate of 35% to income before income taxes for the three months ended March 31, 2012 and 2011 due to the following (in thousands):

	2012		2011	
Income tax expense at federal statutory rate	\$ 21,112	35.0%	\$ 16,505	35.0%
Changes resulting from:				
Foreign income tax differential	(2,716)	(4.5)	(1,905)	(4.0)
State taxes, net of federal benefit	792	1.3	788	1.7
Foreign-sourced nontaxable income	(1,894)	(3.1)	(764)	(1.6)
Other	951	1.5	199	0.3
Provision for income taxes and rate	\$ 18,245	30.2%	\$ 14,823	31.4%

At March 31, 2012 and December 31, 2011, notes payable and other obligations noncurrent, included liabilities for unrecognized income tax benefits of \$5.4 million and \$5.0 million, respectively. During the three months ended March 31, 2012 and 2011 the Company recognized additional liabilities of \$0.4 million and \$0.1 million, respectively. During the three months ended March 31, 2012 and 2011, amounts recorded for accrued interest and penalties expense related to the unrecognized income tax benefits were not significant.

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

**9. Earnings Per Share**

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

**Table of Contents**

The calculation and reconciliation of basic and diluted earnings per share for the three months ended March 31 (in thousands, except per share data):

	<b>Three Months Ended March 31,</b>	
	<b>2012</b>	<b>2011</b>
Net income	\$ 42,079	\$ 32,335
Denominator for basic and diluted earnings per share:		
Weighted-average shares outstanding	81,702	78,575
Share-based payment awards classified as participating securities	863	1,362
Denominator for basic earnings per share	82,565	79,937
Dilutive securities	2,599	3,441
Denominator for diluted earnings per share	85,164	83,378
Basic earnings per share	\$ 0.51	\$ 0.40
Diluted earnings per share	\$ 0.49	\$ 0.39

Diluted earnings per share excludes the effect of 0.1 million shares of common stock for the three months ended March 31, 2011, respectively, that may be issued upon the exercise of employee stock options because such effect would be antidilutive. There were no antidilutive shares for the three months ended March 31, 2012.

**10. Segments**

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

The results from the Company's Mexican prepaid fuel card and food voucher business acquired during the third quarter of 2011 and the Allstar business acquired during the fourth quarter of 2011 are reported in our International segment.

The Company's segment results are as follows as of and for the three month periods ended March 31 (in thousands):

	<b>Three months ended March 31,</b>	
	<b>2012</b>	<b>2011</b>
Revenues, net:		
North America	\$ 82,812	\$ 71,585
International	63,353	39,420
	\$ 146,165	\$ 111,005
Operating income:		
North America	\$ 38,113	\$ 31,192
International	26,362	19,295
	\$ 64,475	\$ 50,487
Depreciation and amortization:		

Edgar Filing: FLEETCOR TECHNOLOGIES INC - Form 10-Q

North America	\$ 4,994	\$ 4,942
International	6,726	3,665
	\$ 11,720	\$ 8,607
Capital expenditures:		
North America	\$ 2,095	\$ 1,485
International	1,468	1,109
	\$ 3,563	\$ 2,594



**Table of Contents**

**11. Commitments and Contingencies**

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

The Company notified the Office of Fair Trading in the United Kingdom about its recent acquisition of Allstar Business Solutions Limited, in which it provided an analysis that the acquisition does not result in a substantial lessening of competition on any affected market. The Company subsequently responded to questions posed by the Office of Fair Trading in the course of its review and participated in an issues meeting with the Office of Fair Trading. The Company anticipates that the Office of Fair Trading will determine whether or not to make a referral to the Competition Commission for further consideration by May 12, 2012. If the Competition Commission were to conclude that the acquisition results in a substantial lessening of competition, it could require remedial action, which could negatively affect the Company's financial results.

**12. Subsequent Event**

On April 30, 2012, the Company entered into an Arrangement Agreement (the "Agreement") for the purchase (the "Acquisition") of all of the issued and outstanding share capital of CTF Technologies, Inc. ("CTF") for a total payment of \$180 million. The close of the Acquisition is subject to CTF shareholder and Canadian court approvals of the plan of arrangement. The Company anticipates that the consideration for the Acquisition will be paid using existing cash and borrowings under the Company's Credit Facility. The Acquisition is expected to close in approximately sixty days.

**Table of Contents****Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations**

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

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

**Overview**

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

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

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

**Our segments, sources of revenue and expenses****Segments**

We operate in two segments, which we refer to as our North America and International segments. The results from our Mexican prepaid fuel card and food voucher business acquired during the third quarter of 2011 and Allstar business acquired during the fourth quarter of 2011 are reported in our International segment. Our revenue is reported net of the wholesale cost for underlying products and services. In this report, we refer to this net revenue as "revenue." For the three months ended March 31, 2012 and 2011, our North America and International segments generated the following revenue:

(dollars in millions)	Three months ended March 31,			
	2012	% of total revenue	2011	% of total revenue
North America	\$ 82.8	56.7%	\$ 71.6	64.5%
International	63.4	43.3%	39.4	35.5%
	\$ 146.2	100.0%	\$ 111.0	100.0%



**Table of Contents****Sources of Revenue**

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

**Illustrative Transaction Flow**

From our merchant and network relationships, we derive revenue from the difference between the price charged to a customer for a transaction and the price paid to the merchant or network for the same transaction. As illustrated in the table below, the price paid to a merchant or network may be calculated as (i) the merchant's wholesale cost of fuel plus a markup; (ii) the transaction purchase price less a percentage discount; or (iii) the transaction purchase price less a fixed fee per unit. The difference between the price we pay to a merchant and the merchant's wholesale cost for the underlying products and services is considered a merchant commission and is recognized as an expense. Approximately 51.2% and 44.5% of our revenue was derived from our merchant and network relationships during the three months ended March 31, 2012 and 2011, respectively.

**Illustrative Revenue Model for Fuel Purchases**

(unit of one gallon)

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

From our customers and partners, we derive revenue from a variety of program fees such as transaction fees, card fees, network fees and report fees. Our payment programs include other fees and charges associated with late payments and based on customer credit risk. Approximately 48.8% and 55.5% of our revenue was derived from customer and partner program fees and charges during the three months ended March 31, 2012 and 2011, respectively.

**Table of Contents****Key operating metrics**

**Transaction volume and revenue per transaction** Set forth below is revenue per transaction information for the three months ended March 31, 2012 and 2011:

	<b>Three months ended March 31,</b>	
	<b>2012</b>	<b>2011</b>
<b>Transactions (in millions)</b>		
North America	36.7	36.2
International <sup>1</sup>	35.7	10.8
Total transactions <sup>1</sup>	72.4	47.0
<b>Revenue per transaction</b>		
North America	\$ 2.26	\$ 1.98
International <sup>1</sup>	1.77	3.65
Consolidated revenue per transaction <sup>1</sup>	2.02	2.36

<sup>1</sup> The presentation of prior quarters presented herein has been conformed to the current period presentation that eliminates certain intercompany transactions.

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 increases as the level of services we provide to a customer increases.

Revenue per transaction in the International segment has historically run higher than the North America segment primarily due to higher margins and higher fuel prices in our international product lines. However, acquisitions in 2011 have significantly impacted revenue per transactions in our International segment as well as on a consolidated basis. In 2011, we acquired a Mexican prepaid fuel card and food voucher company ( Mexican business ) and Allstar Business Solutions ( Allstar ), which together contributed to the increase in transaction volumes and revenues in our International segment. The Mexican and Allstar businesses both produce lower aggregate revenue per transaction products in comparison to our other businesses and when combined with our other businesses' transactions and revenues, results in a lower revenue per transaction.

**Sources of Revenue** Set forth below is information on our sources of revenue for the three months ended March 31, 2012 and 2011 expressed as a percentage of consolidated revenues:

	<b>Three months ended March 31,</b>	
	<b>2012</b>	<b>2011</b>
Revenue from customers and partners	48.8%	55.5%
Revenue from merchants and networks	51.2%	44.5%
Revenue tied to fuel-price spreads	15.1%	16.4%
Revenue influenced by absolute price of fuel	19.2%	22.0%
Revenue from program fees, late fees, interest and other	65.7%	61.6%

## **Table of Contents**

### **Factors and trends impacting our business**

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

*Fuel prices* Our fleet customers use our products and services primarily in connection with the purchase of fuel. Accordingly, our revenue is affected by fuel prices, which are subject to significant volatility. A change in retail fuel prices could cause a decrease or increase in our revenue from several sources, including fees paid to us based on a percentage of each customer's total purchase. We believe that approximately 19% and 22% of our consolidated revenue during the three months ended March 31, 2012 and 2011, respectively, was directly influenced by the absolute price of fuel. Changes in the absolute price of fuel may also impact unpaid account balances and the late fees and charges based on these amounts.

*Fuel-price spread volatility* A portion of our revenue involves transactions where we derive revenue from fuel-price spreads, which is the difference between the price charged to a fleet customer for a transaction and the price paid to the merchant for the same transaction. In these transactions, the price paid to the merchant is based on the wholesale cost of fuel. The merchant's wholesale cost of fuel is dependent on several factors including, among others, the factors described above affecting fuel prices. The fuel price that we charge to our customer is dependent on several factors including, among others, the fuel price paid to the merchant, posted retail fuel prices and competitive fuel prices. We experience fuel-price spread contraction when the merchant's wholesale cost of fuel increases at a faster rate than the fuel price we charge to our customers, or the fuel price we charge to our customers decreases at a faster rate than the merchant's wholesale cost of fuel. Approximately 15% and 16% of our consolidated revenue during the three months ended March 31, 2012 and 2011, respectively, was derived from transactions where our revenue is tied to fuel-price spreads.

*Acquisitions* Since 2002, we have completed over 40 acquisitions of companies and commercial account portfolios. Acquisitions have been an important part of our growth strategy, and it is our intention to continue to seek opportunities to increase our customer base and diversify our service offering through further strategic acquisitions. The impact of acquisitions has, and may continue to have, a significant impact on our results of operations and may make it difficult to compare our results between periods.

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

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

*Foreign currency changes* Our results of operations are impacted by changes in foreign currency rates; namely, by movements of the British pound, the Czech koruna, the Russian ruble, the Canadian dollar, the Euro and the Mexican Peso relative to the U.S. dollar. Approximately 56.5% and 64.2% of our revenue during the three months ended March 31, 2012 and 2011, respectively, was derived in U.S. dollars and was not affected by foreign currency exchange rates.

*Expenses* In connection with being a public company and complying with the Sarbanes-Oxley Act of 2002, we expect our general and administrative expense to increase and then remain relatively constant or increase slightly as a percentage of revenue. Over the long term, we expect that our general and administrative expense will decrease as a percentage of revenue as our revenue increases. To support our expected revenue growth, we plan to continue to incur additional sales and marketing expense by investing in our direct marketing, third-party agents, internet marketing, telemarketing and field sales force.

**Table of Contents****Results of Operations****Three months ended March 31, 2012 compared to the three months ended March 31, 2011**

The following table sets forth selected consolidated statement of income data for the three months ended March 31, 2012 and 2011 (in thousands).

	Three months ended March 31, 2012	% of total revenue	Three months ended March 31, 2011	% of total revenue	Increase (decrease)	% Change
<b>Revenues, net:</b>						
North America	\$ 82,812	56.7%	\$ 71,585	64.5%	\$ 11,227	15.7%
International	63,353	43.3%	39,420	35.5%	23,933	60.7%
<b>Total revenues, net</b>	<b>146,165</b>	<b>100.0%</b>	<b>111,005</b>	<b>100.0%</b>	<b>35,160</b>	<b>31.7%</b>
<b>Consolidated operating expenses:</b>						
Merchant commissions	10,393	7.1%	8,277	7.5%	2,116	25.6%
Processing	25,579	17.5%	17,932	16.2%	7,647	42.6%
Selling	10,175	7.0%	7,787	7.0%	2,388	30.7%
General and administrative	23,823	16.3%	17,915	16.1%	5,908	33.0%
Depreciation and amortization	11,720	8.0%	8,607	7.8%	3,113	36.2%
<b>Operating income</b>	<b>64,475</b>	<b>44.1%</b>	<b>50,487</b>	<b>45.5%</b>	<b>13,988</b>	<b>27.7%</b>
Other expense (income), net	588	0.4%	(34)	(0.0)%	622	(1,829.4)%
Interest expense, net	3,563	2.4%	3,363	3.0%	200	5.9%
Provision for income taxes	18,245	12.5%	14,823	13.4%	3,422	23.1%
<b>Net income</b>	<b>\$ 42,079</b>	<b>28.8%</b>	<b>\$ 32,335</b>	<b>29.1%</b>	<b>\$ 9,744</b>	<b>30.1%</b>
<b>Operating income for segments:</b>						
North America	\$ 38,113	26.1%	\$ 31,192	28.1%	\$ 6,921	22.2%
International	26,362	18.0%	19,295	17.4%	7,067	36.6%
<b>Operating income</b>	<b>\$ 64,475</b>	<b>44.1%</b>	<b>\$ 50,487</b>	<b>45.5%</b>	<b>\$ 13,988</b>	<b>27.7%</b>
<b>Operating margin for segments:</b>						
North America	46.0%		43.6%		2.4%	
International	41.6%		48.9%		(4.3)%	
<b>Revenues and revenue per transaction</b>						

Our consolidated revenues increased from \$111.0 million in the three months ended March 31, 2011 to \$146.2 million in the three months ended March 31, 2012, an increase of \$35.2 million, or 31.7%. During the three months ended March 31, 2012, our consolidated revenue was impacted by:

organic growth in certain of our payment programs; and

the acquisitions of our Mexican business during the third quarter of 2011 and Allstar during the fourth quarter of 2011.

## Edgar Filing: FLEETCOR TECHNOLOGIES INC - Form 10-Q

The macroeconomic environment had a generally neutral effect on our consolidated revenue for the three months ended March 31, 2012 over the comparable period in 2011. The impact of higher fuel prices and higher fuel spread margins were mostly offset by the impact of unfavorable foreign exchange rates and continued soft economic conditions in the U.K. and Czech Republic.

Consolidated revenue per transaction decreased from \$2.36 in the three months ended March 31, 2011 to \$2.02 in the three months ended March 31, 2012, a decrease of \$0.34 or 14.6%. Consolidated revenue per transaction was impacted by the reasons discussed above. The acquisitions of our Mexican business and Allstar in 2011 also contributed to the increase in transaction volumes on a consolidated basis. However, the Mexican and Allstar businesses both produce lower consolidated revenue per transaction products in comparison to our other businesses and when combined with our other businesses' transactions and revenues, results in a lower revenue per transaction than would have resulted without the acquisitions. The results from our Mexican and Allstar businesses are reported in our International segment.



## **Table of Contents**

### ***North America segment revenues and revenue per transaction***

North America revenues increased from \$71.6 million in the three months ended March 31, 2011 to \$82.8 million in the three months ended March 31, 2012, an increase of \$11.2 million, or 15.7%. During the three months ended March 31, 2012, our North America segment revenue was impacted by:

organic growth in certain of our payment programs.

The macroeconomic environment had a generally positive effect on our North American revenue for the three months ended March 31, 2012 over the comparable period in 2011, due to the impact of higher fuel prices and higher fuel spread margins.

North America segment revenue per transaction increased from \$1.98 in the three months ended March 31, 2011 to \$2.26 in the three months ended March 31, 2012, an increase of \$0.28 or 14.1%. North America revenue per transaction was impacted by the reasons discussed above.

### ***International segment revenues and revenue per transaction***

International segment revenues increased from \$39.4 million in the three months ended March 31, 2011 to \$63.4 million in the three months ended March 31, 2012, an increase of \$23.9 million, or 60.7%. During the three months ended March 31, 2012, our International segment revenue was impacted by:

organic growth in certain of our payment programs; and

the acquisitions of our Mexican business during the third quarter of 2011 and Allstar during the fourth quarter of 2011.

The macroeconomic environment had a slightly negative effect on our International revenue for the three months ended March 31, 2012 over the comparable period in 2011. The impact of higher fuel prices were offset by the impact of unfavorable foreign exchange rates and continued soft economic conditions in the U.K. and Czech Republic.

International segment revenue per transaction decreased from \$3.65 in the three months ended March 31, 2011 to \$1.77 in the three months ended March 31, 2012, a decrease of \$1.88 or 51.4%. International revenue per transaction was impacted by the reasons discussed above. As discussed above, in 2011, we acquired our Mexican business and Allstar, which together contributed to the increase in transaction volumes in our International segment. However, the Mexican and Allstar businesses both produce lower International segment revenue per transaction products in comparison to our other businesses and when combined with our other businesses' transactions and revenues, results in a lower revenue per transaction than would have resulted without the acquisitions.

### ***Consolidated operating expenses***

***Merchant commissions*** Merchant commissions increased from \$8.3 million in the three months ended March 31, 2011 to \$10.4 million in the three months ended March 31, 2012, an increase of \$2.1 million, or 25.6%. This increase was due primarily to higher volume in those revenue streams where merchant commissions are paid, as well as the fluctuation of the margin between the wholesale cost and retail price of fuel, which impacted merchant commissions.

***Processing*** Processing expenses increased from \$17.9 million in the three months ended March 31, 2011 to \$25.6 million in the three months ended March 31, 2012, an increase of \$7.7 million, or 42.6%. During the three months ended March 31, 2011, our processing expenses primarily increased due to acquisitions completed in 2011, which have a higher rate of processing expenses as a percentage of consolidated revenues in comparison to our other businesses and higher MasterCard processing fees associated with organic growth in certain of our payment programs.

***Selling*** Selling expenses increased from \$7.8 million in the three months ended March 31, 2011 to \$10.2 million in the three months ended March 31, 2012, an increase of \$2.4 million, or 30.7%. The increase was primarily due to acquisitions completed in 2011, as well as additional

sales and marketing spending in certain markets.

**General and administrative** General and administrative expenses increased from \$17.9 million in the three months ended March 31, 2011 to \$23.8 million in the three months ended March 31, 2012, an increase of \$5.9 million, or 33.0%. The increase was primarily due to acquisitions completed in 2011 and additional payroll taxes paid associated with the exercise of stock options.

**Depreciation and amortization** Depreciation and amortization increased from \$8.6 million in the three months ended March 31, 2011 to \$11.7 million in the three months ended March 31, 2012, an increase of \$3.1 million, or 36.2%. The increase was primarily due to acquisitions completed during 2011, which resulted in an increase of \$2.8 million related to the amortization of acquired intangible assets for customer and vendor relationships, trade names and trademarks, non-compete agreements and software, as well as acquired fixed assets.

---

**Table of Contents*****Operating income and operating margin******Consolidated operating income***

Operating income increased from \$50.5 million in the three months ended March 31, 2011 to \$64.5 million in the three months ended March 31, 2012, an increase of \$14.0 million, or 27.7%. Our operating margin was 45.5% and 44.1% for the three months ended March 31, 2011 and 2012, respectively. The increase in operating income from the three months ended March 31, 2011 to the three months ended March 31, 2012 was due primarily to the impact of acquisitions completed during 2011, organic growth in the business, the impact of higher fuel prices and higher fuel spread revenues. These increases were partially offset by additional amortization related to acquisitions completed during 2011, selling costs to support the growth in our business, higher merchant commissions due to volume increases in certain businesses where commissions are paid, higher MasterCard processing fees associated with organic growth in certain of our payment programs and the unfavorable impact of foreign exchange rates.

During 2011, we completed the acquisition of our Mexican business and Allstar, which together contributed to the increase in consolidated operating income. However, the Mexican business and Allstar business both produce lower margin products in comparison to our other businesses and when combined with our other businesses' operating income, produced a lower margin than would have resulted without the acquisitions.

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

***North America segment operating income***

North America operating income increased from \$31.2 million in the three months ended March 31, 2011 to \$38.1 million in the three months ended March 31, 2012, an increase of \$6.9 million, or 22.2%. North America operating margin was 43.6% and 46.0% for the three months ended March 31, 2011 and 2012, respectively. The increase in operating income and operating margin from the three months ended March 31, 2011 to the three months ended March 31, 2012 was due primarily to organic growth in the business, the impact of higher fuel prices and higher fuel spread revenues. This increase in operating income was partially offset by higher merchant commissions due to volume increases in certain businesses where commissions are paid, selling costs to support the growth in our business and MasterCard processing fees associated with organic growth in certain of our payment programs.

***International segment operating income***

International operating income increased from \$19.3 million in the three months ended March 31, 2011 to \$26.4 million in the three months ended March 31, 2012, an increase of \$7.1 million, or 36.6%. International operating margin was 48.9% and 41.6% for the three months ended March 31, 2011 and 2012, respectively. The increase in operating income from the three months ended March 31, 2011 to the three months ended March 31, 2012 was due primarily to the impact of acquisitions completed in 2011 and the impact of higher fuel prices and fuel spread revenues. These increases were partially offset by additional amortization related to acquisitions completed during 2011 and the unfavorable impact of foreign exchange rates.

The lower operating margin was due to the Mexican business and Allstar acquisitions, which both produce lower margin products in comparison to our other businesses.

***Other income, net***

Other income, net decreased from income of \$0.03 million in the three months ended March 31, 2011 to an expense of \$0.6 million in the three months ended March 31, 2012, a decrease of \$0.6 million. The decrease was due primarily to expenses related to our secondary stock offering, as well as foreign currency exchange losses recognized during the three months ended March 31, 2012.

***Interest expense, net***

Interest expense increased from \$3.4 million in the three months ended March 31, 2011 to \$3.6 million in the three months ended March 31, 2012, an increase of \$0.2 million, or 5.9%. The increase is due to additional borrowings on our credit facilities in the three months ended March 31, 2012 over the comparable period in 2011. This increase was partially offset by lower average interest rates in the three months ended March 31, 2012 over the comparable period in 2011, resulting from the pay down of our 2005 Credit Facility and CCS Facility upon entry into our new Credit Facility on June 22, 2011. The average interest rate (including the unused credit facility fee) on our new Credit Facility was

## Edgar Filing: FLEETCOR TECHNOLOGIES INC - Form 10-Q

1.97% during the three months ended March 31, 2012. The average interest rate on the 2005 Credit Facility was 2.51% in the three months ended March 31, 2011. The average interest rate on the CCS Credit Facility was 2.67% in the three months ended March 31, 2011.

### *Provision for income taxes*

The provision for income taxes increased from \$14.8 million in the three months ended March 31, 2011 to \$18.2 million in the three months ended March 31, 2012, an increase of \$3.4 million, or 23.1%. We provide for income taxes during interim periods based on an

## **Table of Contents**

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 31.4% for three months ended March 31, 2011 to 30.2% for the three months ended March 31, 2012. The decrease in our effective tax rate was primarily due to a change in the mix of earnings between U.S. and foreign jurisdictions.

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 \$32.3 million in the three months ended March 31, 2011 to \$42.1 million in the three months ended March 31, 2012, an increase of \$9.7 million, or 30.1%.

### **Liquidity and capital resources**

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

#### ***Sources of liquidity***

At March 31, 2012, our unrestricted cash and cash equivalent balance totaled \$287.1 million. Our restricted cash balance at March 31, 2012 totaled \$57.2 million. Restricted cash primarily represents customer deposits in the Czech Republic, which we are restricted from using other than to repay customer deposits.

At March 31, 2012, cash and cash equivalents held in foreign subsidiaries where we have determined such cash and cash equivalents are permanently reinvested is \$260.4 million. All of the cash and cash equivalents held by our foreign subsidiaries, excluding restricted cash, are available for general corporate purposes. Our current intent is to permanently reinvest these funds outside of the U.S. Our current expectation for funds held in our foreign subsidiaries is to use the funds to finance foreign organic growth, to pay for potential future foreign acquisitions and to repay any foreign borrowings that may arise from time to time. We currently believe that funds generated from our U.S. operations, along with potential borrowing capabilities in the U.S. will be sufficient to fund our U.S. operations for the foreseeable future, and therefore do not foresee a need to repatriate cash held by our foreign subsidiaries in a taxable transaction to fund our U.S. operations. However, if at a future date or time these funds are needed for our operations in the U.S. or we otherwise believe it is in the best interests of the Company to repatriate all or a portion of such funds, we may be required to accrue and pay U.S. taxes to repatriate these funds. No assurances can be provided as to the amount or timing thereof, the tax consequences related thereto or the ultimate impact any such action may have on our results of operations or financial condition.

We utilize an accounts receivable Securitization Facility to finance a majority of our domestic fuel card receivables, to lower our cost of funds and more efficiently use capital. We generate and record accounts receivable when a customer makes a purchase from a merchant using one of our card products and generally pay merchants within seven days of receiving the merchant billing. As a result, we utilize the asset Securitization Facility as a source of liquidity to provide the cash flow required to fund merchant payments prior to collecting customer balances. These balances are primarily composed of charge balances, which are typically billed to the customer on a weekly, semimonthly or monthly basis, and are generally required to be paid within 14 days of billing. We also consider the undrawn amounts under our Securitization Facility and Credit Facility as funds available for working capital purposes and acquisitions. At March 31, 2012, we had the ability to generate approximately \$1.1 million of additional liquidity under our Securitization Facility and had \$436.0 million available under the new 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, absent any major acquisition opportunities that might arise. However, we regularly evaluate our cash requirements for current operations, commitments, capital requirements and acquisitions, and we may elect to raise additional funds for these purposes in the future, either through the issuance of debt or equity securities. We may not be able to obtain additional financing on terms favorable to us, if at all.

**Table of Contents****Cash flows**

The following table summarizes our cash flows for the three months ended March 31, 2012 and 2011.

(in millions)	Three months ended March 31,	
	2012	2011
Net cash used in operating activities	\$ (113.9)	\$ (8.8)
Net cash used in investing activities	(3.6)	(2.6)
Net cash provided by financing activities	112.1	9.0

**Operating activities** Net cash used in operating activities increased from \$8.8 million in the three months ended March 31, 2011 to \$113.9 million in the three months ended March 31, 2012. The increase is primarily due to an increase in working capital, driven by the increase in accounts receivable, other assets and accounts payable, accrued expenses and customer deposits, partially offset by additional net income during the period.

**Investing activities** Net cash used in investing activities increased from \$2.6 million in the three months ended March 31, 2011 to \$3.6 million in the three months ended March 31, 2012. This increase is primarily due to the increase in capital expenditures during the three months ended March 31, 2012 over the comparable period in 2011.

**Financing activities** Net cash provided by financing activities increased from \$9.0 million in the three months ended March 31, 2011 to \$112.1 million in the three months ended March 31, 2012. The increase is primarily due to additional borrowings on the Securitization Facility of \$51.0 million in the three months ended March 31, 2012 over the comparable period in 2011. In addition, on March 13, 2012, FleetCor entered into the first Amendment to our Credit Facility. The Amendment added two U.K. entities as designated borrowers and adds a \$110 million foreign currency swing line facility under the existing revolver, which allows for alternate currency borrowing on the swing line. Borrowings on the foreign currency swing line facility, net, provided additional cash from financing activities during the three months ended March 31, 2012 of \$39.0 million over the comparable period in 2011. During the three months ended March 31, 2012, we made principal payments of \$28.8 million on the term loan and revolver under our Credit Facility.

**Capital spending summary**

Our capital expenditures increased from \$2.6 million in the three months ended March 31, 2011 to \$3.6 million in the three months ended March 31, 2012, an increase of \$1.0 million, or 37.4%. The increase was primarily related to additional investments to continue to enhance our existing processing systems and continued development of a new European processing system. We anticipate our capital expenditures to increase to approximately \$16.0 million for 2012 as compared to \$13.5 million in 2011, as we continue to enhance our existing processing systems.

**Credit Facility**

On June 22, 2011, we entered into a new five-year, \$900 million Credit Agreement (the "Credit Agreement") with a syndicate of banks. The Credit Agreement provides for a \$300 million term loan facility and a \$600 million revolving credit facility, with sublimits for letters of credit, swing line loans and multicurrency borrowings. Subject to certain conditions, including obtaining commitments of lenders, we have the option to increase the facility up to an additional \$150 million. The Credit Agreement contains representations, warranties and events of default, as well as certain affirmative and negative covenants, customary for financings of this nature. These covenants include limitations on our ability to pay dividends and make other restricted payments under certain circumstances and compliance with certain financial ratios.

Proceeds from this new Credit Facility were used to retire our existing indebtedness under our 2005 Credit Facility and CCS Credit Facility. Proceeds from this new Credit Facility may also be used for working capital purposes, acquisitions, and other general corporate purposes.

On March 13, 2012, we entered into the first Amendment to the Credit Agreement. The Amendment adds two U.K. entities as designated borrowers and adds a \$110 million foreign currency swing line subfacility under the existing revolver, which will allow for alternate currency borrowing on the swing line. The Amendment also permits us to provide a cash deposit of up to \$50 million to a processor in connection with one of our MasterCard programs.

At March 31, 2012, we had \$288.8 million in outstanding term loans, \$100.0 million in borrowings outstanding on the domestic revolving line and \$64.0 million in borrowings outstanding on the foreign swing line of credit.

## Edgar Filing: FLEETCOR TECHNOLOGIES INC - Form 10-Q

Interest on amounts outstanding under the Credit Agreement accrues based on the British Bankers Association LIBOR Rate (the Eurocurrency Rate), plus a margin based on a leverage ratio, or at our option, the Base Rate (defined as the rate equal to the highest of (a) the Federal Funds Rate plus 0.50%, (b) the prime rate announced by Bank of America, N.A., or (c) the Eurocurrency Rate plus 1.00%) plus a margin based on a leverage ratio. Interest is payable quarterly in arrears. In addition, we have agreed to pay a quarterly commitment fee at a rate per annum ranging from 0.20% to 0.40% of the daily unused portion of the credit facility. At March 31, 2012, the interest rate on the term loan and domestic revolving line of credit was 1.74% and the unused credit facility fee was 0.25%. At March 31, 2012, the interest rate on the foreign swing line of credit was 2.06%.

## **Table of Contents**

The stated maturity date for our term loan and revolving loans and letters of credit under the Credit Agreement is June 22, 2016. The term loan is payable in quarterly installments and are due on the last business day of each March, June, September, and December with the final principal payment due on June 22, 2016. Borrowings on the revolving line of credit are repayable at our option of one, two, three or six months after borrowing, depending on the term of the borrowing on the facility. Borrowings on the foreign swing line of credit are due no later than ten business days after such loan is made. During the three months ended March 31, 2012, we made principal payments of \$3.8 million on the term loan and \$25.0 million on the domestic revolving line of credit. As of March 31, 2012, we were in compliance with each of the covenants under the new Credit Facility agreement.

### ***2005 Credit Facility***

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

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

Interest on the facilities accrued, at our election, based on a base rate, EURIBOR or LIBOR, plus a margin. The margin with respect to the term loans was fixed at 2.25% for LIBOR and EURIBOR loans and at 1.25% for base rate loans. With respect to revolving loans and letter of credit fees, the margin or fee was determined based on our leverage ratio and ranged from 2.00% to 2.50% for LIBOR and EURIBOR loans and from 1.00% to 1.50% for base rate loans. Interest on overdue amounts accrued at a rate equal to the applicable interest rate plus 2% per annum.

The stated maturity date for our term loans was April 30, 2013 and the stated maturity date for our revolving loans and letters of credit was April 30, 2012. The term loans were payable in quarterly installments of 0.25% of the initial aggregate principal amount of the loans and are due on the last business day of each March, June, September, and December, with the final principal payment due in April 2013. Principal payments of \$0.8 million were made on the term loan during the three months ended March 31, 2011.

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

### ***CCS Credit Facility***

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

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

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

The stated maturity date for CCS's term loans was December 21, 2013 with respect to Facility A and December 21, 2014 with respect to Facility B. The Facility A term loan was payable in semiannual payments in June and December of each year, ending in December 2013 and the Facility B term loan was payable in one lump sum on December 21, 2014. CCS had the right to prepay the loans without premium or penalty on the last day of an interest period. There were no principal payments made on these facilities during the three months ended March 31, 2011.

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





---

## **Table of Contents**

### ***Seller financing***

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

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

### ***Securitization Facility***

We are a party to a receivables purchase agreement among FleetCor Funding LLC, as seller, PNC Bank, National Association as administrator, and the various purchaser agents, conduit purchasers and related committed purchasers parties thereto, which was amended and restated for the fourth time as of October 29, 2007 and which has been amended seven times since then to add or remove purchasers, extend the facility termination date and remove financial covenants. We refer to this arrangement as the Securitization Facility in this report. The current purchase limit under the Securitization Facility is \$500 million. On June 22, 2011, concurrently with the signing of the Credit Agreement, FleetCor Funding LLC entered into a fifth amendment to the fourth amended and restated receivables purchase agreement. The amendment to the Securitization Facility revised certain definitions, removed the compliance certification reporting requirement, and removed financial covenant requirements. The Securitization Facility was amended for a sixth time on September 30, 2011 to permit us to sell receivables to the purchasers and repay purchasers on a non-ratable basis in order to take advantage of the lower cost of capital of certain purchasers. The facility was amended for the seventh time on February 6, 2012 to add a new purchaser and extend the facility termination date to February 4, 2013. There is a program fee equal to the commercial paper rate of 0.26%, plus 0.75% as of March 31, 2012. The unused facility fee is payable at a rate of 0.35% per annum as of March 31, 2012.

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

The Securitization Facility provides for certain termination events, upon the occurrence of which the administrator may declare the facility termination date to have occurred, may exercise certain enforcement rights with respect to the receivables, and may appoint a successor servicer, among other things. There are no financial covenant requirements related to our Securitization Facility.

### ***Critical accounting policies and estimates***

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

Accounting estimates necessarily require subjective determinations about future events and conditions. During the three months ended March 31, 2012, we have not adopted any new critical accounting policies that had a significant impact upon our consolidated financial statements, have not changed any critical accounting policies and have not changed the application of any critical accounting policies from the year ended December 31, 2011. For critical accounting policies, refer to the Critical Accounting Estimates in Item 7 Management's Discussion and Analysis of Financial Condition and Results of Operations included in our Annual Report on Form 10-K for the year ended December 31, 2011 and our summary of significant accounting policies in Note 1 of our notes to the unaudited consolidated financial statements in this Form 10-Q.



## **Table of Contents**

### **Special Cautionary Notice Regarding Forward-Looking Statements**

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

These forward-looking statements are not a guarantee of performance, and you should not place undue reliance on such statements. We have based these forward-looking statements largely on our current expectations and projections about future events. Forward-looking statements are subject to many uncertainties and other variable circumstances, such as delays or failures associated with implementation; fuel price and spread volatility; changes in credit risk of customers and associated losses; the actions of regulators relating to payment cards; failure to maintain or renew key business relationships; failure to maintain competitive offerings; failure to maintain or renew sources of financing; failure to complete, or delays in completing, anticipated new partnership arrangements or acquisitions and the failure to successfully integrate or otherwise achieve anticipated benefits from such partnerships or acquired businesses; failure to successfully expand business internationally; the impact of foreign exchange rates on operations, revenue and income; the effects of general economic conditions on fueling patterns and the commercial activity of fleets, as well as the other risks and uncertainties identified under the caption Risk Factors in our Annual Report on Form 10-K for the year ended December 31, 2011. These factors could cause our actual results and experience to differ materially from any forward-looking statement. Given these risks and uncertainties, you are cautioned not to place undue reliance on these forward-looking statements. The forward-looking statements included in this report are made only as of the date hereof. We do not undertake, and specifically decline, any obligation to update any such statements or to publicly announce the results of any revisions to any of such statements to reflect future events or developments.

### **Item 3. Quantitative and Qualitative Disclosures About Market Risk**

As of March 31, 2012, there have been no material changes to our market risk from that disclosed in our Annual Report on Form 10-K for the year ended December 31, 2011.

### **Item 4. Controls and Procedures**

As of March 31, 2012, management carried out, under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934). Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of March 31, 2012, our disclosure controls and procedures were effective in ensuring that information required to be disclosed by us in the reports that we file or submit under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in applicable rules and forms and are designed to ensure that information required to be disclosed in those reports is accumulated and communicated to management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

There were no changes in our internal control over financial reporting during the quarter ended March 31, 2012, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

**Table of Contents**

**PART II OTHER INFORMATION**

**Item 1. Legal Proceedings**

As of the date of this filing, we are not currently party to any legal proceedings or governmental inquiries or investigations that we consider to be material and were not involved in any material legal proceedings that terminated during the first quarter. We are and may become, however, subject to lawsuits from time to time in the ordinary course of our business. We are currently involved in an investigation by the Office of Fair Trading in the United Kingdom, relating to our Keyfuels product line. This product line consists of our proprietary payment card and associated site network in the United Kingdom. A competitor alleged we are dominant in a relevant market with our Keyfuels product line. The Office of Fair Trading is investigating whether we are dominant and, if dominant, whether some of our contracts with some sites and dealers would constitute exclusive dealings requiring them to be reformed to eliminate exclusivity. The Office of Fair Trading has issued a statement of objections, which we responded to, and we are awaiting its conclusions. Although we do not currently anticipate an adverse result or material adverse impact from the investigation, if determined adversely, the regulator has authority to require us to reform contracts to eliminate exclusivity and impose significant fines. We also notified the Office of Fair Trading about our recent acquisition of Allstar Business Solutions Limited, in which we provided an analysis that the acquisition does not result in a substantial lessening of competition on any affected market. We subsequently responded to questions posed by the Office of Fair Trading in the course of its review and participated in an issues meeting. We anticipate that the Office of Fair Trading will determine whether or not to make a referral to the Competition Commission for further consideration by May 12, 2012. If the Competition Commission were to conclude that the acquisition results in a substantial lessening of competition, it could require remedial action, which could negatively affect our financial results.

**Item 1A. Risk Factors**

In addition to the other information set forth in this report, you should carefully consider the factors discussed in Part I, Item 1A. Risk Factors in our Annual Report on Form 10-K for the year ended December 31, 2011, which could materially affect our business, financial condition or future results.

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

Not applicable.

**Item 3. Defaults Upon Senior Securities**

Not applicable.

**Item 4. Mine Safety Disclosures**

Not applicable.

**Item 5. Other Information**

Not applicable.

---

**Table of Contents**

**Item 6. Exhibits**

**Exhibit**

**No.**

- 3.1 Amended and Restated Certificate of Incorporation of FleetCor Technologies, Inc. (incorporated by reference to Exhibit 3.1 to the Registrant's Annual Report on Form 10-K, File No. 001-35004, filed with the Securities and Exchange Commission (the "SEC") on March 25, 2011)
- 3.2 Amended and Restated Bylaws of FleetCor Technologies, Inc. (incorporated by reference to Exhibit 3.2 to the Registrant's Annual Report on Form 10-K, File No. 001-35004, filed with the SEC on March 25, 2011)
- 4.1 Form of Stock Certificate for Common Stock (incorporated by reference to Exhibit 4.1 to Amendment No. 3 to the Registrant's Registration Statement on Form S-1, File No. 333-166092, filed with the SEC on June 29, 2010)
- 10.1 Arrangement Agreement Among FleetCor Luxembourg Holdings2 S.À.R.L, FleetCor Technologies, Inc. and CTF Technologies, Inc.
- 10.2 Seventh Amendment to the Fourth Amended and Restated Receivables Purchase Agreement, dated February 6, 2012, among FleetCor Funding LLC, FleetCor Technologies Operating Company, LLC, the various purchaser agents, conduit purchasers and related committed purchasers listed on the signature pages thereto, and PNC Bank, National Association, as administrator (incorporated by reference to Exhibit No. 10.1 to the Registrant's Form 8-K, filed with the SEC on February 6, 2012)
- 31.1 Certification of Chief Executive Officer pursuant to Rule 13a-14(a) and rule 15d-14(a) of the Securities Exchange Act, as amended
- 31.2 Certification of Chief Financial Officer pursuant to Rule 13a-14(a) and rule 15d-14(a) of the Securities Exchange Act, as amended
- 32.1 Certification of Chief Executive Officer pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2001
- 32.2 Certification of Chief Financial Officer pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2001
- 101 The following financial information for the Registrant formatted in XBRL (Extensible Business Reporting Language): (i) the Consolidated Balance Sheets, (ii) the Unaudited Consolidated Statements of Income, (iii) the Unaudited Consolidated Statements of Cash Flows and (iv) the Notes to Unaudited Consolidated Financial Statements, tagged as blocks of text.

**Table of Contents**

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned; thereunto duly authorized, in their capacities indicated on May 10, 2012.

FleetCor Technologies, Inc.

(Registrant)

<b><u>Signature</u></b>	<b><u>Title</u></b>
/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)