WEX Inc.
Form 10-Q
May 02, 2013
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2013

OR

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

For the transition period from______to______

Commission file number: 001-32426

WEX INC.

(Exact name of registrant as specified in its charter)

Delaware	**01-0526993**
(State or other jurisdiction of incorporation or organization)	***(I.R.S. Employer Identification No.)***
97 Darling Avenue, South Portland, Maine	**04106**
(Address of principal executive offices)	***(Zip Code)***

(207) 773-8171

(Registrant s telephone number, including area code)

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. þ 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 during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). þ 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 definitions of large accelerated filer, accelerated filer, and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer þ	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 þ No

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

Class	**Outstanding at April 29, 2013**
Common Stock, $0.01 par value per share	38,798,775 shares

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FORWARD-LOOKING STATEMENTS

The Private Securities Litigation Reform Act of 1995 provides a safe harbor for statements that are forward-looking and are not statements of historical facts. This Quarterly Report includes forward-looking statements. Any statements in this Quarterly Report that are not statements of historical facts may be deemed to be forward-looking statements. When used in this Quarterly Report, the words may, could, anticipate, plan, continue, project, intend, estimate, believe, expect and similar expressions are intended to identify forward-looking statements, although not all forward-looking statements contain such words. Forward-looking statements relate to our future plans, objectives, expectations and intentions and are not historical facts and accordingly involve known and unknown risks and uncertainties and other factors that may cause the actual results or performance to be materially different from future results or performance expressed or implied by these forward-looking statements. The following factors, among others, could cause actual results to differ materially from those contained in forward-looking statements made in this Quarterly Report, in press releases and in oral statements made by our authorized officers: the effects of general economic conditions on fueling patterns and the commercial activity of fleets; the effects of the Company s international business expansion and integration efforts and any failure of those efforts; the impact and range of credit losses; breaches of the Company s technology systems and any resulting negative impact on our reputation liability, or loss of relationships with customers or merchants; the Company s failure to successfully integrate the businesses it has acquired; fuel price volatility; the Company s failure to maintain or renew key agreements; failure to expand the Company s technological capabilities and service offerings as rapidly as the Company s competitors; the actions of regulatory bodies, including banking, derivatives and securities regulators, or possible changes in banking regulations impacting the Company s industrial bank and WEX Inc. as the corporate parent; the impact of foreign currency exchange rates on the Company s operations, revenue and income; changes in interest rates; financial loss if the Company determines it necessary to unwind its derivative instrument position prior to the expiration of a contract; the incurrence of impairment charges if our assessment of the fair value of certain of our reporting units changes; the uncertainties of litigation; as well as other risks and uncertainties identified in Item 1A of our Annual Report for the year ended December 31, 2012, filed on Form 10-K with the Securities and Exchange Commission on March 1, 2013. Our forward-looking statements and these factors do not reflect the potential future impact of any alliance, merger, acquisition or disposition. The forward-looking statements speak only as of the date of the initial filing of this Quarterly Report and undue reliance should not be placed on these statements. We disclaim any obligation to update any forward-looking statements as a result of new information, future events or otherwise.

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PART I

Item 1. Financial Statements.

WEX INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

(in thousands, except per share data)

(unaudited)

	March 31, 2013	December 31, 2012
Assets		
Cash and cash equivalents	**$ 349,720**	$ 197,662
Accounts receivable (less reserve for credit losses of $10,797 in 2013 and $11,709 in 2012)	**1,781,444**	1,555,814
Available-for-sale securities	**15,788**	16,350
Property, equipment and capitalized software (net of accumulated depreciation of $131,388 in 2013 and $125,659 in 2012)	**59,434**	60,097
Deferred income taxes, net	**91,143**	100,128
Goodwill	**844,158**	844,285
Other intangible assets, net	**233,616**	241,810
Other assets	**105,085**	90,538
Total assets	**$ 3,480,388**	$ 3,106,684
Liabilities and Stockholders Equity		
Accounts payable	**$ 718,121**	$ 527,838
Accrued expenses	**63,514**	60,532
Income taxes payable	**10,978**	10,151
Deposits	**1,025,621**	890,345
Borrowed federal funds		48,400
Revolving line-of-credit facilities and term loan	**296,250**	621,000
Notes outstanding	**400,000**	
Amounts due under tax receivable agreement	**86,894**	86,550
Fuel price derivatives, at fair value	**7,611**	1,729
Other liabilities	**22,601**	20,546
Total liabilities	**2,631,590**	2,267,091
Commitments and contingencies (Note 10)		
Redeemable noncontrolling interest (Note 11)	**21,855**	21,662
Stockholders Equity		
Common stock $0.01 par value; 175,000 shares authorized, 42,817 in 2013 and 42,586 in 2012 shares issued; 38,899 in 2013 and 38,908 in 2012 shares outstanding	**428**	426
Additional paid-in capital	**160,627**	162,470
Retained earnings	**759,000**	730,311
Accumulated other comprehensive income	**37,454**	37,379
Less treasury stock at cost, 4,007 shares in 2013 and 3,766 shares 2012	**(130,566)**	(112,655)
Total stockholders equity	**826,943**	817,931

Total liabilities and stockholders equity	**$ 3,480,388**	$ 3,106,684

See notes to condensed consolidated financial statements.

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WEX INC.

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(in thousands, except per share data)

(unaudited)

	Three months ended March 31, 2013	2012
Revenues		
Fleet payment solutions	**$ 126,039**	$ 109,147
Other payment solutions	**39,331**	30,975
Total revenues	**165,370**	140,122
Expenses		
Salary and other personnel	**40,077**	28,715
Service fees	**23,805**	20,308
Provision for credit losses	**3,756**	5,043
Technology leasing and support	**5,485**	4,267
Occupancy and equipment	**3,805**	2,816
Depreciation, amortization and impairment	**14,607**	11,317
Operating interest expense	**1,147**	1,111
Cost of hardware and equipment sold	**1,074**	727
Other	**11,084**	7,855
Total operating expenses	**104,840**	82,159
Operating income	**60,530**	57,963
Financing interest expense	**(7,339)**	(2,285)
Loss on foreign currency transactions	**(232)**	(20)
Net realized and unrealized losses on fuel price derivatives	**(7,755)**	(18,812)
Income before income taxes	**45,204**	36,846
Income taxes	**16,627**	13,610
Net income	**28,577**	23,236
Less: Net loss from noncontrolling interest	**(112)**	
Net earnings attributable to WEX Inc.	**$ 28,689**	$ 23,236
Net earnings attributable to WEX Inc. per share:		
Basic	**$ 0.74**	$ 0.60
Diluted	**$ 0.73**	$ 0.59
Weighted average common shares outstanding:		
Basic	**38,888**	38,820
Diluted	**39,187**	39,123

See notes to condensed consolidated financial statements.

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WEX INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(in thousands)

(unaudited)

	Three months ended March 31,	
	2013	2012
Net earnings attributable to WEX Inc.	**$ 28,689**	$ 23,236
Changes in available-for-sale securities, net of tax effect of $47 in 2013 and $(3) in 2012	**(78)**	(16)
Changes in interest rate swap, net of tax effect of $ in 2013 and $35 in 2012		60
Foreign currency translation	**458**	8,002
Comprehensive income	**29,069**	31,282
Less: comprehensive income attributable to noncontrolling interest	**193**	
Comprehensive income attributable to WEX Inc.	**$ 28,876**	$ 31,282

See notes to condensed consolidated financial statements.

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WEX INC.

CONDENSED CONSOLIDATED

STATEMENTS OF STOCKHOLDERS EQUITY

(in thousands)

(unaudited)

	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Retained Earnings	Total Equity
Balance at December 31, 2011	42,252	$ 423	$ 146,282	$ 30,588	$ (101,367)	$ 633,389	$ 709,315
Stock issued to employees exercising stock options	96	1	1,286				1,287
Tax benefit from employees stock option and restricted stock units			2,244				2,244
Stock issued to employees for vesting of restricted stock units	83						
Stock-based compensation			816				816
Purchase of shares of treasury stock							
Changes in available-for-sale securities, net of tax effect of $(3)				(16)			(16)
Changes in interest rate swaps, net of tax effect of $35				60			60
Foreign currency translation				8,002			8,002
Net earnings attributable to WEX Inc.						23,236	23,236
Balance at March 31, 2012	42,431	$ 424	$ 150,628	$ 38,634	$ (101,367)	$ 656,625	$ 744,944
Balance at December 31, 2012	**42,586**	**$ 426**	**$ 162,470**	**$ 37,379**	**$ (112,655)**	**$ 730,311**	**$ 817,931**
Stock issued to employees exercising stock options	**11**		**146**				**146**
Tax benefit from employees stock option and restricted stock units			**5,589**				**5,589**
Stock issued to employees for vesting of restricted stock units	**220**	**2**	**(2)**				
Stock-based compensation			**(7,576)**				**(7,576)**
Purchase of shares of treasury stock					**(17,911)**		**(17,911)**
Changes in available-for-sale securities, net of tax effect of $(47)				**(78)**			**(78)**
Foreign currency translation				**153**			**153**
Net earnings attributable to WEX Inc.						**28,689**	**28,689**
Balance at March 31, 2013	**42,817**	**$ 428**	**$ 160,627**	**$ 37,454**	**$ (130,566)**	**$ 759,000**	**$ 826,943**

See notes to consolidated financial statements.

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WEX INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)

(unaudited)

	Three months ended March 31, 2013	Three months ended March 31, 2012
Cash flows from operating activities		
Net income	**$ 28,577**	$ 23,236
Adjustments to reconcile net income to net cash provided by (used for) operating activities:		
Fair value change of fuel price derivatives	**5,882**	13,555
Stock-based compensation	**2,406**	3,424
Depreciation and amortization	**15,156**	11,667
Deferred taxes	**9,021**	1,908
Provision for credit losses	**3,756**	5,043
Loss on disposal of property, plant and equipment	**63**	
Changes in operating assets and liabilities, net of effects of acquisition:		
Accounts receivable	**(228,297)**	(233,962)
Other assets	**(2,971)**	(9,864)
Accounts payable	**190,068**	143,296
Accrued expenses	**2,984**	(4,041)
Income taxes	**776**	7,205
Other liabilities	**1,145**	295
Net cash provided by (used for) operating activities	**28,566**	(38,238)
Cash flows from investing activities		
Purchases of property and equipment	**(5,560)**	(4,968)
Purchases of available-for-sale securities	**(65)**	(80)
Maturities of available-for-sale securities	**502**	347
Net cash used for investing activities	**(5,123)**	(4,701)
Cash flows from financing activities		
Excess tax benefits from equity instrument share-based payment arrangements	**5,589**	2,244
Repurchase of share-based awards to satisfy tax withholdings	**(9,985)**	(2,608)
Proceeds from stock option exercises	**146**	1,287
Net change in deposits	**135,276**	13,085
Net change in borrowed federal funds	**(48,400)**	40,326
Other financing debt	**787**	
Loan origination fee	**(12,023)**	
Borrowings on notes outstanding	**400,000**	
Net borrowing on 2011 revolving line of credit	**(438,500)**	(4,400)
Net borrowings on 2011 term loan	**(182,500)**	
Borrowings on 2013 term loan	**300,000**	
Repayments on 2013 term loan	**(3,750)**	(2,500)
Purchase of treasury shares	**(17,911)**	
Net cash provided by financing activities	**128,729**	47,434
Effect of exchange rate changes on cash and cash equivalents	**(114)**	157
Net increase in cash and cash equivalents	**152,058**	4,652

Cash and cash equivalents, beginning of period	**197,662**	25,791
Cash and cash equivalents, end of period	**$ 349,720**	$ 30,443
Supplemental cash flow information		
Interest paid	**$ 4,351**	$ 3,319
Income taxes paid	**$ 1,226**	$ 2,248
Significant non-cash transaction		
Reduction to rapid! estimated earn out	**$**	$ 839

See notes to condensed consolidated financial statements.

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WEX INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(in thousands, except per share data)

(unaudited)

1. Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. They do not include all information and notes required by generally accepted accounting principles (GAAP) for complete financial statements. However, except as disclosed herein, there have been no material changes in the information disclosed in the notes to consolidated financial statements included in the Annual Report on Form 10-K of WEX Inc. for the year ended December 31, 2012. These condensed consolidated financial statements should be read in conjunction with the financial statements that are included in the Company s Annual Report on Form 10-K for the year ended December 31, 2012, filed with the Securities and Exchange Commission (SEC) on March 1, 2013. When used in these notes, the term Company means WEX Inc. and all entities included in the consolidated financial statements. In the opinion of management, all adjustments (including normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three-months ended March 31, 2013, are not necessarily indicative of the results that may be expected for any future quarter(s) or the year ending December 31, 2013.

Fair Value of Financial Instruments

The carrying values of cash and cash equivalents, accounts receivable, accounts payable, accrued expenses, and other liabilities approximate their respective fair values due to the short-term nature of such instruments. The carrying values of certificates of deposit, interest-bearing money market deposits, borrowed federal funds and credit agreement borrowings, approximate their respective fair values as the interest rates on these financial instruments are variable. All other financial instruments are reflected at fair value on the consolidated balance sheet.

The Notes outstanding at March 31, 2013, have a carrying value of $400,000 and fair value of $385,500. The fair value is based on market rates for the issuance of debt.

2. New Accounting Standards

In February 2013, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update No. 2013-02 Comprehensive Income (Topic 220): Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income. This guidance is intended to provide disclosure on items reclassified out of accumulated other comprehensive income either in the notes or parenthetically on the face of the income statement. The required disclosure is in Note 10, Comprehensive Income.

3. Business Acquisitions

Acquisition of CorporatePay

On May 11, 2012, the Company acquired all of the stock of CorporatePay, a provider of corporate prepaid solutions to the travel industry in the United Kingdom for approximately GBP 17,000 (US$27,800 at the time of acquisition), net of cash acquired. The Company purchased CorporatePay to expand its Other Payment Solution segment. During the second quarter of 2012, the Company allocated the purchase price of the acquisition based upon a preliminary estimate of the fair values of the assets acquired and liabilities assumed. During the first quarter of 2013, the Company adjusted the acquired liabilities, intangible assets and goodwill acquired. The valuations of tangible and intangible assets have been finalized.

WEX INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

(in thousands, except per share data)

(unaudited)

The following is a summary of the allocation of the purchase price to the assets and liabilities acquired:

	March 31, 2013	December 31, 2012
Consideration paid (net of cash)	**$ 27,783**	$ 27,783
Less:		
Accounts receivable	**1,585**	1,077
Accounts payable	**(629)**	(629)
Other tangible liabilities, net	**(4,040)**	(3,639)
Acquired software[(a)]	**8,233**	7,760
Customer relationships[(b)]	**1,614**	2,000
Trademarks and trade name[(c)]	**1,453**	1,400
Recorded goodwill	**$ 19,567**	$ 19,814

(a) Weighted average life 6.2 years.
(b) Weighted average life 6.3 years.
(c) Weighted average life 5.3 years.

No pro forma information has been included in these financial statements as the operations of CorporatePay for the period that they were not part of the Company are not material to the Company s revenues, net income and earnings per share.

Acquisition of Ownership Interest in UNIK

On August 30, 2012, the Company acquired a 51 percent ownership interest in UNIK S.A. (UNIK), a privately-held provider of payroll cards in Brazil. The Company purchased its interest in UNIK to expand its Other Payment Solution segment. UNIK is a provider of payroll cards, private label and processing services in Brazil specializing in the retail, government and transportation sectors.

The investment was consummated through the purchase of newly issued shares of UNIK for approximately R$44,800 (approximately US$22,800). The purchase agreement also includes a potential contingent consideration component based on performance milestones. Although the contingent consideration is not capped, the Company has estimated the amount of the liability, at the time of acquisition, to be approximately R$2,000 (approximately US$1,000). On December 31, 2012, the Company revised the estimate based on current performance milestones to be approximately US$310, which is expected to be paid during the second quarter of 2013. The agreement further provides the Company with a call option which would enable it to acquire the remaining shares at specific times over a three-year period. Additionally, the purchase agreement provides the noncontrolling shares with the right to put their interest back to the Company at specific times. The put options are exercisable at specific dates subject to the achievement of performance hurdles. Pricing for both the call and put options are based upon multiples of UNIK s trailing twelve month EBITDA. Subsequent to the acquisition of UNIK, UNIK paid down approximately US$19,600 of existing financing debt. As of March 31, 2013, UNIK has approximately US$11,395 of financing debt, classified in other liabilities on the Company s consolidated balance sheets.

During the third quarter of 2012, the Company allocated the purchase price of the acquisition based upon a preliminary estimate of the fair values of the assets acquired and liabilities assumed, which have not been finalized as the Company is still reviewing statutory net operating losses prior to acquisition, as well as other non-income tax matters. Goodwill associated with the transaction is not expected to be deductible for income tax purposes. In addition, the Company has recognized and measured a redeemable noncontrolling interest. The redeemable noncontrolling interest represents the portion of UNIK s net assets owned by the noncontrolling shareholders and is presented in the mezzanine section on the Company s consolidated balance sheets.

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WEX INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

(in thousands, except per share data)

(unaudited)

The following is a summary of the preliminary allocation of the purchase price to the assets and liabilities acquired:

Total UNIK value	**$ 44,701**
Less: Redeemable noncontrolling interest	**21,904**
Total purchase price (includes estimated earn out of $991)	**$ 22,797**
Less:	
Cash	**1,566**
Accounts receivable	**11,726**
Accounts payable	**(12,640)**
Other tangible liabilities, net	**(32,511)**
Acquired software[a]	**14,193**
Customer relationships[b]	**15,171**
Trademarks and trade name[c]	**1,272**
Recorded goodwill	**$ 24,020**

[a] Weighted average life 6.2 years.
[b] Weighted average life 5.9 years.
[c] Weighted average life 5.5 years.

No pro forma information has been included in these financial statements as the operations of UNIK for the period that they were not part of the Company are not material to the Company s revenues, net income and earnings per share.

Acquisition of Fleet One

On October 4, 2012, the Company acquired certain assets of Fleet One a privately-held provider of value-based business payment processing and information management solutions. The Company purchased Fleet One to expand its fuel card and fleet management information services, as well as accelerate its presence in the over the road market.

During the fourth quarter of 2012, the Company allocated the purchase price of the acquisition based upon a preliminary estimate of the fair values of the assets acquired and liabilities assumed. These valuations of intangible assets are still based on a preliminary assessment as of March 31, 2013, as the Company is currently reviewing the allocation of intangible assets.

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WEX INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

(in thousands, except per share data)

(unaudited)

The following is a summary of the preliminary allocation of the purchase price to the assets and liabilities acquired:

Consideration paid (net of cash)	**$ 376,258**
Less:	
Accounts receivable	**152,574**
Accounts payable	**(151,647)**
Other tangible liabilities, net	**(1,147)**
Acquired software[a]	**35,000**
Customer relationships[b]	**74,000**
Trademarks and trade name[c]	**4,000**
Recorded goodwill	**$ 263,478**

(a) Weighted average life 6.7 years.
(b) Weighted average life 5.5 years.
(c) Weighted average life 5.5 years.

The following represents unaudited pro forma operational results as if Fleet One had been included in the Company s consolidated statements of operations as of the beginning of the fiscal years:

$ USD	**Three months ended March 31, 2012**
Net revenue	**$ 154,032**
Net earnings attributable to WEX Inc.	**$ 19,925**
Pro forma net income per common share:	
Net income per share basic	**$ 0.51**
Net income per share diluted	**$ 0.51**

The pro forma financial information assumes the companies were combined as of January 1, 2012, and includes business combination accounting effects from the acquisition including amortization charges from acquired intangible assets, interest expense for debt incurred in the acquisition and net income tax effects. The pro forma results of operations do not include any cost savings or other synergies that may result from the acquisition or any estimated costs that have been or will be incurred by the Company to integrate. The pro forma information as presented above is for informational purposes only and is not indicative of the results of operations that would have been achieved if the acquisition had taken place at the beginning of fiscal 2012.

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WEX INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

(in thousands, except per share data)

(unaudited)

4. Reserves for Credit Losses

In general, the terms of the Company s trade receivables provide for payment terms of 30 days or less. The Company does not extend revolving credit to its customers with respect to these receivables. The portfolio of receivables is considered to be a large group of smaller balance homogeneous amounts that are collectively evaluated for impairment.

The following table presents the Company s aging of accounts receivable:

	Age Analysis of Past Due Financing Receivables, Gross as of March 31,				
	Current and Less Than 30 Days Past Due	**30-59 Days Past Due**	**60-89 Days Past Due**	**Greater Than 90 Days Past Due**	**Total**
2013					
Accounts receivable, trade	**$ 1,729,039**	**$ 37,899**	**$ 14,025**	**$ 11,278**	**$ 1,792,241**
Percent of total	**96.5%**	**2.1%**	**0.8%**	**0.6%**	
2012					
Accounts receivable, trade	$ 1,521,181	$ 31,509	$ 5,443	$ 7,626	$ 1,565,759
Percent of total	97.2%	2.0%	0.3%	0.5%	

The following table presents changes in reserves for credit losses related to accounts receivable:

	Three months ended March 31,	
	2013	**2012**
Balance, beginning of period	**$ 11,709**	$ 11,526
Provision for credit losses	**3,756**	5,043
Charge-offs	**(6,045)**	(7,407)
Recoveries of amounts previously charged-off	**1,377**	1,562
Balance, end of period	**$ 10,797**	$ 10,724

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WEX INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

(in thousands, except per share data)

(unaudited)

5. Goodwill and Other Intangible Assets

Goodwill

The changes in goodwill during the first three months of 2013 were as follows:

	Fleet Payment Solutions Segment	Other Payment Solutions Segment	Total
Gross goodwill, December 31, 2012	$ 780,061	$ 81,732	**$ 861,793**
Impact of foreign currency translation	644	(524)	**120**
CorporatePay purchase adjustment		(247)	**(247)**
Gross goodwill, March 31, 2013	780,705	80,961	**861,666**
Accumulated impairment, December 31, 2012	(1,337)	(16,171)	**(17,508)**
Impairment charge during period			
Accumulated impairment, March 31, 2013	(1,337)	(16,171)	**(17,508)**
Net goodwill, March 31, 2013	$ 779,368	$ 64,790	**$ 844,158**

Other Intangible Assets

The changes in other intangible assets during the first three months of 2013 were as follows:

	Net Carrying Amount, December 31, 2012	**Acquisition adjustment**	**Amortization**	**Impact of foreign currency translation**	**Net Carrying Amount, March 31, 2013**
Definite-lived intangible assets					
Acquired software	$ 70,870	$ 473	$ (2,228)	$ (80)	$ 69,035
Customer relationships	150,676	(386)	(5,872)	162	144,580
Patent	2,365		(102)	10	2,273
Trade names	7,354	53	(177)	(76)	7,154
Indefinite-lived intangible assets					
Trademarks and trade names	10,545			29	10,574
Total	$ 241,810	$ 140	$ (8,379)	$ 45	$ 233,616

The Company expects amortization expense related to the definite-lived intangible assets above to be as follows: $25,288 for April 1, 2013 through December 31, 2013; $32,507 for 2014; $29,891 for 2015; $26,125 for 2016; $22,214 for 2017 and $19,040 for 2018.

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WEX INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

(in thousands, except per share data)

(unaudited)

Other intangible assets consist of the following:

	March 31, 2013			December 31, 2012		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Definite-lived intangible assets						
Acquired software	$ 86,293	$ (17,258)	$ 69,035	$ 86,054	$ (15,184)	$ 70,870
Non-compete agreement	100	(100)		100	(100)	
Customer relationships	202,506	(57,926)	144,580	202,447	(51,771)	150,676
Patent	3,447	(1,174)	2,273	3,430	(1,065)	2,365
Trade names	7,755	(601)	7,154	7,774	(420)	7,354
	$ 300,101	$ (77,059)	223,042	$ 299,805	$ (68,540)	231,265
Indefinite-lived intangible assets						
Trademarks and trade names			10,574			10,545
Total			$ 233,616			$ 241,810

6. Earnings per Common Share

The following is a reconciliation of the income and share data used in the basic and diluted earnings per share computations for the three months ended March 31, 2013 and 2012:

		Three months ended March 31, 2013	2012
Net earnings attributable to WEX Inc. available for common stockholders Basic and Dilutive		**$ 28,689**	$ 23,236
Weighted average common shares outstanding	Basic	**38,888**	38,820
Unvested restricted stock units		**242**	160
Stock options		**57**	143
Weighted average common shares outstanding	Diluted	**39,187**	39,123

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

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(unaudited)

7. Derivative Instruments

The Company is exposed to certain risks relating to its ongoing business operations. The primary risks managed by using derivative instruments are interest rate risk and commodity price risk. Interest rate swap arrangements are entered into to manage interest rate risk associated with the Company s variable-rate borrowings. The Company also enters into put and call option contracts based on the wholesale price of gasoline and retail price of diesel fuel, which settle on a monthly basis, related to the Company s commodity price risk. These put and call option contracts, or fuel price derivative instruments, are designed to reduce the volatility of the Company s cash flows associated with its fuel price-related earnings exposure in North America.

Accounting guidance requires companies to recognize all derivative instruments as either assets or liabilities at fair value in the statement of financial position. The Company designates interest rate swap arrangements as cash flow hedges of the forecasted interest payments on a portion of its variable-rate credit agreement. The Company s fuel price derivative instruments do not qualify for hedge accounting treatment under current guidance, and therefore, no such hedging designation has been made. Because the derivatives are either accounting or economic hedges of operational exposures, cash flows from the settlement of such contracts are included in Cash flows from operating activities on the Condensed Consolidated Statements of Cash Flows.

Cash Flow Hedges

For derivative instruments that are designated and qualify as a cash flow hedge, the effective portion of the gain or loss on the derivative is reported as a component of other comprehensive income and reclassified into earnings in the same period or periods during which the hedged transaction affects earnings. Gains and losses on the derivative representing either hedge ineffectiveness or hedge components excluded from the assessment of effectiveness are recognized in current earnings. As of March 31, 2013, the Company had no outstanding interest rate swap arrangements.

Derivatives Not Designated as Hedging Instruments

For derivative instruments that are not designated as hedging instruments, the gain or loss on the derivative is recognized in current earnings. As of March 31, 2013, the Company had the following put and call option contracts which settle on a monthly basis:

	Aggregate Notional Amount (gallons) [(a)]
Fuel price derivative instruments unleaded fuel Option contracts settling April 2013 September 2014	37,038
Fuel price derivative instruments diesel Option contracts settling April 2013 September 2014	17,010
Total fuel price derivative instruments	54,048

(a)

The settlement of the put and call option contracts is based upon the New York Mercantile Exchange s New York Harbor Reformulated Gasoline Blendstock for Oxygen Blending and the U.S. Department of Energy s weekly retail on-highway diesel fuel price for the month.

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The following table presents information on the location and amounts of derivative fair values in the condensed consolidated balance sheets:

	Derivatives Classified as Assets				Derivatives Classified as Liabilities			
	March 31, 2013		December 31, 2012		March 31, 2013		December 31, 2012	
	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Derivatives designated as hedging instruments								
None								
Derivatives not designated as hedging instruments								
Commodity contracts	Fuel price derivatives, at fair value		Fuel price derivatives, at fair value		Fuel price derivatives, at fair value	7,611	Fuel price derivatives, at fair value	1,729
Total derivatives		$		$		$ 7,611		$ 1,729

The following table presents information on the location and amounts of derivative gains and losses in the condensed consolidated statements of income:

Derivatives in Cash Flow Hedging Relationships	Amount of Gain or (Loss) Recognized in OCI on Derivative (Effective Portion) [(a)] Three months ended March 31, 2013	2012	Location of Gain or (Loss) Reclassified from Accumulated OCI into Income (Effective Portion)	Amount of Gain or (Loss) Reclassified from Accumulated OCI into Income (Effective Portion) Three months ended March 31, 2013	2012	Location of Gain or (Loss) Recognized in Income on Derivative (Ineffective Portion and Amount Excluded from Effectiveness Testing) [(b)]	Amount of Gain or (Loss) Recognized in Income on Derivative (Ineffective Portion and Amount Excluded from Effectiveness Testing) Three months ended March 31, 2013	2012
Interest rate contracts	$	$ 60	Financing interest expense	$	$ (109)	Financing interest expense	$	$

Derivatives Not Designated as Hedging Instruments	Location of Gain or (Loss) Recognized in Income on Derivative	Amount of Gain or (Loss) Recognized in Income on Derivative Three months ended March 31, 2013	2012
Commodity contracts	Net realized and unrealized losses on fuel price derivatives	$ (7,755)	$ (18,812)

[a] The amount of gain or (loss) recognized in OCI on the Company s interest rate swap arrangements has been recorded net of tax impacts of $ in 2013 and $35 in 2012.

[b] No ineffectiveness was reclassified into earnings nor was any amount excluded from effectiveness testing.

WEX INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

(in thousands, except per share data)

(unaudited)

8. Financing Debt

2013 Credit Agreement

On January 18, 2013, the Company entered into an amended and restated credit agreement (the 2013 Credit Agreement), among the Company and a syndicate of lenders. The 2013 Credit Agreement provides for a five-year amortizing $300,000 term loan facility, and a five-year $800,000 secured revolving credit facility with a $150,000 sub-limit for letters of credit. The indebtedness covenant under the 2013 Credit Agreement requires that the Company reduce the revolving commitments under the 2013 Credit Agreement on a dollar-for-dollar basis to the extent that the Company issues more than $300,000 in principal amount of senior or senior subordinated notes of the Company. Subject to certain conditions, including obtaining relevant commitments, the Company has the option to increase the facility by up to an additional $100,000.

The 2013 Credit Agreement replaces the 2011Credit Agreement, dated as of May 23, 2011, between the Company and a syndicate of lenders. The 2013 Credit Agreement increases the outstanding amount of the term loan from $185,000 to $300,000 and increased the amount of the revolving loan from $700,000 to $800,000. On January 30, 2013, the revolving loan commitment under the 2013 Credit Agreement was reduced to $700,000. The reduction was required due to the completion of the $400,000, 4.75 percent senior notes due 2023.

A portion of the indebtedness owing under the 2013Credit Agreement is the same indebtedness as formerly evidenced by the 2011 Credit Agreement.

$400 Million Note Offering

On January 30, 2013, the Company completed a $400,000 offering in aggregate principal amount of 4.75 percent senior notes due 2023 (the Notes) at an issue price of 100.0 percent of the principal amount, plus accrued interest, if any, from January 30, 2013, in a private placement for resale to qualified institutional buyers as defined in Rule 144A under the Securities Act of 1933, as amended (the Securities Act), and in offshore transactions pursuant to Regulation S under the Securities Act. The Notes were issued pursuant to an indenture dated as of January 30, 2013 (the Indenture) among the Company, the guarantors listed therein, and The Bank of New York Mellon Trust Company, N.A., as trustee (the Trustee).

The Notes will mature on February 1, 2023, and interest will accrue at the rate of 4.75 percent per annum. Interest is payable semiannually in arrears on February 1 and August 1 of each year, commencing on August 1, 2013.

The Notes are guaranteed on a senior unsecured basis by each of the Company s restricted subsidiaries and each of the Company s regulated subsidiaries that guarantees the Company s 2013 Credit Agreement, which, as of the issue date, consist of four of the Company s restricted subsidiaries. WEX Bank, which represents a substantial amount of the Company s operations, is not a guarantor and is not subject to many of the restrictive covenants in the indenture governing the Notes.

The Notes and guarantees described above are general senior unsecured obligations ranking equally with the Company s existing and future senior debt, senior in right of payment to all of the Company s subordinated debt, and effectively junior in right of payment to all of the Company s existing and future secured debt, including the Company s 2013 Credit Agreement, to the extent of the value of the collateral securing such debt. In addition, the Notes and the guarantees are structurally subordinated to all liabilities of the Company s subsidiaries that are not guarantors, including WEX Bank.

At any time on or after February 1, 2018, the Company may redeem the Notes, in whole or in part, at the following redemption prices (expressed as a percentage of principal amount of the Notes) if redeemed during the twelve month period beginning on February 1 of the following years: (i) 102.375 percent in 2018, (ii) 101.583 percent in 2019, (iii) 100.792 percent in 2020, and (iv) 100.0 percent in 2021 and thereafter; plus, in each case, accrued and unpaid interest, if any, to, but excluding, the date of redemption. Prior to February 1, 2018, the Company may redeem the

Notes, in whole or in part, at a redemption price equal to 100.0 percent of the principal amount of such Notes redeemed plus a make-whole premium (as described in the Indenture), together with any accrued and unpaid interest, if any, to, but excluding, the date of redemption.

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Prior to February 1, 2016, the Company may, subject to certain conditions, redeem up to 35 percent of the Notes from the proceeds of certain equity offerings at a redemption price of 104.75 percent of the principal amount, plus accrued and unpaid interest, if any, to, but excluding, the date of redemption.

Upon the occurrence of a change of control of the Company (as described in the Indenture), the Company must offer to repurchase the Notes at 101 percent of the principal amount of the Notes, plus accrued and unpaid interest, if any, to, but excluding, the date of repurchase.

The Indenture contains covenants that, among other things, limit the Company s ability and the ability of its restricted subsidiaries and, in certain limited circumstances, WEX Bank and the Company s other regulated subsidiaries, to (i) incur additional debt, (ii) pay dividends or make other distributions on, redeem or repurchase capital stock, or make investments or other restricted payments, (iii) enter into transactions with affiliates, (iv) dispose of assets or issue stock of restricted subsidiaries or regulated subsidiaries, (v) create liens on assets, or (vi) effect a consolidation or merger or sell all, or substantially all, of the Company s assets. These covenants are subject to important exceptions and qualifications. At any time that the Notes are rated investment grade, which is not currently the case, and subject to certain conditions, certain covenants will be suspended with respect to the Notes. WEX Bank and the Company s other regulated subsidiaries will not be subject to some of the restrictive covenants in the Indenture that place limitations on the Company and its restricted subsidiaries actions, and where WEX Bank and the Company s regulated subsidiaries are subject to covenants, there are significant exceptions and limitations on the application of those covenants to WEX Bank and the Company s regulated subsidiaries.

The Company will use the net proceeds of this offering to repay the outstanding amount under the revolving portion of its 2013 Credit Agreement and to pay related fees and expenses and for general corporate purposes.

9. Fair Value

The Company holds mortgage-backed securities, fixed income and equity securities, derivatives and certain other financial instruments which are carried at fair value. The Company determines fair value based upon quoted prices when available or through the use of alternative approaches, such as model pricing, when market quotes are not readily accessible or available. In determining the fair value of the Company s obligations, various factors are considered, including: closing exchange or over-the-counter market price quotations; time value and volatility factors underlying options and derivatives; price activity for equivalent instruments; and the Company s own-credit standing.

These valuation techniques may be based upon observable and unobservable inputs. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the Company s market assumptions. These two types of inputs create the following fair value hierarchy:

Level 1 Quoted prices for identical instruments in active markets.

Level 2 Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations whose inputs are observable or whose significant value drivers are observable.

Level 3 Instruments whose significant value drivers are unobservable.

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The following table presents the Company s assets and liabilities that are measured at fair value and the related hierarchy levels as of March 31, 2013:

		Fair Value Measurements at Reporting Date Using		
	March 31, 2013	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Mortgage-backed securities	**$ 1,358**	$	$ 1,358	$
Asset-backed securities	**1,601**		1,601	
Municipal bonds	**636**		636	
Equity securities	**12,193**	12,193		
Total available-for-sale securities	**$ 15,788**	$ 12,193	$ 3,595	$
Executive deferred compensation plan trust [(a)]	**$ 3,813**	$ 3,813	$	$
Liabilities:				
Fuel price derivatives unleaded fuel[(b)]	**$ 6,682**	$	$ 6,682	$
Fuel price derivatives diesel[(b)]	**929**			929
Total fuel price derivatives liabilities	**$ 7,611**	$	$ 6,682	$ 929
Contingent consideration	**$ 310**	$	$	$ 310

(a) The fair value of these instruments is recorded in other assets.

(b) The balance sheet presentation combines unleaded fuel and diesel fuel positions.

The Notes outstanding at March 31, 2013, have a carrying value of $400,000 and fair value of $385,500. The fair value is based on market rates for the issuance of debt.

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The following table presents the Company s assets and liabilities that are measured at fair value and the related hierarchy levels as of December 31, 2012:

		Fair Value Measurements at Reporting Date Using		
	December 31, 2012	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Mortgage-backed securities	**$ 1,839**	$	$ 1,839	$
Asset-backed securities	**1,654**		1,654	
Municipal bonds	**641**		641	
Equity securities	**12,216**	12,216		
Total available-for-sale securities	**$ 16,350**	$ 12,216	$ 4,134	$
Executive deferred compensation plan trust [a]	**$ 2,921**	$ 2,921	$	$
Liabilities:				
Fuel price derivatives unleaded fuel[b]	**$ 1,622**	$	$ 1,622	$
Fuel price derivatives diesel[b]	**107**			107
Total fuel price derivatives	**$ 1,729**	$	$ 1,622	$ 107
Contingent consideration	**$ 313**			$ 313

(a) The fair value of these instruments is recorded in other assets.

(b) The balance sheet presentation combines unleaded fuel and diesel fuel positions.

The following table presents a reconciliation of the beginning and ending balances for assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) during the three months ended March 31, 2013:

	Contingent Consideration	**Fuel Price Derivatives Diesel**
Beginning balance	$ (313)	$ (107)
Total gains or (losses) realized/unrealized Included in earnings [a]	3	(822)

Included in other comprehensive income		
Purchases, issuances and settlements		
Transfers(in)/out of Level 3		
Ending balance	$ (310)	$ (929)

[a] Gains and losses (realized and unrealized), associated with fuel price derivatives, included in earnings for the three months ended March 31, 2013, are reported in net realized and unrealized losses on fuel price derivatives on the condensed consolidated statements of income. Gains associated with contingent consideration, included in earnings for the three months ended March 31, 2013, are reported in loss on foreign currency transactions on the condensed consolidated statements of income.

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The following table presents a reconciliation of the beginning and ending balances for assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) during the three months ended March 31, 2012:

	Contingent Consideration	Fuel Price Derivatives Diesel
Beginning balance	$ (9,325)	$ (25)
Total gains or (losses) realized/unrealized Included in earnings[a]	839	(3,218)
Included in other comprehensive income		
Purchases, issuances and settlements	8,486	
Transfers (in)/out of Level 3		
Ending balance	$	$ (3,243)

[a] Gains and losses (realized and unrealized), associated with fuel price derivatives, included in earnings for the three months ended March 31, 2012, are reported in net realized and unrealized losses on fuel price derivatives on the condensed consolidated statements of comprehensive income. Gains associated with contingent consideration, included in earnings for the three months ended March 31, 2012, are reported in other expenses on the condensed consolidated statements of income.

Available-for-sale securities and executive deferred compensation plan trust

When available, the Company uses quoted market prices to determine the fair value of available-for-sale securities; such items are classified in Level 1 of the fair-value hierarchy. These securities primarily consist of exchange-traded equity securities.

For mortgage-backed and asset-backed debt securities and bonds, the Company generally uses quoted prices for recent trading activity of assets with similar characteristics to the debt security or bond being valued. The securities and bonds priced using such methods are generally classified as Level 2.

Fuel price derivatives and interest rate swap arrangements

The majority of derivatives entered into by the Company are executed over the counter and are valued using internal valuation techniques as no quoted market prices exist for such instruments. The valuation technique and inputs depend on the type of derivative and the nature of the underlying instrument. The principal technique used to value these instruments is a comparison of the spot price of the underlying instrument to its related futures curve adjusted for the Company s assumptions of volatility and present value, where appropriate. The fair values of derivative contracts reflect the expected cash the Company will pay or receive upon settlement of the respective contracts.

The key inputs depend upon the type of derivative and the nature of the underlying instrument and include interest rate yield curves, the spot price of the underlying instrument, volatility, and correlation. The item is placed in either Level 2 or Level 3 depending on the observability of the significant inputs to the model. Correlation and items with longer tenures are generally less observable.

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Fuel price derivatives diesel. The assumptions used in the valuation of the diesel fuel price derivatives use both observable and unobservable inputs. With respect to forward prices for diesel fuel, there is a lack of price transparency. Such unobservable inputs are significant to the diesel fuel derivative contact valuation methodology.

Quantitative Information About Level 3 Fair Value Measurements. The significant unobservable inputs used in the fair value measurement of the Company s diesel fuel price derivative instruments designated as Level 3 are as follows:

	Fair Value at March 31, 2013	Valuation Technique	Unobservable Input	Range $ per gallon
Fuel price derivatives diesel	$ 929	Option model	Future retail price of diesel fuel after March 31, 2013	$ 3.71 4.05

Sensitivity To Changes In Significant Unobservable Inputs. As presented in the table above, the significant unobservable inputs used in the fair value measurement of the Company s diesel fuel price derivative instruments are the future retail price of diesel fuel from the second quarter of 2013 through the third quarter of 2014. Significant changes in these unobservable inputs in isolation would result in a significant change in the fair value measurement.

Contingent consideration

The Company has classified its liability for contingent consideration related to its acquisition of UNIK within Level 3 of the fair value hierarchy because the fair value is determined using significant unobservable inputs, which include the projected revenues of UNIK over a four month period. On March 31, 2013, the amount due is determined to be $310 and is projected to be paid during the second quarter of 2013.

The Company classified its liability for contingent consideration related to its acquisition of rapid! PayCard within Level 3 of the fair value hierarchy because the fair value was determined using significant unobservable inputs, which include the revenues of rapid! PayCard over a twelve month period ending on March 31, 2012. On March 31, 2012, the amount due was determined to be $8,486 and was paid on April 30, 2012.

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10. Comprehensive Income

A reconciliation of comprehensive income for the period ended March 31, 2013 and 2012, is as follows:

	2013		2012	
	Unrealized Gains and Losses on Available-for-Sale Securities	Foreign Currency Items	Unrealized Gains and Losses on Available-for-Sale Securities	Foreign Currency Items
Beginning balance	**$ 197**	**$ 37,182**	$ 200	$ 30,448
Other comprehensive income before reclassification	**(78)**	**153**	(16)	8,002
Amounts reclassified from accumulated other comprehensive income				
Net current-period other comprehensive income	**(78)**	**153**	(16)	8,002
Ending balance	**$ 119**	**$ 37,335**	$ 184	$ 38,450

11. Redeemable noncontrolling interest

On August 30, 2012, the Company acquired a 51 percent ownership interest in UNIK, a provider of payroll cards in Brazil. Redeemable noncontrolling interest is measured at fair value at the date of acquisition. The redeemable noncontrolling interest is reported on the Company s consolidated balance sheets as Redeemable noncontrolling interest .

A reconciliation of redeemable noncontrolling interests for the period ended March 31, 2013, is as follows:

	For the three months ended March 31, 2013
Balance, beginning of period	**$ 21,662**
Net loss attributable to noncontrolling interest	**(112)**
Currency translation adjustment	**305**
Ending balance	**$ 21,855**

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12. Stock-Based Compensation

During the first quarter of 2013, the Company awarded restricted stock units and performance-based restricted stock units to employees under the 2010 Equity and Incentive Plan (the 2013 grant). Expense associated with the performance-based restricted stock units may increase or decrease due to changes in the probability of the Company achieving pre-established performance metrics. For the three months ended March 31, 2013, total stock-based compensation cost recognized was approximately $2,406. As of March 31, 2013, total unrecognized compensation cost related to non-vested stock options, restricted stock units, and performance-based restricted stock units was approximately $12,807, to be recognized over the remaining vesting periods of these awards.

13. Income Taxes

Undistributed earnings of certain foreign subsidiaries of the Company amounted to $2,156 at March 31, 2013 and $6,657 at March 31, 2012. These earnings are considered to be indefinitely reinvested, and accordingly, no U.S. federal and state income taxes have been provided thereon. Upon distribution of these earnings in the form of dividends or otherwise, the Company would be subject to both U.S. income taxes (subject to an adjustment for foreign tax credits) and withholding taxes payable to the various foreign countries.

14. Commitments and Contingencies

Litigation

The Company is involved in pending litigation in the usual course of business. In the opinion of management, such litigation will not have a material adverse effect on the Company s consolidated financial position, results of operations or cash flows.

15. Segment Information

Operating segments are defined as components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. The Company s chief operating decision maker is its Chief Executive Officer. The operating segments are reviewed separately because each operating segment represents a strategic business unit that generally offers different products and serves different markets.

The Company s chief operating decision maker evaluates the operating results of the Company s reportable segments based upon revenues and adjusted net income, which is defined by the Company as net income adjusted for fair value changes of derivative instruments, the amortization of purchased intangibles, the net impact of tax rate changes on the Company s deferred tax asset and related changes in the tax-receivable agreement, deferred loan costs associated with the extinguishment of debt, non-cash asset impairment charges and the gains on the extinguishment of a portion of the tax receivable agreement. These adjustments are reflected net of the tax impact.

The Company operates in two reportable segments, Fleet Payment Solutions and Other Payment Solutions. The Fleet Payment Solutions segment provides customers with payment and transaction processing services specifically designed for the needs of vehicle fleet customers. This segment also provides information management services to these fleet customers. The Other Payment Solutions segment provides customers with a payment processing solution for their corporate purchasing and transaction monitoring needs. Revenue in this segment is derived from our corporate purchase cards, virtual and prepaid card products. The corporate purchase card products are used by businesses to facilitate purchases of products and utilize the Company s information management capabilities.

Financing interest expense and net realized and unrealized losses on derivative instruments are not allocated to the Other Payment Solutions segment in the computation of segment results for internal evaluation purposes. Total assets are not allocated to the segments.

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