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

FORM 10-K

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

For the Fiscal Year Ended December 31, 2019

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.

Delaware
(State or other jurisdiction of
incorporation or organization)

72-1074903
(I.R.S. Employer
Identification No.)

3280 Peachtree Road, Suite 2400, Atlanta, Georgia
(Address of principal executive offices)

30305
(Zip Code)

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

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, \$0.001 par value per share	FLT	NYSE

Securities registered pursuant to Section 12(g) of the Act:

NONE

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes No

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit 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, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/> (Do not check if a smaller reporting company)	Smaller reporting company	<input type="checkbox"/>
Emerging growth company	<input type="checkbox"/>		

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

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

The aggregate market value of the registrant's common stock held by non-affiliates of the registrant was approximately \$23,926,076,537 as of June 30, 2019, the last business day of the registrant's most recently completed second fiscal quarter, based on the closing sale price as reported on the New York Stock Exchange.

As of February 7, 2020, there were 85,429,057 shares of common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive Proxy Statement to be delivered to shareholders in connection with the Annual Meeting of Shareholders to be held on June 11, 2020 are incorporated by reference into Part III of this report.

FLEETCOR TECHNOLOGIES, INC.
FORM 10-K
For The Year Ended December 31, 2019
INDEX

	<u>Page</u>
PART I	
Item 1. Business	4
Item X. Executive Officers of the Registrant	19
Item 1A. Risk Factors	20
Item 1B. Unresolved Staff Comments	40
Item 2. Properties	41
Item 3. Legal Proceedings	43
Item 4. Mine Safety Disclosures	44
PART II	
Item 5. Market for Registrant’s Common Equity, Related Stockholder Matters, and Issuer Purchases of Equity Securities	45
Item 6. Selected Financial Data	48
Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations	50
Item 7A. Quantitative and Qualitative Disclosures about Market Risk	76
Item 8. Financial Statements and Supplementary Data	78
Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure	120
Item 9A. Controls and Procedures	120
Item 9B. Other Information	122
PART III	
Item 10. Directors, Executive Officers and Corporate Governance	123
Item 11. Executive Compensation	123
Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters	123
Item 13. Certain Relationships and Related Transactions, and Director Independence	123
Item 14. Principal Accountant Fees and Services	123
PART IV	
Item 15. Exhibits and Financial Statement Schedules	124
Item 16. Form 10-K Summary	124
Signatures	129

Note About Forward-Looking Statements

This Annual Report on Form 10-K contains forward-looking statements within the meaning of the federal securities laws. Statements that are not historical facts, including statements about FLEETCOR's beliefs, expectations and future performance, are forward-looking statements. Forward-looking statements can be identified by the use of words such as "anticipate," "intend," "believe," "estimate," "plan," "seek," "project" or "expect," "may," "will," "would," "could" or "should," the negative 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, including those discussed in this report in Item 1A, "Risk Factors," and Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations," many of which are outside of our control, that could cause our actual results and experience to differ materially from any forward-looking statement.

These forward-looking statements may not be realized due to a variety of factors, including, without limitation:

- the impact of macroeconomic conditions and whether expected trends, including in retail fuel prices, fuel price spreads, and fuel transaction patterns, develop as anticipated;
- our ability to successfully execute our strategic plan, manage our growth and achieve our performance targets;
- our ability to attract new and retain existing partners, fuel merchants, and lodging providers, their promotion and support of our products, and their financial performance;
- the failure of management assumptions and estimates, as well as differences in, and changes to, economic, market, interest rate, interchange fees, foreign exchange rates, and credit conditions, including changes in borrowers' credit risks and payment behaviors;
- the risk of higher borrowing costs and adverse financial market conditions impacting our funding and liquidity, and any reduction in our credit ratings;
- our ability to successfully manage our credit risks and the sufficiency of our allowance for possible loan losses;
- our ability to securitize our loan receivables;
- the occurrence of fraudulent activity, data breaches or failures of our information security controls or cybersecurity-related incidents that may compromise our systems or customers' information;
- any disruptions in the operations of our computer systems and data centers;
- the international operational and political risks and compliance and regulatory risks and costs associated with international operations;
- our ability to develop and implement new technology, products, and services;
- any alleged infringement of intellectual property rights of others and our ability to protect our intellectual property;
- the regulation, supervision, and examination of our business by foreign and domestic governmental authorities, as well as litigation and regulatory actions, including the lawsuit recently filed by the FTC;
- the impact of regulations relating to privacy, information security and data protection; use of third-party vendors and ongoing third-party business relationships; and failure to comply with anti-money laundering and anti-terrorism financing laws;
- changes in our senior management team and our ability to attract, motivate and retain qualified personnel consistent with our strategic plan;
- tax legislation initiatives or challenges to our tax positions and/or interpretations, and state sales tax rules and regulations;
- the risks of mergers, acquisitions and divestitures, including, without limitation, the related time and costs of implementing such transactions, integrating operations as part of these transactions and possible failures to achieve expected gains, revenue growth and/or expense savings from such transactions; and
- the other factors and information in this Annual Report on Form 10-K and other filings that we make with the SEC under the Exchange Act and Securities Act. See "Risk Factors" in this Annual Report on Form 10-K.

Given these risks and uncertainties, you are cautioned not to place undue reliance on these forward-looking statements. The forward-looking statements included in this report are made only as of the date hereof. We do not undertake, and specifically disclaim, any obligation to update any such statements or to publicly announce the results of any revisions to any of such statements to reflect future events or developments.

PART I

ITEM 1. BUSINESS

General

FLEETCOR is a leading global business payment solutions company that simplifies the way businesses manage and pay their expenses. The FLEETCOR portfolio of brands help companies automate, secure, digitize and control payments on behalf of their employees and suppliers. We serve businesses, partners, merchants and consumer and payment networks in North America, Latin America, Europe, and Asia Pacific. FLEETCOR's predecessor company was organized in the United States in 1986, and FLEETCOR had its initial public offering in 2010 (NYSE: FLT).

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

Our payment solutions provide our customers with a payment method designed to be superior to and more robust and effective than what they use currently, whether they use a competitor's product or another alternative method such as cash or check. Our solutions are comprised of payment products, networks and associated services. We group our payment solutions into five primary categories: Fuel, Lodging, Tolls, Corporate Payments and Gift. Additionally, we provide other complementary payment products including fleet maintenance, employee benefits and long haul transportation-related services.

Each category is unique in its focus, customer base and target markets, but they also share a number of characteristics: customers are primarily businesses, have recurring revenue models, have specialized networks which create barriers to entry, have high EBITDA margins, and have similar selling systems. Our payment solutions are used in more than 100 countries around the world, with our primary geographies being the U.S., Brazil and the United Kingdom, which combined accounted for approximately 87% of our revenue in 2019.

FLEETCOR's payment products generally function like a charge card, prepaid card, one-time use virtual card, and electronic RFID (radio-frequency identification), etc. While the actual payment mechanisms vary from category to category, they are structured to afford control and reporting to the end customer.

FLEETCOR uses both proprietary and third-party networks to deliver our payment solutions. FLEETCOR owns and operates proprietary networks with well-established brands throughout the world, bringing incremental sales and loyalty to affiliated merchants. Third-party networks are used to broaden payment product acceptance and use.

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

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

Products and services

We offer specialized payment solutions predominately for commercial businesses. Our payment solutions are intended to provide our customers with a payment method superior to that which they formerly used, whether they used a competitor's product or another alternative method such as cash or check. Our solutions are comprised of payment products, networks and associated services.

Our solutions tend to be specialized for specific spend categories, such as fuel or lodging, and/or specific customer segments, such as long haul transportation. This specialization is manifested in the purchase controls, merchant network, and reporting applicable to the spend category or customer segment. For example, a fuel card could provide controls on the type of fuel purchased, be accepted only at gas stations for fuel purchases, and provide fuel usage and efficiency reports for a customer's fleet of vehicles. The combination of these specialized attributes allows our payment products to compete well against less specialized products such as cash or general purpose credit cards when it comes to controlling purchases within certain spend categories.

Fuel payment product line

Our fuel payment product line is our largest product category, representing approximately 44% of our revenue in 2019.

FLEETCOR offers fuel payment solutions to businesses and government entities who operate vehicle fleets, as well as to major oil companies, leasing companies and fuel marketers. Our fuel payment products are most often in the form of plastic cards, but also include other forms such as electronic RFID tags, mobile apps and paper vouchers. While predominately used to purchase fuel, many of our fuel payment products have additional purchasing capabilities to allow customers to purchase non-fuel items such as oil, vehicle maintenance supplies and services and building supplies.

Our fuel payment products, excluding paper vouchers, provide customers with tools and information to control their fuel and other fleet-related operating costs. Our proprietary processing and card management systems provide customers with customizable user-level controls, detailed transaction reporting, programmable alerts, configurable networks, contracted fuel price validation and audit, and vehicle efficiency analysis. Our customers can use these data, controls and tools to combat fraud and employee misuse, streamline expense administration and potentially lower their vehicle fleets' operating costs. The combination of these specialized attributes allows our fuel payment products to compete well against less specialized products such as cash or general purpose credit cards when it comes to controlling fuel purchases.

For major oil companies, leasing companies and petroleum marketers, we provide program management services, which allow these partners to outsource the sales, marketing, credit, service, and system operations of their branded fuel card portfolios. Depending on our partners' needs and internal capabilities, we provide our products and services in a variety of combinations ranging from a comprehensive "end-to-end" solution (encompassing issuing, processing and network services) to limited back office processing services. Our fuel payment product partners include British Petroleum (BP), its subsidiary Arco, Shell, Speedway, and Casey's and over 700 fuel marketers of all sizes.

While we refer to companies with whom we have strategic relationships as "partners," our legal relationships with these companies are contractual, and do not constitute legal partnerships. Our contracts with our major oil company partners typically have initial terms of five to ten years with current remaining terms ranging from one to seven years.

We use both proprietary and third-party networks to deliver our fuel payment solutions, including the following examples:

North America proprietary networks for fuel payment products

- ***Fuelman network***—our primary proprietary fleet card network in the U.S. We have negotiated card acceptance and settlement terms with over 10,400 individual merchants, providing the Fuelman network with approximately 55,000 fueling sites and approximately 25,000 maintenance sites across the country.
- ***Comdata network***—our network of truck stops and fuel merchants for the over-the-road trucking industry. We have negotiated card acceptance and settlement terms at over 8,600 truck stops and fuel merchants across the U.S. and Canada.
- ***Commercial Fueling Network (CFN)***—our "members only" fueling network in the U.S. and Canada composed of approximately 2,600 fueling sites owned by CFN members themselves. The majority of these fueling sites are unattended cardlock facilities located in commercial and industrial areas.
- ***Pacific Pride Fueling network***—our "franchise" fueling network in the U.S. composed of approximately 1,100 fueling sites owned by more than 220 franchisees. The majority of these fueling sites are unattended cardlock facilities located in commercial and industrial areas.

International proprietary networks for fuel payment products

- ***Allstar network***—our proprietary fleet card network in the U.K. We have negotiated card acceptance and settlement terms with approximately 2,100 individual merchants, providing this network with approximately 7,300 fueling sites.
- ***Keyfuels network***—our proprietary fleet card network in the U.K. We have negotiated card acceptance and settlement terms with more than 500 individual merchants, providing the Keyfuels network with approximately 3,000 fueling sites.
- ***CCS network***—our primary proprietary fleet card network in the Czech Republic and Slovakia. We have negotiated card acceptance and settlement terms with several major oil companies on a brand-wide basis, including MOL, Benzina, OMV, Slovnaft and Shell, and with approximately 1,200 other merchants, providing the CCS network at over 2,800 fueling sites and 700 other sites accepting our cards.

- **Petrol Plus Region (PPR) network**—our primary proprietary fleet card network in Russia, Ukraine, Belarus and Kazakhstan. We have negotiated card acceptance and settlement terms with over 600 individual merchants, providing the PPR network with approximately 13,300 fueling sites across the region.
- **Efectivale network**—our proprietary fuel card and voucher network in Mexico. We have negotiated acceptance and settlement terms individual merchants, providing the network with over 8,300 fueling sites.
- **CTF network**—our proprietary fuel and fleet controls solutions in Brazil, composed of over 23,000 highway and urban fueling sites through our partners, BR Distribuidora (Petrobras) and Ipiranga Distribuidora.
- **Travelcard network**—our proprietary fuel card network in the Netherlands. We have negotiated card acceptance and settlement terms with over 1,500 individual merchants, providing this network over 7,600 fueling sites.
- **Fleet Card network**—our proprietary fuel card network in Australia. We have negotiated card acceptance and settlement terms with approximately 6,000 individual merchants, providing this network with over 90% of fuel sites across Australia.
- **CardSmart network**—our proprietary fuel card network in New Zealand. We have negotiated card acceptance and settlement terms with approximately 1,200 individual merchants, providing this network with approximately 95% of the fuel sites across New Zealand.

Third-Party networks for fuel payments products

In addition to our proprietary “closed-loop” networks, we also utilize various third-party networks to deliver our payment programs and services. Examples of these networks include:

- **Mastercard network**—In the U.S. and Canada, we issue co-branded Mastercard products, which are accepted at over 176,000 fuel sites and 398,000 maintenance locations. These Mastercard products have additional purchasing capabilities which, when enabled, allow the cards to be accepted at approximately 10.9 million locations throughout the U.S. and Canada.
- **Visa network**—In the U.K., we issue products that utilize the Visa payment network, which includes approximately 8,400 fuel sites and approximately 1,700 maintenance locations. These Visa products have additional purchasing capabilities which, when enabled, allow the cards to be accepted throughout the Visa network.
- **Major oil and fuel marketer networks**—The proprietary networks of branded locations owned by our major oil and fuel marketer partners in both North America and internationally are generally utilized to support the proprietary, branded card programs of these partners.
- **UTA network**—UNION TANK Eckstein GmbH & Co. KG (UTA) operates a network of over 61,000 points of acceptance in 40 European countries, including more than 49,000 fueling sites. The UTA network is generally utilized by European transport companies that travel between multiple countries.
- **DKV network**—DKV operates a network of over 100,000 fleet card-accepting locations across more than 42 countries throughout Europe. The DKV network is generally utilized by European transport companies that travel between multiple countries.
- **Carnet network**—A national debit network in Mexico, which includes approximately 12,700 fueling sites across the country.
- **Good Card network**—In Brazil, we issue co-branded Good Card products, which are accepted at over 23,000 fuel sites.

We distribute our fuel payment solutions through direct and indirect channels to businesses of all sizes. This includes businesses with small- to medium-sized fleets, which we believe represent an attractive segment of the global commercial fleet market given their relatively high use of less efficient payment products, such as cash and general purpose credit cards. We serve customers across numerous industry verticals and particularly those verticals with significant vehicle fueling needs such as trucking, construction, manufacturing, energy, and consumer products distribution.

Our indirect channel includes our partners, such as major oil companies, leasing companies and fuel marketers. We generally provide our fuel payments solutions to our partners who offer our services under their own brands on a “white-label” basis. In turn, we leverage our partners’ brands, retail outlets, websites, and sales forces to help distribute our fuel payment products.

In Brazil, we have designed proprietary equipment which, when installed at the fueling site and on the vehicle and combined with our processing system, significantly reduces the likelihood of unauthorized and fraudulent transactions. We offer this product to over-the-road trucking fleets, shipping fleets and other operators of heavily industrialized equipment, including sea-going vessels, mining equipment, agricultural equipment, and locomotives. We generally co-brand this product with BR Distribuidora (Petrobras) or Ipiranga Distribuidora, depending on which fuel distributor provides fuel to our fleet clients via its retail and wholesale distribution operations.

With regard to our fuel payment products, we compete with independent fuel card issuers, major oil companies and petroleum marketers. Excluding major oil companies, our most significant competitors in this product category include WEX, U.S. Bank Voyager Fleet Systems, World Fuel Services, Edenred, Sodexo, Alelo, DKV, and Radius Payment Solutions.

Long haul transportation services

In addition to, and often in conjunction with our fuel payment product, we provide trucking companies in North America with various products and services specifically relevant to their industry, including road tax compliance analysis and reporting, permit procurement, and cash movement and disbursement. We compete with several companies in providing these products and services, including EFS (WEX), Keller, and RTS Financial.

Lodging payment product line

We offer lodging payment solutions to businesses in North America that have employees who travel overnight for work purposes, and to airlines globally to accommodate both their traveling crews and distressed passengers whose flights have been canceled. We offer card-based lodging payment products for individual business travelers and non-card based solutions for crews and distressed passengers. Our solutions can be customized to meet the specific needs of our customers, including access to deeply discounted hotel networks and customer-specific rate negotiation, the ability to customize the network to fit customers' specific travel needs and policies, enhanced controls and reporting, and audit and tax management services.

Our lodging payment products operate on our proprietary CLC, CLS and Travelliance lodging networks, which include over 33,900 hotels across 88 countries. We also can secure hotel rooms outside our proprietary networks if required by our customers. The size, scale and nature of our lodging customer base enable us to negotiate lodging nightly rates lower than the rates most companies could negotiate directly and far below the rates available to the general public.

Our customers can secure room nights with our solutions through our website or mobile app, by phone or email, or by walking into participating lodging properties and presenting their FLEETCOR lodging payment product credentials.

FLEETCOR has developed data management and payment processing systems to manage client billings and reports, which combined with our discounted hotel network, provide clients with savings and increased visibility into their lodging costs. The integration of our processing systems with airline logistics and crew management systems also enables us to deliver enhanced services to that industry vertical.

We distribute our lodging payment solutions mostly through direct channels to businesses of all sizes and serve customers across a wide range of industries, including airlines, trucking, railroads, construction, telecom, energy, food service, retail distribution, and emergency response services such as FEMA and the American Red Cross. We provide our custom lodging solutions to large customers and airlines under contracts.

Our lodging payment solutions compete with similar offerings from Egencia (Expedia), hotelengine.com, and in-house travel departments of large corporations and airlines.

Toll payment product line

In Brazil, we offer an electronic toll payments product to businesses and consumers in the form of RFID tags affixed to vehicles' windshields. Our electronic toll payments product operates on our proprietary Sem Parar network, which processed transactions for more than 5 million customers on 99% of the toll roads across Brazil. Our electronic tags may also be used to purchase parking, fuel and meals at affiliated merchant locations.

Electronic tolling provides convenience and faster travel and more convenience for customers, while also reducing manual labor and cash handling at merchants' toll booths and parking garages. At gas stations and drive through restaurants, payment via electronic tags is faster, safer and more secure for customers, which in turn increases loyalty and throughput for merchants. Beyond these benefits, our electronic toll payment product also provides commercial customers with driver routing controls and fare auditing, mostly in the form of vehicle type and axle count configuration.

For certain commercial customers, we also offer prepaid paper vouchers as a means of payment on toll roads. We provide these vouchers to companies who contract with third-party drivers who do not have an electronic tag in their vehicles and for whom the companies are legally obligated to prepay tolls. Our electronic and paper toll vale-pedagio solutions are accepted for payment within our proprietary toll network that covers approximately 99% of national roads in Brazil.

We distribute our toll payment products through direct and indirect channels to customers of all sizes and across a broad number of industry verticals. To reach commercial customers, we utilize the same set of direct channels as our other commercially-focused product lines including field sales, telesales and digital marketing. To reach consumers, we also place proprietary manned kiosks and unmanned vending machines in areas with high consumer foot traffic, such as shopping malls.

Our indirect channel includes a range of resellers and referral partners, including retail establishments with high consumer foot traffic such as grocery stores, pharmacies and gas stations. We provide our toll payment product to these partners under our brand and, in select cases, under the partner's brand.

Our electronic toll payment product competes with similar offerings such as Move Mais, ConectCar (Banco Itaú and Ipiranga), Veloe (Alelo), Repom (Edenred), and Visa Vale (Banco Bradesco).

Corporate payments product line

We offer a broad suite of corporate payments solutions with vertical-specific applications, which enable our customers to manage and control electronic payments across their enterprise, optimize corporate spending and offer innovative services that increase employee efficiency and customer loyalty. Our primary corporate payments products include virtual cards, purchasing cards, travel & entertainment (T&E) cards, payroll cards and cross-border payment facilitation. These products are predominately marketed in North America, with cross-border payments also offered in the United Kingdom and Australia. This collection of comprehensive solutions positions us to enable automation and savings across a user's entire accounts payables (A/P) process, including both domestic and international payables.

A virtual card provides a single-use card number for a specific amount within a defined timeframe and serves as a highly-effective replacement for check payments. Virtual cards provide enhanced security relative to checks while reducing payment costs for our customers. Full remittance data accompanies each virtual card payment, providing significant reconciliation advantages to ACH payments. We have integrated our virtual card offering into most leading ERP systems, providing a seamless experience for accounts payable personnel to select our virtual card as the payment mechanism of choice.

FLEETCOR's virtual card product operates on the Mastercard payment network. However, merchants affiliated to the MasterCard network are not obligated to accept virtual cards as a form of payment. As such, merchants must be enrolled into our proprietary vendor network to accept our virtual card product. We have built a proprietary network of approximately 800,000 merchants that accept our virtual card payments. This network is managed with proprietary technology that allows us to continuously expand virtual card acceptance and optimize the amount of virtual card spend we can capture. This network, coupled with a best-in-class, in-house vendor enrollment service, is a major competitive advantage.

Our purchasing and T&E cards operate on the Mastercard payment network and are accepted at approximately 10.9 million locations throughout the United States and Canada. These card products are generally sold in conjunction with our virtual card offering to augment our customers' purchasing capabilities. FLEETCOR also provides full A/P outsourcing services for customers who send us their entire A/P file and allow us to execute payments across all modalities, including the aforementioned products as well as ACH, wires and checks. We also provide expense management software, which combines and leverages transaction data captured from our virtual, purchasing and T&E card products to help our customers analyze and control their corporate spending.

Our virtual, purchasing and T&E card products compete with similar offerings from large financial institutions such as Bank of America, Citibank, J.P. Morgan Chase, PNC Bank, U.S. Bank, Wells Fargo and American Express.

FLEETCOR offers a payroll card product in the form of a reloadable stored value card, which operates on the Mastercard payment network and the All Point ATM network. These cards are distributed to our customers' employees and are funded by our customers with their employees' earned wages. As cardholders, the employees may present the payroll card as a form of payment for personal purchases, transfer funds to their bank account or withdraw funds from participating ATMs.

Our payroll card product competes with similar offerings from First Data Corporation, Fidelity National Information Services, Global Cash Card, Green Dot Financial, Total System Services, Automatic Data Processing, Paychex and Heartland Payment Systems.

FLEETCOR's cross-border payment services are offered predominantly to commercial customers, who range from small businesses to mid-cap corporate entities. Customers generally use our cross-border payment services to pay international suppliers, foreign office and personnel expenses, capital expenditures, and profit repatriation and dividends. We administer foreign exchange trades and payment settlement with recipients through a global network of banks, enabling us to send payments to recipients in over 200 countries and in over 140 currencies. We employ rigorous compliance standards in all geographies where we are licensed. By using transaction monitoring and watch list screening systems, we ensure payments are safe, secure, and meet all applicable regulatory requirements.

Our cross-border payment services compete with similar offerings from Western Union Business Solutions, Associated Foreign Exchange (AFEX), WorldFirst, Moneycorp, HiFX, Currencies Direct, GPS Capital Markets and large financial institutions.

FLEETCOR's corporate payment solutions are enabled by our technology and operations. Our ERP integrations, API capabilities, strategic vendor enrollment, and transaction management tools enable us to optimize our customers' electronic payables programs.

We distribute our corporate payment solutions through direct and indirect channels to businesses of all sizes and types across a broad number of industry verticals. We serve customers across numerous industry verticals, such as retail, healthcare, construction, manufacturing, hospitality, energy, entertainment, insurance and trade finance. As FLEETCOR both issues and processes its virtual cards and commercial cards, we have the control and flexibility to meet the unique needs of customers in different verticals.

We generally provide our domestic corporate payment solutions under contracts with our customers. Pricing terms vary based on usage volumes, incentives and contract duration. When our corporate payment solutions include short term credit, our contracts for those solutions contain credit and collection terms.

Our indirect channel includes a broad range of VARs and other referral partners that expand our reach into new customer segments, new industry verticals and new geographies faster and at a significantly lower cost. We provide our corporate payments solutions to these partners who offer our services under our brands or their own brands on a "white-label" basis. For example, we provide healthcare payment solutions through healthcare networks, corporate payment solutions through software and services providers and payroll card solutions through payroll service providers.

Gift payment product line

We provide fully integrated gift card product management and processing services in 61 different countries around the world. These products come in the form of plastic and digital gift cards, carry our customers' brands and are generally accepted exclusively within the retail network, websites, and mobile applications of each respective customer.

Our services include card design, production and packaging, delivery and fulfillment, card and account management, transaction processing, promotion development and management, website design and hosting, program analytics, and card distribution channel management. The combination of our products and services provides a turnkey solution to our customers, who benefit in the form of brand promotion, cardholder loyalty, increased sales, interest income on prepaid balances, and breakage on abandoned card balances.

We distribute our gift payment products and services directly through a specialized, dedicated field sales force. We serve our commercial customers in numerous industry verticals, with a focus in restaurants, supermarkets, drugstores, airlines, hotels, apparel and other retail categories. We help our commercial customers manage distribution with omni-channel strategies which include card sales through the customers' retail outlets, websites and mobile applications, as well as through third party locations, such as supermarkets and drug stores. This third party distribution is generally provided by other companies, such as Blackhawk and InComm, who are reliant on access to our systems to meet their distribution obligations.

We compete with a number of national companies in providing gift cards, the largest of which include First Data Corporation and Vantiv. We also compete with businesses that rely on in-house solutions.

Additional products

FLEETCOR provides several other payment products that, due to their nature or size, are not considered primary product lines.

Fleet maintenance

We provide a vehicle maintenance service offering that helps fleet customers to manage their vehicle maintenance, service, and repair needs in the U.K. This product is provided through our proprietary 1link maintenance and repair network which

processes transactions for fleet customers through approximately 8,700 service centers across the U.K. With regard to our fleet maintenance products, we compete with several companies including Ebbon-Dacs and Fleet on Demand.

Employee benefit payments

In Mexico, we offer prepaid food vouchers and cards that may be used as a form of payment in restaurants and grocery stores. These payment products operate on one of the following networks:

- **Effectivale network**—also our proprietary food card and voucher network in Mexico. We have negotiated acceptance and settlement terms providing the network with over 49,400 food locations, 8,300 fueling sites and 5,900 restaurants.
- **Carnet network**—a national debit network in Mexico, which includes approximately 51,000 food locations and 12,700 fueling sites across the country.

In Brazil, we offer prepaid transportation cards and vouchers that may be used as a form of payment on public transportation such as buses, subways and trains. Our proprietary VB Servicos, Comercio e Administracao LTDA (“VB”) distribution network distributes cards and vouchers to employees on behalf of approximately 27,300 customers and negotiates with more than 1,500 public transportation agencies across Brazil.

We provide these various payment products to businesses of all sizes and industry verticals and the businesses in turn offer the products to their employees as a form of benefit. With regard to our employee benefit payment products, we compete with numerous companies, the largest of which includes Edenred, Sodexo, Chèque Déjeuner, and Alelo.

Competition

We face considerable competition in our business. The most significant competitive factors in our business are the breadth of product and service features, credit extension, payment terms, customer service and account management, and price. For certain payment-related products, we also compete on the respective size or nature (i.e., open versus closed loop) of each product’s acceptance network. For certain payment processing services, systems and technology are also significant competitive factors. We believe that we generally compete favorably with respect to each of these factors. However, we may experience competitive disadvantages with respect to each of these factors from time to time as potential customers prioritize or value these competitive factors differently. As a result, a specific offering of our products and service features, networks and pricing may serve as a competitive advantage with respect to one customer and a disadvantage for another based on the customers’ preferences. The companies with whom we compete often vary by product line and/or geography, and are therefore identified by name in the respective product line discussions.

Sales and marketing

We market our products and services to prospective customers in North America and internationally through multiple channels including field sales, telesales, digital marketing, direct marketing, and point-of-sale marketing. We also leverage the sales and marketing capabilities of our strategic relationships. Worldwide, our sales and marketing employees are focused on acquiring new customers and retaining existing customers for our different products. We also utilize tradeshows, advertising and other awareness campaigns to further market our products and services.

We utilize proprietary and third-party databases to develop our prospect universe and segment those prospects by various characteristics, including industry, geography, and size, to identify potential customers. We develop customized offers for different types of potential customers and work to deliver those offers through the most effective marketing channel. We actively manage prospects across our various marketing channels to optimize our results and avoid marketing channel conflicts.

Our primary means of acquiring new customers include:

- **Telesales**—We have telesales representatives handling inbound and outbound sales calls.
 - Our inbound call volume is primarily generated as a result of marketing activities, including direct marketing, point-of-sale marketing and the internet.
 - Our outbound phone calls typically target prospects that have expressed an initial interest in our services or have been identified through database analysis as prospective customers. Our telesales teams are generally dedicated to a specific product or service category and tend to target smaller prospects. We also leverage our telesales channel to cross-sell additional products to existing customers.

- **Digital marketing**—We manage numerous marketing websites around the world which tend to fall into two categories: product-specific websites and marketing portals.
 - **Product-specific websites**—Our product-specific websites, including fuelman.com, checkinncard.com, allstarcard.co.uk and semparar.com.br, focus on one or more specific products, provide the most in-depth information available online regarding those particular products, allow prospects to apply online (where appropriate) and allow customers to access and manage their accounts online. We manage product-specific websites for our own proprietary programs, as well as white labeled sites for our strategic relationships.
 - **Marketing portals**—Our marketing portals, including fleetcardsUSA.com and fuelcards.co.uk, serve as information sources for fleet operators interested in fleet card products. In addition to providing helpful information on fleet management, including maintenance, tax reporting and fuel efficiency, these websites allow fleet operators to research card products, compare the features and benefits of multiple products, and identify the card product which best meets the fleet manager’s needs.

As part of our digital marketing strategy, we monitor and modify our marketing websites to improve our search engine rankings and test our advertising keywords to optimize our banner advertising placement and costs and our pay-per-click advertising spend among the major internet search firms such as Google and Bing.

- **Direct marketing**—We market directly to potential customers via mail and email. We test various program offers and promotions, and adopt the most successful features into subsequent direct marketing initiatives. We seek to enhance the sales conversion rates of our direct marketing efforts by coordinating timely follow-up calls by our telesales teams.
- **Point-of-sale marketing**—We provide marketing literature at the point-of-sale within our proprietary networks and those of our partner relationships. Literature may include “take-one” applications, pump-top advertising and in-store advertising. Our point-of-sale marketing leverages the branding and distribution reach of the physical merchant locations.

Account management

We provide account management and customer service to our customers. Based in dedicated call centers across our key markets, these professionals handle transaction authorizations, billing questions and account changes. Customers also have the opportunity to self-serve their accounts through interactive voice response and online tools. We monitor the quality of the service we provide to our customers by adhering to industry standard service levels with respect to abandon rates and answer times and through regular agent call monitoring. We also conduct regular customer surveys to ensure customers are satisfied with our products and services. We provide the following specialized services:

- **Implementation and activation**—We have dedicated implementation teams that are responsible for establishing the system set-up for each customer account. These teams focus on successful activation and utilization of our new customers and provide training and education on the use of our products and services. Technical support resources are provided to support the accurate and timely set-up of technical integrations between our proprietary processing systems and customer systems (e.g., payroll, enterprise resource planning and point-of-sale). Larger accounts are provided dedicated program managers who are responsible for managing and coordinating customer activities for the duration of the implementation. These program managers are responsible for the successful set-up of accounts to meet stated customer objectives.
- **Strategic account management**—We assign designated account managers who serve as the single point of contact for our large accounts. Our account managers have in-depth knowledge of our programs and our customers’ operations and objectives. Our account managers train customer administrators and support them on the operation and optimal use of our programs, oversee account setup and activation, review online billing and create customized reports. Our account managers also prepare periodic account reviews, provide specific information on trends in their accounts and work together to identify and discuss major issues and emerging needs.
- **Account retention**—We have proprietary, proactive strategies to contact customers who may be at risk of terminating their relationship with us. Through these strategies we seek to address service concerns, enhance product structures and provide customized solutions to address customer issues.
- **Customer service**—Day-to-day servicing representatives are designated for customer accounts. These designated representatives are responsible for the daily service items and issue resolution of customers. These servicing representatives are familiar with the nuanced requirements and specifics of a customer’s program. Service representatives are responsible for customer training, fraud disputes, card orders, card maintenance, billing, etc.

- **Cardholder support**—We provide cardholder support for individuals utilizing our payment products. This support allows cardholders to activate cards, check balances, and resolve issues in a timely and effective fashion. Cardholder support is conducted 24 hours a day, seven days per week in multiple languages utilizing telephony, web and call center technologies to deliver comprehensive and cost effective servicing. We have rigorous operational metrics in place to increase cardholder responsiveness to corporate and customer objectives.
- **Merchant network services**—Our representatives work with merchants such as fuel, toll operators and vehicle maintenance providers to enroll them in one of our proprietary networks, install and test all network and terminal software and hardware and train them on the sale and transaction authorization process. In addition, our representatives provide transaction analysis and site reporting and address settlement issues.
- **Call center program administration**—Off-hour call center support is provided to customers to handle time-sensitive requests and issues outside of normal business hours.
- **Management tools**—We offer a variety of online servicing tools that enable customers to identify and provide authority to program administrators to self-serve their accounts.
- **Credit underwriting and collections**—We follow detailed application credit review, account management, and collections procedures for all customers of our payment solutions. We use multiple levers including billing frequency, payment terms, spending limits and security to manage risk in our portfolio. For the years ended December 31, 2019 and 2018, our bad debt expense was \$74.3 million and \$64.4 million, or 6 bps and 6 bps of billings, respectively.
 - **New account underwriting**—We use a combination of quantitative, third-party credit scoring models and judgmental underwriting to screen potential customers and establish appropriate credit terms and spend limits. Our underwriting process provides additional scrutiny for large credit amounts and we utilize tiered credit approval authority among our management.
 - **Prepaid and secured accounts**—We also offer products and services on a prepaid or fully-secured basis. Prepaid customer accounts are funded with an initial deposit and subsequently debited for each purchase transacted on the cards issued to the customer. Fully-secured customer accounts are secured with cash deposits, letters of credit and/or insurance bonds. The security is held until such time as the customer either fails to pay the account or closes its account after paying outstanding amounts. Under either approach, our prepaid and fully-secured offerings allow us to market to a broader universe of prospects, including customers who might otherwise not meet our credit standards.
 - **Monitoring and account management**—We use fraud detection programs, including both proprietary and third-party solutions, to monitor transactions and prevent misuse of our products. We monitor the credit quality of our portfolio periodically utilizing external credit scores and internal behavior data to identify high risk or deteriorating credit quality accounts. We conduct targeted strategies to minimize exposure to high risk accounts, including reducing spending limits and payment terms or requiring additional security.
 - **Collections**—As accounts become delinquent, we may suspend future transactions based on our risk assessment of the account. Our collections strategy includes a combination of internal and outsourced resources which use both manual and dialer-based calling strategies. We use a segmented collection strategy which prioritizes higher risk and higher balance accounts. For severely delinquent, high balance accounts we may pursue legal remedies.

Technology

Our technology provides continuous authorization of transactions, processing of critical account and client information and settlement between merchants, issuing companies and individual commercial entities. We recognize the importance of state-of-the-art, secure, efficient and reliable technology in our business and have made significant investments in our applications and infrastructure. In 2019, we spent approximately \$200 million in capital and operating expenses to operate, protect and enhance our technology.

Our technology function is based in the United States, Europe and Brazil and has expertise in the management of applications, transaction networks and infrastructure. We operate application development centers in the United States, United Kingdom, Netherlands, Russia, Czech Republic, Brazil and New Zealand. Our distributed application architecture allows us to maintain, administer and upgrade our systems in a cost-effective and flexible manner. We integrate our systems with third-party vendor applications for certain products, sales and customer relationship management and back-office support. Our technology

organization has undertaken and successfully executed large scale projects to develop or consolidate new systems, convert oil company and petroleum marketer systems and integrate acquisitions while continuing to operate and enhance existing systems.

Our technology infrastructure is supported by highly-secure data centers, with redundant locations. We operate our primary data centers, which are located in Atlanta, Georgia; Brentwood, Tennessee; Prague; Czech Republic; Las Vegas, Nevada; Lexington and Louisville, Kentucky; Sao Paulo, Brazil; Toronto, Canada and Moscow, Russia. We use only proven technology and expect no foreseeable capacity limitations. Our systems align with industry standards for security with multiple industry certifications. Our network is configured with multiple layers of security to isolate our databases from unauthorized access. We use security protocols for communication among applications, and our employees access critical components on a need-only basis. We may not be able to adequately protect our systems or the data we collect from continually evolving cybersecurity risks or other technological risks, which could subject us to liability and damage our reputation. See also "We are dependent on the efficient and uninterrupted operation of interconnected computer systems, telecommunications, data centers and call centers, including technology and network systems managed by multiple third parties, which could result in our inability to prevent disruptions in our services" and "We may experience software defects, system errors, computer viruses and development delays, which could damage customer relationships, decrease our profitability and expose us to liability" under Item 1A for further discussion of the risks we face in connection with our technology systems and potential data breach and cybersecurity risks facing the Company.

We maintain disaster recovery and business continuity plans. Our telecommunications and internet systems have multiple levels of redundancy to ensure reliability of network service. In 2019, we achieved 99.9% up-time for authorizations globally.

Proprietary processing systems

We operate several proprietary processing systems that provide features and functionality to run our card programs and product offerings, including our card issuing, processing and information services. Our processing systems also integrate with our proprietary networks, which provide brand awareness and connectivity to our acceptance locations that enables the "end-to-end" card acceptance, data capture and transaction authorization capabilities of our card programs. Our proprietary processing systems and aggregation software are tailored to meet the unique needs of the individual markets they serve and enable us to create and deliver commercial payment solutions and stored value programs that serve each of our industry verticals and geographies. Our technology platforms are primarily comprised of four key components, which were primarily developed and are maintained in-house: (1) a core processing platform; (2) specialized software; (3) integrated network capabilities; and (4) a cloud based architecture with proprietary APIs.

Intellectual property

Our intellectual property is an important element of our business. We rely on trademark, copyright, trade secret, patent and other intellectual property laws, confidentiality agreements, contractual provisions and similar measures to protect our intellectual property. Our employees involved in technology development in some of the countries in which we operate, including the United States, are required to sign agreements acknowledging that all intellectual property created by them on our behalf is owned by us. We also have internal policies regarding the protection, disclosure and use of our confidential information. Confidentiality, license or similar agreements or clauses are generally used with our business partners and vendors to control access, use and distribution of our intellectual property. Unauthorized persons may attempt to obtain our intellectual property despite our efforts and others may develop similar intellectual property independently. We own trade names, service marks, trademarks and registered trademarks supporting a number of our brands, such as FLEETCOR, Fuelman, Comdata, and Comchek (among others) in the United States. We also own trademarks and registered trademarks in various foreign jurisdictions for a number of our brands, such as Cambridge, Keyfuels, AllStar, CTF, and Sem Parar (among others). We hold a number of patents and pending applications relating to payment cards and fuel tax returns.

Acquisitions

Since 2002, we have completed over 80 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. For a discussion of recent acquisitions, see "Management's Discussion and Analysis of Financial Conditions and Results of Operations—Acquisitions".

Regulatory

A substantial number of laws and regulations, both in the United States and in other jurisdictions, apply to businesses offering payment cards to customers or processing or servicing for payment cards and related accounts. These laws and regulations are often evolving and sometimes ambiguous or inconsistent, and the extent to which they apply to us is at times unclear. Failure to

comply with regulations may result in the suspension or revocation of licenses or registrations, the limitation, suspension, or termination of services, and/or the imposition of civil and criminal penalties, including fines. Certain of our services are also subject to rules set by various payment networks, such as Mastercard, as more fully described below.

The following, while not exhaustive, is a description of several federal and state laws and regulations in the United States that are applicable to our business. The laws and regulations of other jurisdictions also affect us, and they may be more or less restrictive than those in the United States and may also impact different parts of our operations. In addition, the legal and regulatory framework governing our business is subject to ongoing revision, and changes in that framework could have a significant effect on us.

Money Transmission and Payment Instrument Licensing Regulations

We are subject to various U.S. laws and regulations governing money transmission and the issuance and sale of payment instruments relating to certain aspects of our business. In the United States, most states license money transmitters and issuers of payment instruments. Through our subsidiaries, we are licensed in all states where required for business. Many states exercise authority over the operations of our services related to money transmission and payment instruments and, as part of this authority, subject us to periodic examinations, which may include a review of our compliance practices, policies and procedures, financial position and related records, privacy and data security policies and procedures, and other matters related to our business. As a result of these periodic examinations, state agencies sometimes issue us findings and recommendations, prompting us to make changes to our operations, such as improving our reporting processes, detailing our intercompany arrangements, and implementing new or revising existing policies and procedures, such as our anti-money laundering and the U.S. Department of Treasury's Office of Foreign Assets Control ("OFAC") compliance program and our complaints-management process, and improving our documentation processes.

As a licensee, we are subject to certain restrictions and requirements, including net worth and surety bond requirements, record keeping and reporting requirements, requirements for regulatory approval of controlling stockholders or direct and indirect changes of control of the licensee and certain other corporate events, and requirements to maintain certain levels of permissible investments in an amount equal to our outstanding payment obligations. Many states also require money transmitters and issuers of payment instruments to comply with federal and state anti-money laundering laws and regulations. See "*Anti-Money Laundering and Counter Terrorist Regulations.*"

Government agencies may impose new or additional requirements on money transmission and sales of payment instruments, and we expect that compliance costs will increase in the future for our regulated subsidiaries.

Privacy and Information Security Regulations

We provide services that may be subject to various state, federal, and foreign privacy and information security laws and regulations, including, among others, the Gramm-Leach Bliley Act, the EU's General Data Protection Regulation (the "GDPR") and its Network and Information Security directive, Canada's Personal Information Protection and Electronic Documents Act, and California's Consumer Protection Act of 2018 (the "CCPA").

These and similar laws and their implementing regulations restrict certain collection, processing, storage, use, and disclosure of personal information, require notice to individuals of privacy practices, and provide individuals with certain rights to prevent use and disclosure of protected information. Some also impose requirements for the safeguarding and proper destruction of personal information through the issuance of data security standards or guidelines. In many cases they impose obligations to notify affected individuals, state officers or other governmental authorities, the media, and consumer reporting agencies, as well as businesses and governmental agencies, of security breaches affecting personal information. In addition, some restrict the ability to collect and utilize certain types of information such as Social Security and driver's license numbers.

Certain of our products that access payment networks require compliance with Payment Card Industry ("PCI") data security standards. See "*Payment Card Industry Rules.*"

Email and Text Marketing Laws

We may use direct email marketing and text-messaging to reach out to current or potential customers and therefore are subject to various statutes, regulations, and rulings, including the Telephone Consumer Protection Act ("TCPA"), the Controlling the Assault of Non-Solicited Pornography and Marketing Act ("CAN-SPAM Act") and related Federal Communication Commission ("FCC") orders. The TCPA, as interpreted and implemented by the FCC and U.S. courts imposes significant restrictions on the use of telephone calls and text messages to residential and mobile telephone numbers as a means of

communication when prior consent of the person being contacted has not been obtained. Violations of the TCPA may be enforced by the FCC or by individuals through litigation, including class actions. Statutory penalties for TCPA violations range from \$500 to \$1,500 per violation, which has been interpreted to mean per phone call.

FCC regulations promulgated under the CAN-SPAM Act establish requirements for “commercial messages,” give recipients the right to have companies stop emailing them, and spells out penalties for violations. Commercial messages are defined as “any electronic mail message the primary purpose of which is the commercial advertisement or promotion of a commercial product or service,” including email that promotes content on commercial websites. The law makes no exception for business-to-business email. Each separate email in violation of the CAN-SPAM Act is subject to penalties of up to \$43,280.

Several states have enacted additional, more restrictive and punitive laws regulating commercial email. Foreign legislation exists as well, including Canada’s Anti-Spam Legislation and the European laws that have been enacted pursuant to European Union Directive 2002/58/EC and its amendments.

We use email as a significant means of communicating with our existing and potential users. We believe that our email practices comply with the relevant regulatory requirements.

Federal Trade Commission Act

All persons engaged in commerce, including, but not limited to, us and our bank sponsors and customers are subject to Section 5 of the Federal Trade Commission Act prohibiting unfair or deceptive acts or practices, and certain products are subject to the jurisdiction of the Consumer Financial Protection Bureau (“CFPB”) regarding the prohibition of unfair, deceptive, or abusive acts and practices (both, collectively, UDAAP). A number of state laws and regulations also prohibit unfair and deceptive business practices. Various federal and state regulatory enforcement agencies including the Federal Trade Commission (“FTC”), CFPB and the state attorneys general have authority to investigate and take action against businesses, merchants and financial institutions that are alleged to engage in UDAAP or violate other laws, rules and regulations. If we are accused of violating such laws, rules and regulations, we may be subject to enforcement actions and as a result, may incur losses and liabilities that may impact our business.

Truth in Lending Act

The Truth in Lending Act, or TILA, was enacted as a consumer protection measure to increase consumer awareness of the cost of credit and to protect consumers from unauthorized charges or billing errors, and is implemented by the Federal Reserve’s Regulation Z. Most provisions of TILA and Regulation Z apply only to the extension of consumer credit, but a limited number of provisions apply to commercial cards as well. One example where TILA and Regulation Z are generally applicable is a limitation on liability for unauthorized use, although a business that acquires 10 or more credit cards for its personnel can agree to more expansive liability. Our cardholder agreements generally provide that these business customers waive, to the fullest extent possible, all limitations on liability for unauthorized card use.

Credit Card Accountability, Responsibility, and Disclosure Act of 2009

The Credit Card Accountability, Responsibility, and Disclosure Act of 2009 (“CARD Act”) is an act that, among other things, amended provisions of TILA that affect consumer credit and also directed the Federal Reserve Board to study the use of credit cards by small businesses and to make legislative recommendations. The report concluded that it is not clear whether the potential benefits outweigh the increased cost and reduced credit availability if the disclosure and substantive restrictions applicable to consumer cards were to be applied to small business cards. Legislation has been introduced, from time to time, to increase the protections afforded to small businesses that use payment cards. If legislation of this kind were enacted, our products and services for small businesses could be adversely impacted.

Equal Credit Opportunity Act

The Equal Credit Opportunity Act, or ECOA, together with Regulation B prohibit creditors from discriminating on certain prohibited bases, such as an applicant’s sex, race, nationality, age and marital status, and further requires that creditors disclose the reasons for taking any adverse action against an applicant or a customer seeking credit.

The Fair Credit Reporting Act

The Fair Credit Reporting Act, or FCRA, regulates consumer reporting agencies and the disclosure and use of consumer reports. We may obtain consumer reports with respect to an individual who guarantees or otherwise is obligated on a commercial card.

FACT Act

The Fair and Accurate Credit Transactions Act of 2003 amended FCRA and requires creditors to adopt identity theft prevention programs to detect, prevent and mitigate identity theft in connection with covered accounts, which can include business accounts for which there is a reasonably foreseeable risk of identity theft.

Anti-Money Laundering and Counter Terrorist Regulations

The Currency and Foreign Transactions Reporting Act, which is also known as the Bank Secrecy Act (the “BSA”) and which has been amended by the USA PATRIOT Act of 2001, contains a variety of provisions aimed at fighting terrorism and money laundering. Among other things, the BSA and implementing regulations issued by the U.S. Treasury Department require financial-services providers to establish anti-money laundering programs, to not engage in terrorist financing, to report suspicious activity, and to maintain a number of related records. In addition to economic sanctions programs, we are also subject to international laws and regulations focused on fighting terrorism and money laundering:

- in Canada, Proceeds of Crime (Money Laundering) and Terrorist Financing Act, or the PCTFA;
- in Australia, as a registered remittance dealer with AUSTRAC, the Anti-Money Laundering and Counter-Terrorism Financing Act 2006 (AML/CTF Act); and
- in the UK, as a registered Electronic Money Institution with the Financial Conduct Authority, the Proceeds of Crime Act, 2002 (as amended by the Serious Organised Crime and Police Act 2005), and the Terrorism Act 2000 (as amended by the Anti-Terrorism, Crime and Security Act 2001 and the Terrorism Act 2006).

Non-banks that provide certain financial services are required to register with the Financial Crimes Enforcement Network of the U.S. Department of the Treasury (FinCEN) as “money services businesses” (MSBs). Through certain subsidiaries, we are registered as MSBs. As a result, we have established anti-money laundering compliance programs that include: (i) internal policies and controls; (ii) designation of a compliance officer; (iii) ongoing employee training; and (iv) an independent review function. We have developed and implemented compliance programs comprised of policies, procedures, systems and internal controls to monitor and address various legal requirements and developments.

In addition, provisions of the BSA known as the Prepaid Access Rule issued by FinCEN impose certain obligations, such as registration and collection of consumer information, on “providers” of certain prepaid access programs, including the stored value products issued by our sponsor banks for which we serve as program manager. FinCEN has taken the position that, where the issuing bank has principal oversight and control of such prepaid access programs, no other participant in the distribution chain would be required to register as a provider under the Prepaid Access Rule. Despite this position, we have opted to register as a provider of prepaid access through our subsidiary, Comdata Inc. We are also subject to certain economic and trade sanctions programs that are administered by the OFAC that prohibit or restrict transactions to or from or dealings with specified countries, their governments and, in certain circumstances, their nationals, narcotics traffickers, and terrorists or terrorist organizations.

Dodd-Frank Wall Street Reform and Consumer Protection Act

The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, or the Dodd-Frank Act, effected comprehensive revisions to a wide array of federal laws governing financial institutions, financial services, and financial markets. Among its most notable provisions is the creation of the CFPB, which is charged with regulating consumer financial products or services and which is assuming much of the rulemaking authority under TILA, ECOA, FCRA, and other federal laws affecting the extension of credit. In addition to rulemaking authority over several enumerated federal consumer financial protection laws, the CFPB is authorized to issue rules prohibiting UDAAP by persons offering consumer financial products or services and their service providers, and has authority to enforce these consumer financial protection laws and CFPB rules. The CFPB has not defined what is a consumer financial product or service but has indicated informally that, in some instances, small businesses may be covered under consumer protection.

As a service provider to certain of our bank sponsors, we may be subject to direct supervision and examination by the CFPB, in connection with certain of our products and services. CFPB rules, examinations and enforcement actions may require us to adjust our activities and may increase our compliance costs.

In addition, the Durbin Amendment to the Dodd-Frank Act provided that interchange fees that a card issuer or payment network receives or charges for debit transactions will now be regulated by the Federal Reserve and must be “reasonable and proportional” to the cost incurred by the card issuer in authorizing, clearing and settling the transaction. Payment network fees may not be used directly or indirectly to compensate card issuers in circumvention of the interchange transaction fee

restrictions. In July 2011, the Federal Reserve published the final rules governing debit interchange fees. The cap on interchange fees is not expected to have a material direct impact on our results of operations because we qualify for an exemption for the majority of our debit transactions.

The implementation of the Dodd-Frank Act is ongoing, and as a result, its overall impact remains unclear. Its provisions, however, are sufficiently far reaching that it is possible that we could be further directly or indirectly impacted.

Anti-Bribery Regulations

The FCPA prohibits the payment of bribes to foreign government officials and political figures and includes anti-bribery provisions enforced by the Department of Justice and accounting provisions enforced by the Securities and Exchange Commission (the "SEC"). The statute has a broad reach, covering all U.S. companies and citizens doing business abroad, among others, and defining a foreign official to include not only those holding public office but also local citizens affiliated with foreign government-run or -owned organizations. The statute also requires maintenance of appropriate books and records and maintenance of adequate internal controls to prevent and detect possible FCPA violations.

Payment Card Industry Rules

Banks issuing payment cards bearing the Mastercard brand, and FLEETCOR to the extent that we provide certain services in connection with those cards and fleet customers acting as merchants accepting those cards, must comply with the bylaws, regulations and requirements that are promulgated by Mastercard and other applicable payment-card organizations, including the PCI Data Security Standard, the Mastercard Site Data Protection Program and other applicable data-security program requirements. A breach of such payment card network rules could subject us to a variety of fines or penalties that may be levied by the payment networks for certain acts or omissions. The payment networks routinely update and modify their requirements. Our failure to comply with the networks' requirements or to pay the fines they impose could cause the termination of our registration and require us to stop processing transactions on their networks. Our subsidiary, Comdata Inc., is PCI 3.2 compliant.

We are also subject to network operating rules promulgated by the National Automated Clearing House Association relating to payment transactions processed by us using the Automated Clearing House Network.

Escheat Regulations

We may be subject to unclaimed or abandoned property (escheat) laws in the United States that require us to turn over to certain government authorities the property of others that we hold that has been unclaimed for a specified period of time such as payment instruments that have not been presented for payment and account balances that are due to a customer following discontinuation of our relationship. We may be subject to audit by individual U.S. states with regard to our escheatment practices.

Prepaid Card Regulations

Prepaid card programs that we manage are subject to various federal and state laws and regulations, including the CARD Act and the Federal Reserve Board's Regulation E, which impose requirements on general-use prepaid cards, store gift cards and electronic gift certificates. The CFPB issued a final rule on prepaid accounts that came into effect on April 1, 2019. The definition of prepaid account under this rule includes certain accounts that are capable of being loaded with funds and whose primary function is to conduct transactions with multiple, unaffiliated merchants, at ATMs or for person-to-person transfers. The requirements under this rule include, among other things, the disclosure of fees and other information to the consumer prior to the creation of a prepaid account; the extension of Regulation E liability limits and error-resolution requirements to all prepaid accounts; the application of Regulation Z credit card requirements to prepaid accounts with overdraft and credit features; and the submission of prepaid account agreements to the CFPB and the publication of such agreements to the general public.

These laws and regulations are evolving, unclear and sometimes inconsistent and subject to judicial and regulatory challenge and interpretation, and therefore the extent to which these laws and rules apply to, and their impact on, us is in flux. The extensive nature of these regulations and the implementation dates for this additional rulemaking may result in additional compliance obligations and expense for our business.

State Usury Laws

Extensions of credit under many of our card products may be treated as commercial loans. In some states, usury laws limit the interest rates that can be charged not only on consumer loans but on commercial loans as well. To the extent that these usury

laws apply, we are limited in the amount of interest that we can charge and collect from our customers. Because we have substantial operations in multiple jurisdictions, we utilize choice of law provisions in our cardholder agreements as to the laws of which jurisdiction to apply. With respect to card products where we work with a partner or issuing bank, the partner bank may utilize the law of the jurisdiction applicable to the bank and “export” the usury limit of that state in connection with cards issued to residents of other states or we may use our choice of law provisions.

Derivatives Regulations

Rules adopted under the Dodd-Frank Act by the Commodity Futures Trading Commission (the “CFTC”), as well as the provisions of the European Market Infrastructure Regulation and its technical standards, which are directly applicable in the member states of the European Union, have subjected certain of the foreign exchange derivative contracts we offer to our customers as part of the Cambridge Global Payments (“Cambridge”) business, to reporting, recordkeeping, and other requirements. Additionally, certain foreign exchange derivatives transactions we may enter into in the future may be subject to centralized clearing requirements, or may be subject to margin requirements in the United States and European Union. Other jurisdictions outside the United States and the European Union are considering, have implemented, or are implementing regulations similar to those described above.

Other

We are subject to examination by our sponsor banks’ regulators, and must comply with certain regulations to which our sponsor banks are subject, as applicable. We are subject to audit by certain sponsor banks.

The Housing Assistance Tax Act of 2008 requires information returns to be made for each calendar year by merchants, acquiring entities, and third-party settlement organizations with respect to payments made in settlement of electronic payment transactions and third-party payment network transactions occurring in that calendar year. Reportable transactions are also subject to backup withholding requirements. We are required to comply with these requirements for the merchants in our Comdata network. We could be liable for penalties if our information return is not in compliance with these regulations.

Employees and labor relations

As of December 31, 2019, we employed approximately 8,700 employees, approximately 3,450 of whom were located in the United States. We consider our employee relations to be good and have never experienced a work stoppage.

Additional Information

The Company maintains a website at the following address: www.fleetcor.com. The information on the Company’s website is not incorporated by reference into this Annual Report on Form 10-K. We make available on or through our website certain reports and amendments to those reports that we file with or furnish to the SEC in accordance with the Securities and Exchange Act of 1934, as amended (the “Exchange Act”). These include our Annual Reports on Form 10-K, our Quarterly Reports on Form 10-Q, and our Current Reports on Form 8-K. We make this information available on our website free of charge as soon as reasonably practicable after we electronically file the information with, or furnish it to, the SEC.

In addition, the SEC maintains a website that contains reports, proxy and information statements and other information regarding issuers that file electronically at <https://www.sec.gov>.

ITEM X. EXECUTIVE OFFICERS OF THE REGISTRANT

The following table sets forth certain information regarding our executive officers, with their respective ages as of December 31, 2019. Our officers serve at the discretion of our board of directors. There are no family relationships between any of our directors or executive officers.

<u>Name</u>	<u>Age</u>	<u>Position(s)</u>
Ronald F. Clarke	64	Chief Executive Officer and Chairman of the Board of Directors
Eric R. Dey	60	Chief Financial Officer
John S. Coughlin	51	Group President—Corporate Payments
Alexey Gavrilnya	43	Group President—North America Fuel
Alan King	43	Group President—Europe, Australia and New Zealand
Armando L. Netto	51	Group President—Brazil

Ronald F. Clarke has been our Chief Executive Officer since August 2000 and was appointed Chairman of our board of directors in March 2003. From 1999 to 2000, Mr. Clarke served as President and Chief Operating Officer of AHL Services, Inc., a staffing firm. From 1990 to 1998, Mr. Clarke served as Chief Marketing Officer and later as a division president with Automatic Data Processing, Inc. (ADP), a computer services company. From 1987 to 1990, Mr. Clarke was a principal with Booz Allen Hamilton, a global management consulting firm. Earlier in his career, Mr. Clarke was a marketing manager for General Electric Company, a diversified technology, media, and financial services corporation.

Eric R. Dey has been our Chief Financial Officer since November 2002. From October 2000 to October 2002, Mr. Dey served as Chief Financial Officer of NCI Corporation, a call center company. From July 1999 to October 2000, Mr. Dey served as Chief Financial Officer of Leisure Time Technology, a software development/manufacturing company. From 1994 to 1999, Mr. Dey served as Corporate Controller with Excel Communications, a telecommunications service provider. From 1984 to 1994, Mr. Dey held a variety of financial and accounting positions with PepsiCo, Inc., a global beverage, snack and food company.

John S. Coughlin was named Group President—Corporate Payments in December 2019. Prior to this role, Mr. Coughlin served as our Executive Vice President—Global Corporate Development since September 2010. From 2007 to 2010, Mr. Coughlin served as a Managing Director at PCG Capital Partners, a private equity firm. From 2005 to 2006, Mr. Coughlin served as Chief Executive Officer of NCDR LLC, a private equity owned national dental practice management company. From 1994 to 2005, Mr. Coughlin was with The Parthenon Group, a strategic advisory and principal investment firm, where he was a Senior Partner and the founder and head of the firm's San Francisco office. From 1990 to 1992, Mr. Coughlin was an investment banker with Credit Suisse First Boston.

Alexey Gavrilnya was named Group President—North America Fuel in September 2019. Prior to this role, Mr. Gavrilnya was our President of Continental Europe since 2016. From 2011 to 2015, Mr. Gavrilnya served as our President, Eastern Europe, where he was responsible for PPR and NKT. From 2009 to 2010, Mr. Gavrilnya served as our Executive Vice President Strategy and Finance, Eastern Europe. Prior to joining us, Mr. Gavrilnya was CFO of Matarex, Ltd.

Alan King joined us in August 2016 and serves as our Group President—Europe, Australia and New Zealand. Mr. King began leading all European operations, in addition to his UK responsibilities in July 2019. Prior to joining us, Mr. King held various positions at MasterCard from 2005 to 2016, including Managing Director of MasterCard Prepaid Management Services, Group Head of Global Prepaid Solutions, Group General Manager for Market and Business Development in the UK and Ireland and General Manager of Global Accounts. Prior to MasterCard, Mr. King held leadership positions at VISA in the CEMEA region from 2003 to 2005 and at Citibank from 1998 to 2003, largely across commercial payments in international markets. Mr. King spent the early part of his career in the telecom and automotive industries, in various sales and marketing roles covering Europe.

Armando L. Netto was named Group President—Brazil in April 2018. Mr. Netto joined us in June 2014, serving as President of our legacy Brazil businesses, prior to our acquisition of STP. Prior to joining us, Mr. Netto led IT Services for TIVIT, an IT and BPO services company, from 2006 to 2014, where he led the integration of functional areas into the business unit, focused on onboarding new clients and ensured service quality. Prior to TIVIT, Mr. Netto held various leadership roles with Unisys and McKinsey, where he gained international experience in Europe supporting clients in the UK, France, Austria, Portugal and the Netherlands.

ITEM 1A. RISK FACTORS

You should carefully consider the following risks applicable to us. If any of the following risks actually occur, our business, operating results, financial condition and the trading price of our common stock could be materially adversely affected. The risks discussed below also include forward-looking statements, and our actual results may differ substantially from those discussed in these forward-looking statements. See “Note Regarding Forward-Looking Statements” in this report.

Risks related to our business

A decline in retail fuel prices could adversely affect our revenue and operating results.

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 decline in retail fuel prices could cause a decrease in our revenue from fees paid to us by merchants based on a percentage of each transaction purchase amount. We believe that in 2019, approximately 13% our consolidated revenue 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. A decline in retail fuel prices could adversely affect our revenue and operating results.

Fuel prices are dependent on several factors, all of which are beyond our control. These factors include, among others:

- supply and demand for oil and gas, and market expectations regarding supply and demand;
- actions by members of OPEC and other major oil-producing nations;
- new oil production being developed in the U.S. and elsewhere;
- political conditions in oil-producing and gas-producing nations, including insurgency, terrorism or war;
- oil refinery capacity;
- weather;
- the prices of foreign exports;
- speculative trading;
- the implementation of fuel efficiency standards and the adoption by our fleet customers of vehicles with greater fuel efficiency or alternative fuel sources;
- general worldwide economic conditions; and
- governmental regulations, trade sanctions and embargos, taxes and tariffs.

A portion of our revenue is derived from fuel-price spreads. As a result, a contraction in fuel-price spreads could adversely affect our operating results.

Approximately 5% of our consolidated revenue in 2019, was derived from transactions where our revenue is tied to fuel-price spreads. Fuel-price spreads equal the difference between the fuel price we charge to the fleet customer and the fuel price paid to the fuel merchant. In transactions where we derive revenue from fuel-price spreads, the fuel price paid to the fuel merchant is calculated as the merchant’s wholesale cost of fuel plus a commission. 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 fleet customer is dependent on several factors including, among others, the fuel price paid to the fuel 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 fleet customers, or the fuel price we charge to our fleet customers decreases at a faster rate than the merchant’s wholesale cost of fuel. Accordingly, when fuel-price spreads contract, we generate less revenue, which could adversely affect our operating results.

If we fail to adequately assess and monitor credit risks of our customers, we could experience an increase in credit loss.

We are subject to the credit risk of our customers which range in size from small sole proprietorships to large publicly traded companies. We use various methods to screen potential customers and establish appropriate credit limits, but these methods cannot eliminate all potential credit risks and may not always prevent us from approving customer applications that are not credit-worthy or are fraudulently completed. Changes in our industry, customer demand, and, in relation to our fleet customers, movement in fuel prices may result in periodic increases to customer credit limits and spending and, as a result, could lead to increased credit losses. We may also fail to detect changes to the credit risk of customers over time. Further, during a declining economic environment, we experience increased customer defaults and preference claims by bankrupt customers. If we fail to adequately manage our credit risks, our bad debt expense could be significantly higher than historic levels and adversely affect our business, operating results and financial condition. For the years ended December 31, 2019 and 2018, our bad debt expense was \$74.3 million and \$64.4 million, or 6 bps and 6 bps of total billings, respectively.

Any decrease in our receipt of program fees and charges, or limitations on our program fees and charges, could adversely affect our business, results of operations and financial condition.

Our card programs include a variety of fees and charges associated with transactions, cards, reports, optional services and late payments. Revenues for late fees and finance charges represent 6% of our consolidated revenue for the year ended December 31, 2019. If the users of our cards decrease their transaction activity, or the extent to which they use optional services or pay invoices late, our revenue could be materially adversely affected. In addition, several market factors can affect the amount of our fees and charges, including the market for similar charges for competitive card products and the availability of alternative payment methods such as cash or house accounts. Furthermore, regulators and Congress have scrutinized the electronic payments industry's pricing, charges and other practices related to its customers. Any legislative or regulatory restrictions on our ability to price our products and services could materially and adversely affect our revenue. Any decrease in our revenue derived from these fees and charges could materially and adversely affect our business, operating results and financial condition.

We operate in a competitive business environment, and if we are unable to compete effectively, our business, operating results and financial condition would be adversely affected.

The market for our products and services is highly competitive, and competition could intensify in the future. Our competitors vary in size and in the scope and breadth of the products and services they offer. In the fleet card business, our primary competitors in North America are small regional and large independent fleet card providers, major oil companies and petroleum marketers that issue their own fleet cards, and major financial services companies that provide card services to major oil companies and petroleum marketers. In the commercial payments business, we face a variety of competitors, some of which have greater financial resources, name recognition and scope and breadth of products and services. Competitors in the hotel card business include travel agencies, online lodging discounters, internal corporate procurement and travel resources, and independent services companies. We also compete for customers with providers of alternative payment mechanisms, such as merchants offering house cash accounts or other forms of credit. Our primary competitors in Europe, Australia and New Zealand are independent fleet card providers, major oil companies and petroleum marketers that issue branded fleet cards, and providers of card outsourcing services to major oil companies and petroleum marketers. Our primary competitors in Latin America are independent providers of fleet cards and vouchers for food, fuel, tolls, and transportation and major oil companies and providers of card outsourcing services to major oil companies and petroleum marketers who offer commercial fleet cards.

The most significant competitive factors in our business are the breadth of product and service features, network acceptance size, customer service, account management, and price. We may experience competitive disadvantages with respect to any of these factors from time to time as potential customers prioritize or value these competitive factors differently. As a result, a specific offering of our products and service features, networks and pricing may serve as a competitive advantage with respect to one customer and a disadvantage for another based on the customers' preferences.

Some of our existing and potential competitors have longer operating histories, greater brand name recognition, larger customer bases, more extensive customer relationships or greater financial and technical resources than we do. In addition, our larger competitors may also have greater resources than we do to devote to the promotion and sale of their products and services and to pursue acquisitions. Many of our competitors provide additional and unrelated products and services to customers, such as treasury management, commercial lending and credit card processing. By providing these services that we do not provide, these competitors have an advantage of being able to bundle their products and services together and present them to existing customers with whom they have established relationships, sometimes at a discount. For example, in the commercial payments business, we compete with full service banks that are able to offer treasury management and commercial lending in addition to commercial payment solutions. If price competition continues to intensify, we may have to increase the incentives that we offer to our customers, decrease the prices of our products and services or lose customers, each of which could adversely affect our operating results. In the fleet card business, major oil companies and petroleum marketers and large financial institutions may choose to integrate fuel-card services as a complement to their existing card products and services, as well as offer add-on complementary services. As a result, they may be able to adapt more quickly to new or emerging technologies and changing opportunities, standards or customer requirements. To the extent that our competitors are regarded as leaders in specific categories, they may have an advantage over us as we attempt to further penetrate these categories.

Future mergers or consolidations among competitors, or acquisitions of our competitors by large companies may present competitive challenges to our business. Resulting combined entities could be at a competitive advantage if their fuel-card products and services are effectively integrated and bundled into sales packages with their widely utilized non-fuel-card-related products and services. Further, competitors may reduce the fees for their services, which could increase pricing pressure within our markets.

Overall, increased competition in our markets could result in intensified pricing pressure, reduced profit margins, increased sales and marketing expenses and a failure to increase, or a loss of, market share. We may not be able to maintain or improve our competitive position against our current or future competitors, which could adversely affect our business, operating results and financial condition.

Our fleet card business is dependent on several key strategic relationships, the loss of which could adversely affect our operating results.

We intend to seek to expand our strategic relationships with major oil companies and to establish additional relationships with other petroleum marketers. We refer to the major oil companies and petroleum marketers with whom we have strategic relationships as our “partners.” We use this term in the business sense to refer to strategic business relationships formed through contracts such as Card Program Agreements, and not in the legal sense of operating under legal partnership arrangements created pursuant to laws such as the Uniform Partnership Act. During 2019, our top three strategic relationships with major oil companies accounted for less than 4% of our consolidated revenue. Our agreements with our major oil company partners typically have initial terms of five to ten years with current remaining terms ranging from about one to eight years.

The success of our business is in part dependent on our ability to maintain these strategic relationships and enter into additional strategic relationships with major oil companies. In our relationships with these major oil companies, our services are marketed under our partners’ brands. If these partners fail to maintain their brands or decrease the size of their branded networks, our ability to grow our business may be adversely affected. Also, our inability to maintain or further develop these relationships or add additional strategic relationships could materially and adversely affect our business and operating results.

To enter into a new strategic relationship or renew an existing strategic relationship with a major oil company, we often must participate in a competitive bidding process, which may focus on a limited number of factors, including pricing. The bidding and negotiating processes generally occur over a protracted time period. The use of these processes may affect our ability to effectively compete for these relationships. Our competitors may be willing to bid for these contracts on pricing or other terms that we consider uneconomical in order to win business. The loss of our existing major oil company partners or the failure to contract or delays in contracting with additional partners could materially and adversely affect our business, operating results and financial condition.

If we are unable to maintain and expand our merchant relationships, our closed loop fleet card and lodging card businesses may be adversely affected.

With respect to the closed loop networks we utilize, a portion of our growth is derived from acquiring new merchant relationships to serve our customers, new and enhanced product and service offerings, and cross-selling our products and services through existing merchant relationships. We rely on the continuing growth of our merchant relationships and our distribution channels in order to expand our customer base. There can be no guarantee that this growth will continue. Similarly, our growth also will depend on our ability to retain and maintain existing merchant relationships that accept our proprietary closed-loop networks in areas where our customers purchase fuel, maintenance services, and lodging. Our contractual agreements with fuel merchants and service garages typically have initial terms of one or two years and automatically renew on the same basis unless either party gives notice of termination. Our agreements with lodging providers typically have initial terms of one year and automatically renew on a month-to-month basis unless either party gives notice of termination. Furthermore, merchants with which we have relationships may experience bankruptcy, financial distress, or otherwise be forced to contract their operations. The loss of existing merchant relationships, failure to continue such relationships on similarly attractive economic terms, the contraction of our existing merchants’ operations or the inability to acquire new merchant relationships could adversely affect our ability to serve our customers and our business and operating results.

If we are unable to maintain our relationships with major truck stop merchants, our over-the-road fuel card businesses may be adversely affected.

We have long standing relationships with major truck stop merchants to accept our over-the-road fuel cards. Over-the-road customers purchase a significant proportion of their fuel at major truck stop merchants. The loss of existing major truck stop merchant relationships or failure to continue such relationships on similar terms could adversely affect our ability to serve our over-the-road fuel card customers and our business and operating results.

A decline in general economic conditions, and in particular, a decline in demand for fuel and other business related products and services would adversely affect our business, operating results and financial condition.

Our operating results are materially affected by conditions in the economy generally, both in the U.S. and internationally. We generate revenue based in part on the volume of purchase transactions we process. Our transaction volume is correlated with general economic conditions, particularly in the U.S., Europe, Russia, Latin America, Australia and New Zealand, and the amount of business activity in economies in which we operate. Downturns in these economies are generally characterized by reduced commercial activity and, consequently, reduced purchasing of fuel and other business related products and services by our customers. The commercial payments industry in general, and our commercial payment solutions business specifically, depends heavily upon the overall level of spending. Unfavorable changes in economic conditions, including declining consumer confidence, inflation, recession, political climate or other changes, may lead our corporate customers to reduce their spending, resulting in reduced demand for, or use of, our products and services. In addition, unfavorable changes in economic conditions, may lead our fleet card customers to demand less fuel, or lead our partners to reduce their use of our products and services. As a result, a sustained deterioration in general economic conditions in the U.S. or abroad could have a material adverse effect on our revenue and profitability.

Further, economic conditions also may impact the ability of our customers or partners to pay for fuel or other services they have purchased and, as a result, our reserve for credit losses and write-offs of accounts receivable could increase. A weakening economy could also force some retailers and merchants to close, resulting in exposure to potential credit losses and transaction declines. In addition, demand for fuel and other business related products and services may be reduced by other factors that are beyond our control, such as the development and use of vehicles with greater fuel efficiency and alternative fuel sources.

We are unable to predict the likely duration of current economic conditions in the U.S., Europe, Russia, Latin America, Australia and New Zealand. As a result, weaknesses in general economic conditions or increases in interest rates in key countries in which we operate could adversely affect our business and operating results.

If we are unable to successfully integrate new lines of business we have acquired or may acquire in the future, our results of operations and financial condition may be adversely affected.

We have expanded our business to encompass new lines of business in the past. For example, we have entered into the corporate payments, stored value card, vehicle maintenance management and telematics business in the U.S. and Europe, and transaction processing, fuel, food, toll and transportation card and voucher businesses in Brazil and Mexico. We may continue to enter into new lines of business and offer new products and services in the future. There is no guarantee that we will be successful in integrating these new lines of business into our operations. If we are unable to do so, our operating results and financial condition may be adversely affected.

If we fail to develop and implement new technology, products and services, adapt our products and services to changes in technology, the marketplace requirements, or if our ongoing efforts to upgrade our technology, products and services are not successful, we could lose customers and partners.

The markets for our products and services are highly competitive and characterized by technological change, frequent introduction of new products and services and evolving industry standards. We must respond to the technological advances offered by our competitors and the requirements of our customers and partners, in order to maintain and improve upon our competitive position and fulfill contractual obligations. We may be unsuccessful in expanding our technological capabilities and developing, marketing or selling new products and services that meet these changing demands, which could jeopardize our competitive position. In addition, we engage in significant efforts to upgrade our products and services and the technology that supports these activities on a regular basis.

The products we deliver are designed to process complex transactions and provide reports and other information on those transactions, all at high volumes and processing speeds. Any failure to deliver an effective and secure product or service or any performance issue that arises with a new product or service could result in significant processing or reporting errors or other losses. We may rely on third parties to develop or co-develop our solutions or to incorporate our solutions into broader platforms for the commercial payments industry. We may not be able to enter into such relationships on attractive terms, or at all, and these relationships may not be successful. In addition, partners, some of whom may be our competitors or potential competitors, may choose to develop competing solutions on their own or with third parties. Even if we are successful in developing new services and technologies, these new services and technologies may not achieve broad acceptance due to a variety of factors, including a lack of industry-wide standards, competing products and services, or resistance to these changes from our customers. In addition, we may not be able to derive revenue from these efforts.

If we are unsuccessful in completing the migration of material technology, otherwise upgrading our products and services and supporting technology or completing or gaining market acceptance of new technology, products and services, it would have a material adverse effect on our ability to retain existing customers and attract new ones in the impacted business line.

Our debt obligations, or our incurrence of additional debt obligations, could limit our flexibility in managing our business and could materially and adversely affect our financial performance.

At December 31, 2019, we had approximately \$4.99 billion of debt outstanding under our Credit Facility and Securitization Facility. In addition, we are permitted under our credit agreement to incur additional indebtedness, subject to specified limitations. Our substantial indebtedness currently outstanding, or as may be outstanding if we incur additional indebtedness, could have important consequences, including the following:

- we may have difficulty satisfying our obligations under our debt facilities and, if we fail to satisfy these obligations, an event of default could result;
- we may be required to dedicate a substantial portion of our cash flow from operations to required payments on our indebtedness, thereby reducing the availability of cash flow for acquisitions, working capital, capital expenditures and other general corporate activities. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations-Contractual Obligations,” which sets forth our payment obligations with respect to our existing long-term debt;
- covenants relating to our debt may limit our ability to enter into certain contracts or to obtain additional financing for acquisitions, working capital, capital expenditures and other general corporate activities;
- covenants relating to our debt may limit our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate, including by restricting our ability to make strategic acquisitions;
- we may be more vulnerable than our competitors to the impact of economic downturns and adverse developments in the industry in which we operate;
- we are exposed to the risk of increased interest rates because certain of our borrowings are subject to variable rates of interest;
- although we have no current intention to pay any dividends, we may be unable to pay dividends or make other distributions with respect to your investment; and
- we may be placed at a competitive disadvantage against any less leveraged competitors.

The occurrence of one or more of these potential consequences could have a material adverse effect on our business, financial condition, operating results, and ability to satisfy our obligations under our indebtedness.

In addition, we and our subsidiaries may incur substantial additional indebtedness in the future. Although our credit agreements contain restrictions on the incurrence of additional indebtedness, these restrictions are subject to a number of significant qualifications and exceptions, and under certain circumstances, the amount of additional indebtedness that could be incurred in compliance with these restrictions could be substantial. If new debt is added to our existing debt levels, the related risks that we will face would increase.

We meet a significant portion of our working capital needs through a securitization facility, which we must renew every three years.

We meet a significant portion of our working capital needs through a securitization facility, pursuant to which we sell accounts receivable to a special-purpose entity that in turn sells undivided participation interests in the accounts receivable to certain purchasers, who finance their purchases through the issuance of short-term commercial paper. The securitization facility has a three year term. Although we have been able to renew our securitization facility in the past, there can be no assurance that we will continue to be able to renew this facility in the future on terms acceptable to us. For example, the market for commercial paper experienced significant volatility during the financial crisis that began in 2008. Also, a significant rise in fuel prices could cause our accounts receivable to increase beyond the capacity of the securitization facility. There can be no assurance that the size of the facility can be expanded to meet these increased working capital needs. Further, we may not be able to fund such increases in accounts receivable with our available cash resources. Our inability to meet working capital needs could adversely affect our financial condition and business, including our relationships with merchants, customers and partners. Further, we are exposed to the risk of increased interest rates because our borrowings under the Securitization Facility are subject to variable rates of interest. We renewed our securitization facility as of August 30, 2018, with an expiration date of November 14, 2020.

Changes in the method pursuant to which the LIBOR rates are determined and potential phasing out of LIBOR after 2021 may adversely affect our results of operations.

LIBOR and certain other “benchmarks” are the subject of recent national, international and other regulatory guidance and proposals for reform. These reforms may cause such benchmarks to perform differently than in the past or have other consequences which cannot be predicted. In particular, on July 27, 2017, the United Kingdom’s Financial Conduct Authority, which regulates LIBOR, publicly announced that it intends to stop persuading or compelling banks to submit LIBOR rates after 2021. Accordingly, there is considerable uncertainty regarding the publication of LIBOR beyond 2021. The Federal Reserve Board convened the Alternative Reference Rates Committee (“ARRC”) to identify a set of alternative reference rates for possible use as market benchmarks. Based on the ARRC’s recommendation, the Federal Reserve Bank of New York began publishing the Secured Overnight Financing Rate (“SOFR”) and two other alternative rates beginning in April 2018. Since then, certain derivative products and debt securities tied to SOFR have been introduced, and a number of industry groups are developing transition plans to SOFR as the new market benchmark.

We are not able to predict whether LIBOR will actually cease to be available after 2021 or whether SOFR will become the market benchmark in its place. Any uncertainty regarding the continued use and reliability of LIBOR as a benchmark interest rate could adversely affect the performance of LIBOR relative to its historic values. If the methods of calculating LIBOR change from current methods for any reason, or if LIBOR ceases to perform as it has historically, our interest expense associated with the unhedged portion of our outstanding indebtedness or any future indebtedness we incur may increase. Further, if LIBOR ceases to exist, we may be forced to substitute an alternative reference rate, such as SOFR or a different benchmark interest rate or base rate borrowings, in lieu of LIBOR under our current and future indebtedness and cash flow hedges. Any such alternative reference rate may be calculated differently than LIBOR and may increase the interest expense associated with our existing or future indebtedness.

Finally, the replacement or disappearance of LIBOR may adversely affect the value of and return on our LIBOR-based obligations and the availability, pricing and terms of cash flow hedges we use to hedge our variable interest rate risk. Alternative reference rates or modifications to LIBOR may not align for our assets, liabilities, and hedging instruments, which could reduce the effectiveness of certain of our interest rate hedges, and could cause increased volatility in our earnings. We may also incur expenses to amend and adjust our indebtedness and swaps to eliminate any differences between any alternative reference rates used by our cash flow hedges and our outstanding indebtedness.

Any of these occurrences could materially and adversely affect our borrowing costs, business and results of operations.

We are subject to risks related to volatility in foreign currency exchange rates, and restrictions on our ability to utilize revenue generated in foreign currencies.

As a result of our foreign operations, we are subject to risks related to changes in currency rates for revenue generated in currencies other than the U.S. dollar. For the year ended December 31, 2019, approximately 40% of our revenue was denominated in currencies other than the U.S. dollar (primarily, British pound, Brazilian real, Canadian dollar, Russian ruble, Mexican peso, Czech koruna, Euro, Australian dollar and New Zealand dollar). Revenue and profit generated by international operations may increase or decrease compared to prior periods as a result of changes in foreign currency exchange rates. Resulting exchange gains and losses are included in our net income. Volatility in foreign currency exchange rates may materially adversely affect our operating results and financial condition.

Furthermore, we are subject to exchange control regulations that restrict or prohibit the conversion of more than a specified amount of our foreign currencies into U.S. dollars, and, as we continue to expand, we may become subject to further exchange control regulations that limit our ability to freely utilize and transfer currency in and out of particular jurisdictions. These restrictions may make it more difficult to effectively utilize the cash generated by our operations and may adversely affect our financial condition.

Our expansion through acquisitions may divert our management’s attention and result in unexpected operating difficulties, increased costs and dilution to our stockholders, and we may never realize the anticipated benefits.

We have been an active business acquirer in the U.S. and internationally, and, as part of our growth strategy, we expect to seek to acquire businesses, commercial account portfolios, technologies, services and products in the future. We have substantially expanded our overall business, customer base, headcount and operations through acquisitions. The acquisition and integration of each business involves a number of risks and may result in unforeseen operating difficulties and expenditures in assimilating or integrating the businesses, technologies, products, personnel or operations of the acquired business. Furthermore, acquisitions may:

- involve our entry into geographic or business markets in which we have little or no prior experience;
- involve difficulties in retaining the customers of the acquired business;
- involve difficulties and expense associated with regulatory requirements, competition controls or investigations;

- result in a delay or reduction of sales for both us and the business we acquire; and
- disrupt our ongoing business, divert our resources and require significant management attention that would otherwise be available for ongoing development of our current business.

In addition, international acquisitions often involve additional or increased risks including, for example:

- difficulty managing geographically separated organizations, systems and facilities;
- difficulty integrating personnel with diverse business backgrounds, languages and organizational cultures;
- difficulty and expense introducing our corporate policies or controls;
- increased expense to comply with foreign regulatory requirements applicable to acquisitions;
- difficulty entering new foreign markets due to, among other things, lack of customer acceptance and a lack of business knowledge of these new markets; and
- political, social and economic instability.

In addition, the integration process following an acquisition requires significant management attention and resources. Integration of acquisitions could result in the distraction of our management, the disruption of our ongoing business or inconsistencies on our services, standards, controls, procedures and policies, any of which could affect our ability to achieve the anticipated benefits of an acquisition or otherwise adversely affect our business and financial results.

To complete future acquisitions, we may determine that it is necessary to use a substantial amount of our cash or engage in equity or debt financing. If we raise additional funds through further issuances of equity or convertible debt securities, our existing stockholders could suffer significant dilution, and any new equity securities we issue could have rights, preferences and privileges senior to those of holders of our common stock. Any debt financing obtained by us in the future could involve restrictive covenants relating to our capital-raising activities and other financial and operational matters that make it more difficult for us to obtain additional capital in the future and to pursue other business opportunities, including potential acquisitions. In addition, we may not be able to obtain additional financing on terms favorable to us, if at all, which could limit our ability to engage in acquisitions. Moreover, we can make no assurances that the anticipated benefits of any acquisition, such as operating improvements or anticipated cost savings, would be realized or that we would not be exposed to unexpected liabilities in connection with any acquisition.

Further, an acquisition may negatively affect our operating results because it may require us to incur charges and substantial debt or other liabilities, may cause adverse tax consequences, substantial depreciation and amortization or deferred compensation charges, may require the amortization, write-down or impairment of amounts related to deferred compensation, goodwill and other intangible assets, may include substantial contingent consideration payments or other compensation that reduce our earnings during the quarter in which incurred, or may not generate sufficient financial return to offset acquisition costs.

Our business in foreign countries may be adversely affected by operational and political risks that are greater than in the U.S.

We have foreign operations in, or provide services for commercial card accounts in more than 100 countries throughout North America, South America, Europe, Africa, Oceania and Asia. We also expect to seek to expand our operations into various additional countries in Asia, Europe and Latin America as part of our growth strategy.

Some of the countries where we operate, and other countries where we will seek to operate, such as Russia, Brazil and Mexico, have undergone significant political, economic and social change in recent years, and the risk of unforeseen changes in these countries may be greater than in the U.S. For example, Russia and Ukraine are experiencing significant unrest, which could escalate into broader armed conflict and additional economic sanctions by the U.S, the United Nations or other countries against Russia. In addition, political discourse in the U.S. may impact business practices in Mexico and other jurisdictions. In addition, changes in laws or regulations, including with respect to payment service providers, taxation, information technology, data transmission and the Internet, revenues from non-U.S. operations or in the interpretation of existing laws or regulations, whether caused by a change in government or otherwise, could materially adversely affect our business, operating results and financial condition.

In addition, conducting and expanding our international operations subjects us to other risks that we do not generally face in the U.S. These include:

- difficulties in managing the staffing of our international operations, including hiring and retaining qualified employees;
- difficulties and increased expense introducing corporate policies and controls in our international operations;

- increased expense related to localization of our products and services, including language translation and the creation of localized agreements;
- potentially adverse tax consequences, including the complexities of foreign value added tax systems, restrictions on the repatriation of earnings and changes in tax rates;
- increased expense to comply with foreign laws and legal standards, including laws that regulate pricing and promotion activities and the import and export of information technology, which can be difficult to monitor and are often subject to change;
- increased expense to comply with U.S. laws that apply to foreign operations, including the Foreign Corrupt Practices Act (the “FCPA”) and OFAC regulations;
- increased expense to comply with U.K. laws that apply to foreign operations, including the U.K. Bribery Act;
- longer accounts receivable payment cycles and difficulties in collecting accounts receivable;
- increased financial accounting and reporting burdens and complexities;
- political, social and economic instability;
- terrorist attacks and security concerns in general; and
- reduced or varied protection for intellectual property rights and cultural norms in some geographies that are simply not respectful of intellectual property rights.

Following a referendum in June 2016, in which voters in the U.K. approved an exit (often referred to as Brexit) from the European Union, the U.K.’s withdrawal became effective on January 31, 2020. A transition period will apply until the end of 2020 (or later, if extended) during which the pre-Brexit legal regime will continue to apply (including with respect to aviation) while the U.K. and European Union negotiate rules that will apply to their future relationship. It is unknown how that future relationship will be structured, and it is uncertain what will be the terms of the future relationship between the U.K. and the European Union on matters such as trade, customs, financial services and the movement of goods and people. The United Kingdom’s vote to exit the European Union could also result in similar referendums or votes in other European countries in which we do business. The uncertainty surrounding the terms of the United Kingdom’s withdrawal and its consequences could adversely impact consumer and investor confidence, and the level of consumer purchases of discretionary items and retail products, including our products. Any of these effects, among others, could materially adversely affect our business, results of operations, and financial condition.

The occurrence of one or more of these events could negatively affect our international operations and, consequently, our operating results. Further, operating in international markets requires significant management attention and financial resources. Due to the additional uncertainties and risks of doing business in foreign jurisdictions, international acquisitions tend to entail risks and require additional oversight and management attention that are typically not attendant to acquisitions made within the U.S. We cannot be certain that the investment and additional resources required to establish, acquire or integrate operations in other countries will produce desired levels of revenue or profitability.

We are dependent on the efficient and uninterrupted operation of interconnected computer systems, telecommunications, data centers and call centers, including technology and network systems managed by multiple third parties, which could result in our inability to prevent disruptions in our services.

Our ability to provide reliable service to customers, cardholders and other network participants depends upon uninterrupted operation of our data centers and call centers as well as third-party labor and services providers. Our business involves processing large numbers of transactions, the movement of large sums of money and the management of large amounts of data. We rely on the ability of our employees, contractors, suppliers, systems and processes to complete these transactions in a secure, uninterrupted and error-free manner.

Our subsidiaries operate in various countries and country specific factors, such as power availability, telecommunications carrier redundancy, embargoes and regulation can adversely impact our information processing by or for our local subsidiaries.

We engage backup facilities for each of our processing centers for key systems and data. However, there could be material delays in fully activating backup facilities depending on the nature of the breakdown, security breach or catastrophic event (such as fire, explosion, flood, pandemic, natural disaster, power loss, telecommunications failure or physical break-in). We have controls and documented measures to mitigate these risks but these mitigating controls might not reduce the duration, scope or severity of an outage in time to avoid adverse effects.

We may experience software defects, system errors, computer viruses and development delays, which could damage customer relationships, decrease our profitability and expose us to liability.

Our business depends heavily on the reliability of proprietary and third-party processing systems. A system outage could adversely affect our business, financial condition or results of operations, including by damaging our reputation or exposing us

to third-party liability. To successfully operate our business, we must be able to protect our processing and other systems from interruption, including from events that may be beyond our control. Events that could cause system interruptions include fire, natural disaster, unauthorized entry, power loss, telecommunications failure, computer viruses, terrorist acts and war. Although we have taken steps to protect against data loss and system failures, there is still risk that we may lose critical data or experience system failures.

Our products and services are based on sophisticated software and computing systems that are constantly evolving. We often encounter delays and cost overruns in developing changes implemented to our systems. In addition, the underlying software may contain undetected errors, viruses or defects. Defects in our software products and errors or delays in our processing of electronic transactions could result in additional development costs, diversion of technical and other resources from our other development efforts, loss of credibility with current or potential customers, harm to our reputation or exposure to liability claims. In addition, we rely on technologies supplied to us by third parties that may also contain undetected errors, viruses or defects that could adversely affect our business, financial condition or results of operations. Although we attempt to limit our potential liability for warranty claims through disclaimers in our software documentation and limitation of liability provisions in our licenses and other agreements with our customers, we cannot assure that these measures will be successful in limiting our liability.

We may incur substantial losses due to fraudulent use of our payment cards or vouchers.

Under certain circumstances, when we fund customer transactions, we may bear the risk of substantial losses due to fraudulent use of our payment cards or vouchers. We do not maintain insurance to protect us against such losses. We bear similar risk relating to fraudulent acts of employees or contractors, for which we maintain insurance. However, the conditions or limits of coverage may be insufficient to protect us against such losses.

Criminals are using increasingly sophisticated methods to engage in illegal activities involving financial products, such as skimming and counterfeiting payment cards and identity theft. A single significant incident of fraud, or increases in the overall level of fraud, involving our cards and other products and services, could result in reputational damage to us, which could reduce the use and acceptance of our cards and other products and services or lead to greater regulation that would increase our compliance costs. Fraudulent activity could also result in the imposition of regulatory sanctions, including significant monetary fines, which could have a material adverse effect on our business, financial condition and results of operations.

We may not be able to adequately protect our systems or the data we collect from continually evolving cybersecurity risks or other technological risks, which could subject us to liability and damage our reputation.

We electronically receive, process, store and transmit data and sensitive information about our customers and merchants, including bank account information, social security numbers, expense data, and credit card, debit card and checking account numbers. We endeavor to keep this information confidential; however, our websites, networks, information systems, services and technologies may be targeted for sabotage, disruption or misappropriation. The uninterrupted operation of our information systems and our ability to maintain the confidentiality of the customer and consumer information that resides on our systems are critical to the successful operation of our business. Unauthorized access to our networks and computer systems could result in the theft or publication of confidential information or the deletion or modification of records or could otherwise cause interruptions in our service and operations.

While we have not suffered any material losses relating to cyber-attacks or other information security breaches, we discovered unauthorized access to certain of our systems during the second quarter of 2018, which we previously disclosed. Following the discovery of suspicious activity primarily on systems involving the Company's gift card business, the Company took prompt action to stop the activity and limit the improper use of accessed private label gift card information (these gift cards do not contain personally identifiable information such as consumer names, Social Security numbers, driver's license numbers and other sensitive personal data) with the help of technology forensic firms. The Company also contacted federal law enforcement and merchants known to be affected. The investigation has now been concluded and, based on the findings of the investigation, the unauthorized access was limited to what was reported in the Company's quarterly report on Form 10-Q filed May 10, 2018, and we do not expect the unauthorized access to have a material impact on the Company's results of operations. Other than this unauthorized access incident, we are not aware of any material breach of our or our associated third parties' computer systems, although we and others in our industry are regularly the subject of attempts by bad actors to gain unauthorized access to these computer systems and data or to obtain, change or destroy confidential data (including personal consumer information of individuals) through a variety of means, including computer viruses, malware and phishing.

Because techniques used to sabotage or obtain unauthorized access to our systems and the data we collect change frequently and may not be recognized until launched against a target, we may be unable to anticipate these techniques or to implement adequate preventative measures. Threats to our systems and our associated third parties' systems can derive from human error,

fraud or malice on the part of employees or third parties, or may result from accidental technological failure. Computer viruses can be distributed and could infiltrate our systems or those of our associated third parties. In addition, denial of service or other attacks could be launched against us for a variety of purposes, including to interfere with our services or create a diversion for other malicious activities. Although we believe we have sufficient controls in place to prevent disruption and misappropriation and to respond to such attacks, any inability to prevent security breaches could have a negative impact on our reputation, expose us to liability, decrease market acceptance of electronic transactions and cause our present and potential clients to choose another service provider. Any of these developments could have a material adverse effect on our business, operating results and financial condition.

We could also be subject to liability for claims relating to misuse of personal information, such as unauthorized marketing purposes and violation of data privacy laws. For example, we are subject to statutes, regulations, and rulings relevant to the direct email marketing and text-messaging industries, including the TCPA, the CAN-SPAM Act, FCC orders, state-enacted laws regulating commercial email and foreign legislation (such as the Canadian Anti-Spam Legislation and European laws enacted pursuant to European Union Directive 2002/58/EC and its amendments). While we believe we are in compliance with the relevant laws and regulations, if we were ever found to be in violation, our business, financial condition, operating results and cash flows could be materially adversely affected. We cannot provide assurance that the contractual requirements related to security and privacy that we impose on our service providers who have access to customer and consumer data will be followed or will be adequate to prevent the unauthorized use or disclosure of data. In addition, we have agreed in certain agreements to take certain protective measures to ensure the confidentiality of customer data. The costs of systems and procedures associated with such protective measures, as well as the cost of deploying additional personnel, training our employees and hiring outside experts, may increase and could adversely affect our ability to compete effectively. Any failure to adequately enforce or provide these protective measures could result in liability, protracted and costly litigation, governmental and card network intervention and fines, remediation costs, and with respect to misuse of personal information of our customers, lost revenue and reputational harm. While we maintain insurance covering certain security and privacy damages and claim expenses we may not carry insurance or maintain coverage sufficient to compensate for all liability and such insurance may not be available for renewal on acceptable terms or at all, and in any event, insurance coverage would not address the reputational damage that could result from a security incident.

In addition, under payment network rules, regulatory requirements, and related obligations, we may be responsible for the acts or failures to act of certain third parties, such as third party service providers, vendors, partners and others, which we refer to collectively as associated participants. The failure of our associated participants to safeguard cardholder data and other information in accordance with such rules, requirements and obligations could result in significant fines and sanctions and could harm our reputation and deter existing and prospective customers from using our services. We cannot assure you that there are written agreements in place with every associated participant or that such written agreements will ensure the adequate safeguarding of such data or information or allow us to seek reimbursement from associated participants. Any such unauthorized use or disclosure of data or information also could result in litigation that could result in a material adverse effect on our business, financial condition and results of operations.

The market for our commercial payment, fleet and stored value card services is evolving and may not continue to develop or grow.

A substantial portion of our revenue is based on the volume of payment card transactions by our customers. If businesses do not continue to use, or increase their use of, credit, debit or stored value cards as a payment mechanism for their transactions, it could have a material adverse effect on our business, financial condition and results of operations. We believe that future growth in the use of credit, debit and stored value cards and other electronic payments will be driven by the cost, ease-of-use, and quality of services offered. In order for us to consistently increase and maintain profitability, businesses must continue to use and increase the use of electronic payment methods, including credit, debit and stored value cards. Moreover, if there is an adverse development in the payments industry in general, such as new legislation or regulation that makes it more difficult for customers to do business, or a well-publicized data security breach that undermines the confidence of the public in electronic payment systems, it could have a material adverse effect on our business, financial condition and results of operations.

Our fleet card businesses rely on the acceptance and use of payment cards by businesses to purchase fuel for their vehicle fleets. If the use of fleet cards by businesses does not continue to grow, it could have a material adverse effect on our business, operating results and financial condition. In order to consistently increase and maintain our profitability, businesses and partners must continue to adopt our services. Similarly, growth in the acceptance and use of fleet cards will be impacted by the acceptance and use of electronic payment transactions generally.

Furthermore, new technologies may displace credit, debit and/or stored value cards as payment mechanisms for purchase transactions by businesses. A decline in the acceptance and use of credit, debit and/or stored value cards, and electronic

payment transactions generally, by businesses and merchants could have a material adverse effect on our business, operating results and financial condition. The market for our lodging cards, food vouchers and cards, transportation and toll road payments, telematics solutions and fleet maintenance management services is also evolving and those portions of our business are subject to similar risks.

If we fail to retain any of our stored value gift card customers, it will be difficult to find a replacement customer on a timely basis or at all, which will reduce our revenue.

Most of our stored value gift card customers in the U.S. are national retailers. During 2019, a majority of our gift card revenue was derived from the design and purchase of gift card inventory, with the remaining portion of our 2019 gift card revenue derived primarily from processing fees. If we fail to retain any of these customers, it will be difficult to find a replacement customer on a timely basis or at all because there is a limited number of national retailers in the U.S. and nearly all of those other national retailers already have a gift card solution in place, either in-house or with one of our competitors. As such, any loss of a stored value gift card customer would reduce our revenue.

Legislation and regulation of greenhouse gases (“GHG”) and related divestment and other efforts could adversely affect our business.

We are aware of the increasing focus of local, state, regional, national and international regulatory bodies on GHG emissions and climate change issues. Legislation to regulate GHG emissions has periodically been introduced in the U.S. Congress, and there has been a wide-ranging policy debate, both in the U.S. and internationally, regarding the impact of these gases and possible means for their regulation. Several states and geographic regions in the U.S. have adopted legislation and regulations to reduce emissions of GHGs. Additional legislation or regulation by these states and regions, the EPA, and/or any international agreements to which the U.S. may become a party, that control or limit GHG emissions or otherwise seek to address climate change could adversely affect our partners’ and merchants’ operations, and therefore ours. See “*Our fleet card business is dependent on several key strategic relationships, the loss of which could adversely affect our operating results.*” and “*If we are unable to maintain and expand our merchant relationships, our closed loop fleet card and lodging card businesses may be adversely affected.*” Because our business depends on the level of activity in the oil industry, existing or future laws or regulations related to GHGs and climate change, including incentives to conserve energy or use alternative energy sources, could have a negative impact on our business if such laws or regulations reduce demand for fuel.

In addition to the regulatory efforts described above, there have also been efforts in recent years aimed at the investment community, including investment advisors, sovereign wealth funds, public pension funds, universities and other groups, promoting the divestment of fossil fuel equities as well as to pressure lenders and other financial services companies to limit or curtail activities with companies engaged in the extraction of fossil fuel reserves. If these efforts are successful, our ability to access capital markets may be limited and our stock price may be negatively impacted.

Members of the investment community have recently increased their focus on sustainability practices with regard to the oil and gas industry, including practices related to GHGs and climate change. An increasing percentage of the investment community considers sustainability factors in making investment decisions, and an increasing number of our partners and merchants consider sustainability factors in awarding work. If we are unable to successfully address sustainability enhancement, we may lose partners or merchants, our stock price may be negatively impacted, our reputation may be negatively affected, and it may be more difficult for us to effectively compete.

Adverse weather conditions, natural catastrophes, or public health crises, across a geographic region, can cause a decline in the number and amount of payment transactions we process, which could have a material adverse effect on our business, financial condition and results of operations.

When travel is severely curtailed across a geographic region during adverse weather conditions, or as a result of a natural catastrophe or public health crises, the number and amount of transactions we process can be significantly diminished, particularly in our fleet business, and revenue can materially decline. For example, during parts of January 2014, severe winter weather shut down a large portion of the eastern U.S. Natural catastrophes such as hurricanes in east Texas (Hurricane Harvey) and in Florida (Hurricane Irma), each in 2017, wildfires in California in 2017 and 2018 and in Colorado in 2012 and flooding in Arkansas in 2019, had similar effects on a more local basis. In December 2019 and January 2020, an outbreak of COVID-19, a new strain of coronavirus in Wuhan, China has resulted in travel disruption and has effected certain companies’ operations in China, although, at this point, the extent to which the coronavirus may impact our results is uncertain. Prolonged adverse weather events or travel bans due to medical quarantine or in response to natural catastrophes, especially those that impact regions in which we process a large number and amount of payment transactions, could have a material adverse effect on our business, financial condition and results of operations.

Our fuel card, workforce payment solutions and gift card businesses' results are subject to seasonality, which could result in fluctuations in our quarterly net income.

Our fuel card and workforce payment solutions businesses have experienced in the past, and expect to continue to experience, seasonal fluctuations in revenues and profit, which are impacted during the first and fourth quarter each year by the weather, holidays in the U.S., Christmas being celebrated in Russia in January, and lower business levels in Brazil due to summer break and the Carnival celebration. Our gift card business has experienced in the past, and expects to continue to experience, seasonal fluctuations in revenues as a result of consumer spending patterns. Historically gift card business revenues have been strongest in the third and fourth quarters and weakest in the first and second quarters, as the retail industry has its highest level of activity during and leading up to the Christmas holiday season.

Our balance sheet includes significant amounts of goodwill and intangible assets. The impairment of a significant portion of these assets would negatively affect our financial results.

Our balance sheet includes goodwill and intangible assets that represent approximately 59% of our total assets at December 31, 2019. These assets consist primarily of goodwill and identified intangible assets associated with our acquisitions. We also expect to engage in additional acquisitions, which may result in our recognition of additional goodwill and intangible assets. Under current accounting standards, we are required to amortize certain intangible assets over the useful life of the asset, while goodwill and indefinite lived intangible assets are not amortized. On at least an annual basis, we assess whether there have been impairments in the carrying value of goodwill and indefinite lived intangible assets. If the carrying value of the asset is determined to be impaired, it is written down to fair value by a charge to operating earnings. An impairment of a significant portion of goodwill or intangible assets could materially negatively affect our operating results and financial condition.

If we are unable to protect our intellectual property rights and confidential information, our competitive position could be harmed and we could be required to incur significant expenses in order to enforce our rights.

To protect our proprietary technology, we rely on copyright, trade secret, patent and other intellectual property laws and confidentiality agreements with employees and third parties, all of which offer only limited protection. Despite our precautions, it may be possible for third parties to obtain and use without our consent confidential information or infringe on our intellectual property rights, and our ability to police that misappropriation or infringement is uncertain, particularly in countries outside of the U.S. In addition, our confidentiality agreements with employees, vendors, customers and other third parties may not effectively prevent disclosure or use of proprietary technology or confidential information and may not provide an adequate remedy in the event of such unauthorized use or disclosure.

Protecting against the unauthorized use of our intellectual property and confidential information is expensive, difficult and not always possible. Litigation may be necessary in the future to enforce or defend our intellectual property rights, to protect our confidential information, including trade secrets, or to determine the validity and scope of the proprietary rights of others. This litigation could be costly and divert management resources, either of which could harm our business, operating results and financial condition. Accordingly, despite our efforts, we may not be able to prevent third parties from infringing upon or misappropriating our intellectual property and proprietary information.

We cannot be certain that the steps we have taken will prevent the unauthorized use or the reverse engineering of our proprietary technology. Moreover, others may independently develop technologies that are competitive to ours or infringe our intellectual property. The enforcement of our intellectual property rights also depends on our legal actions against these infringers being successful, and we cannot be sure these actions will be successful, even when our rights have been infringed. Furthermore, effective patent, trademark, service mark, copyright and trade secret protection may not be available in every country in which we may offer our products and services.

Claims by others that we or our customers infringe their intellectual property rights could harm our business.

Third parties have in the past, and could in the future claim that our technologies and processes underlying our products and services infringe their intellectual property. In addition, to the extent that we gain greater visibility, market exposure, and add new products and services, we may face a higher risk of being the target of intellectual property infringement claims asserted by third parties. We may, in the future, receive notices alleging that we have misappropriated or infringed a third party's intellectual property rights. There may be third-party intellectual property rights, including patents and pending patent applications that cover significant aspects of our technologies, processes or business methods. Any claims of infringement or misappropriation by a third party, even those without merit, could cause us to incur substantial defense costs and could distract our management from our business, and there can be no assurance that we will be able to prevail against such claims. Some of our competitors may have the capability to dedicate substantially greater resources to enforcing their intellectual property rights and to defending claims that may be brought against them than we do. Furthermore, a party making such a claim, if successful,

could secure a judgment that requires us to pay substantial damages, potentially including treble damages if we are found to have willfully infringed a patent. A judgment could also include an injunction or other court order that could prevent us from offering our products and services. In addition, we might be required to seek a license for the use of a third party's intellectual property, which may not be available on commercially reasonable terms or at all. Alternatively, we might be required to develop non-infringing technology, which could require significant effort and expense and might ultimately not be successful.

Third parties may also assert infringement claims against our customers relating to their use of our technologies or processes. Any of these claims might require us to defend potentially protracted and costly litigation on their behalf, regardless of the merits of these claims, because under certain conditions we may agree to indemnify our customers from third-party claims of intellectual property infringement. If any of these claims succeed, we might be forced to pay damages on behalf of our customers, which could adversely affect our business, operating results and financial condition.

Finally, we use open source software in connection with our technology and services. Companies that incorporate open source software into their products, from time to time, face claims challenging the ownership of open source software. As a result, we could be subject to suits by parties claiming ownership of what we believe to be open source software. Open source software is also provided without warranty, and may therefore include bugs, security vulnerabilities or other defects. Some open source software licenses require users of such software to publicly disclose all or part of the source code to their software and/or make available any derivative works of the open source code on unfavorable terms or at no cost. While we monitor the use of open source software in our technology and services and try to ensure that none is used in a manner that would require us to disclose the source code to the related technology or service, such use could inadvertently occur and any requirement to disclose our proprietary source code could be harmful to our business, financial condition and results of operations.

Our success is dependent, in part, upon our executive officers and other key personnel, and the loss of key personnel could materially adversely affect our business.

Our success depends, in part, on our executive officers and other key personnel. Our senior management team has significant industry experience and would be difficult to replace. The market for qualified individuals is competitive, and we may not be able to attract and retain qualified personnel or candidates to replace or succeed members of our senior management team or other key personnel. The loss of key personnel could materially adversely affect our business.

Changes in laws, regulations and enforcement activities may adversely affect our products and services and the markets in which we operate.

The electronic payments industry is subject to increasing regulation in the U.S. and internationally. Domestic and foreign government regulations impose compliance obligations on us and restrictions on our operating activities, which can be difficult to administer because of their scope, mandates and varied requirements. We are subject to a number of government regulations, including, among others: interest rate and fee restrictions; credit access and disclosure requirements; collection and pricing regulations; compliance obligations; security and data breach requirements; identity theft avoidance programs; and anti-money laundering compliance programs. Government regulations can also include licensing or registration requirements. While a large portion of these regulations focuses on individual consumer protection, legislatures continue to consider whether to include business customers, especially smaller business customers, within the scope of these regulations. As a result, new or expanded regulation focusing on business customers or changes in interpretation or enforcement of regulations may have an adverse effect on our business and operating results, due to increased compliance costs and new restrictions affecting the terms under which we offer our products and services.

For example, certain of our subsidiaries are currently licensed as money transmitters on the state level by banking departments or other state agencies. Continued licensing by these states is subject to periodic examinations and ongoing satisfaction of compliance requirements regarding safety and soundness, including maintenance of certain levels of net worth, surety bonding, permissible investments in amounts sufficient to cover our outstanding payment obligations with respect to certain of our products subject to licensure, and record keeping and reporting. If our subsidiaries are unable to obtain, maintain or renew necessary licenses or comply with other relevant state regulations, they will not be able to operate as a money transmitter in those states or provide certain other services and products, which could have a material adverse effect on our business, financial condition and results of operations.

In addition, certain of our subsidiaries are subject to regulation by the Financial Crimes Enforcement Network, or FinCEN, and must comply with applicable anti-money laundering requirements, including implementation of an effective anti-money laundering program. Changes in this regulatory environment, including changing interpretations and the implementation of new or varying regulatory requirements by the government, may significantly affect or change the manner in which we currently conduct some aspects of our business.

Regulatory changes may also restrict or eliminate present and future business opportunities available to certain of our subsidiaries. For example, the Durbin Amendment to the Dodd-Frank Act, which serves to limit interchange fees, may restrict or otherwise impact the way our subsidiaries do business or limit their ability to charge certain fees to customers. The CFPB is also engaged in rule making and regulation of the payments industry, in particular with respect to prepaid cards. The CFPB issued a final rule on prepaid accounts that came into effect on April 1, 2019. The rule's definition of prepaid account includes certain accounts that are capable of being loaded with funds and whose primary function is to conduct transactions with multiple, unaffiliated merchants, at ATMs or for person-to-person transfers. The CFPB's focus on the protection of consumers might also extend to many of our small business customers. As a service provider to certain of our bank sponsors, we are subject to direct supervision and examination by the CFPB, in connection with certain of our products and services. CFPB rules, examinations and enforcement actions may require us to adjust our activities and may increase our compliance costs. Changing regulations or standards in the area of privacy and data protection could also adversely impact us. In addition, certain of our bank partners are subject to regulation by federal and state authority and, as a result, could pass through some of those compliance obligations to us.

Our business is subject to U.S. federal anti-money laundering laws and regulations, including the BSA. Our business in Canada is also subject to the PCTFA, which is a corollary to the BSA. The BSA, among other things, requires money services businesses (such as money transmitters, issuers of money orders and official checks and providers of prepaid access) to develop and implement risk-based anti-money laundering programs, report large cash transactions and suspicious activity and maintain transaction records. The PCTFA imposes similar requirements.

Many of these laws and regulations are evolving, unclear and inconsistent across various jurisdictions, and ensuring compliance with them is difficult and costly. With increasing frequency, federal and state regulators are holding businesses like ours to higher standards of training, monitoring and compliance, including monitoring for possible violations of laws by our customers and people who do business with our customers while using our products. If we fail or are unable to comply with existing or changed government regulations in a timely and appropriate manner, we may be subject to injunctions, other sanctions and the payment of fines and penalties, and our reputation may be harmed, which could have a material adverse effect on our business, financial condition and results of operations.

Our partner banks also operate in a highly regulated industry, which recently has been the subject of extensive structural reforms that are expected to negatively affect the conduct and scope of their businesses, their ability to maintain or expand offerings of products and services, and the costs of their operations. These legislative and regulatory changes could prompt our partner banks to alter the extent or the terms of their dealings with us in ways that may have adverse consequences for our business.

In addition, recently implemented and pending changes in accounting standards (for example, changes relating to revenue recognition for customer contracts that became effective for fiscal 2018) may adversely affect our results of operations.

Finally, we have endeavored to structure our businesses in accordance with existing tax laws and interpretations, including those related to state occupancy taxes, value added taxes in foreign jurisdictions, payroll taxes and restrictions on repatriation of funds or transfers of revenue between jurisdictions. Changes in tax laws, their interpretations or their enforcement could increase our tax liability, further limit our utilization of funds located in foreign jurisdictions and have a material adverse effect on our business and financial condition.

For more information about laws, regulations and enforcement activities that may adversely affect our products and services and the markets in which we operate, see "Business- Regulatory."

Derivatives regulations have added costs to our business and any additional requirements, such as future registration requirements and increased regulation of derivative contracts, may result in additional costs or impact the way we conduct our hedging activities, as well as impact how we conduct our business within our international payments provider operations.

Rules adopted under the Dodd-Frank Act by the Commodity Futures Trading Commission (the "CFTC"), as well as the provisions of the European Market Infrastructure Regulation and its technical standards, which are directly applicable in the member states of the European Union, have subjected certain of the foreign exchange derivative contracts we offer to our customers as part of the Cambridge Global Payments ("Cambridge") business, to reporting, record keeping, and other requirements. Additionally, certain foreign exchange derivatives transactions we may enter into in the future may be subject to centralized clearing requirements, or may be subject to margin requirements in the U.S. and European Union. Other jurisdictions outside the U.S. and the European Union are considering, have implemented, or are implementing regulations similar to those described above. Derivatives regulations have added costs to our business and any additional requirements,

such as future registration requirements and increased regulation of derivative contracts, may result in additional costs or impact the way we conduct our hedging activities, as well as impact how we conduct our business within our international payments provider operations. In particular, the CFTC has recently issued a proposed rule that, if adopted as proposed, would increase the likelihood that we will have to register one or more of our subsidiaries with the CFTC as swap dealers. Swap dealers are subject to a comprehensive regulatory framework and compliance with this framework will lead to additional costs, including costs relating to regulatory capital and margin requirements, and may impact how we conduct our hedging activities and derivatives business with customers. We are currently evaluating the impact the proposed rule, if adopted, would have on our hedging activities and operations.

Our compliance with these requirements has resulted, and may continue to result, in additional costs to our business and may impact our international payments provider business operations. Furthermore, our failure to comply with these requirements could result in fines and other sanctions, as well as necessitate a temporary or permanent cessation to some or all of our derivative related activities. Any such fines, sanctions or limitations on our business could adversely affect our operations and financial results. Additionally, the regulatory regimes for derivatives in the U.S. and European Union, such as under the Dodd-Frank Act and the European Markets in Financial Instruments Directive known as “MiFID II,” are continuing to evolve and changes to such regimes, our designation under such regimes, or the implementation of new rules under such regimes, such as future registration requirements and increased regulation of derivative contracts, may result in additional costs to our business. Other jurisdictions outside the U.S. and the European Union are considering, have implemented, or are implementing regulations similar to those described above and these may result in greater costs to us as well.

Governmental regulations designed to protect or limit access to personal information could adversely affect our ability to effectively provide our services.

Governmental bodies in the U.S. and abroad have adopted, or are considering the adoption of, laws and regulations restricting the transfer of, and requiring safeguarding of, non-public personal information. For example, in the U.S., all financial institutions must undertake certain steps to help protect the privacy and security of consumer financial information. In connection with providing services to our clients, we are required by regulations and arrangements with payment networks, our sponsor bank and certain clients to provide assurances regarding the confidentiality and security of non-public consumer information. These arrangements require periodic audits by independent companies regarding our compliance with industry standards such as PCI standards and also allow for similar audits regarding best practices established by regulatory guidelines. The compliance standards relate to our infrastructure, components, and operational procedures designed to safeguard the confidentiality and security of non-public consumer personal information received from our customers. Our ability to maintain compliance with these standards and satisfy these audits will affect our ability to attract and maintain business in the future. If we fail to comply with these regulations, we could be exposed to suits for breach of contract or to governmental proceedings. In addition, our client relationships and reputation could be harmed, and we could be inhibited in our ability to obtain new clients. If more restrictive privacy laws or rules are adopted by authorities in the future on the federal or state level or internationally, our compliance costs may increase, our opportunities for growth may be curtailed by our compliance capabilities or reputational harm and our potential liability for security breaches may increase, all of which could have a material adverse effect on our business, financial condition and results of operations.

Our actual or perceived failure to comply with governmental regulation and other legal obligations, particularly related to consumer protection and e-commerce, privacy, data protection and information security, could harm our business.

In the U.S., Canada, the European Union and in other jurisdictions around the world, we are subject to numerous and disparate consumer laws (including laws on disputed transactions) as well as regulations on e-commerce or similar legislation. Because we collect personally identifiable information and other data from our customers, we are subject to laws and regulations in the U.S., Canada, the European Union and in other jurisdictions around the world restrict certain collection, processing, storage, use, disclosure and security of personal information, require notice to individuals of privacy practices, and provide individuals with certain rights to prevent use and disclosure of protected information. These laws and regulations are subject to frequent revisions and differing interpretations, and have generally become more stringent over time.

While we have implemented processes and procedures to comply with these laws, if we or the third parties on which we rely for data fail to adhere to or successfully implement appropriate processes and procedures in response to existing or future regulations, it could result in legal and monetary liability, fines, penalties, or damage to our reputation in the marketplace, any of which could have a material adverse effect on our business, financial condition and results of operations. Additionally, any changes to these laws, their interpretation, or enforcement by the government or private parties that further restrict the way we contact and communicate with our potential customers or generate leads could adversely affect our ability to attract customers and could harm our business, financial condition, results of operations and cash flows.

Unfavorable resolution of tax contingencies or changes to enacted tax rates could adversely affect our tax expense and results of operations.

Our tax returns and positions are subject to review and audit by federal, state, local, and international taxing authorities. An unfavorable outcome to a tax audit could result in higher tax expense, thereby negatively impacting our results of operations. We have established contingent liabilities for material known tax exposures relating to deductions, transactions and other matters involving some uncertainty as to the proper tax treatment of the item. These liabilities reflect what we believe to be reasonable assumptions as to the likely final resolution of each issue if raised by a taxing authority. There can be no assurance that, in all instances, an issue raised by a tax authority will be finally resolved at a financial cost less than any related liability. An unfavorable resolution, therefore, could negatively impact our financial position, operating results and cash flows in the current and/or future periods.

Our acquisition documents include warranties, covenants and conditions regarding various tax matters that occurred prior to the acquisition, supported by indemnification and, in some cases, holdbacks or escrows from the sellers. The obligations of the sellers are also generally subject to various limitations. In the event of a tax claim related to a pre-acquisition tax year, we would seek to recover costs and losses from the sellers under the acquisition agreement. However, there is no assurance that any indemnification, holdback or escrow would be sufficient or that we would recover such costs or losses, which could negatively impact our financial position, operating results and cash flows in the current and/or future periods.

We record deferred income taxes to reflect the impact of temporary differences between the amounts of assets and liabilities for financial accounting and income tax purposes. Deferred income taxes are determined using enacted tax rates. Changes in enacted tax rates may negatively impact our operating results.

The Tax Cuts and Jobs Act (the “Tax Act”) and similar tax reform laws in other jurisdictions could adversely affect our business and financial condition.

The Tax Cuts and Jobs Act of 2017 (the “Tax Act”) could adversely affect our business and financial condition. The Tax Act significantly changed how the U.S. taxes corporations, including limitations on the deductibility of interest expense and executive compensation, and the imposition or acceleration of taxation on certain foreign income, each of which may increase our tax expense. Both the Tax Act and subsequent regulations and interpretations require complex computations to be performed that were not previously required in U.S. tax law, significant judgments to be made in interpretation of the provisions of the Tax Act, significant estimates in calculations, and the preparation and analysis of information not previously relevant or regularly produced. The U.S. Treasury Department, the IRS, and other standard-setting bodies could interpret or issue guidance on how provisions of the Tax Act will be applied or otherwise administered that is different from our interpretation. As additional clarification and guidance is issued regarding the Tax Act, we may make adjustments to amounts that we have recorded, which may materially impact our provision for income taxes in the period in which the adjustments are made.

Various other jurisdictions including members of the Organization for Economic Cooperation and Development are considering changes to their tax laws including provisions intended to address base erosion and profit shifting by taxpayers. Any tax reform adopted in these or other countries may exacerbate the risks described above.

We generate a portion of our revenue from our lodging card business, which is affected by conditions in the hotel industry generally and has a concentration of customers in the railroad and trucking industries.

Our lodging card business earns revenue from customers purchasing lodging from the hotel industry and derives a significant portion of this revenue from end users in the railroad and trucking industries. Therefore, we are exposed to risks affecting each of these industries. For example, unfavorable economic conditions adversely impacting the hotel, railroad and trucking industries generally could cause a decrease in demand for our products and services in our lodging card business, resulting in decreased revenue, or increased credit risk and related losses, resulting in increased expenses. In addition, mergers or consolidations in these industries could reduce our customer and partnership base, resulting in a smaller market for our products and services.

We contract with government entities and are subject to risks related to our governmental contracts.

In the course of our business we contract with domestic and foreign government entities, including state and local government customers, as well as federal government agencies. As a result, we are subject to various laws and regulations that apply to companies doing business with federal, state and local governments. The laws relating to government contracts differ from other commercial contracting laws and our government contracts may contain pricing terms and conditions that are not common among commercial contracts. In addition, we may be subject to investigation from time to time concerning our

compliance with the laws and regulations relating to our government contracts. Our failure to comply with these laws and regulations may result in suspension of these contracts or administrative or other penalties.

Litigation and regulatory actions could subject us to significant fines, penalties or requirements resulting in significantly increased expenses, damage to our reputation and/or material adverse effects on our business.

We are subject to claims and a number of judicial and administrative proceedings considered normal in the course of our current and past operations, including employment-related disputes, contract disputes, intellectual property disputes, government inquiries, investigations, audits and regulatory proceedings, customer disputes and tort claims. Responding to proceedings may be difficult and expensive, and we may not prevail. In some proceedings, the claimant seeks damages as well as other relief, which, if granted, would require expenditures on our part or changes in how we conduct business. There can be no certainty that we will not ultimately incur charges in excess of presently established or future financial accruals or insurance coverage, or that we will prevail with respect to such proceedings. Regardless of whether we prevail or not, such proceedings could have a material adverse effect on our business, reputation, financial condition and results of operations.

In June 2017, a shareholder filed a class action complaint in the United States District Court for the Northern District of Georgia against the Company and certain of its officers and directors on behalf of all persons who purchased or otherwise acquired the Company's stock between February 5, 2016 and May 2, 2017. The complaint alleges that the defendants made false or misleading statements regarding fee charges and the reasons for its earnings and growth in certain press releases and other public statements in violation of the federal securities laws, and seeks unspecified monetary damages, costs, and attorneys' fees. On October 3, 2019, the parties executed a term sheet to settle the case for a payment of \$50 million for the benefit of the class. The full settlement amount is covered by our insurance policies. On December 12, 2019, the court granted the lead plaintiff's motion for preliminary approval of the settlement. Additionally, in July 2017, a shareholder derivative complaint was filed against certain of the Company's directors and officers in the United States District Court for the Northern District of Georgia seeking recovery on behalf of the Company, and on January 9, 2019, a second shareholder derivative complaint was filed in the Superior Court of Gwinnett County, Georgia. We cannot be certain that the outcome of these matters will not have a material adverse result on us, our business, our financial condition or our results of operations. In addition, in the future, we may need to record litigation reserves with respect to this and any similar matters. Further, these types of matters could divert our management's attention and other resources away from our business.

From time to time, we have had, and expect to continue to receive, inquiries from regulatory bodies and administrative agencies relating to the operation of our business. We have received a Civil Investigative Demand from the Federal Trade Commission, along with proposals to resolve potential claims, arising from our advertising and marketing practices, which relate principally to our North American Fuel Card business. Any potential claims or any such inquiries or potential claims have resulted in, and may continue to result in, various audits, reviews and investigations, which can be time consuming and expensive. These types of inquiries, audits, reviews, and investigations could result in the institution of administrative or civil proceedings, sanctions and the payment of fines and penalties, various forms of injunctive relief and redress, changes in personnel, and increased review and scrutiny by customers, regulatory authorities, the media and others, which could be significant and could have a material adverse effect on our business, reputation, financial condition and results of operations.

For more information about our judicial and other proceedings, see "Part I, Item 3-Legal Proceedings".

If we fail to comply with the applicable requirements of Mastercard, it could seek to fine us, suspend us or terminate our registrations through our financial institution sponsors.

A significant source of our revenue comes from processing transactions through the Mastercard networks. In order to offer Mastercard programs to our customers, one of our subsidiaries is registered as a member service provider with Mastercard through sponsorship by Mastercard member banks in both the U.S. and Canada. Registration as a service provider is dependent upon our being sponsored by member banks. If our sponsor banks should stop providing sponsorship for us or determine to provide sponsorship on materially less favorable terms, we would need to find other financial institutions to provide those services or we would need to become a Mastercard member, either of which could prove to be difficult and expensive. Even if we pursue sponsorship by alternative member banks, similar requirements and dependencies would likely still exist. In addition, Mastercard routinely updates and modifies its requirements. Changes in the requirements may make it significantly more expensive for us to provide these services. If we do not comply with Mastercard requirements, it could seek to fine us, suspend us or terminate our registration, which allows us to process transactions on its networks. The termination of our registration, or any changes in the payment network rules that would impair our registration, could require us to stop providing Mastercard payment processing services. If we are unable to find a replacement financial institution to provide sponsorship or become a member, we may no longer be able to provide such services to the affected customers, which would have a material adverse effect on our business, financial condition and results of operations.

Changes in Mastercard interchange fees could decrease our revenue.

A portion of our revenue is generated by network processing fees charged to merchants, known as interchange fees, associated with transactions processed using our Mastercard-branded cards. Interchange fee amounts associated with our Mastercard network cards are affected by a number of factors, including regulatory limits in the U.S. and Europe and fee changes imposed by Mastercard. In addition, interchange fees are the subject of intense legal and regulatory scrutiny and competitive pressures in the electronic payments industry, which could result in lower interchange fees generally in the future. Temporary or permanent decreases in the interchange fees associated with our Mastercard network card transactions, could adversely affect our business and operating results.

If we are not able to maintain and enhance our brands, it could adversely affect our business, operating results and financial condition.

We believe that maintaining and enhancing our brands is critical to our customer relationships, and our ability to obtain partners and retain employees. The successful promotion of our brands will depend upon our marketing and public relations efforts, our ability to continue to offer high-quality products and services and our ability to successfully differentiate our services from those of our competitors. In addition, future extension of our brands to add new products or services different from our current offerings may dilute our brands, particularly if we fail to maintain our quality standards in these new areas. The promotion of our brands will require us to make substantial expenditures, and we anticipate that the expenditures will increase as our markets become more competitive and we expand into new markets. To the extent that these activities yield increased revenues, this revenue may not offset the expenses we incur. There can be no assurance that our brand promotion activities will be successful.

Failure to comply with the FCPA, anti-money laundering regulations, economic and trade sanctions regulations and similar laws and regulations associated with our international activities, could subject us to penalties and other adverse consequences.

As we continue to expand our business internationally, we may continue to expand into certain foreign countries, particularly those with developing economies, where companies often engage in business practices that are prohibited by U.S., U.K. and other foreign regulations, including the FCPA, the U.K. Bribery Act, the 2013 Brazilian Clean Companies Act and the 2013 Russian Law on Preventing Corruption. These laws and regulations generally prohibit us, our employees, consultants and agents from bribing, being bribed or making other prohibited payments to government officials or other persons to obtain or retain business or gain some other business advantage. We have implemented policies to discourage such practices; however, there can be no assurances that all of our employees, consultants and agents, including those that may be based in or from countries where practices that violate U.S. laws may be customary, will not take actions in violation of our policies, for which we may be ultimately responsible. Violations of the FCPA or similar laws may result in severe criminal or civil sanctions and, in the U.S., suspension or debarment from U.S. government contracting, which could negatively affect our business, operating results and financial condition.

In addition, we are subject to anti-money laundering laws and regulations, including the BSA. Among other things, the BSA requires money services businesses (such as money transmitters and providers of prepaid access) to develop and implement risk-based anti-money laundering programs, report large cash transactions and suspicious activity, and maintain transaction records.

We are also subject to certain economic and trade sanctions programs that are administered by OFAC, which prohibit or restrict transactions to or from or dealings with specified countries, their governments, and in certain circumstances, their nationals, and with individuals and entities that are specially-designated nationals of those countries, narcotics traffickers, and terrorists or terrorist organizations. Other group entities may be subject to additional foreign or local sanctions requirements in other relevant jurisdictions.

Similar anti-money laundering and counter-terrorist financing and proceeds of crime laws apply to movements of currency and payments through electronic transactions and to dealings with persons specified in lists maintained by the country equivalent to OFAC lists in several other countries and require specific data retention obligations to be observed by intermediaries in the payment process. Our businesses in those jurisdictions are subject to those data retention obligations.

Violations of these laws and regulations may result in severe criminal or civil sanctions and, in the U.S., suspension or debarment from U.S. government contracting, which could negatively affect our business, operating results and financial condition. Likewise, any investigation of any potential violations of these laws and regulations by U.S. or foreign authorities could also have an adverse impact on our reputation, business, financial condition and operating results. In addition, we cannot predict the nature, scope or effect of future regulatory requirements to which our international operations might be subject or the manner in which existing laws and regulations might be administered or interpreted.

Global economic downturns or slower growth or declines in the money transfer, payment service, and other markets in which we operate, including downturns, declines, and difficult conditions in global financial markets and financial market disruptions could adversely affect our business, financial condition, results of operations, and cash flows.

The global economy has experienced in recent years, and may experience, downturns, volatility and disruption, and we face certain risks relating to such events, including:

- Our international payments provider business provides currency conversion and foreign exchange hedging services to our customers, exposing us to foreign currency exchange risk. In order to help mitigate these risks, we enter into derivative contracts. However, these contracts do not eliminate all of the risks related to fluctuating foreign currency rates.
- Our international payments provider business is heavily dependent on global trade. A downturn in global trade or the failure of long-term import growth rates to return to historic levels could have an adverse effect on our business, financial condition, results of operations, cash flows, and our cash management strategies. Additionally, as customer hedging activity in our international payments provider business generally varies with currency volatility, we have experienced and may experience in the future lower foreign exchange revenues in periods of lower currency volatility.
- The counterparties to the derivative financial instruments that we use in our international payments provider business to reduce our exposure to various market risks, including changes in foreign exchange rates, may fail to honor their obligations, which could expose us to risks we had sought to mitigate. This includes the exposure generated when we write derivative contracts to our customers as part of our cross-currency payments business, and we typically hedge the net exposure through offsetting contracts with established financial institution counterparties. That failure could have an adverse effect on our financial condition, results of operations, and cash flows.

Risks associated with foreign currencies could adversely affect our business, financial condition, results of operations, and cash flows.

We have additional foreign exchange risk and associated foreign exchange risk management requirements due to the nature of our international payments provider business. The majority of this business' revenue is from exchanges of currency at spot rates, which enable customers to make cross-currency payments. Additionally, this business also writes foreign currency forward and option contracts for our customers. The duration of these derivative contracts at inception is generally less than one year. The credit risk associated with our derivative contracts increases when foreign currency exchange rates move against our customers, possibly impacting their ability to honor their obligations to deliver currency to us or to maintain appropriate collateral with us.

Our international payments provider business aggregates its foreign exchange exposures arising from customer contracts, including the derivative contracts described above, and hedges the resulting net currency risks by entering into offsetting contracts with established financial institution counterparties. If we are unable to obtain offsetting positions, our business, financial condition, results of operations, and cash flows could be adversely affected.

We face credit, liquidity and fraud risks from our agents, consumers, businesses, and other third parties that could adversely affect our business, financial condition, results of operations, and cash flows.

We are exposed to credit risk in our international payments provider business relating to: (a) derivatives written by us to our customers and (b) the extension of trade credit when transactions are paid to recipients prior to our receiving cleared funds from the sending customers. The credit risk associated with our derivative contracts increases when foreign currency exchange rates move against our customers, possibly impacting their ability to honor their obligations to deliver currency to us or

to maintain appropriate collateral with us. If a customer becomes insolvent, files for bankruptcy, commits fraud or otherwise fails to pay us, we may be exposed to the value of an offsetting position with a financial institution counterparty for the derivatives or may bear financial risk for those receivables where we have offered trade credit.

If we are unable to maintain our relationships with banks needed to conduct our services, or fail to comply with our contract requirements, our business, financial condition, results of operations, and cash flows would be adversely affected.

In our international payments provider business, we facilitate payment and foreign exchange solutions, primarily cross-border, cross-currency transactions, for small and medium size enterprises and other organizations. Increased regulation and compliance requirements are impacting these businesses by making it more costly for us to provide our services or by making it more cumbersome for businesses to do business with us. Any factors that increase the cost of cross-border trade for us or our customers or that restrict, delay, or make cross-border trade more difficult or impractical, such as trade policy or higher tariffs, could negatively impact our revenues and harm our business. We may also have difficulty establishing or maintaining banking relationships needed to conduct our services due to banks' policies. If we are unable to maintain our current business or

banking relationships or establish new relationships under terms consistent with those currently in place, our ability to continue to offer our services may be adversely impacted, which could have an adverse effect on our business, financial condition, results of operations, and cash flows.

Risks related to ownership of our common stock

Our stock price could be volatile and our stock could decline in value.

The market price of our common stock may fluctuate substantially as a result of many factors, some of which are beyond our control. Factors that could cause fluctuations in the market price of our common stock include the following:

- quarterly variations in our results of operations;
- results of operations that vary from the expectations of securities analysts and investors;
- results of operations that vary from those of our competitors;
- changes in expectations as to our future financial performance, including financial estimates by securities analysts and investors;
- announcements by us or our competitors of significant contracts, acquisitions, or capital commitments;
- announcements by third parties of significant claims or proceedings against us;
- regulatory developments in the U.S. and abroad;
- future sales of our common stock, and additions or departures of key personnel; and
- general domestic and international economic, market and currency factors and conditions unrelated to our performance.

In addition, the stock market in general has experienced significant price and volume fluctuations that have often been unrelated or disproportionate to operating performance of individual companies. These broad market factors may seriously harm the market price of our common stock, regardless of our operating performance. In the past, following periods of volatility in the market price of a company's securities, securities class action litigation has often been instituted. A securities class action suit against us could result in significant liabilities and, regardless of the outcome, could result in substantial costs and the diversion of our management's attention and resources.

Our disclosure controls and procedures may not prevent or detect all errors or acts of fraud.

We are subject to the periodic reporting requirements of the Securities Exchange Act of 1934, as amended, or the Exchange Act. Our disclosure controls and procedures are designed to reasonably ensure that information required to be disclosed by us in reports we file or submit under the Exchange Act is accumulated and communicated to management and recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC. We believe that any disclosure controls and procedures or internal controls and procedures, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are and will be met. These inherent limitations include the realities that judgments in decision-making can be faulty and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people or by an unauthorized override of the controls. Accordingly, because of the inherent limitations in our control system, misstatements due to error or fraud may occur and not be detected.

Anti-takeover provisions in our charter documents could discourage, delay or prevent a change in control of our company and may affect the trading price of our common stock.

Our corporate documents and the Delaware General Corporation Law contain provisions that may enable our board of directors to resist a change in control of FLEETCOR even if a change in control were to be considered favorable by you and other stockholders. These provisions:

- authorize our board of directors to issue preferred stock and to determine the rights and preferences of those shares, which may be senior to our common stock, without prior stockholder approval;
- establish advance notice requirements for nominating directors and proposing matters to be voted on by stockholders at stockholder meetings; and
- prohibit our stockholders from calling a special meeting and prohibit stockholders from acting by written consent.

In addition, Delaware law imposes some restrictions on mergers and other business combinations between any holder of 15% or more of our outstanding voting stock and us. These provisions could discourage, delay or prevent a transaction involving a change in control of FLEETCOR. These provisions could also discourage proxy contests and make it more difficult for you and other stockholders to elect directors of your choosing and cause us to take other corporate actions you desire.

We do not expect to pay any dividends on our common stock for the foreseeable future.

We currently expect to retain all future earnings, if any, for future operation, expansion and debt repayment and have no current plans to pay any cash dividends to holders of our common stock for the foreseeable future. Any decision to declare and pay dividends in the future will be made at the discretion of our board of directors and will depend on, among other things, our operating results, financial condition, cash requirements, contractual restrictions and other factors that our board of directors may deem relevant. In addition, we must comply with the covenants in our credit agreements in order to be able to pay cash dividends, and our ability to pay dividends generally may be further limited by covenants of any existing and future outstanding indebtedness we or our subsidiaries incur.

ITEM 1B. UNRESOLVED STAFF COMMENTS

We have no unresolved written comments regarding our periodic or current reports from the staff of the SEC.

ITEM 2. PROPERTIES

We lease all of the real property used in our business, except as noted below. The following table lists each of our material facilities and its location, use and approximate square footage, at December 31, 2019.

<u>Facility</u>	<u>Use</u>	<u>Approximate size</u> <u>Square Feet</u>
North America Segment		
Brentwood, Tennessee	Comdata sales, operations and customer support	135,000
Louisville, Kentucky	SVS sales, operations and customer support	66,000
Lexington, Kentucky	CLS operations	60,100
Peachtree Corners, Georgia	Operations	57,000
Atlanta, Georgia	Corporate headquarters and operations	46,500
Nashville, Tennessee	Comdata operations	38,300
Wichita, Kansas	CLC operations and customer support	38,000
Beaverton, Oregon	NvoicePay sales, operations and customer support	32,600
Toronto, Canada	Cambridge global headquarters	27,600
Schaumburg, Illinois	Travelliance sales, operations and customer support	17,000
Bloomington, Minnesota	Travelliance sales, operations and customer support	13,300
Phoenix, Arizona	Sales	13,000
Portland, Oregon	SOLE Financial sales, operations and customer support	11,100
Covington, Louisiana	Corporate accounting and treasury	11,000
Salem, Oregon	Pacific Pride sales, operations and customer support	10,000
Houston, Texas	Credit and collections	7,400
Austin, Texas	Comdata operations	6,700
New York, New York	Cambridge U.S. headquarters	5,900
International Segment		
Melbourne, Australia	Business Fuel Cards sales	6,200
Sao Paulo, Brazil	STP, CTF, VB Servicios and DB headquarters, sales, operations and customer support	100,300
Osasco, Brazil	CTF and VB Servicios operations and STP collections and operations	21,600
Rio de Janeiro, Brazil	DB Trans and AExpresso headquarters, sales, operations and customer support	15,300
Prague, Czech Republic	CCS headquarters and Shell Europe (Germany, Austria, Poland, Hungary, Switzerland, Czech Republic and Slovakia, France, Belgium, Netherlands and Luxembourg) operations, credit and collections, customer service, sales and finance	38,400
Nuremberg, Germany	Shell Europe sales	6,900
Mexico City, Mexico(1)	Mexico headquarters and operations	29,200
Almere, Netherlands	Travelcard headquarters, sales, customer support, operations, credit and collections	5,600
Auckland, New Zealand	CardLink headquarters, sales, operations and customer support	7,200
Moscow, Russia	PPR and NKT headquarters, sales, customer support, operations, credit and collections	5,700
Swindon, United Kingdom	Allstar and TFC operations, sales and customer support, human resources and finance	18,300
Meriden, United Kingdom	EPYX headquarters, sales, operations and customer support	16,500
London, United Kingdom	Europe headquarters	15,000
Walsall, United Kingdom	CHJ Operations, sales and customer support	9,500
Ipswich, United Kingdom	Operations, sales and customer support	6,300
Sheffield, United Kingdom	r2c operations	5,900
Knaresborough, United Kingdom	Allstar and TFC sales	5,100

(1) We own this facility.

We also own approximately 1.5 acres of land in Nashville, Tennessee, for employee parking. Additionally, we lease a number of minor additional facilities not listed above, including local sales and operations offices less than 5,000 square feet, small storage facilities and a small number of service stations in the United Kingdom. We believe our facilities are adequate for our needs for at least the next 12 months. We anticipate that suitable additional or alternative facilities will be available to accommodate foreseeable expansion of our operations.

ITEM 3. LEGAL PROCEEDINGS

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

Shareholder Class Action and Derivative Lawsuits

On June 14, 2017, a shareholder filed a class action complaint in the United States District Court for the Northern District of Georgia against the Company and certain of its officers and directors on behalf of all persons who purchased or otherwise acquired the Company's stock between February 5, 2016 and May 2, 2017. On October 13, 2017, the shareholder filed an amended complaint asserting claims on behalf of a class of all persons who purchased or otherwise acquired the Company's common stock between February 4, 2016 and May 3, 2017. The complaint alleges that the defendants made false or misleading statements regarding fee charges and the reasons for its earnings and growth in certain press releases and other public statements in violation of the federal securities laws. On July 17, 2019, the court granted plaintiff's motion for class certification. The complaint seeks unspecified monetary damages, costs, and attorneys' fees. On October 3, 2019, the parties executed a term sheet to settle the case for a payment of \$50 million for the benefit of the class. The full settlement amount is covered by the Company's insurance policies. On December 12, 2019, the court granted the lead plaintiff's motion for preliminary approval of the settlement. The Company disputes the allegations in the complaint and the settlement is without any admission of the allegations in the complaint.

On July 10, 2017, a shareholder derivative complaint was filed against the Company and certain of the Company's directors and officers in the United States District Court for the Northern District of Georgia ("Federal Derivative Action") seeking recovery on behalf of the Company. The Federal Derivative Action alleges that the defendants issued a false and misleading proxy statement in violation of the federal securities laws; that defendants breached their fiduciary duties by causing or permitting the Company to make allegedly false and misleading public statements concerning the Company's fee charges, and financial and business prospects; and that certain defendants breached their fiduciary duties through allegedly improper sales of stock. The complaint seeks unspecified monetary damages on behalf of the Company, corporate governance reforms, disgorgement of profits, benefits and compensation by the defendants, restitution, costs, and attorneys' and experts' fees. On September 20, 2018, the court entered an order deferring the Federal Derivative Action pending a ruling on motions for summary judgment in the shareholder class action, notice a settlement has been reached in the shareholder class action, or until otherwise agreed to by the parties. After preliminary approval of the proposed settlement of the shareholder class action was granted, the stay on the Federal Derivative Action was lifted. Plaintiffs amended their complaint on February 22, 2020 and FleetCor has an April 10, 2020 date by which to move to dismiss or otherwise respond to the amended complaint in the Federal Derivative Action. On January 9, 2019, a similar shareholder derivative complaint was filed in the Superior Court of Gwinnett County, Georgia ("State Derivative Action"), which was stayed pending a ruling on motions for summary judgment in the shareholder class action, notice a settlement has been reached in the shareholder class action, or until otherwise agreed by the parties. On the parties' joint motion, the court has continued the stay of the State Derivative Action "pending further developments in the first-filed Federal Derivative Action." The defendants dispute the allegations in the derivative complaints and intend to vigorously defend against the claims.

FTC Investigation

In October 2017, the Federal Trade Commission ("FTC") issued a Notice of Civil Investigative Demand to the Company for the production of documentation and a request for responses to written interrogatories. After discussions with the Company, the FTC proposed in October 2019 to resolve potential claims relating the Company's advertising and marketing practices, principally in its U.S. direct fuel card business within its North American Fuel Card business. The parties reached impasse primarily related to what the Company believes are unreasonable demands for redress made by the FTC.

On December 20, 2019, the FTC filed a lawsuit in the Northern District of Georgia against the Company and Ron Clarke. See *FTC v. FleetCor and Ronald F. Clarke*, No. 19-cv-05727 (N.D. Ga.). The complaint alleges the Company and Clarke violated the FTC Act's prohibitions on unfair and deceptive acts and practices. The complaint seeks among other things injunctive relief, consumer redress, and costs of suit. The Company continues to believe that the FTC's claims are without merit. The Company has incurred and continues to incur legal and other fees related to this complaint. Any settlement of this matter, or defense against the lawsuit, could involve costs to the Company, including legal fees, fines, penalties, and remediation expenses. At

this time, in view of the complexity and ongoing nature of the matter, we are unable to estimate a reasonably possible loss or range of loss that we may incur to settle this matter or defend against the lawsuit brought by the FTC.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS, AND ISSUER PURCHASES OF EQUITY SECURITIES

Our common stock is traded on the New York Stock Exchange (NYSE) under the symbol "FLT." As of December 31, 2019, there were 257 holders of record of our common stock.

DIVIDENDS AND SHARE REPURCHASES

We currently expect to retain all future earnings, if any, for use in the operation and expansion of our business. We have never declared or paid any dividends on our common stock and do not anticipate paying cash dividends to holders of our common stock in the foreseeable future. In addition, our credit agreements restrict our ability to pay dividends. Any determination to pay dividends in the future will be at the discretion of our board of directors and will depend upon, among other factors, our results of operations, financial condition, capital requirements and covenants in our existing financing arrangements and any future financing arrangements.

Our Board of Directors has approved a stock repurchase program (as updated from time to time, the "Program"), authorizing the Company to repurchase its common stock from time to time until February 1, 2023. On October 22, 2019, our Board increased the aggregate size of the Program by \$1 billion, to \$3.1 billion. Since the beginning of the Program, 11,119,657 shares have been repurchased for an aggregate purchase price of \$2.2 billion, leaving us up to \$857 million available under the Program for future repurchases of our common stock, taking into account the full \$500 million committed with the 2019 ASR Agreement (defined below), which completed on February 20, 2020. There were 2,094,115 common shares totaling \$603.8 million in 2019; 4,911,438 common shares totaling \$958.7 million in 2018, and 2,854,959 common shares totaling \$402.4 million in 2017; repurchased under the Program.

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

On December 14, 2018, as part of the Program, we entered an accelerated share repurchase ("ASR") agreement ("2018 ASR Agreement") with a third-party financial institution to repurchase \$220 million of our common stock. Pursuant to the 2018 ASR Agreement, we delivered \$220 million in cash and received 1,057,035 shares based on a stock price of \$176.91 on December 14, 2018. The 2018 ASR Agreement was completed on January 29, 2019, at which time we received 117,751 additional shares based on a final weighted average per share purchase price during the repurchase period of \$187.27.

On December 18, 2019, we entered into another ASR agreement ("2019 ASR Agreement") with a third-party financial institution to repurchase \$500 million of its common stock. Pursuant to the 2019 ASR Agreement, we delivered \$500 million in cash and received 1,431,989 shares based on a stock price of \$285.70 on December 18, 2019. The 2019 ASR Agreement was completed February 20, 2020, at which time we received 175,340 additional shares based on a final weighted average per share purchase price during the repurchase period of \$306.81.

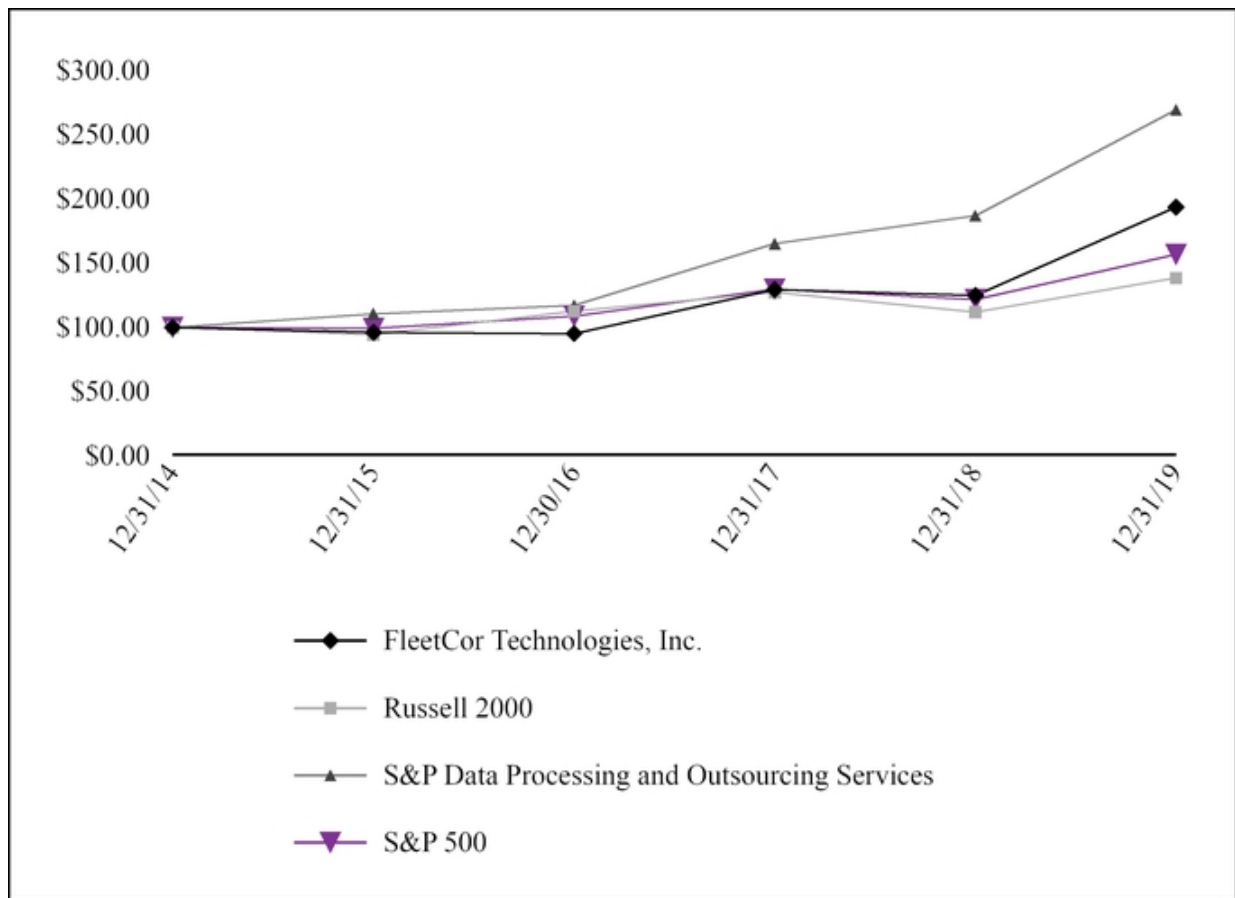
We accounted for the 2018 ASR Agreement and the 2019 ASR Agreement as two separate transactions: (i) as shares of reacquired common stock for the shares delivered to the Company upon effectiveness of each ASR agreement and (ii) as a forward contract indexed to the Company's common stock for the undelivered shares. The initial delivery of shares was included in treasury stock at cost and results in an immediate reduction of the outstanding shares used to calculate the weighted average common shares outstanding for basic and diluted earnings per share. The forward contracts indexed to our own common stock met the criteria for equity classification, and these amounts were initially recorded in additional paid-in capital.

The following table presents information with respect to purchase of common stock of the Company made during the three months ended December 31, 2019 by the Company as defined in Rule 10b-18(a)(3) under the Exchange Act:

Period	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of the Publicly Announced Plan	Maximum Value that May Yet be Purchased Under the Publicly Announced Plan (in thousands)
October 1, 2019 through October 31, 2019	49	\$ 297.49	9,238,809	\$ 1,489,074
November 1, 2019 through November 30, 2019	149,848	\$ 293.43	9,388,657	\$ 1,445,105
December 1, 2019 through December 31, 2019	1,731,000	\$ 287.51	11,119,657	\$ 947,420

PERFORMANCE GRAPH

The following graph assumes \$100 invested on December 31, 2014, at the closing price (\$148.71) of our common stock on that day, and compares (a) the percentage change of our cumulative total stockholder return on the common stock (as measured by dividing (i) the difference between our share price at the end and the beginning of the period presented by (ii) the share price at the beginning of the periods presented) with (b) (i) the Russell 2000 Index, (ii) the S&P 500® Data Processing & Outsourced Services and (iii) S&P 500.



RECENT SALES OF UNREGISTERED SECURITIES AND USE OF PROCEEDS

Not Applicable.

ITEM 6. SELECTED FINANCIAL DATA

We derived the consolidated statement of income and other financial data for the years ended December 31, 2019, 2018 and 2017 and the selected consolidated balance sheet data as of December 31, 2019 and 2018 from the audited consolidated financial statements included elsewhere in this report. We derived the selected historical financial data for the years ended December 31, 2016 and 2015 and the selected consolidated balance sheets as of December 31, 2017, 2016 and 2015 from our audited consolidated financial statements that are not included in this report.

The selected consolidated financial data set forth below should be read in conjunction with “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and our audited consolidated financial statements and notes thereto included elsewhere in this report. Our historical results are not necessarily indicative of the results to be expected in any future period.

(in thousands, except per share data)	2019 ¹	2018 ²	2017	2016	2015
Consolidated statement of income data:					
Revenues, net	\$ 2,648,848	\$ 2,433,492	\$ 2,249,538	\$ 1,831,546	\$ 1,702,865
Expenses:					
Merchant commissions	—	—	113,133	104,345	108,257
Processing	530,669	487,695	429,613	355,414	331,073
Selling	204,806	182,593	170,717	131,443	109,075
General and administrative	407,210	389,172	387,694	283,625	297,715
Depreciation and amortization	274,210	274,609	264,560	203,256	193,453
Other operating expense (income), net	523	8,725	61	(690)	(4,242)
Operating income	1,231,430	1,090,698	883,760	754,153	667,534
Investment loss, net	3,470	7,147	53,164	36,356	57,668
Other expense (income), net	93	(152,166)	(173,436)	2,982	2,523
Interest expense, net	150,048	138,494	107,146	71,896	71,339
Loss on extinguishment of debt	—	2,098	3,296	—	—
Total other expense (income)	153,611	(4,427)	(9,830)	111,234	131,530
Income before income taxes	1,077,819	1,095,125	893,590	642,919	536,004
Provision for income taxes	182,746	283,642	153,390	190,534	173,573
Net income	\$ 895,073	\$ 811,483	\$ 740,200	\$ 452,385	\$ 362,431
Earnings per share:					
Basic earnings per share	\$ 10.36	\$ 9.14	\$ 8.12	\$ 4.89	\$ 3.94
Diluted earnings per share	\$ 9.94	\$ 8.81	\$ 7.91	\$ 4.75	\$ 3.85
Weighted average shares outstanding:					
Basic shares	86,401	88,750	91,129	92,597	92,023
Diluted shares	90,070	92,151	93,594	95,213	94,139
As of December 31,					
(in thousands)	2019	2018	2017	2016	2015
Consolidated balance sheet data:					
Cash and cash equivalents	\$ 1,271,494	\$ 1,031,145	\$ 913,595	\$ 475,018	\$ 447,152
Restricted cash ³	403,743	333,748	217,275	168,752	167,492
Total assets	12,248,541	11,202,477	11,318,359	9,626,732	7,889,806
Total debt	5,036,785	4,819,047	4,518,616	3,858,233	2,935,000
Total stockholders’ equity	3,711,616	3,340,180	3,676,522	3,084,038	2,830,047

¹Reflects the impact of the Company's adoption of ASU 2016-02 "Leases", on January 1, 2019, using a modified retrospective transition method. Under this method, financial results reported in periods prior to 2019 are unchanged.

²Reflects the impact of the Company's adoption of Accounting Standards Update 2014-09, Revenue from Contracts with Customers (Topic 606) ("ASC 606") and related cost capitalization guidance, which was adopted by the Company on January 1, 2018 using the modified retrospective transition method. The adoption of ASC 606 resulted in an adjustment to retained earnings in our consolidated balance sheet for the cumulative effect of applying the standard, which included costs incurred to obtain a contract, as well as presentation changes in our statements of income, including the classification of certain amounts previously classified as merchant commissions and processing expense net with revenues. As a result of the application of the modified retrospective transition method, the Company's prior period results within its Form 10-K and quarterly reports on Form 10-Q will not be restated to reflect ASC 606.

³Restricted cash represents customer deposits repayable, as well as collateral received from customers for cross-currency transactions.

ITEM 7. 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 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 Item 1A "Risk Factors" appearing elsewhere in this report. 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.

The following discussion and analysis of our financial condition and results of operations generally discusses 2019 and 2018 items and year-over-year comparisons between 2019 and 2018. A detailed discussion of 2017 items and year-over-year comparisons between 2018 and 2017 that are not included in this Annual Report on Form 10-K can be found in "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Part II, Item 7 of our Annual Report on Form 10-K for the year ended December 31, 2018.

General Business

FLEETCOR is a leading global business payment solutions company that simplifies the way businesses manage and pay their expenses. The FLEETCOR portfolio of brands help companies automate, secure, digitize and control payments on behalf of their employees and suppliers. We serve businesses, partners, merchants and consumer and payment networks in North America, Latin America, Europe, and Asia Pacific. FLEETCOR's predecessor company was organized in the United States in 1986, and FLEETCOR had its initial public offering in 2010 (NYSE: FLT).

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

Our payment solutions provide our customers with a payment method designed to be superior to and more robust and effective than what they use currently, whether they use a competitor's product or another alternative method such as cash or check. Our solutions are comprised of payment products, networks and associated services. We group our payment solutions into five primary categories: Fuel, Lodging, Tolls, Corporate Payments and Gift. Additionally, we provide other complementary payment products including fleet maintenance, employee benefits and long haul transportation-related services.

Each category is unique in its focus, customer base and target markets, but they also share a number of characteristics: customers are primarily businesses, have recurring revenue models, have specialized networks which create barriers to entry, have high EBITDA margins, and have similar selling systems. Our products are used in more than 100 countries around the world, with our primary geographies being the U.S., Brazil and the U.K., which combined accounted for approximately 87% of our revenue in 2019.

FLEETCOR's payment products generally function like a charge card, prepaid card, one-time use virtual card, and electronic RFID (radio-frequency identification), etc. While the actual payment mechanisms vary from category to category, they are structured to afford control and reporting to the end customer.

FLEETCOR uses both proprietary and third-party networks to deliver its payment solutions. FLEETCOR owns and operates proprietary networks with well-established brands throughout the world, bringing incremental sales and loyalty to affiliated merchants. Third-party networks are used to broaden payment product acceptance and use.

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

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

Executive Overview

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

Revenues, net, by Segment. For the years ended December 31, 2019 and 2018, our North America and International segments generated the following revenue (in millions):

	Year ended December 31,			
	2019		2018	
	Revenues, net	% of total revenues, net	Revenues, net	% of total revenues, net
North America	\$ 1,709	64.5%	\$ 1,571	64.6%
International	940	35.5%	862	35.4%
	<u>\$ 2,649</u>	<u>100.0%</u>	<u>\$ 2,433</u>	<u>100.0%</u>

Revenues, net, Net Income and Net Income Per Diluted Share. Set forth below are revenues, net, net income and net income per diluted share for the years ended December 31, 2019 and 2018 (in millions, except per share amounts).

	Year ended December 31,			
	2019		2018	
Revenues, net	\$ 2,649	\$ 2,433		
Net income	\$ 895	\$ 811		
Net income per diluted share	\$ 9.94	\$ 8.81		

Adjusted Net Income and Adjusted Net Income Per Diluted Share. Set forth below are adjusted net income and adjusted net income per diluted share for the years ended December 31, 2019 and 2018 (in millions, except per share amounts).

	Year Ended December 31,			
	2019		2018	
Adjusted net income	\$ 1,062.1	\$ 969.8		
Adjusted net income per diluted share	\$ 11.79	\$ 10.53		

Adjusted net income and adjusted net income per diluted share are supplemental non-GAAP financial measures of operating performance. See the heading entitled “Management’s Use of Non-GAAP Financial Measures” for more information and a reconciliation of the non-GAAP financial measure to the most directly comparable financial measure calculated in accordance with GAAP. We use adjusted net income and adjusted net income per diluted share to eliminate the effect of items that we do not consider indicative of our core operating performance on a consistent basis.

Sources of Revenue

FLEETCOR offers a variety of business payment solutions that help to simplify, automate, secure, digitize and effectively control the way businesses manage and pay their expenses. We provide our payment solutions to our business, merchant, consumer and payment network customers in more than 100 countries around the world today, although we operate primarily in 3 geographies, with approximately 87% of our business in the U.S., the U.K. and Brazil. Our products help our customers pay their suppliers and manage spend related to their employees more efficiently. We have a variety of products that help our customers achieve these goals, primarily in five product categories: fuel, corporate payments, toll, lodging and gift. Our customers may include commercial businesses (obtained through direct and indirect channels), partners for whom we manage payment programs, as well as individual consumers (for tolls).

Fuel represents approximately 44% of our revenues. Our fuel cards and products help businesses monitor and control fuel spend across multiple fuel networks, providing online analytical reporting to help customers managing the efficiency of their vehicles and drivers, while offering potential discounts off of the retail price of fuel. We generate revenue in our fuel products through a variety of program fees, including transaction fees, card fees, network fees and charges, as well as from interchange. These fees may be charged as fixed amounts, costs plus a mark-up, or based on a percentage of the transaction purchase

amounts, or a combination thereof. Our programs also include other fees and charges associated with late payments and based on customer credit risk.

Corporate payments represents approximately 19% of our revenues. Our products help streamline B2B payments for vendors and employees, both domestically and internationally. Our corporate payments products include virtual card solutions for invoice payments, corporate card programs, a fully-outsourced accounts payable solution, a payroll card solution for employers to distribute wages, as well as a cross-border payments product to facilitate customers making payments across differing currencies. In our corporate payments products, a primary measure of volume is spend, the dollar amount of payments processed on behalf of customers through our various networks. In corporate payments, we primarily earn revenue from the difference between the amount charged to the customer and the amount paid to the third party for a given transaction as interchange revenue. Our programs may also charge fixed fees for access to the network and ancillary services provided.

Tolls represents approximately 13% of our revenues. Our toll product is primarily delivered via an RFID sticker affixed to the windshield of a customer vehicle in Brazil. This RFID enables customers to utilize toll roads, toll parking lots, pay for gas at partner stations and pay for drive-through food, via automated access and payment upon scan while remaining in the vehicle. In our toll product, the relevant measure of volume is average monthly tags active during the period. We primarily earn revenue from fixed fees for access to the network and ancillary services provided. We also earn interchange on certain services provided.

Lodging represents approximately 8% of our revenues. Our lodging products provide customers with a proprietary network of hotels with discounted room rates, centralized billing and robust reporting to help customers manage and control costs. In our lodging products, we define a transaction as a hotel room night purchased by a customer. In our lodging products, we primarily earn revenue from the difference between the amount charged to the customer and the amount paid to the hotel for a given transaction. Our products may also charge fees for access to the network and ancillary services provided.

Gift represents approximately 7% of our revenues. We provide fully integrated gift card product management and processing services via plastic and digital gift cards to our customers. We primarily earn revenue from the processing of gift card transactions sold by our customers to end users, as well as from the sale of the plastic cards. Our products may also charge fixed fees for ancillary services provided.

The remaining 8% of revenues represents other products, which include telematics, maintenance, food, and transportation related offerings.

The following table provides revenue per key performance metric by product category for the years ended December 31, 2019 and 2018 (in millions except revenues, net per transaction).*

	As Reported				Pro Forma and Macro Adjusted			
	Year Ended December 31,				Year Ended December 31,			
	2019	2018	Change	% Change	2019	2018	Change	% Change
FUEL								
- Revenues, net ¹	\$ 1,173	\$ 1,126	\$ 47	4 %	\$ 1,180	\$ 1,079	\$ 100	9 %
- Transactions ¹	502	512	(10)	(2)%	499	494	6	1 %
- Revenues, net per transaction	\$ 2.33	\$ 2.19	\$ 0.14	6 %	\$ 2.36	\$ 2.19	\$ 0.17	8 %
CORPORATE PAYMENTS								
- Revenues, net	\$ 516	\$ 416	\$ 100	24 %	\$ 521	\$ 433	\$ 88	20 %
- Transactions	56	49	6	13 %	56	50	6	12 %
- Revenues, net per transaction	\$ 9.25	\$ 8.42	\$ 0.83	10 %	\$ 9.33	\$ 8.68	\$ 0.65	7 %
- Spend volume	\$ 73,437	\$ 55,744	\$ 17,693	32 %	\$ 74,366	\$ 56,736	\$ 17,630	31 %
- Revenues, net per spend \$	1%	1%	—%	—%	1%	1%	(0.1)%	(8)%
TOLLS								
- Revenues, net ¹	\$ 357	\$ 333	\$ 25	7 %	\$ 387	\$ 333	\$ 55	16 %
- Tags (average monthly)	5.1	4.7	0.4	8 %	5.1	4.7	0.4	8 %
- Revenues, net per tag**	\$ 17.55	\$ 17.59	\$ (0.04)	—%	\$ 19.04	\$ 17.59	\$ 1.45	8 %
LODGING								
- Revenues, net	\$ 213	\$ 176	\$ 37	21 %	\$ 213	\$ 189	\$ 24	13 %
- Room nights	19	19	—	—%	19	21	(2)	(11)%
- Revenues, net per room night	\$ 11.15	\$ 9.14	\$ 2.01	22 %	\$ 11.15	\$ 8.80	\$ 2.35	27 %
GIFT								
- Revenues, net	\$ 180	\$ 187	\$ (6)	(3)%	\$ 180	\$ 193	\$ (13)	(7)%
- Transactions	1,274	1,384	(110)	(8)%	1,274	1,385	(111)	(8)%
- Revenues, net per transaction	\$ 0.14	\$ 0.13	\$ 0.01	7 %	\$ 0.14	\$ 0.14	\$ —	—%
OTHER²								
- Revenues, net ¹	\$ 210	\$ 197	\$ 12	6 %	\$ 219	\$ 201	\$ 19	9 %
- Transactions ¹	56	50	6	13 %	56	55	1	2 %
- Revenues, net per transaction	\$ 3.75	\$ 3.99	\$ (0.24)	(6)%	\$ 3.92	\$ 3.66	\$ 0.26	7 %
FLEETCOR CONSOLIDATED REVENUES								
- Revenues, net	\$ 2,649	\$ 2,434	\$ 215	9 %	\$ 2,700	\$ 2,428	\$ 272	11 %

¹ Reflects certain reclassifications of revenue in 2018 between product categories as the Company realigned its Brazil business into product lines, resulting in refinement of revenue classified as fuel versus tolls and the eCash/OnRoad product being fuel versus other.

² Other includes telematics, maintenance, food, and transportation related businesses.

* Columns may not calculate due to rounding.

**Represents revenues, net per quarter, per average monthly tag.

Revenue per relevant key performance indicator ("KPI"), which may include transaction, spend volume, monthly tags, room nights, etc...) is derived from the various revenue types as discussed above and can vary based on geography, the relevant merchant relationship, the payment product utilized and the types of products or services purchased, the mix of which would be influenced by our acquisitions, organic growth in our business, and the overall macroeconomic environment, including fluctuations in foreign currency exchange rates, fuel prices and fuel spread margins. Revenue per KPI per customer may change as the level of services we provide to a customer increases or decreases, as macroeconomic factors change and as adjustments are made to merchant and customer rates. See "Results of Operations" for further discussion of transaction volumes and revenue per transaction.

Sources of Expenses

We incur expenses in the following categories:

- *Merchant commissions*—In certain of our card programs, we incur merchant commissions expense when we pay merchants with whom we have direct, contractual relationships for specific transactions where a customer purchases products or services from the merchant. In the card programs where it is paid, merchant commissions equal the

difference between the price paid by us to the merchant and the merchant's wholesale cost of the underlying products or services. The adoption of ASC 606 on January 1, 2018, resulted in a change in the presentation of amounts previously classified as merchant commissions, resulting in these amounts being recorded within revenues, net in periods beginning in 2018.

- *Processing*—Our processing expense consists of expenses related to processing transactions, servicing our customers and merchants, bad debt expense and cost of goods sold related to our hardware sales in certain businesses. Effective with the adoption of ASC 606 on January 1, 2018, certain third party processing expenses are netted with consolidated revenues, where the network is considered to be our customer.
- *Selling*—Our selling expenses consist primarily of wages, benefits, sales commissions (other than merchant commissions) and related expenses for our sales, marketing and account management personnel and activities.
- *General and administrative*—Our general and administrative expenses include compensation and related expenses (including stock-based compensation) for our executives, finance and accounting, information technology, human resources, legal and other administrative personnel. Also included are facilities expenses, third-party professional services fees, travel and entertainment expenses, and other corporate-level expenses.
- *Depreciation and amortization*—Our depreciation expenses include depreciation of property and equipment, consisting of computer hardware and software (including proprietary software development amortization expense), card-reading equipment, furniture, fixtures, vehicles and buildings and leasehold improvements related to office space. Our amortization expenses include amortization of intangible assets related to customer and vendor relationships, trade names and trademarks, software and non-compete agreements. We are amortizing intangible assets related to business acquisitions and certain private label contracts associated with the purchase of accounts receivable.
- *Other operating expense, net*—Our other operating, net includes other operating expenses and income items that do not relate to our core operations or that occur infrequently.
- *Investment loss, net*—Our investment results primarily relate to impairment charges related to our investments and unrealized gains and losses related to a minority investment in a marketable security.
- *Other expense (income), net*—Our other expense (income), net includes proceeds/costs from the sale of assets, foreign currency transaction gains or losses and other miscellaneous operating costs and revenue.
- *Interest expense, net*—Our interest expense, net includes interest expense on our outstanding debt, interest income on our cash balances and interest on our interest rate swaps.
- *Provision for income taxes*—Our provision for income taxes consists primarily of corporate income taxes related to profits resulting from the sale of our products and services on a global basis.

Factors and Trends Impacting our Business

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

- *Global economic conditions*—Our results of operations are materially affected by conditions in the economy generally, both in North America and internationally. Factors affected by the economy include our transaction volumes, the credit risk of our customers and changes in tax laws across the globe. These factors affected our businesses in both our North America and International segments.
- *Foreign currency changes*—Our results of operations are significantly impacted by changes in foreign currency rates; namely, by movements of the Australian dollar, Brazilian real, British pound, Canadian dollar, Czech koruna, Euro, Mexican peso, New Zealand dollar and Russian ruble, relative to the U.S. dollar. Approximately 60%, and 61% of our revenue in 2019 and 2018, respectively, was derived in U.S. dollars and was not affected by foreign currency exchange rates. See “Results of Operations” for information related to foreign currency impact on our total revenue, net.
- *Fuel prices*—Our fleet customers use our products and services primarily in connection with the purchase of fuel. Accordingly, our revenue is affected by fuel prices, which are subject to significant volatility. A change in retail fuel prices could cause a decrease or increase in our revenue from several sources, including fees paid to us based on a percentage of each customer's total purchase. Changes in the absolute price of fuel may also impact unpaid account balances and the late fees and charges based on these amounts. We believe approximately 13% and 14% of revenues, net were directly impacted by changes in fuel price in 2019 and 2018, respectively.

- *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. The inverse of these situations produces fuel-price spread expansion. We believe approximately 5% of revenues, net were directly impacted by fuel-price spreads in each of 2019 and 2018, respectively.
- *Acquisitions*—Since 2002, we have completed over 80 acquisitions of companies and commercial account portfolios. Acquisitions have been an important part of our growth strategy, and it is our intention to continue to seek opportunities to increase our customer base and diversify our service offering through further strategic acquisitions. The impact of acquisitions has, and may continue to have, a significant impact on our results of operations and may make it difficult to compare our results between periods.
- *Interest rates*—Our results of operations are affected by interest rates. We are exposed to market risk to changes in interest rates on our cash investments and debt. On January 22, 2019, we entered into three interest rate swap cash flow contracts (the "swap contracts"). The objective of these swap contracts is to reduce the variability of cash flows in the previously unhedged interest payments associated with \$2.0 billion of variable rate debt, the sole source of which is due to changes in the LIBOR benchmark interest rate. For each of these swap contracts, we will pay a fixed monthly rate and receive one month LIBOR.
- *Expenses*— Over the long term, we expect that our general and administrative expense will decrease as a percentage of revenue as our revenue increases. To support our expected revenue growth, we plan to continue to incur additional sales and marketing expense by investing in our direct marketing, third-party agents, internet marketing, telemarketing and field sales force.
- *Taxes*— We pay taxes in various 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 different than the U.S. tax rate. Consequently, as our earnings fluctuate between taxing jurisdictions, our effective tax rate fluctuates.

Acquisitions and Investments

During 2019, the Company completed acquisitions with an aggregate purchase price of approximately \$416 million.

- On April 1, 2019, we completed the acquisition of NvoicePay, a provider of full accounts payable automation for business in the U.S. The aggregate purchase price of this acquisition was approximately \$208 million, net of cash acquired.
- On April 1, 2019, we completed the acquisition of r2c, a fleet maintenance, compliance and workshop management software provider in the U.K.
- On July 8, 2019, we completed the acquisition of SOLE Financial, a payroll card provider in the U.S.
- On October 1, 2019, we completed the acquisition of Travelliance, an airline lodging provider in the U.S. The aggregate purchase price of this acquisition was approximately \$110 million, net of cash acquired.

During 2018, we completed an acquisition with an aggregate purchase price of \$21.2 million, net of cash acquired of \$11.0 million and made deferred payments of \$3.8 million related to acquisitions occurring in prior years. During 2018, we made investments in other businesses of \$17.0 million and payments on a seller note of \$1.6 million.

We report our results from our U.S. acquisitions in 2019 in our North American segment from the dates of acquisition. We report our results from our U.K. acquisition in 2019 in our International segment from the date of acquisition. We report our results from our Canadian acquisition in 2018 in our North America segment from the date of acquisition.

Disposition

As part of the Company's plans to exit the telematics business, we sold our investment in Masternaut to Michelin Group during the second quarter of 2019. We impaired our investment in Masternaut by an additional \$15.6 million during 2019, resulting in no gain or loss when the investment was sold. We recorded cumulative impairment losses associated with our former investment in Masternaut of \$136.3 million.

Results of Operations

Year ended December 31, 2019 compared to the year ended December 31, 2018

The following table sets forth selected consolidated statement of income and selected operational data for the years ended December 31, 2019 and 2018 (in millions, except percentages)*.

	Year ended December 31, 2019	% of total revenue	Year ended December 31, 2018 ¹	% of total revenue	Increase (decrease)	% Change
Revenues, net:						
North America	\$ 1,708.5	64.5%	\$ 1,571.5	64.6 %	\$ 137.1	8.7 %
International	940.3	35.5%	862.0	35.4 %	78.3	9.1 %
Total revenues, net	2,648.8	100.0%	2,433.5	100.0 %	215.4	8.8 %
Consolidated operating expenses:						
Processing	530.7	20.0%	487.7	20.0 %	43.0	8.8 %
Selling	204.8	7.7%	182.6	7.5 %	22.2	12.2 %
General and administrative	407.2	15.4%	389.2	16.0 %	18.0	4.6 %
Depreciation and amortization	274.2	10.4%	274.6	11.3 %	(0.4)	(0.1)%
Other operating expense, net	0.5	—%	8.7	(0.4)%	(8.2)	(94.0)%
Operating income	1,231.4	46.5%	1,090.7	44.8 %	140.7	12.9 %
Investment loss, net	3.5	0.1%	7.1	0.3 %	(3.7)	(51.4)%
Other expense (income), net	0.1	—%	(152.2)	(6.3)%	(152.3)	(100.1)%
Interest expense, net	150.0	5.7%	138.5	5.7 %	11.6	8.3 %
Loss on extinguishment of debt	—	—%	2.1	0.1 %	(2.1)	(100.0)%
Provision for income taxes	182.7	6.9%	283.6	11.7 %	(100.9)	(35.6)%
Net income	\$ 895.1	33.8%	\$ 811.5	33.3 %	\$ 83.6	10.3 %
Operating income for segments:						
North America	\$ 755.9		\$ 673.9		\$ 82.0	12.2 %
International	475.6		416.8		58.7	14.1 %
Operating income	\$ 1,231.4		\$ 1,090.7		\$ 140.7	12.9 %
Operating margin for segments:						
North America		44.2%		42.9%		1.4%
International		50.6%		48.4%		2.2%
Total		46.5%		44.8%		1.7%

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

Revenues

Our consolidated total revenues, net increased from \$2,433.5 million in 2018 to \$2,648.8 million in 2019, an increase of \$215.4 million, or 8.8%. The increase was primarily due to:

- Organic growth of approximately 11% on a constant fuel price, fuel spread margin, foreign currency and pro forma basis, driven by increases in both volume and revenue per transaction in certain of our payment programs.
- The impact of acquisitions completed during 2019 contributed approximately \$40 million in additional revenue.
- Although we cannot precisely measure the impact of the macroeconomic environment, in total we believe it had a negative impact on our consolidated revenue for 2019 over 2018 of approximately \$59 million. Foreign exchange rates had an unfavorable impact on consolidated revenues of approximately \$61 million due to unfavorable fluctuations in foreign exchange rates primarily in Brazil and the U.K. and lower fuel prices of \$4 million, partially offset by favorable fuel spread margins of approximately \$6 million.
- The increases were partially offset by a net decrease to consolidated revenues of approximately \$33 million due to the disposition of the Chevron fuel portfolio during the fourth quarter of 2018.

North America segment revenues. North America revenues, net increased from \$1,571.5 million in 2018 to \$1,708.5 million in 2019, an increase of \$137.1 million, or 8.7%. The increase was primarily due to:

- Organic growth of approximately 9%, on a constant fuel price, fuel spread margin and pro forma basis, driven by increases in both volume and revenue per transaction in certain of our payment programs.
- The impact of our acquisitions during 2019 contributed approximately \$37 million in additional revenue.
- Although we cannot precisely measure the impact of the macroeconomic environment, in total we believe it had a negative impact on our North America segment revenue in 2019 over in 2018 of approximately \$5 million, primarily due to lower fuel prices of approximately \$7 million and the unfavorable impact of foreign exchange rates in Canada of \$4 million, partially offset by the favorable impact of higher fuel spread margins of approximately \$6 million.
- The increases were partially offset by a net decrease to consolidated revenues of approximately \$33 million due to the disposition of the Chevron fuel portfolio during the fourth quarter of 2018.

International segment revenues. International segment revenues, net increased from \$862.0 million in 2018 to \$940.3 million in 2019, an increase of \$78.3 million, or 9.1%. The increase was primarily due to:

- Organic growth of approximately 15% on a constant macroeconomic and pro forma basis, driven by increases in both volume and revenue per transaction in certain of our payment programs.
- The impact of an acquisition in 2019 contributed approximately \$3 million in additional revenue.
- Although we cannot precisely measure the impact of the macroeconomic environment, in total we believe it had a negative impact on our International segment revenue for 2019 over 2018 of approximately \$54 million. Changes in foreign exchange rates had an unfavorable impact on consolidated revenues of approximately \$57 million, partially offset by the favorable impact of changes in fuel prices of approximately \$3 million.

Revenues by geography and product category. Set forth below are further breakdowns of revenue by geography and product category for the years ended December 31, 2019 and 2018 (in millions).

(Unaudited)	Year Ended December 31,			
	2019		2018	
	Revenues, net	% of total revenues, net	Revenues, net	% of total revenues, net
Revenue by Geography*				
United States	\$ 1,595	60%	\$ 1,482	61%
Brazil	428	16%	400	18%
United Kingdom	275	10%	258	11%
Other	350	13%	294	12%
Consolidated revenues, net	\$ 2,649	100%	\$ 2,433	100%

*Columns may not calculate due to rounding.

(Unaudited)	Year Ended December 31,			
	2019		2018	
	Revenues, net	% of total revenues, net	Revenues, net	% of total revenues, net
Revenue, net by Product Category*¹				
Fuel	\$ 1,173	44%	\$ 1,126	46%
Corporate Payments	516	19%	416	17%
Tolls	357	13%	333	14%
Lodging	213	8%	176	7%
Gift	180	7%	187	8%
Other	210	8%	197	8%
Consolidated revenues, net	\$ 2,649	100%	\$ 2,433	100%

*Columns may not calculate due to rounding.

¹ Reflects certain reclassifications in 2018 between product categories as the Company realigned its Brazil business into product lines, resulting in refinement of revenue classified as fuel versus tolls and the eCash/OnRoad product being fuel versus other.

Consolidated operating expenses

Processing. Processing expenses increased from \$487.7 million in 2018 to \$530.7 million in 2019, an increase of \$43.0 million or 8.8%. Increases in processing expenses were primarily due to expenses related to acquisitions completed in 2019 of approximately \$19 million, organic growth in certain lines of business and incremental bad debt of approximately \$10 million, partially offset by the favorable impact of fluctuations in foreign exchange rates of approximately \$10 million.

Selling. Selling expenses increased from \$182.6 million in 2018 to \$204.8 million in 2019, an increase of \$22.2 million or 12.2%. Increases in selling expenses are primarily due to expenses related to acquisitions completed in 2019 of approximately \$8 million and additional spending in certain lines of business. These increases were partially offset by the favorable impact of fluctuations in foreign exchange rates of approximately \$4 million.

General and administrative. General and administrative expense increased from \$389.2 million in 2018 to \$407.2 million in 2019, an increase of \$18.0 million or 4.6%. The increase was primarily due to ongoing expenses related to acquisitions completed in 2019 of approximately \$19 million and additional spending in certain lines of business. These increases were partially offset by the favorable impact of fluctuations in foreign exchange rates of approximately \$8 million and a decrease in stock based compensation expense of approximately \$3 million.

Depreciation and amortization. Depreciation and amortization decreased from \$274.6 million in 2018 to \$274.2 million in 2019, a decrease of \$0.4 million or 0.1%. The decrease was primarily due to the favorable impact of foreign exchange rates of approximately \$8 million, offset by ongoing expenses related to acquisitions completed in 2019 of approximately \$10 million.

Other operating, net. Other operating, net decreased from \$8.7 million in 2018 to \$0.5 million in 2019, a decrease of \$8.2 million, or 94.0% primarily as a result of a write-off of capitalized software costs in 2018.

Investment loss. Investment loss of \$3.5 million in 2019 relates to an impairment charge to our telematics investment, as compared to an investment loss of \$7.1 million in 2018. In 2019, we recorded an impairment of our Masternaut investment of approximately \$16 million, which was then sold in 2019 at an amount approximating carrying value. This loss was partially offset by an approximate \$13 million gain related to a minority investment in a marketable security.

Other expense (income), net. Other expense, net was \$0.1 million in 2019, compared to other income, net of \$152.2 million in 2018. The gain in 2018 was due to the pre-tax gain on the sale of the Chevron customer portfolio of approximately \$152.8 million.

Interest expense, net. Interest expense increased from \$138.5 million in 2018 to \$150.0 million in 2019, an increase of \$11.6 million or 8.3%. The increase in interest expense is primarily due to the impact of additional borrowings to repurchase our common stock and to finance acquisitions completed in 2019, as well as increases in LIBOR. The following table sets forth the average interest rates paid on borrowings under our Credit Facility, excluding the related unused credit facility fees and swaps.

(Unaudited)	2019	2018
Term loan A	3.70%	3.52%
Term loan B	4.23%	3.98%
Domestic Revolver A	3.96%	3.51%
Revolver B GBP Borrowings	2.18%	2.61%
Revolving C	—%	4.00%
Foreign swing line	2.13%	2.11%

The average unused credit facility fee for the revolving credit facilities was 0.29% and 0.31% in 2019 and 2018, respectively. On January 22, 2019, we entered into three interest rate swap contracts. The objective of these interest rate swap contracts is to reduce the variability of cash flows in the previously unhedged interest payments associated with \$2 billion of variable rate debt, tied to the one month LIBOR benchmark interest rate. During 2019, as a result of these swaps, we incurred additional interest expense of approximately \$5.8 million or 0.32% over the average LIBOR rates on \$2 billion of borrowings.

Loss on extinguishment of debt. Loss on extinguishment of debt of \$2.1 million in 2018 relates to the write-off of debt issuance costs associated with the refinancing of our credit facility during the fourth quarter of 2018.

Provision for income taxes. The provision for income taxes decreased from \$283.6 million in 2018 to \$182.7 million in 2019, a decrease of \$100.9 million or 35.6%. Our effective tax rate decreased to 17.0% for 2019 from 25.9% for 2018. Included in the 2019 tax rate was the reversal of a valuation allowance and remeasurement of the related deferred tax asset, due to the capital loss realized upon the sale of our investment in Masternaut that was carried back to 2017 when the U.S. federal tax rate was 35%. Our tax rate was also impacted by the impairment charge to our investment in Masternaut in the first quarter of 2019. Excluding these discreet items, our tax rate for 2019 would have been approximately 23.0%.

We pay taxes in 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 different 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 \$811.5 million in 2018 to \$895.1 million in 2019, an increase of \$83.6 million or 10.3%.

Operating income and operating margin

Consolidated operating income. Operating income increased from \$1,090.7 million in 2018 to \$1,231.4 million in 2019, an increase of \$140.7 million or 12.9%. Consolidated operating margin was 44.8% in 2018 and 46.5% in 2019. The increase in operating income was driven primarily by organic growth. Included in 2019, was the negative impact of the macroeconomic environment of approximately \$29 million, driven primarily by unfavorable movements in foreign exchange rates. Operating income in 2019 was also negatively affected by approximately \$26 million due to the disposition of the Chevron portfolio.

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

North America segment operating income. North America operating income increased from \$673.9 million in 2018 to \$755.9 million in 2019, an increase of \$82.0 million, or 12.2%. North America operating margin was 42.9% in 2018 and 44.2% in 2019. The increase in operating income was due primarily to organic growth. Included in 2019, was the negative impact of the macroeconomic environment of approximately \$4 million. Operating income in 2019 was also negatively affected by approximately \$26 million due to the disposition of the Chevron portfolio.

International segment operating income. International operating income increased from \$416.8 million in 2018 to \$475.6 million in 2019, an increase of \$58.7 million, or 14.1%. International operating margin was 48.4% in 2018 and 50.6% in 2019. The increase in operating income was due primarily to organic growth. The increase was partially offset by the negative impact of the macroeconomic environment of approximately \$25 million, driven primarily by unfavorable movements in foreign exchange rates.

Liquidity and Capital Resources

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

Sources of liquidity. At December 31, 2019, our cash balances totaled \$1,675.2 million, with approximately \$403.7 million restricted. Restricted cash represents customer deposits in the Czech Republic and in our Comdata business in the U.S., as well as collateral received from customers for cross-currency transactions in our Cambridge business, which are restricted from use other than to repay customer deposits, as well as secure and settle cross-currency transactions.

We have immaterial outside basis differences in our investments in foreign subsidiaries and have not recorded incremental income taxes for any additional outside basis differences, as these amounts continue to be indefinitely reinvested in foreign operations.

We utilize an accounts receivable Securitization Facility (defined below) to finance a majority of our domestic receivables, to lower our cost of borrowing and more efficiently use capital. We generate and record accounts receivable when a customer makes a purchase from a merchant using one of our card products and generally pay merchants before collecting the receivable. As a result, we utilize the Securitization Facility as a source of liquidity to provide the cash flow required to fund merchant payments while we collect customer balances. These balances are primarily composed of charge balances, which are typically billed to the customer on a weekly, semimonthly or monthly basis, and are generally required to be paid within 14 days of billing. We also consider the undrawn amounts under our Securitization Facility and Credit Facility (defined below) as funds available for working capital purposes and acquisitions. At December 31, 2019, we had no additional liquidity under our Securitization Facility. At December 31, 2019, we had approximately \$638 million available under our Credit Facility.

Based on our current forecasts and anticipated market conditions, we believe that our current cash balances, our available borrowing capacity and our ability to generate cash from operations, will be sufficient to fund our liquidity needs for at least the next twelve months. However, we regularly evaluate our cash requirements for current operations, commitments, capital requirements and acquisitions, and we may elect to raise additional funds for these purposes in the future, either through the issuance of debt or equity securities. We may not be able to obtain additional financing on terms favorable to us, if at all.

Cash flows

The following table summarizes our cash flows for the years ended December 31, 2019 and 2018.

(in millions)	Year ended December 31,	
	2019	2018
Net cash provided by operating activities	\$ 1,162.1	\$ 903.4
Net cash used in investing activities	(523.7)	(26.3)
Net cash used in financing activities	(310.2)	(577.8)

Operating activities. Net cash provided by operating activities increased from \$903.4 million in 2018 to \$1,162.1 million in 2019. The increase in operating cash flows was primarily due to higher net income and movements in working capital.

Investing activities. Net cash used in investing activities increased from \$26.3 million in 2018 to \$523.7 million in 2019. This increase was primarily due to the increase in cash paid for acquisitions completed in 2019, partially offset by the proceeds received from the sale of Chevron in 2018.

Financing activities. Net cash used in financing activities decreased from \$577.8 million in 2018 to \$310.2 million in 2019. The decreased use of cash is primarily due to incremental borrowings on Term A Loan in the amount of \$700 million, as well as fewer repurchases of our common stock of \$264 million in 2019 over 2018. These reductions in cash usage were partially offset by net payments made on our revolving debt of \$875 million.

Capital spending summary

Our capital expenditures decreased from \$81.4 million in 2018 to \$75.2 million in 2019, a decrease of \$6 million or 7.6%.

Credit Facility

FLEETCOR Technologies Operating Company, LLC, and certain of our domestic and foreign owned subsidiaries, as designated co-borrowers (the "Borrowers"), are parties to a \$4.86 billion Credit Agreement (the "Credit Agreement"), with Bank of America, N.A., as administrative agent, swing line lender and local currency issuer, and a syndicate of financial institutions (the "Lenders"), which has been amended multiple times. The Credit Agreement provides for senior secured credit facilities (collectively, the "Credit Facility") consisting of a revolving credit facility in the amount of \$1.285 billion, a term loan A facility in the amount of \$3.225 billion and a term loan B facility in the amount of \$350.0 million as of December 31, 2019. The revolving credit facility consists of (a) a revolving A credit facility in the amount of \$800 million, with sublimits for letters of credit and swing line loans, (b) a revolving B facility in the amount of \$450 million for borrowings in U.S. Dollars, Euros, British Pounds, Japanese Yen or other currency as agreed in advance, and a sublimit for swing line loans, and (c) a revolving C facility in the amount of \$35 million with borrowings in U.S. Dollars, Australian Dollars or New Zealand Dollars. The Credit Agreement also includes an accordion feature for borrowing an additional \$750 million in term loan A, term loan B, revolver A or revolver B debt and an unlimited amount when the leverage ratio on a proforma basis is less than 3.00 to 1.00. Proceeds from the Credit Facility may be used for working capital purposes, acquisitions, and other general corporate purposes.

On August 30, 2018, the Credit Agreement was amended to change the consolidated leverage ratio definition and the negative covenant related to indebtedness. On December 19, 2018, we entered into the fifth amendment to the Credit Agreement, which modified the term A loan and revolver pricing grid and extended the maturity date of the term loan A and revolving credit facilities to December 19, 2023. The maturity date for the term loan B is August 2, 2024. On August 2, 2019, we entered into the sixth amendment to the Credit Agreement, which included an incremental term loan A in the amount of \$700 million and changes to the consolidated leverage ratio definition and negative covenant related to indebtedness. On November 14, 2019, we entered into the seventh amendment to the Credit Agreement, to lower the margin for term loan B from 2.00% to 1.75%.

Interest on amounts outstanding under the Credit Agreement (other than the term loan B) accrues based on the British Bankers Association LIBOR Rate (the Eurocurrency Rate), plus a margin based on a leverage ratio, or our option, the Base Rate (defined as the rate equal to the highest of (a) the Federal Funds Rate plus 0.50%, (b) the prime rate announced by Bank of America, N.A., or (c) the Eurocurrency Rate plus 1.00%) plus a margin based on a leverage ratio. Interest on the term loan facility accrues based on the Eurocurrency Rate plus 1.75% for Eurocurrency Loans and at the Base Rate plus 0.75% for Base Rate Loans. In addition, the Company pays a quarterly commitment fee at a rate per annum ranging from 0.25% to 0.35% of the daily unused portion of the credit facility.

At December 31, 2019, the interest rate on the term loan A was 3.05% and the interest rate on the borrowings under revolving A facility was 3.03%, the interest rate on the revolving B facility GBP Borrowings was 1.96%, the interest rate on the term loan B was 3.55% and the interest rate on the foreign swing line was 1.93%. The unused credit facility fee was 0.25% for all revolving facilities at December 31, 2019.

The term loans are payable in quarterly installments due on the last business day of each March, June, September, and December with the final principal payment due on the respective maturity date. Borrowings on the revolving line of credit are repayable at the 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 twenty business days after such loan is made.

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 the ability to pay dividends and make other restricted payments under certain circumstances and compliance with certain financial ratios. As of December 31, 2019, we were in compliance with each of the covenants under the Credit Agreement.

Our Credit Agreement contains a number of negative covenants restricting, among other things, limitations on liens (with exceptions for our Securitization Facility) and investments, incurrence or guarantees of indebtedness, mergers, acquisitions, dissolutions, liquidations and consolidations, dispositions, dividends and other restricted payments and prepayments of other indebtedness. In particular, we are not permitted to make any restricted payments (which includes any dividend or other distribution) except that we may declare and make dividend payments or other distributions to our stockholders so long as (i) on a pro forma basis both before and after the distribution the consolidated leverage ratio is not greater than 3.25:1.00 and we are in compliance with the financial covenants and (ii) no default or event of default shall exist or result therefrom. The Credit Agreement also contains customary events of default. The Credit Agreement includes financial covenants where the Company is required to maintain a consolidated leverage ratio to consolidated EBITDA of less than (i) 4.00 to 1.00 as of the end of any fiscal quarter provided that in connection with any Material Acquisition the leverage ratio may be increased to 4.25 to 1.00 for the quarter in which the Material Acquisition is consummated and the next three fiscal quarters; and a consolidated interest coverage ratio of no higher than 4.00 to 1.0.

The obligations of the Borrowers under the Credit Agreement are secured by substantially all of the assets of FLEETCOR and its domestic subsidiaries, pursuant to a security agreement and includes a pledge of (i) 100% of the issued and outstanding equity interests owned by us of each Domestic Subsidiary and (2) 66% of the voting shares of the first-tier foreign subsidiaries, but excluding real property, personal property located outside of the U.S., accounts receivables and related assets subject to the Securitization Facility and certain investments required under money transmitter laws to be held free and clear of liens.

At December 31, 2019, we had \$3.1 billion in borrowings outstanding on term loan A, excluding the related debt discount, \$342.1 million in borrowings outstanding on term loan B, excluding the related debt discount, \$325 million in borrowings outstanding on the revolving A facility, \$225.5 million in borrowings outstanding on the revolving B facility and \$52.0 million in borrowings outstanding on the foreign swing line. We have unamortized debt issuance costs of \$6.7 million related to the revolving credit facility as of December 31, 2019. We have unamortized debt discounts of \$7.4 million related to the term loan A facility and \$0.5 million related to the term B facility and deferred financing costs of \$1.8 million related to the term A facility and deferred financing costs of \$1.2 million related to the term B facility at December 31, 2019. The effective interest rate incurred on term loans was 4.00% during 2019 related to the discount on debt.

During 2019, we made principal payments of \$138.5 million on the term loans and \$2,292.3 million on the revolving facilities, and \$101.5 million on the swing line revolving facility.

Cash Flow Hedges

On January 22, 2019, we entered into three interest rate swap cash flow contracts with U.S. dollar notional amounts of \$1 billion with a fixed rate of 2.56%, \$500 million with a fixed rate of 2.56%, and \$500 million with a fixed rate of 2.55%. The purpose of these contracts is to eliminate the variability of cash flows in interest payments associated with \$2 billion of our variable rate debt outstanding under our Credit Agreement, the sole source of which is due to changes in the 1-month LIBOR benchmark interest rate. These derivative instruments qualify as hedging instruments and are designated as cash flow hedges of interest rate risk. The effective date of the hedges is January 31, 2019 and the maturity dates are January 31, 2022, January 31, 2023 and December 19, 2023, respectively.

Securitization Facility

We are a party to a \$1.2 billion receivables purchase agreement among FleetCor Funding LLC, as seller, PNC Bank, National Association as administrator, and various purchaser agents, conduit purchasers and related committed purchasers parties thereto, which was amended and restated for the fifth time as of November 14, 2014. We refer to this arrangement as the Securitization Facility. There have been several amendments to the Securitization Facility, with the latest on April 22, 2019. The Securitization Facility expires on November 14, 2020 and contains customary financial covenants.

There is a program fee equal to one month LIBOR plus 0.90% or the Commercial Paper Rate plus 0.80% as of December 31, 2019 and 2018. The program fee was 1.80% plus 0.88% as of December 31, 2019 and 2.52% plus 0.89% as of December 31, 2018. The unused facility fee is payable at a rate of 0.40% as of December 31, 2019 and 2018. The Company has unamortized debt issuance costs of \$0.7 million related to the Securitization Facility as of December 31, 2019 recorded within other assets in the consolidated balance sheet.

Under a related purchase and sale agreement, dated as of December 20, 2004, and last amended on November 14, 2014 to include Comdata as an originator, 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, which includes nonpayment, upon the occurrence of which the administrator may declare the facility termination date to have occurred, may exercise certain enforcement rights with respect to the receivables, and may appoint a successor servicer, among other things.

We were in compliance with all financial and non-financial covenant requirements related to our Securitization Facility as of December 31, 2019.

Other Liabilities

In connection with our acquisition of certain businesses, we owe final payments of \$14.2 million, of which \$13.7 million is payable in the next twelve months and \$0.5 million in periods beyond a year.

Stock Repurchase Program

Our Board of Directors has approved a stock repurchase program (as updated from time to time, the "Program"), authorizing the Company to repurchase its common stock from time to time until February 1, 2023. On October 22, 2019, our Board increased the aggregate size of the Program by \$1 billion, to \$3.1 billion. Since the beginning of the Program, 11,119,657 shares have been repurchased for an aggregate purchase price of \$2.2 billion, leaving us up to \$857 million available under the Program for future repurchases of our common stock, taking into account the full \$500 million committed with the 2019 ASR Agreement (defined below), which completed on February 20, 2020. There were 2,094,115 common shares totaling \$603.8 million in 2019; 4,911,438 common shares totaling \$958.7 million in 2018, and 2,854,959 common shares totaling \$402.4 million in 2017; repurchased under the Program.

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

On December 14, 2018, as part of the Program, we entered an accelerated share repurchase ("ASR") agreement ("2018 ASR Agreement") with a third-party financial institution to repurchase \$220 million of our common stock. Pursuant to the 2018 ASR Agreement, we delivered \$220 million in cash and received 1,057,035 shares based on a stock price of \$176.91 on December 14, 2018. The 2018 ASR Agreement was completed on January 29, 2019, at which time we received 117,751 additional shares based on a final weighted average per share purchase price during the repurchase period of \$187.27.

On December 18, 2019, we entered into another ASR Agreement ("2019 ASR Agreement") with a third-party financial institution to repurchase \$500 million of our common stock. Pursuant to the 2019 ASR Agreement, the Company delivered \$500 million in cash and received 1,431,989 shares based on a stock price of \$285.70 on December 18, 2019. The 2019 ASR Agreement was completed February 20, 2020, at which time we received 175,340 additional shares based on a final weighted average per share purchase price during the repurchase period of \$306.81.

We accounted for the 2018 ASR Agreement and the 2019 ASR Agreement as two separate transactions: (i) as shares of reacquired common stock for the shares delivered to the Company upon effectiveness of each ASR agreement and (ii) as a forward contract indexed to the Company's common stock for the undelivered shares. The initial delivery of shares was included in treasury stock at cost and results in an immediate reduction of the outstanding shares used to calculate the weighted average common shares outstanding for basic and diluted earnings per share. The forward contracts indexed to our own common stock met the criteria for equity classification, and these amounts were initially recorded in additional paid-in capital.

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. Our significant accounting policies are summarized in the consolidated financial statements contained elsewhere in this report. The critical accounting estimates that we discuss below are those that we believe are most important to an understanding of our consolidated financial statements.

See Footnote 2 to the Consolidated Financial Statements, Summary of Significant Accounting Policies.

Revenue recognition and presentation. We provide payment solutions to our business, merchant, consumer and payment network customers. Our payment solutions are primarily focused on specific commercial spend categories, including fuel, lodging, tolls, and general corporate payments, as well as gift card solutions (stored value cards and e-cards). We provide products that help businesses of all sizes control, simplify and secure payment of various domestic and cross-border payables using specialized payment products. We also provide other payment solutions for fleet maintenance, employee benefits and long haul transportation-related services.

Payment Services

Our primary performance obligation for the majority of our payment solution products (fuel, lodging, corporate payments, among others) is to stand-ready to provide authorization and processing services ("payment services") for an unknown or unspecified quantity of transactions and the consideration received is contingent upon the customer's use (e.g., number of transactions submitted and processed) of the related payment services. Accordingly, the total transaction price is variable. Payment services involve a series of distinct daily services that are substantially the same, with the same pattern of transfer to the customer. As a result, the Company allocates and recognizes variable consideration in the period it has the contractual right to invoice the customer. For the tolls payment solution, the Company's primary performance obligation is to stand-ready each month to provide access to the toll network and process toll transactions. Each period of access is determined to be distinct and substantially the same as the customer benefits over the period of access.

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

The majority of the transaction price we receive for fulfilling the Payment Services performance obligation are comprised of one or a combination of the following: 1) interchange fees earned from the payment networks; 2) discount fees earned from merchants; 3) fees calculated based on a number of transactions processed; 4) fees calculated based upon a percentage of the transaction value for the underlying goods or services (i.e. fuel, food, toll and transportation cards and vouchers); and 5) monthly access fees.

We recognize revenue when the underlying transactions are complete and our performance obligations are satisfied. Transactions are considered complete depending upon the related payment solution but generally when we have authorized the transaction, validated that the transaction has no errors and accepted and posted the data to our records.

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

Gift Card Products and Services

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

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

Other

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

We also write foreign currency forward and option contracts for our customers to facilitate future payments in foreign currencies, and recognize revenue in accordance with authoritative fair value and derivative accounting (ASC 815, "Derivatives").

Revenue is also derived from the sale of equipment in certain of our businesses, which is recognized at the time the device is sold and control has passed to the customer. This revenue is recognized gross of the cost of sales related to the equipment in "revenues, net" within the Consolidated Statements of Income. The related cost of sales for the equipment is recorded within "processing expenses" in the Consolidated Statements of Income.

Revenues from contracts with customers, within the scope of Topic 606, represents approximately 75% of total consolidated revenues, net, the year ended December 31, 2019.

Contract Liabilities

Deferred revenue contract liabilities for customers subject to ASC 606 were \$71.8 million and \$30.6 million as of December 31, 2019 and 2018, respectively. We expect to recognize substantially all of these amounts in revenues within approximately 12 months. Revenue recognized for the year ended December 31, 2019, that was included in the deferred revenue contract liability as of January 1, 2019, was approximately \$27.5 million.

Costs to Obtain or Fulfill a Contract

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

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

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

In order to determine the appropriate amortization period for contract costs, we considered a combination of factors, including customer attrition rates, estimated terms of customer relationships, the useful lives of technology used by us to provide products and services to our customers, whether further contract renewals are expected and if there is any incremental commission to be paid on a contract renewal. Contract acquisition and fulfillment costs are amortized using the straight-line method over the expected period of benefit (ranging from five to ten years). Costs to obtain a contract with an expected period of benefit of one year or less are recognized as an expense when incurred. The amortization of contract acquisition costs associated with sales commissions that qualify for capitalization will be recorded as selling expense in our Consolidated Statements of Income. The amortization of contract acquisition costs associated with cash payments for client incentives is included as a reduction of revenues in the Company's Consolidated Statements of Income. Amortization of capitalized contract costs recorded in selling expense was \$14.3 million and \$12.0 million for the years ended December 31, 2019 and 2018, respectively.

Costs to obtain or fulfill a contract are classified as contract cost assets within "prepaid expenses and other current assets" and "other assets" in our Consolidated Balance Sheets. We have capitalized costs to obtain a contract of \$14.8 million and \$12.7 million within "prepaid expenses" and \$39.7 million and \$34.5 million within "other assets" in our Consolidated Balance Sheets, for the year ended December 31, 2019 and 2018, respectively.

We have recorded \$76.4 million, \$83.9 million and \$96.9 million of expenses related to sales of equipment within the processing expenses line of the Consolidated Statements of Income for the years ended December 31, 2019, 2018 and 2017, respectively.

Practical Expedients

ASC 606 requires disclosure of the aggregate amount of the transaction price allocated to unsatisfied performance obligations; however, as allowed by ASC 606, we elected to exclude this disclosure for any contracts with an original duration of one year or less and any variable consideration that meets specified criteria. As described above, our most significant performance obligations consist of variable consideration under a stand-ready series of distinct days of service. Such variable consideration meets the specified criteria for the disclosure exclusion; therefore, the majority of the aggregate amount of transaction price that is allocated to performance obligations that have not yet been satisfied is variable consideration that is not required for this disclosure. The aggregate fixed consideration portion of customer contracts with an initial contract duration greater than one year is not material.

We elected to exclude all sales taxes and other similar taxes from the transaction price. Accordingly, we present all collections from customers for these taxes on a net basis, rather than having to assess whether we are acting as an agent or a principal in each taxing jurisdiction.

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

As a practical expedient, we are not required to adjust the promised amount of consideration for the effects of a significant financing component if we expect, at contract inception, that the period between when we transfer a promised service or product to a customer and when the customer pays for the service or product will be one year or less. As of December 31, 2019, our contracts with customers did not contain a significant financing component.

Accounts receivable. As described above under the heading "Securitization facility," we maintain a revolving trade accounts receivable Securitization Facility. The current purchase limit under the Securitization Facility is \$1.2 billion. Accounts receivable collateralized within our Securitization Facility relate to trade receivables resulting from charge card activity in the U.S. Pursuant to the terms of the Securitization Facility, we transfer certain of our domestic receivables, on a revolving basis, to

FLEETCOR Funding LLC (Funding), a wholly-owned bankruptcy remote subsidiary. In turn, Funding transfers, without recourse, on a revolving basis, an undivided ownership interest 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.

We utilize proceeds from the transfer of our accounts receivable as an alternative to other forms of financing, to reduce our overall borrowing costs. We have agreed to continue servicing the sold receivables for the financial institution at market rates, which approximates our cost of servicing. We retain 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.

Our Consolidated Balance Sheets and Statements of Income reflect the activity related to securitized accounts receivable and the corresponding securitized debt, including interest income, fees generated from late payments, provision for losses on accounts receivable and interest expense. The cash flows from borrowings and repayments, associated with the securitized debt, are presented as cash flows from financing activities. The maturity date for the Securitization Facility is November 14, 2020.

Foreign receivables are not included in our receivable securitization program. At December 31, 2019 and 2018, there was \$971 million and \$886 million, respectively, of short-term debt outstanding under our accounts receivable Securitization Facility.

Credit risk and reserve for losses on receivables. We control credit risk by performing periodic credit evaluations of our customers. Payments from customers are generally due within 14 days or less of billing. We routinely review our accounts receivable balances and make provisions for probable doubtful accounts based primarily on the aging of those balances. Accounts receivable are deemed uncollectible from the customer once they age past 90 days. We also provide an allowance for receivables aged less than 90 days that we expect will be uncollectible based on historical collections experience including accounts that have filed for bankruptcy. At December 31, 2019, approximately 98% of outstanding accounts receivable were current. Accounts receivable deemed uncollectible are removed from accounts receivable and the allowance for doubtful accounts when internal collection efforts have been exhausted and accounts have been turned over to a third-party collection agency. Recoveries from the third-party collection agency are not significant.

Impairment of long-lived assets, intangibles and investments. We regularly evaluate whether events and circumstances have occurred that indicate the carrying amount of property and equipment and finite-life intangible assets may not be recoverable. When factors indicate that these long-lived assets should be evaluated for possible impairment, we assess the potential impairment by determining whether the carrying amount of such long-lived assets will be recovered through the future undiscounted cash flows expected from use of the asset and its eventual disposition. If the carrying amount of the asset is determined not to be recoverable, a write-down to fair value is recorded. Fair values are determined based on quoted market prices or discounted cash flow analysis as applicable. We regularly evaluate whether events and circumstances have occurred that indicate the useful lives of property and equipment and finite-life intangible assets may warrant revision.

We complete an impairment test of goodwill at least annually or more frequently if facts or circumstances indicate that goodwill might be impaired. Goodwill is tested for impairment at the reporting unit level. We first perform a qualitative assessment of certain of our reporting units. Factors considered in the qualitative assessment include general macroeconomic conditions, industry and market conditions, cost factors, overall financial performance of our reporting units, events or changes affecting the composition or carrying amount of the net assets of our reporting units, sustained decrease in our share price, and other relevant entity-specific events. If we elect to bypass the qualitative assessment or if we determine, on the basis of qualitative factors, that the fair value of the reporting unit is more likely than not less than the carrying amount, a quantitative test would be required. We then perform the goodwill impairment test for each reporting unit by comparing the reporting unit's carrying amount, including goodwill, to its fair value which is measured based upon, among other factors, a discounted cash flow analysis, as well as market multiples for comparable companies. Estimates critical to our evaluation of goodwill for impairment include the discount rate, projected revenue and earnings before interest taxes depreciation and amortization (EBITDA) growth, and projected long-term growth rates in the determination of terminal values. If the carrying amount of the reporting unit is greater than its fair value, goodwill is considered impaired.

Based on the goodwill asset impairment analysis performed quantitatively as of October 1, 2019, we determined that the fair value of each of our reporting units was in excess of the carrying value. No events or changes in circumstances have occurred since the date of this most recent annual impairment test that would more likely than not reduce the fair value of a reporting unit below its carrying amount.

We also evaluate indefinite-lived intangible assets (primarily trademarks and trade names) for impairment annually. We also test for impairment if events and circumstances indicate that it is more likely than not that the fair value of an indefinite-lived

intangible asset is below its carrying amount. Estimates critical to our evaluation of indefinite-lived intangible assets for impairment include the discount rate, royalty rates used in our evaluation of trade names, projected average revenue growth and projected long-term growth rates in the determination of terminal values. An impairment charge is recorded if the carrying amount of an indefinite-lived intangible asset exceeds the estimated fair value on the measurement date.

We regularly evaluate the carrying value of our investments, which are not carried at fair value, for impairment. We have elected to measure certain investments in equity instruments that do not have readily determinable fair values at cost minus impairment, if any, plus or minus changes resulting from observable price changes for similar investments of the issuer. Investments classified as trading securities are carried at fair value with any unrealized gain or loss being recorded in the Consolidated Statements of Income.

Income taxes. We account for income taxes under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the period that includes the enactment date. We have elected to treat the Global Intangible Low Taxed Income (GILTI) inclusion as a current period expense.

The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which the associated temporary differences become deductible. We evaluate on a quarterly basis whether it is more likely than not that our deferred tax assets will be realized in the future and conclude whether a valuation allowance must be established.

We account for uncertainty in income taxes recognized in an entity's financial statements and prescribe thresholds and measurement attributes for financial statement disclosure of tax positions taken or expected to be taken on a tax return. The impact of an uncertain income tax position on the income tax return must be recognized at the largest amount that is more likely than not to be sustained upon audit by the relevant taxing authority. An uncertain income tax position will not be recognized if it has less than a 50 percent likelihood of being sustained. We include any estimated interest and penalties on tax related matters in income tax expense. See Note 13 in the accompanying financial statements for further information regarding income taxes.

Business combinations. Business combinations completed by us have been accounted for under the acquisition method of accounting. The acquisition method requires that the acquired assets and liabilities, including contingencies, be recorded at fair value determined as of the acquisition date. For significant acquisitions, we obtain independent third-party valuation studies for certain of the assets acquired and liabilities assumed to assist us in determining fair value. Goodwill represents the excess of the purchase price over the fair values of the tangible and intangible assets acquired and liabilities assumed. The results of the acquired businesses are included in our results of operations beginning from the completion date of the transaction.

Estimates of fair value are revised during an allocation period as necessary when, and if, information becomes available to further define and quantify the fair value of the assets acquired and liabilities assumed. Provisional estimates of the fair values of the assets acquired and liabilities assumed involves a number of estimates and assumptions that could differ materially from the final amounts recorded. The allocation period does not exceed one year from the date of the acquisition. To the extent additional information to refine the original allocation becomes available during the allocation period, the allocation of the purchase price is adjusted. Should information become available after the allocation period, those items are adjusted through operating results. The direct costs of the acquisition are recorded as operating expenses. Certain acquisitions include contingent consideration related to the performance of the acquired operations following the acquisition. Contingent consideration is recorded at estimated fair value at the date of the acquisition, and is remeasured each reporting period, with any changes in fair value recorded in the Consolidated Statements of Income. We estimate the fair value of the acquisition-related contingent consideration using various valuation approaches, as well as significant unobservable inputs, reflecting our assessment of the assumptions market participants would use to value these liabilities.

Stock-based compensation. We account for employee stock options and restricted stock in accordance with relevant authoritative literature. Stock options are granted with an exercise price equal to the fair market value on the date of grant as authorized by our board of directors. Options granted have vesting provisions ranging from one to five years and vesting of the options is generally based on the passage of time or performance. Stock option grants are subject to forfeiture if employment terminates prior to vesting. We have selected the Black-Scholes option pricing model for estimating the grant date fair value of stock option awards. We have considered the retirement and forfeiture provisions of the options and utilized our historical experience to estimate the expected life of the options. Option forfeitures are accounted for upon occurrence. We base the risk-free interest rate 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. Stock-based compensation cost is measured at the grant date based on the value of the award and is

recognized as expense over the requisite service period based on the number of years which the requisite service is expected to be rendered.

Awards of restricted stock and restricted stock units are independent of stock option grants and are subject to forfeiture if employment terminates prior to vesting. The vesting of shares granted is generally based on the passage of time, performance or market conditions, or a combination of these. Shares vesting based on the passage of time have vesting provisions of one to four years. The fair value of restricted stock where the shares vest based on the passage of time or performance is based on the grant date fair value of our stock. The fair value of restricted stock units granted with market based vesting conditions is estimated using the Monte Carlo simulation valuation model. The risk-free interest rate and volatility assumptions used within the Monte Carlo simulation valuation model are calculated consistently with those applied in the Black-Scholes options pricing model utilized in determining the fair value of the stock option awards.

For performance-based restricted stock awards and performance based stock option awards, we must also make assumptions regarding the likelihood of achieving performance goals. If actual results differ significantly from these estimates, stock-based compensation expense and our results of operations could be materially affected.

Derivatives. We use derivatives to minimize our exposures related to changes in interest rates and facilitate cross-currency corporate payments by writing derivatives to customers.

We are exposed to the risk of changing interest rates because our borrowings are subject to variable interest rates. In order to mitigate this risk, we utilize derivative instruments. Interest rate swap contracts designated as cash flow hedges involve the receipt of variable amounts from a counterparty in exchange for the Company making fixed-rate payments over the life of the agreements without exchange of the underlying notional amount. We hedge a portion of our variable rate debt utilizing derivatives designated as cash flow hedges.

Changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recorded in other assets or other noncurrent liabilities and offset against accumulated other comprehensive income/loss, net of tax. Derivative fair value changes that are recorded in accumulated other comprehensive income/loss are reclassified to earnings in the same period or periods that the hedged item affects earnings, to the extent the derivative is effective in offsetting the change in cash flows attributable to the hedged risk. The portions of the change in fair value that are either considered ineffective or are excluded from the measure of effectiveness are recognized immediately within earnings.

In our cross-border payments business, the majority of revenue is from exchanges of currency at spot rates, which enables customers to make cross-currency payments. In addition, we write foreign currency forward and option contracts for our customers to facilitate future payments. The duration of these derivative contracts at inception is generally less than one year. We aggregate our foreign exchange exposures arising from customer contracts, including forwards, options and spot exchanges of currency, as necessary, and economically hedge the net currency risks by entering into offsetting derivatives with established financial institution counterparties. The changes in fair value related to these derivatives are recorded in revenues, net in the Consolidated Statements of Income.

We recognize all cross border payments derivatives in "prepaid expenses and other current assets" and "other current liabilities" in the accompanying Consolidated Balance Sheets at their fair value. All cash flows associated with derivatives are included in cash flows from operating activities in the Consolidated Statements of Cash Flows.

Adoption of New Accounting Standards

From time to time, new accounting pronouncements are issued by the FASB or other standard setting bodies that are adopted by the Company as of the specified effective date. Unless otherwise discussed, the Company's management believes that the impact of recently issued standards that are not yet effective will not have a material impact on the Company's consolidated financial statements upon adoption.

Accounting for Leases. In February 2016, the FASB issued ASU 2016-02, "Leases" (Topic 842), which requires lessees to recognize a right-of-use asset and a lease liability on the balance sheet for all leases with the exception of short-term leases. This ASU also requires disclosures to provide additional information about the amounts recorded in the financial statements. Effective January 1, 2019, we adopted Topic 842 using a modified retrospective approach, as discussed further in Footnote 14.

Accounting for Derivative Financial Instruments. In August 2017, the FASB issued ASU 2017-12, "Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities", which amends the hedge accounting recognition and presentation requirements in ASC 815. The FASB issued accounting guidance to better align hedge accounting with a company's risk management activities, simplify the application of hedge accounting and improve the disclosures of hedging arrangements. The guidance is effective for reporting periods beginning after December 15, 2018, and interim periods within

those years. We adopted this guidance on January 1, 2019, which did not have a material impact on our results of operations, financial condition, or cash flows. The guidance did simplify the accounting for interest rate swap hedges, allowing more time for the initial hedge effectiveness documentation and a qualitative hedge effectiveness assessment at each quarter end.

In October 2018, the FASB issued ASU 2018-16, "Derivatives and Hedging (Topic 815): Inclusion of the Secured Overnight Financing Rate, Overnight Index Swap Rate as a Benchmark Interest Rate for Hedge Accounting Purposes", which amends the hedge accounting to add overnight index swap rates based on the secured overnight financing rate as a fifth U.S. benchmark interest rate. We adopted this guidance on January 1, 2019, which did not have a material impact on our results of operations, financial condition, or cash flows.

Comprehensive Income Classification. In February 2018, the FASB issued ASU 2018-02, "Income Statement - Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income", that gives entities the option to reclassify to retained earnings tax effects related to items that have been stranded in accumulated other comprehensive income as a result of the Tax Cuts and Jobs Act (the "Tax Act"). An entity that elects to reclassify these amounts must reclassify stranded tax effects related to the Tax Act's change in U.S. federal tax rate for all items accounted for in other comprehensive income. These entities can also elect to reclassify other stranded effects that relate to the Tax Act but do not directly relate to the change in the federal rate. We adopted this guidance on January 1, 2019 and elected to not reclassify any items to retained earnings.

Non-Employee Share-Based Payments. In June 2018, the FASB issued ASU 2018-07, "Compensation—Stock Compensation (Topic 718): Improvements to Non-employee Share-Based Payment Accounting", that supersedes ASC 505-50 and expands the scope of ASC 718 to include all share-based payment arrangements related to the acquisition of goods and services from both non-employees and employees. Under the new guidance, the existing employee guidance will apply to non-employee share-based transactions (as long as the transaction is not effectively a form of financing), with the exception of specific guidance related to the attribution of compensation cost. The cost of non-employee awards will continue to be recorded as if the grantor had paid cash for the goods or services. In addition, the contractual term will be able to be used in lieu of an expected term in the option-pricing model for non-employee awards. We adopted this guidance on January 1, 2019, which had no impact on our results of operations, financial condition, or cash flows.

Pending Adoption of Recently Issued Accounting Standards

Credit Losses on Financial Instruments. In June 2016, the FASB issued ASU 2016-13, "Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments", which changes how companies measure and recognize credit impairment for many financial assets. The new expected credit loss model will require companies to immediately recognize an estimate of credit losses expected to occur over the remaining life of the financial assets (including trade receivables) that are in the scope of the update. The update also made amendments to the current impairment model for held-to-maturity and available-for-sale debt securities and certain guarantees. The ASU is effective for the Company on January 1, 2020.

In April 2019, the FASB issued ASU 2019-04, "Codification Improvements to Topic 326, Financial Instruments—Credit Losses, Topic 815, Derivatives and Hedging, and Topic 825, Financial Instruments", which clarifies certain aspects of accounting for credit losses, hedging activities, and financial instruments. For clarifications around credit losses, the effective date will be the same as the effective date in ASU 2016-13. For entities that have adopted ASU 2017-12, "Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities", ASU 2019-04 is effective the first annual reporting period beginning after the date of issuance of ASU 2019-04 and may be early adopted. The amendments in ASU 2019-04 related to ASU 2016-01 are effective for fiscal years beginning after December 15, 2019, including interim periods therein. Upon adoption of the new standard on January 1, 2020, we will recognize an allowance for credit losses based on the estimated lifetime expected credit loss related to our financial assets. We are analyzing our credit policies and updating our accounting policies and internal controls that will be impacted by the new guidance. We do not anticipate that the adoption of this new standard will have a material impact on the results of operations, financial condition, or cash flows due to the relatively fast turnover of our trade receivables accounts and limited other asset balances to which this standard applies.

Cloud Computing Arrangements. On August 29, 2018, the FASB issued ASU 2018-15, "Intangibles—Goodwill and Other— Internal-Use Software (Subtopic 350-40): Customer’s Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract", that provides guidance on implementation costs incurred in a cloud computing arrangement (CCA) that is a service contract. The ASU, which was released in response to a consensus reached by the EITF at its June 2018 meeting, aligns the accounting for such costs with the guidance on capitalizing costs associated with developing or obtaining internal-use software. Specifically, the ASU amends ASC 350 to include in its scope implementation costs of a CCA that is a service contract and clarifies that a customer should apply ASC 350-40 to determine which implementation costs should be capitalized in such a CCA. The guidance is effective for the Company for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. The guidance should be applied either retrospectively or prospectively to all implementation costs incurred after the date of adoption. We are updating the accounting policies and internal controls that will be impacted by the new guidance. Our adoption of this ASU on January 1, 2020, is not expected to have a material impact on the results of operations, financial condition, or cash flows.

Fair Value Measurement. On August 28, 2018, the FASB issued ASU 2018-13, "Fair Value Measurement (Topic 820): Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement", which removes, modifies, and adds certain disclosure requirements related to fair value measurements in ASC 820. The guidance is effective for us for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. The guidance on changes in unrealized gains and losses, the range and weighted average of significant unobservable inputs used to develop Level 3 fair value measurements, and the narrative description of measurement uncertainty should be applied prospectively for only the most recent interim or annual period presented in the initial fiscal year of adoption. All other guidance should be applied retrospectively to all periods presented upon their effective date. Our adoption of this ASU on January 1, 2020, is not expected to have a material impact on the results of operations, financial condition, or cash flows.

Income Taxes. On December 18, 2019, the FASB issued ASU 2019-12, Income Taxes (Topic 740), Simplifying the Accounting for Income Taxes (“ASU 2019-12”), which removes certain exceptions to the general principles of ASC 740 and simplifies other areas in order to simplify its application. For public business entities, the amendments are effective for fiscal years beginning after December 15, 2020, including interim periods within those fiscal years, with early adoption permitted. We do not expect this ASU to have a material impact on the results of operations, financial condition, or cash flows.

Contractual Obligations

The table below summarizes the estimated dollar amounts of payments under contractual obligations identified below as of December 31, 2019 for the periods specified:

(in millions)	Total	Payments due by period(a)			
		Less than 1 year	1-3 years	3-5 years	More than 5 years
Credit Facility	\$ 4,023.8	\$ 764.4	\$ 324.2	\$ 2,935.2	\$ —
Securitization Facility	971.0	971.0	—	—	—
Estimated interest payments - Credit Facility (b)	448.0	118.6	221.1	108.3	—
Estimated interest payments- Securitization Facility(b)	22.8	22.8	—	—	—
Operating leases	117.3	19.8	32.3	26.2	39.0
Deferred purchase price	2.7	2.2	0.5	—	—
Estimated interest payments - Swaps (c)	42.3	15.1	23.3	3.9	—
Other(d)	41.5	11.5	30.0	—	—
Total	\$ 5,669.4	\$ 1,925.4	\$ 631.4	\$ 3,073.6	\$ 39.0

- (a) Deferred income tax liabilities as of December 31, 2019 were approximately \$517.3 million. Refer to Note 13 to our accompanying consolidated financial statements. This amount is not included in the total contractual obligations table because we believe this presentation would not be meaningful. Deferred income tax liabilities are calculated based on temporary differences between the tax bases of assets and liabilities and their respective book bases, which will result in taxable amounts in future years when the liabilities are settled at their reported financial statement amounts. The results of these calculations do not have a direct connection with the amount of cash taxes to be paid in any future periods. As a result, scheduling deferred income tax liabilities as payments due by period could be misleading, as this scheduling

would not relate to liquidity needs. At December 31, 2019, we had approximately \$42.8 million of unrecognized income tax benefits related to uncertain tax positions. We cannot reasonably estimate when all of these unrecognized income tax benefits may be settled. We do not expect reductions to unrecognized income tax benefits within the next 12 months as a result of projected resolutions of income tax uncertainties.

- (b) We draw upon and pay down on the revolver within our Credit Agreement and our Securitization Facility borrowings outside of a normal schedule, as excess cash is available. For our variable rate debt, we have assumed the December 31, 2019 interest rates to calculate the estimated interest payments, for all years presented. This analysis also assumes that outstanding principal is held constant at the December 31, 2019 balances for our Credit Agreement and Securitization Facility, except for mandatory pay downs on the term loans in accordance with the loan documents. We typically expect to settle such interest payments with cash flows from operating activities and/or other short-term borrowings.
- (c) For our interest rate swap cash flow contracts (the "swap contracts"), we have used the fixed interest rate on each swap less the one month LIBOR rate in effect on our term loans at December 31, 2019, to calculate the estimated interest payments, for all years presented.
- (d) The long-term portion of contingent consideration agreements and Cambridge seller note due within the next 12 months is included with 'other debt' in the detail of our debt instruments disclosed in Note 11 to our accompanying consolidated financial statements.

Management's Use of Non-GAAP Financial Measures

We have included in the discussion above certain financial measures that were not prepared in accordance with GAAP. Any analysis of non-GAAP financial measures should be used only in conjunction with results presented in accordance with GAAP. Below, we define the non-GAAP financial measures, provide a reconciliation of the non-GAAP financial measure to the most directly comparable financial measure calculated in accordance with GAAP, and discuss the reasons that we believe this information is useful to management and may be useful to investors.

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

measure, revenue, net and transactions (in millions):

(Unaudited)	Revenue		Key Performance Indicators	
	Year Ended December 31,*		Year Ended December 31,*	
	2019	2018	2019	2018
<u>FUEL - TRANSACTIONS</u>				
Pro forma and macro adjusted	\$ 1,180	\$ 1,079	499	494
Impact of acquisitions/dispositions	11	46	3	18
Impact of fuel prices/spread	2	—	—	—
Impact of foreign exchange rates	(19)	—	—	—
As reported	<u>\$ 1,173</u>	<u>\$ 1,126</u>	<u>502</u>	<u>512</u>
<u>CORPORATE PAYMENTS - TRANSACTIONS</u>				
Pro forma and macro adjusted	\$ 521	\$ 433	56	50
Impact of acquisitions/dispositions	—	(17)	—	—
Impact of fuel prices/spread	—	—	—	—
Impact of foreign exchange rates	(4)	—	—	—
As reported	<u>\$ 516</u>	<u>\$ 416</u>	<u>56</u>	<u>49</u>
<u>CORPORATE PAYMENTS - SPEND</u>				
Pro forma and macro adjusted	Intentionally Left Blank		74,366	56,736
Impact of acquisitions/dispositions			—	(993)
Impact of fuel prices/spread			—	—
Impact of foreign exchange rates			(930)	—
As reported			<u>73,437</u>	<u>55,744</u>
<u>TOLLS - TAGS</u>				
Pro forma and macro adjusted	\$ 387	\$ 333	5.1	4.7
Impact of acquisitions/dispositions	—	—	—	—
Impact of fuel prices/spread	—	—	—	—
Impact of foreign exchange rates	(30)	—	—	—
As reported	<u>\$ 357</u>	<u>\$ 333</u>	<u>5.1</u>	<u>4.7</u>
<u>LODGING - ROOM NIGHTS</u>				
Pro forma and macro adjusted	\$ 213	\$ 189	19	21
Impact of acquisitions/dispositions	—	(13)	—	(2)
Impact of fuel prices/spread	—	—	—	—
Impact of foreign exchange rates	—	—	—	—
As reported	<u>\$ 213</u>	<u>\$ 176</u>	<u>19</u>	<u>19</u>
<u>GIFT - TRANSACTIONS</u>				
Pro forma and macro adjusted	\$ 180	\$ 193	1,274	1,385
Impact of acquisitions/dispositions	—	(7)	—	(1)
Impact of fuel prices/spread	—	—	—	—
Impact of foreign exchange rates	—	—	—	—
As reported	<u>\$ 180</u>	<u>\$ 187</u>	<u>1,274</u>	<u>1,384</u>
<u>OTHER¹ - TRANSACTIONS</u>				
Pro forma and macro adjusted	\$ 219	\$ 201	56	55
Impact of acquisitions/dispositions	—	(3)	—	(5)
Impact of fuel prices/spread	—	—	—	—
Impact of foreign exchange rates	(9)	—	—	—
As reported	<u>\$ 210</u>	<u>\$ 197</u>	<u>56</u>	<u>50</u>
<u>FLEETCOR CONSOLIDATED REVENUES</u>				
Pro forma and macro adjusted	\$ 2,700	\$ 2,428	Intentionally Left Blank	
Impact of acquisitions/dispositions	11	6		
Impact of fuel prices/spread	2	—		
Impact of foreign exchange rates	(64)	—		
As reported	<u>\$ 2,649</u>	<u>\$ 2,434</u>		

* Columns may not calculate due to rounding.

¹ Other includes telematics, maintenance, food and transportation related businesses.

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

We have defined the non-GAAP measure adjusted net income per diluted share as the calculation previously noted divided by the weighted average diluted shares outstanding as reflected in our statement of income.

We use adjusted net income to eliminate the effect of items that we do not consider indicative of our core operating performance. We believe it is useful to exclude non-cash share based compensation expense from adjusted net income because non-cash equity grants made at a certain price and point in time do not necessarily reflect how our business is performing at any particular time and share based compensation expense is not a key measure of our core operating performance. We also believe that amortization expense can vary substantially from company to company and from period to period depending upon their financing and accounting methods, the fair value and average expected life of their acquired intangible assets, their capital structures and the method by which their assets were acquired; therefore, we have excluded amortization expense from our adjusted net income. We also believe one-time non-recurring gains, losses, and impairment charges do not necessarily reflect how our investments and business are performing. We believe that adjusted net income and adjusted net income per diluted share are appropriate supplemental measures of financial performance and may be useful to investors to understanding our operating performance on a consistent basis. Adjusted net income and adjusted net income per diluted share are not intended to be a substitute for GAAP financial measures and should not be considered as an alternative to net income or cash flow from operations, as determined by U.S. GAAP, and our calculation thereof may not be comparable to that reported by other companies.

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

(Unaudited)	Year Ended December 31,*	
	2019	2018
Net income	\$ 895,073	\$ 811,483
Stock based compensation	60,953	69,939
Amortization of intangible assets, premium on receivables, deferred financing costs and discounts	216,532	227,015
Investment losses	2,705	7,147
Net gain on disposition of assets/business	—	(152,750)
Loss on write-off of fixed assets	1,819	8,793
Loss on extinguishment of debt	—	2,098
Legal settlements/litigation	6,181	5,500
Restructuring and related costs	2,814	4,969
Unauthorized access impact	—	2,065
Total pre-tax adjustments	291,004	174,777
Income tax impact of pre-tax adjustments at the effective tax rate ¹	(61,619)	(39,151)
Impact of investment sale, other discrete item and tax reform ²	(62,333)	22,731
Adjusted net income	\$ 1,062,125	\$ 969,840
Adjusted net income per diluted share	\$ 11.79	\$ 10.53
Diluted shares	90,070	92,151

¹ Includes discrete tax effect of non-cash investment gain. Also excludes impact of a Section 199 tax adjustment related to a prior tax year on the 2019 effective income tax rate.

² Represents the impact to taxes from the reversal of a valuation allowance related to the disposition of our investment in Masternaut of \$64.9 million and \$0.8 million in the second and fourth quarters of 2019, respectively, and impact of tax reform adjustments included in our effective tax rate of \$22.7 million in the third quarter of 2018. Also, includes the impact of a discrete tax item for a Section 199 adjustment related to a prior tax year in the third quarter of 2019 results of \$1.8 million.

* Columns may not calculate due to rounding.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Foreign currency risk

Foreign Earnings

Our International segment exposes us to foreign currency exchange rate changes that can impact translations of foreign-denominated assets and liabilities into U.S. dollars and future earnings and cash flows from transactions denominated in different currencies. Revenue from our International segment was 35.5%, 35.4% and 36.5% of total revenue for the years ended December 31, 2019, 2018, and 2017, respectively. We measure foreign currency exchange risk based on changes in foreign currency exchange rates using a sensitivity analysis. The sensitivity analysis measures the potential change in earnings based on a hypothetical 10% change in currency exchange rates. Exchange rates and currency positions as of December 31, 2019 were used to perform the sensitivity analysis. Such analysis indicated that a hypothetical 10% change in foreign currency exchange rates would have increased or decreased consolidated operating income during the year ended December 31, 2019 by approximately \$47.6 million had the U.S. dollar exchange rate increased or decreased relative to the currencies to which we had exposure. When exchange rates and currency positions as of December 31, 2018 and 2017 were used to perform this sensitivity analysis, the analysis indicated that a hypothetical 10% change in currency exchange rates would have increased or decreased consolidated operating income for the years ended December 31, 2018 and 2017 by approximately \$41.7 million and \$34.2 million, respectively. We have utilized International segment operating income as a proxy for foreign earnings.

Unhedged Cross-Currency Risk

With the acquisition of Cambridge in August 2017, we have additional foreign exchange risk and associated foreign exchange risk management requirements due to the nature of our international payments provider business. The majority of Cambridge's revenue is from exchanges of currency at spot rates, which enable customers to make cross-currency payments. In addition, Cambridge also writes foreign currency forward and option contracts for customers to facilitate future payments. The duration of these derivative contracts at inception is generally less than one year. Cambridge aggregates its foreign exchange exposures arising from customer contracts, including the derivative contracts described above, and hedges (economic hedge) the resulting net currency risks by entering into offsetting contracts with established financial institution counterparties.

Interest rate risk

We are exposed to the risk of changing interest rates on our cash investments and on the unhedged portion of our variable rate debt. As of December 31, 2019, we had \$4.02 billion of variable rate debt outstanding under our Credit Agreement. See footnote 11 of the accompanying consolidated financial statement for information about the Credit Agreement. We use derivative financial instruments to reduce our exposure related to changes in interest rates. In January 2019, we entered into three interest rate swap cash flow contracts with U.S. dollar notional amounts of \$1 billion with a fixed rate of 2.56%, \$500 million with a fixed rate of 2.56%, and \$500 million with a fixed rate of 2.55% maturing on January 31, 2022, January 31, 2023 and December 19, 2023, respectively. For each of these swap contracts, we will receive one month LIBOR. While these agreements are intended to lessen the impact of rising interest rates on us, they also expose us to the risk that the other parties to the agreements will not perform, we could incur significant costs associated with the settlement of the agreements, the agreements will be unenforceable and the underlying transactions will fail to qualify as highly-effective cash flow hedges under U.S. GAAP. See footnote 17 of the accompanying consolidated financial statements for information about the swap contracts.

If market interest rates had increased or decreased an average of 100 basis points and assuming we had an outstanding balance on our credit facility and term loans of \$2.02 billion not fixed by interest rate swap contracts at December 31, 2019, our interest expense would have changed by approximately \$20.2 million. Based on the amounts and mix of our fixed and floating rate debt (exclusive of our Securitization Facility) at December 31, 2018 and 2017, if market interest rates had increased or decreased an average of 100 basis points, our interest expense would have changed by approximately \$37.9 million and \$34.7 million, respectively. We determined these amounts by considering the impact of the hypothetical interest rates on our borrowing costs. These analyses do not consider the effects of changes in the level of overall economic activity that could exist in such an environment.

Fuel price risk

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 decline in retail fuel prices could cause a change in our revenue from several sources, including fees paid to us based on a percentage of each customer's total purchase. Changes in the absolute price of fuel may also impact unpaid account balances and the late fees and charges based on these amounts. The impact of changes in fuel price is somewhat mitigated by our agreements with certain merchants, where the price paid to the merchant is equal to the lesser of the merchant's cost plus a markup or a percentage of the transaction purchase price. We do not enter into any fuel price derivative instruments.

Fuel-price spread risk

From our merchant and network relationships, we derive revenue from the difference between the price charged to a fleet customer for a transaction and the price paid to the merchant or network for the same transaction. The price paid to a merchant or network is calculated as the merchant's wholesale cost of fuel plus a markup. 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 fuel 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. Accordingly, if fuel-price spreads contract, we may generate less revenue, which could adversely affect our operating results. The impact of volatility in fuel spreads is somewhat mitigated by our agreements with certain merchants, where the price paid to the merchant is equal to the lesser of the merchant's cost plus a markup or a percentage of the transaction purchase price.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA
INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

	Page
Report of Independent Registered Public Accounting Firm	79
Consolidated Balance Sheets at December 31, 2019 and 2018	81
Consolidated Statements of Income for the Years Ended December 31, 2019, 2018 and 2017	82
Consolidated Statements of Comprehensive Income for the Years Ended December 31, 2019, 2018 and 2017	83
Consolidated Statements of Stockholders' Equity for the Years Ended December 31, 2019, 2018 and 2017	84
Consolidated Statements of Cash Flows for the Years Ended December 31, 2019, 2018 and 2017	85
Notes to Consolidated Financial Statements	86

Report of Independent Registered Public Accounting Firm

To the Shareholders and the Board of Directors of FLEETCOR Technologies, Inc. and Subsidiaries

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of FLEETCOR Technologies, Inc. and subsidiaries (the Company) as of December 31, 2019 and 2018, the related consolidated statements of income, comprehensive income, shareholders' equity and cash flows for each of the three years in the period ended December 31, 2019, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2019 and 2018, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2019, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2019, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated March 2, 2020 expressed an unqualified opinion thereon.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective or complex judgments. The communication of the critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the account or disclosures to which it relates.

Valuation of Goodwill

Description of the Matter

At December 31, 2019, the Company's goodwill was \$4.8 billion. As discussed in Note 2 to the consolidated financial statements, the Company completes an impairment test of goodwill at least annually or more frequently if facts and circumstances indicate that goodwill might be impaired. Goodwill is tested for impairment at the reporting unit level and involves estimating the fair value of each identified reporting unit which is measured based upon, among other factors, a discounted cash flow analysis, as well as market multiples for comparable companies.

Auditing the Company's estimate of reporting unit fair value involved a high degree of subjectivity as estimates underlying the determination of reporting unit fair value using the discounted cash flow model were based on significant assumptions that are sensitive to changes and are affected by expected future market and economic conditions. These assumptions included forecasts for Revenue, net, Earnings before Interest Taxes Depreciation and Amortization (EBITDA), and long-term growth rates as well as the discount rate, which reflected risk-based factors based on the reporting units' geographical location and business risk.

How We Addressed the Matter in Our Audit

We obtained an understanding, evaluated the design and tested the operating effectiveness of controls over the Company's goodwill impairment review process, including controls over management's review of the significant assumptions described above. For example, we tested controls over management's review of the reporting units' long-term growth rates and discount rates used in the determination of the reporting units' estimated fair values.

To test the estimated fair value of the Company's reporting units, our audit procedures included, among others, assessing the methodologies used by the Company and testing the significant assumptions discussed above, inclusive of the underlying data used by the Company in its development of these assumptions. We involved our valuation specialists to assist us with these procedures. Our valuation specialists evaluated management's estimation of the discount rates used in the reporting unit's fair value calculations, performed a comparison of market multiples to observable transactions, and independently recalculated the discount rates for the respective reporting units. We also compared earnings forecasts to historical results and, for certain reporting units, to current industry and economic trends, and performed sensitivity analyses of the significant assumptions to evaluate the changes in the fair value of the reporting units that would result from changes in the significant assumptions.

/s/ Ernst & Young LLP

We have served as the Company's auditor since 2002.

Atlanta, Georgia
March 2, 2020

FLEETCOR Technologies, Inc. and Subsidiaries
Consolidated Balance Sheets
(In Thousands, Except Share and Par Value Amounts)

	December 31,	
	2019 ¹	2018
Assets		
Current assets:		
Cash and cash equivalents	\$ 1,271,494	\$ 1,031,145
Restricted cash	403,743	333,748
Accounts and other receivables (less allowance for doubtful accounts of \$70,890 at December 31, 2019 and \$59,963 at December 31, 2018)	1,568,961	1,425,815
Securitized accounts receivable—restricted for securitization investors	970,973	886,000
Prepaid expenses and other current assets	403,400	199,278
Total current assets	4,618,571	3,875,986
Property and equipment, net	199,825	186,201
Goodwill	4,833,047	4,542,074
Other intangibles, net	2,341,882	2,407,910
Investments	30,440	42,674
Other assets	224,776	147,632
Total assets	\$ 12,248,541	\$ 11,202,477
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	\$ 1,249,586	\$ 1,117,649
Accrued expenses	275,511	261,594
Customer deposits	1,007,631	926,685
Securitization facility	970,973	886,000
Current portion of notes payable and lines of credit	775,865	1,184,616
Other current liabilities	183,502	118,669
Total current liabilities	4,463,068	4,495,213
Notes payable and other obligations, less current portion	3,289,947	2,748,431
Deferred income taxes	519,980	491,946
Other noncurrent liabilities	263,930	126,707
Total noncurrent liabilities	4,073,857	3,367,084
Commitments and contingencies (Note 15)		
Stockholders' equity:		
Common stock, \$0.001 par value; 475,000,000 shares authorized; 124,626,786 shares issued and 85,342,156 shares outstanding at December 31, 2019; and 123,035,859 shares issued and 85,845,344 shares outstanding at December 31, 2018	124	123
Additional paid-in capital	2,494,721	2,306,843
Retained earnings	4,712,729	3,817,656
Accumulated other comprehensive loss	(972,465)	(913,858)
Less treasury stock (39,284,630 shares and 37,190,515 shares at December 31, 2019 and 2018, respectively)	(2,523,493)	(1,870,584)
Total stockholders' equity	3,711,616	3,340,180
Total liabilities and stockholders' equity	\$ 12,248,541	\$ 11,202,477

¹Reflects the impact of the Company's adoption of ASU 2016-02 "Leases", on January 1, 2019, using a modified retrospective transition method. Under this method, financial results reported in periods prior to 2019 are unchanged. Refer to footnote 14.

See accompanying notes.

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

	Year Ended December 31,		
	2019 ²	2018	2017 ¹
Revenues, net	\$ 2,648,848	\$ 2,433,492	\$ 2,249,538
Expenses:			
Merchant commissions	—	—	113,133
Processing	530,669	487,695	429,613
Selling	204,806	182,593	170,717
General and administrative	407,210	389,172	387,694
Depreciation and amortization	274,210	274,609	264,560
Other operating expense, net	523	8,725	61
Operating income	1,231,430	1,090,698	883,760
Investment loss, net	3,470	7,147	53,164
Other expense (income), net	93	(152,166)	(173,436)
Interest expense, net	150,048	138,494	107,146
Loss on extinguishment of debt	—	2,098	3,296
Total other expense (income)	153,611	(4,427)	(9,830)
Income before income taxes	1,077,819	1,095,125	893,590
Provision for income taxes	182,746	283,642	153,390
Net income	\$ 895,073	\$ 811,483	\$ 740,200
Basic earnings per share	\$ 10.36	\$ 9.14	\$ 8.12
Diluted earnings per share	\$ 9.94	\$ 8.81	\$ 7.91
Weighted average shares outstanding:			
Basic shares	86,401	88,750	91,129
Diluted shares	90,070	92,151	93,594

¹The Company applied the modified retrospective transition method when adopting ASC 606, therefore the Company's 2017 prior period results were not restated to reflect ASC 606.

²Reflects the impact of the Company's adoption of ASU 2016-02 "Leases", on January 1, 2019, using a modified retrospective transition method. Under this method, financial results reported in periods prior to 2019 are unchanged. Refer to footnote 14.

See accompanying notes.

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

	Year Ended December 31,		
	2019	2018	2017
Net income	\$ 895,073	\$ 811,483	\$ 740,200
Other comprehensive (loss) income:			
Foreign currency translation (losses) gains, net of tax	(15,855)	(362,001)	83,165
Reclassification of foreign currency translation gain to investment, net of tax	—	—	31,381
Net change in derivative contracts, net of tax	(42,752)	—	—
Total other comprehensive (loss) income	(58,607)	(362,001)	114,546
Total comprehensive income	\$ 836,466	\$ 449,482	\$ 854,746

See accompanying notes.

FLEETCOR Technologies, Inc. and Subsidiaries
Consolidated Statements of Stockholders' Equity
(In Thousands)

	Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock	Total
Balance at December 31, 2016	\$ 121	\$ 2,074,094	\$ 2,218,721	\$ (666,403)	\$ (542,495)	\$ 3,084,038
Net income	—	—	740,200	—	—	740,200
Other comprehensive income from currency exchange, net of tax of \$0	—	—	—	114,546	—	114,546
Acquisition of common stock	—	—	—	—	(402,393)	(402,393)
Share-based compensation expense ¹	—	93,297	—	—	—	93,297
Issuance of common stock	1	46,833	—	—	—	46,834
Balance at December 31, 2017	122	2,214,224	2,958,921	(551,857)	(944,888)	3,676,522
Net income	—	—	811,483	—	—	811,483
Cumulative effect of change in accounting principle	—	—	47,252	—	—	47,252
Other comprehensive loss from currency exchange, net of tax of \$0	—	—	—	(362,001)	—	(362,001)
Acquisition of common stock	—	(33,000)	—	—	(925,696)	(958,696)
Share-based compensation expense ¹	—	69,939	—	—	—	69,939
Issuance of common stock	1	55,680	—	—	—	55,681
Balance at December 31, 2018	123	2,306,843	3,817,656	(913,858)	(1,870,584)	3,340,180
Net income	—	—	895,073	—	—	895,073
Other comprehensive loss, net of tax	—	—	—	(58,607)	—	(58,607)
Acquisition of common stock	—	(42,000)	—	—	(652,909)	(694,909)
Share-based compensation expense	—	60,953	—	—	—	60,953
Issuance of common stock	1	168,925	—	—	—	168,926
Balance at December 31, 2019	\$ 124	\$ 2,494,721	\$ 4,712,729	\$ (972,465)	\$ (2,523,493)	\$ 3,711,616

¹ Comparable disclosure provided to align with 2019 presentation. Activity previously included with issuance of common stock.
See accompanying notes.

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

	Year Ended Year Ended December 31,		
	2019 ¹	2018	2017 ²
Operating activities			
Net income	\$ 895,073	\$ 811,483	\$ 740,200
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	62,784	52,936	46,599
Stock-based compensation	60,953	69,939	93,297
Provision for losses on accounts receivable	74,309	64,377	44,857
Amortization of deferred financing costs and discounts	5,106	5,342	6,952
Amortization of intangible assets and premium on receivables	211,426	221,673	217,961
Loss on extinguishment of debt	—	2,098	3,296
Loss on write-off of fixed assets	1,819	8,793	—
Deferred income taxes	37,883	(2,750)	(247,712)
Investment loss	3,470	7,147	53,164
Gain on sale of assets/business	—	(152,750)	(174,983)
Other non-cash operating income	(1,297)	(186)	(61)
Changes in operating assets and liabilities (net of acquisitions/disposition):			
Accounts receivable and other receivables	(196,028)	(159,024)	(431,003)
Prepaid expenses and other current assets	(185,391)	(27,650)	26,102
Other assets	(6,792)	(25,432)	(20,957)
Accounts payable, accrued expenses and customer deposits	198,756	27,386	322,346
Net cash provided by operating activities	<u>1,162,071</u>	<u>903,382</u>	<u>680,058</u>
Investing activities			
Acquisitions, net of cash acquired	(448,277)	(20,843)	(705,257)
Purchases of property and equipment	(75,170)	(81,387)	(70,093)
Proceeds from disposal of an asset/business	—	98,735	316,501
Other	(255)	(22,775)	(38,953)
Net cash used in investing activities	<u>(523,702)</u>	<u>(26,270)</u>	<u>(497,802)</u>
Financing activities			
Proceeds from issuance of common stock	168,925	55,680	44,690
Repurchase of common stock	(694,909)	(958,696)	(402,393)
Borrowings on securitization facility, net	84,973	75,000	220,000
Deferred financing costs paid and debt discount	(2,868)	(4,927)	(12,908)
Proceeds from issuance of notes payable	700,000	363,430	780,656
Principal payments on notes payable	(138,500)	(498,305)	(423,156)
Borrowings from revolver	1,811,509	1,493,091	1,100,000
Payments on revolver	(2,292,349)	(1,099,040)	(1,031,722)
Borrowings from (payments on) swing line of credit, net	52,996	(4,935)	(23,686)
Other	52	887	457
Net cash (used in) provided by financing activities	<u>(310,171)</u>	<u>(577,815)</u>	<u>251,938</u>
Effect of foreign currency exchange rates on cash	(17,854)	(65,274)	52,906
Net increase in cash and cash equivalents and restricted cash	310,344	234,023	487,100
Cash and cash equivalents and restricted cash, beginning of year	1,364,893	1,130,870	643,770
Cash and cash equivalents and restricted cash, end of year	<u>\$ 1,675,237</u>	<u>\$ 1,364,893</u>	<u>\$ 1,130,870</u>
Supplemental cash flow information			
Cash paid for interest	<u>\$ 178,417</u>	<u>\$ 156,749</u>	<u>\$ 113,416</u>
Cash paid for income taxes	<u>\$ 200,525</u>	<u>\$ 207,504</u>	<u>\$ 392,192</u>
Non cash investing activity, notes assumed in acquisitions	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 29,341</u>

¹ Reflects the impact of the Company's adoption of ASU 2016-02 "Leases", on January 1, 2019 using the modified retrospective transition method. The adoption of the Leases guidance resulted in an adjustment to other assets, other current liabilities and other noncurrent liabilities in our consolidated balance sheet for the cumulative effect of applying the standard. Financial results reported in periods prior to 2019 are unchanged.

² Reflects the impact of the Company's adoption of Accounting Standards Update 2016-18, Statement of Cash Flows (Topic 230), which was adopted by the Company on January 1, 2018 and applied retrospectively to results for 2017. The adoption of Topic 230 resulted in the statement of cash flows presenting the changes in the total of cash, cash equivalents and restricted cash. As a result, the Company will no longer present transfers between cash and cash equivalents and restricted cash in the statement of cash flows.

See accompanying notes.

FLEETCOR Technologies, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

December 31, 2019

1. Description of Business

FLEETCOR Technologies, Inc. and its subsidiaries (the Company) is a leading global business payment solutions company that simplifies the way businesses manage and pay their expenses. The FLEETCOR portfolio of brands help companies automate, secure, digitize and control payments on behalf of their employees and suppliers. The Company serves businesses, partners, merchants and consumers and payment networks in North America, Latin America, Europe, and Asia Pacific.

The Company has two reportable segments, North America and International. The Company reports these two segments as they reflect how the Company organizes and manages its employees around the world, manages operating performance, contemplates the differing regulatory environments in North America versus other geographies, and helps the Company isolate the impact of foreign exchange fluctuations on its financial results.

The Company's solutions are comprised of payment products, networks and associated services. The Company's payment products generally function like a charge card, prepaid card, one-time use virtual card and electronic RFID (radio-frequency identification), etc. While the actual payment mechanisms vary from category to category, they are structured to afford control and reporting to the end customer. The Company groups its payments solutions into five primary categories: Fuel, Lodging, Tolls, Corporate Payments and Gift. Additionally, the Company provides other complementary payment products including fleet maintenance, employee benefits and long haul transportation-related services. The Company's payment solutions are used in more than 100 countries around the world, with its primary geographies being the U.S., Brazil and the United Kingdom, which combined accounted for approximately 87% of the Company's revenue in 2019.

The Company uses both proprietary and third-party networks to deliver its payment solutions. FLEETCOR owns and operates proprietary networks with well-established brands throughout the world, bringing incremental sales and loyalty to affiliated merchants. Third-party networks are used to broaden payment product acceptance and use.

The Company markets its products directly through multiple sales channels, including field sales, telesales and digital marketing, and indirectly through our partners, which include major oil companies, leasing companies, petroleum marketers, value-added resellers (VARs) and referral partners.

2. Summary of Significant Accounting Policies**Use of Estimates**

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of FLEETCOR Technologies, Inc. and all of its wholly owned subsidiaries. All significant intercompany balances and transactions have been eliminated.

The Company's fiscal year ends on December 31. In certain of the Company's U.K. businesses, the Company records the operating results using a 4-4-5 week accounting cycle with the fiscal year ending on the Friday on or immediately preceding December 31. Fiscal years 2019, 2018, and 2017 include 52 weeks for the businesses reporting using a 4-4-5 accounting cycle.

Credit Risk and Reserve for Losses on Receivables

The Company controls credit risk by performing periodic credit evaluations of its customers. Payments from customers are generally due within 14 days or less of billing. The Company routinely reviews its accounts receivable balances and makes provisions from the customer probable doubtful accounts based primarily on the aging of those balances. Accounts receivable are deemed uncollectible from the customer once they age past 90 days. The Company also provides an allowance for receivables aged less than 90 days that it expects will be uncollectible based on historical collections experience including

accounts that have filed for bankruptcy. At December 31, 2019 and 2018, approximately 98% and 99%, respectively, of outstanding accounts receivable were current. Accounts receivable deemed uncollectible are removed from accounts receivable and the allowance for doubtful accounts when internal collection efforts have been exhausted and accounts have been turned over to a third-party collection agency. Recoveries from the third-party collection agency are not significant.

Business Combinations

Business combinations completed by the Company have been accounted for under the acquisition method of accounting. The acquisition method requires that the acquired assets and liabilities, including contingencies, be recorded at fair value determined as of the acquisition date. For significant acquisitions, the Company obtains independent third-party valuation studies for certain of the assets acquired and liabilities assumed to assist the Company in determining fair value. Goodwill represents the excess of the purchase price over the fair values of the tangible and intangible assets acquired and liabilities assumed. The results of the acquired businesses are included in the Company's results of operations beginning from the completion date of the transaction.

Estimates of fair value are revised during an allocation period as necessary when, and if, information becomes available to further define and quantify the fair value of the assets acquired and liabilities assumed. Provisional estimates of the fair values of the assets acquired and liabilities assumed involves a number of estimates and assumptions that could differ materially from the final amounts recorded. The allocation period does not exceed one year from the date of the acquisition. To the extent additional information to refine the original allocation becomes available during the allocation period, the allocation of the purchase price is adjusted. Should information become available after the allocation period, those items are adjusted through operating results. The direct costs of the acquisition are recorded as operating expenses. Certain acquisitions include contingent consideration related to the performance of the acquired operations following the acquisition. Contingent consideration is recorded at estimated fair value at the date of the acquisition, and is remeasured each reporting period, with any changes in fair value recorded in the Consolidated Statements of Income. The Company estimates the fair value of the acquisition-related contingent consideration using various valuation approaches, as well as significant unobservable inputs, reflecting the Company's assessment of the assumptions market participants would use to value these liabilities.

Impairment of Long-Lived Assets, Goodwill, Intangibles and Investments

The Company regularly evaluates whether events and circumstances have occurred that indicate the carrying amount of property and equipment and finite-life intangible assets may not be recoverable. When factors indicate that these long-lived assets should be evaluated for possible impairment, the Company assesses the potential impairment by determining whether the carrying amount of such long-lived assets will be recovered through the future undiscounted cash flows expected from use of the asset and its eventual disposition. If the carrying amount of the asset is determined not to be recoverable, a write-down to fair value is recorded. Fair values are determined based on quoted market prices or discounted cash flow analysis as applicable. The Company regularly evaluates whether events and circumstances have occurred that indicate the useful lives of property and equipment and finite-life intangible assets may warrant revision.

The Company completes an impairment test of goodwill at least annually or more frequently if facts or circumstances indicate that goodwill might be impaired. Goodwill is tested for impairment at the reporting unit level. The Company first performs a qualitative assessment of certain of its reporting units. Factors considered in the qualitative assessment include general macroeconomic conditions, industry and market conditions, cost factors, overall financial performance of our reporting units, events or changes affecting the composition or carrying amount of the net assets of our reporting units, sustained decrease in our share price, and other relevant entity-specific events. If the Company elects to bypass the qualitative assessment or if it determines, on the basis of qualitative factors, that the fair value of the reporting unit is more likely than not less than the carrying amount, a quantitative test would be required. The Company then performs the goodwill impairment test for each reporting unit by comparing the reporting unit's carrying amount, including goodwill, to its fair value which is measured based upon, among other factors, a discounted cash flow analysis, as well as market multiples for comparable companies. Estimates critical to the Company's evaluation of goodwill for impairment include the discount rate, projected revenue and earnings before interest taxes depreciation and amortization (EBITDA) growth, and projected long-term growth rates in the determination of terminal values. If the carrying amount of the reporting unit is greater than its fair value, goodwill is considered impaired.

Based on the goodwill asset impairment analysis performed quantitatively as of October 1, 2019, the Company determined that the fair value of each of its reporting units was in excess of the carrying value. No events or changes in circumstances have occurred since the date of this most recent annual impairment test that would more likely than not reduce the fair value of a reporting unit below its carrying amount.

The Company evaluates indefinite-lived intangible assets (primarily trademarks and trade names) for impairment annually. The Company tests for impairment if events and circumstances indicate that it is more likely than not that the fair value of an indefinite-lived intangible asset is below its carrying amount. Estimates critical to the Company's evaluation of indefinite-lived intangible assets for impairment include the discount rate, royalty rates used in its evaluation of trade names, projected average revenue growth and projected long-term growth rates in the determination of terminal values. An impairment charge is recorded if the carrying amount of an indefinite-lived intangible asset exceeds the estimated fair value on the measurement date.

The Company regularly evaluates the carrying value of its investments, which are not carried at fair value, for impairment. The company has elected to measure certain investments in equity instruments that do not have readily determinable fair values at cost minus impairment, if any, plus or minus changes resulting from observable price changes for similar investments of the issuer. Investments classified as trading securities are carried at fair value with any unrealized gain or loss being recorded in the Consolidated Statements of Income.

Property, Plant and Equipment and Definite-Lived Intangible Assets

Property, plant and equipment are stated at cost and depreciated on the straight-line basis. Definite-lived intangible assets, consisting primarily of customer relationships, are stated at fair value upon acquisition and are amortized over their estimated useful lives. Customer and merchant relationship useful lives are estimated using historical attrition rates.

The Company develops software that is used in providing processing and information management services to customers. A significant portion of the Company's capital expenditures are devoted to the development of such internal-use computer software. Software development costs are capitalized once technological feasibility of the software has been established. Costs incurred prior to establishing technological feasibility are expensed as incurred. Technological feasibility is established when the Company has completed all planning, designing, coding and testing activities that are necessary to determine that the software can be produced to meet its design specifications, including functions, features and technical performance requirements. Capitalization of costs ceases when the software is ready for its intended use. Software development costs are amortized using the straight-line method over the estimated useful life of the software. The Company capitalized software costs of \$49.8 million, \$37.3 million and \$37.4 million in 2019, 2018 and 2017, respectively. Amortization expense for software totaled \$37.2 million, \$24.2 million and \$21.8 million in 2019, 2018 and 2017, respectively.

Income Taxes

The Company accounts for income taxes under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the period that includes the enactment date. The Company has elected to treat the Global Intangible Low Taxed Income (GILTI) inclusion as a current period expense.

The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which the associated temporary differences become deductible. The Company evaluates on a quarterly basis whether it is more likely than not that its deferred tax assets will be realized in the future and concludes whether a valuation allowance must be established.

The Company accounts for uncertainty in income taxes recognized in an entity's financial statements and prescribes threshold and measurement attributes for financial statement disclosure of tax positions taken or expected to be taken on a tax return. The impact of an uncertain income tax position on the income tax return must be recognized at the largest amount that is more likely than not to be sustained upon audit by the relevant taxing authority. An uncertain income tax position will not be recognized if it has less than a 50 percent likelihood of being sustained. The Company includes any estimated interest and penalties on tax related matters in income tax expense. See Note 13 for further information regarding income taxes.

Cash, Cash Equivalents, and Restricted Cash

Cash equivalents consist of cash on hand and highly liquid investments with original maturities of three months or less. Restricted cash represents customer deposits repayable on demand.

Foreign Currency Translation

Assets and liabilities of foreign subsidiaries are translated into U.S. dollars at the rates of exchange in effect at period-end. The related translation adjustments are recorded to accumulated other comprehensive income. Income and expenses are translated at the average monthly rates of exchange in effect during the year. Gains and losses from foreign currency transactions of these subsidiaries are included in net income. The Company recognized a foreign exchange gain of \$0.7 million for the year ended December 31, 2019 and foreign exchange losses of \$0.1 million and \$0.2 million for the years ended December 31, 2018 and 2017 respectively, which are recorded within other expense, net in the Consolidated Statements of Income. The Company recorded foreign currency losses on long-term intra-entity transactions of \$88.1 million and \$79.6 million for the years ended December 31, 2019 and 2018, respectively, included as a component of foreign currency translation (losses) gains, net of tax, on the Consolidated Statements of Comprehensive Income.

Derivatives

The Company uses derivatives to minimize its exposures related to changes in interest rates and facilitate cross-currency corporate payments by writing derivatives to customers.

The Company is exposed to the risk of changing interest rates because its borrowings are subject to variable interest rates. In order to mitigate this risk, the Company utilizes derivative instruments. Interest rate swap contracts designated as cash flow hedges involve the receipt of variable amounts from a counterparty in exchange for the Company making fixed-rate payments over the life of the agreements without exchange of the underlying notional amount. The Company hedges a portion of its variable rate debt utilizing derivatives designated as cash flow hedges.

Changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recorded in other assets or other noncurrent liabilities and offset against accumulated other comprehensive income/loss, net of tax. Derivative fair value changes that are recorded in accumulated other comprehensive income/loss are reclassified to earnings in the same period or periods that the hedged item affects earnings, to the extent the derivative is effective in offsetting the change in cash flows attributable to the hedged risk. The portions of the change in fair value that are either considered ineffective or are excluded from the measure of effectiveness are recognized immediately within earnings.

In the Company's cross-border payments business, the majority of revenue is from exchanges of currency at spot rates, which enables customers to make cross-currency payments. In addition, the Company writes foreign currency forward and option contracts for its customers to facilitate future payments. The duration of these derivative contracts at inception is generally less than one year. The Company aggregates its foreign exchange exposures arising from customer contracts, including forwards, options and spot exchanges of currency, as necessary, and economically hedges the net currency risks by entering into offsetting derivatives with established financial institution counterparties. The changes in fair value related to these derivatives are recorded in revenues, net in the Consolidated Statements of Income.

The Company recognizes all cross-border payments derivatives in "prepaid expenses and other current assets" and "other current liabilities" in the accompanying Consolidated Balance Sheets at their fair value. All cash flows associated with derivatives are included in cash flows from operating activities in the Consolidated Statements of Cash Flows. Refer to footnote 17.

Stock-Based Compensation

The Company accounts for employee stock options and restricted stock in accordance with relevant authoritative literature. Stock options are granted with an exercise price equal to the fair market value on the date of grant as authorized by the Company's board of directors. Options granted have vesting provisions ranging from one to five years and vesting of the options is generally based on the passage of time or performance. Stock option grants are subject to forfeiture if employment terminates prior to vesting. The Company has selected the Black-Scholes option pricing model for estimating the grant date fair value of stock option awards. The Company has considered the retirement and forfeiture provisions of the options and utilized its historical experience to estimate the expected life of the options. Option forfeitures are accounted for upon occurrence. The Company bases the risk-free interest rate 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. Stock-based compensation cost is measured at the grant date based on the value of the award and is recognized as expense over the requisite service period based on the number of years over which the requisite service is expected to be rendered.

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

grant date fair value of the Company's stock. The fair value of restricted stock units granted with market based vesting conditions is estimated using the Monte Carlo simulation valuation model. The risk-free interest rate and volatility assumptions used within the Monte Carlo simulation valuation model are calculated consistently with those applied in the Black-Scholes options pricing model utilized in determining the fair value of the stock option awards.

For performance-based restricted stock units and awards and performance based stock option awards, the Company must also make assumptions regarding the likelihood of achieving performance goals. If actual results differ significantly from these estimates, stock-based compensation expense and the Company's results of operations could be materially affected.

Deferred Financing Costs/Debt Discounts

Costs incurred to obtain financing are amortized over the term of the related debt, using the effective interest method and are included within interest expense. The Company capitalized additional debt issuance costs of \$2.9 million associated with refinancing its Credit Facility and Securitization Facilities in 2019 and \$4.9 million with refinancing its Credit Facility in 2018. At December 31, 2019 and 2018, the Company had net deferred financing costs of \$7.4 million and \$10.4 million, respectively, related to the revolver under the Credit Facility and the Securitization Facility, each recorded within prepaid and other assets, respectively, on the Consolidated Balance Sheets. At December 31, 2019 and 2018, the Company had deferred financing costs of \$7.9 million and \$10.9 million, respectively, related to the term notes under the Credit Facility, recorded as a discount to the term debt outstanding within the current portion of notes payable and lines of credit and notes payable and other obligations, less current portion, respectively, in the Consolidated Balance Sheets.

Comprehensive Income (Loss)

Comprehensive income (loss) 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.

Accounts Receivable

The Company maintains a \$1.2 billion revolving trade accounts receivable Securitization Facility. Accounts receivable collateralized within our Securitization Facility relate to trade receivables resulting from charge card activity in the U.S. Pursuant to the terms of the Securitization Facility, the Company transfers certain of its domestic receivables, on a revolving basis, to FLEETCOR Funding LLC (Funding), a wholly-owned bankruptcy remote subsidiary. In turn, Funding transfers, without recourse, on a revolving basis, an undivided ownership interest in this pool of accounts receivable to a multi-seller, asset-backed commercial paper conduit (Conduit). Funding maintains a subordinated interest, in the form of over-collateralization, in a portion of the receivables sold to the Conduit. Purchases by the Conduit are financed with the sale of highly-rated commercial paper.

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

The Company's Consolidated Balance Sheets and Statements of Income reflect the activity related to securitized accounts receivable and the corresponding securitized debt, including interest income, fees generated from late payments, provision for losses on accounts receivable and interest expense. The cash flows from borrowings and repayments, associated with the securitized debt, are presented as cash flows from financing activities. The maturity date for the Company's Securitization Facility is November 14, 2020.

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

	2019	2018
Gross domestic unsecuritized accounts receivables	\$ 734,410	\$ 668,154
Gross domestic securitized accounts receivable	970,973	886,000
Gross foreign receivables	905,441	817,624
Total gross receivables	2,610,824	2,371,778
Less allowance for doubtful accounts	(70,890)	(59,963)
Net accounts and securitized accounts receivable	\$ 2,539,934	\$ 2,311,815

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

	2019	2018	2017
Allowance for doubtful accounts beginning of year	\$ 59,963	\$ 46,031	\$ 32,506
Provision for bad debts	74,309	64,377	44,857
Write-offs	(63,382)	(50,445)	(31,332)
Allowance for doubtful accounts end of year	\$ 70,890	\$ 59,963	\$ 46,031

Advertising

The Company expenses advertising costs as incurred. Advertising expense was \$33.7 million, \$26.3 million and \$26.1 million for the years ended December 31, 2019, 2018 and 2017, respectively.

Earnings Per Share

The Company reports basic and diluted earnings per share. Basic earnings per share is calculated using the weighted average of common stock and non-vested, non-forfeitable restricted shares outstanding, unadjusted for dilution, and net income attributable to common shareholders.

Diluted earnings per share is calculated using the weighted average shares outstanding and contingently issuable shares less weighted average shares recognized during the period. The net outstanding shares have been adjusted for the dilutive effect of common stock equivalents, which consist of outstanding stock options and unvested forfeitable restricted stock units.

Spot Trade Offsetting

The Company uses spot trades to facilitate cross-currency corporate payments in its Cambridge business. Timing in the receipt of cash from the customer results in intermediary balances in the receivable from the customer and the payment to the customer's counterparty. In accordance with ASC Subtopic 210-20, "Offsetting," the Company applies offsetting to spot trade assets and liabilities associated with contracts that include master netting agreements, as a right of setoff exists, which the Company believes to be enforceable. As such, the Company has netted the Company's exposure with these customer's counterparties, with the receivables from the customer. The Company recognizes all spot trade assets, net in accounts receivable and all spot trade liabilities, net in accounts payable, each net at the customer level, in its Consolidated Balance Sheets at their fair value. The following table presents the Company's spot trade assets and liabilities at their fair value for the years ended December 31, 2019 and 2018 (in millions):

	December 31, 2019			December 31, 2018		
	Gross	Offset on the Balance Sheet	Net	Gross	Offset on the Balance Sheet	Net
Assets						
Accounts Receivable	\$ 1,139.1	\$ (1,084.6)	\$ 54.5	\$ 815.7	\$ (745.2)	\$ 70.5
Liabilities						
Accounts Payable	\$ 1,140.4	\$ (1,084.6)	\$ 55.8	\$ 760.8	\$ (745.2)	\$ 15.6

Adoption of New Accounting Standards

Accounting for Leases

In February 2016, the FASB issued ASU 2016-02, "Leases" (Topic 842), which requires lessees to recognize a right-of-use asset and a lease liability on the balance sheet for all leases with the exception of short-term leases. This ASU also requires disclosures to provide additional information about the amounts recorded in the financial statements. Effective January 1, 2019, the Company adopted Topic 842 using a modified retrospective approach, as discussed further in Footnote 14.

Accounting for Derivative Financial Instruments

In August 2017, the FASB issued ASU 2017-12, "Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities", which amends the hedge accounting recognition and presentation requirements in ASC 815. The FASB issued accounting guidance to better align hedge accounting with a company's risk management activities, simplify the application of hedge accounting and improve the disclosures of hedging arrangements. The guidance is effective for the Company for reporting periods beginning after December 15, 2018, and interim periods within those years. The Company

adopted this guidance on January 1, 2019, which did not have a material impact on the Company's results of operations, financial condition, or cash flows. The guidance did simplify the Company's accounting for interest rate swap hedges, allowing more time for the initial hedge effectiveness documentation and a qualitative hedge effectiveness assessment at each quarter end.

In October 2018, the FASB issued ASU 2018-16, "Derivatives and Hedging (Topic 815): Inclusion of the Secured Overnight Financing Rate, Overnight Index Swap Rate as a Benchmark Interest Rate for Hedge Accounting Purposes", which amends the hedge accounting to add overnight index swap rates based on the secured overnight financing rate as a fifth U.S. benchmark interest rate. The Company adopted this guidance on January 1, 2019, which did not have a material impact on the Company's results of operations, financial condition, or cash flows.

Comprehensive Income Classification

In February 2018, the FASB issued ASU 2018-02, "Income Statement - Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income", that gives entities the option to reclassify to retained earnings tax effects related to items that have been stranded in accumulated other comprehensive income as a result of the Tax Cuts and Jobs Act (the "Tax Act"). An entity that elects to reclassify these amounts must reclassify stranded tax effects related to the Tax Act's change in U.S. federal tax rate for all items accounted for in other comprehensive income. These entities can also elect to reclassify other stranded effects that relate to the Tax Act but do not directly relate to the change in the federal rate. The Company adopted this guidance on January 1, 2019 and elected to not reclassify any items to retained earnings.

Non-Employee Share-Based Payments

In June 2018, the FASB issued ASU 2018-07, "Compensation—Stock Compensation (Topic 718): Improvements to Non-employee Share-Based Payment Accounting", that supersedes ASC 505-50 and expands the scope of ASC 718 to include all share-based payment arrangements related to the acquisition of goods and services from both non-employees and employees. Under the new guidance, the existing employee guidance will apply to non-employee share-based transactions (as long as the transaction is not effectively a form of financing), with the exception of specific guidance related to the attribution of compensation cost. The cost of non-employee awards will continue to be recorded as if the grantor had paid cash for the goods or services. In addition, the contractual term will be able to be used in lieu of an expected term in the option-pricing model for non-employee awards. The Company adopted this guidance on January 1, 2019, which had no impact on the Company's results of operations, financial condition, or cash flows.

Pending Adoption of Recently Issued Accounting Standards

From time to time, new accounting pronouncements are issued by the FASB or other standards setting bodies that are adopted by the Company as of the specified effective date. Unless otherwise discussed, the Company's management believes that the impact of recently issued standards that are not yet effective will not have a material impact on the Company's consolidated financial statements upon adoption.

Credit Losses on Financial Instruments

In June 2016, the FASB issued ASU 2016-13, "Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments", which changes how companies measure and recognize credit impairment for many financial assets. The new expected credit loss model will require companies to immediately recognize an estimate of credit losses expected to occur over the remaining life of the financial assets (including trade receivables) that are in the scope of the update. The update also made amendments to the current impairment model for held-to-maturity and available-for-sale debt securities and certain guarantees. The ASU is effective for the Company on January 1, 2020.

In April 2019, the FASB issued ASU 2019-04, "Codification Improvements to Topic 326, Financial Instruments—Credit Losses, Topic 815, Derivatives and Hedging, and Topic 825, Financial Instruments", which clarifies certain aspects of accounting for credit losses, hedging activities, and financial instruments. For clarifications around credit losses, the effective date will be the same as the effective date in ASU 2016-13. For entities that have adopted ASU 2017-12, "Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities", ASU 2019-04 is effective the first annual reporting period beginning after the date of issuance of ASU 2019-04 and may be early adopted. The amendments in ASU 2019-04 related to ASU 2016-01 are effective for fiscal years beginning after December 15, 2019, including interim periods therein. Upon adoption of the new standard on January 1, 2020, the Company will recognize an allowance for credit losses based on the estimated lifetime expected credit loss related to our financial assets. The Company is analyzing our credit policies and updating our accounting policies and internal controls that will be impacted by the new guidance. We do not anticipate that the adoption of this new standard will have a material impact on the results of operations, financial condition, or cash flows due to the relatively fast turnover of our trade receivables accounts and limited other asset balances to which this standard applies.

Cloud Computing Arrangements

On August 29, 2018, the FASB issued ASU 2018-15, "Intangibles—Goodwill and Other— Internal-Use Software (Subtopic 350-40): Customer’s Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract", that provides guidance on implementation costs incurred in a cloud computing arrangement (CCA) that is a service contract. The ASU, which was released in response to a consensus reached by the EITF at its June 2018 meeting, aligns the accounting for such costs with the guidance on capitalizing costs associated with developing or obtaining internal-use software. Specifically, the ASU amends ASC 350 to include in its scope implementation costs of a CCA that is a service contract and clarifies that a customer should apply ASC 350-40 to determine which implementation costs should be capitalized in such a CCA. The guidance is effective for the Company for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. The guidance should be applied either retrospectively or prospectively to all implementation costs incurred after the date of adoption. The Company is updating the accounting policies and internal controls that will be impacted by the new guidance. The Company's adoption of this ASU on January 1, 2020, is not expected to have a material impact on the results of operations, financial condition, or cash flows.

Fair Value Measurement

On August 28, 2018, the FASB issued ASU 2018-13, "Fair Value Measurement (Topic 820): Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement", which removes, modifies, and adds certain disclosure requirements related to fair value measurements in ASC 820. The guidance is effective for the Company for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. The guidance on changes in unrealized gains and losses, the range and weighted average of significant unobservable inputs used to develop Level 3 fair value measurements, and the narrative description of measurement uncertainty should be applied prospectively for only the most recent interim or annual period presented in the initial fiscal year of adoption. All other guidance should be applied retrospectively to all periods presented upon their effective date. The Company's adoption of this ASU on January 1, 2020, is not expected to have a material impact on the results of operations, financial condition, or cash flows.

Income Taxes

On December 18, 2019, the FASB issued ASU 2019-12, Income Taxes (Topic 740), Simplifying the Accounting for Income Taxes (“ASU 2019-12”), which removes certain exceptions to the general principles of ASC 740 and simplifies other areas in order to simplify its application. For public business entities, the amendments are effective for fiscal years beginning after December 15, 2020, including interim periods within those fiscal years, with early adoption permitted. The Company's adoption of this ASU is not expected to have a material impact on the results of operations, financial condition, or cash flows.

3. Revenue

The Company provides payment solutions to our business, merchant, consumer and payment network customers. Our payment solutions are primarily focused on specific commercial spend categories, including fuel, lodging, tolls, and general corporate payments, as well as gift card solutions (stored value cards and e-cards). The Company provides products that help businesses of all sizes control, simplify and secure payment of various domestic and cross-border payables using specialized payment products. The Company also provides other payment solutions for fleet maintenance, employee benefits and long haul transportation-related services.

Payment Services

The Company’s primary performance obligation for the majority of its payment solution products (fuel, lodging, corporate payments, among others) is to stand-ready to provide authorization and processing services ("payment services") for an unknown or unspecified quantity of transactions and the consideration received is contingent upon the customer’s use (e.g., number of transactions submitted and processed) of the related payment services. Accordingly, the total transaction price is variable. Payment services involve a series of distinct daily services that are substantially the same, with the same pattern of transfer to the customer. As a result, the Company allocates and recognizes variable consideration in the period it has the contractual right to invoice the customer. For the tolls payment solution, the Company's primary performance obligation is to stand-ready each month to provide access to the toll network and process toll transactions. Each period of access is determined to be distinct and substantially the same as the customer benefits over the period of access.

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

The majority of the transaction price the Company receives for fulfilling the Payment Services performance obligation are comprised of one or a combination of the following: 1) interchange fees earned from the payment networks; 2) discount fees earned from merchants; 3) fees calculated based on a number of transactions processed; 4) fees calculated based upon a percentage of the transaction value for the underlying goods or services (i.e. fuel, food, toll and transportation cards and vouchers); and 5) monthly access fees.

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

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

Gift Card Products and Services

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

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

Other

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

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

Revenue is also derived from the sale of equipment in certain of the Company's businesses, which is recognized at the time the device is sold and control has passed to the customer. This revenue is recognized gross of the cost of sales related to the equipment in "revenues, net" within the Consolidated Statements of Income. The related cost of sales for the equipment is recorded within "processing expenses" in the Consolidated Statements of Income.

Revenues from contracts with customers, within the scope of Topic 606, represents approximately 75% of total consolidated revenues, net, for the year ended December 31, 2019.

Disaggregation of Revenues

The Company provides its services to customers across different payment solutions and geographies. Revenue by product (in millions) as of and for the years ended December 31 (in thousands):

Revenue by Product Category	Year Ended December 31,		
	2019	2018	2017
	Revenues, net	Revenues, net	Revenues, net
Fuel ¹	\$ 1,172,954	\$ 1,125,532	\$ 1,131,684
Corporate payments	516,173	415,856	261,822
Tolls ¹	357,209	332,689	320,880
Lodging	212,597	175,505	126,657
Gift	180,236	186,646	194,099
Other ¹	209,679	197,264	214,396
Consolidated revenues, net	<u>\$ 2,648,848</u>	<u>\$ 2,433,492</u>	<u>\$ 2,249,538</u>

¹ Reflects certain reclassifications of revenue in 2018 and 2017 between product categories for comparability, as the Company realigned its Brazil business into product lines, resulting in refinement of revenue classified as fuel versus tolls and the eCash/OnRoad product being fuel versus other, as a complimentary fuel product.

The table below presents the Company's revenues, net by geography as of and for the years ended December 31 (in thousands).

	2019	2018	2017
Revenues, net by location:			
United States (country of domicile)	\$ 1,595,266	\$ 1,481,785	\$ 1,400,801
Brazil	427,918	400,111	394,550
United Kingdom	275,218	257,651	236,550
Other	350,446	293,945	217,637
Consolidated Revenues, net	<u>\$ 2,648,848</u>	<u>\$ 2,433,492</u>	<u>\$ 2,249,538</u>

Contract Liabilities

Deferred revenue contract liabilities for customers subject to ASC 606 were \$71.8 million and \$30.6 million as of December 31, 2019 and 2018, respectively. The Company expects to recognize substantially all of these amounts in revenues within approximately 12 months. Revenue recognized for the year ended December 31, 2019, that was included in the deferred revenue contract liability as of January 1, 2019, was approximately \$27.5 million.

Costs to Obtain or Fulfill a Contract

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

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

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

In order to determine the appropriate amortization period for contract costs, the Company considered a combination of factors, including customer attrition rates, estimated terms of customer relationships, the useful lives of technology used by the Company to provide products and services to its customers, whether further contract renewals are expected and if there is any incremental commission to be paid on a contract renewal. Contract acquisition and fulfillment costs are amortized using the straight-line method over the expected period of benefit (ranging from five to ten years). Costs to obtain a contract with an expected period of benefit of one year or less are recognized as an expense when incurred. The amortization of contract acquisition costs associated with sales commissions that qualify for capitalization will be recorded as selling expense in the Company's Consolidated Statements of Income. The amortization of contract acquisition costs associated with cash payments

for client incentives is included as a reduction of revenues in the Company's Consolidated Statements of Income. Amortization of capitalized contract costs recorded in selling expense was \$14.3 million and \$12.0 million for the years ended December 31, 2019 and 2018, respectively.

Costs to obtain or fulfill a contract are classified as contract cost assets within "prepaid expenses and other current assets" and "other assets" in the Company's Consolidated Balance Sheets. The Company had capitalized costs to obtain a contract of \$14.8 million and \$12.7 million within prepaid expenses and \$39.7 million and \$34.5 million within "other assets" in the Company's Consolidated Balance Sheets, for the years ended December 31, 2019 and 2018, respectively.

The Company has recorded \$76.4 million, \$83.9 million and \$96.9 million of expenses related to sales of equipment within the processing expenses line of the Consolidated Statements of Income for the years ended December 31, 2019, 2018 and 2017, respectively.

Practical Expedients

ASC 606 requires disclosure of the aggregate amount of the transaction price allocated to unsatisfied performance obligations; however, as allowed by ASC 606, the Company elected to exclude this disclosure for any contracts with an original duration of one year or less and any variable consideration that meets specified criteria. As described above, the Company's most significant performance obligations consist of variable consideration under a stand-ready series of distinct days of service. Such variable consideration meets the specified criteria for the disclosure exclusion; therefore, the majority of the aggregate amount of transaction price that is allocated to performance obligations that have not yet been satisfied is variable consideration that is not required for this disclosure. The aggregate fixed consideration portion of customer contracts with an initial contract duration greater than one year is not material.

The Company elected to exclude all sales taxes and other similar taxes from the transaction price. Accordingly, the Company presents all collections from customers for these taxes on a net basis, rather than having to assess whether the Company is acting as an agent or a principal in each taxing jurisdiction.

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

As a practical expedient, the Company is not required to adjust the promised amount of consideration for the effects of a significant financing component if the Company expects, at contract inception, that the period between when the Company transfers a promised service or product to a customer and when the customer pays for the service or product will be one year or less. As of December 31, 2019, the Company's contracts with customers did not contain a significant financing component.

4. Fair Value Measurements

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

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

- Level 1: Observable inputs such as quoted prices for identical assets or liabilities in active markets.
- Level 2: Observable inputs other than quoted prices that are directly or indirectly observable for the asset or liability, including quoted prices for similar assets or liabilities in active markets; quoted prices for similar or identical assets or liabilities in markets that are not active; and model-derived valuations whose inputs are observable or whose significant value drivers are observable.
- Level 3: Unobservable inputs for which there is little or no market data, which require the reporting entity to develop its own assumptions. The fair value hierarchy also requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

The following table presents the Company's financial assets and liabilities which are measured at fair values on a recurring basis as of December 31, 2019 and 2018, (in thousands):

	Fair Value	Level 1	Level 2	Level 3
December 31, 2019				
Assets:				
Repurchase agreements	\$ 833,658	\$ —	\$ 833,658	\$ —
Money market	54,978	—	54,978	—
Certificates of deposit	27,022	—	27,022	—
Trading Securities	22,955	22,955	—	—
Foreign exchange contracts	72,076	—	72,076	—
Total assets	<u>\$ 1,010,689</u>	<u>\$ 22,955</u>	<u>\$ 987,734</u>	<u>\$ —</u>
Cash collateral for foreign exchange contracts	<u>\$ 6,086</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
Liabilities:				
Interest Rate Swaps	\$ 56,418	\$ —	\$ 56,418	\$ —
Foreign exchange contracts	60,909	—	60,909	\$ —
Total liabilities	<u>\$ 117,327</u>	<u>\$ —</u>	<u>\$ 117,327</u>	<u>\$ —</u>
Cash collateral obligation for foreign exchange contracts	<u>\$ 25,618</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
December 31, 2018				
Assets:				
Repurchase agreements	\$ 581,293	\$ —	\$ 581,293	\$ —
Money market	50,644	—	50,644	—
Certificates of deposit	22,412	—	22,412	—
Foreign exchange contracts	68,814	21	68,793	—
Total assets	<u>\$ 723,163</u>	<u>\$ 21</u>	<u>\$ 723,142</u>	<u>\$ —</u>
Cash collateral for foreign exchange contracts	<u>\$ 9,644</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
Liabilities:				
Foreign exchange contracts	\$ 72,125	\$ —	\$ 72,125	\$ —
Total liabilities	<u>\$ 72,125</u>	<u>\$ —</u>	<u>\$ 72,125</u>	<u>\$ —</u>
Cash collateral obligation for foreign exchange contracts	<u>\$ 73,140</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>

The Company utilizes Level 1 fair value for financial assets designated as trading securities for which there are quoted market prices. Net unrealized gains on equity securities held during the period ended December 31, 2019 totaled \$13.0 million. No securities were sold during the period.

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

The fair value represents the net settlement if the contracts were terminated as of the reporting date. Cash collateral received for foreign exchange derivatives is recorded within customer deposits in our Consolidated Balance Sheet at December 31, 2019. Cash collateral deposited for foreign exchange derivatives is recorded within restricted cash in our Consolidated Balance Sheet at December 31, 2019.

The level within the fair value hierarchy and the measurement technique are reviewed quarterly. Transfers between levels are deemed to have occurred at the end of the quarter. There were no transfers between fair value levels during the periods presented for 2019 and 2018.

The Company's assets that are measured at fair value on a nonrecurring basis and are evaluated with periodic testing for impairment include property, plant and equipment, investments, goodwill and other intangible assets. Estimates of the fair value of assets acquired and liabilities assumed in business combinations are generally developed using key inputs such as management's projections of cash flows on a held-and-used basis (if applicable), discounted as appropriate, management's projections of cash flows upon disposition and discount rates. Accordingly, these fair value measurements are in Level 3 of the fair value hierarchy.

For derivatives accounted for as hedging instruments, the Company formally designates and documents, at inception, the financial instrument as a hedge of a specific underlying exposure, the risk management objective and the strategy for undertaking the hedge transaction. The Company formally assesses, both at the inception and at least quarterly thereafter, whether the financial instruments used in hedging transactions are effective at offsetting changes in cash flows of the related underlying exposures. Any ineffective portion of a financial instrument's change in fair value is immediately recognized into earnings. The Company determines the fair values of its derivatives based on quoted market prices or pricing models using current market rates.

The amounts exchanged are calculated by reference to the notional amounts and by other terms of the derivatives, such as interest rates, foreign currency exchange rates, commodity rates or other financial indices. The Company's derivatives are over-the-counter instruments with liquid markets.

The Company regularly evaluates the carrying value of its investments and during the first quarter of 2019, determined that the fair value of its telematics investment was below cost and recorded an impairment of the investment of \$15.7 million based on observable price changes. Since initial date of the telematics investments, the Company has recorded cumulative impairment losses of \$136.3 million. The Company sold its remaining investment in the second quarter of 2019. Refer to footnote 16. The carrying amount of investments without readily determinable fair values is \$7.4 million at December 31, 2019.

In 2018, the fair value of the Company's investment in Qui was impaired as a result of a decline in operating results and difficulty in obtaining financing. The Company concluded that this decline in fair value was below cost and recorded a \$7.1 million impairment loss in investment loss related to the Qui investment.

The fair value of the Company's cash, accounts receivable, securitized accounts receivable and related facility, prepaid expenses and other current assets, accounts payable, accrued expenses, customer deposits and short-term borrowings approximate their respective carrying values due to the short-term maturities of the instruments. The carrying value of the Company's debt obligations approximates fair value as the interest rates on the debt are variable market based interest rates that reset on a quarterly basis. These are each Level 2 fair value measurements, except for cash, which is a Level 1 fair value measurement.

5. Stockholders' Equity

The Company's Board of Directors has approved a stock repurchase program (as updated from time to time, the "Program") authorizing the Company to repurchase its common stock from time to time until February 1, 2023. On October 22, 2019, our Board increased the aggregate size of the Program by \$1 billion, to \$3.1 billion. Since the beginning of the Program, 11,119,657 shares have been repurchased for an aggregate purchase price of \$2.2 billion, leaving the Company up to \$857 million available under the Program for future repurchases in shares of its common stock, taking into account the full \$500 million committed with the 2019 ASR Agreement (defined below), which completed on February 20, 2020. There were 2,094,115 common shares totaling \$603.8 million in 2019; 4,911,438 common shares totaling \$958.7 million in 2018, and 2,854,959 common shares totaling \$402.4 million in 2017; repurchased under the Program.

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

On December 14, 2018, as part of the Program, the Company entered an accelerated share repurchase ("ASR") agreement ("2018 ASR Agreement") with a third-party financial institution to repurchase \$220 million of its common stock. Pursuant to the 2018 ASR Agreement, the Company delivered \$220 million in cash and received 1,057,035 shares based on a stock price of \$176.91 on December 14, 2018. The 2018 ASR Agreement was completed on January 29, 2019, at which time the Company received 117,751 additional shares based on a final weighted average per share purchase price during the repurchase period of \$187.27.

On December 18, 2019, the Company entered into another ASR Agreement ("2019 ASR Agreement") with a third-party financial institution to repurchase \$500 million of its common stock. Pursuant to the 2019 ASR Agreement, the Company delivered \$500 million in cash and received 1,431,989 shares based on a stock price of \$285.70 on December 18, 2019. The 2019 ASR Agreement was completed February 20, 2020, at which time we received 175,340 additional shares based on a final weighted average per share purchase price during the repurchase period of \$306.81.

The Company accounted for the 2018 ASR Agreement and the 2019 ASR Agreement as two separate transactions: (i) as shares of reacquired common stock for the shares delivered to the Company upon effectiveness of each ASR agreement and (ii) as a forward contract indexed to the Company's common stock for the undelivered shares. The initial delivery of shares was included in treasury stock at cost and results in an immediate reduction of the outstanding shares used to calculate the weighted average common shares outstanding for basic and diluted earnings per share. The forward contracts indexed to the Company's own common stock met the criteria for equity classification, and these amounts were initially recorded in additional paid-in capital.

6. Stock Based Compensation

The Company accounts for stock-based compensation pursuant to relevant authoritative guidance, which requires measurement of compensation cost for all stock awards at fair value on the date of grant and recognition of compensation, net of estimated forfeitures, over the requisite service period for awards expected to vest. 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 30,463,150 shares for the years ended December 31, 2019 and 2018, respectively, and 26,963,150 shares for the year ended December 31, 2017.

On February 7, 2018, the stockholders of the Company approved the FLEETCOR Technologies, Inc. Amended and Restated 2010 Equity Incentive Plan (the "Amended Plan"). The Amended Plan was authorized and approved by the Company's Board of Directors on December 20, 2017, and Company's stockholders at a special meeting held on February 7, 2018. The Amended Plan amends the Registrant's existing 2010 Equity Incentive Plan (as amended, the "Prior Plan") to, among other things, increase the number of shares of common stock available for issuance from 13.25 million to 16.75 million and make certain other amendments to the Prior Plan. Giving effect to this increase, there were 3.1 million additional shares remaining available for grant under the Plans at December 31, 2019.

The table below summarizes the expense recognized within general and administrative expenses in the Consolidated Statements of Income related to share-based payments recognized for the years ended December 31 (in thousands):

	2019	2018	2017
Stock options	\$ 32,736	\$ 43,443	\$ 56,400
Restricted stock	28,217	26,496	36,897
Stock-based compensation	\$ 60,953	\$ 69,939	\$ 93,297

The tax benefits recorded on stock based compensation expense and upon the exercises of options were \$61.6 million, \$37.3 million and \$48.6 million for the years ended December 31, 2019, 2018 and 2017, respectively.

The following table summarizes the Company's total unrecognized compensation cost related to stock-based compensation as of December 31, 2019 (cost in thousands):

	Unrecognized Compensation Cost	Weighted Average Period of Expense Recognition (in Years)
Stock options	\$ 37,349	1.15
Restricted stock	36,936	1.44
Total	\$ 74,285	

Stock Options

The following summarizes the changes in the number of shares of common stock under option for the following periods (shares and aggregate intrinsic value in thousands):

	Shares	Weighted Average Exercise Price	Options Exercisable at End of Year	Weighted Average Exercise Price of Exercisable Options	Weighted Average Fair Value of Options Granted During the Year	Aggregate Intrinsic Value
Outstanding at December 31, 2016	6,146	\$ 91.20	3,429	\$ 55.00		\$ 309,238
Granted	2,885	145.35			\$ 32.57	
Exercised	(633)	71.43				76,546
Forfeited	(367)	144.51				
Outstanding at December 31, 2017	8,031	109.78	4,029	75.80		663,815
Granted	412	204.59			\$ 50.07	
Exercised	(708)	73.26				79,588
Forfeited	(119)	155.41				
Outstanding at December 31, 2018	7,616	117.58	5,174	98.39		518,954
Granted	431	244.35			\$ 57.99	
Exercised	(1,482)	115.53				255,242
Forfeited	(302)	167.35				
Outstanding at December 31, 2019	6,263	\$ 124.38	5,137	\$ 109.03		\$ 1,022,860
Expected to vest at December 31, 2019	1,126	\$ 194.44				

The following table summarizes information about stock options outstanding at December 31, 2019 (shares in thousands):

Exercise Price	Options Outstanding	Weighted Average Remaining Vesting Life in Years	Options Exercisable
\$10.00 – \$114.90	2,242	0.00	2,242
121.76 – 150.74	2,834	0.21	2,516
151.16 – 165.96	352	0.61	227
172.68 – 199.75	342	1.29	124
202.02 – 209.05	69	2.28	7
216.18 – 231.70	144	2.82	21
252.50 – 288.37	280	2.88	—
	6,263		5,137

The aggregate intrinsic value of stock options exercisable at December 31, 2019 was \$917.9 million. The weighted average remaining contractual term of options exercisable at December 31, 2019 was 4.9 years.

The fair value of stock option awards granted was estimated using the Black-Scholes option pricing model with the following weighted-average assumptions for grants or modifications during the years ended December 31 as follows:

	2019	2018	2017
Risk-free interest rate	2.40%	2.57%	1.65%
Dividend yield	—	—	—
Expected volatility	26.40%	26.92%	28.00%
Expected life (in years)	3.7	3.8	3.4

The weighted-average remaining contractual life for options outstanding was 5.4 years at December 31, 2019.

Restricted Stock

The fair value of restricted stock units granted with market based vesting conditions was estimated using the Monte Carlo simulation valuation model with the following assumptions during 2019. There were no restricted stock shares granted with market based vesting conditions in 2018 and 2017.

	2019
Risk-free interest rate	1.48%
Dividend yield	—
Expected volatility	25.40%
Expected life (in years)	2.36

The following table summarizes the changes in the number of shares of restricted stock and restricted stock units for the following periods (shares in thousands):

	Shares	Weighted Average Grant Date Fair Value
Outstanding at December 31, 2016	379	\$ 140.39
Granted	238	141.99
Cancelled	(48)	152.95
Issued	(204)	136.85
Outstanding at December 31, 2017	365	155.58
Granted	107	200.71
Cancelled	(47)	339.34
Issued	(251)	154.85
Outstanding at December 31, 2018	174	190.73
Granted	232	212.79
Cancelled	(49)	225.96
Issued	(114)	206.05
Outstanding at December 31, 2019	243	\$ 246.34

7. Acquisitions

2019 Acquisitions

During 2019, the Company completed acquisitions with an aggregate purchase price of \$416 million.

NvoicePay

On April 1, 2019, the Company completed the acquisition of NvoicePay, a provider of full accounts payable automation for business. The aggregate purchase price of this acquisition was approximately \$208 million, net of cash acquired of \$4.1 million. The purpose of this acquisition is to further expand the Company's corporate payments product. The Company financed the acquisition using a combination of available cash and borrowings under its existing credit facility. The results from NvoicePay are reported in the North America segment. The Company signed noncompete agreements with certain parties with an estimated fair value of \$10.7 million that were accounted for separately from the business acquisition. Acquisition accounting for NvoicePay is preliminary as the Company is still completing the valuation for goodwill, intangible assets, income taxes, noncompete agreements, and evaluation of acquired contingencies.

The following table summarizes the preliminary acquisition accounting for NvoicePay (in thousands):

Trade and other receivables	\$	1,513
Prepaid expenses and other current assets		396
Property, plant and equipment		1,030
Other long term assets		5,612
Goodwill		168,990
Intangibles		44,750
Liabilities		(4,415)
Other noncurrent liabilities		(6,130)
Deferred tax liabilities		(4,178)
Aggregate purchase price	\$	<u>207,568</u>

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

	Useful Lives (in Years)	Value
Trade Name and Trademarks	Indefinite	\$ 8,700
Proprietary Technology	6	15,600
Referral Partners	10	810
Supplier Network	10	2,640
Customer Relationships	20	17,000
		<u>\$ 44,750</u>

Other

During 2019, the Company acquired SOLE Financial, a payroll card provider in the U.S.; r2c, a fleet maintenance, compliance and workshop management software provider in the U.K.; and Travelliance, an airline lodging provider in the U.S. The aggregate purchase price of these acquisitions was approximately \$209 million, net of cash. The Company signed noncompete agreements with certain parties with an estimated fair value of \$8.1 million that were accounted for separately from the business acquisitions.

The following table summarizes the preliminary acquisition accounting for these acquisitions (in thousands):

Trade and other receivables	\$	91,912
Prepaid expenses and other current assets		2,059
Property, plant and equipment		2,879
Other long term assets		4,593
Goodwill		119,408
Intangibles		82,925
Liabilities		(78,579)
Other noncurrent liabilities		(4,657)
Deferred tax liabilities		(11,647)
Aggregate purchase price	\$	<u>208,893</u>

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

	Useful Lives (in Years)	Value
Trade Names and Trademarks	2 - Indefinite	\$ 10,140
Technology	5 - 10	14,032
Lodging Network	10	300
Referral Partners	20	2,000
Customer Relationships	Varies	56,453
		<u>\$ 82,925</u>

The accounting for these acquisitions is preliminary as the Company is still completing the valuation of certain goodwill, intangible assets, income taxes and evaluation of acquired contingencies.

2018 Acquisitions

During 2018, the Company completed an acquisition with an aggregate purchase price of \$21.2 million, net of cash acquired of \$11.0 million and made deferred payments of \$3.8 million related to acquisitions occurring in prior years. During 2018, the Company made investments in other businesses of \$17.0 million and payments on a seller note of \$1.6 million.

The Company financed the acquisitions using a combination of existing cash and borrowings under its existing credit facility.

8. Goodwill and Other Intangible Assets

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

Segment	December 31, 2018	Acquisitions	Acquisition Accounting Adjustments	Foreign Currency	December 31, 2019
North America	\$ 3,087,875	\$ 268,866	\$ 2,914	\$ 9,518	\$ 3,369,173
International	1,454,199	19,531	—	(9,856)	1,463,874
	<u>\$ 4,542,074</u>	<u>\$ 288,397</u>	<u>\$ 2,914</u>	<u>\$ (338)</u>	<u>\$ 4,833,047</u>

	December 31, 2017	Acquisitions	Acquisition Accounting Adjustments	Foreign Currency	December 31, 2018
Segment					
North America	\$ 3,084,123	\$ 16,184	\$ 4,036	\$ (16,468)	\$ 3,087,875
International	1,631,700	—	20	(177,521)	1,454,199
	<u>\$ 4,715,823</u>	<u>\$ 16,184</u>	<u>\$ 4,056</u>	<u>\$ (193,989)</u>	<u>\$ 4,542,074</u>

At December 31, 2019 and 2018, approximately \$861.4 million and \$882.3 million of the Company's goodwill is deductible for tax purposes, respectively. Acquisition accounting adjustments recorded in 2019 and 2018 are a result of the Company completing its acquisition accounting and working capital adjustments for certain prior year acquisitions.

Other intangible assets consisted of the following at December 31 (in thousands):

	Weighted-Avg Useful Life (Years)	2019			2018		
		Gross Carrying Amounts	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amounts	Accumulated Amortization	Net Carrying Amount
Customer and vendor agreements	17.0	\$ 2,698,327	\$ (943,537)	\$ 1,754,790	\$ 2,625,270	\$ (776,383)	\$ 1,848,887
Trade names and trademarks—indefinite lived	N/A	496,306	—	496,306	479,555	—	479,555
Trade names and trademarks—other	13.4	5,384	(2,877)	2,507	2,957	(2,501)	456
Software	6.0	242,783	(180,839)	61,944	212,733	(152,416)	60,317
Non-compete agreements	4.1	65,560	(39,225)	26,335	47,009	(28,314)	18,695
Total other intangibles		<u>\$ 3,508,360</u>	<u>\$ (1,166,478)</u>	<u>\$ 2,341,882</u>	<u>\$ 3,367,524</u>	<u>\$ (959,614)</u>	<u>\$ 2,407,910</u>

Changes in foreign exchange rates resulted in \$2.0 million and \$117 million decreases to the carrying values of other intangible assets in the years ended December 31, 2019 and 2018, respectively. Amortization expense related to intangible assets for the years ended December 31, 2019, 2018 and 2017 was \$206.9 million, \$216.3 million and \$211.8 million, respectively.

The future estimated amortization of intangibles at December 31, 2019 is as follows (in thousands):

2020	\$ 192,314
2021	183,440
2022	170,757
2023	163,926
2024	157,125
Thereafter	978,014

9. Property, Plant and Equipment

Property, plant and equipment, net consisted of the following at December 31 (in thousands):

	Estimated Useful Lives (in Years)	2019	2018
Computer hardware and software	3 to 5	\$ 341,282	\$ 291,404
Card-reading equipment	4 to 6	24,077	20,117
Furniture, fixtures, and vehicles	2 to 10	19,319	18,308
Buildings and improvements	5 to 50	29,127	21,854
Property, plant and equipment, gross		413,805	351,683
Less: accumulated depreciation		(213,980)	(165,482)
Property, plant and equipment, net		\$ 199,825	\$ 186,201

Depreciation expense related to property and equipment for the years ended December 31, 2019, 2018, and 2017 was \$62.8 million, \$52.9 million and \$46.6 million, respectively. Amortization expense includes \$37.2 million, \$24.2 million and \$21.8 million for capitalized computer software costs for the years ended December 31, 2019, 2018 and 2017, respectively. At December 31, 2019 and 2018, the Company had unamortized computer software costs of \$118.8 million and \$86.5 million, respectively.

The Company recorded write-offs of property, plant and equipment of \$1.8 million and \$8.7 million, within other operating expense, net within its Consolidated Statements of Income for the years ended 2019 and 2018. The Company did not record any write-offs of property, plant and equipment in 2017.

10. Accrued Expenses

Accrued expenses consisted of the following at December 31 (in thousands):

	2019	2018
Accrued bonuses	\$ 23,595	\$ 20,553
Accrued payroll and severance	23,718	15,932
Accrued taxes	70,350	85,346
Accrued commissions/rebates	77,430	60,593
Other	80,418	79,170
	\$ 275,511	\$ 261,594

11. Debt

The Company's debt instruments at December 31 consist primarily of term notes, revolving lines of credit and a Securitization Facility as follows (in thousands):

	2019	2018
Term Loan A note payable (a), net of discounts	\$ 3,080,789	\$ 2,515,519
Term Loan B note payable (a), net of discounts	340,481	344,180
Revolving line of credit A Facility(a)	325,000	655,000
Revolving line of credit B Facility(a)	225,477	345,446
Revolving line of credit C Facility(a)	—	35,000
Revolving line of credit B Facility —foreign swing line(a)	52,038	—
Other debt(c)	42,027	37,902
Total notes payable and other obligations	4,065,812	3,933,047
Securitization Facility(b)	970,973	886,000
Total notes payable, credit agreements and Securitization Facility	\$ 5,036,785	\$ 4,819,047
Current portion	\$ 1,746,838	\$ 2,070,616
Long-term portion	3,289,947	2,748,431
Total notes payable, credit agreements and Securitization Facility	\$ 5,036,785	\$ 4,819,047

(a) The Company has a Credit Agreement, which has been amended multiple times and provides for senior secured credit facilities (collectively, the "Credit Facility") consisting of a revolving credit facility in the amount of \$1.285 billion, a

term loan A facility in the amount of \$3.225 billion and a term loan B facility in the amount of \$350 million as of December 31, 2019. The revolving credit facility consists of (a) a revolving A credit facility in the amount of \$800 million with sublimits for letters of credit and swing line loans, (b) a revolving B facility in the amount of \$450 million with borrowings in U.S. Dollars, Euros, British Pounds, Japanese Yen or other currently as agreed in advance and a sublimit for foreign swing line loans and, (c) a revolving C facility in the amount of \$35 million with borrowings in U.S. Dollars, Australian Dollars or New Zealand Dollars. The Credit Agreement also includes an accordion feature for borrowing an additional \$750 million in term loan A, term loan B, revolver A or revolver B debt and an unlimited amount when the leverage ratio on a pro-forma basis is less than 3.00 to 1.00. Proceeds from the credit facilities may be used for working capital purposes, acquisitions, and other general corporate purposes. On August 2, 2019, the Company entered into the sixth amendment to the Credit Agreement, which included an incremental term loan A in the amount of \$700 million and changes to the consolidated leverage ratio definition and negative covenant related to indebtedness. The maturity date for the term loan A and revolving credit facilities is December 19, 2023. On November 14, 2019, the Company entered into the seventh amendment to the Credit Agreement, to lower the margin for term loan B from 2.00% to 1.75%. The maturity date for the term B loan is August 2, 2024.

Interest on amounts outstanding under the Credit Agreement (other than the term loan B) accrues based on the British Bankers Association LIBOR Rate (the Eurocurrency Rate), plus a margin based on a leverage ratio, or our option, the Base Rate (defined as the rate equal to the highest of (a) the Federal Funds Rate plus 0.50%, (b) the prime rate announced by Bank of America, N.A., or (c) the Eurocurrency Rate plus 1.00%) plus a margin based on a leverage ratio. Interest on the term B loan facility accrues based on the Eurocurrency Rate plus 1.75% for Eurocurrency Loans and at the Base Rate plus 0.75% for Base Rate Loans. In addition, the Company pays a quarterly commitment fee at a rate per annum ranging from 0.25% to 0.35% of the daily unused portion of the credit facility.

At December 31, 2019, the interest rate on the term A loan was 3.05% and the interest rate on borrowings under revolving A facility was 3.03%, the interest rate on the revolving B facility GBP Borrowings was 1.96%, the interest rate on the term loan B was 3.55% and the interest rate on the foreign swing line was 1.93%. The unused credit facility fee was 0.25% for all revolving facilities at December 31, 2019.

The term loans are payable in quarterly installments due on the last business day of each March, June, September, and December with the final principal payment due on the respective maturity date. Borrowings on the revolving line of credit are repayable at the 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 twenty business days after such loan is made.

The Company has unamortized debt issuance costs of \$6.7 million related to the revolving credit facility at December 31, 2019. The Company has unamortized debt discounts of \$7.4 million related to the term A facility and \$0.5 million related to the term B facility and deferred financing costs of \$1.8 million related to the term A facility and \$1.2 million related to the term B facility at December 31, 2019. The effective interest rate incurred on term loans was 4.00% during 2019 related to the discount on debt. Principal payments of \$138.5 million were made on the term loans during 2019.

- (b) The Company is party to a \$1.2 billion receivables purchase agreement (Securitization Facility) that was amended on February 8, 2019 and April 22, 2019. There is a program fee equal to one month LIBOR plus 0.90% or the Commercial Paper Rate plus 0.80% as of December 31, 2019 and 2018. The program fee was 1.80% plus 0.88% as of December 31, 2019 and 2.52% plus 0.89% as of December 31, 2018. The unused facility fee is payable at a rate of 0.40% as of December 31, 2019 and 2018. The Company has unamortized debt issuance costs of \$0.7 million related to the Securitization Facility as of December 31, 2019 recorded within other assets in the consolidated balance sheet.

The Securitization Facility provides for certain termination events, which includes nonpayment, upon the occurrence of which the administrator may declare the facility termination date to have occurred, may exercise certain enforcement rights with respect to the receivables, and may appoint a successor servicer, among other things.

- (c) Other includes the long-term portion of deferred payments associated with business acquisitions, deferred revenue, and deferred rent for the prior period presented.

The Company was in compliance with all financial and non-financial covenants at December 31, 2019.

The contractual maturities of the Company's notes payable and other obligations at December 31, 2019 are as follows (in thousands):

2020	\$	775,865
2021		192,577
2022		162,156
2023		2,607,293
2024		327,921
Thereafter		—

12. Accumulated Other Comprehensive Loss (AOCI)

The changes in the components of AOCI for the years ended December 31, 2019, 2018 and 2017 are as follows (in thousands):

	<u>Cumulative Foreign Currency Translation</u>	<u>Unrealized (Losses) Gains on Derivative Instruments</u>	<u>Total Accumulated Other Comprehensive (Loss) Income</u>
Balance at December 31, 2016	\$ (666,403)	\$ —	\$ (666,403)
Other comprehensive income before reclassifications	83,165	—	83,165
Amounts reclassified from AOCI	31,381		31,381
Tax effect	—	—	—
Other comprehensive income	114,546	—	114,546
Balance at December 31, 2017	(551,857)	—	(551,857)
Other comprehensive loss before reclassifications	(362,001)	—	(362,001)
Amounts reclassified from AOCI	—	—	—
Tax effect	—	—	—
Other comprehensive loss	(362,001)	—	(362,001)
Balance at December 31, 2018	(913,858)	—	(913,858)
Other comprehensive loss before reclassifications	(15,855)	(68,928)	(84,783)
Amounts reclassified from AOCI	—	5,828	5,828
Tax effect	—	20,348	20,348
Other comprehensive loss	(15,855)	(42,752)	(58,607)
Balance at December 31, 2019	\$ (929,713)	\$ (42,752)	\$ (972,465)

13. Income Taxes

Income before the provision for income taxes is attributable to the following jurisdictions for years ended December 31 (in thousands):

	<u>2019</u>	<u>2018</u>	<u>2017</u>
United States	\$ 505,818	\$ 622,214	\$ 524,669
Foreign	572,001	472,911	368,921
Total	\$ 1,077,819	\$ 1,095,125	\$ 893,590

The provision for income taxes for the years ended December 31 consists of the following (in thousands):

	2019	2018	2017
Current:			
Federal	\$ 50,145	\$ 165,303	\$ 303,514
State	10,285	26,036	19,234
Foreign	84,433	95,053	78,354
Total current	144,863	286,392	401,102
Deferred:			
Federal	(10,479)	(19,688)	(255,188)
State	3,745	8,727	276
Foreign	44,617	8,211	7,200
Total deferred	37,883	(2,750)	(247,712)
Total provision	\$ 182,746	\$ 283,642	\$ 153,390

The provision for income taxes differs from amounts computed by applying the U.S. federal tax rate of 21% for 2019 and 2018 and 35% 2017, respectively, to income before income taxes for the years ended December 31, 2019, 2018 and 2017 due to the following (in thousands):

	2019		2018		2017	
Computed "expected" tax expense	\$ 226,342	21.0 %	\$ 229,976	21.0 %	\$ 312,756	35.0 %
Changes resulting from:						
Change in valuation allowance	(28,614)	(2.7)	25,193	2.8	18,289	2.0
Foreign income tax differential	(15,816)	(1.4)	9,921	0.9	(38,695)	(4.3)
State taxes net of federal benefits	12,482	1.2	20,480	1.9	12,884	1.4
Foreign-sourced nontaxable income	—		(28,861)	(2.6)	(8,836)	(1.0)
Foreign withholding tax	20,360	1.9	20,569	1.9	9,362	1.0
IRC Section 199 deduction	—	—	—	—	(8,844)	(1.0)
Excess tax benefits related to stock-based compensation	(38,156)	(3.5)	(19,255)	(1.8)	(18,058)	(2.0)
Revaluation of capital loss deferred tax asset	(24,279)	(2.3)	—	—	—	—
Impact of the Tax Act:						
One-time transition tax	—	—	—	—	195,779	21.9
Foreign tax credit- one-time transition tax	—	—	17,385	1.6	(113,955)	(12.8)
Deferred tax effects	—	—	7,128	0.1	(209,965)	(23.5)
Sub-part F Income/GILTI	49,859	4.6	40,200	3.7	3,741	0.4
Foreign tax credits	(38,657)	(3.6)	(52,095)	(4.8)	—	—
Other	19,225	1.8	13,001	1.2	(1,068)	0.1
Provision for income taxes	\$ 182,746	17.0 %	\$ 283,642	25.9 %	\$ 153,390	17.2 %

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and liabilities at December 31 are as follows (in thousands):

	2019	2018
Deferred tax assets:		
Accounts receivable, principally due to the allowance for doubtful accounts	\$ 9,586	\$ 8,518
Accrued expenses not currently deductible for tax	2,305	6,734
Lease deferral	24,713	—
Interest rate swap	13,781	—
Stock based compensation	39,779	40,081
Income tax credits	35,845	26,770
Net operating loss carry forwards	67,108	53,221
Investments	—	39,062
Accrued escheat	3,098	3,608
Other	3,522	4,240
Deferred tax assets before valuation allowance	199,737	182,234
Valuation allowance	(64,482)	(90,366)
Deferred tax assets, net	135,255	91,868
Deferred tax liabilities:		
Intangibles—including goodwill	(499,525)	(483,361)
Basis difference in investment in subsidiaries	(42,314)	(38,200)
Lease deferral	(21,810)	—
Mark to Market	(3,213)	—
Accrued Expense Liability	(4,023)	—
Prepaid expenses	(2,075)	—
Property and equipment, prepaid expenses and other	(79,620)	(59,101)
Deferred tax liabilities	(652,580)	(580,662)
Net deferred tax liabilities	\$ (517,325)	\$ (488,794)

The Company's deferred tax balances are classified in its balance sheets as of December 31 as follows (in thousands):

	2019	2018
Long term deferred tax assets and liabilities:		
Long term deferred tax assets	\$ 2,655	\$ 3,152
Long term deferred tax liabilities	(519,980)	(491,946)
Net deferred tax liabilities	\$ (517,325)	\$ (488,794)

The valuation allowance for deferred tax assets changed during 2019 as follows (in thousands):

Balance at December 31, 2016	\$ 76,395
Additions based on changes in deferred tax assets in 2017	5,332
Reduction in valuation allowance due to rate change from Tax Act	(22,378)
Balance at December 31, 2017 (after impact of tax reform)	59,349
Additions based on changes in deferred tax assets	25,193
Increase in valuation allowance due to rate change from Tax Act	5,824
Balance at December 31, 2018	90,366
Reductions based on changes in deferred tax assets	(28,601)
Additions based on changes in deferred tax assets	2,717
Balance at December 31, 2019	\$ 64,482

The valuation allowances relate to basis differences in cost method investments, capital loss carryforwards, income tax credits, foreign net operating loss carryforwards and state net operating loss carryforwards. The net change in the total valuation allowance for the year ended December 31, 2019, was a decrease of \$28.6 million. The valuation decrease from the prior year was primarily due to the sale of our investment in Masternaut, which will allow the Company to carryback the capital loss on its investment in Masternaut and offset it against a previously recorded capital gain from the sale of Nextraq in the third quarter of 2017. As the loss was not realizable in prior years based upon the available sources of taxable income in prior periods, a valuation allowance was recorded against the deferred tax asset. The valuation allowance was reversed during the three months ended June 30, 2019 resulting in a recognized tax benefit.

As of December 31, 2019, the Company had a net operating loss carryforward for state income tax purposes of approximately \$671.1 million that is available to offset future state taxable income through 2038. Additionally, the Company had \$68.1 million net operating loss carryforwards for foreign income tax purposes that are available to offset future foreign taxable income. The foreign net operating loss carryforwards will not expire in future years. The Company has provided a valuation allowance against \$474.1 million of the net operating losses as it does not anticipate utilizing the losses in the foreseeable future.

During 2019 and 2018, the Company had recorded accrued interest and penalties related to the unrecognized tax benefits of \$3.4 million and \$1.5 million, respectively.

A reconciliation of the beginning and ending balances of the total amounts of gross unrecognized tax benefits including interest and penalties for the years ended December 31, 2019, 2018 and 2017 is as follows (in thousands):

Unrecognized tax benefits at December 31, 2016	\$	26,155
Additions based on tax provisions related to the current year		4,143
Additions for tax positions due to acquisitions		9,208
Deductions based on settlement/expiration of prior year tax positions		(9,119)
Additions based on tax provisions related to the prior year		1,171
Unrecognized tax benefits at December 31, 2017		31,558
Additions based on tax provisions related to the current year		3,755
Additions based on tax provisions related to the prior year		3,000
Deductions based on settlement/expiration of prior year tax positions		(4,161)
Unrecognized tax benefits at December 31, 2018		34,152
Additions based on tax provisions related to the current year		4,284
Additions based on tax provisions related to the prior year		11,679
Deductions based on settlement/expiration of prior year tax positions		(7,342)
Unrecognized tax benefits at December 31, 2019	\$	42,773

As of December 31, 2019, the Company had total unrecognized tax benefits of \$42.8 million all of which, if recognized, would affect its effective tax rate. It is not anticipated that there are any unrecognized tax benefits that will significantly increase or decrease within the next twelve months.

The Company has immaterial outside basis differences in investments in foreign subsidiaries and has not recorded incremental income taxes for any additional outside basis differences, as these amounts continue to be indefinitely reinvested in foreign operations.

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 2014. The statute of limitations for the Company's U.K. income tax returns has expired for years prior to 2017. The statute of limitations has expired for years prior to 2016 for the Company's Czech Republic income tax returns, 2016 for the Company's Russian income tax returns, 2014 for the Company's Mexican income tax returns, 2014 for the Company's Brazilian income tax returns, 2014 for the Company's Luxembourg income tax returns, 2015 for the Company's New Zealand income tax returns, and 2017 for the Company's Australian income tax returns.

14. Leases

Effective January 1, 2019, the Company adopted Topic 842 using a modified retrospective method. Under this transition method, the Company has not restated comparative periods, and prior comparative periods will continue to be reported in conformity with ASC 840. On January 1, 2019, based on the present value of the lease payments for the remaining lease term of the Company's existing leases, the Company recognized right-of-use ("ROU") assets of \$55.9 million and lease liabilities for operating leases of \$65.5 million. At December 31, 2019, other assets include an ROU asset of \$84.3 million, other current liabilities include short-term operating lease liabilities of \$16.9 million, and other non-current liabilities include long term lease liabilities of \$81.7 million. Finance leases are immaterial.

The Company primarily leases office space, data centers, vehicles, and equipment. Some of our leases contain variable lease payments, typically payments based on an index. The Company's leases have remaining lease terms of one year to thirty years, some of which include options to extend from one to five years or more. The exercise of lease renewal options is typically at the Company's sole discretion; therefore, the majority of renewals to extend the lease terms are not reasonably certain to exercise and are not included in ROU assets and lease liabilities. Variable lease payments based on an index or rate are initially measured using the index or rate in effect at lease commencement, for the purposes of transition, the rate in effect at January 1, 2019. Additional payments based on the change in an index or rate are recorded as a period expense when incurred. Lease modifications result in remeasurement of the lease liability as of the modification date.

For contracts entered into on or after the effective date or at the inception of a contract, the Company assessed whether the contract is, or contains, a lease. The assessment is based on: (1) whether the contract involves the use of a distinct identified asset, (2) whether the Company obtains the right to substantially all the economic benefit from the use of the asset throughout the period, and (3) whether the Company has the right to direct the use of the asset. The Company elected the package of practical expedients to not reassess prior conclusions related to contracts containing leases, lease classification and initial direct costs for all leases. Therefore, leases entered into prior to January 1, 2019, are accounted for under the prior accounting standard and were not reassessed. The Company has also elected not to recognize ROU assets and lease liabilities for short-term leases that have a term of twelve months or less. The effect of short-term leases would not be material to the ROU assets and lease liabilities.

Under ASC 842, a Company discounts future lease obligations by the rate implicit in the contract, unless the rate cannot be readily determined. As most of our leases do not provide an implicit rate, the Company uses its incremental borrowing rate based on the information available at the lease commencement date in determining the present value of the lease payments. In determining the borrowing rate, the Company considered the applicable lease terms, the Company's cost of borrowing, and for leases denominated in a foreign currency, the collateralized borrowing rate that the Company would obtain to borrow in the same currency in which the lease is denominated.

Total lease costs for the year ended December 31, 2019 were \$20.5 million.

The supplementary cash and non-cash disclosures for the year ended December 31, 2019 are as follows (in thousands):

	December 31, 2019
Cash paid for operating lease liabilities	\$ 19,763
Right-of-use assets obtained in exchange for new operating lease obligations ¹	\$ 102,586
Weighted-average remaining lease term (years)	7.54
Weighted-average discount rate	4.64%

¹ Includes \$55.9 million for operating leases existing on January 1, 2019

Maturities of lease liabilities as of December 31, 2019 were as follows (in thousands):

2020	\$	19,785
2021		17,813
2022		14,438
2023		13,403
2024		12,824
Thereafter		38,992
Total lease payments		117,255
Less imputed interest		18,700
Present value of lease liabilities	\$	98,555

Disclosures related to periods prior to the adoption of the new lease standard

The Company enters into noncancelable operating lease agreements for equipment, buildings and vehicles. The minimum lease payments for the noncancelable operating lease agreements are as follows (in thousands):

2019	\$	19,678
2020		16,658
2021		14,826
2022		11,733
2023		11,017
Thereafter		24,374

Rent expense for noncancelable operating leases approximated \$22.4 million and \$18.4 million for the years ended December 31, 2018 and 2017, respectively.

15. Commitments and Contingencies

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

Shareholder Class Action and Derivative Lawsuits

On June 14, 2017, a shareholder filed a class action complaint in the United States District Court for the Northern District of Georgia against the Company and certain of its officers and directors on behalf of all persons who purchased or otherwise acquired the Company's stock between February 5, 2016 and May 2, 2017. On October 13, 2017, the shareholder filed an amended complaint asserting claims on behalf of a class of all persons who purchased or otherwise acquired the Company's common stock between February 4, 2016 and May 3, 2017. The complaint alleges that the defendants made false or misleading statements regarding fee charges and the reasons for its earnings and growth in certain press releases and other public statements in violation of the federal securities laws. On July 17, 2019, the court granted plaintiff's motion for class certification. The complaint seeks unspecified monetary damages, costs, and attorneys' fees. On October 3, 2019, the parties executed a term sheet to settle the case for a payment of \$50 million for the benefit of the class. The full settlement amount is covered by the Company's insurance policies. On December 12, 2019, the court granted the lead plaintiff's motion for preliminary approval of the settlement. The Company disputes the allegations in the complaint and the settlement is without any admission of the allegations in the complaint.

On July 10, 2017, a shareholder derivative complaint was filed against the Company and certain of the Company's directors and officers in the United States District Court for the Northern District of Georgia ("Federal Derivative Action") seeking recovery on behalf of the Company. The Federal Derivative Action alleges that the defendants issued a false and misleading

proxy statement in violation of the federal securities laws; that defendants breached their fiduciary duties by causing or permitting the Company to make allegedly false and misleading public statements concerning the Company's fee charges, and financial and business prospects; and that certain defendants breached their fiduciary duties through allegedly improper sales of stock. The complaint seeks unspecified monetary damages on behalf of the Company, corporate governance reforms, disgorgement of profits, benefits and compensation by the defendants, restitution, costs, and attorneys' and experts' fees. On September 20, 2018, the court entered an order deferring the Federal Derivative Action pending a ruling on motions for summary judgment in the shareholder class action, notice a settlement has been reached in the shareholder class action, or until otherwise agreed to by the parties. After preliminary approval of the proposed settlement of the shareholder class action was granted, the stay on the Federal Derivative Action was lifted. Plaintiffs amended their complaint on February 22, 2020 and FleetCor has an April 10, 2020 date by which to move to dismiss or otherwise respond to the amended complaint in the Federal Derivative Action. On January 9, 2019, a similar shareholder derivative complaint was filed in the Superior Court of Gwinnett County, Georgia ("State Derivative Action"), which was stayed pending a ruling on motions for summary judgment in the shareholder class action, notice a settlement has been reached in the shareholder class action, or until otherwise agreed by the parties. On the parties' joint motion, the court has continued the stay of the State Derivative Action "pending further developments in the first-filed Federal Derivative Action." The defendants dispute the allegations in the derivative complaints and intend to vigorously defend against the claims.

FTC Investigation

In October 2017, the Federal Trade Commission ("FTC") issued a Notice of Civil Investigative Demand to the Company for the production of documentation and a request for responses to written interrogatories. After discussions with the Company, the FTC proposed in October 2019 to resolve potential claims relating the Company's advertising and marketing practices, principally in its U.S. direct fuel card business within its North American Fuel Card business. The parties reached impasse primarily related to what the Company believes are unreasonable demands for redress made by the FTC.

On December 20, 2019, the FTC filed a lawsuit in the Northern District of Georgia against the Company and Ron Clarke. See *FTC v. FleetCor and Ronald F. Clarke*, No. 19-cv-05727 (N.D. Ga.). The complaint alleges the Company and Clarke violated the FTC Act's prohibitions on unfair and deceptive acts and practices. The complaint seeks among other things injunctive relief, consumer redress, and costs of suit. The Company continues to believe that the FTC's claims are without merit. The Company has incurred and continues to incur legal and other fees related to this complaint. Any settlement of this matter, or defense against the lawsuit, could involve costs to the Company, including legal fees, fines, penalties, and remediation expenses. At this time, in view of the complexity and ongoing nature of the matter, we are unable to estimate a reasonably possible loss or range of loss that we may incur to settle this matter or defend against the lawsuit brought by the FTC.

16. Dispositions

Telematics Businesses

As part of the Company's plans to exit the telematics business, the Company sold its investment in Masternaut to Michelin Group during the second quarter of 2019. The Company impaired its investments in Masternaut by an additional \$15.6 million during 2019, resulting in no gain or loss when the investment was sold. The Company has recorded cumulative impairment losses associated with its former investment in Masternaut of \$136.3 million.

On September 30, 2017, we entered into an amended Masternaut investment agreement that resulted in the loss of significant influence, and we began accounting for the Masternaut investment by applying the cost method. As a result of our loss of significant influence and the operating results of Masternaut, we determined that the carrying value of our investment exceeded its fair value, and concluded that this decline in value was other than temporary. We recorded a \$44.6 million impairment loss in the Masternaut investment that included an adjustment for \$31.4 million of currency translation losses previously recognized in accumulated other comprehensive income, in the accompanying Consolidated Statements of Income in 2017.

On July 27, 2017, the Company sold NexTraq, a U.S. fleet telematics business, to Michelin Group for \$316.5 million. The Company recorded a pre-tax gain on the disposal of NexTraq of \$175.0 million during the third quarter of 2017, which is net of transaction closing costs. The Company recorded tax on the gain of disposal of \$65.8 million. The gain on the disposal is included in other (income) expense, net in the accompanying Consolidated Statements of Income. NexTraq had historically been included in the Company's North America segment.

Chevron Portfolio

The Company completed the sale of the Chevron customer portfolio to WEX inc. resulting in a pre-tax gain of \$152.8 million during the fourth quarter of 2018. The gain on the disposal is included in other (income) expense in the Consolidated Statements of Income. The asset was previously reported within the Company's North America segment.

17. Derivative Financial Instruments

The Company uses derivatives to facilitate cross-currency corporate payments by writing derivatives to customers within its Cambridge business. The Company writes derivatives, primarily foreign currency forward contracts, option contracts, and swaps, mostly with small and medium size enterprises that are customers and derives a currency spread from this activity.

Derivative transactions associated with the Company's Cambridge business include:

- *Forward contracts*, which are commitments to buy or sell at a future date a currency at a contract price and will be settled in cash.
- *Option contracts*, which gives the purchaser, the right, but not the obligation to buy or sell within a specified time a currency at a contracted price that may be settled in cash.
- *Swap contracts*, which are commitments to settlement in cash at a future date or dates, usually on an overnight basis.

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

The aggregate equivalent U.S. dollar notional amount of foreign exchange derivative customer contracts held by the Company as of December 31, 2019 and 2018 (in millions) is presented in the table below. Notional amounts do not reflect the netting of offsetting trades, although these offsetting positions may result in minimal overall market risk. Aggregate derivative notional amounts can fluctuate from period to period in the normal course of business based on market conditions, levels of customer activity and other factors.

	Net Notional	
	2019	2018
Foreign exchange contracts:		
Swaps	\$ 599.5	\$ 929.5
Futures, forwards and spot	3,017.1	3,249.9
Written options	6,393.9	3,688.8
Purchased options	5,830.8	2,867.2
Total	\$ 15,841.3	\$ 10,735.4

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

The following table summarizes the fair value of derivatives reported in the Consolidated Balance Sheet as of December 31, 2019 and 2018 (in millions):

December 31, 2019	Fair Value, Gross		Fair Value, Net	
	Derivative Assets	Derivative Liabilities	Derivative Assets	Derivative Liabilities
Derivatives - undesignated:				
Foreign exchange contracts	\$ 114.9	\$ 103.8	\$ 72.1	\$ 60.9
Cash collateral	6.1	25.6	6.1	25.6
Total net derivative assets and liabilities	\$ 108.8	\$ 78.2	\$ 66.0	\$ 35.3

December 31, 2018	Fair Value, Gross		Fair Value, Net	
	Derivative Assets	Derivative Liabilities	Derivative Assets	Derivative Liabilities
Derivatives - undesignated:				
Foreign exchange contracts	109.5	112.9	68.8	72.1
Cash collateral	9.6	73.1	9.6	73.1
Total net derivative assets and liabilities	\$ 99.9	\$ 39.8	\$ 59.2	\$ (1.0)

The fair values of derivative assets and liabilities associated with contracts that include netting language that the Company believes to be enforceable have been netted to present the Company's net exposure with these counterparties. The Company recognizes all derivative assets, net in prepaid expense and other current assets and all derivative liabilities, net in other current liabilities, both net at the customer level as right of offset exists, in its Consolidated Balance Sheets at their fair value. The gain or loss on the fair value is recognized immediately within revenues, net in the Consolidated Statements of Income. The Company does not offset fair value amounts recognized for the right to reclaim cash collateral or the obligation to return cash collateral. At December 31, 2019, \$72.1 million derivative assets and \$60.9 million derivative liabilities were recorded in other current assets and other current liabilities, respectively, in the Consolidated Balance Sheet. At December 31, 2018, \$39.0 million derivative assets and \$26.9 million derivative liabilities were recorded in other current assets and other current liabilities, respectively, in the Consolidated Balance Sheet. The Company receives cash from customers as collateral for trade exposures, which is recorded within restricted cash and customer deposits in the Consolidated Balance Sheet. The customer has the right to recall their collateral in the event exposures move in their favor, they unwind all outstanding trades or they cease to do business with the Company.

Cash Flow Hedges

On January 22, 2019, the Company entered into three interest rate swap cash flow contracts (the "swap contracts"). The objective of these swap contracts is to reduce the variability of cash flows in the previously unhedged interest payments associated with \$2.0 billion of variable rate debt, the sole source of which is due to changes in the LIBOR benchmark interest rate. As of December 31, 2019, the Company had the following outstanding interest rate derivatives that qualify as hedging instruments and are designated as cash flow hedges of interest rate risk (in millions):

	Notional Amount as of December 31, 2019	Fixed Rates	Maturity Date
Interest Rate Derivative:			
Interest Rate Swap	\$ 1,000	2.56%	1/31/2022
Interest Rate Swap	500	2.56%	1/31/2023
Interest Rate Swap	500	2.55%	12/19/2023

For each of these swap contracts, the Company will pay a fixed monthly rate and receive one month LIBOR.

The table below presents the fair value of the Company's interest rate swap contracts, as well as their classification on the Consolidated Balance Sheets, as of December 31, 2019 (in millions). See footnote 4 for additional information on the fair value of the Company's swap contracts.

	December 31, 2019	
	Balance Sheet Location	Fair Value
Derivatives designated as cash flow hedges:		
Swap contracts	Other liabilities	\$ 56.4

The table below displays the effect of the Company's derivative financial instruments in the Consolidated Statement of Income and other comprehensive loss for the twelve months ended December 31, 2019 (in millions):

	2019
Interest Rate Swaps:	
Amount of loss recognized in other comprehensive income on derivatives, net of tax of \$20.3 million	\$ 42.8
Amount of loss reclassified from accumulated other comprehensive income into interest expense	5.8

The estimated net amount of the existing losses expected to be reclassified into earnings within the next 12 months is approximately \$19.5 million at December 31, 2019.

18. Earnings Per Share

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

The calculation and reconciliation of basic and diluted earnings per share for the years ended December 31 (in thousands, except per share data) follows:

	2019	2018	2017
Net income	\$ 895,073	\$ 811,483	\$ 740,200
Denominator for basic earnings per share	86,401	88,750	91,129
Dilutive securities	3,669	3,401	2,465
Denominator for diluted earnings per share	90,070	92,151	93,594
Basic earnings per share	\$ 10.36	\$ 9.14	\$ 8.12
Diluted earnings per share	9.94	8.81	7.91

Diluted earnings per share for the years ended December 31, 2019, 2018, and 2017 excludes the effect of 19 thousand, 0.4 million and 0.1 million shares, respectively, of common stock that may be issued upon the exercise of employee stock options because such effect would be antidilutive. Diluted earnings per share also excludes the effect of 0.1 million, 0.1 million and 0.3 million shares of performance based restricted stock for which the performance criteria have not yet been achieved for the years ended December 31, 2019, 2018 and 2017, respectively.

19. Segments

The Company reports information about its operating segments in accordance with the authoritative guidance related to segments. The Company's reportable segments represent components of the business for which separate financial information is evaluated regularly by the chief operating decision maker in determining how to allocate resources and in assessing performance. The Company operates in two reportable segments, North America and International. There were no inter-segment sales.

The Company's segment results are as follows as of and for the years ended December 31 (in thousands):

	2019	2018	2017 ¹
Revenues, net:			
North America	\$ 1,708,546	\$ 1,571,466	\$ 1,428,711
International	940,302	862,026	820,827
	<u>\$ 2,648,848</u>	<u>\$ 2,433,492</u>	<u>\$ 2,249,538</u>
Operating income:			
North America	\$ 755,867	\$ 673,867	\$ 541,598
International	475,563	416,831	342,162
	<u>\$ 1,231,430</u>	<u>\$ 1,090,698</u>	<u>\$ 883,760</u>
Depreciation and amortization:			
North America	\$ 160,246	\$ 154,405	\$ 139,418
International	113,964	120,204	125,142
	<u>\$ 274,210</u>	<u>\$ 274,609</u>	<u>\$ 264,560</u>
Capital expenditures:			
North America	\$ 44,238	\$ 36,514	\$ 40,747
International	30,932	44,873	29,346
	<u>\$ 75,170</u>	<u>\$ 81,387</u>	<u>\$ 70,093</u>
Long-lived assets (excluding goodwill and investments):²			
North America	\$ 1,860,708	\$ 1,799,149	\$ 1,888,599
International	905,775	942,594	1,131,610
	<u>\$ 2,766,483</u>	<u>\$ 2,741,743</u>	<u>\$ 3,020,209</u>

¹The Company applied the modified retrospective transition method when adopting ASC 606, therefore the Company's 2017 prior period results were not restated to reflect ASC 606.

²The Company applied the modified retrospective transition method when adopting ASC 842, therefore the Company's 2018 and 2017 prior period results were not restated to reflect ASC 842.

The table below presents the Company's long-lived assets (excluding goodwill and investments) at December 31 (in thousands).

	2019	2018
Long-lived assets (excluding goodwill):		
United States (country of domicile)	\$ 1,860,708	\$ 1,721,419
Brazil	487,464	541,891
United Kingdom	282,351	274,530

No single customer represented more than 10% of the Company's consolidated revenue in 2019, 2018 and 2017.

20. Selected Quarterly Financial Data (Unaudited)

Fiscal Quarters Year Ended December 31, 2019	First	Second	Third	Fourth
Revenues, net	\$ 621,825	\$ 647,094	\$ 681,048	\$ 698,881
Operating income	284,176	297,317	329,141	320,796
Net income	172,107	261,651	225,805	235,510
Basic earnings per share	\$ 2.00	\$ 3.03	\$ 2.61	\$ 2.72
Diluted earnings per share	1.93	2.90	2.49	2.60
Weighted average shares outstanding:				
Basic shares	85,941	86,360	86,662	86,600
Diluted shares	89,244	90,131	90,522	90,427

Fiscal Quarters Year Ended December 31, 2018*	First	Second	Third	Fourth
Revenues, net	\$ 585,500	\$ 584,985	\$ 619,586	\$ 643,422
Operating income	260,087	264,783	281,090	284,738
Net income	174,937	176,852	157,694	302,000
Earnings per share:				
Basic earnings per share	\$ 1.95	\$ 1.98	\$ 1.78	\$ 3.45
Diluted earnings per share	1.88	1.91	1.71	3.33
Weighted average shares outstanding:				
Basic shares	89,765	89,169	88,456	87,636
Diluted shares	93,250	92,702	92,081	90,703

*2018 quarterly amounts reflect the impact of the Company's adoption of ASC 606 and related cost capitalization guidance, which was adopted by the Company on January 1, 2018 using the modified retrospective transition method.

The sum of the quarterly earnings per common share amounts for 2019 and 2018 may not equal the earnings per common share for the 2019 and 2018 due to rounding.

The fourth quarter of 2019 includes: a gain of \$13.0 million related to the fair value adjustment of a minority investment, a write-off of property, plant and equipment costs of \$1.8 million and restructuring related costs of \$2.8 million.

The fourth quarter of 2018 includes: the \$152.8 million gain as a result of the sale of the Chevron portfolio, a write-off of capitalized software costs of \$8.8 million, a legal settlement of \$5.5 million and restructuring costs of \$1.1 million.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

Not applicable.

ITEM 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

As of December 31, 2019, 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 December 31, 2019, 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.

Management Report on Internal Control over Financial Reporting

Our management team is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934. Our management assessed the effectiveness of our internal control over financial reporting as of December 31, 2019. In making this assessment, our management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in *Internal Control-Integrated Framework*. As of December 31, 2019, management believes that the Company's internal control over financial reporting is effective based on those criteria. Our independent registered public accounting firm has issued an audit report on our internal control over financial reporting, which is included in this annual report.

In connection with management's evaluation, our management team excluded from its assessment of the effectiveness of our internal control over financial reporting as of December 31, 2019, the internal controls related to four subsidiaries that we acquired during the year ended December 31, 2019, and for which financial results are included in our consolidated financial statements.

On April 1, 2019, we acquired NvoicePay, a provider of full accounts payable automation for business in the U.S. On April 1, 2019, we acquired r2c, a fleet maintenance, compliance and workshop management software provider in the U.K. On July 8, 2019, we acquired SOLE Financial, a payroll card provider in the U.S. On October 1, 2019, we acquired Travelliance, an airline lodging provider in the U.S. Collectively we refer to these transactions as the Acquisitions. These Acquisitions constituted 6% of total assets, at December 31, 2019, and 2% of revenues, net for the year then ended. This exclusion was in accordance with Securities and Exchange Commission guidance that an assessment of a recently acquired business may be omitted in management's report on internal control over financial reporting the year of acquisition.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect all misstatements. Projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with the policies or procedures may deteriorate. Internal control over financial reporting cannot provide absolute assurance of achieving financial reporting objectives because of its inherent limitations. Internal control over financial reporting is a process that involves human diligence and compliance and is subject to lapses in judgment and breakdowns resulting from human failures. Internal control over financial reporting also can be circumvented by collusion or improper management override. Due to such limitations, there is a risk that material misstatements may not be prevented or detected on a timely basis by internal control over financial reporting. However, these inherent limitations are known features of the financial reporting process. Therefore, it is possible to design into the process safeguards to reduce, though not eliminate, such risk.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting during the quarter ended December 31, 2019, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Report of Independent Registered Public Accounting Firm

To the Shareholders and the Board of Directors of FLEETCOR Technologies, Inc. and Subsidiaries

Opinion on Internal Control over Financial Reporting

We have audited FLEETCOR Technologies, Inc. and subsidiaries' internal control over financial reporting as of December 31, 2019, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). In our opinion, FLEETCOR Technologies, Inc. and subsidiaries (the Company) maintained, in all material respects, effective internal control over financial reporting as of December 31, 2019, based on the COSO criteria.

As indicated in the accompanying Management Report on Internal Control over Financial Reporting, management's assessment of and conclusion on the effectiveness of internal control over financial reporting did not include the internal controls of NvoicePay, SOLE Financial, r2c, and Travelliance, which are included in the 2019 consolidated financial statements FLEETCOR Technologies, Inc. and subsidiaries and constituted 6% of total assets as of December 31, 2019 and 2% of revenues, net for the year then ended. Our audit of internal control over financial reporting of FLEETCOR Technologies, Inc. and subsidiaries also did not include an evaluation of the internal control over financial reporting of NvoicePay, SOLE Financial, r2c, and Travelliance.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Company as of December 31, 2019 and 2018, the related consolidated statements of income, comprehensive income, shareholders' equity and cash flows for each of the three years in the period ended December 31, 2019, and the related notes and our report dated March 2, 2020 expressed an unqualified opinion thereon.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Ernst & Young LLP

Atlanta, Georgia
March 2, 2020

ITEM 9B. OTHER INFORMATION

Not applicable.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

A list of our executive officers and biographical information appears in Part I, Item X of this Form 10-K. Information about our directors may be found under the caption “Nominees” and “Continuing Directors” in our Proxy Statement for the Annual Meeting of Shareholders to be held June 11, 2020 (the “Proxy Statement”). Information about our Audit Committee may be found under the caption “Board Committees” in the Proxy Statement. The foregoing information is incorporated herein by reference.

The information in the Proxy Statement set forth under the caption “Delinquent Section 16(a) Reports” is incorporated herein by reference.

We have adopted the FLEETCOR Code of Business Conduct and Ethics (the “code of ethics”), which applies to our Chief Executive Officer, Chief Financial Officer, Chief Accounting Officer and Corporate Controller, and other finance organization employees. The code of ethics is publicly available on our website at www.fleetcor.com under Investor Relations. If we make any substantive amendments to the code of ethics or grant any waiver, including any implicit waiver, from a provision of the code to our Chief Executive Officer, Chief Financial Officer, or Chief Accounting Officer, we will disclose the nature of the amendment or waiver on that website or in a report on Form 8-K.

ITEM 11. EXECUTIVE COMPENSATION

The information in the Proxy Statement set forth under the captions “Director Compensation,” “Named Executive Officer Compensation,” “Compensation Committee Report,” and “Compensation Committee Interlocks and Insider Participation” is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information in the Proxy Statement set forth under the captions “Securities Authorized for Issuance Under Equity Compensation Plans,” “Information Regarding Beneficial Ownership of Principal Shareholders, Directors, and Management” and “Equity Compensation Plan Information” is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information set forth in the Proxy Statement under the captions “Director Independence” and “Certain Relationships and Related Transactions” is incorporated herein by reference.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Information concerning principal accountant fees and services appears in the Proxy Statement under the headings “Fees Billed by Ernst & Young LLP” and “Policy on Audit Committee Pre-Approval of Audit and Permissible Non-Audit Services of Independent Auditor” and is incorporated herein by reference.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) Financial Statements and Schedules

The financial statements are set forth under Item 8 of this Form 10-K, as indexed below. Financial statement schedules have been omitted since they either are not required, not applicable, or the information is otherwise included.

Index to Financial Statements

	<u>Page</u>
Report of Independent Registered Public Accounting Firm	79
Consolidated Balance Sheets at December 31, 2019 and 2018	81
Consolidated Statements of Income for the Years Ended December 31, 2019, 2018 and 2017	82
Consolidated Statements of Comprehensive Income for the Years Ended December 31, 2019, 2018 and 2017	83
Consolidated Statements of Stockholders' Equity for the Years Ended December 31, 2019, 2018 and 2017	84
Consolidated Statements of Cash Flows for the Years Ended December 31, 2019, 2018 and 2017	85
Notes to Consolidated Financial Statements	86

(b) Exhibit Listing

<u>Exhibit no.</u>	
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 SEC on March 25, 2011)
3.2	Certificate of Amendment to the Amended and Restated Certificate of Incorporation of FLEETCOR Technologies, Inc. (incorporated by reference to Exhibit 3.1 to the registrant's Current Report on Form 8-K, File No. 001-35004, filed with the SEC on June 8, 2018)
3.3	Certificate of Amendment to the Amended and Restated Certificate of Incorporation of FLEETCOR Technologies, Inc. (incorporated by reference to Exhibit 3.1 to the registrant's Current Report on Form 8-K, File No. 001-35004, filed with the SEC on June 14, 2019)
3.4	Amended and Restated Bylaws of FleetCor Technologies, Inc. (incorporated by reference to Exhibit 3.1 to the Registrant's Annual Report on Form 8-K, File No. 001-35004, filed with the SEC on January 29, 2018)
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)
4.2	Description of FLEETCOR Technologies, Inc. Common Stock Registered under Section 12 of the Securities Exchange Act
10.1*	Form of Indemnity Agreement entered into between FLEETCOR and its directors and executive officers (incorporated by reference to Exhibit 10.1 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)
10.2*	FLEETCOR Technologies, Inc. Amended and Restated Stock Incentive Plan (incorporated by reference to Exhibit 10.2 to Amendment No. 1 to the registrant's Registration Statement on Form S-1, File No. 333-166092, filed with the SEC on May 20, 2010)
10.3*	First Amendment to FLEETCOR Technologies, Inc. Amended and Restated Stock Incentive Plan (incorporated by reference to Exhibit 10.3 to Amendment No. 1 to the registrant's Registration Statement on Form S-1, File No. 333-166092, filed with the SEC on May 20, 2010)

- [10.4*](#) Second Amendment to FLEETCOR Technologies, Inc. Amended and Restated Stock Incentive Plan (incorporated by reference to Exhibit 10.4 to Amendment No. 1 to the registrant's Registration Statement on Form S-1, File No. 333-166092, filed with the SEC on May 20, 2010)
- [10.5*](#) Third Amendment to FLEETCOR Technologies, Inc. Amended and Restated Stock Incentive Plan (incorporated by reference to Exhibit 10.5 to Amendment No. 1 to the registrant's Registration Statement on Form S-1, File No. 333-166092, filed with the SEC on May 20, 2010)
- [10.6*](#) Fourth Amendment to FLEETCOR Technologies, Inc. Amended and Restated Stock Incentive Plan (incorporated by reference to Exhibit 10.6 to Amendment No. 1 to the registrant's Registration Statement on Form S-1, File No. 333-166092, filed with the SEC on May 20, 2010)
- [10.7*](#) Form of Incentive Stock Option Award Agreement pursuant to the FLEETCOR Technologies, Inc. Amended and Restated Stock Incentive Plan (incorporated by reference to Exhibit 10.7 to Amendment No. 1 to the registrant's Registration Statement on Form S-1, File No. 333-166092, filed with the SEC on May 20, 2010)
- [10.8*](#) Form of Non-Qualified Stock Option Award Agreement pursuant to the FLEETCOR Technologies, Inc. Amended and Restated Stock Incentive Plan (incorporated by reference to Exhibit 10.8 to Amendment No. 1 to the registrant's Registration Statement on Form S-1, File No. 333-166092, filed with the SEC on May 20, 2010)
- [10.9*](#) Form of Performance Share Restricted Stock Agreement pursuant to the FLEETCOR Technologies, Inc. Amended and Restated Stock Incentive Plan (incorporated by reference to Exhibit 10.9 to Amendment No. 1 to the registrant's Registration Statement on Form S-1, File No. 333-166092, filed with the SEC on May 20, 2010)
- [10.10*](#) FLEETCOR Technologies, Inc. Annual Executive Bonus Program (incorporated by reference to Exhibit 10.11 to Amendment No. 2 to the registrant's Registration Statement on Form S-1, File No. 333-166092, filed with the SEC on June 8, 2010)
- [10.11*](#) Employee Noncompetition, Nondisclosure and Developments Agreement, dated September 25, 2000, between Fleetman, Inc. and Ronald F. Clarke (incorporated by reference to Exhibit 10.12 to Amendment No. 2 to the registrant's Registration Statement on Form S-1, File No. 333-166092, filed with the SEC on June 8, 2010)
- [10.12*](#) Offer Letter, dated September 20, 2002, between FLEETCOR Technologies, Inc. and Eric R. Dey (incorporated by reference to Exhibit 10.13 to Amendment No. 2 to the registrant's Registration Statement on Form S-1, File No. 333-166092, filed with the SEC on June 8, 2010)
- [10.13*](#) Service Agreement, dated July 9, 2007, between FLEETCOR Technologies, Inc. and Andrew R. Blazye (incorporated by reference to Exhibit 10.16 to Amendment No. 2 to the registrant's Registration Statement on Form S-1, File No. 333-166092, filed with the SEC on June 8, 2010)
- [10.14](#) Sixth Amended and Restated Registration Rights Agreement, dated April 1, 2009, between FLEETCOR Technologies, Inc. and each of the stockholders party thereto (incorporated by reference to Exhibit 10.17 to Amendment No. 2 to the registrant's Registration Statement on Form S-1, File No. 333-166092, filed with the SEC on June 8, 2010)
- [10.15](#) First Amendment to Sixth Amended and Restated Registration Rights Agreement (incorporated by reference to Exhibit No. 10.17 to the registrant's form 10-K, File No. 001-35004, with the SEC on March 25, 2011)
- [10.16](#) Form of Indemnity Agreement to be entered into between FLEETCOR and representatives of its major stockholders (incorporated by reference to Exhibit 10.37 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)
- [10.17](#) Form of Director Restricted Stock Grant Agreement pursuant to the FLEETCOR Technologies, Inc. 2010 Equity Compensation Plan (incorporated by reference to Exhibit 10.38 to Amendment No. 6 to the registrant's Registration Statement on Form S-1, File No. 333-166092, filed with the SEC on November 30, 2010)
- [10.18*](#) Form of Employee Performance Share Restricted Stock Agreement pursuant to the FLEETCOR Technologies, Inc. 2010 Equity Compensation Plan (incorporated by reference to Exhibit 10.39 to Amendment No. 6 to the registrant's Registration Statement on Form S-1, File No. 333-166092, filed with the SEC on November 30, 2010)
- [10.19*](#) Form of Employee Incentive Stock Option Award Agreement pursuant to the FLEETCOR Technologies, Inc. 2010 Equity Compensation Plan (incorporated by reference to Exhibit 10.40 to Amendment No. 6 to the registrant's Registration Statement on Form S-1, File No. 333-166092, filed with the SEC on November 30, 2010)
- [10.20*](#) Form of Employee Non-Qualified Stock Option Award Agreement pursuant to the FLEETCOR Technologies, Inc. 2010 Equity Compensation Plan (incorporated by reference to Exhibit 10.41 to Amendment No. 6 to the registrant's Registration Statement on Form S-1, File No. 333-166092, filed with the SEC on November 30, 2010)

- [10.21](#) Form of Director Non-Qualified Stock Option Award Agreement pursuant to the FLEETCOR Technologies, Inc. 2010 Equity Compensation Plan (incorporated by reference to Exhibit 10.42 to Amendment No. 6 to the registrant's Registration Statement on Form S-1, File No. 333-166092, filed with the SEC on November 30, 2010)
- [10.22*](#) Amended and Restated Employee Noncompetition, Nondisclosure and Developments Agreement, dated November 29, 2010, between FLEETCOR Technologies, Inc. and Ronald F. Clarke (incorporated by reference to Exhibit No. 10.43 to Amendment No. 6 to the registrant's Registration Statement on Form S-1, File No. 333-166092, filed with the SEC on November 30, 2010)
- [10.23](#) Arrangement Agreement Among FLEETCOR Luxembourg Holdings2 S.À.R.L, FLEETCOR Technologies, Inc. and CTF Technologies, Inc. (incorporated by reference to Exhibit 10.1 to the registrant's Form 10-Q, File No. 001-35004, filed with the SEC on May 10, 2012)
- [10.24](#) Repurchase Agreement, dated November 26, 2012, among the Company and the Repurchase Stockholders (incorporated by reference to Exhibit 10.1 to the registrant's Form 8-K, File No. 001-35004, filed with the SEC on November 27, 2012)
- [10.25*](#) FLEETCOR Technologies, Inc. 2010 Equity Compensation Plan, as amended and restated effective February 7, 2018 (incorporated by reference from Appendix A to Exhibit 10.1 to the registrant's Form 8-K, File No. 001-35004, File No. 001-35004, filed with the SEC on February 12, 2018)
- [10.26](#) FLEETCOR Technologies, Inc. Section 162(M) Performance—Based Program (incorporated by reference to Annex A to the registrant's Proxy Statement, File No. 001-35004, filed with the SEC on April 18, 2014)
- [10.27](#) Credit Agreement, dated October 24, 2014, among FLEETCOR Technologies Operating Company, LLC, as Borrower, FLEETCOR Technologies, Inc., as Parent, FLEETCOR Technologies Operating Company, LLC, as a borrower and guarantor, certain of the our foreign subsidiaries as borrowers, Bank of America, N.A., as administrative agent, swing line lender and L/C issuer and a syndicate of financial institutions (incorporated by reference to Exhibit No. 10.4 to the registrant's Form 10-Q, File No. 001-35004, filed with the SEC on November 10, 2014)
- [10.28](#) Fifth Amended and Restated Receivables Purchase Agreement, dated November 14, 2014, by and among FLEETCOR Technologies, Inc. and PNC Bank, National Association, as administrator for a group of purchasers and purchaser agents, and certain other parties (incorporated by reference to Exhibit No. 10.1 to the registrant's Form 8-K, File No. 001-35004, filed with the SEC on November 17, 2014)
- [10.29](#) Amended and Restated Performance Guaranty dated as of November 14, 2014 made by FLEETCOR Technologies, Inc. and FLEETCOR Technologies Operating Company, LLC, in favor of PNC Bank, National Association, as administrator under the Fifth Amended and Restated Receivables Purchase Agreement (incorporated by reference to Exhibit 10.32 to the registrant's Form 10-K, File No. 001-35004, filed with the SEC on March 2, 2015)
- [10.30](#) Amended and Restated Purchase and Sale Agreement dated as of November 14, 2014, among various entities listed on Schedule I thereto, as originators, and FLEETCOR Funding LLC (incorporated by reference to Exhibit 10.33 to the registrant's Form 10-K, File No. 001-35004, filed with the SEC on March 2, 2015)
- [10.31](#) Receivables Purchase and Sale Agreement dated as of November 14, 2014, among Comdata TN, Inc. and Comdata Network, Inc. of California, as the sellers, and Comdata Inc., as the buyer (incorporated by reference to Exhibit 10.34 to the registrant's Form 10-K, File No. 001-35004, filed with the SEC on March 2, 2015)
- [10.32](#) Investor Rights Agreement, dated November 14, 2014, between FLEETCOR Technologies, Inc. and Ceridian LLC (incorporated by reference to Exhibit 10.35 to the registrant's Form 10-K, File No. 001-35004, filed with the SEC on March 2, 2015)
- [10.33*](#) Offer Letter, dated June 19, 2013, between FLEETCOR Technologies, Inc. and John A. Reed (incorporated by reference to Exhibit No. 10.3 to the registrant's Form 10-Q, File No. 001-35004, filed with the SEC on May 12, 2014)
- [10.34*](#) Offer Letter, dated July 29, 2014, between FLEETCOR Technologies, Inc. and Armando Lins Netto (incorporated by reference to Exhibit 10.1 to the registrant's Form 10-Q, File No. 001-35004, filed with the SEC on May 11, 2015)
- [10.35](#) First Amendment to the Fifth Amended and Restated Receivables Purchase Agreement, dated as of November 5, 2015, by and among FLEETCOR Funding LLC, FLEETCOR Technologies Operating Company, LLC and PNC Bank, National Association, as administrator for a group of purchasers and purchaser agents, and certain other parties (incorporated by reference to Exhibit 10.2 to the registrant's Form 10-Q, File No. 001-35004, filed with the SEC on November 9, 2015)

- [10.36*](#) Employee agreement on confidentiality, work product, non-competition, and non-solicitation (incorporated by reference to Exhibit 10.38 to the registrant's Form 10-K, File No. 001-35004, filed with the SEC on February 29, 2016)
- [10.37](#) Second Amendment to the Fifth Amended and Restated Receivables Purchase Agreement, dated as of December 1, 2015, by and among FLEETCOR Funding LLC, FLEETCOR Technologies Operating Company, LLC and PNC Bank, National Association, as administrator for a group of purchasers and purchaser agents, and certain other parties (incorporated by reference to Exhibit 10.39 to the registrant's Form 10-K, File No. 001-35004, filed with the SEC on February 29, 2016)
- [10.40](#) First Amendment to Credit Agreement and Lender Joiner Agreement, dated as of August 22, 2016, by and among FLEETCOR Funding LLC, FLEETCOR Technologies Operating Company, LLC and PNC Bank, National Association, as administrator for a group of purchasers and purchaser agents, and certain other parties (incorporated by reference to Exhibit 10.1 to the registrant's Form 10-Q, File No. 001-35004, filed with the SEC on November 9, 2016)
- [10.41](#) Second Amendment to Credit Agreement, dated as of January 2017, among FLEETCOR Technologies Operating Company, LLC, as the Company, FLEETCOR Technologies, Inc., as the Parent, the designated borrowers party hereto, the other guarantors party hereto, Bank of America, N.A., as administrative agent, swing line lender and l/c issuer, and the other lenders party hereto and Merrill Lynch, Pierce, Fenner & Smith Incorporated, as sole lead arranger and sole bookrunner (incorporated by reference to Exhibit 10.41 to the registrant's Form 10-K, File No. 001-35004, filed with the SEC on March 1, 2017)
- [10.42](#) Third Amendment to Credit Agreement, dated as of August 2, 2017, among FLEETCOR Technologies Operating Company, LLC, as the Company, FLEETCOR Technologies, Inc., as the Parent, the designated borrowers party hereto, the other guarantors party hereto, Bank of America, N.A., as administrative agent, swing line lender and l/c issuer, and the other lenders party hereto, and Merrill Lynch, Pierce, Fenner & Smith Incorporated, as sole lead arranger and sole bookrunner (incorporated by reference to Exhibit 10.1 to the registrant's Form 10-Q, File No. 001-35004, filed with the SEC on August 8, 2017)
- [10.43](#) Third Amendment to Fifth Amended and Restated Receivables Purchase Agreement, dated as of November 14, 2017, by and among FLEETCOR Funding LLC, FLEETCOR Technologies Operating Company, LLC, PNC Bank, National Association, as administrator for a group of purchasers and purchase agents, and certain other parties (incorporated by reference to Exhibit 10.43 to the registrant's Form 10-K, File No. 001-35004, filed with the SEC on March 1, 2018)
- [10.44](#) Offer letter, dated September 10, 2015, between FLEETCOR Technologies, Inc. and Alexey Gavrilena (incorporated by reference to Exhibit 10.1 to the registrant's Form 10-Q, File No. 001-35004, filed with the SEC on May 10, 2018)
- [10.45](#) Fourth Amendment to Credit Agreement, dated August 30, 2018, among FleetCor Technologies Operating Company, LLC, FleetCor Technologies Operating Company, LLC, FleetCor Technologies, Inc., the designated borrowers party thereto, Cambridge Mercantile Corp. (U.S.A.), the other guarantors party thereto, Bank of America, N.A., as administrative agent, swing line lender and l/c issuer, and the other lenders party thereto (incorporated by reference to Exhibit 10.2 to the registrant's Form 10-Q, File No. 001-35004, filed with the SEC on November 8, 2018)
- [10.46](#) Fourth Amendment to Fifth Amended and Restated Receivables Purchase Agreement, dated August 30, 2018, by and among FleetCor Funding LLC, FleetCor Technologies Operating Company, LLC, PNC Bank, National Association as administrator for a group of purchasers and purchaser agents, and certain other parties thereto (incorporated by reference to exhibit 10.3 to the registrant's Form 10-Q, File No. 001-35004, filed with the SEC on November 8, 2018)
- [10.47](#) Fifth Amendment to Credit Agreement, dated as of December 19, 2018, among FLEETCOR Technologies Operating Company, LLC, as the Company, FLEETCOR Technologies, Inc., as the Parent, the designated borrowers party hereto, Bank of America, N.A., as administrative agent, swing line lender and L/C issuer, and the other lenders party hereto Merrill Lynch, Pierce, Fenner & Smith Incorporated, as sole lead arranger and sole bookrunner (incorporated by reference to exhibit 10.47 to the registrant's Form 10-K, File No. 001-35004, filed with the SEC on March 1, 2019)
- [10.48](#) Offer Letter, dated March 30, 2018, between FLEETCOR Technologies, Inc. and David Krantz (incorporated by reference to exhibit 10.1 to the registrant's Form 10-Q, File No. 001-35004, filed with the SEC on May 10, 2019)
- [10.49](#) Offer Letter, dated August 14, 2015, between FLEETCOR Technologies, Inc. and Kurt Adams (incorporated by reference to exhibit 10.2 to the registrant's Form 10-Q, File No. 001-35004, filed with the SEC on May 10, 2019)

10.50	Fifth Amendment to the Fifth Amended and Restated Receivables Purchase Agreement, dated February 8, 2019 by and among FleetCor Funding LLC, FleetCor Technologies Operating Company, LLC, PNC Bank, National Association as administrator for a group of purchasers and purchaser agents, and certain other parties thereto (incorporated by reference to exhibit 10.3 to the registrant's Form 10-Q, File No. 001-35004, filed with the SEC on May 10, 2019)
10.51	Sixth Amendment to the Fifth Amended and Restated Receivables Purchase Agreement, dated April 22, 2019 by and among FleetCor Funding LLC, FleetCor Technologies Operating Company, LLC, PNC Bank, National Association as administrator for a group of purchasers and purchaser agents, and certain other parties thereto (incorporated by reference to exhibit 10.4 to the registrant's Form 10-Q, File No. 001-35004, filed with the SEC on May 10, 2019)
10.52	Sixth Amendment to Credit Agreement, dated as of August 2, 2019, among FLEETCOR Technologies Operating Company, LLC, as the Company, FLEETCOR Technologies, Inc., as the Parent, the designated borrowers party hereto, Bank of America, N.A., as administrative agent, swing line lender and L/C issuer, and the other lenders party hereto Merrill Lynch, Pierce, Fenner & Smith Incorporated, as sole lead arranger and sole bookrunner (incorporated by reference to Exhibit 10.5 to the registrant's Form 10-Q, File No. 001-35004, filed with the SEC on August 9, 2019)
10.53	Seventh Amendment to Credit Agreement, dated as of November 14, 2019, among FLEETCOR Technologies Operating Company, LLC, as the Company, FLEETCOR Technologies, Inc., as the Parent, the designated borrowers party hereto, Bank of America, N.A., as administrative agent, swing line lender and L/C issuer, and the other lenders party hereto Merrill Lynch, Pierce, Fenner & Smith Incorporated, as sole lead arranger and sole bookrunner
21.1	List of subsidiaries of FLEETCOR Technologies, Inc.
23.1	Consent of Independent Registered Public Accounting Firm
31.1	Certification of Chief Executive Officer Pursuant to Section 302
31.2	Certification of Chief Financial Officer Pursuant to Section 302
32.1	Certification of Chief Executive Officer Pursuant to Section 906
32.2	Certification of Chief Financial Officer Pursuant to Section 906
101	The following financial information for the registrant formatted in XBRL (Extensible Business Reporting Language): (i) the Consolidated Balance Sheets, (ii) the Consolidated Statements of Income, (iii) the Consolidated Statements of Comprehensive Income; (iv) the Consolidated Statements of Stockholders' Equity; (v) the Consolidated Statements of Cash Flows and (vi) the Notes to Consolidated Financial Statements
104	Cover Page Interactive Data File (embedded within the Inline XBRL document and contained in Exhibit 101)

* Identifies management contract or compensatory plan or arrangement.

Description of FLEETCOR Technologies, Inc. Common Stock Registered under Section 12 of the Securities Exchange Act

General

FleetCor Technologies, Inc. (the “Company”) has one class of securities, our common stock, par value \$0.001 per share, registered under Section 12 of the Securities Exchange Act of 1934, as amended. Our authorized capital stock consists of 475,000,000 shares of common stock.

The following description of our common stock is a summary. This summary is subject to the Delaware General Corporate Law (the “DGCL”) and the complete text of the Company’s Amended and Restated Certificate of Incorporation (as subsequently supplemented and amended, our “Charter”) and amended and restated bylaws (our “Bylaws”), which are filed as Exhibits 3.1 and 3.2, respectively, to our Annual Report on Form 10-K. We encourage you to read that law and those documents carefully.

Common Stock

Voting rights. The holders of our common stock are entitled to one vote for each share held of record on all matters submitted to a vote of the stockholders, including the election of directors, and do not have cumulative voting rights. Unless otherwise required by law, if a quorum is present, matters submitted to a vote of our stockholders require the approval of a majority of votes cast by stockholders represented in person or by proxy and entitled to vote on such matter, except that directors are elected by a plurality of votes cast. Accordingly, the holders of a majority of the shares of common stock entitled to vote in any election of directors will be able to elect all of the directors standing for election, if they so choose.

Dividend rights. Holders of common stock will be entitled to receive dividends ratably if, as and when dividends are declared from time to time by our board of directors (our “Board”) out of funds legally available for that purpose subject to any preferential dividend rights of any then outstanding preferred stock. Our ability to pay dividends is limited by covenants in our credit facilities.

Other matters. Upon our liquidation, dissolution or winding up, the holders of common stock will be entitled to share ratably in the net assets legally available for distribution to stockholders after the payment of all of our debts and other liabilities and subject to any other distribution rights granted to holders of any outstanding preferred stock. Holders of common stock have no preemptive or conversion rights or other subscription rights, and no redemption or sinking fund provisions are applicable to our common stock. All outstanding shares of common stock are fully paid and non-assessable.

Preferred Stock

Our Charter permits our Board to issue up to 25,000,000 shares of preferred stock from time to time in one or more classes or series. The Board also may fix the relative rights and preferences of those shares, including dividend rights, conversion rights, voting rights, redemption rights, terms of sinking funds, liquidation preferences and the number of shares constituting any class or series or the designation of the class or series. Terms selected by our Board in the future could decrease the amount of earnings and assets available for distribution to holders of common stock or adversely affect the rights and powers, including voting rights, of the holders of common stock without any further vote or action by the stockholders. As a result, the rights of holders of our common stock will be subject to, and may be adversely affected by, the rights of the holders of any preferred stock that may be issued by us in the future, which could have the effect of decreasing the market price of our common stock.

Anti-Takeover Effects of Provisions of Our Charter and Bylaws and Delaware Law

The provisions of the DGCL and our Charter and Bylaws could have the effect of discouraging others from attempting an unsolicited offer to acquire our company. Such provisions may also have the effect of preventing changes in our management. It is possible that these provisions could make it more difficult to accomplish transactions that stockholders may otherwise deem to be in their best interests.

Election and removal of directors. Until the 2022 annual meeting of stockholders, our Board is divided into three classes. Beginning with the directors elected at the 2020 annual meeting of stockholders, directors are elected for a one-year term. Our directors may be removed only by the affirmative vote of at least a majority of the voting power of our then outstanding common stock, voting together as a single class. Directors elected prior to the annual meeting of the stockholders held in 2020 and directors elected to fill a vacancy in the board and to carry out the unexpired term of his predecessor can only be removed for cause. This system of electing and removing directors generally makes it more difficult for stockholders to replace a majority of our directors.

Authorized but unissued shares. The authorized but unissued shares of our common stock and our preferred stock will be available for future issuance without any further vote or action by our stockholders. These additional shares may be utilized for a variety of corporate purposes, including future public offerings to raise additional capital, corporate acquisitions and employee benefit plans. The existence of authorized but unissued shares of our common stock and our preferred stock could render more difficult or discourage an attempt to obtain control over us by means of a proxy contest, tender offer, merger or otherwise.

Stockholder action; advance notification of stockholder nominations and proposals. Our Charter and Bylaws require that any action required or permitted to be taken by our stockholders must be effected at a duly called annual or special meeting of stockholders and may not be effected by a consent in writing. Our Charter also requires that special meetings of stockholders be called only by a majority of our Board. In addition, our Bylaws provide that candidates for director may be nominated and other business brought before an annual meeting only by the Board or by a stockholder who gives written notice to us, complying with certain requirements as to procedure and form set forth in our Bylaws, no later than 90 days prior to nor earlier than 120 days prior to the first anniversary of the last annual meeting of stockholders. These provisions may have the effect of deterring unsolicited offers to acquire our company or delaying changes in control of our management, which could depress the market price of our common stock.

Amendment of certain provisions in our organizational documents. With certain exceptions, the Board may amend, alter, change or repeal any provision of the Charter and the Bylaws. The Bylaws may also be adopted, amended, altered or repealed by a majority of the voting power of all of then then outstanding shares of the capital stock entitled to vote generally in the election of directors, voting as a class.

No cumulative voting. The DGCL provides that stockholders are not entitled to the right to cumulate votes in the election of directors unless our Charter provides otherwise. Our Charter expressly prohibits cumulative voting.

Delaware anti-takeover law. Our Charter provides that Section 203 of the DGCL, an anti-takeover law, applies to us. In general, Section 203 prohibits a publicly held Delaware corporation from engaging in a “business combination” with an “interested stockholder” for a period of three years following the date the person became an interested stockholder, unless the “business combination” or the transaction in which the person became an interested stockholder is approved in a prescribed manner. Generally, a “business combination” includes a merger, asset or stock sale, or other transaction resulting in a financial benefit to the interested stockholder. Generally, an “interested stockholder” is a person who, together with affiliates and associates, owns or, within three years prior to the determination of interested stockholder status, did own, 15% or more of a corporation’s voting stock.

Registration Rights

Pursuant to the terms of a sixth amended and restated registration rights agreement, as amended, certain holders of our common stock are entitled to rights with respect to the registration of their shares (to the extent such rights have not expired) under the Securities Act, as described below.

Demand registration rights. At the written request of certain stockholders, we must give notice to all holders of our common stock with registration rights, who would have 30 days to request inclusion in the offering, file a registration statement and use our best efforts to register all shares timely requested to be registered. Certain stockholders have two such demand registration rights and certain other stockholders have one such demand registration right. We are generally not obligated to effect a registration during the 120-day period subsequent to our filing a registration statement pursuant to these demand registration rights. We may postpone the filing of a registration statement for up to 90 days twice in a 12-month period, but not more than 120 consecutive days, if we have plans to engage in a registered public offering and our Board determines in good faith that such offering would be adversely affected by the requested registration.

Piggyback registration rights. If we register any of our securities for public sale, we must give notice to all holders of our common stock with registration rights, who would have 20 days to request inclusion in the offering, and use our best efforts to cause to be registered shares held by our stockholders with registration rights that request to include their shares in the registration statement. However, this right does not apply to a registration relating to any of our employee benefit plans or a corporate reorganization. The managing underwriter of any underwritten public offering will have the right to limit, due to marketing reasons, the number of shares registered by these holders.

Form S-3 registration rights. The holders of registration rights can request that we register all or a portion of their shares on Form S-3 if we are eligible to file a registration statement on Form S-3, upon which request we must give notice to all holders of our common stock with registration rights, who would have 20 days to request inclusion in the offering. We are required to file no more than one registration statement on Form S-3 upon exercise of these rights per six-month period and we are not required to honor registration requests if the aggregate market value of securities registered would be less than \$10 million.

Registration expenses. We will pay all expenses incurred in connection with each of the registrations described above, except for underwriters' discounts and selling commissions. In addition, we will pay the reasonable fees and disbursements of one counsel for the stockholders participating in such registration.

Indemnification. We have agreed, subject to certain exceptions, to indemnify against liabilities resulting from the offerings described above, each selling stockholder that is exercising its registration rights. In addition, we have agreed that, in order to provide for just and equitable contribution to joint liability, if indemnification is not available to such parties, FleetCor and such parties will each contribute to any liability based on the proportion that the price of the shares sold by them relates to the aggregate offering price, subject to certain exceptions.

Expiration of registration rights. The registration rights described above will terminate with respect to a particular stockholder to the extent the shares held by and issuable to such holder may be sold without registration under the Securities Act in the manner and quantity proposed to be sold.

Transfer Agent and Registrar

The transfer agent and registrar for our common stock is American Stock Transfer & Trust Company, LLC.

New York Stock Exchange Listing

Our common stock is listed on the New York Stock Exchange under the symbol "FLT."

SEVENTH AMENDMENT TO CREDIT AGREEMENT

THIS SEVENTH AMENDMENT TO CREDIT AGREEMENT (this "Amendment") dated as of November 14, 2019 (the "Seventh Amendment Effective Date") is entered into among FLEETCOR TECHNOLOGIES OPERATING COMPANY, LLC, a Louisiana limited liability company (the "Company"), FLEETCOR TECHNOLOGIES, INC., a Delaware corporation (the "Parent"), the Designated Borrowers party hereto (including FleetCor Luxembourg Holding2, a *société à responsabilité limitée* incorporated under the laws of the Grand-Duchy of Luxembourg, having its registered office at 5, rue Guillaume Kroll, L-1882 Luxembourg and registered with the Registre de Commerce et des Sociétés, Luxembourg under number B 121.980), Cambridge Mercantile Corp. (U.S.A.), a Delaware corporation (the "Additional Borrower"), the other Guarantors party hereto, and Bank of America, N.A., on its own behalf in its capacity as the Administrative Agent (in such capacity, the "Administrative Agent") and on behalf of each Term B-3 Lender that delivers to the Administrative Agent on or prior to the Seventh Amendment Effective Date a consent to this Amendment in the form separately provided by the Administrative Agent to each Term B-3 Lender (each, a "Term B-3 Lender Consent to Amendment"; each Term B-3 Lender that delivers a Term B-3 Lender Consent to Amendment to the Administrative Agent on or prior to the Seventh Amendment Effective Date being referred to herein as a "Continuing Term B-3 Lender"). Capitalized terms used but not otherwise defined herein shall have the meanings given to such terms in the Credit Agreement (as defined below), as amended hereby.

RECITALS

WHEREAS, the Company, the Parent, the Designated Borrowers party thereto, the Additional Borrower, the Lenders from time to time party thereto, and Bank of America, N.A., as the Administrative Agent, the L/C Issuer and the Swing Line Lender, are parties to that certain Credit Agreement, dated as of October 24, 2014 (as amended, modified, supplemented, increased or extended from time to time, the "Credit Agreement");

WHEREAS, the Company has requested an amendment to the Applicable Rate with respect to the Term B-3 Loan and certain other amendments to the Credit Agreement in connection therewith, on the terms and subject to the conditions set forth herein; and

WHEREAS, each Continuing Term B-3 Lender has agreed to the amendment to the Applicable Rate with respect to the Term B-3 Loan and certain other amendments in connection therewith, on the terms and subject to the conditions set forth herein.

NOW, THEREFORE, in consideration of the premises and the mutual covenants contained herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Continuing Term B-3 Lenders and the parties hereto agree as follows:

1. Amendments. The Credit Agreement is hereby amended as follows:

(a) The following definition is added to Section 1.01 of the Credit Agreement in the appropriate alphabetical order:

"Seventh Amendment Effective Date" means November 14, 2019.

(b) Clause (b) of the definition of "Applicable Rate" in Section 1.01 of the Credit Agreement is amended and restated in its entirety to read as follows:

(b) with respect to the Term B-3 Loan, 1.75% per annum in the case of Eurocurrency Rate Loans and 0.75% per annum in the case of Base Rate Loans, and

(c) The reference to “Third Amendment Effective Date” in Section 2.05(a)(iii) of the Credit Agreement is amended to read “Seventh Amendment Effective Date”.

2. Conditions Precedent. This Amendment shall be effective upon satisfaction of the following conditions precedent:

(a) Receipt by the Administrative Agent of counterparts of this Amendment duly executed by (i) a Responsible Officer of the Company, the Designated Borrowers, the Additional Borrower and the Guarantors, and (ii) the Administrative Agent, on its own behalf and on behalf of each Continuing Term B-3 Lender.

(b) The Company shall have paid all accrued and unpaid interest on the Term B-3 Loan to the Seventh Amendment Effective Date.

(c) Receipt by the Administrative Agent and each Continuing Term B-3 Lender of all documentation and other information that the Administrative Agent or such Continuing Term B-3 Lender has reasonably requested in writing that the Administrative Agent or such Continuing Term B-3 Lender has reasonably determined is required by regulatory authorities under applicable “know your customer” and anti-money laundering rules and regulations, including without limitation the Act.

(d) With respect to any Borrower that qualifies as a “legal entity customer” under the Beneficial Ownership Regulation, delivery by such Borrower, to the Administrative Agent and each Continuing Term B-3 Lender that so requests, of a Beneficial Ownership Certification in relation to such Borrower.

(e) Receipt by the Administrative Agent of any fees owing to BofA Securities (or any of its designated Affiliates), the Administrative Agent and the Continuing Term B-3 Lenders that are required to be paid on or before the Seventh Amendment Effective Date.

(f) Unless waived by the Administrative Agent, the Company shall have paid all fees, charges and disbursements of counsel to the Administrative Agent (directly to such counsel, if so requested by the Administrative Agent) to the extent invoiced prior to or on the Seventh Amendment Effective Date, plus such additional amounts of such fees, charges and disbursements as shall constitute its reasonable estimate of such fees, charges and disbursements incurred or to be incurred by it through the closing proceedings (provided, that, such estimate shall not thereafter preclude a final settling of accounts between the Company and the Administrative Agent).

For purposes of determining compliance with the conditions specified in this Section 2, each Continuing Term B-3 Lender shall be deemed to have consented to, approved or accepted or to be satisfied with, each document or other matter required hereunder to be consented to or approved by or acceptable or satisfactory to a Continuing Term B-3 Lender unless the Administrative Agent shall have received notice from such Continuing Term B-3 Lender prior to the Seventh Amendment Effective Date specifying its objections.

3. Miscellaneous.

(a) The Credit Agreement and the obligations of the Loan Parties thereunder and under the other Loan Documents are hereby ratified and confirmed and shall remain in full force and effect according to their terms, as amended hereby.

(b) Each Loan Party (i) acknowledges and consents to all of the terms and conditions of this Amendment and the transactions contemplated hereby, (ii) affirms all of its obligations under the Loan Documents to which it is a party, and (iii) agrees that this Amendment and all documents executed in connection herewith do not operate to reduce or discharge its obligations under the Loan Documents to which it is a party. Each Loan Party hereby acknowledges that, as of the Seventh Amendment Effective Date, the security interests and Liens granted to the Administrative Agent for the benefit of the holders of the Obligations under the Collateral Documents to secure the Obligations are in full force and effect, are properly perfected, and are enforceable in accordance with the terms of the Security Agreement and the other Loan Documents.

(c) Each Loan Party hereby represents and warrants as follows:

(i) The execution, delivery and performance by such Loan Party of this Amendment have been duly authorized by all necessary corporate or other organizational action, and do not: (A) contravene the terms of any of such Loan Party's Organization Documents; (B) conflict with or result in any breach or contravention of, or the creation of any Lien under, or require any payment to be made under (1) any material Contractual Obligation to which such Loan Party is a party or affecting such Loan Party or the properties of such Loan Party or any of its Subsidiaries, or (2) any order, injunction, writ or decree of any Governmental Authority or any arbitral award to which such Loan Party or its property is subject; or (C) violate any Law.

(ii) This Amendment has been duly executed and delivered by such Loan Party and constitutes such Loan Party's legal, valid and binding obligation, enforceable in accordance with its terms, subject to laws generally affecting creditors' rights, to statutes of limitations and to principles of equity.

(iii) No approval, consent, exemption, authorization, or other action by, or notice to, or filing with, any Governmental Authority or any other Person is necessary or required in connection with the execution, delivery or performance by, or enforcement against, such Loan Party of this Amendment or the Credit Agreement as amended hereby.

(iv) After giving effect to this Amendment, the representations and warranties of such Loan Party set forth in Article VI of the Credit Agreement and in each other Loan Document are true and correct in all material respects (and in all respects if any such representation or warranty is already qualified by materiality) on and as of the Seventh Amendment Effective Date with the same effect as if made on and as of the Seventh Amendment Effective Date, except to the extent such representations and warranties specifically refer to an earlier date, in which case they were true and correct in all material respects (and in all respects if any such representation or warranty is already qualified by materiality) as of such earlier date, and except that for purposes of this Section 3(c)(iv), the representations and warranties contained in subsections (a) and (b) of Section 6.05 of the Credit Agreement shall be deemed to refer to the most recent financial statements furnished pursuant to subsections (a) and (b), respectively, of Section 7.01 of the Credit Agreement.

(v) After giving effect to this Amendment, no Default has occurred and is continuing or would result from the transactions contemplated by this Amendment.

(vi) The Persons signing this Amendment as Guarantors include all of the Subsidiaries existing as of the Seventh Amendment Effective Date that are required to become Guarantors pursuant to the Credit Agreement on or prior to the Seventh Amendment Effective Date.

(d) This Amendment may be executed in any number of counterparts and by the various parties hereto in separate counterparts, each of which when so executed and delivered shall be an original, but all of which shall constitute one and the same instrument. Delivery of an executed counterpart of this Amendment by telecopy or in any other electronic format (such as .pdf format) shall be effective as delivery of a manually executed original counterpart of this Amendment.

(e) This Amendment is a Loan Document for all purposes. The execution, delivery and effectiveness of this Amendment shall not, except as expressly provided herein, operate as a waiver of any right, power or remedy of any Lender or the Administrative Agent under any of the Loan Documents, nor, except as expressly provided herein, constitute a waiver or amendment of any provision of any of the Loan Documents. Upon the effectiveness hereof, all references to the Credit Agreement set forth in any other agreement or instrument shall, unless otherwise specifically provided, be references to the Credit Agreement as amended hereby.

(f) THIS AMENDMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK (INCLUDING SECTION 5-1401 AND SECTION 5-1402 OF THE GENERAL OBLIGATIONS LAW OF THE STATE OF NEW YORK) WITHOUT REGARD TO CONFLICTS OF LAW PRINCIPLES THAT WOULD REQUIRE APPLICATION OF THE LAWS OF ANOTHER JURISDICTION. THIS AMENDMENT SHALL BE FURTHER SUBJECT TO THE TERMS AND CONDITIONS OF SECTIONS 11.14 AND 11.15 OF THE CREDIT AGREEMENT, THE TERMS OF WHICH ARE INCORPORATED HEREIN BY REFERENCE AS IF FULLY SET FORTH HEREIN.

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IN WITNESS WHEREOF, each of the parties hereto has caused a counterpart of this Amendment to be duly executed and delivered by a duly authorized officer as of the date first above written.

COMPANY: FLEETCOR TECHNOLOGIES OPERATING COMPANY, LLC,
a Louisiana limited liability company

By: /s/ Steve Pisciotta
Name: Steve Pisciotta
Title: Treasurer

PARENT: FLEETCOR TECHNOLOGIES, INC.,
a Delaware corporation

By: /s/ Steve Pisciotta
Name: Steve Pisciotta
Title: Treasurer

DESIGNATED
BORROWERS: FLEETCOR UK ACQUISITION LIMITED,
a private limited company registered in England and Wales

By: /s/ Steve Pisciotta
Name: Steve Pisciotta
Title: Director

ALLSTAR BUSINESS SOLUTIONS LIMITED,
a private limited company registered in England and Wales

By: /s/ Steve Pisciotta
Name: Steve Pisciotta
Title: Director

BUSINESS FUEL CARDS PTY LTD (formerly FleetCor Technologies Australia Pty Ltd),
a proprietary limited company registered in Australia, in accordance with section 127 of the *Corporations Act 2001* (Cth)
ACN 161 721 106

By: /t/ Eric Dey

Name: Eric Dey
Title: Director

By: /s/ Steve Pisciotta
Name: Steve Pisciotta
Title: Director
FLEETCOR TECHNOLOGIES NEW ZEALAND LIMITED,
a company registered in New Zealand

By: /s/ Steven Joseph Pisciotta
Name: Steven Joseph Pisciotta
Title: Director

FLEETCOR LUXEMBOURG HOLDING2,
a *société à responsabilité limitée* incorporated under the laws of Luxembourg

By: /s/ Steve Pisciotta
Name: Steve Pisciotta
Title: Type A Manager

ADDITIONAL
BORROWER:

CAMBRIDGE MERCANTILE CORP. (U.S.A.),
a Delaware corporation

By: /s/ Gary Krikler
Name: Gary Krikler
Title: Chief Financial Officer and Treasurer

GUARANTORS:

CFN HOLDING CO.,
a Delaware corporation

By: /s/ Steve Pisciotta
Name: Steve Pisciotta
Title: Treasurer

CLC GROUP, INC.,
a Delaware corporation

By: /s/ Steve Pisciotta
Name: Steve Pisciotta
Title: Treasurer

CORPORATE LODGING CONSULTANTS, INC.,
a Kansas corporation

By: /s/ Steve Pisciotta
Name: Steve Pisciotta
Title: Treasurer

CREW TRANSPORTATION SPECIALISTS, INC.,
a Kansas corporation

By: /s/ Steve Pisciotta
Name: Steve Pisciotta
Title: Treasurer

MANNATEC, INC.,
a Georgia corporation

By: /s/ Steve Pisciotta
Name: Steve Pisciotta
Title: Treasurer

FLEETCOR FUEL CARDS LLC,
a Delaware limited liability company

By: /s/ Steve Pisciotta
Name: Steve Pisciotta

Title: Treasurer

PACIFIC PRIDE SERVICES, LLC,
a Delaware limited liability company

By: /s/ Steve Pisciotta

Name: Steve Pisciotta

Title: Treasurer

NVOICEPAY, INC.,
an Oregon corporation

By: /s/ Steve Pisciotta

Name: Steve Pisciotta

Title: Treasurer

FCHC HOLDING COMPANY, LLC,
a Delaware limited liability company

By: /s/ John Coughlin

Name: John Coughlin

Title: President

COMDATA INC.,
a Delaware corporation

By: /s/ Robert E. Kribbs

Name: Robert E. Kribbs

Title: Vice President

COMDATA TN, INC.,
a Tennessee corporation

By: /s/ Robert E. Kribbs

Name: Robert E. Kribbs

Title: Vice President

COMDATA NETWORK, INC. OF CALIFORNIA,
a California corporation

By: /s/ Robert E. Kribbs

Name: Robert E. Kribbs

Title: Vice President

CAMBRIDGE MERCANTILE CORP. (NEVADA),
a Delaware corporation

By: /s/ Michael Rockouski

Name: Michael Rockouski

Title: President

ADMINISTRATIVE

AGENT: BANK OF AMERICA, N.A.,

on its own behalf in its capacity as Administrative Agent and on behalf of each Continuing Term B-3 Lender

By: /s/ Felicia Brinson

Name: Felicia Brinson

Title: Assistant Vice President

2019 Subsidiaries of FleetCor Technologies, Inc.

	Subsidiary	Jurisdiction of Organization
1	FleetCor Technologies, Inc.	Georgia, United States
2	FleetCor Technologies Operating Company, LLC	Georgia, United States
3	FleetCor Funding, LLC (SPV)	Delaware, United States
4	Mannatec	Georgia, United States
5	FleetCor Jersey Holding Limited	New Jersey, United States
6	CFN Holding Co.	Delaware, United States
7	CLC Group, Inc.	Delaware, United States
8	Corporate Lodging Consultants, Inc.	Kansas, United States
9	Crew Transportation Specialists, Inc.	Kansas, United States
10	FleetCor Commercial Card Management (Canada) Ltd.	British Columbia, Canada
11	FleetCor Technologies Operating Company - CFN Holding Co.	Luxembourg
12	FleetCor Luxembourg Holding 1	Luxembourg
13	FleetCor Luxembourg Holding 2	Luxembourg
14	FleetCor Technologieën B.V.	The Netherlands
15	FleetCor UK Acquisition Limited	United Kingdom
16	FleetCor Europe Limited	United Kingdom
17	CH Jones Limited	United Kingdom
18	FleetCor UK International Management Limited – f/k/a Intercity Fuels Limited	United Kingdom
19	The Fuelcard Company UK Limited	United Kingdom
20	FleetCor Fuel Cards LLC	Delaware, United States
21	FleetCor Fuel Cards (Europe) Ltd	United Kingdom
22	CCS Ceska spolecnost pro platebni karty sro	Czech Republic
23	CCS Slovenska spolecnost pro platebne karty sro	Slovakia
24	LLC "Petrol Plus Russia"	Russia
25	LLC "PPR" (FKA LLC Petrol Plus Region)	Russia
26	UAB "Transit Card International" (Lithuania)	Lithuania
27	Transit Card Int'l Polska Sp. z.o.o.	Poland
28	OU Transit Cargo International (Estonia)	Estonia
29	LLC "Eltop"	Russia
30	LLC "OILCARD"	Russia
31	FleetCor Technologies Mexico S. de R.L. de C.V.	Mexico
32	Efectivale, S. de R.L. de C.V.	Mexico
33	Efectivale Servicios, S. de R.L. de C.V.	Mexico
34	CTF Technologies (Canada), ULC	Canada
35	CTF Technologies Do Brasil, Ltda.	Brazil
36	LLC "TD NCT"	Russia
37	LLC "STC" Petrol Plus"	Russia
38	LLC "NCT Software"	Russia

	Subsidiary	Jurisdiction of Organization
39	LLC Petrol Plus Cards Ukraine	Ukraine
40	LLC Petrol Plus Cards Asia	Asia
41	Allstar Business Solutions Limited	United Kingdom
42	Business Fuel Cards Pty Limited	Australia
43	FleetCor Technologies New Zealand Limited	New Zealand
44	Cardlink Systems Limited	New Zealand
45	LLC "Avto Kart neft"	Russia
46	VB – SERVIÇOS, COMÉRCIO E ADMINISTRAÇÃO LTDA	Brazil
47	GESTREK – SERVIÇO DE GESTÃO, CALL CENTER E LOGÍSTICA EMPRESARIAL LTDA	Brazil
48	Auto Expresso Tecnologia S.A.	Brazil
49	CGMP Centro de Gestao de Meios de Pagamentos Ltda.	Brazil
50	Epyx Limited	England and Wales
51	Epyx France SAS	France
52	Pacific Pride Services, LLC	Delaware, United States
53	FleetCor Deutschland GmbH	Germany
54	FCHC Holding Company, LLC	Delaware, United States
55	FleetCor Tankkarten GmbH	Austria
56	Comdata Inc.	Delaware, United States
57	Comdata TN, Inc.	Tennessee, United States
58	Comdata Network Inc. of California	California, United States
59	Stored Value Solutions International B.V.	The Netherlands
60	Stored Value Solutions GmbH	Germany
61	Stored Value Solutions France SAS	France
62	Stored Value Solutions Hong Kong Limited	China
63	Buyatab Online Inc	Canada
64	Buyatab Online UK Ltd	United Kingdom
65	Stored Value Solutions Canada Ltd.	Canada
66	Shanghai Stored Value Solutions Information Technology Co., Ltd.	China
67	Stored Value Solutions UK Limited	United Kingdom
68	Venturo Technologien Swiss GmbH	Switzerland
69	BDC Payments Holdings, Inc.	New York, United States
70	P97 Networks Inc.	Texas, United States
71	FleetCor Belgium Société Privée à Responsabilité Limitée	Belgium
72	FleetCor POLAND SPÓŁKA Z OGRANICZONA ODPOWIEDZIALNOSCIA	Poland
73	FleetCor Hungary Korlátolt Felelősségű Társaság	Hungary
74	Venturo Technologies S.à r.l.	Luxembourg
75	FleetCor Czech Republic sro	Czech Republic
76	FleetCor Slovakia s.r.o.	Slovakia

	Subsidiary	Jurisdiction of Organization
77	Creative Lodging Solutions, LLC	Kentucky, United States
78	Venturo Fleet Solutions Company Limited	Thailand
79	TravelCard, B.V. (FKA TravelCard Nederlands, B.V.)	The Netherlands
80	Cambridge Mercantile Corp. (USA)	United States
81	Cambridge Mercantile Corp. (Canada)	Canada
82	Cambridge Mercantile Corp. (U.K.) Ltd.	United Kingdom
83	Cambridge Mercantile (Australia) Pty Ltd.	Australia
84	Cambridge Mercantile Risk Management (U.K.) Ltd.	United Kingdom
85	Global Processing Companies Rus, Limited Liability Company (Russian Federation)	Russia
86	Qui Group SpA	Genova, Italy
87	Qui Financial Services SpA	Genova, Italy
88	Carrera Quattro Srl	Genova, Italy
89	Welfare Company Srl	Genova, Italy
90	K2Pay Srl	Genova, Italy
91	Campus Bio Medico SpA	Milano, Italy
92	Rupe SpA	Genova, Italy
93	HAT SpA	Milano, Italy
94	Polisporliva Parioli SpA	Roma, Italy
95	Rispamio Super Srl	Catania, Italy
96	Consel Consorzio Elis	Roma, Italy
97	Travelliance Brasil Servicos de Viagens Ltda.	Brazil
98	Comdata LA, LLC	Louisiana, United States
99	R2C Online Limited	United Kingdom
100	LJK Companies, LLC	Minnesota, United States
101	NHI-2, LLC	Illinois, United States
102	Roomstorm, LLC	Illinois, United States
103	Skylark Innovations LLC	Virginia, United States
104	Travelliance de RL de CV (Mexico)	Mexico
105	Nationwide Hospitality Pty Ltd (Australia)	Australia
106	Travelliance Global Ltd. (UK)	United Kingdom
107	LR2, LLC	Illinois, United States
108	Group Achamps Limited	Texas, United States
109	Nvoicepay, Inc.	Oregon, United States

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the following Registration Statements:

- (1) Registration Statement (Form S-8 No. 333-223378) pertaining to the FLEETCOR Technologies, Inc. Amended and Restated Stock Incentive Plan and the FLEETCOR Technologies, Inc. 2010 Equity Compensation Plan,
- (2) Registration Statement (Form S-8 No. 333-190483) pertaining to the FLEETCOR Technologies, Inc. Amended and Restated Stock Incentive Plan and the FLEETCOR Technologies, Inc. 2010 Equity Compensation Plan, and
- (3) Registration Statement (Form S-8 No. 333-171289) pertaining to the FLEETCOR Technologies, Inc. Amended and Restated Stock Incentive Plan and the FLEETCOR Technologies, Inc. 2010 Equity Compensation Plan;

of our reports dated March 2, 2020, with respect to the consolidated financial statements of FLEETCOR Technologies, Inc. and Subsidiaries, and the effectiveness of internal control over financial reporting of FLEETCOR Technologies, Inc. and Subsidiaries, included in this Annual Report (Form 10-K) of FLEETCOR Technologies, Inc. and Subsidiaries for the year ended December 31, 2019.

/s/ Ernst & Young LLP

Atlanta, Georgia
March 2, 2020

CERTIFICATIONS

I, Ronald F. Clarke, certify that:

1. I have reviewed this annual report on Form 10-K of FleetCor Technologies, Inc.
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Ronald F. Clarke

Ronald F. Clarke
Chief Executive Officer

March 2, 2020

CERTIFICATIONS

I, Eric R. Dey, certify that:

1. I have reviewed this annual report on Form 10-K of FleetCor Technologies, Inc.
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Eric R. Dey

Eric R. Dey

Chief Financial Officer

March 2, 2020

**CERTIFICATIONS PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002
(18 U.S.C. SECTION 1350)**

In connection with the Annual Report of FleetCor Technologies, Inc., a Delaware corporation (the "Company"), on Form 10-K for the year ended December 31, 2019, as filed with the Securities and Exchange Commission (the "Report"), Ronald F. Clarke, Chief Executive Officer of the Company, does hereby certify, pursuant to § 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. § 1350), that to his knowledge:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Ronald F. Clarke

Ronald F. Clarke

Chief Executive Officer

March 2, 2020

[A signed original of this written statement required by Section 906 has been provided to FleetCor Technologies, Inc. and will be retained by FleetCor Technologies, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.]

**CERTIFICATIONS PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002
(18 U.S.C. SECTION 1350)**

In connection with the Annual Report of FleetCor Technologies, Inc., a Delaware corporation (the "Company"), on Form 10-K for the year ended December 31, 2019, as filed with the Securities and Exchange Commission (the "Report"), Eric R. Dey, Chief Financial Officer of the Company, does hereby certify, pursuant to § 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. § 1350), that to his knowledge:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Eric R. Dey

Eric R. Dey
Chief Financial Officer

March 2, 2020

[A signed original of this written statement required by Section 906 has been provided to FleetCor Technologies, Inc. and will be retained by FleetCor Technologies, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.]