WEX Inc. Form 10-Q August 01, 2013 Table of Contents

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(Ma	ark One)
X	QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 For the quarterly period ended June 30, 2013
	OR
	TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 For the transition period from to

Commission file number: 001-32426

WEX INC.

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(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of

01-0526993 (I.R.S. Employer

incorporation or organization)

Identification No.)

97 Darling Avenue, South Portland, Maine (Address of principal executive offices)

04106 (Zip Code)

(207) 773-8171

(Registrant s telephone number, including area code)

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

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

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

Large accelerated filer x Accelerated filer

Non-accelerated filer " (Do not check if a smaller reporting company)

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

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

Class
Common Stock, \$0.01 par value per share

Outstanding at July 25, 2013 38,851,824 shares

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

PART I

Item 1. Financial Statements.

WEX INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

(in thousands, except per share data)

(unaudited)

Assets Cash and cash equivalents \$ 299,559 \$ 177,662 1,831,892 1,555,814 April, 662 1,631,892 1,555,814 April, 662 1,631,892 1,555,814 April, 662 1,673,55 51,535 16,535 16,535 16,535 16,535 16,535 16,535 16,535 16,535 16,535 16,535 16,530 40,009 40,0097 40,0097 40,0097 40,0097 40,0097 20,0097 <th></th> <th>June 30, 2013</th> <th>December 31, 2012</th>		June 30, 2013	December 31, 2012
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Additional paid-in capital 163,747 162,470 Retained earnings 801,213 730,311		•	
Retained earnings 801,213 730,311			
Accumulated other comprehensive (loss) income (7,274) 37,379			
	Accumulated other comprehensive (loss) income	(7,274)	37,379

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 Less treasury stock at cost; 4,007 shares in 2013 and 3,766 in 2012
 (130,566)
 (112,655)

 Total stockholders equity
 827,549
 817,931

 Total liabilities and stockholders equity
 \$3,448,927
 \$3,125,091

See notes to unaudited condensed consolidated financial statements.

WEX INC.

CONDENSED CONSOLIDATED STATEMENTS OF

INCOME

(in thousands, except per share data)

(unaudited)

		nths ended	Six months ended June 30,			
	2013	2012	2013	2012		
Revenues						
Fleet payment solutions	\$ 131,040	\$ 114,685	\$ 257,079	\$ 223,832		
Other payment solutions	47,245	38,379	86,576	69,354		
Total revenues	178,285	153,064	343,655	293,186		
Expenses						
Salary and other personnel	40,647	29,963	80,724	58,678		
Service fees	26,608	24,770	50,413	45,078		
Provision for credit losses	4,915	4,184	8,671	9,227		
Technology leasing and support	6,428	4,874	11,913	9,141		
Occupancy and equipment	4,191	3,214	7,996	6,030		
Depreciation, amortization and impairment	14,501	11,397	29,108	22,714		
Operating interest expense	1,082	1,076	2,229	2,187		
Cost of hardware and equipment sold	1,137	784	2,211	1,511		
Other	11,695	9,922	22,779	17,777		
Total operating expenses	111,204	90,184	216,044	172,343		
	,	,	,	,		
Operating income	67,081	62,880	127,611	120,843		
Financing interest expense	(7,369)	(2,290)	(14,708)	(4,575)		
Loss on foreign currency transactions	(1,028)	(472)	(1,260)	(492)		
Decrease in tax refund due to former shareholders of RD Card Holdings Australia	(=,===)	9,750	(-,,	9,750		
Net realized and unrealized gains on fuel price derivatives	8,614	20,792	859	1,980		
	,	ŕ		,		
Income before income taxes	67,298	90,660	112,502	127,506		
Income taxes	25,246	60,325	41,873	73,935		
meone axes	20,210	00,523	11,070	75,755		
Net income	42,052	30,335	70,629	53,571		
Less: Net loss from noncontrolling interest	(161)		(273)			
2000. Feet 1000 from noncontrolling interest	(101)		(213)			
Net earnings attributable to WEX Inc.	\$ 42,213	\$ 30,335	\$ 70,902	\$ 53,571		
No. 1 Control of the state of t						
Net earnings attributable to WEX Inc. per share:	¢ 100	¢ 0.70	¢ 102	¢ 120		
Basic	\$ 1.08	\$ 0.78	\$ 1.82	\$ 1.38		

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Diluted	\$	1.08	\$	0.78	\$	1.81	\$	1.37
Weighted average common shares outstanding:								
Basic		38,934		38,883		38,911		38,852
Diluted		39,039		39,084		39,136		39,114

See notes to unaudited condensed consolidated financial statements.

WEX INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(in thousands)

(unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2013	2012	2013	2012
Net earnings attributable to WEX Inc.	\$ 42,213	\$ 30,335	\$ 70,902	\$ 53,571
Changes in available-for-sale securities, net of tax effect of \$(199) and \$(246) in 2013 and				
\$51 and \$41 in 2012	(341)	86	(419)	70
Changes in interest rate swap, net of tax effect of \$ and \$ in 2013 and \$ and \$35 in 2012				60
Foreign currency translation				