

WEX Inc.
Form 10-Q
August 01, 2013
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

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 incorporation or organization)	01-0526993 (I.R.S. Employer 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. 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). 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 Accelerated filer

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

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

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

Class	Outstanding at July 25, 2013
Common Stock, \$0.01 par value per share	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," "anticipate," "plan," "continue," "project," "intend," "estimate," "believe," "expect" and similar expressions are intended to identify forward-looking statements, although not all forward-looking statements contain such words. Forward-looking statements relate to our future plans, objectives, expectations and intentions and are not historical facts and accordingly involve known and unknown risks and uncertainties and other factors that may cause the actual results or performance to be materially different from future results or performance expressed or implied by these forward-looking statements. The following factors, among others, could cause actual results to differ materially from those contained in forward-looking statements made in this Quarterly Report, in press releases and in oral statements made by our authorized officers: the effects of general economic conditions on fueling patterns and the commercial activity of fleets; the effects of the Company's international business expansion and integration efforts and any failure of those efforts; the impact and range of credit losses; breaches of the Company's technology systems and any resulting negative impact on our reputation, liability, or loss of relationships with customers or merchants; the Company's failure to successfully integrate the businesses it has acquired; fuel price volatility; the Company's failure to maintain or renew key agreements; failure to expand the Company's technological capabilities and service offerings as rapidly as the Company's competitors; the actions of regulatory bodies, including banking, derivatives and securities regulators, or possible changes in banking regulations impacting the Company's industrial bank and WEX Inc. as the corporate parent; the impact of foreign currency exchange rates on the Company's operations, revenue and income; changes in interest rates; financial loss if the Company determines it necessary to unwind its derivative instrument position prior to the expiration of a contract; the incurrence of impairment charges if our assessment of the fair value of certain of our reporting units changes; the uncertainties of litigation; as well as other risks and uncertainties identified in Item 1A of our Annual Report for the year ended December 31, 2012, filed on Form 10-K with the Securities and Exchange Commission on March 1, 2013. Our forward-looking statements and these factors do not reflect the potential future impact of any alliance, merger, acquisition or disposition. The forward-looking statements speak only as of the date of the initial filing of this Quarterly Report and undue reliance should not be placed on these statements. We disclaim any obligation to update any forward-looking statements as a result of new information, future events or otherwise.

Table of Contents**PART I****Item 1. Financial Statements.****WEX INC.****CONDENSED CONSOLIDATED BALANCE SHEETS****(in thousands, except per share data)****(unaudited)**

	June 30, 2013	December 31, 2012
Assets		
Cash and cash equivalents	\$ 299,559	\$ 197,662
Accounts receivable (less reserve for credit losses of \$10,430 in 2013 and \$11,709 in 2012)	1,831,892	1,555,814
Available-for-sale securities	16,735	16,350
Fuel price derivatives, at fair value	2,238	
Property, equipment and capitalized software (net of accumulated depreciation of \$136,247 in 2013 and \$125,659 in 2012)	59,054	60,097
Deferred income taxes, net	98,424	118,535
Goodwill	816,051	844,285
Other intangible assets, net	215,699	241,810
Other assets	109,275	90,538
Total assets	\$ 3,448,927	\$ 3,125,091
Liabilities and Stockholders Equity		
Accounts payable	\$ 725,454	\$ 527,838
Accrued expenses	73,860	60,532
Income taxes payable	4,873	10,151
Deposits	987,819	890,345
Borrowed federal funds		48,400
Revolving line-of-credit facilities and term loan	292,500	621,000
Deferred income taxes, net	15,003	18,407
Notes outstanding	400,000	
Amounts due under tax receivable agreement	82,491	86,550
Fuel price derivatives, at fair value		1,729
Other liabilities	19,728	20,546
Total liabilities	2,601,728	2,285,498
Commitments and contingencies (Note 14)		
Redeemable noncontrolling interest (Note 11)	19,650	21,662
Stockholders Equity		
Common stock \$0.01 par value; 175,000 shares authorized, 42,886 in 2013 and 42,586 in 2012 shares issued; 38,971 in 2013 and 38,908 in 2012 shares outstanding	429	426
Additional paid-in capital	163,747	162,470
Retained earnings	801,213	730,311
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.

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WEX INC.
CONDENSED CONSOLIDATED STATEMENTS OF
INCOME
(in thousands, except per share data)
(unaudited)

	Three months ended June 30,		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
Income before income taxes	67,298	90,660	112,502	127,506
Income taxes	25,246	60,325	41,873	73,935
Net income	42,052	30,335	70,629	53,571
Less: Net loss from noncontrolling interest	(161)		(273)	
Net earnings attributable to WEX Inc.	\$ 42,213	\$ 30,335	\$ 70,902	\$ 53,571
Net earnings attributable to WEX Inc. per share:				
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.

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	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				