BGC Partners, Inc.
Form 8-K
July 29, 2015

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

PURSUANT TO SECTION 13 OR 15(d)

OF THE SECURITIES EXCHANGE ACT OF 1934

Date of Report (Date of Earliest Event Reported): July 29, 2015

BGC Partners, Inc.

(Exact name of Registrant as specified in its charter)

Delaware	**0-28191, 1-35591**	**13-4063515**
(State or other jurisdiction of incorporation)	**(Commission File Numbers)**	**(I.R.S. Employer Identification No.)**

499 Park Avenue, New York, NY 10022

(Address of principal executive offices)

Registrant s telephone number, including area code: (212) 610-2200

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

¨ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

¨ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

¨ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

¨ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 2.02. Results of Operations and Financial Condition.

On July 29, 2015, BGC Partners, Inc. (the Registrant, we, us, BGC Partners, BGC, or the Company) issued a release announcing its financial results for the quarter ended June 30, 2015. A copy of the press release is attached as Exhibit 99.1 to this Current Report on Form 8-K and is incorporated by reference herein.

Except as indicated below, the information in this Item 2.02 and the Exhibit attached to this Current Report on Form 8-K are being furnished under Item 2.02 of Form 8-K. Such information shall not be deemed filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the Exchange Act), or otherwise subject to the liabilities of that section, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933, as amended (the Securities Act), or the Exchange Act, except as expressly set forth by specific reference in such filing and as set forth below.

In the press release, the Registrant uses non-GAAP financial measures including revenues for distributable earnings, pre-tax distributable earnings and post-tax distributable earnings, which are supplemental measures of operating performance that are used by management to evaluate the financial performance of the Company and its consolidated subsidiaries. BGC Partners believes that distributable earnings best reflect the operating earnings generated by the Company on a consolidated basis and are the earnings which management considers available for distribution to BGC Partners, Inc. and its common stockholders, as well as to holders of BGC Holdings partnership units during any period.

As compared with income (loss) from operations before income taxes, net income (loss) for fully diluted shares, and fully diluted earnings (loss) per share, all prepared in accordance with GAAP, distributable earnings calculations primarily exclude certain non-cash compensation and other expenses which generally do not involve the receipt or outlay of cash by the Company, which do not dilute existing stockholders, and which do not have economic consequences, as described below. In addition, distributable earnings calculations exclude certain gains and charges that management believes do not best reflect the ordinary operating results of BGC.

Revenues for distributable earnings are defined as GAAP revenues excluding the impact of BGC Partners, Inc. s non-cash earnings or losses related to its equity investments. Revenues for distributable earnings include the collection of receivables which would have been recognized for GAAP other than for the effect of acquisition accounting. Revenues for distributable earnings also exclude certain one-time or unusual gains that are recognized under GAAP, because the Company does not believe such gains are reflective of its ongoing, ordinary operations.

Pre-tax distributable earnings are defined as GAAP income (loss) from operations before income taxes excluding items that are primarily non-cash, non-dilutive, and non-economic, such as:

- Non-cash stock-based equity compensation charges for REUs granted or issued prior to the merger of BGC Partners, Inc. with and into eSpeed, Inc., as well as post-merger non-cash, non-dilutive equity-based compensation related to partnership unit exchange or conversion.

- Allocations of net income to founding/working partner and other limited partnership units, including REUs, RPUs, PSUs, LPUs, and PSIs.

- Non-cash asset impairment charges, if any.

Distributable earnings calculations also exclude charges related to purchases, cancellations or redemptions of partnership interests and certain unusual, one-time or non-recurring items, if any.

Compensation and employee benefits expense for distributable earnings will also include broker commission payouts relating to the aforementioned collection of receivables.

BGC s definition of distributable earnings also excludes certain gains and charges with respect to acquisitions, dispositions, or resolutions of litigation. This exclusion pertains to the one-time gain related to the Nasdaq OMX transaction. Management believes that excluding these gains and charges best reflects the operating performance of BGC. However, because Nasdaq OMX is expected to pay BGC in an equal amount of stock on a regular basis for 15 years as part of the transaction, the payments associated with BGC s receipt of such stock are expected to be included in the Company s calculation of distributable earnings. To make quarter-to-quarter comparisons more meaningful, one-quarter of the annual contingent earn-out amount will be included in the Company s calculation of distributable earnings each quarter as other revenues.

Since distributable earnings are calculated on a pre-tax basis, management intends to also report post-tax distributable earnings and post-tax distributable earnings per fully diluted share:

- Post-tax distributable earnings are defined as pre-tax distributable earnings adjusted to assume that all pre-tax distributable earnings were taxed at the same effective rate.

- Post-tax distributable earnings per fully diluted share are defined as post-tax distributable earnings divided by the weighted-average number of fully diluted shares for the period.

BGC s distributable earnings per share calculations assume either that:

- The fully diluted share count includes the shares related to the dilutive instruments, such as the Convertible Senior Notes, but excludes the associated interest expense, net of tax, when the impact would be dilutive; or

- The fully diluted share count excludes the shares related to these instruments, but includes the associated interest expense, net of tax.

Each quarter, the dividend to BGC s common stockholders is expected to be determined by the Company s Board of Directors with reference to post-tax distributable earnings per fully diluted share. In addition to the Company s quarterly dividend to common stockholders, BGC Partners expects to pay a pro-rata distribution of net income to BGC Holdings founding/working partner and other limited partnership units, including REUs, RPUs, LPUs, PSUs and PSIs, and to Cantor for its noncontrolling interest. The amount of all of these payments is expected to be determined using the above definition of pre-tax distributable earnings per share.

Certain employees who are holders of RSUs may be granted pro-rata payments equivalent to the amount of dividends paid to common stockholders. Under GAAP, a portion of the dividend equivalents on RSUs is required to be taken as a compensation charge in the period paid. However, to the extent that they represent cash payments made from the prior period s distributable earnings, they do not dilute existing stockholders and are therefore excluded from the calculation of distributable earnings.

The term distributable earnings is not meant to be an exact measure of cash generated by operations and available for distribution, nor should it be considered in isolation or as an alternative to cash flow from operations or GAAP net income (loss.) The Company views distributable earnings as a metric that is not necessarily indicative of liquidity or the cash available to fund its operations.

Pre- and post-tax distributable earnings are not intended to replace the Company s presentation of GAAP financial results. However, management believes that they help provide investors with a clearer understanding of BGC Partners financial performance and offer useful information to both management and investors regarding certain financial and business trends related to the Company s financial condition and results of operations. Management believes that distributable earnings and the GAAP measures of financial performance should be considered together.

Management does not anticipate providing an outlook for GAAP revenues, income (loss) from operations before income taxes, net income (loss) for fully diluted shares, and fully diluted earnings (loss) per share, because the items previously identified as excluded from pre-tax distributable earnings and post-tax distributable earnings are difficult to forecast. Management will instead provide its outlook only as it relates to revenues for distributable earnings, pre-tax distributable earnings, and post-tax distributable earnings.

For more information on this topic, please see the tables in the most recent BGC financial results press release entitled "Reconciliation of Revenues Under GAAP and Distributable Earnings," and "Reconciliation of GAAP Income (Loss) to Distributable Earnings," which provide a summary reconciliation between pre- and post-tax distributable earnings and the corresponding GAAP measures for the Company in the periods discussed in the attached press release. The reconciliations for prior periods do not include the results of GFI.

Adjusted EBITDA Defined

BGC also provides an additional non-GAAP financial measure, adjusted EBITDA, which it defines as GAAP income from operations before income taxes, adjusted to add back interest expense as well as the following non-cash items:

Employee loan amortization;

Fixed asset depreciation and intangible asset amortization;

Non-cash impairment charges;

Charges relating to grants of exchangeability to limited partnership interests;

Charges related to redemption of units;

Charges related to issuance of restricted shares; and

Non-cash earnings or losses related to BGC s equity investments.

The Company s management believes that this measure is useful in evaluating BGC s operating performance compared to that of its competitors, because the calculation of adjusted EBITDA generally eliminates the effects of financing and income taxes and the accounting effects of capital spending and acquisitions, which would include impairment charges of goodwill and intangibles created from acquisitions. Such items may vary for different companies for reasons unrelated to overall operating performance. As a result, the Company s management uses these measures to evaluate operating performance and for other discretionary purposes. BGC believes that adjusted EBITDA is useful to investors to assist them in getting a more complete picture of the Company s financial results and operations.

Since adjusted EBITDA is not a recognized measurement under GAAP, investors should use adjusted EBITDA in addition to GAAP measures of net income when analyzing BGC s operating performance. Because not all companies use identical EBITDA calculations, the Company s presentation of adjusted EBITDA may not be comparable to similarly titled measures of other companies. Furthermore, adjusted EBITDA is not intended to be a measure of free cash flow, because adjusted EBITDA does not consider certain cash requirements, such as tax and debt service payments.

For a reconciliation of adjusted EBITDA to GAAP income (loss) from operations before income taxes, the most comparable financial measure calculated and presented in accordance with GAAP, see the section of this document titled Reconciliation of GAAP Income (loss) to Adjusted EBITDA (and Comparison to Pre-Tax Distributable Earnings.)

Discussion of Forward-Looking Statements About BGC Partners and GFI

Statements in the attached press release regarding BGC s and GFI s businesses that are not historical facts are forward-looking statements that involve risks and uncertainties. Except as required by law, BGC and GFI undertake no obligation to release any revisions to any forward-looking statements. For a discussion of additional risks and uncertainties, which could cause actual results to differ from those contained in the forward-looking statements, see BGC s and GFI s respective Securities and Exchange Commission filings, including, but not limited to, the risk factors set forth in their respective public filings, including their most recent Forms 10-K and any updates to such risk factors contained in subsequent Forms 10-Q or Forms 8-K

ITEM 9.01. FINANCIAL STATEMENTS AND EXHIBITS

(d) Exhibits.
99.1 BGC Partners, Inc. press release, dated July 29, 2015

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

	BGC PARTNERS, INC.
Date: July 29, 2015	By: /s/ Howard W. Lutnick
	Name: Howard W. Lutnick
	Title: Chairman and Chief Executive Officer

[Signature Page to Form 8-K, dated July 29, 2015, regarding the Company s second quarter 2015 Earnings Release.]

EXHIBIT INDEX

Exhibit Number	**Description**
99.1	BGC Partners, Inc. press release, dated July 29, 2015

amily:Times New Roman; font-size:10pt;">

- Credit loss expense in the Fleet Solutions segment decreased 8 percent to $54.5 million during 2018, as compared to $59.3 million during 2017. Spend volume increased 22 percent in 2018 as compared to 2017. Our credit losses were 12.5 basis points of fuel expenditures for 2018, as compared to 17.2 basis points of fuel expenditures for 2017, a decrease of 27 percent primarily due to lower incidences of magnetic stripe card skimming fraud as compared to 2017.
- Our Travel and Corporate Solutions purchase volume grew to $34.7 billion in 2018, a 14 percent increase from 2017, primarily due to strong growth globally driven by strong performance in both our travel and corporate payment products.
- Health and Employee Benefit Solutions average number of SaaS accounts in the U.S. grew 20% to 11.0 million in 2018 from 9.2 million in 2017. Likewise, U.S. purchase volume grew by $497.1 million in 2018, a 12 percent increase as compared to 2017.
- Our effective tax rate was 28.9 percent for 2018 as compared to 8.9 percent for 2017. The lower tax rate in 2017 was primarily due to the reduction of our net deferred tax liabilities resulting from the change in federal corporate income tax rate to 21 percent from 35 percent effective January 1, 2018 as part of the 2017 Tax Act.

Segments

WEX operates in three reportable segments: Fleet Solutions, Travel and Corporate Solutions, and Health and Employee Benefit Solutions. Our Fleet Solutions segment provides payment, transaction processing and information management services specifically designed for the needs of commercial and government fleets. Our Travel and Corporate Solutions segment focuses on the complex payment environment of business-to-business payments, providing customers with payment processing solutions for their corporate payment and transaction monitoring needs. Our Health and Employee Benefit Solutions segment provides a SaaS platform for consumer directed healthcare payments, as well as payroll related benefits to customers in Brazil.

Results of Operations

The Company does not allocate foreign currency gains and losses, financing interest expense, unrealized and realized gains and losses on financial instruments, income taxes, net gains or losses from non-controlling interests, and non-cash adjustments related to our tax receivable agreement to our operating segments, as management believes these items are unpredictable and can obscure underlying trends. In addition, effective January 1, 2018, the Company does not allocate certain corporate expenses to our operating segments, as these items are centrally controlled and are not directly attributable to any reportable segment.

Certain information technology and corporate related costs that support multiple segments were previously included entirely within the Fleet Solutions segment. Effective January 1, 2018, such amounts are allocated to the operating segment that they support. Prior year amounts have been recast to conform with the changes in segment profitability described above.

Sources of Operating Expense

Cost of Services

- Processing costs - The Company’s processing costs consist of expenses related to processing transactions, servicing customers and merchants and cost of goods sold related to hardware and other product sales.

2

- Service fees - The Company incurs costs from third-party networks utilized to deliver payment solutions. Additionally, other third-parties are utilized in performing services directly related to generating revenue. With the adoption of Topic 606, effective January 1, 2018 fees paid to third-party networks are no longer recorded as service fees and are now prospectively presented as a reduction of revenues.
- Provision for credit losses - Changes in the reserve for credit loss are the result of changes in management’s estimate of the losses in the Company’s outstanding portfolio of receivables, including losses from fraud.
- Operating interest - The Company incurs interest expense on the operating debt obtained to provide liquidity for its short-term receivables.
- Depreciation and amortization - The Company has identified those tangible and intangible assets directly associated with providing a service that generates revenue and records the depreciation and amortization associated with those assets under this category. Such assets include processing platforms and related infrastructure, acquired developed technology intangible assets and other similar asset types.

Other Operating Expenses

- General and administrative - General and administrative includes compensation and related expenses for executive, finance and accounting, other information technology, human resources, legal and other corporate functions. Also included are corporate facilities expenses, certain third-party professional service fees and other corporate expenses.
- Sales and marketing - The Company’s sales and marketing expenses relate primarily to compensation, benefits, sales commissions and related expenses for sales, marketing and other related activities. With the adoption of Topic 606, effective January 1, 2018 certain payments to partners are now prospectively classified as sales and marketing expenses .
- Depreciation and amortization - The depreciation and amortization associated with tangible and intangible assets that are not considered to be directly associated with providing a service that generates revenue are recorded as other operating expenses. Such assets include corporate facilities and information technology assets and acquired intangible assets other than those included in cost of services.

Year Ended December 31, 2018, Compared to the Year Ended December 31, 2017
Fleet Solutions
Revenues
The following table reflects comparative revenue and key operating statistics within Fleet Solutions:

	Twelve Months Ended December 31,		Increase (Decrease)	
(In thousands, except per transaction and per gallon data)	2018	2017	Amount	Percent
Revenues[a]				
Payment processing revenue	$464,980	$360,158	$104,822	29 %
Account servicing revenue	162,662	165,083	(2,421)	(1)%
Finance fee revenue	190,528	159,336	31,192	20 %
Other revenue	156,970	138,533	18,437	13 %
Total revenues	$975,140	$823,110	$152,030	18 %
Key operating statistics[b]				
Payment processing revenue:				
Payment processing transactions	459,309	429,716	29,593	7 %
Payment processing fuel spend	$36,991,903	$30,288,539	$6,703,364	22 %
Average price per gallon of fuel – Domestic – ($USD/gal)	$2.95	$2.50	$0.45	18 %
Net payment processing rate	1.26 %	1.19 %	0.07 %	6 %

[a] Foreign currency exchange rate fluctuations did not have a material impact on Fleet Solutions revenue in 2018.
[b] The Company adopted the requirements of ASU 2014–09 ("the new revenue recognition standard") as of January 1, 2018, utilizing the modified retrospective method of transition. Impacted non-financial metrics have been updated prospectively.

Revenues
The net impact of adopting the new revenue recognition standard in 2018, described further below, increased Fleet Solutions revenue by approximately $35 million for 2018, as compared to 2017.
Payment processing revenue increased $104.8 million for 2018, as compared to 2017, due primarily to higher average domestic fuel prices, the impact from the adoption of the new revenue recognition standard and increased payment processing volumes due to organic growth. Upon adoption of the new revenue recognition standard, we reclassified certain amounts paid to partners from a reduction of revenue to sales and marketing expense.
Account servicing revenue decreased $2.4 million for 2018, as compared to 2017, due primarily to the divestiture of our Telapoint business in the fourth quarter of 2017, partly offset by an increase in fees to certain customers as part of domestic price modernization efforts over the course of the prior year.
Other revenue increased $18.4 million in 2018, as compared to 2017, due primarily to organic growth resulting from higher EFS transaction processing revenue and Asia-Pacific revenues. Additionally, we reclassified certain amounts from contra revenue to selling expense in 2018 following adoption of the new revenue recognition standard.
Finance fee revenue is comprised of the following components:

	Twelve Months Ended December 31,		Increase (Decrease)	
(In thousands)	2018	2017	Amount	Percent
Finance income	$152,860	$129,783	$23,077	18 %
Factoring fee revenue	37,082	29,018	8,064	28 %
Cardholder interest income	586	535	51	10 %
Total finance fee revenue	$190,528	$159,336	$31,192	20 %

4

Finance income primarily consists of late fees charged for receivables not paid within the terms of the customer agreement based upon the outstanding customer receivable balance. This revenue is earned when a customer's receivable balance becomes delinquent and is calculated using the greater of a minimum charge or a stated late fee rate multiplied by the outstanding balance that is subject to a late fee charge. Changes in the absolute amount of such outstanding balances can be attributed to (i) changes in fuel prices; (ii) customer specific transaction volume; and (iii) customer specific delinquencies. Late fee revenue can also be impacted by (i) changes in late fee rates and (ii) increases or decreases in customer overdue balances. Late fee rates are determined and set based primarily on the risk associated with our customers, coupled with a strategic view of standard rates within our industry. Periodically, we assess the market rates associated within our industry to determine appropriate late fee rates. We consider factors such as the Company's overall financial model and strategic plan, the cost to our business from customers failing to pay timely and the impact such late payments have on our financial results. These assessments are typically conducted at least annually but may occur more often depending on macro-economic factors.

Finance income increased $23.1 million in 2018, as compared to 2017, primarily due to changes in overdue outstanding balances resulting from higher average domestic fuel prices and volumes. For the majority of both 2018 and 2017, monthly late fee rates ranged up to to 7.99%, with a minimum finance charge of up to $75. The weighted average late fee rate, net of related charge-offs was 4.5% and 4.4% for 2018 and 2017, respectively.

Concessions to certain customers experiencing financial difficulties may be granted and are limited to extending the time to pay, placing a customer on a payment plan or granting waivers of late fees. There were no material concessions to customers experiencing financial difficulties during either of the years ended December 31, 2018 and 2017.

The primary source of factoring fee revenue is calculated as a negotiated percentage fee of the receivable balance that we purchase. A secondary source of factoring fee revenue is a flat rate service fee to our customers that request a non-contractual same day funding of the receivable balance. Factoring fee revenue increased $8.1 million in 2018, as compared to 2017, due to higher relative receivable balances purchased resulting from increased customer demand for our services.

Operating Expenses

The following table compares line items within operating income for Fleet Solutions:

	Twelve Months Ended December 31,		Increase (Decrease)	
(In thousands)	2018	2017	Amount	Percent
Cost of services				
Processing costs	$190,109	$178,710	$11,399	6 %
Service fees	$7,212	$5,789	$1,423	25 %
Provision for credit losses	$54,484	$59,251	$(4,767)	(8)%
Operating interest	$16,502	$9,122	$7,380	81 %
Depreciation and amortization	$39,720	$47,574	$(7,854)	(17)%
Other operating expenses				
General and administrative	$72,404	$73,397	$(993)	(1)%
Sales and marketing	$157,240	$118,740	$38,500	32 %
Depreciation and amortization	$81,818	$91,748	$(9,930)	(11)%
Impairment charges	$3,225	$18,181	$(14,956)	(82)%
Operating income	$352,426	$220,598	$131,828	60 %

NM - Not Meaningful

Cost of services

Processing costs increased $11.4 million for 2018, as compared to 2017, due primarily additional processing costs associated with our Brazilian subsidiary and U.S. volume-related increases, including incremental headcount and costs

related to recent significant customer acquisitions.
Service fees increased $1.4 million during 2018, as compared to 2017, due primarily to higher bank fees resulting from increased volumes.

5

Provision for credit losses decreased $4.8 million for 2018, as compared to 2017 due primarily to a decline in magnetic stripe card skimming fraud losses, partly offset by increases in receivable balances due to higher average domestic fuel prices and volume growth.

We generally measure our credit loss performance by calculating fuel-related credit losses as a percentage of total fuel expenditures on payment processing transactions. This metric for credit losses was 12.5 basis points of fuel expenditures for 2018, as compared to 17.2 basis points of fuel expenditures for 2017. We generally use a roll-rate methodology to calculate the amount necessary for our ending receivable reserve balance. This methodology considers total receivable balances, recent charge-off experience, recoveries on previously charged off accounts, and the dollars that are delinquent to calculate the total reserve. In addition, management undertakes a detailed evaluation of the receivable balances to help further ensure overall reserve adequacy. The expense we recognize in each quarter is the amount necessary to bring the reserve to its required level based on accounts receivable aging and net charge offs.

Operating interest expense increased $7.4 million in 2018, as compared to 2017, primarily due to higher interest rates paid on deposits and the impact of higher fuel prices and volumes.

Depreciation and amortization decreased $7.9 million in 2018, as compared to 2017, as 2017 was impacted by accelerated amortization of our existing over-the-road payment processing technology as a result of the EFS acquisition. This expense decrease relative to the prior year was partly offset by incremental depreciation on recent investments in internal-use software.

Other operating expenses

General and administrative expenses decreased $1.0 million in 2018, as compared to 2017, due to higher professional fees, partly offset by office closure restructuring costs to consolidate operations, which were incurred in 2017.

Sales and marketing expenses increased $38.5 million in 2018, as compared to 2017, due primarily to a reclassification of payments to partners, which are now included in sales and marketing expenses as a result of adopting the new revenue recognition standard. Prior to January 1, 2018, these payments were reflected as a reduction of revenue.

Depreciation and amortization decreased $9.9 million in 2018, as compared to 2017, due primarily to lower relative amortization on certain acquired intangibles.

During our annual goodwill assessment completed in the fourth quarter of 2018, we recorded a non-cash goodwill impairment charge of $3.2 million for our Brazil fleet reporting unit. See Item 8 – Note 9, Goodwill and Other Intangible Assets, of our consolidated financial statements for more information.

During the second quarter of 2017, we incurred a $16.2 million non-cash impairment and asset write-off related to in-sourcing certain technology functions, approximately $12.2 million of which was allocated to Fleet Solutions. Additionally, as part of a technology plan assessment, we streamlined certain payment processing software offerings and incurred an approximately $6.0 million non-cash software impairment charge in the fourth quarter of 2017.

Travel and Corporate Solutions

Revenues

The following table reflects comparative revenue and key operating statistics within Travel and Corporate Solutions:

	Twelve Months Ended December 31,		Increase (Decrease)	
(In thousands)	2018	2017	Amount	Percent
Revenues[a]				
Payment processing revenue	$203,289	$158,660	$44,629	28 %
Account servicing revenue	37,262	7,531	29,731	395 %
Finance fee revenue	1,391	760	631	83 %
Other revenue	61,402	57,096	4,306	8 %
Total revenues	$303,344	$224,047	$79,297	35 %
Key operating statistics[b]				
Payment processing revenue:				
Payment solutions purchase volume	$34,702,614	$30,344,752	$4,357,862	14 %

[a] Foreign currency exchange rate fluctuations did not have a material impact on Travel and Corporate Solutions revenue in 2018.

[b] The Company adopted the requirements of the new revenue recognition standard as of January 1, 2018, utilizing the modified retrospective method of transition. Impacted non-financial metrics have been updated prospectively.

The net impact of adopting the new revenue recognition standard in 2018, described further below, increased Travel and Corporate Solutions revenue by approximately $8 million in 2018.

Payment processing revenue increased approximately $44.6 million for 2018, as compared to 2017, primarily due to strong performance in both our travel and corporate payment products. During 2018, we benefited from volume increases in all geographies. The impact of the adoption of the new revenue recognition standard also contributed to revenue growth. Upon adoption of the new revenue recognition standard, we reclassified certain amounts paid to partners from a reduction of revenue to sales and marketing expense and fees paid to third-party payment processing networks from service fees to a reduction of revenue.

Account servicing revenue increased approximately $29.7 million for 2018, as compared to 2017, primarily due to the acquisition of AOC during October 2017.

Finance fee revenue was not material to Travel and Corporate Solutions' operations in 2018 or 2017.

Concessions to certain customers experiencing financial difficulties may be granted and are limited to extending the time to pay, placing a customer on a payment plan or granting waivers of late fees. As of and for the year ended December 31, 2018, customer balances with such concessions and waived late fees were immaterial. As of December 31, 2017, customer balances with such concessions totaled $7.9 million and the Company waived $2.1 million in late fees during 2017.

Other revenue increased approximately $4.3 million, as volume related increases were partly offset by an unfavorable adoption impact of the new revenue recognition standard. For the year ended December 31, 2018, network fees are now reflected as a reduction of revenue resulting from the adoption of the new revenue recognition standard. Prior to January 1, 2018, these network fees were classified as service fees.

Operating Expenses

The following table compares line items within operating income for Travel and Corporate Solutions:

(In thousands)	Twelve Months Ended December 31, 2018	2017	Increase (Decrease) Amount	Percent
Cost of services				
Processing costs	$44,949	$23,821	$21,128	89 %
Service fees	$27,573	$56,094	$(28,521)	(51)%
Provision for credit losses	$7,319	$(68)	$7,387	NM
Operating interest	$14,247	$8,367	$5,880	70 %
Depreciation and amortization	$15,245	$6,519	$8,726	134 %
Other operating expenses				
General and administrative	$26,151	$18,358	$7,793	42 %
Sales and marketing	$47,939	$21,422	$26,517	124 %
Depreciation and amortization	$14,813	$13,760	$1,053	8 %
Impairment charge	$2,424			