WORLD FUEL SERVICES CORP
Form 10-Q
April 30, 2018

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, DC 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 MARCH 31, 2018

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 1-9533

WORLD FUEL SERVICES CORPORATION

(Exact name of registrant as specified in its charter)

Florida	**59-2459427**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
9800 N.W. 41st Street Miami, Florida	**33178**
(Address of Principal Executive Offices)	(Zip Code)

Registrant's Telephone Number, including area code: **(305) 428-8000**

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 þ 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 (§ 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 þ No

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

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 þ

The registrant had a total of 67,706,254 shares of common stock, par value $0.01 per share, issued and outstanding as of April 20, 2018.

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Part I — Financial Information

Item 1. Financial Statements

World Fuel Services Corporation
Consolidated Balance Sheets
(Unaudited - In millions, except per share data)

	As of March 31, 2018	December 31, 2017
Assets:		
Current assets:		
Cash and cash equivalents	$ 152.9	$ 372.3
Accounts receivable, net	2,666.3	2,705.6
Inventories	590.2	505.0
Prepaid expenses	58.0	64.4
Short-term derivative assets, net	53.0	51.1
Other current assets	250.3	241.9
Total current assets	3,770.7	3,940.4
Property and equipment, net	335.4	329.8
Goodwill	866.9	845.5
Identifiable intangible and other non-current assets	499.2	472.1
Total assets	$ 5,472.1	$ 5,587.8
Liabilities:		
Current liabilities:		
Current maturities of long-term debt and capital leases	$ 33.6	$ 25.6
Accounts payable	2,197.7	2,239.7
Customer deposits	104.2	108.3
Accrued expenses and other current liabilities	334.7	344.9
Total current liabilities	2,670.1	2,718.6
Long-term debt	800.8	884.6
Non-current income tax liabilities, net	178.5	202.4
Other long-term liabilities	51.5	44.2
Total liabilities	$ 3,701.1	$ 3,849.8
Commitments and contingencies		
Equity:		
World Fuel shareholders' equity:		
Preferred stock, $1.00 par value; 0.1 shares authorized, none issued	—	—
Common stock, $0.01 par value; 100.0 shares authorized, 67.7 issued and outstanding as of March 31, 2018 and December 31, 2017, respectively	0.7	0.7
Capital in excess of par value	358.6	354.9
Retained earnings	1,521.6	1,492.8
Accumulated other comprehensive loss	(125.7)	(126.5)
Total World Fuel shareholders' equity	1,755.2	1,721.9
Noncontrolling interest	15.9	16.0
Total equity	1,771.0	1,738.0
Total liabilities and equity	$ 5,472.1	$ 5,587.8

The accompanying notes are an integral part of these unaudited consolidated financial statements.

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World Fuel Services Corporation
Consolidated Statements of Income and Comprehensive Income
(Unaudited – In millions, except per share data)

	For the Three Months Ended March 31,	
	2018	**2017**
Revenue	$9,181.3	$8,194.3
Cost of revenue	8,937.9	7,962.9
Gross profit	243.4	231.4
Operating expenses:		
Compensation and employee benefits	113.9	104.5
General and administrative	72.3	76.6
	186.2	181.1
Income from operations	57.2	50.3
Non-operating expenses, net:		
Interest expense and other financing costs, net	(16.3)	(12.7)
Other expense, net	(2.3)	(1.6)
	(18.6)	(14.3)
Income before income taxes	38.6	36.1
Provision for income taxes	7.3	5.0
Net income including noncontrolling interest	31.3	31.1
Net income (loss) attributable to noncontrolling interest	0.1	(0.3)
Net income attributable to World Fuel	$31.2	$31.3
Basic earnings per common share	$0.46	$0.46
Basic weighted average common shares	67.5	68.7
Diluted earnings per common share	$0.46	$0.45
Diluted weighted average common shares	67.9	69.2
Comprehensive income:		
Net income including noncontrolling interest	$31.3	$31.1
Other comprehensive income (loss):		
Foreign currency translation adjustments	10.2	6.4
Cash flow hedges, net of income tax benefit of $4.2 and income tax expense of $6.5 for the three months ended March 31, 2018 and 2017, respectively	(9.7)	10.5
Other comprehensive income:	0.5	16.9
Comprehensive income including noncontrolling interest	31.8	48.0
Comprehensive loss attributable to noncontrolling interest	(0.3)	(0.1)
Comprehensive income attributable to World Fuel	$32.1	$48.0

The accompanying notes are an integral part of these unaudited consolidated financial statements.

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World Fuel Services Corporation
Consolidated Statements of Shareholders' Equity
(Unaudited - In millions)

	Common Stock Shares	Common Stock Amount	Capital in Excess of Par Value	Retained Earnings	Accumulated Other Comprehensive Loss	Total World Fuel Shareholders' Equity	Noncontrolling Interest Equity	Total Equity
Balance as of December 31, 2017	67.7	$ 0.7	$ 354.9	$ 1,492.8	$ (126.5)	$ 1,721.9	$ 16.0	$ 1,738.0
Net income	—	—	—	31.2	—	31.2	0.1	31.3
Cash dividends declared	—	—	—	(4.0)	—	(4.0)	—	(4.0)
Amortization of share-based payment awards	—	—	4.2	—	—	4.2	—	4.2
Issuance (cancellation) of common stock related to share-based payment awards	—	—	(0.3)	—	—	(0.3)	—	(0.3)
Purchases of common stock tendered by employees to satisfy the required withholding taxes related to share-based payment awards	—	—	(0.3)	—	—	(0.3)	—	(0.3)
Other comprehensive income (loss)	—	—	—		0.8	0.8	(0.3)	0.5
Reclassification of certain tax effects from U.S. Tax Reform	—	—	—	1.6	—	1.6	—	1.6
Balance as of March 31, 2018	67.7	$ 0.7	$ 358.6	$ 1,521.6	$ (125.7)	$ 1,755.1	$ 15.9	$ 1,771.0

	Common Stock Shares	Common Stock Amount	Capital in Excess of Par Value	Retained Earnings	Accumulated Other Comprehensive Loss	Total World Fuel Shareholders' Equity	Noncontrolling Interest Equity	Total Equity
Balance as of December 31, 2016	69.9	$ 0.7	$ 399.9	$ 1,679.3	$ (154.8)	$ 1,925.0	$ 15.0	$ 1,940.0
Net income	—	—	—	31.3	—	31.3	(0.3)	31.1
Cash dividends declared	—	—	—	(4.1)	—	(4.1)	—	(4.1)
Distribution of noncontrolling interest	—	—	—	—	—	—	(0.1)	(0.1)
Amortization of share-based payment awards	—	—	4.2	—	—	4.2	—	4.2
Purchases of common stock tendered by employees to satisfy the required withholding taxes related to share-based payment awards	—	—	(1.2)	—	—	(1.2)	—	(1.2)
Purchases of common stock	(0.3)	—	(11.1)	—	—	(11.1)	—	(11.1)
Other comprehensive income (loss)	—	—	—	—	16.7	16.7	0.2	16.9
Balance as of March 31, 2017	69.6	$ 0.7	$ 391.8	$ 1,706.5	$ (138.1)	$ 1,960.8	$ 14.8	$ 1,975.6

The accompanying notes are an integral part of these unaudited consolidated financial statements.

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World Fuel Services Corporation
Consolidated Statements of Cash Flows
(Unaudited - In millions)

	For the Three Months Ended March 31, 2018	2017
Cash flows from operating activities:		
Net income including noncontrolling interest	$31.3	$31.1
Adjustments to reconcile net income including noncontrolling interest to net cash provided by operating activities:		
Depreciation and amortization	18.8	22.6
Provision for bad debt	1.8	2.5
Share-based payment award compensation costs	4.2	4.1
Deferred income tax benefit	(7.1)	(6.3)
Foreign currency losses (gains), net	2.6	(3.0)
Other	0.7	(0.9)
Changes in assets and liabilities, net of acquisitions:		
Accounts receivable, net (reduced by beneficial interests received in exchange for accounts receivables sold of $121.3 million and $74.0 million for the three months ended March 31, 2018 and 2017, respectively.)	(71.2)	56.7
Inventories	(84.8)	0.7
Prepaid expenses	6.1	(0.2)
Short-term derivative assets, net	(2.8)	10.1
Other current assets	(25.5)	21.0
Cash collateral with financial counterparties	21.2	15.8
Other non-current assets	(28.4)	4.1
Accounts payable	(50.9)	(44.7)
Customer deposits	(5.3)	7.3
Accrued expenses and other current liabilities	(30.2)	(54.6)
Non-current income tax, net and other long-term liabilities	(9.3)	(2.1)
Total adjustments	(260.1)	33.1
Net cash (used in) provided by operating activities	(228.8)	64.1
Cash flows from investing activities:		
Cash receipts of retained beneficial interests in receivable sales	120.0	72.8
Acquisition of businesses, net of cash acquired	(22.0)	(88.1)
Capital expenditures	(15.4)	(10.0)
Other investing activities, net	3.6	0.2
Net cash provided by (used in) investing activities	86.1	(25.1)
Cash flows from financing activities:		
Borrowings of debt	1,468.9	818.8
Repayments of debt	(1,545.1)	(922.5)
Dividends paid on common stock	(4.0)	(4.1)
Purchases of common stock	—	(11.1)
Other financing activities, net	(0.5)	(1.3)
Net cash used in financing activities	(80.8)	(120.2)
Effect of exchange rate changes on cash and cash equivalents	4.1	1.8
Net decrease in cash and cash equivalents	(219.4)	(79.3)
Cash and cash equivalents, as of beginning of period	372.3	698.6
Cash and cash equivalents, as of end of period	$152.9	$619.3

The accompanying notes are an integral part of these unaudited consolidated financial statements

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Supplemental Schedule of Noncash Investing and Financing Activities:

Cash dividends declared, but not yet paid, were $4.0 million and $4.1 million as of March 31, 2018 and 2017, respectively.

Beneficial interests obtained in exchange for accounts receivable sold were $121.3 million and $74.0 million as of March 31, 2018 and 2017, respectively.

The accompanying notes are an integral part of these unaudited consolidated financial statements.

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World Fuel Services Corporation
Notes to the Consolidated Financial Statements
(Unaudited)
1. Basis of Presentation and Significant Accounting Policies

World Fuel Services Corporation (the "Company") was incorporated in Florida in July 1984 and along with its consolidated subsidiaries is referred to collectively in this Quarterly Report on Form 10 Q ("10-Q Report") as "World Fuel," "we," "our" and "us."

We are a leading global fuel services company, principally engaged in the distribution of fuel and related products and services in the aviation, marine and land transportation industries. In recent years, we have expanded our product and service offerings to include energy advisory services and supply fulfillment with respect to natural gas and power and transaction and payment management solutions to commercial and industrial customers. Our intention is to become a leading global energy management company offering a full suite of energy advisory, management and fulfillment services and technology solutions across the energy product spectrum. We also seek to become a leading transaction and payment management company, offering payment management solutions to commercial and industrial customers, principally in the aviation, land and marine transportation industries.

We prepared the consolidated financial statements following the requirements of the United States ("U.S.") Securities and Exchange Commission ("SEC") for interim reporting. As permitted under those rules, certain footnotes or other financial information that are normally required by accounting principles generally accepted in the U.S. ("U.S. GAAP") can be condensed or omitted.

Revenues, expenses, assets and liabilities can vary during each quarter of the year. Therefore, the results and trends in these interim financial statements may not be representative of those for the full year. In our opinion, all adjustments necessary for a fair presentation of the financial statements, which are of a normal and recurring nature, have been made for the interim periods reported. The information included in this 10-Q Report should be read in conjunction with the consolidated financial statements and accompanying notes included in our 2017 Annual Report on Form 10-K ("2017 10-K Report"). Certain amounts in the consolidated financial statements and associated notes may not add due to rounding. All percentages have been calculated using unrounded amounts.

There have been no significant changes, other than those related to the adopted new accounting standards below, in the Company's accounting policies from those disclosed in our 2017 10 K Report. The significant accounting policies we use for quarterly financial reporting are disclosed in Note 1 of the "Notes to the Consolidated Financial Statements" included in our 2017 10 K Report, and in the adopted accounting standards below.

Adoption of New Accounting Standard
Revenue Recognition (Topic 606): Revenue from Contracts with Customers. In May 2014, ASU 2014-09 was issued. Under this ASU and subsequently issued amendments, we recognize the amount of revenue when delivery is made and our customer obtains control, and we are entitled to compensation for performance completed. The updated standard replaced most existing revenue recognition guidance in U.S. GAAP. We adopted this standard as of January 1, 2018 using the modified retrospective adoption approach, and elected to apply it only to those contracts that were not considered completed contracts as of this adoption date. This approach required us to recognize the cumulative effect of initially applying the new standard as an adjustment to the opening balance of retained earnings. This cumulative adjustment did not have a material impact on our financial statements.

Income Statement - Reporting Comprehensive Income (Topic 220). In February 2018 ASU 2018-02, Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income, was issued. ASU 2018-02 provides the option to reclassify stranded tax effects within AOCI to retained earnings in each period in which the effect of the change in the U.S. federal corporate tax rate in the Tax Cuts and Jobs Act is recorded. ASU 2018-02 is effective for fiscal years beginning after December 15, 2018, and interim periods within those years. Early adoption is permitted. This updated standard allows for adoption in the period of adoption or retrospectively to each period in which the effect of the change in the U.S. federal corporate income tax rate in the Tax Cuts and Jobs Act is recognized. We have adopted this updated standard and reclassified the tax rate disparity to retained earnings in the first quarter of 2018.

Income Taxes (Topic 740). In March 2018 ASU 2018-05, Amendments to SEC Paragraphs Pursuant to SEC Staff Accounting Bulletin No. 118, was issued. ASU 2018-05 amends certain SEC material in Topic 740 for the income tax accounting implications of the recently issued Tax Cuts and Jobs Act (Act). We have adopted these amendments and where the accounting under Topic 740 is incomplete for certain specific income tax effects of the Act, we reported provisional amounts.

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Business Combinations (Topic 805): Clarifying the Definition of a Business. In January 2017, ASU 2017-01 was issued. The update clarifies the definition of a business with the objective of adding guidance to assist entities with evaluating whether transactions should be accounted for as acquisitions (or disposals) of businesses after adoption. This standard was effective at the beginning of our 2018 fiscal year and did not have a material impact on our consolidated financial statements and disclosures.

Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities. In August 2017, ASU 2017-12 was issued. The ASU is targeted at simplifying hedge accounting requirements, creating more transparency around how economic results are presented and disclosed on the consolidated financial statements and accompanying footnote disclosures. We early adopted this updated standard, which did not have a material impact on our consolidated financial statements. We have provided updated disclosures in *Note 3. Derivatives.*

Cash Flows: Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments. In August 2016 ASU 2016-15 was issued. The ASU provides guidance on classification of eight specific cash flows items. This standard is effective at the beginning of our 2018 fiscal year and we have provided an updated line item attributable to retained beneficial interests associated with our receivables purchase agreements on our consolidated statements of cash flows. The adoption resulted in a $74.0 million retrospective reclassification of the beneficial interest received in exchange for accounts receivable sales for the three months ended March 31, 2017 from cash flows from operating activities to cash flows from investing activities.

Income Taxes (Topic 740): Intra-Entity Transfers of Assets Other than Inventory. In October 2016, ASU 2016-16 was issued. The update prohibits the recognition of current and deferred income taxes for an intra-entity asset transfer until the asset has been sold to an outside party. This standard is effective at the beginning of our 2018 fiscal year. The adoption of this ASU did not have a material impact on our consolidated financial statements and disclosures.

Cash Flows: Statement of Cash Flows (Topic 230): Restricted Cash. In November 2016, ASU 2016-18 was issued. The update requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. This standard is effective at the beginning of our 2018 fiscal year. The adoption of this ASU did not have a material impact on our consolidated financial statements and disclosures.

Accounting Standards Issued but Not Yet Adopted

Leases (Topic 842). In February 2016, ASU 2016-02, Leases, was issued. This standard will require all lessees to recognize a right of use asset and a liability to make lease payments (lease liability) on the balance sheet, except for leases with durations of twelve months or less. Lessees (for capital and operating leases) must apply a modified retrospective transition approach for leases existing at or after the beginning of the earliest comparative period presented in the consolidated financial statements. The modified retrospective approach would not require any transition accounting for leases that expired before the earliest comparative period presented. This standard is effective at the beginning of our 2019 fiscal year. We are currently evaluating whether the adoption of this new guidance will have a material impact on our consolidated financial statements and related disclosures.

2. Acquisitions

2018 Acquisition

During the first quarter of 2018, we completed one acquisition in the land segment. The financial position, results of operations and cash flows of the 2018 acquisition has been included in our consolidated financial statements since its respective acquisition date and did not have a material impact on our consolidated revenue and net income for the three months ended March 31, 2018.

2017 Acquisitions

In the first quarter of 2016, we signed a definitive agreement to acquire from certain ExxonMobil affiliates their aviation fueling operations at more than 80 airport locations in Canada, the United Kingdom ("U.K."), Germany, Italy, France, Australia and New Zealand. During 2016, we completed the acquisitions of the aviation fueling operations in Canada, the U.K. and France. During the first quarter of 2017, we completed the acquisition of substantially all of the remaining airport locations in Italy, Germany, Australia and New Zealand.

In addition to the above acquisitions, we completed two acquisitions during the first quarter of 2017 which were not significant individually or in the aggregate.

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The following table summarizes the aggregate consideration paid for acquisitions in the first quarter of 2017 and the amounts of the assets acquired and liabilities assumed, recognized at the acquisition date.

(In millions)	
Cash paid for acquisition of businesses	$ 87.1
Amounts due to sellers	0.5
Non-monetary consideration	8.1
Purchase price	$ 95.7
Assets acquired:	
Property and equipment	10.7
Goodwill and identifiable intangible assets	85.0
Other current and long-term assets	7.6
Liabilities assumed:	
Long-term liabilities and deferred tax liabilities	(7.7)
Purchase price	**$ 95.7**

The goodwill assigned, of which $25.9 million is anticipated to be deductible for tax purposes, is attributable primarily to the expected synergies and other benefits that we believe will result from combining the operations acquired with the operations of our aviation segment. The identifiable intangible assets consists of $43.0 million of customer relationships with weighted average lives of 6.4 years.

The financial position, results of operations and cash flows of the 2017 acquisitions have been included in our consolidated financial statements since their respective acquisition dates and did not have a significant impact on our revenue and net income for the three months ended March 31, 2017. Pro forma information for the 2017 acquisitions has not been provided as the impact is not material.

3. Derivatives

We enter into financial derivative contracts in order to mitigate the risk of market price fluctuations in aviation, land and marine fuel, to offer our customers fuel pricing alternatives to meet their needs and to mitigate the risk of fluctuations in foreign currency exchange rates. If the derivative instrument is not designated in a hedge relationship, changes in the estimated fair market value are recognized as a component of revenue, cost of revenue or other income (expense), in the consolidated statements of income and comprehensive income.

Derivatives which qualify for hedge accounting may be designated as either a fair value or cash flow hedge. For our fair value hedges, changes in the estimated fair market value of the hedging instrument and the hedged item are recognized in the same line item as the underlying transaction type in the consolidated statements of income and comprehensive income. The gains or losses on derivative instruments designated as cash flow hedges of forecasted transactions are initially reported as a component of accumulated other comprehensive income and subsequently reclassified into earnings once the future transactions affects earnings.
Cash flows for our hedging instruments are classified in the same category as the underlying hedged items. If for any reason hedge accounting is discontinued, then any cash flows subsequent to the date of discontinuance will be classified in a manner consistent with the nature of the instrument.

The following describes our derivative classifications:

Cash Flow Hedges. Includes certain derivative contracts we execute to mitigate the risk of price or foreign currency volatility in forecasted transactions.

Fair Value Hedges. Includes derivative contracts we hold to hedge the risk of changes in the price of our inventory.

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Non-designated Derivatives. Includes derivatives we primarily transact to mitigate the risk of market price fluctuations in the form of swaps or futures contracts, as well as certain forward fixed price purchase and sale contracts, and for portfolio optimization. In addition, non-designated derivatives are held to hedge the risk of currency rate fluctuations.

The following table presents the gross fair value of our derivative instruments and their locations on the consolidated balance sheets (in millions):

		Gross Derivative Assets		Gross Derivative Liabilities	
		As of		As of	
		March 31, 2018	December 31, 2017	March 31, 2018	December 31, 2017
Derivative Instruments	**Consolidated Balance Sheets location**				
Derivatives designated as hedging instruments					
Commodity contracts	Short-term derivative assets, net	$—	$ 0.4	$—	$ 0.5
	Accrued expenses and other current liabilities	11.5	2.3	29.1	43.1
		$11.5	$ 2.7	$29.1	$ 43.6
Foreign currency contracts	Short-term derivative assets, net	$—	$ —	$0.1	$ —
	Accrued expenses and other current liabilities	1.9	—	5.6	—
		$1.9	$ —	$5.7	$ —
Total derivatives designated as hedging instruments		$13.4	$ 2.7	$34.8	$ 43.6
Derivatives not designated as hedging instruments					
Commodity contracts	Short-term derivative assets, net	$60.1	$ 191.4	$8.2	$ 123.3
	Identifiable intangible and other non-current assets	31.9	18.2	15.3	5.2
	Accrued expenses and other current liabilities	192.1	86.1	231.2	138.2
	Other long-term liabilities	12.4	5.2	23.1	13.5
		$296.5	$ 300.9	$277.9	$ 280.2
Foreign currency contracts	Short-term derivative assets, net	$1.9	$ 4.5	$0.6	$ 2.8
	Accrued expenses and other current liabilities	3.7	3.9	6.7	5.7
	Other long-term liabilities	—	—	0.1	0.2
		$5.6	$ 8.5	$7.4	$ 8.7
Total derivatives not designated as hedging instruments		$302.1	$ 309.4	$285.3	$ 288.9
Total derivatives		$315.5	$ 312.0	$320.1	$ 332.5

For information regarding our derivative instruments measured at fair value after netting and collateral see Note 6.

The following table summarizes the gross notional values of our commodity and foreign currency exchange derivative contracts used for risk management purposes that were outstanding as of March 31, 2018 (in millions):

		As of March 31,
Derivative Instruments	**Units**	**2018**
Commodity contracts		
Buy / Long	BBL	67.4

Sell / Short	BBL	(79.3)
Foreign currency exchange contracts		
Sell U.S. dollar, buy other currencies	USD	(266.4)
Buy U.S. dollar, sell other currencies	USD	526.7

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As of March 31, 2018, and 2017, the following amounts were recorded on the consolidated balance sheets related to cumulative basis adjustments for fair value hedges (in million):

Line item in the Consolidated Balance Sheets in which the hedged item is included	Carrying Amount of Hedged Asset/(Liabilities)		Cumulative Amount of Fair Value Hedging Adjustment Included in the Carrying Amount of the Hedged Asset/(Liabilities)	
	March 31,		March 31,	
	2018	2017	2018	2017
Inventory	$ 68.9	$ 55.5	$ 2.6	$ (0.1)

The following table presents the effect of fair value and cash flow hedges on income and expense line items in our Consolidated Statements of Income and Comprehensive Income (in millions):

	Location and Amount of Gain and (Loss) Recognized in Income on Fair Value and Cash Flow Hedging Relationships			
	Three Months Ended			
	March 31, 2018		March 31, 2017	
	Revenue	Cost of Revenue	Revenue	Cost of Revenue
Total amounts of income and expense line items in which the effects of fair value or cash flow hedged are recorded	$9,181.3	$8,937.9	$8,194.3	$7,962.9
Gains or Loss on fair value hedge relationships				
Commodity contracts				
Hedged Item	—	5.5	—	(3.6)
Derivatives designated as hedging instruments	—	(5.6)	—	5.3
Gains or Loss on cash flow hedge relationships				
Commodity contracts				
Amount of Gain (Loss) Reclassified from Accumulated OCI into Income	(3.6)	18.2	(10.1)	6.8
Total amount of income of expense line items excluding the impact of hedges	$9,184.9	$8,956.0	$8,184.2	$7,971.4

For the three months ended March 31, 2018 and 2017, there were no gains or losses recognized in earnings related to our fair value or cash flow hedges that were excluded from the assessment of hedge effectiveness.

The following table presents the effect and financial statement location of our derivative instruments in cash flow hedging relationships on our accumulated other comprehensive income, Consolidated Statements of Income and Comprehensive Income (in millions):

Amount of Gain (Loss) Recognized in Accumulated Other Comprehensive Income	Three Months Ended March 31,		Amount of Gain (Loss) Reclassified from Accumulated Other Comprehensive Income into Income	Three Months Ended March 31,	
Derivative Instruments	2018	2017	Location	2018	2017
Commodity contracts	$(2.3)	$57.1	Revenue	$(3.6)	$(10.1)
Commodity contracts	10.2	(50.0)	Cost of Revenue	18.2	6.8
Foreign Currency contracts	(2.8)	—	Other Income (expense) net	—	—
Total (Loss) Gain	$5.1	$7.1	Total (Loss) Gain	$14.6	$(3.4)

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The following table presents the effect and financial statement location of our derivative instruments not designated as hedging instruments on our Consolidated Statements of Income and Comprehensive Income (in millions):

Amount of Realized and Unrealized Gain (Loss)		**Three Months Ended March 31,**	
Derivative Instruments - Non-designated	**Location**	**2018**	**2017**
Commodity contracts			
	Revenue	$47.6	$49.2
	Cost of revenue	(37.0)	(38.8)
		$10.6	$10.4
Foreign currency contracts			
	Revenue	$(0.6)	$(0.5)
	Other expense, net	(2.8)	(1.6)
		$(3.4)	$(2.0)
Total Gain		$7.2	$8.3

Credit-Risk-Related Contingent Features

We enter into derivative instrument contracts which may require us to periodically provide collateral. Certain derivative contracts contain credit-risk-related contingent clauses which are triggered by credit events. These credit events may include the requirement to provide additional collateral or the immediate settlement of the derivative instruments upon the occurrence of a credit downgrade or if certain defined financial ratios fall below an established threshold. The following table presents the potential collateral requirements for derivative liabilities with credit-risk-contingent features (in millions):

	Potential Collateral Requirements for Derivative Liabilities with Credit-Risk-Contingent Features	
	As of March 31, 2018	**As of December 31, 2017**
Net derivatives liability positions with credit contingent features	$ 10.8	$ 11.8
Maximum potential collateral requirements	$ 10.8	$ 11.8

At March 31, 2018 and December 31, 2017, there was no collateral held by our counterparties on these derivative contracts with credit-risk-contingent features.

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4. Goodwill

Goodwill arises because the purchase price paid for our acquisitions reflects numerous factors, including the strategic fit and expected synergies these acquisitions bring to our existing operations. Goodwill is recorded at fair value and is reviewed at least annually for impairment.
The following table provides the components of and changes in the carrying amount of goodwill (in millions):

	Aviation	Land	Total
Balance as of December 31, 2017	$ 326.9	$ 518.5	$ 845.5
Additions	—	13.7	13.7
Foreign exchange and other adjustments	(1.4)	9.1	7.7
Balance as of March 31, 2018	$ 325.5	$ 541.3	$ 866.9

5. Debt, Interest Income, Expense and Other Finance Costs

On January 30, 2018, we elected to amend our Credit Facility (the "Amendment"), and prepay certain amounts on our Term Loans. The Amendment lowers the borrowing capacity of our Credit Facility to approximately $1.16 billion with a sublimit of $400.0 million for the issuance of letters of credit and bankers' acceptances. Under the Credit Facility, we have the right to request increases in available borrowings up to an additional $200.0 million, subject to the satisfaction of certain conditions. The Credit Facility matures in October 2021. In connection with the Amendment, we also elected to make a $300.0 million payment on the outstanding amounts owed on the Term Loans.
Our debt consisted of the following (in millions):

	As of	
	March 31, 2018	December 31, 2017
Credit Facility	$ 289.0	$ 60.0
Term Loans	531.6	835.8
Capital leases	10.0	10.4
Other	3.8	4.0
Total debt	$ 834.4	$ 910.2
Current maturities of long-term debt and capital leases	$ 33.6	$ 25.6
Long-term debt	$ 800.8	$ 884.6

The following table provides additional information about our interest income (expense), and other financing costs, net, for the periods presented (in millions):

	For the Three Months Ended March 31,	
	2018	2017
Interest income	$ 0.6	$ 1.0
Interest expense and other financing costs	(16.9)	(13.7)
	$ (16.3)	$ (12.7)

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6. Fair Value Measurements

The carrying amounts of cash and cash equivalents, accounts receivable, net, accounts payable and accrued expenses and other current liabilities approximate fair value based on the short-term maturities of these instruments. The carrying values of our debt and notes receivables approximate fair value since these instruments bear interest either at variable rates or fixed rates which are not significantly different than market rates. Based on the fair value hierarchy, our debt of $834.4 million and $910.2 million as of March 31, 2018 and December 31, 2017, respectively, and our notes receivable of $44.7 million and $44.9 million as of March 31, 2018 and December 31, 2017, respectively, are categorized in Level 2.

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The following table presents information about our gross assets and liabilities that are measured at fair value on a recurring basis (in millions):

	Fair Value measurements as of March 31, 2018			
	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	Total Fair Value
Assets:				
Commodities contracts	$ 179.9	$ 127.0	$ 1.1	$ 308.0
Foreign currency contracts	—	7.5	—	7.5
Cash surrender value of life insurance	—	5.8	—	5.8
Total assets at fair value	$ 179.9	$ 140.3	$ 1.1	$ 321.3
Liabilities:				
Commodities contracts	$ 187.8	$ 118.5	$ 0.7	$ 307.0
Foreign currency contracts	—	13.2	—	13.2
Total liabilities at fair value	$ 187.8	$ 131.7	$ 0.7	$ 320.1

	Fair Value measurements as of December 31, 2017			
	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	Total Fair Value
Assets:				
Commodities contracts	$ 196.3	$ 106.1	$ 1.2	$ 303.6
Foreign currency contracts	—	8.5	—	8.5
Cash surrender value of life insurance	—	5.6	—	5.6
Total assets at fair value	$ 196.3	$ 120.2	$ 1.2	$ 317.7
Liabilities:				
Commodities contracts	$ 210.6	$ 111.8	$ 1.4	$ 323.9
Foreign currency contracts	—	8.7	—	8.7
Total liabilities at fair value	$ 210.6	$ 120.5	$ 1.4	$ 332.5

There were no transfers between Level 1 and Level 2 during the periods presented. The fair values of our commodity contracts measured using Level 3 inputs were not material at March 31, 2018 and December 31, 2017, respectively.

For our derivative contracts, we may enter into master netting, collateral and offset agreements with counterparties. These agreements provide us the ability to offset a counterparty’s rights and obligations, request additional collateral when necessary or liquidate the collateral in the event of counterparty default. We net fair value of cash collateral paid or received against fair value amounts recognized for net derivative positions executed with the same counterparty under the same master netting or offset agreement.

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The following tables summarize those commodity derivative balances subject to the right of offset as presented on our consolidated balance sheet. We have elected to offset the recognized fair value amounts for multiple derivative instruments executed with the same counterparty in our financial statements when a legal right of offset exists.

	Fair Value as of March 31, 2018					
	Gross Amounts Recognized	Gross Amounts Offset	Net Amounts Presented	Cash Collateral	Gross Amounts without Right of Offset	Net Amounts
Assets:						
Commodities contracts	$ 308.0	$ 239.4	$ 68.6	$ —	$ —	$ 68.6
Foreign currency contracts	7.5	6.4	1.1	—	—	1.1
Total assets at fair value	$ 315.5	$ 245.8	$ 69.7	$ —	$ —	$ 69.7
Liabilities:						
Commodities contracts	$ 307.0	$ 239.4	$ 67.6	$ 7.9	$ —	$ 59.7
Foreign currency contracts	13.2	6.4	6.8	—	—	6.8
Total liabilities at fair value	$ 320.1	$ 245.8	$ 74.3	$ 7.9	$ —	$ 66.4

	Fair Value as of December 31, 2017					
	Gross Amounts Recognized	Gross Amounts Offset	Net Amounts Presented	Cash Collateral	Gross Amounts without Right of Offset	Net Amounts
Assets:						
Commodities contracts	$ 303.6	$ 228.4	$ 75.1	$ 21.2	$ —	$ 53.9
Foreign currency contracts	8.5	6.7	1.7	—	—	1.7
Total assets at fair value	$ 312.0	$ 235.2	$ 76.9	$ 21.2	$ —	$ 55.7
Liabilities:						
Commodities contracts	$ 323.9	$ 228.4	$ 95.4	$ 39.2	$ —	$ 56.2
Foreign currency contracts	8.7	6.7	2.0	—	—	2.0
Total liabilities at fair value	$ 332.5	$ 235.2	$ 97.4	$ 39.2	$ —	$ 58.2

At March 31, 2018 and December 31, 2017, we did not present any amounts gross on our consolidated balance sheet where we had the right of offset.

Concentration of Credit Risk

The individual over-the-counter (OTC) counterparty exposure is managed within predetermined credit limits and includes the use of cash-call margins when appropriate, thereby reducing the risk of significant nonperformance. At March 31, 2018, two counterparties each represented over 10% of our credit exposure to OTC derivative counterparties for a total credit risk of $28.1 million.

7. Income Taxes

Our income tax provision for the periods presented and the respective effective income tax rates for such periods are as follows (in millions, except for income tax rates):

	For the Three Months Ended March 31,	
	2018	2017
Income tax provision	$7.3	$5.0
Effective income tax rate	19.0 %	13.9 %

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Our provision for income taxes for the three months ended March 31, 2018 was $7.3 million. Our provision for income taxes was adjusted for an income tax benefit of $4.9 million, net, for discrete items primarily related to changes in estimates in uncertain tax positions, an adjustment for stock based compensation in accordance with ASU 2016-09, and changes in the valuation allowance in various jurisdictions. Without the $4.9 million in discrete items, the effective income tax rate would have been 31.7% for the three months ended March 31, 2018.

Our provision for income taxes for the three months ended March 31, 2017 was $5.0 million and was adjusted for an income tax benefit of $1.2 million, net, for discrete items related to changes in estimates in uncertain tax positions and an adjustment for stock based compensation. Without the $1.2 million in discrete items, the three months ended March 31, 2017 effective income tax rate would have been 10.6%.

Our provision for income taxes for each of the three months ended March 31, 2018 and 2017 was calculated based on the estimated annual effective income tax rate for 2018 and 2017 fiscal years. The actual effective income tax rate for the 2018 fiscal year may be materially different as a result of differences between estimated versus actual results and the geographic tax jurisdictions in which the results are earned.

We operate under a special income tax concession in Singapore which began January 1, 2008. Our current 5 year special income tax concession was effective January 1, 2018. The special income tax concession is conditional upon our meeting of certain employment and investment thresholds which, if not met in accordance with our agreement, may eliminate the benefit beginning with the first year in which the conditions are not satisfied. The income tax concession reduces the income tax rate on qualified sales and the impact of this income tax concession increased foreign income taxes by $0.1 million and decreased foreign income taxes by $0.8 million for the three months ended March 31, 2018 and 2017, respectively. The income tax concession had no impact on basic earnings per common share for the three months ended March 31, 2018 and an impact of $0.01 on basic earnings per common share for the three months ended March 31, 2017. The income tax concession had no impact on diluted earnings per common share for the three months ended March 31, 2018 and an impact of $0.01 on diluted earnings per common share for the three months ended March 31, 2017.

We have various income tax returns under examination both in the U.S. and in foreign jurisdictions. The most significant of these are in Korea for the 2011 to 2014 tax years, in Denmark for the 2013 to 2015 tax years and the U.S. for the 2013 to 2016 tax years. In 2017, the South Korea branch of one of our subsidiaries received income tax assessment notices for the years 2011 to 2014 totaling $10.6 million (KRW 11.3 billion). We believe that these assessments are without merit and are currently appealing the actions. During the quarter ended March 31, 2018, one of our Denmark subsidiaries received an audit inquiry from the Denmark tax authorities relating to transfer pricing and related issues for the tax years 2013 to 2015. In addition, in 2017, we received a notice of examination from the U.S. Internal Revenue Service for the 2013 to 2016 tax years. We are currently responding to the requests from the U.S. and Denmark tax authorities.

An unfavorable resolution of one or more of the above matters could have a material adverse effect on our results of operations or cash flows in the quarter and year in which an adjustment is recorded or the tax is due or paid. As audits and examinations are still in process or we have not yet reached the final stages of the appeals process, the timing of the ultimate resolution and any payments that may be required for the above matters cannot be determined at this time.

8. Revenue from Contracts with Customers

We enter into contracts with customers in various ways including via master supply or blanket sales agreement when combined with some form of nomination and acceptance such as a purchase order or delivery ticket, stand-alone agreements, or through spot transactions where fuel is delivered for immediate settlement. Our contracts primarily require us to deliver fuel and fuel-related products, while other arrangements require us to complete agreed-upon services. Our contracts may contain fixed or variable pricing or some combination of those.

The majority of our consolidated revenues are generated through the sale of fuel and fuel-related products. Revenue from the sale of fuel is recognized when delivery is made to our customers and they obtain control, the sales price is determinable, and collectability is reasonably assured. Fulfillment costs, including those associated with certain transportation costs are included in the transaction price, while taxes assessed by a government authority and certain fees charged by third parties are excluded.

Revenue from services, including energy procurement advisory services, international trip planning support, and transaction and payment management processing, are recognized over the contract period when services have been performed and we have the right to invoice for those services. We generally charge a nominal fixed monthly fee coupled with a per transaction fee for the services we provide our customers. For our service contracts, we have applied the practical expedient to recognize revenue in

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the amount to which we have a right to invoice if we have a right to consideration from a customer in an amount that corresponds directly with the value to the customer of our performance completed to date.

We record fuel sales and services, with the exception of revenue from merchant services, on a gross basis as we generally take inventory risk, have latitude in establishing the sales price, have discretion in the supplier selection, maintain credit risk and are the primary obligor in the sales arrangement. Whether the services have been performed and the customer has obtained control are factors we take into consideration in deciding when to recognize revenue. These factors are readily determinable and consistently applied throughout our business. Therefore, we generally have not needed to make material estimates or assumptions with respect to revenue recognition.

The following table presents our revenues from contracts with customers (in millions) disaggregated by major geographic areas we conduct business in. Prior period amounts have not been adjusted under the modified retrospective method.

	For the Three Months Ended March 31,	
	2018	**2017**
Aviation	$392.0	$258.6
Marine	799.6	893.4
Land	1.1	0.3
Asia Pacific	$1,192.7	$1,152.3
Aviation	$670.0	$453.3
Marine	637.4	659.2
Land	679.8	602.2
EMEA	$1,987.2	$1,714.6
Aviation	$490.2	$330.9
Marine	155.2	156.1
Land	184.2	171.0
LATAM	$829.7	$658.0
Aviation	$2,763.0	$2,255.9
Marine	279.9	