UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended September 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: 001-35004

FleetCor Technologies, Inc.

(Exact name of registrant as specified in its charter)

Delaware	**72-1074903**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
5445 Triangle Parkway, Norcross, Georgia	**30092**
(Address of principal executive offices)	**(Zip Code)**

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

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 x 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 x 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 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 ¨ No x

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 October 31, 2013**
Common Stock, $0.001 par value	**82,248,320**

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FLEETCOR TECHNOLOGIES, INC. AND SUBSIDIARIES

FORM 10-Q

For the Quarterly Period Ended September 30, 2013

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PART I FINANCIAL INFORMATION

Item 1. Financial Statements

FleetCor Technologies, Inc. and Subsidiaries

Consolidated Balance Sheets

(In Thousands, Except Share and Par Value Amounts)

	September 30, 2013 (Unaudited)	December 31, 2012
Assets		
Current assets:		
Cash and cash equivalents	$ 345,689	$ 283,649
Restricted cash	50,008	53,674
Accounts receivable (less allowance for doubtful accounts of $21,173 and $19,463, respectively)	661,901	525,441
Securitized accounts receivable restricted for securitization investors	394,000	298,000
Prepaid expenses and other current assets	32,988	28,126
Deferred income taxes	5,938	6,464
Total current assets	1,490,524	1,195,354
Property and equipment	108,288	93,902
Less accumulated depreciation and amortization	(59,491)	(48,706)
Net property and equipment	48,797	45,196
Goodwill	1,241,969	926,609
Other intangibles, net	643,938	463,864
Other assets	49,877	90,847
Total assets	$ 3,475,105	$ 2,721,870
Liabilities and stockholders equity		
Current liabilities:		
Accounts payable	$ 567,420	$ 418,609
Accrued expenses	69,054	75,812
Customer deposits	177,511	187,627
Securitization facility	394,000	298,000
Current portion of notes payable and lines of credit	260,890	141,875
Other current liabilities	128,085	20,299
Total current liabilities	1,596,960	1,142,222

Notes payable and other obligations, less current portion	479,082	485,217
Deferred income taxes	225,161	180,609
Total noncurrent liabilities	704,243	665,826
Commitments and contingencies (Note 11)		
Stockholders equity:		
Common stock, $0.001 par value; 475,000,000 shares authorized, 117,898,939 shares issued and 82,164,447 shares outstanding at September 30, 2013; and 475,000,000 shares authorized, 116,772,324 shares issued and 81,037,832 shares outstanding at December 31, 2012	117	116
Additional paid-in capital	601,577	542,018
Retained earnings	967,078	750,697
Accumulated other comprehensive loss	(19,207)	(3,346)
Less treasury stock (35,734,492 shares at September 30, 2013 and December 31, 2012)	(375,663)	(375,663)
Total stockholders equity	1,173,902	913,822
Total liabilities and stockholders equity	$ 3,475,105	$ 2,721,870

See accompanying notes to unaudited consolidated financial statements.

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FleetCor Technologies, Inc. and Subsidiaries

Unaudited Consolidated Statements of Income

(In Thousands, Except Per Share Amounts)

	Three months ended September 30,		Nine months ended September 30,	
	2013	**2012**	**2013**	**2012**
Revenues, net	$ 225,150	$ 186,932	$ 639,670	$ 504,917
Expenses:				
Merchant commissions	16,944	12,930	50,360	40,974
Processing	33,473	30,568	95,426	83,161
Selling	13,859	12,790	38,949	33,239
General and administrative	31,559	31,219	91,774	78,866
Depreciation and amortization	18,060	13,591	48,579	36,920
Operating income	111,255	85,834	314,582	231,757
Other (income) expense, net	(156)	(3)	130	519
Interest expense, net	3,756	3,246	10,960	9,627
Total other expense	3,600	3,243	11,090	10,146
Income before taxes	107,655	82,591	303,492	221,611
Provision for income taxes	29,035	22,943	87,111	65,483
Net income	$ 78,620	$ 59,648	$ 216,381	$ 156,128
Earnings per share:				
Basic earnings per share	$ 0.96	$ 0.71	$ 2.65	$ 1.88
Diluted earnings per share	$ 0.93	$ 0.69	$ 2.56	$ 1.82
Weighted average shares outstanding:				
Basic weighted average shares outstanding	81,974	84,002	81,592	83,260
Diluted weighted average shares outstanding	84,905	86,224	84,446	85,681

See accompanying notes to unaudited consolidated financial statements.

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FleetCor Technologies, Inc. and Subsidiaries

Consolidated Statements of Comprehensive Income

(In Thousands)

	Three Months Ended September 30,		Nine months Ended September 30,	
	2013	**2012**	**2013**	**2012**
Net income	$ 78,620	$ 59,648	$ 216,381	$ 156,128
Other comprehensive income:				
Foreign currency translation adjustment gain (loss), net of tax	18,293	8,774	(15,861)	8,649
Total other comprehensive income (loss)	18,293	8,774	(15,861)	8,649
Total comprehensive income	$ 96,913	$ 68,422	$ 200,520	$ 164,777

See accompanying notes to unaudited consolidated financial statements.

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FleetCor Technologies, Inc. and Subsidiaries

Unaudited Consolidated Statements of Cash Flows

(In Thousands)

	Nine months ended September 30, 2013	2012
Operating activities		
Net income	$ 216,381	$ 156,128
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	12,162	9,831
Stock-based compensation	12,441	14,287
Provision for losses on accounts receivable	14,069	16,788
Amortization of deferred financing costs	2,434	1,596
Amortization of intangible assets	31,535	23,044
Amortization of premium on receivables	2,448	2,449
Deferred income taxes	(4,524)	2,501
Changes in operating assets and liabilities (net of acquisitions):		
Restricted cash	3,666	3,576
Accounts receivable	(184,367)	(178,715)
Prepaid expenses and other current assets	(1,774)	(4,352)
Other assets	38,580	(45,291)
Excess tax benefits related to stock-based compensation	(24,319)	(23,177)
Accounts payable, accrued expenses and customer deposits	89,279	54,466
Net cash provided by operating activities	208,011	33,131
Investing activities		
Acquisitions, net of cash acquired	(376,971)	(189,819)
Purchases of property and equipment	(15,348)	(13,634)
Net cash used in investing activities	(392,319)	(203,453)
Financing activities		
Excess tax benefits related to stock-based compensation	24,319	23,177
Proceeds from issuance of common stock	22,800	21,391
Borrowings on securitization facility, net	96,000	75,000
Deferred financing fees paid	(1,970)	(796)
Principal payments on notes payable	(21,250)	(23,492)
Payments on US revolver	(155,000)	(250,000)
Borrowings from US revolver	280,000	330,000
Borrowings from swing line of credit, net		1,000
Borrowings from foreign revolver	53,494	
Payments on foreign revolver, net	(44,533)	
Other	(255)	(129)

Net cash provided by financing activities		253,605		176,151
Effect of foreign currency exchange rates on cash		(7,257)		9,073
Net increase in cash and cash equivalents		62,040		14,902
Cash and cash equivalents, beginning of period		283,649		285,159
Cash and cash equivalents, end of period	$	345,689	$	300,061
Supplemental cash flow information				
Cash paid for interest	$	13,041	$	10,858
Cash paid for income taxes	$	84,695	$	29,428

See accompanying notes to unaudited consolidated financial statements.

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FleetCor Technologies, Inc. and Subsidiaries

Notes to Unaudited Consolidated Financial Statements

September 30, 2013

1. Summary of Significant Accounting Policies

Basis of Presentation

Throughout this report, the terms our, we, us, and the Company refers to FleetCor Technologies, Inc. and its subsidiaries. The Company prepared the accompanying interim consolidated financial statements in accordance with Rule 10-01 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States (GAAP). The unaudited consolidated financial statements reflect all adjustments considered necessary for fair presentation. These adjustments consist primarily of normal recurring accruals and estimates that impact the carrying value of assets and liabilities. Actual results may differ from these estimates. Operating results for the three month and nine month periods ended September 30, 2013 are not necessarily indicative of the results that may be expected for the year ending December 31, 2013.

The unaudited consolidated interim financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto included in the Company s Annual Report on Form 10-K for the year ended December 31, 2012.

Foreign Currency Gains and Losses

Assets and liabilities of foreign subsidiaries are translated into U.S. dollars at the rates of exchange in effect at period-end. The related translation adjustments are made directly to accumulated other comprehensive income. Income and expenses are translated at the average monthly rates of exchange in effect during the period. Gains and losses from foreign currency transactions of these subsidiaries are included in net income. The Company recognized a foreign exchange gain of $0.3 million and a foreign exchange loss of $0.1 million in the three months ended September 30, 2013 and 2012, respectively. The Company recognized a foreign exchange gain of $0.1 million and a foreign exchange loss of $0.02 million in the nine months ended September 30, 2013 and 2012, respectively. Foreign exchange gains and losses are classified within other income, net in the Unaudited Consolidated Statements of Income.

Reclassifications

Certain prior period amounts have been reclassified to conform to the current period presentation, which were not material for separate financial statement presentation in the prior year.

Adoption of New Accounting Standards

Qualitative Impairment Test for Indefinite-Lived Intangibles

In July 2012, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2012-02, Intangibles Goodwill and Other, which gives companies the option to first perform a qualitative assessment to determine whether it is more likely than not that an indefinite lived intangible asset is impaired. The proposed guidance is similar to ASU 2011-08 for goodwill. Companies would consider relevant events and circumstances that may affect the significant inputs used in determining the fair value of an indefinite-lived intangible asset. A company that concludes that it is more likely than not that the fair value of such an asset exceeds its carrying amount would not need to calculate the fair value of the asset in the current year. However, if a company concludes that it is more likely than not that the asset is impaired; it must calculate the fair value of the asset and compare that value with its carrying amount, as is required by current guidance. ASU 2012-02 will be applied prospectively for annual and interim impairment tests performed. ASU 2012-02 was effective for and adopted by the Company beginning January 1, 2013. The Company s adoption of this ASU did not affect the Company s results of operations, financial condition, or cash flows.

Accumulated Other Comprehensive Income

In February 2013, the FASB issued ASU 2013-02, Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income (AOCI) (ASU 2013-02). Under ASU 2013-02, an entity is required to provide information about the amounts reclassified out of AOCI by component. In addition, an entity is required to present, either on the face of the financial statements or in the notes, significant amounts reclassified out of AOCI by the respective line items of net income, but only if the amount reclassified is required to be reclassified in its entirety in the same reporting period. For amounts that are not required to be reclassified in their entirety to net income, an entity is required to cross-reference to other disclosures that provide additional details about those amounts. ASU 2013-02 does not change the current requirements for reporting net income or other comprehensive income in the financial statements. ASU 2013-02 was effective for and adopted by the Company beginning January 1, 2013. The Company has not reclassified any items out of AOCI to the income statement during the three and nine months ended September 30, 2013.

Disclosures about Offsetting Assets and Liabilities

In December 2011, the FASB issued FASB ASU 2011-11, Disclosures about Offsetting Assets and Liabilities, which requires entities to disclose information about offsetting and related arrangements to enable users of financial statements to understand the effect of those arrangements on an entity s financial position. The amendments require enhanced disclosures about financial instruments and derivative instruments that are either (i) offset in accordance with current literature or (ii) subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are offset in accordance with current literature. ASU 2011-11 is effective for fiscal years, and interim periods within those years, beginning on or after January 1, 2013. This standard will become effective for us beginning October 2013. In January 2013, the FASB issued Accounting Standards Update 2013-01, Scope Clarification of Disclosures about Offsetting Assets and Liabilities, to limit the scope of the new balance sheet offsetting disclosure requirements to derivatives (including bifurcated embedded derivatives), repurchase agreements and reverse repurchase agreements, and securities borrowing and lending transactions. As we are not party to any derivatives, repurchase agreements, reverse repurchase agreements, securities borrowing and lending transactions we do not expect the adoption of these standards will have a material impact on the presentation of or disclosures within our financial statements.

Pending Adoption of Recently Issued Accounting Standards

Foreign Currency

In March 2013, the FASB issued ASU 2013-05 Parent s Accounting for the Cumulative Translation Adjustment upon Derecognition of Certain Subsidiaries or Groups of Assets within a Foreign Entity or of an Investment in a Foreign Entity , which indicates that the entire amount of a cumulative translation adjustment (CTA) related to an entity s investment in a foreign entity should be released when there has been a sale of a subsidiary or group of net assets within a foreign entity and the sale represents the substantially complete liquidation of the investment in the foreign entity, loss of a controlling financial interest in an investment in a foreign entity (i.e., the foreign entity is deconsolidated) or step acquisition for a foreign entity (i.e., when an entity has changed from applying the equity method for an investment in a foreign entity to consolidating the foreign entity). The ASU does not change the requirement to release a pro rata portion of the CTA of the foreign entity into earnings for a partial sale of an equity method investment in a foreign entity. This ASU is effective for the Company for fiscal years and interim periods within those fiscal years beginning on or after December 15, 2013. The Company s adoption of this ASU is not expected to affect the Company s results of operations, financial condition, or cash flows unless transactions within the scope of the ASU occur.

Unrecognized Tax Benefit When an NOL Exists

In July 2013, the FASB issued ASU 2013-11 Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists , which indicates that to the extent a net operating loss carryforward, a similar tax loss, or a tax credit carryforward is not available at the reporting date under the tax law of the applicable jurisdiction to settle any additional income taxes that would result from the disallowance of a tax position or the tax law of the applicable jurisdiction does not require the entity to use, and the entity does not intend to use, the deferred tax asset for such purpose, the unrecognized tax benefit should be presented in the financial statements as a liability and should not be combined with deferred tax assets. This ASU is effective for the Company for fiscal years and interim periods within those fiscal years beginning on or after December 15, 2013. The Company s adoption of this ASU is not expected to affect the Company s results of operations, financial condition, or cash flows unless transactions within the scope of the ASU occur.

2. Accounts Receivable

The Company maintains a $500 million revolving trade accounts receivable Securitization Facility. Pursuant to the terms of the Securitization Facility, the Company transfers certain of its domestic receivables, on a revolving basis, to FleetCor Funding LLC (Funding) a wholly-owned bankruptcy remote subsidiary. In turn, Funding sells, without recourse, on a revolving basis, up to $500 million of undivided ownership interests in this pool of accounts receivable to a multi-seller, asset-backed commercial paper conduit (Conduit). Funding maintains a subordinated interest, in the form of over-collateralization, in a portion of the receivables sold to the Conduit. Purchases by the Conduit are financed with the sale of highly-rated commercial paper.

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

On February 4, 2013, the Company extended the term of its asset Securitization Facility to February 3, 2014. The Company capitalized $0.6 million in deferred financing fees in connection with this extension.

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The Company s accounts receivable and securitized accounts receivable include the following at September 30, 2013 and December 31, 2012 (in thousands):

	September 30, 2013	December 31, 2012
Gross domestic accounts receivable	$ 133,429	$ 96,964
Gross domestic securitized accounts receivable	394,000	298,000
Gross foreign receivables	549,645	447,940
Total gross receivables	1,077,074	842,904
Less allowance for doubtful accounts	(21,173)	(19,463)
Net accounts and securitized accounts receivable	$ 1,055,901	$ 823,441

All foreign receivables are Company owned receivables and are not included in the Company s accounts receivable securitization program. At September 30, 2013 and December 31, 2012, there was $394 million and $298 million, respectively, of short-term debt outstanding under the Company s accounts receivable Securitization Facility.

A rollforward of the Company s allowance for doubtful accounts related to accounts receivable for nine months ended September 30 is as follows (in thousands):

	2013	2012
Allowance for doubtful accounts beginning of period	$ 19,463	$ 15,315
Add:		
Provision for bad debts	14,069	16,788
Less:		
Write-offs	(12,359)	(12,108)
Allowance for doubtful accounts end of period	$ 21,173	$ 19,995

3. Fair Value Measurements

The Company measures certain financial assets and liabilities at fair value on a recurring basis. The carrying value of the Company s cash, accounts receivable, securitized accounts receivable and related Securitization facility, prepaid expenses and other current assets, accounts payable, accrued expenses, customer deposits and short-term borrowings approximate their respective carrying values due to the short-term maturities of the instruments. The carrying value of the Company s debt obligations approximates fair value as the interest rates on the debt are variable market based interest rates that reset on a quarterly basis.

The Company s nonfinancial assets which are measured at fair value on a nonrecurring basis include property, plant and equipment, goodwill and other intangible assets. As necessary, the Company generally uses projected cash flows, discounted as appropriate under the relevant guidance, to estimate the fair values of the assets using key inputs such as management s projections of cash flows on a held-and-used basis (if applicable), management s projections of cash flows upon disposition and discount rates. Accordingly, these fair value measurements fall in Level 3 of the fair value hierarchy. These assets and certain liabilities are measured at fair value on a nonrecurring basis as part of the Company s annual impairment assessments and if interim impairment indicators exist.

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

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

Level 1: Observable inputs such as quoted prices for identical assets or liabilities in active markets.

Level 2: Observable inputs other than quoted prices that are directly or indirectly observable for the asset or liability, including quoted prices for similar assets or liabilities in active markets; quoted prices for similar or identical assets or liabilities in markets that are not active; and model-derived valuations whose inputs are observable or whose significant value drivers are observable.

Level 3: Unobservable inputs that reflect the reporting entity s own assumptions.

Level 2 fair value determinations are derived from directly or indirectly observable (market based) information. The Company has certain cash and cash equivalents that are invested on an overnight basis in repurchase agreements. The value of overnight repurchase

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agreements is determined based upon the quoted market prices for the treasury securities associated with the repurchase agreements. Certificates of deposit are valued at cost, plus interest accrued. Given the short term nature of these instruments (less than 90 days), the carrying value approximates fair value.

Level 3 fair value determinations are derived from the Company s estimate of recovery based on historical collection trends. There were no Level 3 assets or liabilities which required fair value determinations at September 30, 2013 and December 31, 2012.

The following table presents the Company s financial assets and liabilities which are measured at fair values on a recurring basis and that are subject to the disclosure requirements as of September 30, 2013 and December 31, 2012 (in thousands).

	Fair Value	Level 1	Level 2	Level 3
September 30, 2013				
Assets:				
Overnight repurchase agreements	$ 131,183	$	$ 131,183	$
Certificates of deposit	7,232		7,232	
Total	$ 138,415	$	$ 138,415	$
December 31, 2012				
Assets:				
Overnight repurchase agreements	$ 128,269	$	$ 128,269	$
Certificates of deposit	11,849		11,849	
Total	$ 140,118	$	$ 140,118	$

4. Share Based Compensation

The Company has Equity Compensation Plans (the Plans) pursuant to which the Company s board of directors may grant stock options or restricted stock to employees. On May 30, 2013, the Company s stockholders authorized an increase of 6,500,000 shares of common stock available for grant pursuant to the 2010 Equity Compensation Plan. Giving effect to this increase, there were 7,189,714 additional shares remaining available for grant under the Plans at September 30, 2013.

The table below summarizes the expense recognized related to share-based payments recognized for the three and nine month periods ended September 30 (in thousands):

	Three Months Ended September 30,		Nine months Ended September 30,	
	2013	2012	2013	2012
Stock options	$ 3,051	$ 2,836	$ 8,553	$ 7,462
Restricted stock	1,331	3,658	3,888	6,825

Stock-based compensation	$	4,382	$	6,494	$	12,441	$	14,287

The tax benefits recorded on stock based compensation were $1.5 million and $1.4 million for the three month periods ended September 30, 2013 and 2012, respectively. The tax benefits recorded on stock based compensation were $4.2 million and $3.8 million for the nine month periods ended September 30, 2013 and 2012, respectively.

The following table summarizes the Company s total unrecognized compensation cost related to stock-based compensation as of September 30, 2013 (in thousands):

		Unrecognized Compensation Cost	Weighted Average Period of Expense Recognition (in Years)
Stock options	$	24,479	1.90
Restricted stock		3,835	0.74
Total	$	28,314	

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Stock Options

Stock options are granted with an exercise price estimated to be equal to the fair market value on the date of grant as authorized by the Company s board of directors. Options granted have vesting provisions ranging from one to nine years. Stock option grants are generally subject to forfeiture if employment terminates prior to vesting.

The following table summarizes the changes in the number of shares of common stock under option for the nine month period ended September 30, 2013 (shares and aggregate intrinsic value in thousands):

	Shares	Weighted Average Exercise Price	Options Exercisable at End of Period	Weighted Average Exercise Price of Exercisable Options	Weighted Average Fair Value of Options Granted During the Period	Aggregate Intrinsic Value
Outstanding at December 31, 2012	6,565	$ 22.17	2,666	$ 14.71		$ 206,636
Granted	271	76.86			$ 21.86	
Exercised	(1,117)	20.30				100,381
Forfeited	(116)	28.68				
Outstanding at September 30, 2013	5,603	$ 25.06	2,802	$ 16.96		$ 476,854
Expected to vest as of September 30, 2013	5,603	$ 25.06				

The aggregate intrinsic value of stock options exercisable at September 30, 2013 was $261.2 million. The weighted average contractual term of options exercisable at September 30, 2013 was 5.9 years.

The fair value of stock option awards granted was estimated using the Black-Scholes option pricing model during the nine months ended September 30, 2013, with the following weighted-average assumptions for grants during the period.

	Nine months Ended September 30,	
	2013	2012
Risk-free interest rate	0.73%	0.59%
Dividend yield		
Expected volatility	34.95%	36.53%
Expected life (in years)	4.0	4.0

The Company considered the retirement and forfeiture provisions of the options and utilized its historical experience to estimate the expected life of the options.

Prior to June 30, 2012, the Company estimated the volatility of the share price of the Company s common stock by considering the historical volatility of the stock of similar public entities. In determining the appropriateness of the public entities included in the volatility assumption the Company considered a number of factors, including the entity s life cycle stage, size, financial leverage, and products offered. Beginning July 1, 2012, the Company began utilizing the volatility of the share price of the Company s common stock to estimate the volatility assumption for the Black-Scholes option pricing model.

The risk-free interest rate is based on the yield of a zero coupon U.S. Treasury security with a maturity equal to the expected life of the option from the date of the grant.

The weighted-average remaining contractual life for options outstanding was 6.9 and 7.4 years at September 30, 2013 and December 31, 2012, respectively.

Restricted Stock

Awards of restricted stock are independent of stock option grants and are generally subject to forfeiture if employment terminates prior to vesting. The vesting of the restricted stock and restricted stock units granted is generally based on the passage of time, performance or market conditions. Shares vesting based on the passage of time have vesting provisions ranging from one to four years.

The fair value of restricted stock granted based on market conditions was estimated using the Monte Carlo option pricing model at the grant date. The risk-free interest rate and volatility assumptions for restricted stock shares granted with market conditions were calculated consistently with those applied in the Black-Scholes options pricing model utilized in determining the fair value of the stock option awards. No such awards were granted during the nine months ended September 30, 2013.

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The following table summarizes the changes in the number of shares of restricted stock and restricted stock units for the nine months ended September 30, 2013 (shares in thousands):

	Shares	Weighted Average Grant Date Fair Value
Unvested at December 31, 2012	472	$ 28.98
Granted	41	61.31
Vested	(105)	24.41
Cancelled	(31)	35.42
Unvested at September 30, 2013	377	$ 39.94

5. Acquisition

2013 Acquisitions

During the nine months ended September 30, 2013, the Company completed acquisitions with an aggregate purchase price of $482.5 million, net of cash acquired of $7.8 million, including deferred payments of $1.3 million and the estimated fair value of contingent earn out payments of $104.3 million.

VB

On August 9, 2013, the Company acquired all of the outstanding stock of VB Servicos, Comercio e Administracao LTDA (VB), a provider of transportation cards and vouchers in Brazil. The consideration for the transaction was paid using the Company s existing cash and credit facilities. VB is a provider of transportation cards in Brazil where employers are required by legislation to provide certain employees with prepaid public transportation cards to subsidize their commuting expenses. VB serves over 35,000 business clients and supports approximately 800 transportation agencies across Brazil. VB also markets food cards. The purpose of this acquisition was to strengthen the Company s presence in the Brazilian marketplace. Results from the acquired business have been reported in the Company s International segment since the date of acquisition. This business acquisition was not material individually or in the aggregate with other current year acquisitions to the Company s consolidated financial statements in accordance with SEC Rule S-X 3-05. The goodwill related to this acquisition is not deductible for tax purposes. The purchase price allocation and valuation of remaining payments related to this acquisition is preliminary.

Fleet Card

On March 25, 2013, the Company acquired certain fuel card assets from GE Capital Australia s Custom Fleet leasing business. The consideration for the transaction was paid using the Company s existing cash and credit facilities. GE Capital s Fleet Card is a multi-branded fuel card product with acceptance in over 6,000 fuel outlets and over 7,000 automotive service and repair centers across Australia. Through this transaction, the Company acquired the Fleet Card product, brand, acceptance network contracts, supplier contracts, and approximately one-third of the customer relationships with regards to fuel cards (together, Fleet Card). The remaining customer relationships will be retained by Custom Fleet, and are comprised of companies which have commercial relationships with Custom Fleet beyond fueling, such as fleet management and leasing. The purpose of this acquisition was to establish the Company s presence in the Australian marketplace. Results from the acquired business have been reported in the Company s International segment since the date of acquisition. This business acquisition was not material individually or in the aggregate with other current year acquisitions to the Company s consolidated financial statements in accordance with SEC Rule S-X 3-05. The goodwill related to this acquisition is not deductible for tax purposes. The purchase price allocation related to this acquisition is preliminary.

CardLink

On April 29, 2013, the Company acquired all of the outstanding stock of CardLink. The consideration for the transaction was paid using the Company s existing cash and credit facilities. CardLink provides a proprietary fuel card program with acceptance at retail fueling stations across New Zealand. CardLink markets its fuel cards directly to mostly small-to-midsized businesses, and provides processing and outsourcing services to oil companies and other partners. With this transaction, the Company entered into a 12.0 million New Zealand dollar ($11.0 million) revolving line of credit, which will be used to fund the working capital needs of the

CardLink business. The purpose of this acquisition was to enter the Australia and New Zealand regions and follows the Company s recent purchase of GE Capital s Fleet Card business in Australia. Results from the acquired business have been reported in the Company s International segment since the date of acquisition. This business acquisition was not material individually or in the aggregate with other current year acquisitions to the Company s consolidated financial statements in accordance with SEC Rule S-X 3-05. The goodwill related to this acquisition is not deductible for tax purposes. The purchase price allocation related to this acquisition is preliminary.

2013 Totals

The following table summarizes the preliminary allocation of the purchase price for all acquisitions during the nine months ended September 30, 2013 (in thousands):

Trade and other receivables	$ 50,719
Prepaid expenses and other	3,781
Property and equipment	907
Goodwill	319,704
Other intangible assets	214,313
Notes and other liabilities assumed	(50,419)
Deferred tax liabilities	(56,474)
Aggregate purchase price	$ 482,531

The purchase price is net of cash and cash equivalents acquired, totaling $7.8 million, and also includes deferred payments of $1.3 million and contingent earn out payments of $104.3 million.

Intangible assets allocated in connection with the purchase price allocations consisted of the following (in thousands):

	Weighted Average Useful Lives (in Years)	Value
Customer relationships	3 20	$ 161,123
Trade names and trademarks indefinite	N/A	20,000
Trade names and trademarks	15	200
Merchant network	10	4,900
Software	3 10	13,090
Non-compete	6	15,000
		$ 214,313

2012 Acquisitions

During 2012, the Company completed several foreign acquisitions with an aggregate purchase price of $207.4 million, net of cash acquired of $1.9 million, which includes a deferred payment of $11.3 million and the estimated fair value of contingent earn-out payments of $4.9 million. The Company made a first payment of $1.3 million related to this earn-out in December 2012.

Russian Fuel Card Company

On June 15, 2012, the Company acquired all of the outstanding stock of a Russian fuel card company. The consideration for the transaction was paid using the Company s existing cash and credit facilities. The acquired company is a Russian leader in fuel card systems and serves major oil clients and hundreds of independent fuel card issuers. Its technology allows issuers to share their retail network, thereby expanding the reach of their networksThe purpose of this acquisition was to further expand the Company s presence in the Russian fuel card marketplace. Results from the acquired business have been reported in the Company s International segment since the date of acquisition. This business acquisition was not material individually or in the aggregate with other current year acquisitions to the Company s consolidated financial statements in accordance with SEC Rule S-X 3-05. The goodwill acquired with this business is not deductible for tax purposes.

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CTF Technologies, Inc.

On July 3, 2012, the Company acquired all of the outstanding stock of CTF Technologies, Inc. (CTF), a British Columbia organization, for $156 million. The consideration for the transaction was paid using the Company s existing cash and credit facilities. CTF Technologies Do Brasil Ltda and certain of the Company s other subsidiaries are wholly-owned entities of CTF. The acquisition was carried out pursuant to a plan of arrangement under the Business Corporations Act (British Columbia) and was approved by final order of the Supreme Court of British Columbia. Results from the acquired business have been reported in the Company s International segment since the date of acquisition. The purpose of the transaction was to establish the Company s presence in the Brazilian marketplace.

CTF provides fuel payment processing services for over-the-road fleets, ships, mining equipment, and railroads in Brazil. CTF s payment platform links together fleet operators, banks, and oil companies. CTF earns revenue primarily from a recurring transaction fee paid by the oil companies who purchase services for their fleet customers under multi-year customer contracts. This business acquisition was not material individually or in the aggregate with other current year acquisitions to the Company s consolidated financial statements in accordance with SEC Rule S-X 3-05. The goodwill acquired with this business is not deductible for tax purposes.

2012 Totals

The following table summarizes the allocation of the purchase price for all acquisitions during 2012, net of cash acquired (in thousands):

Trade and other receivables	$ 13,196
Prepaid expenses and other	6,185
Property and equipment	6,701
Goodwill	165,398
Other intangible assets	109,758
Notes and other liabilities assumed	(42,912)
Deferred tax liabilities	(50,936)
Aggregate purchase prices	$ 207,390

The purchase price is net of cash and cash equivalents acquired, totaling $1.9 million, and also includes a deferred payment of $11.3 million and contingent earn-out payments of $4.9 million.

Intangible assets allocated in connection with the purchase price allocations consisted of the following (in thousands):

	Weighted Average Useful Lives (in Years)	Value
Customer relationships	10 20	$ 77,654
Trade names and trademarks indefinite	N/A	16,900
Merchant network	10	4,604

Software	3-10	9,800
Non-compete	2-6	800
		$ 109,758

At September 30, 2013, approximately $245 million of the Company s goodwill is deductible for tax purposes. Goodwill recognized is comprised primarily of expected synergies from combining the operations of the Company and the acquired businesses. The Company incurred acquisition related costs of $6.0 million and $1.0 million in the nine months ended September 30, 2013 and 2012, which are included within general and administrative expenses in the Consolidated Statements of Income.

Additionally, in connection with the acquisition of two businesses, the Company owes final payments of $11.3 million and $1.3 million due on December 15, 2013 and April 2, 2014, respectively. The Company also is party to several acquisition agreements that include remaining contingent earn-out payments totaling $109.3 million, which are payable $22.8 million in 2013, $84.5 million in 2014, $0.8 million in 2015, $0.9 million in 2016 and $0.3 million in 2017, and are included in other current liabilities and notes payable and other obligations, less current portion in the consolidated balance sheets.

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6. Goodwill and Other Intangible Assets

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

	December 31, 2012	Acquisitions	Purchase Accounting Adjustments	Foreign Currency Fluctuations	September 30, 2013
Segment					
North America	$ 276,714	$ 6,810	$	$	$ 283,524
International	649,895	312,894	80	(4,424)	958,445
	$ 926,609	319,704	80	$ (4,424)	$ 1,241,969

As of September 30, 2013 and December 31, 2012 other intangible assets consisted of the following (in thousands):

	Useful Lives (Years)	September 30, 2013 Gross Carrying Amounts	September 30, 2013 Accumulated Amortization	September 30, 2013 Net Carrying Amount	December 31, 2012 Gross Carrying Amounts	December 31, 2012 Accumulated Amortization	December 31, 2012 Net Carrying Amount
Customer and vendor agreements	3 to 20	$ 650,724	$ (120,234)	$ 530,490	$ 487,718	$ (90,920)	$ 396,798
Trade names and trademarks indefinite lived	N/A	73,964		73,964	53,926		53,926
Trade names and trademarks other	3 to 15	3,341	(1,581)	1,760	3,160	(1,420)	1,740
Software	3 to 10	28,486	(6,848)	21,638	15,330	(5,208)	10,122
Non-compete agreements	2 to 6	18,499	(2,413)	16,086	3,271	(1,993)	1,278
Total other intangibles		$ 775,014	$ (131,076)	$ 643,938	$ 563,405	$ (99,541)	$ 463,864

Purchase accounting adjustments recorded during the nine months ended September 30, 2013 relate to purchase price adjustments related to our Russian business acquisitions completed in 2012. Amortization expense related to intangible assets for the nine month periods ended September 30, 2013 and 2012 was $31.5 million and $23 million, respectively. Changes in foreign currency exchange rates reduced intangible assets by $2.7 million in the nine months ended September 30, 2013.

7. Debt

The Company s debt instruments are as follows (in thousands):

	September 30, 2013	December 31, 2012
Term note payable domestic(a)	$ 503,750	$ 525,000
Revolving line of credit A Facility domestic(a)	225,000	100,000
Revolving line of credit B Facility foreign (a)	8,390	
Revolving line of credit New Zealand (c)		
Other debt (d)	2,832	2,092
Total notes payable and other obligations	739,972	627,092
Securitization Facility(b)	394,000	298,000
Total notes payable, credit agreements and Securitization Facility	$ 1,133,972	$ 925,092
Current portion	$ 654,890	$ 439,875
Long-term portion	479,082	485,217
Total notes payable, credit agreements and Securitization Facility	$ 1,133,972	$ 925,092

(a) The Company entered into a Credit Agreement on June 22, 2011. On March 13, 2012, the Company entered into the first amendment to the Credit Agreement. This Amendment added two United Kingdom entities as designated borrowers and added a $110 million foreign currency swing line of credit sub facility under the existing revolver, which allows for alternate currency borrowing on the swing line. On November 6, 2012, the Company entered into a second amendment to the Credit Agreement to add an additional term loan of $250 million and increase the borrowing limit on the revolving line of credit from $600 million to $850 million. In addition, we increased the accordion feature from $150 million to $250 million. As amended, the Credit Agreement provides for a $550 million term loan facility and an $850 million revolving credit facility. On March 20, 2013, the Company entered into a third amendment to the Credit Agreement to extend the term of the facility for an additional five years from the amendment date, with a new maturity date of March 20, 2018, separated the revolver into two tranches (a $815 million Revolving A facility and a $35 million Revolving B facility), added a designated borrower in Australia and another in New Zealand with the ability to borrow in local currency and US Dollars under the Revolving B

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facility and removed a cap to allow for additional investments in certain business relationships. The revolving line of credit contains a $20 million sublimit for letters of credit, a $20 million sublimit for swing line loans and sublimits for multicurrency borrowings in Euros, Sterling, Japanese Yen, Australian Dollars and New Zealand Dollars.

Interest ranges from the sum of the Base Rate plus 0.25% to 1.25% or the Eurodollar Rate plus 1.25% to 2.25%. The term note is payable in quarterly installments and is due on the last business day of each March, June, September, and December with the final principal payment due in March 2018. Borrowings on the revolving line of credit are repayable at our option of one, two, three or nine months after borrowing, depending on the term of the borrowing on the facility. Borrowings on the foreign swing line of credit are due no later than ten business days after such loan is made. This facility is referred to as the Credit Facility. Principal payments of $21.3 million were made on the term loan during the nine months ended September 30, 2013. This facility includes a foreign currency swing line of credit on which the Company borrowed funds during the periods presented. The Company did not have an outstanding unpaid balance on the foreign currency swing line of credit at September 30, 2013.

(b) The Company is party to a $500 million receivables purchase agreement (Securitization Facility) with a facility termination date of February 3, 2014. The Securitization Facility was amended for the ninth time on September 25, 2013 to change a committed purchaser. There is a program fee equal to the Commercial Paper Rate of 0.24% plus 0.75% and 0.17% plus 0.675% as of December 31, 2012 and September 30, 2013, respectively. The unused facility fee is payable at a rate of 0.35% per annum as of December 31, 2012 and 0.30% per annum as of September 30, 2013. The Securitization Facility provides for certain termination events, which includes nonpayment, upon the occurrence of which the administrator may declare the facility termination date to have occurred, may exercise certain enforcement rights with respect to the receivables, and may appoint a successor servicer, among other things.

(c) In connection with the Company s acquisition in New Zealand, the Company entered into a $12 million New Zealand dollar ($9.9 million) facility that is used for local working capital needs. This facility is a one year facility that matures on April 30, 2014. A line of credit charge of 0.025% times the facility limit is charged each month plus interest on outstanding borrowings is charged at the Bank Bill Mid-Market (BKBM) settlement rate plus a margin of 1.0%. The Company did not have an outstanding unpaid balance on this facility at September 30, 2013.

(d) Other debt includes deferred liabilities associated with certain of our businesses and is recorded within notes payable and other obligations, less current portion in the consolidated balance sheets.

The Company was in compliance with all financial and non-financial covenants at September 30, 2013.

The Company has deferred debt issuance costs associated with its new Credit Facility of $7.5 million as of September 30, 2013, which is classified in Other Assets within the Company s unaudited Consolidated Balance Sheet.

8. Income Taxes

The provision for income taxes differs from amounts computed by applying the U.S. federal tax rate of 35% to income before income taxes for the three months ended September 30, 2013 and 2012 due to the following (in thousands):

	2013		2012	
Income tax expense at federal statutory rate	$ 37,679	35.0%	$ 28,909	35.0%
Changes resulting from:				
Foreign income tax differential	(3,874)	(3.6)	(3,030)	(3.6)
State taxes, net of federal benefit	1,084	1.0	1,366	1.7

Foreign-sourced nontaxable income	(3,360)	(3.1)	(1,826)	(2.2)
Other	1,228	1.2	997	1.0
Effect of Statutory Rate Change	(3,722)	(3.5)	(3,473)	(4.1)
Provision for income taxes	$ 29,035	26.9%	$ 22,943	27.8%

The estimated effective tax rate for the year ending December 31, 2013 is 29.1%. At September 30, 2013 and December 31, 2012, accrued expenses included liabilities for unrecognized income tax benefits of $8.0 million and $7.1 million, respectively. During the three months ended September 30, 2013 and 2012, the Company recognized additional liabilities of $0.2 million and $1.2 million, respectively. During the nine months ended September 30, 2013 and 2012, the Company recognized additional liabilities of $0.9 million and $1.9 million respectively. During the three months ended September 30, 2013 and 2012, amounts recorded for accrued interest and penalties expense related to the unrecognized income tax benefits were not significant.

The Company files numerous consolidated and separate income tax returns in the U.S. federal jurisdiction and various state and foreign jurisdictions. The statute of limitations has expired for tax years prior to 2010 for the Company s U.S. federal income tax returns, 2011 for the Company s U.K. income tax returns, 2009 for the Company s Czech Republic income tax returns, 2010 for the

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Company s Russian income tax returns, 2008 for the Company s Mexican income tax returns, 2008 for the Company s Brazilian income tax returns, 2008 for the Company s Luxembourg income tax returns, 2009 for the Company s New Zealand income tax returns and 2013 for the Company s Australian income tax returns.

9. Earnings Per Share

The Company reports basic and diluted earnings per share. Basic earnings per share is computed by dividing net income attributable to shareholders of the Company by the weighted average number of common shares outstanding during the reported period. Diluted earnings per share reflect the potential dilution related to equity-based incentives using the if-converted and treasury stock method. The calculation and reconciliation of basic and diluted earnings per share for the three and nine months ended September 30 (in thousands, except per share data):

	Three Months Ended September 30,		Nine months Ended September 30,	
	2013	**2012**	**2013**	**2012**
Net income	$ 78,620	$ 59,648	$ 216,381	$ 156,128
Denominator for basic earnings per share	81,974	84,002	81,592	83,260
Dilutive securities	2,931	2,222	2,854	2,421
Denominator for diluted earnings per share	84,905	86,224	84,446	85,681
Basic earnings per share	$ 0.96	$ 0.71	$ 2.65	$ 1.88
Diluted earnings per share	$ 0.93	$ 0.69	$ 2.56	$ 1.82

Basic shares includes the impact of share-based payment awards classified as participating securities, which are not material to the calculation of basic shares. Diluted earnings per share for the three month periods ended September 30, 2012 excludes the effect of 0.2 million shares of common stock, respectively, that may be issued upon the exercise of employee stock options because such effect would be antidilutive. There were no antidilutive shares for the three months ended September 30, 2013.

10. Segments

The Company s reportable segments represent components of the business for which separate financial information is evaluated regularly by the chief operating decision maker in determining how to allocate resources and in assessing performance. The Company operates in two reportable segments, North America and International. The Company has identified these segments due to commonality of the products in each of their business lines having similar economic characteristics, services, customers and processes. There were no significant inter-segment sales.

The results from the Company s Russian fuel card business acquired during the second quarter of 2012, CTF Technologies, Inc. acquired during the third quarter of 2012, Fleet Card acquired during the first quarter of 2013, CardLink acquired during the second quarter of 2013 and VB acquired during the third quarter of 2013 are reported in the Company s International segment.

The Company s segment results are as follows as of and for the three and nine month periods ended September 30 (in thousands):

	Three months ended September 30,		Nine months ended September 30,	
	2013	2012	2013	2012
Revenues, net:				
North America	$ 115,266	$ 101,495	$ 335,346	$ 291,593
International	109,884	85,437	304,324	213,324
	$ 225,150	$ 186,932	$ 639,670	$ 504,917
Operating income:				
North America	$ 59,093	$ 49,273	$ 168,622	$ 140,984
International	52,162	36,561	145,960	90,773
	$ 111,255	$ 85,834	$ 314,582	$ 231,757
Depreciation and amortization:				
North America	$ 5,159	$ 5,046	$ 15,598	$ 15,064
International	12,901	8,545	32,981	21,856
	$ 18,060	$ 13,591	$ 48,579	$ 36,920
Capital expenditures:				
North America	$ 1,942	$ 1,153	$ 4,298	$ 5,749
International	3,298	4,050	11,050	7,885
	$ 5,240	$ 5,203	$ 15,348	$ 13,634

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11. Commitments and Contingencies

In the ordinary course of business, the Company is involved in various pending or threatened legal actions. The Company has recorded reserves for certain legal proceedings. The amounts recorded are estimated and as additional information becomes available, the Company will reassess the potential liability related to its pending litigation and revise its estimate in the period that information becomes known. In the opinion of management, the amount of ultimate liability, if any, with respect to these actions will not have a material adverse effect on the Company s consolidated financial position, results of operations, or liquidity.

Since 2010, the Company has been involved in an investigation by the Office of Fair Trading in the United Kingdom, relating to its Keyfuels product line. This product line consists of the Company s proprietary payment card and associated site network in the United Kingdom. A competitor alleged the Company was dominant in a relevant market with its Keyfuels product. The Office of Fair trading has investigated the allegations and following an extensive enquiry process, the Office of Fair Trading has concluded that it has no grounds to take action against the Company or its subsidiaries over the alleged abuse of dominance. The Office of Fair Trading issued a news release to this effect on October 31, 2013.

12. Subsequent Events

Subsequent to September 30, 2013, the Company completed acquisitions with an aggregate purchase price of approximately $500 million, which were funded using the Company s existing cash and credit facilities, as follows:

Epyx

On October 1, 2013, the Company acquired all of the outstanding stock of Epyx, a provider to the fleet maintenance, service and repair marketplace in the UK. Epyx provides an internet based system and a vehicle repair network of approximately 9,000 service garages to fleet operators in the UK. The Epyx service helps its customers better manage their vehicle maintenance, service, and repair needs. The Epyx service automates repair authorization, schedules service appointments, controls costs, and simplifies overall vehicle service administration. Epyx earns transaction fees on each of the millions of service incidents that it supports each year. The purpose of this acquisition is to allow the Company to extend beyond fleet fueling, to fleet maintenance in the UK marketplace. This business acquisition was not material individually or in the aggregate with other current year acquisitions to the Company s consolidated financial statements in accordance with SEC Rule S-X 3-05.

DB

On October 15, 2013, the Company acquired DB Trans S.A. (DB), a provider of payment solutions for independent truckers in Brazil. The purpose of this acquisition is to strengthen the Company s presence in the Brazilian marketplace. This business acquisition was not material individually or in the aggregate with other current year acquisitions to the Company s consolidated financial statements in accordance with SEC Rule S-X 3-05.

NexTraq

On October 17, 2013, the Company acquired NexTraq, a US based provider of telematics solutions to small and medium-sized businesses. NexTraq provides fleet operators with an internet based system that enhances workforce productivity through real time vehicle tracking, route optimization, job dispatch, and fuel usage monitoring, and has100,000 active subscribers. The purpose of this acquisition is to provide the Company with a cross marketing opportunity due to the similarity of the commercial fleet customer base. This business acquisition was not material individually or in the aggregate with other current year acquisitions to the Company s consolidated financial statements in accordance with SEC Rule S-X 3-05.

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Item 2. Management s Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with the unaudited consolidated financial statements and related notes appearing elsewhere in this report. In addition to historical information, this discussion contains forward-looking statements that involve risks, uncertainties and assumptions that could cause actual results to differ materially from management s expectations. Factors that could cause such differences include, but are not limited to, those identified below and those described in Part I, Item 1A Risk Factors appearing in our Annual Report on Form 10-K for the year ended December 31, 2012. All foreign currency amounts that have been converted into U.S. dollars in this discussion are based on the exchange rate as reported by Oanda for the applicable periods.

This management s discussion and analysis should also be read in conjunction with the management s discussion and analysis and consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2012.

Overview

FleetCor is a leading independent global provider of fuel cards and workforce payment products and services to businesses, commercial fleets, major oil companies, petroleum marketers and government entities in countries throughout North America, Latin America, Europe, Australia and New Zealand. Our payment programs enable our customers to better manage and control employee spending and provide card-accepting merchants with a high volume customer base that can increase their sales and customer loyalty. In 2012, we processed approximately 304 million transactions on our proprietary networks and third-party networks. We believe that our size and scale, geographic reach, advanced technology and our expansive suite of products, services, brands and proprietary networks contribute to our leading industry position.

We provide our payment products and services in a variety of combinations to create customized payment solutions for our customers and partners. We sell these products and services directly and indirectly through partners with whom we have strategic relationships, such as major oil companies and petroleum marketers. We refer to these major oil companies and petroleum marketers as our partners. We provide our customers with various card products that typically function like a charge card to purchase fuel, lodging, food, toll road fees and related products and services at participating locations. Our payment programs enable businesses to better manage and control employee spending and provide card-accepting merchants with a high volume customer base that can increase their sales and customer loyalty.

In order to deliver our payment programs and services and process transactions, we own and operate proprietary closed-loop networks through which we electronically connect to merchants and capture, analyze and report customized information. We also use third-party networks to deliver our payment programs and services in order to broaden our card acceptance and use. To support our payment products, we also provide a range of services, such as issuing and processing, as well as specialized information services that provide our customers with value-added functionality and data. Our customers can use this data to track important business productivity metrics, combat fraud and employee misuse, streamline expense administration and lower overall fleet operating costs.

Our segments, sources of revenue and expenses

Segments

We operate in two segments, which we refer to as our North America and International segments. The results from our Russian business acquired during the second quarter of 2012, CTF Technologies, Inc. acquired during the third quarter of 2012, our Australian Fleet Card business acquired during the first quarter of 2013, New Zealand CardLink acquired during the second quarter of 2013 and Brazilian VB business acquired during the third quarter of 2013 are reported in our International segment. Our revenue is reported net of the wholesale cost for underlying products and services. In this report, we refer to this net revenue as revenue. For the three and nine months ended September 30, 2013 and 2012, our North America and International segments generated the following revenue:

	Three months ended September 30,				**Nine months ended September 30,**			
	2013		**2012**		**2013**		**2012**	
(dollars in millions)	**Revenue**	**% of total revenue**	**Revenue**	**% of total revenue**	**Revenue**	**% of total revenue**	**Revenue**	**% of total revenue**
North America	$ 115.3	51.2%	$ 101.5	54.3%	$ 335.4	52.4%	$ 291.6	57.8%
International	109.9	48.8%	85.4	45.7%	304.3	47.6%	213.3	42.2%
	$ 225.2	100.0%	$ 186.9	100.0%	$ 639.7	100.0%	$ 504.9	100.0%

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Sources of Revenue

Transactions In both of our segments, we derive revenue from transactions and the related revenue per transaction. As illustrated in the diagram below, a transaction is defined as a purchase by a customer. Our customers include holders of our cards and payment products and those of our partners, for whom we manage card programs. Revenue from transactions is derived from our merchant and network relationships, as well as our customers and partners. Through our merchant and network relationships we primarily offer fuel, vehicle maintenance, products, food or lodging services to our customers. We also earn revenue from our customers and partners through program fees and charges, which can be fixed fees, cost plus a mark-up or based on a percentage discount from retail prices. The following diagram illustrates a typical transaction flow.

Illustrative Transaction Flow

From our merchant and network relationships, we mostly derive revenue from the difference between the price charged to a customer for a transaction and the price paid to the merchant or network for the same transaction. As illustrated in the table below, the price paid to a merchant or network may be calculated as (i) the merchant s wholesale cost of fuel plus a markup; (ii) the transaction purchase price less a percentage discount; or (iii) the transaction purchase price less a fixed fee per unit. The difference between the price we pay to a merchant and the merchant s wholesale cost for the underlying products and services is considered a merchant commission and is recognized as an expense. Approximately 45.6% and 49.2% of our revenue was derived from our merchant and network relationships during the three months ended September 30, 2013 and 2012, respectively. Approximately 47.7% and 53.8% of our revenue was derived from our merchant and network relationships during the nine months ended September 30, 2013 and 2012, respectively.

The following table presents an illustrative revenue model for transactions with the merchant, which is primarily applicable to fuel based product transactions, but may also be applied to our vehicle maintenance, lodging and food products, substituting transactions for gallons. This representative model may not include all of our businesses.

Illustrative Revenue Model for Fuel Purchases

(unit of one gallon)

strative Revenue Model			**Merchant Payment Methods**				
ail Price	$ 3.00	**i) Cost Plus Mark-up:**		**ii) Percentage Discount:**		**iii) Fixed Fee:**	
olesale Cost	(2.86)	Wholesale Cost	$ 2.86	Retail Price	$ 3.00	Retail Price	$ 3.0
		Mark-up	0.05	Discount (3%)	(0.09)	Fixed Fee	(0.0
etCor Revenue	$ 0.14						
rchant Commission	$ (0.05)	Price Paid to Merchant	$ 2.91	Price Paid to Merchant	$ 2.91	Price Paid to Merchant	$ 2.9
ce Paid to Merchant	$ 2.91						

From our customers and partners, we derive revenue from a variety of program fees such as transaction fees, card fees, network fees and report fees. Our payment programs include other fees and charges associated with late payments and based on customer credit risk. Approximately 54.4% and 50.8% of our revenue was derived from customer and partner program fees and charges during the three months ended September 30, 2013 and 2012, respectively. Approximately 52.3% and 46.2% of our revenue was derived from customer and partner program fees and charges during the nine months ended September 30, 2013 and 2012, respectively.

Key operating metrics

Transaction volume and revenue per transaction Set forth below is revenue per transaction information for the three and nine months ended September 30, 2013 and 2012:

	Three months ended September 30,		Nine months ended September 30,	
	2013	**2012**	**2013**	**2012**
Transactions (in millions)				
North America	43.3	41.2	122.7	117.2
International	41.0	38.1	114.7	108.2
Total transactions	84.3	79.3	237.4	225.4
Revenue per transaction				
North America	$ 2.66	$ 2.46	$ 2.73	$ 2.49
International	2.68	2.24	2.65	1.97
Consolidated revenue per transaction	2.67	2.36	2.69	2.24
Adjusted revenue per transaction				
Consolidated adjusted revenue per transaction	$ 2.47	$ 2.20	$ 2.48	$ 2.06

Revenue per transaction is derived from the various revenue types as discussed above and can vary based on geography, the relevant merchant relationship, the payment product utilized and the types of products or services purchased, the mix of which would be influenced by our acquisitions, organic growth in our business and the overall macroeconomic environment. When we talk about the macroeconomic environment, we are referring to the impact of market spread margins, fuel prices, foreign exchange rates and the economy in general can have on our business. Revenue per transaction per customer changes as the level of services we provide to a customer increases or decreases, as macroeconomic factors change and as adjustments are made to merchant and customer rates.

Revenue per transaction has been positively impacted by our acquisitions in 2012 and 2013, which each have higher revenue per transaction products in comparison to our other businesses, as well as organic growth in certain of our businesses.

Total transactions increased from 79.3 million in the three months ended September 30, 2012 to 84.3 million in the comparable period in 2013, an increase of 5.0 million transactions or 6.4%.Total transactions increased from 225.4 million in the nine months ended September 30, 2012 to 237.4 million in the comparable period in 2013, an increase of 12.1 million transactions or 5.4%. We experienced an increase in transactions in our North American and International segments due to organic growth in certain of our payment programs and the impact of acquisitions completed in 2012 and 2013.

Sources of Revenue Set forth below is information on our sources of revenue for the three and nine months ended September 30, 2013 and 2012 expressed as a percentage of consolidated revenues:

	Three months ended September 30,		Nine months ended September 30,	
	2013	**2012**	**2013**	**2012**

Revenue from customers and partners	54.4%	50.8%	52.3%	46.2%
Revenue from merchants and networks	45.6%	49.2%	47.7%	53.8%
Revenue tied to fuel-price spreads	14.8%	14.0%	16.5%	17.6%
Revenue influenced by the absolute price of fuel	20.0%	21.7%	20.1%	20.8%
Revenue from program fees, late fees, interest and other	65.2%	64.3%	63.4%	61.6%

Adjusted Revenues, EBITDA, Adjusted Net Income and Adjusted Net Income Per Diluted Share. Set forth below are adjusted revenues, EBITDA, adjusted net income and diluted adjusted net income per share for the three and nine months ended September 30, 2013 and 2012.

	Three Months Ended September 30,		**Nine months Ended September 30,**	
(in thousands, except per share amounts)	**2013**	**2012**	**2013**	**2012**
Adjusted revenues	$ 208,206	$ 174,002	&n	