

WEX Inc.
Form 10-Q
May 02, 2013
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2013

OR

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

For the transition period from _____ to _____

Commission file number: 001-32426

WEX INC.

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(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

01-0526993
(I.R.S. Employer
Identification No.)

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

04106
(Zip Code)

(207) 773-8171

(Registrant's telephone number, including area code)

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

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

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

Large accelerated filer

Accelerated filer

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

Smaller reporting company

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

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

Class
Common Stock, \$0.01 par value per share

Outstanding at April 29, 2013
38,798,775 shares

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

Table of Contents**PART I****Item 1. Financial Statements.****WEX INC.****CONDENSED CONSOLIDATED BALANCE SHEETS**

(in thousands, except per share data)

(unaudited)

	March 31, 2013	December 31, 2012
Assets		
Cash and cash equivalents	\$ 349,720	\$ 197,662
Accounts receivable (less reserve for credit losses of \$10,797 in 2013 and \$11,709 in 2012)	1,781,444	1,555,814
Available-for-sale securities	15,788	16,350
Property, equipment and capitalized software (net of accumulated depreciation of \$131,388 in 2013 and \$125,659 in 2012)	59,434	60,097
Deferred income taxes, net	91,143	100,128
Goodwill	844,158	844,285
Other intangible assets, net	233,616	241,810
Other assets	105,085	90,538
Total assets	\$ 3,480,388	\$ 3,106,684
Liabilities and Stockholders Equity		
Accounts payable	\$ 718,121	\$ 527,838
Accrued expenses	63,514	60,532
Income taxes payable	10,978	10,151
Deposits	1,025,621	890,345
Borrowed federal funds		48,400
Revolving line-of-credit facilities and term loan	296,250	621,000
Notes outstanding	400,000	
Amounts due under tax receivable agreement	86,894	86,550
Fuel price derivatives, at fair value	7,611	1,729
Other liabilities	22,601	20,546
Total liabilities	2,631,590	2,267,091
Commitments and contingencies (Note 10)		
Redeemable noncontrolling interest (Note 11)	21,855	21,662
Stockholders Equity		
Common stock \$0.01 par value; 175,000 shares authorized, 42,817 in 2013 and 42,586 in 2012 shares issued; 38,899 in 2013 and 38,908 in 2012 shares outstanding	428	426
Additional paid-in capital	160,627	162,470
Retained earnings	759,000	730,311
Accumulated other comprehensive income	37,454	37,379
Less treasury stock at cost, 4,007 shares in 2013 and 3,766 shares 2012	(130,566)	(112,655)
Total stockholders equity	826,943	817,931

Total liabilities and stockholders' equity

\$ 3,480,388 \$ 3,106,684

See notes to condensed consolidated financial statements.

Table of Contents**WEX INC.****CONDENSED CONSOLIDATED STATEMENTS OF INCOME**

(in thousands, except per share data)

(unaudited)

	Three months ended March 31,	
	2013	2012
Revenues		
Fleet payment solutions	\$ 126,039	\$ 109,147
Other payment solutions	39,331	30,975
Total revenues	165,370	140,122
Expenses		
Salary and other personnel	40,077	28,715
Service fees	23,805	20,308
Provision for credit losses	3,756	5,043
Technology leasing and support	5,485	4,267
Occupancy and equipment	3,805	2,816
Depreciation, amortization and impairment	14,607	11,317
Operating interest expense	1,147	1,111
Cost of hardware and equipment sold	1,074	727
Other	11,084	7,855
Total operating expenses	104,840	82,159
Operating income	60,530	57,963
Financing interest expense	(7,339)	(2,285)
Loss on foreign currency transactions	(232)	(20)
Net realized and unrealized losses on fuel price derivatives	(7,755)	(18,812)
Income before income taxes	45,204	36,846
Income taxes	16,627	13,610
Net income	28,577	23,236
Less: Net loss from noncontrolling interest	(112)	
Net earnings attributable to WEX Inc.	\$ 28,689	\$ 23,236
Net earnings attributable to WEX Inc. per share:		
Basic	\$ 0.74	\$ 0.60
Diluted	\$ 0.73	\$ 0.59
Weighted average common shares outstanding:		
Basic	38,888	38,820
Diluted	39,187	39,123

See notes to condensed consolidated financial statements.

Table of Contents**WEX INC.****CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME****(in thousands)****(unaudited)**

	Three months ended March 31,	
	2013	2012
Net earnings attributable to WEX Inc.	\$ 28,689	\$ 23,236
Changes in available-for-sale securities, net of tax effect of \$47 in 2013 and \$(3) in 2012	(78)	(16)
Changes in interest rate swap, net of tax effect of \$ in 2013 and \$35 in 2012		60
Foreign currency translation	458	8,002
Comprehensive income	29,069	31,282
Less: comprehensive income attributable to noncontrolling interest	193	
Comprehensive income attributable to WEX Inc.	\$ 28,876	\$ 31,282

See notes to condensed consolidated financial statements.

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WEX INC.
CONDENSED CONSOLIDATED
STATEMENTS OF STOCKHOLDERS' EQUITY
(in thousands)
(unaudited)

	Common Stock		Additional Paid-in Capital	Accumulated Other Comprehensive	Treasury Stock	Retained Earnings	Total Equity
	Shares	Amount		Income (Loss)			
Balance at December 31, 2011	42,252	\$ 423	\$ 146,282	\$ 30,588	\$ (101,367)	\$ 633,389	\$ 709,315
Stock issued to employees exercising stock options	96	1	1,286				1,287
Tax benefit from employees' stock option and restricted stock units			2,244				2,244
Stock issued to employees for vesting of restricted stock units	83						
Stock-based compensation			816				816
Purchase of shares of treasury stock							
Changes in available-for-sale securities, net of tax effect of \$(3)				(16)			(16)
Changes in interest rate swaps, net of tax effect of \$35				60			60
Foreign currency translation				8,002			8,002
Net earnings attributable to WEX Inc.							