

WEX Inc.
Form 10-K
March 18, 2019
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K
(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2018

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.

(Exact name of registrant as specified in its charter)
Delaware 01-0526993
(State or other jurisdiction of (I.R.S. Employer
incorporation or organization) Identification No.)

1 Hancock Street 04101
Portland, Maine
(Address of principal executive offices) (Zip Code)
(207) 773-8171

(Registrant's telephone number, including area code)
Securities registered pursuant to Section 12(b) of the Act:
Title of each class Name of each exchange on which registered
Common Stock, \$0.01 par value New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:
None
(Title of class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
 Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.
 Yes No

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 every Interactive Data File required to be submitted 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 such files).

Yes No

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Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

..

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

Large accelerated filer 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 Act).

Yes No

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the registrant (assuming for the purpose of this calculation, but without conceding, that all directors, officers and any 10 percent or greater stockholders are affiliates of the registrant) as of June 29, 2018, the last business day of the registrant's most recently completed second fiscal quarter, was \$8,124,602,298 (based on the closing price of the registrant's common stock on that date as reported on the New York Stock Exchange).

There were 43,135,385 shares of the registrant's common stock outstanding as of March 12, 2019.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Company's Proxy Statement for the 2019 Annual Meeting of Stockholders are incorporated by reference in Part III. With the exception of the sections of the 2019 Proxy Statement specifically incorporated herein by reference, the 2019 Proxy Statement is not deemed to be filed as part of the 10-K.

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Unless otherwise indicated or required by the context, the terms “we,” “us,” “our,” “WEX,” or the “Company,” in this Annual Report on Form 10-K mean WEX Inc. and all of its subsidiaries that are consolidated under Generally Accepted Accounting Principles in the United States.

FORWARD-LOOKING STATEMENTS

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 Annual Report includes forward-looking statements including, but not limited to, statements about management’s plan and goals, and the “Strategy” section of this Annual Report in Item 1. Any statements in this Annual Report that are not statements of historical facts are forward-looking statements. When used in this Annual Report, the words “anticipate,” “believe,” “continue,” “could,” “estimate,” “expect,” “intend,” “may,” “plan” 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 Annual Report and in oral statements made by our authorized officers:

- the effects of general economic conditions on fueling patterns as well as payment and transaction processing activity;
- the impact of foreign currency exchange rates on the Company’s operations, revenue and income;
- changes in interest rates;
- the impact of fluctuations in fuel prices;
- the effects of the Company’s business expansion and acquisition efforts;
- potential adverse changes to business or employee relationships, including those resulting from the completion of an acquisition;
- competitive responses to any acquisitions;
- uncertainty of the expected financial performance of the combined operations following completion of an acquisition;
- the ability to successfully integrate the Company’s acquisitions;
- the ability to realize anticipated synergies and cost savings;
- unexpected costs, charges or expenses resulting from an acquisition;
- the Company’s failure to successfully acquire, integrate, operate and expand commercial fuel card programs;
- the failure of corporate investments to result in anticipated strategic value;
- the impact and size of credit losses;
- the impact of changes to the Company’s credit standards;
- breaches of the Company’s technology systems or those of our third-party service providers and any resulting negative impact on our reputation, liabilities or relationships with customers or merchants;
- the Company’s failure to maintain or renew key commercial agreements;
- failure to expand the Company’s technological capabilities and service offerings as rapidly as the Company’s competitors;
- failure to successfully implement the Company’s information technology strategies and capabilities in connection with its technology outsourcing and insourcing arrangements and any resulting cost associated with that failure;
- the actions of regulatory bodies, including banking and securities regulators, or possible changes in banking or financial regulations impacting the Company’s industrial bank, the Company as the corporate parent or other subsidiaries or affiliates;
- the impact of the material weaknesses disclosed in Item 9A of the Company’s annual report on Form 10-K for the year ended December 31, 2018 and the effects of the Company’s investigation and remediation efforts in connection with certain immaterial errors in the financial statements of our Brazilian subsidiary;
- the impact of the Company’s outstanding notes on its operations;
- the impact of increased leverage on the Company’s operations, results or borrowing capacity generally, and as a result of acquisitions specifically;
- 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 this Annual Report and in connection with such forward-looking statements.

Our forward-looking statements and these factors do not reflect the potential future impact of any alliance, merger, acquisition, disposition or stock repurchases. The forward-looking statements speak only as of the date of the initial filing of this Annual 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.

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ACRONYMS AND ABBREVIATIONS

The acronyms and abbreviations identified below are used in this Annual Report including the accompanying consolidated financial statements and the notes thereto. The following is provided to aid the reader and provide a reference point when reviewing the Annual Report:

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| 2013 Credit Agreement | Amended and restated credit agreement entered into on January 18, 2013 by and among the Company and certain of our subsidiaries, as borrowers, and WEX Card Holdings Australia Pty Ltd., as specified designated borrower, with a lending syndicate. |
| 2014 Credit Agreement | Second amended and restated credit agreement entered into on August 22, 2014, by and among the Company and certain of its subsidiaries, as borrowers, WEX Card Holding Australia Pty Ltd., as designated borrower, and Bank of America, N.A., as administrative agent on behalf of consenting lenders. |
| 2016 Credit Agreement | Credit agreement entered into on July 1, 2016 by and among the Company and certain of its subsidiaries, as borrowers, WEX Card Holding Australia Pty Ltd., as designated borrower, and Bank of America, N.A., as administrative agent on behalf of the lenders. |
| 2017 Tax Act | 2017 Tax Cuts and Jobs Act |
| Adjusted Net Income or ANI | A non-GAAP measure that adjusts net income attributable to shareholders to exclude unrealized gains and losses on financial instruments, net foreign currency remeasurement gains and losses, acquisition-related ticking fees, acquisition-related intangible amortization, other acquisition and divestiture related items, stock-based compensation, restructuring and other costs, impairment charges and asset write-offs, gain on divestiture, a one-time vendor settlement, debt restructuring and debt issuance cost amortization, non-cash adjustments related to tax receivable agreement, adjustments attributed to our non-controlling interest and certain tax related items. |
| AOC | AOC Solutions and one of its affiliate companies, 3Delta Systems, Inc. |
| ASC | Accounting Standards Codification |
| ASU 2014-09 | Accounting Standards Update No. 2014-09 Revenue from Contracts with Customers (Topic 606) |
| ASU 2016-01 | Accounting Standards Update No. 2016-01 Financial Instruments-Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities |
| ASU 2016-02 | Accounting Standards Update No. 2016-02 Leases (Topic 842) |
| ASU 2016-09 | Accounting Standards Update No. 2016-09 Compensation-Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting |
| ASU 2016-13 | Accounting Standards Update No. 2016-13 Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments |
| ASU 2016-18 | Accounting Standards Update No. 2016-18 Statement of Cash Flows (Topic 230): Restricted Cash |
| ASU 2017-04 | Accounting Standards Update 2017-04-Intangibles-Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment |
| ASU 2017-07 | Accounting Standards Update 2017-07 Compensation-Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost |
| ASU 2018-15 | Accounting Standards Update No. 2018-15 Intangibles-Goodwill and Other-Internal-Use Software (Subtopic 350-40): Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract |
| Australian Securitization Subsidiary | Southern Cross WEX 2015-1 Trust, a special purpose entity consolidated by the Company |
| Average expenditure per payment processing transaction | Average total dollars of spend in a funded fuel transaction |
| Benaissance | |

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| | Benaissance, a provider of integrated SaaS technologies and services for healthcare premium billing, payment and workflow management, acquired by the Company on November 18, 2015. |
| CDH | Consumer-directed healthcare |
| Company | WEX Inc. and all entities included in the consolidated financial statements |
| CFPB | Consumer Financial Protection Bureau |
| Discovery Benefits | Discovery Benefits, Inc. |
| EBITDA | A non-GAAP measure that adjusts income before income taxes to exclude interest, depreciation and amortization |
| | Electronic Funds Source, LLC, a provider of customized corporate payment solutions for fleet and corporate customers with a focus on the large and mid-sized over-the-road fleets. On July 1, 2016, the Company acquired WP Mustang Topco LLC, the indirect parent of Electronic Funds Source, LLC and Warburg Pincus Private Equity XI (Lexington), LLC, an affiliated entity, from investment funds affiliated with Warburg Pincus LLC. |
| EFS | |
| European Fleet business | European commercial fleet card portfolio acquired from ExxonMobil |
| European Securitization Subsidiary | Gorham Trade Finance B.V., a special purpose entity consolidated by the Company |
| Evolution1 | EB Holdings Corp. and its subsidiaries which includes Evolution1, Inc., acquired by the Company on July 16, 2014 |
| FASB | Financial Accounting Standards Board |
| FDIC | Federal Deposit Insurance Corporation |
| FRA | Federal Reserve Act |
| FSA | Flexible Spending Accounts |
| GAAP | Generally Accepted Accounting Principles in the United States |

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| GILTI | Global Intangible Low Taxed Income |
| HRA | Health Reimbursement Arrangements |
| HSA | Health Savings Accounts |
| ICS | Insured Cash Sweep |
| Indenture | The Notes were issued pursuant to an indenture dated as of January 30, 2013 among the Company, the guarantors listed therein, and The Bank of New York Mellon Trust Company, N.A., as trustee |
| NCI | Non-controlling interest |
| NOL | Net operating loss |
| Notes | \$400 million senior notes with a 4.75% fixed rate, issued on January 30, 2013 |
| NYSE | New York Stock Exchange |
| OFAC | The United States Treasury's Office of Foreign Assets Control |
| Over-the-road | Typically heavy trucks traveling long distances |
| Payment solutions | Total amount paid by customers for transactions |
| purchase volume | |
| Payment processing transactions | Funded payment transactions where the Company maintains the receivable for total purchase |
| SaaS | Software-as-a-service |
| SEC | Securities and Exchange Commission |
| Segment adjusted operating income | A non-GAAP measure that adjusts operating income to exclude specified items that the Company's management excludes in evaluating segment performance, including acquisition and divestiture related expenses and adjustments including the acquisition related intangible amortization, impairment charges and asset write-offs, the expense associated with stock-based compensation, restructuring and other costs, debt restructuring costs, gain on divestitures, a vendor settlement and unallocated corporate expenses. |
| Ticking fees | A fee incurred by a borrower to compensate the lender for maintaining a commitment of funds for the prospective borrower for a period of time |
| Total fuel transactions | Total of transaction processing and payment processing transactions of our Fleet Solutions segment |
| Transaction processing transactions | Unfunded payment transactions where the Company is the processor and only has receivables for the processing fee |
| UNIK | UNIK S.A., the Company's Brazilian subsidiary, which has been subsequently branded WEX Latin America |
| Utah DFI | Utah Department of Financial Institutions |
| VCN | Virtual card number |
| VPN | Virtual private network |
| WEX | WEX Inc. |
| WEX Europe Services | Consists primarily of our European Fleet business acquired by the Company from ExxonMobil on December 1, 2014 |
| WEX Health | Evolution1 and Benaissance, collectively |

PART I

ITEM 1. BUSINESS

Our Company

WEX Inc. is a global leader in payment solutions, which began operations in 1983 as a Maine corporation where we continue to be headquartered. Over the past 35 years, we have simplified the complexities of payment systems across continents and industries. We incorporated in Delaware on February 16, 2005 (NYSE:WEX).

We currently operate in three business segments: Fleet Solutions, Travel and Corporate Solutions, and Health and Employee Benefit Solutions, which are described in more detail below. The Company's U.S. operations include WEX Inc. and our wholly-owned subsidiaries WEX Bank, WEX FleetOne, EFS and WEX Health. Our international operations include our wholly-owned operations, WEX Fuel Cards Australia, WEX Prepaid Cards Australia, WEX Canada, WEX New Zealand, WEX Asia, WEX Europe Limited, UNIK and a controlling interest in WEX Europe Services Limited and its subsidiaries.

WEX Bank, a Utah industrial bank incorporated in 1998, is a FDIC insured depository institution. The functions performed at WEX Bank contribute to the U.S. and Canadian operations of Fleet Solutions and the majority of operations of Travel and Corporate Solutions by providing a funding mechanism, among other services. With our ownership of WEX Bank, we have access to low-cost sources of capital. WEX Bank raises capital primarily through the issuance of brokered deposit accounts and provides the financing and makes credit decisions that enable the Fleet Solutions and Travel and Corporate Solutions segments to extend credit to customers. WEX Bank approves customer applications, maintains appropriate credit lines for each customer, is the account issuer, and is the counterparty for the customer relationships for most of our programs in the U.S. Operations such as sales, marketing, merchant relations, customer service, software development and IT are performed as a service within our organization

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but outside of WEX Bank. WEX Bank's primary regulators are Utah DFI and the FDIC. The activities performed by WEX Bank are integrated into the operations of our Fleet Solutions and Travel and Corporate Solutions segments.

Developments

Our growth in the past several years has been primarily organic, supplemented by acquisitions in each of our three business segments: Fleet Solutions, Travel and Corporate Solutions and Health and Employee Benefit Solutions. Our acquisitions over the last five years include:

On January 16, 2019, the Company entered into a definitive agreement to acquire Discovery Benefits, an employee benefits administrator, for total cash consideration of approximately \$425 million, including \$50 million which will be deferred until January of 2020. State Bankshares, Inc., the seller of Discovery Benefits, will also retain a 4.9% equity interest in the entity resulting from the combination of WEX Health and Discovery Benefits. This acquisition will provide our partners and customers with a more comprehensive suite of products and services and opens go-to-market channels to include consulting firms and brokers. The Company closed this transaction on March 5, 2019.

On October 26, 2018, the Company entered into a definitive asset purchase agreement to acquire Chevron's existing customer portfolio for \$223.4 million, including \$54.6 million for the carrying value of trade accounts receivable. Conversion of the acquired portfolio onto the Company's payment processing platform started in the first quarter of 2019.

On October 22, 2018, the Company entered into a definitive agreement to acquire Noventis, an electronic payments network focused on optimizing payment delivery for bills and invoices to commercial entities, for approximately \$310 million. This acquisition will expand our reach as a corporate payments supplier and provide more channels to billing aggregators and financial institutions. The Company closed on this transaction on January 24, 2019.

On October 18, 2017, we acquired certain assets and assumed certain liabilities of AOC, a provider of commercial payments technology, in order to broaden our capabilities, increase our pool of employees with payments platform experience and allow us to evolve with the needs of our customers and partners through the use of AOC's payments processing technology platforms.

On July 1, 2016, we acquired EFS, a provider of customized payment solutions for fleet and corporate customers with a focus on the large and mid-sized over-the-road fleets, in order to expand our customer footprint and utilize EFS's technology to better serve the needs of our fleet customers.

On November 18, 2015, our wholly-owned subsidiary Evolution1 acquired Benaissance, a provider of integrated SaaS technologies and services for COBRA and healthcare premium billing, payment and workflow management, to complement our healthcare payments products and services.

On August 31, 2015, we acquired the remaining 49 percent ownership in UNIK, a majority-owned subsidiary prior to this transaction.

On December 1, 2014, our majority owned subsidiary, WEX Europe Services Limited, acquired the assets of ExxonMobil's European commercial fuel card program, which includes operations, funding, pricing, sales and marketing in nine countries in Europe.

On July 16, 2014, we acquired Evolution1, a provider of financial technology platform solutions within the healthcare industry.

Competition

We have a strong competitive position in each of our segments. Our product features and extensive account management services are key factors behind our position in the fleet industry. We face competition in all of our segments. Our competitors vie with us for prospective direct fleet customers as well as for companies with which to form strategic relationships. We compete with companies that perform payment and transaction processing or similar services. Financial institutions that issue Visa, MasterCard and American Express credit and charge cards currently compete primarily with our Fleet Solutions and Travel and Corporate Solutions segments. We also compete with other healthcare payment service providers.

The most significant competitive factors include the breadth of features offered, functionality, servicing capability and price. For more information regarding risks related to competition, see the information in Item 1A, under the heading "Our industry continues to become increasingly competitive, which makes it more challenging for us to maintain profit

margins at historical levels.”

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We believe the following strengths distinguish us from our competitors:

Our proprietary closed-loop fuel networks in the U.S. and Australia are among the largest in each country. We describe our fleet payment processing networks as “closed-loop” because we have a direct contractual relationship with both the merchant and the fleet, and only WEX transactions can be processed on these networks. We have built networks that management estimates to provide coverage to over 90 percent of fuel locations in the U.S. and Australia, as well as wide acceptance in Europe and Brazil. This provides our customers with the convenience of broad acceptance.

Our proprietary closed-loop fuel networks provide us with access to a higher level of fleet-specific information and control as compared to what is typically available on an open-loop network. This provides high-level purchase controls at the point-of-sale, including the flexibility of allowing fleets to restrict purchases and receive automated alerts. Additionally, we have the ability to refine the information reporting provided to our fleet customers and customers of our strategic relationships.

We offer a differentiated set of products and services, including security and purchase controls, to allow our customers and the customers of our strategic relationships to better manage their vehicle fleets. We provide customized analysis and reporting on the efficiency of fleet vehicles and the purchasing behavior of fleet vehicle drivers. We make this data available to fleet customers through both traditional reporting services and sophisticated web-based data analytics tools.

Our long-standing strategic relationships, multi-year contracts and high contract renewal rates have contributed to the stability and recurring nature of our revenue base. We believe that we offer a compelling value to our customers relative to our competitors given the breadth and quality of our products and services and our deep understanding of our customers’ operational needs. We have a large installed customer base, with more than 12.4 million vehicles serviced as of December 31, 2018 and co-branded strategic relationships with five of the largest U.S. fleet management providers and with dozens of oil companies that use our private label solutions. Our wide site acceptance, together with our private-label portfolios and value-added product and service offerings, drive high customer satisfaction levels, with a U.S. fleet retention rate in excess of 97 percent (based on the 2018 rate of voluntary customer attrition).

Our capabilities in the over-the-road segment of the market enhance our ability to serve fleet customers who operate both heavy duty trucks and cars or light duty vehicles in the U.S. and Canada as well as to blend the small fleet and private label businesses for greater scale. The July 2016 acquisition of EFS expanded our customer footprint within the over-the-road market segment.

Our purchase of ExxonMobil’s commercial fuel card program, which uses a closed-loop network in Europe, combined with the long term supply agreement to serve the current and future European Fleet business, provides us with a strong foundation in the large European fleet market.

Our travel and corporate payment products offer corporate customers enhanced security and control for complex payment needs, while the addition of the EFS Corporate Payment Solutions set of products expands our presence into the electronic accounts payable segment of the market. Our strategic relationships include four of the largest online travel agencies in the world. We continue to expand our online travel payment solution capabilities and geographies, which currently include North America, Europe, South America and Asia-Pacific. As of December 31, 2018, we settle transactions in over 20 different currencies.

The demand for our payment processing, account servicing and transaction processing services combined with significant operating scale has historically driven strong revenue growth and earnings potential. We have an extensive history of organic revenue growth driven by our various marketing channels, our extensive network of fuel and service providers, and our growth in transaction volume. Further, we have completed a number of strategic acquisitions to expand our product and service offerings, which have contributed to our revenue growth and diversification of our products and services.

WEX Health has become a leading provider of cloud-based healthcare payments technology, through the acquisition of Evolution1 in 2014 and Benaissance in 2015. Our large partner network expands our opportunities in the growing healthcare financial technology platform market. WEX Health benefits from both high retention rates and revenue predictability as a result of its SaaS business model.

We have an enterprise-wide risk management program that helps us identify and manage inherent risks related to our liquidity, extension of credit and interest rates. Our ownership of WEX Bank provides us with access to low cost sources of capital, which provide liquidity to fund our short-term card receivables. We have maintained a long record of low credit losses due to the short-term, non-revolving credit issued to our customer base. Our credit risk management program is enhanced by our proprietary scoring models, managing credit lines and early suspension policy. Interest rate risk is

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managed through diversified funding sources at WEX Bank including interest bearing money market deposits and certificates of deposit with varying maturities. Some of our merchant contracts include some ability to raise rates if interest rates rise.

We have an experienced and committed management team that has substantial industry knowledge and a proven track record of financial success. The team has been successful in driving strong growth with consistent operating performance. We believe that our management team positions us well to continue successfully implementing our growth strategy and capturing operating efficiencies.

Strategy

The Company's performance during the year ended December 31, 2018, was shaped by the following previously established strategic priorities:

Drive continued growth. We seek to capture organic growth opportunities across our segments through our product excellence, marketing capabilities, sales force productivity, and revenue management practices. Our acquisition strategy will complement our organic growth by enhancing scale and adding differentiation to our current offerings. During 2018, we continued to experience strong organic revenue growth. Additionally, during October 2018, the Company entered into a definitive agreement to acquire Noventis, which we expect will expand our reach as a corporate payments supplier and provide more channels to billing aggregators and financial institutions. The Company also entered into a definitive asset purchase agreement to acquire Chevron's existing trade accounts receivable and customer portfolio during October 2018 in connection with a 2016 agreement with Chevron to issue and operate branded commercial fleet cards.

Lead through superior technology. We have built and differentiate ourselves in the marketplace on a distinctive set of technologies across our segments. As our markets continue to evolve, our ability to quickly and cost effectively innovate and deliver superior technological solutions continue to set us apart from our peers.

During 2018, we adopted a cloud first development process and began migrating our fleet technology platform to a secure private cloud. In addition, we have begun migrating our U.S. travel operations onto an internal cloud-based virtual card platform that we acquired as part of the AOC acquisition.

We expect that these moves to the cloud will allow us to improve performance and stability, increase the pace of product development and eventually deliver cost savings.

Set standard for operational excellence. We stand apart in our segments by reliably delivering the best solutions to our partners and customers. We are continually optimizing our cost structure and capturing new revenue synergies across our lines of business. Gains in operational efficiency simplify our business, making us more nimble to capture market opportunities as they arise.

Leveraging our culture to attract and retain the best employees. The Company was certified as a Great Place to Work[®] in the U.S. in both 2018 and 2017 by Great Place to Work[®]. During 2018, the Company launched the WEX Compassion Fund, which will support WEX employees with grants designed to alleviate financial stress from qualified, personal disasters. The fund will be administered by the WEX Cares Foundation, Inc., a separate non-profit entity that was established for this purpose.

FLEET SOLUTIONS SEGMENT

Overview

Our Fleet Solutions segment is a leader in fleet vehicle payment processing services specifically designed for the needs of small business, large fleets, government fleets and over-the-road carriers. As of December 31, 2018, over 12.4 million vehicles use our payment solutions for fleet management.

Products and Services

Payment processing transactions are the primary revenue source in Fleet Solutions and are based on a percentage of the aggregate dollar amount of the customer's purchase, a fixed amount per transaction or a combination of both. In a domestic payment processing transaction, we extend short-term credit to the fleet cardholder and pay the merchant on average within ten days for the purchase price, less the fees we retain and record as revenue. Revenue from our WEX Europe Services operations is primarily

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derived from the difference between the negotiated price of the fuel from the supplier and the price charged to the fleet customer. In both types of transactions, we collect the total purchase price from the fleet customer, normally within 30 days from the billing date. In 2018, we processed approximately 459 million payment processing transactions, compared to 430 million payment processing transactions in 2017.

The following illustration depicts our business process for a typical closed-loop domestic fuel payment processing transaction and a breakdown of the related Fleet Solutions revenue streams:

At the point-of-sale, we identify an array of information including the amount of the expenditure, the driver, the vehicle, the odometer reading, the fuel or vehicle maintenance provider and the items purchased. We provide standard and customized information to customers through monthly vehicle analysis reports, custom reports and our websites. We also alert customers of unusual transactions or transactions that fall outside of pre-established parameters. Customers can access their account information through our website including account history and recent transactions and download the related details. In addition, fleet managers can elect to be notified by email when limits are exceeded in specified purchase categories, including limits on transactions within a time range and gallons per day. In the over-the-road space, we offer customizable payment solutions including real-time interactive interfaces delivering data integrity through a seamless user interface, alternative payment and money transfer options, comprehensive settlement solutions, real-time reports and analytics for compliance and cost-optimization and fuel reconciliation and mobile optimization tools.

In addition to revenue derived from payment processing transactions, we recognize account servicing revenue, finance fee revenue and other revenue through the following products and services:

Customer service, account activation and account retention: We offer customer service, account activation and account retention services to fleets and fleet management companies and the fuel and vehicle maintenance providers on our network. Our services include promoting the adoption and use of our products and programs and account retention programs on behalf of our customers and partners.

Authorization and billing inquiries and account maintenance: We handle authorization and billing questions, account changes and other issues for fleets through our dedicated customer contact centers, which are available 24 hours a day, seven days a week. Fleet customers also have self-service options available to them through our websites.

Premium fleet services: We assign designated account managers to businesses and government agencies with large fleets. These representatives have in-depth knowledge of both our programs and the operations and objectives of the fleets they service.

Credit and collections services: We have developed proprietary account approval, credit management and fraud detection programs. Our underwriting model produces a proprietary score, which we use to predict the likelihood of an account becoming delinquent within 12 months of activation. We also use a credit maintenance model to manage ongoing accounts, which helps us to predict the likelihood of account delinquency over an ongoing 18-month time horizon. We have developed

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a collections scoring model that we use to rank and prioritize past due accounts for collection activities. We also employ fraud specialists who monitor accounts, alert customers and provide case management expertise to minimize losses and reduce program abuse.

Merchant services: Our representatives work with fuel and vehicle maintenance providers to enroll these providers in our network, test all network and terminal software and hardware, and to provide training on our sale, transaction authorization and settlement processes.

ClearView analytics platform: We provide customers with access to a web-based data analytics platform that offers insights to fleet managers, including integrating and analyzing business fleet fuel purchases to uncover fraud, manage product type controls and identify cost saving opportunities.

SmartHub mobile app: This mobile application gives business managers access to their account information anytime and anywhere, including the ability to view and make bill payments, access transaction details and control the status of driver fuel cards. As a result, this offering helps customers improve efficiencies, reduce late fees, gain valuable insights and control unauthorized driver spending.

Marketing Channels

We market our fleet products and services both directly and indirectly to commercial and government vehicle fleet customers with small, medium and large fleets, and over-the-road, long haul fleets. Our product suite includes payment processing and transaction processing services, WEX branded fleet cards in North America and Motorpass/Motorcharge-branded fleet cards in Australia. As of December 31, 2018, our direct line of business serviced 4.4 million vehicles. As of the same period, our over-the-road line of business serviced 1.1 million vehicles, marketed under the EFS, EFS Transportation Services, T-Chek and Fleet One brands.

We also market our products and services indirectly through co-branded and private label relationships. With a co-branded relationship product, we market our products and services for, and in collaboration with, both fuel providers and fleet management companies using their brand names and our logo on a co-branded fleet card. These companies seek to offer our payment processing and information management services as a component of their total offering to their fleet customers. As of December 31, 2018, our co-branded marketing channel serviced 2.4 million vehicles.

Our private label programs market our products and services for, and in collaboration with, fuel retailers, using only their brand names. The fuel retailers with which we have formed strategic relationships offer our payment processing and information management products and services to their fleet customers in order to establish and enhance customer loyalty. These fleets use these products and services to purchase fuel at locations of the fuel retailer with whom we have the private label relationship. As of December 31, 2018, our private label marketing channel serviced 4.5 million vehicles.

TRAVEL AND CORPORATE SOLUTIONS SEGMENT

Overview

Our Travel and Corporate Solutions segment provides innovative corporate purchasing and payment capabilities that can be integrated with our customers' internal systems to streamline their corporate payments, accounts payable and reconciliation processes.

Products and Services

The Travel and Corporate Solutions segment allows businesses to centralize purchasing, simplify complex supply chain processes and eliminate the paper check writing associated with traditional purchase order programs. Our product suite includes electronic payments and corporate cards offered across travel, insurance & warranty and other industries.

Our electronic payments product includes virtual payments and integrated payables. Our virtual payments program is used for transactions where no physical card is presented, including transactions conducted over the telephone, by mail, by fax or on the Internet or for transactions that require pre-authorization, such as hotel reservations. Under our virtual payments program, each transaction is assigned a unique account number with a customized credit limit and expiration date. These controls are in place to limit fraud and unauthorized spending. The unique account number limits purchase amounts and tracks, settles and reconciles purchases more easily, creating efficiencies and cost savings for our customers. Our electronic accounts payable solution is a cloud-based web platform that manages and optimizes

all accounts payable disbursements, regardless of type. Automated clearing house, virtual cards, electronic funds transfer and check payments are streamlined and automated through our centralized application.

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We offer a variety of corporate cards, designed to combine all of a customer's purchasing needs into a single integrated card, streamline the procure-to-pay process with a single card and control travel and entertainment spending and provide employees with greater flexibility.

Additionally, WEX Prepaid Card Australia offers prepaid and gift card products, which provide secure payment and financial management solutions with single card options, access to open or closed loop redemption, load limits and variable expirations.

The following illustration depicts our business process for a typical travel virtual card product transaction:

- 1 Guest books a hotel through a travel website owned by an online travel company
- 2 Online travel company reserves room at hotel through reservation system using a WEX VCN to reserve the room
- 3 Upon checkout, hotel authorizes payment using the WEX VPN
- 4 The WEX virtual card restricts charge to predetermined cost of room, incidental expenses are paid for by guest
- 5 Online travel company pays WEX. WEX earns fee by retaining percentage of the online travel company reimbursement payment

Marketing Channels

We market our Travel and Corporate Solutions segment products and services both directly and indirectly to new and existing customers. Our products are marketed to commercial and government organizations and we use existing open-loop networks.

HEALTH AND EMPLOYEE BENEFIT SOLUTIONS SEGMENT

Overview

Our Health and Employee Benefit Solutions segment is comprised of our healthcare payment products and SaaS platforms with which we provide simplified payment capabilities in a complex healthcare market as well as employee benefit products in Brazil.

Products and Services

With our healthcare payment products, we provide consumer-directed payments in the complex healthcare market. We partner with employers, health plans, third-party administrators, financial institutions, payroll companies and the public sector to provide a SaaS product to support healthcare benefit programs and administer COBRA, flexible spending, health saving and reimbursement accounts, and other healthcare related employee and dependent benefits. We currently have relationships with approximately 343,000 employers, reaching 28 million consumers. Revenue is generated primarily from SaaS based monthly fees to partners and interchange fees from spending on customer debit cards issued under flexible spending, health savings and reimbursement accounts. Cards are branded with either Visa or MasterCard and operate on a restricted open loop network.

Our benefit products are offered through our wholly-owned subsidiary, WEX Latin America. Employees using our benefit products have access to salary advances payable in up to 24 monthly installments which are secured by future salary earnings. These advances are funded primarily through securitization of the corresponding receivables.

Health and Employee Benefit Solutions segment revenues are generated primarily from platform usage subscription fees and interchange fees from spending on the WEX Health payment cards.

The following illustration depicts our business process and parties involved in our health care benefits solution:

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BPO: Business Process Outsourcing

Marketing Channels

We market our Health and Employee Benefit Solutions products and services to consumers through an extensive partner network, which includes health plans, third-party administrators, financial institutions, payroll companies and software providers. Our employee benefit products are marketed to consumers through employers in Brazil.

OTHER ITEMS

Employees

As of December 31, 2018, WEX Inc. and its subsidiaries had more than 3,700 employees, of which approximately 3,000 were located in the United States. None of our U.S.-based employees are subject to a collective bargaining agreement. In Europe, certain employees are members of trade unions or works councils. In Brazil, certain employees are members of unions. The Company believes that its relations with its employees, unions and work councils are generally satisfactory.

Technology

We believe that investment in technology is crucial in maintaining and enhancing our competitive position in the marketplace. Our data center network and infrastructure is supported by secure data centers with redundant locations. We have data centers in various locations in the United States including South Portland, Maine and Aurora, Colorado. We also have data centers and infrastructure located in various locations throughout Europe, Australia, New Zealand and Brazil.

Our fleet fuel-based closed-loop proprietary platforms capture detailed information from the fuel and maintenance locations within our network. Operating a proprietary network not only enhances our value proposition, it also enables us to limit dependence on third-party processors and to respond rapidly to changing customer needs with system upgrades, while maintaining a more secure environment than an open-loop network typically allows. Our virtual card open-loop network uses internally developed software and third-party processors. Our infrastructure has been designed around industry-standard architectures to reduce downtime in the event of outages or catastrophic occurrences. At WEX Health, we maintain an integrated multi-account payment platform, including a mobile application. In Australia, New Zealand, Brazil and the United Kingdom, we use standalone platforms to support operations.

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Our secure networks are designed to isolate our databases from unauthorized access. We use security protocols among all applications, and our employees access critical components on a need-to-know basis. As of December 31, 2018, we have not experienced any material incidents in network, application or data security. We are continually improving our technology to enhance customer relationships and to increase efficiency and security. We also review technologies and services provided by others in order to maintain the high level of service expected by our customers and continue to invest in our infrastructure.

For information regarding technology related risks, see the information in Item 1A under the headings “Our business is regularly subject to cyberattacks and attempted security and privacy breaches and we may not be able to adequately protect our information systems, including the data we collect about our customers, which could subject us to liability and damage our reputation”, “Our failure to effectively implement new technology could jeopardize our position as a leader in our industry,” “We are dependent on technology systems and electronic communications networks managed by third parties, which could result in our inability to prevent service disruptions” and “If the technologies we use in operating our business and interacting with our customers fail, are unavailable, or do not operate to expectations, or we fail to successfully implement technology strategies and capabilities in connection with our outsourcing arrangements, our business and results of operation could be adversely impacted.”

Seasonality

Our businesses are affected by seasonal variations. For example, fuel prices are typically higher during the summer and online travel sales are typically higher during the third quarter. In addition, we experience seasonality in our Health and Employee Benefit Solutions segment as consumer spend is correlated with insurance deductibles, typically resulting in higher spend in the early part of the year and until employees meet their deductibles.

Intellectual Property

We rely on a combination of patent, copyright, trade secret and trademark laws, confidentiality procedures, contractual provisions and other similar measures to protect the proprietary information and technology used in our business. We generally enter into agreements with clients, consultants, service providers and other partners, whether current or prospective, that contain provisions restricting use and disclosure of our proprietary information and technology. Operationally, we have implemented certain safeguards designed to control access to and distribution of our proprietary information and technology. Despite these efforts, unauthorized parties may attempt to access or use our proprietary information and technology, and third parties may develop similar and/or competing technology independently. We pursue registration and protection of certain trademarks in the U.S. and other countries in which we operate or plan to operate. We market our products and services using the WEX brand name globally, as well as other brand names such as Fleet One, EFS and WEX Health Cloud in the U.S., and Motorpass in Australia.

Regulation - United States

The Company and its affiliates are subject to certain state and federal laws and regulations, which govern insured depository institutions and their affiliates as well as our operations in the healthcare market. WEX Bank is subject to supervision and examination by both the Utah DFI and the FDIC. The Company and its affiliates are subject to certain limitations on transactions with affiliates set forth in the FRA. The Company is subject to anti-tying provisions in the Bank Holding Company Act. State and Federal laws and regulations limit the loans WEX Bank may make to one borrower and the types of investments WEX Bank may make.

Below is a description of the material elements of the laws, regulations, policies and other regulatory matters affecting the operations of WEX in the United States.

Exemption from Certain Requirements of the Bank Holding Company Act

As an industrial bank organized under the laws of Utah that does not accept demand deposits that may be withdrawn by check or similar means, WEX Bank meets the criteria for exemption from the definition of “bank” under the Bank Holding Company Act. As a result, the Company is generally, except as stated above, not subject to the Bank Holding Company Act.

Restrictions on Intercompany Borrowings and Transactions

Sections 23A and 23B of the FRA and the implementing regulations limit the extent to which the Company can borrow or otherwise obtain credit from or engage in other “covered transactions” with WEX Bank. “Covered transactions” include loans or extensions of credit, purchases of or investments in securities, purchases of assets, including assets

subject to an agreement to repurchase, acceptance of securities as collateral for a loan or extension of credit, or the issuance of a guarantee, acceptance, or letter of credit. Although the applicable rules do not serve as an outright ban on engaging in “covered transactions,” they do limit the amount of covered transactions WEX Bank may have with any one affiliate and with all affiliates in the aggregate. The applicable rules also require that the Company engage in such transactions with WEX Bank only on terms and under circumstances that are substantially the same, or at least as favorable to WEX Bank, as those prevailing at the time for comparable transactions with

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nonaffiliated companies. Furthermore, with certain exceptions, each loan or extension of credit by WEX Bank to the Company or its other affiliates must be secured by collateral with a market value ranging from 100 percent to 130 percent of the amount of the loan or extension of credit, depending on the type of collateral.

The Consumer Financial Protection Bureau

The Dodd-Frank Act established the CFPB to regulate the offering of consumer financial products or services under the federal consumer financial laws. In addition, the CFPB was granted general authority to prevent covered persons or service providers from committing or engaging in unfair, deceptive or abusive acts or practices under federal law in connection with any transaction with a consumer for a consumer financial product or service. The CFPB has broad rulemaking authority for a wide range of consumer protection laws. The legislation also gives the state attorneys general the ability to enforce applicable federal consumer protection laws.

In addition, the Durbin Amendment to the Dodd-Frank Act provided that interchange fees that a card issuer or payment network receives or charges for debit transactions will now be regulated by the Federal Reserve and must be “reasonable and proportional” to the cost incurred by the card issuer in authorizing, clearing and settling the transaction. Payment network fees may not be used directly or indirectly to compensate card issuers in circumvention of the interchange transaction fee restrictions. In July 2011, the Federal Reserve published the final rules governing debit interchange fees. Effective in October 2011, with certain exemptions, debit interchange rates were capped at \$0.21 per transaction with an additional component of five basis points of the transaction’s value to reflect a portion of the issuer’s fraud losses plus, for qualifying issuing financial institutions, an additional \$0.01 per transaction in debit interchange for fraud prevention costs.

On January 25, 2018, the CFPB released final amendments to its October 5, 2016 final rule amending Regulations E and Z to create comprehensive consumer protections for prepaid financial products. Among other things, the rule establishes requirements for the treatment of funds on lost or stolen cards, error resolution and investigation, upfront fee disclosures, access to account information, and overdraft features if offered in conjunction with prepaid accounts. The rule becomes effective on April 1, 2019.

Brokered Deposits

Under FDIC regulations, depending upon their capital classification, banks may be restricted in their ability to accept brokered deposits. “Well capitalized” banks are permitted to accept brokered deposits, but banks that are not “well capitalized” are not permitted to accept such deposits. The FDIC may, on a case-by-case basis, permit banks that are “adequately capitalized” to accept brokered deposits if the FDIC determines that acceptance of such deposits would not constitute an unsafe or unsound banking practice.

Other Financial Regulatory Requirements

WEX Bank must monitor and report unusual or suspicious account activity, as well as transactions involving amounts in excess of prescribed limits, as required by the Bank Secrecy Act and Internal Revenue Service regulations. The USA PATRIOT Act of 2001 substantially broadened the scope of U.S. anti-money laundering laws and regulations by imposing significant new compliance and due diligence obligations, identifying new crimes and penalties and expanding the extra-territorial jurisdiction of the United States. The United States Treasury Department has proposed and, in some cases, issued a number of implementing regulations which impose obligations on financial institutions to maintain appropriate policies, procedures and controls to detect, prevent and report money laundering and terrorist financing and to verify the identity of their customers. Certain of those regulations impose specific due diligence requirements on financial institutions that maintain correspondent or private banking relationships with non-U.S. financial institutions or persons. For instance, in August 2018, new due diligence requirements established by the Financial Crimes Enforcement Network became effective, requiring financial institutions to adopt enhanced anti-money laundering procedures for purposes of determining the control and ownership stakes of business customers. Failure of a financial institution to maintain and implement adequate programs to combat money laundering and terrorist financing could have serious legal and reputational consequences for the institution. The U.S. federal government has imposed economic sanctions that affect transactions with designated foreign countries, nationals and others. These sanctions, which are administered by the OFAC, take many different forms but generally include one or more of the following elements: (i) restrictions on trade with or investment in a sanctioned country, including prohibitions against direct or indirect imports from and exports to a sanctioned country and

prohibitions on “U.S. persons” engaging in financial transactions relating to making investments in, or providing investment-related advice or assistance to, a sanctioned country; and (ii) a blocking of assets in which the government or specially designated nationals of the sanctioned country have an interest, by prohibiting transfers of property subject to U.S. jurisdiction (including property in the possession or control of U.S. persons). Blocked assets (for example, property and bank deposits) cannot be paid out, withdrawn, set off or transferred in any manner without a license from OFAC. Failure to comply with these sanctions could have serious legal and reputational consequences.

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Under the Financial Services Modernization Act of 1999, also referred to as the “Gramm-Leach-Bliley Act” (or “GLBA”), the Company and WEX Bank are required to maintain a comprehensive written information security program that includes administrative, technical and physical safeguards relating to customer information. However, this requirement does not generally apply to information about companies or about individuals who obtain financial products or services for business, commercial, or agricultural purposes. The GLBA also requires the Company and WEX Bank to provide initial and annual privacy notices to customers that describe in general terms their information sharing practices. If the Company and WEX Bank intend to share nonpublic personal information about customers with affiliates and/or nonaffiliated third parties, they must provide customers with a notice and a reasonable period of time for each consumer to “opt out” of any such disclosure. In addition to U.S. federal privacy laws, states also have adopted statutes, regulations and other measures governing the collection and distribution of nonpublic personal information about customers. In some cases these state measures are preempted by federal law, but if not, the Company and WEX Bank must monitor and comply with such laws in the conduct of its business.

Escheat Laws

We are subject to unclaimed or abandoned property state laws in the United States and in certain foreign countries that require us to transfer to certain government authorities the unclaimed property of others that we hold when that property has been unclaimed for a certain period of time. Moreover, we are subject to audit by state and foreign regulatory authorities with regard to our escheatment practices.

Restrictions on Dividends

WEX Bank is subject to various regulatory requirements relating to the payment of dividends, including requirements to maintain capital above regulatory minimums. A banking regulator may determine that the payment of dividends would be inappropriate and could prohibit payment. Further, WEX Bank may not pay a dividend if it is undercapitalized or would become undercapitalized as a result of paying the dividend. Utah law permits WEX Bank to pay dividends out of the net profits of the industrial bank after providing for all expenses, losses, interest, and taxes accrued or due, but if WEX Bank’s surplus account is less than 100 percent of its capital stock, WEX Bank must transfer up to 10 percent of its net profits to the surplus account prior to the payment of any dividends.

Company Obligations to WEX Bank

Any non-deposit obligation of WEX Bank to the Company is subordinate, in right of payment, to deposits and other indebtedness of WEX Bank. In the event of the Company’s bankruptcy, any commitment by the Company to a federal bank regulatory agency to maintain the capital of WEX Bank will be assumed by the bankruptcy trustee and entitled to priority of payment.

Restrictions on Ownership of WEX Inc. Common Stock

WEX Bank, and therefore the Company, is subject to bank regulations that impose requirements on entities that might control WEX Bank through control of the Company. These requirements are discussed in Item 1A under the heading “If any entity controls 10 percent or more of our common stock and such entity has caused a violation of applicable banking laws by its failure to obtain any required approvals prior to acquiring that common stock, we have the power to, and may be required to, restrict such entity’s ability to vote shares held by it.”

Healthcare Regulation

The federal and state governments in the U.S. continue to enact and consider many broad-based legislative and regulatory proposals that could materially impact various aspects of our health-related business. The plans that our partners administer feature consumer accounts that pay for out-of-pocket expenses incurred by employees and qualified dependents. These accounts include CDH accounts such as HSAs, FSAs and HRAs, as well as wellness incentives, commuter benefits, and other account-based arrangements. Most of these accounts are tax-advantaged under the appropriate law.

Employers are continuing to use CDH approaches to manage the rate of increase in healthcare expenditures and to enable employees to make decisions about the use of their healthcare savings. CDH programs provide consumers with visibility of and control over payment for healthcare expenses.

The products that WEX Health’s software and payment solutions support are subject to various state and federal laws, including the Affordable Care Act, and regulations promulgated by the Internal Revenue Service, the Department of Health and Human Services, the Department of Labor, and the Consumer Financial Protection Bureau, and similar

state laws. As such, changes in the status of tax-advantaged CDH accounts could affect the attractiveness of these products.

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In addition to tax-related regulation, the Patient Protection and Affordable Care Act and the Health Care and Education Reconciliation Act (collectively referred to as “Health Care Reform”) mandated broad changes affecting insured and self-insured health benefit plans that impact our current business model, including our relationships with current and future customers, producers and health care providers, products, services, processes and technology. Health Care Reform left many details to be established through regulations. While federal agencies have published proposed and final regulations with respect to most provisions, some issues remain uncertain. The 2017 Tax Act repealed certain provisions of Health Care Reform, including reducing to zero the tax penalty for individuals who decline to obtain Health Care Reform-compliant healthcare coverage. The current U.S. Administration has signaled its desire to significantly modify or completely repeal Health Care Reform and the associated implementing regulations. It is unclear what, if any, additional legislative or regulatory actions may be taken in this regard. Accordingly, there may be an extended period of uncertainty and unpredictability in the U.S. health care market, which may materially affect the availability and cost of health coverage, the viability of health care providers and health benefit plans, the proportion of persons in the U.S. who have health insurance; the distribution between privately funded and government funded health insurance; and the future demand for, and profitability of, the offerings of our health-related business under our current business model.

In connection with the processing of data, we frequently undertake or are subject to specific compliance obligations under privacy and data security-related laws, including the Health Insurance Portability and Accountability Act of 1996, or HIPAA, GLBA, and similar state and federal laws governing the collection, use, protection and disclosure of nonpublic personally identifiable information, including individually identifiable health information.

HIPAA and its implementing regulations, as amended by the Health Information Technology for Economic and Clinical Health Act, or the HITECH Act, impose requirements relating to the privacy, security and transmission of individually identifiable health information. Among other things, HIPAA, as amended by the HITECH Act, and its implementing regulations, subjects us to regulations and contractual obligations that impose privacy and security standards and breach notification and reporting requirements.

In addition to tax, federal data privacy, security laws and regulations, we are subject to state laws governing confidentiality and security of personally identifiable information and additional state-imposed breach notification and reporting requirements.

Regulation - Foreign

The conduct of our businesses and the use of our products and services outside the U.S., are subject to various foreign laws and regulations administered by government entities and agencies in the countries and territories where we operate. Below is a summary of material applicable laws and regulations in the jurisdictions around the world in which we do business.

Asia-Pacific

Australia

The Company’s Australian operations are subject to laws and regulations of the Commonwealth of Australia governing banking and payment systems, financial services, credit products and money laundering. Because none of WEX Australia, WEX Fuel Cards Australia or WEX Prepaid Cards Australia holds an Australian Financial Services License or credit license or is an authorized deposit-taking institution, they operate within a framework of regulatory relief and exemptions afforded them on the basis that they satisfy the requisite conditions. The Company’s Australian operations are also subject to the Privacy Act (1988) and the Australian Privacy Principles.

Asia, including Singapore

The Company’s operations in Asia are subject to the operation of the laws and regulation of the countries in which we operate, including laws with regards to banking and payment systems, financial services, money laundering and data protection.

Europe

The Company’s European operations are subject to laws and regulations of the European Union and the countries in which we operate including, among others, those governing payment services, data protection, including General Data Protection Regulation (commonly referred to as “GDPR”), and information security, consumer credit and anti-money laundering.

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Brazil

The Company's Brazilian operations are subject to laws and regulations of the Brazilian government, in particular the Central Bank of Brazil. Brazil's labor systems are governed by the Consolidation of Brazilian Labor Laws. Brazil is a signatory of the World Trade Organization's Trade-Related Aspects of Intellectual Property Rights agreement. This agreement establishes a minimum protection standard to property rights and requires signatory countries to review and adapt national laws that meet that standard.

Segments and Geographic Information

For an analysis of financial information about our segments as well as our geographic areas, see Item 8 – Note 23, Segment Information, of our consolidated financial statements included elsewhere in this Annual Report on Form 10–K.

For a description of the risks related to our foreign operations, see the information in Item 1A, Risk Factors under the heading “We are exposed to risks associated with operations outside of the United States, which could harm both our U.S. and international operations.”

Available Information

The Company's principal executive offices are located at 1 Hancock St, Portland, ME 04101. Our telephone number is (207) 773-8171, and our Internet address is www.wexinc.com. The Company's annual, quarterly and current reports, proxy statements and certain other information filed with the SEC, as well as amendments thereto, may be obtained free of charge from our website. These documents are posted to our website as soon as reasonably practicable after we have filed or furnished these documents with the SEC. The SEC maintains an Internet site that contains reports, proxy and information statements and other information regarding issuers that file electronically with the SEC at www.sec.gov. The Company's Audit Committee Charter, Compensation Committee Charter, Finance Committee Charter, Corporate Governance Committee Charter, Technology Committee Charter, Corporate Governance Guidelines and Code of Business Conduct and Ethics are available without charge through the “Corporate Governance” portion of the Investor Relations page of the Company's website. Copies will also be provided, free of charge, to any stockholder upon written request to Investor Relations at the address above or by telephone at (866) 230-1633. The Company's Internet site and the information contained on it are not incorporated into this Form 10–K and should not be considered part of this report.

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ITEM 1A. RISK FACTORS

The risks and uncertainties described below are not the only risks and uncertainties that we face. Additional risks and uncertainties not presently known to us or that we currently deem immaterial may also impair our business operations. If any of those risks actually occurs, our business, financial condition, results of operations and cash flows could suffer. The risks and uncertainties discussed below also include forward-looking statements and our actual results may differ materially from those discussed in these forward-looking statements.

Risks Relating to Our Company

A significant portion of our revenues are related to the dollar amount of fuel purchased by our customers, and, as a result, volatility in fuel prices could have an adverse effect on our revenues.

Our customers in our Fleet Solutions segment primarily purchase fuel. Accordingly, a significant part of our revenue is dependent on fuel prices, which are prone to volatility. As of December 31, 2018, management estimates that approximately 25 percent of our total revenues result from fees paid to us by fuel providers based on a negotiated percentage of the purchase price of fuel purchased by our customers. We estimate that during 2019, each one cent decline in average domestic fuel prices below average actual prices would result in approximately a \$1.2 million decline in 2019 revenue. Therefore, extended declines in the price of fuel would have a material adverse effect on our total revenues. We are currently exposed to the full impact of fuel price declines and our net income is exposed to fuel price volatility. If fuel prices decline, this will negatively impact our revenue and income.

Fuel prices are dependent on many factors, all of which are beyond our control. These factors include, among others:

- supply and demand for oil and gas, and expectations regarding supply and demand;
- speculative trading;
- actions by major oil exporting nations;
- level of U.S. oil production;
- advances in oil production technologies;
- political conditions in other oil-producing, gas-producing or supply-route countries, including revolution, insurgency, terrorism or war;
- refinery capacity;
- weather;
- the prices of foreign exports and the availability of alternate fuel sources;
- value of the U.S. dollar versus other major currencies;
- actions by members of Organization of Petroleum Exporting Countries and other major oil-producing nations;
- implementation of fuel efficiency standards and the adoption by fleet customers of vehicles with greater fuel efficiency or alternative fuel sources;
- general worldwide economic conditions; and
- governmental regulations, taxes and tariffs.

Another component of our revenue stream is the late fees that our customers pay on past due balances. As a result, a decrease in the price of fuel leads to a decline in the amount of late fees we earn from customers who fail to pay us timely.

A portion of our revenue in Europe is derived from the difference between the negotiated price of the fuel from the supplier and the price charged to the fleet customer. As a result, a contraction in these differences would reduce revenues and could adversely affect our operating results.

Revenue from our European Fleet business is primarily derived from transactions where our revenue is tied to the difference between the negotiated price of the fuel from the supplier and the price charged to the fleet customer. The merchant's cost of fuel is dependent on several factors including, among others, the factors described above affecting fuel prices. We experience fuel-price related revenue contraction when the merchant's cost of fuel increases at a faster rate than the fuel price we charge to our fleet customers, or the fuel-price we charge to our fleet customers decreases at a faster rate than the merchant's cost of fuel. Accordingly, we generate less revenue, which could adversely affect our operating results.

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Changes in interchange fees could decrease our revenue.

A portion of our revenue is generated by network processing fees charged to merchants, known as interchange fees, associated with transactions processed using our cards. Interchange fee amounts associated with cards are affected by a number of factors, including regulatory limits and fee changes. In addition, interchange fees are the subject of intense legal and regulatory scrutiny and competitive pressures in the electronic payments industry. For example, the Durbin Amendment to the Dodd-Frank Act, which serves to limit interchange fees may restrict or otherwise impact the way we do business or limit our ability to charge certain fees to customers. The Consumer Financial Protection Bureau, or the CFPB, is also engaged in rulemaking and regulation of the payments industry, in particular with respect to prepaid cards. On January 25, 2018, the CFPB issued a final rule amending several aspects of its prepaid accounts rule adopted in October 2016 and delayed the overall effective date for such prepaid accounts rule to April 1, 2019. The extensive nature of these regulations and the implementation dates for this additional rulemaking may result in additional compliance obligations and expense for our business and our customers. These factors could result in lower interchange fees generally in the future. Temporary or permanent decreases in the interchange fees associated with our card transactions, could adversely affect our business and operating results.

If we fail to adequately assess and monitor credit risks posed by our customers, we could experience an increase in credit loss.

We are subject to credit risk posed by our customers, many of which are small-to mid-sized businesses. Because we often fund a customer's entire receivable while our revenue is generated from only a small percentage of that amount, our risk of loss is amplified by the customer's failure to pay. We use various formulas and models to screen potential customers and establish appropriate credit limits, but these formulas and models cannot eliminate all potential credit risks and may not prevent us from approving applications that are fraudulently completed. Moreover, businesses that are good credit risks at the time of application may deteriorate over time and we may fail to detect such changes. In addition, changes to our policies on the types and profiles of businesses to which we extend credit could also have an adverse impact on our credit losses. In times of economic slowdown, the number of our customers who default on payments owed to us tends to increase. If we fail to adequately manage our credit risks, our provision for credit losses on the income statement could be significantly higher.

We may incur substantial losses due to fraudulent use of our payment cards, payment systems or vouchers.

Under certain circumstances, we may bear the risk of substantial losses due to fraudulent use of our payment cards or payment systems. We are also subject to risk from fraudulent acts of employees or contractors. Although we maintain insurance for certain types of losses, the coverage may be insufficient or limited and may not fully protect against those losses. Additionally, criminals use sophisticated illegal activities to target us, including "skimming", counterfeit cards and accounts, and identity theft. A single, significant incident or a series of incidents of fraud or theft could lead to, among other things, some or all of the following:

- increased overall level of fraud;
- direct financial losses as a result of fraudulent activity;
- reputational harm;
- decreased desirability of our services;
- greater regulation;
- increased compliance costs;
- imposition of regulatory sanctions; or
- significant monetary fines.

All of the above could have a material adverse effect on our operations, business success, financial condition and results of operations. Our provision for credit losses, inclusive of fraud losses, was \$66.5 million in 2018 compared to

\$64.2 million in 2017.

Fluctuations in foreign currency exchange rates could affect our financial results.

We earn revenues, pay expenses, own assets and incur liabilities in countries using currencies other than the U.S. dollar. Such currencies include, but are not limited to, the Australian dollar, the Canadian dollar, the Euro, British Pound sterling, New Zealand dollar and Brazilian Real. Because our consolidated financial statements are presented in U.S. dollars, we must translate revenues, income and expenses, as well as assets and liabilities, into U.S. dollars at exchange rates in effect during or at the end of each reporting period. Realized and unrealized gains and losses on foreign currency transactions as well as the re-measurement of our cash, receivable and payable balances that are denominated in foreign

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currencies, are recorded directly in the consolidated statements of income. In addition, gains and losses associated with the Company's foreign currency exchange derivatives are recorded on the consolidated statements of income. Therefore, increases or decreases in the value of the U.S. dollar against other major currencies that we use to conduct our business will affect our revenues, operating income and the value of balance sheet items denominated in those currencies. Fluctuations in foreign currency exchange rates, particularly fluctuations in the U.S. dollar against other currencies, may materially affect our financial results.

Our exposure to counterparty risk could create an adverse effect on our financial condition.

We engage in a number of transactions where counterparty risk is a relevant factor, including transactions with customers, derivatives counterparties and those businesses we work with to provide services, among others. These risks are dependent upon market conditions and also the real and perceived viability of the counterparty. The failure or perceived weakness of any of our counterparties has the potential to expose us to risk of loss in certain situations. Certain contracts and arrangements that we enter into with counterparties may provide us with indemnification clauses to protect us from financial loss. If the counterparty fails to, or is unable to fulfill these indemnification clauses, we may incur losses as well as harm to our reputation.

We have substantial indebtedness, which may materially and adversely affect our financial flexibility and our ability to meet our debt service obligations.

Our 2016 Credit Agreement, as amended through December 31, 2018, provides for a tranche A term loan facility in the original principal amount of \$480 million, a tranche B term loan facility in the original principal amount equal to \$1,335 million and a \$720 million secured revolving credit facility, with a \$250 million sublimit for letters of credit and a \$20 million sublimit for swingline loans. On January 18, 2019, we entered into a fifth amendment to our 2016 Credit Agreement that increased the principal amount of the tranche A term loan facility by \$300 million and provides for delayed draw revolving credit commitments in the amount of \$25 million and term A loan commitments in the amount of \$275 million to finance in part the Discovery Benefits acquisition, subject to satisfaction of customary funding conditions. The tranche A term loans and tranche B term loans mature, and the revolving credit facility terminates and is repayable, on July 1, 2023, except that the tranche A term loans and the revolving credit facility are subject to earlier maturity if, on or before April 2023 and August 2022, respectively, the tranche B term loan facility and the Notes (defined below) are not repaid, refinanced or the maturity dates thereof extended to October 2023 or later. In addition to the 2016 Credit Agreement, our indebtedness consists of our 4.750 percent senior notes in the principal amount of \$400 million due 2023 (the "Notes"), deposits issued by WEX Bank and other liabilities outstanding. Our indebtedness could, among other things:

- require us to dedicate a substantial portion of our cash flow to repaying our indebtedness, thus reducing the amount of funds available for other general corporate purposes;
- limit our ability to borrow additional funds necessary for working capital, capital expenditures or other general corporate purposes;
- increase our vulnerability to adverse general economic or industry conditions; and
- limit our flexibility in planning for, or reacting to changes in, our business.

There can be no assurance that we will be able to meet our indebtedness obligations, including any of our obligations under the Notes. In addition, we may need to incur substantial additional indebtedness in the future to fund our operations or certain strategic objectives. However, we may not be able to obtain the additional financing necessary for these purposes.

In addition, under the 2016 Credit Agreement as amended, unless otherwise agreed by the requisite lenders under the revolving and term A credit facilities, we are required to remain in compliance with a consolidated EBITDA to consolidated interest charge ratio, measured quarterly, of no less than 3.00 to 1.00; and a consolidated funded indebtedness (excluding up to \$350 million of consolidated funded indebtedness due to permitted securitization transactions and excluding the amount of consolidated funded indebtedness constituting the non-recourse portion of permitted factoring transactions) to consolidated EBITDA ratio, measured quarterly, of no more than 5.00 to 1.00 at December 31, 2018, decreasing to 4.50 to 1.00 at December 31, 2019, further decreasing to 4.25 to 1.0 at December 31, 2020 and further decreasing to 4.0 to 1.0 at December 31, 2021 and thereafter. In addition, in the event of an

acquisition meeting certain specified criteria, the consolidated leverage ratio shall be permanently increased one time, applicable to each measurement date after such election, by 0.50:1.00. In connection with the Noventis acquisition which closed on January 24, 2019, we elected to designate the Noventis acquisition as a specified acquisition and thereby the consolidated leverage ratio has been effectively increased by 0.50:1.00 for all measurement dates after such election. The 2016 Credit Agreement also contains

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various affirmative and negative covenants that, subject to certain customary exceptions, restrict our ability to, among other things, create liens over our property, incur additional indebtedness, enter into sale and lease-back transactions, make loans, advances or other investments, make non-ordinary course asset sales, declare or pay dividends or make other distributions with respect to equity interests, change the nature of our business, enter into certain agreements which restrict our ability to pay dividends or other distributions or create liens on our property, transact business with affiliates and/or merge or consolidate with any other person. Our ability to comply with these provisions may be affected by events beyond our control. Failure to comply with the financial covenants or any other non-financial or restrictive covenant in our 2016 Credit Agreement could create a default. Upon a default, our lenders could accelerate the indebtedness under the facilities (except only the requisite lenders under the revolving credit facility and the tranche A term loan facility may accelerate the revolving credit facility due to a breach of the financial covenants), foreclose against their collateral or seek other remedies, which could trigger a default under the Notes and would jeopardize our ability to continue our current operations. The Notes also contain customary negative and affirmative covenants and events of default that if breached could allow the requisite noteholders to accelerate the maturity of the Notes and to exercise their rights and remedies under the Notes, and could also trigger a default under the 2016 Credit Agreement.

Despite our substantial indebtedness, we may still be able to incur more debt, intensifying the risks described above. Subject to restrictions in our 2016 Credit Agreement and the Notes, we may incur additional indebtedness, which could increase the risks associated with our already substantial indebtedness. Subject to certain limitations, including compliance with the covenants in our 2016 Credit Agreement, we have the ability to borrow additional funds under our 2016 Credit Agreement. On January 18, 2019 we entered into a fifth amendment to our 2016 Credit Agreement that increased the principal amount of the tranche A term loan facility by \$300 million and provided for delayed draw revolving credit commitments in the amount of \$25 million and term loan A loan commitments in the amount of \$275 million to finance in part the Discovery Benefits acquisition, subject to satisfaction of customary funding conditions. On March 5, 2019, the Company fully drew down these commitments, consisting of \$250.0 million in tranche A term loans and an incremental \$50.0 million of revolving credit in order to fund the acquisition of Discovery Benefits. If we pursue additional acquisitions, we could incur further debt or further amend the terms of our existing 2016 Credit Agreement.

This indebtedness could have the effect, among other things, of reducing our flexibility to respond to changing business and economic conditions and increasing interest expense.

Moreover, we may be required to raise substantial additional financing to fund working capital, capital expenditures, acquisitions or other general corporate requirements. Our ability to arrange additional financing or refinancing will depend on, among other factors, our financial position and performance, as well as prevailing market conditions and other factors beyond our control. There can be no assurance that we will be able to obtain additional financing or refinancing on terms acceptable to us or at all.

Volatility in the financial markets may negatively impact our ability to access credit and the terms at which we would access such credit.

Adverse conditions in the credit market may limit our ability to access credit at a time when we would like or need to do so. Our senior secured revolving credit facility under the 2016 Credit Agreement expires in July 2023 (subject to earlier maturity of the revolving and term A credit facilities to August 2022 or April 2023, respectively, if the Notes and tranche B term loans are not repaid or the maturity extended) when the outstanding balance of the revolving credit facility and the tranche A term loan will be due, and the tranche B term loan. The Notes will be due in February 2023, but if not refinanced by August 2022, our revolving credit facility and term A facility will have an earlier maturity as described above. Any limitation on the availability of funds or credit facilities could have an impact on our ability to refinance the maturing debt or react to changing economic and business conditions which could adversely impact us. Volatility in the financial markets may negatively impact WEX Bank's ability to attract and retain deposits.

Adverse conditions in the credit market may limit WEX Bank's ability to attract deposits at a time when it would like or need to do so. A significant credit ratings downgrade, material capital market disruptions, significant withdrawals by depositors at WEX Bank, or adverse changes to its industrial bank charter could impact our ability to maintain adequate liquidity and impact our ability to provide competitive offerings to our customers. Any limitation of

availability of deposits could have an impact on our ability to finance our U.S. accounts receivable which would adversely impact us.

Our industrial bank subsidiary is subject to funding risks associated with its reliance on brokered deposits.

Under applicable regulations, if WEX Bank were no longer “well capitalized,” it would not be able to accept brokered deposits without the approval of the FDIC. WEX Bank’s inability to accept brokered deposits, or a loss of a

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significant amount of its brokered deposits, could adversely affect our liquidity. Additionally, such circumstances could require it to raise deposit rates in an attempt to attract new deposits, or to obtain funds through other sources at higher rates, which would adversely affect our results of operations.

To service our indebtedness, we will require a significant amount of cash. Our ability to generate cash depends on many factors beyond our control.

Our ability to make payments on and to refinance our indebtedness, and to fund capital expenditures, acquisitions and research and development efforts will depend on our ability to generate cash. This, to a certain extent, is subject to economic, financial, competitive, legislative, regulatory and other factors that are beyond our control.

We have substantial indebtedness, and may incur additional indebtedness, which could lead to increased interest expense and could increase the amount of cash flows required to fund interest expense associated with our indebtedness. In addition, certain obligations under the 2016 Credit Agreement bear interest at variable interest rates. As of December 31, 2018, we maintained four forward-fixed interest rate swap agreements which are intended to fix the future interest payments associated with \$950 million of our variable-rate borrowings. On March 12, 2019, we entered into an additional \$450 million in forward-fixed rate swaps. These swap agreements expire at various points prior to the maturity of the 2016 Credit Agreement. Despite these derivative contracts, interest rate increases still could result in larger debt service requirements. Such an increase in our debt service obligations would adversely affect our cash flows. We cannot assure you that our business will generate sufficient cash flows from operations, that anticipated cost savings and operating improvements will be realized on schedule or at all, that future borrowings will be available to us under our 2016 Credit Agreement or any subsequent credit agreement, or that we can obtain alternative financing proceeds in an amount sufficient to enable us to pay our indebtedness, including the Notes, or to fund our other liquidity needs. We may need to refinance all or a portion of our indebtedness, including the Notes, at or before maturity. We cannot assure you that we will be able to refinance any of our indebtedness on commercially reasonable terms or at all.

The debt service obligations under our 2016 Credit Agreement could also reduce funds available for working capital, capital expenditures, acquisitions and other general corporate purposes and may create competitive disadvantages relative to other companies with lower debt levels. As part of our continuing strategy, we also regularly evaluate potential acquisitions that could cause us to incur additional debt. If we do not achieve the expected benefits and cost savings from any such acquisitions, or if the financial performance of the combined companies do not meet expectations, then our ability to service our indebtedness may be adversely impacted.

In an environment of increasing interest rates, interest expense on the variable rate portion of our borrowings would increase and we may not be able to replace our maturing debt with new debt that carries the same interest rates. We may be adversely affected by significant changes in the brokered deposit market.

Our industrial bank subsidiary, WEX Bank, uses collectively brokered deposits, including certificates of deposit and interest-bearing money-market deposits, to finance payments to major oil companies. Certificates of deposit carry fixed interest rates from issuance to maturity, which vary and are relatively short term in duration. The interest-bearing money market deposits carry variable rates. Upon maturity, the deposits will likely be replaced by issuing new deposits to the extent that they are needed. In a rising interest rate environment, WEX Bank would not be able to replace maturing deposits with deposits that carry the same or lower interest rates. Therefore, rising interest rates would result in reduced net income to the extent that certificates of deposit and money market deposits mature and are replaced. At December 31, 2018, WEX Bank had outstanding \$505.6 million in certificates of deposit maturing within one year, \$345.2 million in certificates of deposit maturing between one and five years, and \$283.8 million in interest-bearing money market deposits, for an aggregate exposure of \$1,134.6 million in brokered deposits at WEX Bank.

Additionally, under our 2016 Credit Agreement and Notes, we had \$2,145.1 million of indebtedness outstanding at December 31, 2018, of which approximately 34% was at variable interest rates. An increase in interest rates would increase the cost of borrowing under our 2016 Credit Agreement.

Our 2016 Credit Agreement uses LIBOR as a reference rate for our term loans and revolving credit facility, such that the interest due pursuant to such loans may be calculated using LIBOR (subject to a stated minimum value). On July 27, 2017, the United Kingdom's Financial Conduct Authority, which regulates LIBOR, announced that it intends to

stop encouraging or compelling banks to submit rates for the calibration of LIBOR by the end of 2021. In June 2017, the Alternative Reference Rates Committee selected the Secured Overnight Financing Rate (“SOFR”), a new index calculated by reference to short-term repurchase agreements backed by Treasury securities, as its preferred replacement for U.S. dollar LIBOR. Whether or not SOFR attains market acceptance as a LIBOR replacement tool remains in question. As such, the future of LIBOR and the potential alternatives at this time is uncertain. If the method for calculation of LIBOR changes, if LIBOR is no longer available or if lenders have increased costs due to changes in LIBOR or changes in law, we may suffer

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from potential increases in interest rate costs on our floating debt rate and our hedging arrangements may not perform as expected. Further, we may need to renegotiate our 2016 Credit Agreement and the variable rate loans thereunder to replace the interest rate calculated by reference to LIBOR with an interest rate calculated by reference to a new standard that is established.

The Dodd-Frank Act may have a significant impact on our business, results of operation and financial condition. On July 21, 2010, the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, or the Dodd-Frank Act, was enacted into law. The Dodd-Frank Act, among other things, when fully implemented, will result in substantial changes in the regulation of derivatives and capital market activities. The impact of the Dodd-Frank Act is difficult to assess because many provisions are being phased in over time and because the current Presidential administration has indicated it may make or propose changes to provisions of the Dodd-Frank Act. In particular, the Dodd-Frank Act establishes federal oversight and regulation of the over-the-counter derivatives market and entities that participate in that market. The rules, if enacted in their proposed form, may require us to change any fuel price, currency and interest rate hedging practices we may then use to comply with new regulatory requirements. Potential changes include clearing and execution methodology of our derivatives transactions. Presently, we cannot assess the capital or margin requirements which might apply to our over-the-counter transactions. Once implemented, these changes could result in increased transaction costs. In summary, the Dodd-Frank Act and any new regulations could increase the cost of derivative contracts or modify the way in which we conduct those transactions. Additionally, we are required to pay to the lenders under the 2016 Credit Agreement, any increased costs associated with the Dodd-Frank Act and other changes in laws, rules or regulations, subject to the terms of the 2016 Credit Agreement.

The Dodd-Frank Act also created the CFPB, to regulate the offering of consumer financial products or services under the federal consumer financial laws. The CFPB assumed rulemaking authority under the existing federal consumer financial protection laws, and enforces those laws against and examines certain non-depository institutions and insured depository institutions with total assets greater than \$10 billion and their affiliates. In addition, the CFPB was granted general authority to prevent covered persons or service providers from committing or engaging in unfair, deceptive or abusive acts or practices under federal law in connection with any transaction with a consumer for a consumer financial product or service, or the offering of a consumer financial product or service. The CFPB also has broad rulemaking authority for a wide range of consumer protection laws. It is unclear what changes will be promulgated by the CFPB and what effect, if any, such changes would have on our business and operations.

As required under the Dodd-Frank Act, the Government Accountability Office issued its study on the implications of any elimination of the exemption to the definition of “bank” for industrial banks under the Bank Holding Company Act. The study did not make a recommendation regarding the elimination of this exemption. However, if this exemption were eliminated without any grandfathering or accommodations for existing institutions, we could be required to become a bank holding company which could require us to either cease certain activities or divest WEX Bank. The current U.S. Administration and Congress have signaled their intent to significantly or completely repeal the Dodd-Frank Act and the associated implementing regulations, and it is unclear what, if any, measures may be implemented to replace it. Accordingly, there may be an extended period of uncertainty and unpredictability regarding the provisions of federal law and regulations that affect our business and operations.

The Dodd-Frank Act and any related legislation or regulations, or any repeal or replacement of such legislation or regulations, may have a material impact on our business, results of operations and financial condition. The full impact of the Dodd-Frank Act will not be known until all of the regulations implementing the statute are adopted and implemented. However, compliance with these new laws and regulations may require us to make changes to our business, and, there is a significant possibility that the Dodd-Frank Act will, at a minimum, result in increased regulatory burden and compliance costs. We may be required to invest significant management time and resources to address the various provisions of the Dodd-Frank Act and the numerous regulations that are required to be issued under it, or to address the changed business environment resulting from a repeal of all or part of the Dodd Frank Act and any related legislation or regulation.

Decreased demand for fuel and other vehicle products and services could harm our business and results of operations. Demand for fuel and other vehicle products and services may be reduced by factors that are beyond our control, such as the implementation of fuel efficiency standards and the development by vehicle manufacturers and adoption by our

fleet customers of vehicles with greater fuel efficiency or alternative fuel sources. To the extent that our customers require less fuel, that decline in purchase volume could reduce our revenues, limiting our profitability and preventing us from taking on other initiatives.

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Our business is dependent on several key strategic relationships, the loss of which could adversely affect our results of operations.

Revenue we received from services we provided to our top five customers and strategic relationships accounted for approximately 13 percent of our total revenues in 2018. Accordingly, we are dependent on maintaining our strategic relationships and our results of operations would be lower in the event that any of these relationships ceases to exist. Likewise, we have agreements with the major oil companies, fuel retailers and truck stop merchants whose locations accept our payment processing services. The termination of any of these agreements would reduce the number of locations where our payment processing services are accepted; therefore, we could lose our competitive advantage and our operating results could be adversely affected. While we regularly monitor these relationships, there can be no guarantee that we will be able to maintain them in the future.

We may never realize the anticipated benefits of acquisitions we have completed or may undertake.

We have acquired and may attempt to acquire businesses, technologies, services, products or licenses in technologies that we believe are a strategic fit with our business. The process of integrating and operating any acquired business, technology, service or product may result in unforeseen redundancies, operating difficulties, and expenditures and may divert significant management attention from our ongoing business operations. As a result, we may incur a variety of costs in connection with acquisitions and may never realize the anticipated benefits.

We are exposed to risks associated with operations outside of the United States, which could harm both our U.S. and international operations.

We conduct operations in North America, South America, Asia Pacific and Europe. As part of our business strategy and growth plan, we plan to further expand internationally. Expansion of our international operations could impose substantial burdens on our resources, divert management's attention from U.S. operations and otherwise harm our business. In addition, there are many barriers to competing successfully in the international market, including:

fluctuation in foreign currencies;

changes in the relations between the United States and foreign countries;

actions of foreign or United States governmental authorities affecting trade and foreign investment;

increased infrastructure costs including complex legal, tax, accounting and information technology laws and treaties;

interpretation and application of local laws and regulations including, among others, those impacting anti-money laundering, bribery, financial transaction reporting, privacy and positive balance or prepaid cards;

enforceability of intellectual property and contract rights;

potentially adverse tax consequences due to, but not limited to, the repatriation of cash and negative consequences from changes in or interpretations of tax laws

competitive pressure on products and services from companies based outside the U.S. that can leverage lower costs of operations;

the United Kingdom's decision in a June 23, 2016 referendum to leave the European Union (EU) (commonly referred to as "Brexit"); and

local labor conditions and regulations.

We cannot assure you that our investments outside the United States will produce desired levels of revenue or costs, or that one or more of the factors listed above will not harm our business.

The United Kingdom's departure from the EU, or Brexit, could adversely affect us.

In connection with Brexit, in March 2017, the U.K. government initiated the exit process which commenced a two-year period expiring on March 29, 2019, after which time the U.K. is expected to leave the EU in the absence of any effective extension of the negotiation period. Although political negotiations are underway, there is a lack of understanding about the terms of the U.K.'s exit from the EU and the terms of the U.K.'s future relationship with the EU. The U.K.'s

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financial service regulators are implementing interim regimes under which companies may continue to conduct business in the U.K. if the U.K. exits the EU without an agreement but their impact on us remains uncertain.

Although the circumstances surrounding Brexit remain unclear, Brexit could adversely affect U.K., regional (including European), and worldwide economic and market conditions and could contribute to instability in global financial and foreign exchange markets, including volatility in the value of the British Pound Sterling and Euro, which in turn could adversely affect us or our customers and companies that do business with us. Brexit could also trigger a general deterioration in credit conditions, a downturn in consumer sentiment and overall negative economic growth. Any of these scenarios could have an adverse effect on our business or our customers.

In addition, Brexit could lead to legal uncertainty and increased complexity as national laws and regulations in the U.K. start to diverge from EU laws and regulations. In particular, depending on the terms of Brexit, we may face new regulatory costs and challenges, including the following:

- if we are unable to utilize appropriate authorizations and regulator permissions, our U.K. and EU-based operations could lose their ability to offer services on a cross-border basis into the U.K. market and for our U.K. based operations to offer services on a cross-border basis in the EU market;

- we could be required to obtain additional regulatory permissions to operate in the U.K. and EU market, adding costs and potential inconsistency to our business (and, depending on the capacity of the U.K. authorities, the criteria for obtaining permission, and any possible transitional arrangements, there is a risk that our business in the U.K. could be materially affected or disrupted);

- we could be required to comply with regulatory requirements in the U.K. that are in addition to, or inconsistent with, the regulatory requirements of the EU, leading to increased complexity and costs for our EU and U.K. operations; and our ability to attract and retain the necessary human resources in appropriate locations to support the U.K. business and the EU business could be adversely impacted.

These and other factors related to Brexit could, individually or in the aggregate, have a material adverse impact on our business, financial condition, and results of operations.

New laws, regulations and enforcement activities could negatively impact our business and the markets we presently operate in or could limit our expansion opportunities.

Our operations are subject to substantial regulation both domestically and internationally. There are often new regulatory efforts which could result in significant constraints and may impact our operations. These existing and emerging regulations can make the expansion of our business very difficult and negatively impact our revenue. Among the regulations that impact us or could impact us are those governing: interchange rates; interest rate and fee restrictions; credit access and disclosure requirements; collection and pricing requirements; compliance obligations; data security and data breach requirements; identity theft avoidance programs; health care mandates; and anti-money laundering compliance programs. We also often must obtain permission to conduct business in new locations from government regulators. Changes to these regulations, including expansion of consumer-oriented regulation to business-to-business transactions, could negatively impact our operations, financial condition and results of operations and could further increase our compliance costs and limit our ability to expand to new markets.

We also conduct business with other highly regulated businesses such as banks, payment card issuers, and health insurance providers. These industries are subject to significant potential reforms that could negatively affect these businesses, their ability to maintain or expand their products and services, and the costs associated with doing so. These developments could also negatively impact our business.

Laws or regulations developed in one jurisdiction or for one product could result in new laws or regulations in other jurisdictions or for other products.

Regulators often monitor other approaches to the governance of the payment industry. As a result, a law or regulation enacted in one jurisdiction could result in similar developments in another. In addition, law and regulation involving one product could influence the extension of regulations to other product offerings.

The expansion of certain regulations could negatively impact our business in other geographies or for other products. Rules and regulations concerning interchange and business operations regulations, for example, may differ from country to country which adds complexity and expense to our operations.

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These varying and increasingly complex regulations could limit our ability to globalize our products and could significantly and adversely affect our business, financial condition and results of operations.

Regulations and industry standards intended to protect or limit access to personal information could adversely affect our ability to effectively provide our services.

Governmental bodies in the United States and abroad have adopted, or are considering the adoption of, laws and regulations restricting the transfer of, and requiring safeguarding of, non-public personal information. For example, in the United States, all financial institutions must undertake certain steps to ensure the privacy and security of consumer financial information. In Europe, the adoption of General Data Protection Regulation (commonly referred to as GDPR) also requires additional privacy protections. In connection with providing services to our clients, we are required by regulations and arrangements with payment networks and certain clients to provide assurances regarding the confidentiality and security of non-public consumer information. These arrangements require periodic audits by independent companies regarding our compliance with industry standards such as payment card industry, or PCI, standards and also allow for similar audits regarding best practices established by regulatory guidelines. The compliance standards relate to our infrastructure and operational procedures designed to safeguard the confidentiality and security of non-public consumer personal information received from our customers. Our ability to maintain compliance with these standards and satisfy these audits will affect our ability to attract and maintain business in the future. If we fail to comply with these regulations, we could be exposed to suits for breach of contract or to governmental proceedings. In addition, our client relationships and reputation could be harmed, and we could be inhibited in our ability to obtain new clients. If more restrictive privacy laws or rules are adopted by authorities in the future on the federal or state level, our compliance costs may increase, our opportunities for growth may be curtailed by our compliance capabilities or reputational harm and our potential liability for security breaches may increase, all of which could have a material adverse effect on our business, financial condition and results of operations.

Changes in our tax rates, the adoption of new U.S. or international tax legislation or exposure to additional tax liabilities could affect our future results.

We are subject to taxes in the U.S. and numerous foreign jurisdictions. Our future effective tax rates could be affected by changes in the mix of earnings in countries with differing statutory tax rates, changes in the valuation of deferred tax assets and liabilities, or changes in tax laws or their interpretation. Any of these changes could have a material adverse effect on our profitability. For example, the 2017 Tax Act enacted in December 2017 had a significant impact on our tax obligation and effective tax rate for the fourth quarter of 2017. We are also subject to the examination of our income tax returns by the Internal Revenue Service and other tax authorities. We regularly assess the likelihood of adverse outcomes resulting from these examinations to determine the adequacy of our provision for taxes. There can be no assurance that the outcomes from these examinations will not materially adversely affect our financial condition and operating results.

We urge our stockholders to consult with their legal and tax advisors with respect to this legislation and the potential tax consequences of investing in or holding our common stock.

The healthcare industry changes often and technology-enabled services used by consumers are relatively new and unproven.

The market for technology-enabled services for healthcare consumers changes rapidly and new products and services are consistently being introduced. Opportunities to gain market share are challenging due to the significant resources of our existing and potential competitors. It is uncertain whether or how fast this market will continue to grow. In order to remain competitive, we are continually involved in a number of projects to develop new services or compete with these new market entrants, including the development of mobile versions of our proprietary technology platform. These projects carry risks, such as cost overruns, delays in delivery, performance problems and lack of acceptance by our customers.

Based on our experience, consumers are still learning about health savings accounts, which are often referred to as HSAs, and other similar tax-advantaged healthcare savings arrangements. The willingness of consumers to increase their use of technology platforms to manage their healthcare saving and spending tax advantaged benefits will impact our operating results.

We may incur impairment charges on goodwill or other intangible assets.

We account for goodwill in accordance with Financial Accounting Standards Board, which is often referred to as FASB, Accounting Standard Codification Topic 350, Intangibles—Goodwill and Other. Our reporting units and related indefinite-lived intangible assets are tested annually during the fourth fiscal quarter of each year in order to determine whether their carrying value exceeds their fair value. In addition, they are tested on an interim basis if an event occurs or

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circumstances change between annual tests that would more likely than not reduce their fair value below carrying value. If we determine the fair value of the goodwill or other indefinite-lived intangible assets is less than their carrying value as a result of the tests, an impairment loss is recognized. Any such write-down would adversely affect our results of operations.

Our goodwill resides in multiple reporting units. The profitability of individual reporting units may suffer periodically from downturns in customer demand and other factors, the high level of competition existing within our industry, and the level of overall economic activity. Individual reporting units may be relatively more impacted by these factors than the Company as a whole. As a result, demand for the services of one or more of the reporting units could decline which could adversely affect our operations and cash flow, and could result in an impairment of goodwill or intangible assets. As a result of our annual impairment analyses during the fourth quarter of fiscal 2018, it was determined that an impairment had occurred, resulting in a \$3.2 million impairment recorded on one of our reporting units. See Note 9, Goodwill and Other Intangible Assets, for more information. For all reporting units, we use a discounted cash flow model of the projected earnings of reporting units to determine the amount of goodwill impairment. While we currently believe that the fair value of all of our intangibles substantially exceeds carrying value and that those intangibles so classified will contribute indefinitely to the cash flows of the Company, materially different assumptions regarding future performance of our reporting units or the weighted-average cost of capital used in the valuations could result in impairment losses and/or additional amortization expense.

If our industrial bank subsidiary fails to meet certain criteria, we may become subject to regulation under the Bank Holding Company Act, which could force us to divest WEX Bank or cease all of our non-banking activities, which could have an adverse effect on our revenue and business or could create a default under our 2016 Credit Agreement. WEX Bank meets the criteria for exemption of an industrial bank from the definition of “bank” under the Bank Holding Company Act. WEX Bank’s failure to qualify for this exemption would cause us to become subject to regulation under the Bank Holding Company Act. This would require us to divest WEX Bank or become a Bank Holding Company and to possibly cease certain non-banking activities which may be impermissible for a Bank Holding Company, and could create a default under our 2016 Credit Agreement. Failure to qualify for this exemption could thus have an adverse effect on our revenue and business.

The loss or suspension of the charter for our Utah industrial bank or changes in regulatory requirements could be disruptive to operations and increase costs.

The regulatory status of WEX Bank enables it to issue certificates of deposit, accept money market deposits and borrow on federal funds lines of credit from other banks. These funds are used to support our operations. WEX Bank operates under a uniform set of state lending laws, and its operations are subject to extensive state and federal regulation. WEX Bank, a Utah industrial bank incorporated in 1998, is an FDIC-insured depository institution. The bank’s primary regulators are the Utah DFI and the FDIC. Continued licensing and federal deposit insurance are subject to ongoing satisfaction of compliance and safety and soundness requirements. If WEX Bank were to lose its bank charter, we would either outsource our credit support activities or perform these activities ourselves, which would subject us to the credit laws of each individual state in which we conduct business. Furthermore, we could not be a MasterCard and/or Visa issuer and would have to work with another financial institution to issue the product or sell the portfolio. Any such change would be disruptive to our operations and could result in significant incremental costs. In addition, changes in the bank regulatory environment, including the implementation of new or varying measures or interpretations by the State of Utah or the federal government, may significantly affect or restrict the manner in which we conduct business in the future or could create a default under our 2016 Credit Agreement.

We are subject to extensive supervision and regulation that could restrict our activities and impose financial requirements or limitations on the conduct of our business and limit our ability to generate income.

We are subject to extensive federal and state regulation and supervision, including that of the FDIC, the CFPB, and the Utah DFI. Banking regulations are primarily intended to protect depositors’ funds, federal deposit insurance funds and the banking system as a whole, not shareholders or noteholders. These regulations affect our payment operations, capital structure, investment practices, dividend policy and growth, among other things. Failure to comply with laws, regulations or policies could result in sanctions by regulatory agencies, damages, civil money penalties or reputational damage, which could have a material adverse effect on our business, financial condition and results of operations.

While we have policies and procedures designed to prevent any such violations, there can be no assurance that such violations will not occur. The U.S. Congress and federal regulatory agencies frequently revise banking and securities laws, regulations and policies. We cannot predict whether or in what form any other proposed regulations or statutes will be adopted or the extent to which our business may be affected by any new regulation or statute. Such changes could subject our business to additional costs, limit

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the types of financial services and products we may offer and increase the ability of non-banks to offer competing financial services and products, among other things.

Our industrial bank subsidiary is subject to regulatory capital requirements that may require us to make capital contributions to this subsidiary, and that may restrict the ability of the subsidiary to make cash available to us. WEX Bank must maintain minimum amounts of regulatory capital. If WEX Bank does not meet these capital requirements, its regulators have broad discretion to institute a number of corrective actions that could have a direct material effect on our financial condition. WEX Bank, as an institution insured by the FDIC, must maintain certain capital ratios, paid-in capital minimums and adequate allowances for loan losses. Under the Dodd-Frank Act, we are also required to serve as a source of financial strength for WEX Bank. If WEX Bank were to fail to meet any of the capital requirements to which it is subject, or if required under Dodd-Frank's source of strength requirements, we may be forced to provide WEX Bank with additional capital, which could impair our ability to service our indebtedness or may not be permitted under the terms of our 2016 Credit Agreement or Notes. To pay any dividend, WEX Bank must maintain adequate capital above regulatory guidelines. Accordingly, WEX Bank may be unable to make any of its cash or other assets available to us, including to service our indebtedness.

We are subject to limitations on transactions with our industrial bank subsidiary, which may limit our ability to engage in transactions with and obtain credit from our industrial bank.

Sections 23A and 23B of the FRA and the implementing regulations limit the extent to which we can borrow or otherwise obtain credit from or engage in other "covered transactions" with WEX Bank. "Covered transactions" include loans or extensions of credit, purchases of or investments in securities, purchases of assets, including assets subject to an agreement to repurchase, acceptance of securities as collateral for a loan or extension of credit, or the issuance of a guarantee, acceptance, or letter of credit. Although the applicable rules do not serve as an outright ban on engaging in "covered transactions," they do limit the amount of covered transactions WEX Bank may have with any one affiliate and with all affiliates in the aggregate. The applicable rules also require that we engage in such transactions with WEX Bank only on terms and under circumstances that are substantially the same, or at least as favorable to WEX Bank, as those prevailing at the time for comparable transactions with nonaffiliated companies. Furthermore, with certain exceptions, each loan or extension of credit by WEX Bank to the Company or its other affiliates must be secured by collateral with a market value ranging from 100 percent to 130 percent of the amount of the loan or extension of credit, depending on the type of collateral. Accordingly, WEX Bank may be unable to provide credit or engage in transactions with us, including transactions intended to help us service our indebtedness.

If the technologies we use in operating our business and interacting with our customers fail, are unavailable, or do not operate to expectations, or we fail to successfully implement technology strategies and capabilities in connection with our outsourcing arrangements, our business and results of operation could be adversely impacted.

We utilize a combination of proprietary and third-party technologies, including third-party owned and operated "cloud" technologies, to conduct our business and interact with our customers, partners and suppliers, among others. This includes technology that we have developed, have contracted with others to develop, have outsourced to a single provider to operate or have obtained through third-parties by way of service agreements. To the extent that our proprietary technology or a third-party providers' technology does not work as agreed to or as expected, or if we experience outages or unavailability resulting from their operations and the services they provide to us, our ability to efficiently and effectively deliver services could be adversely impacted and our business and results of operations could be adversely affected. Similarly, any failure by our customers or partners to access the technology that we develop internally could have an adverse effect on our business, results of operations and financial condition.

Although we make substantial investments in technology, there is no guarantee that it will function as intended once it is placed into operation. Lastly, given our reliance on technology, we regularly assess our technology plans, including both platforms and technology infrastructure. To the extent that we conclude that certain technologies should be retired, that existing platforms should be consolidated, or that we should change our technology strategies, we may be required to impair or accelerate depreciation on certain assets. Any of these potential changes or failures in our technology strategies may also divert management's attention and have a material adverse effect on our business and results of operations.

Our business is regularly subject to cyberattacks and attempted security and privacy breaches and we may not be able to adequately protect our information systems, including the data we collect about our customers, which could subject us to liability and damage our reputation.

We collect and store data about our customers and their fleets, including bank account information and spending data. Our customers expect us to keep this information in our confidence. In certain instances, the information we collect includes social security numbers. As a result of applicable laws, we are required to take commercially reasonable measures

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to prevent and mitigate the impact of cyberattacks, as well as the unauthorized access, acquisition, release and use of “personally identifiable information,” such as social security numbers. While social security numbers constitute a very small part of the data we keep, in the event of a security breach we would be required to determine the types of information compromised and determine corrective actions and next steps under applicable laws, which would require us to expend capital and other resources to address the security breach and protect against future breaches. An increasing number of organizations, including large on-line and off-line merchants and businesses, large Internet companies, financial institutions, and government institutions, have disclosed breaches of their information security systems, some of which have involved sophisticated and highly targeted attacks, including on portions of their websites or infrastructure. Like those companies, we too, are subject to regular and repeated attempts to breach our information security protections.

As outsourcing, specialization of functions, third-party digital services and technology innovation within the payments industry increase (including with respect to mobile technologies, tokenization, big data and cloud storage solutions), more third parties are involved in processing card transactions and there is a risk the confidentiality, integrity, privacy and/or security of data held by, or accessible to, third parties, including merchants that accept our cards, payment processors and our business partners, may be compromised, which could lead to unauthorized transactions on our cards and costs associated with responding to such an incident. In addition, high profile data breaches could change consumer behaviors, impact our ability to access data to make product offers and credit decisions and result in legislation and additional regulatory requirements.

The techniques used in attempts to obtain unauthorized, improper or illegal access to our systems, our data or our customers’ data, to degrade service, or to sabotage our systems are constantly evolving, are difficult to detect quickly, and may not be recognized until after a successful penetration of our information security systems. Unauthorized parties attempt to gain access to our systems or facilities through various means, including, among others, targeting our systems or facilities or our third-party vendors or customers, or attempting to fraudulently induce our employees, partners, customers or others into disclosing user names, passwords, payment card information, or other sensitive information, which may in turn be used to access our information technology systems. Certain efforts may be state-sponsored and supported by significant financial and technological resources, making them even more difficult to detect. Like many companies, we are a target for such breaches and attacks. Although we have developed systems and processes that are designed to protect our data and customer data and to prevent data loss and other security breaches, and will continue to expend significant additional resources to bolster these protections, these security measures cannot provide absolute security. Our information technology and infrastructure may be vulnerable to successful cyberattacks or security breaches, and third parties may be able to access our customers’ personal or proprietary information and data that are stored on or accessible through those systems.

Our security measures may also be breached due to employee error, malfeasance, system errors or vulnerabilities, or other irregularities. Any actual or perceived breach of our security could interrupt our operations; result in our systems or services being unavailable; result in improper disclosure of data; materially harm our reputation and brand; result in significant legal and financial exposure; lead to loss of customer confidence in, or decreased use of, our products and services; and, adversely affect our business and results of operations. Any breaches of network or data security at our partners, some of whom maintain information about our customers, or breaches of our customers’ systems could have similar effects. In addition, our customers could have vulnerabilities on their own computer systems that are entirely unrelated to our systems, but could mistakenly attribute their own vulnerabilities to us. While we take commercially appropriate steps to safeguard data used by and contained on the systems of our partners, customers and vendors, we cannot control all access to those systems and they are therefore subject to potential cyberattacks and fraud. Furthermore, as we have increased the number of platforms as well as the size of our networks and information systems, our reliance on these technologies have become increasingly important to our operating activities. The potential negative impact that a platform, network or information system shutdown may have on our operating activities has increased. Shutdowns may be caused by cyberattacks and unexpected catastrophic events such as natural

disasters or other unforeseen events, such as software or hardware defects or cyber-attacks by groups or individuals. Under the Financial Services Modernization Act of 1999, also referred to as the “Gramm-Leach-Bliley Act” or GLBA, and some state laws, we and WEX Bank are required to maintain a comprehensive written information security program that includes administrative, technical and physical safeguards relating to consumer information. This requirement generally does not extend to information about companies or about individuals who obtain financial products or services for business, commercial, or agricultural purposes.

The GLBA also requires us and WEX Bank to provide initial and annual privacy notices to customers that describe in general terms our information sharing practices. If we or WEX Bank intend to share nonpublic personal information about consumers with affiliates and/or nonaffiliated third parties, we and WEX Bank must provide customers with a notice

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and a reasonable period of time for each customer to “opt out” of any such disclosure. In addition to U.S. federal privacy laws with which we must comply, states also have adopted statutes, regulations and other measures governing the collection and distribution of nonpublic personal information about customers. In some cases these state measures are preempted by federal law, but if not, we and WEX Bank must monitor and seek to comply with individual state privacy laws in the conduct of our businesses.

When we handle individually identifiable health information, regulations issued under Health Insurance Portability and Accountability Act of 1996, or HIPAA, and the Health Information Technology for Economic and Clinical Health Act, or HITECH, our contracts with our customers, and supplemental state laws require us to implement privacy and data security measures and to comply with breach notification requirements. We may be subject to contractual damages and civil or criminal penalties if we are found to violate these privacy, security and breach notification requirements.

Our efforts to comply with existing and future health and financial data laws and regulations, both in the U.S. and abroad, is costly and time-consuming. Incidents involving our handling of this protected and sensitive information may consume significant financial and managerial resources and may damage our reputation, which may discourage customers from using, renewing, or expanding their use of our services.

Any security breach, inadvertent transmission of information about our customers, failure to comply with applicable breach notification and reporting requirements, or any violation of international, federal or state privacy laws could expose us to liability in excess of any applicable insurance policies, litigation, regulatory scrutiny, and/or cause damage to our reputation. We may also be required to expend significant resources to implement additional data protection measures or to modify the features and functionality of our system offerings in a way that is less attractive to customers.

Our failure to effectively implement new technology could jeopardize our position as a leader in our industry.

As a provider of information management and payment processing services, we must constantly adapt and respond to the technological advances offered by our competitors and the informational requirements of our customers, including those related to the Internet, in order to maintain and improve upon our competitive position. We may not be able to expand our technological capabilities and service offerings as rapidly as our competitors, which could jeopardize our position as a leader in our industry.

We are dependent on technology systems and electronic communications networks managed by third parties, which could result in our inability to prevent service disruptions.

Our ability to process and authorize transactions electronically depends on our ability to electronically communicate with our fuel and vehicle maintenance providers through point-of-sale devices and electronic networks that are owned and operated by third parties. The electronic communications networks upon which we depend are often subject to disruptions of various magnitudes and durations. Any severe disruption of one or more of these networks could impair our ability to authorize transactions or collect information about such transactions, which, in turn, could harm our reputation for dependable service and adversely affect our results of operations. In addition, our ability to collect enhanced data relating to our customers’ purchases may be limited by the use of older point-of-sale devices by fuel and vehicle maintenance providers. To the extent that fuel and vehicle maintenance providers within our network are slow to adopt advanced point-of-sale devices, we may not be able to offer the latest services and capabilities that our customers demand.

Our industry continues to become increasingly competitive, which makes it more challenging for us to maintain profit margins at historical levels.

We face and expect to continue to face competition in each category of the overall industry from several companies that seek to offer competing capabilities and services. Historically, we have been able to provide customers with a wide spectrum of services and capabilities and, therefore, we have not considered price to be the exclusive or even the primary basis on which we compete. As our competitors have continued to develop their service offerings, it has become increasingly more challenging for us to compete solely on the basis of superior capabilities, technology, customer integration or service. In some areas of our business we have been forced to respond to competitive pressures by reducing our fees. We have seen erosion of our historical profit margins as we encourage existing strategic relationships to sign long-term contracts. If these trends continue and if competition intensifies, our

profitability may be adversely impacted.

While we have traditionally offered our services to several categories of the payments industry, with a focus on fleet, corporate payments and health in recent years, some of our competitors have successfully garnered significant share in particular categories of payments. To the extent that our competitors are regarded as leaders in specific categories, they may have an advantage over us as we attempt to further penetrate these categories.

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We also face increased competition in our efforts to enter into new strategic relationships and renew existing strategic relationships on similar terms.

Compliance with anti-money laundering laws and regulations creates additional compliance costs and reputational risk.

We must monitor and report unusual or suspicious account activity, as well as transactions involving amounts in excess of prescribed limits, as required by the Bank Secrecy Act and Internal Revenue Service regulations and other regulations. The USA PATRIOT Act of 2001 imposes significant anti-money laundering compliance and due diligence obligations on financial institutions, including WEX Bank. Financial regulators have issued various implementing regulations and have made enforcement a top priority. Failure to maintain and implement adequate programs to combat money laundering and terrorist financing, or to comply with all of the relevant laws or regulations, could result in the imposition of fines or penalties and other serious legal and reputational consequences which may impact our financial results.

Evolution and expansion of our business may subject us to additional regulatory requirements and other risks, for which failure to comply or adapt could harm our operating results.

The evolution and expansion of our business may subject us to additional risks and regulatory requirements, including laws governing money transmission and payment processing services. These requirements vary throughout the markets in which we operate, and have increased over time as the geographic scope and complexity of our payments product services have expanded. While we maintain a compliance program focused on applicable laws and regulations throughout the payments industry, there is no guarantee that we will not be subject to fines, criminal and civil lawsuits or other regulatory enforcement actions in one or more jurisdictions, or be required to adjust business practices to accommodate future regulatory requirements.

In order to maintain flexibility in the growth and expansion of our payments operations, we have obtained money transmitter licenses (or their equivalents) in several states and expect to continue the license application process in additional jurisdictions throughout the United States as needed to accommodate new product development. Our efforts to acquire and maintain these licenses could result in significant management time, effort, and cost, and may still not guarantee compliance given the constant state of change in these regulatory frameworks. Accordingly, costs associated with changes in compliance requirements, regulatory audits, enforcement actions, reputational harm, or other regulatory limits on our ability to grow our payment processing business could adversely affect our financial results.

Our increased presence in foreign jurisdictions increases the possibility of foreign law violations or violation of the U.S. Foreign Corrupt Practices Act (“FCPA”), the United Kingdom Bribery Act of 2010 (“UKBA”) and the Brazilian Anti-Corruption Law (“ACL”).

We are subject to the FCPA, the ACL and the UKBA, as we own subsidiaries organized under UK and Brazilian law, which serve as a holding companies for other subsidiaries. While the FCPA generally prohibits U.S. companies and their intermediaries from making improper payments to foreign officials for the purpose of obtaining or retaining business, the UKBA is broader in its reach and prohibits bribery in purely commercial contexts. Any violation of the FCPA, the UKBA or similar laws and regulations, including the ACL, could result in significant expenses, divert management attention, and otherwise have a negative impact on us. Any determination that we have violated the FCPA, UKBA, ACL or laws of any other jurisdiction could subject us to, among other things, penalties and legal expenses that could harm our reputation and have a material adverse effect on our financial condition and results of operation. The possibility of violations of the FCPA, UKBA, ACL or similar laws or regulations may increase as we expand globally and into countries with recognized corruption problems.

The failure to maintain effective systems of internal control over financial reporting and disclosure controls and procedures could result in the inability to accurately report our financial results or prevent material misstatement due to fraud, which could cause current and potential shareholders to lose confidence in our financial reporting, adversely affect the trading price of our securities, harm our operating results or trigger a default under the 2016 Credit

Agreement.

Effective internal control over financial reporting and disclosure controls and procedures are necessary for us to provide reliable financial reports and effectively prevent fraud and operate successfully as a public company. The failure to develop or maintain effective internal control over financial reporting and disclosure controls and procedures could harm our reputation or operating results, or cause us to fail to meet our reporting obligations, or trigger a default under the 2016 Credit Agreement.

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Our financial reporting and disclosure controls and procedures are reliant, in part, on information we receive from disparate internal financial reporting systems and third parties that supply information to us regarding transactions that we process. In addition, because our strategy includes pursuing growth through acquisitions of other businesses, which are at different levels of maturity and which may have underdeveloped financial reporting systems and processes, we depend on dispersed financial systems to process, summarize and report financial transactions for our distributed operations. To the extent these systems do not properly transmit information to our financial ledgers, we could fail to properly summarize and report financial results.

As we expand our business operations domestically and internationally, and as we implement new accounting standards promulgated by the Financial Accounting Standards Board, we will need to maintain effective internal control over financial reporting and disclosure controls and procedures. If we are unable to do so, our external auditors could issue a qualified opinion on the effectiveness of our internal control over financial reporting.

Ineffective internal control over financial reporting and disclosure controls and procedures could cause investors to lose confidence in our reported financial information, which could have a negative effect on the trading price of our securities or affect our ability to access the capital markets and could result in regulatory proceedings against us by, among others, the SEC. In addition, a material weakness in internal control over financial reporting may lead to deficiencies in the preparation of financial statements, which in turn could lead to litigation claims against us. The defense of any such claims may cause the diversion of management's attention and resources, and we may be required to pay damages if any such claims or proceedings are not resolved in our favor. Any litigation, even if resolved in our favor, could cause us to incur significant legal and other expenses. Such events could also affect our ability to raise capital to fund future business initiatives.

We have identified material weaknesses in our internal control over financial reporting, and if we are unable to remediate such material weaknesses and to maintain effective internal control over financial reporting in the future, there could be an elevated possibility of a material misstatement, and such a misstatement could cause investors to lose confidence in our financial statements, which could have a material adverse effect on our stock price.

We are required, pursuant to Section 404 of the Sarbanes-Oxley Act, to furnish a report by management on the effectiveness of our internal control over financial reporting. In addition, our independent registered public accounting firm must report on its evaluation of our internal control over financial reporting. As disclosed in Item 9A of this report, we have identified material weaknesses as of December 31, 2018 in our internal control over financial reporting because we did not maintain an effective control environment at our Brazilian subsidiary, we did not have control activities that were designed and operating effectively at our Brazilian subsidiary and we did not have sufficient monitoring activities in place to ensure effective corporate oversight and monitoring of control activities at our individually insignificant subsidiaries. As a result of these material weaknesses, our external auditors have issued a qualified opinion indicating that we have not maintained effective internal control over financial reporting as of December 31, 2018.

Our management team has taken action to begin to remediate these material weaknesses, but we cannot be certain when the remediation will be completed. If we fail to fully remediate the material weaknesses or fail to maintain effective internal controls, it could result in a material misstatement of our financial statements, which could cause investors to lose confidence in our financial statements or cause our stock price to decline. These material weaknesses could also impact our ability to attract and retain new customers. In future periods, we may identify additional deficiencies in our system of internal control over financial reporting during the course of our remediation efforts that may require additional work to address. The generally manual nature of certain of our controls and those of companies we have acquired, as well as the age of our legacy systems increase our risk of control deficiencies. In addition, future acquisitions may present challenges in implementing appropriate and sustainable internal controls. Any future material weaknesses in internal control over financial reporting could result in material misstatements in our financial statements. Moreover, any future disclosures of additional weaknesses, or errors as a result of those weaknesses, could result in a negative reaction in the financial markets if there is a loss of confidence in the reliability of our financial reporting.

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Our ability to attract and retain qualified employees is critical to our success and the failure to do so may materially adversely affect our performance.

We believe our employees, including our executive management team, are our most important resource and, in our industry and geographic area, competition for qualified personnel is intense. If we were unable to retain and attract qualified employees, our performance could be materially adversely affected.

Risks Relating to Our Common Stock

If any entity controls 10 percent or more of our common stock and such entity has caused a violation of applicable banking laws by its failure to obtain any required approvals prior to acquiring that common stock, we have the power to, and may be required to, restrict such entity's ability to vote shares held by it.

As owners of a Utah industrial bank, we are subject to Utah banking regulations that require any entity that controls 10 percent or more of our common stock to obtain the prior approval of Utah banking authorities. Federal law also prohibits a person or group of persons from acquiring "control" of us unless the FDIC has been notified and has not objected to the transaction. Under the FDIC's regulations, the acquisition of 10 percent or more of a class of our voting stock would generally create a rebuttable presumption of control. In addition, our certificate of incorporation requires that if any stockholder fails to provide us with satisfactory evidence that any required approvals have been obtained, we may, or will if required by state or federal regulators, restrict such stockholder's ability to vote such shares with respect to any matter subject to a vote of our stockholders.

As a result of these regulatory requirements, certain existing and potential stockholders may choose not to invest or invest more in our stock. This could limit the number of potential investors and impact our ability to attract further funds.

Provisions in our charter documents, Delaware law and applicable banking law may delay or prevent our acquisition by a third party.

Our certificate of incorporation and by-laws contain several provisions that may make it more difficult for a third party to acquire control of us without the approval of our board of directors. These provisions include, among other things, a classified board of directors, the elimination of stockholder action by written consent, advance notice for raising business or making nominations at meetings of stockholders and "blank check" preferred stock. Blank check preferred stock enables our board of directors, without stockholder approval, to designate and issue additional series of preferred stock with such special dividend, liquidation, conversion, voting or other rights, including the right to issue convertible securities with no limitations on conversion, and rights to dividends and proceeds in a liquidation that are senior to the common stock, as our board of directors may determine. These provisions may make it more difficult or expensive for a third party to acquire a majority of our outstanding voting common stock. We also are subject to certain provisions of Delaware law, which could delay, deter or prevent us from entering into an acquisition, including Section 203 of the Delaware General Corporation Law, which prohibits a Delaware corporation from engaging in a business combination with an interested stockholder unless specific conditions are met. These provisions also may delay, prevent or deter a merger, acquisition, tender offer, proxy contest or other transaction that might otherwise result in our stockholders receiving a premium over the market price for their common stock.

In addition, because we own a Utah industrial bank, any purchaser of our common stock who would own 10 percent or more of our common stock after such purchase would be required to obtain the consent of Utah banking authorities and the federal banking authorities prior to consummating any such acquisition. These regulatory requirements may preclude or delay the purchase of a relatively large ownership stake by potential investors.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

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ITEM 2. PROPERTIES

All of our facilities are leased. The following table presents the details of our principal leased properties as of December 31, 2018:

| Property location | Square footage | Purpose of leased property | Segment |
|-----------------------|----------------|---|---|
| South Portland, Maine | 217,200 | Corporate headquarters, operations center and warehouse | All |
| Midvale, Utah | 12,400 | Bank operations | Fleet Solutions, Travel and Corporate Solutions |
| Melbourne, Australia | 16,100 | Australia fuel and prepaid card operations | Fleet Solutions, Travel and Corporate Solutions |
| São Paulo, Brazil | 19,200 | Brazil fuel, virtual and paycard operations | All |
| Crewe, England | 14,700 | European fuel operations | Fleet Solutions |
| Fargo, North Dakota | 70,400 | WEX Health operations | Health and Employee Benefit Solutions |
| Nashville, Tennessee | 42,500 | EFS Operations | Fleet Solutions, Travel and Corporate Solutions |

As of December 31, 2018, construction was being finalized on a new 90,000 square foot corporate headquarters in Portland, Maine. Certain employees, including certain members of executive management, began occupying this facility in February 2019.

Additional financial information about our leased facilities appears in Item 8 – Note 19, Commitments and Contingencies, of our consolidated financial statements.

ITEM 3. LEGAL PROCEEDINGS

As of the date of this filing, we are not involved in any material legal proceedings. We also were not involved in any material legal proceedings that were terminated during the fourth quarter of 2018. From time to time, we are subject to legal proceedings and claims in the ordinary course of business, including but not limited to: commercial disputes; contract disputes; employment litigation; disputes regarding our intellectual property rights; alleged infringement or misappropriation by us of intellectual property rights of others; and, matters relating to our compliance with applicable laws and regulations. As of the date of this filing, the current estimate of a reasonably possible loss contingency from all legal proceedings is not material to the Company's consolidated financial position, results of operations, cash flows or liquidity.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

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PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Market Information

The principal market for the Company's common stock is the NYSE and our ticker symbol is WEX. As of March 12, 2019, the closing price of our common stock was \$176.44 per share, there were 43,135,385 shares of our common stock outstanding and there were 8 holders of record of our common stock. The actual number of stockholders is greater than this number of record holders and includes stockholders who are beneficial owners but whose shares are held in street name by brokers or nominees.

Dividends

The Company has not declared any dividends on its common stock since it commenced trading on the NYSE on February 16, 2005. The timing and amount of future dividends, if any, will be (i) dependent upon the Company's results of operations, financial condition, cash requirements and other relevant factors, (ii) subject to the discretion of the Board of Directors of the Company and (iii) payable only out of the Company's surplus or current net profits in accordance with the General Corporation Law of the State of Delaware.

The Company has certain restrictions on the dividends it may pay under its revolving credit agreement, including pro forma compliance with a ratio of consolidated funded indebtedness to consolidated EBITDA of 2.50:1.00 for the most recent period of four fiscal quarters.

Share Repurchases

On September 20, 2017, our board of directors approved a share repurchase program authorizing the purchase of up to \$150 million of our common stock, expiring in September 2021. Share repurchases are to be made on the open market and can be commenced or suspended at any time.

We did not purchase any shares of our common stock during the year ended December 31, 2018. The approximate dollar value of shares that were available to be purchased under our share repurchase program was \$150 million as of December 31, 2018.

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ITEM 6. SELECTED FINANCIAL DATA

The following table sets forth our summary historical financial information for the periods ended and as of the dates indicated. The summary historical financial information has been changed to reflect the immaterial revision as more fully described in Item 8 – Note 1, Summary of Significant Accounting Policies of our consolidated financial statements. You should read the following historical financial information along with Item 7 and the consolidated financial statements and related notes thereto contained in this Form 10–K. The financial information included in the table below is derived from audited financial statements:

| (in thousands, except per share data) | December 31, | | | | |
|---|--------------|-------------|-------------|-------------|-------------|
| | 2018 | 2017 | 2016 | 2015 | 2014 |
| Income statement information, for the year ended | | | | | |
| Total revenues | \$1,492,639 | \$1,248,577 | \$1,012,488 | \$853,949 | \$817,905 |
| Total operating expenses | \$1,112,001 | \$1,015,154 | \$853,963 | \$650,155 | \$538,443 |
| Financing interest expense | \$105,023 | \$107,067 | \$113,418 | \$46,189 | \$36,042 |
| Net realized and unrealized gains on fuel price derivatives | \$— | \$— | \$711 | \$5,848 | \$46,212 |
| Net income attributable to shareholders | \$168,295 | \$160,062 | \$23,499 | \$76,196 | \$174,921 |
| Weighted average basic shares of common stock outstanding | 43,156 | 42,977 | 40,809 | 38,771 | 38,890 |
| Basic income per share | \$3.90 | \$3.72 | \$0.58 | \$1.97 | \$4.50 |
| Weighted average diluted shares of common stock outstanding | 43,574 | 43,105 | 40,914 | 38,843 | 39,000 |
| Diluted income per share | \$3.86 | \$3.71 | \$0.57 | \$1.96 | \$4.49 |
| Balance sheet information, at end of period | | | | | |
| Total assets | \$6,770,595 | \$6,688,866 | \$5,937,859 | \$3,837,171 | \$4,095,748 |
| Total liabilities | \$4,974,671 | \$5,058,766 | \$4,522,969 | \$2,786,653 | \$3,030,072 |
| Redeemable non-controlling interest | \$— | \$— | \$— | \$— | \$16,590 |
| Total stockholders' equity | \$1,795,924 | \$1,630,100 | \$1,414,890 | \$1,050,518 | \$1,049,086 |

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ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The discussion below focuses on the factors affecting our consolidated results of operations for the years ended December 31, 2018, 2017 and 2016 and financial condition at December 31, 2018 and 2017 and, where appropriate, factors that may affect our future financial performance, unless stated otherwise. This discussion should be read in conjunction with the consolidated financial statements, notes to the consolidated financial statements and selected consolidated financial data. The 2017 and 2016 amounts have been changed to reflect the immaterial revision as more fully described in Item 8 – Note 1, Summary of Significant Accounting Policies of our consolidated financial statements.

Our Management's Discussion and Analysis of Financial Condition and Results of Operations, or MD&A is presented in the following sections:

2018 Highlights and Year in Review

Segments

Results of Operations

Application of Critical Accounting Policies and Estimates

New Accounting Standards

Liquidity, Capital Resources and Cash Flows

2018 Highlights and Year in Review

The following events and accomplishments occurred during 2018:

Contributions from all three of our segments resulted in the Company reaching approximately \$1.5 billion in annual revenues in 2018, 20 percent growth relative to the prior year.

During October 2018, the Company entered into a definitive asset purchase agreement to acquire Chevron's existing customer portfolio for approximately \$223.4 million, including of \$54.6 million for the carrying value of trade accounts receivable. Concurrently with entering into the asset purchase agreement, we modified a number of contract terms, including extending the term of Chevron's agreement. Conversion of the acquired portfolio onto the Company's payment processing platform started in the first quarter of 2019.

During October 2018, the Company entered into a definitive agreement to acquire Noventis, an electronic payments network focused on optimizing payment delivery for bills and invoices to commercial entities, for approximately \$310 million. This acquisition will expand our reach as a corporate payments supplier and provide more channels to billing aggregators and financial institutions. The Company closed on this transaction January 24, 2019.

The Company successfully executed two separate repricings of our 2016 Credit Agreement in 2018, which among other things, increased our availability under the revolving credit facility by \$150 million, increased the outstanding amounts under our term loans by \$178 million and lowered applicable interest rate margins on both our revolver and term loans. In addition, we extended the maturity on revolving credit facility and term A loans to July 2023.

Our Company's management believes the following metrics were important to our overall performance in 2018:

Average number of vehicles serviced increased 8 percent from 2017 to approximately 11.8 million for 2018, primarily related to growth in our worldwide customer base. As of December 31, 2018, vehicles serviced totaled 12.4 million. Total fuel transactions processed increased 7 percent from 2017 to 552.3 million in 2018 due to organic growth. Total payment processing transactions increased 7 percent from 2017 to 459.3 million in 2018, and transaction processing transactions also increased 7 percent from 2017 to 93.0 million in 2018.

The average U.S. fuel price per gallon during 2018 was \$2.95, an 18 percent increase as compared to the same period in the prior year.

Credit loss expense in the Fleet Solutions segment decreased 8 percent to \$54.5 million during 2018, as compared to \$59.3 million during 2017. Spend volume increased 22 percent in 2018 as compared to 2017. Our credit losses were 12.5 basis points of fuel expenditures for 2018, as compared to 17.2 basis points of fuel expenditures for

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2017, a decrease of 27 percent primarily due to lower incidences of magnetic stripe card skimming fraud as compared to 2017.

Our Travel and Corporate Solutions purchase volume grew to \$34.7 billion in 2018, a 14 percent increase from 2017, primarily due to strong growth globally driven by strong performance in both our travel and corporate payment products.

Health and Employee Benefit Solutions average number of SaaS accounts in the U.S. grew 20% to 11.0 million in 2018 from 9.2 million in 2017. Likewise, U.S. purchase volume grew by \$497.1 million in 2018, a 12 percent increase as compared to 2017.

Our effective tax rate was 28.9 percent for 2018 as compared to 8.9 percent for 2017. The lower tax rate in 2017 was primarily due to the reduction of our net deferred tax liabilities resulting from the change in federal corporate income tax rate to 21 percent from 35 percent effective January 1, 2018 as part of the 2017 Tax Act.

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Segments

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

Results of Operations

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

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

Sources of Operating Expense

Cost of Services

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

Service fees - The Company incurs costs from third-party networks utilized to deliver payment solutions.

• Additionally, other third-parties are utilized in performing services directly related to generating revenue. With the adoption of Topic 606, effective January 1, 2018 fees paid to third-party networks are no longer recorded as service fees and are now prospectively presented as a reduction of revenues.

• Provision for credit losses - Changes in the reserve for credit loss are the result of changes in management's estimate of the losses in the Company's outstanding portfolio of receivables, including losses from fraud.

• Operating interest - The Company incurs interest expense on the operating debt obtained to provide liquidity for its short-term receivables.

• Depreciation and amortization - The Company has identified those tangible and intangible assets directly associated with providing a service that generates revenue and records the depreciation and amortization associated with those assets under this category. Such assets include processing platforms and related infrastructure, acquired developed technology intangible assets and other similar asset types.

Other Operating Expenses

• General and administrative - General and administrative includes compensation and related expenses for executive, finance and accounting, other information technology, human resources, legal and other corporate functions. Also included are corporate facilities expenses, certain third-party professional service fees and other corporate expenses.

• Sales and marketing - The Company's sales and marketing expenses relate primarily to compensation, benefits, sales commissions and related expenses for sales, marketing and other related activities. With the adoption of Topic 606, effective January 1, 2018 certain payments to partners are now prospectively classified as sales and marketing expenses .

• Depreciation and amortization - The depreciation and amortization associated with tangible and intangible assets that are not considered to be directly associated with providing a service that generates revenue are recorded as other operating expenses. Such assets include corporate facilities and information technology assets and acquired intangible assets other than those included in cost of services.

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Year Ended December 31, 2018, Compared to the Year Ended December 31, 2017

Fleet Solutions

Revenues

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

| (In thousands, except per transaction and per gallon data) | Twelve Months Ended December 31, | | Increase (Decrease) | |
|--|-------------------------------------|-----------|---------------------|---------|
| | 2018 | 2017 | Amount | Percent |
| Revenues ^(a) | | | | |
| Payment processing revenue | \$464,980 | \$360,158 | \$104,822 | 29 % |
| Account servicing revenue | 162,662 | 165,083 | (2,421) | (1)% |
| Finance fee revenue | 190,528 | 159,336 | 31,192 | 20 % |
| Other revenue | 156,970 | 138,533 | 18,437 | 13 % |
| Total revenues | \$975,140 | \$823,110 | \$152,030 | 18 % |

Key operating statistics^(b)

Payment processing revenue:

| | | | | |
|---|--------------|--------------|-------------|-------|
| Payment processing transactions | 459,309 | 429,716 | 29,593 | 7 % |
| Payment processing fuel spend | \$36,991,903 | \$30,288,539 | \$6,703,364 | 22 % |
| Average price per gallon of fuel – Domestic – (\$USD/gal) | \$2.95 | \$2.50 | \$0.45 | 18 % |
| Net payment processing rate | 1.26 | % 1.19 | % 0.07 | % 6 % |

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

Revenues

The net impact of adopting the new revenue recognition standard in 2018, described further below, increased Fleet Solutions revenue by approximately \$35 million for 2018, as compared to 2017.

Payment processing revenue increased \$104.8 million for 2018, as compared to 2017, due primarily to higher average domestic fuel prices, the impact from the adoption of the new revenue recognition standard and increased payment processing volumes due to organic growth. Upon adoption of the new revenue recognition standard, we reclassified certain amounts paid to partners from a reduction of revenue to sales and marketing expense.

Account servicing revenue decreased \$2.4 million for 2018, as compared to 2017, due primarily to the divestiture of our Telapoint business in the fourth quarter of 2017, partly offset by an increase in fees to certain customers as part of domestic price modernization efforts over the course of the prior year.

Other revenue increased \$18.4 million in 2018, as compared to 2017, due primarily to organic growth resulting from higher EFS transaction processing revenue and Asia-Pacific revenues. Additionally, we reclassified certain amounts from contra revenue to selling expense in 2018 following adoption of the new revenue recognition standard.

Finance fee revenue is comprised of the following components:

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

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

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

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

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

Operating Expenses

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

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

NM - Not Meaningful

Cost of services

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

related to recent significant customer acquisitions.

Service fees increased \$1.4 million during 2018, as compared to 2017, due primarily to higher bank fees resulting from increased volumes.

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

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

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

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

Other operating expenses

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

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

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

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

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

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Travel and Corporate Solutions

Revenues

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

| (In thousands) | Twelve Months Ended | | Increase (Decrease) | |
|----------------------------|---------------------|-----------|---------------------|---------|
| | 2018 | 2017 | Amount | Percent |
| Revenues ^(a) | | | | |
| Payment processing revenue | \$203,289 | \$158,660 | \$44,629 | 28 % |
| Account servicing revenue | 37,262 | 7,531 | 29,731 | 395 % |
| Finance fee revenue | 1,391 | 760 | 631 | 83 % |
| Other revenue | 61,402 | 57,096 | 4,306 | 8 % |
| Total revenues | \$303,344 | \$224,047 | \$79,297 | 35 % |

Key operating statistics^(b)

Payment processing revenue:

Payment solutions purchase volume \$34,702,614 \$30,344,752 \$4,357,862 14 %

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

^(b) The Company adopted the requirements of the new revenue recognition standard as of January 1, 2018, utilizing the modified retrospective method of transition. Impacted non-financial metrics have been updated prospectively. The net impact of adopting the new revenue recognition standard in 2018, described further below, increased Travel and Corporate Solutions revenue by approximately \$8 million in 2018.

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

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

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

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

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

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Operating Expenses

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

| (In thousands) | Twelve Months Ended December 31, | | Increase (Decrease) | |
|-------------------------------|--|----------|------------------------|---------|
| | 2018 | 2017 | Amount | Percent |
| Cost of services | | | | |
| Processing costs | \$44,949 | \$23,821 | \$21,128 | 89 % |
| Service fees | \$27,573 | \$56,094 | \$(28,521) | (51)% |
| Provision for credit losses | \$7,319 | \$(68) | \$7,387 | NM |
| Operating interest | \$14,247 | \$8,367 | \$5,880 | 70 % |
| Depreciation and amortization | \$15,245 | \$6,519 | \$8,726 | 134 % |
| Other operating expenses | | | | |
| General and administrative | \$26,151 | \$18,358 | \$7,793 | 42 % |
| Sales and marketing | \$47,939 | \$21,422 | \$26,517 | 124 % |
| Depreciation and amortization | \$14,813 | \$13,760 | \$1,053 | 8 % |
| Impairment charge | \$2,424 | \$25,990 | \$(23,566) | (91)% |
| Operating income | \$102,684 | \$49,784 | \$52,900 | 106 % |

NM - Not Meaningful

Cost of services

Processing costs increased \$21.1 million in 2018, as compared to 2017, due primarily to the acquisition of AOC.

Service fees decreased by \$28.5 million in 2018, as compared to 2017, due primarily to cost savings as a result of the AOC acquisition and impacts from adoption of the new revenue recognition standard. These favorable impacts were partly offset by incremental expenses resulting from higher relative purchase volumes.

Provision for credit losses increased \$7.4 million in 2018, as compared to 2017, due primarily to a discrete customer reserve taken during 2018 and increased volumes. Provision for credit losses in 2017 was unusually low as result of a partial bankruptcy loss recovery relating to one of our significant online travel agency customers recorded in 2016.

Operating interest increased \$5.9 million in 2018, as compared to 2017, due to higher interest rates paid on deposits and volume growth.

Depreciation and amortization expenses increased \$8.7 million in 2018, as compared to 2017, due primarily to amortization of intangible assets recognized upon the acquisition of AOC.

Other operating expenses

General and administrative expenses increased \$7.8 million in 2018, as compared to 2017, due primarily to the acquisition of AOC.

Sales and marketing expenses increased \$26.5 million in 2018, as compared to 2017, due primarily to a reclassification of payments to partners upon adoption of the new revenue recognition standard. These payments were previously reflected as a reduction of revenue.

Depreciation and amortization in 2018 were generally consistent with the prior year.

During 2018, we recognized a \$2.4 million non-cash impairment charge to write-off certain property and equipment. There were two discrete impairment charges incurred during 2017. During the second quarter of 2017, we incurred a \$16.2 million non-cash impairment and an asset write-off related to in-sourcing certain technology functions, approximately \$4.0 million of which was allocated to Travel and Corporate Solutions. Additionally, we determined that the developed technology obtained as part of the AOC acquisition more closely aligned with our current technological strategy than did other capitalized software on our balance sheet. As a result, \$22.0 million of previously capitalized software development was determined to have no future benefit and was therefore written-off during 2017.

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Health and Employee Benefit Solutions

Revenues

The following table reflects comparative revenue and key operating statistics within Health and Employee Benefit Solutions:

| (In thousands) | Twelve Months Ended | | Increase | |
|----------------------------|---------------------|-----------|------------|---------|
| | December 31, | | (Decrease) | |
| | 2018 | 2017 | Amount | Percent |
| Revenues ^(a) | | | | |
| Payment processing revenue | \$55,722 | \$50,348 | \$5,374 | 11 % |
| Account servicing revenue | 108,172 | 103,956 | 4,216 | 4 % |
| Finance fee revenue | 16,708 | 28,696 | (11,988) | (42)% |
| Other revenue | 33,553 | 18,420 | 15,133 | 82 % |
| Total revenues | \$214,155 | \$201,420 | \$12,735 | 6 % |

Key operating statistics^(b)

Payment processing revenue:

| | | | | |
|-----------------|-------------|-------------|-----------|------|
| Purchase volume | \$4,814,328 | \$4,317,236 | \$497,092 | 12 % |
|-----------------|-------------|-------------|-----------|------|

Account servicing revenue:

| | | | | |
|---------------------------------|--------|-------|-------|------|
| Average number of SaaS accounts | 11,020 | 9,213 | 1,807 | 20 % |
|---------------------------------|--------|-------|-------|------|

^(a)The impact of foreign currency exchange rate fluctuations reduced Health and Employee Benefit Solutions revenue by approximately \$3 million in 2018.

^(b) The Company adopted the requirements of the new revenue recognition standard as of January 1, 2018, utilizing the modified retrospective method of transition. Impacted non-financial metrics have been updated prospectively. The net impact of adopting the new revenue recognition standard in 2018, decreased Health and Employee Benefit Solutions revenue by approximately \$1 million in 2018.

Payment processing revenue increased approximately \$5.4 million for 2018, as compared to 2017, primarily due to an increase in WEX Health purchase volume as a result of increased customer signings.

Account servicing revenue increased \$4.2 million for 2018, as compared to 2017. This increase was primarily due to WEX Health customer signings and existing customer growth, which resulted in a higher number of participants using our SaaS healthcare technology platform, and higher revenue earned on HSA assets. These favorable impacts were partly offset by WEX Health customer mix and lower revenues in Brazil due primarily to due to the accounting impact of our WEX Latin America securitization arrangement, as discussed further in the other revenue discussion below.

Finance fee revenue decreased \$12.0 million in 2018, as compared to 2017, due primarily to the accounting impact of our WEX Latin America securitization arrangement, as discussed further in the other revenue discussion below.

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

Other revenue increased \$15.1 million in 2018, as compared to 2017, primarily due to an increase in WEX Health professional services revenue and ancillary fees and realized gains on the sale of WEX Latin America customer receivables under our recently amended WEX Latin America securitization arrangement. Prior to amendment of our securitization arrangement in the second half of 2018, the revenue associated with these customer receivables was included in account servicing and finance fee revenue.

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Operating Expenses

The following table compares line items within operating income for Health and Employee Benefit Solutions:

| (In thousands) | Twelve Months Ended December 31, | | Increase (Decrease) | |
|-------------------------------|--|----------|------------------------|---------|
| | 2018 | 2017 | Amount | Percent |
| Cost of services | | | | |
| Processing costs | \$74,392 | \$75,525 | \$(1,133) | (2)% |
| Service fees | \$18,870 | \$11,074 | \$7,796 | 70% |
| Provision for credit losses | \$4,679 | \$5,035 | \$(356) | (7)% |
| Operating interest | \$7,658 | \$7,504 | \$154 | 2% |
| Depreciation and amortization | \$24,970 | \$19,968 | \$5,002 | 25% |
| Other operating expenses | | | | |
| General and administrative | \$30,536 | \$23,053 | \$7,483 | 32% |
| Sales and marketing | \$24,055 | \$23,354 | \$701 | 3% |
| Depreciation and amortization | \$21,517 | \$22,543 | \$(1,026) | (5)% |
| Operating income | \$7,478 | \$13,364 | \$(5,886) | (44)% |

Cost of services

Processing costs decreased \$1.1 million in 2018, as compared to 2017, primarily due to the favorable impact of lower bank fees in WEX Latin America resulting from a shift in product mix, partly offset by higher WEX Health processing costs resulting from volume increases.

Service fees increased by \$7.8 million in 2018, as compared to 2017, primarily due to revenue growth on WEX Health HSA assets and increased payment processing volumes.

Provision for credit losses was generally consistent with the prior year.

Operating interest for 2018 was generally consistent with the operating interest for the prior year. Higher interest charges in 2018 resulting from increased volume on our WEX Latin America securitization arrangement were entirely offset by accounting impacts on this securitization arrangement. During the third quarter of 2018, we amended this agreement, resulting in sale accounting treatment upon the transfer of WEX Latin America customer receivables. As such, our associated cost of funding is now embedded in the gain on sale of the receivables and is recorded within other revenue, resulting in decreased operating interest for the second half of 2018.

Depreciation and amortization expenses increased \$5.0 million in 2018, as compared to 2017, resulting from higher depreciation expense on capitalized WEX Health internal-use software development costs and additional infrastructure to support business growth.

Other operating expenses

General and administrative expenses increased \$7.5 million in 2018, as compared to 2017, due primarily to an increase in professional fees as compared to the prior year.

Other operating expenses for 2018 were generally consistent with the operating expenses for the prior year.

Unallocated corporate expenses

Unallocated corporate expenses represent the portion of expenses relating to general corporate functions including acquisition expenses, certain finance, legal, information technology, human resources, administrative and executive expenses and other expenses not directly attributable to a reportable segment.

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The following table compares line items within operating income for unallocated corporate expenses:

| (In thousands) | Twelve Months Ended December 31, | | Increase (Decrease) | |
|-------------------------------|--|------------|------------------------|---------|
| | 2018 | 2017 | Amount | Percent |
| Other operating expenses | | | | |
| General and administrative | \$80,228 | \$69,531 | \$10,697 | 15 % |
| Sales and marketing | \$— | \$138 | \$(138) | NM |
| Depreciation and amortization | \$1,722 | \$1,612 | \$110 | 7 % |
| Gain on divestiture | \$— | \$(20,958) | \$20,958 | NM |

NM - Not Meaningful

General and administrative expenses increased \$10.7 million for 2018 as compared to 2017, due primarily to higher personnel related costs, including incremental headcount to support business growth, higher share based compensation expense, and increased professional fees incurred as part of our recently announced acquisitions and debt restructurings.

Sales and marketing expenses and depreciation and amortization were not material to the Company's operations for both 2018 and 2017.

During 2017, management determined that our Telapoint business did not align with the long-term strategy of our core businesses. During November 2017, the Company sold \$8.9 million of net assets related to this business for proceeds of \$29.9 million, which resulted in a pre-tax book gain of approximately \$21.0 million.

Non-operating income and expense

The following table reflects comparative results for certain amounts excluded from operating income:

| (In thousands) | Twelve Months Ended December 31, | | Increase (Decrease) | |
|--|-------------------------------------|-------------|------------------------|---------|
| | 2018 | 2017 | Amount | Percent |
| Financing interest expense | \$(105,023) | \$(107,067) | \$(2,044) | (2) % |
| Net foreign currency (loss) gain | \$(38,800) | \$31,487 | \$(70,287) | NM |
| Net unrealized gain on financial instruments | \$2,579 | \$1,314 | \$1,265 | 96 % |
| Non-cash adjustments related to tax receivable agreement | \$(775) | \$15,259 | \$(16,034) | NM |
| Income taxes | \$68,843 | \$15,450 | \$53,393 | 346 % |
| Net income (loss) from non-controlling interest | \$1,481 | \$(1,096) | \$2,577 | NM |

NM - Not Meaningful

Financing interest expense decreased \$2.0 million in 2018, as compared to 2017. This decrease was primarily due to lower effective interest rates, including the impact of \$1.3 billion in interest rate swaps outstanding during most of 2018, and a decrease in average borrowings under our 2016 Credit Agreement, partly offset by a loss on the extinguishment of debt as part of our January 2018 debt repricing.

Our foreign currency exchange exposure is primarily related to the re-measurement of our cash, receivable and payable balances, including intercompany transactions that are denominated in foreign currencies. In 2018, net foreign currency loss was \$38.8 million, as compared to a net foreign currency gain of \$31.5 million in 2017. In 2018, the U.S. dollar strengthened relative to all major foreign currencies in which we transact, including the Euro, British pound sterling, Australian dollar, Brazilian real and Canadian dollar. In 2017, we recognized gains on trade receivables and intercompany loans primarily from a strengthening of the British Pound Sterling and the Euro relative to the US dollar.

Net unrealized gain on financial instruments was \$2.6 million in 2018, as compared to \$1.3 million in 2017. The increase in unrealized gain was due to higher average notional amounts of interest rate swaps outstanding and the favorable impact of increases in the variable interest rates on our swap agreements, partly offset by the decrease in remaining swap duration. In December 2017, the Company entered into two separate interest rate swap arrangements with an aggregate notional amount of \$500 million, increasing the amount of fixed future interest payments associated with our variable rate borrowings to \$1.3 billion.

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Non-cash adjustments related to tax receivable agreement were not material to operations in 2018. In 2017, non-cash adjustments related to tax receivable agreement were \$15.3 million, resulting from a decrease in a tax sharing liability due to our former parent company as a result of the 2017 Tax Act, which reduced the federal statutory rate from 35 percent to 21 percent.

Our effective tax rate was 28.9 percent for 2018 as compared to 8.9 percent for 2017. The lower tax rate in 2017 was primarily due to the reduction of our net deferred tax liabilities resulting from the change in federal corporate income tax rate from 35 percent to 21 percent effective January 1, 2018.

During the fourth quarter of 2017, the Company recorded a provisional one-time income tax benefit of \$60.6 million associated with the 2017 Tax Act. During the third quarter of 2018, the Company recorded an adjustment for the one-time income tax benefit attributable to the Company updating its estimate of foreign undistributed earnings, which was materially offset by an adjustment to certain deferred tax attributes as a result of further clarification provided by the IRS relative to IRC 162(m). As of December 31, 2018, the Company completed its analysis and all amounts were considered final.

In January 2018, the FASB released guidance on the accounting for tax on the GILTI provisions of the 2017 Tax Act. The GILTI provisions impose a tax on foreign income in excess of a deemed return on tangible assets of foreign corporations. The Company elected to treat GILTI inclusions as a period cost and this resulted in an increase in tax expense of \$1.8 million for the year ended December 31, 2018.

Undistributed earnings of certain foreign subsidiaries of the Company amounted to approximately \$64.9 million and \$58.7 million at December 31, 2018 and 2017, respectively. These earnings are considered to be indefinitely reinvested. The 2017 Tax Act imposed a one time “transition tax” on foreign undistributed earnings, which was included with our 2017 U.S. Income Tax Return. The Company offset the transition tax with net operating loss carryforwards and therefore this tax did not result in any additional cash tax payable.

Net income or loss from non-controlling interest relates to our 75 percent ownership stake in WEX Europe Services. Such amounts were not material to Company operations for 2018 or 2017.

Year Ended December 31, 2017, Compared to the Year Ended December 31, 2016

Fleet Solutions

Revenues

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

| (In thousands, except per transaction and per gallon data) | Twelve Months Ended December 31, | | Increase (Decrease) | |
|--|-------------------------------------|-----------|---------------------|---------|
| | 2017 | 2016 | Amount | Percent |
| Revenues ^(a) | | | | |
| Payment processing revenue | \$360,158 | \$297,900 | \$62,258 | 21 % |
| Account servicing revenue | 165,083 | 127,105 | 37,978 | 30 % |
| Finance fee revenue | 159,336 | 124,725 | 34,611 | 28 % |
| Other revenue | 138,533 | 92,331 | 46,202 | 50 % |
| Total revenues | \$823,110 | \$642,061 | \$181,049 | 28 % |

Key operating statistics ^(b)

Payment processing revenue:

| | | | | |
|---|--------------|--------------|-------------|----------|
| Payment processing transactions | 429,716 | 385,861 | 43,855 | 11 % |
| Payment processing fuel spend | \$30,288,539 | \$22,838,237 | \$7,450,302 | 33 % |
| Average price per gallon of fuel – Domestic – (\$USD/gal) | \$2.50 | \$2.21 | \$0.29 | 13 % |
| Net payment processing rate | 1.19 | % 1.30 | % (0.11 |)% (8)% |

^(a) Foreign currency exchange rate fluctuations increased Fleet Solutions revenue by approximately \$3 million in 2017.

^(b) As of July 1, 2016, these key operating statistics include our EFS acquisition.

Payment processing revenue increased \$62.3 million for 2017, as compared to 2016, due primarily to the impact of a 13% increase in the annual average domestic price per gallon of fuel and higher payment processing volumes. Higher payment processing volumes resulted from organic growth, the acquisition of EFS and a large customer portfolio converting from a

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transaction processing relationship to a payment processing relationship in the beginning of 2016. These favorable factors were partly offset by a decrease in our interchange rate as a result of the large portfolio conversion mentioned above.

Account servicing revenue increased \$38.0 million for 2017, as compared to 2016, resulting from worldwide price modernization efforts over the course of the prior year and the EFS acquisition.

Other revenue increased \$46.2 million in 2017, as compared to 2016, resulting primarily from higher transaction processing revenue due to the acquisition of EFS and additional pricing modernization efforts.

Finance fee revenue is comprised of the following components:

| | Twelve Months | | Increase | |
|----------------------------|--------------------|------------|------------|---------|
| | Ended December 31, | | (Decrease) | |
| (In thousands) | 2017 | 2016 | Amount | Percent |
| Finance income | \$ 129,783 | \$ 104,492 | \$ 25,291 | 24 % |
| Factoring fee revenue | 29,018 | 19,689 | \$ 9,329 | 47 % |
| Cardholder interest income | 535 | 544 | \$(9) | (2)% |
| Finance fee revenue | \$ 159,336 | \$ 124,725 | \$ 34,611 | 28 % |

Finance income increased \$25.3 million in 2017, as compared to 2016, due to an increase in overdue customer balances. For the majority of 2016, late fees ranged up to 6.99% monthly, with minimum charges of up to \$75. For the majority of 2017, late fees ranged up to 7.99% monthly, with minimum charges of \$75. The weighted average late fee rate, net of related charge-offs was 4.4% and 4.3% for 2017 and 2016, respectively.

Concessions to certain customers experiencing financial difficulties may be granted and are limited to extending the time to pay, placing a customer on a payment plan or granting waivers of late fees. There were no material concessions to customers experiencing financial difficulties during either of the years ended December 31, 2017 and 2016. Though not material, the Company granted certain concessions to domestic customers impacted by hurricanes and forest fires during 2017.

Factoring fee revenue increased \$9.3 million in 2017, as compared to 2016. The increase in factoring fee revenue is due to organic growth and customer demand for our services.

Operating expenses

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

| | Twelve Months | | Increase | |
|------------------|--------------------|------|------------|---------|
| | Ended December 31, | | (Decrease) | |
| (In thousands) | 2017 | 2016 | Amount | Percent |
| Cost of services | | | | |