FLEETCOR TECHNOLOGIES INC
Form 10-Q
August 08, 2017
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

ý QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended June 30, 2017
OR
¨ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to
Commission file number: 001-35004

FleetCor Technologies, Inc.
(Exact name of registrant as specified in its charter)

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

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ý No ¨
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ý No ¨
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. (Check one:)

Large accelerated filer	ý	Accelerated filer	¨
Non-accelerated filer	¨ (Do not check if a smaller reporting company)	Smaller reporting company	¨
Emerging growth company	¨		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ¨

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

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

Class	Outstanding at July 25, 2017
Common Stock, $0.001 par value	91,878,784

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FLEETCOR TECHNOLOGIES, INC. AND SUBSIDIARIES
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For the Three and Six Month Periods Ended June 30, 2017
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PART I—FINANCIAL INFORMATION
Item 1. Financial Statements
FleetCor Technologies, Inc. and Subsidiaries
Consolidated Balance Sheets
(In Thousands, Except Share and Par Value Amounts)

	June 30, 2017	December 31, 2016
	(Unaudited)	
Assets		
Current assets:		
Cash and cash equivalents	$564,578	$475,018
Restricted cash	201,039	168,752
Accounts and other receivables (less allowance for doubtful accounts of $47,836 and $32,506 at June 30, 2017 and December 31, 2016, respectively)	1,429,563	1,202,009
Securitized accounts receivable—restricted for securitization investors	741,000	591,000
Prepaid expenses and other current assets	109,178	90,914
Total current assets	3,045,358	2,527,693
Property and equipment, net	154,278	142,504
Goodwill	4,212,523	4,195,150
Other intangibles, net	2,562,326	2,653,233
Investments	40,845	36,200
Other assets	86,381	71,952
Total assets	$10,101,711	$9,626,732
Liabilities and stockholders’ equity		
Current liabilities:		
Accounts payable	$1,240,766	$1,151,432
Accrued expenses	206,073	238,812
Customer deposits	688,574	530,787
Securitization facility	741,000	591,000
Current portion of notes payable and lines of credit	702,444	745,506
Other current liabilities	40,169	38,781
Total current liabilities	3,619,026	3,296,318
Notes payable and other obligations, less current portion	2,394,621	2,521,727
Deferred income taxes	637,162	668,580
Other noncurrent liabilities	45,402	56,069
Total noncurrent liabilities	3,077,185	3,246,376
Commitments and contingencies (Note 12)		
Stockholders’ equity:		
Common stock, $0.001 par value; 475,000,000 shares authorized; 121,712,973 shares issued and 91,878,784 shares outstanding at June 30, 2017; and 121,259,960 shares issued and 91,836,938 shares outstanding at December 31, 2016	122	121
Additional paid-in capital	2,136,913	2,074,094
Retained earnings	2,473,401	2,218,721
Accumulated other comprehensive loss	(610,049)	(666,403)
Less treasury stock 29,834,189 shares at June 30, 2017 and 29,423,022 shares at December 31, 2016	(594,887)	(542,495)
Total stockholders’ equity	3,405,500	3,084,038
Total liabilities and stockholders’ equity	$10,101,711	$9,626,732

See accompanying notes to unaudited consolidated financial statements.

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FleetCor Technologies, Inc. and Subsidiaries
Unaudited Consolidated Statements of Income
(In Thousands, Except Per Share Amounts)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016[1]	2017	2016[1]
Revenues, net	$541,237	$417,905	$1,061,670	$832,167
Expenses:				
Merchant commissions	30,619	22,308	55,003	50,541
Processing	103,322	80,691	205,146	160,505
Selling	38,957	31,947	77,794	58,500
General and administrative	87,569	63,586	183,003	131,180
Depreciation and amortization	64,709	48,436	129,575	84,764
Other operating, net	18	(231)	38	(446)
Operating income	216,043	171,168	411,111	347,123
Equity method investment loss (income)	2,354	(7,184)	4,731	(4,991)
Other (income) expense, net	(551)	104	1,645	763
Interest expense, net	23,851	15,900	46,978	32,091
Total other expense	25,654	8,820	53,354	27,863
Income before income taxes	190,389	162,348	357,757	319,260
Provision for income taxes	59,402	46,095	103,077	91,917
Net income	$130,987	$116,253	$254,680	$227,343
Basic earnings per share	$1.42	$1.25	$2.77	$2.46
Diluted earnings per share	$1.39	$1.22	$2.70	$2.39
Weighted average shares outstanding:				
Basic shares	92,013	92,665	92,060	92,591
Diluted shares	94,223	95,279	94,392	95,137

[1] Reflects the impact of the Company's adoption of Accounting Standards Update 2016-09, Compensation-Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting, to simplify several aspects of the accounting for share-based compensation, including the income tax consequences.
See accompanying notes to unaudited consolidated financial statements.

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FleetCor Technologies, Inc. and Subsidiaries
Consolidated Statements of Comprehensive Income
(In Thousands)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Net income	$130,987	$116,253	$254,680	$227,343
Other comprehensive (loss) income:				
Foreign currency translation (losses) gains, net of tax	(37,260)	(20,132)	56,354	11,070
Total other comprehensive (loss) income	(37,260)	(20,132)	56,354	11,070
Total comprehensive income	$93,727	$96,121	$311,034	$238,413

See accompanying notes to unaudited consolidated financial statements.

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FleetCor Technologies, Inc. and Subsidiaries
Unaudited Consolidated Statements of Cash Flows
(In Thousands)

	Six Months Ended June 30, 2017			2016[1]		
Operating activities						
Net income	$	254,680		$	227,343	
Adjustments to reconcile net income to net cash provided by operating activities:						
Depreciation	21,593			16,311		
Stock-based compensation	44,243			32,620		
Provision for losses on accounts receivable	27,648			13,729		
Amortization of deferred financing costs and discounts	3,800			3,651		
Amortization of intangible assets	104,894			66,114		
Amortization of premium on receivables	3,088			2,339		
Deferred income taxes	(32,660		)	(9,248		)
Equity method investment loss (income)	4,731			(4,991		)
Other non-cash operating income	—			(446		)
Changes in operating assets and liabilities (net of acquisitions):						
Restricted cash	(28,739		)	13,555		
Accounts and other receivables	(380,196		)	(392,545		)
Prepaid expenses and other current assets	(18,778		)	(4,636		)
Other assets	(15,050		)	(9,362		)
Accounts payable, accrued expenses and customer deposits	189,750			257,608		
Net cash provided by operating activities	179,004			212,042		
Investing activities						

Acquisitions, net of cash acquired	(3,580		)	(5,299		)
Purchases of property and equipment	(32,600		)	(24,757		)
Other	(6,327		)	(7,868		)
Net cash used in investing activities	(42,507		)	(37,924		)
Financing activities						
Proceeds from issuance of common stock	16,432			7,964		
Repurchase of common stock	(52,393		)	(26,037		)
Borrowings on securitization facility, net	150,000			99,000		
Principal payments on notes payable	(66,725		)	(51,750		)
Borrowings from revolver – A Facility	90,000			140,000		
Payments on revolver – A Facility	(215,901		)	(290,000		)
Borrowings on swing line of credit, net	10,245			—		
Other	537			(666		)
Net cash used in financing activities	(67,805		)	(121,489		)
Effect of foreign currency exchange rates on cash	20,868			(6,696		)
Net increase in cash and cash equivalents	89,560			45,933		
Cash and cash equivalents, beginning of period	475,018			447,152		
Cash and cash equivalents, end of period	$	564,578		$	493,085	
Supplemental cash flow information						
Cash paid for interest	$	68,431		$	30,361	
Cash paid for income taxes	$	188,157		$	64,345	

[1] Reflects the impact of the Company's adoption of Accounting Standards Update 2016-09, Compensation-Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting, to simplify several aspects of the accounting for share-based compensation, including the income tax consequences.
See accompanying notes to unaudited consolidated financial statements.

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FleetCor Technologies, Inc. and Subsidiaries
Notes to Unaudited Consolidated Financial Statements
June 30, 2017

1. Summary of Significant Accounting Policies

Basis of Presentation

Throughout this report, the terms “our,” “we,” “us,” and the “Company” refers to FleetCor Technologies, Inc. and its subsidiaries. The Company prepared the accompanying interim consolidated financial statements in accordance with Rule 10-01 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States (“GAAP”). The unaudited consolidated financial statements reflect all adjustments considered necessary for fair presentation. These adjustments consist primarily of normal recurring accruals and estimates that impact the carrying value of assets and liabilities. Actual results may differ from these estimates. Operating results for the three and six month periods ended June 30, 2017 are not necessarily indicative of the results that may be expected for the year ending December 31, 2017.

The unaudited interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2016.

Foreign Currency Translation

Assets and liabilities of foreign subsidiaries are translated into U.S. dollars at the rates of exchange in effect at period-end. The related translation adjustments are made directly to accumulated other comprehensive income. Income and expenses are translated at the average monthly rates of exchange in effect during the period. Gains and losses from foreign currency transactions of these subsidiaries are included in net income. The Company recognized foreign exchange gains of $0.8 million and foreign exchange losses of $0.2 million for the three months ended June 30, 2017 and 2016, respectively, which are recorded within other expense, net in the Unaudited Consolidated Statements of Income. The Company recognized foreign exchange losses of $0.8 million for both the six month periods ended June 30, 2017 and 2016, respectively.

Adoption of New Accounting Standards

Revenue Recognition

In May 2014, the FASB issued ASU 2014-09, "Revenue from Contracts with Customers (Topic 606)." The core principle of ASU 2014-09 is that an entity should recognize revenue to depict the transfer of promised goods or services in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. ASU 2014-09 will replace most existing revenue recognition guidance in GAAP and permits the use of either the retrospective or modified retrospective transition method. The update requires significant additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments. ASU 2014-09, as amended by ASU 2015-14, "Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date," is effective for years beginning after December 15, 2017, including interim periods, with early adoption permitted for years beginning after December 15, 2016. Since the issuance of ASU 2014-09, the FASB has issued additional interpretive guidance, including new accounting standards updates, that clarifies certain points of the standard and modifies certain requirements.

The Company has performed a review of the requirements of the new revenue standard and is monitoring the activity of the FASB and the transition resource group as it relates to specific interpretive guidance. The Company has established an implementation team to assess the effects of the new revenue standard in a multi-phase approach. In the first phase, the Company is analyzing customer contracts for its most significant contract categories, applied the five-step model of the new standard to each contract category and comparing the results to our current accounting practices. The Company has begun the second phase, which includes quantifying the potential effects identified during the first phase, assessing additional contract categories and principal versus agent considerations, revising accounting policies and considering the effects on related disclosures and/or internal control over financial reporting.

The new standard could change the amount and timing of revenue and expenses to be recognized under certain of our arrangement types. In addition, it could also increase the administrative burden on our operations to account for customer contracts and provide the more expansive required disclosures. More judgment and estimates may be required within the process of applying the requirements of the new standard than are required under existing GAAP, such as identifying performance obligations in contracts, estimating the amount of variable consideration to include in transaction price, allocating transaction price to each separate performance obligation and estimating expected customer lives. The Company has not completed its assessment or quantified the effect the new guidance will have on its consolidated financial statements, related

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disclosures and/or its internal control over financial reporting. This assessment will occur over the remainder of the calendar year. However, the Company's preliminary view is that the expected amount and timing of revenue to be recognized under ASU 2014-09 for its most significant contract categories, fuel card payments, corporate payments, lodging payments and gift cards, will be similar to the amount and timing of revenue recognized under our current accounting practices. The Company also may be required to capitalize additional costs to obtain contracts with customers, and, in some cases, may be required to amortize these costs over a contractual time period. Finally, the Company expects disclosures about its revenues and related customer acquisition costs will be more extensive.

The Company plans to adopt ASU 2014-09, as well as other clarifications and technical guidance issued by the FASB related to this new revenue standard, on January 1, 2018. The Company will apply the modified retrospective transition method, which would result in an adjustment to retained earnings for the cumulative effect, if any, of applying the standard to contracts that are not completed at the date of initial application. Under this method, the Company would not restate the prior financial statements presented, therefore the new standard requires the Company to provide additional disclosures of the amount by which each financial statement line item is affected in the current reporting period during 2018, as compared to the guidance that was in effect before the change, and an explanation of the reasons for significant changes, if any.

Accounting for Leases

In February 2016, the FASB issued ASU 2016-02, “Leases”, which requires lessees to recognize a right-of-use asset and a lease liability on the balance sheet for all leases with the exception of short-term leases. This ASU also requires disclosures to provide additional information about the amounts recorded in the financial statements. This ASU is effective for the Company for annual periods beginning after December 15, 2018 and interim periods therein. Early adoption is permitted. The new standard must be adopted using a modified retrospective transition and requires application of the new guidance for leases that exist or are entered into after the beginning of the earliest comparative period presented. The Company is currently evaluating the impact of ASU 2016-02 on our consolidated financial statements; however, we expect to recognize right of use assets and liabilities for our operating leases in the consolidated balance sheet upon adoption.

Accounting for Employee Stock-Based Payment

In March 2016, the FASB issued ASU 2016-09, "Compensation-Stock Compensation: Improvements to Employee Share-Based Payment Accounting", which requires excess tax benefits recognized on stock-based compensation expense be reflected in the consolidated statements of operations as a component of the provision for income taxes on a prospective basis. ASU 2016-09 also requires excess tax benefits recognized on stock-based compensation expense be classified as an operating activity in the consolidated statements of cash flows rather than a financing activity. Companies can elect to apply this provision retrospectively or prospectively. ASU 2016-09 also requires entities to elect whether to account for forfeitures as they occur or estimate expected forfeitures over the course of a vesting period. This ASU is effective for the Company for annual periods beginning after December 15, 2016. Early adoption was permitted.

During the third quarter of 2016, the Company elected to early adopt ASU 2016-09. The adoption of this ASU resulted in excess tax benefits being recorded as a reduction of income tax expense prospectively for all periods during 2016, rather than additional paid in capital, and an increase in the number of dilutive shares outstanding at the end of each period. The adoption of ASU 2016-09 resulted in an increase to diluted earnings per share during the respective period. As required by ASU 2016-09, excess tax benefits recognized on stock-based compensation expense are classified as an operating activity in our consolidated statements of cash flows on a prospective basis within changes in accounts payable, accrued expenses and customer deposits. In accordance with ASU 2016-09, the classification of excess tax benefits in prior periods have not been adjusted in periods prior to 2016. The Company also elected to account for forfeitures as they occur, rather than estimate expected forfeitures over the course of a vesting period. As a result of the adoption of ASU 2016-09, the net cumulative effect of this change was not material to the results of operations, financial condition, or cash flows.

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The following table shows the impact of retrospectively applying ASU 2016-09 to the previously issued consolidated statements of income for the three and six month periods ended June 30, 2016 (in thousands, except per share amounts):

	Three Months Ended June 30, 2016			Six Months Ended June 30, 2016		
	As Previously Reported	Adjustments	As Recast	As Previously Reported	Adjustments	As Recast
Income before income taxes	$162,348	$ —	$162,348	$319,260	$ —	$319,260
Provision for income taxes	48,163	(2,068)	46,095	95,103	(3,186)	$91,917
Net income	$114,185	$ 2,068	$116,253	$224,157	$ 3,186	$227,343
Earnings per share:						
Basic earnings per share	$1.23	$ 0.02	$1.25	$2.42	$ 0.04	$2.46
Diluted earnings per share	$1.21	$ 0.01	$1.22	$2.37	$ 0.02	$2.39
Weighted average common shares outstanding:						
Basic	92,665	—	92,665	92,591	—	92,591
Diluted	94,549	729	95,279	94,437	700	95,137

The following table shows the impact of retrospectively applying this guidance to the Consolidated Statement of Cash flows for the six months ended June 30, 2016 (in thousands):

	Six Months Ended June 30, 2016		
	As Previously Reported	Adjustments	As Recast
Net cash provided by operating activities	$208,856	$ 3,186	$212,042
Net cash used in investing activities	(37,924)	—	(37,924)
Net cash used in financing activities	(118,303)	(3,186)	(121,489)
Effect of foreign currency exchange rates on cash	(6,696)	—	(6,696)
Net increase in cash	$45,933	$ —	$45,933

Accounting for Breakage

In March 2016, the FASB issued ASU 2016-04, “Liabilities-Extinguishments of Liabilities: Recognition of Breakage for Certain Prepaid Stored-Value Products”, which requires entities that sell prepaid stored value products redeemable for goods, services or cash at third-party merchants to derecognize liabilities related to those products for breakage. This ASU is effective for the Company for reporting periods beginning after December 15, 2017. Early adoption is permitted. The ASU must be adopted using either a modified retrospective approach with a cumulative effect adjustment to retained earnings as of the beginning of the period of adoption or a full retrospective approach. The Company’s adoption of this ASU is not expected to have a material impact on the results of operations, financial condition, or cash flows.

Cash Flow Classification

In August 2016, the FASB issued ASU 2016-15, "Classification of Certain Cash Receipts and Cash Payments", which amends the guidance in ASC 230, Statement of Cash Flows. This amended guidance reduces the diversity in practice that has resulted from the lack of consistent principles related to the classification of certain cash receipts and payments in the statement of cash flows. This ASU is effective for the Company for reporting periods beginning after December 15, 2017. Early adoption is permitted. Entities must apply the guidance retrospectively to all periods presented but may apply it prospectively from the earliest date practicable if retrospective application would be impracticable. The Company’s adoption of this ASU is not expected to have a material impact on the results of operations, financial condition, or cash flows.

In November 2016, the FASB issued ASU 2016-18, "Statement of Cash Flows (Topic 230): Restricted Cash", which amends the guidance in ASC 230, Statement of Cash Flows, on the classification and presentation of restricted cash in the statement of cash flows. This ASU is effective for the Company for reporting periods beginning after December

15, 2017. Early adoption is permitted. If an entity early adopts the amendments in an interim period, any adjustments should be reflected as of the beginning of the fiscal year that includes that interim period. The amendments in this ASU should be applied using a retrospective transition method to each period presented. The Company’s adoption of this ASU is not expected to have a material impact on the results of operations, financial condition, or cash flows.
Intangibles - Goodwill and Other Impairment
In January 2017, the FASB issued ASU 2017-04, "Simplifying the Test for Goodwill Impairment, which eliminates the requirement to calculate the implied fair value of goodwill (i.e., Step 2 of the goodwill impairment test) to measure a goodwill

impairment charge. Instead, entities will record an impairment charge based on the excess of a reporting unit's carrying amount over its fair value (i.e., measure the charge based on Step 1). The standard has tiered effective dates, starting in 2020 for calendar-year public business entities that meet the definition of an SEC filer. Early adoption is permitted for interim and annual goodwill impairment testing dates after January 1, 2017. The Company's adoption of this ASU is not expected to have a material impact on the results of operations, financial condition, or cash flows.

Definition of a Business

In January 2017, the FASB issued ASU 2017-01, "Clarifying the Definition of a Business", which amends the definition of a business to assist entities with evaluating when a set of transferred assets and activities is a business. The guidance requires an entity to evaluate if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or a group of similar identifiable assets. If so, the set of transferred assets and activities is not a business.The guidance also requires a business to include at least one substantive process and narrows the definition of outputs.The guidance is effective for the Company for reporting periods beginning after December 15, 2017, and interim periods within those years. Early adoption is permitted. The Company's adoption of this ASU is not expected to have a material impact on the results of operations, financial condition, or cash flows.

Accounting for Modifications to Stock-Based Compensation

In May 2017, the FASB issued ASU 2017-09, "Compensation—Stock Compensation (Topic 718): Scope of Modification Accounting", which amends the scope of modification accounting for share-based payment arrangements. The ASU provides guidance on the types of changes to the terms or conditions of share-based payment awards to which an entity would be required to apply modification accounting under ASC 718. Specifically, an entity would not apply modification accounting if the fair value, vesting conditions and classification of the awards are the same immediately before and after the modification. The guidance is effective for the Company for reporting periods beginning after December 15, 2017, and interim periods within those years. Early adoption is permitted. The Company's adoption of this ASU is not expected to have a material impact on the results of operations, financial condition, or cash flows.

2. Accounts Receivable

The Company maintains a $950 million revolving trade accounts receivable Securitization Facility. Accounts receivable collateralized within our Securitization Facility relate to our U.S. trade receivables resulting from charge card activity. Pursuant to the terms of the Securitization Facility, the Company transfers certain of its domestic receivables, on a revolving basis, to FleetCor Funding LLC (Funding) a wholly-owned bankruptcy remote subsidiary. In turn, Funding sells, without recourse, on a revolving basis, up to $950 million of undivided ownership interests in this pool of accounts receivable to a multi-seller, asset-backed commercial paper conduit (Conduit). Funding maintains a subordinated interest, in the form of over-collateralization, in a portion of the receivables sold to the Conduit. Purchases by the Conduit are financed with the sale of highly-rated commercial paper.

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

The Company's consolidated balance sheets and statements of income reflect the activity related to securitized accounts receivable and the corresponding securitized debt, including interest income, fees generated from late payments, provision for losses on accounts receivable and interest expense. The cash flows from borrowings and repayments, associated with the securitized debt, are presented as cash flows from financing activities.

The Company's accounts receivable and securitized accounts receivable include the following at June 30, 2017 and December 31, 2016 (in thousands):

	June 30, 2017	December 31, 2016
Gross domestic accounts receivable	$711,681	$529,885
Gross domestic securitized accounts receivable	741,000	591,000

Gross foreign receivables	765,718	704,630
Total gross receivables	2,218,399	1,825,515
Less allowance for doubtful accounts	(47,836)	(32,506)
Net accounts and securitized accounts receivable	$2,170,563	$1,793,009

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

	2017	2016
Allowance for doubtful accounts beginning of period	$32,506	$21,903
Provision for bad debts	27,648	13,729
Write-offs	(12,318)	(10,396)
Allowance for doubtful accounts end of period	$47,836	$25,236

3. Fair Value Measurements

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

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

- Level 1: Observable inputs such as quoted prices for identical assets or liabilities in active markets.
- Level 2: Observable inputs other than quoted prices that are directly or indirectly observable for the asset or liability, including quoted prices for similar assets or liabilities in active markets; quoted prices for similar or identical assets or liabilities in markets that are not active; and model-derived valuations whose inputs are observable or whose significant value drivers are observable.
- Level 3: Unobservable inputs for which there is little or no market data, which require the reporting entity to develop its own assumptions. The fair value hierarchy also requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

The following table presents the Company's financial assets and liabilities which are measured at fair values on a recurring basis as of June 30, 2017 and December 31, 2016, (in thousands).

	Fair Value	Level 1	Level 2	Level 3
June 30, 2017				
Assets:				
Repurchase agreements	$310,034	$ —	$310,034	$ —
Money market	50,254	—	50,254	—
Certificates of deposit	7,759	—	7,759	—
Total cash equivalents	$368,047	$ —	$368,047	$ —
December 31, 2016				
Assets:				
Repurchase agreements	$232,131	$ —	$232,131	$ —
Money market	50,179	—	50,179	—
Certificates of deposit	48	—	48	—
Total cash equivalents	$282,358	$ —	$282,358	$ —

The Company has highly-liquid investments classified as cash equivalents, with original maturities of 90 days or less, included in our Consolidated Balance Sheets. The Company utilizes Level 2 fair value determinations derived from directly or indirectly observable (market based) information to determine the fair value of these highly liquid investments. The Company has certain cash and cash equivalents that are invested on an overnight basis in repurchase agreements, money markets and certificates of deposit. The value of overnight repurchase agreements is determined based upon the quoted market prices for the treasury securities associated with the repurchase agreements. The value of money market instruments is the financial institutions' month-end statement, as these instruments are not tradeable and must be settled directly by us with the respective financial institution. Certificates of deposit are valued at cost, plus interest accrued. Given the short-term nature of these instruments, the carrying value approximates fair value.

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The level within the fair value hierarchy and the measurement technique are reviewed quarterly. Transfers between levels are deemed to have occurred at the end of the quarter. There were no transfers between fair value levels during the periods presented for 2017 and 2016.

The Company’s assets that are measured at fair value on a nonrecurring basis and are evaluated with periodic testing for impairment include property, plant and equipment, investments, goodwill and other intangible assets. Estimates of the fair value of assets acquired and liabilities assumed in business combinations are generally developed using key inputs such as management’s projections of cash flows on a held-and-used basis (if applicable), discounted as appropriate, management’s projections of cash flows upon disposition and discount rates. Accordingly, these fair value measurements are in Level 3 of the fair value hierarchy.

The fair value of the Company’s cash, accounts receivable, securitized accounts receivable and related facility, prepaid expenses and other current assets, accounts payable, accrued expenses, customer deposits and short-term borrowings approximate their respective carrying values due to the short-term maturities of the instruments. The carrying value of the Company’s debt obligations approximates fair value as the interest rates on the debt are variable market based interest rates that reset on a quarterly basis. These are each Level 2 fair value measurements, except for cash, which is a Level 1 fair value measurement.

4. Stockholders' Equity

On February 4, 2016, the Company's Board of Directors approved a stock repurchase program (the "Program") under which the Company may purchase up to an aggregate of $500 million of its common stock over the following 18 month period. On July 27, 2017, the Company's Board of Directors authorized an increase in the size of the Program by an additional $250 million and an extension of the Program by an additional 18 months. With the increase and giving effect to the Company's $240 million of previous repurchases, the Company may repurchase up to $510 million in shares of its common stock at any time prior to February 1, 2019. Any stock repurchases may be made at times and in such amounts as deemed appropriate. The timing and amount of stock repurchases, if any, will depend on a variety of factors including the stock price, market conditions, corporate and regulatory requirements, and any additional constraints related to material inside information the Company may possess. Any repurchases have been and are expected to be funded by a combination of available cash flow from the business, working capital and debt. Since the beginning of the Program, 1,670,311 shares for an aggregate purchase price of $240.1 million have been repurchased. There were 411,166 shares totaling $52.4 million repurchased under the Program during the six months ended June 30, 2017.

On August 3, 2017, as part of the Program, the Company entered an Accelerated Share Repurchase agreement ("ASR Agreement") with a third-party financial institution to repurchase $250 million of its common stock. Pursuant to the ASR Agreement, approximately 85% of the shares expected to be repurchased were received by the Company on August 8, 2017. The total number of shares ultimately repurchased under the Program will be determined upon final settlement and will be based on a discount to the volume-weighted average price of the Company's common stock during the ASR period. The Company anticipates that all repurchases under the ASR will be completed by the end of the third quarter of 2017.

5. Stock-Based Compensation

The Company has Stock Incentive Plans (the Plans) pursuant to which the Company’s Board of Directors may grant stock options or restricted stock to employees. The table below summarizes the expense recognized related to share-based payments recognized for the three and six month periods ended June 30 (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Stock options	$13,949	$8,394	$26,038	$17,638
Restricted stock	7,201	9,041	18,205	14,982
Stock-based compensation	$21,150	$17,435	$44,243	$32,620

The tax benefits recorded on stock based compensation were $24.3 million and $14.2 million for the six month periods ended June 30, 2017 and 2016, respectively.

The following table summarizes the Company’s total unrecognized compensation cost related to stock-based compensation as of June 30, 2017 (cost in thousands):

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	Unrecognized Compensation Cost	Weighted Average Period of Expense Recognition (in Years)
Stock options	$ 108,831	1.67
Restricted stock	16,431	0.51
Total	$ 125,262	

Stock Options

Stock options are granted with an exercise price estimated to be equal to the fair market value of the Company's stock on the date of grant as authorized by the Company's Board of Directors. Options granted have vesting provisions ranging from one to five years and vesting of the options is generally based on the passage of time or performance. Stock option grants are subject to forfeiture if employment terminates prior to vesting.

The following summarizes the changes in the number of shares of common stock under option for the six month period ended June 30, 2017 (shares and aggregate intrinsic value in thousands):

	Shares	Weighted Average Exercise Price	Options Exercisable at End of Period	Weighted Average Exercise Price of Exercisable Options	Weighted Average Fair Value of Options Granted During the Period	Aggregate Intrinsic Value
Outstanding at December 31, 2016	6,146	$ 91.20	3,429	$ 55.00		$ 309,238
Granted	2,550	144.44			$ 32.57	
Exercised	(267)	61.59				22,047
Forfeited	(60)	142.14				
Outstanding at June 30, 2017	8,369	$ 108.00	3,862	$ 66.43		$ 303,003
Expected to vest as of June 30, 2017	8,369	$ 108.00				

The aggregate intrinsic value of stock options exercisable at June 30, 2017 was $300.4 million. The weighted average remaining contractual term of options exercisable at June 30, 2017 was 5.2 years.

The fair value of stock option awards granted was estimated using the Black-Scholes option pricing model during the six months ended June 30, 2017 and 2016, with the following weighted-average assumptions for grants or modifications during the period:

	June 30, 2017	2016
Risk-free interest rate	1.65 %	1.10 %
Dividend yield	—	—
Expected volatility	28.00 %	27.37 %
Expected life (in years)	3.4	3.4

Restricted Stock

Awards of restricted stock and restricted stock units are independent of stock option grants and are subject to forfeiture if employment terminates prior to vesting. The vesting of shares granted is generally based on the passage of time or performance, or a combination of these. Shares vesting based on the passage of time have vesting provisions of one year.

The following table summarizes the changes in the number of shares of restricted stock and restricted stock units for the six months ended June 30, 2017 (shares in thousands):

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	Shares	Weighted Average Grant Date Fair Value
Outstanding at December 31, 2016	379	$ 140.39
Granted	136	149.94
Vested	(200)	136.22
Cancelled	(38)	155.55
Outstanding at June 30, 2017	277	$ 148.57

6. Acquisitions

2017 Acquisitions

On April 28, 2017, the Company signed a definitive agreement to acquire Cambridge Global Payments (“Cambridge”), a leading business to business (B2B) international payments provider, for approximately $690 million in cash. Cambridge processes B2B cross-border payments, assisting business clients in making international payments to suppliers and employees. The purpose of this acquisition is to further expand the Company's corporate payments footprint. This acquisition is expected to be completed by September 1, 2017.

2016 Acquisitions

STP

On August 31, 2016, the Company acquired all of the outstanding stock of Serviços e Tecnologia de Pagamentos S.A. (“STP”), for approximately $1.23 billion, net of cash acquired of $40.2 million. STP is an electronic toll payments company in Brazil and provides cardless fuel payments at a number of Shell sites throughout Brazil. The purpose of this acquisition was to expand the Company's presence in the toll market in Brazil. The Company financed the acquisition using a combination of existing cash and borrowings under its existing credit facility. Results from the acquired business have been reported in the Company's international segment since the date of acquisition. The following table summarizes the preliminary acquisition accounting for STP (in thousands):

Trade and other receivables	$243,157
Prepaid expenses and other	6,998
Deferred tax assets	9,365
Property and equipment	38,732
Other long term assets	14,280
Goodwill	645,766
Customer relationships and other identifiable intangible assets	584,274
Liabilities assumed	(315,082)
Aggregate purchase price	$1,227,490

The estimated fair value of intangible assets acquired and the related estimated useful lives consisted of the following (in thousands):

	Useful Lives (in Years)	Value
Customer relationships	8.5-17	$349,310
Trade names and trademarks - indefinite	N/A	189,547
Technology	6	45,417
		$584,274

In connection with the STP acquisition, the Company recorded contingent liabilities aggregating $13.5 million in the consolidated balance sheet, recorded within other noncurrent liabilities and accrued expenses in the consolidated balance sheet at the date of acquisition. A portion of these acquired liabilities have been indemnified by the respective sellers. As a result, an indemnification asset of $13.0 million was recorded within prepaid and other current assets and other long term assets in the

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consolidated balance sheet. The contingent liabilities and the indemnification asset are included in the preliminary acquisition accounting for STP at the date of acquisition. The potential range of acquisition related contingent liabilities that the Company estimates could be incurred and ultimately expected to be recoverable is $13.5 million to $18.6 million. Along with the Company's acquisition of STP, the Company signed noncompete agreements with certain parties for approximately $21.6 million.

Acquisition accounting for STP is preliminary as the Company is still completing the valuation for intangible assets, income taxes, certain acquired contingencies and the working capital adjustment period remains open. Goodwill recognized is comprised primarily of expected synergies from combining the operations of the Company and STP, as well as assembled workforce. The goodwill and definite lived intangibles acquired with this business is expected to be deductible for tax purposes.

Other

During 2016, the Company acquired additional fuel card portfolios in the U.S. and the United Kingdom, additional Shell fuel card markets in Europe and Travelcard in the Netherlands totaling approximately $76.7 million, net of cash acquired of $11.1 million. The following table summarizes the preliminary acquisition accounting for these acquisitions (in thousands):

Trade and other receivables	$27,810
Prepaid expenses and other	5,097
Property and equipment	992
Goodwill	28,540
Other intangible assets	61,823
Deferred tax asset	146
Liabilities assumed	(42,550)
Deferred tax liabilities	(5,123)
Aggregate purchase prices	$76,735

The estimated fair value of intangible assets acquired and the related estimated useful lives consisted of the following (in thousands):

	Useful Lives (in Years)	Value
Customer relationships and other identifiable intangible assets	10-18	$61,823
		$61,823

The other 2016 acquisitions were not material individually or in the aggregate to the Company’s consolidated financial statements. The accounting for certain of these acquisitions is preliminary as the Company is still completing the valuation of intangible assets, income taxes and evaluation of acquired contingencies.

7. Goodwill and Other Intangible Assets

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

	December 31, 2016	Acquisitions/ Dispositions	Acquisition Accounting Adjustments	Foreign Currency	June 30, 2017
Segment					
North America	$2,640,409	$ —	$ —	$ —	$2,640,409
International	1,554,741		(13,522)	30,895	1,572,114
	$4,195,150	$ —	$ (13,522)	$30,895	$4,212,523

As of June 30, 2017 and December 31, 2016, other intangible assets consisted of the following (in thousands):

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		June 30, 2017			December 31, 2016		
	Weighted-Avg Useful Lives (Years)	Gross Carrying Amounts	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amounts	Accumulated Amortization	Net Carrying Amount
Customer and vendor agreements	17.0	$2,462,866	$(539,965)	$1,922,901	$2,449,389	$(458,118)	$1,991,271
Trade names and trademarks—indefinite lived	N/A	510,314	—	510,314	510,952	—	510,952
Trade names and trademarks—other	14.6	2,797	(2,093)	704	2,746	(2,021)	725
Software	5.3	211,712	(104,710)	107,002	211,331	(85,167)	126,164
Non-compete agreements	4.9	35,907	(14,502)	21,405	35,191	(11,070)	24,121
Total other intangibles		$3,223,596	$(661,270)	$2,562,326	$3,209,609	$(556,376)	$2,653,233

Changes in foreign exchange rates resulted in a $14.0 million increase to the carrying values of other intangible assets in the six months ended June 30, 2017. Amortization expense related to intangible assets for the six months ended June 30, 2017 and 2016 was $104.9 million and $66.1 million, respectively.

8. Debt

The Company’s debt instruments consist primarily of term notes, revolving lines of credit and a Securitization Facility as follows (in thousands):

	June 30, 2017	December 31, 2016
Term notes payable—domestic(a), net of discounts	$2,574,080	$2,639,279
Revolving line of credit A Facility—domestic(a)	400,000	465,000
Revolving line of credit A Facility—foreign(a)	67,614	123,412
Revolving line of credit A Facility—swing line(a)	38,807	26,608
Other debt(c)	16,564	12,934
Total notes payable and other obligations	3,097,065	3,267,233
Securitization Facility(b)	741,000	591,000
Total notes payable, credit agreements and Securitization Facility	$3,838,065	$3,858,233
Current portion	$1,443,444	$1,336,506
Long-term portion	2,394,621	2,521,727
Total notes payable, credit agreements and Securitization Facility	$3,838,065	$3,858,233

(a) On October 24, 2014, the Company entered into a $3.36 billion Credit Agreement, which provides for senior secured credit facilities consisting of (a) a revolving A credit facility in the amount of $1.0 billion, with sublimits for letters of credit, swing line loans and multi-currency borrowings, (b) a revolving B facility in the amount of $35 million for loans in Australian Dollars or New Zealand Dollars, (c) a term loan A facility in the amount of $2.02 billion and (d) a term loan B facility in the amount of $300 million. On August 22, 2016, the Company entered into the first Amendment to the existing Credit Agreement, which established an incremental term A loan in the amount of $600 million under the Credit Agreement accordion feature. The proceeds from the additional $600 million in term A loans were used to partially finance the STP acquisition. The Amendment also established an accordion feature for borrowing an additional $500 million in term A, term B or revolver A debt. On January 20, 2017, the Company entered into the second amendment to the Credit Agreement, which established a new term B loan (Term B-2 loan) in the amount of $245.0 million to replace the existing Term B loan. In addition, the Company pays a quarterly commitment fee at a rate per annum ranging from 0.20% to 0.40% of the daily unused portion of the credit facility. The Company has unamortized debt discounts of $5.0 million related to the term A facility and $0.9 million related to the term B facility at June 30, 2017.

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On August 2, 2017, the Company entered into the third amendment (the "Amendment") to the Credit Agreement, which increased the facility by $708.7 million and extended the terms of the credit facilities. The Amendment increased the term A loan to $2.69 billion, increased the revolver A credit facility to $1.285 billion and increased the term B loan to $350.0 million. The term A and revolver maturity dates are now August 2, 2022 and the term B maturity date is now August 2, 2024. The term A and revolver pricing remains the same and the term B pricing was reduced by 25 basis points to LIBOR plus 200 basis points.

(b) The Company is party to a $950 million receivables purchase agreement (Securitization Facility) that was amended and restated on December 1, 2015. There is a program fee equal to one month LIBOR and the Commercial Paper Rate of 1.23% plus 0.90% and 0.85% plus 0.90% as of June 30, 2017 and December 31, 2016, respectively. The unused facility fee is payable at a rate of 0.40% per annum as of June 30, 2017 and December 31, 2016.

(c) Other debt includes the long-term portion of contingent consideration and deferred payments associated with certain of our businesses.

The Company was in compliance with all financial and non-financial covenants at June 30, 2017.

9. Income Taxes

The provision for income taxes differs from amounts computed by applying the U.S. federal tax rate of 35% to income before income taxes for the three months ended June 30, 2017 and 2016 due to the following (in thousands):