

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549  
FORM 10-Q**

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**  
For the quarterly period ended September 30, 2019  
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**

(State or other jurisdiction of  
incorporation or organization)

**01-0526993**

(I.R.S. Employer  
Identification No.)

**1 Hancock St., Portland, ME**

(Address of principal executive offices)

**04101**

(Zip Code)

**(207) 773-8171**

(Registrant's telephone number, including area code)

N/A

(Former name, former address and former fiscal year, if changed since last report)

**Securities registered pursuant to Section 12(b) of the Act:**

| Title of each class                   | Ticker Symbol | Name of each exchange on which registered |
|---------------------------------------|---------------|-------------------------------------------|
| <b>Common Stock, \$0.01 par value</b> | <b>WEX</b>    | <b>New York Stock Exchange</b>            |

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 during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). ☒ Yes ☐ 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 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 | <input checked="" type="checkbox"/> | Accelerated Filer         | <input type="checkbox"/> |
| Non-accelerated Filer   | <input type="checkbox"/>            | Smaller Reporting Company | <input type="checkbox"/> |
|                         |                                     | Emerging Growth Company   | <input type="checkbox"/> |

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

Number of shares of common stock outstanding as of October 31, 2019 was 43,289,614.

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Unless otherwise indicated or required by the context, the terms “we,” “us,” “our,” “WEX,” or the “Company,” in this Quarterly Report on Form 10-Q 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 Quarterly Report includes forward-looking statements including, but not limited to, statements about management’s plan and goals. Any statements in this Quarterly Report that are not statements of historical facts are forward-looking statements. When used in this Quarterly Report, the words “anticipate,” “believe,” “continue,” “could,” “estimate,” “expect,” “intend,” “may,” “plan,” “project” and similar expressions are intended to identify forward-looking statements, although not all forward-looking statements contain such words. Forward-looking statements relate to our future plans, objectives, expectations and intentions and are not historical facts and accordingly involve known and unknown risks and uncertainties and other factors that may cause the actual results or performance to be materially different from future results or performance expressed or implied by these forward-looking statements. The following factors, among others, could cause actual results to differ materially from those contained in forward-looking statements made in this Quarterly Report 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 failure 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, filed with the Securities and Exchange Commission on March 18, 2019 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 our Annual Report on Form 10-K for the year ended December 31, 2018 filed with the Securities and Exchange Commission on March 18, 2019.

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 Quarterly Report and undue reliance should not be placed on these statements. We disclaim any obligation to update any forward-looking statements as a result of new information, future events or otherwise.

## ACRONYMS AND ABBREVIATIONS

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

|                                              |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
|----------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 2016 Credit Agreement                        | Credit agreement entered into on July 1, 2016, as amended from time to time, 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.                                                                                                                                                                                                                          |
| 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 intangible amortization, other acquisition and divestiture related items, stock-based compensation, restructuring and other costs, impairment charges, debt restructuring and debt issuance cost amortization, adjustments attributed to our non-controlling interests and certain tax related items. |
| ASC                                          | Accounting Standards Codification                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| ASU 2016–02                                  | Accounting Standards Update No. 2016–02 Leases (Topic 842)                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| ASU 2016–13                                  | Accounting Standards Update No. 2016–13 Financial Instruments – Credit Losses (Topic 326)                                                                                                                                                                                                                                                                                                                                                                                                                               |
| 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 Company | Southern Cross WEX 2015–1 Trust, a special purpose entity consolidated by the Company                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| Discovery Benefits (or “DBI”)                | WEX Inc. and all entities included in the unaudited condensed consolidated financial statements                                                                                                                                                                                                                                                                                                                                                                                                                         |
| EBITDA                                       | Discovery Benefits, Inc.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| European Securitization Subsidiary           | A non-GAAP measure that adjusts income before income taxes to exclude interest, depreciation and amortization                                                                                                                                                                                                                                                                                                                                                                                                           |
| FASB                                         | Gorham Trade Finance B.V., a special purpose entity consolidated by the Company                                                                                                                                                                                                                                                                                                                                                                                                                                         |
| FDIC                                         | Financial Accounting Standards Board                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
| GAAP                                         | Federal Deposit Insurance Corporation                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| Go Fuel Card                                 | Generally Accepted Accounting Principles in the United States                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| ICS                                          | A European Fleet business acquired from EG Group on July 1, 2019                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| Indenture                                    | Insured Cash Sweep                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| Net payment processing rate                  | 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                                                                                                                                                                                                                                                                                                                           |
| Notes                                        | The percentage of the dollar value of each payment processing transaction that the Company records as revenue from merchants less certain discounts given to customers and network fees                                                                                                                                                                                                                                                                                                                                 |
| Noventis                                     | \$400 million notes with a 4.75 percent fixed rate, issued on January 30, 2013                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| NYSE                                         | Noventis, Inc.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| Pavestone Capital or (“Pavestone”)           | New York Stock Exchange                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| Payment processing fuel spend                | Pavestone Capital, LLC                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| Payment processing transactions              | Total dollar value of the fuel purchased by fleets that have a payments processing relationship with the Company                                                                                                                                                                                                                                                                                                                                                                                                        |
| Payment solutions purchase volume            | Total number of purchases made by fleets that have a payment processing relationship with the Company, where the Company maintains the receivable for total purchase                                                                                                                                                                                                                                                                                                                                                    |
| PPG                                          | All WEX issued transactions in our Travel and Corporate Solutions segment that use the Company’s corporate card products and virtual card products                                                                                                                                                                                                                                                                                                                                                                      |
| Purchase volume                              | Price per gallon of fuel                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| Redeemable non-controlling interest          | Total dollar value of all transactions in the Health and Employee Benefit Solutions segment where interchange is earned by the Company                                                                                                                                                                                                                                                                                                                                                                                  |
| SaaS                                         | The portion of the U.S. Health business’ net assets owned by a non-controlling interest subject to redemption rights held by the non-controlling interest                                                                                                                                                                                                                                                                                                                                                               |
| SEC                                          | Software-as-a-service                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| Segment adjusted operating income            | Securities and Exchange Commission                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| Total fuel transactions                      | 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 amortization of purchased intangibles, the expense associated with stock-based compensation, restructuring and other costs, impairment charges, debt restructuring costs and unallocated corporate expenses.                                                                 |
| U.S. Health business                         | Total of transaction processing and payment processing transactions of our Fleet Solutions segment                                                                                                                                                                                                                                                                                                                                                                                                                      |
| WEX Latin America                            | WEX Health and DBI, collectively                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| WEX                                          | UNIK S.A., the Company’s Brazilian subsidiary, which is branded WEX Latin America                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| WEX Europe Services                          | WEX Inc.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| WEX Health                                   | A European Fleet business acquired by the Company from ExxonMobil on December 1, 2014                                                                                                                                                                                                                                                                                                                                                                                                                                   |
|                                              | Legacy healthcare operations prior to the acquisition of DBI                                                                                                                                                                                                                                                                                                                                                                                                                                                            |

# PART I

## Item 1. Financial Statements.

### WEX INC. CONDENSED CONSOLIDATED STATEMENTS OF INCOME (in thousands, except per share data) (unaudited)

|                                                        | Three Months Ended September 30, |            | Nine Months Ended September 30, |            |
|--------------------------------------------------------|----------------------------------|------------|---------------------------------|------------|
|                                                        | 2019                             | 2018       | 2019                            | 2018       |
| <b>Revenues</b>                                        |                                  |            |                                 |            |
| Payment processing revenue                             | \$ 224,756                       | \$ 182,871 | \$ 626,380                      | \$ 530,063 |
| Account servicing revenue                              | 109,205                          | 78,748     | 303,183                         | 236,168    |
| Finance fee revenue                                    | 66,382                           | 57,673     | 175,667                         | 158,107    |
| Other revenue                                          | 59,620                           | 67,325     | 178,416                         | 187,105    |
| Total revenues                                         | 459,963                          | 386,617    | 1,283,646                       | 1,111,443  |
| <b>Cost of services</b>                                |                                  |            |                                 |            |
| Processing costs                                       | 98,296                           | 81,190     | 288,896                         | 231,761    |
| Service fees                                           | 14,905                           | 13,818     | 43,348                          | 39,847     |
| Provision for credit losses                            | 14,847                           | 22,549     | 47,470                          | 50,411     |
| Operating interest                                     | 11,508                           | 10,268     | 31,765                          | 28,281     |
| Depreciation and amortization                          | 26,123                           | 19,013     | 68,206                          | 60,058     |
| Total cost of services                                 | 165,679                          | 146,838    | 479,685                         | 410,358    |
| General and administrative                             | 65,423                           | 51,126     | 206,075                         | 154,148    |
| Sales and marketing                                    | 73,689                           | 54,611     | 210,639                         | 168,849    |
| Depreciation and amortization                          | 36,861                           | 29,054     | 105,264                         | 88,817     |
| Impairment charge                                      | —                                | 2,424      | —                               | 2,424      |
| Operating income                                       | 118,311                          | 102,564    | 281,983                         | 286,847    |
| Financing interest expense                             | (34,549)                         | (25,718)   | (101,299)                       | (78,560)   |
| Net foreign currency loss                              | (16,528)                         | (1,094)    | (13,748)                        | (27,438)   |
| Net unrealized (loss) gain on financial instruments    | (5,650)                          | 2,157      | (39,078)                        | 18,371     |
| Income before income taxes                             | 61,584                           | 77,909     | 127,858                         | 199,220    |
| Income taxes                                           | 19,137                           | 21,305     | 37,352                          | 51,379     |
| <b>Net income</b>                                      | 42,447                           | 56,604     | 90,506                          | 147,841    |
| Less: Net (loss) income from non-controlling interests | (631)                            | (40)       | (233)                           | 803        |
| <b>Net income attributable to WEX Inc.</b>             | \$ 43,078                        | \$ 56,644  | \$ 90,739                       | \$ 147,038 |
| Accretion of non-controlling interest                  | (28,459)                         | —          | (46,179)                        | —          |
| <b>Net income attributable to shareholders</b>         | \$ 14,619                        | \$ 56,644  | \$ 44,560                       | \$ 147,038 |
| Net income attributable to shareholders per share:     |                                  |            |                                 |            |
| Basic                                                  | \$ 0.34                          | \$ 1.31    | \$ 1.03                         | \$ 3.41    |
| Diluted                                                | \$ 0.33                          | \$ 1.30    | \$ 1.02                         | \$ 3.38    |
| Weighted average common shares outstanding:            |                                  |            |                                 |            |
| Basic                                                  | 43,349                           | 43,191     | 43,300                          | 43,141     |
| Diluted                                                | 43,811                           | 43,615     | 43,715                          | 43,558     |

See notes to unaudited condensed consolidated financial statements.

**WEX INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
(in thousands)  
(unaudited)

|                                                                             | Three Months Ended September 30, |                  | Nine Months Ended September 30, |                   |
|-----------------------------------------------------------------------------|----------------------------------|------------------|---------------------------------|-------------------|
|                                                                             | 2019                             | 2018             | 2019                            | 2018              |
| <b>Net income</b>                                                           | <b>\$ 42,447</b>                 | <b>\$ 56,604</b> | <b>\$ 90,506</b>                | <b>\$ 147,841</b> |
| Foreign currency translation                                                | (15,333)                         | (6,092)          | (15,317)                        | (17,574)          |
| Comprehensive income                                                        | 27,114                           | 50,512           | 75,189                          | 130,267           |
| Less: Comprehensive (loss) income attributable to non-controlling interests | (1,052)                          | (109)            | (681)                           | 540               |
| <b>Comprehensive income attributable to WEX Inc.</b>                        | <b>\$ 28,166</b>                 | <b>\$ 50,621</b> | <b>\$ 75,870</b>                | <b>\$ 129,727</b> |

*See notes to unaudited condensed consolidated financial statements.*

**WEX INC.**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
(in thousands, except per share data)  
(unaudited)

|                                                                                                                                                          | September 30,<br>2019 | December 31,<br>2018 |
|----------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------|----------------------|
| <b>Assets</b>                                                                                                                                            |                       |                      |
| Cash and cash equivalents                                                                                                                                | \$ 531,410            | \$ 541,498           |
| Restricted cash                                                                                                                                          | 139,785               | 13,533               |
| Accounts receivable (net of allowances of \$49,265 in 2019 and \$46,948 in 2018)                                                                         | 3,181,272             | 2,584,203            |
| Securitized accounts receivable, restricted                                                                                                              | 119,134               | 109,871              |
| Prepaid expenses and other current assets                                                                                                                | 82,857                | 149,021              |
| <b>Total current assets</b>                                                                                                                              | <b>4,054,458</b>      | <b>3,398,126</b>     |
| Property, equipment and capitalized software (net of accumulated depreciation of \$345,324 in 2019 and \$307,750 in 2018)                                | 207,647               | 187,868              |
| Goodwill                                                                                                                                                 | 2,436,411             | 1,832,129            |
| Other intangible assets (net of accumulated amortization of \$621,588 in 2019 and \$509,055 in 2018)                                                     | 1,615,206             | 1,034,194            |
| Investment securities                                                                                                                                    | 30,458                | 24,406               |
| Deferred income taxes, net                                                                                                                               | 12,713                | 9,643                |
| Other assets                                                                                                                                             | 184,413               | 284,229              |
| <b>Total assets</b>                                                                                                                                      | <b>\$ 8,541,306</b>   | <b>\$ 6,770,595</b>  |
| <b>Liabilities and Stockholders' Equity</b>                                                                                                              |                       |                      |
| Accounts payable                                                                                                                                         | \$ 1,224,737          | \$ 814,742           |
| Accrued expenses                                                                                                                                         | 305,855               | 312,268              |
| Restricted cash payable                                                                                                                                  | 139,785               | 13,533               |
| Short-term deposits                                                                                                                                      | 1,158,643             | 927,444              |
| Short-term debt, net                                                                                                                                     | 196,586               | 216,517              |
| Other current liabilities                                                                                                                                | 87,708                | 27,067               |
| <b>Total current liabilities</b>                                                                                                                         | <b>3,113,314</b>      | <b>2,311,571</b>     |
| Long-term debt, net                                                                                                                                      | 2,700,649             | 2,133,923            |
| Long-term deposits                                                                                                                                       | 416,295               | 345,231              |
| Deferred income taxes, net                                                                                                                               | 205,677               | 151,685              |
| Other liabilities                                                                                                                                        | 107,183               | 32,261               |
| <b>Total liabilities</b>                                                                                                                                 | <b>6,543,118</b>      | <b>4,974,671</b>     |
| <b>Commitments and contingencies (Note 15)</b>                                                                                                           |                       |                      |
| <b>Redeemable non-controlling interest</b>                                                                                                               | <b>146,218</b>        | <b>—</b>             |
| <b>Stockholders' Equity</b>                                                                                                                              |                       |                      |
| Common stock \$0.01 par value; 175,000 shares authorized; 47,717 issued in 2019 and 47,557 in 2018; 43,289 shares outstanding in 2019 and 43,129 in 2018 | 477                   | 475                  |
| Additional paid-in capital                                                                                                                               | 661,696               | 593,262              |
| Retained earnings                                                                                                                                        | 1,484,753             | 1,481,593            |
| Accumulated other comprehensive loss                                                                                                                     | (132,160)             | (117,291)            |
| Treasury stock at cost; 4,428 shares in 2019 and 2018                                                                                                    | (172,342)             | (172,342)            |
| <b>Total WEX Inc. stockholders' equity</b>                                                                                                               | <b>1,842,424</b>      | <b>1,785,697</b>     |
| Non-controlling interest                                                                                                                                 | 9,546                 | 10,227               |
| <b>Total stockholders' equity</b>                                                                                                                        | <b>1,851,970</b>      | <b>1,795,924</b>     |
| <b>Total liabilities and stockholders' equity</b>                                                                                                        | <b>\$ 8,541,306</b>   | <b>\$ 6,770,595</b>  |

See notes to unaudited condensed consolidated financial statements.

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

|                                                    | Common Stock Issued |        | Additional<br>Paid-In Capital | Retained<br>Earnings | Accumulated Other<br>Comprehensive Loss | Treasury Stock | Non-<br>Controlling<br>Interests | Total<br>Stockholders'<br>Equity |
|----------------------------------------------------|---------------------|--------|-------------------------------|----------------------|-----------------------------------------|----------------|----------------------------------|----------------------------------|
|                                                    | Shares              | Amount |                               |                      |                                         |                |                                  |                                  |
| Balance at January 1, 2019                         | 47,557              | \$ 475 | \$ 593,262                    | \$ 1,481,593         | \$ (117,291)                            | \$ (172,342)   | \$ 10,227                        | \$ 1,795,924                     |
| Stock issued                                       | 117                 | 1      | 404                           | —                    | —                                       | —              | —                                | 405                              |
| Share repurchases for tax withholdings             | —                   | —      | (9,723)                       | —                    | —                                       | —              | —                                | (9,723)                          |
| Stock-based compensation expense                   | —                   | —      | 9,703                         | —                    | —                                       | —              | —                                | 9,703                            |
| Adjustments of redeemable non-controlling interest | —                   | —      | 41,400                        | (41,400)             | —                                       | —              | —                                | —                                |
| Foreign currency translation                       | —                   | —      | —                             | —                    | 4,409                                   | —              | (38)                             | 4,371                            |
| Net income                                         | —                   | —      | —                             | 16,134               | —                                       | —              | 74                               | 16,208                           |
| Balance at March 31, 2019                          | 47,674              | \$ 476 | \$ 635,046                    | \$ 1,456,327         | \$ (112,882)                            | \$ (172,342)   | \$ 10,263                        | \$ 1,816,888                     |
| Stock issued                                       | 27                  | 1      | 1,875                         | —                    | —                                       | —              | —                                | 1,876                            |
| Share repurchases for tax withholdings             | —                   | —      | (135)                         | —                    | —                                       | —              | —                                | (135)                            |
| Stock-based compensation expense                   | —                   | —      | 15,158                        | —                    | —                                       | —              | —                                | 15,158                           |
| Adjustments of redeemable non-controlling interest | —                   | —      | —                             | (17,720)             | —                                       | —              | —                                | (17,720)                         |
| Foreign currency translation                       | —                   | —      | —                             | —                    | (4,366)                                 | —              | 11                               | (4,355)                          |
| Net income                                         | —                   | —      | —                             | 31,527               | —                                       | —              | 324                              | 31,851                           |
| Balance at June 30, 2019                           | 47,701              | \$ 477 | \$ 651,944                    | \$ 1,470,134         | \$ (117,248)                            | \$ (172,342)   | \$ 10,598                        | \$ 1,843,563                     |
| Stock issued                                       | 16                  | —      | 1,198                         | —                    | —                                       | —              | —                                | 1,198                            |
| Share repurchases for tax withholdings             | —                   | —      | (181)                         | —                    | —                                       | —              | —                                | (181)                            |
| Stock-based compensation expense                   | —                   | —      | 8,735                         | —                    | —                                       | —              | —                                | 8,735                            |
| Adjustments of redeemable non-controlling interest | —                   | —      | —                             | (28,459)             | —                                       | —              | —                                | (28,459)                         |
| Foreign currency translation                       | —                   | —      | —                             | —                    | (14,912)                                | —              | (421)                            | (15,333)                         |
| Net income                                         | —                   | —      | —                             | 43,078               | —                                       | —              | (631)                            | 42,447                           |
| Balance at September 30, 2019                      | 47,717              | \$ 477 | \$ 661,696                    | \$ 1,484,753         | \$ (132,160)                            | \$ (172,342)   | \$ 9,546                         | \$ 1,851,970                     |

See notes to unaudited condensed consolidated financial statements.

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

|                                           | Common Stock Issued |        | Additional<br>Paid-In Capital | Retained<br>Earnings | Accumulated Other<br>Comprehensive Loss | Treasury Stock | Non-<br>Controlling<br>Interests | Total Stockholders'<br>Equity |
|-------------------------------------------|---------------------|--------|-------------------------------|----------------------|-----------------------------------------|----------------|----------------------------------|-------------------------------|
|                                           | Shares              | Amount |                               |                      |                                         |                |                                  |                               |
| Balance at December 31, 2017              | 47,352              | \$ 473 | \$ 569,319                    | \$ 1,312,660         | \$ (89,230)                             | \$ (172,342)   | \$ 9,220                         | \$ 1,630,100                  |
| Cumulative-effect adjustment <sup>1</sup> | —                   | —      | —                             | 638                  | —                                       | —              | —                                | 638                           |
| Balance at January 1, 2018                | 47,352              | \$ 473 | \$ 569,319                    | \$ 1,313,298         | \$ (89,230)                             | \$ (172,342)   | \$ 9,220                         | \$ 1,630,738                  |
| Stock issued                              | 148                 | 2      | 574                           | —                    | —                                       | —              | —                                | 576                           |
| Share repurchases for tax withholdings    | —                   | —      | (11,810)                      | —                    | —                                       | —              | —                                | (11,810)                      |
| Stock-based compensation expense          | —                   | —      | 8,955                         | —                    | —                                       | —              | —                                | 8,955                         |
| Foreign currency translation              | —                   | —      | —                             | —                    | 1,403                                   | —              | 290                              | 1,693                         |
| Net income                                | —                   | —      | —                             | 51,970               | —                                       | —              | 701                              | 52,671                        |
| Balance at March 31, 2018                 | 47,500              | \$ 475 | \$ 567,038                    | \$ 1,365,268         | \$ (87,827)                             | \$ (172,342)   | \$ 10,211                        | \$ 1,682,823                  |
| Stock issued                              | 14                  | —      | 875                           | —                    | —                                       | —              | —                                | 875                           |
| Share repurchases for tax withholdings    | —                   | —      | —                             | —                    | —                                       | —              | —                                | —                             |
| Stock-based compensation expense          | —                   | —      | 6,905                         | —                    | —                                       | —              | —                                | 6,905                         |
| Foreign currency translation              | —                   | —      | —                             | —                    | (12,691)                                | —              | (484)                            | (13,175)                      |
| Net income                                | —                   | —      | —                             | 38,425               | —                                       | —              | 142                              | 38,567                        |
| Balance at June 30, 2018                  | 47,514              | \$ 475 | \$ 574,818                    | \$ 1,403,693         | \$ (100,518)                            | \$ (172,342)   | \$ 9,869                         | \$ 1,715,995                  |
| Stock issued                              | 14                  | —      | 794                           | —                    | —                                       | —              | —                                | 794                           |
| Share repurchases for tax withholdings    | —                   | —      | (362)                         | —                    | —                                       | —              | —                                | (362)                         |
| Stock-based compensation expense          | —                   | —      | 8,797                         | —                    | —                                       | —              | —                                | 8,797                         |
| Foreign currency translation              | —                   | —      | —                             | —                    | (6,023)                                 | —              | (69)                             | (6,092)                       |
| Net income                                | —                   | —      | —                             | 56,644               | —                                       | —              | (40)                             | 56,604                        |
| Balance at September 30, 2018             | 47,528              | \$ 475 | \$ 584,047                    | \$ 1,460,337         | \$ (106,541)                            | \$ (172,342)   | \$ 9,760                         | \$ 1,775,736                  |

<sup>1</sup> Includes the impact of the Company's modified retrospective adoption as part of Topic 606.

See notes to unaudited condensed consolidated financial statements.

**WEX INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(in thousands)  
(unaudited)

|                                                                                              | Nine Months Ended September 30, |             |
|----------------------------------------------------------------------------------------------|---------------------------------|-------------|
|                                                                                              | 2019                            | 2018        |
| <b>Cash flows from operating activities</b>                                                  |                                 |             |
| Net income                                                                                   | \$ 90,506                       | \$ 147,841  |
| Adjustments to reconcile net income to net cash provided by (used for) operating activities: |                                 |             |
| Net unrealized loss                                                                          | 43,618                          | 3,871       |
| Stock-based compensation                                                                     | 33,596                          | 24,657      |
| Depreciation and amortization                                                                | 173,470                         | 148,875     |
| Debt restructuring and debt issuance cost amortization                                       | 7,561                           | 7,717       |
| Provision for deferred taxes                                                                 | 5,842                           | 20,356      |
| Provision for credit losses                                                                  | 47,470                          | 50,411      |
| Impairment charge                                                                            | —                               | 2,424       |
| Changes in operating assets and liabilities, net of effects of acquisitions:                 |                                 |             |
| Accounts receivable and securitized accounts receivable                                      | (589,127)                       | (663,936)   |
| Prepaid expenses and other current and other long-term assets                                | 30,856                          | 116,043     |
| Accounts payable                                                                             | 412,700                         | 341,548     |
| Accrued expenses and restricted cash payable                                                 | (15,208)                        | (5,385)     |
| Income taxes                                                                                 | (15,020)                        | 7,402       |
| Other current and other long-term liabilities                                                | (14,170)                        | (8,411)     |
| Amounts due under tax receivable agreement                                                   | (6,859)                         | (5,727)     |
| Net cash provided by operating activities                                                    | 205,235                         | 187,686     |
| <b>Cash flows from investing activities</b>                                                  |                                 |             |
| Purchases of property, equipment and capitalized software                                    | (79,095)                        | (53,416)    |
| Acquisitions, net of cash acquired                                                           | (838,006)                       | —           |
| Purchase of equity investment                                                                | —                               | (2,617)     |
| Purchases of investment securities                                                           | (5,430)                         | (1,627)     |
| Maturities of investment securities                                                          | 219                             | 181         |
| Net cash used for investing activities                                                       | (922,312)                       | (57,479)    |
| <b>Cash flows from financing activities</b>                                                  |                                 |             |
| Repurchase of share-based awards to satisfy tax withholdings                                 | (10,039)                        | (12,172)    |
| Proceeds from stock option exercises                                                         | 3,479                           | 2,245       |
| Net change in deposits                                                                       | 297,957                         | (28,485)    |
| Net activity on other debt                                                                   | (85,750)                        | (44,201)    |
| Borrowings on revolving credit facility                                                      | 1,267,704                       | 1,219,693   |
| Repayments on revolving credit facility                                                      | (1,265,251)                     | (1,355,931) |
| Borrowings on term loans                                                                     | 688,991                         | 178,000     |
| Repayments on term loans                                                                     | (48,177)                        | (26,971)    |
| Debt issuance costs                                                                          | (3,443)                         | (5,310)     |
| Net change in securitized debt                                                               | (7,766)                         | (7,826)     |
| Net cash provided by (used for) financing activities                                         | 837,705                         | (80,958)    |
| Effect of exchange rates on cash, cash equivalents and restricted cash                       | (4,464)                         | (15,577)    |
| Net change in cash, cash equivalents and restricted cash                                     | 116,164                         | 33,672      |
| Cash, cash equivalents and restricted cash, beginning of period                              | 555,031                         | 522,385     |
| Cash, cash equivalents and restricted cash, end of period                                    | \$ 671,195                      | \$ 556,057  |
| <b>Supplemental disclosure of non-cash investing and financing activities</b>                |                                 |             |
| Capital expenditures incurred but not paid                                                   | \$ 1,602                        | \$ 5,608    |

See notes to unaudited condensed consolidated financial statements.



**WEX INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(unaudited)**

**1. Basis of Presentation**

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with GAAP for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. Accordingly, they do not include all information and notes required by GAAP for complete financial statements. These unaudited condensed consolidated financial statements should be read in conjunction with the financial statements that are included in the Company's Annual Report on Form 10-K for the year ended December 31, 2018, filed with the SEC on March 18, 2019 and our Form 10-K/A filed with the SEC on March 20, 2019. In the opinion of management, all adjustments, including normal recurring accruals, considered necessary for a fair presentation have been included. Operating results for the three and nine months ended September 30, 2019 are not necessarily indicative of the results for any future periods or the year ending December 31, 2019.

In August 2018, the SEC issued an amendment to Rule 3-04 of Regulation S-X requiring both year-to-date information and subtotals for each interim period. We have elected to expand our analysis of changes in stockholders' equity as of September 30, 2019 in statement form for each of the current and comparative quarter-to-date and year-to-date periods.

Effective in the first quarter of 2019, the Company modified the presentation of the unaudited condensed consolidated balance sheets to separately classify its restricted cash payable. The prior period has been reclassified to conform with this presentation, which did not result in a change to current liabilities.

We apply the same accounting policies in preparing our quarterly and annual financial statements, with the exception of the new leasing standard, which was required to be adopted January 1, 2019 (refer to Note 2, Recent Accounting Pronouncements).

The Company rounds amounts in the unaudited condensed consolidated financial statements to thousands and calculates all per-share data from underlying whole-dollar amounts. Thus, certain amounts may not foot, crossfoot or recalculate based on reported numbers due to rounding.

***Revision of Prior Period Unaudited Condensed Consolidated Financial Statements for Correction of Immaterial Errors***

As more fully described in our Annual Report on Form 10-K for the year ended December 31, 2018, in 2018 we revised our prior year financial statements to correct for immaterial errors in the financial statements of our Brazilian subsidiary and certain other immaterial errors impacting prior years that were not previously recorded. The accompanying quarterly financial statements have been revised for these errors. Collectively, hereinafter these revisions to correct are referred to as the "Revised" financial statements or the "Revision". Management believes that the effects of this Revision are not material to our previously issued unaudited condensed consolidated financial statements.

The effects of the Revision on our unaudited condensed consolidated statements of income and cash flows were as follows:

|                                                   | Three Months Ended September 30, 2018 |                    |                              |            |
|---------------------------------------------------|---------------------------------------|--------------------|------------------------------|------------|
|                                                   | As Previously Reported                | Brazil Adjustments | Other Immaterial Adjustments | As Revised |
| <i>(In thousands, except per share data)</i>      |                                       |                    |                              |            |
| Total revenues                                    | \$ 382,690                            | \$ (614)           | \$ 4,541                     | \$ 386,617 |
| Processing costs                                  | \$ 79,580                             | \$ 1,610           | \$ —                         | \$ 81,190  |
| Provision for credit losses                       | \$ 21,435                             | \$ 1,114           | \$ —                         | \$ 22,549  |
| General and administrative                        | \$ 51,799                             | \$ —               | \$ (673)                     | \$ 51,126  |
| Operating income                                  | \$ 100,688                            | \$ (3,338)         | \$ 5,214                     | \$ 102,564 |
| Income taxes                                      | \$ 18,751                             | \$ (1,779)         | \$ 4,333                     | \$ 21,305  |
| Net income                                        | \$ 57,282                             | \$ (1,559)         | \$ 881                       | \$ 56,604  |
| Net income attributable to shareholders           | \$ 57,322                             | \$ (1,559)         | \$ 881                       | \$ 56,644  |
| Net income attributable to shareholders per share |                                       |                    |                              |            |
| Basic                                             | \$ 1.33                               | \$ (0.04)          | \$ 0.02                      | \$ 1.31    |
| Diluted                                           | \$ 1.31                               | \$ (0.04)          | \$ 0.02                      | \$ 1.30    |

**WEX INC**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)**  
**(unaudited)**

|                                                   | Nine Months Ended September 30, 2018 |                    |                              |              |
|---------------------------------------------------|--------------------------------------|--------------------|------------------------------|--------------|
|                                                   | As Previously Reported               | Brazil Adjustments | Other Immaterial Adjustments | As Revised   |
| <i>(In thousands, except per share data)</i>      |                                      |                    |                              |              |
| Total revenues                                    | \$ 1,108,395                         | \$ (2,675)         | \$ 5,723                     | \$ 1,111,443 |
| Processing costs                                  | \$ 235,508                           | \$ (3,747)         | \$ —                         | \$ 231,761   |
| Provision for credit losses                       | \$ 46,930                            | \$ 3,481           | \$ —                         | \$ 50,411    |
| General and administrative                        | \$ 155,720                           | \$ —               | \$ (1,572)                   | \$ 154,148   |
| Operating income                                  | \$ 281,961                           | \$ (2,409)         | \$ 7,295                     | \$ 286,847   |
| Income taxes                                      | \$ 48,278                            | \$ (1,676)         | \$ 4,777                     | \$ 51,379    |
| Net income                                        | \$ 146,056                           | \$ (733)           | \$ 2,518                     | \$ 147,841   |
| Net income attributable to shareholders           | \$ 145,253                           | \$ (733)           | \$ 2,518                     | \$ 147,038   |
| Net income attributable to shareholders per share |                                      |                    |                              |              |
| Basic                                             | \$ 3.37                              | \$ (0.02)          | \$ 0.06                      | \$ 3.41      |
| Diluted                                           | \$ 3.33                              | \$ (0.02)          | \$ 0.06                      | \$ 3.38      |

  

|                                                                 | Nine Months Ended September 30, 2018 |                    |                              |            |
|-----------------------------------------------------------------|--------------------------------------|--------------------|------------------------------|------------|
|                                                                 | As Previously Reported               | Brazil Adjustments | Other Immaterial Adjustments | As Revised |
| <i>(In thousands)</i>                                           |                                      |                    |                              |            |
| Net cash provided by operating activities                       | \$ 183,133                           | \$ —               | \$ 4,553                     | \$ 187,686 |
| Cash, cash equivalents and restricted cash, beginning of period | \$ 526,938                           | \$ —               | \$ (4,553)                   | \$ 522,385 |

**WEX INC**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)**  
**(unaudited)**

**2. Recent Accounting Pronouncements**

The following table provides a brief description of accounting pronouncements adopted during the nine months ended September 30, 2019 and recent accounting pronouncements that could have a material effect on our financial statements:

| Standard                                                              | Description                                                                                                                                                                                                                                                                                                                                                                                                                                          | Date/Method of Adoption                                                                                                                                                    | Effect on financial statements or other significant matters                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
|-----------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b><i>Adopted During the Nine Months Ended September 30, 2019</i></b> |                                                                                                                                                                                                                                                                                                                                                                                                                                                      |                                                                                                                                                                            |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| ASU 2016-02                                                           | This standard requires lessees to recognize leases on-balance sheet and disclose key information about leasing arrangements.                                                                                                                                                                                                                                                                                                                         | The Company adopted ASU 2016-02 effective January 1, 2019, using the modified retrospective approach and all practical expedients permitted under the transition guidance. | <p>In February 2016, the Financial Accounting Standards Board (“FASB”) issued ASU 2016-02, Leases (Topic 842), which requires leases with a duration greater than twelve months to be recognized on the balance sheet as right-of-use (“ROU”) assets and lease liabilities.</p> <p>We adopted the new standard using the modified retrospective approach and have elected the package of practical expedients permitted under the transition guidance, but have not utilized the hindsight practical expedient for expired or existing contracts. Therefore, we carried forward our historical determination of (i) whether a contract is or contains a lease, (ii) lease classification and (iii) initial direct costs. Additionally, we elected the practical expedients, which allowed us to (i) not perform an allocation of lease and non-lease components for real estate leases, (ii) continue to account for short-term leases under Topic 840 and (iii) utilize our incremental borrowing rate (“IBR”), rather than the rate implicit in each lease, to calculate the present value of the remaining lease payments. As such, the unaudited condensed consolidated financial statements for the period ended September 30, 2019 are presented under the new standard, while comparative periods presented continue to be reported in accordance with Topic 840.</p> <p>The most significant impact of adoption was the recording of operating lease ROU assets and operating lease liabilities on our unaudited condensed consolidated balance sheets at January 1, 2019. Refer to Note 14, Leases, for more information. The standard did not materially impact our results of operations or cash flows.</p> |
| ASU 2018-15                                                           | This standard clarifies the accounting for capitalizing implementation costs in a cloud computing arrangement that is a service contract. The standard provides that implementation costs be treated using the same criteria used for internal-use software development costs, with amortization expense being recorded in the same income statement expense line as the hosted service costs and over the expected term of the hosting arrangement. | Effective January 1, 2019, the Company early adopted ASU 2018-15 on a prospective basis.                                                                                   | Under the standard, we now capitalize implementation costs related to our cloud migration of technology platforms to the cloud. Such amounts are amortized over the lesser of the term of the hosting arrangement, considering any explicit renewal options for which we are reasonably certain to exercise, or the useful life of the underlying hosted software. This standard did not materially impact our results of operations, cash flows or consolidated financial position.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| <b><i>Not Yet Adopted as of September 30, 2019</i></b>                |                                                                                                                                                                                                                                                                                                                                                                                                                                                      |                                                                                                                                                                            |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| ASU 2016-13                                                           | This standard requires financial assets measured at amortized cost to be presented at the net amount expected to be collected. The measurement of expected credit losses will be based on historical experience, current conditions and reasonable and supportable forecasts that impact the collectability of the reported amount.                                                                                                                  | The standard is effective January 1, 2020.                                                                                                                                 | <p>The current expected credit loss model outlined in the ASU differs from existing US GAAP as it is based on expected rather than incurred losses. The standard requires a cumulative effect of initial application to be recognized in retained earnings at the date of initial application.</p> <p>The Company has established a cross-functional task force charged with evaluating the requirements of the new standard, the availability and extent of historical data, relevant economic indicators and the impact this standard will have on our processes, systems and internal controls. We are currently in the process of gathering historical data, selecting our credit loss model, assessing system requirements and evaluating disclosure requirements.</p> <p>Though the Company continues to assess the impact of adoption, we currently believe the most significant effects of the ASU will be incorporating economic factors into our credit loss reserve methodologies and providing expanded disclosures on expected credit losses. At this time, the impact on credit loss reserves is not expected to be material.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |

**WEX INC**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)**  
**(unaudited)**

**3. Revenue**

In accordance with Topic 606, revenue is recognized when, or as, performance obligations are satisfied as defined by the terms of the contract, in an amount that reflects the consideration to which the Company expects to be entitled in exchange for goods or services provided.

The following tables disaggregate our consolidated revenue:

| <i>(In thousands)</i>               | Three Months Ended September 30, 2019 |                                |                                       |                   |
|-------------------------------------|---------------------------------------|--------------------------------|---------------------------------------|-------------------|
|                                     | Fleet Solutions                       | Travel and Corporate Solutions | Health and Employee Benefit Solutions | Total             |
| <b>Topic 606 revenues</b>           |                                       |                                |                                       |                   |
| Payment processing revenue          | \$ 125,288                            | \$ 85,128                      | \$ 14,340                             | \$ 224,756        |
| Account servicing revenue           | 7,165                                 | 10,717                         | 56,451                                | 74,333            |
| Other revenue                       | 19,851                                | 690                            | 7,243                                 | 27,784            |
| <b>Total Topic 606 revenues</b>     | <b>\$ 152,304</b>                     | <b>\$ 96,535</b>               | <b>\$ 78,034</b>                      | <b>\$ 326,873</b> |
| <b>Non-Topic 606 revenues</b>       |                                       |                                |                                       |                   |
| Account servicing revenue           | \$ 34,872                             | \$ —                           | \$ —                                  | \$ 34,872         |
| Finance fee revenue                 | 65,818                                | 645                            | (81)                                  | 66,382            |
| Other revenue                       | 24,532                                | 1,948                          | 5,356                                 | 31,836            |
| <b>Total non-Topic 606 revenues</b> | <b>\$ 125,222</b>                     | <b>\$ 2,593</b>                | <b>\$ 5,275</b>                       | <b>\$ 133,090</b> |
| <b>Total revenues</b>               | <b>\$ 277,526</b>                     | <b>\$ 99,128</b>               | <b>\$ 83,309</b>                      | <b>\$ 459,963</b> |

  

| <i>(In thousands)</i>               | Three Months Ended September 30, 2018 |                                |                                       |                   |
|-------------------------------------|---------------------------------------|--------------------------------|---------------------------------------|-------------------|
|                                     | Fleet Solutions                       | Travel and Corporate Solutions | Health and Employee Benefit Solutions | Total             |
| <b>Topic 606 revenues</b>           |                                       |                                |                                       |                   |
| Payment processing revenue          | \$ 116,023                            | \$ 54,345                      | \$ 12,503                             | \$ 182,871        |
| Account servicing revenue           | 6,920                                 | 9,120                          | 26,818                                | 42,858            |
| Other revenue                       | 11,721                                | 1,063                          | 6,359                                 | 19,143            |
| <b>Total Topic 606 revenues</b>     | <b>\$ 134,664</b>                     | <b>\$ 64,528</b>               | <b>\$ 45,680</b>                      | <b>\$ 244,872</b> |
| <b>Non-Topic 606 revenues</b>       |                                       |                                |                                       |                   |
| Account servicing revenue           | \$ 35,890                             | \$ —                           | \$ —                                  | \$ 35,890         |
| Finance fee revenue                 | 51,644                                | 670                            | 5,359                                 | 57,673            |
| Other revenue                       | 27,371                                | 17,612                         | 3,199                                 | 48,182            |
| <b>Total non-Topic 606 revenues</b> | <b>\$ 114,905</b>                     | <b>\$ 18,282</b>               | <b>\$ 8,558</b>                       | <b>\$ 141,745</b> |
| <b>Total revenues</b>               | <b>\$ 249,569</b>                     | <b>\$ 82,810</b>               | <b>\$ 54,238</b>                      | <b>\$ 386,617</b> |

**WEX INC**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)**  
**(unaudited)**

| (In thousands)                      | Nine Months Ended September 30, 2019 |                                |                                       |                     |
|-------------------------------------|--------------------------------------|--------------------------------|---------------------------------------|---------------------|
|                                     | Fleet Solutions                      | Travel and Corporate Solutions | Health and Employee Benefit Solutions | Total               |
| <b>Topic 606 revenues</b>           |                                      |                                |                                       |                     |
| Payment processing revenue          | \$ 353,413                           | \$ 222,399                     | \$ 50,568                             | \$ 626,380          |
| Account servicing revenue           | 20,601                               | 32,019                         | 148,382                               | 201,002             |
| Other revenue                       | 56,446                               | 2,488                          | 21,018                                | 79,952              |
| <b>Total Topic 606 revenues</b>     | <b>\$ 430,460</b>                    | <b>\$ 256,906</b>              | <b>\$ 219,968</b>                     | <b>\$ 907,334</b>   |
| <b>Non-Topic 606 revenues</b>       |                                      |                                |                                       |                     |
| Account servicing revenue           | \$ 102,181                           | \$ —                           | \$ —                                  | \$ 102,181          |
| Finance fee revenue                 | 174,067                              | 1,498                          | 102                                   | 175,667             |
| Other revenue                       | 70,914                               | 13,722                         | 13,828                                | 98,464              |
| <b>Total non-Topic 606 revenues</b> | <b>\$ 347,162</b>                    | <b>\$ 15,220</b>               | <b>\$ 13,930</b>                      | <b>\$ 376,312</b>   |
| <b>Total revenues</b>               | <b>\$ 777,622</b>                    | <b>\$ 272,126</b>              | <b>\$ 233,898</b>                     | <b>\$ 1,283,646</b> |

  

| (In thousands)                      | Nine Months Ended September 30, 2018 |                                |                                       |                     |
|-------------------------------------|--------------------------------------|--------------------------------|---------------------------------------|---------------------|
|                                     | Fleet Solutions                      | Travel and Corporate Solutions | Health and Employee Benefit Solutions | Total               |
| <b>Topic 606 revenues</b>           |                                      |                                |                                       |                     |
| Payment processing revenue          | \$ 335,896                           | \$ 150,411                     | \$ 43,756                             | \$ 530,063          |
| Account servicing revenue           | 20,770                               | 27,584                         | 80,545                                | 128,899             |
| Other revenue                       | 39,288                               | 3,386                          | 19,775                                | 62,449              |
| <b>Total Topic 606 revenues</b>     | <b>\$ 395,954</b>                    | <b>\$ 181,381</b>              | <b>\$ 144,076</b>                     | <b>\$ 721,411</b>   |
| <b>Non-Topic 606 revenues</b>       |                                      |                                |                                       |                     |
| Account servicing revenue           | \$ 107,269                           | \$ —                           | \$ —                                  | \$ 107,269          |
| Finance fee revenue                 | 140,436                              | 1,157                          | 16,514                                | 158,107             |
| Other revenue                       | 77,687                               | 42,815                         | 4,154                                 | 124,656             |
| <b>Total non-Topic 606 revenues</b> | <b>\$ 325,392</b>                    | <b>\$ 43,972</b>               | <b>\$ 20,668</b>                      | <b>\$ 390,032</b>   |
| <b>Total revenues</b>               | <b>\$ 721,346</b>                    | <b>\$ 225,353</b>              | <b>\$ 164,744</b>                     | <b>\$ 1,111,443</b> |

The vast majority of the above revenue relates to services transferred to the customer over time. Point-in-time revenue recognized was immaterial during the three and nine months ended September 30, 2019 and 2018.

**Contract Balances**

The Company's contract assets consist of upfront payments made to customers under long-term contracts and are recorded upon payment or when due. The resulting asset is amortized against revenue as the Company performs its obligations under these arrangements. The Company's contract liabilities consist of customer payments received before the Company has satisfied the associated performance obligations and upfront payments due to the customer.

**WEX INC**  
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The following table provides information about these contract balances:

*(In thousands)*

| Contract balance         | Location on the unaudited condensed consolidated balance sheets | September 30, 2019 | December 31, 2018 |
|--------------------------|-----------------------------------------------------------------|--------------------|-------------------|
| Receivables <sup>1</sup> | Accounts receivable, net                                        | \$ 43,476          | \$ 32,949         |
| Contract assets          | Prepaid expenses and other current assets                       | \$ 4,064           | \$ 3,819          |
| Contract assets          | Other assets                                                    | \$ 19,514          | \$ 19,232         |
| Contract liabilities     | Other current liabilities                                       | \$ 3,402           | \$ 7,612          |

<sup>1</sup> The majority of the Company's receivables, which are excluded from the table above, are either due from cardholders, who have not been deemed our customer as it relates to interchange income, or from revenues earned outside of the scope of Topic 606.

In the three and nine months ended September 30, 2019, we recognized revenue of \$3.8 million and \$10.2 million related to contract liabilities. In the three and nine months ended September 30, 2018, we recognized revenue of \$2.9 million and \$8.2 million related to contract liabilities.

### **Remaining Performance Obligations**

The Company's unsatisfied, or partially unsatisfied performance obligations as of September 30, 2019 represent the remaining minimum monthly fees on a portion of contracts across the lines of business and contractually obligated professional services yet to be provided by the Company. It is not indicative of the Company's future revenue, as it relates to an insignificant portion of the Company's operations.

The following table includes revenue expected to be recognized related to remaining performance obligations at the end of the reporting period.

| <i>(In thousands)</i>                   | Remaining 2019 | 2020      | 2021      | 2022      | 2023     | 2024   | Total      |
|-----------------------------------------|----------------|-----------|-----------|-----------|----------|--------|------------|
| Minimum monthly fees <sup>1</sup>       | \$ 16,164      | \$ 45,053 | \$ 26,797 | \$ 14,950 | \$ 4,449 | \$ 902 | \$ 108,315 |
| Professional services <sup>2</sup>      | 4,619          | 4,637     | —         | —         | —        | —      | 9,256      |
| Total remaining performance obligations | \$ 20,783      | \$ 49,690 | \$ 26,797 | \$ 14,950 | \$ 4,449 | \$ 902 | \$ 117,571 |

<sup>1</sup> The transaction price allocated to the remaining performance obligations represents the minimum monthly fees on certain service contracts, which contain substantive termination penalties that require the counterparty to pay the Company for the aggregate remaining minimum monthly fees upon an early termination for convenience.

<sup>2</sup> Includes software development projects and other services sold subsequent to the core offerings, to which the customer is contractually obligated.

## **4. Acquisitions**

### **Asset Acquisition**

In December 2016, the Company entered into a contract with Chevron to issue and operate branded commercial fleet cards commencing in 2018. During October 2018, the Company entered into a definitive asset purchase agreement to acquire Chevron's existing trade accounts receivable and customer portfolio from a third party for approximately \$223.4 million. During 2018, the consideration paid consisted of approximately \$162.8 million to acquire the customer portfolio and a deposit of \$38.9 million was paid into escrow for a portion of the outstanding accounts receivable at the date of agreement. The actual amount of accounts receivable purchased from the third party during the second quarter of 2019 was less than the amount deposited in escrow and the Company expects to receive the excess funds from the escrow agent in the fourth quarter of 2019.

As of December 31, 2018, the deposit related to the customer portfolio was recorded within other assets, while the deposit for the purchase of customer receivables was recorded in prepaid expenses and other current assets. During the second quarter of 2019, the Company determined that it obtained control of the customer portfolio and accounted for this transaction under the asset acquisition method of accounting. At that time, we allocated approximately \$168 million of consideration paid to a customer relationship intangible asset and established the accounts receivable at fair value.

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As of September 30, 2019, the customer relationship and acquired customer receivables were recorded within other intangible assets and accounts receivable, respectively, on our unaudited condensed consolidated balance sheet. This customer relationship intangible asset is being amortized over the 13 year term of the Chevron agreement, which has been determined to be the period of anticipated benefit and began when the Company took possession of the customer portfolio during the second quarter of 2019.

Transaction costs related to the acquisition were insignificant and expensed as incurred.

***Business Acquisitions***

Acquisition-related costs on completed business combinations were \$2.4 million and \$11.3 million for the three and nine months ended September 30, 2019 and immaterial for the same periods of 2018.

***Discovery Benefits, Inc.***

On March 5, 2019, the Company acquired Discovery Benefits, an employee benefits administrator, for a total purchase price of \$526.1 million, including \$50 million payable in January 2020, which is recorded in other current liabilities. The acquisition was primarily funded with cash on hand and through borrowings under the 2016 Credit Agreement. The seller of Discovery Benefits obtained a 4.9 percent equity interest in the newly formed parent company of WEX Health and Discovery Benefits, which constitutes the U.S. Health business. The fair value of the equity interest was determined to be \$100.0 million on the acquisition date. See Note 12, Redeemable Non-Controlling Interest, for further information.

This acquisition has been accounted for as a business combination, with preliminary goodwill reflecting the comprehensive suite of products and services for our partners and customers and opening go-to-market channels to include consulting firms and brokers in our Health and Employee Benefit Solutions segment. The majority of the goodwill associated with this acquisition is deductible for tax purposes.

The following is a summary of the preliminary allocation of the purchase price to the assets and liabilities acquired, based on the estimated fair value at the date of acquisition:

*(In thousands)*

|                                                                           |    |           |
|---------------------------------------------------------------------------|----|-----------|
| Cash consideration, net of \$125,865 in cash and restricted cash acquired | \$ | 250,191   |
| Fair value of redeemable non-controlling interest                         |    | 100,000   |
| Deferred cash consideration                                               |    | 50,000    |
| Total consideration, net of cash and restricted cash acquired             | \$ | 400,191   |
| Less:                                                                     |    |           |
| Accounts receivable                                                       |    | 10,722    |
| Property and equipment                                                    |    | 4,904     |
| Customer relationships <sup>(a)(d)</sup>                                  |    | 213,600   |
| Developed technologies <sup>(b)(d)</sup>                                  |    | 38,900    |
| Trademarks and trade names <sup>(c)(d)</sup>                              |    | 13,800    |
| Other assets                                                              |    | 13,601    |
| Accounts payable                                                          |    | (3,071)   |
| Accrued expenses                                                          |    | (7,563)   |
| Restricted cash payable                                                   |    | (125,346) |
| Deferred income taxes                                                     |    | (22,200)  |
| Other liabilities                                                         |    | (9,814)   |
| Recorded goodwill                                                         | \$ | 272,658   |

<sup>(a)</sup> Weighted average life - 7.3 years.

<sup>(b)</sup> Weighted average life - 5.4 years.

<sup>(c)</sup> Weighted average life - 7.3 years.

<sup>(d)</sup> The weighted average life of all amortizable intangible assets acquired in this business combination is 7.0 years.

Since the acquisition date through September 30, 2019, DBI has contributed \$65.6 million in total revenues, and the amount of income before income taxes contributed to Company operations was \$4.7 million.

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*Noventis, Inc.*

On January 24, 2019, the Company acquired Noventis, a long-time customer and electronic payments network focused on optimizing payment delivery for bills and invoices to commercial entities, for \$338.7 million, which was primarily funded with cash on hand and through borrowings under the 2016 Credit Agreement. Excluded from the consideration is \$5.5 million paid to certain Noventis shareholders who held unvested option awards at the acquisition date. The modification of these awards to accelerate the vesting resulted in the Company recording this expense as general and administrative expense in our unaudited condensed consolidated statements of income for the nine months ended September 30, 2019.

This acquisition, which expands our reach as a corporate payments supplier and provides more channels to billing aggregators and financial institutions in our Travel and Corporate Payment Solutions segment, was accounted for as a business combination, resulting in the recording of goodwill. The goodwill associated with this acquisition is not deductible for tax purposes.

The following is a summary of the preliminary allocation of the purchase price to the assets and liabilities acquired, based on the estimated fair value at the date of acquisition:

*(In thousands)*

|                                                       |                   |
|-------------------------------------------------------|-------------------|
| Total consideration, net of \$44,947 in cash acquired | <b>\$ 293,767</b> |
| Less:                                                 |                   |
| Accounts receivable                                   | 22,134            |
| Property and equipment                                | 549               |
| Network relationships <sup>(a) (c)</sup>              | 100,900           |
| Developed technologies <sup>(b) (c)</sup>             | 15,000            |
| Other assets                                          | 2,379             |
| Accounts payable                                      | (33,521)          |
| Deferred income tax liabilities                       | (24,121)          |
| Other liabilities                                     | (2,367)           |
| Recorded goodwill                                     | <b>\$ 212,814</b> |

<sup>(a)</sup> Weighted average life - 8.3 years.

<sup>(b)</sup> Weighted average life - 2.9 years.

<sup>(c)</sup> The weighted average life of all amortizable intangible assets acquired in this business combination is 7.6 years.

Since the acquisition date through September 30, 2019, Noventis has contributed \$31.8 million in total revenues, and the amount of income before income taxes contributed to Company operations was \$5.0 million.

*Pavestone Capital, LLC*

On February 14, 2019, the Company acquired Pavestone Capital, a recourse factoring company that provides working capital to businesses, for a purchase price of \$28.0 million, net of cash acquired. This acquisition, which was funded with cash on hand, has been accounted for as a business combination. Pavestone complements our existing factoring business and as a result the purchase price is primarily allocated to goodwill, accounts receivable and customer relationships in amounts of \$9.5 million, \$14.9 million and \$3.9 million, respectively. The goodwill associated with this acquisition is deductible for tax purposes.

Since the acquisition date, Pavestone Capital revenues and income before income taxes, which are recorded in our Fleet Solutions segment, were not material to Company operations. No pro forma or current information has been included in these financial statements as the operations of Pavestone Capital for the period that they were not part of the Company are not material to the Company's revenues, net income and earnings per share.

*Go Fuel Card*

On July 1, 2019, the Company acquired Go Fuel Card, a European fuel card, for a total purchase price of €235.0 million (equivalent of \$266.0 million on date of purchase). This acquisition, which was funded with cash on hand, was accounted for as a business combination. The acquisition strengthens our position in the European market, grows our existing customer base and reduces our sensitivity to retail fuel prices, resulting in the recording of goodwill. The goodwill associated with the acquisition of Go Fuel Card is deductible for tax purposes.

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The following is a summary of the preliminary allocation of the purchase price to the assets and liabilities acquired, based on the estimated fair value at the date of acquisition:

(In thousands)

|                                           |    |         |
|-------------------------------------------|----|---------|
| Total consideration                       | \$ | 266,044 |
| Less:                                     |    |         |
| Accounts receivable                       |    | 5,589   |
| Network relationships <sup>(a) (d)</sup>  |    | 112,893 |
| Customer relationships <sup>(b) (d)</sup> |    | 33,963  |
| Brand name <sup>(c) (d)</sup>             |    | 442     |
| Deposits                                  |    | (5,169) |
| Accrued expenses                          |    | (420)   |
| Recorded goodwill                         | \$ | 118,746 |

<sup>(a)</sup> Weighted average life - 10.1 years.

<sup>(b)</sup> Weighted average life - 5.0 years.

<sup>(c)</sup> Weighted average life - 1.0 year.

<sup>(d)</sup> The weighted average life of all amortizable intangible assets acquired in this business combination is 8.9 years.

Since the acquisition date through September 30, 2019, Go Fuel Card has contributed \$5.0 million in total revenues, and the amount of loss before income taxes contributed to Company operations was \$5.8 million. No pro forma information has been included in these financial statements as the operations of Go Fuel Card for the period that they were not part of the Company are not material to the Company's revenues, net income and earnings per share.

### 2019 Business Acquisitions

The Company has not finalized the purchase accounting for Discovery Benefits, Noventis, Pavestone or Go Fuel Card and is currently evaluating the tax basis and allocation of the net assets acquired. Additionally, the Company is performing valuations of intangible assets acquired in certain of the business combinations. The preliminary estimates could change significantly upon completion of these valuations.

### Pro Forma Supplemental Information

The pro forma information below gives effect to the Discovery Benefits and Noventis acquisitions as if they had been completed on January 1, 2018. These pro forma results have been calculated after applying the Company's accounting policies, adjustments to reflect amortization associated with intangibles acquired and interest expense associated with the incremental borrowings under the 2016 Credit Agreement used to fund the acquisitions and related income tax results. The pro forma financial information is presented for comparative purposes only, based on certain estimates and assumptions, which the Company believes to be reasonable but not necessarily indicative of future results of operations or the results that would have been reported if the acquisitions had been completed on January 1, 2018.

The following represents unaudited pro forma operational results as if the acquisitions had occurred January 1, 2018:

|                                                    | Three Months Ended September 30, |            | Nine Months Ended September 30, |              |
|----------------------------------------------------|----------------------------------|------------|---------------------------------|--------------|
|                                                    | 2019                             | 2018       | 2019                            | 2018         |
| Total revenues                                     | \$ 459,963                       | \$ 414,723 | \$ 1,302,752                    | \$ 1,193,957 |
| Net income attributable to shareholders            | \$ 19,178                        | \$ 49,546  | \$ 53,213                       | \$ 125,823   |
| Net income attributable to shareholders per share: |                                  |            |                                 |              |
| Basic                                              | \$ 0.44                          | \$ 1.15    | \$ 1.23                         | \$ 2.92      |
| Diluted                                            | \$ 0.44                          | \$ 1.14    | \$ 1.22                         | \$ 2.89      |

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## 5. Accounts Receivable

In general, the Company's trade accounts receivable provide for payment terms of 30 days or less. Receivables not paid within the terms of the agreement are generally subject to late fees based upon the outstanding receivable balance.

The Company extends revolving credit to certain small fleets, which are subject to interest charges based on the revolving balance not paid in full. The Company had approximately \$66.8 million and \$18.9 million in receivables with revolving credit balances as of September 30, 2019 and December 31, 2018, respectively. The increase in revolving credit balances during the nine months ended September 30, 2019 was due to the onboarding of a customer portfolio.

### *Concentration of Credit Risk*

The receivables portfolio consists of a large group of homogeneous smaller balances across a wide range of industries, which are collectively evaluated for impairment. No one customer receivable balance represented 10 percent or more of the outstanding receivables balance at September 30, 2019 or December 31, 2018. The following table presents the outstanding balance of trade accounts receivable that are less than 30 and 60 days past due, in each case, as a percentage of total trade accounts receivable:

| Delinquency Status       | September 30, 2019 | December 31, 2018 |
|--------------------------|--------------------|-------------------|
| 29 days or less past due | 96%                | 95%               |
| 59 days or less past due | 97%                | 98%               |

### *Reserves for Accounts Receivable*

Receivables are generally written off when they are 150 days past due or upon declaration of bankruptcy of the customer. The reserve for credit losses is primarily calculated by an analytic model that also takes into account other factors, such as the actual charge-offs for the preceding reporting periods, expected charge-offs and recoveries for the subsequent reporting periods, a review of past due accounts receivable balances, changes in payment patterns, known fraudulent activity in the portfolio, as well as leading economic and market indicators.

The following table presents changes in the accounts receivable allowances:

| <i>(In thousands)</i>                        | Nine Months Ended September 30, |                  |
|----------------------------------------------|---------------------------------|------------------|
|                                              | 2019                            | 2018             |
| Balance, beginning of year                   | \$ 46,948                       | \$ 33,387        |
| Provision for credit losses                  | 47,470                          | 50,411           |
| Other <sup>1</sup>                           | 18,382                          | 14,408           |
| Charge-offs                                  | (69,864)                        | (58,532)         |
| Recoveries of amounts previously charged-off | 7,149                           | 5,439            |
| Currency translation                         | (820)                           | (349)            |
| <b>Balance, end of period</b>                | <b>\$ 49,265</b>                | <b>\$ 44,764</b> |

<sup>1</sup> Consists primarily of charges to other accounts. The Company earns revenue by assessing monthly finance fees on accounts with overdue balances. These fees are recognized as revenue at the time the fees are assessed. The finance fee 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. On occasion, these fees are waived to maintain relationship goodwill. Charges to other accounts represents the offset against the late fee revenue recognized when the Company establishes a reserve for such waived amounts.

## 6. Earnings per Share

Basic earnings per share is computed by dividing net income attributable to shareholders by the weighted average number of shares of common stock and vested deferred stock units ("DSUs") outstanding during the year. The computation of diluted earnings per share is similar to the computation of basic earnings per share, except that the denominator is increased for the assumed exercise of dilutive options and assumed issuance of unvested performance-based awards for which the performance condition has been met as of the date of determination using the treasury stock method unless the effect is anti-dilutive. The treasury stock method assumes that proceeds, including cash received from the exercise of employee stock options and the average unrecognized

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compensation expense for unvested share-based compensation awards, would be used to purchase the Company's common stock at the average market price during the period.

The following table summarizes net income attributable to shareholders and reconciles basic and diluted shares outstanding used in the earnings per share computations:

| <i>(In thousands)</i>                                | <b>Three Months Ended September 30,</b> |                  | <b>Nine Months Ended September 30,</b> |                   |
|------------------------------------------------------|-----------------------------------------|------------------|----------------------------------------|-------------------|
|                                                      | <b>2019</b>                             | <b>2018</b>      | <b>2019</b>                            | <b>2018</b>       |
| Net income attributable to shareholders              | <b>\$ 14,619</b>                        | <b>\$ 56,644</b> | <b>\$ 44,560</b>                       | <b>\$ 147,038</b> |
| Weighted average common shares outstanding – Basic   | <b>43,349</b>                           | <b>43,191</b>    | <b>43,300</b>                          | <b>43,141</b>     |
| Dilutive impact of share-based compensation awards   | <b>462</b>                              | <b>424</b>       | <b>415</b>                             | <b>417</b>        |
| Weighted average common shares outstanding – Diluted | <b>43,811</b>                           | <b>43,615</b>    | <b>43,715</b>                          | <b>43,558</b>     |

For the three and nine months ended September 30, 2019 and 2018, an immaterial number of outstanding share-based compensation awards were excluded from the computation of diluted earnings per share, as the effect of including these awards would be anti-dilutive.

## 7. Derivative Instruments

The Company is exposed to certain market risks relating to its ongoing business operations. From time to time, the Company enters into derivative instrument arrangements to manage various risks including interest rate risk.

As of December 31, 2018, we had four interest rate swap contracts in effect with a collective notional amount at inception of \$1.0 billion, with maturity dates from December 30, 2020 to December 31, 2022, at interest rates between 1.108 percent and 2.212 percent. On March 12, 2019, the Company entered into three additional interest rate swap contracts.

The following table presents relevant information for the interest rate swap agreements entered into during the nine months ended September 30, 2019:

|                                                    | <b>Tranche A</b> | <b>Tranche B</b> | <b>Tranche C</b> |
|----------------------------------------------------|------------------|------------------|------------------|
| Notional amount at inception <i>(in thousands)</i> | \$150,000        | \$100,000        | \$200,000        |
| Maturity date                                      | 3/12/2022        | 3/12/2022        | 3/12/2023        |
| Fixed interest rate                                | 2.41750%         | 2.42500%         | 2.41325%         |

As of September 30, 2019, outstanding interest rate swap contracts are intended to fix the future interest payments associated with \$1.4 billion of the \$2.4 billion of outstanding borrowings under our 2016 Credit Agreement.

The following table presents information on the location and amounts of interest rate swap gains and losses:

| <i>(In thousands)</i>                              | <b>Derivatives<br/>Not Designated as Hedging Instruments</b> | <b>Location of Gain (Loss) Recognized in Income Statement</b> | <b>Three Months Ended September 30,</b> |                 | <b>Nine Months Ended September 30,</b> |                  |
|----------------------------------------------------|--------------------------------------------------------------|---------------------------------------------------------------|-----------------------------------------|-----------------|----------------------------------------|------------------|
|                                                    |                                                              |                                                               | <b>2019</b>                             | <b>2018</b>     | <b>2019</b>                            | <b>2018</b>      |
| Interest rate swap agreements – unrealized portion |                                                              | Net unrealized (loss) gain on financial instruments           | <b>\$ (5,834)</b>                       | <b>\$ 2,340</b> | <b>\$ (39,903)</b>                     | <b>\$ 19,792</b> |
| Interest rate swap agreements – realized portion   |                                                              | Financing interest income                                     | <b>\$ 1,355</b>                         | <b>\$ 1,866</b> | <b>\$ 5,613</b>                        | <b>\$ 3,542</b>  |

See Note 11, Fair Value, for more information regarding the valuation of the Company's interest rate swaps.

## 8. Deposits

WEX Bank's regulatory status enables it to raise capital to fund the Company's working capital requirements by issuing deposits, subject to FDIC rules governing minimum financial ratios. See Note 19, Supplementary Regulatory Capital Disclosure, for further information concerning these FDIC requirements.

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WEX Bank accepts its deposits through: (i) certain customers as required collateral for credit that has been extended (“customer deposits”); (ii) contractual arrangements with brokerage firms for both certificate of deposit and money market deposit products (“brokered deposits”); and (iii) a listing service that provides certificates of deposit with financial institutions (“institutional deposits”). Customer deposits are generally non-interest bearing, while brokered deposits are issued at variable rates based on LIBOR or the Federal Funds rate and institutional deposits contain varying terms.

The following table presents the composition of deposits, which are classified based on their contractual maturities:

| <i>(In thousands)</i>                                                                               | September 30, 2019 | December 31, 2018 |
|-----------------------------------------------------------------------------------------------------|--------------------|-------------------|
| Interest-bearing brokered money market deposits <sup>(a)</sup>                                      | \$ 275,970         | \$ 283,790        |
| Customer deposits                                                                                   | 121,849            | 138,072           |
| Certificates of deposit with maturities within 1 year <sup>(a)(b)</sup>                             | 760,824            | 505,582           |
| Short-term deposits                                                                                 | 1,158,643          | 927,444           |
| Certificates of deposit with maturities greater than 1 year and less than 5 years <sup>(a)(b)</sup> | 416,295            | 345,231           |
| Total deposits                                                                                      | \$ 1,574,938       | \$ 1,272,675      |
| Weighted average cost of funds on certificates of deposit outstanding                               | 2.40%              | 2.36%             |
| Weighted average cost of interest-bearing brokered money market deposits                            | 2.19%              | 2.49%             |

<sup>(a)</sup> As of September 30, 2019, all brokered deposits were in denominations of \$250 thousand or less, corresponding to FDIC deposit insurance limits.

<sup>(b)</sup> Original maturities range from 2 months to 5 years, with interest rates ranging from 1.70 percent to 3.52 percent as of September 30, 2019. At December 31, 2018, original maturities ranged from 6 months to 5 years with interest rates ranging from 1.30 percent to 3.52 percent.

In accordance with regulatory requirements, WEX Bank maintains reserves against a portion of its outstanding customer deposits by keeping balances with the Federal Reserve Bank. The required reserve was \$12.5 million and \$11.1 million at September 30, 2019 and December 31, 2018, respectively.

#### *ICS Purchases*

From time to time, WEX Bank utilizes alternative funding sources such as Promontory Interfinancial Network, LLC’s ICS service, which provides for one-way buy transactions among banks for the purposes of purchasing cost-effective variable-rate funding without collateralization. WEX Bank may purchase brokered money market demand accounts and demand deposit accounts in amounts not to exceed \$125.0 million through this service. There were no outstanding balances for ICS purchases at September 30, 2019 and December 31, 2018.

## **9. Financing and Other Debt**

The following table summarizes the Company’s total outstanding debt by type:

| <i>(In thousands)</i>                                 | September 30, 2019 | December 31, 2018 |
|-------------------------------------------------------|--------------------|-------------------|
| Tranche A term loan                                   | 936,190            | 423,637           |
| Tranche B term loan                                   | 1,460,718          | 1,321,447         |
| Term loans under 2016 Credit Agreement <sup>(a)</sup> | 2,396,908          | 1,745,084         |
| Notes outstanding <sup>(a)</sup>                      | 400,000            | 400,000           |
| Securitized debt                                      | 94,921             | 106,872           |
| Participation debt                                    | 44,265             | 114,849           |
| WEX Latin America debt                                | 817                | 16,242            |
| Total gross debt                                      | \$ 2,936,911       | \$ 2,383,047      |

<sup>(a)</sup> See Note 11, Fair Value, for more information regarding the Company’s 2016 Credit Agreement and Notes.

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The following table summarizes the Company's total outstanding debt by balance sheet classification:

| <i>(In thousands)</i>                 | September 30, 2019 | December 31, 2018 |
|---------------------------------------|--------------------|-------------------|
| Current portion of gross debt         | \$ 204,613         | \$ 223,241        |
| Less: Unamortized debt issuance costs | (8,027)            | (6,724)           |
| Short-term debt, net                  | \$ 196,586         | \$ 216,517        |
| Long-term portion of gross debt       | \$ 2,732,298       | \$ 2,159,806      |
| Less: Unamortized debt issuance costs | (31,649)           | (25,883)          |
| Long-term debt, net                   | \$ 2,700,649       | \$ 2,133,923      |

**Supplemental information under 2016 Credit Agreement:**

|                                                                          |            |            |
|--------------------------------------------------------------------------|------------|------------|
| Letters of credit <sup>(b)</sup>                                         | \$ 51,310  | \$ 53,514  |
| Remaining borrowing capacity on revolving credit facility <sup>(c)</sup> | \$ 718,690 | \$ 666,486 |

<sup>(b)</sup> Collateral for lease agreements, virtual card and fuel payment processing activity at the Company's foreign subsidiaries.

<sup>(c)</sup> Contingent on maintaining compliance with the financial covenants as defined in the Company's 2016 Credit Agreement.

**2016 Credit Agreement**

As of December 31, 2018, the 2016 Credit Agreement, provided for a secured tranche A term loan in an original principal amount of \$480.0 million, a secured tranche B term loan in an original principal amount of \$1,335.0 million and a \$720.0 million secured revolving credit facility, with a \$250.0 million sublimit for letters of credit and \$20.0 million sublimit for swingline loans. Under the 2016 Credit Agreement, the Company has granted a security interest in substantially all of the assets of the Company, subject to exceptions including the assets of WEX Bank and certain foreign subsidiaries.

On January 18, 2019, the Company entered into a Fifth Amendment to the 2016 Credit Agreement, which provided additional tranche A term loans in the original principal amount of \$300 million. In addition, subject to certain conditions, the Fifth Amendment provided delayed draw commitments for an incremental \$275.0 million tranche A term loan and an incremental \$25.0 million of revolving credit commitments (subject to conversion of the delayed draw incremental tranche A term loan commitments and incremental revolving credit commitments to commitments of the other type). On March 5, 2019, the Company drew down this commitment in order to fund the acquisition of Discovery Benefits, consisting of \$250.0 million of tranche A term loans and an incremental \$50.0 million of revolving credit commitments.

On May 17, 2019, the Company entered into a Sixth Amendment to the 2016 Credit Agreement, which provided additional tranche B term loans in the original principal amount of \$150.0 million and extended the maturity date of tranche B term loans by three years to May 2026. Amounts due under the revolving credit facility and tranche A term loans of the 2016 Credit Agreement mature in July 2023. Prior to maturity, amounts borrowed under the tranche A and tranche B term loan facilities will be reduced by mandatory quarterly payments of \$12.5 million and \$3.7 million, respectively.

The revolving loans and tranche A term loans outstanding under the 2016 Credit Agreement bear interest at variable rates, at the Company's option, plus an applicable margin determined based on the Company's consolidated leverage ratio. The tranche B term loans bear interest at a variable rate plus a margin equal to 2.25 percent for base rate loans and 1.25 percent for eurocurrency rate loans. As of September 30, 2019 and December 31, 2018, amounts outstanding under the 2016 Credit Agreement bore a weighted average effective interest rate of 4.2 percent and 4.7 percent, respectively. The Company maintains interest rate swap agreements to manage the interest rate risk associated with its outstanding variable-interest rate borrowings under the 2016 Credit Agreement. See Note 7, Derivative Instruments, for further discussion.

The Company accounted for the January 2019 amendment to the 2016 Credit Agreement as a debt modification. The Company accounted for the May 2019 amendment to the 2016 Credit Agreement as both a debt modification and extinguishment, and consequently recorded a loss on extinguishment of debt of \$1.3 million related to the write-off of unamortized debt issuance costs during the nine months ended September 30, 2019. During the nine months ended September 30, 2019, the Company incurred and expensed \$10.6 million of third party costs associated with the January and May 2019 debt amendments, which are classified within general and administrative expenses in our unaudited condensed consolidated statements of income. During the nine months ended September 30, 2019, the Company incurred and capitalized lender costs of \$3.4 million associated with the January 2019 debt amendment and a debt discount of \$11.0 million associated with the May 2019 debt amendment. These costs are being amortized into interest expense over the 2016 Credit Agreement's term using the effective interest method.

**WEX INC**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)**  
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***Debt Covenants***

As more fully described in the Company's Annual Report on Form 10-K for the year ended December 31, 2018, the 2016 Credit Agreement and the Indenture contain covenants that limit the ability of the Company and its subsidiaries, including its restricted subsidiaries and, in certain limited circumstances, WEX Bank and the Company's other regulated subsidiaries, to (i) incur additional debt, (ii) pay dividends or make other distributions on, redeem or repurchase capital stock, or make investments or other restricted payments, (iii) enter into transactions with affiliates, (iv) dispose of assets or issue stock of restricted subsidiaries or regulated subsidiaries, (v) create liens on assets, or (vi) effect a consolidation or merger or sell all, or substantially all, of the Company's assets. As of September 30, 2019, the Company was in compliance with all material covenants of its 2016 Credit Agreement and the Indenture.

***Notes Outstanding***

As of both September 30, 2019 and December 31, 2018, the Company had \$400.0 million of 4.75 percent fixed-rate senior notes outstanding, which will mature on February 1, 2023. Interest is payable semiannually in arrears on February 1 and August 1 of each year.

***Australian Securitization Facility***

The Company maintains a securitized debt agreement with the Bank of Tokyo-Mitsubishi UFJ, Ltd., which has been extended through April 2020. Under the terms of the agreement, each month, on a revolving basis, the Company sells certain of its Australian receivables to the Company's Australian Securitization Subsidiary. The Australian Securitization Subsidiary, in turn, uses the receivables as collateral to issue asset-backed commercial paper ("securitized debt") for approximately 85 percent of the securitized receivables. The amount collected on the securitized receivables is restricted to pay the securitized debt and is not available for general corporate purposes.

The Company pays a variable interest rate on the outstanding balance of the securitized debt, based on the Australian Bank Bill Rate plus an applicable margin. The interest rate was 1.98 percent and 2.89 percent as of September 30, 2019 and December 31, 2018, respectively. The Company had \$73.4 million and \$87.0 million of securitized debt under this facility as of September 30, 2019 and December 31, 2018, respectively.

***European Securitization Facility***

On April 7, 2016, the Company entered into a five year securitized debt agreement with the Bank of Tokyo-Mitsubishi UFJ, Ltd. Under the terms of the agreement, the Company sells certain of its receivables from selected European countries to its European Securitization Subsidiary. The European Securitization Subsidiary, in turn, uses the receivables as collateral to issue securitized debt. The amount collected on the securitized receivables is restricted to pay the securitized debt and is not available for general corporate purposes. The amounts of receivables to be securitized under this agreement is determined by management on a monthly basis. The interest rate was 1.06 percent and 0.98 percent as of September 30, 2019 and December 31, 2018, respectively. The Company had \$21.5 million and \$18.0 million of securitized debt under this facility as of September 30, 2019 and December 31, 2018, respectively.

***Participation Debt***

From time to time, WEX Bank enters into participation agreements with third-party banks to fund customers' balances that exceed WEX Bank's lending limit to individual customers. Associated unsecured borrowings carry a variable interest rate of 1 month to 3 month LIBOR plus a margin of 225 basis points.

**WEX INC**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)**  
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The following table provides the amounts outstanding under the participation debt agreements in place:

| <i>(In thousands)</i>               | September 30, 2019 |                     |                            | December 31, 2018 |                     |                            |
|-------------------------------------|--------------------|---------------------|----------------------------|-------------------|---------------------|----------------------------|
|                                     | Amounts Available  | Amounts Outstanding | Remaining Funding Capacity | Amounts Available | Amounts Outstanding | Remaining Funding Capacity |
| Short-term debt, net <sup>(a)</sup> | \$ 180,000         | \$ 44,265           | \$ 135,735                 | \$ 130,000        | \$ 64,849           | \$ 65,151                  |
| Long-term debt, net <sup>(a)</sup>  | —                  | —                   | —                          | 50,000            | 50,000              | —                          |
|                                     | <u>\$ 180,000</u>  | <u>\$ 44,265</u>    | <u>\$ 135,735</u>          | <u>\$ 180,000</u> | <u>\$ 114,849</u>   | <u>\$ 65,151</u>           |

|                       |       |       |
|-----------------------|-------|-------|
| Average interest rate | 4.47% | 4.30% |
|-----------------------|-------|-------|

<sup>(a)</sup> Amounts outstanding under agreements terminating on December 27, 2019 and August 31, 2020.

### ***Borrowed Federal Funds***

WEX Bank borrows from uncommitted federal funds lines to supplement the financing of the Company's accounts receivable. Our federal funds lines of credit were \$334.0 million and \$309.0 million as of September 30, 2019 and December 31, 2018, respectively. There were no outstanding borrowings as of September 30, 2019 and December 31, 2018.

### ***WEX Latin America Debt***

WEX Latin America had debt of approximately \$0.8 million and \$16.2 million as of September 30, 2019 and December 31, 2018, respectively. This is comprised of credit facilities and loan arrangements related to our accounts receivable. These borrowings are recorded in short-term debt. As of September 30, 2019 and December 31, 2018, the interest rate was 27.62 percent and 23.59 percent, respectively.

## **10. Off-Balance Sheet Arrangements**

### ***WEX Europe Services Accounts Receivable Factoring***

During the first quarter of 2017, WEX Europe Services entered into a factoring arrangement with an unrelated third-party financial institution. Under this arrangement, customer accounts receivable balances are sold without recourse to the extent that they are maintained at or below the credit limit established by the buyer. If customer receivable balances exceed the buyer's credit limit, the Company maintains the risk of default. The Company obtained a true-sale opinion from an independent attorney, which states that the factoring agreement provides legal isolation upon WEX Europe Services bankruptcy or receivership under local law and creates a sale of receivables for amounts transferred both below and above the established credit limits. Additionally, there are no indications of the Company's continuing involvement in the factored receivables. As such, transfers under this arrangement are treated as sales and are accounted for as reductions in trade accounts receivable because effective control of the receivables is transferred to the buyer.

The Company sold approximately \$156.0 million and \$470.3 million of accounts receivable under this arrangement during the three and nine months ended September 30, 2019, respectively. For the three and nine months ended September 30, 2018 the Company sold approximately \$171.2 million and \$532.1 million of accounts receivable, respectively. Proceeds received, which are recorded net of applicable costs, including interest and commissions, are recorded in operating activities in the statements of cash flows. The loss on factoring was \$0.8 million and \$2.6 million for the three and nine months ended September 30, 2019, respectively, and \$1.1 million and \$3.5 million for the three and nine months ended September 30, 2018, respectively, and was recorded within cost of services. As of September 30, 2019 and December 31, 2018, the amount of outstanding transferred receivables in excess of the established credit limit was \$0.4 million and \$0.2 million, respectively. Charge-backs on balances in excess of the credit limit during the nine months ended September 30, 2019 and September 30, 2018 were insignificant.

### ***WEX Bank Accounts Receivable Factoring***

In August 2018, WEX Bank entered into a factoring agreement with an unrelated third-party financial institution to sell certain of our trade accounts receivable under non-recourse transactions. The Company obtained a true-sale opinion from an independent attorney, which states that the factoring agreement provides legal isolation upon WEX Bank bankruptcy or receivership under local law. WEX Bank continues to service the receivables post-transfer with no participating interest. As such, transfers

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**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)**  
**(unaudited)**

under this arrangement are treated as a sale and are accounted for as a reduction in trade accounts receivable because effective control of the receivables is transferred to the buyer.

The Company sold approximately \$5.0 billion and \$11.0 billion of accounts receivable under this arrangement during the three and nine months ended September 30, 2019, respectively. For both the three and nine months ended September 30, 2018, the Company sold approximately \$1.3 billion of accounts receivable. Proceeds received, which are reported net of a negotiated discount rate, are recorded in operating activities in the statements of cash flows. The loss on factoring, which is recorded within cost of services, was \$1.2 million and \$2.9 million for the three and nine months ended September 30, 2019, respectively, and \$0.4 million for both the three and nine months ended September 30, 2018.

***WEX Latin America Securitization of Receivables***

During the second quarter of 2017, WEX Latin America entered into a securitized debt agreement to transfer certain unsecured receivables associated with our salary payment card product to an investment fund managed by an unrelated third-party financial institution. WEX Latin America holds a non-controlling equity interest in the investment fund. During the nine months ended September 30, 2019, the Company did not make equity contributions to the investment fund.

As of December 31, 2017 and through June 30, 2018, this securitization arrangement did not meet the derecognition conditions due to continuing involvement with the transferred assets and accordingly WEX Latin America reported the transferred receivables and securitized debt on our balance sheet. During the nine months ended September 30, 2018, the Company recognized operating interest expense of \$4.4 million under this financing arrangement.

During the third quarter of 2018, the securitization agreements were amended, resulting in the Company giving effective control of the transferred receivables to the buyer. The Company received a true-sale opinion from an independent attorney stating that the amended agreements provide legal isolation upon WEX Latin America bankruptcy or receivership under local law. As such, transfers under this arrangement are treated as sales and are accounted for as reductions in trade accounts receivable.

During the three and nine months ended September 30, 2019, the Company sold \$21.4 million and \$57.0 million of receivables, respectively, and recognized a gain on sale of \$4.8 million and \$12.0 million, respectively. For both the three and nine months ended September 30, 2018, the Company sold \$20.2 million of receivables and recognized a gain on sale of \$3.2 million. The gain recognized consists of the difference between the sales price and the carrying value of the receivables and is recorded within other revenue. Cash proceeds from the transfer of these receivables are recorded in operating activities in the statements of cash flows.

**11. Fair Value**

Certain of the Company's financial assets and liabilities are recorded at fair value. The Company determines fair value based upon quoted prices when available or through the use of alternative approaches, such as model pricing, when market quotes are not readily accessible or available. These valuation techniques may be based upon observable and unobservable inputs. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the Company's market assumptions. These two types of inputs create the following fair value hierarchy:

- Level 1 – Quoted prices for identical instruments in active markets.
- Level 2 – Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations whose inputs are observable or whose significant value drivers are observable.
- Level 3 – Instruments whose significant value drivers are unobservable.

Assets and liabilities measured at fair value are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. Our assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the asset or liability.

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**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)**  
**(unaudited)**

***Assets and Liabilities Measured at Fair Value on a Recurring Basis***

The following table presents the Company's financial instruments that are measured at fair value:

| <i>(In thousands)</i>                                     | Fair Value Hierarchy | September 30, 2019 | December 31, 2018 |
|-----------------------------------------------------------|----------------------|--------------------|-------------------|
| <b>Financial Assets:</b>                                  |                      |                    |                   |
| Money market funds <sup>(a)</sup>                         | 1                    | \$ 76,004          | \$ 71,228         |
| Investment securities                                     |                      |                    |                   |
| Municipal bonds                                           | 2                    | \$ 309             | \$ 404            |
| Asset-backed securities                                   | 2                    | 255                | 279               |
| Mortgage-backed securities                                | 2                    | 177                | 260               |
| Equity security measured at net asset value               | NAV                  | 5,000              | —                 |
| Fixed-income mutual fund                                  | 1                    | 24,717             | 23,463            |
| Total investment securities                               |                      | \$ 30,458          | \$ 24,406         |
| Executive deferred compensation plan trust <sup>(b)</sup> | 1                    | \$ 7,661           | \$ 6,398          |
| Interest rate swaps <sup>(c)</sup>                        | 2                    | \$ 2,891           | \$ 17,994         |
| <b>Liabilities</b>                                        |                      |                    |                   |
| Interest rate swaps <sup>(d)</sup>                        | 2                    | \$ 24,800          | \$ —              |

<sup>(a)</sup> The fair value is recorded in cash and cash equivalents.

<sup>(b)</sup> The fair value is recorded in prepaid expenses and other current assets and other assets based on the timing of payment obligations.

<sup>(c)</sup> The fair value is recorded in prepaid expenses and other current assets or other assets depending on the timing of expected discounted cash flows.

<sup>(d)</sup> The fair value is recorded in other current liabilities or other liabilities depending on the timing of expected discounted cash flows.

***Money Market Funds***

A portion of the Company's cash and cash equivalents are invested in a money market fund that primarily consists of short-term government securities, which are classified as Level 1 in the fair value hierarchy because they are valued using quoted market prices in an active market.

***Investment Securities***

When available, the Company uses quoted market prices to determine the fair value of investment securities; such inputs are classified as Level 1 of the fair-value hierarchy. These securities primarily consist of an open-ended mutual fund, which is invested in fixed-income securities and is held in order to satisfy the regulatory requirements of WEX Bank. For mortgage-backed and asset-backed debt securities and municipal bonds, the Company generally uses quoted prices for recent trading activity of assets with similar characteristics to the debt security or bond being valued. The securities and bonds priced using such methods are generally valued using Level 2 inputs.

***Executive Deferred Compensation Plan Trust***

The investments held in the executive deferred compensation plan trust are classified as Level 1 in the fair value hierarchy because the fair value is determined using quoted prices for identical instruments in active markets.

***Interest Rate Swaps***

The Company determines the fair value of its interest rate swaps based on the discounted cash flows of the difference between the projected fixed payments on the swaps and the implied floating payments using the current LIBOR curve, which are Level 2 inputs of the fair value hierarchy.

**WEX INC**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)**  
**(unaudited)**

***Assets and Liabilities Measured at Fair Value on a Nonrecurring Basis***

***Notes Outstanding***

The Notes outstanding had a fair value of \$405.0 million and \$392.0 million as of September 30, 2019 and December 31, 2018, respectively. The fair value of the Notes is based on market rates for the issuance of our debt and is classified as Level 2 in the fair value hierarchy.

***2016 Credit Agreement***

The Company determines the fair value of the amount outstanding under its 2016 Credit Agreement based on the market rates for the issuance of the Company's debt, which are Level 2 inputs in the fair value hierarchy. As of both September 30, 2019 and December 31, 2018, the carrying value of the 2016 Credit Agreement approximated its fair value.

***Other Assets and Liabilities***

Our financial instruments, other than those presented above, include cash, cash equivalents, restricted cash, accounts receivable, accounts payable, accrued expenses and other liabilities. The carrying values of such assets and liabilities approximate their respective fair values due to their short-term nature. The carrying values of certificates of deposit, interest-bearing brokered money market deposits, securitized debt, participation debt and borrowed federal funds approximate their respective fair values, as the interest rates on these financial instruments are variable market-based rates. All other financial instruments are reflected at fair value on the unaudited condensed consolidated balance sheets.

**12. Redeemable Non-Controlling Interest**

On March 5, 2019, the Company acquired Discovery Benefits, an employee benefits administrator. The seller of Discovery Benefits obtained a 4.9 percent equity interest in the newly formed parent company of WEX Health and Discovery Benefits ("the U.S. Health business"). The seller's 4.9 percent non-controlling interest in WEX Health and DBI was initially established at carrying value and fair value, respectively. On the date of acquisition, the excess of the fair value of the 4.9 percent equity interest in WEX Health over its carrying value was recognized as an equity transaction, resulting in a \$41.4 million increase to additional paid-in capital.

The agreement provides the seller with a put right and the Company with a call right for the equity interest, which can be exercised no earlier than five and seven years following the date of acquisition, respectively. Upon exercise of the put or call right, the purchase price is calculated based on a revenue multiple of peer companies (as defined in the acquisition agreement) applied to trailing twelve month revenues of the U.S. Health business. The put option makes the non-controlling interest redeemable and, therefore, the non-controlling interest is classified as temporary equity outside of stockholders' equity. The redeemable non-controlling interest is reported at the higher of its redemption value or the non-controlling interest holder's proportionate share of the U.S. Health business' net carrying value.

Subsequent remeasurement of the equity interest to fair value during the first quarter of 2019 resulted in an increase to redeemable non-controlling interest of \$41.4 million and an offsetting decrease to retained earnings that did not impact earnings per share. During the nine months ended September 30, 2019, we recalculated the redeemable non-controlling interest using revenue multiples as defined by the acquisition agreement and described above, resulting in a \$46.2 million increase to the redeemable non-controlling interest. The adjustment reduced both retained earnings and earnings per share attributable to shareholders for the nine months ended September 30, 2019. Subsequent increases or decreases in the redemption value of the non-controlling interest will be offset against retained earnings and impact earnings per share.

**WEX INC**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)**  
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The following table presents the changes in the Company's redeemable non-controlling interest:

| <i>(In thousands)</i>                                                                 | Nine Months Ended September 30, 2019 |
|---------------------------------------------------------------------------------------|--------------------------------------|
| <b>Balance, beginning of period</b>                                                   | <b>\$ —</b>                          |
| Acquisition of Discovery Benefits at fair value                                       | 25,757                               |
| Establishing redeemable non-controlling interest for WEX Health at carrying value     | 32,843                               |
| Adjustment to redeemable non-controlling interest to reflect WEX Health at fair value | 41,400                               |
| Net income attributable to redeemable non-controlling interest                        | 39                                   |
| Accretion of non-controlling interest                                                 | 46,179                               |
| <b>Balance, end of period</b>                                                         | <b>\$ 146,218</b>                    |

### 13. Income Taxes

The Company's effective tax rate was 31.1 percent and 29.2 percent for the three and nine months ended September 30, 2019, respectively, as compared to 27.3 percent and 25.8 percent for the three and nine months ended September 30, 2018, respectively. The increase in our tax rate was primarily due to the jurisdictional earnings mix and increase in the estimated valuation allowance related to the state net operating losses for the Company's separate state filings.

While our accounting for the impact of the 2017 Tax Cut and Jobs Act as of December 31, 2018 was deemed to be complete, amounts recorded were based on prevailing regulations and available information as of December 31, 2018. Additional guidance issued by the Internal Revenue Service may continue to impact our recorded amounts after December 31, 2018.

Undistributed earnings of certain foreign subsidiaries of the Company amounted to \$76.8 million and \$64.9 million at September 30, 2019 and December 31, 2018, respectively. These earnings and profits are considered to be indefinitely reinvested. Upon distribution of these earnings in the form of dividends or otherwise, the Company would be subject to withholding taxes payable, where applicable, to foreign countries, but would have no further federal income tax liability.

### 14. Leases

We have operating leases for buildings, primarily for office space. For building leases with terms greater than twelve months, we account for lease and non-lease components as a single lease component. Leases with an initial term of 12 months or less are not recorded on the balance sheet. Short-term lease payments are recognized on a straight-line basis and variable short-term lease payments are recognized in the period in which the obligation is incurred. We determine whether or not a contract contains a lease at inception of the contract. Many of our lease agreements contain renewal or termination clauses that we factor into our determination of the lease term if we are reasonably certain to exercise any such options.

The following table presents supplemental balance sheet information related to our leases:

| <i>(In thousands)</i>                   | Balance Sheet Location    | September 30, 2019 |
|-----------------------------------------|---------------------------|--------------------|
| <b>Assets</b>                           |                           |                    |
| Operating lease ROU assets              | Other assets              | \$ 69,617          |
| <b>Liabilities</b>                      |                           |                    |
| Current operating lease liabilities     | Other current liabilities | 12,469             |
| Non-current operating lease liabilities | Other liabilities         | 69,567             |
| Total lease liabilities                 |                           | \$ 82,036          |

The following table presents the weighted average remaining lease term and discount rate:

| Operating leases                           | September 30, 2019 |
|--------------------------------------------|--------------------|
| Weighted average remaining term (in years) | 8.8                |
| Weighted average discount rate             | 4.6%               |

**WEX INC**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)**  
**(unaudited)**

The following table presents the maturities of our lease liabilities:

| <i>(In thousands)</i>                      | September 30, 2019 |
|--------------------------------------------|--------------------|
| Remaining 2019                             | \$ 3,958           |
| 2020                                       | 15,501             |
| 2021                                       | 14,726             |
| 2022                                       | 12,888             |
| 2023                                       | 9,225              |
| 2024 and thereafter                        | 44,264             |
| Total lease payments                       | \$ 100,562         |
| Less: Imputed interest                     | 18,526             |
| Total lease obligations                    | \$ 82,036          |
| Less: Current portion of lease obligations | 12,469             |
| Long-term lease obligations                | \$ 69,567          |

In addition to the total lease obligations presented in the table above, we have a 14 year building operating lease with undiscounted payment obligations of \$30.0 million that is expected to commence during 2020.

We recognized \$4.1 million and \$13.1 million of operating lease expense during the three and nine months ended September 30, 2019, respectively, which includes immaterial short-term leases and variable lease costs. These amounts are classified as general and administrative expense on our statements of income.

The following table presents supplemental cash flow and other information related to our leases:

| <i>(In thousands)</i>                                                   | Nine Months Ended September 30, 2019 |
|-------------------------------------------------------------------------|--------------------------------------|
| Cash paid for amounts included in the measurement of lease liabilities: |                                      |
| Operating cash flows from operating leases                              | \$ 12,234                            |
| Right-of-use assets obtained in exchange for lease liabilities:         |                                      |
| Operating leases                                                        | \$ 8,388                             |

**WEX INC**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)**  
**(unaudited)**

**15. Commitments and Contingencies**

***Litigation***

The Company is subject to legal proceedings and claims in the ordinary course of business. 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.

***Commitments***

Significant commitments and contingencies as of September 30, 2019 are consistent with those discussed in Note 19, Commitments and Contingencies, to the consolidated financial statements in the Annual Report on Form 10-K for the year ended December 31, 2018.

**16. Stock-Based Compensation**

The Company regularly grants equity awards under its stockholder-approved equity plans to certain employees and directors. The fair value of equity awards granted during the nine months ended September 30, 2019 and 2018 totaled \$55.0 million and \$34.8 million, respectively. The fair value of restricted stock units, deferred stock units and performance based restricted stock units is based on the closing market price of the Company's stock on the grant date as reported by the NYSE. The fair value of each service-based stock option award is estimated on the grant date using a Black-Scholes-Merton option-pricing model.

**WEX INC**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)**  
**(unaudited)**

The table below presents the weighted average fair value of service-based stock options by year of grant and the assumptions used in estimating those fair values:

|                                           | 2019      | 2018      |
|-------------------------------------------|-----------|-----------|
| Weighted average grant date fair value    | \$ 58.28  | \$ 51.27  |
| Weighted average expected life (in years) | 6.0       | 6.0       |
| Weighted average exercise price           | \$ 184.81 | \$ 158.23 |
| Expected stock price volatility           | 27.21%    | 27.35%    |
| Risk-free interest rate                   | 2.37%     | 2.69%     |

#### 17. Restructuring Activities

In the first quarter of 2015, the Company commenced a restructuring initiative as a result of its global review of operations. The Company identified certain initiatives to further streamline the business, improve efficiency and globalize operations, all with an objective to improve scale and increase profitability. The Company continued its efforts to improve overall operational efficiency and began a second restructuring initiative during the second quarter of 2016. In connection with the Electronic Funds Source, LLC acquisition, the Company initiated a third restructuring program in the third quarter of 2016. Total restructuring charges incurred to date under these initiatives, which primarily consisted of employee costs and office closure costs, were \$27.1 million as of September 30, 2019.

During the nine months ended September 30, 2019, the Company continued its strategic shift related to its global restructuring initiatives, resulting in \$2.3 million of charges related to severance. Restructuring charges were immaterial for the nine months ended September 30, 2018. Based on current plans, which are subject to change, the Company does not expect to incur any material charges under these initiatives in future periods.

#### 18. Segment Information

The Company determines its operating segments and reports information in accordance with how the Company's chief operating decision maker ("CODM") allocates resources and assesses performance. The Company's CODM is its Chief Executive Officer. The operating segments are aggregated into the three reportable segments described below.

- *Fleet Solutions* primarily provides customers with payment and transaction processing services specifically designed for the needs of commercial and government fleets. This segment also provides information management services to these fleet customers.
- *Travel and Corporate Solutions* 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.
- *Health and Employee Benefit Solutions* provides healthcare payment products and SaaS consumer directed platforms, as well as payroll related benefits to customers.

**WEX INC**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)**  
**(unaudited)**

The following tables present the Company's reportable segment revenues:

| <i>(In thousands)</i>      | Three Months Ended September 30, 2019 |                                |                                       |                   |
|----------------------------|---------------------------------------|--------------------------------|---------------------------------------|-------------------|
|                            | Fleet Solutions                       | Travel and Corporate Solutions | Health and Employee Benefit Solutions | Total             |
| <b>Revenues</b>            |                                       |                                |                                       |                   |
| Payment processing revenue | \$ 125,288                            | \$ 85,128                      | \$ 14,340                             | \$ 224,756        |
| Account servicing revenue  | 42,037                                | 10,717                         | 56,451                                | 109,205           |
| Finance fee revenue        | 65,818                                | 645                            | (81)                                  | 66,382            |
| Other revenue              | 44,383                                | 2,638                          | 12,599                                | 59,620            |
| <b>Total revenues</b>      | <b>\$ 277,526</b>                     | <b>\$ 99,128</b>               | <b>\$ 83,309</b>                      | <b>\$ 459,963</b> |
| <b>Interest income</b>     | <b>\$ 825</b>                         | <b>\$ 402</b>                  | <b>\$ 449</b>                         | <b>\$ 1,676</b>   |

| <i>(In thousands)</i>      | Three Months Ended September 30, 2018 |                                |                                       |                   |
|----------------------------|---------------------------------------|--------------------------------|---------------------------------------|-------------------|
|                            | Fleet Solutions                       | Travel and Corporate Solutions | Health and Employee Benefit Solutions | Total             |
| <b>Revenues</b>            |                                       |                                |                                       |                   |
| Payment processing revenue | \$ 116,023                            | \$ 54,345                      | \$ 12,503                             | \$ 182,871        |
| Account servicing revenue  | 42,810                                | 9,120                          | 26,818                                | 78,748            |
| Finance fee revenue        | 51,644                                | 670                            | 5,359                                 | 57,673            |
| Other revenue              | 39,092                                | 18,675                         | 9,558                                 | 67,325            |
| <b>Total revenues</b>      | <b>\$ 249,569</b>                     | <b>\$ 82,810</b>               | <b>\$ 54,238</b>                      | <b>\$ 386,617</b> |
| <b>Interest income</b>     | <b>\$ 1,092</b>                       | <b>\$ 172</b>                  | <b>\$ 4,513</b>                       | <b>\$ 5,777</b>   |

| <i>(In thousands)</i>      | Nine Months Ended September 30, 2019 |                                |                                       |                     |
|----------------------------|--------------------------------------|--------------------------------|---------------------------------------|---------------------|
|                            | Fleet Solutions                      | Travel and Corporate Solutions | Health and Employee Benefit Solutions | Total               |
| <b>Revenues</b>            |                                      |                                |                                       |                     |
| Payment processing revenue | \$ 353,413                           | \$ 222,399                     | \$ 50,568                             | \$ 626,380          |
| Account servicing revenue  | 122,782                              | 32,019                         | 148,382                               | 303,183             |
| Finance fee revenue        | 174,067                              | 1,498                          | 102                                   | 175,667             |
| Other revenue              | 127,360                              | 16,210                         | 34,846                                | 178,416             |
| <b>Total revenues</b>      | <b>\$ 777,622</b>                    | <b>\$ 272,126</b>              | <b>\$ 233,898</b>                     | <b>\$ 1,283,646</b> |
| <b>Interest income</b>     | <b>\$ 4,844</b>                      | <b>\$ 1,209</b>                | <b>\$ 1,036</b>                       | <b>\$ 7,089</b>     |

**WEX INC**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)**  
**(unaudited)**

| <i>(In thousands)</i>      | Nine Months Ended September 30, 2018 |                                |                                       |              |
|----------------------------|--------------------------------------|--------------------------------|---------------------------------------|--------------|
|                            | Fleet Solutions                      | Travel and Corporate Solutions | Health and Employee Benefit Solutions | Total        |
| <b>Revenues</b>            |                                      |                                |                                       |              |
| Payment processing revenue | \$ 335,896                           | \$ 150,411                     | \$ 43,756                             | \$ 530,063   |
| Account servicing revenue  | 128,039                              | 27,584                         | 80,545                                | 236,168      |
| Finance fee revenue        | 140,436                              | 1,157                          | 16,514                                | 158,107      |
| Other revenue              | 116,975                              | 46,201                         | 23,929                                | 187,105      |
| Total revenues             | \$ 721,346                           | \$ 225,353                     | \$ 164,744                            | \$ 1,111,443 |
| Interest income            | \$ 3,127                             | \$ 715                         | \$ 14,847                             | \$ 18,689    |

The CODM evaluates the financial performance of each segment using segment adjusted operating income, which excludes: (i) acquisition and divestiture related items (including acquisition-related intangible amortization); (ii) debt restructuring costs; (iii) stock-based compensation; (iv) restructuring and other costs; (v) certain impairment charges and (vi) unallocated corporate expenses. Additionally, we do not allocate foreign currency gains and losses, financing interest expense, unrealized and realized gains and losses on financial instruments, income taxes and adjustments attributable to non-controlling interests to our operating segments.

The following table reconciles segment adjusted operating income to income before income taxes:

| <i>(In thousands)</i>                               | Three Months Ended September 30, |            | Nine Months Ended September 30, |            |
|-----------------------------------------------------|----------------------------------|------------|---------------------------------|------------|
|                                                     | 2019                             | 2018       | 2019                            | 2018       |
| <b>Segment adjusted operating income</b>            |                                  |            |                                 |            |
| Fleet Solutions                                     | \$ 133,348                       | \$ 112,952 | \$ 348,900                      | \$ 333,878 |
| Travel and Corporate Solutions                      | 47,356                           | 39,377     | 122,581                         | 99,074     |
| Health and Employee Benefit Solutions               | 21,427                           | 13,137     | 62,353                          | 42,816     |
| Total segment adjusted operating income             | \$ 202,131                       | \$ 165,466 | \$ 533,834                      | \$ 475,768 |
| <b>Reconciliation:</b>                              |                                  |            |                                 |            |
| Total segment adjusted operating income             | \$ 202,131                       | \$ 165,466 | \$ 533,834                      | \$ 475,768 |
| <b>Less:</b>                                        |                                  |            |                                 |            |
| Unallocated corporate expenses                      | 17,016                           | 13,414     | 52,135                          | 42,378     |
| Acquisition-related intangible amortization         | 42,800                           | 33,439     | 116,502                         | 103,596    |
| Other acquisition and divestiture related items     | 7,907                            | 1,536      | 24,704                          | 2,792      |
| Debt restructuring costs                            | 1,162                            | 317        | 10,640                          | 3,798      |
| Stock-based compensation                            | 9,522                            | 9,799      | 34,956                          | 25,659     |
| Restructuring and other costs                       | 5,413                            | 1,973      | 12,914                          | 8,274      |
| Impairment charge                                   | —                                | 2,424      | —                               | 2,424      |
| Operating income                                    | 118,311                          | 102,564    | 281,983                         | 286,847    |
| Financing interest expense                          | (34,549)                         | (25,718)   | (101,299)                       | (78,560)   |
| Net foreign currency loss                           | (16,528)                         | (1,094)    | (13,748)                        | (27,438)   |
| Net unrealized (loss) gain on financial instruments | (5,650)                          | 2,157      | (39,078)                        | 18,371     |
| Income before income taxes                          | \$ 61,584                        | \$ 77,909  | \$ 127,858                      | \$ 199,220 |

## 19. Supplementary Regulatory Capital Disclosure

The Company's subsidiary, WEX Bank, is subject to various regulatory capital requirements administered by the FDIC and the Utah Department of Financial Institutions. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, WEX Bank must meet specific capital guidelines that involve quantitative measures of WEX Bank's assets, liabilities and certain off-balance sheet items. WEX Bank's capital amounts and classification are also subject to qualitative

judgments by the regulators about components, risk weightings and other factors. Failure to meet minimum capital requirements can initiate certain mandatory and

possible additional discretionary actions by regulators that, if undertaken, could limit our business activities and have a material effect on our business, results of operations and financial condition.

Quantitative measures established by regulation to ensure capital adequacy require WEX Bank to maintain minimum amounts and ratios as defined in the regulations. As of September 30, 2019, the most recent FDIC exam report categorized WEX Bank as “well capitalized” under the regulatory framework for prompt corrective action. There are no conditions or events subsequent to that examination report that management believes have changed WEX Bank’s capital rating.

The following table presents WEX Bank’s actual and regulatory minimum capital amounts and ratios:

| <i>(In thousands)</i>                  | Actual Amount | Ratio  | Minimum for Capital Adequacy Purposes Amount | Ratio | Minimum to Be Well Capitalized Under Prompt Corrective Action Provisions Amount | Ratio |
|----------------------------------------|---------------|--------|----------------------------------------------|-------|---------------------------------------------------------------------------------|-------|
| <b>September 30, 2019</b>              |               |        |                                              |       |                                                                                 |       |
| Total Capital to risk-weighted assets  | \$ 361,900    | 12.71% | \$ 227,829                                   | 8.0%  | \$ 284,786                                                                      | 10.0% |
| Tier 1 Capital to average assets       | \$ 346,875    | 11.13% | \$ 124,630                                   | 4.0%  | \$ 155,787                                                                      | 5.0%  |
| Common equity to risk-weighted assets  | \$ 346,875    | 12.18% | \$ 128,154                                   | 4.5%  | \$ 185,111                                                                      | 6.5%  |
| Tier 1 Capital to risk-weighted assets | \$ 346,875    | 12.18% | \$ 170,872                                   | 6.0%  | \$ 227,829                                                                      | 8.0%  |
| <b>December 31, 2018</b>               |               |        |                                              |       |                                                                                 |       |
| Total Capital to risk-weighted assets  | \$ 323,178    | 12.82% | \$ 201,749                                   | 8.0%  | \$ 252,186                                                                      | 10.0% |
| Tier 1 Capital to average assets       | \$ 305,734    | 10.88% | \$ 112,401                                   | 4.0%  | \$ 140,501                                                                      | 5.0%  |
| Common equity to risk-weighted assets  | \$ 305,734    | 12.12% | \$ 113,484                                   | 4.5%  | \$ 163,921                                                                      | 6.5%  |
| Tier 1 Capital to risk-weighted assets | \$ 305,734    | 12.12% | \$ 151,312                                   | 6.0%  | \$ 201,749                                                                      | 8.0%  |

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

Our Management’s Discussion and Analysis of Financial Condition and Results of Operations (“MD&A”) is intended to provide information that will assist the reader with understanding our financial statements, the changes in key items in those financial statements from year to year, and the primary factors that accounted for those changes, as well as how certain accounting estimates affect our financial statements. The discussion also provides information about the financial results of the three segments

of our business to provide a better understanding of how those segments and their results affect our financial condition and results of operations as a whole. Additionally, certain corporate costs not allocated to our operating segments are discussed below.

Our MD&A is presented in the following sections:

- Overview
- Summary
- Results of Operations
- Liquidity, Capital Resources and Cash Flows
- Critical Accounting Policies and Estimates
- Recently Adopted Accounting Standards

This discussion should be read in conjunction with our audited consolidated financial statements as of December 31, 2018, the notes accompanying those financial statements and MD&A as contained in our Annual Report on Form 10–K for the year ended December 31, 2018, filed with the SEC on March 18, 2019, our Form 10–K/A filed with the SEC on March 20, 2019, and in conjunction with the unaudited condensed consolidated financial statements and notes in Part I – Item 1 of this report. 2018 amounts have been revised to reflect the immaterial revision as more fully described in Part I – Item 1 – Note 1, Basis of Presentation, of our unaudited condensed consolidated financial statements.

## Overview

WEX Inc. is a leading provider of corporate payment solutions. We have expanded the scope of our business into a multi-channel provider of corporate payment solutions. We currently operate in three business segments: Fleet Solutions, Travel and Corporate Solutions and Health and Employee Benefit Solutions. Our business model enables us to provide exceptional payment security and control across a spectrum of payment sectors. The Fleet Solutions segment provides customers with fleet vehicle payment processing services specifically designed for the needs of commercial and government fleets. Fleet Solutions revenue is earned primarily from payment processing, account servicing and financing fees. Management estimates that WEX fleet cards are accepted at over 90 percent of fuel locations in each of the United States and Australia, as well as wide acceptance in Europe. The 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. The Health and Employee Benefit Solutions segment provides healthcare payment products and SaaS platform consumer-directed healthcare payments, as well as payroll related benefits to customers in Brazil.

## Summary

Below are selected items from the third quarter of 2019:

- Average number of vehicles serviced increased 22 percent from the third quarter of 2018 to approximately 14.3 million for the third quarter of 2019, including the impact of two conversions of large North American oil portfolios.
- Total fuel transactions processed in our Fleet Solutions segment increased 14 percent from the third quarter of 2018 to 162.2 million for the third quarter of 2019. Total payment processing transactions increased 15 percent to 135.2 million for the third quarter of 2019 as compared to the same period last year.
- The average U.S. fuel price per gallon during the third quarter of 2019 was \$2.80, an 8 percent decrease from the same period last year.
- Our Travel and Corporate Solutions' purchase volume grew to \$11.5 billion for the third quarter of 2019, an increase of 20 percent from the same period last year, driven primarily by our Noventis acquisition and growth in our corporate payment products.
- Our Health and Employee Benefit Solutions' average number of U.S. SaaS accounts grew by approximately 2.0 million, an 18 percent increase from the same period in the prior year, due primarily to a strong 2019 open enrollment season.
- Our effective tax rate was 31.1 percent for the third quarter of 2019 as compared to 27.3 percent in the same period last year. The increase in our tax rate was primarily due to the jurisdictional earnings mix and increase in the estimated valuation allowance related to the state net operating losses for the Company's separate state filings.

## 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 and adjustments attributable to non-controlling interests to our operating segments as management believes these items are unpredictable and can obscure underlying trends. In addition, 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.

The Company's operating expenses consist of the following:

### *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.
- *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.
- *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.

## Fleet Solutions

### Revenues

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

| (In thousands, except per gallon data)                    | Three Months Ended September 30, |              | Increase (Decrease) |         | Nine Months Ended September 30, |               | Increase (Decrease) |         |
|-----------------------------------------------------------|----------------------------------|--------------|---------------------|---------|---------------------------------|---------------|---------------------|---------|
|                                                           | 2019                             | 2018         | Amount              | Percent | 2019                            | 2018          | Amount              | Percent |
| <b>Revenues<sup>(a)</sup></b>                             |                                  |              |                     |         |                                 |               |                     |         |
| Payment processing revenue                                | \$ 125,288                       | \$ 116,023   | \$ 9,265            | 8 %     | \$ 353,413                      | \$ 335,896    | \$ 17,517           | 5 %     |
| Account servicing revenue                                 | 42,037                           | 42,810       | (773)               | (2)%    | 122,782                         | 128,039       | (5,257)             | (4)%    |
| Finance fee revenue                                       | 65,818                           | 51,644       | 14,174              | 27 %    | 174,067                         | 140,436       | 33,631              | 24 %    |
| Other revenue                                             | 44,383                           | 39,092       | 5,291               | 14 %    | 127,360                         | 116,975       | 10,385              | 9 %     |
| Total revenues                                            | \$ 277,526                       | \$ 249,569   | \$ 27,957           | 11 %    | \$ 777,622                      | \$ 721,346    | \$ 56,276           | 8 %     |
| <b>Key operating statistics</b>                           |                                  |              |                     |         |                                 |               |                     |         |
| Payment processing revenue:                               |                                  |              |                     |         |                                 |               |                     |         |
| Payment processing transactions                           | 135,236                          | 117,680      | 17,556              | 15 %    | 378,626                         | 343,426       | 35,200              | 10 %    |
| Payment processing fuel spend                             | \$ 9,737,591                     | \$ 9,723,609 | \$ 13,982           | — %     | \$ 27,955,406                   | \$ 27,658,802 | \$ 296,604          | 1 %     |
| Average price per gallon of fuel – Domestic – (\$USD/gal) | \$ 2.80                          | \$ 3.06      | \$ (0.26)           | (8)%    | \$ 2.80                         | \$ 2.95       | \$ (0.15)           | (5)%    |
| Net payment processing rate                               | 1.29%                            | 1.19%        | 0.10%               | 8 %     | 1.26%                           | 1.21%         | 0.05%               | 4 %     |

<sup>(a)</sup> The impact of foreign currency exchange rate fluctuations decreased Fleet Solutions revenue by \$1.6 million and \$6.2 million in the three and nine months ended September 30, 2019, respectively, compared to the same periods in the prior year.

Fleet Solutions revenue increased \$28.0 million for the third quarter of 2019 and \$56.3 million for the nine months ended September 30, 2019 as compared to the same periods in the prior year, primarily due to higher late fee revenue, payment processing volumes and the acquisition of the Go Fuel Card business. Over half of the late fee and volume increases were due to the onboarding of two major North American oil portfolios. These favorable impacts were partly offset by lower average fuel prices in North America and the impact of foreign currency exchange rate fluctuations.

Finance fee revenue is comprised of the following components:

| (In thousands)             | Three Months Ended September 30, |                  | Increase (Decrease) |             | Nine Months Ended September 30, |                   | Increase (Decrease) |             |
|----------------------------|----------------------------------|------------------|---------------------|-------------|---------------------------------|-------------------|---------------------|-------------|
|                            | 2019                             | 2018             | Amount              | Percent     | 2019                            | 2018              | Amount              | Percent     |
| Finance income             | \$ 56,690                        | \$ 41,645        | \$ 15,045           | 36 %        | \$ 147,325                      | \$ 112,716        | \$ 34,609           | 31 %        |
| Factoring fee revenue      | 9,128                            | 9,999            | (871)               | (9)%        | 26,742                          | 27,720            | (978)               | (4)%        |
| <b>Finance fee revenue</b> | <b>\$ 65,818</b>                 | <b>\$ 51,644</b> | <b>\$ 14,174</b>    | <b>27 %</b> | <b>\$ 174,067</b>               | <b>\$ 140,436</b> | <b>\$ 33,631</b>    | <b>24 %</b> |

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 \$15.0 million for the third quarter of 2019 and \$34.6 million for the nine months ended September 30, 2019 as compared to the same periods in the prior year. This increase is primarily attributable to customer acquisitions and higher weighted average late fee rates in near equal proportions, partly offset by lower average customer receivables as a result of lower average PPG. During both the third quarter and nine months ended September 30, 2019, monthly late fee rates and minimum finance charges ranged up to 9.99 percent and \$75, respectively, as compared to monthly late fee rates and minimum

finance charges of up to 7.99 percent and \$75, respectively, during the third quarter and nine months ended September 30, 2018. The weighted average late fee rate, net of related charge-offs, was 5.5 percent and 5.2 percent for the three and nine months ended September 30, 2019, respectively, as compared to 4.4 percent and 4.5 percent for the three and nine months ended September 30, 2018. 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 three and nine months ended September 30, 2019 and 2018.

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 for the third quarter and nine months ended September 30, 2019 was generally consistent with the same periods in the prior year.

### Operating Expenses

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

| (In thousands)                  | Three Months Ended September 30, |           | Increase (Decrease) |         | Nine Months Ended September 30, |            | Increase (Decrease) |         |
|---------------------------------|----------------------------------|-----------|---------------------|---------|---------------------------------|------------|---------------------|---------|
|                                 | 2019                             | 2018      | Amount              | Percent | 2019                            | 2018       | Amount              | Percent |
| <b>Cost of services</b>         |                                  |           |                     |         |                                 |            |                     |         |
| Processing costs                | \$ 49,193                        | \$ 51,805 | \$ (2,612)          | (5)%    | \$ 151,883                      | \$ 144,156 | \$ 7,727            | 5%      |
| Service fees                    | \$ 2,093                         | \$ 1,889  | \$ 204              | 11 %    | \$ 5,517                        | \$ 5,493   | \$ 24               | —%      |
| Provision for credit losses     | \$ 13,458                        | \$ 17,408 | \$ (3,950)          | (23)%   | \$ 41,860                       | \$ 41,396  | \$ 464              | 1%      |
| Operating interest              | \$ 6,240                         | \$ 4,532  | \$ 1,708            | 38 %    | \$ 16,254                       | \$ 11,370  | \$ 4,884            | 43%     |
| Depreciation and amortization   | \$ 11,406                        | \$ 9,943  | \$ 1,463            | 15 %    | \$ 32,053                       | \$ 29,749  | \$ 2,304            | 8%      |
| <b>Other operating expenses</b> |                                  |           |                     |         |                                 |            |                     |         |
| General and administrative      | \$ 21,534                        | \$ 17,330 | \$ 4,204            | 24 %    | \$ 58,605                       | \$ 56,321  | \$ 2,284            | 4%      |
| Sales and marketing             | \$ 48,815                        | \$ 38,727 | \$ 10,088           | 26 %    | \$ 141,746                      | \$ 115,331 | \$ 26,415           | 23%     |
| Depreciation and amortization   | \$ 23,725                        | \$ 19,394 | \$ 4,331            | 22 %    | \$ 63,770                       | \$ 60,497  | \$ 3,273            | 5%      |
| Operating income                | \$ 101,062                       | \$ 88,541 | \$ 12,521           | 14 %    | \$ 265,934                      | \$ 257,033 | \$ 8,901            | 3%      |

### Cost of services

Processing costs for the third quarter of 2019 decreased \$2.6 million as compared with the same period in the prior year. Processing costs increased \$7.7 million for the nine months ended September 30, 2019 as compared to the same period in the prior year, due primarily to higher expenses associated with the onboarding of customer acquisitions.

Service fees for the third quarter and nine months ended September 30, 2019 were generally consistent with the same periods in the prior year.

Provision for credit losses decreased by \$4.0 million for the third quarter of 2019 as compared to the same period in the prior year, resulting from decreases in fraud losses. Provision for credit losses for the nine months ended September 30, 2019 was generally consistent with the same period in the prior year.

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 12.6 and 14.0 basis points of fuel expenditures for the third quarter and nine months ended September 30, 2019, respectively, as compared to 14.2 and 12.7 basis points of fuel expenditures for the same periods in the prior year, respectively. 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 recognized in the quarter is the amount necessary to bring the reserve to its required level based on accounts receivable aging and net charge-offs.

Operating interest increased \$1.7 million for the third quarter of 2019 and \$4.9 million for the nine months ended September 30, 2019 as compared to the same periods in the prior year, primarily due to higher interest rates paid on deposits and volume growth.

Depreciation and amortization increased \$1.5 million for the third quarter of 2019 and \$2.3 million for the nine months ended September 30, 2019 as compared to the same periods in the prior year, due primarily to the amortization of merchant networks obtained in the Go Fuel Card acquisition.

#### Other operating expenses

General and administrative expenses increased \$4.2 million for the third quarter of 2019 as compared to the same period in the prior year due primarily to personnel-related costs. For the nine months ended September 30, 2019, general and administrative expenses increased \$2.3 million as compared to the same period in the prior year, due primarily to higher stock-based compensation associated with the Company's performance and acquisition-related costs during 2019.

Sales and marketing expenses increased \$10.1 million for the third quarter of 2019 and \$26.4 million for the nine months ended September 30, 2019 as compared to the same periods in the prior year, due primarily to higher relative commission payments to partners and an increase in personnel-related costs resulting from higher volumes and financial performance, as well as higher marketing costs related to significant 2019 customer acquisitions.

Depreciation and amortization increased \$4.3 million for the third quarter of 2019 and \$3.3 million for the nine months ended September 30, 2019 as compared to the same periods in the prior year, due primarily to the amortization of the Chevron customer portfolio intangible and customer relationships obtained in the Go Fuel Card acquisition.

#### Travel and Corporate Solutions

##### Revenues

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

| (In thousands)                | Three Months Ended September 30, |           | Increase (Decrease) |         | Nine Months Ended September 30, |            | Increase (Decrease) |         |
|-------------------------------|----------------------------------|-----------|---------------------|---------|---------------------------------|------------|---------------------|---------|
|                               | 2019                             | 2018      | Amount              | Percent | 2019                            | 2018       | Amount              | Percent |
| <b>Revenues<sup>(a)</sup></b> |                                  |           |                     |         |                                 |            |                     |         |
| Payment processing revenue    | \$ 85,128                        | \$ 54,345 | \$ 30,783           | 57 %    | \$ 222,399                      | \$ 150,411 | 71,988              | 48 %    |
| Account servicing revenue     | 10,717                           | 9,120     | 1,597               | 18 %    | 32,019                          | 27,584     | 4,435               | 16 %    |
| Finance fee revenue           | 645                              | 670       | (25)                | (4)%    | 1,498                           | 1,157      | 341                 | 29 %    |
| Other revenue                 | 2,638                            | 18,675    | (16,037)            | (86)%   | 16,210                          | 46,201     | (29,991)            | (65)%   |
| Total revenues                | \$ 99,128                        | \$ 82,810 | \$ 16,318           | 20 %    | \$ 272,126                      | \$ 225,353 | 46,773              | 21 %    |

##### Key operating statistics

###### Payment processing revenue:

Payment solutions purchase volume \$ 11,543,605 \$ 9,620,787 \$ 1,922,818 20 % \$ 29,997,200 \$ 26,491,751 \$ 3,505,449 13 %

<sup>(a)</sup> The impact of foreign currency exchange rate fluctuations decreased Travel and Corporate Solutions revenue by \$1.2 million and \$4.1 million in the three and nine months ended September 30, 2019, respectively, as compared to the same periods in the prior year.

Payment processing revenue increased \$30.8 million for the third quarter of 2019 and \$72.0 million for the nine months ended September 30, 2019 as compared to the same periods in the prior year, due primarily to the acquisition of Noventis, a recent contract amendment and significant volume growth in our corporate payments products, partly offset by an unfavorable impact of foreign currency exchange rate fluctuations. The contract amendment resulted in an increase in payment processing revenue, with an offsetting reduction in international settlement fees which are included within other revenue.

Account servicing revenue increased \$1.6 million for the third quarter of 2019 and \$4.4 million for the nine months ended September 30, 2019 as compared to the same periods in the prior year, primarily due to the acquisition of Noventis.

Finance fee revenue was not material to Travel and Corporate Solutions' operations for the third quarters and nine months ended September 30, 2019 and 2018. 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 granted to customers during the nine months ended September 30, 2019 and 2018.

Other revenue decreased \$16.0 million for the third quarter of 2019 and \$30.0 million for the nine months ended September 30, 2019 as compared to the same periods in the prior year, due primarily to the recent contract amendment discussed above. As a result of this amendment, we expect a decline in other revenue for the remainder of the year.

## Operating Expenses

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

| <i>(In thousands)</i>           | Three Months Ended September 30, |           | Increase (Decrease) |         | Nine Months Ended September 30, |           | Increase (Decrease) |         |
|---------------------------------|----------------------------------|-----------|---------------------|---------|---------------------------------|-----------|---------------------|---------|
|                                 | 2019                             | 2018      | Amount              | Percent | 2019                            | 2018      | Amount              | Percent |
| <b>Cost of services</b>         |                                  |           |                     |         |                                 |           |                     |         |
| Processing costs                | \$ 13,879                        | \$ 10,999 | \$ 2,880            | 26 %    | \$ 44,461                       | \$ 33,967 | \$ 10,494           | 31 %    |
| Service fees                    | \$ 7,367                         | \$ 7,151  | \$ 216              | 3 %     | \$ 20,738                       | \$ 21,102 | \$ (364)            | (2)%    |
| Provision for credit losses     | \$ 1,510                         | \$ 3,862  | \$ (2,352)          | (61)%   | \$ 5,588                        | \$ 5,687  | \$ (99)             | (2)%    |
| Operating interest              | \$ 5,042                         | \$ 4,061  | \$ 981              | 24 %    | \$ 13,469                       | \$ 10,043 | \$ 3,426            | 34 %    |
| Depreciation and amortization   | \$ 4,610                         | \$ 2,807  | \$ 1,803            | 64 %    | \$ 12,346                       | \$ 12,034 | \$ 312              | 3 %     |
| <b>Other operating expenses</b> |                                  |           |                     |         |                                 |           |                     |         |
| General and administrative      | \$ 7,832                         | \$ 7,150  | \$ 682              | 10 %    | \$ 29,129                       | \$ 19,985 | \$ 9,144            | 46 %    |
| Sales and marketing             | \$ 16,428                        | \$ 10,478 | \$ 5,950            | 57 %    | \$ 44,016                       | \$ 36,076 | \$ 7,940            | 22 %    |
| Depreciation and amortization   | \$ 4,272                         | \$ 3,903  | \$ 369              | 9 %     | \$ 13,779                       | \$ 10,818 | \$ 2,961            | 27 %    |
| Impairment charge               | \$ —                             | \$ 2,424  | \$ (2,424)          | (100)%  | \$ —                            | \$ 2,424  | \$ (2,424)          | (100)%  |
| Operating income                | \$ 38,188                        | \$ 29,975 | \$ 8,213            | 27 %    | \$ 88,600                       | \$ 73,217 | \$ 15,383           | 21 %    |

### Cost of services

Processing costs increased \$2.9 million for the third quarter of 2019 and \$10.5 million for the nine months ended September 30, 2019 as compared to the same periods in the prior year, due primarily to the acquisition of Noventis.

Service fees for the third quarter and nine months ended September 30, 2019 were generally consistent with the same periods in the prior year, as benefits resulting from the onboarding of transactions to an internal processing platform were offset by the impact of higher volumes.

Provision for credit losses for the third quarter of 2019 decreased \$2.4 million as compared to the same period of the prior year, resulting from the absence of a discrete customer reserve taken during the third quarter of 2018. Provision for credit losses for the nine months ended September 30, 2019 was generally consistent with the same period in the prior year.

Operating interest expense increased \$1.0 million for the third quarter of 2019 and \$3.4 million for the nine months ended September 30, 2019 as compared to the same periods in the prior year, primarily due to higher interest rates paid on deposits and volume growth.

Depreciation and amortization expenses increased \$1.8 million for the third quarter of 2019, as compared to the same period in the prior year, due primarily to the amortization of software obtained in the Noventis acquisition. Depreciation and amortization expenses for the nine months ended September 30, 2019 were generally consistent as compared to the same period in the prior year.

### Other operating expenses

General and administrative expenses for the third quarter of 2019 were generally consistent as compared to the same period in the prior year. General and administrative expenses for the nine months ended September 30, 2019 increased \$9.1 million as compared to the same period in the prior year, primarily due to costs associated with the Noventis acquisition including the expense incurred to accelerate vesting of options awards.

Sales and marketing expenses increased \$6.0 million for the third quarter of 2019 and \$7.9 million for the nine months ended September 30, 2019 as compared to the same periods of the prior year, primarily due to higher relative commission payments to partners and the Noventis acquisition.

Depreciation and amortization expenses were generally consistent for the third quarter of 2019 as compared to the same period in the prior year. Depreciation and amortization expenses increased \$3.0 million for the nine months ended September 30, 2019 as compared to the same period in the prior year, due primarily to higher amortization on customer relationships obtained as part of the Noventis acquisition.

## Health and Employee Benefit Solutions

### Revenues

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

| (In thousands)                | Three Months Ended September 30, |           | Increase (Decrease) |         | Nine Months Ended September 30, |            | Increase (Decrease) |         |
|-------------------------------|----------------------------------|-----------|---------------------|---------|---------------------------------|------------|---------------------|---------|
|                               | 2019                             | 2018      | Amount              | Percent | 2019                            | 2018       | Amount              | Percent |
| <b>Revenues<sup>(a)</sup></b> |                                  |           |                     |         |                                 |            |                     |         |
| Payment processing revenue    | \$ 14,340                        | \$ 12,503 | \$ 1,837            | 15%     | \$ 50,568                       | \$ 43,756  | \$ 6,812            | 16 %    |
| Account servicing revenue     | 56,451                           | 26,818    | 29,633              | 110%    | 148,382                         | 80,545     | 67,837              | 84 %    |
| Finance fee revenue           | (81)                             | 5,359     | (5,440)             | NM      | 102                             | 16,514     | (16,412)            | (99)%   |
| Other revenue                 | 12,599                           | 9,558     | 3,041               | 32%     | 34,846                          | 23,929     | 10,917              | 46 %    |
| Total revenues                | \$ 83,309                        | \$ 54,238 | \$ 29,071           | 54%     | \$ 233,898                      | \$ 164,744 | \$ 69,154           | 42 %    |

### Key operating statistics

#### Payment processing revenue:

|                 |              |              |           |    |              |              |            |     |
|-----------------|--------------|--------------|-----------|----|--------------|--------------|------------|-----|
| Purchase volume | \$ 1,126,156 | \$ 1,061,215 | \$ 64,941 | 6% | \$ 4,158,336 | \$ 3,817,924 | \$ 340,412 | 9 % |
|-----------------|--------------|--------------|-----------|----|--------------|--------------|------------|-----|

#### Account servicing revenue:

|                                 |        |        |       |     |        |        |       |      |
|---------------------------------|--------|--------|-------|-----|--------|--------|-------|------|
| Average number of SaaS accounts | 13,022 | 11,057 | 1,965 | 18% | 12,771 | 10,876 | 1,895 | 17 % |
|---------------------------------|--------|--------|-------|-----|--------|--------|-------|------|

<sup>(a)</sup> The impact of foreign currency exchange rate fluctuations decreased Health and Employee Benefit Solutions revenue by an insignificant amount in the three months ended September 30, 2019 and \$0.9 million in the nine months ended September 30, 2019, as compared to the same periods in the prior year.

NM - Not meaningful

Payment processing revenue increased \$1.8 million for the third quarter of 2019 and \$6.8 million for the nine months ended September 30, 2019 as compared to the same periods in the prior year, resulting primarily from the acquisition of Discovery Benefits and from higher existing customer growth in our WEX Health business.

Account servicing revenue increased \$29.6 million for the third quarter of 2019 and \$67.8 million for the nine months ended September 30, 2019 as compared to the same periods in the prior year, primarily due to the acquisition of Discovery Benefits and existing WEX Health customer growth, which resulted in a higher number of participants using our SaaS healthcare technology platform and higher revenue earned on health savings account assets.

Finance fee revenue was insignificant for the third quarter of 2019. Finance fee revenue decreased \$16.4 million for the nine months ended September 30, 2019 as compared to the same period in the prior year, primarily due 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. During the three and nine months ended September 30, 2019 and 2018, there were no material concessions granted to customers.

Other revenue increased \$3.0 million for the third quarter of 2019 as compared to the same period in the prior year, primarily resulting from higher ancillary fees at WEX Health due to a higher number of participants. Other revenue increased \$10.9 million for the nine months ended September 30, 2019 as compared to the same periods in the prior year, primarily due to realized gains on the sale of WEX Latin America customer receivables under a securitization arrangement. Prior to an amendment of this securitization arrangement during the third quarter of 2018, the revenue associated with these customer receivables was primarily included in finance fee revenue.

## Operating Expenses

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

| <i>(In thousands)</i>           | Three Months Ended September 30, |           | Increase (Decrease) |         | Nine Months Ended September 30, |           | Increase (Decrease) |         |
|---------------------------------|----------------------------------|-----------|---------------------|---------|---------------------------------|-----------|---------------------|---------|
|                                 | 2019                             | 2018      | Amount              | Percent | 2019                            | 2018      | Amount              | Percent |
| <b>Cost of services</b>         |                                  |           |                     |         |                                 |           |                     |         |
| Processing costs                | \$ 35,224                        | \$ 18,386 | \$ 16,838           | 92 %    | \$ 92,552                       | \$ 53,638 | \$ 38,914           | 73 %    |
| Service fees                    | \$ 5,445                         | \$ 4,777  | \$ 668              | 14 %    | \$ 17,093                       | \$ 13,251 | \$ 3,842            | 29 %    |
| Provision for credit losses     | \$ (121)                         | \$ 1,279  | \$ (1,400)          | NM      | \$ 22                           | \$ 3,328  | \$ (3,306)          | (99)%   |
| Operating interest              | \$ 226                           | \$ 1,676  | \$ (1,450)          | (87)%   | \$ 2,042                        | \$ 6,869  | \$ (4,827)          | (70)%   |
| Depreciation and amortization   | \$ 10,107                        | \$ 6,263  | \$ 3,844            | 61 %    | \$ 23,807                       | \$ 18,275 | \$ 5,532            | 30 %    |
| <b>Other operating expenses</b> |                                  |           |                     |         |                                 |           |                     |         |
| General and administrative      | \$ 6,855                         | \$ 7,337  | \$ (482)            | (7)%    | \$ 23,601                       | \$ 18,891 | \$ 4,710            | 25 %    |
| Sales and marketing             | \$ 8,446                         | \$ 5,398  | \$ 3,048            | 56 %    | \$ 24,877                       | \$ 17,389 | \$ 7,488            | 43 %    |
| Depreciation and amortization   | \$ 8,252                         | \$ 5,348  | \$ 2,904            | 54 %    | \$ 26,080                       | \$ 16,203 | \$ 9,877            | 61 %    |
| Operating income                | \$ 8,875                         | \$ 3,774  | \$ 5,101            | 135 %   | \$ 23,824                       | \$ 16,900 | \$ 6,924            | 41 %    |

NM - Not meaningful

### Cost of services

Processing costs increased \$16.8 million for the third quarter of 2019 and \$38.9 million for the nine months ended September 30, 2019 as compared to the same periods in the prior year, due primarily to the acquisition of Discovery Benefits and volume-related WEX Health increases, including higher personnel-related costs.

Service fees for the third quarter of 2019 were generally consistent as compared to the same period in the prior year. Service fees increased \$3.8 million for the nine months ended September 30, 2019 as compared to the same period in the prior year, due primarily to costs incurred on higher asset balances and an increase in participants utilizing our SaaS healthcare offerings.

Provision for credit losses was not material to Health and Employee Benefit Solutions' operations for both the third quarters and nine months ended September 30, 2019 and 2018.

Operating interest decreased \$1.5 million for the third quarter of 2019 and \$4.8 million for the nine months ended September 30, 2019 as compared to the same periods in the prior year. During the third quarter of 2018, we amended our WEX Latin America securitization agreement, resulting in sale accounting treatment upon the transfer of related customer receivables. As such, our associated cost of funding is now part of the gain on sale of the receivables and is recorded within other revenue.

Depreciation and amortization expenses increased \$3.8 million for the third quarter of 2019 and \$5.5 million for the nine months ended September 30, 2019 as compared to the same periods in the prior year, resulting primarily from the amortization of software obtained in the Discovery Benefits acquisition and higher depreciation expense on internally developed software as we continue to invest in technology.

### Other operating expenses

General and administrative expenses decreased \$0.5 million for the third quarter of 2019 as compared to the same period in the prior year, due primarily to the forfeiture of equity awards in connection with the departure of certain officers, partly offset by the acquisition of Discovery Benefits. General and administrative expenses increased \$4.7 million for the nine months ended September 30, 2019 as compared to the same periods in the prior year, due primarily to the acquisition of Discovery Benefits.

Sales and marketing increased \$3.0 million for the third quarter of 2019 and \$7.5 million for the nine months ended September 30, 2019 as compared to the same periods in the prior year, due primarily to the acquisition of Discovery Benefits and an increase in WEX Health personnel-related costs.

Depreciation and amortization increased \$2.9 million for the third quarter of 2019 and \$9.9 million for the nine months ended September 30, 2019 as compared to the same periods in the prior year, due primarily to amortization of customer relationship intangible assets obtained in the Discovery Benefits acquisition.

### 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.

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

| (In thousands)                | Three Months Ended September 30, |           | Increase (Decrease) |         | Nine Months Ended September 30, |           | Increase (Decrease) |         |
|-------------------------------|----------------------------------|-----------|---------------------|---------|---------------------------------|-----------|---------------------|---------|
|                               | 2019                             | 2018      | Amount              | Percent | 2019                            | 2018      | Amount              | Percent |
| Other operating expenses      |                                  |           |                     |         |                                 |           |                     |         |
| General and administrative    | \$ 29,202                        | \$ 19,309 | \$ 9,893            | 51 %    | \$ 94,740                       | \$ 58,951 | \$ 35,789           | 61 %    |
| Sales and marketing           | \$ —                             | \$ 6      | \$ (6)              | (100)%  | \$ —                            | \$ 51     | \$ (51)             | (100)%  |
| Depreciation and amortization | \$ 612                           | \$ 409    | \$ 203              | 50 %    | \$ 1,635                        | \$ 1,299  | \$ 336              | 26 %    |

General and administrative expenses increased \$9.9 million for the third quarter of 2019 and \$35.8 million for the nine months ended September 30, 2019 as compared to the same periods in the prior year, primarily due to higher professional fees associated with integration costs attributed to recently completed acquisitions, debt restructuring costs incurred as part of our 2019 debt amendments and costs incurred to remediate material weaknesses identified during the prior year. Higher personnel-related costs also contributed to the increase.

Other unallocated corporate expenses were not material to the Company's operations for both the three and nine months ended September 30, 2019 and 2018.

### Non-operating income and expense

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

| (In thousands)                                      | Three Months Ended September 30, |             | Increase (Decrease) |         | Nine Months Ended September 30, |             | Increase (Decrease) |         |
|-----------------------------------------------------|----------------------------------|-------------|---------------------|---------|---------------------------------|-------------|---------------------|---------|
|                                                     | 2019                             | 2018        | Amount              | Percent | 2019                            | 2018        | Amount              | Percent |
| Financing interest expense                          | \$ (34,549)                      | \$ (25,718) | \$ (8,831)          | 34 %    | \$ (101,299)                    | \$ (78,560) | \$ (22,739)         | 29 %    |
| Net foreign currency loss                           | \$ (16,528)                      | \$ (1,094)  | \$ (15,434)         | 1,411 % | \$ (13,748)                     | \$ (27,438) | \$ 13,690           | (50)%   |
| Net unrealized (loss) gain on financial instruments | \$ (5,650)                       | \$ 2,157    | \$ (7,807)          | NM      | \$ (39,078)                     | \$ 18,371   | \$ (57,449)         | NM      |
| Income taxes                                        | \$ 19,137                        | \$ 21,305   | \$ (2,168)          | (10)%   | \$ 37,352                       | \$ 51,379   | \$ (14,027)         | (27)%   |
| Net (loss) income from non-controlling interests    | \$ (631)                         | \$ (40)     | \$ (591)            | 1,478 % | \$ (233)                        | \$ 803      | \$ (1,036)          | NM      |
| Accretion of non-controlling interest               | \$ (28,459)                      | \$ —        | \$ (28,459)         | NM      | \$ (46,179)                     | \$ —        | \$ (46,179)         | NM      |

NM - not meaningful

Financing interest expense increased \$8.8 million for the third quarter of 2019 and \$22.7 million for the nine months ended September 30, 2019 as compared to the same periods in the prior year, primarily due to additional debt balances outstanding following our 2019 debt amendments, which were primarily used to fund the acquisitions of Novartis and Discovery Benefits.

Our foreign currency exchange exposure is primarily related to the remeasurement of our cash, receivable and payable balances, including intercompany transactions that are denominated in foreign currencies. The Company incurred net foreign currency losses of \$16.5 million in the third quarter of 2019 and \$13.7 million in the nine months ended September 30, 2019, as a result of the remeasurement of assets and liabilities and losses on intercompany transactions, resulting from the U.S. dollar strengthening relative to numerous major foreign currencies in which we transact, including the Euro, British pound and Australian dollar. For the three and nine months ended September 20, 2018, we incurred foreign currency exchange losses due to similar factors, combined with the U.S. dollar strengthening relative to the Brazilian real.

Net unrealized loss on financial instruments increased \$7.8 million for the third quarter of 2019 and \$57.4 million for the nine months ended September 30, 2019, as compared to the same periods in the prior year, primarily due to a decrease in the LIBOR forward yield curve. During the three and nine months ended September 30, 2018, the Company benefited from increases in the yield curve.

Our effective tax rate was 31.1 percent and 29.2 percent for the third quarter and nine months ended September 30, 2019 as compared to 27.3 percent and 25.8 percent as compared to the same periods in the prior year. The increase in our tax rate was primarily due to the jurisdictional earnings mix and increase in the estimated valuation allowance related to the state net operating losses for the Company's separate state filings.

Net loss from non-controlling interests relates to our non-controlling interests in WEX Europe Services and the U.S. Health business. Such amounts were not material to Company operations for both the three and nine months ended September 30, 2019 and 2018.

During the three and nine months ended September 30, 2019, the accretion of the non-controlling interest in the U.S. Health business was \$28.5 million and \$46.2 million, respectively, resulting from an adjustment to redemption value as calculated per the acquisition agreement.

#### ***Non-GAAP Financial Measures That Supplement GAAP Measures***

The Company's non-GAAP adjusted net income excludes unrealized gains and losses on financial instruments, net foreign currency remeasurement gains and losses, acquisition-related intangible amortization, other acquisition and divestiture related items, stock-based compensation, restructuring and other costs, impairment charges, debt restructuring and debt issuance cost amortization, similar adjustments attributable to our non-controlling interests and certain tax related items.

Although adjusted net income is not calculated in accordance with GAAP, this non-GAAP measure is integral to the Company's reporting and planning processes and the CODM of the Company uses segment adjusted operating income to allocate resources among our operating segments. The Company considers this measure integral because it excludes the above-specified items that the Company's management excludes in evaluating the Company's performance. Specifically, in addition to evaluating the Company's performance on a GAAP basis, management evaluates the Company's performance on a basis that excludes the above items because:

- Exclusion of the non-cash, mark-to-market adjustments on financial instruments, including interest rate swap agreements and investment securities, helps management identify and assess trends in the Company's underlying business that might otherwise be obscured due to quarterly non-cash earnings fluctuations associated with these financial instruments. Additionally, the non-cash, mark-to-market adjustments on financial instruments are difficult to forecast accurately, making comparisons across historical and future quarters difficult to evaluate.
- Net foreign currency gains and losses primarily result from the remeasurement to functional currency of cash, receivable and payable balances, certain intercompany notes denominated in foreign currencies and any gain or loss on foreign currency hedges relating to these items. The exclusion of these items helps management compare changes in operating results between periods that might otherwise be obscured due to currency fluctuations.
- The Company considers certain acquisition-related costs, including certain financing costs, investment banking fees, warranty and indemnity insurance, certain integration-related expenses and amortization of acquired intangibles, as well as gains and losses from divestitures to be unpredictable, dependent on factors that may be outside of our control and unrelated to the continuing operations of the acquired or divested business or the Company. In addition, the size and complexity of an acquisition, which often drives the magnitude of acquisition-related costs, may not be indicative of such future costs. The Company believes that excluding acquisition-related costs and gains or losses of divestitures facilitates the comparison of our financial results to the Company's historical operating results and to other companies in our industry.
- Stock-based compensation is different from other forms of compensation, as it is a non-cash expense. For example, a cash salary generally has a fixed and unvarying cash cost. In contrast, the expense associated with an equity-based award is generally unrelated to the amount of cash ultimately received by the employee, and the cost to the Company is based on a stock-based compensation valuation methodology and underlying assumptions that may vary over time.
- Restructuring and other costs includes other immaterial costs that the Company has incurred which are non-operational. We exclude these items when evaluating our continuing business performance as such items are not consistently occurring and do not reflect expected future operating expense, nor do they provide insight into the fundamentals of current or past operations of our business. This also includes costs related to certain identified initiatives to further streamline the business, improve the Company's efficiency, create synergies and globalize the Company's operations and remediate the prior year material weaknesses.
- Impairment charges represent non-cash asset write-offs, which do not reflect recurring costs that would be relevant to the Company's continuing operations. The Company believes that excluding these non-recurring expenses facilitates the comparison of our financial results to the Company's historical operating results and to other companies in its industry.

- Debt restructuring and debt issuance cost amortization are unrelated to the continuing operations of the Company. Debt restructuring costs are not consistently occurring and do not reflect expected future operating expense, nor do they provide insight into the fundamentals of current or past operations of our business. In addition, since debt issuance cost amortization is dependent upon the financing method, which can vary widely company to company, we believe that excluding these costs helps to facilitate comparison to historical results as well as to other companies within our industry.
- The adjustments attributable to non-controlling interests, including adjustments to the redemption value of a non-controlling interest, have no significant impact on the ongoing operations of the business.
- The tax related items are the difference between the Company's GAAP tax provision and a pro forma tax provision based upon the Company's adjusted net income before taxes as well as the impact from certain discrete tax items. The methodology utilized for calculating the Company's adjusted net income tax provision is the same methodology utilized in calculating the Company's GAAP tax provision.

For the same reasons, WEX believes that adjusted net income may also be useful to investors as one means of evaluating the Company's performance. However, because adjusted net income is a non-GAAP measure, it should not be considered as a substitute for, or superior to, net income, operating income or cash flows from operating activities as determined in accordance with GAAP. In addition, adjusted net income as used by WEX may not be comparable to similarly titled measures employed by other companies.

The following table reconciles net income attributable to shareholders to adjusted net income attributable to shareholders:

| <i>(In thousands)</i>                                     | Three Months Ended September 30, |           | Nine Months Ended September 30, |            |
|-----------------------------------------------------------|----------------------------------|-----------|---------------------------------|------------|
|                                                           | 2019                             | 2018      | 2019                            | 2018       |
| Net income attributable to shareholders                   | \$ 14,619                        | \$ 56,644 | \$ 44,560                       | \$ 147,038 |
| Unrealized loss (gain) on financial instruments           | 5,650                            | (2,157)   | 39,078                          | (18,371)   |
| Net foreign currency remeasurement loss                   | 16,528                           | 1,094     | 13,748                          | 27,438     |
| Acquisition-related intangible amortization               | 42,800                           | 33,439    | 116,502                         | 103,596    |
| Other acquisition and divestiture related items           | 7,907                            | 1,536     | 24,704                          | 2,792      |
| Stock-based compensation                                  | 9,522                            | 9,799     | 34,956                          | 25,659     |
| Restructuring and other costs                             | 5,413                            | 1,973     | 12,914                          | 8,274      |
| Impairment charge                                         | —                                | 2,424     | —                               | 2,424      |
| Debt restructuring and debt issuance cost amortization    | 3,251                            | 2,216     | 18,200                          | 11,515     |
| ANI adjustments attributable to non-controlling interests | 27,149                           | (351)     | 43,874                          | (889)      |
| Tax related items                                         | (19,348)                         | (9,498)   | (60,585)                        | (40,381)   |
| Adjusted net income attributable to shareholders          | \$ 113,491                       | \$ 97,119 | \$ 287,951                      | \$ 269,095 |

## Liquidity and Capital Resources

We believe that our cash generating capability, financial condition and operations, together with the sources of cash listed below, will be adequate to fund our cash needs for at least the next 12 months.

The table below summarizes our primary short-term sources and uses of cash:

| Sources of cash                                                                                                                                                                                                                                          | Uses of cash <sup>(1)</sup>                                                                                                                                                                                                                                                                     |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <ul style="list-style-type: none"> <li>• Borrowings on our 2016 Credit Agreement</li> <li>• Deposits</li> <li>• Borrowed federal funds</li> <li>• Participation debt</li> <li>• Accounts receivable factoring and securitization arrangements</li> </ul> | <ul style="list-style-type: none"> <li>• Payments on our 2016 Credit Agreement</li> <li>• Payments on maturities and withdrawals of brokered deposits</li> <li>• Payments on borrowed federal funds</li> <li>• Working capital needs of the business</li> <li>• Capital expenditures</li> </ul> |

<sup>(1)</sup> Our long-term cash requirements consist primarily of amounts owed on our 2016 Credit Agreement and Notes, amounts due as part of our tax receivable agreement and various facilities lease agreements.

The table below summarizes our cash activities:

| <i>(In thousands)</i>                                  | Nine Months Ended September 30, |             |
|--------------------------------------------------------|---------------------------------|-------------|
|                                                        | 2019                            | 2018        |
| Cash flows provided by operating activities            | \$ 205,235                      | \$ 187,686  |
| Cash flows used for investing activities               | \$ (922,312)                    | \$ (57,479) |
| Cash flows provided by (used for) financing activities | \$ 837,705                      | \$ (80,958) |

#### *Operating Activities*

We fund a customer's entire receivable as part of fleet and travel payment processing transactions, while the revenue generated by these transactions is only a small percentage of that amount. Consequently, cash flows from operations are impacted significantly by changes in accounts receivable and accounts payable balances, which directly impact our capital resource requirements.

Cash provided by operating activities for the nine months ended September 30, 2019 increased \$17.5 million as compared to the same period in the prior year, resulting from an increase in accounts payable in excess of the increase in accounts receivable primarily due to a factoring arrangement in which the Company retains the merchant payable and sells the related accounts receivable. This arrangement was in place during the nine months ended September 30, 2019, but not in place until August of the prior year.

#### *Investing Activities*

Cash used for investing activities for the nine months ended September 30, 2019 increased \$864.8 million as compared to the same period in the prior year, resulting from \$838.0 million of payments made for acquisitions.

#### *Financing Activities*

Cash provided by financing activities for the nine months ended September 30, 2019 increased \$918.7 million as compared to the same period in the prior year, primarily due to higher overall borrowings in connection with funding the acquisitions and raising deposits in order to fund asset growth.

#### *2016 Credit Agreement*

As of December 31, 2018, the 2016 Credit Agreement, as amended, provided for a secured tranche A term loan in an original principal amount of \$480.0 million, a secured tranche B term loan in an original principal amount of \$1,335.0 million and a \$720.0 million secured revolving credit facility, with a \$250.0 million sublimit for letters of credit and \$20.0 million sublimit for swingline loans. Under the 2016 Credit Agreement, the Company has granted a security interest in substantially all of the assets of the Company, subject to exceptions including the assets of WEX Bank and certain foreign subsidiaries.

On January 18, 2019, the Company entered into a Fifth Amendment to the 2016 Credit Agreement, which provided additional tranche A term loans in the original principal amount of \$300.0 million. In addition, subject to certain conditions, the Fifth Amendment provided delayed draw commitments for an incremental \$275.0 million tranche A term loan and an incremental \$25.0 million of revolving credit commitments (subject to conversion of the delayed draw incremental tranche A term loan commitments and incremental revolving credit commitments to commitments of the other type). On March 5, 2019, the Company drew down this commitment in order to fund the acquisition of Discovery Benefits, consisting of \$250.0 million of tranche A term loans and an incremental \$50.0 million of revolving credit commitments.

On May 17, 2019, the Company entered into a Sixth Amendment to the 2016 Credit Agreement, which provided additional tranche B term loans in the original principal amount of \$150.0 million and extended the maturity date of tranche B term loans by three years to May 2026. Amounts due under the revolving credit facility and tranche A term loans of the 2016 Credit Agreement mature in July 2023. Prior to maturity, amounts borrowed under the tranche A and tranche B term loan facilities will be reduced by mandatory quarterly payments of \$12.5 million and \$3.7 million, respectively.

See Part I – Item 1 – Note 9, Financing and Other Debt, in this report and Part I – Item 1 – Note 15, Financing and Other Debt, in the notes to the consolidated financial statements in our Annual Report on Form 10-K for the fiscal year ended December 31, 2018 for further information regarding the 2016 Credit Agreement.

## Deposits

WEX Bank's regulatory status enables it to raise capital to fund the Company's working capital requirements by issuing deposits, subject to FDIC rules governing minimum financial ratios. WEX Bank accepts its deposits through: (i) certain customers as required collateral for credit that has been extended ("customer deposits"); (ii) contractual arrangements with brokerage firms for both certificate of deposit and money market deposit products ("brokered deposits"); and (iii) a listing service that provides certificates of deposit with financial institutions ("institutional deposits"). Customer deposits are generally non-interest bearing, while brokered deposits are issued at variable rates based on LIBOR or the Federal Funds rate and institutional deposits contain varying terms.

Deposits are classified based on their contractual maturities, which are explicitly stated for certificates of deposit. While brokered money market deposits may be withdrawn by the holder at any time, the allowed number of transactions is limited and notification may be required. Customer deposits are released at the termination of the relationship, net of any customer receivable, or upon reevaluation of the customer's credit in limited instances.

As of September 30, 2019 and December 31, 2018 we had \$1,574.9 million and \$1,272.7 million in deposits with original maturities ranging from 2 months to 5 years. See Part I – Item 1 – Note 8, Deposits, in this report for further information regarding our deposits.

## Borrowed Federal Funds

WEX Bank borrows from uncommitted federal funds lines to supplement the financing of the Company's accounts receivable. Our federal funds lines of credit were \$334.0 million and \$309.0 million as of September 30, 2019 and December 31, 2018, respectively. There were no outstanding borrowings as of September 30, 2019 and December 31, 2018.

## Participation Debt

From time to time, WEX Bank enters into participation agreements with third-party banks to fund customers' balances that exceed WEX Bank's lending limit to individual customers. Associated unsecured borrowings carry a variable interest rate of 1 month to 3 month LIBOR plus a margin of 225 basis points.

The following table provides the amounts outstanding under the participation debt agreements in place:

|                                     | September 30, 2019 |                     |                            | December 31, 2018 |                     |                            |
|-------------------------------------|--------------------|---------------------|----------------------------|-------------------|---------------------|----------------------------|
|                                     | Amounts Available  | Amounts Outstanding | Remaining Funding Capacity | Amounts Available | Amounts Outstanding | Remaining Funding Capacity |
| <i>(In thousands)</i>               |                    |                     |                            |                   |                     |                            |
| Short-term debt, net <sup>(a)</sup> | \$ 180,000         | \$ 44,265           | \$ 135,735                 | \$ 130,000        | \$ 64,849           | \$ 65,151                  |
| Long-term debt, net <sup>(a)</sup>  | —                  | —                   | —                          | 50,000            | 50,000              | —                          |
|                                     | <u>\$ 180,000</u>  | <u>\$ 44,265</u>    | <u>\$ 135,735</u>          | <u>\$ 180,000</u> | <u>\$ 114,849</u>   | <u>\$ 65,151</u>           |
| Average interest rate               | 4.47%              |                     |                            | 4.30%             |                     |                            |

<sup>(a)</sup> Amounts outstanding under agreements terminating on December 27, 2019 and August 31, 2020.

## WEX Europe Services Accounts Receivable Factoring

During the first quarter of 2017, WEX Europe Services entered into a factoring arrangement with an unrelated third-party financial institution (the "Purchasing Bank") to sell certain of its accounts receivable in order to accelerate the collection of the Company's cash and reduce the internal costs, thereby improving liquidity. Under this arrangement, the Purchasing Bank establishes a credit limit for each customer account. The factored receivables are without recourse to the extent that the customer balances are maintained at or below the established credit limit. The Company obtained a true sale opinion from an independent attorney, which states that the factoring agreement creates a sale of receivables under local law for amounts transferred both below and above the established credit limits. Additionally, there are no indications of the Company's continuing involvement in the factored receivables. As a result, the Purchasing Bank is deemed the purchaser of these receivables and is entitled to enforce payment of these amounts from the debtor. Available capacity is dependent on the level of our trade accounts receivable eligible to be sold and the financial institution's willingness to purchase such receivables. As such, this factoring arrangement can be reduced or eliminated at any time due to market conditions and changes in the credit worthiness of our customers, which would negatively impact our liquidity.

### *WEX Bank Accounts Receivable Factoring*

In August 2018, WEX Bank entered into a receivables purchase agreement with an unrelated third-party financial institution to sell certain of our trade receivables under non-recourse transactions. WEX Bank continues to service the receivables post-transfer with no participating interest. The Company obtained a true-sale opinion from an independent attorney, which states that the factoring agreement provides legal isolation upon WEX Bank bankruptcy or receivership under local law. As such, transfers under this arrangement are treated as a sale. Proceeds from the sale are reported net of negotiated discount rate and are accounted for as a reduction in trade receivables because the agreements transfer effective control of the receivables to the buyer.

### *WEX Latin America Securitization of Receivables*

During the second quarter of 2017, WEX Latin America entered into a securitized debt agreement to transfer certain unsecured receivables associated with our salary payment card product to an investment fund managed by an unrelated third-party financial institution. As of December 31, 2017 and through June 30, 2018, this securitization arrangement did not meet the derecognition conditions due to continuing involvement with the transferred assets and accordingly WEX Latin America reported the transferred receivables and securitized debt on our unaudited condensed consolidated balance sheets.

During the third quarter of 2018, the securitization agreements were amended, resulting in the Company giving up effective control of the transferred receivables to the buyer. Additionally, the Company received a true-sale opinion from an independent attorney stating that the amended agreements provide legal isolation upon WEX Latin America bankruptcy or receivership under local law. As such, the securitization arrangement meets the derecognition conditions and transfers under this arrangement are treated as a sale and are accounted for as a reduction in trade receivables. See Part I – Item 1 – Note 10, Off-Balance Sheet Arrangements, for further information.

### *Securitization Facilities*

The Company is a party to two securitized debt agreements. Under these agreements, our subsidiaries sell trade accounts receivable to bankruptcy-remote subsidiaries consolidated by the Company. Amounts collected on the securitized receivables are restricted to pay the securitized debt and are not available for general corporate purposes. See Part I – Item 1 – Note 9, Financing and Other Debt, for more information regarding these facilities.

### *Regulatory Risk*

The Company's subsidiary, WEX Bank, is subject to various regulatory capital requirements administered by the FDIC and the Utah Department of Financial Institutions. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, WEX Bank must meet specific capital guidelines that involve quantitative measures of WEX Bank's assets, liabilities and certain off-balance sheet items. WEX Bank's capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings and other factors. Failure to meet minimum capital requirements can initiate certain mandatory and possible additional discretionary actions by regulators that, if undertaken, could limit our business activities and have a material adverse effect on our business, results of operations and financial condition. Qualitative measures established by regulation to ensure capital adequacy require WEX Bank to maintain minimum amounts and ratios as defined in the regulations. As of September 30, 2019, WEX Bank met all the requirements to be deemed "well-capitalized" pursuant to FDIC regulation and for purposes of the Federal Deposit Insurance Act. See Part I – Item 1 – Note 19, Supplementary Regulatory Capital Disclosure, for further information.

### *Interest Rate Risk*

At September 30, 2019, we had variable-rate borrowings of \$2.4 billion under our 2016 Credit Agreement, which bore a weighted average effective interest rate of 4.2 percent. We periodically review our projected borrowings under our 2016 Credit Agreement and the current interest rate environment to determine if we should use interest rate swaps to reduce exposure to interest rate volatility. As of September 30, 2019, we maintained interest rate swap contracts that are intended to fix the future interest payments associated with \$1.4 billion of our variable rate borrowings at between 1.108 percent and 2.425 percent.

### *Foreign Currency Exchange Risk*

Earnings outside of the United States are accompanied by certain financial risks, such as changes in foreign currency exchange rates. Changes in foreign currency exchange rates may reduce the reported value of our foreign currency revenues, net of expenses, and cash flows. We cannot predict changes in currency exchange rates, the impact of exchange rate changes, nor the degree to which we will be able to manage the impact of currency exchange rate changes.

### *Undistributed Earnings*

Undistributed earnings and profits of certain foreign subsidiaries of the Company amounted to an estimated \$76.8 million and \$64.9 million as of September 30, 2019 and December 31, 2018, respectively. These earnings are considered to be indefinitely reinvested. Upon distribution of these earnings in the form of dividends or otherwise, the Company would be subject to withholding taxes payable, where applicable, to foreign countries, but would have no further federal income tax liability. The Company's primary tax jurisdictions are the United States, Australia and the United Kingdom.

### *Off-Balance Sheet Arrangements*

Even though off-balance sheet arrangements are not recorded as liabilities under GAAP, such arrangements may potentially impact our liquidity, capital resources and results of operations. These arrangements serve a variety of business purposes, however the Company is not dependent on them to maintain its liquidity and capital resources. We are not aware of any circumstances that are reasonably likely to cause the off-balance sheet arrangements to have a material adverse effect on liquidity and capital resources. As of September 30, 2019, we had posted letters of credit totaling approximately \$51.3 million as collateral under the terms of our lease agreement for our corporate offices, other corporate matters and for payment processing activity at certain foreign subsidiaries.

### *Contractual Obligations*

There were no material changes to our contractual obligations from the information previously provided in Item 7 of our Annual Report on Form 10-K for the year ended December 31, 2018.

### *Share Repurchases*

We currently have authorization from our board of directors to purchase up to \$150 million of our common stock until September 2021, which is entirely unused as of September 30, 2019. The program is funded either through our future cash flows or through borrowings on our 2016 Credit Agreement. Share repurchases are to be made on the open market and may be commenced or suspended at any time. The Company's management, based on its evaluation of market and economic conditions and other factors, determines the timing and number of shares repurchased.

### *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 less than 2.50:1.00 for the most recent period of four fiscal quarters.

### **Critical Accounting Policies and Estimates**

We have no material changes to our critical accounting policies and estimates discussed in our Annual Report on Form 10-K for the year ended December 31, 2018.

### **Recently Adopted Accounting Standards**

See Part I – Item 1 – Note 2, Recent Accounting Pronouncements, to the unaudited condensed consolidated financial statements of this Form 10-Q.

### **Item 3. Quantitative and Qualitative Disclosures About Market Risk.**

As of September 30, 2019, we have no material changes to the market risk disclosures in our Annual Report on Form 10-K for the year ended December 31, 2018.

### **Item 4. Controls and Procedures.**

#### **Evaluation of Disclosure Controls and Procedures**

Our management, with the participation of the principal executive officer and principal financial officer of WEX Inc. evaluated the effectiveness of the Company's disclosure controls and procedures as of September 30, 2019. "Disclosure controls and procedures" are controls and other procedures of a company that are designed to ensure that information required to be disclosed by the company in the reports that it files or submits under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports it files or submits under the Securities Exchange Act of 1934 is accumulated and communicated to the company's management, including its principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure.

As disclosed in our Annual Report on Form 10-K, Item 9A, for the year ended December 31, 2018, management concluded that our internal control over financial reporting was not effective at December 31, 2018. As of this date, management identified material weaknesses in internal control over financial reporting relating to the following control deficiencies:

- We did not maintain an effective control environment at our Brazilian subsidiary as evidenced by: (i) an insufficient number of personnel with an appropriate level of knowledge of the Company's processing platforms and overall financial reporting process, and (ii) an insufficient number of personnel appropriately qualified to perform control activities.
- We did not have control activities that were designed and operating effectively at our Brazilian subsidiary as evidenced by: (i) reconciliation of balance sheet accounts not being prepared consistently, (ii) lack of precision in review controls to identify all potential errors, and (iii) lack of oversight and approval of journal entries.
- We did not have sufficient monitoring activities in place to ensure effective corporate oversight and monitoring of control activities at our individually insignificant subsidiaries.

We are actively engaged in the implementation of a remediation plan to ensure that controls contributing to the material weaknesses are designed appropriately and will operate effectively. The remediation actions that we are taking and expect to take include the following:

- Evaluating the sufficiency, experience, and training of our internal personnel at our Brazilian subsidiary and hiring additional qualified personnel or using external resources.
- Implementing control activities at our Brazilian subsidiary that address relevant financial statement risks, including account reconciliations, variance analysis and journal entry procedures.
- Implementing additional corporate monitoring activities over our individually insignificant subsidiaries.

Management believes that these efforts will effectively remediate the material weaknesses. However, the material weaknesses in our internal control over financial reporting will not be considered remediated until the new controls are fully implemented, in operation for a sufficient period of time, and tested and concluded by management to be designed and operating effectively. We cannot provide any assurance that these remediation efforts will be successful or that our internal control over financial reporting will be effective as a result of these efforts. Management will test, evaluate, and audit the implementation of these new processes and internal controls during fiscal 2019 to ascertain whether they are designed and operating effectively to provide reasonable assurance that they will prevent or detect a material error in the Company's financial statements. Subject to the foregoing, management is working towards having these remediation efforts completed by the time we issue our December 31, 2019 financial statements. Management is committed to continuous improvement of our internal control over financial reporting and will continue to diligently review our financial reporting controls and procedures.

As described in Part I – Item 1 – Note 1, Basis of Presentation, of our unaudited condensed consolidated financial statements, the Company has revised prior period financial statements to correct for the errors resulting from the material weaknesses described above. As a result of the procedures performed to correct these errors, we believe that the consolidated financial statements included in this Quarterly Report on Form 10-Q fairly present, in all material respects, our financial position, results of operations and cash flows for the periods presented in conformity with GAAP.

We believe that the remediation measures described above will strengthen our internal control over financial reporting and remediate the material weaknesses we have identified. We expect that our remediation efforts, including design, implementation and testing will continue throughout fiscal year 2019.

#### **Changes in Internal Control Over Financial Reporting**

Other than the remediation efforts on the material weakness identified above, there has been no change in our internal control over financial reporting during the quarter ended September 30, 2019, that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

## **PART II**

### **Item 1. 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 third quarter of 2019. However, from time to time, we are subject to legal proceedings and claims in the ordinary course of business. In addition, we are cooperating with an SEC investigation arising from the revision of our financial statements earlier this year due to issues involving our Brazil subsidiary, including financial and disclosure controls and procedures. As of the date of this filing, the current estimate of a reasonably possible loss contingency from these matters is not material to the Company's consolidated financial position, results of operations, cash flows or liquidity.

### **Item 1A. Risk Factors.**

In addition to the other information set forth in this report, you should carefully consider the factors discussed in Part I, "Item 1A. Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2018, which could materially affect our business, financial condition or future results. The risks described in our Annual Report on Form 10-K are not the only risks facing our Company. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition or future results.

**Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.**

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 on 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 quarter ended September 30, 2019. The approximate dollar value of shares that were available to be purchased under our share repurchase program was \$150 million as of September 30, 2019.

**Item 6. Exhibits.**

| Exhibit No. | Description                                                                                                                                                                                                                                                                 |
|-------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 3.1         | <a href="#">Certificate of Incorporation (incorporated by reference to Exhibit No. 3.1 to our Current Report on Form 8-K filed with the SEC on March 1, 2005, File No. 001-32426)</a>                                                                                       |
| 3.2         | <a href="#">Certificate of Ownership and Merger merging WEX Transitory Corporation with and into Wright Express Corporation (incorporated by reference to Exhibit No. 3.1 to our Current Report on Form 8-K filed with the SEC on October 30, 2012, File No. 001-32426)</a> |
| 3.3         | <a href="#">Amended and Restated By-Laws of WEX Inc. (incorporated by reference to Exhibit No. 3.1 to our Current Report on Form 8-K filed with the SEC on April 16, 2019, File No. 001-32426)</a>                                                                          |
| * 10.1      | <a href="#">Form of Non-Employee Director Compensation Plan</a>                                                                                                                                                                                                             |
| * 10.2      | <a href="#">Form of Non-Employee Director Equity Ownership Guideline</a>                                                                                                                                                                                                    |
| * 31.1      | <a href="#">Certification of Chief Executive Officer of WEX INC. pursuant to Rule 13a-14(a) promulgated under the Securities Exchange Act of 1934, as amended</a>                                                                                                           |
| * 31.2      | <a href="#">Certification of Chief Financial Officer of WEX INC. pursuant to Rule 13a-14(a) promulgated under the Securities Exchange Act of 1934, as amended</a>                                                                                                           |
| * 32.1      | <a href="#">Certification of Chief Executive Officer of WEX INC. pursuant to Rule 13a-14(b) promulgated under the Securities Exchange Act of 1934, as amended, and Section 1350 of Chapter 63 of Title 18 of the United States Code</a>                                     |
| * 32.2      | <a href="#">Certification of Chief Financial Officer of WEX INC. pursuant to Rule 13a-14(b) promulgated under the Securities Exchange Act of 1934, as amended, and Section 1350 of Chapter 63 of Title 18 of the United States Code</a>                                     |
| * 101.SCH   | XBRL Taxonomy Extension Schema Document                                                                                                                                                                                                                                     |
| * 101.CAL   | XBRL Taxonomy Calculation Linkbase Document                                                                                                                                                                                                                                 |
| * 101.LAB   | XBRL Taxonomy Label Linkbase Document                                                                                                                                                                                                                                       |
| * 101.PRE   | XBRL Taxonomy Presentation Linkbase Document                                                                                                                                                                                                                                |
| * 101.DEF   | XBRL Taxonomy Extension Definition Linkbase Document                                                                                                                                                                                                                        |

\* These exhibits have been filed with this Quarterly Report on Form 10-Q.

**SIGNATURE**

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

**WEX INC.**

November 8, 2019 By:

/s/ Roberto Simon

Roberto Simon

Chief Financial Officer

(principal financial officer and principal accounting officer)

**WEX Inc.**  
**Non-Employee Director Compensation Plan**

Effective October 1, 2019  
Originally Adopted December 13, 2014

**Annual Cash Retainers**

The Company shall pay each non-employee board member the following annual cash retainer(s) based upon his or her service. All payments hereunder shall be made in equal quarterly amounts.

|                                                                       |    |         |
|-----------------------------------------------------------------------|----|---------|
| Annual Chairman Cash Retainer                                         | \$ | 185,000 |
| Annual Lead Director Cash Retainer                                    | \$ | 115,000 |
| Annual Director Cash Retainer (other than Lead Director and Chairman) | \$ | 85,000  |
| Audit Committee Chair Cash Retainer                                   | \$ | 30,000  |
| Compensation Committee Chair Cash Retainer                            | \$ | 20,000  |
| Technology Committee Chair Cash Retainer                              | \$ | 20,000  |
| Finance Committee Chair Cash Retainer                                 | \$ | 20,000  |
| Governance Committee Chair Cash Retainer                              | \$ | 15,000  |

**Equity Retainers**

All directors at the time of the annual stockholders' meeting ("ASM") shall be granted a number of restricted stock units ("RSUs") worth the equivalent of \$155,000 at the then current stock price. Such RSUs will vest annually.

**New Director Equity Grants**

All new directors shall be granted a number of restricted stock units ("RSUs") worth the equivalent of \$100,000 at the then current stock price. Such RSUs will vest annually and will be granted at the next ASM after their appointment.

**Fee Deferral**

Directors may defer all or part of their cash fees and equity retainers into deferred stock units which will be payable in Company shares to the Director only upon termination from Board Service.

**Expense Reimbursement**

Directors are reimbursed by the Company for their out-of-pocket travel and related expenses incurred in attending all Board and committee meetings.

**Pro-ration of Annual Cash Retainers for New Directors**

To the extent a director is appointed at a time other than the ASM, any Annual Cash Retainers will be prorated.

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**WEX Inc.**  
**Non-Employee Director Equity Ownership Guideline**

Effective October 1, 2019  
 Originally Adopted September 7, 2006

**Introduction**

The purpose of these guidelines is to encourage the non-employee members of the Board of Directors (each, a “Director”) of WEX Inc. (the “Company” or “WEX”), to maintain ownership interests in WEX. These guidelines shall be administered by WEX’s human resources department under the direction of the Compensation Committee of the Company’s Board of Directors (“Compensation Committee”).

**Applicability**

These guidelines apply to all non-employee members of WEX’s Board of Directors.

**Guidelines for Equity Ownership**

- Directors are expected to achieve and maintain ownership of Equity (as defined below) equal to five (5) times each Director’s annual cash retainer (which shall not include any meeting attendance fees) (the “Ownership Level”).
- The term “Equity” shall refer to shares of the Company’s common stock, vested restricted stock units, 50% of the value of unvested restricted stock units, and deferred stock units.
- A Director’s retainer and compliance with these guidelines will be determined annually on July 31 (the “Determination Date”).
- A Director will be deemed to have satisfied the Ownership Level if the fair market value of such Equity equals or exceeds the applicable Ownership Level on the Determination Date.
- Directors are expected to achieve their prescribed Ownership Levels five (5) years following the later of their initial Determination Date or October 1, 2019.
- Directors are expected to make substantial progress toward their Ownership Level as they strive to meet these guidelines.
- Under certain circumstances of financial hardship, the Compensation Committee may consider exceptions to these guidelines on a case-by-case basis. Only the Compensation Committee may grant an exception to these guidelines. The full Board of Directors will be informed of all exceptions.
- These guidelines may be amended or repealed at any time by the Compensation Committee in its sole discretion. The Compensation Committee may, among other actions:
  - Increase or decrease the Ownership Level of any Director at any time.
  - Add or remove certain types of equity holdings from those WEX securities that are used to determine if a Director has met the applicable Ownership Level.
- A description of these guidelines shall be included in the Company’s annual proxy statement.

## CERTIFICATION

I, Melissa D. Smith, certify that:

1. I have reviewed this quarterly report on Form 10-Q of WEX Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 8, 2019

/s/ Melissa D. Smith

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Melissa D. Smith

Chief Executive Officer and President

## CERTIFICATION

I, Roberto Simon, certify that:

1. I have reviewed this quarterly report on Form 10-Q of WEX Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 8, 2019

/s/ Roberto Simon

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Roberto Simon

Chief Financial Officer

(Principal accounting and financial officer)

**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the quarterly report of WEX Inc. (the "Company") on Form 10-Q for the period ending September 30, 2019 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Melissa D. Smith, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Melissa D. Smith

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Melissa D. Smith

Chief Executive Officer and President

November 8, 2019

**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the quarterly report of WEX Inc. (the "Company") on Form 10-Q for the period ending September 30, 2019 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Roberto Simon, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Roberto Simon

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Roberto Simon

Chief Financial Officer

(Principal accounting and financial officer)

November 8, 2019