

**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, 2020
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)

1 Hancock St., Portland, ME

(Address of principal executive offices)

01-0526993

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

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	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, \$0.01 par value	WEX	New York Stock Exchange

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	☒	Accelerated Filer	☐
Non-accelerated Filer	☐	Smaller Reporting Company	☐
		Emerging Growth Company	☐

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

☐ Yes ☒ No

Number of shares of common stock outstanding as of October 29, 2020 was 44,130,035.

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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 extent to which the coronavirus (COVID-19) pandemic and measures taken in response thereto impact our business, results of operations and financial condition in excess of current expectations;
- 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, including the impact of any continued reductions in fuel price and the resulting impact on our revenues and net income;
- 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 complete or 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;
- legal, political and economic uncertainty surrounding the United Kingdom’s departure from the European Union;
- the impact of the transition from LIBOR as a global benchmark to a replacement rate;
- 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 impact of sales or dispositions of significant amounts of our outstanding common stock into the public market, or the perception that such sales or dispositions could occur;
- the possible dilution to our stockholders caused by the issuance of additional shares of common stock or equity-linked securities;
- the incurrence of impairment charges if our assessment of the fair value of certain reporting units changes;
- the uncertainties of litigation, including the legal proceedings with respect to the purchase agreement relating to the proposed eNett and Optal acquisition; 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, 2019 and our Form 10-Qs for the quarters ended March 31, 2020 and June 30, 2020, filed respectively with the Securities and Exchange Commission on February 28, 2020, May 11, 2020, and August 5, 2020.

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, loss on sale of subsidiary, stock-based compensation, other costs, debt restructuring and debt issuance cost amortization, adjustments attributed to our non-controlling interests and certain tax related items.
ASC	Accounting Standards Codification
ASU 2016–13 or (“Topic 326”)	Accounting Standards Update No. 2016–13 <i>Financial Instruments – Credit Losses</i> (Topic 326)
ASU 2014–09 or (“Topic 606”)	Accounting Standards Update No. 2014–09 <i>Revenue from Contracts with Customers</i> (Topic 606)
Australian Securitization Subsidiary	Southern Cross WEX 2015–1 Trust, a special purpose entity consolidated by the Company
B2B	Business-to-business
CODM	Chief operating decision maker
Company	WEX Inc. and all entities included in the unaudited condensed consolidated financial statements
Convertible Notes	Convertible senior unsecured notes due on July 15, 2027 in an aggregate principal amount of \$310 million with a 6.5 percent interest rate, issued July 1, 2020
COVID-19 or (“coronavirus”)	An infectious disease caused by the SARS-CoV-2 virus. The World Health Organization declared the coronavirus outbreak a global pandemic on March 11, 2020.
Discovery Benefits	Discovery Benefits, Inc.
EBITDA	A non-GAAP measure that adjusts income before income taxes to exclude interest, depreciation and amortization
eNett	eNett International (Jersey) Limited
European Securitization Subsidiary	Gorham Trade Finance B.V., a special purpose entity consolidated by the Company
FASB	Financial Accounting Standards Board
FDIC	Federal Deposit Insurance Corporation
GAAP	Generally Accepted Accounting Principles in the United States
Go Fuel Card	A European Fleet business acquired from EG Group on July 1, 2019
ICS	Insured Cash Sweep
Indenture	The Notes were issued pursuant to an indenture dated as of January 30, 2013 among the Company, the guarantors listed therein, and The Bank of New York Mellon Trust Company, N.A., as trustee
NAV	Net asset value
Net payment processing rate	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
Notes	\$400 million notes with a 4.75 percent fixed rate, issued on January 30, 2013
Noventis	Noventis, Inc.
NYSE	New York Stock Exchange
Optal	Optal Limited
Pavestone Capital or (“Pavestone”)	Pavestone Capital, LLC
Payment processing fuel spend	Total dollar value of the fuel purchased by fleets that have a payment processing relationship with the Company
Payment processing transactions	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
Payment solutions purchase volume	Total dollar value of all WEX-issued transactions that use WEX corporate card products and virtual card products
Purchase volume	Total dollar value of all transactions in the Health and Employee Benefit Solutions segment where interchange is earned by the Company
Redeemable non-controlling interest	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
SaaS	Software-as-a-service
SEC	Securities and Exchange Commission
Segment adjusted operating income	A non-GAAP measure that adjusts operating income to exclude specified items that the Company’s management excludes in evaluating segment performance, including unallocated corporate expenses, acquisition and divestiture related expenses and adjustments including the amortization of purchased intangibles, loss on sale of subsidiary, debt restructuring costs, the expense associated with stock-based compensation and other costs.
U.S. Health business	WEX Health and Discovery Benefits, collectively
WEX Latin America	UNIK S.A., the Company’s Brazilian subsidiary is branded WEX Latin America. This subsidiary was sold on September 30, 2020
WEX	WEX Inc.
WEX Europe Services	A European Fleet business acquired by the Company from ExxonMobil on December 1, 2014
WEX Health	Legacy healthcare operations prior to the acquisition of Discovery Benefits

PART I

Item 1. Financial Statements.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Revenues				
Payment processing revenue	\$ 171,077	\$ 224,756	\$ 522,575	\$ 626,380
Account servicing revenue	112,417	109,205	335,736	303,183
Finance fee revenue	46,307	66,382	144,945	175,667
Other revenue	52,315	59,620	157,623	178,416
Total revenues	382,116	459,963	1,160,879	1,283,646
Cost of services				
Processing costs	102,244	98,296	307,152	288,896
Service fees	10,881	14,905	34,335	43,348
Provision for credit losses	12,283	14,847	66,851	47,470
Operating interest	5,262	11,508	20,151	31,765
Depreciation and amortization	26,202	26,123	76,115	68,206
Total cost of services	156,872	165,679	504,604	479,685
General and administrative	73,131	65,423	197,432	206,075
Sales and marketing	64,592	73,689	188,118	210,639
Loss on sale of subsidiary	46,362	—	46,362	—
Depreciation and amortization	39,314	36,861	118,907	105,264
Operating income	1,845	118,311	105,456	281,983
Financing interest expense	(40,950)	(34,549)	(101,813)	(101,299)
Net foreign currency loss	(784)	(16,528)	(31,973)	(13,748)
Net unrealized gain (loss) on financial instruments	3,774	(5,650)	(32,115)	(39,078)
(Loss) income before income taxes	(36,115)	61,584	(60,445)	127,858
Income tax provision (benefit)	21,602	19,137	(3,852)	37,352
Net (loss) income	(57,717)	42,447	(56,593)	90,506
Less: Net income (loss) from non-controlling interests	1,244	(631)	3,282	(233)
Net (loss) income attributable to WEX Inc.	(58,961)	43,078	(59,875)	90,739
Change in value of redeemable non-controlling interest	(6,879)	(28,459)	50,437	(46,179)
Net (loss) income attributable to shareholders	\$ (65,840)	\$ 14,619	\$ (9,438)	\$ 44,560
Net (loss) income attributable to shareholders per share:				
Basic	\$ (1.49)	\$ 0.34	\$ (0.22)	\$ 1.03
Diluted	\$ (1.49)	\$ 0.33	\$ (0.22)	\$ 1.02
Weighted average common shares outstanding:				
Basic	44,166	43,349	43,720	43,300
Diluted	44,166	43,811	43,720	43,715

See notes to unaudited condensed consolidated financial statements.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Net (loss) income	\$ (57,717)	\$ 42,447	\$ (56,593)	\$ 90,506
Foreign currency translation	15,147	(15,333)	(2,913)	(15,317)
Comprehensive (loss) income	(42,570)	27,114	(59,506)	75,189
Less: Comprehensive income (loss) attributable to non-controlling interests	1,676	(1,052)	3,466	(681)
Comprehensive (loss) income attributable to WEX Inc.	\$ (44,246)	\$ 28,166	\$ (62,972)	\$ 75,870

See notes to unaudited condensed consolidated financial statements.

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

	September 30, 2020	December 31, 2019
Assets		
Cash and cash equivalents	\$ 1,521,622	\$ 810,932
Restricted cash	193,615	170,449
Accounts receivable (net of allowances of \$54,265 in 2020 and \$52,274 in 2019)	2,151,741	2,661,108
Securitized accounts receivable, restricted	97,522	112,192
Prepaid expenses and other current assets	66,589	87,694
Total current assets	4,031,089	3,842,375
Property, equipment and capitalized software (net of accumulated depreciation of \$407,081 in 2020 and \$344,212 in 2019)	193,165	212,475
Goodwill	2,431,147	2,441,201
Other intangible assets (net of accumulated amortization of \$785,162 in 2020 and \$666,793 in 2019)	1,444,696	1,575,050
Investment securities	31,259	30,460
Deferred income taxes, net	8,514	12,833
Other assets	174,042	184,024
Total assets	\$ 8,313,912	\$ 8,298,418
Liabilities and Stockholders' Equity		
Accounts payable	\$ 893,766	\$ 969,816
Accrued expenses	322,388	315,642
Restricted cash payable	193,615	170,449
Short-term deposits	1,080,136	1,310,813
Short-term debt, net	127,084	248,531
Other current liabilities	55,420	34,692
Total current liabilities	2,672,409	3,049,943
Long-term debt, net	2,879,474	2,686,513
Long-term deposits	211,775	143,399
Deferred income taxes, net	211,555	218,740
Other liabilities	134,476	106,422
Total liabilities	6,109,689	6,205,017
Commitments and contingencies (Note 16)		
Redeemable non-controlling interest	107,220	156,879
Stockholders' Equity		
Common stock \$0.01 par value; 175,000 shares authorized; 48,550 shares issued in 2020 and 47,749 in 2019; 44,122 shares outstanding in 2020 and 43,321 in 2019	485	477
Additional paid-in capital	848,684	675,060
Retained earnings	1,521,176	1,539,201
Accumulated other comprehensive loss	(113,073)	(115,449)
Treasury stock at cost; 4,428 shares in 2020 and 2019	(172,342)	(172,342)
Total WEX Inc. stockholders' equity	2,084,930	1,926,947
Non-controlling interest	12,073	9,575
Total stockholders' equity	2,097,003	1,936,522
Total liabilities and stockholders' equity	\$ 8,313,912	\$ 8,298,418

See notes to unaudited condensed consolidated financial statements.

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

	Common Stock Issued		Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Treasury Stock	Retained Earnings	Non- Controlling Interest	Total Stockholders' Equity
	Shares	Amount						
Balance at December 31, 2019	47,749	\$ 477	\$ 675,060	\$ (115,449)	\$ (172,342)	\$ 1,539,201	\$ 9,575	\$ 1,936,522
Cumulative effect adjustment ¹	—	—	—	—	—	(8,587)	(190)	(8,777)
Balance at January 1, 2020	47,749	477	675,060	(115,449)	(172,342)	1,530,614	9,385	1,927,745
Stock issued under share-based compensation plans	189	2	1,950	—	—	—	—	1,952
Share repurchases for tax withholdings	—	—	(8,817)	—	—	—	—	(8,817)
Stock-based compensation expense	—	—	12,533	—	—	—	—	12,533
Change in value of redeemable non-controlling interest	—	—	—	—	—	(2,624)	—	(2,624)
Foreign currency translation	—	—	—	(40,935)	—	—	(469)	(41,404)
Net income (loss)	—	—	—	—	—	(13,632)	1,221	(12,411)
Balance at March 31, 2020	47,938	479	680,726	(156,384)	(172,342)	1,514,358	10,137	1,876,974
Stock issued under share-based compensation plans	5	—	184	—	—	—	—	184
Share repurchases for tax withholdings	—	—	(76)	—	—	—	—	(76)
Stock-based compensation expense	—	—	14,219	—	—	—	—	14,219
Change in value of redeemable non-controlling interest	—	—	—	—	—	59,940	—	59,940
Foreign currency translation	—	—	—	23,123	—	—	221	23,344
Net income	—	—	—	—	—	12,718	576	13,294
Balance at June 30, 2020	47,943	479	\$ 695,053	\$ (133,261)	\$ (172,342)	\$ 1,587,016	\$ 10,934	\$ 1,987,879
Stock issued under share-based compensation plans	30	—	2,091	—	—	—	—	2,091
Fair value of stock issued through private placement, net of issuance costs of \$968 (Note 10)	577	6	92,970	—	—	—	—	92,976
Share repurchases for tax withholdings	—	—	(378)	—	—	—	—	(378)
Equity component of the convertible notes, net of allocated issuance costs of \$570 and taxes of \$13,623 (Note 10)	—	—	41,066	—	—	—	—	41,066
Stock-based compensation expense	—	—	17,882	—	—	—	—	17,882
Change in value of redeemable non-controlling interest	—	—	—	—	—	(6,879)	—	(6,879)
Transfer of cumulative translation adjustment on the sale of subsidiary	—	—	—	5,473	—	—	—	5,473
Foreign currency translation	—	—	—	14,715	—	—	432	15,147
Net (loss) income	—	—	—	—	—	(58,961)	707	(58,254)
Balance at September 30, 2020	48,550	\$ 485	\$ 848,684	\$ (113,073)	\$ (172,342)	\$ 1,521,176	\$ 12,073	\$ 2,097,003

¹ Reflects the impact of the Company's modified retrospective adoption of ASU 2016-13 (See Note 2, Recent Accounting Pronouncements).

See notes to unaudited condensed consolidated financial statements.

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

	Common Stock Issued		Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Treasury Stock	Retained Earnings	Non- Controlling Interest	Total Stockholders' Equity
	Shares	Amount						
Balance at January 1, 2019	47,557	\$ 475	\$ 593,262	\$ (117,291)	\$ (172,342)	\$ 1,481,593	\$ 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
Adjustment to 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	(112,882)	(172,342)	1,456,327	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
Change in value 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	(117,248)	(172,342)	1,470,134	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
Change in value 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	(132,160)	(172,342)	1,484,753	9,546	1,851,970

See notes to unaudited condensed consolidated financial statements.

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

	Nine Months Ended September 30,	
	2020	2019
Cash flows from operating activities		
Net (loss) income	\$ (56,593)	\$ 90,506
Adjustments to reconcile net income to net cash provided by (used for) operating activities:		
Net unrealized loss	54,661	43,618
Stock-based compensation	44,634	33,596
Depreciation and amortization	195,022	173,470
Loss on sale of subsidiary	46,362	—
Debt issuance cost amortization	9,464	7,561
(Benefit) provision for deferred taxes	(16,514)	5,842
Provision for credit losses	66,851	47,470
Changes in operating assets and liabilities, net of effects of acquisitions:		
Accounts receivable and securitized accounts receivable	406,095	(589,127)
Prepaid expenses and other current and other long-term assets	(892)	30,856
Accounts payable	(48,528)	412,700
Accrued expenses and restricted cash payable	46,367	(15,208)
Income taxes	23,697	(15,020)
Other current and other long-term liabilities	3,830	(14,170)
Amounts due under tax receivable agreement	—	(6,859)
Net cash provided by operating activities	774,456	205,235
Cash flows from investing activities		
Purchases of property, equipment and capitalized software	(59,651)	(79,095)
Cash paid on sale of subsidiary	(15,957)	—
Acquisitions, net of cash acquired	—	(838,006)
Distribution of equity investment	837	—
Purchases of investment securities	(356)	(5,430)
Maturities of investment securities	169	219
Net cash used for investing activities	(74,958)	(922,312)
Cash flows from financing activities		
Repurchase of share-based awards to satisfy tax withholdings	(9,271)	(10,039)
Proceeds from stock option exercises	4,227	3,479
Net change in deposits	(163,036)	297,957
Net activity on other debt	(86,916)	(85,750)
Borrowings on revolving credit facility	300,000	1,267,704
Repayments on revolving credit facility	(300,000)	(1,265,251)
Borrowings on term loans	—	688,991
Repayments on term loans	(48,458)	(48,177)
Proceeds from issuance of convertible notes	299,150	—
Proceeds from issuance of common stock	90,000	—
Issuance costs	(11,836)	(3,443)
Net change in securitized debt	(31,594)	(7,766)
Net cash provided by financing activities	42,266	837,705
Effect of exchange rates on cash, cash equivalents and restricted cash	(7,908)	(4,464)
Net change in cash, cash equivalents and restricted cash	733,856	116,164
Cash, cash equivalents and restricted cash, beginning of period ^(a)	981,381	555,031
Cash, cash equivalents and restricted cash, end of period ^(a)	\$ 1,715,237	\$ 671,195
Supplemental disclosure of non-cash investing and financing activities		
Capital expenditures incurred but not paid	\$ 2,087	\$ 1,602
Amounts included in loss on sale of subsidiary but not paid	\$ 6,514	\$ —

^(a) The following table provides a reconciliation of cash, cash equivalents and restricted cash reported within our condensed consolidated balance sheets to amounts within our condensed consolidated statements of cash flows.

	Nine Months Ended September 30,	
	2020	2019
Cash and cash equivalents at beginning of period	\$ 810,932	\$ 541,498
Restricted cash at beginning of period	170,449	13,533
Cash, cash equivalents and restricted cash at beginning of period	<u>\$ 981,381</u>	<u>\$ 555,031</u>
Cash and cash equivalents at end of period	\$ 1,521,622	\$ 531,410
Restricted cash at end of period	193,615	139,785
Cash, cash equivalents and restricted cash at end of period	<u>\$ 1,715,237</u>	<u>\$ 671,195</u>

See notes to unaudited condensed consolidated financial statements.

WEX INC
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

1. Basis of Presentation

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, 2019, filed with the SEC on February 28, 2020. In the opinion of management, all adjustments considered necessary for a fair presentation, which are of a normal recurring nature, have been included. Operating results for the three and nine months ended September 30, 2020 are not necessarily indicative of the results for any future periods or the year ending December 31, 2020.

With the exception of accounting policies over credit loss reserves, which were impacted by the adoption of ASU 2016-13 effective January 1, 2020 (refer to Note 2, Recent Accounting Pronouncements), we have applied the same accounting policies in preparing these quarterly financial statements as we did in preparing our 2019 annual financial statements.

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.

COVID-19 Pandemic Response and Impact

A novel strain of coronavirus (COVID-19) was first identified in Wuhan, China in January 2020, and subsequently declared a global pandemic by the World Health Organization on March 11, 2020.

During the first quarter of 2020, the Company took a number of precautionary steps to safeguard its business and employees from the effects of COVID-19 including restricting business travel, temporarily closing offices and canceling participation in various industry events. These precautionary steps have largely remained in force through the third quarter of 2020 as the Company continues to closely track and assess the rapidly evolving effect of the pandemic. The Company is actively managing its responses in collaboration with its employees, customers and suppliers.

The spread of COVID-19, and conditions arising in connection with it, including restrictions on businesses and individuals and wider changes in business and customer behavior, have had a negative impact on the Company's businesses during the three and nine months ended September 30, 2020. The following describes these impacts by reportable segment:

Fleet Solutions — Lower average domestic fuel prices and volumes have negatively impacted the Fleet Solutions segment compared to the prior year, primarily resulting from a decrease in demand in connection with the COVID-19 pandemic. While overall segment volumes have increased from their April 2020 lows through September 30, 2020, we began to see these improvements level off in the third quarter of 2020. Although the full extent of the COVID-19 pandemic and its future impact on the Fleet Solutions segment operations is uncertain, we expect stabilization to continue through at least the remainder of the year.

Travel and Corporate Solutions — The Travel and Corporate Solutions segment has been the most impacted by the COVID-19 pandemic relative to the Company's other segments, as the pandemic has resulted in a significant decline in worldwide travel and tourism. These disruptions are expected to have a continuing impact on the Company's Travel and Corporate Solutions segment operating results for at least the remainder of the year, although the full extent of the COVID-19 pandemic and its future impact on the Travel and Corporate Solutions segment's operations is uncertain.

Health and Employee Benefit Solutions — While purchase volume for our U.S. Health business was challenged by the pandemic during the second quarter of 2020 as customers deferred non-essential medical treatments, it trended upwards throughout the third quarter of 2020. However, the continued deferment of non-essential medical treatments kept health purchase volumes flat compared to the prior year quarter. Although the full extent of the COVID-19 pandemic and its future impact on the Health and Employee Benefit Solutions segment operations is uncertain, we expect stabilization to continue through at least the remainder of the year.

WEX INC
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
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In connection with these adverse impacts, the Company evaluated the effects of COVID-19 on its goodwill and long-lived asset groups and determined no impairment was required during the three or nine months ended September 30, 2020. The evaluation for impairment requires the use of estimates about future cash flows and such estimates are, by their nature, subjective. The full impact of COVID-19 on the Company's business, operations and the global economy as a whole is unknown and cannot be reasonably estimated. We believe the assumptions and estimates used as of September 30, 2020, are reasonable based on what we know today, however, the duration of the pandemic will require us to continually reassess the assumptions and estimates each reporting period, and changes in these assumptions and estimates could result in impairment charges in the future.

Adoption of a New Accounting Standard

The Company adopted Topic 326 on January 1, 2020, utilizing the modified-retrospective approach, under which prior period comparable financial information was not adjusted. Topic 326 amends the impairment model by requiring entities to use a forward-looking approach based on expected losses rather than incurred losses to estimate credit losses on certain types of financial instruments, including trade receivables and off-balance sheet credit exposures. See Note 2, Recent Accounting Pronouncements, for further information regarding this new accounting standard.

The following table illustrates the adoption impact of Topic 326:

<i>(In thousands)</i>	January 1, 2020		
	Prior to Adoption	Impact of Topic 326	As Reported
Allowance for accounts receivable¹	\$ 52,274	\$ 11,577	\$ 63,851
Deferred income taxes, net (within total assets)	\$ 12,833	\$ 570	\$ 13,403
Deferred income taxes, net (within total liabilities)	\$ 218,740	\$ (2,230)	\$ 216,510
Retained earnings	\$ 1,539,201	\$ (8,587)	\$ 1,530,614
Non-controlling interest	\$ 9,575	\$ (190)	\$ 9,385

¹ This impact does not reflect the economic disruption resulting from the COVID-19 pandemic since it occurred subsequent to January 1, 2020.

Allowance for Accounts Receivable

The allowance for accounts receivable reflects management's current estimate of uncollectible balances on its accounts receivable and consists primarily of reserves for credit losses. As a result of the adoption of Topic 326, the reserve for expected credit losses includes both a quantitative and qualitative reserve component. The quantitative component is primarily calculated using an analytic model, which includes the consideration of historical loss experience and past events to calculate actual loss-rates at the portfolio level. It also includes reserves against specific customer account balances determined to be at risk for non-collection based on customer information including delinquency, changes in payment patterns and other information. The qualitative component is determined through analyzing recent trends in economic indicators and other current and forecasted information to determine whether loss-rates are expected to change significantly in comparison to historical loss-rates at the portfolio level. When such indicators are forecasted to trend a predetermined amount from the historical median, the Company qualitatively determines what impact, if any, the trends are expected to have on the reserve for expected credit losses. Economic indicators include consumer price indexes, consumer spending and unemployment trends, among others. See Note 6, Accounts Receivable, for discussion regarding the adjustments made during the three and nine months ended September 30, 2020 as a result of these assessments.

Accounts receivable are evaluated for impairment on a pooling basis based on similar risk characteristics including industry of the borrower, historical or expected credit loss patterns, risk ratings or classification, and geographic location. As a result of this evaluation, our portfolio segments consist of the following:

- **Fleet Solutions** - The majority of the customer base consists of companies within the transportation, logistics and fleet industries. The associated credit losses by customer are generally low, however, the Fleet Solutions segment has historically comprised the majority of the Company's provision for credit loss. Credit losses generally correlate with changes in consumer price indices and other indices that measure trends and volatility including the Institute of Supply Management Purchasing Index and the U.S. Volatility Index.

WEX INC
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
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- Travel and Corporate Solutions - The customer base is comprised of businesses operating in a wide range of industries including large online travel agencies. With the exception of the Noventis portfolio, which has minimal credit risk due to its business model and collection terms, the associated credit losses are sporadic and closely correlate with trends in consumer metrics, including consumer spending and the consumer price index.
- Health and Employee Benefit Solutions - The customer base includes third-party administrators, individual employers and employees. The associated credit losses are generally low. Prior to the sale of WEX Latin America, the Company maintained credit exposure on certain associated receivables not sold to the securitization fund and accordingly established an allowance for credit losses, which was included in the Health and Employee Benefit Solutions balance.

When individual accounts receivable exhibit elevated credit risk characteristics as a result of bankruptcies, disputes, conversations with customers, or other significant credit loss events, they are assessed individual credit loss estimates. Assumptions regarding expected credit losses are reviewed each reporting period and may be impacted by actual performance of accounts receivable and changes in any of the factors discussed above.

The allowance for accounts receivable also includes reserves for waived finance fees, which are used to maintain customer goodwill and recorded against the late fee revenue recognized, as well as reserves for fraud losses. Management monitors known and suspected fraudulent activity identified by the Company, as well as fraudulent claims reported by customers, in estimating the reserve for expected fraud losses.

Off-Balance Sheet Arrangements

The Company has various off-balance sheet commitments, certain of which carry credit risk exposure. These items were not significantly impacted by the adoption of Topic 326 as of September 30, 2020:

- Extension of credit to customers - The Company has entered into commitments to extend credit in the ordinary course of business as part of established customer agreements. The unfunded portion of an extension of credit to customers fluctuates as the Company increases or decreases customer credit limits, subject to appropriate credit reviews. Given that the Company can generally adjust its customers' credit lines at its discretion at any time, the unfunded portion of loan commitments to customers is unconditionally cancellable and thus the Company has not established a liability for expected credit losses on those commitments.
- Accounts receivable factoring - See Note 11, Off-Balance Sheet Arrangements, for the terms of the factoring arrangements for the Company's subsidiaries, WEX Europe Services and WEX Bank. Within the terms of the Company's WEX Europe Services accounts receivable factoring arrangement, the Company has credit risk exposure to the extent outstanding transferred receivables exceed established credit limits. The Company does not maintain any beneficial interest with respect to the receivables sold, and as such does not maintain any credit risk related to receivables transferred below the established credit limit. The amount by which factored receivables exceed the credit limit is insignificant as of September 30, 2020. Management deems expected credit losses arising from this off-balance sheet commitment to be insignificant and did not establish a corresponding liability. The Company does not retain any beneficial interest in WEX Bank's factored receivables, and the terms of the agreement do not describe a scenario in which the Company would be exposed to credit risk as it relates to the transferred receivables.
- Accounts receivable securitization - See Note 11, Off-Balance Sheet Arrangements, for the terms of the securitization arrangement at one of the Company's subsidiaries, WEX Latin America up to and through the date of sale of such subsidiary on September 30, 2020. Within the terms of the Company's WEX Latin America accounts receivable securitization arrangement, the Company did not maintain credit exposure given that the Company surrendered effective control and derecognized the receivables. The Company retained an interest in securitized receivables in the form of a non-controlling equity investment in the fund holding the receivables, in an amount of \$6.7 million as of December 31, 2019. The Company's beneficial interest in the securitized receivables carried residual credit risk, and the methodology for estimating expected credit losses on the beneficial interest was consistent with the methodology described within the Allowance for Accounts Receivable section above. As of both January 1, 2020 and June 30, 2020, expected credit losses estimated on the Company's beneficial interest in WEX Latin America's securitized receivables were insignificant.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
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2. Recent Accounting Pronouncements

The following table provides a brief description of accounting pronouncements adopted during the nine months ended September 30, 2020 and recent accounting pronouncements not yet adopted that could have a material effect on our financial statements:

Standard	Description	Date/Method of Adoption	Effect on financial statements or other significant matters
Adopted During the Nine Months Ended September 30, 2020			
ASU 2016-13	This standard amends the impairment model to utilize an expected loss methodology in place of the incurred loss methodology for financial instruments, including trade receivables and off-balance sheet credit exposures. The standard requires entities to consider a broader range of information to estimate expected credit losses, including historical experience, current conditions and reasonable and supportable forecasts that impact the collectability of the reported amount.	The Company adopted ASU 2016-13 effective January 1, 2020 using the modified-retrospective approach.	The amendments of this new standard were applied through a cumulative-effect adjustment to total stockholders' equity of \$8.8 million, net of a \$2.8 million income tax benefit, as of January 1, 2020. This adjustment was driven by the incorporation of economic forecasts into the Company's expected credit loss reserve methodology. The unaudited condensed consolidated financial statements for the three and nine months ended September 30, 2020 are presented under the new standard. Comparative periods presented have not been adjusted. Refer to Note 1, Basis of Presentation, for discussion of the Company's credit loss methodology.
Not Adopted as of September 30, 2020			
ASU 2020-04, Reference Rate Reform	This standard provides optional guidance for a limited period of time to ease the potential financial reporting burden in accounting for (or recognizing the effects of) the discontinuation of LIBOR resulting from reference rate reform. The amendments provide optional expedients and exceptions for applying GAAP to contracts and other transactions impacted by reference rate reform. If certain criteria are met, an entity will not be required to remeasure or reassess contracts impacted by reference rate reform.	Election is available through December 31, 2022.	The Company is currently evaluating the implications of these amendments to its current efforts for reference rate reform implementation and any impact the adoption of this ASU would have on its financial condition and results of operations.
ASU 2020-06, Debt – Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging – Contracts in Entity's Own Equity (Subtopic 815-40)	This standard simplifies the accounting for certain financial instruments with characteristics of liabilities and equity, including convertible instruments and contracts in an entity's own equity. Among other changes, this standard removes from GAAP the liability and equity separation model for convertible instruments with a cash conversion feature. Instead, entities will account for a convertible debt instrument wholly as debt unless (1) a convertible debt instrument contains features that require bifurcation as a derivative under ASC Topic 815, Derivatives and Hedging, or (2) a convertible debt instrument was issued at a substantial premium. The standard also requires the application of the if-converted method to calculate the impact of convertible instruments on diluted earnings per share.	Effective for fiscal years beginning after December 15, 2021 and may be early adopted for the fiscal year beginning after December 15, 2020 using a modified retrospective or fully retrospective method of transition.	The Company is considering early adoption of this ASU effective January 1, 2021 and is currently evaluating the impact the adoption of this ASU would have on its financial condition and results of operations.

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.

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

The following tables disaggregate the Company's consolidated revenue:

<i>(In thousands)</i>	Three Months Ended September 30, 2020			
	Fleet Solutions	Travel and Corporate Solutions	Health and Employee Benefit Solutions	Total
Topic 606 revenues				
Payment processing revenue	102,418	\$ 53,239	\$ 15,420	\$ 171,077
Account servicing revenue	4,436	9,964	63,103	77,503
Other revenue	20,778	529	7,655	28,962
Total Topic 606 revenues	\$ 127,632	\$ 63,732	\$ 86,178	\$ 277,542
Non-Topic 606 revenues	101,072	564	2,938	104,574
Total revenues	\$ 228,704	\$ 64,296	\$ 89,116	\$ 382,116

<i>(In thousands)</i>	Three Months Ended September 30, 2019			
	Fleet Solutions	Travel and Corporate Solutions	Health and Employee Benefit Solutions	Total
Topic 606 revenues				
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
Total Topic 606 revenues	\$ 152,304	\$ 96,535	\$ 78,034	\$ 326,873
Non-Topic 606 revenues	125,222	2,593	5,275	133,090
Total revenues	\$ 277,526	\$ 99,128	\$ 83,309	\$ 459,963

<i>(In thousands)</i>	Nine Months Ended September 30, 2020			
	Fleet Solutions	Travel and Corporate Solutions	Health and Employee Benefit Solutions	Total
Topic 606 revenues				
Payment processing revenue	\$ 305,888	\$ 166,768	\$ 49,919	\$ 522,575
Account servicing revenue	13,146	31,210	189,274	233,630
Other revenue	59,797	1,645	27,143	88,585
Total Topic 606 revenues	\$ 378,831	\$ 199,623	\$ 266,336	\$ 844,790
Non-Topic 606 revenues	304,100	3,527	8,462	316,089
Total revenues	\$ 682,931	\$ 203,150	\$ 274,798	\$ 1,160,879

<i>(In thousands)</i>	Nine Months Ended September 30, 2019			
	Fleet Solutions	Travel and Corporate Solutions	Health and Employee Benefit Solutions	Total
Topic 606 revenues				
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
Total Topic 606 revenues	\$ 430,460	\$ 256,906	\$ 219,968	\$ 907,334
Non-Topic 606 revenues	347,162	15,220	13,930	376,312
Total revenues	\$ 777,622	\$ 272,126	\$ 233,898	\$ 1,283,646

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, 2020 and 2019.

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

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.

The following table provides information about these contract balances:

<i>(In thousands)</i>			
Contract balance	Location on the unaudited condensed consolidated balance sheets	September 30, 2020	December 31, 2019
Receivables ¹	Accounts receivable, net	\$ 45,853	\$ 43,092
Contract assets	Prepaid expenses and other current assets	\$ 5,494	\$ 4,593
Contract assets	Other assets	\$ 20,790	\$ 20,496
Contract liabilities	Other current liabilities	\$ 8,021	\$ 5,171
Contract liabilities	Other liabilities	\$ 14,535	\$ —

¹ The majority of the Company's receivables, which are excluded from the table above, are either due from cardholders who have not been deemed the Company's 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, 2020, we recognized revenue of \$1.0 million and \$5.2 million, respectively, related to contract liabilities existing as of December 31, 2019.

Remaining Performance Obligations

The Company's unsatisfied or partially unsatisfied performance obligations as of September 30, 2020 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. The following table includes revenue expected to be recognized related to remaining performance obligations at the end of the reporting period and is not indicative of the Company's future revenue, as it relates to an insignificant portion of the Company's operations.

<i>(In thousands)</i>	Remaining 2020	2021	2022	2023	2024	2025	Thereafter	Total
Minimum monthly fees ¹	\$ 13,421	\$ 38,772	\$ 28,942	\$ 15,933	\$ 5,837	\$ 1,591	\$ 36	\$ 104,532
Professional services ²	2,602	2,052	—	—	—	—	—	4,654
Other ³	2,943	2,782	3,272	3,310	3,739	3,517	—	19,563
Total remaining performance obligations	\$ 18,966	\$ 43,606	\$ 32,214	\$ 19,243	\$ 9,576	\$ 5,108	\$ 36	\$ 128,749

¹ 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.

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

³ Represents deferred revenue associated with remaining payment processing service obligations.

4. Acquisitions

2020 Purchase Agreement

On January 24, 2020, the Company entered into a purchase agreement to purchase eNett and Optal for an aggregate purchase price comprised of approximately \$1.3 billion in cash and 2.0 million shares of the Company's common stock and subject to certain working capital and other adjustments as described in the purchase agreement. The parties' obligations to consummate the acquisition are subject to customary closing conditions, including the absence of a Material Adverse Effect (as defined in the purchase agreement between WEX, eNett and Optal, among others). The Company has analyzed the eNett and Optal situation closely and has concluded that the COVID-19 pandemic and conditions arising in connection with it have had, and continue to have, a Material Adverse Effect on the businesses, which is disproportionate to the effect on others in the relevant industry. Because of this Material Adverse Effect, WEX formally advised eNett and Optal on May 4, 2020 that it is not

WEX INC
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
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required to close the transaction pursuant to the terms of the purchase agreement. On May 11, 2020, the shareholders of eNett and Optal each initiated separate legal proceedings in the High Court of Justice of England and Wales in the United Kingdom against the Company denying that there has been a Material Adverse Effect and alleging that the Company has threatened to breach its obligations under the terms of the purchase agreement. See Note 16, Commitments and Contingencies, for further information regarding the status of these legal proceedings.

2019 Business Acquisitions

As of September 30, 2020, the purchase accounting is final for all of our 2019 business acquisitions. No adjustments to the purchase accounting were made during the three or nine months ended September 30, 2020. In both the three and nine months ended September 30, 2020, the acquisition and merger related costs related to the completed business combinations were immaterial. 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.

Go Fuel Card

On July 1, 2019, the Company acquired Go Fuel Card, a European fuel card business, 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 purpose of the acquisition was to strengthen the Company's position in the European market, grow its existing customer base and reduce its 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.

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

(In thousands)

Total consideration, net of \$5,589 in cash acquired	\$ 260,455
Less:	
Network relationships ^{(a) (d)}	112,893
Customer relationships ^{(b) (d)}	33,963
Brand name ^{(c) (d)}	442
Deposits	(5,169)
Accrued expenses	(420)
Recorded goodwill	\$ 118,746

^(a) Weighted average life - 10.1 years.

^(b) Weighted average life - 5.0 years.

^(c) Weighted average life - 1.0 year.

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

No pro forma information has been disclosed 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.

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, of which \$50 million was paid during the fourth quarter of 2019. 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 14, Redeemable Non-Controlling Interest, for further information.

The purpose of this acquisition was to obtain the comprehensive suite of products and services for the Company's partners and customers and to open go-to-market channels to include consulting firms and brokers in its Health and Employee Benefit Solutions segment. This acquisition has been accounted for as a business combination, resulting in the recording of goodwill. The majority of the associated goodwill is deductible for tax purposes.

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

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

(In thousands)

Cash consideration, net of \$125,865 in cash and restricted cash acquired	\$	300,191
Fair value of redeemable non-controlling interest		100,000
Total consideration, net of cash and restricted cash acquired	\$	400,191
Less:		
Accounts receivable		10,722
Property and equipment		4,904
Customer relationships ^{(a)(d)}		213,600
Developed technologies ^{(b)(d)}		38,900
Trademarks and trade names ^{(c)(d)}		13,800
Other assets		13,601
Accounts payable		(3,071)
Accrued expenses		(7,563)
Restricted cash payable		(125,346)
Deferred income taxes		(21,941)
Other liabilities		(9,814)
Recorded goodwill	\$	272,399

^(a) Weighted average life - 7.3 years.

^(b) Weighted average life - 5.4 years.

^(c) Weighted average life - 7.3 years.

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

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. The Company purchased Pavestone Capital to complement its existing factoring business. As a result, the purchase price was 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. The customer relationships intangible asset has a weighted-average amortization period of 6.5 years.

No pro forma information has been disclosed 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.

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 was \$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 its unaudited condensed consolidated statements of operations for the nine months ended September 30, 2019.

The Company purchased Noventis to expand its reach as a corporate payments supplier and provide more channels to billing aggregators and financial institutions in our Travel and Corporate Solutions segment. This acquisition 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.

WEX INC
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
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The following is a summary of the final allocation of the purchase price to the assets and liabilities acquired, based on the fair value at the date of acquisition:

(In thousands)

Total consideration, net of \$44,947 in cash acquired	\$	293,767
Less:		
Accounts receivable		22,134
Property and equipment		549
Network relationships ^{(a) (c)}		100,900
Developed technologies ^{(b) (c)}		15,000
Other assets		2,379
Accounts payable		(33,521)
Deferred income taxes		(21,194)
Other liabilities		(2,367)
Recorded goodwill	\$	209,887

^(a) Weighted average life - 8.3 years.

^(b) Weighted average life - 2.9 years.

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

Pro Forma Supplemental Information

The pro forma information below gives effect to the Discovery Benefits and Novartis 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:

(In thousands, except per share data)

	Three Months Ended September 30, 2019	Nine Months Ended September 30, 2019
Total revenues	\$ 459,963	\$ 1,302,752
Net income attributable to shareholders	\$ 19,178	\$ 53,213
Net income attributable to shareholders per share:		
Basic	\$ 0.44	\$ 1.23
Diluted	\$ 0.44	\$ 1.22

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

5. Sale of Subsidiary

On September 30, 2020, the Company sold its wholly-owned subsidiary UNIK S.A, (the "WEX Latin America" business) a multi-channel provider of employee benefits and corporate payment solutions to over 1,500 clients in Brazil. Under the conditions of the sale agreement, the Company was required to make a payment to the buyer, which has been reflected as fair value of consideration transferred to the buyer in the table below. As part of the divestiture, the Company entered into a transition services agreement with the buyer of up to six months post-closing related to various operational and support services. The Company believes the transition services agreement is of nominal value. The Company wrote-off the associated assets and liabilities of this entity as of the date of sale and recorded a pre-tax loss on sale of subsidiary of \$46.4 million, which has been reflected in the unaudited condensed consolidated statement of operations for the three and nine months ended September 30, 2020. Based on its preliminary analysis, the Company does not expect that the pre-tax loss related to the sale of this subsidiary is likely to be deductible for tax purposes.

The operations of UNIK S.A., which were included in the Health and Employee Benefit Solutions and Travel and Corporate Solutions segments through the date of sale, were not material to the Company's revenue, net income or earnings per share. The Company does not view this sale of subsidiary as a strategic shift in its operations and therefore it did not meet the criteria of discontinued operations.

The following summarizes the loss on sale of subsidiary:

(In thousands)

Fair value of consideration transferred to the buyer	\$	7,415
Plus: expenses associated with the sale		2,806
Plus: UNIK S.A. net assets and liabilities, including \$12,249 of cash and cash equivalents		36,141
Loss on sale of subsidiary	\$	46,362

6. Accounts Receivable

Accounts receivable consists of amounts billed to and due from customers across a wide range of industries and other third parties. The Company often extends short-term credit to cardholders and pays the merchant for the purchase price, less the fees it retains and records as revenue. The Company subsequently collects the total purchase price from the cardholder. In general, the Company's trade receivables provide for payment terms of 30 days or less. Receivables not paid in full by payment due dates as stated within the terms of the agreement are generally considered past due and subject to late fees and interest based upon the outstanding receivables balance. The Company discontinues late fee and interest income accruals on outstanding receivables once customers are 90 and 120 days past the invoice due date, respectively. Payments received subsequent to discontinuing late fee and interest income accruals are first applied to outstanding late fees and interest, and the Company resumes accruing interest and late fee income as earned on future receivables balances.

The Company extends revolving credit to certain small fleets. These accounts are also subject to late fees and balances that are not paid in full are subject to interest charges based on the revolving balance. The Company had approximately \$61.1 million and \$62.4 million in receivables with revolving credit balances as of September 30, 2020 and December 31, 2019, respectively.

Allowance for Accounts Receivable

Receivables are generally written off when they are 150 days past due or upon declaration of bankruptcy of the customer, subject to local regulatory restrictions. The allowance for accounts receivable consists of reserves for both credit and fraud losses. The reserve for credit losses is primarily calculated using historical loss-rates applied at the portfolio level and specific customer balance collectability based on a review of past due accounts receivable balances, changes in payment patterns, and other customer-specific available information. Management further takes into account qualitative factors, such as leading economic and market indicator trends, to the extent they significantly deviate from historical loss-rate trends when determining the need for additional qualitative reserves. The reserve for fraud losses is determined by monitoring pending fraud cases, customer-identified fraudulent activity and unconfirmed suspicious activity in order to make judgments as to probable fraud losses.

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Accounts receivable are evaluated for impairment on a pooling basis based on similar risk characteristics including industry of the borrower, historical or expected credit loss patterns, risk ratings or classification, and geographic location. See Note 1, Basis of Presentation, for more information.

The following tables present changes in the accounts receivable allowances by portfolio segment:

	Three Months Ended September 30, 2020				Three Months Ended September 30, 2019
(In thousands)	Fleet Solutions	Travel and Corporate Solutions	Health and Employee Benefit Solutions	Total	Total
Balance, beginning of period	\$ 47,109	\$ 16,142	\$ 592	\$ 63,843	\$ 50,575
Provision for credit losses ¹	8,526	3,725	32	12,283	14,847
Charges to other accounts ²	3,200	—	—	3,200	4,299
Charge-offs ³	(18,334)	(10,149)	(63)	(28,546)	(22,018)
Recoveries of amounts previously charged-off	3,213	—	—	3,213	2,521
Currency translation	504	31	(263)	272	(959)
Balance, end of period	\$ 44,218	\$ 9,749	\$ 298	\$ 54,265	\$ 49,265

¹ The provision is comprised of estimated credit losses based on the Company's loss-rate experience and effective January 1, 2020, also includes adjustments required for forecasted credit loss information. The provision for credit losses for the three months ended September 30, 2020, includes estimates of expected credit losses over the contractual life of our receivables as the markets in which the Company operates are experiencing a decline, primarily due to the impact of COVID-19. The provision for credit losses reported within this table also includes the provision for fraud losses. See Note 1, Basis of Presentation, for further details of the adoption of Topic 326 on a modified retrospective basis.

² 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.

³ The majority of the Travel and Corporate Solutions segment charge-offs is associated with the sale of the WEX Latin America business. Refer to Note 5, Sale of Subsidiary, for further information.

	Nine Months Ended September 30, 2020				Nine Months Ended September 30, 2019
(In thousands)	Fleet Solutions	Travel and Corporate Solutions	Health and Employee Benefit Solutions	Total	Total
Balance, prior to Topic 326 adoption	\$ 40,620	\$ 3,578	\$ 8,076	\$ 52,274	\$ 46,948
Impact of Topic 326 adoption¹	9,390	2,187	—	11,577	—
Balance, beginning of period	\$ 50,010	\$ 5,765	\$ 8,076	\$ 63,851	\$ 46,948
Provision for credit losses ¹	47,418	19,230	203	66,851	47,470
Charges to other accounts ²	13,930	—	—	13,930	18,382
Charge-offs ³	(75,711)	(15,214)	(5,381)	(96,306)	(69,864)
Recoveries of amounts previously charged-off	8,101	28	17	8,146	7,149
Currency translation	470	(60)	(2,617)	(2,207)	(820)
Balance, end of period	\$ 44,218	\$ 9,749	\$ 298	\$ 54,265	\$ 49,265

¹ The provision is comprised of estimated credit losses based on the Company's loss-rate experience and effective January 1, 2020, also includes adjustments required for forecasted credit loss information. The provision for credit losses for the nine months ended September 30, 2020, includes estimates of expected credit losses over the contractual life of our receivables as the markets in which the Company operates are experiencing a decline, primarily due to the impact of COVID-19. The provision for credit losses reported within this table also includes the provision for fraud losses. See Note 1, Basis of Presentation, for further details of the adoption of Topic 326 on a modified retrospective basis.

² 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.

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³ The majority of the Travel and Corporate Solutions segment charge-offs is associated with the sale of the WEX Latin America business. Refer to Note 5, Sale of Subsidiary, for further information.

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, 2020 or December 31, 2019. 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, 2020	December 31, 2019
29 days or less past due	97 %	96 %
59 days or less past due	98 %	97 %

7. Earnings per Share

Basic earnings per share is computed by dividing net (loss) income attributable to shareholders by the weighted average number of shares of common stock and vested deferred stock units outstanding during the year. The computation of diluted earnings per share is similar to the computation of basic earnings per share, except that the numerator is increased for tax effected interest expense associated with our Convertible Notes and the denominator is increased for the assumed issuance of common shares issuable on convertible securities under the "if converted" method unless the effect is anti-dilutive. Also, diluted earnings per share includes the assumed exercise of dilutive options and the assumed issuance of unvested restricted stock units and 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 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 (loss) income attributable to shareholders and reconciles basic and diluted shares outstanding used in the earnings per share computations:

<i>(In thousands)</i>	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Net (loss) income attributable to shareholders	\$ (65,840)	\$ 14,619	\$ (9,438)	\$ 44,560
Weighted average common shares outstanding – Basic	44,166	43,349	43,720	43,300
Dilutive impact of share-based compensation awards ¹	—	462	—	415
Weighted average common shares outstanding – Diluted	44,166	43,811	43,720	43,715

¹ Due to the Company's net loss position for the three and nine months ended September 30, 2020, 0.5 million and 0.4 million incremental shares, respectively, are excluded from the table above as the effect of including those shares would be anti-dilutive. An immaterial number of outstanding share-based compensation awards were excluded from the computation for the three and nine months ended September 30, 2019, as the effect of including these awards would be anti-dilutive.

It is the Company's current intention to settle all conversions of the Convertible Notes in shares of the Company's common stock. Based on the closing price of the Company's common stock as of September 30, 2020, the "if-converted" value of the Convertible Notes was less than the respective principal amount. Under the "if-converted" method, approximately 1.6 million shares of the Company's common stock associated with the assumed conversion of these Convertible Notes as of the beginning of the period have been excluded from diluted shares outstanding for the three and nine months ended September 30, 2020 as the effect of including such shares would be anti-dilutive.

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8. 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, 2019, the Company had seven interest rate swap contracts in effect with a collective notional amount at inception of \$1.5 billion, with maturity dates from December 31, 2020 to March 12, 2023, at interest rates between 1.108 percent and 2.425 percent. During the nine months ended September 30, 2020, the Company amended and extended the terms of five of its interest rate swaps with a collective notional amount of \$935.0 million. These amendments merged two of the previously existing interest rate swap agreements into one, reduced the effective fixed interest rates payable and extended the maturity date of each previously existing agreement by a period of one year. As of September 30, 2020, outstanding interest rate swap contracts are intended to fix the future interest payments associated with \$1.4 billion of the \$2.3 billion of outstanding borrowings under the Company's 2016 Credit Agreement.

The following table presents relevant information for the Company's outstanding interest rate swap agreements as of September 30, 2020:

	Tranche A	Tranche B	Tranche C ⁽¹⁾	Tranche D ⁽¹⁾	Tranche E	Tranche F ⁽²⁾
Notional amount at inception (in thousands)	\$150,000	\$100,000	\$200,000	\$300,000	\$200,000	\$485,000
Maturity date	3/13/2023	3/12/2023	3/12/2023	12/30/2022	12/30/2023	12/31/2021
Fixed interest rate	1.954%	1.956%	2.413%	2.204%	1.862%	0.743%

⁽¹⁾ Not amended or extended.

⁽²⁾ Result of the merging of tranches F and G, which were disclosed within the Company's Annual Report on Form 10-K for the year ended December 31, 2019.

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

<i>(In thousands)</i>		Three Months Ended September 30,		Nine Months Ended September 30,	
Derivatives Not Designated as Hedging Instruments	Location of Gain (Loss) Recognized in the Statement of Operations	2020	2019	2020	2019
Interest rate swap agreements – unrealized portion	Net unrealized gain (loss) on financial instruments	\$ 3,774	\$ (5,834)	\$ (32,722)	\$ (39,903)
Interest rate swap agreements – realized portion	Financing interest expense	\$ (5,438)	\$ 1,355	\$ (10,336)	\$ 5,613

Derivative instruments and their related gains and losses are reported within cash flows from operating activities within the unaudited condensed consolidated statements of cash flows. See Note 13, Fair Value, for more information regarding the valuation of the Company's interest rate swaps.

9. 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.

WEX Bank accepts its deposits through: (i) certain customers as required collateral for credit that has been extended ("customer deposits") and (ii) contractual arrangements with brokerage firms for both certificate of deposit and brokered money market deposit products. Customer deposits are generally non-interest bearing, certificates of deposit are issued at fixed rates and brokered money market deposits are issued at variable rates based on LIBOR or the Federal Funds rate.

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The following table presents the composition of deposits, which are classified as short-term or long-term based on their contractual maturities:

<i>(In thousands)</i>	September 30, 2020	December 31, 2019
Interest-bearing brokered money market deposits ¹	\$ 407,964	\$ 362,246
Customer deposits	108,102	112,571
Certificates of deposit with maturities within 1 year ^{1,2}	564,070	835,996
Short-term deposits	1,080,136	1,310,813
Certificates of deposit with maturities greater than 1 year and less than 5 years ^{1,2}	211,775	143,399
Total deposits	\$ 1,291,911	\$ 1,454,212
Weighted average cost of funds on certificates of deposit outstanding	2.11 %	2.57 %
Weighted average cost of interest-bearing brokered money market deposits	0.28 %	1.88 %

¹ As of September 30, 2020 and December 31, 2019, all certificates of deposit and brokered money market deposits were in denominations of \$250 thousand or less, corresponding to FDIC deposit insurance limits.

² Original maturities range from 1 year to 5 years, with coupon interest rates ranging from 1.35 percent to 3.52 percent as of September 30, 2020. At December 31, 2019, original maturities ranged from 4 months to 5 years with coupon interest rates ranging from 1.80 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. There was no required reserve at September 30, 2020, due to temporarily relaxed Federal Reserve requirements enacted in response to the COVID-19 pandemic. The required reserve was \$24.9 million as of December 31, 2019.

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, 2020 and December 31, 2019.

10. Financing and Other Debt

The following table summarizes the Company's total outstanding debt by type as of September 30, 2020 and December 31, 2019.

<i>(In thousands)</i>	September 30, 2020	December 31, 2019
Tranche A term loan	886,260	923,707
Tranche B term loan	1,446,037	1,457,048
Term loans under 2016 Credit Agreement ¹	2,332,297	2,380,755
Notes outstanding ¹	400,000	400,000
Convertible Notes ¹	310,000	—
Securitized debt	72,521	104,261
Participation debt	—	50,000
Borrowed federal funds	—	34,998
WEX Latin America debt	—	2,660
Total gross debt	\$ 3,114,818	\$ 2,972,674

¹ See Note 13, Fair Value, for more information regarding the Company's 2016 Credit Agreement, Notes, and Convertible 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, 2020	December 31, 2019
Current portion of gross debt	\$ 137,132	\$ 256,529
Less: Unamortized debt issuance costs/debt discount	(10,048)	(7,998)
Short-term debt, net	\$ 127,084	\$ 248,531
Long-term portion of gross debt	\$ 2,977,686	\$ 2,716,145
Less: Unamortized debt issuance costs/debt discount	(98,212)	(29,632)
Long-term debt, net	\$ 2,879,474	\$ 2,686,513
Supplemental information under 2016 Credit Agreement:		
Letters of credit ^(b)	\$ 51,627	\$ 51,314
Remaining borrowing capacity on revolving credit facility ^(c)	\$ 818,373	\$ 768,686

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

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

2016 Credit Agreement

On February 10, 2020, the Company entered into an eighth amendment (the "Eighth Amendment") to the 2016 Credit Agreement making certain changes to the previously amended credit agreement, including among other things, effectuating financial covenant amendments and increasing the Company's capacity to incur additional incremental loan facilities up to \$1.4 billion in connection with the acquisition of eNett and Optal. The amendments set forth in the Eighth Amendment were superseded and replaced by the amendments set forth in the Ninth Amendment (as defined below). Such amendments would only become effective concurrently with the closing of the acquisition of eNett and Optal, if it occurs. Refer to Note 4, Acquisitions, for more information regarding the status of this purchase agreement.

On June 26, 2020, the Company entered into a ninth amendment (the "Ninth Amendment") to the 2016 Credit Agreement, which made certain changes to the previously amended credit agreement, including among other things, increasing the maximum Consolidated Leverage Ratio to 5.5X through September 30, 2021 with step-downs thereafter, permitting an unlimited amount of corporate cash to be netted from the financial debt balance for financial covenant purposes for a period of time, permanently increasing the amount of corporate cash netting allowed to \$250 million, which increases to \$400 million if the eNett and Optal transaction closes, and adds a fourth pricing tier in the case that leverage exceeds certain levels and introduces a LIBOR floor on revolving credit facility borrowings of 75 basis points.

On July 29, 2020, the Company entered into a tenth amendment (the "Tenth Amendment") to the 2016 Credit Agreement, which increased commitments under the Company's secured revolving credit facility from \$820 million to \$870 million.

On August 20, 2020, the Company entered into an eleventh amendment (the "Eleventh Amendment") to the 2016 Credit Agreement, which limits the borrowing conditions for a \$752 million portion of the revolving credit facility for the purpose of consummating the acquisition of eNett and Optal, if it occurs, to April 22, 2021.

As of September 30, 2020, under the 2016 Credit Agreement the Company had an outstanding principal amount of \$886.3 million on its secured tranche A term loan, an outstanding principal amount of \$1.4 billion on its secured tranche B term loan and outstanding letters of credit of \$51.6 million drawn against its \$870.0 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.

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 1.25 percent for base rate loans and 2.25 percent for eurocurrency rate loans. As of September 30, 2020 and December 31, 2019, amounts outstanding under the 2016 Credit Agreement bore a weighted average effective interest rate of 2.3 percent and 4.0 percent, respectively. The Company maintains

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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 8, Derivative Instruments, for further discussion.

The Company accounted for the Ninth, Tenth and Eleventh Amendments as debt modifications. As part of these transactions, the Company incurred and expensed an insignificant amount of third party costs, which are classified within general and administrative expenses in our unaudited condensed consolidated statements of operations. In association with the Ninth Amendment, the Company incurred and capitalized \$4.3 million of lender fees. Lender fees associated with the Tenth Amendment were insignificant. In addition, in connection with the Eleventh Amendment the Company incurred and capitalized a \$2.1 million lender fee on its revolver. Debt issuance costs incurred and capitalized in conjunction with the 2016 Credit Agreement and its amendments are being amortized into interest expense over the 2016 Credit Agreement's term using the effective interest method.

Debt Covenants

As more fully described in the Company's Annual Report on Form 10-K for the year ended December 31, 2019, and as amended by the Ninth Amendment to the 2016 Credit Agreement on June 26, 2020, 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, 2020, the Company was in compliance with all material covenants of its 2016 Credit Agreement and the Indenture.

Notes Outstanding

As of both September 30, 2020 and December 31, 2019, 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. The Company may redeem the Notes at 100.792 percent of principal prior to February 1, 2021. After this date, there is no premium due upon redemption. Upon the occurrence of a change of control of the Company (as defined in the Indenture to the Notes), the Company must offer to repurchase the Notes at 101 percent of the principal amount of the Notes, plus accrued and unpaid interest, if any, up to the date of repurchase.

Convertible Notes

Pursuant to a purchase agreement dated June 29, 2020, on July 1, 2020, the Company closed on a private placement with an affiliate of Warburg Pincus LLC (together with its affiliate, "Warburg Pincus"), pursuant to which the Company issued convertible senior unsecured notes due on July 15, 2027 in an aggregate principal amount of \$310.0 million and 577,254 shares of the Company's common stock for an aggregate purchase price of \$389.2 million, of which \$90.0 million constituted the purchase price for the shares, reflecting a purchase price of \$155.91 per share. The Company expects to use the proceeds from the investment for working capital and general corporate purposes.

The issuance of the Convertible Notes provided the Company with net proceeds of approximately \$299.2 million after original issue discount. The Convertible Notes have a seven-year term, with interest calculated at a fixed rate of 6.5% per annum, payable semi-annually in arrears on January 15 and July 15 of each year, with the first interest payment due January 15, 2021. At the Company's option, interest is either payable in cash, through accretion to the principal amount of the Convertible Notes, or a combination of cash and accretion.

The Convertible Notes may be converted at the option of the holders at any time prior to maturity, or earlier redemption or repurchase of the Convertible Notes, based upon an initial conversion price of \$200 per share of common stock. The Company may settle conversions of Convertible Notes, at its election, in cash, shares of the Company's common stock, or a combination thereof. The initial conversion price is subject to adjustments customary for convertible debt securities and a weighted average adjustment in the event of issuances of equity and equity linked securities by the Company at prices below the then applicable conversion price for the Convertible Notes or the then market price of the Company's common stock, subject to certain exceptions, including underwritten offerings, Rule 144A offerings, private placements at discounts not exceeding a specified amount, issuances as acquisition consideration and equity compensation related issuances.

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The Company will have the right, at any time after July 1, 2023, to redeem the Convertible Notes in whole or in part if the closing price of WEX's common stock is at least 200% of the conversion price of the Convertible Notes for 20 trading days (whether or not consecutive) out of any 30 consecutive trading day period prior to the time the Company delivers a redemption notice, (including at least one of the five trading days immediately preceding the last day of such 30 trading day period), subject to the right of holders of the Convertible Notes to convert its Convertible Notes prior to the redemption date.

In the event of certain fundamental change transactions, including certain change of control transactions and delisting events involving the Company, holders of the Convertible Notes will have the right to require the Company to repurchase its Convertible Notes at a 105% premium, plus the present value of future interest payments through the date of maturity. For both the three and nine months ended September 30, 2020, there were no shares issued upon conversion, exercise or satisfaction of required conditions under these Convertible Notes.

The \$389.2 million of proceeds from this private placement was allocated on a relative fair value basis, with \$94.0 million allocated to the sale of the Company's common stock and \$295.2 million to the Convertible Notes. As the Convertible Notes permit the Company to settle conversion in cash, pursuant to ASC 470-20, the proceeds attributed to the Convertible Notes are further allocated between a liability and equity component. The Company has estimated the fair value of the liability portion of the Convertible Notes using observable inputs based on the present value of cash flows using the interest rate of hypothetical debt with a similar tenor without a conversion feature.

Applicable transaction costs of \$4.0 million have been allocated between the Convertible Notes and shares of the Company's common stock sold in the transaction based on relative fair value and further allocated between the liability and equity component of the Convertible Notes consistent with the initial allocation resulting in \$2.5 million classified as debt issuance costs capitalized as a direct reduction to the face value of the Convertible Notes and \$1.5 million deducted from the amounts recorded within stockholders' equity. The debt discount and debt issuance costs will be amortized to interest expense using the effective interest rate method over the seven-year contractual life of the Convertible Notes. The effective interest rate on the liability component of the Convertible Notes was 11.2% at the date of loan origination.

Based on this, the Convertible Notes were recorded at a debt discount with an initial carrying value of \$237.5 million, with the residual \$54.7 million recognized within additional paid-in capital on the Company's condensed consolidated balance sheet. This equity component will not be remeasured as long as it continues to meet the conditions for equity classification.

The Convertible Notes consist of the following:

<i>(In thousands)</i>	September 30, 2020
Principal	\$ 310,000
Less: Unamortized discounts	(68,437)
Less: Unamortized issuance cost	(2,417)
Net carrying amount of Convertible Notes ¹	\$ 239,146
Equity component ²	\$ 54,689

¹ Recorded within long-term debt, net on our condensed consolidated balance sheet.

² Represents the proceeds allocated to the conversion option, or debt discount, recorded within additional paid-in capital on the condensed consolidated balance sheet. Additional paid-in capital on the condensed consolidated balance sheet is further reduced by \$0.6 million of issuance costs and \$13.6 million in taxes associated with the equity component.

The following table sets forth total interest expense recognized for the Convertible Notes:

<i>(In thousands)</i>	Three and Nine Months Ended September 30, 2020
Interest on 6.5% coupon	\$ 4,982
Amortization of debt discount and debt issuance costs	1,674
	\$ 6,656

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Australian Securitization Facility

In March 2020, the Company extended its securitized debt agreement with MUFG Bank, Ltd., through April 2021. 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 1.04 percent and 1.80 percent as of September 30, 2020 and December 31, 2019, respectively. The Company had \$52.3 million and \$78.6 million of securitized debt under this facility as of September 30, 2020 and December 31, 2019, respectively, recorded in short-term debt, net.

European Securitization Facility

The Company maintains a five year securitized debt agreement with MUFG Bank, Ltd., which expires in April 2021. 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 1.03 percent and 0.63 percent as of September 30, 2020 and December 31, 2019, respectively. The Company had \$20.2 million and \$25.7 million of securitized debt under this facility as of September 30, 2020 and December 31, 2019, respectively, recorded in short-term debt, net.

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 generally 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 at September 30, 2020 and December 31, 2019. There are no amounts outstanding as of September 30, 2020.

	September 30, 2020			December 31, 2019		
	Amounts Available ⁽¹⁾	Amounts Outstanding	Remaining Funding Capacity	Amounts Available	Amounts Outstanding	Remaining Funding Capacity
<i>(In thousands)</i>						
Short-term debt, net		\$ —			\$ 50,000	
Total ⁽¹⁾	\$ 60,000	\$ —	\$ 60,000	\$ 80,000	\$ 50,000	\$ 30,000
Average interest rate	Not applicable			4.17 %		

⁽¹⁾ Amounts available includes up to \$60 million under an agreement that terminates on December 31, 2021.

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 \$380.0 million and \$355.0 million as of September 30, 2020 and December 31, 2019, respectively. There were no outstanding borrowings as of September 30, 2020 and \$35.0 million of outstanding borrowings as of December 31, 2019 (matured January 14, 2020). The average interest rate on borrowed federal funds was 1.66 percent for the nine months ended September 30, 2020 and 2.36 percent for the year ended December 31, 2019.

WEX Latin America Debt

WEX Latin America had debt of \$2.7 million as of December 31, 2019. This was comprised of credit facilities and loan arrangements related to the Company's accounts receivable. These borrowings were recorded in short-term debt, net. As of December 31, 2019, the interest rate was 35.04 percent. As of September 30, 2020, the Company sold WEX Latin America and is no longer a debt obligation of the Company.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
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11. Off-Balance Sheet Arrangements

WEX Europe Services Accounts Receivable Factoring

Under a factoring arrangement between WEX Europe Services and an unrelated third-party financial institution, the Company sells customer accounts receivable balances without recourse to the extent that the customer balances 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. The Company continues to service these receivables post-transfer with no participating interest. 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 \$122.6 million and \$327.2 million of accounts receivable under this arrangement during the three and nine months ended September 30, 2020, respectively. For the three and nine months ended September 30, 2019, the Company sold \$156.0 million and \$470.3 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 condensed consolidated statements of cash flows. The loss on factoring, recorded within cost of services, was insignificant and \$1.7 million for three and nine months ended September 30, 2020, respectively. For the three and nine months ended September 30, 2019, the loss on factoring was \$0.8 million and \$2.6 million, respectively. As of September 30, 2020 and December 31, 2019, the amount of outstanding transferred receivables in excess of the established credit limit was immaterial. Charge-backs on balances in excess of the credit limit during the nine months ended September 30, 2020 and September 30, 2019 were insignificant.

WEX Bank Accounts Receivable Factoring

Under a factoring agreement with an unrelated third-party financial institution, WEX Bank sells certain of its 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 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 \$0.8 billion and \$3.7 billion of trade accounts receivable under this arrangement during the three and nine months ended September 30, 2020, respectively. During the three and nine months ended September 30, 2019, the Company sold \$5.0 billion and \$11.0 billion of accounts receivable, respectively. 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 in the unaudited condensed consolidated statements of operations, was immaterial for the three and nine months ended September 30, 2020. For the three and nine months ended September 30, 2019, the loss on factoring was \$1.2 million and \$2.9 million, respectively.

WEX Latin America Securitization of Receivables

Prior to the sale of WEX Latin America on September 30, 2020, the Company transferred certain unsecured receivables associated with its salary advance payment card product to an investment fund in which WEX Latin America held a non-controlling equity interest, and that is managed by an unrelated third-party. During the nine months ended September 30, 2020, the Company received an insignificant distribution from the investment fund and did not make any material equity contributions or distributions to or from the investment fund during the nine months ended September 30, 2019. The securitization arrangement met the derecognition conditions under GAAP and transfers under this arrangement were treated as sales and were accounted for as a reduction in trade receivables. During the three and nine months ended September 30, 2020, the Company recognized a \$1.6 million and \$6.5 million gain on sale, respectively. 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 \$4.8 million and \$12.0 million gain on sale, respectively. 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 within operating activities in the condensed consolidated statements of cash flows.

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12. Investment Securities

The Company's investment securities were purchased and are held by WEX Bank primarily to meet the requirements of the Community Reinvestment Act. Changes in the fair value of the Company's equity securities are recognized within net unrealized loss on financial instruments on the unaudited condensed consolidated statements of operations for the three and nine months ended September 30, 2020 and 2019. The Company's debt securities, and any changes in their fair values, are not material individually or in the aggregate as of September 30, 2020 and December 31, 2019. Purchases, sales and maturities associated with investment securities are treated as investing activities within the condensed consolidated statements of cash flows. Refer to Note 13, Fair Value, for further information.

13. 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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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 on a recurring basis:

<i>(In thousands)</i>	Fair Value Hierarchy	September 30, 2020	December 31, 2019
Financial Assets:			
Money market mutual funds ^(a)	1	\$ 558,919	\$ 223,217
Investment securities			
Municipal bonds	2	\$ 197	\$ 302
Asset-backed securities	2	220	247
Mortgage-backed securities	2	142	174
Pooled investment fund measured at NAV	(e)	5,000	5,000
Fixed-income mutual fund	1	25,700	24,737
Total investment securities		\$ 31,259	\$ 30,460
Executive deferred compensation plan trust ^(b)	1	\$ 8,858	\$ 7,965
Interest rate swaps ^(c)	2	\$ —	\$ 2,395
Liabilities			
Interest rate swaps ^(d)	2	\$ 50,091	\$ 19,764

^(a) The fair value is recorded in cash and cash equivalents.

^(b) The fair value is recorded in prepaid expenses and other current assets and other assets based on the timing of payment obligations. At both September 30, 2020 and December 31, 2019, \$0.9 million of fair value is recorded within prepaid expenses and other current assets. At September 30, 2020 and December 31, 2019, \$8.0 million and \$7.0 million of fair value is recorded within other assets, respectively.

^(c) The fair value is recorded as a current or long-term asset within prepaid expenses and other current assets or other assets depending on the timing of expected discounted cash flows. At December 31, 2019, \$2.4 million of fair value is recorded within prepaid and other current assets.

^(d) The fair value is recorded in other current liabilities or other liabilities depending on the timing of expected discounted cash flows. At September 30, 2020 and December 31, 2019, \$21.7 million and \$6.7 million of fair value is recorded within other current liabilities, respectively. At September 30, 2020 and December 31, 2019, \$28.4 million and \$13.1 million of fair value is recorded within other liabilities, respectively.

^(e) The fair value of this security is measured at NAV as a practical expedient and has not been classified within the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the condensed consolidated balance sheets.

Money Market Mutual Funds

A portion of the Company's cash and cash equivalents are invested in money market mutual funds that primarily consist 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.

Pooled Investment Fund

<i>(In thousands)</i>	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Pooled investment fund, as of September 30, 2020	\$ 5,000	—	Monthly	30 days

The pooled investment fund is a Community Reinvestment Act-eligible investment fund, which seeks to provide bank investors with current income consistent with the returns available in adjustable-rate government guaranteed financial products by investing in Community Development loans guaranteed by the Small Business Administration. The fund maintains individual capital accounts for each investor, which reflect each individual investor's share of the NAV of the fund.

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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.

Assets and Liabilities Measured at Fair Value on a Nonrecurring Basis

The Company had no assets and liabilities measured at fair value on a non-recurring basis as of September 30, 2020 and December 31, 2019.

Assets and Liabilities Measured at Carrying Value, for which Fair Value is Disclosed

Notes Outstanding

The Company determines the fair value of the Notes based on market rates for the issuance of our debt, which are classified as Level 2 in the fair value hierarchy. As of September 30, 2020 and December 31, 2019, the carrying value of the Notes approximated fair value.

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 September 30, 2020, the fair value of the tranche A and tranche B loans was \$868.5 million and \$1.39 billion, respectively. At December 31, 2019, the carrying value of the 2016 Credit Agreement, including both tranche A and tranche B loans, approximated fair value.

Convertible Notes

The Company determines the fair value of the Convertible Notes outstanding using our stock price and volatility, the conversion premium on the Convertible Notes and effective interest rates for similarly rated credit issuances, all of which are Level 2 inputs in the fair value hierarchy. As of September 30, 2020, the fair value of our convertible notes was \$320.5 million.

Other Assets and Liabilities

The Company's 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.

14. 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 the U.S. Health business was initially established at both carrying value and fair value. 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. 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.

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 seven years following the date of acquisition. Upon exercise of the put or call right, the purchase

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price is calculated based on a revenue multiple of peer companies (as described in the operating agreement for the U.S. Health business) 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 Company calculates the redemption value of the redeemable non-controlling interest on a quarterly basis using revenue multiples as determined in accordance with the operating agreement for the U.S. Health business and as described above. 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. Any resulting change in the value of the redeemable non-controlling interest is offset against retained earnings and impacts earnings per share.

The following table presents the changes in the Company's redeemable non-controlling interest:

<i>(In thousands)</i>	2020	2019
Balance at December 31	\$ 156,879	\$ —
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 (loss) attributable to redeemable non-controlling interest	142	(7)
Change in value of redeemable non-controlling interest	2,624	—
Balance at March 31	\$ 159,645	\$ 99,993
Net income attributable to redeemable non-controlling interest	99	14
Change in value of redeemable non-controlling interest	(59,940)	17,720
Balance at June 30	\$ 99,804	\$ 117,727
Net income attributable to redeemable non-controlling interest	537	32
Change in value of redeemable non-controlling interest	6,879	28,459
Balance at September 30	\$ 107,220	\$ 146,218

15. Income Taxes

The Company's effective tax rate was (59.8) percent and 6.4 percent for the three and nine months ended September 30, 2020, respectively, as compared to 31.1 percent and 29.2 percent for the three and nine months ended September 30, 2019, respectively. Income tax expense is based on an estimated annual effective rate, which requires the Company to make its best estimate of annual pretax income or loss.

The significant decrease in the Company's tax rate during the three and nine months ended September 30, 2020 was primarily due to the jurisdictional earnings mix and decrease in estimated income before income taxes for the current year with relatively significant non-deductible expenses, including the loss on the sale of WEX Latin America.

The Company's effective tax rate for the nine months ended September 30, 2020 included discrete tax benefits of \$9.8 million and \$3.6 million reflecting an additional tax basis related to the acquisition of Discovery Benefits and Novartis, respectively, partially offset by a valuation allowance of \$5.3 million recognized against the beginning of the year deferred tax assets for WEX Latin America.

Undistributed earnings of certain foreign subsidiaries of the Company amounted to \$35.1 million and \$77.4 million at September 30, 2020 and December 31, 2019, respectively. The decrease is primarily due to the exclusion of cumulative earnings of WEX Latin America upon its sale on September 30, 2020. 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 to foreign countries, where applicable, but would generally have no further federal income tax liability.

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During the first quarter of 2020, the Company concluded the appeals process with the Internal Revenue Service in connection with the 2010 through 2012 audits. The Company also finalized a transfer pricing examination with New Zealand Inland Revenue for years 2013 through 2017. These settlements resulted in a decrease in the Company's unrecognized tax benefits of \$5.4 million with no additional tax impact to the Company. During the third quarter of 2020, the Company's gross unrecognized tax benefits were further reduced by \$0.8 million as a result of the sale of WEX Latin America. No significant changes to the remaining unrecognized tax benefits are expected within the next 12 months.

16. Commitments and Contingencies

Commitment Letter

In connection with the agreement to purchase eNett and Optal for an aggregate purchase price comprised of approximately \$1.3 billion in cash and 2.0 million shares of the Company's common stock, subject to certain working capital and other adjustments as described in the purchase agreement, on January 24, 2020 the Company entered into a commitment letter with Bank of America, N.A. and BofA Securities, Inc. for senior secured and unsecured credit facilities in the aggregate amount of up to \$3.1 billion, inclusive of backstops totaling \$1.7 billion that reduced to zero under the terms of the Eighth Amendment to the 2016 Credit Agreement ("the Commitment Letter"). The Commitment Letter was most recently amended and restated on August 20, 2020 to among other things, reallocate \$600.0 million of aggregate credit commitments from a senior secured bridge facility to a 364-day unsecured credit facility and to extend this portion of the commitment by six months to April 22, 2021. The remaining \$752.0 million consists of a seven-year term loan B facility commitment that was not affected by this amendment and restatement.

Under the Commitment Letter, as amended and restated to date, the Company is subject to various underwriting, ticking, and other fees that are payable from time to time or may only be payable upon funding, if it were to occur. As part of the amendment and restatement as of August 20, 2020, the Company incurred and capitalized \$5.3 million of underwriting fees associated with the commitment, which have been included within prepaid expenses and other current assets in the condensed consolidated balance sheet at September 30, 2020. These fees are being amortized to financing interest expense over the commitment period through April 22, 2021. In addition to the underwriting fees incurred, the Company began to incur certain ticking fees on the term loan B facility commitment and the unsecured credit facility during the third quarter of 2020. These fees are payable based on the total commitment value through the commitment expiration dates and at rates ranging from 50 basis points to 350 basis points. During the three and nine months ended September 30, 2020, the Company incurred \$5.0 million in ticking fees, which were recorded as financing interest expense in the condensed consolidated statement of operations.

Litigation

The Company is subject to legal proceedings and claims in the ordinary course of business. On May 11, 2020, the shareholders of eNett and Optal each initiated separate legal proceedings in the High Court of Justice of England and Wales in the United Kingdom against the Company denying that there has been a Material Adverse Effect and alleging that the Company has threatened to breach its obligations under the terms of the purchase agreement. The claimants seek a declaration that no Material Adverse Effect has occurred and orders for specific performance of WEX's obligations under the purchase agreement.

From September 21, 2020 through September 29, 2020, a London court held a trial of certain preliminary issues, including, among other things, the determination of the industry in which eNett and Optal operate and of the other participants in such industry, in each case for purposes of interpreting the definition of Material Adverse Effect in the purchase agreement. On October 12, 2020, the Court handed down its judgment, which concluded, among other things, that the Optal and eNett Groups operate in the payments industry and the B2B payments industry and that, for the purpose of the definition of the Material Adverse Effect clause, the relevant industry is the B2B payments industry. The Court found that there was no travel payments industry, as argued for by eNett and Optal. This finding means that when determining whether eNett or Optal have been disproportionately impacted by the pandemic, a comparison will be made against other B2B payments companies. The Company believes that eNett and Optal have been and are disproportionately impacted, however, this matter is to be decided conclusively at a subsequent trial and the outcome of such proceedings cannot be predicted at this time.

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The claimants are seeking permission to appeal certain aspects of the judgment. This includes the Court's decision that, for the purpose of the Material Adverse Effect clause, the relevant industry is the B2B payments industry and the Court's decision on a question concerning which party bears the burden of proof in relation to the Material Adverse Effect clause. In addition, the Company is seeking permission to appeal a part of the Court's judgment concluding that impacts caused by changes in Law (as defined in the purchase agreement) arising from the pandemic may not be taken into account in determining whether or not there has been a Material Adverse Effect, and a part of the Court's judgment concluding that the carve-out addressing disproportionate effects in the definition of Material Adverse Effect only applies to events that have had a Material Adverse Effect (and not events that were 'reasonably expected' to have a Material Adverse Effect). If the claimants obtain permission to appeal the question of the relevant industry for the purpose of the Material Adverse Effect clause, the Company expects to also seek permission to appeal an aspect of the judgment dealing with how the comparison of eNett and/or Optal would be made against other participants in the "travel payments industry" had such an industry been found to exist.

Commitments

Minimum Volume Commitments

Certain of the Company's subsidiaries are required to purchase a minimum amount of fuel from suppliers on an annual basis. If the minimum requirement is not fulfilled, they are subject to penalties based on the amount of spend below the minimum annual volume commitment. The Company incurred penalties of \$1.2 million and \$2.4 million during the three and nine months ended September 30, 2020, respectively, as a result of lower volumes resulting from COVID-19.

Other Commitments

Other significant commitments and contingencies as of September 30, 2020 are consistent with those discussed in Note 21, Commitments and Contingencies, to the consolidated financial statements in the Annual Report on Form 10-K for the year ended December 31, 2019.

17. Stock-Based Compensation

The Company regularly grants equity awards under its stockholder-approved equity plans to certain employees and directors. The fair value of restricted stock units, deferred stock units and performance-based restricted stock units, excluding total shareholder return ("TSR") awards, 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. The fair value of market-based awards, including TSRs, is estimated on the grant date using a Monte-Carlo simulation pricing model.

Given the economic uncertainty and business disruption created by the COVID-19 pandemic, effective June 23, 2020, the Company's Compensation Committee approved certain modifications to performance-based restricted stock units previously granted on March 16, 2020 and March 20, 2019. Such changes included replacing Company performance metrics with TSR metrics for the March 16, 2020 awards, and for the March 20, 2019 awards, adding a relative TSR modifier to scale the payment up or down by +/- 15 percent. Additionally, the Company granted certain employees new TSR awards on June 24, 2020.

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Attainment of the Company's TSR awards is tied to WEX's TSR relative to the S&P 400 from the time of modification (for awards modified on June 23, 2020) or grant date (for awards granted on June 24, 2020). Given that these are market-based performance awards, the fair value is calculated by the Monte Carlo simulation valuation model. The key inputs for the fair values by grant date are outlined below:

Grant date	6/24/2020	6/24/2020	3/16/2020	3/20/2019
Recipient(s)	Non-CEO	CEO	All	All
Modification date	N/A	N/A	6/23/2020	6/23/2020
Risk-free rate	0.21%	0.21%	0.20%	0.18%
Stock price ¹	\$160.14	\$160.14	\$173.15	\$173.15
Volatility	47.72%	47.72%	51.32%	62.29%
Performance period	June 24, 2020 – June 23, 2023	June 24, 2020 – June 23, 2023	June 23, 2020 – December 31, 2022	June 23, 2020 – December 31, 2021
Shares at target	110,467	28,101	199,870	86,845
Fair value per share ²	\$264.17	\$240.55	\$280.93	\$188.21

¹ At the date of grant or modification date, whichever is applicable.

² At the date of grant or modification date, whichever is applicable. The CEO's June 24, 2020 award has a one-year post-vesting holding period.

For the Company's awards that were modified on June 23, 2020, the final attainment for recipients other than executive officers will be based on the greater of the payout under the original awards performance metrics or the modified metrics as described above. As a result, the Company is required to assess which payout is more likely and adjust the expense accordingly. If the original awards' performance metrics are expected to result in a higher number of shares vesting, then the expense recorded will be based on awards expected to vest at the grant-date stock price. Alternatively, if the modified metrics are expected to result in a higher number of shares vesting, then the expense recorded will be based on the fair value calculated using the Monte Carlo simulation valuation model.

The fair value of equity awards granted was insignificant during the three months ended September 30, 2020 and \$102.1 million for the nine months ended September 30, 2020. The fair value of equity awards granted during the three and nine months ended September 30, 2019 was \$9.8 million and \$55.0 million, respectively.

18. Segment Information

The Company determines its operating segments and reports segment information in accordance with how the Company's 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* 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 B2B 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.

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

Three Months Ended September 30, 2020					
<i>(In thousands)</i>	Fleet Solutions	Travel and Corporate Solutions	Health and Employee Benefit Solutions	Total	
Payment processing revenue	\$ 102,418	\$ 53,239	\$ 15,420	\$ 171,077	
Account servicing revenue	39,350	9,964	63,103	112,417	
Finance fee revenue	46,129	145	33	46,307	
Other revenue	40,807	948	10,560	52,315	
Total revenues	\$ 228,704	\$ 64,296	\$ 89,116	\$ 382,116	
Interest income	\$ 1,304	\$ 12	\$ 304	\$ 1,620	

Three Months Ended September 30, 2019					
<i>(In thousands)</i>	Fleet Solutions	Travel and Corporate Solutions	Health and Employee Benefit Solutions	Total	
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	
Total revenues	\$ 277,526	\$ 99,128	\$ 83,309	\$ 459,963	
Interest income	\$ 825	\$ 402	\$ 449	\$ 1,676	

Nine Months Ended September 30, 2020					
<i>(In thousands)</i>	Fleet Solutions	Travel and Corporate Solutions	Health and Employee Benefit Solutions	Total	
Payment processing revenue	\$ 305,888	\$ 166,768	\$ 49,919	\$ 522,575	
Account servicing revenue	115,252	31,210	189,274	335,736	
Finance fee revenue	143,934	900	111	144,945	
Other revenue	117,857	4,272	35,494	157,623	
Total revenues	\$ 682,931	\$ 203,150	\$ 274,798	\$ 1,160,879	
Interest income	\$ 3,205	\$ 265	\$ 998	\$ 4,468	

Nine Months Ended September 30, 2019					
<i>(In thousands)</i>	Fleet Solutions	Travel and Corporate Solutions	Health and Employee Benefit Solutions	Total	
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	
Total revenues	\$ 777,622	\$ 272,126	\$ 233,898	\$ 1,283,646	
Interest income	\$ 4,844	\$ 1,209	\$ 1,036	\$ 7,089	

The CODM evaluates the financial performance of each segment using segment adjusted operating income, which excludes: (i) unallocated corporate expenses; (ii) acquisition and divestiture related items (including acquisition-related intangible amortization); (iii) loss on sale of subsidiary; (iv) debt restructuring costs; (v) stock-based compensation; and (vi) other costs. 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.

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The following table reconciles total segment adjusted operating income to (loss) income before income taxes:

<i>(In thousands)</i>	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Segment adjusted operating income				
Fleet Solutions	\$ 102,276	\$ 133,348	\$ 284,064	\$ 348,900
Travel and Corporate Solutions	14,184	47,356	47,060	122,581
Health and Employee Benefit Solutions	23,800	21,427	78,525	62,353
Total segment adjusted operating income	\$ 140,260	\$ 202,131	\$ 409,649	\$ 533,834
Reconciliation:				
Total segment adjusted operating income	\$ 140,260	\$ 202,131	\$ 409,649	\$ 533,834
Less:				
Unallocated corporate expenses	14,817	17,016	45,313	52,135
Acquisition-related intangible amortization	42,831	42,800	127,847	116,502
Other acquisition and divestiture related items	15,430	7,907	31,107	24,704
Loss on sale of subsidiary	46,362	—	46,362	—
Debt restructuring costs	(240)	1,162	525	10,640
Stock-based compensation	18,170	9,522	45,059	34,956
Other costs	1,045	5,413	7,980	12,914
Operating income	1,845	118,311	105,456	281,983
Financing interest expense	(40,950)	(34,549)	(101,813)	(101,299)
Net foreign currency loss	(784)	(16,528)	(31,973)	(13,748)
Net unrealized gain (loss) on financial instruments	3,774	(5,650)	(32,115)	(39,078)
(Loss) Income before income taxes	\$ (36,115)	\$ 61,584	\$ (60,445)	\$ 127,858

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, 2020, 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.

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

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
September 30, 2020						
Total Capital to risk-weighted assets	\$ 318,656	15.74 %	\$ 161,982	8.0 %	\$ 202,477	10.0 %
Tier 1 Capital to average assets	\$ 310,979	12.75 %	\$ 97,568	4.0 %	\$ 121,959	5.0 %
Common equity to risk-weighted assets	\$ 310,979	15.36 %	\$ 91,115	4.5 %	\$ 131,610	6.5 %
Tier 1 Capital to risk-weighted assets	\$ 310,979	15.36 %	\$ 121,486	6.0 %	\$ 161,982	8.0 %
December 31, 2019						
Total Capital to risk-weighted assets	\$ 329,276	13.54 %	\$ 194,566	8.0 %	\$ 243,208	10.0 %
Tier 1 Capital to average assets	\$ 314,466	10.88 %	\$ 115,583	4.0 %	\$ 144,479	5.0 %
Common equity to risk-weighted assets	\$ 314,466	12.93 %	\$ 109,443	4.5 %	\$ 158,085	6.5 %
Tier 1 Capital to risk-weighted assets	\$ 314,466	12.93 %	\$ 145,925	6.0 %	\$ 194,566	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, 2019, 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, 2019, filed with the SEC on February 28, 2020, and in conjunction with the unaudited condensed consolidated financial statements and notes in Part I – Item 1 of this report.

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. Management estimates that WEX fleet cards are accepted at over 90 percent of fuel locations in each of the United States and Australia, and are widely accepted in Europe. The Travel and Corporate Solutions segment focuses on the complex payment environment of B2B 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 in the U.S., and provided payroll-related benefits to customers in Brazil through the date of divestiture of UNIK S.A.

Summary*Recent Events*

As disclosed in our Annual Report on Form 10-K for the year ended December 31, 2019, on January 24, 2020, we entered into a purchase agreement to purchase eNett and Optal for an aggregate purchase price comprised of approximately \$1.3 billion in cash and 2.0 million shares of the Company's common stock and subject to certain working capital and other adjustments as described in the purchase agreement. The parties' obligations to consummate the acquisition are subject to customary closing conditions, including the absence of a Material Adverse Effect (as defined in the purchase agreement between WEX, eNett and Optal, among others). The Company has analyzed the eNett and Optal situation closely and has concluded that the COVID-19 pandemic and conditions arising in connection with it have had, and continue to have, a Material Adverse Effect on the businesses, which is disproportionate to the effect on others in the relevant industry. Because of this Material Adverse Effect, WEX formally advised eNett and Optal on May 4, 2020 that it is not required to close the transaction pursuant to the terms of the purchase agreement. On May 11, 2020, the shareholders of eNett and Optal each initiated separate legal proceedings in the High Court of Justice of England and Wales in the United Kingdom against the Company denying that there has been a Material Adverse Effect and alleging that the Company has threatened to breach its obligations under the terms of the purchase agreement. The claimants seek a declaration that no Material Adverse Effect has occurred and orders for specific performance of WEX's obligations under the purchase agreement. From September 21, 2020 through September 29, 2020, a London court held a trial of certain preliminary issues, including, among other things, the determination of the industry in which eNett and Optal operate and of the other participants in such industry, in each case for purposes of interpreting the definition of Material Adverse Effect in the purchase agreement. On October 12, 2020, the Court handed down its judgment, which concluded, among other things, that the Optal and eNett Groups operate in the payments industry and the B2B payments

industry and that, for the purpose of the definition of the Material Adverse Effect clause, the relevant industry is the B2B payments industry. The Court found that there was no travel payments industry, as argued for by eNett and Optal. This finding means that when determining whether eNett or Optal have been disproportionately impacted by COVID-19, a comparison will be made against other B2B payments companies. The Company believes that eNett and Optal have been and are disproportionately impacted, however, this matter is to be decided conclusively at a subsequent trial and the outcome of such proceedings cannot be predicted at this time. Refer to Part II, Item 1, Legal Proceedings for additional information.

In connection with the purchase agreement for the eNett and Optal acquisition, on January 24, 2020 the Company entered into a commitment letter with Bank of America, N.A. and BofA Securities, Inc. for senior secured and unsecured credit facilities in the aggregate amount of up to \$3.1 billion, inclusive of backstops totaling \$1.7 billion that reduced to zero under the terms of the Eighth Amendment to the 2016 Credit Agreement. The commitment letter was most recently amended and restated on August 20, 2020 (the "Third Amended and Restated Commitment Letter") to among other things, reallocate \$600.0 million of aggregate credit commitments from a senior secured bridge facility to a 364-day unsecured credit facility and to extend this portion of the commitment by six months to April 22, 2021. The remaining \$752.0 million consists of a seven-year term loan B facility commitment that was not affected by the Third Amended and Restated Commitment Letter.

On July 29, 2020, the Company entered into the Tenth Amendment to the 2016 Credit Agreement, which increased commitments under the Company's secured revolving credit facility from \$820 million to \$870 million.

On August 20, 2020, the Company entered into the Eleventh Amendment to the 2016 Credit Agreement, which among other things, limits the borrowing conditions for a \$752 million portion of the revolving credit facility in connection with the acquisition of eNett and Optal to the absence of a payment or bankruptcy event of default and the accuracy of specified representations and warranties of eNett and Optal in the purchase agreement and specified representations and warranties of the Company set forth in the Third Amended and Restated Commitment Letter until April 22, 2021.

Private Placement

Pursuant to a purchase agreement dated June 29, 2020, on July 1, 2020, the Company closed on a private placement with Warburg Pincus, pursuant to which the Company issued convertible senior unsecured notes due 2027 in an aggregate principal amount of \$310 million and 577,254 shares of common stock, with gross proceeds of \$90 million, reflecting a purchase price of \$155.91 per share.

The issuance of the Convertible Notes provided the Company with gross proceeds of approximately \$299 million after original issue discount, and the Convertible Notes have a seven-year term. The Convertible Notes were issued pursuant to an indenture between the Company and The Bank of New York Mellon Trust Company, N.A. The Convertible Notes bear interest at a rate of 6.5% per annum, payable semi-annually in arrears, with the first interest payment due January 15, 2021. At WEX's option, interest is either payable in cash, through accretion to the principal amount of the Convertible Notes, or a combination of cash and accretion.

The Convertible Notes may be converted at any time at the option of holders of the Convertible Notes, based on an initial conversion price of \$200 per share, subject to certain adjustments. Conversions of Convertible Notes may be settled in shares of WEX common stock, cash, or a combination thereof at WEX's election. WEX will have the right, at any time following the third anniversary of closing, to redeem the Convertible Notes in whole or in part if the closing price of WEX's common stock is at least 200% of the conversion price of the Convertible Notes for 20 out of 30 days prior to the time WEX delivers a redemption notice (including at least one of the five trading days immediately preceding the last day of such 30 day period), subject to the right of holders of the Convertible Notes to convert their Convertible Notes prior to the redemption date. In the event of certain fundamental change transactions, including certain change of control transactions and delisting events, holders of Convertible Notes will have the right to require WEX to repurchase its Convertible Notes in accordance with the terms of the Convertible Notes at a repurchase price equal to the sum of (i) 105% of then accreted principal amount of the Convertible Notes to be repurchased, plus accrued interest, and (ii) the sum of the present values of the scheduled remaining payments of interest had such notes remained outstanding through the maturity date of the Convertible Notes.

The indenture includes a debt incurrence covenant that restricts the Company from incurring certain indebtedness, including disqualified stock and preferred stock issued by the Company or its subsidiaries, subject to customary exceptions, including if, after giving effect to any such proposed incurrence or issuance, and the receipt and application of the proceeds therefrom, the ratio of (x) the Company's consolidated EBITDA for the most recent four fiscal quarters for which financial statements are available, to (y) the Company's consolidated fixed charges for such period would be greater than 1.5:1.0. The indenture contains other customary terms and covenants, including customary events of default. The Convertible Notes are the Company's general senior unsecured obligations and rank equally with all of the Company's existing and future senior indebtedness. The Convertible Notes are effectively subordinated to all of the Company's secured indebtedness, including

borrowings under the Company's credit agreement, as amended, to the extent of the value of the collateral securing such indebtedness, and are structurally subordinated to all existing and future indebtedness and other liabilities of the Company's subsidiaries.

The purchase agreement with Warburg Pincus contained certain customary representations, warranties and covenants with respect to each of the Company and Warburg Pincus, including preemptive rights allowing Warburg Pincus to maintain its proportionate equity interest in the Company on an as-converted basis, subject to certain exceptions. The purchase agreement provides that Warburg Pincus is restricted from transferring the Convertible Notes or shares of common stock acquired in the private placement or underlying the Convertible Notes until July 1, 2021, the twelve-month anniversary of the closing date, subject to certain exceptions, including transfers pursuant to pledge arrangements entered into by Warburg Pincus in connection with certain financing arrangements. Pursuant to the terms of the purchase agreement, for so long as Warburg Pincus, together with its affiliates, continue to meet certain ownership thresholds, Warburg Pincus will be entitled to nominate an individual to the board of directors of the Company. Warburg Pincus is also subject to customary standstill restrictions pursuant to the purchase agreement until 90 days after it no longer has a designee on the Company's board of directors and no longer has a right to such a designee. Pursuant to the purchase agreement, the Company agreed to reimburse Warburg Pincus for up to \$1.0 million of its reasonable and documented transaction expenses. In connection with the private placement, the Company also entered into a registration rights agreement with Warburg Pincus. In August 2020, the Company filed a resale registration statement with respect to the Convertible Notes and the shares of common stock issued in the private placement and issuable pursuant to conversions of the Convertible Notes.

Sale of Subsidiary

On September 30, 2020, the Company sold its wholly-owned subsidiary UNIK S.A., a multi-channel provider of employee benefits and corporate payment solutions to over 1,500 clients in Brazil. Under the conditions of the sale agreement, the Company was required to make a payment to the buyer. The Company wrote-off the associated assets and liabilities of this entity as of the date of sale and recorded a pre-tax loss on sale of subsidiary of \$46.4 million, which has been reflected in the unaudited condensed consolidated statement of operations for the three and nine months ended September 30, 2020. Based on our preliminary analysis, the Company does not expect that the pre-tax loss on sale of subsidiary is likely to be deductible for tax purposes.

COVID-19 Pandemic Response and Impact

During the first quarter of 2020, we began taking a number of precautionary steps to safeguard our business and employees from the effects of COVID-19 including restricting business travel, temporarily closing offices and canceling participation in various industry events. These precautionary steps have largely remained in force through the third quarter of 2020. The spread of COVID-19, and conditions arising in connection with it, including restrictions on businesses and individuals and wider changes in business and customer behavior, have had a negative impact on our business. The following describes these impacts by reportable segment:

Fleet Solutions — Lower average domestic fuel prices and volumes have negatively impacted the Fleet Solutions segment compared to the prior year, primarily resulting from a decrease in demand in connection with the COVID-19 pandemic. While overall segment volumes have increased from their April 2020 lows through September 30, 2020, we began to see these improvements level off in the third quarter of 2020. Although the full extent of the COVID-19 pandemic and its future impact on the Fleet Solutions segment operations is uncertain, we expect stabilization to continue through at least the remainder of the year.

Travel and Corporate Solutions — The Travel and Corporate Solutions segment has been the most impacted by the COVID-19 pandemic relative to the Company's other segments, as the pandemic has resulted in a significant decline in worldwide travel and tourism. These disruptions are expected to have a continuing impact on the Company's Travel and Corporate Solutions segment operating results for at least the remainder of the year, although the full extent of the COVID-19 pandemic and its future impact on the Travel and Corporate Solutions segment's operations is uncertain.

Health and Employee Benefit Solutions — While purchase volume for our U.S. Health business was challenged by the pandemic during the second quarter of 2020 as customers deferred non-essential medical treatments, it trended upwards throughout the third quarter of 2020. However, the continued deferment of non-essential medical treatments kept health purchase volumes flat compared to the prior year quarter. Although the full extent of the COVID-19 pandemic and its future impact on the Health and Employee Benefit Solutions segment operations is uncertain, we expect stabilization to continue through at least the remainder of the year.

We are closely tracking and assessing the rapidly evolving effect of the pandemic and are actively managing our responses in collaboration with our employees, customers and suppliers. In an effort to rescale the business and safeguard

shareholder value in this unprecedented operating environment, we took certain measures to both permanently reduce headcount and furlough employees across our worldwide offices where necessary. In addition to other cost-cutting and containment efforts, the executive leadership team and the board of directors voluntarily agreed to forgo temporarily a portion of their salaries and their retainers, respectively, in order to reduce business costs during this period.

Adoption of a New Accounting Standard

We adopted Topic 326 on January 1, 2020, utilizing the modified-retrospective approach. Under the modified-retrospective approach, prior period comparable financial information is not adjusted. See Part I – Item 1 – Note 1, Basis of Presentation and Note 2, Recent Accounting Pronouncements, in this report for further discussion of the impact from the adoption of this new accounting standard.

We use a loss-rate methodology to calculate our general allowance for accounts receivable. This methodology considers historical loss experience to calculate actual loss-rates and analyzes trends in the calculated loss-rates against trends in economic indicators. Analyzing trends in loss-rates against trends in economic indicators allows us to identify correlations between economic environments and loss experience. Strong correlations identified from that analysis are factored into the current and expected conditions of the overall credit loss reserve methodology. The expense we recognized in the quarter is the amount necessary to bring the reserve to its required level based on this methodology. When individual accounts receivable exhibit elevated credit risk characteristics as a result of bankruptcies, disputes, conversations with customers, or other significant credit loss events, they are assessed individual credit loss estimates. Assumptions regarding expected credit losses are reviewed each reporting period and may be impacted by actual performance of accounts receivable and changes in any of the factors discussed above.

Key Metrics

Below are key metrics from the third quarter of 2020:

	Q3 2020	Q3 2019	Increase (Decrease)	
			Amount	Percent
Fleet Solutions				
Fuel transactions processed (in millions)	149.6	162.2	(12.6)	(7.8)%
Payment processing transactions (in millions)	120.9	135.2	(14.3)	(10.6)%
Average vehicles serviced (in millions)	15.3	14.3	1.0	7.0 %
Average US fuel price (US\$ / gallon)	\$ 2.23	\$ 2.80	\$ (0.57)	(20.4)%
Travel and Corporate Solutions				
Payment solutions purchase volume (in millions)	\$ 4,699.7	\$ 11,543.6	\$ (6,843.9)	(59.3)%
Health and Employee Benefit Solutions				
Average number of U.S. SaaS accounts (in millions)	14.6	13.0	1.6	12.3 %

Fleet Solutions

- Fuel transactions processed decreased 8 percent from the third quarter of 2019 to 149.6 million for the third quarter of 2020.
- Payment processing transactions, which represents the total number of purchases made by fleets that have a payment processing relationship with WEX, are down approximately 11 percent as compared to the same period last year.
- Average vehicles serviced increased 7 percent from the third quarter of 2019 to approximately 15.3 million for the third quarter of 2020 primarily related to growth in our North American customer base.
- The average U.S. fuel price per gallon during the third quarter of 2020 was \$2.23, a 20 percent decrease from the same period last year.

Travel and Corporate Solutions

- Payment solutions purchase volume, which represents the total dollar value of all WEX-issued transactions that use WEX corporate card products and virtual card products, was \$4.7 billion for the third quarter of 2020, representing a decrease of 59 percent from the same period last year, driven primarily by the decline in worldwide

travel and tourism as a result of the COVID-19 pandemic. This decrease was partly offset by improved non-travel volumes.

Health and Employee Benefit Solutions

- Average number of U.S. SaaS accounts, which represents the number of active Consumer-Directed Health, COBRA, and billing accounts on our U.S. SaaS platforms, grew by approximately 1.6 million for the third quarter of 2020, a 12 percent increase from the same period in the prior year.

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.
- *Loss on sale of subsidiary* - The loss on sale of subsidiary relates to the divestiture of the Company's former Brazilian subsidiary as of the date of sale, September 30, 2020, and the associated write-off of its assets and liabilities.

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)	
	2020	2019	Amount	Percent	2020	2019	Amount	Percent
Revenues^(a)								
Payment processing revenue	\$ 102,418	\$ 125,288	\$ (22,870)	(18) %	\$ 305,888	\$ 353,413	\$ (47,525)	(13) %
Account servicing revenue	39,350	42,037	(2,687)	(6) %	115,252	122,782	(7,530)	(6) %
Finance fee revenue	46,129	65,818	(19,689)	(30) %	143,934	174,067	(30,133)	(17) %
Other revenue	40,807	44,383	(3,576)	(8) %	117,857	127,360	(9,503)	(7) %
Total revenues	\$ 228,704	\$ 277,526	\$ (48,822)	(18) %	\$ 682,931	\$ 777,622	\$ (94,691)	(12) %
Key operating statistics								
Payment processing revenue:								
Payment processing transactions ⁽¹⁾	120,900	135,236	(14,336)	(11) %	345,577	378,626	(33,049)	(9) %
Payment processing fuel spend ⁽²⁾	\$ 7,609,098	\$ 9,737,591	\$ (2,128,493)	(22) %	\$ 22,157,005	\$ 27,955,406	\$ (5,798,401)	(21) %
Average price per gallon of fuel – Domestic – (\$USD/gal)	\$ 2.23	\$ 2.80	\$ (0.57)	(20) %	\$ 2.29	\$ 2.80	\$ (0.51)	(18) %
Net payment processing rate ⁽³⁾	1.35 %	1.29 %	0.06 %	5 %	1.38 %	1.26 %	0.12 %	10 %

^(a) The impact of foreign currency exchange rate fluctuations on Fleet Solutions increased revenue by \$1.1 million in the third quarter of 2020 and decreased revenue by \$1.7 million in the first nine months of 2020 compared to the same periods in the prior year.

⁽¹⁾ Payment processing transactions represents the total number of purchases made by fleets that have a payment processing relationship with WEX.

⁽²⁾ Payment processing fuel spend represents the total dollar value of the fuel purchased by fleets that have a payment processing relationship with WEX.

⁽³⁾ Net payment processing rate represents the percentage of the dollar value of each payment processing transaction that WEX records as revenue from merchants less certain discounts given to customers and network fees.

Fleet Solutions revenue decreased \$48.8 million for the third quarter of 2020 and \$94.7 million for the first nine months of 2020 as compared to the same periods in the prior year. As discussed in the preceding “Summary” section, the business has been adversely impacted by lower average domestic fuel prices during the three and nine months ended September 30, 2020 as compared to the prior year, and, to a lesser extent, by lower volumes. These unfavorable trends have affected both payment processing and finance fee revenue and are expected to impact the remainder of the year.

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)	
	2020	2019	Amount	Percent	2020	2019	Amount	Percent
Finance income	\$ 36,232	\$ 56,690	\$ (20,458)	(36) %	\$ 118,043	\$ 147,325	\$ (29,282)	(20) %
Factoring fee revenue	9,897	9,128	769	8 %	25,891	26,742	(851)	(3) %
Finance fee revenue	\$ 46,129	\$ 65,818	\$ (19,689)	(30) %	\$ 143,934	\$ 174,067	\$ (30,133)	(17) %

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 decreased \$20.5 million for the third quarter of 2020 and decreased \$29.3 million for the first nine months of 2020 as compared to the same periods in the prior year. The income reduction for the three and nine months ended September 30, 2020 is due primarily to a reduction of outstanding balances as a result of declining fuel prices and reduced volumes due to COVID-19, as well as improved customer payment patterns. This decrease was partly offset by a \$10.0 million benefit for the first nine months of 2020 arising from rate mix differences between the periods. During both the three and nine months ended September 30, 2020 and September 30, 2019, monthly late fee rates and minimum finance charges ranged up to 9.99 percent and \$75, respectively. The weighted average late fee rate, net of related charge-offs, was 5.9 percent and 5.7 percent for the three and nine months ended September 30, 2020, respectively, and 5.5 percent and 5.2 percent for the three and nine months ended September 30, 2019, respectively. Concessions to certain customers experiencing financial difficulties may be granted and are limited to extending the time to pay, placing a customer on a payment plan or granting waivers of late fees. There were no material concessions granted to customers experiencing financial difficulties during the three and nine months ended September 30, 2020 and 2019. Going forward, we may see an increase in concessions granted to customers as a result of COVID-19.

The primary source of factoring fee revenue is calculated as a negotiated percentage fee of the receivable balance that we purchase. A secondary source of factoring fee revenue is a flat rate service fee to our customers that request a non-contractual same day funding of the receivable balance. Factoring fee revenue increased \$0.8 million for the third quarter of 2020 and decreased \$0.9 million for the first nine months of 2020, as compared with the same periods in the prior year. The factoring fee revenue for the first nine months of 2020 decreased as a result of a decline in receivable purchases, which was partly offset by increases in receivable purchases during the third quarter of 2020.

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)	
	2020	2019	Amount	Percent	2020	2019	Amount	Percent
Cost of services								
Processing costs	\$ 49,924	\$ 49,193	\$ 731	1 %	\$ 146,585	\$ 151,883	\$ (5,298)	(3) %
Service fees	\$ 1,755	\$ 2,093	\$ (338)	(16) %	\$ 5,318	\$ 5,517	\$ (199)	(4) %
Provision for credit losses	\$ 8,529	\$ 13,458	\$ (4,929)	(37) %	\$ 47,421	\$ 41,860	\$ 5,561	13 %
Operating interest	\$ 4,122	\$ 6,240	\$ (2,118)	(34) %	\$ 15,402	\$ 16,254	\$ (852)	(5) %
Depreciation and amortization	\$ 12,315	\$ 11,406	\$ 909	8 %	\$ 35,973	\$ 32,053	\$ 3,920	12 %
Other operating expenses								
General and administrative	\$ 23,272	\$ 21,534	\$ 1,738	8 %	\$ 67,130	\$ 58,605	\$ 8,525	15 %
Sales and marketing	\$ 34,906	\$ 48,815	\$ (13,909)	(28) %	\$ 107,730	\$ 141,746	\$ (34,016)	(24) %
Depreciation and amortization	\$ 22,531	\$ 23,725	\$ (1,194)	(5) %	\$ 67,412	\$ 63,770	\$ 3,642	6 %
Operating income	\$ 71,350	\$ 101,062	\$ (29,712)	(29) %	\$ 189,960	\$ 265,934	\$ (75,974)	(29) %

Cost of services

Processing costs remained relatively consistent for the third quarter of 2020 and decreased \$5.3 million for the first nine months of 2020, as compared with the same periods in the prior year. The decrease during the nine months ended September 30, 2020 was due primarily to a reduction in transactions relative to the prior year and charges incurred during the three months ended March 31, 2019 to on-board significant customer acquisitions. While payment processing transactions were also down in the three months ended September 30, 2020, as compared to the same period in the prior year, this decrease was offset with higher professional service fees and compensation costs.

Service fees for the three and nine months ended September 30, 2020 were generally consistent with the same periods in the prior year.

Provision for credit losses decreased by \$4.9 million for the third quarter of 2020 and increased \$5.6 million for the first nine months of 2020 as compared to the same periods in the prior year. The adoption of the new credit loss accounting standard, coupled with an increase in expected credit losses as a result of COVID-19, accounts for the majority of the increase during the nine months ended September 30, 2020. The third quarter of 2020 benefited from significantly lower credit losses resulting from a change in customer payment behavior and collection efforts. The provision reflects the Company's best

estimate for losses that it expects to incur based on the current level of accounts receivable and the anticipated payment difficulty for some fleet customers due to decreased transportation activity as a result of the COVID-19 pandemic. 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 10.8 and 20.1 basis points of fuel expenditures for the third quarter and first nine months of 2020, respectively, as compared to 12.6 and 14.0 basis points of fuel expenditures for the same periods in the prior year, respectively.

Operating interest decreased \$2.1 million for the third quarter of 2020 and \$0.9 million for the first nine months of 2020 as compared to the same periods in the prior year. The decrease during the third quarter and first nine months of 2020 was due to lower interest rates and decrease in deposits.

Depreciation and amortization increased \$0.9 million for the third quarter of 2020 and \$3.9 million for the first nine months of 2020 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 \$1.7 million for the third quarter of 2020 and \$8.5 million for the first nine months of 2020 as compared to the same periods in the prior year, due primarily to compensation and professional services cost increases in connection with the July 2019 acquisition of Go Fuel Card.

Sales and marketing expenses decreased \$13.9 million for the third quarter of 2020 and \$34.0 million for the first nine months of 2020 as compared to the same periods in the prior year, due primarily to a decline in our discretionary spending as a result of COVID-19 as well as lower relative commission payments to partners.

Depreciation and amortization decreased \$1.2 million for the third quarter of 2020 and increased \$3.6 million for the first nine months of 2020 as compared to the same periods in the prior year. The increase for the nine months of 2020 was due primarily to the amortization of the Chevron customer portfolio intangible asset and customer relationships obtained in the Go Fuel Card acquisition. The decrease for the third quarter of 2020 was due primarily to the impact of the accelerated method of amortization on certain acquired customer relationships.

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)	
	2020	2019	Amount	Percent	2020	2019	Amount	Percent
Revenues^(a)								
Payment processing revenue	\$ 53,239	\$ 85,128	\$ (31,889)	(37) %	\$ 166,768	\$ 222,399	(55,631)	(25) %
Account servicing revenue	9,964	10,717	(753)	(7) %	31,210	32,019	(809)	(3) %
Finance fee revenue	145	645	(500)	(78) %	900	1,498	(598)	(40) %
Other revenue	948	2,638	(1,690)	(64) %	4,272	16,210	(11,938)	(74) %
Total revenues	\$ 64,296	\$ 99,128	\$ (34,832)	(35) %	\$ 203,150	\$ 272,126	(68,976)	(25) %
Key operating statistics								
Payment processing revenue:								
Payment solutions purchase volume ⁽¹⁾	\$ 4,699,737	\$ 11,543,605	\$ (6,843,868)	(59) %	\$ 15,908,913	\$ 29,997,200	\$ (14,088,287)	(47) %

^(a) Foreign currency exchange rate fluctuations had an insignificant impact on Travel and Corporate Solutions revenues during both the three and nine months ended September 30, 2020.

⁽¹⁾ Payment solutions purchase volume represents the total dollar value of all WEX-issued transactions that use WEX corporate card products and virtual card products. As discussed in the preceding "Summary" section, our current travel-related transaction volumes have been impacted by the decline in worldwide travel and tourism as a result of COVID-19. These unfavorable trends, which began during late February 2020, have continued and are expected to continue to have an impact for a significant period of time.

Travel and Corporate Solutions revenue decreased \$34.8 million for the third quarter of 2020 and \$69.0 million for the first nine months of 2020 as compared to the same periods in the prior year, primarily due to the impact of the pandemic on

travel volumes. This unfavorable factor was partly offset by benefits realized as part of a contract amendment executed during the second quarter of 2020 and year-to-date growth in the corporate payments portion of the business due to the ongoing migration to virtual payments and increasing usage of our accounts payable products.

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 second quarter of 2020, WEX Latin America placed certain delinquent customers, with accounts receivable balances of \$11.0 million, on payment plans ranging up to three years in length. As part of the sale of WEX Latin America, the Company retained one of these delinquent, fully reserved for customer balances. No late fee income has been recognized associated with these payment plans during the three and nine months ended September 30, 2020. There were no material concessions granted to customers during the three and nine months ended September 30, 2019. Going forward, we may see an increase in concessions granted to customers as a result of the continuing impact that COVID-19 has on their businesses.

Operating Expenses

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

(In thousands)	Three Months Ended September 30,		Increase (Decrease)		Nine Months Ended September 30,		Increase (Decrease)	
	2020	2019	Amount	Percent	2020	2019	Amount	Percent
Cost of services								
Processing costs	\$ 12,904	\$ 13,879	\$ (975)	(7) %	\$ 43,356	\$ 44,461	\$ (1,105)	(2) %
Service fees	\$ 3,663	\$ 7,367	\$ (3,704)	(50) %	\$ 12,095	\$ 20,738	\$ (8,643)	(42) %
Provision for credit losses	\$ 3,722	\$ 1,510	\$ 2,212	146 %	\$ 19,227	\$ 5,588	\$ 13,639	244 %
Operating interest	\$ 1,117	\$ 5,042	\$ (3,925)	(78) %	\$ 4,630	\$ 13,469	\$ (8,839)	(66) %
Depreciation and amortization	\$ 4,937	\$ 4,610	\$ 327	7 %	\$ 13,704	\$ 12,346	\$ 1,358	11 %
Other operating expenses								
General and administrative	\$ 6,948	\$ 7,832	\$ (884)	(11) %	\$ 21,290	\$ 29,129	\$ (7,839)	(27) %
Sales and marketing	\$ 20,971	\$ 16,428	\$ 4,543	28 %	\$ 54,027	\$ 44,016	\$ 10,011	23 %
Depreciation and amortization	\$ 5,685	\$ 4,272	\$ 1,413	33 %	\$ 18,088	\$ 13,779	\$ 4,309	31 %
Operating income	\$ 4,349	\$ 38,188	\$ (33,839)	(89) %	\$ 16,733	\$ 88,600	\$ (71,867)	(81) %

Cost of services

Processing costs for the three and nine months ended September 30, 2020 remained generally consistent with the same periods of the prior year due to the business' fixed cost structure including information technology related expenses.

Service fees for the three and nine months ended September 30, 2020 have decreased \$3.7 million and \$8.6 million, respectively, from the same periods in the prior year due primarily to lower processing volumes and the conversion to an internal transaction processing platform.

Provision for credit losses increased \$2.2 million for the third quarter of 2020 and \$13.6 million for the first nine months of 2020 from the same periods in the prior year resulting primarily from the adoption of Topic 326, coupled with an increase in expected credit losses for the first nine months of 2020 as a result of COVID-19. The impact reflects the Company's best estimate for losses that it expects to incur based on the current level of accounts receivable and the anticipated payment difficulty for some online travel agency customers due to reduced travel as a result of the COVID-19 pandemic. The Company will continue to actively monitor the impact of the COVID-19 pandemic on expected credit losses. The third quarter of 2020 was primarily impacted by a specific reserve taken on a customer in Brazil prior to the sale of WEX Latin America.

Operating interest expense decreased \$3.9 million for the third quarter of 2020 and \$8.8 million for the first nine months of 2020 as compared to the same periods in the prior year, as a result of lower interest rates and lower overall deposit balances.

Depreciation and amortization expenses for the three and nine months ended September 30, 2020 were generally consistent with the same periods in the prior year.

Other operating expenses

General and administrative expenses for the third quarter of 2020 remained generally consistent and decreased \$7.8 million for the first nine months of 2020 as compared to the same periods in the prior year. The decrease during the first nine months of 2020 was primarily due to the expense incurred to accelerate vesting of option awards as part of the Noventis acquisition during the nine months ended September 30, 2019.

Sales and marketing expenses increased for the third quarter of 2020 by \$4.5 million and by \$10.0 million for the first nine months of 2020 as compared to the same periods in the prior year. These increases were primarily due to higher relative commission payments to partners in the corporate payments business, partly offset by a decrease in our discretionary spending as a result of COVID-19.

Depreciation and amortization expenses increased \$1.4 million for the third quarter of 2020 and \$4.3 million for the first nine months of 2020 as compared to the same periods in the prior year, due primarily to higher amortization on customer relationships associated with 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)	
	2020	2019	Amount	Percent	2020	2019	Amount	Percent
Revenues⁽¹⁾								
Payment processing revenue	\$ 15,420	\$ 14,340	\$ 1,080	8 %	\$ 49,919	\$ 50,568	\$ (649)	(1) %
Account servicing revenue	63,103	56,451	6,652	12 %	189,274	148,382	40,892	28 %
Finance fee revenue	33	(81)	114	(141)%	111	102	9	9 %
Other revenue	10,560	12,599	(2,039)	(16)%	35,494	34,846	648	2 %
Total revenues	\$ 89,116	\$ 83,309	\$ 5,807	7 %	\$ 274,798	\$ 233,898	\$ 40,900	17 %
Key operating statistics								
Payment processing revenue:								
Purchase volume ⁽²⁾	\$ 1,120,786	\$ 1,126,156	\$ (5,370)	— %	\$ 3,730,417	\$ 4,158,336	\$ (427,919)	(10) %
Account servicing revenue:								
Average number of SaaS accounts ⁽³⁾	14,599	13,022	1,577	12 %	14,515	12,771	1,744	14 %

⁽¹⁾ Foreign currency exchange rate fluctuations had an insignificant impact on Health and Employee Benefits Solutions revenue during the three ended September 30, 2020 and decreased segment revenue by \$1.6 million during the nine months ended September 30, 2020.

⁽²⁾ Purchase volume represents the total U.S. dollar value of all transactions where interchange is earned by WEX.

⁽³⁾ Average number of SaaS accounts represents the number of active Consumer-Directed Health, COBRA, and billing accounts on our SaaS platforms in the U.S.

Payment processing revenue increased \$1.1 million for the third quarter of 2020 and decreased \$0.6 million for the first nine months of 2020 as compared to the same periods in the prior year. The decrease during the nine months ended September 30, 2020, was primarily due to a decline in the U.S. Health business customer spend on elective healthcare procedures in connection with COVID-19 restrictions, which was partly offset by the acquisition of Discovery Benefits. As expected, during the third quarter of 2020, we saw volumes improve to a level consistent with the same period of the prior year.

Account servicing revenue increased \$6.7 million for the third quarter of 2020 and \$40.9 million for the first nine months of 2020 as compared to the same periods in the prior year. The third quarter growth is primarily due to a higher number of participants using our SaaS healthcare technology platform. This factor also contributed to the increase during the nine months ended September 30, 2020, combined with incremental revenue due to the acquisition of Discovery Benefits.

Finance fee revenue was not material to Health and Employee Benefit Solutions' operations for the three and nine months ended September 30, 2020 and 2019. 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 experiencing financial difficulties during the three and nine months ended September 30, 2020 and 2019.

Other revenue decreased \$2.0 million for the third quarter of 2020 and increased \$0.6 million for the first nine months of 2020 as compared to the same periods in the prior year. The decrease for the third quarter of 2020 was due to lower revenues associated with the Company's former WEX Latin America business, partly offset by an increase in our U.S. Health business. The increase in the first nine months of 2020 was primarily attributable to professional services revenue and growth in ancillary services to cardholders associated with the increased number of SaaS platform participants of our U.S. Health Business.

Operating Expenses

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

(In thousands)	Three Months Ended September 30,		Increase (Decrease)		Nine Months Ended September 30,		Increase (Decrease)	
	2020	2019	Amount	Percent	2020	2019	Amount	Percent
Cost of services								
Processing costs	\$ 39,340	\$ 35,224	\$ 4,116	12 %	\$ 117,135	\$ 92,552	\$ 24,583	27 %
Service fees	\$ 5,463	\$ 5,445	\$ 18	— %	\$ 16,922	\$ 17,093	\$ (171)	(1) %
Provision for credit losses	\$ 32	\$ (121)	\$ 153	(126)%	\$ 203	\$ 22	\$ 181	823 %
Operating interest	\$ 23	\$ 226	\$ (203)	(90)%	\$ 119	\$ 2,042	\$ (1,923)	(94) %
Depreciation and amortization	\$ 8,950	\$ 10,107	\$ (1,157)	(11)%	\$ 26,438	\$ 23,807	\$ 2,631	11 %
Other operating expenses								
General and administrative	\$ 9,041	\$ 6,855	\$ 2,186	32 %	\$ 26,322	\$ 23,601	\$ 2,721	12 %
Sales and marketing	\$ 8,715	\$ 8,446	\$ 269	3 %	\$ 26,361	\$ 24,877	\$ 1,484	6 %
Depreciation and amortization	\$ 10,536	\$ 8,252	\$ 2,284	28 %	\$ 31,634	\$ 26,080	\$ 5,554	21 %
Operating income	\$ 7,016	\$ 8,875	\$ (1,859)	(21)%	\$ 29,664	\$ 23,824	\$ 5,840	25 %

Cost of services

Processing costs increased \$4.1 million for the third quarter of 2020 and \$24.6 million for the first nine months of 2020 as compared to the same periods in the prior year. The increase during the third quarter of 2020 was primarily driven by higher personnel-related costs to support the account servicing revenue growth. The acquisition of Discovery Benefits contributed to the majority of the increase in the first nine months of 2020.

Service fees for the three and nine months ended September 30, 2020 were generally consistent with the same periods in the prior year.

Provision for credit losses was not material to Health and Employee Benefit Solutions' operations for both the three and nine months ended September 30, 2020 and 2019. The adoption of the new accounting standard for credit losses, which requires the Company to utilize an expected loss methodology, did not significantly impact the Health and Employee Benefit Solutions segment.

Operating interest was generally consistent for the third quarter of 2020 as compared to the same period in the prior year and decreased \$1.9 million for the first nine months of 2020 as compared to the same period in the prior year. The decrease was due primarily to a decrease in operating debt balances at WEX Latin America.

Depreciation and amortization expense decreased \$1.2 million for the third quarter of 2020 and increased \$2.6 million for the first nine months of 2020 as compared to the same periods in the prior year. The increase for the first nine months of 2020 resulted primarily from higher depreciation expense on internally developed software and incremental amortization of acquired intangibles. The decrease for the third quarter of 2020 was due primarily to the impact of the acquired software.

Other operating expenses

General and administrative expenses increased \$2.2 million for the third quarter of 2020 and \$2.7 million for the first nine months of 2020 as compared to the same periods in the prior year. The increases for the first three and nine months of 2020 were due primarily to higher relative personnel related costs. In 2019, general and administrative expenses benefited from the forfeiture of equity awards in connection with the departure of an executive officer.

Sales and marketing expenses in the third quarter of 2020 were generally consistent with the same period in the prior year. Sales and marketing expenses increased \$1.5 million for the nine months of 2020 as compared to the same period in the prior year, due primarily to the acquisition of Discovery Benefits, partly offset by the COVID-related cancellation of our annual healthcare payments technology conference and COVID-related travel and entertainment decreases.

Depreciation and amortization increased \$2.3 million for the third quarter of 2020 and \$5.6 million for the first nine months of 2020 as compared to the same periods in the prior year. The increases were primarily attributable to the amortization of customer relationship intangible assets obtained in the acquisition of Discovery Benefits.

Unallocated corporate expenses

Unallocated corporate expenses represent the portion of expenses relating to general corporate functions including acquisition and divestiture 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:

<i>(In thousands)</i>	Three Months Ended September 30,		Increase (Decrease)		Nine Months Ended September 30,		Increase (Decrease)	
	2020	2019	Amount	Percent	2020	2019	Amount	Percent
Other operating expenses								
General and administrative	\$ 33,870	\$ 29,202	\$ 4,668	16 %	\$ 82,690	\$ 94,740	\$ (12,050)	(13) %
Depreciation and amortization	\$ 562	\$ 612	\$ (50)	(8) %	\$ 1,773	\$ 1,635	\$ 138	8 %
Loss on sale of subsidiary	\$ 46,362	\$ —	\$ 46,362	NM	\$ 46,362	\$ —	\$ 46,362	NM

NM - not meaningful

General and administrative expenses increased \$4.7 million for the third quarter of 2020 and decreased \$12.1 million for the first nine months of 2020 as compared to the same periods in the prior year. The increase in the third quarter of 2020 was primarily due to litigation costs associated with the eNett and Optal transaction offset by the Company's cost containment measures. The decrease in the first nine months of 2020 was primarily due to a decline in debt restructuring costs incurred in conjunction with our 2019 credit agreement amendments and costs incurred to remediate material weaknesses from 2018 during the prior year, partly offset by litigation costs associated with the eNett and Optal transaction.

Loss on the sale of subsidiary relates to the write-off of the associated assets and liabilities of the Company's former WEX Latin America subsidiary as of the September 30, 2020 sale date.

Other unallocated corporate expenses were not material to the Company's operations for both the three and nine months ended September 30, 2020 and 2019.

Non-operating income and expense

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

<i>(In thousands)</i>	Three Months Ended September 30,		Increase (Decrease)		Nine Months Ended September 30,		Increase (Decrease)	
	2020	2019	Amount	Percent	2020	2019	Amount	Percent
Financing interest expense	\$ (40,950)	\$ (34,549)	\$ (6,401)	19 %	\$ (101,813)	\$ (101,299)	\$ (514)	1 %
Net foreign currency loss	\$ (784)	\$ (16,528)	\$ 15,744	(95) %	\$ (31,973)	\$ (13,748)	\$ (18,225)	133 %
Net unrealized gain (loss) on financial instruments	\$ 3,774	\$ (5,650)	\$ 9,424	(167) %	\$ (32,115)	\$ (39,078)	\$ 6,963	(18) %
Income tax provision (benefit)	\$ 21,602	\$ 19,137	\$ 2,465	13 %	\$ (3,852)	\$ 37,352	\$ (41,204)	(110) %
Net income (loss) from non-controlling interests	\$ 1,244	\$ (631)	\$ 1,875	(297) %	\$ 3,282	\$ (233)	\$ 3,515	NM
Change in value of redeemable non-controlling interest	\$ (6,879)	\$ (28,459)	\$ 21,580	(76) %	\$ 50,437	\$ (46,179)	\$ 96,616	(209) %

NM - not meaningful

Financing interest expense increased \$6.4 million for the third quarter of 2020 and \$0.5 million for the first nine months of 2020 as compared to the same periods in the prior year, due primarily to interest incurred on our convertible notes issued during July 2020, partly offset by lower average interest rates.

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 \$0.8 million in the third quarter of 2020 and \$32.0 million in the first nine months of 2020, 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 Australian dollar and British pound. The majority of these losses were recorded during the three months ended March 31, 2020, as a result of the weakening of foreign currencies relative to the U.S. dollar arising from the COVID-19 pandemic. These currency fluctuations negatively affected and may continue to negatively affect our results of operations. During the three and nine months ended September 30, 2019, we incurred net foreign currency losses due to similar factors, combined with the U.S. dollar strengthening relative to numerous major foreign currencies, including the Euro, British pound and Australian dollar.

The Company incurred an unrealized gain on financial instruments of \$3.8 million in the third quarter of 2020 due to a reduction in the fair value of interest rate swap liabilities primarily as a result of a decrease in remaining future settlements. The Company incurred an unrealized loss of \$32.1 million in the first nine months of 2020, due primarily to a decrease in the LIBOR forward yield curve.

The Company's effective tax rate was (59.8) percent and 6.4 percent for the three and nine months ended September 30, 2020, respectively, as compared to 31.1 percent and 29.2 percent for the three and nine months ended September 30, 2019, respectively. Income tax expense is based on an estimated annual effective rate, which requires the Company to make its best estimate of annual pretax income or loss. The significant decrease in the Company's tax rate during the three and nine months ended September 30, 2020 was primarily due to the jurisdictional earnings mix and decrease in estimated income before income taxes for the current year with relatively significant non-deductible expenses including the loss on sale of the Company's WEX Latin America subsidiary.

The Company's effective tax rate for the nine months ended September 30, 2020 included discrete tax benefits of \$9.8 million and \$3.6 million reflecting an additional tax basis related to the acquisition of Discovery Benefits and Novartis respectively, partially offset by a valuation allowance of \$5.3 million recognized against the beginning of the year deferred tax assets for WEX Latin America.

Net income (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 the three and nine months ended September 30, 2020 and 2019.

During the nine months ended September 30, 2020, the redeemable non-controlling interest in the U.S. Health business decreased by \$96.6 million as compared to the same period in the prior year. This decrease was due substantially to a second quarter change in the redemption value resulting from a decline in revenue multiples of peer companies resulting primarily from the COVID-19 pandemic.

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, loss on sale of subsidiary, stock-based compensation, other costs, 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, accounts receivable and accounts 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.
- The loss on sale of subsidiary relates to the divestiture of the Company's former Brazilian subsidiary as of the date of sale, September 30, 2020, and the associated write-off of its assets and liabilities. As previously discussed, gains and losses from divestitures are considered by the Company to be unpredictable and dependent on factors that may be outside of our control. The exclusion of these gains and losses are consistent with the Company's practice of excluding other non-recurring items associated with strategic transactions
- 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.
- We exclude other costs 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 includes costs to further streamline the business, improve the Company's efficiency, create synergies and globalize the Company's operations. For the three and nine months ended September 30, 2020, other costs include certain costs incurred in association with COVID-19, including the cost of providing additional health, welfare and technological support to our employees as they work remotely.
- 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 (loss) 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,	
	2020	2019	2020	2019
Net (loss) income attributable to shareholders	\$ (65,840)	\$ 14,619	\$ (9,438)	\$ 44,560
Unrealized (gain) loss on financial instruments	(3,774)	5,650	32,115	39,078
Net foreign currency remeasurement loss	784	16,528	31,973	13,748
Acquisition-related intangible amortization	42,831	42,800	127,847	116,502
Other acquisition and divestiture related items	20,328	7,907	36,005	24,704
Loss on sale of subsidiary	46,362	—	46,362	—
Stock-based compensation	18,170	9,522	45,059	34,956
Other costs	1,045	5,413	7,980	12,914
Debt restructuring and debt issuance cost amortization	5,329	3,251	9,989	18,200
ANI adjustments attributable to non-controlling interests	6,233	27,149	(52,101)	43,874
Tax related items	(614)	(19,348)	(72,298)	(60,585)
Adjusted net income attributable to shareholders	\$ 70,854	\$ 113,491	\$ 203,493	\$ 287,951

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 ⁽¹⁾
- Borrowings on our 2016 Credit Agreement - Convertible Notes - Deposits - Borrowed federal funds - Participation debt - Accounts receivable factoring and securitization arrangements	- Payments on our 2016 Credit Agreement - Payments on maturities and withdrawals of certificates of deposit and brokered money market deposits - Payments on borrowed federal funds - Working capital needs of the business - Capital expenditures

⁽¹⁾ Our long-term cash requirements consist primarily of amounts owed on our 2016 Credit Agreement and Notes and various facilities lease agreements.

The table below summarizes our cash activities:

<i>(In thousands)</i>	Nine Months Ended September 30,	
	2020	2019
Cash flows provided by operating activities	\$ 774,456	\$ 205,235
Cash flows used for investing activities	\$ (74,958)	\$ (922,312)
Cash flows provided by financing activities	\$ 42,266	\$ 837,705

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, 2020 increased \$569.2 million as compared to the same period in the prior year, resulting primarily from a decrease in accounts receivable, partly offset by a corresponding decrease in accounts payable. This decrease is primarily related to a decline in customer spend associated with decreased volumes in Travel and Corporate Solutions and a decline in average fuel prices for a portion of 2020.

Investing Activities

Cash used for investing activities for the nine months ended September 30, 2020 decreased \$847.4 million as compared to the same period in the prior year, primarily as a result of \$838.0 million of payments made for the acquisitions of Novartis and Discovery Benefits during the first quarter of 2019.

Financing Activities

Cash provided by financing activities for the nine months ended September 30, 2020 totaled \$42.3 million, due primarily to the completion of a private placement with Warburg Pincus on July 1, 2020, which netted \$389.2 million of proceeds. This increase was partly offset by a decrease in deposits and participation debt. For the nine months ended September 30, 2019, cash provided by financing activities totaled \$837.7 million primarily due to higher overall borrowings in connection with funding acquisitions and raising deposits in order to fund asset growth.

2016 Credit Agreement

On February 10, 2020, the Company entered into the Eighth Amendment to the 2016 Credit Agreement making certain changes to the previously amended credit agreement, including among other things, effectuating financial covenant amendments and increasing the Company's capacity to incur additional incremental loan facilities up to \$1.4 billion in connection with the acquisition of eNett and Optal. The amendments set forth in the Eighth Amendment were superseded and replaced by the amendments set forth in the Ninth Amendment (as defined below). Such amendments would have only become effective concurrently with the closing of the acquisition of eNett and Optal, if it occurs. Refer to Note 4, Acquisitions, for more information regarding the status of this purchase agreement.

On June 26, 2020, the Company entered into the Ninth Amendment to the 2016 Credit Agreement, which made certain changes to the previously amended credit agreement, including among other things, (i) superseding and replacing the amendments set forth in the Eighth Amendment, (ii) increasing the Company's capacity to incur additional incremental loan facilities up to \$1.4 billion in connection with the acquisition of eNett and Optal, (iii) increasing the maximum consolidated leverage ratio to 5.50 to 1.00 upon effectiveness of the Ninth Amendment through September 30, 2021 with step-downs to 5.00 to 1.00 and 4.50 to 1.00 in future years and with additional increases occurring upon a consummation of the acquisition of eNett and Optal, (iv) in the event the Company's consolidated leverage ratio is equal to or exceeds 5.50 to 1.00, (a) creating a new top interest rate margin for the tranche A term loan facility and revolving credit facility of 3.00% with respect to Eurocurrency Rate Loans, as defined in the 2016 Credit Agreement, and 2.00% with respect to Base Rate Loans, as defined in the 2016 Credit Agreement, and (b) if the acquisition of eNett and Optal closes, prohibiting the Company from making certain intercompany investments and restricted payments, (v) increasing cash netting for the purpose of calculating leverage ratios, including unlimited cash netting with respect to the calculation of financial covenants and increased cash netting for pricing purposes for a period of time, with a permanent increase to \$250 million for all purposes (\$400 million if the eNett and Optal transaction closes), (vi) increasing the LIBOR floor on revolving credit facility borrowings from 0 basis points to 75 basis points, (vii) requiring the Company to maintain unrestricted cash and revolver availability of at least \$752 million (as may be reduced pursuant to the terms of the Ninth Amendment) (the "Minimum Availability Amount"), and (viii) to the extent the acquisition of eNett and Optal is consummated, requiring the Company to submit a borrowing request to borrow the Minimum Availability Amount, less the amount of any cash used by the Company for the purpose of consummating the acquisition of eNett and Optal.

On July 29, 2020, the Company entered into the Tenth Amendment to the 2016 Credit Agreement, which increased commitments under the Company's secured revolving credit facility from \$820 million to \$870 million.

On August 20, 2020, the Company entered into the Eleventh Amendment to the 2016 Credit Agreement, which among other things, limits the borrowing conditions for a \$752 million portion of the revolving credit facility in connection with the acquisition of eNett and Optal to the absence of a payment or bankruptcy event of default and the accuracy of specified representations and warranties of eNett and Optal in the purchase agreement and specified representations and warranties of the Company set forth in the Third Amended and Restated Commitment Letter until April 22, 2021.

As of September 30, 2020, we had an outstanding principal amount of \$886.3 million on our secured tranche A term loan, an outstanding principal amount of \$1.4 billion on our secured tranche B term loan and outstanding letters of credit of \$51.6 million drawn against our \$870.0 million secured revolving credit facility, with a \$250.0 million sublimit for letters of credit and \$20.0 million sublimit for swingline loans. The tranche B term loans mature during May 2026 while the revolving credit facility and tranche A term loans mature during July 2023, subject to earlier maturity in August 2022 in certain circumstances.

Incremental loans of up to the greater of \$375.0 million (plus the amount of certain prepayments) and an unlimited amount subject to satisfaction of a consolidated secured leverage ratio test could be made available under the 2016 Credit

Agreement upon the request of the Company subject to specified terms and conditions, including receipt of lender commitments. Proceeds from the 2016 Credit Agreement may be used for working capital purposes, acquisitions, payment of dividends and other restricted payments, refinancing of indebtedness and other general corporate purposes. The Company has agreed, with its lenders, to maintain at least \$752 million of capacity on the secured revolving credit facility until the earlier of the resolution of the eNett and Optal acquisition and related litigation or April 2021.

See Part I – Item 1 – Note 10, Financing and Other Debt, in this report and Part I – Item 1 – Note 16, 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, 2019 for further information regarding the 2016 Credit Agreement.

Under the 2016 Credit Agreement as amended, and prior to the closing of the acquisition of eNett and Optal, if it occurs, we are required to remain in compliance with a consolidated EBITDA to consolidated interest charge coverage ratio, measured quarterly, of no less than 3.00 to 1.00 and a consolidated leverage ratio, measured quarterly in accordance with the provisions of the 2016 Credit Agreement, of no more than 5.50 to 1.00 for fiscal quarters through September 30, 2021 and decreasing to 5.00 to 1.0 at December 31, 2021 through September 30, 2022 and 4.50 to 1.0 at December 31, 2022 and thereafter. If the closing of the acquisition of eNett and Optal occurs, the consolidated interest charge coverage ratio, measured quarterly, would decrease from 3.00 to 1.0 to 2.75 to 1.0 for the period from December 31, 2020 through March 31, 2021. Thereafter, the consolidated interest charge coverage ratio would revert back to no less than 3.00 to 1.00. The consolidated leverage ratio would increase to no more than 7.00 to 1.0 for the third quarter of 2020, 7.50 to 1.0 for the quarters ending December 31, 2020 and March 31, 2021, 7.00 to 1.0 for the quarter ending June 30, 2021, 6.50 to 1.0 for the quarter ending September 30, 2021, 6.00 to 1.0 for the quarters ending December 31, 2021 through September 30, 2022 and 5.00 to 1.0 thereafter. Notwithstanding the forecasted impacts of COVID-19 on the Company's financial results, the Company does not expect to be in violation of any of its financial covenants for a period of at least one year from the date of these financial statements.

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") and (ii) contractual arrangements with brokerage firms for both certificate of deposit and money market deposit products. Customer deposits are generally non-interest bearing, certificates of deposit are issued at fixed rates and brokered money market deposits are issued at variable rates based on LIBOR or the Federal Funds rate.

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 may be 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.

On April 9, 2020, WEX Bank raised an additional \$315.0 million of low-cost funding by issuing certificates of deposit with original maturities ranging from 12 to 24 months and interest rates ranging from 1.25 percent to 1.40 percent. This action was taken as a precautionary measure to preserve financial flexibility in light of the uncertainty of economic conditions and volatility in financial markets as a result of the COVID-19 pandemic. The proceeds from these certificates of deposit may be used in the future for working capital, general corporate or other operational purposes.

As of September 30, 2020 and December 31, 2019 we had \$1.3 billion and \$1.5 billion in deposits with original maturities ranging from 1 year to 5 years as of September 30, 2020. See Part I – Item 1 – Note 9, 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 \$380.0 million and \$355.0 million as of September 30, 2020 and December 31, 2019, respectively. There were no outstanding borrowings as of September 30, 2020. As of December 31, 2019, there were outstanding borrowings of \$35.0 million.

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 generally 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 at September 30, 2020 and December 31, 2019. There are no amounts outstanding as of September 30, 2020.

(In thousands)	September 30, 2020			December 31, 2019		
	Amounts Available ⁽¹⁾	Amounts Outstanding	Remaining Funding Capacity	Amounts Available	Amounts Outstanding	Remaining Funding Capacity
Short-term debt, net		\$ —			\$ 50,000	
Total ⁽¹⁾	\$ 60,000	\$ —	\$ 60,000	\$ 80,000	\$ 50,000	\$ 30,000
Average interest rate	Not applicable			4.17 %		

⁽¹⁾ Amounts available includes up to \$60 million under an agreement that terminates on December 31, 2021.

WEX Europe Services Accounts Receivable Factoring

WEX Europe Services has entered into a factoring arrangement with an unrelated third-party financial institution (the “Purchasing Bank”) to sell certain of its accounts receivable through December 31, 2020 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. For customer receivable balances in excess of the Purchasing Bank’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 creates a sale of receivables under local law for amounts transferred both below and above the established credit limits. 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. The Company continues to service these receivables post-transfer with no participating interest. 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

WEX Bank has entered into a receivables purchase agreement with an unrelated third-party financial institution to sell certain of our trade receivables under non-recourse transactions through January 27, 2021, after which the agreement can be renewed for successive one-year periods assuming WEX provides advance written notice that is accepted by the purchaser. 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 rates and are accounted for as a reduction in trade receivables because the agreements transfer effective control of the receivables to the buyer.

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 10, 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, 2020, 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, 2020, we had variable-rate borrowings of \$2.3 billion under our 2016 Credit Agreement, which bore a weighted average effective interest rate of 2.3 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 December 31, 2019, we maintained seven interest rate swap contracts with fixed interest rates ranging between 1.108 percent and 2.425 percent. On April 15, 2020, the Company amended five of these contracts with a collective notional value of \$935.0 million. The amendments (i) merged two of the previously existing swaps into one, (ii) reduced the fixed interest rates, and (iii) extended all maturity dates by one year. Two of the existing swap contracts with a total notional value of \$500.0 million were not amended.

As of September 30, 2020, we maintained six 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 0.743 percent and 2.413 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 of certain foreign subsidiaries of the Company amounted to an estimated \$35.1 million and \$77.4 million as of September 30, 2020 and December 31, 2019, respectively. The decrease is primarily due to the exclusion of cumulative earnings of WEX Latin America upon its sale on September 30, 2020. 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, 2020 and December 31, 2019, we had posted letters of credit totaling \$51.6 million and \$51.3 million, respectively, 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.

See Part I – Item 1 – Note 11, Off-Balance Sheet Arrangements, for further information about the Company's off-balance sheet arrangements.

Contractual Obligations

Certain of the Company's subsidiaries are required to purchase a minimum amount of fuel from suppliers on an annual basis. If the minimum requirement is not fulfilled, they are subject to penalties based on the amount of spend below the minimum annual volume commitment. The Company incurred penalties of \$1.2 million and \$2.4 million during the three and nine months ended September 30, 2020, respectively, as a result of lower volumes resulting from COVID-19.

There were no other 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, 2019.

Commitments

In connection with the agreement to purchase eNett and Optal, the Company entered into a commitment letter with Bank of America, N.A. and BofA Securities, Inc., which has been subsequently amended and restated, for senior secured and unsecured credit facilities in the aggregate amount of up to \$1.4 billion, which reflects a reduction of \$1.7 billion in backstops that were eliminated under the terms of the Eighth Amendment to the 2016 Credit Agreement. On August 20, 2020, the Company entered into the Third Amended and Restated Commitment Letter to, among other things, reallocate \$600.0 million

of aggregate credit commitments from a senior secured bridge facility to a 364-day unsecured credit facility and to extend this portion of the commitment by six months to April 22, 2021. The remaining \$752.0 million consists of a seven-year term loan B facility commitment that was not affected by this Third Amended and Restated Commitment Letter. Under the Third Amended and Restated Commitment Letter, the Company is subject to various underwriting, ticking, and other fees that are payable from time to time or may only be payable upon funding, if it were to occur. As part of the Third Amended and Restated Commitment Letter, the Company incurred and capitalized \$3.0 million of underwriting fees associated with the commitment, which are being amortized to financing interest expense over the commitment period through April 22, 2021. In addition to the underwriting fees incurred, the Company became subject to certain ticking fees payable on the term loan B facility commitment and the unsecured credit facility beginning during the third quarter of 2020. These fees are payable based on the total commitment value through the commitment expiration dates and at rates ranging from 50 basis points to 350 basis points. During the three and nine months ended September 30, 2020, the Company incurred \$4.9 million in ticking fees, which were recorded as financing interest expense in the condensed consolidated statement of operations, and are due during October 2020 and April 2021.

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, 2020. 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.

Convertible Notes

The Convertible Notes issued on July 1, 2020 provided the Company with net proceeds of approximately \$299.2 million and bear interest at a rate of 6.5% per annum. The Company has the option to pay this interest in cash semi-annually, defer payment through accretion to the principal amount of the Convertible Notes, or to elect a combination of these two alternatives. The Convertible Notes may be converted at any time at the option of holders of the Convertible Notes, based on an initial conversion price of \$200 per share, subject to certain adjustments, into shares of the Company's common stock, cash, or a combination thereof at the Company's election. The indenture associated with the Convertible Notes includes a debt incurrence covenant that restricts the Company from incurring certain indebtedness, including disqualified stock and preferred stock issued by the Company or its subsidiaries, subject to customary exceptions, including if, after giving effect to any such proposed incurrence or issuance, and the receipt and application of the proceeds therefrom, the ratio of (x) the Company's consolidated EBITDA for the most recent four fiscal quarters for which financial statements are available, to (y) the Company's consolidated fixed charges for such period would be greater than 1.5:1.0. The indenture contains other customary terms and covenants, including customary events of default.

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. In addition, under the purchase agreement for the acquisition of eNett and Optal, the Company is prohibited from paying dividends without the consent of the sellers prior to the consummation of the acquisition or the termination of the purchase agreement.

Critical Accounting Policies and Estimates

Our critical accounting policy for the calculation of credit loss reserves changed effective January 1, 2020 with the adoption of ASU 2016-13. We have included the 2020 implemented policy below. We have no other material changes to our critical accounting policies and estimates discussed in our Annual Report on Form 10-K for the year ended December 31, 2019.

Reserve for Credit Losses

Description	Assumptions/Approach Used	Effect if Actual Results Differ from Assumptions
The allowance for expected credit losses reflects management's estimate of uncollectible balances as of the reporting date resulting from credit risk and including fraud losses. The reserve for credit losses reduces the Company's accounts receivable balances, as reported in the condensed consolidated financial statements, to the net realizable value.	The allowance for expected credit losses is primarily calculated by analytical models using actual loss-rate experience, and adjustments, where necessary, for current conditions and forecasts of leading economic indicators correlated to loss-rate trends. Management monitors the credit quality of accounts receivables in making judgments necessary to estimate expected credit losses by analyzing delinquency reports, loss-rate trends, changes in customer payment patterns, economic indicator recent trends and forecasts, and competitive, legal, and regulatory environments. When indicators are forecasted to trend a predetermined amount from the historical median, the Company uses qualitative assessments to determine what impact, if any, the trends are expected to have on the allowance for expected credit losses. Assumptions regarding expected credit losses are reviewed each reporting period and may be impacted by actual performance of accounts receivables and changes in any of the factors discussed above. Receivables exhibiting elevated credit risk characteristics from homogeneous pools are assessed on an individual basis for expected credit losses. These receivables are assessed individual expected credit loss estimates based on the occurrence of bankruptcies, disputes, conversations with customers, or other significant credit loss events. The allowance for expected credit losses also includes fraud losses. Management monitors known and suspected fraudulent activity identified by the Company, as well as fraudulent claims reported by customers, in estimating the reserve for expected fraud losses.	To the extent calculated expected credit losses are not indicative of future performance, actual loss experience could differ significantly from management's judgments and expectations, resulting in either higher or lower future provisions for credit losses, as applicable. As of September 30, 2020, we have an estimated reserve for credit losses, including fraud losses, that is 2.5 percent of the total gross accounts receivable balance. An increase or decrease to this reserve by 0.5 percent of the total gross accounts receivable balance would increase or decrease the provision for credit losses for the quarter by \$11.0 million.

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, 2020, we have no material changes to the market risk disclosures in our Annual Report on Form 10-K for the year ended December 31, 2019.

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, 2020. Based on this evaluation, the Company's principal executive officer and principal financial officer concluded that the Company's disclosure controls and procedures were effective as of September 30, 2020. "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.

Changes in Internal Control Over Financial Reporting

There has been no change in our internal control over financial reporting during the quarter ended September 30, 2020, that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting. We have not experienced any material impact to our internal controls over financial reporting despite the fact that most of our employees are working remotely due to the COVID-19 pandemic. We are continually monitoring and assessing the COVID-19 situation on our internal controls to minimize the impact on their design and operating effectiveness.

PART II

Item 1. Legal Proceedings.

On May 11, 2020, the shareholders of eNett and Optal each initiated separate legal proceedings against the Company by filing claims in the High Court of Justice of England and Wales in the United Kingdom. The legal proceedings deny that there has been a Material Adverse Effect (as defined in the purchase agreement between WEX, eNett and Optal, among others) and allege that the Company has threatened to breach its obligations under the terms of the purchase agreement. The claimants seek a declaration that no Material Adverse Effect has occurred within the meaning of the purchase agreement and orders for specific performance of WEX's obligations under the purchase agreement. From September 21, 2020 through September 29, 2020, a London court held a trial of certain preliminary issues, including, among other things, the determination of the industry in which eNett and Optal operate and of the other participants in such industry, in each case for purposes of interpreting the definition of Material Adverse Effect in the purchase agreement. On October 12, 2020, the Court handed down its judgment, which concluded, among other things, that the Optal and eNett Groups operate in the payments industry and the B2B payments industry and that, for the purpose of the definition of the Material Adverse Effect clause, the relevant industry is the B2B payments industry. The Court found that there was no travel payments industry, as argued for by eNett and Optal. This finding means that when determining whether eNett or Optal have been disproportionately impacted by COVID-19, a comparison will be made against other B2B payments companies. The Company believes that eNett and Optal have been and are disproportionately impacted, however, this matter is to be decided conclusively at a subsequent trial and the outcome of such proceedings cannot be predicted at this time.

The claimants are seeking permission to appeal certain aspects of the judgment. This includes the Court's decision that, for the purpose of the Material Adverse Effect clause, the relevant industry is the B2B payments industry and the Court's decision on a question concerning which party bears the burden of proof in relation to the Material Adverse Effect clause. In addition, the Company is seeking permission to appeal a part of the Court's judgment concluding that impacts caused by changes in Law (as defined in the purchase agreement) arising from the pandemic may not be taken into account in determining whether or not there has been a Material Adverse Effect, and a part of the Court's judgment concluding that the carve-out addressing disproportionate effects in the definition of Material Adverse Effect only applies to events that have had a Material Adverse Effect (and not events that were 'reasonably expected' to have a Material Adverse Effect). If the claimants obtain permission to appeal the question of the relevant industry for the purpose of the Material Adverse Effect clause, the Company expects to also seek permission to appeal an aspect of the judgment dealing with how the comparison of eNett and/or Optal would be made against other participants in the "travel payments industry" had such an industry been found to exist.

As of the date of this filing, we are not involved in any other material legal proceedings. We also were not involved in any material legal proceedings that were terminated during the third quarter of 2020. 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 as noted in our Annual Report on Form 10-K/A for the year ended December 31, 2018 due to issues involving our Brazil subsidiary, which was subsequently sold in September 2020, 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, 2019, and in Part II, "Item 1A. Risk Factors" in our Quarterly Reports on Form 10-Q for the quarterly periods ended March 31, 2020 and June 30, 2020, which could materially affect our business, financial condition or future results. The COVID-19 pandemic has heightened, and in some cases manifested, certain of the risks we normally face in operating our business, including those disclosed in our Annual Report on Form 10-K and in our Quarterly Reports on Form 10-Q for the quarterly periods ended March 31, 2020 and June 30, 2020, and the risk factor disclosure in our Annual Report on Form 10-K for the year ended December 31, 2019 and in our Quarterly Reports on Form 10-Q for the quarterly periods ended March 31, 2020 and June 30, 2020 is qualified by the information relating to COVID-19 that is described in this Quarterly Report on Form 10-Q, including the additional risk factor set forth below. The risks described in our Annual Report on Form 10-K for the year ended December 31, 2019 and in our Quarterly Reports on Form 10-Q for the quarterly periods ended March 31, 2020 and June 30, 2020 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.

The extent to which the coronavirus pandemic impacts our business, results of operations and financial condition will depend on future developments, which are highly uncertain and are difficult to predict.

The spread of the COVID-19 pandemic has significantly increased economic uncertainty and reduced economic activity. The pandemic has resulted in transformational change in business and consumer behavior, as well as authorities implementing numerous measures aimed at containing the virus, such as travel bans and restrictions, quarantines, shelter in place orders, and business shutdowns, among others, while some markets have also implemented multi-step policies with the goal of resuming activities that are or have previously been restricted. The regions in which we operate are in varying stages of dealing with, and suffering impacts from, the COVID-19 pandemic. Certain jurisdictions have started to recover from the initial impacts of the pandemic, only to then face increases in new COVID-19 cases. These variances have not only negatively impacted business and consumer spending habits, they have also impacted and may further impact our workforce and operations and the operations of our customers, suppliers and business partners. These factors may remain prevalent for a significant period of time and they are likely to continue to affect our business, results of operations and financial condition.

In particular, we expect that we will continue to experience impacts on our business and results of operations due to a number of factors, including:

- The effect of COVID-19, and the related impact on the demand for worldwide travel.
- Volatility in the price of fuel caused by declines in demand as a result of the impact of COVID-19 and by geopolitical pressures affecting supply, which impact our operating results and may continue to do so if such trends continue.
- Losses arising from customer, partner and merchant failures and credit settlement risks.
- Increased challenges in growing or retaining our customer base and in launching new products or businesses or refreshing existing products in line with expectations or the current and changing needs of our customers.

These factors may remain prevalent for a significant period of time and may continue to affect our business, results of operations and financial condition even after the COVID-19 pandemic has subsided.

The spread of COVID-19 has caused us to modify our business practices (including restricting employee travel, developing social distancing and remote working plans for our employees and canceling physical participation in meetings, events and conferences), and we may take further actions in the future, as required. There is no certainty that such measures will be sufficient to mitigate the risks posed by the virus or will otherwise be satisfactory to government authorities.

The extent to which the COVID-19 pandemic impacts our business, results of operations and financial condition will continue to depend on future developments, which are highly uncertain and are difficult to predict, including, but not limited to, the duration and spread of the pandemic, its severity, resultant changes in business and consumer behavior, the actions to contain the virus or treat its impact, and how quickly and to what extent normal economic and operating conditions can resume. The ongoing economic impacts and health concerns resulting from the pandemic may continue to affect economic activity. Even after the COVID-19 pandemic has subsided, we may continue to experience impacts to our business as a result of the virus's global economic impact, including the availability of credit, impacts on our liquidity, reduced demand for worldwide travel, continued volatility in fuel prices and any recession that has occurred or may occur in the future.

There are no comparable recent events that provide guidance as to the effect the spread of COVID-19 as a global pandemic may have, and, as a result, the ultimate impact of the pandemic is highly uncertain and subject to change. We do not yet know the full extent of the impacts on our business, our operations or the global economy as a whole. However, the effects could continue to have a material impact on our results of operations.

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

Under our 2016 Credit Agreement, as amended through September 30, 2020, we had an outstanding principal amount of \$886.3 million on our tranche A term loan facility, an outstanding principal amount equal to \$1.4 billion on our tranche B term loan facility and outstanding letters of credit of \$51.6 million drawn against our \$870 million secured revolving credit facility, with a \$250 million sublimit for letters of credit and a \$20 million sublimit for swingline loans. On February 10, 2020, we entered into the Eighth Amendment to the 2016 Credit Agreement making certain changes to the previously amended credit agreement, including among other things, effectuating financial covenant amendments and increasing the Company's capacity to incur additional incremental loan facilities up to \$1.4 billion in connection with the acquisition of eNett and Optal. The amendments set forth in the Eighth Amendment would have only become effective concurrently with the closing of the acquisition of eNett and Optal, if it occurs, and were superseded and replaced by the amendments set forth in the Ninth

Amendment. On June 26, 2020, we entered into the Ninth Amendment to the 2016 Credit Agreement, which among other things, maintained the Eighth Amendment's increased capacity to incur additional incremental loan facilities up to \$1.4 billion in connection with the acquisition of eNett and Optal, if it occurs, and modified the maximum consolidated leverage ratio. On July 29, 2020, the Company entered into the Tenth Amendment to the 2016 Credit Agreement, which increased commitments under the Company's secured revolving credit facility from \$820 million to \$870 million. On August 20, 2020, the Company entered into the Eleventh Amendment to the 2016 Credit Agreement, which among other things, limits the borrowing conditions for a \$752 million portion of the revolving credit facility in connection with the acquisition of eNett and Optal to the absence of a payment or bankruptcy event of default and the accuracy of specified representations and warranties of eNett and Optal in the purchase agreement and specified representations and warranties of the Company set forth in the Third Amended and Restated Commitment Letter until April 22, 2021.

In addition to the 2016 Credit Agreement, our indebtedness consists of our Notes, Convertible Notes, deposits held by WEX Bank and other liabilities outstanding. Under the terms of the Convertible Notes, we may elect to satisfy our interest payment obligations through the payment of interest in cash or by increasing the principal amount of the Convertible Notes by an amount equal to any interest we elect to satisfy in kind. As a result, the outstanding principal amount of the Convertible Notes may increase over time.

Our indebtedness could, among other things:

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

There can be no assurance that we will be able to meet our indebtedness obligations, including any of our obligations under the 2016 Credit Agreement, the Notes or the Convertible Notes. In addition, we may need to incur substantial additional indebtedness in the future to fund our operations or certain strategic objectives. However, we may not be able to obtain the additional financing necessary for these purposes.

In addition, under the 2016 Credit Agreement as amended, unless otherwise agreed by the requisite lenders under the revolving and term A credit facilities, and prior to the closing of the acquisition of eNett and Optal, if it occurs, we are required to remain in compliance with a consolidated EBITDA to consolidated interest charge coverage ratio, measured quarterly, of no less than 3.00 to 1.00 and a consolidated leverage ratio, measured quarterly in accordance with the provisions of the 2016 Credit Agreement, of no more than 5.50 to 1.00 for fiscal quarters through the fiscal quarter ending September 30, 2021 and decreasing to 5.00 to 1.00 for the fiscal quarters ending December 31, 2021 through September 30, 2022 and 4.50 to 1.00 for the fiscal quarters ending December 31, 2022 and thereafter. If the closing of the acquisition of eNett and Optal occurs, the consolidated interest charge coverage ratio, measured quarterly, would decrease from 3.00 to 1.00 to 2.75 to 1.00 for the fiscal quarters ending December 31, 2020 through March 31, 2021 and increase back to 3.00 to 1.00 for the fiscal quarters ending June 30, 2021 and thereafter. The consolidated leverage ratio would increase to no more than 7.00 to 1.00 for the fiscal quarter September 30, 2020, 7.50 to 1.00 for the fiscal quarters ending December 31, 2020 and March 31, 2021, 7.00 to 1.00 for the fiscal quarter ending June 30, 2021, 6.50 to 1.00 for the fiscal quarter ending September 30, 2021, 6.00 to 1.00 for the fiscal quarters ending December 31, 2021 through September 30, 2022 and 5.00 to 1.00 for the fiscal quarters ending December 31, 2022 and thereafter. The 2016 Credit Agreement also contains various affirmative and negative covenants that, subject to certain customary exceptions, restrict our ability to, among other things, create liens over our property, incur additional indebtedness, enter into sale and lease-back transactions, make loans, advances or other investments, make non-ordinary course asset sales, declare or pay dividends or make other distributions with respect to equity interests, change the nature of our business, enter into certain agreements which restrict our ability to pay dividends or other distributions or create liens on our property, transact business with affiliates and/or merge or consolidate with any other person. Our ability to comply with these provisions may be affected by events beyond our control. Failure to comply with the financial covenants or any other non-financial or restrictive covenant in our 2016 Credit Agreement could create a default. Upon a default, our lenders could accelerate the indebtedness under the facilities (except only the requisite lenders under the revolving credit facility and the tranche A term loan facility may accelerate the revolving credit facility due to a breach of the financial covenants), foreclose against their collateral or seek other remedies, which could trigger a default under the Notes and the Convertible Notes and would jeopardize our ability to continue our current operations. The Notes and the Convertible Notes also contain customary negative and affirmative covenants, including, without limitation, certain covenants placing certain limitations on our ability to incur additional debt, and events of default that if breached could allow the requisite noteholders to accelerate the maturity of

the Notes and the Convertible Notes and to exercise their rights and remedies under the Notes and the Convertible Notes, and could also trigger a default under the 2016 Credit Agreement.

Despite our substantial indebtedness, we may still be able to incur more debt, intensifying the risks described above.

Subject to restrictions in our 2016 Credit Agreement, the Notes and the Convertible Notes, we may incur additional indebtedness, which could increase the risks associated with our already substantial indebtedness. Subject to certain limitations, including compliance with the covenants in our 2016 Credit Agreement, we have the ability to borrow additional funds under our 2016 Credit Agreement.

In connection with the purchase agreement for the acquisition of eNett, and Optal, and contingent upon the closing of the acquisition, if it occurs, we obtained financing commitments from Bank of America, N.A., BofA Securities, Inc., Citizens Bank, N.A., MUFG Bank, Ltd., SunTrust Robinson Humphrey, Inc., Truist Bank, Wells Fargo Securities, LLC, Wells Fargo Bank, N.A., Bank of Montreal, BMO Capital Markets Corp., Santander Bank, N.A., KeyBank National Association, KeyBanc Capital Markets Inc., Regions Capital Markets, a division of Regions Bank, Deutsche Bank AG Cayman Islands Branch, Deutsche Bank AG New York Branch, Deutsche Bank Securities Inc. and Fifth Third Bank, National Association for (a) senior secured credit facilities in the aggregate amount of up to \$2.8 billion consisting of (i) up to an approximately \$2.0 billion seven-year term loan B facility comprised of approximately \$1.1 billion to fund the planned acquisition and \$924 million (the “Backstop Term Loans”) to be used to refinance our existing Term A loans under our 2016 Credit Agreement, to the extent that the 2016 Credit Agreement has not been amended prior to the funding of these facilities to increase the maximum consolidated leverage ratio upon the closing of the acquisition to 5.75x, subject to step-downs (the “Financial Covenant Amendment”) and (ii) an \$820 million revolving credit facility (the “Backstop Revolving Credit Facility”) to replace our existing revolving credit facility, to the extent the Financial Covenant Amendment has not occurred prior to the funding of these facilities, and (b) a senior unsecured bridge facility in the aggregate amount of up to \$300 million minus any gross cash proceeds received by us from the issuance of any senior unsecured notes. If funded, the Backstop Term Loans would replace the existing Term A loans and the Backstop Revolving Credit Facility would replace the existing revolving credit facility. On February 10, 2020, we entered into an Eighth Amendment to our 2016 Credit Agreement which implemented the Financial Covenant Amendment effective upon the closing of the acquisition of eNett and Optal, if it occurs. On July 29, 2020, the Company entered into a Tenth Amendment to the 2016 Credit Agreement, which increased commitments under the Company's secured revolving credit facility from \$820 million to \$870 million. The commitment letter was amended and restated on June 26, 2020 to among other things, reallocate the \$1.4 billion of aggregate commitments from a \$1.1 billion seven-year term loan B facility and \$300 million senior unsecured bridge facility to a \$752.0 million seven-year term loan B facility and \$600.0 million senior secured bridge facility. The commitment letter was further amended and restated on August 20, 2020 to among other things, reallocate \$600.0 million of the aggregate commitments from a senior secured bridge facility to a 364-day unsecured credit facility and to extend this portion of the commitment by six months to April 22, 2021. The remaining \$752.0 million consists of a seven-year term loan B facility commitment that was not affected by the most recent amendment. If we pursue additional acquisitions, we could incur further debt or further amend the terms of our existing 2016 Credit Agreement.

This indebtedness, as well as any additional indebtedness we may incur (including, without limitation, any additional indebtedness we may incur in connection with the possible acquisition of eNett and Optal, if it occurs), could have the effect, among other things, of reducing our flexibility to respond to changing business and economic conditions and increasing interest expense. The amount of cash required to pay interest on our increased indebtedness levels as a result of the issuance of the Convertible Notes and indebtedness that may be incurred in connection with the possible acquisition of eNett and Optal, if it occurs, and thus the demands on our cash resources, will be greater than the amount of cash flows previously required to service our indebtedness. As noted above, we will be able to satisfy interest obligations on the Convertible Notes by electing to increase the principal amount of the Convertible Notes rather than making cash interest payments; however, while this would reduce cash needed for interest payment obligations on the Convertible Notes, it would increase the amount of the Convertible Notes that we would be obligated to repay at maturity of the Convertible Notes. Our increased levels of indebtedness could also reduce funds available for working capital, capital expenditures, acquisitions and other general corporate purposes and may create competitive disadvantages relative to other companies with lower debt levels. If we are required to complete the acquisition of eNett and Optal and we do not achieve the expected benefits and cost savings from the acquisition, or if the financial performance of the combined company does not meet current expectations, then our ability to service our indebtedness may be adversely impacted.

Certain indebtedness that would be incurred in connection with the acquisition of eNett and Optal, if it occurs, may bear interest at variable interest rates. If interest rates increase, variable rate debt will create higher debt service requirements, which could adversely affect our cash flows.

The agreements that will govern the indebtedness that would be incurred in connection with the acquisition of eNett and Optal, if it occurs, may contain various affirmative and negative covenants that may, subject to certain customary exceptions, restrict our ability to, among other things, create liens over our property, incur additional indebtedness, enter into sale and lease-back transactions, make loans, advances or other investments, make non-ordinary course asset sales, declare or pay dividends or make other distributions with respect to equity interests, change the nature of our business, enter into certain agreements which restrict our ability to pay dividends or other distributions or create liens on our property, transact business with affiliates and/or merge or consolidate with any other person or sell or convey certain of its assets to another person. In addition, some of the agreements that govern new debt financings may contain financial covenants that will require us to maintain certain financial ratios. Our ability to comply with these provisions may be affected by events beyond our control. Failure to comply with these covenants could result in an event of default, which, if not cured or waived, could accelerate our repayment obligations.

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

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, 2020. The approximate dollar value of shares that were available to be purchased under our share repurchase program was \$150 million as of September 30, 2020.

Item 6. Exhibits.

Exhibit No.	Description
2.1	Share Purchase Agreement, dated January 24, 2020, by and among WEX Inc., eNett International (Jersey) Limited, a Jersey limited company, Optal Limited, a private company limited by shares incorporated in England and Wales, Travelport Limited, a Bermuda exempted company, Toro Private Holdings I, Ltd., a private company limited by shares incorporated in England and Wales, Optal Limited, in its capacity as trustee of the PSP Group DESOP Discretionary Trust established by way of discretionary trust deed dated 28 October 2008, as amended from time to time, and the other shareholders of eNett and Optal set forth therein (incorporated herein by reference to Exhibit No. 2.1 to our Current Report on Form 8-K filed with the SEC on January 24, 2020, File No. 001-32426)
3.1	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)
3.2	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)
3.3	Amended and Restated By-Laws of WEX Inc., as amended and restated as of April 16, 2019 (incorporated by reference to Exhibit 3.1 to our Current Report on Form 8-K filed with the SEC on April 22, 2019, File No. 001-32426)
4.1	Indenture, dated as of July 1, 2020, by and between WEX Inc. and The Bank of New York Mellon Trust Company, N.A., as trustee (incorporated by reference to Exhibit 4.1 to our Current Report on Form 8-K filed with the SEC on July 1, 2020, File No. 001-32426)
4.2	Form of 6.50% Convertible Senior Notes due 2027 (included in Exhibit 4.1) (incorporated by reference to Exhibit 4.2 to our Current Report on Form 8-K filed with the SEC on July 1, 2020, File No. 001-32426)
10.1	Third Amended and Restated Commitment Letter, dated as of August 20, 2020, by and among WEX Inc., Bank of America, N.A., BofA Securities, Inc., Citizens Bank, N.A., MUFG Bank, Ltd., Truist Securities, Inc., Truist Bank, Wells Fargo Securities, LLC, Wells Fargo Bank, N.A., Bank of Montreal, BMO Capital Markets Corp., Santander Bank, N.A., KeyBank National Association, KeyBanc Capital Markets Inc., Regions Capital Markets, a division of Regions Bank, Deutsche Bank AG Cayman Islands Branch, Deutsche Bank AG New York Branch, Deutsche Bank Securities Inc. and Fifth Third Bank, National Association (incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K filed with the SEC on August 21, 2020, File No. 001-32426)
10.2	Tenth Amendment to Credit Agreement, dated as of July 29, 2020, by and among WEX Inc., the subsidiaries of WEX Inc. Tenth Amendment to Credit Agreement, dated as of July 29, 2020, by and among WEX Inc., the subsidiaries of WEX Inc. identified therein, Mizuho Bank, Ltd., as the incremental revolving loan lender, and Bank of America, N.A., as administrative agent (incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K filed with the SEC on August 3, 2020, File No. 001-32426) therein, Mizuho Bank, Ltd., as the incremental revolving loan lender, and Bank of America, N.A., as administrative agent (incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K filed with the SEC on August 3, 2020, File No. 001-32426)
10.3	Eleventh Amendment to Credit Agreement, dated as of August 20, 2020, by and among WEX Inc., the subsidiaries of WEX Inc. identified therein, Bank of America, N.A., as administrative agent, and the lenders party thereto (incorporated by reference to Exhibit 10.2 to our Current Report on Form 8-K filed with the SEC on August 21, 2020, File No. 001-32426)
10.4	WEX Inc. Common Stock and 6.50% Convertible Senior Notes Due 2027 Purchase Agreement, dated as of June 29, 2020, by and between WEX Inc. and WP Bronco Holdings, LLC (incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K filed with the SEC on July 1, 2020, File No. 001-32426)
10.5	Registration Rights Agreement, dated as of July 1, 2020, by and between WEX Inc. and WP Bronco Holdings, LLC (incorporated by reference to Exhibit 10.2 to our Current Report on Form 8-K filed with the SEC on July 1, 2020, File No. 001-32426)
* 31.1	Certification of Chief Executive Officer of WEX INC. pursuant to Rule 13a-14(a) promulgated under the Securities Exchange Act of 1934, as amended
* 31.2	Certification of Chief Financial Officer of WEX INC. pursuant to Rule 13a-14(a) promulgated under the Securities Exchange Act of 1934, as amended
* 32.1	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

*	32.2	Certification of Chief Financial Officer of WEX INC. pursuant to Rule 13a-14(b) promulgated under the Securities 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 Act of 1934, as amended, and Section 1350 of Chapter 63 of Title 18 of the United States Code
*	101.INS	Inline XBRL Instance Document
*	101.SCH	Inline XBRL Taxonomy Extension Schema Document
*	101.CAL	Inline XBRL Taxonomy Calculation Linkbase Document
*	101.LAB	Inline XBRL Taxonomy Label Linkbase Document
*	101.PRE	Inline XBRL Taxonomy Presentation Linkbase Document
*	101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
*	104	Cover Page Interactive Data File (formatted as Inline XBRL with applicable taxonomy extension information contained in Exhibits 101)

* 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 9, 2020

By:

/s/ Roberto Simon

Roberto Simon

Chief Financial Officer

(principal financial officer and principal accounting officer)

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 9, 2020

/s/ Melissa D. Smith

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 9, 2020

/s/ Roberto Simon

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, 2020 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

Melissa D. Smith
Chief Executive Officer and President
November 9, 2020

**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, 2020 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

Roberto Simon

Chief Financial Officer

(Principal accounting and financial officer)

November 9, 2020