

WEX Inc.  
Form 10-Q  
November 01, 2012  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
**WASHINGTON, D.C. 20549**

**FORM 10-Q**

(Mark One)

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

**For the quarterly period ended September 30, 2012**

**OR**

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

**For the transition period from            to**

**Commission file number: 001-32426**

**WEX INC.**

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(Exact name of registrant as specified in its charter)

<b>Delaware</b> (State or other jurisdiction of incorporation or organization)	<b>01-0526993</b> (I.R.S. Employer Identification No.)
<b>97 Darling Avenue, South Portland, Maine</b> (Address of principal executive offices)	<b>04106</b> (Zip Code)
<b>(207) 773-8171</b> (Registrant's telephone number, including area code)	

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

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

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

Large accelerated filer <input checked="" type="checkbox"/>	Accelerated filer <input type="checkbox"/>
Non-accelerated filer <input type="checkbox"/> (Do not check if a smaller reporting company)	Smaller reporting company <input type="checkbox"/>

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

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

Class	Outstanding at October 24, 2012
Common Stock, \$0.01 par value per share	38,702,213 shares

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*The Private Securities Litigation Reform Act of 1995 provides a safe harbor for statements that are forward-looking and are not statements of historical facts. This Quarterly Report includes forward-looking statements. Any statements in this Quarterly Report that are not statements of historical facts may be deemed to be forward-looking statements. When used in this Quarterly Report, the words may, could, anticipate, plan, continue, project, intend, estimate, believe, expect and similar expressions are intended to identify forward-looking statements, although not all forward-looking statements contain such words. Forward-looking statements relate to our future plans, objectives, expectations and intentions and are not historical facts and accordingly involve known and unknown risks and uncertainties and other factors that may cause the actual results or performance to be materially different from future results or performance expressed or implied by these forward-looking statements. The following factors, among others, could cause actual results to differ materially from those contained in forward-looking statements made in this Quarterly Report, in press releases and in oral statements made by our authorized officers: the effects of general economic conditions on fueling patterns and the commercial activity of fleets; the effects of the Company's international business expansion and integration efforts and any failure of those efforts; the impact and range of credit losses; breaches of the Company's technology systems and any resulting negative impact on our reputation liability, or loss of relationships with customers or merchants; the Company's failure to successfully integrate the businesses it has acquired; fuel price volatility; the Company's failure to maintain or renew key agreements; failure to expand the Company's technological capabilities and service offerings as rapidly as the Company's competitors; the actions of regulatory bodies, including banking and securities regulators, or possible changes in banking regulations impacting the Company's industrial bank and the Company as the corporate parent; the impact of foreign currency exchange rates on the Company's operations, revenue and income; changes in interest rates; financial loss if the Company determines it necessary to unwind its derivative instrument position prior to the expiration of a contract; the incurrence of impairment charges if our assessment of the fair value of certain of our reporting units changes; the uncertainties of litigation; as well as other risks and uncertainties identified in Item 1A of our Annual Report for the year ended December 31, 2011, filed on Form 10-K with the Securities and Exchange Commission on February 28, 2012. Our forward-looking statements and these factors do not reflect the potential future impact of any alliance, merger, acquisition or disposition. The forward-looking statements speak only as of the date of the initial filing of this Quarterly Report and undue reliance should not be placed on these statements. We disclaim any obligation to update any forward-looking statements as a result of new information, future events or otherwise.*

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

(in thousands, except per share data)

(unaudited)

	September 30, 2012	December 31, 2011
<b>Assets</b>		
Cash and cash equivalents	\$ 435,303	\$ 25,791
Accounts receivable (less reserve for credit losses of \$10,068 in 2012 and \$11,526 in 2011)	1,630,699	1,323,915
Available-for-sale securities	16,223	17,044
Income taxes receivable		7,755
Fuel price derivatives, at fair value	428	410
Property, equipment and capitalized software (net of accumulated depreciation of \$121,348 in 2012 and \$109,133 in 2011)	65,741	62,078
Deferred income taxes, net	104,425	143,524
Goodwill	579,204	549,504
Other intangible assets, net	137,197	109,656
Other assets	93,213	38,383
Total assets	\$ 3,062,433	\$ 2,278,060
<b>Liabilities and Stockholders Equity</b>		
Accounts payable	\$ 586,941	\$ 409,226
Accrued expenses	50,010	54,738
Income taxes payable	9,434	
Deposits	1,206,114	693,654
Borrowed federal funds		6,900
Fuel price derivatives, at fair value	2,274	415
Revolving line-of-credit facilities and term loan	300,000	295,300
Other liabilities	14,992	15,749
Amounts due under tax receivable agreement	86,518	92,763
Total liabilities	2,256,283	1,568,745
Commitments and contingencies (Note 14)		
Redeemable noncontrolling interest (Note 11)	22,113	
<b>WEX Inc. Stockholders Equity</b>		
Common stock \$0.01 par value; 175,000 shares authorized, 42,488 in 2012 and 42,252 in 2011 shares issued; 38,810 in 2012 and 38,765 in 2011 shares outstanding	425	423
Additional paid-in capital	157,058	146,282
Retained earnings	701,258	633,389

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Other comprehensive income (loss), net of tax:		
Net unrealized gain on available-for-sale securities	<b>314</b>	200
Net unrealized loss on interest rate swaps		(60)
Net foreign currency translation adjustment	<b>37,637</b>	30,448
Accumulated other comprehensive income	<b>37,951</b>	30,588
Less treasury stock at cost, 3,766 shares in 2012 and 3,566 in 2011	<b>(112,655)</b>	(101,367)
Total equity	<b>784,037</b>	709,315
Total liabilities and stockholders' equity	<b>\$ 3,062,433</b>	\$ 2,278,060

*See notes to unaudited condensed consolidated financial statements.*

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

	Three months ended September 30,		Nine months ended September 30,	
	2012	2011	2012	2011
<b>Revenues</b>				
Fleet payment solutions	\$ 117,877	\$ 117,054	\$ 341,709	\$ 329,236
Other payment solutions	43,090	34,824	112,444	84,004
Total revenues	160,967	151,878	454,153	413,240
<b>Expenses</b>				
Salary and other personnel	28,823	27,388	87,501	79,492
Service fees	28,968	20,774	74,046	51,978
Provision for credit losses	5,647	8,677	14,874	20,464
Technology leasing and support	4,577	3,895	13,718	11,851
Occupancy and equipment	3,032	2,761	9,062	8,846
Depreciation and amortization	27,877	11,767	50,591	33,644
Operating interest expense	1,243	1,449	3,430	4,188
Cost of hardware and equipment sold	759	1,166	2,270	3,042
Other	8,764	8,757	26,541	27,144
Total operating expenses	109,690	86,634	282,033	240,649
Operating income	51,277	65,244	172,120	172,591
Financing interest expense	(2,302)	(3,100)	(6,877)	(9,087)
Gain (loss) on foreign currency transactions	180	(855)	(312)	(363)
Net realized and unrealized gain (loss) on fuel price derivatives	(14,026)	13,952	(12,046)	(4,991)
Decrease in tax refund due to former shareholder of RD Card Holdings Australia			9,750	
Increase in amount due under tax receivable agreement		(875)		(875)
Income before income taxes	35,129	74,366	162,635	157,275
Income taxes	20,845	26,266	94,780	56,445
Net income before noncontrolling interest	14,284	48,100	67,855	100,830
Less: Net earnings from noncontrolling interest	(14)		(14)	
<b>Net earnings attributable to WEX Inc.</b>	<b>14,298</b>	<b>48,100</b>	<b>67,869</b>	<b>100,830</b>
Changes in available-for-sale securities, net of tax effect of \$27 and \$68 in 2012 and \$57 and \$90 in 2011	44	88	114	144

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Changes in interest rate swaps, net of tax effect of \$ and \$35 in 2012 and \$65 and \$146 in 2011		113	<b>60</b>	252
Foreign currency translation	<b>9,006</b>	(29,888)	<b>7,189</b>	(11,407)
<b>Comprehensive income attributable to WEX Inc.</b>	<b>\$ 23,348</b>	\$ 18,413	<b>\$ 75,232</b>	\$ 89,819
<b>Net earnings attributable to WEX Inc. per share:</b>				
Basic	<b>\$ 0.37</b>	\$ 1.24	<b>\$ 1.75</b>	\$ 2.61
Diluted	<b>\$ 0.37</b>	\$ 1.23	<b>\$ 1.74</b>	\$ 2.59
<b>Weighted average common shares outstanding:</b>				
Basic	<b>38,793</b>	38,747	<b>38,832</b>	38,662
Diluted	<b>38,995</b>	38,951	<b>39,084</b>	38,938

*See notes to unaudited condensed consolidated financial statements.*

**Table of Contents****WEX INC.****CONSOLIDATED STATEMENTS OF STOCKHOLDERS EQUITY**

(in thousands)

	Common Stock		Additional Paid-in	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Retained Earnings	Total Equity
	Shares	Amount	Capital				
Balances at December 31, 2011	42,252	\$ 423	\$ 146,282	\$ 30,588	\$ (101,367)	\$ 633,389	\$ 709,315
Stock issued to employees exercising stock options	136	1	1,862				1,863
Tax benefit from employees stock option and restricted stock units			3,049				3,049
Stock issued to employees for vesting of restricted stock units	100	1					1
Stock-based compensation			5,865				5,865
Purchase of shares of treasury stock					(11,288)		(11,288)
Changes in available-for-sale securities, net of tax effect of \$68				114			114
Changes in interest rate swaps, net of tax effect of \$35				60			60
Foreign currency translation				7,189			7,189
Net earning attributable to WEX Inc.						67,869	67,869
Balance at September 30, 2012	42,488	\$ 425	\$ 157,058	\$ 37,951	\$ (112,655)	\$ 701,258	\$ 784,037
Balance at December 31, 2010	41,924	\$ 419	\$ 132,583	\$ 27,605	\$ (101,367)	\$ 499,767	\$ 559,007
Stock issued to employees exercising stock options	204	2	2,755				2,757
Tax benefit from employees stock option and restricted stock units			3,788				3,788
Stock issued to employees for vesting of restricted stock units	112	1					1
Stock-based compensation			4,914				4,914
Changes in available-for-sale securities, net of tax effect of \$90				144			144
Changes in interest rate swaps, net of tax effect of \$146				252			252
Foreign currency translation				(11,407)			(11,407)
Net earning attributable to WEX Inc.						100,830	100,830
Balance at September 30, 2011	42,240	\$ 422	\$ 144,040	\$ 16,594	\$ (101,367)	\$ 600,597	\$ 660,286

See notes to unaudited condensed consolidated financial statements.



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

	<b>Nine months ended September 30,</b>	
	<b>2012</b>	<b>2011</b>
<b>Cash flows from operating activities</b>		
Net income	\$ 67,855	\$ 100,830
Adjustments to reconcile net income to net cash used for operating activities:		
Fair value change of fuel price derivatives	1,841	(13,785)
Stock-based compensation	8,806	7,429
Depreciation and amortization	35,604	35,267
Goodwill impairment	16,171	
Deferred taxes	35,392	20,297
Provision for credit losses	14,874	20,464
Loss on disposal of property and equipment		715
Changes in operating assets and liabilities, net of effects of acquisition:		
Accounts receivable	(306,350)	(383,951)
Other assets	(55,572)	(7,981)
Accounts payable	163,203	148,480
Accrued expenses	(5,755)	6,674
Income taxes	16,904	(2,765)
Other liabilities	(12,034)	(962)
Amounts due under tax receivable agreement	(6,245)	(5,187)
Net cash used for operating activities	<b>(25,306)</b>	<b>(74,475)</b>
<b>Cash flows from investing activities</b>		
Purchases of property and equipment	(21,796)	(19,862)
Purchases of available-for-sale securities	(224)	(8,353)
Maturities of available-for-sale securities	1,228	769
Acquisition of CorporatePay, net of cash	(27,783)	
Acquisition of ReD adjustment		3,734
Acquisition of rapid!, net of earn out		(8,081)
Cash assumed in UNIK acquisition	1,566	
Net cash used for investing activities	<b>(47,009)</b>	<b>(31,793)</b>
<b>Cash flows from financing activities</b>		
Excess tax benefits from equity instrument share-based payment arrangements	3,049	3,788
Repurchase of share-based awards to satisfy tax withholdings	(2,941)	(2,547)
Proceeds from stock option exercises	1,862	2,755
Net increase in deposits	512,456	170,974
Net (decrease) increase in borrowed federal funds	(6,900)	9,229
Loan origination fee paid for 2011 revolving line-of-credit facility		(6,184)
Net (repayments) borrowing on 2007 revolving line-of-credit facility		(332,300)
(Repayments) borrowings on term loan		(75,000)
Net borrowings in 2011 revolving line-of-credit facility	12,200	165,200
Borrowings on 2011 term note agreement		200,000

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Repayment of 2011 term note agreement	(7,500)	(5,000)
Other financing debt	(19,560)	
Purchase of shares of treasury stock	(11,288)	
<b>Net cash provided by financing activities</b>	<b>481,378</b>	<b>130,915</b>
Effect of exchange rate changes on cash and cash equivalents	449	(615)
<b>Net change in cash and cash equivalents</b>	<b>409,512</b>	<b>24,032</b>
Cash and cash equivalents, beginning of period	25,791	18,045
<b>Cash and cash equivalents, end of period</b>	<b>\$ 435,303</b>	<b>\$ 42,077</b>

**Supplemental cash flow information**

Interest paid	\$ 9,676	\$ 11,439
Income taxes paid	\$ 39,455	\$ 35,066

**Significant non-cash transaction**

Acquisition of rapid! estimated earn out	\$	\$ 10,000
Reduction of rapid! estimated earn out	\$ 839	\$
Acquisition of UNIK estimated earn out	\$ 991	\$

*See notes to unaudited condensed consolidated financial statements.*

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**WEX INC.**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**(in thousands, except per share data)**

**(unaudited)**

**1. Basis of Presentation**

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. They do not include all information and notes required by generally accepted accounting principles ( GAAP ) for complete financial statements. However, except as disclosed herein, there have been no material changes in the information disclosed in the notes to consolidated financial statements included in the Annual Report on Form 10-K of WEX Inc. (formerly Wright Express Corporation) for the year ended December 31, 2011. These condensed consolidated financial statements should be read in conjunction with the financial statements that are included in the Company's Annual Report filed on Form 10-K for the year ended December 31, 2011, filed with the Securities and Exchange Commission ( SEC ) on February 28, 2012. When used in these notes, the term Company means WEX Inc. and all entities included in the consolidated financial statements. In the opinion of management, all adjustments (including normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three and nine months ended September 30, 2012, are not necessarily indicative of the results that may be expected for any future quarter(s) or the year ending December 31, 2012.

***Fair Value of Financial Instruments***

The carrying values of cash and cash equivalents, accounts receivable, accounts payable, accrued expenses, and other liabilities approximate their respective fair values due to the short-term nature of such instruments. The carrying values of certificates of deposit, interest-bearing money market deposits, borrowed federal funds and credit agreement borrowings, approximate their respective fair values as the interest rates on these financial instruments are variable. All other financial instruments are reflected at fair value on the consolidated balance sheet.

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**WEX INC.**

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

**(in thousands, except per share data)**

**(unaudited)**

**2. New Accounting Standards**

On May 12, 2011, the Financial Accounting Standards Board ( FASB ) issued Accounting Standards Update No. 2011-04, Fair Value Measurement (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in GAAP and IFRSs ( ASU 2011-04 ). The amendments in ASU 2011-04 change the wording used to describe many of the requirements in GAAP for measuring fair value and for disclosing information about fair value measurements. The amendments are intended to create comparability of fair value measurements presented and disclosed in financial statements prepared in accordance with GAAP and International Financial Reporting Standards. ASU 2011-04 is effective for interim and annual periods beginning after December 15, 2011. The adoption of this ASU did not have a material impact on the Company's financial statements.

On June 16, 2011, the FASB issued Accounting Standards Update No. 2011-05, Comprehensive Income (Topic 220): Presentation of Comprehensive Income ( ASU 2011-05 ). The amendments in ASU 2011-05 require entities to present the total of comprehensive income, the components of net income, and the components of other comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements. Additionally, the amendments in ASU 2011-05 require an entity to present on the face of the financial statements reclassification adjustments for items that are reclassified from other comprehensive income to net income in the statement(s) where the components of net income and the components of other comprehensive income are presented. ASU 2011-05 is effective for interim and annual periods beginning after December 15, 2011. On December 23, 2011, the FASB issued Accounting Standards Update No. 2011-12, Comprehensive Income (Topic 220): Deferral of the Effective Date for Amendments to the Presentation of Reclassifications of Items Out of Accumulated Other Comprehensive Income in Accounting Standards Update No. 2011-05 to defer the new requirement to present components of reclassifications of other comprehensive income on the face of the financial statements. Companies are still required to adopt the other requirements contained in ASU 2011-05. The Company adopted ASU 2011-05 and has provided the required disclosures in a single statement with the consolidated statement of comprehensive income.

**Table of Contents****WEX INC.****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)****(in thousands, except per share data)****(unaudited)****3. Business Acquisitions*****Acquisition of UNIK***

On August 30, 2012, the Company acquired a 51 percent ownership interest in UNIK S.A. ( UNIK ), a privately-held provider of payroll cards in Brazil. The Company purchased UNIK to expand its Other Payment Solution segment. UNIK is a provider of payroll cards, private label and processing services in Brazil specializing in the retail, government and transportation sectors.

The investment was consummated through the purchase of 168,317 newly issued shares of UNIK for approximately R\$44,800 (approximately US\$22,800). The purchase agreement also includes a potential contingent consideration component based on performance milestones. Although the contingent consideration is not capped the Company has estimated the amount of the liability to be approximately R\$2,000 (approximately US\$1,000). The agreement further provides the Company with a call option which would enable it to acquire the remaining shares at specific times over a three-year period. Additionally the purchase agreement provides the noncontrolling shares with the right to put their interest back to the Company at specific times. The put options are exercisable at specific dates subject to the achievement of performance hurdles. Pricing for both the call and put options are based upon multiples of UNIK's trailing twelve month EBITDA. Subsequent to the acquisition of UNIK, UNIK paid approximately \$19,600 of UNIK's existing financing debt. As of September 30, 2012, UNIK has approximately \$9,000 of financing debt, classified in other liabilities on the Company's unaudited consolidated balance sheets.

Based on its ownership position the Company has concluded that it has acquired a controlling interest in UNIK. During the third quarter of 2012, the Company allocated the purchase price of the acquisition based upon a preliminary estimate of the fair values of the assets acquired and liabilities assumed, which have not been finalized. Goodwill associated with the transaction is not expected to be deductible for income tax purposes. In addition, the Company has recognized and measured a redeemable noncontrolling interest. The redeemable noncontrolling interest represents the portion of UNIK's net assets owned by the noncontrolling shareholders and is presented in the mezzanine section on the Company's unaudited consolidated balance sheets. The results of operations of UNIK are reflected in the Other Payment Solutions segment.

The following is a summary of the preliminary allocation of the purchase price to the assets and liabilities acquired:

	<b>September 30, 2012</b>
Total UNIK value	<b>\$ 44,701</b>
Less: Redeemable noncontrolling interest	<b>21,904</b>
<b>Total purchase price (includes estimated earn out of \$991)</b>	<b>\$ 22,797</b>
Less:	
Cash	<b>1,566</b>
Accounts receivable	<b>11,726</b>
Accounts payable	<b>(12,640)</b>
Other tangible liabilities, net	<b>(29,157)</b>
Acquired software <sup>(a)</sup>	<b>14,193</b>
Customer relationships <sup>(b)</sup>	<b>15,171</b>
Trademarks and trade name <sup>(c)</sup>	<b>1,272</b>

Recorded goodwill

\$ 20,666

- (a) Weighted average life 6.2 years.
- (b) Weighted average life 5.9 years.
- (c) Weighted average life 5.5 years.

No pro forma information has been included in these financial statements as the operations of UNIK 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.

**Table of Contents****WEX INC.****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)****(in thousands, except per share data)****(unaudited)*****Acquisition of CorporatePay***

On May 11, 2012, the Company acquired all of the stock of CorporatePay, a provider of corporate prepaid solutions to the travel industry in the United Kingdom for approximately GBP 17,000 (US \$27,800 at the time of acquisition), net of cash acquired. The Company purchased CorporatePay to expand its Other Payment Solution segment. During the second quarter of 2012, the Company allocated the purchase price of the acquisition based upon a preliminary estimate of the fair values of the assets acquired and liabilities assumed. The valuations of intangible assets have not been finalized. The goodwill is not expected to be deductible for income tax purposes. The purchase agreement also includes a potential contingent consideration component of up to GBP 5,500 based on performance milestones. The results of operations of CorporatePay are reflected in the Other Payment Solutions segment.

The following is a summary of the preliminary allocation of the purchase price to the assets and liabilities acquired:

	<b>September 30, 2012</b>
Consideration paid (net of cash)	<b>\$ 27,783</b>
Less:	
Accounts receivable	<b>1,077</b>
Accounts payable	<b>(629)</b>
Other tangible liabilities, net	<b>(3,639)</b>
Acquired software <sup>(a)</sup>	<b>7,760</b>
Customer relationships <sup>(b)</sup>	<b>2,000</b>
Trademarks and trade name <sup>(c)</sup>	<b>1,400</b>
Recorded goodwill	<b>\$ 19,814</b>

<sup>(a)</sup> Weighted average life 6.2 years.

<sup>(b)</sup> Weighted average life 6.3 years.

<sup>(c)</sup> Weighted average life 5.3 years.

No pro forma information has been included in these financial statements as the operations of CorporatePay 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.

***Acquisition of rapid! Financial Services LLC***

On March 31, 2011, the Company acquired certain assets of rapid! Financial Services LLC ( rapid! PayCard ) for approximately \$18,000 including an estimate of contingent consideration for future performance milestones of \$10,000. rapid! PayCard is a provider of payroll prepaid cards, e-paystubs and e-W2s, and is focused on small and medium sized businesses. The Company purchased rapid! PayCard to expand its Other Payment Solutions segment. During the first quarter of 2011, the Company allocated the purchase price of the acquisition based upon a preliminary estimate of the fair values of the assets acquired and liabilities assumed. During the first quarter of 2012, the Company revised the intangible assets associated with the trade name. These valuations of intangible assets have been finalized. The tax basis goodwill is expected to be deductible for income tax purposes.





**Table of Contents****WEX INC.****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)****(in thousands, except per share data)****(unaudited)**

A contingent consideration agreement was entered into in connection with the purchase of rapid! PayCard. Under the terms of the agreement the former owners of rapid! PayCard received additional consideration based upon the achievement of certain performance criteria, measured over the twelve-month period from the date of purchase. During the first quarter of 2012, the Company revised the estimate of contingent consideration to \$8,486. On April 30, 2012, the Company paid the former owners of rapid! Paycard in accordance with the contingent consideration agreement. The resulting impact of this adjustment (\$839) during the first quarter of 2012 was an offset to other operating expense in our Other Payment Solutions segment and does not impact the allocation of the purchase price.

The following is a summary of the allocation of the purchase price to the assets and liabilities acquired:

	September 30, 2012	December 31, 2011
Consideration paid (including estimated \$10,000 earn out)	\$ 18,081	\$ 18,081
Less:		
Accounts receivable	75	75
Accounts payable	(85)	(85)
Other tangible liabilities, net	105	105
Customer relationships <sup>(a)</sup>	4,600	4,600
Trade name <sup>(b)</sup>	1,000	1,600
Recorded goodwill	\$ 12,386	\$ 11,786

<sup>(a)</sup> Weighted average life 4.7 years.

<sup>(b)</sup> Weighted average life 5.5 years.

**4. Reserves for Credit Losses**

In general, the terms of the Company's trade receivables provide for payment terms of 30 days or less. The Company does not extend revolving credit to its customers with respect to these receivables. The portfolio of receivables consists of a large group of smaller balance homogeneous amounts that are collectively evaluated for impairment.

The following table presents the Company's aging of accounts receivable:

	Age Analysis of Past Due Financing Receivables, Gross as of September 30, 2012, and September 30, 2011			Total
	Current and Less Than 30 Days Past	30-59 Days Past Due	60-89 Days Past Due	

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	Due				
<b>2012</b>					
Accounts receivable, trade	\$ 1,595,483	\$ 32,031	\$ 6,123	\$ 7,130	\$ 1,640,767
Percent of total	97.2%	2.0%	0.4%	0.4%	100.00%
<b>2011</b>					
Accounts receivable, trade	\$ 1,478,362	\$ 31,025	\$ 7,059	\$ 8,722	\$ 1,525,168
Percent of total	96.9%	2.0%	0.5%	0.6%	100.00%

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**Table of Contents****WEX INC.****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)****(in thousands, except per share data)****(unaudited)**

The following table presents changes in reserves for credit losses related to accounts receivable:

	<b>Nine months ended September 30,</b>	
	<b>2012</b>	<b>2011</b>
Balance, beginning of period	<b>\$ 11,526</b>	\$ 10,237
Provision for credit losses	<b>14,874</b>	20,464
Charge-offs	<b>(20,397)</b>	(21,619)
Recoveries of amounts previously charged-off	<b>4,065</b>	3,743
Balance, end of period	<b>\$ 10,068</b>	\$ 12,825

**5. Goodwill and Other Intangible Assets****Goodwill**

The changes in goodwill during the first nine months of 2012 were as follows:

	<b>Fleet Payment Solutions Segment</b>	<b>Other Payment Solutions Segment</b>	<b>Total</b>
<b>Balance at December 31, 2011</b>	<b>\$ 512,184</b>	<b>\$ 37,320</b>	<b>\$ 549,504</b>
Impact of foreign currency translation	4,540	251	<b>4,791</b>
rapid! purchase adjustment		600	<b>600</b>
Goodwill impairment		(16,171)	<b>(16,171)</b>
Acquisition of UNIK		20,666	<b>20,666</b>
Acquisition of CorporatePay		19,814	<b>19,814</b>
<b>Balance at September 30, 2012</b>	<b>\$ 516,724</b>	<b>\$ 62,480</b>	<b>\$ 579,204</b>

**Impairment of Goodwill**

During the third quarter of 2012, the Company determined that pricing pressure in the prepaid giftcard product in Australia would result in lower future earnings than forecasted at the time of the purchase of Wright Express Prepaid Australia. On September 30, 2012, the Company recorded an estimated goodwill impairment loss of \$16,171 related to the purchase of Wright Express Prepaid Australia. The Company used a discounted cash flow model of the projected earnings of Wright Express Prepaid Australia to determine the amount of goodwill impairment. Any adjustment to the estimated goodwill impairment will be finalized during the fourth quarter of 2012.



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## WEX INC.

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

(in thousands, except per share data)

(unaudited)

*Other Intangible Assets*

The changes in other intangible assets during the first nine months of 2012 were as follows:

	Net Carrying Amount, December 31, 2011	Acquisition	Acquisition Adjustment	Amortization	Impact of Foreign Currency Translation	Net Carrying Amount, September 30, 2012
<b>Definite-lived intangible assets</b>						
Acquired software	\$ 19,034	\$ 21,954	\$	\$ (3,018)	\$ 203	\$ 38,173
Customer relationships	75,827	17,171		(12,073)	1,495	82,420
Patent	2,766			(277)	(8)	2,481
Trademarks and trade names	1,600	2,672	(600)	(113)	15	3,574
<b>Indefinite-lived intangible assets</b>						
Trademarks and trade names	10,429				120	10,549
Total	\$ 109,656	\$ 41,797	\$ (600)	\$ (15,481)	\$ 1,825	\$ 137,197

The Company expects amortization expense related to the definite-lived intangible assets above to be as follows: \$5,559 for October 1, 2012 through December 31, 2012; \$21,140 for 2013; \$18,458 for 2014; \$15,916 for 2015; \$13,223 for 2016 and \$11,040 for 2017.

Other intangible assets consist of the following:

	September 30, 2012			December 31, 2011		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
<b>Definite-lived intangible assets</b>						
Acquired software	\$ 51,234	\$ (13,061)	\$ 38,173	\$ 28,867	\$ (9,833)	\$ 19,034
Non-compete agreement	100	(100)		100	(100)	
Customer relationships	128,647	(46,227)	82,420	109,772	(33,945)	75,827
Patent	3,433	(952)	2,481	3,365	(599)	2,766
Trademarks and trade names	3,789	(215)	3,574	1,700	(100)	1,600
	\$ 187,203	\$ (60,555)	\$ 126,648	\$ 143,804	\$ (44,577)	\$ 99,227
<b>Indefinite-lived intangible assets</b>						
Trademarks and trade names			10,549			10,429

Total	\$ 137,197	\$ 109,656
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**Table of Contents****WEX INC.****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)****(in thousands, except per share data)****(unaudited)****6. Earnings per Common Share**

The following is a reconciliation of the income and share data used in the basic and diluted earnings per share computations for the three and nine months ended September 30, 2012 and 2011:

	Three months ended September 30,		Nine months ended September 30,	
	2012	2011	2012	2011
Net earnings attributable to WEX Inc. available for common stockholders				
Basic and Diluted	<b>\$ 14,298</b>	\$ 48,100	<b>\$ 67,869</b>	\$ 100,830
Weighted average common shares outstanding Basic	<b>38,793</b>	38,747	<b>38,832</b>	38,662
Unvested restricted stock units	<b>96</b>	74	<b>130</b>	110
Stock options	<b>106</b>	130	<b>122</b>	166
Weighted average common shares outstanding Diluted	<b>38,995</b>	38,951	<b>39,084</b>	38,938

No shares were considered anti-dilutive during the periods reported.

**7. Deposits and Borrowed Federal Funds**

On January 11, 2012, the Company entered into an agreement with Higher One, Inc. ( Higher One ), a technology and payment services company focused on higher education, to offer Negotiable Order of Withdrawal ( NOW ) accounts to a portion of Higher One s customers. Higher One will provide processing and other administrative services while the Company, through its bank subsidiary WEX Bank (formerly Wright Express Financial Services Corporation), will establish and maintain the NOW accounts. During the second and third quarters of 2012, the Company received non-interest bearing NOW account deposits. As of September 30, 2012, the Company has \$678,800 of non-interest bearing NOW account deposits outstanding.

**8. Financing Debt**

During the third quarter of 2012, WEX Bank pledged approximately \$598,400 of fleet receivables held by WEX Bank to the Federal Reserve Bank as collateral for potential borrowings. WEX Bank has a line of credit through the Federal Reserve Bank Discount Window. Amounts that can be borrowed are based on the amount of collateral pledged to the Federal Reserve Bank and were approximately \$353,000 as of September 30, 2012. As of September 30, 2012, WEX Bank had no borrowings on this line of credit through the Federal Reserve Bank Discount Window.

Subsequent to the acquisition of UNIK, UNIK paid approximately \$19,600 of UNIK s existing financing debt. As of September 30, 2012, UNIK has approximately \$9,000 of financing debt, classified in other liabilities on the Company s unaudited consolidated balance sheets.





**Table of Contents****WEX INC.****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)****(in thousands, except per share data)****(unaudited)****9. Derivative Instruments**

The Company is exposed to certain risks relating to its ongoing business operations. The fuel based commodity price risk is managed by entering into put and call option contracts. The put and call option contracts are based on the wholesale price of gasoline and retail price of diesel fuel, which settle on a monthly basis, related to the Company's commodity price risk. These put and call option contracts, or fuel price derivative instruments, are designed to reduce the volatility of the Company's cash flows associated with its fuel price-related earnings exposure in North America. In the past, the Company has entered into interest rate swap arrangements to manage interest rate risk associated with the Company's variable-rate borrowings. As of September 30, 2012, the Company is not a party to any interest rate swap arrangements.

Accounting guidance requires companies to recognize all derivative instruments as either assets or liabilities at fair value in the statement of financial position. The Company designates interest rate swap arrangements as cash flow hedges of the forecasted interest payments on a portion of its variable-rate credit agreement. The Company's fuel price derivative instruments do not qualify for hedge accounting treatment under current guidance, and therefore, no such hedging designation has been made. Because the derivatives are either accounting or economic hedges of operational exposures, cash flows from the settlement of such contracts are included in Cash flows from operating activities on the condensed consolidated statements of cash flows.

***Cash Flow Hedges***

For derivative instruments that are designated and qualify as a cash flow hedge, the effective portion of the gain or loss on the derivative is reported as a component of other comprehensive income and reclassified into earnings in the same period or periods during which the hedged transaction affects earnings. Gains and losses on the derivative representing either hedge ineffectiveness or hedge components excluded from the assessment of effectiveness are recognized in current earnings. As of September 30, 2012, the Company had no outstanding interest rate swap arrangements.

***Derivatives Not Designated as Hedging Instruments***

For derivative instruments that are not designated as hedging instruments, the gain or loss on the derivative is recognized in current earnings. As of September 30, 2012, the Company had the following put and call option contracts which settle on a monthly basis:

	<b>Aggregate Notional Amount (gallons) <sup>(a)</sup></b>
Fuel price derivative instruments – unleaded fuel	
Option contracts settling October 2012 – March 2014	36,546
Fuel price derivative instruments – diesel	
Option contracts settling October 2012 – March 2014	16,419
<b>Total fuel price derivative instruments</b>	<b>52,965</b>

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- (a) The settlement of the put and call option contracts is based upon the New York Mercantile Exchange's New York Harbor Reformulated Gasoline Blendstock for Oxygen Blending and the U.S. Department of Energy's weekly retail on-highway diesel fuel price for the month.

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**Table of Contents****WEX INC.****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)**

(in thousands, except per share data)

(unaudited)

The following table presents information on the location and amounts of derivative fair values in the condensed consolidated balance sheets:

	Derivatives Classified as Assets				Derivatives Classified as Liabilities			
	September 30, 2012		December 31, 2011		September 30, 2012		December 31, 2011	
	Balance		Balance		Balance		Balance	
	Sheet Location	Fair Value	Sheet Location	Fair Value	Sheet Location	Fair Value	Sheet Location	Fair Value
<b>Derivatives designated as hedging instruments</b>								
Interest rate contracts	Other assets	\$	Other assets	\$	Accrued expenses	\$	Accrued expenses	\$ 95
<b>Derivatives not designated as hedging instruments</b>								
Commodity contracts	Fuel price derivatives, at fair value	428	Fuel price derivatives, at fair value	410	Fuel price derivatives, at fair value	2,274	Fuel price derivatives, at fair value	415
<b>Total derivatives</b>		<b>\$ 428</b>		<b>\$ 410</b>		<b>\$ 2,274</b>		<b>\$ 510</b>

The following table presents information on the location and amounts of derivative gains and losses in the condensed consolidated statements of income:

	Amount of Gain or (Loss) Recognized in OCI on Derivative (Effective Portion) <sup>(a)</sup>		Location of Gain or (Loss) Reclassified from Accumulated OCI into Income (Effective Portion)	Amount of Gain or (Loss) Reclassified from Accumulated OCI into Income (Effective Portion)		Location of Gain or (Loss) Recognized in Income on Derivative (Ineffective Portion and Amount Excluded from Effectiveness Testing) <sup>(b)</sup>	Amount of Gain or (Loss) Recognized in Income on Derivative (Ineffective Portion and Amount Excluded from Effectiveness Testing)	
	Three months ended			Three months ended			Three months ended	
	September 30, 2012	September 30, 2011		September 30, 2012	September 30, 2011		September 30, 2012	September 30, 2011
<b>Derivatives in Cash Flow</b>								
<b>Hedging Relationships</b>								
Interest rate contracts	\$	\$ 113	Financing interest expense	\$	\$ (188)	Financing interest expense	\$	\$

Derivatives Not Designated as Hedging Instruments	Location of Gain or (Loss) Recognized in Income on Derivative	Amount of Gain or (Loss) Recognized in Income on Derivative	
		Three months ended September 30, 2012	2011
Commodity contracts	Net realized and unrealized gain (loss) on fuel price derivatives	\$ (14,026)	\$ 13,952

- (a) The amount of gain or (loss) recognized in OCI on the Company's interest rate swap arrangement has been recorded net of tax impacts of \$0 in 2012 and \$65 in 2011.
- (b) No ineffectiveness was reclassified into earnings nor was any amount excluded from effectiveness testing.

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## WEX INC.

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

(in thousands, except per share data)

(unaudited)

	Amount of Gain or (Loss) Recognized in OCI on Derivative (Effective Portion) <sup>(a)</sup>		Location of Gain or (Loss) Reclassified from Accumulated OCI into Income (Effective Portion) Nine months ended September 30,	Amount of Gain or (Loss) Reclassified from Accumulated OCI into Income (Effective Portion) Nine months ended September 30,		Location of Gain or (Loss) Recognized in Income on Derivative (Ineffective Portion) and Amount Excluded from Effectiveness Testing <sup>(b)</sup>	Amount of Gain or (Loss) Recognized in Income on Derivative (Ineffective Portion) and Amount Excluded from Effectiveness Testing		
	Nine months ended September 30, 2012	2011		2012	2011		Nine months ended September 30, 2012	2011	
Derivatives in Cash Flow Hedging Relationships									
Interest rate contracts	\$ 60	\$ 252	Financing interest expense		\$ (109)	\$ (710)	Financing interest expense	\$	\$

Derivatives Not Designated as Hedging Instruments	Location of Gain or (Loss) Recognized in Income on Derivative	Amount of Gain or (Loss) Recognized in Income on Derivative Nine months ended September 30,	
		2012	2011
Commodity contracts	Net realized and unrealized (loss) gain on fuel price derivatives	\$ (12,046)	\$ (4,991)

<sup>(a)</sup> The amount of gain or (loss) recognized in OCI on the Company's interest rate swap arrangement has been recorded net of tax impacts of \$35 in 2012 and \$146 in 2011.

<sup>(b)</sup> No ineffectiveness was reclassified into earnings nor was any amount excluded from effectiveness testing.

**10. Fair Value**

The Company holds mortgage-backed securities, fixed income and equity securities, derivatives and certain other financial instruments which are carried 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. In determining the fair value of the Company's obligations, various factors are considered, including: closing exchange or over-the-counter market price quotations; time value and volatility factors underlying options and derivatives; price activity for equivalent instruments; and the Company's own credit standing.

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:

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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.

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**Table of Contents****WEX INC.****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)****(in thousands, except per share data)****(unaudited)**

The following table presents the Company's assets and liabilities that are measured at fair value and the related hierarchy levels:

	September 30, 2012	Fair Value Measurements at Reporting Date Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Assets:</b>				
Mortgage-backed securities	\$ 2,153	\$	\$ 2,153	\$
Asset-backed securities	1,709		1,709	
Municipal bonds	143		143	
Equity securities	12,218	12,218		
Total available-for-sale securities	\$ 16,223	\$ 12,218	\$ 4,005	\$
Executive deferred compensation plan trust <sup>(a)</sup>	\$ 2,743	\$ 2,743	\$	\$
Fuel price derivatives - diesel <sup>(b)</sup>	\$ 110	\$	\$	\$ 110
Fuel price derivatives - unleaded fuel <sup>(b)</sup>	318		318	
Total fuel price derivatives - assets	\$ 428	\$	\$ 318	\$ 110
<b>Liabilities:</b>				
Fuel price derivatives - diesel <sup>(b)</sup>	\$ 524	\$	\$	\$ 524
Fuel price derivatives - unleaded fuel <sup>(b)</sup>	1,750		1,750	
Total fuel price derivatives - liabilities	\$ 2,274	\$	\$ 1,750	\$ 524
Contingent consideration	\$ 991	\$	\$	\$ 991

<sup>(a)</sup> The fair value of these instruments is recorded in other assets.

(b) The balance sheet presentation combines unleaded fuel and diesel fuel positions.

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**Table of Contents****WEX INC.****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)****(in thousands, except per share data)****(unaudited)**

The following table presents the Company's assets and liabilities that are measured at fair value and the related hierarchy levels for 2011:

	December 31, 2011	Fair Value Measurements at Reporting Date Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Assets:</b>				
Mortgage-backed securities	\$ 3,197	\$	\$ 3,197	\$
Asset-backed securities	1,930		1,930	
Municipal bonds	149		149	
Equity securities	11,768	11,768		
Total available-for-sale securities	\$ 17,044	\$ 11,768	\$ 5,276	\$
Executive deferred compensation plan trust <sup>(a)</sup>	\$ 2,218	\$ 2,218	\$	\$
Fuel price derivatives - unleaded fuel <sup>(c)</sup>	\$ 20	\$	\$ 20	\$
<b>Liabilities:</b>				
Fuel price derivatives - diesel <sup>(f)</sup>	\$ 25	\$	\$	\$ 25
September 2010 interest rate swap arrangement with a base rate of 0.56% and an aggregate notional amount of \$150,000 <sup>(b)</sup>	\$ 95	\$	\$ 95	\$
Contingent consideration	\$ 9,325	\$	\$	\$ 9,325

<sup>(a)</sup> The fair value of these instruments is recorded in other assets.

<sup>(b)</sup> The fair value of these instruments is recorded in accrued expenses.

<sup>(c)</sup> The balance sheet presentation combines unleaded fuel and diesel fuel positions.

The following table presents a reconciliation of the beginning and ending balances for assets (liabilities) measured at fair value on a recurring basis using significant unobservable inputs (Level 3) during the three months ended September 30, 2012:

	<b>Contingent Consideration</b>	<b>Fuel Price Derivatives Diesel</b>
Beginning balance	\$	\$ 3,398
Total gains or (losses) realized/unrealized		
Included in earnings <sup>(a)</sup>		(3,812)
Included in other comprehensive income		
Purchases, issuances and settlements	(991)	
Transfers in/(out) of Level 3		
Ending balance	\$ (991)	\$ (414)

<sup>(a)</sup> Gains and losses (realized and unrealized) included in earnings for the three months ended September 30, 2012, are reported in net realized and unrealized losses on fuel price derivatives on the condensed consolidated statements of income.

**Table of Contents****WEX INC.****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)****(in thousands, except per share data)****(unaudited)**

The following table presents a reconciliation of the beginning and ending balances for assets (liabilities) measured at fair value on a recurring basis using significant unobservable inputs (Level 3) during the nine months ended September 30, 2012:

	<b>Contingent Consideration</b>	<b>Fuel Price Derivatives Diesel</b>
Beginning balance	\$ (9,325)	\$ (25)
Total gains or (losses) realized/unrealized		
Included in earnings <sup>(a)</sup>	839	(389)
Included in other comprehensive income		
Purchases, issuances and settlements	(991)	
Transfers in/(out) of Level 3	8,486	
<b>Ending balance</b>	<b>\$ (991)</b>	<b>\$ (414)</b>

<sup>(a)</sup> Gains and losses (realized and unrealized) included in earnings for the nine months ended September 30, 2012, are reported in net realized and unrealized losses on fuel price derivatives on the condensed consolidated statements of income.

The following table presents a reconciliation of the beginning and ending balances for assets (liabilities) measured at fair value on a recurring basis using significant unobservable inputs (Level 3) during the three months ended September 30, 2011:

	<b>Contingent Consideration</b>	<b>Fuel Price Derivatives Diesel</b>
Beginning balance	\$ (10,000)	\$ (5,525)
Total gains or (losses) realized/unrealized		
Included in earnings <sup>(a)</sup>		5,860
Included in other comprehensive income		
Purchases, issuances and settlements		
Transfers in/(out) of Level 3		
<b>Ending balance</b>	<b>\$ (10,000)</b>	<b>\$ 335</b>

<sup>(a)</sup> Gains and losses (realized and unrealized) included in earnings for the three months ended September 30, 2011, are reported in net realized and unrealized losses on fuel price derivatives on the condensed consolidated statements of income.

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The following table presents a reconciliation of the beginning and ending balances for assets (liabilities) measured at fair value on a recurring basis using significant unobservable inputs (Level 3) during the nine months ended September 30, 2011:

	<b>Contingent Consideration</b>	<b>Fuel Price Derivatives Diesel</b>
Beginning balance	\$	\$ (3,643)
Total gains or (losses) realized/unrealized		
Included in earnings <sup>(a)</sup>		3,978
Included in other comprehensive income		
Purchases, issuances and settlements	(10,000)	
Transfers in/(out) of Level 3		
Ending balance	\$ (10,000)	\$ 335

<sup>(a)</sup> Gains and losses (realized and unrealized) included in earnings for the nine months ended September 30, 2011, are reported in net realized and unrealized losses on fuel price derivatives on the condensed consolidated statements of income.

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**WEX INC.**

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

**(in thousands, except per share data)**

**(unaudited)**

***Available-for-sale securities and executive deferred compensation plan trust***

When available, the Company uses quoted market prices to determine the fair value of available-for-sale securities; such items are classified in Level 1 of the fair-value hierarchy. These securities primarily consist of exchange-traded equity securities.

For mortgage-backed and asset-backed debt securities and 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 classified as Level 2.

***Fuel price derivatives and interest rate swap arrangements***

The majority of derivatives entered into by the Company are executed over the counter and are valued using internal valuation techniques as no quoted market prices exist for such instruments. The valuation technique and inputs depend on the type of derivative and the nature of the underlying instrument. The principal technique used to value these instruments is a comparison of the spot price of the underlying instrument to its related futures curve adjusted for the Company's assumptions of volatility and present value, where appropriate. The fair values of derivative contracts reflect the expected cash the Company will pay or receive upon settlement of the respective contracts.

The key inputs depend upon the type of derivative and the nature of the underlying instrument and include interest rate yield curves, the spot price of the underlying instrument, volatility, and correlation. The item is placed in either Level 2 or Level 3 depending on the observability of the significant inputs to the model. Correlation and items with longer tenures are generally less observable.

*Fuel price derivatives - diesel.* The assumptions used in the valuation of the diesel fuel price derivatives use both observable and unobservable inputs. With respect to forward prices for diesel fuel, there is a lack of price transparency. Such unobservable inputs are significant to the diesel fuel derivative contact valuation methodology.

*Quantitative Information About Level 3 Fair Value Measurements.* The significant unobservable inputs used in the fair value measurement of the Company's diesel fuel price derivative instruments designated as Level 3 are as follows:

	Fair Value at September 30, 2012	Valuation Technique	Unobservable Input	Range \$ per gallon
Fuel price derivatives - diesel			Future retail price of diesel fuel after	
	\$ (414)	Option model	September 30, 2012	\$3.83 - 4.10

*Sensitivity To Changes In Significant Unobservable Inputs.* As presented in the table above, the significant unobservable inputs used in the fair value measurement of the Company's diesel fuel price derivative instruments are the future retail price of diesel fuel from the fourth quarter of 2012 through the first quarter of 2014. Significant changes in these unobservable inputs in isolation would result in a significant change in the fair value measurement.

*Contingent consideration*

The Company classified its liability for contingent consideration related to its acquisition of rapid! PayCard within Level 3 of the fair value hierarchy because the fair value was determined using significant unobservable inputs, which include the revenues of rapid! PayCard over a twelve month period ending on March 31, 2012. On March 31, 2012, the amount due was determined to be \$8,486 and was paid on April 30, 2012.

The Company classified its liability for contingent consideration related to its acquisition of CorporatePay within Level 3 of the fair value hierarchy because the fair value was determined using significant unobservable inputs, which include the revenues of CorporatePay over the twelve month period ended December 31, 2012. The Company does not believe that CorporatePay will achieve target levels that would require a payments under the term of the contract, therefore no liability has been recorded.

**Table of Contents****WEX INC.****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)****(in thousands, except per share data)****(unaudited)**

The Company classified its liability for contingent consideration related to its acquisition of UNIK within Level 3 of the fair value hierarchy because the fair value was determined using significant unobservable inputs, the earnings before interest, taxes depreciation and amortization of UNIK over the four month period ending December 31, 2012.

**11. Redeemable noncontrolling interest**

On August 30, 2012, the Company acquired a 51 percent ownership interest in UNIK, a provider of payroll cards in Brazil. Redeemable noncontrolling interest is measured at fair value at the date of acquisition. The redeemable noncontrolling interest is reported on the Company's unaudited consolidated balance sheets in the mezzanine section as Redeemable noncontrolling interests.

A reconciliation of redeemable noncontrolling interests for three and nine months ended September 30, 2012 and 2011, is as follows:

	<b>Three months ended</b>		<b>Nine months ended</b>	
	<b>September 30,</b>		<b>September 30,</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
Balance, beginning of period	\$		\$	\$
Acquisition of subsidiary at fair value	<b>21,904</b>		<b>21,904</b>	
Net loss attributable to noncontrolling interest	<b>(14)</b>		<b>(14)</b>	
Currency translation adjustment	<b>223</b>		<b>223</b>	
Ending balance	<b>22,113</b>		<b>\$ 22,113</b>	<b>\$</b>

**12. Stock-Based Compensation**

During the first quarter of 2012, the Company awarded restricted stock units and performance-based restricted stock units to employees under the 2010 Equity and Incentive Plan (the 2012 grant). Expense associated with the performance-based restricted stock units may increase or decrease due to changes in the probability of the Company achieving pre-established performance metrics. For the nine months ended September 30, 2012, total stock-based compensation cost recognized was approximately \$8,800. As of September 30, 2012, total unrecognized compensation cost related to non-vested stock options, restricted stock units, and performance-based restricted stock units was approximately \$9,500, to be recognized over the remaining vesting periods of these awards.

**13. Income Taxes**

During the third quarter the Company recorded an impairment charge related to goodwill in the amount of \$16,171. This charge did not result in any tax provision benefit. Also during the third quarter of 2012, we recorded a tax charge of approximately \$2,400 due to the impact of a retroactive tax legislation enacted on September 8, 2012, in Australia. This legislation impacted the potential deductibility of intercompany interest expense allowable in past and future tax years and hence resulted in a discrete charge in our recorded tax expense in the current year and a higher Australian effective tax rate in future periods.

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On June 29, 2012, tax legislation was enacted in Australia that affected the tax deductibility of certain intangible assets. A tax charge of \$31,083 was recorded in June of 2012 to reflect these impacts. The Company wrote-off an associated refund claim payable to the former shareholder of RD Card Holding Australia for \$9,750, included in non-operating income. This payable was contingent on the receipt of the tax refunds generated by tax deductions associated with the amortization of above mentioned intangible assets.

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**WEX INC.**

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

**(in thousands, except per share data)**

**(unaudited)**

Management has determined, to the extent not already included in U.S. income, that future earnings generated by the Company's foreign subsidiaries will be invested indefinitely outside the United States. Accordingly, no incremental domestic tax effects have been contemplated in deferred tax balances. As of September 30, 2012, the amount of unremitted earnings designated as indefinitely invested totaled \$1,535. The amount of taxes attributable to the undistributed earnings is not practicably determinable.

**14. Commitments and Contingencies**

*Litigation*

The Company is involved in pending litigation in the usual course of business. In the opinion of management, such litigation will not have a material adverse effect on the Company's consolidated financial position, results of operations or cash flows.

**15. Segment Information**

Operating segments are defined as components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. The Company's chief operating decision maker is its Chief Executive Officer. The operating segments are reviewed separately because each operating segment represents a strategic business unit that generally offers different products and serves different markets.

The Company's chief operating decision maker evaluates the operating results of the Company's reportable segments based upon revenues and adjusted net income, which is defined by the Company as net income adjusted for fair value changes of derivative instruments, the amortization of purchased intangibles, the net impact of tax rate changes on the estimate of amounts due under the tax receivable agreement (including the former shareholder RD Card Holdings Australia), the net impact of tax rate changes on IPO related goodwill, certain non-cash asset impairment charges and the gains on the extinguishment of a portion of the tax receivable agreement. These adjustments are reflected net of the tax impact.

The Company operates in two reportable segments, Fleet Payment Solutions and Other Payment Solutions. The Fleet Payment Solutions segment provides customers with payment and transaction processing services specifically designed for the needs of vehicle fleet customers. This segment also provides information management services to these fleet customers. The Other Payment Solutions segment provides customers with a payment processing solution for their corporate purchasing, payroll and transaction monitoring needs. Revenue in this segment is derived from our corporate charge cards, single use accounts and prepaid card products. The corporate charge card products are used by businesses to facilitate purchases of products and utilize the Company's information management capabilities. The operations from the rapid! Paycard and CorporatePay acquisitions are included in the Other Payment Solutions segment.

Financing interest expense and net realized and unrealized losses on derivative instruments are not allocated to the Other Payment Solutions segment in the computation of segment results. Total assets are not allocated to the segments.

**Table of Contents****WEX INC.****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)****(in thousands, except per share data)****(unaudited)**

The following table presents the Company's reportable segment results for the three months ended September 30, 2012 and 2011:

	<b>Total Revenues</b>	<b>Operating Interest Expense</b>	<b>Depreciation and Amortization</b>	<b>Provision for Income Taxes</b>	<b>Adjusted Net Income</b>
<b>Three months ended September 30, 2012</b>					
Fleet payment solutions	\$ 117,878	\$ 838	\$ 5,856	\$ 21,874	\$ 33,641
Other payment solutions	43,089	404	441	5,589	8,394
Total	\$ 160,967	\$ 1,242	\$ 6,297	\$ 27,463	\$ 42,035
<b>Three months ended September 30, 2011</b>					
Fleet payment solutions	\$ 117,054	\$ 1,202	\$ 5,557	\$ 15,831	\$ 30,085
Other payment solutions	34,824	247	432	5,753	8,622
Total	\$ 151,878	\$ 1,449	\$ 5,989	\$ 21,584	\$ 38,707

The following table presents the Company's reportable segment results for the nine months ended September 30, 2012 and 2011:

	<b>Total Revenues</b>	<b>Operating Interest Expense</b>	<b>Depreciation and Amortization</b>	<b>Provision for Income Taxes</b>	<b>Adjusted Net Income</b>
<b>Nine months ended September 30, 2012</b>					
Fleet payment solutions	\$ 341,710	\$ 2,685	\$ 17,699	\$ 56,027	\$ 94,169
Other payment solutions	112,443	744	1,241	13,607	22,512
Total	\$ 454,153	\$ 3,429	\$ 18,940	\$ 69,634	\$ 116,681
<b>Nine months ended September 30, 2011</b>					
Fleet payment solutions	\$ 329,236	\$ 3,440	\$ 15,693	\$ 45,519	\$ 83,322
Other payment solutions	84,004	748	1,229	12,150	20,096
Total	\$ 413,240	\$ 4,188	\$ 16,922	\$ 57,669	\$ 103,418



**Table of Contents****WEX INC.****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (concluded)****(in thousands, except per share data)****(unaudited)**

The following table reconciles adjusted net income to net income:

	Three months ended		Nine months ended	
	September 30, 2012	2011	September 30, 2012	2011
<b>Total adjusted net income WEX Inc.</b>	<b>\$ 42,035</b>	<b>\$ 38,707</b>	<b>\$ 116,681</b>	<b>\$ 103,418</b>
Unrealized gains (losses) on fuel price derivatives	(12,849)	20,728	(1,841)	13,785
Amortization of acquired intangible assets	(5,411)	(5,778)	(15,481)	(16,722)
Goodwill impairment	(16,171)		(16,171)	
Change in tax refund due to former shareholders of RD Card Holdings Australia			9,750	
Non-cash adjustment related to the tax receivable agreement		(875)		(875)
Net earnings attributable to noncontrolling interest	77		77	
Tax impact	6,617	(4,682)	(25,146)	1,224
<b>Net earnings attributable to WEX Inc.</b>	<b>\$ 14,298</b>	<b>\$ 48,100</b>	<b>\$ 67,869</b>	<b>\$ 100,830</b>

The tax impact of the foregoing adjustments is 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. 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.

**16. Subsequent Event*****Acquisition of FleetOne***

On October 4, 2012, the Company completed the acquisition of FleetOne Holding LLC and Subsidiaries ( FleetOne ), an over-the-road and local retail fueling business, from private equity firms LLR Partners and FTV Capital for \$369,000 in cash. This transaction is expected to generate approximately \$100,000 in present value of tax benefits for WEX Inc. The all cash transaction was financed through the Company's existing credit facility. FleetOne provides fuel cards and fleet management information services that address the entire fuel card supply chain and has a meaningful presence in both the over-the-road and local fleet markets. Due to the timing of the transaction during the fourth quarter of 2012, the Company has not completed its purchase accounting of FleetOne and is unable to provide further information regarding the assets, liabilities and intangible assets acquired in the purchase.

***Corporate name changed to WEX Inc.***

On October 25, 2012, Wright Express Corporation formally changed the Company name to WEX Inc. Wright Express Financial Services Corporation changed its name to WEX Bank.



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

*We intend for this discussion to provide the reader with information that will assist in 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 two 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. This discussion should be read in conjunction with our audited consolidated financial statements as of December 31, 2011, the notes accompanying those financial statements and management's discussion and analysis as contained in our Annual Report on Form 10-K filed with the SEC on February 28, 2012 and in conjunction with the unaudited condensed consolidated financial statements and notes in **Item 1 of Part I** of this report.*

#### **Overview**

WEX Inc. (formerly Wright Express Corporation) is a leading international provider of physical, digital and virtual corporate card payment solutions. We provide products and services that meet the needs of businesses in various geographic regions including North America, Asia Pacific, Latin America and Europe. The Company's fleet and other payment solutions provide its more than 350,000 customers with security and control for complex payments across a wide spectrum of business sectors. Together with our affiliates, we market our products and services directly, as well as through more than 150 strategic relationships which include major oil companies, fuel retailers, vehicle maintenance providers and online travel agencies.

Our Company is organized under two segments, Fleet Payment Solutions and Other Payment Solutions. The Fleet Payment Solutions segment provides customers with fleet vehicle payment processing services specifically designed for the needs of commercial and government fleets. Fleet Payment Solutions revenue, which represents a majority of our total revenue, is earned primarily from payment processing, account servicing and transaction processing, with the majority generated by payment processing.

The Other Payment Solutions segment of our business provides customers with payment processing solutions for their corporate purchasing and transaction monitoring needs through our corporate charge card, payroll card, and through our prepaid and gift card products and services. Other Payment Solutions revenue is earned primarily from payment processing.

#### **Summary**

Below are selected items from the third quarter of 2012:

We acquired a 51 percent ownership interest in UNIK S.A. ( UNIK ), a privately-held provider of payroll cards in Brazil. The Company purchased its interest in UNIK to expand its Other Payment Solution segment. UNIK is a leading provider of payroll cards, private label and processing services in Brazil specializing in the retail, government and transportation sectors.

During the third quarter of 2012, we determined that pricing pressure in the prepaid giftcard product in Australia would result in lower future earnings than forecasted at the time of purchase of Wright Express Prepaid Australia. On September 30, 2012, we recorded an estimated goodwill impairment loss of \$16.2 million related to the purchase of Wright Express Prepaid Australia.

As of September 30, 2012, we have approximately \$679 million outstanding NOW accounts associated with Higher One, Inc. ( Higher One ), a technology and payment services company focused on higher education. WEX Bank (formerly Wright Express Financial Services Corporation) establishes, provides, and maintains Higher One's account offering for a portion of Higher One's customers in addition to providing other banking functions.

Corporate charge card purchase volume grew \$777 million to \$3.2 billion for the three months ended September 30, 2012, an increase of 32 percent over the same period last year.

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Average number of vehicles serviced increased 6 percent from the third quarter of 2011 to approximately 6.9 million.

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Total fleet transactions processed increased 1 percent from the third quarter of 2011 to 85.7 million. Payment processing transactions increased 1 percent to 66.2 million, while transaction processing transactions decreased 1 percent to 19.6 million, over the same period in the prior year.

Average expenditure per payment processing transaction increased to \$73.59 from \$73.26 for the same period last year. This increase was driven by higher average retail fuel prices in North America. The average fuel price per gallon during the three months ended September 30, 2012, was \$3.74 for North America, a 1 percent increase over the same period last year. The average Australian fuel price per gallon during the three months ended September 30, 2012, was \$5.42, a 1 percent decrease over the same period last year.

Realized losses on our fuel price derivatives during the third quarter of 2012 were \$1.2 million compared to realized losses of \$6.8 million for the same period in the prior year.

Credit loss expense in the fleet segment was \$5.4 million for the three months ended September 30, 2012, versus \$8.5 million for the three months ended September 30, 2011.

Our effective tax rate was 59.3 percent for the three months ended September 30, 2012 and 35.3 percent for the three months ended September 30, 2011. During the third quarter the Company recorded an impairment charge related to goodwill in the amount of \$16.2 million. This charge did not result in any tax provision benefit. Also during the third quarter of 2012, we recorded a tax charge of approximately \$2.4 million due to the impact of tax legislation enacted on September 8, 2012, in Australia. This legislation impacted the potential deductibility of intercompany interest expense allowable in past and future tax years and hence resulted in a discrete charge in our recorded tax expense in the current year and a higher Australian effective tax rate in future periods.



**Table of Contents****Results of Operations****Fleet Payment Solutions**

The following table reflects comparative operating results and key operating statistics within our Fleet Payment Solutions segment:

(in thousands, except per transaction and per gallon data)	Three months ended September 30,		Increase (decrease)		Nine months ended September 30,		Increase (decrease)	
	2012	2011	Amount	Percent	2012	2011	Amount	Percent
<b>Revenues</b>								
Payment processing revenue	\$ 78,803	\$ 78,381	\$ 422	1%	\$ 231,109	\$ 222,480	\$ 8,629	4%
Transaction processing revenue	4,097	4,305	(208)	(5)%	12,235	12,472	(237)	(2)%
Account servicing revenue	17,657	17,014	643	4%	48,592	45,420	3,172	7%
Finance fees	12,604	12,791	(187)	(1)%	35,422	33,821	1,601	5%
Other	4,716	4,563	153	3%	14,351	15,043	(692)	(5)%
<b>Total revenues</b>	<b>117,877</b>	<b>117,054</b>	<b>823</b>	<b>1%</b>	<b>341,709</b>	<b>329,236</b>	<b>12,473</b>	<b>4%</b>
<b>Total operating expenses</b>	<b>62,964</b>	<b>65,163</b>	<b>(2,199)</b>	<b>(3)%</b>	<b>186,329</b>	<b>186,068</b>	<b>261</b>	
<b>Operating income</b>	<b>54,913</b>	<b>51,891</b>	<b>3,022</b>	<b>6%</b>	<b>155,380</b>	<b>143,168</b>	<b>12,212</b>	<b>9%</b>
(Loss) gain on foreign currency transactions	(33)	(790)	757	(96)%	(410)	(298)	(112)	38%
Financing interest expense <sup>(b)</sup>	(2,302)	(3,100)	798	(26)%	(6,877)	(9,087)	2,210	(24)%
Decrease in tax refund due to former shareholders of RD Card Holdings Australia					6,968		6,968	
Net realized and unrealized gain (loss) on fuel price derivatives <sup>(b)</sup>	(14,026)	13,952	(27,978)	(201)%	(12,046)	(4,991)	(7,055)	141%
Increase in the amount due under tax receivable agreement		(875)	875	100%		(875)	875	(100)%
<b>Income before income taxes</b>	<b>38,552</b>	<b>61,078</b>	<b>(22,526)</b>	<b>(37)%</b>	<b>143,015</b>	<b>127,917</b>	<b>15,098</b>	<b>12%</b>
Income taxes	15,652	20,853	(5,201)	(25)%	77,387	45,182	32,205	71%
<b>Net income</b>	<b>\$ 22,900</b>	<b>\$ 40,225</b>	<b>\$ (17,325)</b>	<b>(43)%</b>	<b>\$ 65,628</b>	<b>\$ 82,735</b>	<b>\$ (17,107)</b>	<b>(21)%</b>
<b>Key operating statistics</b>								
Payment processing revenue:								
Payment processing transactions <sup>(a)</sup>	66,155	65,230	925	1%	190,624	187,330	3,294	2%
Average expenditure per payment processing transaction	\$ 73.59	\$ 73.26	\$ 0.33		\$ 74.47	\$ 71.82	\$ 2.65	4%
Average price per gallon of fuel Domestic (\$USD/gal)	\$ 3.74	\$ 3.70	\$ 0.04	1%	\$ 3.75	\$ 3.65	\$ 0.10	3%
Average price per gallon of fuel Australia (\$USD/gal)	\$ 5.42	\$ 5.50	\$ (0.08)	(1)%	\$ 5.60	\$ 5.48	\$ 0.12	2%
Transaction processing revenue:								
Transaction processing transactions	19,591	19,854	(263)	(1)%	57,687	52,130	5,557	11%
Account servicing revenue:								
Average number of vehicles serviced <sup>(a)</sup>	6,902	6,497	405	6%	6,775	6,228	547	9%

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- (a) Does not include Pacific Pride vehicle information.
- (b) Financing interest expense and net realized and unrealized gains and losses on derivative instruments are allocated solely to the Fleet Payment Solutions segment.

NM Not Meaningful

### *Revenues*

Payment processing revenue remained relatively flat for the three months ended September 30, 2012, compared to the same period last year.

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Payment processing revenue increased \$8.6 million for the nine months ended September 30, 2012, compared to the same period last year. The increase is primarily due to the 3 percent increase in the average domestic price per gallon of fuel, which represented approximately \$3.4 million of the increase. Domestic payment processing transactions increased 1 percent over the same period in the prior year, resulting in an increase in revenue of \$5.0 million.

Our account servicing revenue remained relatively flat for the three months ended September 30, 2012, compared to the same period last year. Account servicing revenue increased \$3.2 million for the nine months ended September 30, 2012, as compared to the same period in 2011. Approximately \$1.4 million of this increase is related to additional *WEXSmart* units in service as compared to the same period in the prior year. The remaining increase is primarily due to operations of rapid!, as compared to the prior year, which was acquired at the end of the first quarter in 2011.

Our finance fees, net of waivers, remained relatively flat for the three months ended September 30, 2012, compared to the same period last year. Finance fees increased \$1.6 million for the nine months ended September 30, 2012, as compared to the same period in 2011. Finance fee revenue is earned when a customer's receivable balance becomes delinquent. The finance fee is calculated using a stated late fee rate based on the outstanding balance. 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. Finance fee revenue can also be impacted by changes in (i) late fee rates charged and (ii) increases or decreases in the number of customers with overdue balances. For the nine months ended September 30, 2012, the increase in these fees is primarily due to an increase in the late fee rate charged, compared to the same period in the prior year.

*Expenses*

The following table compares selected expense line items within our Fleet Payment Solutions segment for the three months ended September 30:

(in thousands)	2012	2011	Increase (decrease)	
			Amount	Percent
<b>Expense</b>				
Provision for credit losses	\$ 5,420	\$ 8,473	\$ (3,053)	(36)%
Service fees	\$ 8,334	\$ 6,064	\$ 2,270	37%
Depreciation and amortization	\$ 9,966	\$ 10,250	\$ (284)	(3)%
Other	\$ 7,773	\$ 8,020	\$ (247)	(3)%

Meaningful changes in operating expenses for the three months ended September 30, 2012, as compared to the corresponding period a year ago, include impacts from the following:

Provisions for credit losses decreased 36 percent in the quarter. We generally measure our credit loss performance by calculating credit losses as a percentage of total fuel expenditures on payment processing transactions ( Fuel Expenditures ). This metric for credit losses was 11.1 basis points of Fuel Expenditures for the three months ended September 30, 2012, compared to 18.1 basis points of Fuel Expenditures for the same period last year. We use a roll rate methodology to calculate the amount necessary for our ending receivable reserve balance. This methodology takes into account total receivable balances, recent charge off experience, recoveries on previously charged off accounts, and the dollars that are delinquent to calculate the total reserve. In addition, management undertakes a detailed evaluation of the receivable balances to help ensure further overall reserve adequacy. The expense we recognized in the quarter is the amount necessary to bring the reserve to its required level after charge offs. The decrease in expense is primarily due to lower past due balances.

Service fees increased \$2.3 million for the three months ended September 30, 2012, as compared to the same period in the prior year. The increase in fees is primarily associated with the expenses incurred during the third quarter of 2012 due to our acquisitions of UNIK and FleetOne.

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The following table compares selected expense line items within our Fleet Payment Solutions segment for the nine months ended September 30:

(in thousands)	2012	2011	Increase (decrease)	
			Amount	Percent
<b>Expense</b>				
Salary and other personnel	\$ 76,057	\$ 71,561	\$ 4,496	6%
Service fees	\$ 20,920	\$ 16,995	\$ 3,925	23%
Provision for credit losses	\$ 13,234	\$ 20,102	\$ (6,868)	(34)%

Changes in operating expenses for the nine months ended September 30, 2012, as compared to the corresponding period a year ago, include impacts from the following:

Salary and other personnel expenses increased \$4.5 million for the nine months ended September 30, 2012, as compared to the same period last year. Approximately \$1.7 million of this increase is due to additional employees as compared to the same period in the prior year. Lower capitalized payroll during the first nine months of 2012, as compared to the first nine months of the prior year, contributed approximately \$1.6 million of the salary expense increase. These increases in expenses were partially offset by \$1 million lower benefit expenses for the nine month period as compared to the prior year. The overall remaining increase is primarily resulting from non-capitalized contractor expense at Wright Express Australia during the second quarter of 2012.

Service fees increased \$3.9 million for the nine months ended September 30, 2012, as compared to the same period in the prior year. The increase in fees is primarily associated with the expenses incurred during the third quarter of 2012 with our acquisitions of CorporatePay, UNIK and FleetOne.

Credit losses were 9.3 basis points of fuel expenditures for the nine months ended September 30, 2012, compared to 14.7 basis points of Fuel Expenditures for the same period last year. The decrease in expense is primarily due to lower past due balances.

**Table of Contents***Fuel price derivatives*

We own fuel price derivative instruments that we purchase on a periodic basis to manage the impact of volatility in North American fuel prices on our cash flows. These fuel price derivative instruments do not qualify for hedge accounting. Accordingly, both realized and unrealized gains and losses on our fuel price derivative instruments affect our net income. Activity related to the changes in fair value and settlements of these instruments and the changes in average fuel prices in relation to the underlying strike price of the instruments is shown in the following table:

(in thousands, except per gallon data)	Three months ended		Nine months ended	
	September 30, 2012	2011	September 30, 2012	2011
Fuel price derivatives, at fair value, beginning of period	\$ 11,003	\$ (17,820)	\$ (5)	\$ (10,877)
Net change in fair value	(14,026)	13,952	(12,046)	(4,991)
Cash payments (receipts) on settlement	1,177	6,776	10,205	18,776
Fuel price derivatives, at fair value, end of period	\$ 1,846	\$ 2,908	\$ 1,846	\$ 2,908
Collar range:				
Floor	\$ 3.45	\$ 2.93	\$ 3.29	\$ 2.86
Ceiling	\$ 3.51	\$ 2.99	\$ 3.35	\$ 2.92
Fuel price, beginning of period	\$ 3.47	\$ 3.65	\$ 3.45	\$ 3.15
Fuel price, end of period	\$ 3.89	\$ 3.58	\$ 3.89	\$ 3.58

Changes in fuel price derivatives for the three and nine months ended September 30, 2012, as compared to the corresponding period a year ago are attributable to the movements in fuel prices at the corresponding times. Generally, if the projected average price of fuel is below the floor price of the collar for the periods we have our derivatives, we record an asset. The contrary is the case if the projected average price of fuel is above the ceiling of the collar range. Losses and gains that we actually realize on these derivatives are offset by higher or lower payment processing revenue we receive because such revenues are dependent, in part, on the current price of fuel.

The Company modified its hedging program as part of its regular review of our hedging strategy and in conjunction of recent acquisitions during the third quarter of 2012. Our goal is to target hedging 60 percent (previously 80 percent) of our fuel-price-related earnings exposure in North America. We expect that our fuel price derivatives program will continue to be important to our business model going forward, and we expect to purchase derivatives in the future. The Company currently does not plan to hedge our fuel price risk exposure for Wright Express Australia as the exposure to fuel price movements is limited and has not historically fluctuated to the degree it has as in the United States.

**Table of Contents****Other Payment Solutions**

The following table reflects comparative operating results and key operating statistics within our Other Payment Solutions segment:

(in thousands)	Three months ended		Increase (decrease)		Nine months ended		Increase (decrease)	
	September 30, 2012	2011	Amount	Percent	September 30, 2012	2011	Amount	Percent
<b>Revenues</b>								
Payment processing revenue	\$ 29,653	\$ 24,025	\$ 5,628	23%	\$ 75,731	\$ 57,344	\$ 18,387	32%
Transaction processing revenue	1,531	1,661	(130)	(8)%	5,128	5,261	(133)	(3)%
Account servicing revenue	1,627	955	672	70%	3,891	1,994	1,897	95%
Finance fees	521	190	331	174%	840	529	311	59%
Other	9,757	7,993	1,764	22%	26,853	18,876	7,977	42%
<b>Total revenues</b>	<b>43,089</b>	<b>34,824</b>	<b>8,265</b>	<b>24%</b>	<b>112,443</b>	<b>84,004</b>	<b>28,439</b>	<b>34%</b>
<b>Total operating expenses</b>	<b>46,726</b>	<b>21,471</b>	<b>25,255</b>	<b>118%</b>	<b>95,704</b>	<b>54,581</b>	<b>41,123</b>	<b>75%</b>
<b>Operating income (loss)</b>	<b>(3,637)</b>	<b>13,353</b>	<b>(16,990)</b>	<b>(127)%</b>	<b>16,739</b>	<b>29,423</b>	<b>(12,684)</b>	<b>(43)%</b>
Decrease in tax refund due to former								
Shareholders of RD Card Holdings Australia								
					2,782		2,782	
(Loss) gain on foreign currency transactions	214	(65)	279	NM	99	(65)	164	NM
<b>Income (loss) before income taxes</b>	<b>(3,423)</b>	<b>13,288</b>	<b>(16,711)</b>	<b>(126)%</b>	<b>19,620</b>	<b>29,358</b>	<b>(9,738)</b>	<b>(33)%</b>
Income taxes	5,193	5,413	(220)	(4)%	17,393	11,263	6,130	54%
<b>Net income before noncontrolling interest</b>	<b>(8,616)</b>	<b>7,875</b>	<b>(16,491)</b>	<b>(209)%</b>	<b>2,227</b>	<b>18,095</b>	<b>(15,868)</b>	<b>(88)%</b>
Less: Net earnings from noncontrolling interest	(14)		(14)	NM	(14)		(14)	NM
<b>Net earnings attributable to WEX Inc.</b>	<b>\$ (8,602)</b>	<b>\$ 7,875</b>	<b>\$ (16,477)</b>	<b>(209)%</b>	<b>\$ 2,241</b>	<b>\$ 18,095</b>	<b>\$ (15,854)</b>	<b>(88)%</b>
<b>Key operating statistics</b>								
Payment processing revenue:								
Corporate charge card purchase volume <sup>(a)</sup>	\$ 3,182,033	\$ 2,404,669	\$ 777,364	32%	\$ 8,194,268	\$ 5,741,369	\$ 2,452,899	43%

<sup>(a)</sup> Excludes rapid! Paycard  
 NM Not meaningful

Revenues

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Payment processing revenue for the three months ended September 30, 2012, increased \$5.6 million, as compared to the same period in the prior year, and increased \$18.4 million for the nine months ended September 30, 2012, as compared to the same period in the prior year. These increases are primarily driven by higher corporate charge card purchase volume from our single use account product in the online travel service and insurance/warranty markets and by increased market penetration with our corporate charge card product. The corporate charge card net interchange rate for the three months ended September 30, 2012, was down 9 basis points to 0.897 percent, which equates to a reduction in revenue of approximately \$2.9 million, as compared to the third quarter of last year, primarily due to contract mix, increased foreign spend, which generally has a lower interchange rate than domestic transactions, and a reduction in customer specific incentives received. The corporate charge card net interchange rate for the nine months ended September 30, 2012, was down 9 basis points to 0.900 percent, which equates to a reduction in revenue of approximately \$7.4 million, as compared to the same period in the prior year, primarily due to contract mix, increased foreign spend and a reduction in customer specific incentives received.

Other revenue for the three months ended September 30, 2012, increased approximately \$1.8 million as compared to the same period in the prior year, and increased \$8.0 million for the nine months ended September 30, 2012, as compared to the same period in the prior year. These increases are primarily due to increased fees related to cross border charges.

**Table of Contents***Operating Expenses*

The following table compares selected expense line items within our Other Payment Solutions segment for the three months ended September 30:

(in thousands)	2012	2011	Increase (decrease)	
			Amount	Percent
<b>Expense</b>				
Salary and other personnel	\$ 4,365	\$ 2,971	\$ 1,394	47%
Service fees	\$ 20,634	\$ 14,710	\$ 5,924	40%
Depreciation and amortization	\$ 17,912	\$ 1,517	\$ 16,395	1,081%

Salary and other personnel expenses increased \$1.4 million for the three months ended September 30, 2012, as compared to the same period last year. This increase is primarily due to additional sales staff.

Service fees increased \$5.9 million during the third quarter of 2012 as compared to the same period in the prior year. This increase is primarily due to increased volume and cross border charges on our North America corporate charge card product.

During the third quarter of 2012, the Company determined that pricing pressure in the prepaid giftcard product in Australia would result in lower future earnings than forecasted at the time of the purchase of Wright Express Prepaid Australia. On September 30, 2012, the Company recorded an estimated goodwill impairment loss of \$16.2 million related to the purchase of Wright Express Prepaid Australia. Any adjustment to the estimated goodwill impairment will be finalized during the fourth quarter of 2012.

*Operating Expenses*

The following table compares selected expense line items within our Other Payment Solutions segment for the nine months ended September 30:

(in thousands)	2012	2011	Increase (decrease)	
			Amount	Percent
<b>Expense</b>				
Salary and other personnel	\$ 11,444	\$ 7,931	\$ 3,513	44%
Service fees	\$ 53,126	\$ 34,983	\$ 18,143	52%
Depreciation and amortization	\$ 20,587	\$ 4,116	\$ 16,471	400%

NM Not meaningful

Salary and other personnel expenses increased \$3.5 million for the nine months ended September 30, 2012, as compared to the same period last year. This increase is primarily due to the acquisition of rapid! Paycard, which occurred at the end of the first quarter in 2011 and additional sales staff.

Service fees increased \$18.1 million during the first nine months of 2012 as compared to the same period in the prior year. This increase is primarily due to increased volume and cross border charges on our North America corporate charge card product.

Depreciation and amortization expenses increased \$16.5 million for the three months ended September 30, 2012, as compared to the same period in 2011. This increase is primarily due to impairment of goodwill associated with our Wright Express Prepaid Australia operations during the third quarter of 2012.



**Table of Contents****Liquidity, Capital Resources and Cash Flows**

We focus on management operating cash as a key element in achieving maximum stockholder value, and it is the primary measure we use internally to monitor cash flow performance from our core operations. Since deposits and borrowed federal funds are used to finance our accounts receivable, we believe that they are a recurring and necessary use and source of cash. As such, we consider deposits and borrowed federal funds when evaluating our operating activities. For the same reason, we believe that management operating cash may also be useful to investors as one means of evaluating our performance. However, management operating cash is a non-GAAP measure and should not be considered a substitute for, or superior to, net cash provided by (used for) operating activities as presented on the consolidated statement of cash flows in accordance with GAAP.

While GAAP operating activities cash flows showed a use of \$25.3 million in the first nine months of 2012, management operating cash moved in the opposite direction providing approximately \$480.3 million of inflows. During the first nine months of 2011, GAAP operating activities cash flows showed a use of approximately \$74.5 million, while management operating cash showed inflows of \$105.7 million.

During the second and third quarters of 2012, the Company received non-interest bearing NOW account deposits. As of September 30, 2012, we have \$678.8 million of non-interest bearing NOW account deposits outstanding. These deposits were in excess of our operating cash requirements to fund account receivables, which resulted in a large cash balance on our balance sheet for the current period. We anticipate this balance to decline based on historical patterns of the non-interest bearing NOW account deposits and scheduled maturities of our deposits.

In addition to the \$480.3 million of management operating cash we generated during the first nine months of 2012, we also increased borrowings under our revolving credit facility by \$12.2 million. During the first nine months of 2012 we paid \$27.8 million in cash for the acquisition of CorporatePay, \$11.3 million to repurchase shares and the pay down of \$19.6 million of UNIK s debt.

***Management Operating Cash***

The table below reconciles net cash provided by operating activities to change in management operating cash:

	<b>Nine months ended</b>	
	<b>September 30,</b>	
	<b>2012</b>	<b>2011</b>
Net cash used for operating activities	<b>\$ (25,306)</b>	\$ (74,475)
Net increase in deposits	<b>512,456</b>	170,974
Net (decrease) increase in borrowed federal funds	<b>(6,900)</b>	9,229
 Management operating cash	 <b>\$ 480,250</b>	 \$ 105,728

Our bank subsidiary, WEX Bank, utilizes certificates of deposit to finance our domestic accounts receivable. WEX Bank issued certificates of deposit in various maturities ranging between six months and two years and with fixed interest rates ranging from 0.40 percent to 1.15 percent as of September 30, 2012. As of September 30, 2012, we had approximately \$391.6 million of certificates of deposit outstanding. WEX Bank also issues interest-bearing money market deposits to finance our accounts receivable. As of September 30, 2012, we had approximately \$123.5 million of interest-bearing money market deposits at a weighted average rate of 0.42 percent. During the second quarter of 2012, we received non-interest bearing Negotiable Order of Withdrawal ( NOW ) account deposits associated with Higher One. As of September 30, 2012, we had \$678.8 million of non-interest bearing NOW account deposits and \$12.3 million on non-interest bearing customer deposits outstanding. Deposits are subject to regulatory capital requirements.

WEX Bank also utilizes federal funds lines of credit to supplement the financing of our accounts receivable. We have approximately \$140 million in federal funds lines of credit as of September 30, 2012, with no outstanding balance.

***Liquidity***

We continue to have appropriate access to short-term borrowing instruments to fund our accounts receivable. Our cash balance for the period increased by approximately \$409.5 million. During the nine months ended September 30, 2012 deposits increased approximately \$512.5 million,

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accounts receivable increased approximately \$306.8 million and accounts payable increased approximately \$177.7 million, primarily due to increased fuel prices.

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During the second quarter of 2012, due to growth and fluctuations of daily cash requirements, we have elected to maintain a higher level of liquidity by maintaining higher cash balances. We will continue to monitor the level of requirements on an ongoing basis. Furthermore, due to higher spend levels on our corporate card product, we have deposited \$50 million in an interest bearing escrow account with a third party in order to secure full performance of our payment obligations to a merchant card provider. This amount is recorded in other assets on our balance sheet.

We have approximately 3.75 years left on our revolving credit facility and have approximately \$115 million in borrowings against it. As of September 30, 2012, the unutilized portion of our revolving credit facility was \$585.2 million. Outstanding debt under our amortizing term loan arrangement which expires in May of 2016, totaled \$185 million at September 30, 2012. As of September 30, 2012, amounts outstanding under the amortizing term loan bear interest at a rate of LIBOR plus 150 basis points. Amounts outstanding under the revolving credit facility bear interest at a rate equal to, at our option, (a) LIBOR plus 150 basis points or (b) the prime rate plus 50 basis points. We increased our financing debt by \$4.7 million during the first nine months of 2012 and ended the period with a balance outstanding of \$300 million.

During the third quarter of 2012, WEX Bank established a line of credit through the Federal Reserve Bank Discount Window. WEX Bank pledged approximately \$598.4 million of fleet receivables held by them to the Federal Reserve Bank as collateral for potential borrowings. Amounts that can be borrowed are based on the amount of collateral pledged to the Federal Reserve Bank and were approximately \$353 million as of September 30, 2012. As of September 30, 2012, WEX Bank had no borrowings on this line of credit.

Our credit agreement contains various financial covenants requiring us to maintain certain financial ratios. In addition to the financial covenants, the credit agreement contains various customary restrictive covenants including restrictions in certain situations on the payment of dividends. WEX Bank is not subject to certain of these restrictions. We have been, and expect to continue to be, in compliance with all material covenants and restrictions.

Undistributed earnings of certain foreign subsidiaries of the Company amounted to \$1.5 million as of September 30, 2012. If we were to distribute such earnings in the form of dividends or otherwise, the Company would be subject to both U.S. income taxes (subject to an adjustment for foreign tax credits) and withholding taxes payable to the various foreign countries.

Management believes that we can adequately fund our cash needs during the next 12 months.

**Off-balance Sheet Arrangements**

*Letters of credit.* At September 30, 2012, we had posted, as collateral, letters of credit totaling \$2.4 million.

**Purchase of Treasury Shares**

The following table presents stock repurchase program activity from January 1, 2012 through September 30, 2012 and January 1, 2011, through September 30, 2011:

(in thousands)	Three months ended September 30, 2012		2011		Nine months ended September 30, 2012		2011	
	Shares	Cost	Shares	Cost	Shares	Cost	Shares	Cost
Treasury stock purchased		\$		\$	200.8	\$ 11,288		\$

**Critical Accounting Policies and Estimates**

We have no material changes to our critical accounting policies and estimates discussed in our Annual Report on Form 10-K for the year ended December 31, 2011.

**Recently Adopted Accounting Standards**

See Note 2 to the Condensed Consolidated Financial Statements in Part I, Item 1 of this Form 10-Q.



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

We have no material changes to the disclosure on this matter made in our Annual Report on Form 10-K for the year ended December 31, 2011.

**Item 4. Controls and Procedures.**

**Evaluation of Disclosure Controls and Procedures**

The principal executive officer and principal financial officer of WEX Inc. evaluated the effectiveness of the Company's disclosure controls and procedures as of the end of the period covered by this report. 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, within the time periods specified in the SEC's rules and forms, is recorded, processed, summarized and reported, and 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. Based on their evaluation, the principal executive officer and principal financial officer of WEX Inc. concluded that the Company's disclosure controls and procedures were effective as of September 30, 2012.

**Changes in Internal Control Over Financial Reporting**

There were no changes in our internal control over financial reporting that occurred during the fiscal quarter ended September 30, 2012, our most recently completed fiscal quarter, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

**Table of Contents****PART II****Item 1. Legal Proceedings.**

As of the date of this filing, we are not involved in any material legal proceedings. We also were not involved in any material legal proceedings that were terminated during the third quarter of 2012. However, from time to time, we are subject to other legal proceedings and claims in the ordinary course of business, none of which we believe are likely to have a material adverse effect on our financial position, results of operations or cash flows.

**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, 2011, which could materially affect our business, financial condition or future results. The risks described in this report and in our Annual Report on Form 10-K are not the only risks facing our Company. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition or future results.

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

The following table provides information about the Company's purchases of shares of the Company's common stock during the quarter ended September 30, 2012:

	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs <sup>(a)</sup>	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs <sup>(a)</sup>
July 1 - July 31, 2012		\$		\$ 37,345,340
August 1 - August 31, 2012		\$		\$ 37,345,340
September 1 - September 30, 2012		\$		\$ 37,345,340
Total		\$		\$ 37,345,340

<sup>(a)</sup> On February 7, 2007, the Company announced a share repurchase program authorizing the purchase of up to \$75 million of its common stock over the next 24 months. In July 2008, our board of directors approved an increase of \$75 million to the share repurchase authorization. In addition, our board of directors extended the share repurchase program to July 25, 2013. We have been authorized to purchase, in total, up to \$150 million of our common stock. Share repurchases will 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, will determine the timing and number of shares repurchased.

**Table of Contents****Item 6. Exhibits.**

<b>Exhibit</b>	
<b>No.</b>	<b>Description</b>
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 effective October 25, 2012 (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 (incorporated by reference to Exhibit No. 3.2 to our Current Report on Form 8-K filed with the SEC on October 30, 2012, File No. 001-32426)
4.1	Rights Agreement, dated as of February 16, 2005 by and between WEX Inc. and Wachovia Bank, National Association (incorporated by reference to Exhibit No. 4.1 to our Current Report on Form 8-K filed with the SEC on March 1, 2005, 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
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101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Calculation Linkbase Document
101.LAB	XBRL Taxonomy Label Linkbase Document
101.PRE	XBRL Taxonomy Presentation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document

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

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**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 1, 2012

By: /s/ Steven A. Elder  
Steven A. Elder

*Senior Vice President and CFO*

*(principal financial officer and principal accounting officer)*

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**Table of Contents****EXHIBIT INDEX**

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