WEX Inc.
Form 10-K/A
March 20, 2019

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10–K/A
(Amendment No. 1)

(Mark One)
þ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2018
OR
¨ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to .
Commission file number 001–32426

WEX INC.
(Exact name of registrant as specified in its charter)

Delaware	01–0526993
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
1 Hancock Street Portland, Maine	04101
(Address of principal executive offices)	(Zip Code)

(207) 773-8171
(Registrant’s telephone number, including area code)

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

Title of each class	Name of each exchange on which registered
Common Stock, $0.01 par value	New York Stock Exchange

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

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
þ Yes ¨ No
Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.
¨ Yes þ No
Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
þ Yes ¨ No
Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S–T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

þ Yes ¨ No

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

¨

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

Large accelerated filer þ	Accelerated filer ¨
Non-accelerated filer ¨	Smaller reporting company ¨
	Emerging growth company ¨

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

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

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

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

DOCUMENTS INCORPORATED BY REFERENCE

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

EXPLANATORY NOTE

This Amendment No. 1 on Form 10-K/A (the "Amendment") amends the Annual Report on Form 10-K of WEX Inc. for the fiscal year ended December 31, 2018, as filed with the Securities and Exchange Commission on March 18, 2019 (the "Original Filing").

WEX Inc. (the “Company”) is filing this amendment for the sole purpose of correcting an error in the calculation of "Adjusted net income attributable to shareholders" for 2018 and 2017 as disclosed in Item 7 on page 56 of the Original Filing. Subsequent to the Original Filing, the Company discovered a calculation error in the line item disclosing adjustments of "Tax related items", leading to an overstatement of Adjusted net income attributable to shareholders by $1.4 million in 2018 and $6.0 million in 2017. The Original Filing showed Adjusted net income attributable to shareholders of $362.3 million in 2018 and $235.3 million in 2017. The corrected Adjusted net income attributable to shareholders is $360.9 million in 2018 and $229.3 million in 2017.

This Form 10-K/A speaks as of the original filing date of the Form 10-K, does not reflect events that may have occurred subsequent to the original filing date, and, except as noted above, does not modify or update in any way disclosures made in the original Form 10-K. As required by applicable SEC rules, all of Item 7, as amended, is restated below.

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

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

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

- 2018 Highlights and Year in Review
- Segments
- Results of Operations
- Application of Critical Accounting Policies and Estimates
- New Accounting Standards
- Liquidity, Capital Resources and Cash Flows

2018 Highlights and Year in Review

The following events and accomplishments occurred during 2018:

- Contributions from all three of our segments resulted in the Company reaching approximately $1.5 billion in annual revenues in 2018, 20 percent growth relative to the prior year.
- During October 2018, the Company entered into a definitive asset purchase agreement to acquire Chevron’s existing customer portfolio for approximately $223.4 million, including of $54.6 million for the carrying value of trade accounts receivable. Concurrently with entering into the asset purchase agreement, we modified a number of contract terms, including extending the term of Chevron’s agreement. Conversion of the acquired portfolio onto the Company’s payment processing platform started in the first quarter of 2019.
- During October 2018, the Company entered into a definitive agreement to acquire Noventis, an electronic payments network focused on optimizing payment delivery for bills and invoices to commercial entities, for approximately $310 million. This acquisition will expand our reach as a corporate payments supplier and provide more channels to billing aggregators and financial institutions. The Company closed on this transaction January 24, 2019.
- The Company successfully executed two separate repricings of our 2016 Credit Agreement in 2018, which among other things, increased our availability under the revolving credit facility by $150 million, increased the outstanding amounts under our term loans by $178 million and lowered applicable interest rate margins on both

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our revolver and term loans. In addition, we extended the maturity on revolving credit facility and term A loans to July 2023.

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

- Average number of vehicles serviced increased 8 percent from 2017 to approximately 11.8 million for 2018, primarily related to growth in our worldwide customer base. As of December 31, 2018, vehicles serviced totaled 12.4 million.
- Total fuel transactions processed increased 7 percent from 2017 to 552.3 million in 2018 due to organic growth. Total payment processing transactions increased 7 percent from 2017 to 459.3 million in 2018, and transaction processing transactions also increased 7 percent from 2017 to 93.0 million in 2018.
- The average U.S. fuel price per gallon during 2018 was $2.95, an 18 percent increase as compared to the same period in the prior year.
- Credit loss expense in the Fleet Solutions segment decreased 8 percent to $54.5 million during 2018, as compared to $59.3 million during 2017. Spend volume increased 22 percent in 2018 as compared to 2017. Our credit losses were 12.5 basis points of fuel expenditures for 2018, as compared to 17.2 basis points of fuel expenditures for 2017, a decrease of 27 percent primarily due to lower incidences of magnetic stripe card skimming fraud as compared to 2017.
- Our Travel and Corporate Solutions purchase volume grew to $34.7 billion in 2018, a 14 percent increase from 2017, primarily due to strong growth globally driven by strong performance in both our travel and corporate payment products.
- Health and Employee Benefit Solutions average number of SaaS accounts in the U.S. grew 20% to 11.0 million in 2018 from 9.2 million in 2017. Likewise, U.S. purchase volume grew by $497.1 million in 2018, a 12 percent increase as compared to 2017.
- Our effective tax rate was 28.9 percent for 2018 as compared to 8.9 percent for 2017. The lower tax rate in 2017 was primarily due to the reduction of our net deferred tax liabilities resulting from the change in federal corporate income tax rate to 21 percent from 35 percent effective January 1, 2018 as part of the 2017 Tax Act.

Segments

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

Results of Operations

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

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

Sources of Operating Expense

Cost of Services

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

- Service fees - The Company incurs costs from third-party networks utilized to deliver payment solutions. Additionally, other third-parties are utilized in performing services directly related to generating revenue. With the adoption of Topic 606, effective January 1, 2018 fees paid to third-party networks are no longer recorded as service fees and are now prospectively presented as a reduction of revenues.
- Provision for credit losses - Changes in the reserve for credit loss are the result of changes in management's estimate of the losses in the Company's outstanding portfolio of receivables, including losses from fraud.
- Operating interest - The Company incurs interest expense on the operating debt obtained to provide liquidity for its short-term receivables.
- Depreciation and amortization - The Company has identified those tangible and intangible assets directly associated with providing a service that generates revenue and records the depreciation and amortization associated with those assets under this category. Such assets include processing platforms and related infrastructure, acquired developed technology intangible assets and other similar asset types.

Other Operating Expenses

- General and administrative - General and administrative includes compensation and related expenses for executive, finance and accounting, other information technology, human resources, legal and other corporate functions. Also included are corporate facilities expenses, certain third-party professional service fees and other corporate expenses.
- Sales and marketing - The Company's sales and marketing expenses relate primarily to compensation, benefits, sales commissions and related expenses for sales, marketing and other related activities. With the adoption of Topic 606, effective January 1, 2018 certain payments to partners are now prospectively classified as sales and marketing expenses .
- Depreciation and amortization - The depreciation and amortization associated with tangible and intangible assets that are not considered to be directly associated with providing a service that generates revenue are recorded as other operating expenses. Such assets include corporate facilities and information technology assets and acquired intangible assets other than those included in cost of services.

Year Ended December 31, 2018, Compared to the Year Ended December 31, 2017
Fleet Solutions
Revenues
The following table reflects comparative revenue and key operating statistics within Fleet Solutions:

	Twelve Months Ended December 31,		Increase (Decrease)	
(In thousands, except per transaction and per gallon data)	2018	2017	Amount	Percent
Revenues[a]				
Payment processing revenue	$464,980	$360,158	$104,822	29 %
Account servicing revenue	162,662	165,083	(2,421)	(1)%
Finance fee revenue	190,528	159,336	31,192	20 %
Other revenue	156,970	138,533	18,437	13 %
Total revenues	$975,140	$823,110	$152,030	18 %
Key operating statistics[b]				
Payment processing revenue:				
Payment processing transactions	459,309	429,716	29,593	7 %
Payment processing fuel spend	$36,991,903	$30,288,539	$6,703,364	22 %
Average price per gallon of fuel – Domestic – ($USD/gal)	$2.95	$2.50	$0.45	18 %
Net payment processing rate	1.26 %	1.19 %	0.07 %	6 %

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

Revenues
The net impact of adopting the new revenue recognition standard in 2018, described further below, increased Fleet Solutions revenue by approximately $35 million for 2018, as compared to 2017.
Payment processing revenue increased $104.8 million for 2018, as compared to 2017, due primarily to higher average domestic fuel prices, the impact from the adoption of the new revenue recognition standard and increased payment processing volumes due to organic growth. Upon adoption of the new revenue recognition standard, we reclassified certain amounts paid to partners from a reduction of revenue to sales and marketing expense.
Account servicing revenue decreased $2.4 million for 2018, as compared to 2017, due primarily to the divestiture of our Telapoint business in the fourth quarter of 2017, partly offset by an increase in fees to certain customers as part of domestic price modernization efforts over the course of the prior year.
Other revenue increased $18.4 million in 2018, as compared to 2017, due primarily to organic growth resulting from higher EFS transaction processing revenue and Asia-Pacific revenues. Additionally, we reclassified certain amounts from contra revenue to selling expense in 2018 following adoption of the new revenue recognition standard.
Finance fee revenue is comprised of the following components:

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

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

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

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

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

Operating Expenses

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

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

NM - Not Meaningful

Cost of services

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

related to recent significant customer acquisitions.
Service fees increased $1.4 million during 2018, as compared to 2017, due primarily to higher bank fees resulting from increased volumes.

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

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

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

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

Other operating expenses

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

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

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

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

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

Travel and Corporate Solutions

Revenues

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

	Twelve Months Ended December 31,		Increase (Decrease)	
(In thousands)	2018	2017	Amount	Percent
Revenues[(a)]				
Payment processing revenue	$203,289	$158,660	$44,629	28 %
Account servicing revenue	37,262	7,531	29,731	395 %
Finance fee revenue	1,391	760	631	83 %
Other revenue	61,402	57,096	4,306	8 %
Total revenues	$303,344	$224,047	$79,297	35 %
Key operating statistics[(b)]				
Payment processing revenue:				
Payment solutions purchase volume	$34,702,614	$30,344,752	$4,357,862	14 %

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

(b) The Company adopted the requirements of the new revenue recognition standard as of January 1, 2018, utilizing the modified retrospective method of transition. Impacted non-financial metrics have been updated prospectively.

The net impact of adopting the new revenue recognition standard in 2018, described further below, increased Travel and Corporate Solutions revenue by approximately $8 million in 2018.

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

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

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

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

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

Operating Expenses

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

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

NM - Not Meaningful

Cost of services

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

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

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

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

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

Other operating expenses

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

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

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

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

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Health and Employee Benefit Solutions

Revenues

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

	Twelve Months Ended December 31,		Increase (Decrease)	
(In thousands)	2018	2017	Amount	Percent
Revenues[a]				
Payment processing revenue	$55,722	$50,348	$5,374	11 %
Account servicing revenue	108,172	103,956	4,216	4 %
Finance fee revenue	16,708	28,696	(11,988)	(42)%
Other revenue	33,553	18,420	15,133	82 %
Total revenues	$214,155	$201,420	$12,735	6 %
Key operating statistics[b]				
Payment processing revenue:				
Purchase volume	$4,814,328	$4,317,236	$497,092	12 %
Account servicing revenue:				
Average number of SaaS accounts	11,020	9,213	1,807	20 %

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

[b] The Company adopted the requirements of the new revenue recognition standard as of January 1, 2018, utilizing the modified retrospective method of transition. Impacted non-financial metrics have been updated prospectively.

The net impact of adopting the new revenue recognition standard in 2018, decreased Health and Employee Benefit Solutions revenue by approximately $1 million in 2018.

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

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

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

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

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

Operating Expenses

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

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

Cost of services

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

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

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

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

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

Other operating expenses

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

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

Unallocated corporate expenses

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

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

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

NM - Not Meaningful

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

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

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

Non-operating income and expense

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

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

NM - Not Meaningful

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

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

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

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

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

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

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

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

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

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

Fleet Solutions

Revenues

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

	Twelve Months Ended December 31,		Increase (Decrease)	
(In thousands, except per transaction and per gallon data)	2017	2016	Amount	Percent
Revenues[a]				
Payment processing revenue	$360,158	$297,900	$62,258	21 %
Account servicing revenue	165,083	127,105	37,978	30 %
Finance fee revenue	159,336	124,725	34,611	28 %
Other revenue	138,533	92,331	46,202	50 %
Total revenues	$823,110	$642,061	$181,049	28 %
Key operating statistics [b]				
Payment processing revenue:				
Payment processing transactions	429,716	385,861	43,855	11 %
Payment processing fuel spend	$30,288,539	$22,838,237	$7,450,302	33 %
Average price per gallon of fuel – Domestic – ($USD/gal)	$2.50	$2.21	$0.29	13 %
Net payment processing rate	1.19 %	1.30 %	(0.11)%	(8)%

[a] Foreign currency exchange rate fluctuations increased Fleet Solutions revenue by approximately $3 million in 2017.

[b] As of July 1, 2016, these key operating statistics include our EFS acquisition.

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Payment processing revenue increased $62.3 million for 2017, as compared to 2016, due primarily to the impact of a 13% increase in the annual average domestic price per gallon of fuel and higher payment processing volumes. Higher payment processing volumes resulted from organic growth, the acquisition of EFS and a large customer portfolio converting from a transaction processing relationship to a payment processing relationship in the beginning of 2016. These favorable factors were partly offset by a decrease in our interchange rate as a result of the large portfolio conversion mentioned above.

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

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

Finance fee revenue is comprised of the following components:

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

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

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

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

Operating expenses

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

	Twelve Months Ended December 31,		Increase (Decrease)	
(In thousands)	2017	2016	Amount	Percent
Cost of services				
Processing costs	$178,710	$186,203	$(7,493)	(4)%
Service fees	$5,789	$4,205	$1,584	38 %
Provision for credit losses	$59,251	$27,264	$31,987	117 %
Operating interest	$9,122	$3,476	$5,646	162 %
Depreciation and amortization	$47,574	$44,245	$3,329	8 %
Other operating expenses				
General and administrative	$73,397	$66,788	$6,609	10 %
Sales and marketing	$118,740	$93,835	$24,905	27 %
Depreciation and amortization	$91,748	$51,732	$40,016	77 %
Impairment charges	$18,181	$—	$18,181	NM

Operating income	$220,598	$164,313	$56,285	34	%

NM - Not Meaningful

Cost of services

Processing costs decreased $7.5 million for 2017, as compared to 2016. 2016 results include additional processing costs associated with our Brazilian subsidiary. The reduction in processing costs during 2017 was partly offset by resources assumed as part of the acquisition of EFS and business growth.

Service fees increased $1.6 million during 2017, as compared to 2016, primarily due to an increase in professional fees.

Provision for credit losses increased $32.0 million for 2017, as compared to 2016, resulting from higher incidences of magnetic stripe card skimming fraud during 2017. Additionally, credit losses were impacted by higher relative fuel spend and the acquisition of EFS. During 2017, the Company took a number of steps to combat fraud losses, including establishing portfolio limits on the number of transactions and amount of fuel purchases. Additionally, we implemented new real-time technology during the fourth quarter of 2017, designed to increase fraud detection speed. As a result of these actions, monthly fraud losses trended downwards in the second half of 2017, most significantly in the fourth quarter.

Our credit losses as a percentage of total fuel expenditures on the payment processing transactions was 17.2 basis points of fuel expenditure for 2017, as compared to 11.1 basis points of fuel expenditures for 2016. The expense we recognize in each quarter is the amount necessary to bring the reserve to its required level based on accounts receivable aging and net charge offs.

Operating interest expense increased $5.6 million in 2017, as compared to 2016, primarily due to higher interest rates paid on recently issued certificates of deposit, which replaced previously held non-interest bearing deposits following the expiration of an agreement with a deposit partner during the fourth quarter of 2016. Additionally, payment processing volume increases and higher fuel prices contributed to the increase in operating interest expense.

Depreciation and amortization increased $3.3 million in 2017, as compared to 2016. Following the acquisition of EFS, we evaluated the estimated useful life of our existing over-the-road payment processing technology. As a result of this analysis, we accelerated amortization related to this technology during the third quarter of 2016, resulting in incremental amortization during 2017 as compared to the same period in the prior year. This technology is fully amortized as of December 31, 2017.

Other operating expenses

General and administrative expenses increased $6.6 million for 2017, as compared to 2016, resulting from personnel required to support the in-sourcing of technology functions from a third-party provider.

Sales and marketing expenses increased $24.9 million in 2017, as compared to 2016 due to resulting primarily from higher costs to support business growth, including incremental costs as a result of the EFS acquisition.

Depreciation and amortization increased $40.0 million in 2017, as compared to 2016, due primarily to a full year of amortization of intangibles acquired in the EFS acquisition.

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

Travel and Corporate Solutions

Revenues

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

	Twelve Months Ended December 31,		Increase (Decrease)	
(In thousands)	2017	2016	Amount	Percent
Revenues[a]				
Payment processing revenue	$158,660	$175,762	$(17,102)	(10)%
Account servicing revenue	7,531	1,247	6,284	504 %
Finance fee revenue	760	643	117	18 %
Other revenue	57,096	37,595	19,501	52 %
Total revenues	$224,047	$215,247	$8,800	4 %
Key operating statistics[b]				
Payment processing revenue:				
Payment solutions purchase volume	$30,344,752	$23,965,023	$6,379,729	27 %

[a] The impact of foreign currency exchange rate fluctuations did not have a material impact on revenue in 2017.

[b] As of July 1, 2016, these key operating statistics include our EFS acquisition.

Revenues

Payment processing revenue decreased approximately $17.1 million for 2017, as compared to 2016, primarily due to a decrease in our net interchange rate resulting from contract renegotiations with a large travel customer which went into effect in January 2017. This decrease in our net interchange rate was partly offset by an increase in corporate charge card purchase volume from our WEX travel product in all our markets, most notably the U.S. and Europe, and the acquisition of EFS.

Account servicing revenue increased approximately $6.3 million for 2017, as compared to 2016, primarily due to the acquisition of AOC in October 2017.

Finance fee revenue was not material to Travel and Corporate Solutions' operations in 2017 or 2016.

Other revenue increased approximately $19.5 million for 2017, as compared to 2016, primarily due to higher international settlement fees.

Concessions to certain customers experiencing financial difficulties may be granted and are limited to extending the time to pay, placing a customer on a payment plan or granting waivers of late fees. As of December 31, 2017 and 2016, customer balances with such concessions totaled $7.9 million and $16.7 million, respectively. The Company waived $2.1 million and $1.3 million in late fees in 2017 and 2016, respectively.

Operating expenses

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

	Twelve Months Ended December 31,		Increase (Decrease)	
(In thousands)	2017	2016	Amount	Percent
Cost of services				
Processing costs	$23,821	$22,551	$1,270	6 %
Service fees	$56,094	$67,841	$(11,747)	(17)%
Provision for credit losses	$(68)	$5,676	$(5,744)	(101)%
Operating interest	$8,367	$2,969	$5,398	182 %
Depreciation and amortization	$6,519	$4,188	$2,331	56 %
Other operating expenses				
General and administrative	$18,358	$30,006	$(11,648)	(39)%
Sales and marketing	$21,422	$18,908	$2,514	13 %
Depreciation and amortization	$13,760	$5,355	$8,405	157 %
Impairment charge	$25,990	$—	$25,990	NM
Operating income	$49,784	$57,753	$(7,969)	(14)%

NM - Not Meaningful

Cost of services

Processing costs increased $1.3 million in 2017, as compared to 2016, due primarily to the acquisitions of AOC and EFS.

Service fees decreased by $11.7 million in 2017, as compared to 2016, due primarily to lower network processing fees paid as a result of our MasterCard contract renewal executed during the third quarter of 2016, partly offset by incremental expenses resulting from higher relative purchase volumes.

Provision for credit losses decreased $5.7 million in 2017, as compared to 2016. Prior year results were negatively impacted by two discrete credit losses, including the bankruptcy of one of our online travel agency customers. We recovered a portion of the 2016 provision for credit loss during 2017.

Operating interest increased $5.4 million in 2017, as compared to 2016, due to higher deposit interest rates. Following the expiration of an agreement with a deposit partner during the fourth quarter of 2016, we issued certificates of deposit to replace previously held non-interest bearing deposits. Additionally, higher payment processing volumes contributed to the increase in operating interest expense.

Depreciation and amortization expenses increased $2.3 million in 2017, as compared to 2016, due to amortization of intangibles recognized as part of our AOC and EFS acquisitions.

Other operating expenses

General and administrative expenses decreased $11.6 million in 2017, as compared to 2016, primarily due to a one-time $15.5 million vendor settlement executed in 2016 in exchange for the release of potential claims related to in-sourcing certain technology, partly offset by personnel costs assumed in the AOC and EFS acquisitions.

Sales and marketing expenses increased $2.5 million in 2017, as compared to 2016, due primarily to the acquisitions of AOC and EFS.

Depreciation and amortization expenses increased $8.4 million in 2017, as compared to 2016, primarily due to amortization of intangibles recognized as part of our AOC acquisition.

During the second quarter of 2017, we incurred a $16.2 million non-cash impairment and an asset write-off related to in-sourcing certain technology functions, approximately $4.0 million of which was allocated to Travel and Corporate Solutions. Additionally, we determined that the developed technology obtained as part of the AOC acquisition more closely aligned with our

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current technological strategy than did other capitalized software on our balance sheet. As a result, $22.0 million of previously capitalized software development was determined to have no future benefit and was therefore written-off during 2017.

Health and Employee Benefit Solutions

Revenues

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

	Twelve Months Ended December 31,		Increase (Decrease)		
(In thousands)	2017	2016	Amount	Increase	
Revenues [(a)]					
Payment processing revenue	$50,348	$46,957	$3,391	7	%
Account servicing revenue	103,956	82,660	21,296	26	%
Finance fee revenue	28,696	7,600	21,096	278	%
Other revenue	18,420	17,963	457	3	%
Total revenues	$201,420	$155,180	$46,240	30	%
Key operating statistics					
Payment processing revenue:					
Purchase volume	$4,317,236	$3,823,035	$494,201	13	%
Account servicing revenue:					
Average number of SaaS accounts	9,213	7,197	2,016	28	%

[(a)] Foreign currency exchange rate fluctuations increased Health and Employee Benefit Solutions revenue by $3 million in 2017.

Revenues

Payment processing revenue increased approximately $3.4 million for 2017, as compared to 2016, resulting primarily from an increase in WEX Health purchase volume due to growth in the number of consumers, partly offset by a slight decline in WEX Latin America revenues.

Account servicing revenue increased $21.3 million for 2017, as compared to 2016. This increase was primarily due to WEX Health customer signings and existing customer growth, which resulted in a higher number of participants using our SaaS healthcare technology platform.

Finance fee revenue increased $21.1 million in 2017, as compared to 2016, due primarily to growth in revenue earned on our salary advance product in Brazil.

Concessions to certain customers experiencing financial difficulties may be granted and are limited to extending the time to pay, placing a customer on a payment plan or granting waivers of late fees. There were no material concessions to customers experiencing financial difficulties during either of the years ended December 31, 2017 and 2016.

Other revenue increased $0.5 million in 2017, as compared to 2016, resulting primarily from an increase in Brazil card transactions and higher ancillary WEX Health fees as result of a growing customer base.

Operating expenses

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

(In thousands)	Twelve Months Ended December 31, 2017	2016	Increase (Decrease) Amount	Percent
Cost of services				
Processing costs	$75,525	$61,963	$13,562	22 %
Service fees	$11,074	$7,321	$3,753	51 %
Provision for credit losses	$5,035	$518	$4,517	872 %
Operating interest	$7,504	$5,941	$1,563	26 %
Depreciation and amortization	$19,968	$14,446	$5,522	38 %
Other operating expenses				
General and administrative	$23,053	$17,688	$5,365	30 %
Sales and marketing	$23,354	$18,042	$5,312	29 %
Depreciation and amortization	$22,543	$20,158	$2,385	12 %
Operating income	$13,364	$9,103	$4,261	47 %

Cost of services

Processing costs increased $13.6 million in 2017, as compared to 2016, primarily due to an increase in volume resulting from a growth in the number of customers.

Service fees increased $3.8 million in 2017, as compared to 2016, primarily due to costs incurred as a result of the increase in participants using our SaaS healthcare offerings.

Provision for credit losses increased $4.5 million in 2017, as compared to 2016. 2016 was unfavorably impacted by increased credit losses in Brazil, primarily relating to a discrete customer.

Operating interest increased $1.6 million in 2017, as compared to 2016, primarily due to an increase in customer receivable balances due to business growth and higher average interest rates.

Depreciation and amortization expenses increased $5.5 million in 2017, as compared to 2016, resulting from higher depreciation expense primarily on capitalized internal-use software development costs.

Other operating expenses

General and administrative expenses increased $5.4 million in 2017, as compared to 2016, primarily due to expenses to support significant business growth and higher revenue-based taxes in Brazil.

Sales and marketing expenses increased $5.3 million in 2017, as compared to 2016, primarily in support of an overall increase in business growth.

Depreciation and amortization increased $2.4 million in 2017, as compared to 2016, resulting from higher amortization of acquired intangibles.

Unallocated corporate expenses

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

(In thousands)	Twelve Months Ended December 31, 2017	2016	Increase (Decrease) Amount	Percent
Other operating expenses				
General and administrative	$69,531	$71,075	$(1,544)	(2)%
Sales and marketing	$138	$42	$96	229 %
Depreciation and amortization	$1,612	$1,527	$85	6 %
Gain on divestiture	$(20,958)	$—	$(20,958)	— %

General and administrative expenses in 2017 were generally consistent with the prior year.

Sales and marketing expenses and depreciation and amortization were not material to the Company's operations for both of 2017 and 2016.

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

Non-operating income and expense

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

(In thousands)	Twelve Months Ended December 31, 2017	2016	Increase (Decrease) Amount	Percent
Financing interest expense	$(107,067)	$(113,418)	$(6,351)	(6)%
Net foreign currency gain (loss)	$31,487	$(9,233)	$40,720	NM
Net realized and unrealized gains on fuel price derivatives	$—	$711	$(711)	NM
Net unrealized gain on financial instruments	$1,314	$12,908	$(11,594)	(90)%
Non-cash adjustments related to tax receivable agreement	$15,259	$(563)	$15,822	NM
Income taxes	$15,450	$28,592	$(13,142)	(46)%
Net loss from non-controlling interest	$(1,096)	$(3,161)	$(2,065)	(65)%

NM - Not Meaningful

Financing interest expense decreased $6.4 million in 2017, as compared to 2016. The Company was unfavorably impacted by $30 million of ticking fees incurred for the commitment of funds to finance the acquisition of EFS in 2016. The absence of this expense in 2017 was partly offset by higher relative borrowings and effective interest rates under the 2016 Credit Agreement.

Our foreign currency exchange exposure is primarily related to the re-measurement of our cash, receivable and payable balances, including intercompany transactions that are denominated in foreign currencies. In 2017, net foreign currency gain was $31.5 million, as compared to a net foreign currency loss of $9.2 million in 2016. In 2017, we recognized gains on trade receivables and intercompany loans primarily from a strengthening of the British Pound Sterling and the Euro relative to the US dollar. In 2016, we experienced foreign currency exchange losses from fluctuations in exchange rates that resulted in a significant devaluation of major currencies to which our business is exposed, including the British Pound Sterling, the Euro and the Australian dollar.

Net realized and unrealized gains on fuel price derivatives were not material to Company operations in 2017 or 2016.

Net unrealized gain on financial instruments decreased $11.6 million in 2017, as compared to 2016. In 2017, the favorable impact of increases in the variable interest rates on our swap agreements was almost entirely offset by the decrease in remaining swap duration.

Non-cash adjustments related to tax receivable agreement were $15.3 million in 2017 resulting from a decrease in a tax sharing liability due to our former parent company as result of recent tax reform which reduced the federal statutory rate from 35% to 21%.

Our effective tax rate was 8.9 percent for 2017 as compared to 58.4 percent for 2016. The decrease in our tax rate was primarily due to the reduction of our net deferred tax liabilities resulting from the change in federal corporate income tax rate to 21 percent from 35 percent effective January 1, 2018 as part of the 2017 Tax Act and a decrease in non-deductible expense in 2017, partly offset by the increase in valuation allowance. The 2016 tax rate reflected non-deductible expenses related to the losses incurred by our Brazilian subsidiary, as these losses were not deductible for tax purposes.

During the fourth quarter of 2017, the Company estimated the provision for income taxes in accordance with the 2017 Tax Act and guidance available and as a result has recorded a provisional amount of one-time income tax benefit of approximately $60.6 million. This benefit is primarily related to the remeasurement of certain deferred tax assets and liabilities based on the tax rates at which they are expected to reverse in the future and a reduction in the amount due under our tax receivable agreement, which decreased primarily as a result of the decline in the federal corporate income tax rate. These favorable impacts were partly offset by income tax expense related to the one-time transition on the mandatory deemed repatriation of foreign earnings.

The 2017 Tax Act created a new requirement to tax certain foreign earnings relating to GILTI. During the year ended December 31, 2017, we did not record any deferred taxes related to GILTI and had not yet elected an accounting policy for GILTI.

Undistributed earnings of certain foreign subsidiaries of the Company amounted to approximately $58.7 million and $25.8 million at December 31, 2017 and 2016, respectively. These earnings are considered to be indefinitely reinvested. Beginning in 2018, except for GILTI, the Company no longer records United States federal income tax on its share of the income of its foreign subsidiaries, nor a benefit for foreign tax credits related to that income.

Net income or loss from non-controlling interest relates to our 75 percent ownership stake in WEX Europe Services. Such amounts were not material to Company operations for 2017 and 2016.

Non-GAAP Financial Measures That Supplement GAAP Measures

The Company's non-GAAP adjusted net income excludes unrealized gains and losses on financial instruments, net foreign currency remeasurement gains and losses, acquisition-related ticking fees, acquisition-related intangible amortization, other acquisition and divestiture related items, stock-based compensation, restructuring and other costs, gain on divestiture, impairment charges and asset write-offs, a one-time vendor settlement, debt restructuring and debt issuance cost amortization, non-cash adjustments related to tax receivable agreement, adjustments attributed to our non-controlling interest and certain tax related items.

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

- Exclusion of the non-cash, mark-to-market adjustments on financial instruments, including fuel-price related derivatives and interest rate swap agreements and investment securities, helps management identify and assess trends in the Company's underlying business that might otherwise be obscured due to quarterly non-cash earnings fluctuations associated with these financial instruments. Additionally, the non-cash, mark-to-market adjustments on financial instruments are difficult to forecast accurately, making comparisons across historical and future quarters difficult to evaluate.
- Net foreign currency gains and losses primarily result from the remeasurement to functional currency of cash, receivable and payable balances, certain intercompany balances denominated in foreign currencies and any gain or loss on foreign currency hedges relating to these items. The exclusion of these items helps management compare changes in operating results between periods that might otherwise be obscured due to currency fluctuations.
- The Company considers certain acquisition-related costs, including certain financing costs, ticking fees, investment banking fees, warranty and indemnity insurance, certain integration related expenses and amortization of acquired intangibles, as well as gains and losses from divestitures to be unpredictable, dependent on factors that may be outside of our control and unrelated to the continuing operations of the acquired or divested business or the Company. In

addition, the size and complexity of an acquisition, which often drives the magnitude of acquisition-related costs, may not be indicative of such future costs. During the year ended December 31, 2017, the Company determined that our Telapoint business did not align with the long-term strategy of our core businesses and as result sold the net assets of the business. The Company believes that excluding acquisition-related costs and gains or losses of divestitures facilitates the comparison of our financial results to the Company's historical operating results and to other companies in our industry.

- Stock-based compensation is different from other forms of compensation, as it is a non-cash expense. For example, a cash salary generally has a fixed and unvarying cash cost. In contrast, the expense associated with an equity-based award is generally unrelated to the amount of cash ultimately received by the employee, and the cost to the Company is based on a stock-based compensation valuation methodology and underlying assumptions that may vary over time.
- Restructuring and other costs are related to certain identified initiatives to further streamline the business, improve the Company's efficiency, create synergies and to globalize the Company's operations, all with an objective to improve scale and increase profitability going forward. This also includes other immaterial costs that the Company has incurred and are non-operational and non-recurring. We exclude these items when evaluating our continuing business performance as such items are not consistently occurring and do not reflect expected future operating expense, nor do they provide insight into the fundamentals of current or past operations of our business.
- Impairment charges and asset write-offs represent non-cash write-offs, which do not reflect recurring costs that would be relevant to the Company's continuing operations. In 2018, impairment charges represent a goodwill impairment related to Fleet Solutions operations in Latin America. We also impaired certain computer software which was determined to have no future value in 2018. In 2017, we incurred impairment charges of certain prepaid services following a strategic decision to in-source certain technology functions and on certain payment processing software as part of our ongoing platform consolidation strategy. The Company believes that excluding these nonrecurring expenses facilitates the comparison of our financial results to the Company's historical operating results and to other companies in its industry.
- Vendor settlement represents a payment in exchange for the release of potential claims related to insourcing certain technology, and does not reflect recurring costs that would be relevant to the continuing operations of the Company. The Company believes that excluding this nonrecurring expense facilitates the comparison of our financial results to the Company's historical operating results and to other companies in its industry.
- Debt restructuring and debt issuance cost amortization are unrelated to the continuing operations of the Company. Debt restructuring costs are not consistently occurring and do not reflect expected future operating expense, nor do they provide insight into the fundamentals of current or past operations of our business. In addition, since debt issuance cost amortization is dependent upon the financing method which can vary widely company to company, we believe that excluding these costs helps to facilitate comparison to historical results as well as to other companies within our industry.
- The adjustments attributable to non-controlling interests and to non-cash adjustments related to our tax receivable agreement have no significant impact on the ongoing operations of the business.
- The tax related items are the difference between the Company's U.S. GAAP tax provision and a pro forma tax provision based upon the Company's adjusted net income before taxes as well as the impact from certain discrete tax items. The methodology utilized for calculating the Company's adjusted net income tax provision is the same methodology utilized in calculating the Company's U.S. GAAP tax provision.

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

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

	Year ended December 31,		
	2018	2017	2016
Net income attributable to shareholders	$168,295	$160,062	$23,499
Unrealized gains on financial instruments	(2,579)	(1,314)	(7,901)
Net foreign currency remeasurement loss (gain)	38,800	(31,487)	9,233
Acquisition-related ticking fees	—	—	30,045
Acquisition-related intangible amortization	138,186	153,810	97,829
Other acquisition and divestiture related items	4,143	5,000	20,879
Gain on divestiture	—	(20,958)	—
Stock-based compensation	35,103	30,487	19,742
Restructuring and other costs	13,717	11,129	13,995
Impairment charges and asset write-offs	5,649	44,171	—
Vendor settlement	—	—	15,500
Debt restructuring and debt issuance cost amortization	14,101	10,519	12,673
Non-cash adjustments related to tax receivable agreement	775	(15,259)	563
ANI adjustments attributable to non-controlling interests	(1,370)	(1,563)	(2,583)
Tax related items	(53,918)	(115,278)	(78,800)
Adjusted net income attributable to shareholders	$360,902	$229,319	$154,674

Application of Critical Accounting Policies and Estimates

Our discussion and analysis of our financial condition and results of operations are based upon our consolidated financial statements, which have been prepared in accordance with GAAP. Preparation of these financial statements requires us to make estimates and judgments that affect reported amounts of assets and liabilities, revenue and expenses and related disclosure of contingent assets and liabilities at the date of our financial statements. We continually evaluate our judgments and estimates in determination of our financial condition and operating results. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Estimates are based on information available as of the date of the financial statements and, accordingly, actual results could differ from these estimates, sometimes materially. Critical accounting policies and estimates are defined as those that are both most important to the portrayal of our financial condition and operating results and require management's most subjective judgments. Our consolidated financial statements are based on the selection and application of critical accounting policies and estimates, the most significant of which are included in the tables below.

Revenue Recognition

Description	Assumptions/Approach Used	Effect if Actual Results Differ from Assumptions
The majority of the Company's revenues are comprised of transaction-based fees, which are generally calculated based on measures such as: (i) percentage of dollar value of volume processed; (ii) number of transactions processed; or (iii) some combination thereof. Interchange income, a fee paid by a merchant bank to the card-issuing bank (the Company) through the interchange network, is earned from the Company's suite of card products. Interchange fees are set by the credit card providers. The Company has entered into agreements with major oil companies, fuel retailers and vehicle maintenance providers which provide products and/or services to the Company's customers. These agreements specify that a transaction is deemed to be captured when the Company has validated that the transaction has no errors and has accepted and posted the data to the Company's records.	The Company's primary performance obligation to merchants is a stand-ready commitment to provide payment and transaction processing services as the merchant requires, which is satisfied over time in daily increments. Within our Travel and Corporate Solutions and Health and Employee Benefit Solutions segments, we provide SaaS services and support, which is satisfied over time in a series of daily increments. Revenue is recognized based on an output method using days elapsed to measure progress as the Company transfers control evenly over each monthly subscription period. The Company enters into contracts with certain large customers or strategic cardholders that provide for fee rebates tied to performance milestones. The Company considered whether such rebates constitute considerable payable to a customer or other parties that purchase services from the customer per Topic 606. If so, such rebates, which are considered variable consideration, are recorded as a reduction in payment processing revenue in the same period that related interchange income is recognized.	In preparing the financial statements, management must make estimates related to the contractual terms, customer performance and sales volume to determine the total amounts recorded as deductions, such as rebates and incentives, from revenue. Rebates and incentives are calculated based on estimated performance and the terms of the related business agreements. Management also considers historical results in making such estimates. The actual amounts ultimately paid to the customer may be different from our estimates. Such differences are recorded once they have been determined and have historically not been significant.

Account servicing revenue is primarily comprised of monthly fees charged to cardholders. The Company also recognizes SaaS based service fees in the healthcare market and licensing fees for use of our accounts receivable and accounts payable SaaS platforms.

The Company earns revenue on overdue accounts, calculated using the greater of a minimum charge or a stated late fee rate multiplied by the outstanding balance that is subject to a late fee charge.

The Company assesses fees for providing ancillary services, such as information products and services, software development projects and other services sold subsequent to the core offerings. Other revenues also include international settlement fees, fees for overnight shipping, certain customized electronic reporting and customer contact services provided on behalf of certain of the Company’s customers.

The Company earns revenue on overdue accounts, which is recognized as revenue at the time the fees are assessed.

The Company generally records revenue net of consideration retained based upon its conclusion that the Company is the agent in its principal versus agent relationships.

See Item 8 — Note 1, Summary of Significant Accounting Policies, for accounting guidance applied prior to the Company’s adoption of Topic 606.

Reserve for Credit Losses

Description	Assumptions/Approach Used	Effect if Actual Results Differ from Assumptions
The reserve for losses relating to accounts receivable represents management’s estimate of the losses inherent in the Company’s outstanding portfolio of receivables, including fraud losses. The reserve for credit losses reduces the Company’s accounts receivable balances as reported in its financial statements to the net realizable value.	Management has consistently considered its portfolio of charge card receivables as a large group of smaller balance accounts that it has collectively evaluated for impairment. Reserves for losses on these receivables are primarily based on a model that analyzes specific portfolio statistics, including average charge-off rates for various stages of receivable aging (including: current, 30 days, 60 days, 90 days) over historical periods including average bankruptcy and recovery rates. Receivables are generally written off when they are 150 days past due or declaration of bankruptcy by the customer. The reserve reflects management’s judgment regarding overall reserve adequacy. Management considers whether to adjust the reserve that is calculated by the analytic model based on other factors, such as the actual charge-offs for the preceding reporting periods, expected charge-offs and recoveries for the subsequent reporting periods, a review of accounts receivable balances which become past due, changes in customer payment patterns, known fraudulent activity in the portfolio, as well as leading economic and market indicators.	To the extent historical credit experience is not indicative of future performance, actual loss experience could differ significantly from management’s judgments and expectations, resulting in either higher or lower future provisions for credit losses, as applicable. As of December 31, 2018, we have an estimated reserve for credit losses which is 1.78 percent of the total gross accounts receivable balance. An increase or decrease to this reserve by 0.5 percent would increase or decrease the provision for credit losses for the year by $13.2 million. As of December 31, 2018, 2017 and 2016, our reserve for credit losses in an annual period has ranged from 0.97 percent to 1.78 percent of the total receivable balance.

Business Combinations, Acquired Intangible Assets and Goodwill

Description	Assumptions/Approach Used	Effect if Actual Results Differ from Assumptions
Business combinations are accounted for at fair value. The accounting for business combinations requires estimates and judgment as to expectations for future cash flows of the acquired business, and the allocation of those cash flows to identifiable intangible assets, in determining the estimated fair value for assets and liabilities acquired. An acquisition not meeting the criteria to be accounted for as a business combination is accounted for as an asset acquisition. Asset acquisitions are recorded at purchase price allocated based on the the relative fair value of identifiable assets and liabilities. No goodwill is recorded in an asset acquisition. Goodwill is comprised of the cost of business acquisitions in excess of the fair value assigned to the net tangible and identifiable intangible assets acquired. Goodwill is not amortized but is reviewed for impairment annually, or when events or changes in the business environment indicate that the carrying value of the reporting unit may exceed its fair value. Acquired intangible assets result from the allocation of the cost of an acquisition. These acquired intangibles include assets that amortize, primarily software and customer relationships, and those that do not amortize, specifically trademarks and certain trade names. The annual review of goodwill and indefinite-lived intangibles values is performed as of October 1 of each year.	The fair values assigned to tangible and intangible assets acquired and liabilities assumed are based on management’s estimates and assumptions, as well as other information compiled by management, including valuations that utilize customary valuation procedures and techniques. In the fourth quarter of 2018, we elected to bypass the qualitative approach and instead proceeded directly to step one of the two-step impairment test to assess the fair value of all of our reporting units. For the reporting units that carry goodwill balances, our impairment test consists of a comparison of each reporting unit’s carrying value to its estimated fair value. A reporting unit, for the purpose of the impairment test, is one level below the operating segment level. We have three reporting segments that are further broken into several reporting units for the impairment review. The estimated fair value for the majority of our reporting units is estimated using a combination of discounted estimated future cash flows and prices for comparable businesses. An appropriate discount rate is used, as well as risk premium for specific business units, based on the Company’s cost of capital or reporting unit-specific economic factors. We generally validate the model through a reconciliation of the fair value of all our reporting units to our overall market capitalization. The assumptions used to estimate the discounted cash flows are based on our best estimates about payment processing fees/interchange rates, sales volumes, costs (including fuel prices), future growth rates, working capital needs, capital expenditures and market conditions over an estimate of the remaining operating period at the reporting unit level. The discount rate at each reporting unit is based on the weighted average cost of capital that is determined by evaluating the risk free rate of return, cost of debt, and expected equity premiums. Acquired intangible assets are considered non-recoverable if the carrying amount exceeds the sum of undiscounted cash flows expected to result from the use of the assets. The recoverability test is	We review the carrying values of goodwill and intangible assets with indefinite lives for impairment annually and whenever events or changes in business circumstances indicate that the carrying amount of an asset may not be recoverable. Such circumstances would include, but are not limited to, a significant decrease in the perceived market price of the intangible, a significant adverse change in the way the asset is being used, or a history of operating or cash flow losses associated with the use of the intangible. Our goodwill resides in multiple reporting units. The profitability of individual reporting units may suffer periodically from downturns in customer demand or other economic factors. Individual reporting units may be more impacted than the Company as a whole. Specifically, during times of economic slowdown, our customers may reduce their expenditures. As a result, demand for the services of one or more of the reporting units could decline which could adversely affect our operations, cash flow, and

based on management's intended use of the assets. If the asset fails the recoverability test, impairment is measured as the amount by which the carrying amount of the asset group exceeds its fair value. Fair value measurements under FASB Accounting Standards Codification ("ASC") 820 – Fair Value Measurements and Disclosures, are based on the assumptions of market participants. When determining the fair value of the asset group, entities must consider the highest and best use of the assets from a market-participant perspective.

liquidity and could result in an impairment of goodwill or intangible assets.

During our annual goodwill and indefinite -lived intangible asset impairment tests performed as of October 1, 2018, we assessed the impact of a customer loss significant to our Brazil fleet business. Based on a comparison of the calculated fair value of this reporting unit to its carrying value, the Company recorded a $3.2 million goodwill impairment charge. There is no remaining net goodwill associated with this reporting unit. For all other reporting units tested, our 2018 goodwill impairment test indicated an excess of estimated fair value over the carrying amount ranging from approximately $135 million to $4.3 billion. Although no additional reporting units are deemed at risk of impairment as of December 31, 2018, the potential for impairment exists in the future should actual results deteriorate versus our current expectations. As of December 31, 2018, the Company had approximately $2.9 billion on its consolidated balance sheet related to goodwill and intangible assets of acquired entities.

The Company tests intangible assets with definite lives for impairment if conditions exist that indicate the carrying value may not be recoverable. The Company did not record any goodwill and intangible asset impairments during the years ended December 31, 2017 and 2016.

Income Taxes

Description	Assumptions/Approach Used	Effect if Actual Results Differ from Assumptions
In preparing the consolidated financial statements, we calculate income tax expense (benefit) based on our interpretation of the tax laws in the various jurisdictions where we conduct business. This requires us to estimate current tax obligations and to assess temporary differences between the financial statement carrying amounts and the tax bases of assets and liabilities. These differences result in current or long-term deferred tax assets and liabilities, the net amount of which we show as a line item on the consolidated balance sheet. All or a portion of the benefit of income tax positions is recognized only when we have made a determination that it is more likely than not that the tax position will be sustained upon examination, based upon the technical merits of the position and other factors. For tax positions that are determined as more likely than not to be sustained upon examination, the tax benefit recognized is the largest amount of benefit that is greater than 50% likely of being realized upon ultimate settlement. We must also assess the likelihood that the deferred tax assets will be realized. To the extent we believe that realization is not more likely than not, we establish a valuation allowance. When we establish a valuation allowance or increase this allowance, we generally record a corresponding income tax expense in the consolidated statement of income in the period of the change. Conversely, to the extent circumstances indicate that realization is more likely than not, the valuation allowance is decreased to the amount realizable, which generates an income tax benefit.	Management must make judgments to determine income tax expense (benefit), deferred tax assets and liabilities and any valuation allowance to be recorded against deferred tax assets. During the ordinary course of business, there are many transactions and calculations for which the ultimate tax determination is uncertain. Changes in our estimates occur periodically due to changes in tax rates, changes in business operations, implementation of tax planning strategies, the expiration of relevant statutes of limitations, resolution with taxing authorities of uncertain tax positions and newly enacted statutory, judicial and regulatory guidance. We record a valuation allowance to reduce deferred tax assets to the amount that is more likely than not to be realized. Significant judgment is required in determining valuation allowances. In evaluating the ability to recover deferred tax assets, we consider all available positive and negative evidence including past operating results, the existence of cumulative losses in the most recent years, forecasted earnings, future taxable income, and prudent and feasible tax planning strategies. In establishing a liability for unrecognized tax benefits, assumptions are made in determining whether, and to what extent, a tax position may be sustained. It requires significant management judgment regarding applicable statutes and their related interpretation as they apply to our particular facts and circumstances.	Although we believe that our income tax related judgments and estimates are reasonable, it is possible that our actual results could be different than what we expected, and we may be exposed to a material change in our total income tax expense, tax-related balances, or valuation allowances. Upon income tax audit, any unfavorable tax settlement may require use of our cash and result in an increase in our effective tax rate in the period of settlement. A favorable tax settlement could be recognized as a reduction in our effective tax rate in the period of settlement.

New Accounting Standards

See Item 8 – Note 2, “Recent Accounting Pronouncements,” for recently issued accounting standards that have not yet been adopted.

Liquidity, Capital Resources and Cash Flows

We believe that our cash generating capability, financial condition and operations, together with our revolving credit facility, term loans and notes outstanding, as well as other available methods of financing (including deposits, participation loans, borrowed federal funds, and securitization facilities), will be adequate to fund our cash needs for at least the next 12 months.

Cash Flows

The table below summarizes our cash activities:

	Year ended December 31,		
(In thousands)	2018	2017	2016
Net cash provided by (used for) operating activities	$400,229	$135,427	$(141,186)
Net cash used for investing activities	$(254,175)	$(168,054)	$(1,160,439)
Net cash (used for) provided by financing activities	$(102,728)	$359,385	$1,216,081

Operating Activities

- Cash provided by operating activities for 2018 increased $264.8 million as compared to the prior year, resulting from lower relative increases in accounts receivable, net of associated accounts payable as compared to the prior year, the return of collateral as a result of contract renegotiations and higher net income adjusted for noncash charges.
- Cash provided by operating activities for 2017 increased $276.6 million as compared to the prior year, primarily due to higher net income adjusted for non-cash charges.

Investing Activities

- Cash used for investing activities for 2018 increased $86.1 million as compared to the prior year, resulting from a $162.8 million deposit paid to obtain a customer relationship intangible asset. Capital additions, primarily related to the development of internal-use software as we expand globally and provide competitive products and services to our customers, were generally consistent with 2017.
- Cash used for investing activities for 2017 decreased $992.4 million as compared to the prior year. In 2016, we paid approximately $1.2 billion for EFS, the Company's largest acquisition to date. Cash used for investing activities in 2017 was due to the acquisition of AOC and capital additions primarily related to the development of internal-use software. These impacts were partly offset by the sale of our Telapoint business after determining that its operations did not align with the core strategy of our Fleet business. The AOC acquisition was funded with cash on hand and through the Company's 2016 Credit Agreement.

Financing Activities

- Cash used for financing activities for 2018 was $102.7 million as compared to cash provided by financing activities of $359.4 million in the prior year. This was primarily due to net repayments under our 2016 Credit Agreement and our participation debt due to a WEX Bank factoring arrangement entered into in August 2018. These cash outflows were partly offset by $178.0 million of term loan borrowings as a result of the debt repricings in January 2018 and August 2018.
- Cash provided by financing activities for 2017 decreased $856.7 million as compared to the prior year, resulting from lower relative borrowings under the 2016 Credit Agreement. During 2016, we successfully closed our 2016 credit agreement in conjunction with the EFS acquisition.

Liquidity

In general, the Company's trade receivables provide for payment terms of 30 days or less. Receivables not paid within the terms of the agreement are generally subject to late fees based upon the outstanding receivable balance. The Company extends revolving credit to certain small fleets. These accounts are also subject to late fees, and balances that are not paid in full are subject to interest charges based on a revolving balance. The Company had approximately $18.9 million and $12.2 million of receivables with revolving credit balances as of December 31, 2018 and 2017, respectively.

At December 31, 2018, approximately 95 percent of the outstanding balance of $2.6 billion of total trade accounts receivable was 29 days or less past due and approximately 98 percent of the outstanding balance of total trade accounts receivable was 59 days or less past due. The receivables portfolio consists of a large group of homogeneous smaller balances across a wide range of industries. No one customer receivable balance represented 10 percent or more of the outstanding receivables balance at December 31, 2018 or December 31, 2017.

Our short-term cash requirements consist primarily of funding the working capital needs of our business, payments on maturities and withdrawals of brokered deposits and borrowed federal funds, required capital expenditures, repayments on our credit facility, interest payments on our credit facility and other operating expenses. WEX Bank can fund our short-term domestic cash requirements through the issuance of brokered deposits and borrowed federal funds. Any remaining cash needs are primarily funded through operations. Our long-term cash requirements consist primarily of amounts owed on our 2016 Credit Agreement and Notes, amounts due to Wyndham Worldwide Corporation as part of our tax receivable agreement and various facilities lease agreements.

Undistributed earnings of certain foreign subsidiaries of the Company amounted to an estimated $64.9 million and $58.7 million at December 31, 2018 and 2017, respectively. These earnings are considered to be indefinitely reinvested. As discussed above and in Item 8 – Note 14, Income Taxes, the United States enacted the 2017 Tax Act in December 2017, which impacted foreign undistributed earnings, among other things. The 2017 Tax Act imposed a one time "transition tax" on foreign undistributed earnings, which was included with our 2017 U.S. Income Tax Return. The Company offset the transition tax with net operating loss carryforwards and therefore this tax did not result in any additional cash tax payable. In December 2017, the Company reflected an estimate of the transition tax and recorded a provisional transition tax obligation of $9.1 million. In 2018, the Company completed a review of offshore earnings which resulted in a decrease in the tax obligation of $2.0 million. Upon distribution of these earnings in the form of dividends or otherwise, the Company would be subject to withholding taxes payable as applicable, to the various foreign countries, but would have no further federal income tax liability. The Company’s primary tax jurisdictions are the United States, Australia and the United Kingdom.

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

Deposits and Borrowed Federal Funds

WEX Bank issues certificates of deposit in various maturities ranging between 6 months and five years, with interest rates ranging from 1.30 percent to 3.52 percent as of December 31, 2018, as compared to interest rates ranging from 1.00 percent to 2.15 percent as of December 31, 2017. As of December 31, 2018, we had approximately $850.8 million of certificates of deposit outstanding at a weighted average interest rate of 2.36 percent, compared to $937.7 million of certificates of deposit outstanding at a weighted average interest rate of 1.51 percent as of December 31, 2017.

WEX Bank also issues interest-bearing money market deposits with variable interest rates ranging from 2.48 percent to 2.53 percent as of December 31, 2018, as compared to variable interest rates ranging from 1.24 percent to 1.55 percent as of December 31, 2017. As of December 31, 2018, we had approximately $283.8 million of interest-bearing brokered money market deposits at a weighted average interest rate of 2.49 percent, compared to $285.9 million of interest-bearing brokered money market deposits at a weighted average interest rate of 1.49 percent as of December 31, 2017.

WEX Bank may issue additional brokered deposits without limitation, subject to FDIC rules governing minimum financial ratios, which include risk-based asset and capital requirements. As of December 31, 2018, all brokered deposits were in denominations of $250 thousand or less, corresponding to FDIC deposit insurance limits. Interest-bearing money market funds may be withdrawn at any time. We believe that our brokered deposits are paying competitive yields and that there continues to be consumer demand for these instruments.

We also carry non-interest bearing deposits that are required for certain customers as collateral for their credit accounts. We had $138.1 million and $70.2 million of these deposits on hand at December 31, 2018 and 2017, respectively.

WEX Bank is required to maintain reserves against a percentage of certain customer deposits by keeping balances with the Federal Reserve Bank. The required reserve based on the outstanding customer deposits was $11.1 million and $8.4 million at December 31, 2018 and 2017, respectively.

WEX Bank also borrows from uncommitted federal funds lines of credit to supplement the financing of our accounts receivable. Our federal funds lines of credit were $309.0 million and $275.0 million as of December 31, 2018 and 2017, respectively, with no outstanding borrowings as of both December 31, 2018, and December 31, 2017.

WEX Bank participates in the ICS service offered by Promontory Interfinancial Network, which allows WEX Bank to purchase brokered money market demand accounts and demand deposit accounts in an amount not to exceed $125.0 million as part of a one-way buy program. At December 31, 2017, there was no outstanding balance for ICS purchases. At December 31, 2018, no amounts were available under this arrangement. Subsequently, the funding capacity of $125.0 million was reinstated.

2016 Credit Agreement

On July 1, 2016, we entered into the 2016 Credit Agreement in order to permit the additional financing necessary to facilitate the EFS acquisition. The 2016 Credit Agreement provided for secured tranche A and tranche B term loan facilities in the original principal amount equal to $455.0 million and $1,200.0 million, respectively, and a $470.0 million secured revolving credit facility. Effective July 3, 2017, the Company entered into a First Amendment to the 2016 Credit Agreement, which repriced the secured term loans under the 2016 Credit Agreement. The consolidated leverage ratio as defined in the 2016 Credit Agreement (i.e. consolidated funded indebtedness to consolidated EBITDA), was also modified for purposes of calculating the interest rate margin for tranche A term loans and revolving loans and determining compliance with the financial covenant by allowing the Company to exclude up to $75 million of certain corporate cash balances for purposes of determining consolidated funded indebtedness. Effective October 30, 2017, the Company entered into a Second Amendment to the 2016 Credit Agreement, which added $100.0 million of capacity to its revolving line of credit to provide additional liquidity and flexibility during 2017.

On January 17, 2018, the Company entered into a Third Amendment to the 2016 Credit Agreement, which increased the outstanding amounts on the tranche B term loan by $153.0 million, reduced the applicable interest rate margin for the tranche B term loan and amended certain aspects of the financial covenants. On August 24, 2018, the Company entered into a Fourth Amendment to the 2016 Credit Agreement, which increased the amount available under the revolving credit facility by $150.0 million, provided for an additional tranche A term loan in the amount of $25.0 million, reduced the applicable interest rate margin at current levels for the Company's revolving credit loans, extended the maturity date for the revolving credit facility and tranche

A term loan to July 1, 2023, and amended certain aspects of the financial covenants. After giving effect to these amendments, the 2016 Credit Agreement provides for a secured tranche A term loan in the original principal amount of $480.0 million, a secured tranche B term loan in the original principal amount of $1,335.0 million and a $720.0 million secured revolving credit facility, with a $250.0 million sublimit for letters of credit and $20.0 million sublimit for swingline loans. Under the 2016 Credit Agreement, the Company has granted a security interest in certain assets of the Company, subject to exceptions including the assets of WEX Bank.

Following the August 2018 repricing, the applicable interest rate margin for the revolving credit loans and tranche A term loans was 2.00% for LIBOR borrowings and 1.00% for base rate borrowings, and the applicable interest rate margin for tranche B term loans was 2.25% for LIBOR borrowings and 1.25% for base rate borrowings.

On January 18, 2019, the Company entered into a Fifth Amendment to the 2016 Credit Agreement, which provides for an additional tranche A term loan in the principal amount of $300 million, increasing the outstanding principal on the tranche A term loans to $723.7 million. In addition, subject to certain conditions, the amendment provides delayed draw commitments for an incremental $275.0 million tranche A term loan and an incremental $25 million of revolving credit commitments (subject to conversion of the delayed draw incremental tranche A term loan commitments and incremental revolving credit commitments to commitments of the other type). On March 5, 2019, the Company fully drew down this commitment, consisting of $250.0 million in tranche A term loans and an incremental $50.0 million of revolving credit loans in order to fund the acquisition of Discovery Benefits.

Incremental loans of up to the greater of $375.0 million (plus the amount of certain prepayments) and an unlimited amount subject to satisfaction of a consolidated leverage ratio test could be made available under the 2016 Credit Agreement upon the request of the Company subject to specified terms and conditions, including receipt of lender commitments. Proceeds from the 2016 Credit Agreement may be used for working capital purposes, acquisitions, payment of dividends and other restricted payments, refinancing of indebtedness and other general corporate purposes.

The 2016 Credit Agreement contains various financial covenants requiring us to maintain certain financial ratios. In addition to the financial covenants, the 2016 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 were in compliance with all material covenants and restrictions at December 31, 2018.

As of December 31, 2018, we had no outstanding borrowings against our $720.0 million revolving credit facility, which terminates in July of 2023. The combined outstanding debt under our tranche A term loan facility and our tranche B term loan facility, both of which expire in July 2023, totaled $1.7 billion at December 31, 2018. As of December 31, 2018, amounts outstanding under the 2016 Credit Agreement bore a weighted average effective interest rate of 4.7 percent.

See Item 8 – Note 15, Financing and Other Debt, for further information regarding interest rates, voluntary prepayments rights and principal payments required under the 2016 Credit Agreement.

Ticking Fees

In January 2016, we began to incur ticking fees for the debt financing commitment associated with the 2016 Credit Agreement in anticipation of the then pending acquisition of EFS. Through June 30, 2016, we recorded $30 million of ticking fees, which are included in financing interest expense. These ticking fees were calculated based on the financing commitment of an aggregate principal amount of $2.125 billion that remained in place until the closing of the EFS acquisition on July 1, 2016. The total amount of ticking fees paid at the closing of the EFS acquisition was $22.2 million. The excess ticking fees of $7.9 million were netted against the net debt issuance costs related to the 2016 Credit Agreement and will be amortized over the 2016 Credit Agreement’s terms using the effective interest method for the tranche A and B term loans and the revolver.

Notes Outstanding

On January 30, 2013, the Company completed an offering of Notes at an issue price of 100.0 percent of the principal amount of $400 million, plus accrued interest, from January 30, 2013.

WEX Latin America Debt

WEX Latin America had debt of approximately $16.2 million and $9.7 million as of December 31, 2018 and 2017, respectively. This is comprised of credit facilities held in Brazil and loan arrangements related to our accounts receivable, with various maturity dates. As of December 31, 2018 and 2017, the interest rate was 23.59% and 24.10%, respectively.

Participation Debt

Historically, WEX Bank maintained three separate participation agreements with third-party banks to fund customer balances that exceeded WEX Bank's lending limit to an individual customer. In June 2018, WEX Bank entered into a fourth participation agreement with a third-party bank to fund an additional customer's balance. Associated unsecured borrowings carry a variable interest rate of 1 month to 3 month LIBOR plus a margin of 225 basis points. The Company had funding capacity of $180.0 million at December 31, 2018 under these agreements, which terminate on June 30, 2019, August 31, 2020, and on demand. Amounts outstanding under the participation agreements as of December 31, 2018 were $64.8 million and $50.0 million and were recorded in short-term debt, net and long-term debt, net, respectively. Amounts outstanding under the participation agreements were $135.0 million and $50.0 million and recorded in short-term debt, net and long-term debt, net, respectively, as of December 31, 2017.

Australian Securitization Facility

The Company maintains a securitized debt agreement with the Bank of Tokyo-Mitsubishi UFJ, Ltd., which expires April 2019. Under the terms of the agreement, each month, on a revolving basis, the Company sells certain of its Australian receivables to the Company's Australian Securitization Subsidiary. The Australian Securitization Subsidiary, in turn, uses the receivables as collateral to issue asset-backed commercial paper ("securitized debt") for approximately 85 percent of the securitized receivables. The amount collected on the securitized receivables is restricted to pay the securitized debt and is not available for general corporate purposes.

The Company pays a variable interest rate on the outstanding balance of the securitized debt, based on the Australian Bank Bill Rate plus an applicable margin. The interest rate was 2.89 percent and 2.53 percent as of December 31, 2018 and 2017, respectively. The Company had securitized debt under this facility of approximately $87.0 million and $90.0 million as of December 31, 2018 and 2017, respectively.

European Securitization Facility

On April 7, 2016, the Company entered into a five-year securitized debt agreement with the Bank of Tokyo-Mitsubishi UFJ, Ltd. Under the terms of the agreement, the Company sells certain of its receivables from selected European countries to our European Securitization Subsidiary. The European Securitization Subsidiary, in turn, uses the receivables as collateral to issue securitized debt. The amount collected on the securitized receivables is restricted to pay the securitized debt and is not available for general corporate purposes. The interest rate was 0.98 percent and 1.11 percent as of December 31, 2018 and December 31, 2017, respectively. The Company had $18.0 million and $17.9 million of securitized debt under this facility as of December 31, 2018 and December 31, 2017, respectively.

WEX Latin America Securitization of Receivables

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

During 2017, WEX Latin America securitized approximately $49.1 million of receivables to the investment fund for cash proceeds of approximately $43.8 million. This $5.3 million discount was recognized as operating interest in the Company's consolidated statements of income using the effective interest method over the weighted average term of the salary advances. The Company had $30.1 million and $19.0 million of securitized debt under this facility as of June 30, 2018 and December 31, 2017, respectively.

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

During the year ended December 31, 2018, the Company sold approximately $39.8 million of receivables and recognized a $6.9 million gain on sale of receivables, consisting of the difference between the sales price and the carrying value of the receivables, which is recorded within other revenue in our consolidated income statement. Cash proceeds from the transfer of these receivables is reflected as an operating activity within our consolidated statement of cash flows.

WEX Bank Accounts Receivable Factoring

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

The Company sold approximately $3.2 billion of receivables under this arrangement during year ended December 31, 2018. Proceeds from the sale, which are reported net of a negotiated discount rate, are recorded in operating activities within the Company’s consolidated statement of cash flows. The loss on factoring was not material for the year ended December 31, 2018.

WEX Europe Services Accounts Receivable Factoring

During the first quarter of 2017, WEX Europe Services entered into a factoring arrangement with an unrelated third-party financial institution (the “Purchasing Bank”) to sell certain of its accounts receivable in order to accelerate the collection of the Company’s cash and reduce internal costs, thereby improving liquidity. Under this arrangement, the Purchasing Bank establishes a credit limit for each customer account. The factored receivables are without recourse to the extent that the customer balances are maintained at or below the established credit limit. For customer receivable balances in excess of the Purchasing Bank’s credit limit, the Company maintains the risk of default. The Company obtained a true sale opinion from an independent attorney, which states that the factoring agreement creates a sale of receivables under local law for amounts transferred both below and above the established credit limits. Additionally, there are no indications of the Company’s continuing involvement in the factored receivables. As a result, the Purchasing Bank is deemed the purchaser of these receivables and is entitled to enforce payment of these amounts from the debtor.

This factoring arrangement is accounted for as a sale and accordingly the Company records the receivables sold as a reduction of accounts receivable and proceeds as cash provided by operating activities. The Company sold approximately $713.8 million and $574.4 million of receivables under this arrangement during years ended December 31, 2018 and December 31, 2017, respectively. Charge-backs on balances in excess of the credit limit during the years ended December 31, 2018 and December 31, 2017 were insignificant.

Other Liquidity Matters

At December 31, 2018, we had variable-rate borrowings of $1.7 billion under our 2016 Credit Agreement. We periodically review our projected borrowings under our 2016 Credit Agreement and the current interest rate environment in order to ascertain whether interest rate swaps should be used to reduce our exposure to interest rate volatility. As of December 31, 2018, we maintained four interest rate swap contracts that mature between December 2020 and December 2022. Collectively, these derivative contracts are intended to fix the future interest payments associated with $1.0 billion of our variable rate borrowings at between 1.108 percent to 2.212 percent. After December 31, 2018, the Company entered into three additional interest rate swap contracts. See Item 8 – Note 12, Derivative Instruments, Item 8 – Note 18, Fair Value and Item 8 – Note 25, Subsequent Events for more information. We discuss our hedging strategies relative to commodity and interest rate risk in Item 7A below.

The Company’s long-term cash requirements consist primarily of amounts owed on the 2016 Credit Agreement, the Notes and the amounts due to Wyndham Worldwide Corporation (see Item 8 – Note 16, Tax Receivable Agreement) as part of its tax receivable agreement and various facility lease agreements.

As of December 31, 2018, we had $53.5 million in letters of credit outstanding and $666.5 million in remaining borrowing capacity under the 2016 Credit Agreement, subject to the covenants as described above.

We currently have authorization from our Board to purchase up to $150 million of our common stock until September 2021, which is entirely unused as of December 31, 2018. The program is funded either through our future cash flows or through borrowings on our 2016 Credit Agreement. Share repurchases are made on the open market and may be commenced or suspended at any time. The Company’s management, based on its evaluation of market and economic conditions and other factors, determines the timing and number of shares repurchased.

Contractual Obligations

The table below summarizes the estimated dollar amounts of payments under contractual obligations as of December 31, 2018, for the periods specified:

	Payments Due By Period				
(In thousands)	Total	Less than 1 Year	1-3 Years	3-5 Years	More Than 5 Years
Operating Lease Obligations[a]	$137,437	$14,794	$31,206	$25,809	$65,628
Debt Obligations					
Term Loans	1,745,084	35,278	70,557	1,639,249	—
Interest payments on term loans[b]	352,505	81,190	157,406	113,909	—
$400 million notes offering	400,000	—	—	400,000	—
Interest on $400 million notes offering	77,583	19,000	38,000	20,583	—
Other debt[c]	131,091	81,091	50,000	—	—
Securitization facility[d]	106,872	106,872	—	—	—
Other Commitments					
Certificates of deposit	850,813	505,582	345,231	—	—
Minimum volume purchase commitments[e]	170,501	170,501	—	—	—
Tax receivable agreement[f]	13,571	10,771	2,800	—	—
Total	$3,985,457	$1,025,079	$695,200	$2,199,550	$65,628

[a] Operating lease obligations – We lease office space and equipment under long-term operating leases. See Item 8 – Note 19, Commitments and Contingencies, for more information.

[b] Interest payments on term loans – Interest payments are based on effective rates and credit spreads in effect as of December 31, 2018. See Item 8 – Note 15, Financing and Other Debt, for more information.

[c] Other debt – This amount consists of participation debt at WEX Bank and debt balances at one of the Company's subsidiaries. Interest payments due were not included as the amount was not material.

[d] Securitization facility – Interest payments due on the securitization facility are not included as the amount was not material.

[e] Minimum volume purchase commitments – One of the Company's subsidiaries is required to purchase a minimum amount of fuel from their suppliers on an annual basis. If the minimum requirement is not fulfilled, they are subject to penalties based on the amount of spend below the minimum annual volume commitment. Starting in 2020, annual volume commitments reset based on prior year volume purchased. The table above represents the Company's annual penalty assuming we purchase no fuel under these commitments after December 31, 2018.

[f] Tax receivable agreement – As a consequence of the Company's separation from its former parent company in 2005, the tax basis of the Company's net tangible and intangible assets increased, reducing the amount of tax that the Company would pay in the future to the extent the Company generated taxable income in sufficient amounts. The Company is contractually obligated to remit a portion of any such cash savings to a third party. The estimate of payments owed is reflected as Amounts due under tax receivable agreement on the consolidated balance sheets. See Item 8 – Note 16, Tax Receivable Agreement, for more information.

The Company has excluded $9.0 million in gross unrecognized tax benefits as of December 31, 2018 from the table above due to the uncertainty about the timing of payments to the taxing authority.

Off-balance Sheet Arrangements

In addition to the operating leases included in the table above, we have the following off-balance sheet arrangements as of December 31, 2018:

- Extension of credit to customers – We have entered into commitments to extend credit in the ordinary course of business. We had approximately $7.0 billion of unused commitments to extend credit at December 31, 2018, as part of established customer agreements. These amounts may increase or decrease during 2019 as we increase or decrease credit to customers, subject to appropriate credit reviews, as part of our lending product agreements. Many of these commitments are not expected to be utilized. We can adjust most of our customers' credit lines at our discretion at any time. Therefore, we do not believe total unused credit available to customers and customers of strategic relationships represents future cash requirements. We believe that we can adequately fund actual cash requirements related to these credit commitments through the issuance of certificates of deposit, borrowed federal funds and other debt facilities.

- Letters of credit – As of December 31, 2018, we had $53.5 million outstanding in irrevocable letters of credit issued by us in favor of third-party beneficiaries, primarily related to facility lease agreements and virtual card and fuel payment processing activity at our foreign subsidiaries. These irrevocable letters of credit are unsecured and are renewed on an annual basis unless the Company chooses not to renew them.
- Accounts receivable factoring and securitization – See Item 8 – Note 13, Off-Balance Sheet Arrangements, for further information.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

The following documents are filed as part of this report:

1. Financial Statements (see Index to Consolidated Financial Statements on page 66).
2. Financial statement schedules have been omitted since they are either not required or not applicable or the information is otherwise included herein.
3. The exhibit index attached to this Annual Report on Form 10–K is hereby incorporated by reference.

EXHIBIT INDEX

Exhibit No.	Description
2.1	Unit Purchase Agreement, dated October 18, 2015, by and among WEX Inc., Mustang HoldCo 1 LLC, Warburg Pincus Private Equity (E&P) XI - B, L.P., Warburg Pincus Private Equity XI C, L.P., WP XI Partners, L.P., Warburg Pincus Private Equity XI B, L.P., WP Mustang Co Invest B, L.P., WP Mustang Co Invest C L.P., Warburg Pincus XI (E&P) Partners B, L.P., Warburg Pincus (E&P) XI, L.P., WP Mustang Topco LLC and Warburg Pincus Private Equity XI (Lexington), LLC (incorporated by reference to Exhibit 2.1 to our Current Report on Form 8-K filed with the SEC on October 19, 2015, File No. 001-32426)
3.1	Certificate of Incorporation (incorporated by reference to Exhibit No. 3.1 to our Current Report on Form 8-K filed with the SEC on March 1, 2005, File No. 001-32426)
3.2	Certificate of Ownership and Merger merging WEX Transitory Corporation with and into Wright Express Corporation (incorporated by reference to Exhibit No. 3.1 to our Current Report on Form 8-K filed with the SEC on October 30, 2012, File No. 001-32426)
3.3	Amended and Restated By-Laws of WEX Inc. (incorporated by reference to Exhibit No. 3.1 to our Current Report on Form 8-K filed with the SEC on March 18, 2014, File No. 001-32426)
4.1	Indenture, dated as of January 30, 2013, among WEX Inc., the Guarantors named therein, and The Bank of New York Mellon Trust Company, N.A. (incorporated by reference to Exhibit No. 4.1 to our Current Report on Form 8-K filed with the SEC on February 1, 2013, File No. 001-32426)
4.2	Supplemental Indenture, dated as of July 1, 2016 to the Indenture, dated as of January 30, 2013 among WEX Inc., the additional subsidiary guarantors thereto and The Bank of New York Mellon Trust Company, N.A. (incorporated by reference to Exhibit No. 4.1 to our Current Report on Form 8-K filed with the SEC on July 1, 2016, File No. 001-32426)
4.3	U.S. Security Agreement, made by WEX Inc., and the certain of its subsidiaries, as pledgors, assignors and debtors dated as of July 1, 2016, in favor of Bank of America, as collateral agent for the Lenders (incorporated

	by reference to Exhibit No. 4.2 to our Current Report on Form 8-K filed with the SEC on July 1, 2016, File No. 001-32426)
10.1	Form of director indemnification agreement (incorporated by reference to Exhibit No. 10.1 to our Current Report on Form 8-K filed with the SEC on June 8, 2009, File No. 001-32426)
10.2	Tax Receivable Agreement, dated as of February 22, 2005, by and between Cendant Corporation and Wright Express Corporation (incorporated by reference to Exhibit No. 10.3 to our Current Report on Form 8-K filed with the SEC on March 1, 2005, File No. 001-32426)
10.3	Tax Receivable Prepayment Agreement dated June 26, 2009 by and between Wright Express Corporation and Realogy Corporation (incorporated by reference to Exhibit No. 10.1 to our Current Report on Form 8-K filed with the SEC on July 2, 2009, File No. 001-32426)
10.4	Ratification Agreement dated June 26, 2009 by and among Wright Express Corporation, Realogy Corporation, Wyndham Worldwide Corporation and Avis Budget Group, Inc. (incorporated by reference to Exhibit No. 10.2 to our Current Report on Form 8-K filed with the SEC on July 2, 2009, File No. 001-32426)
10.5	Guarantee, dated as of June 26, 2009, by Apollo Investment Fund VI, L.P., Apollo Overseas Partners VI, L.P., Apollo Overseas Partners (Delaware) VI, L.P., Apollo Overseas Partners (Delaware892) VI, L.P. and Apollo Overseas Partners (Germany) VI, L.P. in favor of Wright Express Corporation (incorporated by reference to Exhibit No. 10.3 to our Quarterly Report on Form 10-Q filed with the SEC on July 30, 2009, File No. 001-324426)
10.6	Investors Rights Agreement, dated as of July 1, 2016, by and among WEX Inc., Mustang HoldCo 1 LLC, Warburg Pincus Private Equity (E&P) XI B, L.P., Warburg Pincus Private Equity XI – C, L.P., WP XI Partners, L.P., Warburg Pincus Private Equity XI – B, L.P., WP Mustang Co-Invest – B L.P., WP Mustang Co-Invest – C L.P., Warburg Pincus XI (E&P) Partners – B, L.P., Warburg Pincus (E&P) XI, L.P., WP (Lexington) Holdings II, L.P., Warburg Pincus Private Equity (Lexington) XI – A, L.P., Warburg Pincus XI (Lexington) Partners – A , L.P., WP Mustang Co-Invest LLC and the other investors party thereto (incorporated by reference to Exhibit No. 10.1 to our Current Report on Form 8-K filed with the SEC on July 1, 2016, File No. 001-32426)
10.7	Credit Agreement among WEX Inc., certain of its subsidiaries as borrowers, WEX Card Holding Australia Pty Ltd., as designated borrower, Bank of America, N.A., as Administrative Agent, Swing Line Lender and L/C Issuer, and the other lenders party thereto (incorporated by reference to Exhibit No. 10.2 to our Current Report on Form 8-K filed with the SEC on July 1, 2016, File No. 001-32426)
10.8	First Amendment to Credit Agreement dated July 3, 2017, between WEX Inc., Wright Express International Holdings Limited, WEX Card Holdings Australia Pty Ltd. and Bank of America (incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K filed with the SEC on July 3, 2017, File No. 001-32426)
10.9	Second Amendment to Credit Agreement dated October 30, 2017, between WEX Inc., Wright Express International Holdings Limited, WEX Card Holdings Australia Pty Ltd., Bank of America and Santander Bank, N.A. (incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K filed with the SEC on November 3, 2017, File No. 001-32426)
10.10	Third Amendment to Credit Agreement dated January 17, 2018, between WEX Inc., Wright Express International Holdings Limited, WEX Card Holdings Australia Pty Ltd., Bank of America (incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K filed with the SEC on January 18, 2018, File No. 001-32426)

10.11	Fourth Amendment to Credit Agreement dated August 24, 2018, between WEX Inc., Wright Express International Holdings Limited, WEX Card Holdings Australia Pty Ltd., Bank of America (incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K filed with the SEC on August 24, 2018, File No. 001-32426)
10.12	Fifth Amendment to Credit Agreement dated January 18, 2019, between WEX Inc., Wright Express International Holdings Limited, WEX Card Holdings Australia Pty Ltd., Bank of America (incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K filed with the SEC on January 22, 2019, File No. 001-32426)
†10.13	Wright Express Corporation Amended 2010 Equity and Incentive Plan (incorporated by reference to Exhibit No. 99.1 to our Current Report on Form 8-K filed with the SEC on May 21, 2010, File No. 001-32426)
†10.14	Wright Express Corporation Amended and Restated Non-Employee Directors Deferred Compensation Plan (incorporated by reference to Exhibit No. 10.2 to our Current Report on Form 8-K filed with the SEC on January 7, 2009, File No. 001-32426)
†10.15	2014 Form of Annual Restricted Stock Unit Agreement (incorporated by reference to Exhibit 10.3 to our Quarterly Report on Form 10-Q filed with the SEC on April 30, 2014, File No. 001-32426)
†10.16	Form of 2014 Growth Grant - Performance-Based Restricted Stock Unit Agreement (incorporated by reference to Exhibit 10.4 to our Quarterly Report on Form 10-Q filed with the SEC on April 30, 2014, File No. 001-32426)
† 10.17	2015 Section 162(m) Performance Incentive Plan (incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K filed with the SEC on May 21, 2015, File No. 001-32426)
† 10.18	WEX Inc. Executive Severance Pay and Change in Control Plan dated March 5, 2018.

† 10.19	Form of Employment Agreement for David Maxsimic and Melissa Smith (incorporated by reference to Exhibit No. 10.6 to our Current Report on Form 8-K filed with the SEC on January 7, 2009, File No. 001-32426)
† 10.20	Form of Employment Agreement for Robert Cornett, Hilary Rapkin and Jamie Morin (incorporated by reference to Exhibit No. 10.7 to our Current Report on Form 8-K filed with the SEC on January 7, 2009, File No. 001-32426)
† 10.21	Form of Long Term Incentive Program Award Agreement under the Amended and Restated Wright Express Corporation 2005 Equity and Incentive Plan (incorporated by reference to Exhibit No. 99.1 to our Current Report on Form 8-K filed with the SEC on April 6, 2006, File No. 001-32426)
† 10.22	Form of Non-Employee Director Long Term Incentive Program Award Agreement under the Amended and Restated Wright Express Corporation 2005 Equity and Incentive Plan (for grants received prior to December 31, 2006) (incorporated by reference to Exhibit 10.3 to our Quarterly Report on Form 10-Q filed with the SEC on August 5, 2008, File No. 001-32426)
† 10.23	Form of Wright Express Corporation Long Term Incentive Program 2010 Growth Grant Stock Non-Statutory Stock Option Award Agreement under the Amended and Restated Wright Express Corporation 2005 Equity and Incentive Plan (incorporated by reference to Exhibit No. 10.5 to our Quarterly Report on Form 10-Q filed with the SEC on April 30, 2010, File No. 001-32426)
† 10.24	Form of Wright Express Corporation Option Agreement under the Wright Express Corporation 2010 Equity and Incentive Plan (incorporated by reference to Exhibit No. 10.29 to our Annual Report on Form 10-K filed with the SEC on February 28, 2011, File No. 001-32426)
† 10.25	2015 Form of WEX Inc. Long Term Incentive Program Non-Statutory Stock Option Award Agreement (incorporated by reference to Exhibit 10.1 to our Quarterly Report on Form 10-Q filed with the SEC on May 1, 2015, File No. 001-32426)
† 10.26	Form of Wright Express Corporation Non-Employee Director Compensation Plan Award Agreement under the Wright Express Corporation 2010 Equity and Incentive Plan (incorporated by reference to Exhibit No. 10.31 to our Annual Report on Form 10-K filed with the SEC on February 28, 2011, File No. 001-32426)
† 10.27	Offer Letter dated November 3, 2015 between WEX Inc. and Mr. Simon (incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K filed with the SEC on November 5, 2015, File No. 001-32426)
† 10.28	Severance and Restricted Covenant Agreement between Roberto Simon and WEX Inc., dated March 3, 2016 (incorporated by reference to Exhibit 10.1 to our Quarterly Report on Form 10-Q filed with the SEC on April 28, 2016, File No. 001-32426)
† 10.29	Form of Non Employee Director Compensation Plan effective September 21, 2016 (incorporated by reference to Exhibit 10.1 to our Quarterly Report on Form 10-Q filed with the SEC on August 9, 2017, File No. 001-32426)
† 10.30	Form of Non Employee Director Compensation Plan effective October 1, 2017 (incorporated by reference to Exhibit 10.1 to our Quarterly Report on Form 10-Q filed with the SEC on November 8, 2017, File No. 001-32426)

† 10.31	Employment Agreement for Scott Phillips dated October 16, 2015 (incorporated by reference to Exhibit 10.29 to our Annual Report on Form 10-K filed with the SEC on March 1, 2018, File No. 001-32426)
† 10.32	Noncompetition, Nonsolicitation, Confidentiality, and Inventions Agreement for Scott Phillips dated October 16, 2015 (incorporated by reference to Exhibit 10.30 to our Annual Report on Form 10-K filed with the SEC on March 1, 2018, File No. 001-32426)
† 10.33	First Amendment to Employment Agreement for Scott Phillips dated November 1, 2017 (incorporated by reference to Exhibit 10.31 to our Annual Report on Form 10-K filed with the SEC on March 1, 2018, File No. 001-32426)
† 10.34	First Amendment to Noncompetition, Nonsolicitation, Confidentiality, and Inventions Agreement for Scott Phillips dated November 1, 2017 (incorporated by reference to Exhibit 10.32 to our Annual Report on Form 10-K filed with the SEC on March 1, 2018, File No. 001-32426)
10.35	Southern Cross WEX 2015-1 Trust - Receivables Acquisition and Servicing Agreement (incorporated by reference to Exhibit 10.1 to our Quarterly Report on Form 10-Q filed with the SEC on July 31, 2015, File No. 001-32426)
10.36	Southern Cross WEX 2015-1 Trust - Guarantee and Indemnity (incorporated by reference to Exhibit 10.2 to our Quarterly Report on Form 10-Q filed with the SEC on July 31, 2015, File No. 001-32426)

10.37	Southern Cross WEX 2015-1 Trust General Security Agreement (incorporated by reference to Exhibit 10.3 to our Quarterly Report on Form 10-Q filed with the SEC on July 31, 2015, File No. 001-32426)
10.38	Southern Cross WEX 2015-1 Trust Class A Facility Deed (incorporated by reference to Exhibit 10.4 to our Quarterly Report on Form 10-Q filed with the SEC on July 31, 2015, File No. 001-32426)
10.39	Southern Cross WEX 2015-1 Trust Class B Facility Deed (incorporated by reference to Exhibit 10.5 to our Quarterly Report on Form 10-Q filed with the SEC on July 31, 2015, File No. 001-32426)
10.40	Commitment Letter, dated as of October 18, 2015, by and among WEX Inc., Bank of America, N.A., Merrill Lynch, Pierce, Fenner & Smith Incorporated, SunTrust Bank, SunTrust Robinson Humphrey and MUFG Union Bank, N.A (incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K filed with the SEC on October 19, 2015, File No. 001-32426)
10.41	Consent and Amendment Under Credit Agreement, dated as of February 27, 2019, by and among WEX Inc., the subsidiaries of WEX Inc. identified therein, the lenders party thereto and Bank of America, N.A., as administrative agent (incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K filed with the SEC on March 1, 2019, File No. 001-32426).
21.1	Subsidiaries of the registrant
23.1	Consent of Independent Registered Accounting Firm – Deloitte & Touche LLP
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
* 31.3	Certification of Chief Executive Officer of WEX INC. pursuant to Rule 13a-14(a) promulgated under the Securities Exchange Act of 1934, as amended
* 31.4	Certification of Chief Financial Officer of WEX INC. pursuant to Rule 13a-14(a) promulgated under the Securities Exchange Act of 1934, as amended
32.1	Certification of Chief Executive Officer of WEX INC. pursuant to Rule 13a-14(b) promulgated under the Securities Exchange Act of 1934, as amended, and Section 1350 of Chapter 63 of Title 18 of the United States Code
32.2	Certification of Chief Financial Officer of WEX INC. pursuant to Rule 13a-14(b) promulgated under the Securities Exchange Act of 1934, as amended, and Section 1350 of Chapter 63 of Title 18 of the United States Code
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
*	Filed with this report.
†	Denotes a management contract or compensatory plan or arrangement required to be filed as an exhibit pursuant to Item 15(b) of this Form 10-K.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

	WEX INC.
March 20, 2019	By: /s/ Roberto Simon
	Roberto Simon
	Chief Financial Officer (principal financial officer and principal accounting officer)