

Small Talk - FLEETCOR

November 14, 2017

We Are FLEETCOR.

A leading global provider of fleet cards and specialty payments to businesses.



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About the Company

FLEETCOR is a leading independent global provider of fleet, fueling and specialized payment solutions that keep businesses moving forward.



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How does it operate?

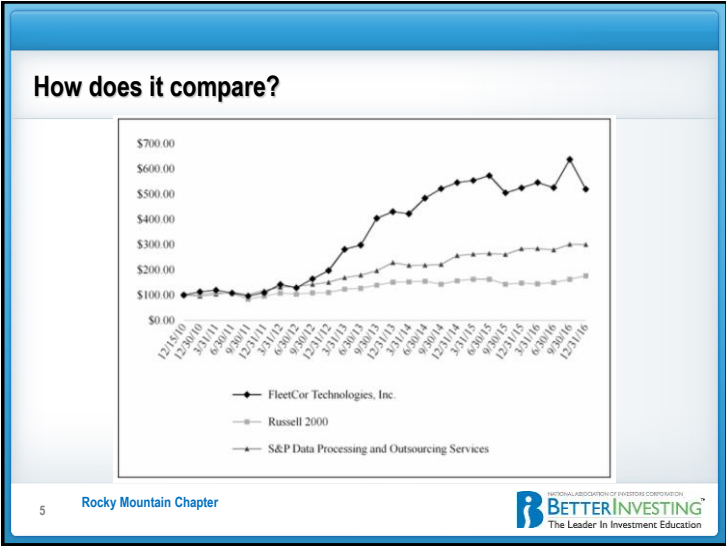
FLEETCOR at a Glance

Employee Count	Yearly Revenue	Operating Countries	Transactions Processed
7,100+ <small>Worldwide</small>	1.8 Billion+ <small>USD (12/31/2016)</small>	53 <small>in North America, South America, Europe, Africa and Asia.</small>	2.2 Billion+ <small>(12/31/2016)</small>

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Fleetcor Brands - Fleet Operator Business

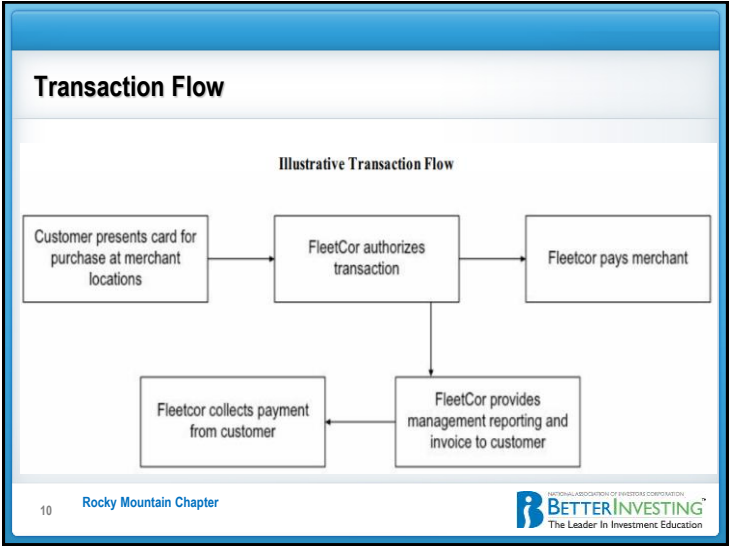
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Fleetcor Brands – Major Oil Partnerships

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Fleetcor Brands – Petroleum Marketer & Specialty Payment

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SWOT Analysis - Strengths

- ▶ Operates a unique business
- ▶ Helps companies manage transportation costs
- ▶ Provide commercial payments and data solutions
- ▶ Helps prevent unauthorized purchases
- ▶ High customer retention

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SWOT Analysis - Weaknesses

- ▶ Margins under pressure lately
- ▶ ROE downward last 5 years
- ▶ Debt-to-equity bit high at 76.5% in 2016
- ▶ Strong free cash flow supports leverage
- ▶ Total debt to total capitalization 54.7% end 2nd Q
- ▶ High executive compensation

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SWOT Analysis - Opportunities

- ▶ Expanded network acceptance of fleet charge cards
- ▶ Improved merchant contracts
- ▶ Expanded fuel card markets
- ▶ New customers for corporate payment products
- ▶ Acquisitions supplement organic growth



SWOT Analysis - Threats

- ▶ Foreign Currency Risk
- ▶ Interest Rate Risk
- ▶ Fuel Price Risk
- ▶ Fuel-Price Spread Risk



Value Line

FleetCor Technologies is on track for a record-setting 2017. Through the first three quarters of the year, the top line advanced 25% from the comparable period of 2016. Its international revenues expanded even faster, soaring 65% during the first nine months of 2017, versus the year-earlier total. The caveat is that operating expenses outpaced revenues, increasing 28% over that span, driven by higher general and administrative costs (+32%) and rising depreciation (+40%). All told, adjusted earnings jumped 24% through the September interim, to \$6.13 per share.

- ▶ **Compared to same time 2016**
- ▶ Top line advanced 25%
- ▶ International revenues soared 65%
- ▶ Expenses increased 28%
- ▶ Adjusted earnings jumped 24%



Value Line

Meanwhile, the company has closed a couple of transactions this year. Concurrent with the third-quarter earnings release, it announced the acquisition of Creative Lodging Solutions, a provider of long-term stay travel needs. (Financial terms were not disclosed.) In August, it finalized the \$690 million buyout of Cambridge Global Payments, a leading business-to-business international payments provider. Based in Toronto, Cambridge gains FleetCor entry into the fast-growing market for cross-border payments, which generates approximately \$145 billion in annual revenues. More recently, FLT renewed an agreement to manage the commercial fleet card program for gas station operator ARCO.

- ▶ Acquisition of Creative Lodging Solutions provider of long-term stay
- ▶ Finalized buyout of Cambridge Global Payments entry into cross-border payments
- ▶ Renewed agreement with ARCO




Value Line

In all likelihood, 2018 will be another stellar year for the provider of commercial payment solutions. FleetCor continues to make a big push overseas, bolstered by investments in Brazil, the Netherlands, and Europe. (Its international business accounted for 37% of company-wide revenues during the first two quarters of 2017, versus 27% in the same span in the previous year.) We look for revenues to increase 18%-20% and 10%-12% in 2017 and 2018, respectively, with share earnings likely to advance 18%-20% and 14%-16%, to \$8.30 and \$9.50, respectively.

- ▶ 2018 will be another stellar year
- ▶ Continues to make big push overseas
- ▶ International business is 37% of revenues in 2017 vs. 27% in 2016
- ▶ Revenue increase
 - 2017: 18% - 20%
 - 2018: 10% - 12%

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Value Line

FleetCor Technologies shares have wide price appreciation potential. The equity is ranked to track the broader market in the six to 12 months ahead (Timeliness: 3, Average). Looking further out, patient investors ought to be well rewarded by taking a position here over the next 3 to 5 years.

Sharif Abdou November 10, 2017

- ▶ Has wide price appreciation potential
- ▶ Ranked to track market 6-12 months
- ▶ Investors ought to be well rewarded over next 3-5 years


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Morningstar

Key Stats	FLT	Stock	Ind Avg	Relative to Industry
Price/Earnings TTM		35.5	37.6	
Price/Book		4.7	5.1	
Price/Sales TTM		8.3	2.3	
Rev Growth (3 Yr Avg)		27.0	8.2	
Net Income Growth (3 Yr Avg)		16.7	9.3	
Operating Margin % TTM		39.7	11.5	
Net Margin % TTM		23.3	6.1	
ROA TTM		5.2	3.7	
ROE TTM		14.8	13.5	
Debt/Equity		0.7	1.3	

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Online Stock Study




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MI Top Competitors in Credit Service Industry

Top In Credit Services		
Ticker	Quality	PAR
FLT	95	11.2%
V	100	8.4%
MKTX	97	14.1%
WEX	91	8.3%
MA	100	7.6%

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Sales Estimate

- ▶ 8.5% Value Line 3-5 year
- ▶ 9.1 Manifest Investing
- ▶ 16.6 Analysts Estimate 2 year
- ▶ 18.0 Investor Advisory Service

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EPS Estimate

- ▶ 13.5% Value Line 3-5 years
- ▶ 16.25% Yahoo & Finviz
- ▶ 17.7% Zacks
- ▶ 18.0% Analysts Estimate & Investors Advisory Service

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Average High P/E

- ▶ 35.2 5 year average high P/E
- ▶ 33.3 1 outlier
- ▶ 30.0 Upper limit
- ▶ 25.0 Conservative

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Average Low P/E

- ▶ 21.9 5 year average low P/E
- ▶ 18.6 1 outlier
- ▶ 16.9 2 outliers
- ▶ 15.0 Conservative

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Forecasted Low Price

- ▶ _____ 4 B a
- ▶ \$ 85.50 Avg. Low Price last 5 years
- ▶ \$107.60 Recent Market Low

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