

FleetCor Technologies Inc. is an independent global provider of specialized payment products and services to commercial fleets, major oil companies and petroleum markets. The Company serves commercial accounts in countries in North America, Europe, Africa and Asia.

SHORT

Current Price:

\$198.19

Target Price:

\$156.61

Market Cap:

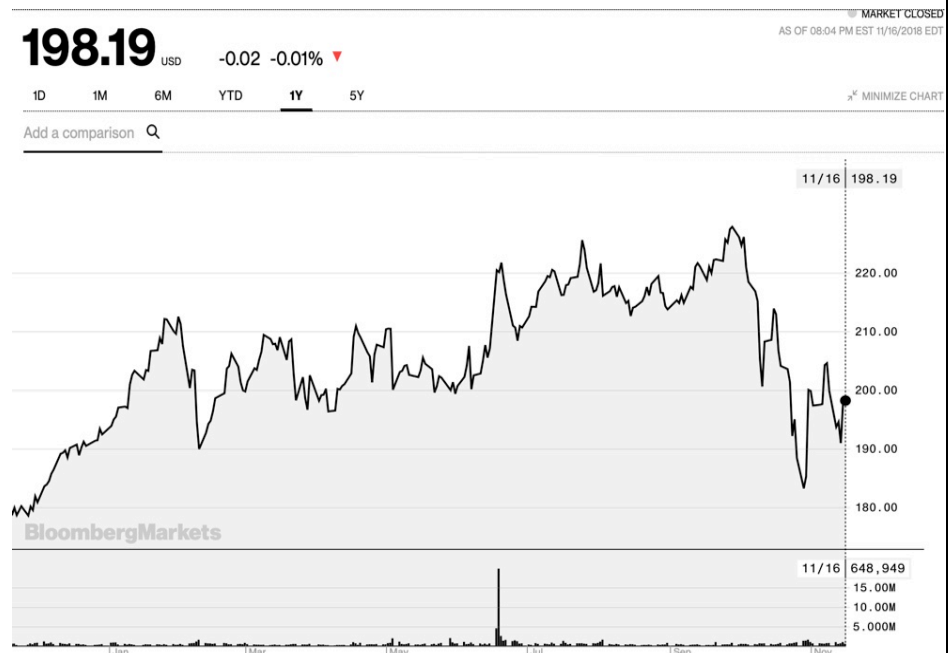
17.5B

Other key Metrics/Ratios

ROIC: .01

Debt to Market Cap: 25%

EBITDA margin: 55%



Thesis: FleetCor in the last few years have been growing as a company but at the same time they have been ripping people off when it comes to misleading prices, holding money to force late charges, and unethical practices towards shareholders, employees, and customers. FleetCor is a company that could become the next Enron and I believe that they are extremely overvalued in the market and that many of the lawsuits that they are currently involved in are going to shine some light on the company to shareholders and to the market.



















Catalysts:

- Short Term: decrease in Revenue
- Mid Term(1-2 years): Lawsuits
- Long Term(3+): Well-known companies increasing in the market

Earnings Performance:

Fleetcor has been performing very well the last few years with an average revenue growth of 20% from 2014 to present. Along with a net income well above 25%. The problem with their earnings though is the fact that the company gets a lot of revenue from late fees, inflated prices and other charges rather than new customers. The picture below shows that program fees, late fees and interest fees made up about 66% of their revenue in 2015. The years following it shows fuel cards taking the spot of the fees. It is interesting because there are no fee data included in the years from 2016-2017. FleetCor makes the majority of its sales from fuel card payments, corporate payments, and toll products, as well as gift and lodging cards. It also offers fleet-related and workforce payment services such as fleet maintenance management and employee benefit payments. Although it is said that they inflate their prices and produce misleading statements which is the reason that their revenue has been as high as it has been. The company processes around 3 billion transactions each year and they make their money from transaction fees, card fees, and network fees and charges, which can be fixed fees, cost-plus-mark-up, or percentage based. It also charges late payment fees based on customer credit risk.

▶ Customer	–	54.00	57.00	61.00
▶ Merchant	–	46.00	42.00	39.00
Merchants and networks	45.10	–	–	–
Customers and partners	54.90	–	–	–
▼ % of Revenue - Supplementary	–	–	–	–
Fuel cards	–	66.00	61.00	49.00
Tolls	–	1.00	6.00	15.00
Corporate payments	–	10.00	10.00	12.00
Other	–	9.00	8.00	11.00
Gift	–	10.00	10.00	9.00
Lodging	–	5.00	5.00	6.00
Program fees, late fees, intere...	66.50	–	–	–
Influenced by absolute price of...	17.00	–	–	–
Tied to fuel-price spreads	16.50	–	–	–

In Millions of USD	2014 Y	2015 Y	2016 Y	2017 Y	Current/LTM	2018 Y Est	2019 Y Est
12 Months Ending	12/31/2014	12/31/2015	12/31/2016	12/31/2017	09/30/2018	12/31/2018	12/31/2019
 Market Capitalization	13,631.1	13,203.3	12,996.8	17,281.0	17,574.6		
 - Cash & Equivalents	477.1	447.2	475.0	913.6	924.4		
 + Preferred & Other	0.0	0.0	0.0	0.0	0.0		
 + Total Debt	3,593.7	2,935.0	3,858.2	4,518.6	4,472.9		
 Enterprise Value	16,747.7	15,691.2	16,380.0	20,886.0	21,123.1		
 Revenue, Adj	1,199.4	1,702.9	1,831.5	2,249.5	2,400.1	2,412.0	2,626.3
 Growth %, YoY	34.0	42.0	7.6	22.8	11.4	7.2	8.9
 Gross Profit, Adj	-	-	-	-	-	2,412.0	2,626.3
 Margin %	-	-	-	-	-	100.0	100.0
 EBITDA, Adj	644.6	937.5	952.2	1,047.1	1,337.0	1,362.3	1,508.2
 Margin %	53.7	55.1	52.0	46.5	55.7	56.5	57.4
 Net Income, Adj	360.9	417.1	471.4	551.7	705.3	969.2	1,097.9
 Margin %	30.1	24.5	25.7	24.5	29.4	40.2	41.8
 EPS, Adj	4.15	4.43	4.95	5.90	7.61	10.47	11.96
 Growth %, YoY	21.9	6.8	11.7	19.1	39.8	77.5	14.3
 Cash from Operations	608.3	754.6	705.9	675.7	811.6		
 Capital Expenditures	-27.1	-41.9	-59.0	-70.1	-76.9	-76.1	-80.5
 Free Cash Flow	581.3	712.7	646.9	605.6	734.7	967.4	1,092.6

Company Reviews

Workers from FleetCor wrote many reviews similar to the ones below which state their company and their management as being deceitful. Stating that, “the company has tendency of deliberately posting payments late to charge its customers thousands of dollars in late fees” and that the company steals from its employees and customers. Both of the reviews below portray FleetCor as a corrupt company and all signs point to another company like Enron.



"Worst Company Ever"

★☆☆☆☆ Former Employee - Anonymous Employee

Doesn't Recommend Neutral Outlook Disapproves of CEO

I worked at FLEETCOR full-time (More than 3 years)

Pros

The only pros are the co-workers are nice people to work with.

Cons

This company steals from both their employees and their customers. They hold customer payments so they can charge huge late fees and than customer service and sales deal with the fall out. This company practices who you know and not what you know as far as advancement goes. If you are part of the in crowd you can do whatever you want and get away with it.

Based upon the reviews that are above the company is shown to do things that are unethical in business and can hurt their reputation as a company and as a stock that is looking to increase in price. There are multiple lawsuits that are currently open against this company and one is from an employee of the company itself. This shows many problems that have to do with the business, its workers, and it is going to cause a problem with investors.



"Low Pay - Unethical Practices- Rip Off customers with fees"

★☆☆☆☆ Current Employee - Sales Representative in Norcross, GA

Doesn't Recommend Negative Outlook Disapproves of CEO

I have been working at FLEETCOR full-time (More than 3 years)

Pros

The company has good benefits and that's about all.

Cons

The company is deceitful and is currently in litigation with its employees for overtime pay.

The company has been sued by its customers and had to settle out of court.

The company has a tendency of deliberately posting payments late to charge its customers thousand of dollars in late fees. The joke is, the company is called "FEE COR."

Some of the managers are unprofessional. They speak ill of employees to other employees.

Fleetcor's practices need to be investigated by the Federal government. It might be another Enron






Ownership:

Compare Current Stats Against 11/11/18							
Institutional - Based on Current Filings				Insider - Based on Last 6 Months			
51) Institutional	11/11/18	Curr	Change	52) Insider	11/11/18	Curr	Change
11) % of Shares Held	92.36	125.1	+32.74%	21) % of Shares Held	0.82	1.14	+0.32%
12) % of Float Held	93.12	126.53	+33.41%	22) % Chg Insider Positions	+35.71	+35.71	0.00%
13) # of Institutions	768	777	+1.17%	23) # of Insiders	20	20	0.00%
14) # of Buyers	225	239	+6.22%	24) # of Buyers Opn Mkt	0	0	
15) # of Sellers	233	246	+5.58%	25) # of Sellers Opn Mkt	0	0	
16) # of New Buyers	150	123	-18.00%	26) # of Shrs Bought Opn Mkt	0	0	
17) # of Selloffs	82	76	-7.32%	27) # of Shrs Sold Opn Mkt	0	0	
18) % Chg in Inst Positions	+8.54	+4.39	-4.15%	28) Avg Opn Mkt Buy Price	0	0	0.00%
				29) Avg Opn Mkt Sell Price	0	0	0.00%
Top Geographic Ownership (%)				Top Ownership Type (%)			
53) Geographic	11/11/18	Curr	Change	54) Ownership Type	11/11/18	Curr	Change
31) UNITED STATES	90.69	90.65	-0.04%	41) Investment Advisor	85.82	87.61	+1.79%
32) UNITED KINGDOM	3.16	3.22	+0.06%	42) Hedge Fund Manager	7.19	5.36	-1.83%
33) JAPAN	1.67	1.57	-0.10%	43) Pension Fund	1.58	1.69	+0.11%
34) Unknown	0.88	0.9	+0.02%	44) Bank	1.38	1.31	-0.07%
35) CANADA	0.79	0.78	-0.01%	45) Insurance Company	1.24	1.29	+0.05%
36) SWITZERLAND	0.43	0.48	+0.05%	46) Government	1.21	1.23	+0.02%
37) NORWAY	0.43	0.44	+0.01%	47) Individual	0.88	0.9	+0.02%
38) GERMANY	0.39	0.43	+0.04%	48) Sovereign Wealth Fund	0.45	0.41	-0.04%
39) FRANCE	0.33	0.31	-0.02%	49) Brokerage	0.17	0.13	-0.04%

FleetCor's percent of sellers is currently higher than its percent of buyers and the number of new buyers has dropped by 18%. The way that the company is operating in the unethical practices that they have been doing makes me believe that their reputation is starting to diminish. People are starting to realize them as a unethical company and they may not see them as a suitable stock to have shares in. Comparing Fleetcor to a few of their challengers they have an adjusted ROIC of .01 while all competitors are over 5.0 and the median is 11. This is important because it is showing the truth about the company. They claim that much of their revenue comes from acquisitions and new customers but their ROIC shows differently. The company has almost no return from their investments and acquisitions.

Name (BI Peers)	Mkt Cap (USD)	P/E	ROE	Adj ROIC AR	Debt/Cap LF
Median	17.57B	32.06	17.97%	11.38	52.01%
100) FLEETCOR TECHNOLOG...	17.57B	26.03	20.17%	0.01	55.67%
101) GLOBAL PAYMENTS INC	17.35B	37.40	12.50%	6.42	56.78%
102) FIRST DATA CORP- CL...	16.64B	15.37	35.72%	5.58	71.89%
103) TOTAL SYSTEM SERVIC...	16.23B	29.05	22.52%	10.78	59.61%
104) WORLDPAY INC-CLASS A	25.60B	459.14	2.15%	11.38	42.50%
105) WEX INC	6.88B	38.50	10.42%	5.43	56.27%
106) SQUARE INC - A	29.19B	--	-5.24%	9.98	47.92%
107) GREEN DOT CORP-CLA...	4.47B	36.19	15.59%	13.36	6.69%
108) FIDELITY NATIONAL I...	35.32B	35.48	10.10%	6.98	47.06%
109) PAYPAL HOLDINGS INC	100.20B	39.14	17.32%	13.64	11.69%

Debt

In Millions of USD	2014 Y	2015 Y	2016 Y	2017 Y	Current/LTM	2018 Y Est	2019 Y Est
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FleetCor's Market capitalization grew from \$13.6 Billion in 2014 to \$17.5 Billion current LTM. Their total Debt has increased from \$3.5 Billion to \$4.47 Billion which insinuates that they have a Debt to Market Cap of around 25%. This shows the total amount of outstanding company debt as 25% meaning that they use a decent amount of debt to purchase their assets. I believe that this value is going to increase in the future because of the road that FleetCor is going down. With their Lawsuits that are mentioned below it is a strong indicator that they are going to have a lot of expenses piling up for these cases. This along with their Revenue estimate to not be much more then it was this past year can lead to a decrease in the net profit that FleetCor is going to see. This all tying in with the diminishment of their reputation can cause a dramatic decrease in FleetCors production and a good size drop in their stock price.

Lawsuits

Currently Fleetcor has multiple lawsuits pending and in action. One being a lawsuit that was filed against them for alleged securities laws violations. Claiming that Fleetcor misled investors with regard to the sources of reasons for its earnings and growth and that they falsely stated that they disclose that they falsely stated that they disclose their fees to customers clearly and that it focuses its business on helping employers control spending and save money, while the Company in reality owes its ostensible success to overcharging customers, disseminating misleading marketing materials, and engaging in predatory sales practices, and that FleetCor's contracts did not clearly disclose the Company's fees and FleetCor's improper business practices did not help customers control spending or save money. FleetCor filed their motion to dismiss the case and it was denied on May 15, 2018

On June 15, 2018 Former Attorney General of Louisiana, Charles C. Foti, Jr. a partner at the law firm of Kahn Swick & Foti, LLC ("KSF"), announces that KSF has commenced an investigation into FleetCor

December 19, 2016, Chevron terminated its 10-year relationship with FleetCor. Beginning in March 2017, news and analyst reports revealed allegations against the Company for misconduct involving fraudulent billing, misleading marketing and predatory sales tactics. In May 2017, Chevron filed a breach of contract lawsuit against the Company relating in part to the Company's mistreatment of customers. Lastly, between May 10, 2016 and March 10, 2017, the Company's President/CEO/Chairman, CFO and four other directors disposed of 685,720 shares of FleetCor stock at artificially inflated prices, receiving over \$108 million in proceeds. This case was also filed to be dismissed by FleetCor and was denied, allowing the case to move forward.

A lawsuit filed in Georgia alleges Fleetcor violated the Fair Labor Standards Act (FLSA) by allowing its more than 350 inside sales representatives to work in excess of 40 hours per week to meet sales quotas despite reportedly being told by managers during the hiring process that the position was "not a 40 hour per week" role.

"In the beginning of the plaintiff's employment, Fleetcor simply did not have any formalized structure or system to track and record the plaintiff's work hours or those of other inside sales representatives," the lawsuit claims. "Inside sales representatives were instructed to keep timesheets manually, but were also instructed to not record any more than forty hours per week, regardless of the actual hours worked. The lawsuit claims that that worker and many other workers worked well over 40 hours and FleetCor refused to pay overtime to them or without proper pay to them."

Competition

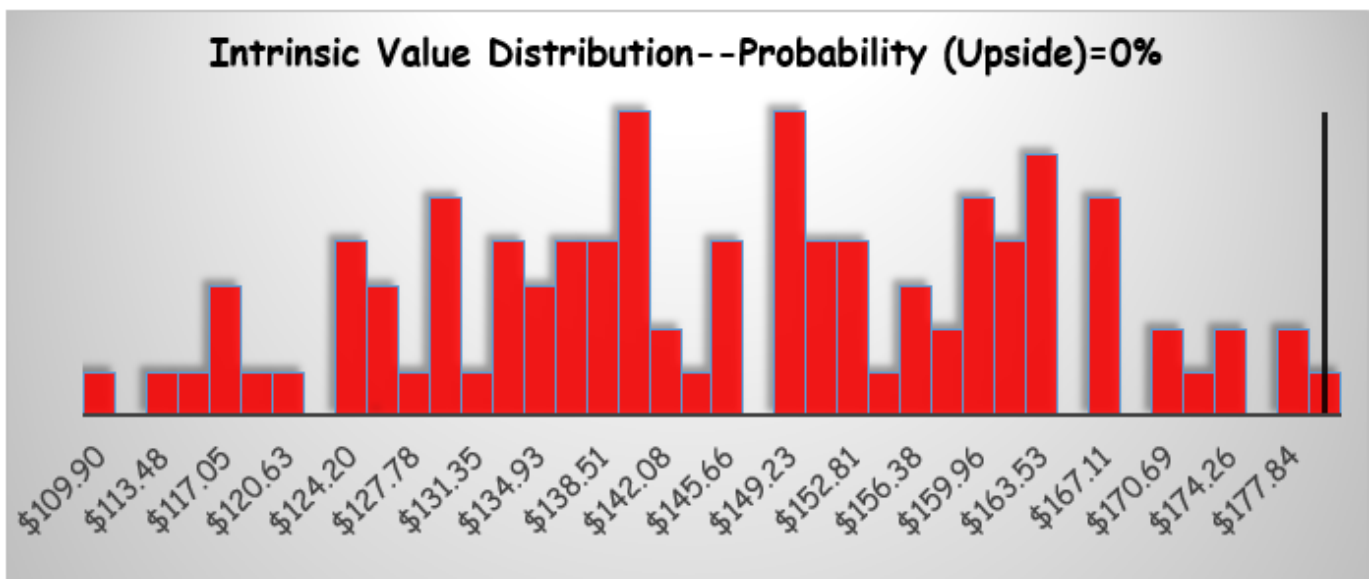
On June 7th 2018 it was announced that Wex and Shell have teamed up for commercial fleet cards which started on August 1st 2018. WEX will deliver a variety of features through the new fleet cards, allowing Shell's customers a greater modernization and ease of use. The two aim to offer innovation that progresses to support the company's rate of growth. This syndication adds to Shell's last round of updates earlier this year to WEX Spec, a fueling transactional



technology. These new Fleet cards are going to pose a threat for FleetCor because they supposedly get more then 60% of their revenues from fuel cards. With the lawsuits, the loss of possible revenue, the increase in expenses, and completion coming into the fleet card market this could create some big problems for FleetCor.

Conclusion:

FleetCor is showing itself as an unethical company that does not seem to be pleasing many people inside or outside of the company. The lawsuits that are currently floating around the company show me that they are not a company that I would want to buy into. I see this company not going far when they are completely ruining the reputation that they built and are going to leave many of their current investors question whether they can trust that company or not. From the looks of it now, FleetCor is not a company that people would want to be a part of because of the ethical issues that they have been undertaking in. With well-known companies also coming into the fleet card market I don't see a reason why FleetCor will continue to be able to mislead their prices and do the things that they have been doing to their customers when their customers can just go to a different company for the same product. Another reason why FleetCor is going to see problems that I believe is the fact that they grew too fast and a lot of the capital that they have now is going to be used to pay of their future debts because of their future decrease in revenue. I believe that based on many of the issues FleetCor is involved in they can drop in price to around \$156 per share.



FleetCor Technologies, Inc. (FLT)

CENTER FOR GLOBAL FINANCIAL STUDIES

BEARISH

Analysis by Kyle Agresta
11/16/2018

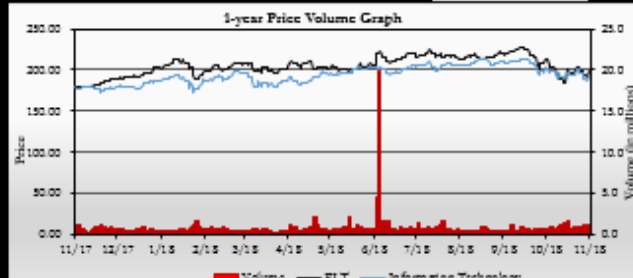
Current Price:
Dividend Yield:

\$198.19
0.0%

Intrinsic Value
Target Price:

\$143.62
\$156.61

Target 1 year Return: -20.98%
Probability of Price Increase: 0%



Description	
FleetCor Technologies, Inc. provides commercial payment solutions in North America, Latin America, Europe, and Australasia.	
General Information	
Sector	Information Technology
Industry	IT Services
Last Guidance	May 8, 2018
Next earnings date	February 1, 2019
Market Assumptions	
Estimated Equity Risk Premium	5.00%
Effective Tax Rate	24%

Market Data	
Market Capitalization	\$17,569.24
Daily Volume (mil)	0.62
Shares outstanding (mil)	88.65
Diluted shares outstanding (mil)	92.66
% shares held by institutions	96%
% shares held by investment managers	83%
% shares held by hedge funds	7%
% shares held by insiders	1.19%
Short interest	1.61%
Days to cover short interest	2.31
52-week high	\$230.24
52-week low	\$176.96
Volatility	26.09%

Part Earning Surprises	
Quarter ending	Revenue
9/30/2017	-0.26%
12/31/2017	0.77%
3/31/2018	-2.87%
6/30/2018	-1.87%
9/30/2018	2.01%
Mean	-0.45%
Standard error	1.2%

Market and Credit Scores	
Recommendation (STARS) Value--0	
Recommendation (STARS) Description--0	
Quality Ranking Value--0	
Quality Ranking Description--0	
Short Score--0	
Market Signal Probability of Default % (Non-Rating)--0.97%	
Credit Model Score (Non-Rating)--bb	

Industry and Segment Information	
LTM Revenue by Geographic Segment	LTM Revenue by Business Segment
United States--62%	North America--64%
Brazil--18%	International--36%
United Kingdom--11%	--
Other--10%	--
--	--

Management	
Clarke, Clara Ronald	Chairman, President & CEO
Dey, Eric	CFO & Corporate Secretary
Coughlin, John	Executive Vice President of Global Corporate & Government
Gavrilov, Alexey	Former President of Continental Europe
Eskander, James	Head of investor relations
Bauman, Sean	Senior Vice President and General Counsel

Total Compensation Growth	
37.99% per annum over 5y	18.53% per annum over 5y
56.58% per annum over 5y	18.53% per annum over 5y
60.83% per annum over 5y	18.53% per annum over 5y
0% per annum over 0y	

Peer	
Global Payments, Inc.	PayPal Holding, Inc.
WEX Inc.	Euronet Worldwide, Inc.
Total System Services, Inc.	Paycom, Inc.
Square, Inc.	--
	MoneyGram International, Inc.

Profitability	
FLT (LTM)	FLT Historical
Return on Capital (GAAP)	-0.2%
Operating Margin	40.2%
Revenue/Operating (GAAP)	0.00
ROE (GAAP)	-0.2%
Net margin	39.73%
Revenue/Book Value (GAAP)	-0.000534018

Peer's Median (LTM)	
Return on Capital (GAAP)	11.15%
Operating Margin	46.21%
Revenue/Operating (GAAP)	0.24
ROE (GAAP)	18.6%
Net margin	24.7%
Revenue/Book Value (GAAP)	0.75



Invested Funds	
FLT (LTM)	FLT Historical
CapEx/Capital	-1.3%
HW/Capital	-0.3%
Operating Assets/Capital	101.8%
Goodwill/Capital	-0.1%

Peer's Median (LTM)	
CapEx/Capital	8.3%
HW/Capital	-0.3%
Operating Assets/Capital	45.6%
Goodwill/Capital	43.6%

Capital Structure	
FLT (LTM)	FLT Historical
Total Debt/Market Capitalization	0.00
Cost of Debt	2.9%
CGFS Rating (F+care, Z+care, and default Probability)	BB
WACC	10.0%

