

Wright Express CORP
Form 10-K
February 28, 2011

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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K**

(Mark One)

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

**For the fiscal year ended December 31, 2010
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

WRIGHT EXPRESS CORPORATION

(Exact name of registrant as specified in its charter)

Delaware

*(State or other jurisdiction of
incorporation or organization)*

01-0526993

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

97 Darling Avenue

South Portland, Maine

(Address of principal executive offices)

04106

(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.

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 No

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Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes No

Indicate by check mark 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, or a smaller reporting company. See definitions of large accelerated filer, accelerated filer, and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer
(Do not check if a smaller
reporting company)

Smaller reporting company

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

Yes 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 30, 2010, the last business day of the registrant's most recently completed second fiscal quarter, was \$1,132,899,306 (based on the closing price of the registrant's common stock on that date as reported on the New York Stock Exchange).

There were 38,438,454 shares of the registrant's common stock outstanding as of February 22, 2011.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Company's Proxy Statement for the 2011 Annual Meeting of Stockholders are incorporated by reference in Part III.

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EX-101 PRESENTATION LINKBASE DOCUMENT

EX-101 DEFINITION LINKBASE DOCUMENT

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All references to we, us, our, Wright Express, or the Company, in the Annual Report on Form 10-K mean Wright Express Corporation and all entities owned or controlled by Wright Express Corporation, except where it is clear that the term means only Wright Express Corporation.

FORWARD-LOOKING STATEMENTS

The Private Securities Litigation Reform Act of 1995 provides a safe harbor for statements that are forward-looking and are not statements of historical facts. The Strategy section of this Annual Report in Item 1 and the Outlook for the Future section of this Annual Report in Item 7, among other sections, contain forward-looking statements. Any statements that are not statements of historical facts may be deemed to be forward-looking statements. When used in this Annual Report, the words may, will, could, anticipate, plan, continue, project, estimate, believe, expect and similar expressions are intended to identify forward-looking statements, although not all forward-looking statements contain such words. Forward-looking statements relate to our future plans, objectives, expectations and intentions and are not historical facts and accordingly involve known and unknown risks and uncertainties and other factors that may cause the actual results or performance to be materially different from future results or performance expressed or implied by these forward-looking statements. The following factors, among others, could cause actual results to differ materially from those contained in forward-looking statements made in this Annual Report, in press releases and in oral statements made by our authorized officers: fuel price volatility; the Company's failure to maintain or renew key agreements; failure to expand the Company's technological capabilities and service offerings as rapidly as the Company's competitors; the actions of regulatory bodies, including bank regulators, or possible changes in banking regulations impacting the Company's industrial loan bank and the Company as the corporate parent; the uncertainties of litigation; the impact of foreign currency exchange rates on the Company's operations; the effects of general economic conditions on fueling patterns and the commercial activity of fleets; the effects of the Company's international business expansion efforts; the impact and range of first quarter and full year credit losses; the amount of full year interest rates; financial loss if the Company determines it necessary to unwind its derivative instrument position prior to the expiration of the contract; the failure to successfully expand business internationally; the failure to successfully integrate the businesses the Company has acquired; as well as other risks and uncertainties identified in Item 1A of this Annual Report. Our forward-looking statements and these factors do not reflect the potential future impact of any merger, acquisition or disposition. The forward-looking statements speak only as of the date of the initial filing of this Annual Report and undue reliance should not be placed on these statements. We disclaim any obligation to update any forward-looking statements as a result of new information, future events or otherwise.

PART I**ITEM 1. BUSINESS****Our Company**

Wright Express Corporation is a leading provider of value-based, business payment processing and information management solutions. We provide products and services that meet the needs of businesses in various geographic regions including North America, Asia Pacific and Europe. The Company's fleet and other payment solutions provide its more than 350,000 customers with security and control for complex payments across a wide spectrum of business sectors. Together with our affiliates, we market our products and services directly, as well as through more than 150 strategic relationships which include major oil companies, fuel retailers and vehicle maintenance providers.

Wright Express Corporation, a Delaware corporation, has been publicly traded since February 16, 2005. Our growth over the years has largely been organic but has also been supplemented with the acquisition of the following entities:

On September 14, 2010, we acquired RD Card Holdings Australia Pty Ltd, (RD). Through its subsidiaries, RD conducted business in Australia as a multi-branded fuel card issuer which now has approximately 320,000 cards in circulation and is a processor of prepaid cards. Concurrent with the acquisition we established Wright Express Australia Fuel and Wright Express Australia Prepaid.

On August 29, 2008, we acquired the net assets of Financial Automation Limited, a provider of fuel card processing software solutions located in New Zealand. Concurrent with the acquisition of Financial

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Automation Limited, we established a structure for international operations (Wright Express International).

On February 29, 2008, we acquired the net assets of Pacific Pride Services, Inc. and converted it into Pacific Pride Services, LLC (Pacific Pride). Pacific Pride is an independent fuel distributor franchisee network, encompassing more than 300 independent fuel franchisees.

We acquired TelaPoint, Inc. (TelaPoint) on August 6, 2007. TelaPoint is a provider of supply chain software solutions for bulk petroleum distributors, retailers and fleets.

Our wholly-owned banking subsidiary, Wright Express Financial Services Corporation (FSC), a Utah industrial bank, was established in 1998. In conjunction with our domestic operations, FSC approves domestic customer applications, maintains

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appropriate credit lines for each customer, issues the cards and owns the customer relationships for most of our fuel and maintenance programs and offers our corporate charge card solution.

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

The Other Payment Solutions segment of our business provides customers with payment processing solutions for their corporate purchasing and transaction monitoring needs through our corporate charge card, and through our prepaid and gift card products and services. Other Payment Solutions revenue is earned primarily from payment processing revenue. We currently issue MasterCard-branded corporate charge cards and utilize their network.

We believe the following strengths distinguish us in our industry:

We are a leading provider of fleet fuel payment services. Our fleet payment solutions are used by 5.4 million commercial and government vehicles to purchase fuel and maintenance services.

We have long-standing strategic relationships with each of the six largest domestic fleet management companies, and approximately 800 fuel retailers and fuel distributors, convenience store chains and bulk and mobile fuel providers.

We have built a network of over 180,000 fuel and service providers in the United States, and have acquired the largest fuel based closed-loop network in Australia, which covers more than 10,000 fuel and maintenance sites. This represents over 90 percent fuel coverage in each geography, which provides our customers the convenience of broad acceptance. Our proprietary closed-loop networks (see illustration on page 4) also affords us access to a higher level of fleet-specific information and control than is widely available on open-loop networks, which allows us to improve and refine the information reporting we provide to our fleet customers and strategic relationships.

We offer a differentiated set of products and services to allow our customers and the customers of our strategic relationships to better manage their vehicle fleets.

We provide customized analysis and reporting on the efficiency of fleet vehicles and the purchasing behavior of fleet vehicle drivers. We make this data available to fleet customers through both traditional reporting services and sophisticated Internet-based data analysis tools.

Our proprietary software facilitates the collection of information and affords us a high level of control and flexibility in allowing fleets to restrict purchases and receive automated alerts.

Through our customized websites, customers have access to account and purchase control management, data, reporting and analysis tools which allows them to better monitor and maintain fleets.

With our ownership of FSC, we have excellent access to low cost sources of capital, which we make available to our domestic customers.

Wright Express Australia Prepaid is a leading processor of prepaid gift cards, representing over 150 clients and more than 220 card programs.

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Strategy

Our strategy is to leverage our core competitive strengths sales and marketing, portfolio management, customer service and product differentiation to acquire and retain customers and to create products that add value by satisfying new and existing customers needs.

Our strategic initiatives include:

Extending our leadership position in North America and growing our core fleet business. We intend to build upon the organic growth we achieved in 2010 through the use of our various marketing channels. We expect to drive organic growth in our existing customer base by leveraging our competitive advantages and continuing to explore new strategies that bring innovative new products to market.

Growing Other Payment Solutions purchase volume. To support the opportunity we see for the corporate charge card business, we plan to expand our sales force and target additional verticals for our single use electronic payment product. We also plan to further explore opportunities to leverage our current client base by offering new prepaid card products, such as payroll cards.

Further build on our international growth. Building upon the knowledge we have gained through our Wright Express Australia acquisition, we intend to continue to focus on bolstering our international business. We will look for additional opportunities to leverage our competitive strengths to expand our international business and open avenues for both organic and acquisition driven growth.

FLEET PAYMENT SOLUTIONS SEGMENT

We have created one of the largest proprietary payment processing networks. We collect a broad array of information at the point of sale including the amount of the expenditure, the identity of the driver and vehicle, the odometer reading, the identity of the fuel or vehicle maintenance provider and the items purchased. We use this information to provide customers with purchase controls and analytical tools to help them effectively manage their vehicle fleets and control costs. We deliver value to our customers by providing customized offerings with accepting merchants, processing payments and providing information management products and services to our fleets.

Our payment processing network, which is deployed at fuel and maintenance locations that use our proprietary software, is referred to as a closed-loop network because we have a direct contractual relationship with the merchant and the fleet; only Wright Express transactions can be processed on this network.

The following illustrates our proprietary closed-loop network:

Our proprietary closed-loop network affords us access to a higher level of fleet-specific information and control than is widely available on open-loop networks and enables us to avoid dependence on third-party processors.

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Products and Services

Payment processing

In a payment processing transaction, we pay the purchase price for the fleet customer's transaction, less the payment processing fees we retain, to the fuel or vehicle maintenance provider, and we collect the total purchase price from the fleet customer, normally within one month from the billing date. Payment processing fees are based on either a combination of both a percentage of the aggregate dollar amount of the customer's purchase and a fixed amount charged per transaction or on a percentage of the aggregate dollar amount of the customer's purchase alone. In 2010, we had approximately 215 million payment processing transactions.

Transaction processing

In a transaction processing transaction we earn a fixed fee per transaction. We processed nearly 55 million transaction processing transactions in 2010. There are a variety of levels of services provided in transaction processing, ranging from software replacement to full outsourcing and the revenue we recognize will vary with the level of service provided.

The following illustration depicts our business process for a typical payment processing transaction:

In most transaction processing transactions, steps 3 and 4 typically do not apply. However, data capture and information management remain an important part of the value proposition for fleets for whom we perform transaction processing.

Account management

We also provide the following account management services:

Customer service, account activation and account retention. We offer customer service, account activation and account retention services to fleets and fleet management companies (collectively, strategic relationships) and the fuel and vehicle maintenance providers on our network. Our services include promoting the adoption and use of our products and programs and account retention programs on behalf of our strategic relationships.

Authorization and billing inquiries and account maintenance. We handle authorization and billing questions, account changes and other issues for fleets through our dedicated customer contact centers, which are available 24 hours a day, seven days a week. Fleet customers also have self service options available to them through our *WEXOnline*®, *MotorPass*® and *Motorcharge*® websites.

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Premium fleet services. We assign designated account managers to businesses and government agencies with large fleets. These representatives have in-depth knowledge of both our programs and the operations and objectives of the fleets they service.

Credit and collections services. We have developed proprietary account approval, credit management and fraud detection programs. Our underwriting model produces a proprietary score, which we use to predict the likelihood of an account becoming delinquent within 12 months of activation. We also use a credit line maintenance model to manage ongoing accounts, which allows us to predict the likelihood of account delinquency over an ongoing 18 month time horizon. We have developed a collections scoring model that we use to rank and prioritize past due accounts for collection activities. We also employ fraud specialists who monitor, alert and provide case management expertise to minimize losses and reduce program abuse.

Merchant services. Our representatives work with fuel and vehicle maintenance providers to enroll them in our network, certify all network and terminal software and hardware, and train them on our sale, transaction authorization and settlement processes.

Information management

We provide standard and customized information to customers through monthly vehicle analysis reports, custom reports and our websites, *WEXOnline*®, *MotorPass*® and *Motorcharge*®. We also alert the customer to any unusual transactions or transactions that fall outside of pre-established parameters. Customers can access their account information, including account history and recent transactions, and download the details. In addition, through our websites, fleet managers can elect to be notified by email when limits are exceeded in specified purchase categories, including limits on transactions within a time range and gallons per day. Utilizing our *WEXSmart*™ product which leverages telematics, a vehicle system that combines global positioning satellite tracking and other wireless technology, fleet managers can track the movements and the locations of their vehicles. We generally recognize revenue from these services under account servicing revenue.

Marketing Channels

We market our payment processing and information management products and services to fleets directly and indirectly. Our experienced inside and outside sales forces and our marketing team, which has expertise in direct marketing, database analysis and marketing strategy and execution, facilitate our sales and marketing efforts. We also utilize industry tradeshows, advertising and other awareness campaigns to market our services. By collecting and analyzing customer data acquired over many years, we have created a detailed profile of representative fleet customers and have also developed a proprietary database that allows us to better market to the fleet industry. We provide market opportunity analyses, customer acquisition models and detailed marketing plans to our sales force and the sales forces of companies with which we have co-branded, affinity, distributor or private label relationships.

Direct

We market our products and services, using the Wright Express brand name in North America and the *MotorPass* and *Motorcharge* brand names in Australia, directly to our commercial and government vehicle fleet customers. These direct customers include fleets of all sizes and vehicle categories. We use our inside sales force to attract small fleets, such as contracting, landscaping and plumbing businesses. Our mid-size fleet customers are typically regional businesses, such as dairies, beverage companies and grocery chains. We use our outside sales force to market to these customers. Our large fleet customers consist of national and large regional fleets. In marketing our products and services to these customers, we emphasize our ability to offer national site acceptance, a high level of customer service, and on-line tools to monitor, control and customize their fleet management capabilities. To attract and retain large fleet customers, we use both our outside sales force, focusing on the acquisition of new customers, and internal account managers, who focus on servicing and growing revenue from existing customers.

Indirect

We market our products and services indirectly through co-branded, affinity, distributor and private label relationships.

Co-branded. Through our co-branded relationships, we market our products and services for, and in collaboration with, fleet management companies, automotive manufacturers, fuel providers and

convenience store chains using their brand names and our Wright Express logo. These companies seek to offer our payment processing and information management services to their fleet customers.

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We use our co-branded relationships to reach all sizes of fleet customers. We are able to expand the base of customers to whom we provide our products and services by combining the marketing and sales efforts of our own sales force with the efforts of the sales forces of our co-branded partners. Our co-branded relationships are able to take advantage of our closed-loop network and our ability to offer national site acceptance.

Affinity. Similar to the co-branded relationships, our affinity relationships are marketed in collaboration with fuel providers and convenience store chains. The products and services we deliver are designed to foster loyalty to the fuel provider or convenience store chain as the program is marketed as their own. However, these products allow for the same level of payment processing and information management products and services as are received by the companies using our co-branded programs. Our affinity relationships are able to take advantage of our closed-loop network.

Distributor. Through our distributor relationships, we market our products and services through a network of independent Pacific Pride fuel franchisees. Franchisees issue their own Pacific Pride commercial fueling cards to fleet customers. Vehicles in this program have access to fuel at Pacific Pride and strategic partner locations in the United States and Canada. We increase penetration to these customers by leveraging Pacific Pride's local market presence and brand recognition, as well as its platform and products for commercial and government fleets. We also service distributors through the Wright Express Distributor program, which provides fuel merchants with payment processing and information management products and services for their own fleets.

Private Label. We market our product and services for, and in collaboration with, fuel retailers, using only their brand names. The fuel retailers with which we have formed strategic relationships offer our payment processing and information management product and services to their fleet customers in order to establish and enhance customer loyalty. These fleets use these product and services to purchase fuel at locations of the fuel retailer with whom we have the private label relationship. Customers of our private label partners are typically small fleets. The fleet drivers often do not travel beyond a defined geographic area and are not unduly burdened by limiting their fuel purchases to the fuel locations of a particular fuel retailer within that area. We primarily rely on the marketing efforts of our private label relationships to attract customers; however, many of these fuel retailers also rely on our sales and marketing expertise to further their efforts.

Fuel Price Derivatives

Approximately 50 percent of our total revenues result from fees paid to us by fuel providers based on a negotiated percentage of the purchase price of fuel purchased by our customers. However, we own fuel price sensitive derivative instruments to manage volatility created by changes in domestic fuel prices on our cash flows and to enhance the visibility and predictability of future cash flows. We have entered into put and call option contracts (Options) indexed to the wholesale price of unleaded gasoline and the retail price of diesel fuel, both of which contain monthly settlement provisions. When entering into the Options, our intent is to effectively lock in a range of prices during any given quarter on a portion of our forecasted earnings that are subject to fuel price variations. We have estimated the effect on our forecasted earnings exposure associated with changes in fuel prices and entered into derivative agreements designed to cover 80 percent of this estimated impact for our North American exposure. Differences between the indices underlying the Options and the actual retail prices may create a disparity between the actual revenues we earn and the gains or losses realized on the Options.

Our derivative instruments do not qualify for hedge accounting under accounting guidance. Accordingly, gains and losses on our fuel price-sensitive derivative instruments, whether they are realized or unrealized, affect our current period earnings.

The Options are intended to limit the impact fuel price fluctuations have on our cash flows. The Options that we have entered into:

Create a floor price. When the current month put option contract settles, the Company receives cash payments from the counterparties of the Options when the average price for the current month (as defined

by the option contract) is below the strike price of the put option contract.

Create a ceiling price. When the current month call option contract settles, the Company makes cash payments to the counterparties of the Options when the average price for the current month (as defined by the option contract) is above the strike price of the call option contract.

When the current month put and call option contracts settle and the average price for the current month (as defined by the option contract) is between the strike price of the put option contract and the strike price of the call option contract, no cash is exchanged between the Company and the counterparties of the Options.

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The following table presents information about the Options as of December 31, 2010:

	Percentage ^(a)	North American Weighted-Average Price ^(b)	
		Floor	Ceiling
For the period January 1, 2011 through March 31, 2011	80%	\$ 2.77	\$ 2.83
For the period April 1, 2011 through June 30, 2011	80%	\$ 2.87	\$ 2.93
For the period July 1, 2011 through September 30, 2011	80%	\$ 2.93	\$ 2.99
For the period October 1, 2011 through December 31, 2011	80%	\$ 2.97	\$ 3.03
For the period January 1, 2012 through March 31, 2012	53%	\$ 2.95	\$ 3.01
For the period April 1, 2012 through June 30, 2012	27%	\$ 2.98	\$ 3.04

^(a) Represents the estimated hedge percentage of the Company's forecasted North American earnings subject to fuel price variations at the time of purchase.

^(b) Weighted-average price is the Company's estimate of the North American retail price equivalent of the underlying strike price of the fuel price derivatives.

OTHER PAYMENT SOLUTIONS SEGMENT

We issue corporate charge products and prepaid products. Our corporate charge products provide commercial travel and entertainment and purchase capabilities to businesses in industries that can utilize our information management functionality. The corporate charge products can be sold jointly with the fleet card product to offer a total payment solution to companies. Additionally, our single use account product allows businesses to centralize purchasing, simplify complex supply chain processes and eliminate the paper check writing associated with traditional purchase order systems.

Products and Services

Corporate charge card

Our corporate charge card provides commercial travel and entertainment and purchase capabilities to businesses that benefit from our information management functionality. The product can be sold jointly with the fleet card product to offer a total corporate payment solution to companies.

Single use account

Our single use account product allows businesses to centralize purchasing, simplify complex supply chain processes and eliminate the paper check writing associated with traditional purchase order programs. Our single use account product is used for transactions where no card is presented, including, for example, transactions conducted over the telephone, by mail, fax or on the Internet. They also can be used for transactions that require pre-authorization, such as hotel reservations. Under this program, each transaction is assigned a unique account number and expiration date. These controls are in place to limit fraud and unauthorized spending. The unique account number limits purchase amounts, tracks, settles and reconciles purchases more easily, while eliminating the risks associated with using multiple cards.

Prepaid card

Wright Express Australia Prepaid is a leading prepaid gift card payment solution provider in Australia, with a full-service product offering and a patented technology platform. Through our website, Giftvouchers.com®, customers are able to purchase third party retailer gift vouchers that can be redeemed in-store or on-line at retailers web sites.

Marketing Channels

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We market our other payment solutions directly to our customers in conjunction with our fleet offerings, as well as potential new clients with whom we have no existing relationship. Our corporate charge products are marketed to commercial and government organizations and we leverage the marketing and advertising efforts of MasterCard, Inc.

We market our prepaid and corporate incentive payment solutions in Australia directly to a large number of blue chip brand stores, government departments and service organizations.

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OTHER ITEMS

Employees

As of December 31, 2010, Wright Express Corporation and its subsidiaries had 881 employees, of which, 717 were located in the United States. None of our employees are subject to a collective bargaining agreement.

Competition

We have a strong competitive position in our Fleet Payment Solutions and Other Payment Solutions segments. Our product features and extensive account management services are key factors behind our position in the fleet industry. We face competition in both of our segments. Our competitors vie with us for prospective direct fleet customers as well as for companies with which we form strategic relationships. We compete with companies that perform payment and transaction processing or similar services. Financial institutions that issue Visa, MasterCard and American Express credit and charge cards currently compete against us primarily in the small fleet category of our Fleet Payment Solutions segment and in the corporate charge card category of our Other Payment Solutions segment.

The most significant competitive factors are breadth of features, functionality, servicing capability and price. For more information regarding risks related to competition, see the information in Item 1A, under the heading Our industry continues to become increasingly competitive, which makes it more difficult for us to maintain profit margins at historical levels.

Technology

We believe investment in technology is a crucial step in enhancing our competitive position in the market place. In the United States, our closed loop proprietary software captures comprehensive information from the more than 180,000 domestic fuel and maintenance locations within our network. Operating a proprietary network not only enhances our value proposition, it enables us to avoid dependence on third-party processors in the Fleet Payment Solutions segment and to respond rapidly to changing customer needs with system upgrades and new specifications, while maintaining our security in a SAS 70 certified environment. Our infrastructure has been designed around industry-standard architectures to reduce downtime in the event of outages or catastrophic occurrences.

In Australia we operate standalone platforms to service Wright Express Australia Fuel and Wright Express Australia Prepaid transactions. All of the development, maintenance and support of each card management system are performed within the respective business. We continue to invest in both infrastructures.

We are continually improving our technology to enhance the customer relationship and to increase efficiency and security. We also review technologies and services provided by others in order to maintain the high level of service expected by our customers. For information regarding technology related risks, see the information in Item 1A under the headings Our failure to effectively implement new technology could jeopardize our position as a leader in our industry, and We are dependent on technology systems and electronic communications networks managed by third parties, which could result in our inability to prevent service disruptions.

Intellectual Property

We rely on a combination of copyright, trade secret and trademark laws, confidentiality procedures, contractual provisions and other similar measures to protect proprietary information and technology used in our business. We generally enter into confidentiality or license agreements with our consultants and corporate partners, and generally control access to and distribution of our technology, documentation and other proprietary information. Despite the efforts to protect our proprietary rights, unauthorized parties may attempt to copy or otherwise obtain the use of our products or technology that we consider proprietary and third parties may attempt to develop similar technology independently. We pursue registration and protection of our trademarks primarily in the United States. Wright Express Australia Fuel and Prepaid holds patents which are registered in Australia, as well as in the United Kingdom, Hong Kong and New Zealand.

Regulation United States

The Company and FSC are subject to certain state and federal laws and regulations governing insured depository institutions and their affiliates. FSC is subject to supervision and examination by both the Utah Department of Financial Institutions and the Federal Deposit Insurance Corporation. The Company and FSC are also subject to certain restrictions on transactions with affiliates set forth in the Federal Reserve Act (FRA). The Company is subject to anti-tying provisions in the Bank Holding Company Act. State and Federal laws and regulations limit the loans FSC

may make to one borrower and the types of investments FSC may make.

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Set forth below is a description of the material elements of the laws, regulations, policies and other regulatory matters affecting the North America operations of Wright Express.

Restrictions on intercompany borrowings and transactions

The FRA restricts the extent to which the Company may borrow or otherwise obtain credit from, sell assets to or engage in certain other transactions with FSC. In general, these restrictions require that any such extensions of credit by FSC to the parent company must be fully secured. There is no limit on such transactions to the extent they are secured by a cash deposit or pledged United States government securities. It is also possible to pledge designated amounts of other specified kinds of collateral if the aggregate of such transactions are limited to 10 percent of FSC's capital stock and surplus with respect to any single affiliate and to 20 percent of FSC's capital stock and surplus with respect to all affiliates.

Restrictions on dividends

The FRA also limits the dividends FSC may pay to the Company. In addition, FSC is subject to various regulatory policies and requirements relating to the payment of dividends, including requirements to maintain capital above regulatory minimums. A state or federal regulatory authority can determine, under certain circumstances relating to the financial condition of a bank, that the payment of dividends would be an unsafe or unsound practice and can prohibit payment. FSC may not pay a dividend to the Company if it is undercapitalized or would become undercapitalized as a result of paying the dividend. Utah law permits an industrial bank to pay dividends only from undivided earnings.

Company obligations to FSC

Any non-deposit obligation of FSC to the Company is subordinate, in right of payment, to deposits and other indebtedness of FSC. In the event of the Company's bankruptcy, any commitment by the Company to a federal bank regulatory agency to maintain the capital of FSC will be assumed by the bankruptcy trustee and entitled to priority of payment.

Restrictions on ownership of Wright Express common stock

FSC, and therefore the Company, is subject to bank regulations that impose requirements on entities that control 10 percent or more of Wright Express common stock. These requirements are discussed in detail in Item 1A under the heading "If any entity controls 10 percent or more of our common stock and such entity has caused a violation of applicable banking laws by its failure to obtain any required approvals prior to acquiring that common stock, we have the power to restrict such entity's ability to vote shares held by it."

Regulation Australia

The Company's Australian operations are subject to certain laws and regulations of the Commonwealth of Australia governing banking and payment systems, financial services, consumer credit and money laundering. Because neither Wright Express Australia Fuel nor Prepaid holds an Australian Financial Services License or credit license or is an authorized deposit-taking institution, they operate within a framework of regulatory relief and exemptions afforded them on the basis that they satisfy the requisite conditions.

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Segments and Geographic Information

For an analysis of financial information about our segments as well as our geographic areas, see Item 8 Note 20 of our consolidated financial statements included elsewhere in this Annual Report on Form 10-K.

Available Information

The Company's principal executive offices are located at 97 Darling Avenue, South Portland, ME 04106. Our telephone number is (207) 773-8171, and our Internet address is <http://www.wrightexpress.com>. The Company's annual, quarterly and current reports, proxy statements and certain other information filed with the SEC, as well as amendments thereto, may be obtained free of charge from our web site. These documents are posted to our web site as soon as reasonably practicable after we have filed or furnished these documents with the SEC. These documents are also available at the SEC's Public Reference Room at 100 F Street, NE, Washington, DC 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC maintains an Internet site that contains reports, proxy and information statements and other information regarding issuers that file electronically with the SEC at <http://www.sec.gov>. The Company's Audit Committee Charter, Compensation Committee Charter, Finance Committee Charter, Corporate Governance Committee Charter, Corporate Governance Guidelines and codes of conduct are available without charge through the Corporate Governance portion of the Investor Relations page of the Company's web site, as well.

Copies will also be provided, free of charge, to any stockholder upon written request to Investor Relations at the address above or by telephone at (866) 230-1633.

The Company's Internet site and the information contained on it are not incorporated into this Form 10-K.

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ITEM 1A. RISK FACTORS

The risks and uncertainties described below are not the only ones facing us. Other events that we do not currently anticipate or that we currently deem immaterial also may affect our results of operations and financial condition.

Risks Relating to Our Company

A significant portion of our revenues are related to the dollar amount of fuel purchased by our customers, and, as a result, volatility in fuel prices could have an adverse effect on our payment processing revenues.

As of December 31, 2010, approximately 50 percent of our total revenues result from fees paid to us by fuel providers based on a negotiated percentage of the purchase price of fuel purchased by our customers. Our customers primarily purchase fuel. Accordingly, part our revenues are dependent on fuel prices, which are prone to volatility in the United States. For example, we estimate that during 2010, a 10 cent decline in average fuel prices below average actual prices would have resulted in approximately an \$7.4 million decline in 2010 revenue. Declines in the price of fuel could have a material adverse effect on our total revenues.

Fuel prices are dependent on many factors, all of which are beyond our control. These factors include, among others:

supply and demand for oil and gas, and expectations regarding supply and demand;

speculative trading;

actions by major oil exporting nations;

political conditions in other oil-producing , gas-producing or supply-route countries, including revolution, insurgency, terrorism or war;

refinery capacity;

weather;

the prices of foreign exports and the availability of alternate fuel sources;

value of the U.S. dollar versus other major currencies;

general worldwide economic conditions; and

governmental regulations and tariffs.

Derivative transactions may not adequately stabilize our cash flows and may cause volatility in our earnings.

Because a portion of our revenues are subject to fuel price volatility, we utilize fuel price sensitive derivative instruments to manage our exposure to this volatility in North America by seeking to limit fluctuations in our cash flows. For a more detailed discussion of these derivative instruments see our Fuel Price Derivatives discussion in Item 1. These instruments may expose us to the risk of financial loss if, for example, the counterparties fail to perform under the contracts governing those arrangements, we unwind our position before the expiration of the contract or there is a significant change in fuel prices. The success of our fuel price derivatives program depends upon, among other things, our ability to forecast the amount of fuel purchased by fleets using our services in North America and the percent fee we will earn from merchants. To the extent our forecasts are inaccurate these derivative contracts may be inadequate to protect us against significant changes in fuel prices or over-expose us to fuel price volatility. Realized and unrealized gains and losses on these contracts are recorded each quarter to reflect changes in the market value of the underlying contracts. As a result, our quarterly net income may be prone to significant volatility.

In an increasing interest rate environment, interest expense on the variable rate portion of our borrowings on our credit facility would increase and we may not be able to replace our maturing certificates of deposit with

new certificates of deposit that carry the same interest rates.

We had \$407 million of indebtedness outstanding at December 31, 2010, under our credit agreements, of which we had borrowings of \$390 million on our credit facility that bore interest at a floating rate equal to the one-month LIBOR plus 70.0 basis points. During 2009 we entered into an interest rate swap contract that ends in July 2011 that fixed the interest rate on \$50 million of the variable rate revolving credit facility. During 2010 we entered into another interest rate swap contract that ends in March 2012 that fixed the interest rate on an additional \$150 million of our variable rate revolving credit facility. Rising interest rates would result in reduced net income.

The certificates of deposit that our industrial bank subsidiary, FSC, uses to finance payments to major oil companies carry fixed rates from issuance to maturity. Upon maturity, the certificates of deposit will be replaced by issuing new certificates of deposit to the extent that they are needed. In a rising interest rate environment, FSC would not be able to replace maturing certificates of deposit with new certificates of deposit that carry the same interest rates. Rising interest rates would result in reduced net income to the extent that certificates of deposit mature and need to be replaced. At December 31, 2010, FSC had outstanding \$370.4 million in certificates of deposit maturing within one year and \$87.5 million in certificates of deposit maturing within one to two years.

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Our exposure to counterparty credit risk could create an adverse affect on our financial condition.

We engage in a number of transactions where counterparty credit risk is a relevant factor. Specifically, we have fuel price derivatives and interest rate swaps whose values at any point in time are dependent upon not only the market but also the viability of the counterparty. The failure or perceived weakness of any of our counterparties has the potential to expose us to risk of loss in these situations. Financial institutions, primarily banks, have historically been our most significant counterparties.

Our industry continues to become increasingly competitive, which makes it more challenging for us to maintain profit margins at historical levels.

We face and may continue to face increased levels of competition in each category of the overall industry from several companies that seek to offer competing capabilities and services. Historically, we have been able to provide customers with a wide spectrum of services and capabilities and, therefore, we have not considered price to be the exclusive or even the primary basis on which we compete. As our competitors have continued to develop their service offerings, it has become increasingly more challenging for us to compete solely on the basis of superior capabilities or service. In some areas of our business we have been forced to respond to competitive pressures by reducing our fees. We have seen erosion of our historical profit margins as we use alternative pricing to encourage existing strategic relationships to sign long-term contracts. If these trends continue and if competition intensifies, our profitability may be adversely impacted.

While we have traditionally offered our services to all categories of the fleet industry, some of our competitors have successfully garnered significant share in particular categories of the overall industry. To the extent that our competitors are regarded as leaders in specific categories, they may have an advantage over us as we attempt to further penetrate these categories.

We also face increased competition in our efforts to enter into new strategic relationships and renew existing strategic relationships on the same terms.

Our business and operating results are dependent on several key strategic relationships, the loss of which could adversely affect our results of operations.

Revenue we received from services we provided to our top five strategic relationships accounted for approximately 17 percent of our total revenues in 2010. Accordingly, we are dependent on maintaining our strategic relationships and our results of operations would be lower in the event that these relationships were terminated.

Likewise, we have agreements with the major oil companies and fuel retailers whose locations accept our payment processing services. The termination of any of these agreements would reduce the number of locations where our payment processing services are accepted; therefore, we could lose our competitive advantage and our operating results could be adversely affected.

We are exposed to risks associated with operations outside of the United States, which could harm both our domestic and international operations.

We conduct operations in North America, Asia Pacific and Europe. As part of our business strategy and growth plan, we plan to further expand internationally. Expansion of our international operations could impose substantial burdens on our resources, divert management's attention from domestic operations and otherwise harm our business. In addition, there are many barriers to competing successfully in the international market, including:

changes in the relations between the United States and foreign countries;

actions of foreign or United States governmental authorities affecting trade and foreign investment;

regulations on repatriation of funds;

increased infrastructure costs including complex legal, tax, accounting and information technology laws and treaties;

interpretation and application of local laws and regulations including, among others, those impacting anti-money laundering, financial transaction reporting and positive balance or pre-paid cards;

enforceability of intellectual property and contract rights;

potentially adverse tax consequences; and

local labor conditions and regulations.

fluctuation in foreign currencies

We cannot assure you that our investments outside the United States will produce desired levels of revenue or costs, or that one or more of the factors listed above will not harm our business.

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Decreased demand for fuel and other vehicle products and services could harm our business and results of operations.

Demand for fuel and other vehicle products and services may be reduced by factors that are beyond our control, such as the implementation of fuel efficiency standards and the development by vehicle manufacturers and adoption by our fleet customers of vehicles with greater fuel efficiency or alternative fuel sources.

Our failure to effectively implement new technology could jeopardize our position as a leader in our industry.

As a provider of information management and payment processing services, we must constantly adapt and respond to the technological advances offered by our competitors and the informational requirements of our customers, including those related to the Internet, in order to maintain and improve upon our competitive position. We may not be able to expand our technological capabilities and service offerings as rapidly as our competitors, which could jeopardize our position as a leader in our industry.

We are dependent on technology systems and electronic communications networks managed by third parties, which could result in our inability to prevent service disruptions.

Our ability to process and authorize transactions electronically depends on our ability to electronically communicate with our fuel and vehicle maintenance providers through point-of-sale devices and electronic networks that are owned and operated by third parties. The electronic communications networks upon which we depend are often subject to disruptions of various magnitudes and durations. Any severe disruption of one or all of these networks could impair our ability to authorize transactions or collect information about such transactions, which, in turn, could harm our reputation for dependable service and adversely affect our results of operations. In addition, our ability to collect enhanced data relating to our customers' purchases may be limited by the use of older point-of-sale devices by fuel and vehicle maintenance providers. To the extent that fuel and vehicle maintenance providers within our network are slow to adopt advanced point-of-sale devices, we may not be able to offer the services and capabilities our customers demand.

If we fail to adequately assess and monitor credit risks of our customers, we could experience an increase in credit loss.

We are subject to the credit risk of our customers, many of which are small to mid-sized businesses. We use various formulae and models to screen potential customers and establish appropriate credit limits, but these formulae and models cannot eliminate all potential bad credit risks and may not prevent us from approving applications that are fraudulently completed. Moreover, businesses that are good credit risks at the time of application may become bad credit risks over time and we may fail to detect such change. In times of economic recession, the number of our customers who default on payments owed to us tends to increase. If we fail to adequately manage our credit risks, our bad debt expense could be significantly higher than it has been in the past.

Volatility in the financial markets may negatively impact our ability to access credit.

Adverse conditions in the credit market may limit our ability to access credit at a time when we would like or need to do so. Our revolving credit facility expires in May 2012 and our term note expires in August 2011 when the outstanding balance will be due. Any limitation of availability of funds or credit facilities could have an impact on our ability to refinance the maturing debt or react to changing economic and business conditions which could adversely impact us.

The loss or suspension of the charter for our Utah industrial bank or changes in regulatory requirements could be disruptive to operations and increase costs.

FSC's bank regulatory status enables FSC to issue certificates of deposit, accept money market deposits and borrow on a federal funds rate basis. These funds are used to support our domestic payment processing operations, which require the Company to make payments to fuel and maintenance providers on behalf of fleets. FSC operates under a uniform set of state lending laws, and its operations are subject to extensive state and federal regulation. FSC is regulated and examined by the Utah Department of Financial Institutions on the state level, and the Federal Deposit Insurance Corporation on the federal level. Continued licensing and federal deposit insurance are subject to ongoing satisfaction of compliance and safety and soundness requirements. FSC must be well capitalized and satisfy a range of additional capital requirements. If FSC were to lose its bank charter, Wright Express would either outsource its credit support activities or perform these activities itself, which would subject the Company to the credit laws of each

individual state in which Wright Express conducts business. Furthermore, Wright Express could not be a MasterCard issuer and would have to work with another financial institution to issue the product or sell the portfolio. Any such change would be disruptive to Wright Express operations and could result in significant incremental costs. In addition, changes in the bank regulatory environment, including the implementation of new or varying measures or interpretations by the State of Utah or the federal government, may significantly affect or restrict the manner in which the Company conducts business domestically in the future.

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We may not be able to adequately protect the data we collect about our customers, which could subject us to liability and damage our reputation.

We collect and store data about our customers and their fleets, including bank account information and spending data. Our customers expect us to keep this information in our confidence. Attempts by experienced programmers or hackers to penetrate our network security could misappropriate our proprietary information or cause interruptions in our *WEXOnline*[®] web site. We may be required to expend significant capital and other resources to protect against the threat of such security breaches or to alleviate problems caused by such breaches. Moreover, any security breach or inadvertent transmission of information about our customers could expose us to liability and/or litigation and cause damage to our reputation.

We may incur substantial losses due to fraudulent use of our charge cards.

Under certain circumstances, when we fund customer transactions, we bear the risk of substantial losses due to fraudulent use of our charge cards. We do not maintain any insurance to protect us against any such losses.

Fluctuations in foreign currency exchange rates could affect our financial results.

We earn revenues, pay expenses, own assets and incur liabilities in countries using currencies other than the U.S. dollar. Such currencies include the Australian dollar, euro, New Zealand dollar and the Great Britain Pound. Because our consolidated financial statements are presented in U.S. dollars, we must translate revenues, income and expenses, as well as assets and liabilities, into U.S. dollars at exchange rates in effect during or at the end of each reporting period. Therefore, increases or decreases in the value of the U.S. dollar against other major currencies will affect our revenues, operating income and the value of balance sheet items denominated in foreign currencies. We cannot assure that fluctuations in foreign currency exchange rates, particularly the strengthening of the U.S. dollar against other currencies, will not materially affect our financial results.

If we fail to maintain effective systems of internal control over financial reporting and disclosure controls and procedures, we may not be able to accurately report our financial results or prevent fraud, which could cause current and potential shareholders to lose confidence in our financial reporting, adversely affect the trading price of our securities or harm our operating results.

Effective internal control over financial reporting and disclosure controls and procedures are necessary for us to provide reliable financial reports and effectively prevent fraud and operate successfully as a public company. Our financial reporting and disclosure controls and procedures are reliant, in part, on information we receive from third parties that supply information to us regarding transactions that we process. Any failure to develop or maintain effective internal control over financial reporting and disclosure controls and procedures could harm our reputation or operating results, or cause us to fail to meet our reporting obligations. If we are unable to adequately maintain our internal control over financial reporting, our external auditors will not be able to issue an unqualified opinion on the effectiveness of our internal control over financial reporting.

Ineffective internal control over financial reporting and disclosure controls and procedures could cause investors to lose confidence in our reported financial information, which could have a negative effect on the trading price of our securities or affect our ability to access the capital