FLEETCOR's M&A Strategy Helps Drive Growth

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Since its founding in 2000 as a small, regional fuel card business, FLEETCOR has evolved into a global leader in business payments, with 10,000 employees and over 800,000 clients in the US, Europe, and Brazil.

Part of our success and ascent into the **S&P 500** can be attributed to a thoughtful and evolving mergers and acquisitions (M&A) strategy.

FLEETCOR acquires companies for many reasons, but the majority fall within three primary categories. First, M&A helps us enter or extend market positions. For example, we entered Brazil through acquisition. Second, we acquire companies to gain access to certain products and capabilities (i.e. we "buy" instead of "building"). Lately, we've focused on acquiring software-enabled solutions to help our clients manage more of their internal payment processes, like our recent acquisition of Accrualify. Third, M&A accelerates our profit growth. We're good at buying companies and even better at improving their performance.

We've refined our M&A philosophy over the years down to a few core principles. We stick to what we know…namely B2B payments. Next, we study business models very carefully and look for targets that generally share similar characteristics (e.g. recurring revenues, technology-enabled two-sided networks, low capital intensity and low customer concentration). We also focus on what a business can be…not what it is today. Maybe, for example, a company might have a great product, but we have a new way of distributing it, which results in dramatically more sales and revenue. And last, we develop a clear thesis on how we can double profits within the first couple years of our ownership, and then we relentlessly implement that thesis after we make an acquisition.

Recent Activity

FLEETCOR took a brief pause from acquisitions during the initial months of COVID due to the uncertainty of how the pandemic would affect our clients, merchants, and partners.

By late 2020, we felt more comfortable with the outlook and chose to step on the gas. 2021 ended up being one of our best years ever for M&A. We ended up spending more than $1 billion on eight acquisitions last year.

A couple of those acquisitions are good examples of deals that fall squarely in the three primary reasons we buy businesses. We acquired a digital bill-pay software business used by small businesses and accountants…with operations in the US and Europe. It's a great example of one of our product/capability acquisitions. We've rebranded it **Corpay One** and repositioned it as an SMB billpay and expense management platform by bundling the software with our Mastercard business credit card. We're rolling out the solution through our existing distribution channels.

We extended our cross-border market leadership position last year was the acquisition of AFEX. The company had tens of thousands of accounts, but in geographies we were underrepresented. So, the complementary footprint gave us more scale in these geographies.

We've remained active in 2022. In Q1, we acquired **Levarti,** an airline software platform company. It gives us a complementary solution to further automate and streamline passenger disruption events for our airline clients. More recently, we signed a definitive agreement to acquire **Global Reach,** a UK-based cross-border solutions provider.

We are also making investments in emerging technologies like electric vehicles. We've announced **investments** in a connected car company and in another company that provides software solutions with to help clients manage recharging at home. These investments demonstrate our commitment to long-term, sustained growth and innovation in our businesses.

By continuing our approach to M&A, we're confident we can continue to grow at double digit rates and generate attractive returns for our shareholders.