Wright Express CORP
Form 10-Q
July 27, 2010

**UNITED STATES**
**SECURITIES AND EXCHANGE COMMISSION**
**WASHINGTON, D.C. 20549**
**FORM 10-Q**

*(Mark One)*

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

**For the quarterly period ended June 30, 2010**

**OR**

o **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** | **01-0526993** |
| *(State or other jurisdiction of incorporation or organization)* | *(I.R.S. Employer Identification No.)* |
| **97 Darling Avenue, South Portland, Maine** | **04106** |
| *(Address of principal executive offices)* | *(Zip Code)* |

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

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 o 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 during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

þ Yes o No

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.

| | | | |
|---|---|---|---|
| Large accelerated filer þ | Accelerated filer o | Non-accelerated filer o *(Do not check if a smaller reporting company)* | Smaller reporting company o |

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

o Yes þ No

Indicate the number of shares outstanding of each of the issuer s classes of common stock, as of the latest practicable date.

| Class | Outstanding at July 20, 2010 |
|---|---|
| Common Stock, $0.01 par value per share | 38,262,848 shares |

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## 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. This Quarterly Report contains forward-looking statements. Any statements that are not statements of historical facts may be deemed to be forward-looking statements. When used in this Quarterly Report, the words may, will, could, anticipate, plan, continue, proj 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 Quarterly 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 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 credit losses; the amount of full year interest rates; financial loss if we determine it necessary to unwind our derivative instrument position prior to the expiration of the contract; as well as other risks and uncertainties identified in Item 1A of our Annual Report for the year ended December 31, 2009, filed on Form 10-K with the Securities and Exchange Commission on February 26, 2010. Our forward-looking statements and these factors do not reflect the potential future impact of any alliance, merger, acquisition or disposition. The forward-looking statements in this Quarterly Report speak only as of the date of the initial filing of this Quarterly 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.*

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## PART I

**Item 1. Financial Statements.**

**WRIGHT EXPRESS CORPORATION**
**CONDENSED CONSOLIDATED BALANCE SHEETS**
**(in thousands, except per share data)**
**(unaudited)**

| | June 30, 2010 | December 31, 2009 |
|---|---|---|
| **Assets** | | |
| Cash and cash equivalents | $ 13,208 | $ 39,304 |
| Accounts receivable (less reserve for credit losses of $7,707 in 2010 and $10,660 in 2009) | 1,025,898 | 844,152 |
| Income taxes receivable | 529 | |
| Available-for-sale securities | 9,639 | 10,596 |
| Fuel price derivatives, at fair value | 5,865 | 6,152 |
| Property, equipment and capitalized software, net | 49,382 | 44,991 |
| Deferred income taxes, net | 168,166 | 183,602 |
| Goodwill | 315,071 | 315,227 |
| Other intangible assets, net | 31,923 | 34,815 |
| Other assets | 19,338 | 20,823 |
| Total assets | $1,639,019 | $1,499,662 |
| **Liabilities and Stockholders Equity** | | |
| Accounts payable | $ 376,730 | $ 283,149 |
| Accrued expenses | 28,004 | 30,861 |
| Income taxes payable | | 1,758 |
| Deposits | 519,565 | 423,287 |
| Borrowed federal funds | 24,818 | 71,723 |
| Revolving line-of-credit facility | 91,200 | 128,000 |
| Other liabilities | 1,767 | 1,815 |
| Amounts due under tax receivable agreement | 103,848 | 107,753 |
| Preferred stock; 10,000 shares authorized: | | |
| Series A non-voting convertible, redeemable preferred stock; 0.1 shares issued and outstanding | | 10,000 |
| Total liabilities | $1,145,932 | $1,058,346 |
| Commitments and contingencies (Note 8) | | |
| **Stockholders Equity** | | |
| Common stock $0.01 par value; 175,000 shares authorized, 41,839 in 2010 and 41,167 in 2009 shares issued; 38,605 in 2010 and 38,196 in 2009 | 418 | 412 |

| | | |
|---|---|---|
| shares outstanding | | |
| Additional paid-in capital | **126,223** | **112,063** |
| Retained earnings | **460,728** | **412,138** |
| Other comprehensive loss, net of tax: | | |
| Net unrealized gain on available-for-sale securities | **131** | **23** |
| Net unrealized loss on interest rate swaps | **(272)** | **(176)** |
| Net foreign currency translation adjustment | **(667)** | **(134)** |
| Accumulated other comprehensive loss | **(808)** | **(287)** |
| Less treasury stock at cost, 3,305 shares in 2010 and 2,971 shares in 2009 | **(93,474)** | **(83,010)** |
| Total stockholders equity | **493,087** | **441,316** |
| Total liabilities and stockholders equity | **$1,639,019** | **$1,499,662** |

*See notes to unaudited condensed consolidated financial statements.*

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**WRIGHT EXPRESS CORPORATION**
**CONDENSED CONSOLIDATED STATEMENTS OF INCOME**
**(in thousands, except per share data)**
**(unaudited)**

| | Three months ended June 30, | | Six months ended June 30, | |
|---|---|---|---|---|
| | **2010** | **2009** | **2010** | **2009** |
| **Service Revenues** | | | | |
| Payment processing revenue | **$65,604** | $ 53,043 | **$123,368** | $ 97,357 |
| Transaction processing revenue | **4,242** | 4,363 | **8,401** | 8,661 |
| Account servicing revenue | **8,241** | 9,308 | **16,510** | 18,267 |
| Finance fees | **8,502** | 7,279 | **16,886** | 14,343 |
| Other | **4,119** | 2,938 | **8,683** | 5,737 |
| Total service revenues | **90,708** | 76,931 | **173,848** | 144,365 |
| **Product Revenues** | | | | |
| Hardware and equipment sales | **727** | 944 | **1,433** | 2,008 |
| Total revenues | **91,435** | 77,875 | **175,281** | 146,373 |
| **Expenses** | | | | |
| Salary and other personnel | **20,447** | 18,259 | **40,067** | 36,112 |
| Service fees | **9,468** | 5,974 | **17,062** | 12,156 |
| Provision for credit losses | **2,851** | 2,567 | **8,762** | 6,802 |
| Technology leasing and support | **3,261** | 2,237 | **6,085** | 4,397 |
| Occupancy and equipment | **2,043** | 1,969 | **4,087** | 4,357 |
| Depreciation and amortization | **5,737** | 5,338 | **11,610** | 10,583 |
| Operating interest expense | **1,429** | 2,563 | **2,871** | 6,701 |
| Cost of hardware and equipment sold | **655** | 763 | **1,198** | 1,756 |
| Other | **6,197** | 5,833 | **12,002** | 11,813 |
| Total operating expenses | **52,088** | 45,503 | **103,744** | 94,677 |
| Operating income | **39,347** | 32,372 | **71,537** | 51,696 |
| Financing interest expense | **(693)** | (2,048) | **(1,419)** | (4,068) |
| Gain (loss) on foreign currency transactions | **40** | (12) | **43** | (12) |
| Gain on settlement of portion of amounts due under tax receivable agreement | | 136,485 | | 136,485 |
| Net realized and unrealized gain (loss) on fuel price derivatives | **9,363** | (18,110) | **7,583** | (17,457) |

| | | | | |
|---|---|---|---|---|
| Increase in amount due under tax receivable agreement | | | | (570) |
| Income before income taxes | **48,057** | 148,687 | **77,744** | 166,074 |
| Income taxes | **18,021** | 55,497 | **29,154** | 61,907 |
| **Net income** | **30,036** | 93,190 | **48,590** | 104,167 |
| Changes in available-for-sale securities, net of tax effect of $41 and $59 in 2010 and $(11) and $21 in 2009 | **74** | (20) | **108** | 37 |
| Changes in interest rate swaps, net of tax effect of $13 and $(56) in 2010 and $410 and $816 in 2009 | **21** | 708 | **(96)** | 1,408 |
| Foreign currency translation | **(335)** | (150) | **(533)** | (174) |
| **Comprehensive income** | **$ 29,796** | $ 93,728 | **$ 48,069** | $ 105,438 |
| **Earnings per share:** | | | | |
| Basic | **$ .77** | $ 2.43 | **$ 1.26** | $ 2.71 |
| Diluted | **$ .77** | $ 2.36 | **$ 1.24** | $ 2.65 |
| **Weighted average common shares outstanding:** | | | | |
| Basic | **38,830** | 38,418 | **38,582** | 38,378 |
| Diluted | **39,136** | 39,517 | **39,115** | 39,356 |

*See notes to unaudited condensed consolidated financial statements.*

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**WRIGHT EXPRESS CORPORATION**
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**
**(in thousands)**
**(unaudited)**

| | Six months ended June 30, | |
|---|---|---|
| | **2010** | **2009** |
| **Cash flows from operating activities** | | |
| Net income | **$ 48,590** | $ 104,167 |
| Adjustments to reconcile net income to net cash used for operating activities: | | |
| Fair value change of fuel price derivatives | **287** | 29,045 |
| Stock-based compensation | **2,976** | 2,862 |
| Depreciation and amortization | **12,067** | 10,897 |
| Gain on settlement of portion of amounts due under tax receivable agreement | | (136,485) |
| Deferred taxes | **15,428** | 51,163 |
| Provision for credit losses | **8,762** | 6,802 |
| Loss on disposal of property and equipment | | 31 |
| Impairment of internal-use software | | 421 |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | **(190,626)** | (207,724) |
| Other assets | **1,171** | (2,189) |
| Accounts payable | **93,653** | 117,109 |
| Accrued expenses | **(2,975)** | (8,154) |
| Income taxes | **(2,283)** | 10,353 |
| Other liabilities | **(29)** | (1,627) |
| Amounts due under tax receivable agreement | **(3,905)** | (60,527) |
| Net cash used for operating activities | **(16,884)** | (83,856) |
| **Cash flows from investing activities** | | |
| Purchases of property and equipment | **(13,455)** | (8,904) |
| Reinvestment of dividends on available-for-sale securities | **(77)** | (81) |
| Maturities of available-for-sale securities | **1,198** | 1,535 |
| Net cash used for investing activities | **(12,334)** | (7,450) |
| **Cash flows from financing activities** | | |
| Excess tax benefits from share-based payment arrangements | **981** | |
| Repurchase of share-based awards to satisfy tax withholdings | **(1,762)** | (899) |
| Proceeds from stock option exercises | **1,970** | 47 |
| Net increase (decrease) in deposits | **96,278** | (133,981) |
| Net (decrease) increase in borrowed federal funds | **(46,905)** | 48,153 |
| Net change in revolving line-of-credit facility | **(36,800)** | 21,200 |
| Purchase of shares of treasury stock | **(10,464)** | (2,018) |

| | | |
|---|---|---|
| Net cash provided by (used for) financing activities | **3,298** | (67,498) |
| Effect of exchange rate changes on cash and cash equivalents | **(176)** | 5 |
| Net change in cash and cash equivalents | **(26,096)** | (158,799) |
| Cash and cash equivalents, beginning of period | **39,304** | 183,117 |
| Cash and cash equivalents, end of period | **$ 13,208** | $ 24,318 |
| **Supplemental cash flow information** | | |
| Interest paid | **$ 1,317** | $ 19,755 |
| Income taxes paid | **$ 15,031** | $ 390 |
| Conversion of preferred stock shares and accrued preferred dividends to common stock shares | **$ 10,004** | $ |

*See notes to unaudited condensed consolidated financial statements.*

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**WRIGHT EXPRESS CORPORATION**
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**
**(in thousands, except per share data)**
**(unaudited)**

## 1. Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. They do not include all information and notes required by generally accepted accounting principles ( GAAP ) for complete financial statements. However, except as disclosed herein, there has been no material change in the information disclosed in the notes to consolidated financial statements included in the Annual Report on Form 10-K of Wright Express Corporation for the year ended December 31, 2009. These condensed consolidated financial statements should be read in conjunction with the financial statements that are included in the Company s Annual Report filed on Form 10-K for the year ended December 31, 2009, filed with the Securities and Exchange Commission ( SEC ) on February 26, 2010. When used in these notes, the term Company means Wright Express Corporation and all entities included in the consolidated financial statements. In the opinion of management, all adjustments (including normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three-month and six-month periods ended June 30, 2010, are not necessarily indicative of the results that may be expected for any future quarter(s) or the year ending December 31, 2010.

The condensed consolidated statement of income for the three and six month periods ended June 30, 2009 have been corrected for an immaterial error related to the classification of customer discounts for electronic payments. For the three months ended June 30, 2009, payment processing revenue decreased from $53.8 to $53.0 and operating interest expense decreased from $3.3 to $2.5. For the six months ended June 30, 2009, payment processing revenue decreased from $98.8 to $97.4 and operating interest expense decreased from $8.1 to $6.7. Operating income and net income were not impacted by this change, nor was there any impact on either the condensed consolidated statement of cash flows or the condensed consolidated balance sheet.

## 2. Goodwill and Other Intangible Assets

*Goodwill*

The changes in goodwill during the first six months of 2010 were as follows:

| | Fleet Segment | MasterCard Segment | Total |
|---|---|---|---|
| **Balance at December 31, 2009** | $305,514 | $9,713 | $315,227 |
| Impact of foreign currency translation | (156) | | (156) |
| **Balance at June 30, 2010** | $305,358 | $9,713 | $315,071 |

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**WRIGHT EXPRESS CORPORATION**
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)**
**(in thousands, except per share data)**
**(unaudited)**

*Other Intangible Assets*

The changes in other intangible assets during the first six months of 2010 were as follows:

| | Net Carrying Amount, December 31, 2009 | Amortization | Impact of Foreign Currency Translation | Net Carrying Amount, June 30, 2010 |
|---|---|---|---|---|
| **Definite-lived intangible assets** | | | | |
| Software | $ 13,565 | $ (1,077) | $ | $ 12,488 |
| Customer relationships | 16,731 | (1,586) | (202) | 14,943 |
| Trade name | 54 | (27) | | 27 |
| **Indefinite-lived intangible assets** | | | | |
| Trademarks and trade names | 4,465 | | | 4,465 |
| Total | $ 34,815 | $ (2,690) | $ (202) | $ 31,923 |

The Company expects amortization expense related to the definite-lived intangible assets above as follows: $2,703 for July 1, 2010 through December 31, 2010; $4,710 for 2011; $4,075 for 2012; $3,459 for 2013; $2,481 for 2014; and $2,258 for 2015.

Other intangible assets consist of the following:

| | June 30, 2010 | | | December 31, 2009 | | |
|---|---|---|---|---|---|---|
| | Gross Carrying Amount | Accumulated Amortization | Net Carrying Amount | Gross Carrying Amount | Accumulated Amortization | Net Carrying Amount |
| **Beginning Balance** | | | | | | |
| Software | $ 16,300 | $ (3,812) | $ 12,488 | $ 16,300 | $ (2,735) | $ 13,565 |
| Customer relationships | 24,641 | (9,698) | 14,943 | 24,858 | (8,127) | 16,731 |
| Trade name | 100 | (73) | 27 | 100 | (46) | 54 |
| | $ 41,041 | $ (13,583) | 27,458 | $ 41,258 | $ (10,908) | 30,350 |
| **Indefinite-lived intangible assets** | | | | | | |
| | | | 4,465 | | | 4,465 |

| | | |
|---|---|---|
| Trademarks and trade names | | |
| Total | $ 31,923 | $ 34,815 |

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**WRIGHT EXPRESS CORPORATION**
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)**
**(in thousands, except per share data)**
**(unaudited)**

**3. Earnings per Common Share**

The following is a reconciliation of the income and share data used in the basic and diluted earnings per share computations for the three and six months ended June 30, 2010 and 2009:

| | Three months ended June 30, | | Six months ended June 30, | |
|---|---|---|---|---|
| | **2010** | 2009 | **2010** | 2009 |
| Income available for common stockholders | | | | |
| Basic | **$30,036** | $93,190 | **$48,590** | $104,167 |
| Convertible, redeemable preferred stock | | 68 | **40** | 150 |
| Income available for common stockholders | | | | |
| Diluted | **$30,036** | $93,258 | **$48,630** | $104,317 |
| Weighted average common shares outstanding | | | | |
| Basic | **38,830** | 38,418 | **38,582** | 38,378 |
| Unvested restricted stock units | **127** | 400 | **135** | 392 |
| Stock options | **179** | 255 | **193** | 142 |
| Convertible, redeemable preferred stock | | 444 | **205** | 444 |
| Weighted average common shares outstanding | | | | |
| Diluted | **39,136** | 39,517 | **39,115** | 39,356 |

No shares were considered anti-dilutive during the periods reported.

**4. Derivative Instruments**

The Company is exposed to certain risks relating to its ongoing business operations. The primary risks managed by using derivative instruments are interest rate risk and commodity price risk. Interest rate swap arrangements are entered into to manage interest rate risk associated with the Company s variable-rate borrowings. The Company also enters into put and call option contracts based on the wholesale price of gasoline and retail price of diesel fuel, which settle on a monthly basis. These put and call option contracts, or fuel price derivative instruments, are designed to reduce the volatility of the Company s cash flows associated with its fuel price-related earnings exposure.

Accounting guidance requires companies to recognize all derivative instruments as either assets or liabilities at fair value in the statement of financial position. The Company designates interest rate swap arrangements as cash flow hedges of the forecasted interest payments on a portion of its variable-rate credit agreement. The Company s fuel price derivative instruments do not qualify for hedge accounting treatment under current guidance, and therefore, no such hedging designation has been made. Because the derivatives are either accounting or economic hedge operational exposures, cash flows from the settlement of such contracts are included in Cash flows from operating activities on the Condensed Consolidated Statements of Cash Flows.

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**WRIGHT EXPRESS CORPORATION**
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)**
**(in thousands, except per share data)**
**(unaudited)**

***Cash Flow Hedges***

For derivative instruments that are designated and qualify as a cash flow hedge, the effective portion of the gain or loss on the derivative is reported as a component of other comprehensive income (loss) and reclassified into earnings in the same period or periods during which the hedged transaction affects earnings. Gains and losses on the derivative representing either hedge ineffectiveness or hedge components excluded from the assessment of effectiveness are recognized in current earnings. As of June 30, 2010, the Company had the following outstanding interest rate swap arrangements that were entered into to hedge forecasted interest payments:

| | Weighted-Average Base Rate | Aggregate Notional Amount |
|---|---|---|
| Interest rate swap arrangements settling through July 2011 | 1.35% | $50,000 |

***Derivatives Not Designated as Hedging Instruments***

For derivative instruments that are not designated as hedging instruments, the gain or loss on the derivative is recognized in current earnings. As of June 30, 2010, the Company had the following put and call option contracts which settle on a monthly basis:

| | Aggregate Notional Amount (gallons) [(a)] |
|---|---|
| Fuel price derivative instruments unleaded fuel | |
| Option contracts settling July 2010 December 2011 | 30,150 |
| Fuel price derivative instruments diesel | |
| Option contracts settling July 2010 December 2011 | 13,546 |
| Total fuel price derivative instruments | 43,696 |

(a) The settlement of the put and call option contracts is based upon the New York Mercantile Exchange s New York Harbor Reformulated

Gasoline Blendstock for Oxygen Blending and the U.S. Department of Energy s weekly retail on-highway diesel fuel price for the month.

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**WRIGHT EXPRESS CORPORATION**
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)**
**(in thousands, except per share data)**
**(unaudited)**

The following table presents information on the location and amounts of derivative fair values in the condensed consolidated balance sheets:

| | **Asset Derivatives** | | | | **Liability Derivatives** | | | |
|---|---|---|---|---|---|---|---|---|
| | **June 30, 2010** | | **December 31, 2009** | | **June 30, 2010** | | **December 31, 2009** | |
| | **Balance Sheet Location** | **Fair Value** | **Balance Sheet Location** | **Fair Value** | **Balance Sheet Location** | **Fair Value** | **Balance Sheet Location** | **Fair Value** |
| **Derivatives designated as hedging instruments** | | | | | | | | |
| Interest rate contracts | Other assets | $ | Other assets | $ | Accrued expenses | $ 430 | Accrued expenses | $ 278 |
| **Derivatives not designated as hedging instruments** | | | | | | | | |
| Commodity contracts | Fuel price derivatives, at fair value | 5,865 | Fuel price derivatives, at fair value | 6,152 | Fuel price derivatives, at fair value | | Fuel price derivatives, at fair value | |
| **Total derivatives** | | $ 5,865 | | $ 6,152 | | $ 430 | | $ 278 |

The following table presents information on the location and amounts of derivative gains and losses in the condensed consolidated statements of income:

| | **Amount of Gain or** | **Amount of Gain or (Loss) Reclassified from Accumulated OCI into** | **Location of Gain or** | **Amount of Gain or (Loss) Recognized in Income on Derivative (Ineffective Portion** |
|---|---|---|---|---|

| Derivatives Designated as Hedging Instruments | (Loss) Recognized in OCI on Derivative (Effective Portion) [a] Three months ended June 30, 2010 | 2009 | Location of Gain or (Loss) Reclassified from Accumulated OCI into Income (Effective Portion) | Income (Effective Portion) Three months ended June 30, 2010 | 2009 | (Loss) Recognized in Income on Derivative (Ineffective Portion and Amount Excluded from Effectiveness Testing) [b] | and Amount Excluded from Effectiveness Testing) Three months ended June 30, 2010 | 2009 |
|---|---|---|---|---|---|---|---|---|
| Interest rate contracts | $ 21 | $ 708 | Financing interest expense | $ (137) | $ (1,238) | Financing interest expense | $ | $ |

| Derivatives Not Designated as Hedging Instruments | Location of Gain or (Loss) Recognized in Income on Derivative | Amount of Gain or (Loss) Recognized in Income on Derivative Three months ended June 30, 2010 | 2009 |
|---|---|---|---|
| Commodity contracts | Net realized and unrealized gain (loss) on fuel price derivatives | $ 9,363 | $ (18,110) |

(a) The amount of gain or (loss) recognized in OCI on the Company s interest rate swap arrangements has been recorded net of tax impacts of $13 in 2010 and $410 in 2009.

(b) No ineffectiveness was reclassified into earnings nor was any amount excluded from effectiveness testing.

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**WRIGHT EXPRESS CORPORATION**
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)**
**(in thousands, except per share data)**
**(unaudited)**

| Derivatives Designated as Hedging Instruments | Amount of Gain or (Loss) Recognized in OCI on Derivative (Effective Portion) [a] Six months ended June 30, 2010 | 2009 | Location of Gain or (Loss) Reclassified from Accumulated OCI into Income (Effective Portion) | Amount of Gain or (Loss) Reclassified from Accumulated OCI into Income (Effective Portion) Six months ended June 30, 2010 | 2009 | Location of Gain or (Loss) Recognized in Income on Derivative (Ineffective Portion and Amount Excluded from Effectiveness Testing) [b] | Amount of Gain or (Loss) Recognized in Income on Derivative (Ineffective Portion and Amount Excluded from Effectiveness Testing) Six months ended June 30, 2010 | 2009 |
|---|---|---|---|---|---|---|---|---|
| Interest rate contracts | $ (96) | $ 1,408 | Financing interest expense | $ (277) | $ (2,471) | Financing interest expense | $ | $ |

| Derivatives Not Designated as Hedging Instruments | Location of Gain or (Loss) Recognized in Income on Derivative | Amount of Gain or (Loss) Recognized in Income on Derivative Six months ended June 30, 2010 | 2009 |
|---|---|---|---|
| Commodity contracts | Net realized and unrealized gain (loss) on fuel price derivatives | $ 7,583 | $ (17,457) |

(a) The amount of gain or (loss) recognized in OCI on the Company s interest rate swap arrangements has been recorded net of tax impacts of $(56) in 2010 and $816 in 2009.

(b) No ineffectiveness was reclassified into earnings nor was any amount excluded from effectiveness testing.

**5. Fair Value**

The Company holds mortgage-backed securities, fixed income and equity securities, derivatives and certain other financial instruments which are carried at fair value. The Company determines fair value based upon quoted prices when available or through the use of alternative approaches, such as model pricing, when market quotes are not readily accessible or available. In determining the fair value of the Company s obligations, various factors are considered including: closing exchange or over-the-counter market price quotations; time value and volatility factors underlying options and derivatives; price activity for equivalent instruments; and the Company s own-credit standing.

These valuation techniques may be based upon observable and unobservable inputs. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the Company s market assumptions. These two types of inputs create the following fair value hierarchy:

Level 1 Quoted prices for identical instruments in active markets.

Level 2 Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations whose inputs are observable or whose significant value drivers are observable.

Level 3 Instruments whose significant value drivers are unobservable.

**WRIGHT EXPRESS CORPORATION**
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)**
**(in thousands, except per share data)**
**(unaudited)**

The following table presents the Company s assets and liabilities that are measured at fair value and the related hierarchy levels:

| | | Fair Value Measurements at Reporting Date Using | | |
|---|---|---|---|---|
| | June 30, 2010 | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| **Assets:** | | | | |
| Mortgage-backed securities | $2,459 | $ | $2,459 | $ |
| Asset-backed securities | 2,679 | | 2,679 | |
| Municipal bonds | 100 | | 100 | |
| Equity securities | 4,401 | 4,401 | | |
| Total available-for-sale securities | $9,639 | $4,401 | $5,238 | $ |
| Executive deferred compensation plan trust [(a)] | $1,771 | $1,771 | $ | $ |
| Fuel price derivatives diesel | $1,775 | $ | $ | $ 1,775 |
| Fuel price derivatives unleaded fuel | 4,090 | | 4,090 | |
| Total fuel price derivatives | $5,865 | $ | $4,090 | $ 1,775 |
| **Liabilities:** | | | | |
| July 2009 interest rate swap arrangements with a base rate of 1.35% and an aggregate notional amount of $50,000 | $ 430 | $ | $ 430 | $ |
| Total interest rate swap arrangements [(b)] | $ 430 | $ | $ 430 | $ |

(a) The fair value of these instruments is recorded in other assets.

(b) The fair value of these instruments is recorded in accrued expenses.

**WRIGHT EXPRESS CORPORATION**
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)**
**(in thousands, except per share data)**
**(unaudited)**

The following table presents a reconciliation of the beginning and ending balances for assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) during the six months ended June 30, 2010:

| | Fuel Price Derivatives Diesel |
|---|---|
| Beginning balance | $ 2,641 |
| Total losses realized/unrealized | |
| Included in earnings [(a)] | (866) |
| Included in other comprehensive income | |
| Purchases, issuances and settlements | |
| Transfers in/(out) of Level 3 | |
| Ending balance | $ 1,775 |

(a) Gains and losses (realized and unrealized) included in earnings for the six months ended June 30, 2010, are reported in net realized and unrealized losses on fuel price derivatives on the condensed consolidated statements of income.

***Available-for-sale securities and executive deferred compensation plan trust***

When available, the Company uses quoted market prices to determine the fair value of available-for-sale securities; such items are classified in Level 1 of the fair-value hierarchy. These securities primarily consist of exchange-traded equity securities.

For mortgage-backed and asset-backed securities and bonds, the Company generally uses quoted prices for recent trading activity of assets with similar characteristics to the debt security or bond being valued. The securities and bonds priced using such methods are generally classified as Level 2.

***Fuel price derivatives and interest rate swap arrangements***

The majority of derivatives entered into by the Company are executed over the counter and so are valued using internal valuation techniques as no quoted market prices exist for such instruments. The valuation technique and inputs depend on the type of derivative and the nature of the underlying instrument. The principal technique used to value these instruments is a comparison of the spot price of the underlying instrument to its related futures curve adjusted for the Company s assumptions of volatility and present value, where appropriate. The fair values of derivative contracts reflect the expected cash the Company will pay or receive upon settlement of the respective contracts.

The key inputs depend upon the type of derivative and the nature of the underlying instrument and include interest rate yield curves, the spot price of the underlying instrument, volatility, and correlation. The item is placed in either Level 2 or Level 3 depending on the observability of the significant inputs to the model. Correlation and items with longer tenures are generally less observable.

**6. Preferred Stock**

On March 6, 2010, the Company initiated redemption of the outstanding shares of Series A non-voting convertible, redeemable preferred stock for $101 per share, plus all accrued but unpaid dividends. Each holder elected to exercise its right to convert its holdings into common stock. As a consequence of these elections, the Company issued 445 shares of its common stock and retired 0.1 shares of preferred stock.

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**WRIGHT EXPRESS CORPORATION**
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)**
**(in thousands, except per share data)**
**(unaudited)**

**7. Stock-Based Compensation**

During the first six months of 2010, the Company awarded stock options, restricted stock units, and performance-based restricted stock units to directors and employees under the 2005 Equity and Incentive Plan (the 2010 grant ). Expense associated with the performance-based restricted stock units may increase or decrease due to changes in the probability of the Company achieving pre-established performance metrics. For the three months ended June 30, 2010, total stock-based compensation cost recognized was approximately $1.4 million, of which approximately $0.5 million was related to the 2010 grant. For the six months ended June 30, 2010, total stock-based compensation cost recognized was approximately $3.0 million, of which approximately $0.7 million was related to the 2010 grant. As of June 30, 2010, total unrecognized compensation cost related to non-vested stock options, restricted stock units, and performance-based restricted stock units under the 2010 grant was approximately $5.6 million, based on current estimated performance results, to be recognized over the 2.6 year remaining vesting period of these awards.

The Company used the Black-Scholes option-pricing model to determine the fair value of stock option awards. Compensation costs will be recognized over the 3 year vesting period from the date of the grant. The fair value of the stock options granted in the first quarter of 2010 was calculated using the following weighted-average assumptions:

| | **2010 Grant** |
|---|---|
| Weighted average expected life (in years) | 6.00 |
| Weighted average risk-free rate | 2.70% |
| Weighted average volatility | 46.00% |
| Weighted average dividend yield | 0.00% |
| Weighted average fair value | $14.00 |

**8. Commitments and Contingencies**

***Litigation***

The Company is involved in pending litigation in the usual course of business. In the opinion of management, such litigation will not have a material adverse effect on the Company s consolidated financial position, results of operations or cash flows.

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**WRIGHT EXPRESS CORPORATION**
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)**
**(in thousands, except per share data)**
**(unaudited)**

**9. Segment Information**

The Company operates in two reportable segments, fleet and MasterCard. The fleet segment provides customers with payment and transaction processing services specifically designed for the needs of vehicle fleet customers. The MasterCard segment provides customers with a payment processing solution for their corporate purchasing and transaction monitoring needs. The Company s chief decision maker evaluates the operating results of the Company s reportable segments based upon revenues and adjusted net income, which is defined by the Company as net income adjusted for fair value changes of fuel price derivatives, the amortization of acquired intangible assets, asset impairment charges related to its internally developed software, non-cash adjustments related to the tax receivable agreement and gains on the extinguishment of a portion of the tax receivable agreement. These adjustments are reflected net of the tax impact.

The following table presents the Company s reportable segment results for the three months ended June 30, 2010 and 2009:

| | Total Revenues | Operating Interest Expense | Depreciation and Amortization | Income Taxes | Adjusted Net Income |
|---|---|---|---|---|---|
| **Three months ended June 30, 2010** | | | | | |
| **Fleet** | **$78,385** | **$1,221** | **$4,351** | **$14,117** | **$23,530** |
| **MasterCard** | **13,050** | **208** | **68** | **1,958** | **3,262** |
| **Total** | **$91,435** | **$1,429** | **$4,419** | **$16,075** | **$26,792** |
| **Three months ended June 30, 2009** | | | | | |
| Fleet | $68,336 | $2,125 | $4,031 | $12,252 | $20,090 |
| MasterCard | 9,539 | 438 | 59 | 1,359 | 2,323 |
| Total | $77,875 | $2,563 | $4,090 | $13,611 | $22,413 |

The following table presents the Company s reportable segment results for the six months ended June 30, 2010 and 2009:

| | Total Revenues | Operating Interest Expense | Depreciation and Amortization | Income Taxes | Adjusted Net Income |
|---|---|---|---|---|---|

| | | | | | |
|---|---|---|---|---|---|
| **Six months ended June 30, 2010** | | | | | |
| **Fleet** | **$151,795** | **$2,449** | **$8,797** | **$26,772** | **$44,622** |
| **MasterCard** | **23,486** | **422** | **123** | **3,508** | **5,844** |
| **Total** | **$175,281** | **$2,871** | **$8,920** | **$30,280** | **$50,466** |
| **Six months ended June 30, 2009** | | | | | |
| Fleet | $130,197 | $5,653 | $7,922 | $21,911 | $35,969 |
| MasterCard | 16,176 | 1,048 | 133 | 1,577 | 2,696 |
| Total | $146,373 | $6,701 | $8,055 | $23,488 | $38,665 |

**WRIGHT EXPRESS CORPORATION**
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (concluded)**
**(in thousands, except per share data)**
**(unaudited)**

The following table reconciles adjusted net income to net income:

| | **Three months ended June 30,** | | **Six months ended June 30,** | |
|---|---|---|---|---|
| | **2010** | 2009 | **2010** | 2009 |
| Adjusted net income | **$26,792** | $ 22,413 | **$50,466** | $ 38,665 |
| Unrealized losses on fuel price derivatives | **6,533** | (22,574) | **(287)** | (29,045) |
| Amortization of acquired intangible assets | **(1,343)** | (1,248) | **(2,715)** | (2,528) |
| Asset impairment charge | | | | (421) |
| Non-cash adjustments related to the tax receivable agreement | | | | (570) |
| Gain on extinguishment of liability | | 136,485 | | 136,485 |
| Tax impact | **(1,946)** | (41,886) | **1,126** | (38,419) |
| Net income | **$30,036** | $ 93,190 | **$48,590** | $104,167 |

The tax impact of the foregoing adjustments is the difference between the Company s GAAP tax provision and a pro forma tax provision based upon the Company s adjusted net income before taxes. The methodology utilized for calculating the Company s adjusted net income tax provision is the same methodology utilized in calculating the Company s GAAP tax provision.

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**Item 2. Management s Discussion and Analysis of Financial Condition and Results of Operations.**

*We intend for this discussion to provide the reader with information that will assist in understanding our financial statements, the changes in key items in those financial statements from year to year, and the primary factors that accounted for those changes, as well as how certain accounting estimates affect our financial statements. The discussion also provides information about the financial results of the two segments of our business to provide a better understanding of how those segments and their results affect our financial condition and results of operations as a whole. This discussion should be read in conjunction with our audited consolidated financial statements as of December 31, 2009, the notes accompanying those financial statements and management s discussion and analysis as contained in our Annual Report on Form 10-K filed with the SEC on February 26, 2010 and in conjunction with the unaudited condensed consolidated financial statements and notes in* ***Item 1*** *of* ***Part I of*** *this report.*

*The condensed consolidated statement of income for the three and six month periods ended June 30, 2009 have been corrected for an immaterial error related to the classification of customer discounts for electronic payments. For the three months ended June 30, 2009, payment processing revenue decreased from $53,794 to $53,043 and operating interest expense decreased from $3,314 to $2,563. For the six months ended June 30, 2009, payment processing revenue decreased from $98,786 to $97,357 and operating interest expense decreased from $8,130 to $6,701. Operating income and net income were not impacted by this change, nor was there any impact on either cash flows or the balance sheet.*

**Overview**

Wright Express is a leading provider of payment processing and information management services to the vehicle fleet industry. We facilitate and manage transactions for vehicle fleets through our proprietary closed network of major oil companies, fuel retailers and vehicle maintenance providers. We provide fleets with detailed transaction data, analytical tools and purchase control capabilities. Our operations are organized as follows:

- Fleet The fleet segment provides customers with payment and transaction processing services specifically designed for the needs of the vehicle fleet industry. This segment also provides information management and account services to these fleet customers.

- MasterCard The MasterCard segment provides customers with a payment processing solution for their corporate purchasing and transaction monitoring needs. Our corporate MasterCard charge card product provides commercial travel and entertainment and purchase capabilities to businesses in industries that can utilize our information management functionality.

**Summary**

Below are selected items from the second quarter of 2010:

- Average number of vehicles serviced decreased 2 percent from the second quarter of 2009 to approximately 4.6 million as fleets have reduced their number of vehicles due to economic conditions. However, the average number of vehicles serviced was up nearly 100,000 from the sequential first quarter of 2010, the first such increase since the fourth quarter of 2008.
- Total fleet transactions processed increased less than 1 percent from the second quarter of 2009 to 66.3 million. Payment processing transactions increased 2 percent to 52.9 million, while transaction processing transactions decreased 8 percent to 13.4 million.
- Total revenue for the fleet segment grew 15 percent from the second quarter of 2009 to $78.4 million.
- Average expenditure per payment processing transaction increased 24 percent to $58.74 from $47.37 for the same period last year. This increase was driven by higher average retail fuel prices. The average fuel price per gallon during the three months ended June 30, 2010, was $2.87, a 23 percent increase over the same period last year.

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Realized gains on our fuel price derivatives were $2.8 million compared to realized gains of $4.5 million for the second quarter of 2009.

Credit loss expense in the fleet segment was $2.3 million for the three months ended June 30, 2010, versus $1.9 million for the three months ended June 30, 2009.

Our operating interest expense, which includes interest accruing on deposits and borrowed federal funds, decreased to $1.4 million during the three months ended June 30, 2010, from $2.6 million during the three months ended June 30, 2009.

Total MasterCard purchase volume grew $265 million to $1,036 million for the three months ended June 30, 2010, an increase of 34 percent over the same period last year. MasterCard revenue grew 37 percent, as compared to the second quarter of 2009, to $13.1 million.

We repurchased approximately 334,000 shares of our common stock at a cost of approximately $10.5 million during the second quarter of 2010. We also repurchased an additional 261,000 shares in July 2010 at a cost of approximately $7.5 million.

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## Results of Operations

### *Fleet*

The following table reflects comparative operating results and key operating statistics within our fleet segment:

| (in thousands, except per transaction and per gallon data) | Three months ended June 30, 2010 | Three months ended June 30, 2009 | Increase (decrease) Amount | Increase (decrease) Percent | Six months ended June 30, 2010 | Six months ended June 30, 2009 | Increase (decrease) Amount | Increase (decrease) Percent |
|---|---|---|---|---|---|---|---|---|
| **Revenues** | | | | | | | | |
| Payment processing revenue | **$54,468** | $ 44,454 | $ 10,014 | 23% | **$103,181** | $ 82,764 | $ 20,417 | 25% |
| Transaction processing revenue | **4,242** | 4,363 | (121) | (3)% | **8,401** | 8,661 | (260) | (3)% |
| Account servicing revenue | **8,226** | 9,297 | (1,071) | (12)% | **16,484** | 18,242 | (1,758) | (10)% |
| Finance fees | **8,375** | 7,173 | 1,202 | 17% | **16,656** | 14,157 | 2,499 | 18% |
| Other | **2,347** | 2,105 | 242 | 11% | **5,640** | 4,365 | 1,275 | 29% |
| Total service revenues | **77,658** | 67,392 | 10,266 | 15% | **150,362** | 128,189 | 22,173 | 17% |
| **Product Revenues** | | | | | | | | |
| Hardware and equipment sales | **727** | 944 | (217) | (23)% | **1,433** | 2,008 | (575) | (29)% |
| Total revenues | **78,385** | 68,336 | 10,049 | 15% | **151,795** | 130,197 | 21,598 | 17% |
| **Total operating expenses** | **44,258** | 39,646 | 4,612 | 12% | **89,610** | 82,774 | 6,836 | 8% |
| **Operating income** | **34,127** | 28,690 | 5,437 | 19% | **62,185** | 47,423 | 14,762 | 31% |
| Financing interest expense | **(693)** | (2,048) | 1,355 | (66)% | **(1,419)** | (4,068) | 2,649 | (65)% |
| Gain on extinguishment of debt | | 136,485 | (136,485) | | | 136,485 | (136,485) | |
| Gain (loss) on foreign currency transactions | **40** | (12) | 52 | NM | **43** | (12) | 55 | NM |
| Net realized and unrealized gains (losses) on fuel price derivatives | **9,363** | (18,110) | 27,473 | NM | **7,583** | (17,457) | 25,040 | NM |
| Decrease in amounts due under tax receivable agreement | | | | | | (570) | 570 | NM |
| **Income before income taxes** | **42,837** | 145,005 | (102,168) | (70)% | **68,392** | 161,801 | (93,409) | (58)% |
| Income taxes | **16,063** | 54,138 | (38,075) | (70)% | **25,646** | 60,330 | (34,684) | (57)% |
| **Net income** | **$26,774** | $ 90,867 | $ (64,093) | (71)% | **$ 42,746** | $101,471 | $ (58,725) | (58)% |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| **Key operating statistics** | | | | | | | | |
| Payment processing revenue: | | | | | | | | |
| Payment processing transactions | **52,866** | 51,579 | 1,287 | 2% | **101,984** | 100,875 | 1,109 | 1% |
| Average expenditure per payment processing transaction | **$ 58.74** | $ 47.37 | $ 11.37 | 24% | **$ 57.32** | $ 44.15 | $ 13.17 | 30% |
| Average price per gallon of fuel | **$ 2.87** | $ 2.33 | $ 0.54 | 23% | **$ 2.82** | $ 2.17 | $ 0.65 | 30% |
| Transaction processing revenue: | | | | | | | | |
| Transaction processing transactions | **13,407** | 14,520 | (1,113) | (8)% | **26,069** | 28,511 | (2,442) | (9)% |
| Account servicing revenue: | | | | | | | | |
| Average number of vehicles serviced [a] | **4,585** | 4,682 | (97) | (2)% | **4,544** | 4,700 | (156) | (3)% |

[a] Does not include Pacific Pride vehicle information.

**NM** Not meaningful.

*Revenues*

Payment processing revenue increased $10.0 million for the three months ended June 30, 2010, compared to the same period last year. The primary component of this increase was a $10.5 million increase in revenue associated with a 23 percent increase in the average price per gallon of fuel.

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Payment processing revenue increased $20.4 million for the six months ended June 30, 2010, compared to the same period last year. The primary component of this increase was a $24.5 million increase in revenue associated with a 30 percent increase in the average price per gallon of fuel. This increase was partially offset by lower net payment processing rates for the period.

Our account servicing revenue has decreased $1.1 million for the three months ended June 30, 2010, as compared to the same period in 2009, and decreased $1.8 million for the six months ended June 30, 2010, as compared to the same period in 2009. These decreases are primarily related to the reduction in number of vehicles in our smaller fleets.

Our finance fees have increased $1.2 million for the three months ended June 30, 2010, as compared to the same period in 2009, and increased $2.5 million for the six months ended June 30, 2010, as compared to the same period in 2009. The increase in finance fees is primarily related to the increase in accounts receivable balances.

*Expenses*

The following table compares selected expense line items within our Fleet segment for the three months ended June 30:

| (in thousands) | 2010 | 2009 | Increase (decrease) |
|---|---|---|---|
| **Expense** | | | |
| Provision for credit losses | **$ 2,310** | $ 1,946 | 19 % |
| Operating interest expense | **$ 1,221** | $ 2,125 | (43)% |
| Salary and other personnel | **$19,562** | $17,523 | 12 % |
| Service fees | **$ 3,970** | $ 2,503 | 59 % |
| Depreciation and amortization | **$ 5,669** | $ 5,279 | 7 % |

Changes in operating expenses for the three months ended June 30, 2010, as compared to the corresponding period a year ago, include the following:

We generally measure our credit loss performance by calculating credit losses as a percentage of total fuel expenditures on payment processing transactions ( Fuel Expenditures ). This metric for credit losses was 7.4 basis points of Fuel Expenditures for the three months ended June 30, 2010, compared to 7.9 basis points of Fuel Expenditures for the same period last year. We use a roll rate methodology to calculate the amount necessary for our ending receivable reserve balance. This methodology takes into account total receivable balances, recent charge off experience and the dollars that are delinquent to calculate the total reserve. In addition, management undertakes a detailed evaluation of the receivable balances to help ensure further overall reserve adequacy. The expense we recognized in the quarter is the amount necessary to bring the reserve to its required level after charge offs. The increase in expense is primarily due to higher net charge-off rates during the three months ended June 30, 2010, which increased credit losses by approximately $0.5 million as compared to the same period in the prior year.

Operating interest expense decreased $0.9 million for the three months ended June 30, 2010, compared to the same period in 2009. Approximately $2.1 million of this decrease is due to lower interest rates. For the second quarter of 2010, the average interest rate on our deposits and borrowed federal funds was 1.0 percent. For the second quarter of 2009, this average interest rate was 2.5 percent. Offsetting, in part, this decrease in operating interest expense was an increase in our total average operating debt balance, which consists of our deposits and borrowed federal funds, to $536.3 million for the second quarter of this year as compared to $393.9 million for the second quarter of 2009.

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Salary and other personnel expenses increased $2.0 million for the three months ended June 30, 2010, as compared to the same period last year. This increase was primarily due to additional expense of approximately $0.7 million related to our international operations. Also increasing salary expense was additional contractor expense associated with our software development, annual salary and benefit increases, commissions and employee travel totaling approximately $1.9 million. Offsetting this increase was lower annual incentive compensation as compared to the prior year of $0.4 million. These annual incentives are based on financial performance.

Service fees increased $1.5 million for the three months ended June 30, 2010, as compared to the same period in the prior year. The increase in fees is primarily associated with legal and accounting work related to costs associated with our international activities and other management initiatives.

Depreciation and amortization expenses increased approximately $0.4 million for the three months ended June 30, 2010, as compared to the same period in 2009. This increase in primarily due to additional depreciation related to new assets placed into service.

The following table compares selected expense line items within our Fleet segment for the six months ended June 30:

| (in thousands) | 2010 | 2009 | Increase (decrease) |
|---|---|---|---|
| **Expense** | | | |
| Provision for credit losses | **$ 7,976** | $ 5,302 | 50 % |
| Operating interest expense | **$ 2,449** | $ 5,653 | (57)% |
| Salary and other personnel | **$38,439** | $34,706 | 11 % |
| Service fees | **$ 7,176** | $ 5,417 | 32 % |
| Depreciation and amortization | **$11,487** | $10,450 | 10 % |

Changes in operating expenses for the six months ended June 30, 2010, as compared to the corresponding period a year ago, include the following:

Credit losses were 13.6 basis points of Fuel Expenditures for the six months ended June 30, 2010, compared to 11.9 basis points of Fuel Expenditures for the same period last year. Higher accounts receivable balances in 2010 as compared to the same period in the prior year have resulted in an increase to credit losses of approximately $1.5 million for the six months ended June 30, 2010, as compared to the same period in the prior year. Higher net charge-off rates during the six months ended June 30, 2010, increased credit losses by $0.5 million as compared to the same period in the prior year. The remaining difference is due to aging of the accounts receivable.

Operating interest expense decreased $3.2 million for the six months ended June 30, 2010, compared to the same period in 2009. Approximately $5.0 million of this decrease is due to lower interest rates. For the first half of 2010, the average interest rate on our deposits and borrowed federal funds was 1.1 percent. For the first half of 2009, this average interest rate was 3.2 percent. Offsetting this decrease in operating interest expense is an increase in our total average operating debt balance to $500.1 million for the first six months of this year as compared to $410.3 million for the first six months of 2009.

Salary and other personnel expenses increased $3.7 million for the six months ended June 30, 2010, as compared to the same period last year. This increase was primarily due to additional expense of approximately $2.0 million related to our international operations including travel and related contractor expenses. Also increasing salary expense was additional contractor expense associated with our software development, annual salary and benefit increases, commissions and employee travel totaling approximately $3.4 million. Offsetting this increase was lower annual incentive compensation as compared to the prior year of $1.6 million. These annual incentives are based on financial performance.

Service fees increased $1.8 million for the six months ended June 30, 2010, as compared to the same period in the prior year. The increase in fees is primarily associated with legal and accounting work related to costs associated with our international activities and other management initiatives.

Depreciation and amortization expenses increased $1.0 million for the six months ended June 30, 2010, as compared to the same period in 2009. This increase is primarily due to additional depreciation related to new assets placed into service.

We own fuel price-sensitive derivative instruments that we purchase on a periodic basis to manage the impact of volatility in fuel prices on our cash flows. These fuel derivative instruments do not qualify for hedge accounting. Accordingly, gains and losses on our fuel price-sensitive derivative instruments affect our net income. Activity related to the changes in fair value and settlements of these instruments and the changes in average fuel prices in relation to the underlying strike price of the instruments is shown in the following table:

| | Three months ended June 30, | | Six months ended June 30, | |
|---|---|---|---|---|
| **(in thousands, except per gallon data)** | **2010** | 2009 | **2010** | 2009 |
| Fuel price derivatives, at fair value, beginning of period | **$ (668)** | $ 42,823 | **$ 6,152** | $ 49,294 |
| Net change in fair value | **9,363** | (18,110) | **7,583** | (17,457) |
| Cash receipts on settlement | **(2,830)** | (4,464) | **(7,870)** | (11,588) |
| Fuel price derivatives, at fair value, end of period | **$ 5,865** | $ 20,249 | **$ 5,865** | $ 20,249 |
| Collar range: | | | | |
| Floor | **$ 3.17** | $ 2.67 | **$ 3.21** | $ 2.62 |
| Ceiling | **$ 3.23** | $ 2.73 | **$ 3.27** | $ 2.68 |
| Average fuel price, beginning of period | **$ 2.84** | $ 2.10 | **$ 2.70** | $ 1.97 |
| Average fuel price, end of period | **$ 2.81** | $ 2.59 | **$ 2.81** | $ 2.59 |

Changes in fuel price derivatives for the three months ended June 30, 2010, as compared to the corresponding period a year ago, include the following:

Fuel prices decreased 1 percent during the second quarter of 2010. Accordingly, the fair value of the fuel price derivative instruments held at June 30, 2010, increased as compared to March 31, 2010. The average fuel price moved closer to the floor of the collar by approximately $0.03 from the beginning of the quarter to the end of the quarter. In the same period for the prior year, the average fuel price moved from $0.57 below the floor of the collar at the beginning of the period to $0.08 below the floor at June 30, 2009.

Changes in fuel price derivatives for the six months ended June 30, 2010, as compared to the corresponding period a year ago, include the following:

Fuel prices increased 4 percent during the first six months of 2010. Accordingly, the fair value of the fuel price derivative instruments held at June 30, 2010, has declined as compared to December 31, 2009. The average fuel price moved closer to the floor of the collar by approximately $0.11 from the beginning of the period to the end of the period. Fuel prices were fairly volatile during the first six months of 2009. In the same period for the prior year, the average fuel price moved from $0.65 below the floor of the collar at the beginning of the period to $0.03 below the floor at June 30, 2009.

We entered into additional derivative instruments during the second quarter of 2010. For the portion of 2011 that is complete, our weighted average floor is $2.87 and our weighted average ceiling is $2.93.

We expect that our fuel price derivatives program will continue to be important to our business model going forward, and we expect to purchase derivatives in the future. However, we have reduced some of our exposure to fuel price volatility because of the fixed fee component of our new pricing arrangements.

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*MasterCard*

The following table reflects comparative operating results and key operating statistics within our MasterCard segment:

| (in thousands) | Three months ended June 30, 2010 | Three months ended June 30, 2009 | Increase (decrease) Amount | Increase (decrease) Percent | Six months ended June 30, 2010 | Six months ended June 30, 2009 | Increase (decrease) Amount | Increase (decrease) Percent |
|---|---|---|---|---|---|---|---|---|
| **Revenues** | | | | | | | | |
| Payment processing revenue | **$ 11,136** | $ 8,589 | $ 2,547 | 30% | **$ 20,187** | $ 14,593 | $ 5,594 | 38% |
| Account servicing revenue | **15** | 11 | 4 | 36% | **26** | 25 | 1 | 4% |
| Finance fees | **127** | 106 | 21 | 20% | **230** | 186 | 44 | 24% |
| Other | **1,772** | 833 | 939 | 113% | **3,043** | 1,372 | 1,671 | 122% |
| Total revenues | **13,050** | 9,539 | 3,511 | 37% | **23,486** | 16,176 | 7,310 | 45% |
| **Total operating expenses** | **7,830** | 5,857 | 1,973 | 34% | **14,134** | 11,903 | 2,231 | 19% |
| **Operating income** | **5,220** | 3,682 | 1,538 | 42% | **9,352** | 4,273 | 5,079 | 119% |
| Income taxes | **1,958** | 1,359 | 599 | 44% | **3,508** | 1,577 | 1,931 | 122% |
| **Net income** | **$ 3,262** | $ 2,323 | $ 939 | 40% | **$ 5,844** | $ 2,696 | $ 3,148 | 117% |
| **Key operating statistics** | | | | | | | | |
| Payment processing revenue: | | | | | | | | |
| MasterCard purchase volume | **$1,036,144** | $771,469 | $264,675 | 34% | **$1,888,775** | $1,420,517 | $468,258 | 33% |

*Revenues*

Payment processing revenue increased due to higher MasterCard purchase volume, primarily driven by new business from our single use account product in the online travel service and insurance/warranty markets as well as increased market penetration with our corporate charge card product. The MasterCard net interchange rate for the six months ended June 30, 2010, was up 4 basis points as compared to the same period in the prior year, primarily due to an increase in the interchange rates adopted by MasterCard in April of 2009 offset by higher rebates.

*Expenses*

Services fees have increased with the increase in MasterCard purchase volume. During the three months ended June 30, 2010, service fees increased $2.0 million as compared to the same period in the prior year. During the six months ended June 30, 2010, service fees increased $3.2 million as compared to the same period in the prior year.

Credit loss was $0.7 million lower during the first half of 2010 as compared to the same period in the prior year primarily due to a bankruptcy that occurred during the first quarter of 2009 and lower charge-offs during the first six months of 2010.

**Liquidity, Capital Resources and Cash Flows**

We focus on management operating cash as a key element in achieving maximum stockholder value, and it is the primary measure we use internally to monitor cash flow performance from our core operations. Since deposits and borrowed federal funds are used to finance our accounts receivable, we believe that they are a recurring and necessary use and source of cash. As such, management considers deposits and borrowed federal funds when evaluating our operating activities. We believe that management operating cash may also be useful to investors as one means of evaluating our performance. However, management operating cash is a non-GAAP measure and should not be considered a substitute for, or superior to, net cash used for operating activities as presented on the condensed consolidated statement of cash flows in accordance with GAAP.

During the first six months of 2010, we generated approximately $32.5 million in management operating cash as compared to approximately $169.7 million of management operating cash used during the first six months of 2009. The significant decrease in management operating cash in 2009 is due to the maturities of over $200 million of previously issued certificates of deposit, which are used to fund our accounts receivable. The rapid decline in fuel prices during the fourth quarter of 2008 led to decreasing accounts receivable balances with which maturing certificates of deposit could not keep pace.

During the first six months of 2010 we paid down approximately $36.8 million on our revolving credit facility. We also repurchased approximately 334,000 shares of our common stock at a cost of approximately $10.5 million during the second quarter of 2010. Furthermore, we repurchased an additional 261,000 shares in July 2010 at a cost of approximately $7.5 million. The generation of management operating cash during the first six months of 2010 was primarily due to earnings.

***Management Operating Cash***

The table below reconciles net cash used for operating activities to change in management operating cash:

| | Six months ended June 30, | |
|---|---|---|
| | **2010** | **2009** |
| Net cash used for operating activities | **$(16,884)** | $ (83,856) |
| Net increase (decrease) in deposits | **96,278** | (133,981) |
| Net (decrease) increase in borrowed federal funds | **(46,905)** | 48,153 |
| Management operating cash | **$ 32,489** | $(169,684) |

Our bank subsidiary, Wright Express Financial Services Corporation ( FSC ), utilizes brokered money market accounts and certificates of deposit to finance our accounts receivable. FSC issued certificates of deposit in various maturities ranging between three months and two years and with fixed interest rates ranging from 0.30 percent to 1.95 percent as of June 30, 2010. As of June 30, 2010, we had approximately $450 million of deposits outstanding. Most of our higher-rate certificates of deposits have matured and this should stabilize our future rates at a relatively low level. Certificates of deposit are subject to regulatory capital requirements. We continue to have appropriate access to short-term borrowing instruments to fund our accounts receivable.

FSC also utilizes federal funds lines of credit to supplement the financing of our accounts receivable. There was approximately $25 million outstanding on our federal funds lines of credit as of June 30, 2010. Our total federal line of credit as of June 30, 2010, was $135 million.

***Liquidity***

We have approximately two years left on our revolving credit facility. We are currently paying a rate of LIBOR plus 45 basis points, which is better than the market rates at June 30, 2010. We had approximately $357 million available to us under this agreement as of June 30, 2010. We paid down $21 million in financing debt during the second quarter and ended the period with a balance outstanding of $91.2 million.

Our credit agreement contains various financial covenants requiring us to maintain certain financial ratios. In addition to the financial covenants, the credit agreement contains various customary restrictive covenants. FSC is not subject to certain of these restrictions. We have been, and expect to continue to be, in compliance with all material covenants and restrictions.

Management believes that we can adequately fund our cash needs during the next 12 months.

***Off-balance Sheet Arrangements***

We have no material changes to our off-balance sheet arrangements as discussed in our Annual Report on Form 10-K for the year ended December 31, 2009.

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***Purchase of Treasury Shares***

The following table presents stock repurchase program activity from January 1, 2010 through June 30, 2010 and January 1, 2009, through June 30, 2009:

| | Three months ended June 30, | | | | Six months ended June 30, | | | |
|---|---|---|---|---|---|---|---|---|
| | **2010** | | 2009 | | **2010** | | 2009 | |
| **(in thousands)** | **Shares** | **Cost** | Shares | Cost | **Shares** | **Cost** | Shares | Cost |
| Treasury stock purchased | **333.9** | **$10,465** | 81.6 | $2,018 | **333.9** | **$10,465** | 81.6 | $2,018 |

**Critical Accounting Policies and Estimates**

We have no material changes to our critical accounting policies and estimates discussed in our Annual Report on Form 10-K for the year ended December 31, 2009.

**Recently Adopted Accounting Standards**

None.

**Item 3. Quantitative and Qualitative Disclosures About Market Risk.**

We have no material changes to the disclosure on this matter made in our Annual Report on Form 10-K for the year ended December 31, 2009.

**Item 4. Controls and Procedures.**

**Evaluation of Disclosure Controls and Procedures**

The principal executive officer and principal financial officer of Wright Express Corporation evaluated the effectiveness of the Company s disclosure controls and procedures as of the end of the period covered by this report. Disclosure controls and procedures are controls and other procedures of a company that are designed to ensure that information required to be disclosed by the company in the reports that it files or submits under the Securities Exchange Act of 1934, within the time periods specified in the SEC s rules and forms, is recorded, processed, summarized and reported, and is accumulated and communicated to the company s management, including its principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure. Based on their evaluation, the principal executive officer and principal financial officer of Wright Express Corporation concluded that the Company s disclosure controls and procedures were effective as of June 30, 2010.

**Changes in Internal Control Over Financial Reporting**

There were no changes in our internal control over financial reporting that occurred during the fiscal quarter ended June 30, 2010, our most recently completed fiscal quarter, that have materially affected, or are reasonably likely to materially affect, the Company s internal control over financial reporting.

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# PART II

## Item 1. Legal Proceedings.

As of the date of this filing, we are not involved in any material legal proceedings. We also were not involved in any material legal proceedings that were terminated during the second quarter of 2010. However, from time to time, we are subject to other legal proceedings and claims in the ordinary course of business, none of which we believe are likely to have a material adverse effect on our financial position, results of operations or cash flows.

## Item 1A. Risk Factors.

In addition to the other information set forth in this report, you should carefully consider the factors discussed in Part I, Item 1A. Risk Factors in our Annual Report on Form 10-K for the year ended December 31, 2009, which could materially affect our business, financial condition or future results. The risks described in this report and in our Annual Report on Form 10-K are not the only risks facing our Company. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition or future results.

## Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

### Share Repurchases

The following table provides information about the Company s purchases of shares of the Company s common stock during the quarter ended June 30, 2010:

| | Total Number of Shares Purchased | Average Price Paid per Share | Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs [a] | Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs [a] |
|---|---|---|---|---|
| April 1 April 30, 2010 | | $ | | $ 66,990,242 |
| May 1 May 31, 2010 | 140,000 | $ 31.49 | 140,000 | $ 62,581,995 |
| June 1 June 30, 2010 | 193,900 | $ 31.24 | 193,900 | $ 56,525,515 |
| Total | 333,900 | $ 31.34 | 333,900 | |

(a) On February 7, 2007, the Company announced a share repurchase program authorizing the purchase of up to $75 million of its common stock over the next 24 months. In July 2008, our board of directors approved an increase of $75 million to the share repurchase authorization. In addition, our board of directors extended the share repurchase program to July 25, 2010. During the second quarter of 2010, the board of directors extended the share repurchase program another year to July 25, 2011. We have been authorized to purchase, in total, up to $150 million of our common stock. Share repurchases will be 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, will determine the timing and

number of
shares
repurchased.

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## Item 6. Exhibits.

| Exhibit No. | Description |
|---|---|
| 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 | Amended and Restated By-Laws (incorporated by reference to Exhibit No. 3.1 to our Current Report on Form 8-K filed with the SEC on November 20, 2008, File No. 001-32426) |
| 4.1 | Rights Agreement, dated as of February 16, 2005 by and between Wright Express Corporation and Wachovia Bank, National Association (incorporated by reference to Exhibit No. 4.1 to our Current Report on Form 8-K filed with the SEC on March 1, 2005, File No. 001-32426) |
| *31.1 | Certification of Chief Executive Officer of Wright Express Corporation pursuant to Rule 13a-14(a) promulgated under the Securities Exchange Act of 1934, as amended |
| *31.2 | Certification of Chief Financial Officer of Wright Express Corporation pursuant to Rule 13a-14(a) promulgated under the Securities Exchange Act of 1934, as amended |
| *32.1 | Certification of Chief Executive Officer of Wright Express Corporation 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 |
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| **101.INS | XBRL Instance Document |
| **101.SCH | XBRL Taxonomy Extension Schema Document |
| **101.CAL | XBRL Taxonomy Calculation Linkbase Document |

| **Exhibit No.** | **Description** |
|---|---|
| ** 101.LAB | XBRL Taxonomy Label Linkbase Document |
| ** 101.PRE | XBRL Taxonomy Presentation Linkbase Document |

* These exhibits have been filed with this Quarterly Report on Form 10-Q.

** In accordance with Regulation S-T, the XBRL-related information in Exhibit 101 to this Quarterly Report on Form 10-Q shall be deemed to be furnished and not filed .

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## SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

**WRIGHT EXPRESS CORPORATION**

July 27, 2010

By: /s/ Melissa D. Smith
Melissa D. Smith
*CFO and Executive Vice President,*
*Finance and Operations*
*(principal financial officer)*

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