

WORLD FUEL SERVICES CORP

Form 10-Q

October 30, 2018

false--12-31Q320180000789460YesfalseLarge Accelerated FilerWORLD FUEL SERVICES
CORPfalse108000006600000104000001110000028000001070000000.010.01100000000100000000677000006700000067700
0000789460 2018-01-01 2018-09-30 0000789460 2018-10-19 0000789460 2018-09-30 0000789460 2017-12-31
0000789460 2017-01-01 2017-09-30 0000789460 2018-07-01 2018-09-30 0000789460 2017-07-01 2017-09-30
0000789460 us-gaap:AdditionalPaidInCapitalMember 2016-12-31 0000789460 us-gaap:ParentMember 2017-01-01
2017-09-30 0000789460 us-gaap:RetainedEarningsMember 2017-09-30 0000789460 us-gaap:CommonStockMember
2017-09-30 0000789460 us-gaap:CommonStockMember 2017-01-01 2017-09-30 0000789460
us-gaap:AdditionalPaidInCapitalMember 2017-01-01 2017-09-30 0000789460
us-gaap:NoncontrollingInterestMember 2017-01-01 2017-09-30 0000789460
us-gaap:AccumulatedOtherComprehensiveIncomeMember 2017-09-30 0000789460
us-gaap:RetainedEarningsMember 2017-01-01 2017-09-30 0000789460
us-gaap:AccumulatedOtherComprehensiveIncomeMember 2016-12-31 0000789460 2016-12-31 0000789460
us-gaap:AccumulatedOtherComprehensiveIncomeMember 2017-01-01 2017-09-30 0000789460
us-gaap:CommonStockMember 2016-12-31 0000789460 us-gaap:NoncontrollingInterestMember 2017-09-30
0000789460 us-gaap:NoncontrollingInterestMember 2016-12-31 0000789460 2017-09-30 0000789460
us-gaap:ParentMember 2017-09-30 0000789460 us-gaap:ParentMember 2016-12-31 0000789460
us-gaap:AdditionalPaidInCapitalMember 2017-09-30 0000789460 us-gaap:RetainedEarningsMember 2016-12-31
0000789460 us-gaap:AdditionalPaidInCapitalMember 2018-01-01 2018-09-30 0000789460
us-gaap:AccumulatedOtherComprehensiveIncomeMember 2017-12-31 0000789460
us-gaap:NoncontrollingInterestMember 2018-01-01 2018-09-30 0000789460 us-gaap:CommonStockMember
2018-09-30 0000789460 us-gaap:RetainedEarningsMember 2017-12-31 0000789460 us-gaap:ParentMember
2018-01-01 2018-09-30 0000789460 us-gaap:ParentMember 2017-12-31 0000789460
us-gaap:CommonStockMember 2017-12-31 0000789460 us-gaap:ParentMember 2018-09-30 0000789460
us-gaap:NoncontrollingInterestMember 2018-09-30 0000789460 us-gaap:RetainedEarningsMember 2018-01-01
2018-09-30 0000789460 us-gaap:AdditionalPaidInCapitalMember 2017-12-31 0000789460
us-gaap:AccumulatedOtherComprehensiveIncomeMember 2018-01-01 2018-09-30 0000789460
us-gaap:CommonStockMember 2018-01-01 2018-09-30 0000789460
us-gaap:AccumulatedOtherComprehensiveIncomeMember 2018-09-30 0000789460
us-gaap:AdditionalPaidInCapitalMember 2018-09-30 0000789460 us-gaap:RetainedEarningsMember 2018-09-30
0000789460 us-gaap:NoncontrollingInterestMember 2017-12-31 0000789460
us-gaap:AccountingStandardsUpdate201615Member 2017-01-01 2017-09-30 0000789460
int:Acquisitions2017Member 2017-01-01 2017-09-30 0000789460 int:Acquisitions2017Member 2017-09-30
0000789460 int:Acquisitions2017Member us-gaap:CustomerRelationshipsMember 2017-09-30 0000789460
int:Acquisitions2017Member 2017-01-01 2017-03-31 0000789460 int:Acquisitions2017Member
us-gaap:CustomerRelationshipsMember 2017-01-01 2017-09-30 0000789460
int:AviationFuelingOperationsOfCertainExxonMobilAffiliatesMember 2016-01-01 2016-03-31 0000789460
int:Acquisitions2017Member 2018-01-01 2018-03-31 0000789460 us-gaap:CostOfSalesMember 2018-01-01
2018-09-30 0000789460 us-gaap:CostOfSalesMember 2018-07-01 2018-09-30 0000789460
us-gaap:CostOfSalesMember us-gaap:ReclassificationOutOfAccumulatedOtherComprehensiveIncomeMember
us-gaap:AccumulatedGainLossCashFlowHedgeIncludingNoncontrollingInterestMember 2018-01-01 2018-09-30
0000789460 us-gaap:SalesMember 2018-01-01 2018-09-30 0000789460 us-gaap:SalesMember 2017-01-01
2017-09-30 0000789460 us-gaap:SalesMember
us-gaap:ReclassificationOutOfAccumulatedOtherComprehensiveIncomeMember
us-gaap:AccumulatedGainLossCashFlowHedgeIncludingNoncontrollingInterestMember 2018-07-01 2018-09-30
0000789460 us-gaap:CostOfSalesMember 2017-01-01 2017-09-30 0000789460 us-gaap:CostOfSalesMember
2017-07-01 2017-09-30 0000789460 us-gaap:SalesMember
us-gaap:ReclassificationOutOfAccumulatedOtherComprehensiveIncomeMember
us-gaap:AccumulatedGainLossCashFlowHedgeIncludingNoncontrollingInterestMember 2017-07-01 2017-09-30

Edgar Filing: WORLD FUEL SERVICES CORP - Form 10-Q

0000789460 us-gaap:SalesMember 2017-07-01 2017-09-30 0000789460 us-gaap:SalesMember 2018-07-01
2018-09-30 0000789460 us-gaap:SalesMember
us-gaap:ReclassificationOutOfAccumulatedOtherComprehensiveIncomeMember
us-gaap:AccumulatedGainLossCashFlowHedgeIncludingNoncontrollingInterestMember 2017-01-01 2017-09-30
0000789460 us-gaap:CostOfSalesMember
us-gaap:ReclassificationOutOfAccumulatedOtherComprehensiveIncomeMember
us-gaap:AccumulatedGainLossCashFlowHedgeIncludingNoncontrollingInterestMember 2017-01-01 2017-09-30
0000789460 us-gaap:CostOfSalesMember
us-gaap:ReclassificationOutOfAccumulatedOtherComprehensiveIncomeMember
us-gaap:AccumulatedGainLossCashFlowHedgeIncludingNoncontrollingInterestMember 2017-07-01 2017-09-30
0000789460 us-gaap:CostOfSalesMember
us-gaap:ReclassificationOutOfAccumulatedOtherComprehensiveIncomeMember
us-gaap:AccumulatedGainLossCashFlowHedgeIncludingNoncontrollingInterestMember 2018-07-01 2018-09-30
0000789460 us-gaap:SalesMember us-gaap:ReclassificationOutOfAccumulatedOtherComprehensiveIncomeMember
us-gaap:AccumulatedGainLossCashFlowHedgeIncludingNoncontrollingInterestMember 2018-01-01 2018-09-30
0000789460 us-gaap:ForeignExchangeContractMember us-gaap:NondesignatedMember 2017-01-01 2017-09-30
0000789460 us-gaap:ForeignExchangeContractMember us-gaap:NondesignatedMember 2017-07-01 2017-09-30
0000789460 us-gaap:CommodityContractMember us-gaap:NondesignatedMember 2018-01-01 2018-09-30
0000789460 us-gaap:CommodityContractMember us-gaap:NondesignatedMember us-gaap:SalesMember 2018-07-01
2018-09-30 0000789460 us-gaap:NondesignatedMember 2018-01-01 2018-09-30 0000789460
us-gaap:CommodityContractMember us-gaap:NondesignatedMember us-gaap:CostOfSalesMember 2017-01-01
2017-09-30 0000789460 us-gaap:CommodityContractMember us-gaap:NondesignatedMember us-gaap:SalesMember
2017-07-01 2017-09-30 0000789460 us-gaap:CommodityContractMember us-gaap:NondesignatedMember
us-gaap:CostOfSalesMember 2018-07-01 2018-09-30 0000789460 us-gaap:NondesignatedMember 2017-07-01
2017-09-30 0000789460 us-gaap:ForeignExchangeContractMember us-gaap:NondesignatedMember
us-gaap:OtherIncomeMember 2018-01-01 2018-09-30 0000789460 us-gaap:CommodityContractMember
us-gaap:NondesignatedMember us-gaap:CostOfSalesMember 2017-07-01 2017-09-30 0000789460
us-gaap:CommodityContractMember us-gaap:NondesignatedMember 2018-07-01 2018-09-30 0000789460
us-gaap:CommodityContractMember us-gaap:NondesignatedMember us-gaap:SalesMember 2017-01-01 2017-09-30
0000789460 us-gaap:ForeignExchangeContractMember us-gaap:NondesignatedMember
us-gaap:OtherIncomeMember 2017-07-01 2017-09-30 0000789460 us-gaap:CommodityContractMember
us-gaap:NondesignatedMember us-gaap:CostOfSalesMember 2018-01-01 2018-09-30 0000789460
us-gaap:ForeignExchangeContractMember us-gaap:NondesignatedMember us-gaap:SalesMember 2018-01-01
2018-09-30 0000789460 us-gaap:ForeignExchangeContractMember us-gaap:NondesignatedMember
us-gaap:SalesMember 2017-07-01 2017-09-30 0000789460 us-gaap:NondesignatedMember 2017-01-01 2017-09-30
0000789460 us-gaap:ForeignExchangeContractMember us-gaap:NondesignatedMember us-gaap:SalesMember
2017-01-01 2017-09-30 0000789460 us-gaap:CommodityContractMember us-gaap:NondesignatedMember
2017-01-01 2017-09-30 0000789460 us-gaap:ForeignExchangeContractMember us-gaap:NondesignatedMember
2018-01-01 2018-09-30 0000789460 us-gaap:NondesignatedMember 2018-07-01 2018-09-30 0000789460
us-gaap:ForeignExchangeContractMember us-gaap:NondesignatedMember us-gaap:OtherIncomeMember 2017-01-01
2017-09-30 0000789460 us-gaap:ForeignExchangeContractMember us-gaap:NondesignatedMember
us-gaap:SalesMember 2018-07-01 2018-09-30 0000789460 us-gaap:ForeignExchangeContractMember
us-gaap:NondesignatedMember us-gaap:OtherIncomeMember 2018-07-01 2018-09-30 0000789460
us-gaap:ForeignExchangeContractMember us-gaap:NondesignatedMember 2018-07-01 2018-09-30 0000789460
us-gaap:CommodityContractMember us-gaap:NondesignatedMember us-gaap:SalesMember 2018-01-01 2018-09-30
0000789460 us-gaap:CommodityContractMember us-gaap:NondesignatedMember 2017-07-01 2017-09-30
0000789460 us-gaap:CommodityContractMember us-gaap:SalesMember 2017-01-01 2017-09-30 0000789460
us-gaap:CommodityContractMember us-gaap:CostOfSalesMember 2018-07-01 2018-09-30 0000789460
us-gaap:ForeignExchangeContractMember us-gaap:OtherIncomeMember 2017-07-01 2017-09-30 0000789460
us-gaap:ForeignExchangeContractMember us-gaap:OtherIncomeMember 2018-07-01 2018-09-30 0000789460
us-gaap:CommodityContractMember us-gaap:SalesMember 2018-01-01 2018-09-30 0000789460

Edgar Filing: WORLD FUEL SERVICES CORP - Form 10-Q

us-gaap:ForeignExchangeContractMember us-gaap:OtherIncomeMember 2017-01-01 2017-09-30 0000789460
us-gaap:CommodityContractMember us-gaap:SalesMember 2017-07-01 2017-09-30 0000789460
us-gaap:CommodityContractMember us-gaap:CostOfSalesMember 2017-01-01 2017-09-30 0000789460
us-gaap:CommodityContractMember us-gaap:SalesMember 2018-07-01 2018-09-30 0000789460
us-gaap:CommodityContractMember us-gaap:CostOfSalesMember 2017-07-01 2017-09-30 0000789460
us-gaap:CommodityContractMember us-gaap:CostOfSalesMember 2018-01-01 2018-09-30 0000789460
us-gaap:ForeignExchangeContractMember us-gaap:OtherIncomeMember 2018-01-01 2018-09-30 0000789460
us-gaap:ForeignExchangeContractMember us-gaap:DesignatedAsHedgingInstrumentMember 2018-09-30
0000789460 us-gaap:NondesignatedMember 2018-09-30 0000789460
int:AccruedExpensesAndOtherCurrentLiabilitiesMember us-gaap:CommodityContractMember
us-gaap:DesignatedAsHedgingInstrumentMember 2017-12-31 0000789460
int:ShortTermDerivativeAssetsNetMember us-gaap:ForeignExchangeContractMember
us-gaap:DesignatedAsHedgingInstrumentMember 2018-09-30 0000789460
int:AccruedExpensesAndOtherCurrentLiabilitiesMember us-gaap:ForeignExchangeContractMember
us-gaap:DesignatedAsHedgingInstrumentMember 2017-12-31 0000789460
us-gaap:DesignatedAsHedgingInstrumentMember 2017-12-31 0000789460
int:AccruedExpensesAndOtherCurrentLiabilitiesMember us-gaap:CommodityContractMember
us-gaap:DesignatedAsHedgingInstrumentMember 2018-09-30 0000789460
int:ShortTermDerivativeAssetsNetMember us-gaap:CommodityContractMember
us-gaap:DesignatedAsHedgingInstrumentMember 2017-12-31 0000789460
int:ShortTermDerivativeAssetsNetMember us-gaap:CommodityContractMember us-gaap:NondesignatedMember
2017-12-31 0000789460 us-gaap:OtherNoncurrentLiabilitiesMember us-gaap:CommodityContractMember
us-gaap:NondesignatedMember 2017-12-31 0000789460 us-gaap:OtherNoncurrentLiabilitiesMember
us-gaap:CommodityContractMember us-gaap:NondesignatedMember 2018-09-30 0000789460
int:AccruedExpensesAndOtherCurrentLiabilitiesMember us-gaap:ForeignExchangeContractMember
us-gaap:NondesignatedMember 2018-09-30 0000789460 us-gaap:OtherNoncurrentLiabilitiesMember
us-gaap:ForeignExchangeContractMember us-gaap:NondesignatedMember 2017-12-31 0000789460
int:ShortTermDerivativeAssetsNetMember us-gaap:CommodityContractMember us-gaap:NondesignatedMember
2018-09-30 0000789460 us-gaap:ForeignExchangeContractMember us-gaap:NondesignatedMember 2018-09-30
0000789460 us-gaap:ForeignExchangeContractMember us-gaap:DesignatedAsHedgingInstrumentMember
2017-12-31 0000789460 int:ShortTermDerivativeAssetsNetMember us-gaap:ForeignExchangeContractMember
us-gaap:NondesignatedMember 2018-09-30 0000789460 int:AccruedExpensesAndOtherCurrentLiabilitiesMember
us-gaap:ForeignExchangeContractMember us-gaap:DesignatedAsHedgingInstrumentMember 2018-09-30
0000789460 int:AccruedExpensesAndOtherCurrentLiabilitiesMember us-gaap:CommodityContractMember
us-gaap:NondesignatedMember 2018-09-30 0000789460 us-gaap:ForeignExchangeContractMember
us-gaap:NondesignatedMember 2017-12-31 0000789460 us-gaap:NondesignatedMember 2017-12-31 0000789460
int:AccruedExpensesAndOtherCurrentLiabilitiesMember us-gaap:ForeignExchangeContractMember
us-gaap:NondesignatedMember 2017-12-31 0000789460
int:IdentifiableIntangibleAndOtherNonCurrentAssetsMember us-gaap:CommodityContractMember
us-gaap:NondesignatedMember 2017-12-31 0000789460 us-gaap:CommodityContractMember
us-gaap:DesignatedAsHedgingInstrumentMember 2018-09-30 0000789460
int:ShortTermDerivativeAssetsNetMember us-gaap:ForeignExchangeContractMember
us-gaap:DesignatedAsHedgingInstrumentMember 2017-12-31 0000789460
us-gaap:DesignatedAsHedgingInstrumentMember 2018-09-30 0000789460
int:ShortTermDerivativeAssetsNetMember us-gaap:ForeignExchangeContractMember
us-gaap:NondesignatedMember 2017-12-31 0000789460
int:IdentifiableIntangibleAndOtherNonCurrentAssetsMember us-gaap:CommodityContractMember
us-gaap:NondesignatedMember 2018-09-30 0000789460 us-gaap:OtherNoncurrentLiabilitiesMember
us-gaap:ForeignExchangeContractMember us-gaap:NondesignatedMember 2018-09-30 0000789460
us-gaap:CommodityContractMember us-gaap:DesignatedAsHedgingInstrumentMember 2017-12-31 0000789460
us-gaap:CommodityContractMember us-gaap:NondesignatedMember 2018-09-30 0000789460

Edgar Filing: WORLD FUEL SERVICES CORP - Form 10-Q

us-gaap:CommodityContractMember us-gaap:NondesignatedMember 2017-12-31 0000789460
int:ShortTermDerivativeAssetsNetMember us-gaap:CommodityContractMember
us-gaap:DesignatedAsHedgingInstrumentMember 2018-09-30 0000789460
int:AccruedExpensesAndOtherCurrentLiabilitiesMember us-gaap:CommodityContractMember
us-gaap:NondesignatedMember 2017-12-31 0000789460 us-gaap:CommodityContractMember us-gaap:LongMember
2018-01-01 2018-09-30 0000789460 currency:USD us-gaap:ForeignExchangeContractMember us-gaap:LongMember
2018-09-30 0000789460 us-gaap:CommodityContractMember us-gaap:ShortMember 2018-01-01 2018-09-30
0000789460 currency:USD us-gaap:ForeignExchangeContractMember us-gaap:ShortMember 2018-09-30
0000789460 int:AviationSegmentMember 2018-01-01 2018-09-30 0000789460 int:AviationSegmentMember
2018-09-30 0000789460 int:LandSegmentMember 2018-09-30 0000789460 int:LandSegmentMember 2017-12-31
0000789460 int:AviationSegmentMember 2017-12-31 0000789460 int:LandSegmentMember 2018-01-01 2018-09-30
0000789460 int:OtherDebtMember 2017-12-31 0000789460 us-gaap:RevolvingCreditFacilityMember 2018-09-30
0000789460 us-gaap:SeniorNotesMember 2017-12-31 0000789460 us-gaap:RevolvingCreditFacilityMember
2017-12-31 0000789460 us-gaap:CapitalLeaseObligationsMember 2017-12-31 0000789460 int:OtherDebtMember
2018-09-30 0000789460 us-gaap:CapitalLeaseObligationsMember 2018-09-30 0000789460
us-gaap:SeniorNotesMember 2018-09-30 0000789460 us-gaap:FairValueInputsLevel2Member
us-gaap:FairValueMeasurementsRecurringMember 2017-12-31 0000789460 us-gaap:FairValueInputsLevel2Member
us-gaap:FairValueMeasurementsRecurringMember 2018-09-30 0000789460 int:ThreeLargestCounterpartiesMember
int:CreditExposureMember us-gaap:CreditConcentrationRiskMember 2018-09-30 0000789460
us-gaap:FairValueInputsLevel3Member us-gaap:FairValueMeasurementsRecurringMember 2018-09-30 0000789460
us-gaap:ForeignExchangeContractMember us-gaap:FairValueInputsLevel2Member
us-gaap:FairValueMeasurementsRecurringMember 2017-12-31 0000789460 us-gaap:CommodityContractMember
us-gaap:FairValueMeasurementsRecurringMember 2017-12-31 0000789460
us-gaap:FairValueMeasurementsRecurringMember 2018-09-30 0000789460
us-gaap:ForeignExchangeContractMember us-gaap:FairValueMeasurementsRecurringMember 2017-12-31
0000789460 us-gaap:CommodityContractMember us-gaap:FairValueInputsLevel2Member
us-gaap:FairValueMeasurementsRecurringMember 2017-12-31 0000789460
us-gaap:FairValueMeasurementsRecurringMember 2017-12-31 0000789460 us-gaap:FairValueInputsLevel1Member
us-gaap:FairValueMeasurementsRecurringMember 2018-09-30 0000789460
us-gaap:ForeignExchangeContractMember us-gaap:FairValueInputsLevel3Member
us-gaap:FairValueMeasurementsRecurringMember 2017-12-31 0000789460
us-gaap:ForeignExchangeContractMember us-gaap:FairValueInputsLevel2Member
us-gaap:FairValueMeasurementsRecurringMember 2018-09-30 0000789460 us-gaap:CommodityContractMember
us-gaap:FairValueInputsLevel3Member us-gaap:FairValueMeasurementsRecurringMember 2018-09-30 0000789460
us-gaap:FairValueInputsLevel3Member us-gaap:FairValueMeasurementsRecurringMember
us-gaap:CashSurrenderValueMember 2018-09-30 0000789460 us-gaap:ForeignExchangeContractMember
us-gaap:FairValueInputsLevel1Member us-gaap:FairValueMeasurementsRecurringMember 2017-12-31 0000789460
us-gaap:CommodityContractMember us-gaap:FairValueInputsLevel1Member
us-gaap:FairValueMeasurementsRecurringMember 2018-09-30 0000789460 us-gaap:CommodityContractMember
us-gaap:FairValueInputsLevel2Member us-gaap:FairValueMeasurementsRecurringMember 2018-09-30 0000789460
us-gaap:ForeignExchangeContractMember us-gaap:FairValueInputsLevel1Member
us-gaap:FairValueMeasurementsRecurringMember 2018-09-30 0000789460 us-gaap:FairValueInputsLevel3Member
us-gaap:FairValueMeasurementsRecurringMember us-gaap:CashSurrenderValueMember 2017-12-31 0000789460
us-gaap:CommodityContractMember us-gaap:FairValueInputsLevel3Member
us-gaap:FairValueMeasurementsRecurringMember 2017-12-31 0000789460
us-gaap:FairValueMeasurementsRecurringMember us-gaap:CashSurrenderValueMember 2018-09-30 0000789460
us-gaap:FairValueInputsLevel1Member us-gaap:FairValueMeasurementsRecurringMember 2017-12-31 0000789460
us-gaap:ForeignExchangeContractMember us-gaap:FairValueMeasurementsRecurringMember 2018-09-30
0000789460 us-gaap:ForeignExchangeContractMember us-gaap:FairValueInputsLevel3Member
us-gaap:FairValueMeasurementsRecurringMember 2018-09-30 0000789460
us-gaap:FairValueMeasurementsRecurringMember us-gaap:CashSurrenderValueMember 2017-12-31 0000789460

Edgar Filing: WORLD FUEL SERVICES CORP - Form 10-Q

us-gaap:FairValueInputsLevel1Member us-gaap:FairValueMeasurementsRecurringMember
us-gaap:CashSurrenderValueMember 2017-12-31 0000789460 us-gaap:FairValueInputsLevel3Member
us-gaap:FairValueMeasurementsRecurringMember 2017-12-31 0000789460 us-gaap:FairValueInputsLevel1Member
us-gaap:FairValueMeasurementsRecurringMember us-gaap:CashSurrenderValueMember 2018-09-30 0000789460
us-gaap:CommodityContractMember us-gaap:FairValueInputsLevel1Member
us-gaap:FairValueMeasurementsRecurringMember 2017-12-31 0000789460 us-gaap:FairValueInputsLevel2Member
us-gaap:FairValueMeasurementsRecurringMember us-gaap:CashSurrenderValueMember 2017-12-31 0000789460
us-gaap:CommodityContractMember us-gaap:FairValueMeasurementsRecurringMember 2018-09-30 0000789460
us-gaap:FairValueInputsLevel2Member us-gaap:FairValueMeasurementsRecurringMember
us-gaap:CashSurrenderValueMember 2018-09-30 0000789460 us-gaap:CommodityContractMember 2017-12-31
0000789460 us-gaap:ForeignExchangeContractMember 2017-12-31 0000789460
us-gaap:CommodityContractMember 2018-09-30 0000789460 us-gaap:ForeignExchangeContractMember
2018-09-30 0000789460 int:TaxAuthoritySouthKoreaSRTOMember 2017-01-01 2017-12-31 0000789460
us-gaap:ProFormaMember 2018-07-01 2018-09-30 0000789460 us-gaap:ProFormaMember 2018-01-01 2018-09-30
0000789460 us-gaap:ProFormaMember 2017-07-01 2017-09-30 0000789460 us-gaap:TaxYear2017Member
2017-07-01 2017-09-30 0000789460 us-gaap:ProFormaMember 2017-01-01 2017-09-30 0000789460
int:TaxYear2016AndPreviousMember 2017-07-01 2017-09-30 0000789460 srt:NorthAmericaMember
int:LandSegmentMember 2017-01-01 2017-09-30 0000789460 srt:LatinAmericaMember int:LandSegmentMember
2018-07-01 2018-09-30 0000789460 srt:NorthAmericaMember int:AviationSegmentMember 2018-01-01 2018-09-30
0000789460 us-gaap:EMEAMember int:MarineSegmentMember 2017-07-01 2017-09-30 0000789460
srt:LatinAmericaMember int:AviationSegmentMember 2017-01-01 2017-09-30 0000789460
srt:NorthAmericaMember int:MarineSegmentMember 2017-07-01 2017-09-30 0000789460 srt:AsiaPacificMember
int:AviationSegmentMember 2017-07-01 2017-09-30 0000789460 us-gaap:EMEAMember int:LandSegmentMember
2018-07-01 2018-09-30 0000789460 srt:AsiaPacificMember int:AviationSegmentMember 2017-01-01 2017-09-30
0000789460 srt:LatinAmericaMember int:LandSegmentMember 2018-01-01 2018-09-30 0000789460
srt:LatinAmericaMember int:LandSegmentMember 2017-07-01 2017-09-30 0000789460 srt:AsiaPacificMember
2017-07-01 2017-09-30 0000789460 srt:LatinAmericaMember int:AviationSegmentMember 2018-01-01 2018-09-30
0000789460 srt:AsiaPacificMember int:AviationSegmentMember 2018-07-01 2018-09-30 0000789460
us-gaap:EMEAMember int:MarineSegmentMember 2018-01-01 2018-09-30 0000789460 srt:NorthAmericaMember
int:AviationSegmentMember 2018-07-01 2018-09-30 0000789460 srt:NorthAmericaMember
int:MarineSegmentMember 2018-01-01 2018-09-30 0000789460 srt:LatinAmericaMember int:LandSegmentMember
2017-01-01 2017-09-30 0000789460 srt:LatinAmericaMember int:AviationSegmentMember 2017-07-01 2017-09-30
0000789460 us-gaap:EMEAMember int:AviationSegmentMember 2017-07-01 2017-09-30 0000789460
srt:AsiaPacificMember int:MarineSegmentMember 2017-01-01 2017-09-30 0000789460 srt:LatinAmericaMember
2017-07-01 2017-09-30 0000789460 srt:NorthAmericaMember int:MarineSegmentMember 2018-07-01 2018-09-30
0000789460 us-gaap:EMEAMember int:MarineSegmentMember 2017-01-01 2017-09-30 0000789460
srt:LatinAmericaMember int:AviationSegmentMember 2018-07-01 2018-09-30 0000789460
srt:LatinAmericaMember 2018-01-01 2018-09-30 0000789460 srt:LatinAmericaMember 2017-01-01 2017-09-30
0000789460 srt:NorthAmericaMember 2017-07-01 2017-09-30 0000789460 us-gaap:EMEAMember
int:AviationSegmentMember 2017-01-01 2017-09-30 0000789460 us-gaap:EMEAMember int:LandSegmentMember
2017-01-01 2017-09-30 0000789460 us-gaap:EMEAMember 2018-01-01 2018-09-30 0000789460
srt:NorthAmericaMember 2018-01-01 2018-09-30 0000789460 us-gaap:EMEAMember 2017-07-01 2017-09-30
0000789460 srt:AsiaPacificMember 2017-01-01 2017-09-30 0000789460 srt:AsiaPacificMember
int:AviationSegmentMember 2018-01-01 2018-09-30 0000789460 us-gaap:EMEAMember
int:MarineSegmentMember 2018-07-01 2018-09-30 0000789460 srt:AsiaPacificMember int:LandSegmentMember
2018-07-01 2018-09-30 0000789460 srt:AsiaPacificMember 2018-01-01 2018-09-30 0000789460
us-gaap:EMEAMember int:AviationSegmentMember 2018-01-01 2018-09-30 0000789460 srt:LatinAmericaMember
int:MarineSegmentMember 2018-07-01 2018-09-30 0000789460 srt:NorthAmericaMember
int:MarineSegmentMember 2017-01-01 2017-09-30 0000789460 srt:AsiaPacificMember int:LandSegmentMember
2018-01-01 2018-09-30 0000789460 srt:NorthAmericaMember int:LandSegmentMember 2017-07-01 2017-09-30
0000789460 srt:AsiaPacificMember int:MarineSegmentMember 2018-01-01 2018-09-30 0000789460

Edgar Filing: WORLD FUEL SERVICES CORP - Form 10-Q

srt:AsiaPacificMember 2018-07-01 2018-09-30 0000789460 us-gaap:EMEAMember int:AviationSegmentMember 2018-07-01 2018-09-30 0000789460 srt:AsiaPacificMember int:MarineSegmentMember 2017-07-01 2017-09-30 0000789460 us-gaap:EMEAMember int:LandSegmentMember 2017-07-01 2017-09-30 0000789460 srt:NorthAmericaMember 2017-01-01 2017-09-30 0000789460 srt:NorthAmericaMember int:LandSegmentMember 2018-07-01 2018-09-30 0000789460 srt:LatinAmericaMember int:MarineSegmentMember 2017-01-01 2017-09-30 0000789460 us-gaap:EMEAMember 2017-01-01 2017-09-30 0000789460 srt:LatinAmericaMember 2018-07-01 2018-09-30 0000789460 srt:LatinAmericaMember int:MarineSegmentMember 2017-07-01 2017-09-30 0000789460 srt:NorthAmericaMember int:LandSegmentMember 2018-01-01 2018-09-30 0000789460 srt:AsiaPacificMember int:MarineSegmentMember 2018-07-01 2018-09-30 0000789460 srt:AsiaPacificMember int:LandSegmentMember 2017-07-01 2017-09-30 0000789460 us-gaap:EMEAMember 2018-07-01 2018-09-30 0000789460 us-gaap:EMEAMember int:LandSegmentMember 2018-01-01 2018-09-30 0000789460 srt:AsiaPacificMember int:LandSegmentMember 2017-01-01 2017-09-30 0000789460 srt:LatinAmericaMember int:MarineSegmentMember 2018-01-01 2018-09-30 0000789460 srt:NorthAmericaMember int:AviationSegmentMember 2017-01-01 2017-09-30 0000789460 srt:NorthAmericaMember 2018-07-01 2018-09-30 0000789460 srt:NorthAmericaMember int:AviationSegmentMember 2017-07-01 2017-09-30 0000789460 us-gaap:OperatingSegmentsMember int:LandSegmentMember 2017-12-31 0000789460 us-gaap:OperatingSegmentsMember int:LandSegmentMember 2018-09-30 0000789460 us-gaap:OperatingSegmentsMember int:AviationSegmentMember 2017-12-31 0000789460 us-gaap:OperatingSegmentsMember int:MarineSegmentMember 2017-12-31 0000789460 int:MarineSegmentMember 2017-12-31 0000789460 us-gaap:OperatingSegmentsMember int:MarineSegmentMember 2018-09-30 0000789460 us-gaap:CorporateNonSegmentMember 2018-09-30 0000789460 us-gaap:OperatingSegmentsMember int:AviationSegmentMember 2018-09-30 0000789460 us-gaap:CorporateNonSegmentMember 2017-12-31 0000789460 int:MarineSegmentMember 2018-09-30 0000789460 us-gaap:OperatingSegmentsMember 2017-01-01 2017-09-30 0000789460 int:AviationSegmentMember 2017-07-01 2017-09-30 0000789460 int:LandSegmentMember 2017-07-01 2017-09-30 0000789460 us-gaap:OperatingSegmentsMember int:AviationSegmentMember 2018-01-01 2018-09-30 0000789460 int:LandSegmentMember 2017-01-01 2017-09-30 0000789460 int:MarineSegmentMember 2018-07-01 2018-09-30 0000789460 us-gaap:OperatingSegmentsMember 2017-07-01 2017-09-30 0000789460 us-gaap:OperatingSegmentsMember int:LandSegmentMember 2018-07-01 2018-09-30 0000789460 us-gaap:OperatingSegmentsMember int:LandSegmentMember 2018-01-01 2018-09-30 0000789460 int:MarineSegmentMember 2017-01-01 2017-09-30 0000789460 us-gaap:OperatingSegmentsMember int:MarineSegmentMember 2017-01-01 2017-09-30 0000789460 int:MarineSegmentMember 2017-07-01 2017-09-30 0000789460 int:AviationSegmentMember 2018-07-01 2018-09-30 0000789460 us-gaap:CorporateNonSegmentMember 2018-01-01 2018-09-30 0000789460 us-gaap:OperatingSegmentsMember int:AviationSegmentMember 2017-07-01 2017-09-30 0000789460 int:LandSegmentMember 2018-07-01 2018-09-30 0000789460 us-gaap:OperatingSegmentsMember 2018-01-01 2018-09-30 0000789460 us-gaap:OperatingSegmentsMember int:MarineSegmentMember 2018-07-01 2018-09-30 0000789460 int:MarineSegmentMember 2018-01-01 2018-09-30 0000789460 us-gaap:CorporateNonSegmentMember 2017-07-01 2017-09-30 0000789460 us-gaap:CorporateNonSegmentMember 2017-01-01 2017-09-30 0000789460 us-gaap:CorporateNonSegmentMember 2018-07-01 2018-09-30 0000789460 int:AviationSegmentMember 2017-01-01 2017-09-30 0000789460 us-gaap:OperatingSegmentsMember int:MarineSegmentMember 2017-07-01 2017-09-30 0000789460 us-gaap:OperatingSegmentsMember int:AviationSegmentMember 2017-01-01 2017-09-30 0000789460 us-gaap:OperatingSegmentsMember int:LandSegmentMember 2017-01-01 2017-09-30 0000789460 us-gaap:OperatingSegmentsMember int:LandSegmentMember 2017-07-01 2017-09-30 0000789460 us-gaap:OperatingSegmentsMember int:MarineSegmentMember 2018-01-01 2018-09-30 0000789460 us-gaap:OperatingSegmentsMember 2018-07-01 2018-09-30 0000789460 us-gaap:OperatingSegmentsMember int:AviationSegmentMember 2018-07-01 2018-09-30 0000789460 int:TaxAuthorityAssessmentMember 2016-12-31 0000789460 int:TaxAuthorityAdditionalAssessmentMember 2017-06-30 iso4217:USD xbrli:shares xbrli:pure iso4217:USD int:acquisition xbrli:shares int:airport iso4217:KRW utreg:bbl int:segment

[Table of Contents](#)

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, DC 20549

FORM 10-Q

(Mark One)

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

FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2018

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 1-9533

WORLD FUEL SERVICES CORPORATION

(Exact name of registrant as specified in its charter)

Florida **59-2459427**
(State or other jurisdiction of (I.R.S. Employer
incorporation or organization) Identification No.)

9800 N.W. 41st Street **33178**
Miami, Florida (Zip Code)
(Address of Principal Executive Offices)

Registrant's Telephone Number, including area code: **(305) 428-8000**

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 every Interactive Data File required to be submitted 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 such files). Yes 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 the definitions of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

The registrant had a total of 67,231,043 shares of common stock, par value \$0.01 per share, issued and outstanding as of October 19, 2018.

Table of Contents

Table of Contents

Part I. Financial Information

| | | |
|-------------|---|-----------|
| <u>Item</u> | <u>Financial Statements (Unaudited)</u> | |
| <u>1.</u> | <u>Consolidated Balance Sheets as of September 30, 2018 and December 31, 2017</u> | <u>1</u> |
| | <u>Consolidated Statements of Income and Comprehensive Income for the Three and Nine Months ended September 30, 2018 and 2017</u> | <u>2</u> |
| | <u>Consolidated Statements of Shareholders' Equity for the Nine Months ended September 30, 2018 and 2017</u> | <u>3</u> |
| | <u>Consolidated Statements of Cash Flows for the Nine Months ended September 30, 2018 and 2017</u> | <u>4</u> |
| | <u>Notes to the Consolidated Financial Statements</u> | <u>6</u> |
| <u>Item</u> | <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u> | <u>22</u> |
| <u>2.</u> | | |
| <u>Item</u> | <u>Quantitative and Qualitative Disclosures About Market Risk</u> | <u>32</u> |
| <u>3.</u> | | |
| <u>Item</u> | <u>Controls and Procedures</u> | <u>32</u> |
| <u>4.</u> | | |

Part II. Other Information

| | | |
|-------------|--|-----------|
| <u>Item</u> | <u>Legal Proceedings</u> | <u>33</u> |
| <u>1.</u> | | |
| <u>Item</u> | <u>Unregistered Sales of Equity Securities and Use of Proceeds</u> | <u>33</u> |
| <u>2.</u> | | |
| <u>Item</u> | <u>Exhibits</u> | <u>34</u> |
| <u>6.</u> | | |

| | | |
|-------------------|--|-----------|
| <u>Signatures</u> | | <u>35</u> |
|-------------------|--|-----------|

Table of Contents**Part I — Financial Information****Item 1. Financial Statements****World Fuel Services Corporation****Consolidated Balance Sheets**

(Unaudited - In millions, except per share data)

| | As of | |
|--|------------------|-----------------|
| | September | December |
| | 30, | 31, |
| | 2018 | 2017 |
| Assets: | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 142.1 | \$ 372.3 |
| Accounts receivable, net | 3,106.9 | 2,705.6 |
| Inventories | 679.3 | 505.0 |
| Prepaid expenses | 78.9 | 64.4 |
| Short-term derivative assets, net | 61.8 | 51.1 |
| Other current assets | 258.9 | 241.9 |
| Total current assets | 4,327.9 | 3,940.4 |
| Property and equipment, net | 338.8 | 329.8 |
| Goodwill | 855.6 | 845.5 |
| Identifiable intangible and other non-current assets | 485.7 | 472.1 |
| Total assets | \$ 6,008.0 | \$ 5,587.8 |
| Liabilities: | | |
| Current liabilities: | | |
| Current maturities of long-term debt and capital leases | \$ 35.7 | \$ 25.6 |
| Accounts payable | 2,785.9 | 2,239.7 |
| Customer deposits | 105.9 | 108.3 |
| Accrued expenses and other current liabilities | 356.0 | 344.9 |
| Total current liabilities | 3,283.4 | 2,718.6 |
| Long-term debt | 706.6 | 884.6 |
| Non-current income tax liabilities, net | 186.9 | 202.4 |
| Other long-term liabilities | 49.9 | 44.2 |
| Total liabilities | \$ 4,226.8 | \$ 3,849.8 |
| Commitments and contingencies | | |
| Equity: | | |
| World Fuel shareholders' equity: | | |
| Preferred stock, \$1.00 par value; 0.1 shares authorized, none issued | — | — |
| Common stock, \$0.01 par value; 100.0 shares authorized, 67.0 and 67.7 issued and outstanding as of September 30, 2018 and December 31, 2017, respectively | 0.7 | 0.7 |
| Capital in excess of par value | 340.8 | 354.9 |
| Retained earnings | 1,580.4 | 1,492.8 |
| Accumulated other comprehensive loss | (156.7) | (126.5) |
| Total World Fuel shareholders' equity | 1,765.2 | 1,721.9 |
| Noncontrolling interest | 16.0 | 16.0 |
| Total equity | 1,781.2 | 1,738.0 |
| Total liabilities and equity | \$ 6,008.0 | \$ 5,587.8 |

The accompanying notes are an integral part of these unaudited consolidated financial statements.

1

Table of Contents

World Fuel Services Corporation
Consolidated Statements of Income and Comprehensive Income
(Unaudited – In millions, except per share data)

| | For the Three Months Ended September 30, | | For the Nine Months Ended September 30, | |
|---|---|-------------|--|-------------|
| | 2018 | 2017 | 2018 | 2017 |
| Revenue | \$ 10,429.5 | \$ 8,543.0 | \$ 29,761.7 | \$ 24,823.4 |
| Cost of revenue | 10,162.8 | 8,303.1 | 29,005.4 | 24,121.1 |
| Gross profit | 266.7 | 239.9 | 756.3 | 702.3 |
| Operating expenses: | | | | |
| Compensation and employee benefits | 117.9 | 107.6 | 342.0 | 314.5 |
| General and administrative | 70.6 | 71.0 | 217.8 | 225.0 |
| | 188.5 | 178.6 | 559.8 | 539.5 |
| Income from operations | 78.2 | 61.3 | 196.4 | 162.8 |
| Non-operating expenses, net: | | | | |
| Interest expense and other financing costs, net | (18.3) | (15.8) | (52.5) | (42.2) |
| Other income (expense), net | 1.9 | (0.9) | (2.0) | (5.0) |
| | (16.4) | (16.7) | (54.5) | (47.3) |
| Income before income taxes | 61.8 | 44.6 | 142.0 | 115.6 |
| Provision for income taxes | 23.0 | 82.6 | 42.7 | 92.2 |
| Net income (loss) including noncontrolling interest | 38.7 | (37.9) | 99.2 | 23.4 |
| Net income attributable to noncontrolling interest | 0.6 | 0.6 | 1.1 | 0.6 |
| Net income (loss) attributable to World Fuel | \$ 38.2 | \$ (38.5) | \$ 98.1 | \$ 22.8 |
| Basic earnings per common share | \$ 0.57 | \$ (0.57) | \$ 1.45 | \$ 0.33 |
| Basic weighted average common shares | 67.5 | 67.9 | 67.5 | 68.3 |
| Diluted earnings per common share | \$ 0.56 | \$ (0.57) | \$ 1.45 | \$ 0.33 |
| Diluted weighted average common shares | 67.7 | 68.2 | 67.8 | 68.6 |
| Comprehensive income: | | | | |
| Net income including noncontrolling interest | \$ 38.7 | \$ (37.9) | \$ 99.2 | \$ 23.4 |
| Other comprehensive income (loss): | | | | |
| Foreign currency translation adjustments | (4.7) | 12.2 | (23.0) | 29.8 |
| Cash flow hedges, net of income tax benefit of \$3.5 and \$5.5 for the three months ended September 30, 2018 and 2017, respectively, and net of income tax benefit of \$5.2 and income tax expense of \$1.1 for the nine months ended September 30, 2018 and 2017, respectively | (5.6) | (8.7) | (8.4) | 1.8 |
| Other comprehensive income (loss): | (10.3) | 3.5 | (31.4) | 31.6 |
| Comprehensive income (loss) including noncontrolling interest | 28.5 | (34.4) | 67.8 | 55.0 |
| Comprehensive income (loss) attributable to noncontrolling interest | 0.1 | 1.1 | (1.2) | 2.2 |
| Comprehensive income (loss) attributable to World Fuel | \$ 28.4 | \$ (35.5) | \$ 69.1 | \$ 52.8 |

The accompanying notes are an integral part of these unaudited consolidated financial statements.

Table of Contents

World Fuel Services Corporation
Consolidated Statements of Shareholders' Equity
(Unaudited - In millions)

| | Common Stock | | Capital in Excess of Par Value | Retained Earnings | Accumulated Other Comprehensive Loss | Total World Fuel Shareholders' Equity | Noncontrolling Interest Equity | Total Equity |
|---|--------------|--------|--------------------------------|-------------------|--------------------------------------|---------------------------------------|--------------------------------|--------------|
| | Shares | Amount | Par Value | Earnings | Loss | Equity | Equity | Equity |
| Balance as of December 31, 2017 | 67.7 | \$ 0.7 | \$ 354.9 | \$ 1,492.8 | \$ (126.5) | \$ 1,721.9 | \$ 16.0 | \$ 1,738.0 |
| Net income | — | — | — | 98.1 | — | 98.1 | 1.1 | 99.2 |
| Cash dividends declared | — | — | — | (12.1) | — | (12.1) | — | (12.1) |
| Amortization of share-based payment awards | — | — | 8.0 | — | — | 8.0 | — | 8.0 |
| Issuance of common stock related to share-based payment awards | 0.2 | — | — | — | — | — | — | — |
| Purchases of common stock tendered by employees to satisfy the required withholding taxes related to share-based payment awards | — | — | (2.2) | — | — | (2.2) | — | (2.2) |
| Purchases of common stock | (0.7) | — | (20.0) | — | — | (20.0) | — | (20.0) |
| Other comprehensive income (loss) | — | — | — | — | (30.2) | (30.2) | (1.2) | (31.4) |
| Reclassification of certain tax effects from U.S. Tax Reform | — | — | — | 1.6 | — | 1.6 | — | 1.6 |
| Balance as of September 30, 2018 | 67.0 | \$ 0.7 | \$ 340.8 | \$ 1,580.4 | \$ (156.7) | \$ 1,765.2 | \$ 16.0 | \$ 1,781.2 |

| | Common Stock | | Capital in Excess of Par Value | Retained Earnings | Accumulated Other Comprehensive Loss | Total World Fuel Shareholders' Equity | Noncontrolling Interest Equity | Total Equity |
|---|--------------|--------|--------------------------------|-------------------|--------------------------------------|---------------------------------------|--------------------------------|--------------|
| | Shares | Amount | Par Value | Earnings | Loss | Equity | Equity | Equity |
| Balance as of December 31, 2016 | 69.9 | \$ 0.7 | \$ 399.9 | \$ 1,679.3 | \$ (154.8) | \$ 1,925.0 | \$ 15.0 | \$ 1,940.0 |
| Net income | — | — | — | 22.8 | — | 22.8 | 0.6 | 23.4 |
| Cash dividends declared | — | — | — | (8.2) | — | (8.2) | — | (8.2) |
| Distribution of noncontrolling interest | — | — | — | — | — | — | (0.4) | (0.4) |
| Amortization of share-based payment awards | — | — | 15.3 | — | — | 15.3 | — | 15.3 |
| Cancellation of common stock related to share-based payment awards | (0.4) | — | — | — | — | — | — | — |
| Purchases of common stock tendered by employees to satisfy the required withholding taxes related to share-based payment awards | — | — | (4.0) | — | — | (4.0) | — | (4.0) |
| Purchases of common stock | (1.7) | — | (61.9) | — | — | (61.9) | — | (61.9) |
| Other comprehensive income | — | — | — | — | 30.0 | 30.0 | 1.6 | 31.6 |
| Balance as of September 30, 2017 | 67.7 | \$ 0.7 | \$ 349.3 | \$ 1,693.9 | \$ (124.8) | \$ 1,919.0 | \$ 16.8 | \$ 1,935.8 |

The accompanying notes are an integral part of these unaudited consolidated financial statements.

Table of Contents
World Fuel Services Corporation
Consolidated Statements of Cash Flows
(Unaudited - In millions)

| | For the Nine Months Ended September 30, | |
|--|--|-----------------|
| | 2018 | 2017 |
| Cash flows from operating activities: | | |
| Net income including noncontrolling interest | \$99.2 | \$23.4 |
| Adjustments to reconcile net income including noncontrolling interest to net cash provided by operating activities: | | |
| Depreciation and amortization | 59.0 | 64.1 |
| Provision for bad debt | 7.6 | 6.3 |
| Valuation allowance against the net U.S. deferred tax assets | — | 76.9 |
| Share-based payment award compensation costs | 8.0 | 15.3 |
| Deferred income tax benefit | (1.8) | (21.2) |
| Foreign currency losses, net | 4.9 | 8.4 |
| Other | (0.8) | (2.4) |
| Changes in assets and liabilities, net of acquisitions: | | |
| Accounts receivable, net (reduced by beneficial interests received in exchange for accounts receivables sold of \$109.3 million and \$82.1 million for the three months ended September 30, 2018 and 2017, respectively, and \$353.0 million and \$239.2 million for the nine months ended September 30, 2018 and 2017, respectively.) | (775.5) | (492.6) |
| Inventories | (177.1) | (69.5) |
| Prepaid expenses | (17.2) | (9.8) |
| Short-term derivative assets, net | (35.7) | 28.4 |
| Other current assets | (36.9) | (49.7) |
| Cash collateral with financial counterparties | 40.0 | (15.6) |
| Other non-current assets | (39.3) | (19.3) |
| Accounts payable | 554.0 | 253.7 |
| Customer deposits | (1.1) | 6.4 |
| Accrued expenses and other current liabilities | (6.4) | — |
| Non-current income tax, net and other long-term liabilities | 3.2 | 5.9 |
| Total adjustments | (415.2) | (214.5) |
| Net cash used in operating activities | (316.0) | (191.1) |
| Cash flows from investing activities: | | |
| Cash receipts of retained beneficial interests in receivable sales | 357.5 | 236.3 |
| Acquisition of businesses, net of cash acquired | (21.0) | (94.6) |
| Capital expenditures | (44.7) | (37.8) |
| Other investing activities, net | 7.3 | (0.5) |
| Net cash provided by investing activities | 299.0 | 103.4 |
| Cash flows from financing activities: | | |
| Borrowings of debt | 4,663.5 | 3,500.1 |
| Repayments of debt | (4,841.2) | (3,492.6) |
| Dividends paid on common stock | (12.1) | (12.3) |
| Purchases of common stock tendered by employees to satisfy the required withholding taxes related to share-based payment awards | (2.2) | (4.0) |
| Purchases of common stock | (20.0) | (61.9) |
| Other financing activities, net | — | (2.0) |
| Net cash used in financing activities | (212.0) | (72.7) |
| Effect of exchange rate changes on cash and cash equivalents | (1.3) | 7.8 |
| Net decrease in cash and cash equivalents | (230.3) | (152.6) |
| Cash and cash equivalents, as of beginning of period | 372.3 | 698.6 |

Cash and cash equivalents, as of end of period

\$ 142.1 \$ 546.0

The accompanying notes are an integral part of these unaudited consolidated financial statements

4

Table of Contents

Supplemental Schedule of Noncash Investing and Financing Activities:

Cash dividends declared, but not yet paid, were \$4.1 million as of September 30, 2018.

Beneficial interests obtained in exchange for accounts receivable sold were \$353.0 million and \$239.2 million as of September 30, 2018 and 2017, respectively.

The accompanying notes are an integral part of these unaudited consolidated financial statements.

Table of Contents

World Fuel Services Corporation

Notes to the Consolidated Financial Statements

(Unaudited)

1. Basis of Presentation and Significant Accounting Policies

World Fuel Services Corporation (the “Company”) was incorporated in Florida in July 1984 and along with its consolidated subsidiaries is referred to collectively in this Quarterly Report on Form 10 Q (“10-Q Report”) as “World Fuel,” “we,” “our” and “us.”

We are a leading global fuel services company, principally engaged in the distribution of fuel and related products and services in the aviation, marine and land transportation industries. We have expanded our product and service offerings to include energy advisory services and supply fulfillment with respect to natural gas and power and transaction and payment management solutions to commercial and industrial customers. Our intention is to become a leading global energy management company offering a full suite of energy advisory, management and fulfillment services and technology solutions across the energy product spectrum. We also seek to become a leading transaction and payment management company, offering payment management solutions to commercial and industrial customers, principally in the aviation, land and marine transportation industries.

We prepared the consolidated financial statements following the requirements of the United States (“U.S.”) Securities and Exchange Commission (“SEC”) for interim reporting. As permitted under those rules, certain footnotes or other financial information that are normally required by accounting principles generally accepted in the U.S. (“U.S. GAAP”) can be condensed or omitted.

Revenues, expenses, assets and liabilities can vary during each quarter of the year. Therefore, the results and trends in these interim financial statements may not be representative of those for the full year. In our opinion, all adjustments necessary for a fair statement of the financial statements, which are of a normal and recurring nature, have been made for the interim periods reported. The information included in this 10-Q Report should be read in conjunction with the consolidated financial statements and accompanying notes included in our 2017 Annual Report on Form 10-K (“2017 10-K Report”). Certain amounts in the consolidated financial statements and associated notes may not add due to rounding. All percentages have been calculated using unrounded amounts.

There have been no significant changes, other than those related to the adopted new accounting standards below, in the Company’s accounting policies from those disclosed in our 2017 10 K Report. The significant accounting policies we use for quarterly financial reporting are disclosed in Note 1 of the “Notes to the Consolidated Financial Statements” included in our 2017 10 K Report, and in the adopted accounting standards below.

Adoption of New Accounting Standard

Revenue Recognition (Topic 606): Revenue from Contracts with Customers. In May 2014, ASU 2014-09 was issued. Under this ASU and subsequently issued amendments, we recognize the amount of revenue when delivery is made and our customer obtains control, and we are entitled to compensation for performance completed. The updated standard replaced most existing revenue recognition guidance in U.S. GAAP. We adopted this standard as of January 1, 2018 using the modified retrospective adoption approach, and elected to apply it only to those contracts that were not considered completed contracts as of this adoption date. This approach required us to recognize the cumulative effect of initially applying the new standard as an adjustment to the opening balance of retained earnings. This cumulative adjustment did not have a material impact on our financial statements.

Income Statement - Reporting Comprehensive Income (Topic 220). In February 2018, ASU 2018-02, Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income, was issued. ASU 2018-02 provides the option to reclassify stranded tax effects within AOCI to retained earnings in each period in which the effect of the

change in the U.S. federal corporate tax rate in the U.S. Tax Cuts and Jobs Act ("Tax Reform Act") is recorded. ASU 2018-02 is effective for fiscal years beginning after December 15, 2018, and interim periods within those years. Early adoption is permitted. This updated standard allows for adoption in the period of adoption or retrospectively to each period in which the effect of the change in the U.S. federal corporate income tax rate in the Tax Reform Act is recognized. We adopted this updated standard in the first quarter of 2018, and subsequently reclassified the tax rate disparity to retained earnings.

Intangibles-Goodwill and Other-Internal-Use Software (Subtopic 350-40). In August 2018, ASU 2018-15, Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract, was issued. The ASU aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software (and hosting arrangements that include an internal-use software license). The standard also requires the entity (customer) to expense the

Table of Contents

capitalized implementation costs over the term of the hosting arrangement. We early adopted this updated standard, which did not have a material impact on our consolidated financial statements.

Income Taxes (Topic 740). In March 2018, ASU 2018-05, Amendments to SEC Paragraphs Pursuant to SEC Staff Accounting Bulletin No. 118, was issued. ASU 2018-05 amends certain SEC material in Topic 740 for the income tax accounting implications of the recently issued U.S. Tax Cuts and Jobs Act ("Tax Reform Act"). We have adopted these amendments and where the accounting under Topic 740 is incomplete for certain specific income tax effects of the Tax Reform Act, we reported provisional amounts.

Business Combinations (Topic 805): Clarifying the Definition of a Business. In January 2017, ASU 2017-01 was issued. The update clarifies the definition of a business with the objective of adding guidance to assist entities with evaluating whether transactions should be accounted for as acquisitions (or disposals) of businesses after adoption. This standard was effective at the beginning of our 2018 fiscal year and did not have a material impact on our consolidated financial statements and disclosures.

Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities. In August 2017, ASU 2017-12 was issued. The ASU is targeted at simplifying hedge accounting requirements, creating more transparency around how economic results are presented and disclosed on the consolidated financial statements and accompanying footnote disclosures. We early adopted this updated standard, which did not have a material impact on our consolidated financial statements. We have provided updated disclosures in *Note 3. Derivatives.*

Cash Flows: Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments. In August 2016, ASU 2016-15 was issued. The ASU provides guidance on classification of eight specific cash flows items. This standard is effective at the beginning of our 2018 fiscal year and we have provided an updated line item attributable to retained beneficial interests associated with our receivables purchase agreements on our consolidated statements of cash flows. The adoption resulted in a \$236.3 million retrospective reclassification of the beneficial interest received in exchange for accounts receivable sales for the nine months ended September 30, 2017 from cash flows from operating activities to cash flows from investing activities.

Income Taxes (Topic 740): Intra-Entity Transfers of Assets Other than Inventory. In October 2016, ASU 2016-16 was issued. The update prohibits the recognition of current and deferred income taxes for an intra-entity asset transfer until the asset has been sold to an outside party. This standard is effective at the beginning of our 2018 fiscal year. The adoption of this ASU did not have a material impact on our consolidated financial statements and disclosures.

Cash Flows: Statement of Cash Flows (Topic 230): Restricted Cash. In November 2016, ASU 2016-18 was issued. The update requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. This standard is effective at the beginning of our 2018 fiscal year. The adoption of this ASU did not have a material impact on our consolidated financial statements and disclosures.

Accounting Standards Issued but Not Yet Adopted

Leases (Topic 842). In February 2016, ASU 2016-02, Leases, was issued. The new standard requires lessors to account for leases using an approach that is substantially equivalent to existing guidance for direct financing and operating leases. Upon adoption, this standard will require all lessees to recognize a right of use asset and a liability to make lease payments (lease liability) on the balance sheet, except for leases with durations of twelve months or less. Lessees (for capital and operating leases) must apply a modified retrospective transition approach for leases existing at or after the beginning of the earliest comparative period presented in the consolidated financial statements. The modified retrospective approach would not require any transition accounting for leases that expired before the earliest comparative period presented. This standard is effective at the beginning of our 2019 fiscal year. In preparation for

adoption of the standard, we developed a cross-functional team and engaged a third-party service provider to assist us throughout our evaluation, including the selection of a lease software and contract administration platform. We continue to evaluate the overall impact the adoption of this new guidance will have on our consolidated financial statements and related disclosures.

Table of Contents**2. Accounts Receivable**

We have receivables purchase agreements (“RPAs”) with Wells Fargo and Citibank that allow for the sale of up to an aggregate of \$725.0 million of our accounts receivable. Under the RPAs, we sold \$6.1 billion and \$4.6 billion of accounts receivables and collected \$6.0 billion and \$4.5 billion of accounts receivables for the nine months ended September 30, 2018 and September 30, 2017, respectively. The fees and financing costs under the RPA were \$14.2 million and \$8.7 million, for the nine months ended September 30, 2018 and September 30, 2017, respectively. As of September 30, 2018 and December 31, 2017, our sold accounts receivable under the RPAs was \$553.7 million and \$377.3 million, respectively.

3. Acquisitions**2018 Acquisition**

During the first quarter of 2018, we completed one acquisition in the land segment. The financial position, results of operations and cash flows of the 2018 acquisition has been included in our consolidated financial statements since its acquisition date and did not have a material impact on our consolidated revenue and net income for the nine months ended September 30, 2018.

2017 Acquisitions

In the first quarter of 2016, we signed a definitive agreement to acquire from certain ExxonMobil affiliates their aviation fueling operations at more than 80 airport locations in Canada, the United Kingdom (“U.K.”), Germany, Italy, France, Australia and New Zealand. During 2016, we completed the acquisitions of the aviation fueling operations in Canada, the U.K. and France. During the first quarter of 2017, we completed the acquisition of substantially all of the remaining airport locations in Italy, Germany, Australia and New Zealand.

In addition to the above acquisitions, we completed two acquisitions during the first quarter of 2017 which were not significant individually or in the aggregate.

The following table summarizes the aggregate consideration paid for acquisitions during the nine months ended September 30, 2017 and the amounts of the assets acquired and liabilities assumed, recognized at the acquisition date.

(In millions)

| | |
|--|---------------|
| Cash paid for acquisition of businesses | \$ 87.6 |
| Non-monetary consideration | 4.3 |
| Purchase price | \$91.9 |

Assets acquired:

| | |
|---|------|
| Property and equipment | 10.3 |
| Goodwill and identifiable intangible assets | 79.8 |
| Other current and long-term assets | 8.8 |

Liabilities assumed:

| | |
|--|---------------|
| Long-term liabilities and deferred tax liabilities | (7.0) |
| Purchase price | \$91.9 |

The goodwill assigned, of which \$22.4 million is anticipated to be deductible for tax purposes, is attributable primarily to the expected synergies and other benefits that we believe will result from combining the operations

acquired with the operations of our aviation segment. The identifiable intangible assets consists of \$33.4 million of customer relationships with weighted average lives of 9.9 years.

The financial position, results of operations and cash flows of the 2017 acquisitions have been included in our consolidated financial statements since their respective acquisition dates and did not have a significant impact on our revenue and net income for the three and nine months ended September 30, 2017. Pro forma information for the 2017 acquisitions has not been provided as the impact is not material.

Table of Contents

4. Derivatives

We enter into financial derivative contracts to mitigate the risk of market price fluctuations in aviation, land and marine fuel, to offer our customers fuel pricing alternatives to meet their needs and to mitigate the risk of fluctuations in foreign currency exchange rates. If the derivative instrument is not designated in a hedge relationship, changes in the estimated fair market value are recognized as a component of revenue, cost of revenue, or other income (expense) in the consolidated statements of income and comprehensive income.

Derivatives which qualify for hedge accounting may be designated as either a fair value or cash flow hedge. For our fair value hedges, changes in the estimated fair market value of the hedging instrument and the hedged item are recognized in the same line item as the underlying transaction type in the consolidated statements of income and comprehensive income. The gains or losses on derivative instruments designated as cash flow hedges of forecasted transactions are initially reported as a component of accumulated other comprehensive income and subsequently reclassified into earnings once the future transactions affect earnings.

Cash flows for our hedging instruments are classified in the same category as the underlying hedged items. If for any reason hedge accounting is discontinued, then any cash flows subsequent to the date of discontinuance will be classified in a manner consistent with the nature of the instrument.

The following describes our derivative classifications:

Fair Value Hedges. Includes derivative contracts we hold to hedge the risk of changes in the price of our inventory.

Cash Flow Hedges. Includes certain derivative contracts we execute to mitigate the risk of price or foreign currency volatility in forecasted transactions.

Non-designated Derivatives. Includes derivatives we primarily transact to mitigate the risk of market price fluctuations in the form of swaps or futures contracts, certain forward fixed price purchase and sale contracts, and for portfolio optimization. In addition, non-designated derivatives are held to hedge the risk of currency rate fluctuations.

Table of Contents

The following table presents the gross fair value of our derivative instruments and their locations on the consolidated balance sheets (in millions):

| Derivative Instruments | Consolidated Balance Sheets location | Gross Derivative Assets | | Gross Derivative Liabilities | |
|---|--|--------------------------|-------------------------|------------------------------|-------------------------|
| | | As of September 30, 2018 | As of December 31, 2017 | As of September 30, 2018 | As of December 31, 2017 |
| <u>Derivatives designated as hedging instruments</u> | | | | | |
| Commodity contracts | Short-term derivative assets, net | \$ 56.9 | \$ 0.4 | \$ 93.3 | \$ 0.5 |
| | Accrued expenses and other current liabilities | — | 2.3 | — | 43.1 |
| | | \$ 56.9 | \$ 2.7 | \$ 93.3 | \$ 43.6 |
| Foreign currency contracts | Short-term derivative assets, net | \$ — | \$ — | \$ 0.4 | \$ — |
| | Accrued expenses and other current liabilities | 0.1 | — | — | — |
| | | \$ 0.1 | \$ — | \$ 0.4 | \$ — |
| Total derivatives designated as hedging instruments | | \$ 56.9 | \$ 2.7 | \$ 93.7 | \$ 43.6 |
| <u>Derivatives not designated as hedging instruments</u> | | | | | |
| Commodity contracts | Short-term derivative assets, net | \$ 322.8 | \$ 191.4 | \$ 225.8 | \$ 123.3 |
| | Identifiable intangible and other non-current assets | 76.1 | 18.2 | 49.9 | 5.2 |
| | Accrued expenses and other current liabilities | 89.8 | 86.1 | 179.0 | 138.2 |
| | Other long-term liabilities | 11.2 | 5.2 | 31.0 | 13.5 |
| | | \$ 499.9 | \$ 300.9 | \$ 485.7 | \$ 280.2 |
| Foreign currency contracts | Short-term derivative assets, net | \$ 1.8 | \$ 4.5 | \$ 0.3 | \$ 2.8 |
| | Accrued expenses and other current liabilities | 0.5 | 3.9 | 2.0 | 5.7 |
| | Other long-term liabilities | — | — | — | 0.2 |
| | | \$ 2.3 | \$ 8.5 | \$ 2.3 | \$ 8.7 |
| Total derivatives not designated as hedging instruments | | \$ 502.2 | \$ 309.4 | \$ 488.0 | \$ 288.9 |
| Total derivatives | | \$ 559.1 | \$ 312.0 | \$ 581.6 | \$ 332.5 |

For information regarding our derivative instruments measured at fair value after netting and collateral see Note 6.

The following table summarizes the gross notional values of our commodity and foreign currency exchange derivative contracts used for risk management purposes that were outstanding as of September 30, 2018 (in millions):

| Derivative Instruments | As of September 30, 2018 |
|--|--------------------------|
| Commodity contracts | |
| Long | BBL 77.2 |
| Short | BBL (74.3) |
| Foreign currency exchange contracts | |
| Sell U.S. dollar, buy other currencies | USD (96.9) |

Edgar Filing: WORLD FUEL SERVICES CORP - Form 10-Q

Buy U.S. dollar, sell other currencies USD 188.4

10

Table of Contents

As of September 30, 2018, and December 31, 2017, the following amounts were recorded on the consolidated balance sheets related to cumulative basis adjustments for fair value hedges (in million):

| Line item in the Consolidated Balance Sheets in which the hedged item is included | Carrying Amount of Hedged Asset/(Liabilities) | | Cumulative Amount of Fair Value Hedging Adjustment Included in the Carrying Amount of the Hedged Asset/(Liabilities) | |
|---|---|-------------------|--|-------------------|
| | As of | | As of | |
| | September 30, 2018 | December 31, 2017 | September 30, 2018 | December 31, 2017 |
| Inventory | \$ 68.5 | \$ 50.9 | \$ 4.7 | \$ 2.7 |

The following table presents the effect of fair value and cash flow hedges on income and expense line items in our Consolidated Statements of Income and Comprehensive Income (in millions):

| | Location and Amount of Gain and (Loss) Recognized in Income on Fair Value and Cash Flow Hedging Relationships For the Three Months Ended | | | |
|--|--|-----------------|--------------------|-----------------|
| | September 30, 2018 | | September 30, 2017 | |
| | Revenue | Cost of Revenue | Revenue | Cost of Revenue |
| Total amounts of income and expense line items in which the effects of fair value or cash flow hedged are recorded | \$ 10,429.5 | \$ 10,162.8 | \$ 8,543.0 | \$ 8,303.1 |
| Gains or Loss on fair value hedge relationships | | | | |
| Commodity contracts | | | | |
| Hedged Item | — | 8.7 | — | 0.8 |
| Derivatives designated as hedging instruments | — | (7.1) | — | (23.1) |
| Gains or Loss on cash flow hedge relationships | | | | |
| Commodity contracts | | | | |
| Amount of Gain (Loss) Reclassified from Accumulated OCI into Income | (6.6) | 12.7 | (8.4) | 2.8 |
| Total amount of income and expense line items excluding the impact of hedges | \$ 10,436.1 | \$ 10,177.2 | \$ 8,551.4 | \$ 8,283.6 |

| | Location and Amount of Gain and (Loss) Recognized in Income on Fair Value and Cash Flow Hedging Relationships For the Nine Months Ended | | | |
|--|---|-----------------|--------------------|-----------------|
| | September 30, 2018 | | September 30, 2017 | |
| | Revenue | Cost of Revenue | Revenue | Cost of Revenue |
| Total amounts of income and expense line items in which the effects of fair value or cash flow hedged are recorded | \$ 29,761.7 | \$ 29,005.4 | \$ 24,823.4 | \$ 24,121.1 |
| Gains or Loss on fair value hedge relationships | | | | |
| Commodity contracts | | | | |
| Hedged Item | — | 25.4 | — | (1.3) |
| Derivatives designated as hedging instruments | — | (23.5) | — | (16.4) |
| Gains or Loss on cash flow hedge relationships | | | | |
| Commodity contracts | | | | |
| Amount of Gain (Loss) Reclassified from Accumulated OCI into Income | (30.6) | 41.1 | (2.6) | (1.0) |
| Total amount of income and expense line items excluding the impact of hedges | \$ 29,792.3 | \$ 29,048.4 | \$ 24,826.0 | \$ 24,102.5 |

For the three and nine months ended September 30, 2018 and 2017, there were no gains or losses recognized in earnings related to our fair value or cash flow hedges that were excluded from the assessment of hedge effectiveness.

Table of Contents

The following table presents the effect and financial statement location of our derivative instruments in cash flow hedging relationships on our accumulated other comprehensive income, Consolidated Statements of Income and Comprehensive Income (in millions):

| Amount of Gain (Loss) Recognized in Accumulated Other Comprehensive Income | For the Three Months Ended September 30, | | Amount of Gain (Loss) Reclassified from Accumulated Other Comprehensive Income into Income | Location | For the Three Months Ended September 30, | |
|--|--|------------|--|----------------------------|--|-----------|
| | 2018 | 2017 | | | 2018 | 2017 |
| Derivative Instruments | | | | | | |
| Commodity contracts | \$ (46.4) | \$ (83.0) | | Revenue | \$ (6.6) | \$ (8.4) |
| Commodity contracts | 46.9 | 68.7 | | Cost of Revenue | 12.7 | 2.8 |
| Foreign Currency contracts | (0.1) | — | | Other Income (expense) net | (0.7) | — |
| Total (Loss) Gain | \$ 0.3 | \$ (14.3) | | Total (Loss) Gain | \$ 5.5 | \$ (5.6) |

| Amount of Gain (Loss) Recognized in Accumulated Other Comprehensive Income | For the Nine Months Ended September 30, | | Amount of Gain (Loss) Reclassified from Accumulated Other Comprehensive Income into Income | Location | For the Nine Months Ended September 30, | |
|--|---|-----------|--|----------------------------|---|-----------|
| | 2018 | 2017 | | | 2018 | 2017 |
| Derivative Instruments | | | | | | |
| Commodity contracts | \$ (74.1) | \$ 23.3 | | Revenue | \$ (30.6) | \$ (2.6) |
| Commodity contracts | 77.0 | (25.2) | | Cost of Revenue | 41.1 | (1.0) |
| Foreign Currency contracts | (1.3) | — | | Other Income (expense) net | (0.7) | — |
| Total Gain | \$ 1.6 | \$ (1.8) | | Total Gain | \$ 9.9 | \$ (3.6) |

The following table presents the effect and financial statement location of our derivative instruments not designated as hedging instruments on our Consolidated Statements of Income and Comprehensive Income (in millions):

| Amount of Realized and Unrealized Gain (Loss) | Location | For the Three Months Ended September 30, | |
|--|----------------------|--|------------|
| | | 2018 | 2017 |
| Derivative Instruments - Non-designated | | | |
| Commodity contracts | | | |
| | Revenue | \$ 17.5 | \$ (31.2) |
| | Cost of revenue | (21.4) | 47.9 |
| | | \$ (3.9) | \$ 16.7 |
| Foreign currency contracts | | | |
| | Revenue | \$ 0.2 | \$ (1.0) |
| | Other (expense), net | (2.1) | (2.5) |
| | | \$ (1.9) | \$ (3.5) |
| Total (Loss) Gain | | \$ (5.8) | \$ 13.2 |

| Amount of Realized and Unrealized Gain (Loss) | Location | For the Nine Months Ended September 30, | |
|--|----------------------|---|------------|
| | | 2018 | 2017 |
| Derivative Instruments - Non-designated | | | |
| Commodity contracts | | | |
| | Revenue | \$ 61.6 | \$ 37.1 |
| | Cost of revenue | (65.2) | 11.7 |
| | | \$ (3.6) | \$ 48.8 |
| Foreign currency contracts | | | |
| | Revenue | \$ 1.1 | \$ (3.1) |
| | Other (expense), net | 1.2 | (8.9) |
| | | \$ 2.3 | \$ (12.0) |

Total Gain

\$(1.3) \$36.8

12

Table of Contents**Credit-Risk-Related Contingent Features**

We enter into derivative instrument contracts which may require us to periodically provide collateral. Certain derivative contracts contain credit-risk-related contingent clauses which are triggered by credit events. These credit events may include the requirement to provide additional collateral or the immediate settlement of the derivative instruments upon the occurrence of a credit downgrade or if certain defined financial ratios fall below an established threshold. The following table presents the potential collateral requirements for derivative liabilities with credit-risk-contingent features (in millions):

| | Potential Collateral Requirements for Derivative Liabilities with Credit-Risk-Contingent Features | |
|---|--|--|
| | As of September 30, 2018 | As of December 31, 2017 |
| Net derivatives liability positions with credit contingent features | \$ 11.1 | \$ 11.8 |
| Maximum potential collateral requirements | \$ 11.1 | \$ 11.8 |

At September 30, 2018 and December 31, 2017, there was no collateral held by our counterparties on these derivative contracts with credit-risk-contingent features.

Table of Contents**5. Goodwill**

Goodwill arises because the purchase price paid for our acquisitions reflects numerous factors, including the strategic fit and expected synergies these acquisitions bring to our existing operations. Goodwill is recorded at fair value and is reviewed at least annually for impairment.

The following table provides the components of and changes in the carrying amount of goodwill (in millions):

| | Aviation | Land | Total |
|--|----------|----------|----------|
| Balance as of December 31, 2017 | \$ 326.9 | \$ 518.5 | \$ 845.5 |
| Additions | — | 13.4 | 13.4 |
| Foreign exchange and other adjustments | (4.1) | 0.9 | (3.2) |
| Balance as of September 30, 2018 | \$ 322.8 | \$ 532.8 | \$ 855.6 |

6. Debt, Interest Income, Expense and Other Finance Costs

Our debt consisted of the following (in millions):

| | As of | |
|---|--------------------|-------------------|
| | September 30, 2018 | December 31, 2017 |
| Credit Facility | \$ 209.0 | \$ 60.0 |
| Term Loans | 523.2 | 835.8 |
| Capital leases | 7.7 | 10.4 |
| Other | 2.4 | 4.0 |
| Total debt | \$ 742.3 | \$ 910.2 |
| Current maturities of long-term debt and capital leases | \$ 35.7 | \$ 25.6 |
| Long-term debt | \$ 706.6 | \$ 884.6 |

The following table provides additional information about our interest income (expense), and other financing costs, net, for the periods presented (in millions):

| | For the Three Months Ended | | For the Nine Months Ended | |
|--|----------------------------|-----------|---------------------------|-----------|
| | September 30, | | September 30, | |
| | 2018 | 2017 | 2018 | 2017 |
| Interest income | \$ 0.8 | \$ 1.2 | \$ 2.7 | \$ 3.9 |
| Interest expense and other financing costs | (19.1) | (17.0) | (55.1) | (46.2) |
| | \$(18.3) | \$(15.8) | \$(52.5) | \$(42.2) |

7. Fair Value Measurements

The carrying amounts of cash and cash equivalents, accounts receivable, net, accounts payable and accrued expenses and other current liabilities approximate fair value based on the short-term maturities of these instruments. The carrying values of our debt and notes receivables approximate fair value since these instruments bear interest either at variable rates or fixed rates which are not significantly different than market rates. Based on the fair value hierarchy, our debt of \$742.3 million and \$910.2 million as of September 30, 2018 and December 31, 2017, respectively, and our notes receivable of \$26.9 million and \$44.9 million as of September 30, 2018 and December 31, 2017, respectively, are categorized in Level 2.

Table of Contents

The following table presents information about our gross assets and liabilities that are measured at fair value on a recurring basis (in millions):

| | Fair Value measurements as of September 30, 2018 | | | |
|--|---|---------------------------|---------------------------|---------------------------------|
| | Level 1 Inputs | Level 2 Inputs | Level 3 Inputs | Total Fair Value |
| Assets: | | | | |
| Commodities contracts | \$ 421.8 | \$ 131.4 | \$ 3.5 | \$ 556.7 |
| Foreign currency contracts | — | 2.4 | — | 2.4 |
| Cash surrender value of life insurance | — | 6.4 | — | 6.4 |
| Total assets at fair value | \$ 421.8 | \$ 140.2 | \$ 3.5 | \$ 565.5 |

| | | | | |
|---------------------------------|----------|----------|--------|----------|
| Liabilities: | | | | |
| Commodities contracts | \$ 414.7 | \$ 161.7 | \$ 2.5 | \$ 579.0 |
| Foreign currency contracts | — | 2.6 | — | 2.6 |
| Total liabilities at fair value | \$ 414.7 | \$ 164.3 | \$ 2.5 | \$ 581.6 |

| | Fair Value measurements as of December 31, 2017 | | | |
|--|--|---------------------------|---------------------------|---------------------------------|
| | Level 1 Inputs | Level 2 Inputs | Level 3 Inputs | Total Fair Value |
| Assets: | | | | |
| Commodities contracts | \$ 196.3 | \$ 106.1 | \$ 1.2 | \$ 303.6 |
| Foreign currency contracts | — | 8.5 | — | 8.5 |
| Cash surrender value of life insurance | — | 5.6 | — | 5.6 |
| Total assets at fair value | \$ 196.3 | \$ 120.2 | \$ 1.2 | \$ 317.7 |

| | | | | |
|---------------------------------|----------|----------|--------|----------|
| Liabilities: | | | | |
| Commodities contracts | \$ 210.6 | \$ 111.8 | \$ 1.4 | \$ 323.9 |
| Foreign currency contracts | — | 8.7 | — | 8.7 |
| Total liabilities at fair value | \$ 210.6 | \$ 120.5 | \$ 1.4 | \$ 332.5 |

There were no transfers between Level 1 and Level 2 during the periods presented. The fair values of our commodity contracts measured using Level 3 inputs were not material at September 30, 2018 and December 31, 2017, respectively.

For our derivative contracts, we may enter into master netting, collateral and offset agreements with counterparties. These agreements provide us the ability to offset a counterparty's rights and obligations, request additional collateral when necessary or liquidate the collateral in the event of counterparty default. We net the fair value of cash collateral paid or received against fair value amounts recognized for net derivative positions executed with the same counterparty under the same master netting or offset agreement.

Table of Contents

The following tables summarize those commodity derivative balances subject to the right of offset as presented on our consolidated balance sheet. We have elected to offset the recognized fair value amounts for multiple derivative instruments executed with the same counterparty in our financial statements when a legal right of offset exists.

Fair Value as of September 30, 2018

| | Gross Amounts Recognized | Gross Amounts Offset | Net Amounts Presented | Cash Collateral | Gross Amounts without Right of Offset | Net Amounts |
|---------------------------------|---|-------------------------------------|--------------------------------------|----------------------------|--|------------------------|
| Assets: | | | | | | |
| Commodities contracts | \$ 556.7 | \$ 474.2 | \$ 82.5 | \$ — | \$ — | \$ 82.5 |
| Foreign currency contracts | 2.4 | 1.2 | 1.2 | — | — | 1.2 |
| Total assets at fair value | \$ 559.1 | \$ 475.4 | \$ 83.7 | \$ — | \$ — | \$ 83.7 |
| Liabilities: | | | | | | |
| Commodities contracts | \$ 579.0 | \$ 474.2 | \$ 104.8 | \$ — | \$ — | \$ 104.8 |
| Foreign currency contracts | 2.6 | 1.2 | 1.4 | — | — | 1.4 |
| Total liabilities at fair value | \$ 581.6 | \$ 475.4 | \$ 106.2 | \$ — | \$ — | \$ 106.2 |

Fair Value as of December 31, 2017

| | Gross Amounts Recognized | Gross Amounts Offset | Net Amounts Presented | Cash Collateral | Gross Amounts without Right of Offset | Net Amounts |
|---------------------------------|---|-------------------------------------|--------------------------------------|----------------------------|--|------------------------|
| Assets: | | | | | | |
| Commodities contracts | \$ 303.6 | \$ 228.4 | \$ 75.1 | \$ 21.2 | \$ — | \$ 53.9 |
| Foreign currency contracts | 8.5 | 6.7 | 1.7 | — | — | 1.7 |
| Total assets at fair value | \$ 312.0 | \$ 235.2 | \$ 76.9 | \$ 21.2 | \$ — | \$ 55.7 |
| Liabilities: | | | | | | |
| Commodities contracts | \$ 323.9 | \$ 228.4 | \$ 95.4 | \$ 39.2 | \$ — | \$ 56.2 |
| Foreign currency contracts | 8.7 | 6.7 | 2.0 | — | — | 2.0 |
| Total liabilities at fair value | \$ 332.5 | \$ 235.2 | \$ 97.4 | \$ 39.2 | \$ — | \$ 58.2 |

At September 30, 2018 and December 31, 2017, we did not present any amounts gross on our consolidated balance sheet where we had the right of offset.

Concentration of Credit Risk

The individual over-the-counter (OTC) counterparty exposure is managed within predetermined credit limits and includes the use of cash-call margins when appropriate, thereby reducing the risk of significant nonperformance. At September 30, 2018, one counterparty, with credit risk in the amount of \$3.8 million, represented over 10% of our credit exposure to OTC derivative counterparties.

8. Income Taxes

Our income tax provision for the periods presented and the respective effective income tax rates for such periods are as follows (in millions, except for income tax rates):

Edgar Filing: WORLD FUEL SERVICES CORP - Form 10-Q

| | For the Three Months Ended September 30, 2018 | | For the Nine Months Ended September 30, 2017 | |
|---------------------------|--|---------|---|--------|
| Income tax provision | \$23.0 | \$82.6 | \$42.7 | \$92.2 |
| Effective income tax rate | 37.3 % | 185.0 % | 30.1 % | 79.8 % |

Table of Contents

Our provision for income taxes for the three months ended September 30, 2018 was \$23.0 million resulting in an effective income tax rate of 37.3%. The provision includes an adjustment for an income tax expense of \$1.5 million, net, for discrete items primarily related to a change in valuation allowance in the U.S. Without the \$1.5 million in discrete items, the effective income tax rate would have been 34.9% for the three months ended September 30, 2018.

Our provision for income taxes for the three months ended September 30, 2017 was \$82.6 million resulting in an effective tax rate of 185%. The provision includes a valuation allowance recorded against our U.S. deferred tax assets of \$76.9 million. The valuation allowance was comprised of \$24.0 million of deferred tax assets generated during 2017 and \$52.9 million related to deferred tax assets generated in previous years. In addition, the provision also included an income tax expense of \$1.7 million, net, for discrete items related to changes in estimates in uncertain tax positions, and an adjustment for stock based compensation. Without the \$76.9 million valuation allowance and the \$1.7 million in discrete items, the three months ended September 30, 2017. effective income tax rate would have been 12.5%.

Our provision for income taxes for the nine months ended September 30, 2018 was \$42.7 million resulting in an effective income tax rate of 30.1%. The provision includes an adjustment for an income tax benefit of \$7.4 million, net, for discrete items primarily related to an adjustment pursuant to the accounting of the Tax Reform Act, changes in the valuation allowance in various jurisdictions, and an adjustment for stock based compensation in accordance with ASU 2016-09. Without the \$7.4 million benefit in discrete items, the effective income tax rate would have been 35.3% for the nine months ended September 30, 2018.

Our provision for income taxes for the nine months ended September 30, 2017 was \$92.2 million resulting in an effective tax rate of 79.8%. The provision includes a valuation allowance of \$76.9 million and other discrete amounts, net, of \$5.6 million related to changes in estimates in uncertain tax positions, and an adjustment for stock based compensation in accordance with ASU 2016-09. Without the valuation allowance of \$76.9 million and other discrete items, the effective income tax rate would have been 8.3% for the nine months ended September 30, 2017.

Our provision for income taxes for each of the three and nine months ended September 30, 2018 and 2017 was calculated based on the estimated annual effective income tax rate for 2018 and 2017 fiscal years. The actual effective income tax rate for the 2018 fiscal year may be materially different as a result of differences between estimated versus actual results and the geographic tax jurisdictions in which the results are earned.

We have various income tax returns under examination both in the U.S. and foreign jurisdictions. The most significant of these are in South Korea for the 2011 to 2014 tax years, Denmark for the 2013 to 2015 tax years and the U.S. for the 2013 to 2016 tax years. In 2017, the South Korean branch of one of our subsidiaries received income tax assessment notices for the years 2011 to 2014 totaling \$10.2 million (KRW 11.3 billion). We believe that these assessments are without merit and are currently appealing the actions. During the quarter ended March 31, 2018, one of our subsidiaries in Denmark received an audit inquiry from the Danish tax authority relating to transfer pricing and related issues for the tax years 2013 to 2015. In addition, in 2017, we received a notice of examination from the U.S. Internal Revenue Service for the 2013 to 2016 tax years. We are currently responding to the requests from the U.S. and Danish tax authorities.

An unfavorable resolution of one or more of the above matters could have a material adverse effect on our results of operations or cash flows in the quarter and year in which an adjustment is recorded or the tax is due or paid. As audits and examinations are still in process or we have not yet reached the final stages of the appeals process, the timing of the ultimate resolution and any payments that may be required for the above matters cannot be determined at this time.

9. Revenue from Contracts with Customers

We enter into contracts with customers in various ways including via master supply or blanket sales agreement when combined with some form of nomination and acceptance such as a purchase order or delivery ticket, stand-alone agreements, or through spot transactions where fuel is delivered for immediate settlement. Our contracts primarily require us to deliver fuel and fuel-related products, while other arrangements require us to complete agreed-upon services. Our contracts may contain fixed or variable pricing or some combination of those.

The majority of our consolidated revenues are generated through the sale of fuel and fuel-related products. Revenue from the sale of fuel is recognized when delivery is made to our customers and they obtain control, the sales price is determinable, and collectability is reasonably assured. Fulfillment costs, including those associated with certain transportation costs are included in the transaction price, while taxes assessed by a government authority and certain fees charged by third parties are excluded.

Revenue from services, including energy procurement advisory services, international trip planning support, and transaction and payment management processing, are recognized over the contract period when services have been performed and we have

Table of Contents

the right to invoice for those services. We generally charge a nominal fixed monthly fee coupled with a per transaction fee for the services we provide our customers. For our service contracts, we have applied the practical expedient to recognize revenue in the amount to which we have a right to invoice if we have a right to consideration from a customer in an amount that corresponds directly with the value to the customer of our performance completed to date.

We record fuel sales and services, except revenue from merchant services, on a gross basis as we generally take inventory risk, have latitude in establishing the sales price, have discretion in the supplier selection, maintain credit risk and are the primary obligor in the sales arrangement. Whether the services have been performed and the customer has obtained control are factors we take into consideration in deciding when to recognize revenue. These factors are readily determinable and consistently applied throughout our business. Therefore, we generally have not needed to make material estimates or assumptions with respect to revenue recognition.

The following table presents our revenues from contracts with customers disaggregated by major geographic areas we conduct business in. Prior period amounts have not been adjusted under the modified retrospective method (in millions).

| | For the Three Months Ended September 30, | | For the Nine Months Ended September 30, | |
|--|--|-----------|---|------------|
| | 2018 | 2017 | 2018 | 2017 |
| Aviation | \$379.8 | \$257.1 | \$1,135.5 | \$764.1 |
| Land | 0.7 | 0.8 | 2.6 | 1.5 |
| Marine | 978.3 | 808.8 | 2,581.9 | 2,547.5 |
| Asia Pacific | \$1,358.9 | \$1,066.7 | \$3,720.0 | \$3,313.1 |
| Aviation | \$1,122.1 | \$752.0 | \$2,754.9 | \$1,821.8 |
| Land | 605.1 | 548.6 | 1,920.6 | 1,680.9 |
| Marine | 914.7 | 652.6 | 2,384.3 | 1,993.3 |
| EMEA | \$2,641.9 | \$1,953.2 | \$7,059.8 | \$5,496.1 |
| Aviation | \$468.0 | \$331.9 | \$1,435.5 | \$964.4 |
| Land | 136.1 | 179.3 | 476.7 | 508.3 |
| Marine | 156.6 | 127.9 | 439.9 | 416.4 |
| LATAM | \$760.8 | \$639.1 | \$2,352.1 | \$1,889.1 |
| Aviation | \$3,098.7 | \$2,420.7 | \$9,019.3 | \$6,972.2 |
| Land | 2,078.4 | 2,031.4 | 6,179.3 | 5,893.2 |
| Marine | 433.6 | 307.3 | 1,071.5 | 784.1 |
| North America | \$5,610.7 | \$4,759.4 | \$16,270.1 | \$13,649.5 |
| Other revenues (excluded from ASC 606) | \$57.3 | \$124.6 | \$359.8 | \$475.7 |
| | \$10,429.5 | \$8,543.0 | \$29,761.7 | \$24,823.4 |

Our contract assets and liabilities balances and the changes in these balances were not material for the three and nine months ended September 30, 2018.

Within our land and aviation segments, contracts with customers, include multi-year fuel sales contracts, which are priced at market-based indices and require minimum volume purchase commitments from our customers. The consideration expected from these contracts is considered variable due to the market-based pricing and the variability

is not resolved until delivery is made to our customers. The variable consideration is allocated entirely to the respective performance obligation. We applied the optional exemptions from disclosing the information about our remaining performance obligations from these contracts.

Additionally, we applied the optional exemptions from disclosing the information about our remaining performance obligations for contracts from our service contracts in the amount to which we have the right to invoice or for contracts with customers that have an original expected duration of one year or less.

Other practical expedients applied affecting our measurement and recognition of revenue as well as our disclosures relate to our treatment of shipping and handling and taxes. If we perform shipping and handling activities after our customer obtains control

Table of Contents

of goods or services, then we will account for these shipping and handling costs as activities to fulfill the promise to transfer the good. We record revenue net of taxes assessed by a governmental authority that are both imposed on and concurrent with a specific revenue-producing transaction and collected by us from a customer (for example, sales, use, value added, and certain excise taxes). Additionally, we will not adjust the promised amount of consideration for the effects of a significant financing component if we expect, at contract inception, that the period between when we transfer a promised good or service to a customer and when the customer pays for that good or service is one year or less.

10. Business Segments

We operate in three reportable segments consisting of aviation, land and marine. Corporate expenses are allocated to the segments based on usage, where possible, or on other factors according to the nature of the activity. Our operating segments are determined based on the different markets in which we provide products and services, which are defined primarily by the customers and the products and services provided to those customers. Accordingly, our aviation, land and marine segments are organized based on the specific markets their functional business components serve, which are primarily businesses and governmental customers operating in those respective markets.

In our aviation segment, we offer fuel and fuel-related products and services to major commercial airlines, second and third-tier airlines, cargo carriers, regional and low cost carriers, airports, fixed based operators, corporate fleets, fractional operators, and private aircraft. In addition, we supply products and services to U.S. and foreign government, intergovernmental and military customers, such as the North Atlantic Treaty Organization (NATO) and the U.S. Defense Logistics Agency.

In our land segment, we offer fuel, lubricants, power and natural gas solutions through Kinect, our global energy management services platform and related products and services to customers including petroleum distributors operating in the land transportation market, retail petroleum operators, and industrial, commercial, residential and government customers.

Our marine segment product and service offerings include fuel, lubricants and related products and services to a broad base of customers, including international container and tanker fleets, commercial cruise lines, yachts and time charter operators, offshore rig owners and operators, the U.S. and foreign governments as well as other fuel suppliers.

Within each of our segments, we may enter into derivative contracts to mitigate the risk of market price fluctuations and also to offer our customers fuel pricing alternatives to meet their needs.

Information concerning our revenue, gross profit and income from operations by segment is as follows (in millions):

| | For the Three Months Ended | | For the Nine Months Ended | |
|------------------|---------------------------------------|-------------|--------------------------------------|-------------|
| | September 30, | | September 30, | |
| | 2018 | 2017 | 2018 | 2017 |
| Revenue: | | | | |
| Aviation segment | \$5,025.3 | \$3,705.8 | \$14,218.9 | \$10,531.6 |
| Land segment | 2,854.4 | 2,770.5 | 8,675.3 | 8,117.9 |
| Marine segment | 2,549.8 | 2,066.7 | 6,867.5 | 6,173.9 |
| | \$10,429.5 | \$8,543.0 | \$29,761.7 | \$24,823.4 |
| Gross profit: | | | | |
| Aviation segment | \$140.7 | \$123.9 | \$378.0 | \$334.8 |
| Land segment | 83.0 | 85.5 | 273.8 | 270.5 |
| Marine segment | 43.0 | 30.5 | 104.5 | 97.0 |

Edgar Filing: WORLD FUEL SERVICES CORP - Form 10-Q

| | | | | |
|----------------------------------|---------|---------|---------|---------|
| | \$266.7 | \$239.9 | \$756.3 | \$702.3 |
| Income from operations: | | | | |
| Aviation segment | \$76.4 | \$61.6 | \$188.3 | \$151.7 |
| Land segment | 7.8 | 13.1 | 37.7 | 46.7 |
| Marine segment | 14.4 | 4.3 | 30.9 | 19.9 |
| | 98.6 | 79.1 | 256.9 | 218.4 |
| Corporate overhead - unallocated | (20.5 |) (17.8 |) (60.4 |) (55.5 |
| | \$78.2 | \$61.3 | \$196.4 | \$162.8 |

Table of Contents

Information concerning our accounts receivable, net and total assets by segment is as follows (in millions):

| | As of | |
|---|--------------------------|----------------------|
| | September 30, 2018 | December 31, 2017 |
| Accounts receivable, net: | | |
| Aviation segment, net of allowance for bad debt of \$11.1 and \$10.8 as of September 30, 2018 and December 31, 2017, respectively | \$ 1,107.9 | \$ 1,013.0 |
| Land segment, net of allowance for bad debt of \$2.8 and \$6.6 as of September 30, 2018 and December 31, 2017, respectively | 955.4 | 874.7 |
| Marine segment, net of allowance for bad debt of \$10.7 and \$10.4 as of September 30, 2018 and December 31, 2017, respectively | 1,043.6 | 817.9 |
| | \$3,106.9 | \$ 2,705.6 |
| Total assets: | | |
| Aviation segment | \$2,397.8 | \$ 2,240.4 |
| Land segment | 2,171.3 | 2,091.4 |
| Marine segment | 1,277.4 | 1,097.1 |
| Corporate | 161.5 | 158.9 |
| | \$6,008.0 | \$ 5,587.8 |

During each of the periods presented on the consolidated statements of income and comprehensive income, none of our customers accounted for more than 10% of total consolidated revenue. Sales to government customers, which includes sales to the U.S. Defense Logistics Agency and NATO, have accounted for a material portion of our profitability in recent years and we expect this to continue in the foreseeable future. The profitability associated with our government business can be significantly impacted by supply disruptions, border closures, road blockages, hostility-related product losses, inventory shortages and other logistical difficulties that can arise when sourcing and delivering fuel in areas that are actively engaged in war or other military conflicts. Our sales to government customers may fluctuate significantly from time to time as a result of the foregoing factors, as well as the level of troop deployments and related activity in a particular region or area or the commencement, extension, renewal or completion of existing and new government contracts. Furthermore, changes in military policies or priorities, such as the decision to withdraw or reduce armed force levels in different geographies, can be sudden, subjecting us to losses or higher expenses associated with disposing of unused inventory, removal or abandonment of equipment and relocation of employees.

11. Earnings per Common Share

The following table sets forth the computation of basic and diluted earnings per common share for the periods presented (in millions, except per share amounts):

| | For the Three Months Ended | | For the Nine Months Ended | |
|--|-------------------------------|----------|---------------------------------|--------|
| | September 30, | | September 30, | |
| | 2018 | 2017 | 2018 | 2017 |
| Numerator: | | | | |
| Net income attributable to World Fuel | \$38.2 | \$(38.5) | \$98.1 | \$22.8 |
| Denominator: | | | | |
| Weighted average common shares for basic earnings per common share | 67.5 | 67.9 | 67.5 | 68.3 |
| Effect of dilutive securities | 0.2 | 0.3 | 0.3 | 0.3 |
| Weighted average common shares for diluted earnings per common share | 67.7 | 68.2 | 67.8 | 68.6 |
| Weighted average securities which are not included in the calculation of diluted earnings per common share because their impact is anti-dilutive or their performance conditions have not been met | 1.0 | 1.6 | 1.3 | 1.4 |

| | | | | |
|-----------------------------------|--------|----------|--------|--------|
| Basic earnings per common share | \$0.57 | \$(0.57) | \$1.45 | \$0.33 |
| Diluted earnings per common share | \$0.56 | \$(0.57) | \$1.45 | \$0.33 |

12. Commitments and Contingencies

20

Table of Contents

Tax Matters

We are regularly under review by various domestic and foreign tax authorities with regards to indirect tax matters and are involved in various challenges and litigation in a number of countries, including, Brazil and South Korea, where the amounts under controversy may be material. In certain cases, we may be required to pay the assessed amount prior to final determination while we are challenging the assessment and the timing of these payments may have an adverse effect on our cash flows during the relevant period.

During the quarter ended December 31, 2016, the South Korean branch (“WFSK”) of one of our subsidiaries received assessments of approximately \$10.2 million (KRW 11.9 billion) and during the quarter ended June 30, 2017, an assessment for an additional \$17.9 million (KRW 20.1 billion) from the regional tax authorities of Seoul, South Korea (“SRTO”). The assessments primarily consist of fines and penalties for allegedly failing to issue Value Added Tax (“VAT”) invoices and report certain transactions during the period 2011-2014. These assessments do not involve failure to pay or collect VAT. We believe that these assessments are without merit and are currently appealing the actions.

We are also involved in a number of tax disputes with federal, state and municipal tax authorities in Brazil, relating primarily to VAT (ICMS) tax matters. These disputes are at various stages of the legal process, including the administrative review phase and the collection action phase, and include assessments of fixed amounts of principal and penalties, plus interest.

When we deem it appropriate and the amounts are reasonably estimable, we establish reserves for potential adjustments to our provision for the accrual of indirect taxes that may result from examinations or other actions by tax authorities. If events occur which indicate payment of these amounts is unnecessary, the reversal of the liabilities would result in the recognition of benefits in the period we determine the liabilities are no longer necessary. If our estimates of any of our federal, state, and foreign indirect tax liabilities are less than the ultimate assessment, it could result in a further charge to expense. Except with respect to the matters described above, we believe that the final outcome of any pending examinations, agreements, administrative or judicial proceedings will not have a material effect on our results of operations or cash flows.

Other Matters

We are also a party to various claims, complaints and proceedings arising in the ordinary course of our business including, but not limited to, environmental claims, commercial and governmental contract claims, such as property damage, demurrage, personal injury, billing and fuel quality claims, as well as bankruptcy preference claims and tax and administrative claims. We have established loss provisions for these ordinary course claims as well as other matters in which losses are probable and can be reasonably estimated. As of September 30, 2018, we had recorded certain reserves which were not material. For those matters where a reserve has not been established and for which we believe a loss is reasonably possible, as well as for matters where a reserve has been recorded but for which an exposure to loss in excess of the amount accrued is reasonably possible, we believe that such losses will not have a material adverse effect on our consolidated financial statements. However, any adverse resolution of one or more such claims, complaints or proceedings during a particular period could have a material adverse effect on our consolidated financial statements or disclosures for that period.

Our estimates regarding potential losses and materiality are based on our judgment and assessment of the claims utilizing currently available information. Although we will continue to reassess our reserves and estimates based on future developments, our objective assessment of the legal merits of such claims may not always be predictive of the outcome and actual results may vary from our current estimates.

Table of Contents**13. Restructuring**

We previously initiated an enterprise-wide restructuring plan that was designed to streamline the organization and reallocate resources to better align our organizational structure and costs with our strategy. While these activities are ongoing, we expect the majority of these activities to be completed in 2019. The restructuring plan involves reviewing non-core businesses and assets, our organizational structure, and expected business prospects in the markets we serve, as well as our existing technology platforms. Accordingly, based on the nature of the activities being reviewed, we cannot reasonably estimate the ultimate cost that will be incurred. We are currently assessing the strategic fit of certain international operations where it has become increasingly more challenging to conduct our core operations and generate profits. During the nine months ended September 30, 2018, we incurred \$12.2 million in restructuring charges, comprised primarily of employee-related costs, which are included in compensation and employee benefits on our consolidated statement of income and in accrued expenses and other current liabilities on our consolidated balance sheet.

The following table provides a summary of our restructuring activities during the nine months ended September 30, 2018 and our accrued restructuring charges as of September 30, 2018, which is included in accrued expenses and other current liabilities on our consolidated balance sheet (in millions):

| | Aviation Land Marine Corporate Consolidated | | | | |
|--|--|---------|--------|--------|---------|
| Balance as of December 31, 2017 | \$ 0.7 | \$25.0 | \$ 1.3 | \$ 5.0 | \$ 32.0 |
| Employee-related costs incurred | 1.6 | 5.6 | 1.4 | 3.6 | 12.2 |
| Paid during the period | (0.5) | (12.5) | (1.0) | (4.2) | (18.2) |
| Restructuring charges as of September 30, 2018 | \$ 1.8 | \$18.1 | \$ 1.8 | \$ 4.4 | \$ 26.1 |

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

The following discussion should be read in conjunction with our 2017 10-K Report and the consolidated financial statements and related notes in “Item 1 — Financial Statements” appearing elsewhere in this 10-Q Report. The following discussion may contain forward-looking statements, and our actual results may differ significantly from the results suggested by these forward-looking statements. Some factors that may cause our results to differ are disclosed in “Item 1A — Risk Factors” of our 2017 10-K Report.

Forward-Looking Statements

Certain statements made in this report and the information incorporated by reference in it, or made by us in other reports, filings with the Securities and Exchange Commission (“SEC”), press releases, teleconferences, industry conferences or otherwise, are “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. The forward-looking statements include, without limitation, any statement that may predict, forecast, indicate or imply future results, performance or achievements, and may contain the words “believe,” “anticipate,” “expect,” “estimate,” “project,” “could,” “would,” “will,” “will be,” “will continue,” “will likely result,” “plan,” or words or phrases of similar meaning.

Forward-looking statements are estimates and projections reflecting our best judgment and involve risks, uncertainties or other factors relating to our operations and business environment, all of which are difficult to predict and many of which are beyond our control. Our actual results may differ materially from the future results, performance or achievements expressed or implied by the forward-looking statements. These statements are based on our management’s expectations, beliefs and assumptions concerning future events affecting us, which in turn are based on currently available information.

Examples of forward-looking statements in this 10-Q Report include, but are not limited to, our expectations about the conditions in the aviation, land, and marine markets and the impact on our business, our expectations regarding our continued focus on, and the impact of recent, cost management and portfolio rationalization, our expectations regarding government-related activity and the related profit contribution, our intent to focus on sustainable end user demand, our expectations regarding volumes, operating margin, and the impact of fuel prices on us and our customers, our ability to drive operational excellence, realize synergies associated with our previous acquisitions, and improve our technology platform for our land segment, our beliefs regarding improved profitability of our marine segment and the drivers of such profitability, our expectations regarding the opportunities that mandatory fuel standards may provide for us to drive greater profitability, our expectations regarding the impact of our investments in automation and technology, our intent to actively manage our working capital and inventory, as well as our business strategy, business prospects, operating results, effectiveness of internal controls to manage risk, working capital, liquidity, capital expenditure requirements and adequacy of funding to meet such capital expenditures and working capital requirements, as well as our expectations about tax and

Table of Contents

legal matters. These forward-looking statements are qualified in their entirety by cautionary statements and risk factor disclosures contained in our Securities and Exchange Commission filings. Important assumptions relating to the forward-looking statements include, among others, assumptions regarding our ability to effectively leverage technology and operating systems and realize the anticipated benefits, our ability to successfully execute and achieve efficiencies and other benefits related to our transformation initiatives and address market conditions, our ability to successfully divest or exit certain businesses, our ability to effectively integrate and derive benefits from acquisitions, our ability to capitalize on new market opportunities, the demand for our products, the cost, terms and availability of fuel from suppliers, pricing levels, the timing and cost of capital expenditures, outcome of pending litigation, competitive conditions, general economic conditions and synergies relating to acquisitions, joint ventures and alliances. These assumptions could prove inaccurate. Although we believe that the estimates and projections reflected in the forward-looking statements are reasonable, our expectations may prove to be incorrect.

Important factors that could cause actual results to differ materially from the results and events anticipated or implied by such forward-looking statements include, but are not limited to:

- customer and counterparty creditworthiness and our ability to collect accounts receivable and settle derivative contracts;
- sudden changes in the market price of fuel;
- loss of, or reduced sales to a significant government customer;
- the availability of cash and sufficient liquidity to fund our working capital and strategic investment needs;
- changes in the political, economic or regulatory conditions generally and in the markets in which we operate;
- our failure to effectively hedge certain financial risks and other risks associated with derivatives;
- changes in credit terms extended to us from our suppliers;
- non-performance of suppliers on their sale commitments and customers on their purchase commitments;
- non-performance of third-party service providers;
- adverse conditions in the industries in which our customers operate;
- our ability to meet financial forecasts associated with our operating plan;
- lower than expected valuations associated with our cash flows and revenues, which could impair our ability to realize the value of recorded intangible assets and goodwill;
- the impact of cyber and other information security-related incidents;
- currency exchange fluctuations;
- impacts associated with the U.K. referendum vote to exit from the European Union;
- failure of fuel and other products we sell to meet specifications;
- our ability to effectively integrate and derive benefits from acquired businesses;
- our ability to achieve the expected level of benefit from our restructuring activities and cost reduction initiatives;
- material disruptions in the availability or supply of fuel;
- environmental and other risks associated with the storage, transportation and delivery of petroleum products;
- risks associated with operating in high risk locations;
- uninsured losses;
- the impact of natural disasters, such as earthquakes and hurricanes;
- seasonal variability that adversely affects our revenues and operating results;
- our failure to comply with restrictions and covenants in our senior revolving credit facility (“Credit Facility”) and our senior term loans (“Term Loans”);
- declines in the value and liquidity of cash equivalents and investments;
- our ability to retain and attract senior management and other key employees;
- changes in U.S. or foreign tax laws (including the Tax Cuts and Jobs Act), interpretations of such laws, changes in the mix of taxable income among different tax jurisdictions, or adverse results of tax audits, assessments, or disputes;
- our failure to generate sufficient future taxable income in jurisdictions with material deferred tax assets and net operating loss carryforwards;

our ability to comply with U.S. and international laws and regulations including those related to anti-corruption, economic sanction programs and environmental matters;

23

Table of Contents

the outcome of litigation and other proceedings, including the costs associated in defending any actions;
increases in interest rates; and
other risks, including those described in “Item 1A - Risk Factors” in our 2017 10-K Report and those described from time to time in our other filings with the SEC.

We operate in a very competitive and rapidly changing environment. New risks emerge from time to time. It is not possible for us to predict all of those risks, nor can we assess the impact of all of those risks on our business or the extent to which any factor may cause actual results to differ materially from those contained in any forward-looking statement. The forward-looking statements in this 10-Q Report are based on assumptions management believes are reasonable. However, due to the uncertainties associated with forward-looking statements, you should not place undue reliance on any forward-looking statements. Further, forward-looking statements speak only as of the date they are made, and unless required by law, we expressly disclaim any obligation or undertaking to publicly update any of them in light of new information, future events, or otherwise. Any public statements or disclosures by us following this report that modify or impact any of the forward-looking statements contained in or accompanying this 10-Q Report will be deemed to modify or supersede such forward-looking statements.

For these statements, we claim the protection of the safe harbor for forward-looking statements contained in Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act, as amended (the “Exchange Act”).

Business Outlook

We are a leading global fuel services company, principally engaged in the distribution of fuel and related products and services in the aviation, land and marine transportation industries. In recent years, we have expanded our product and service offerings to include energy advisory services and supply fulfillment with respect to natural gas and power and transaction and payment management solutions to commercial and industrial customers. Our intention is to become a leading global energy management company offering a full suite of energy advisory, management and fulfillment services and technology solutions across the energy product spectrum. We also seek to become a leading transaction and payment management company, offering payment management solutions to commercial and industrial customers, principally in the aviation, land and marine transportation industries.

The overall aviation market remains strong, benefiting from continued growth in global passenger demand, while airline profitability remains healthy, notwithstanding the increasing costs from rising fuel prices. Our aviation segment has benefited from our increased logistics capability and we have expanded our aviation fueling operations footprint into additional international territories and airport locations. The aviation segment has also benefited from continued strong demand from government customers, principally the North Atlantic Treaty Organization (NATO) in Afghanistan. Sales to government customers account for a material portion of our aviation segment's profitability and while we expect our government-related activity to remain strong through the balance of 2018, such activity may decrease over time. Sales to government customers are driven by global events and military-related activities and therefore can vary significantly from period to period and materially impact our results of operations.

Our land segment has grown primarily through acquisitions as we seek to build out our land fuel distribution capabilities, primarily in the U.S. and U.K. Recently, our land segment has been negatively impacted by our decision to reposition the portfolio and exit certain supply and trading activities which were not generating a sufficient economic return as a result of market conditions. In addition, our operating results in the U.S. and U.K. have been adversely impacted in the past by unseasonably warm winter weather conditions and accordingly, our results will continue to be impacted by future weather patterns. Meanwhile, our land segment has benefited from strong sales to government customers, including NATO in Afghanistan, and we expect such activity to remain consistent in the foreseeable future. We continue to focus on rationalizing our portfolio, including exiting activities involving low returns and reorienting our activities towards supplying more sustainable end user demand to provide greater leverage

and ratability in our operating model. We are also focused on driving operational excellence, realizing the synergies associated with our previous acquisitions, and improving our technology platform.

Our marine segment results have improved over the course of 2018 despite the weak overall conditions within the global shipping and offshore oil exploration markets. We believe overall volumes in our marine segment have stabilized and rising fuel prices, combined with the effects of our cost savings initiatives, are leading to improved profitability. The implementation of mandatory fuel standards, such as the International Maritime Organization's regulations limiting sulphur in fuel oil used on ships operating outside designated emission control areas that will be effective on January 1, 2020, may provide additional opportunities for us to drive greater profitability.

Table of Contents

As a result of the challenges in the markets where we operate, we continue to rationalize our operating model and portfolio of businesses to gain efficiencies through various initiatives that are ongoing throughout the company. We are investing in automation and technology, most notably in our land segment, which we expect will ultimately lower our cost and improve scalability. Furthermore, we continue to implement our enterprise-wide restructuring plan designed to streamline the organization, and reallocate resources to better align our organizational structure and costs with our strategy with a view to ultimately improve operating efficiencies. The restructuring program involves reviewing non-core businesses and investments, our organizational structure, and business prospects in the markets we serve, as well as exiting certain business activities that generate low or highly variable economic value. We expect this portfolio rationalization will free up additional capital to invest in activities with recurring revenue and adequate returns while we continue to actively manage our working capital and inventory, particularly in a rising fuel price environment.

Reportable Segments

We operate in three reportable segments consisting of aviation, land and marine. In our aviation segment, we offer fuel and related products and services to major commercial airlines, second and third tier airlines, cargo carriers, regional and low cost carriers, airports, fixed based operators, corporate fleets, fractional operators, private aircraft, military fleets and the U.S. and foreign governments as well as intergovernmental organizations. In our land segment, we offer fuel, lubricants, power and natural gas solutions through Kinect, our global energy management services platform, and related products and services to customers including petroleum distributors operating in the land transportation market, retail petroleum operators, and industrial, commercial, residential and government customers. Our marine segment product and service offerings include fuel, lubricants and related products and services to a broad base of customers, including international container and tanker fleets, commercial cruise lines, yachts and time charter operators, offshore rig owners and operators, the U.S. and foreign governments as well as other fuel suppliers. Within each of our segments we may enter into derivative contracts to mitigate the risk of market price fluctuations and also to offer our customers fuel pricing alternatives to meet their needs.

In our aviation and land segments, we primarily purchase and resell fuel and other products, and we do not act as brokers. Profit from our aviation and land segments is primarily determined by the volume and the gross profit achieved on fuel sales and a percentage of card payment and processing revenue. In our marine segment, we primarily purchase and resell fuel and also act as brokers for others. Profit from our marine segment is determined primarily by the volume and gross profit achieved on fuel resales and by the volume and commission rate of the brokering business. Profitability in our segments also depends on our operating expenses, which may be materially affected to the extent that we are required to provide for potential bad debt.

Corporate expenses are allocated to each segment based on usage, where possible, or on other factors according to the nature of the activity. We evaluate and manage our business segments using the performance measurement of income from operations. Selected financial information with respect to our business segments is provided in Note 9 to the accompanying consolidated financial statements included in this 10 Q Report.

Results of Operations**Three Months Ended September 30, 2018 Compared to Three Months Ended September 30, 2017**

Revenue. Our revenue for the third quarter of 2018 was \$10.4 billion, an increase of \$1.9 billion, or 22.1%, as compared to the third quarter of 2017. Our revenue during these periods was attributable to the following segments (in millions):

| For the Three Months ended September 30, | | |
|--|------|-----------|
| 2018 | 2017 | \$ Change |

Edgar Filing: WORLD FUEL SERVICES CORP - Form 10-Q

| | | | |
|------------------|------------|-----------|-----------|
| Aviation segment | \$5,025.3 | \$3,705.8 | \$1,319.5 |
| Land segment | 2,854.4 | 2,770.5 | 83.9 |
| Marine segment | 2,549.8 | 2,066.7 | 483.1 |
| | \$10,429.5 | \$8,543.0 | \$1,886.5 |

Revenues in our aviation segment were \$5.0 billion for the third quarter of 2018, an increase of \$1.3 billion, or 35.6% as compared to the third quarter of 2017. The increase in aviation revenues was attributable to increased volume associated with our

Table of Contents

international fueling operations, principally in Europe. Total volumes for the third quarter of 2018 were 2.1 billion gallons, an increase of 1.5%, as compared to the comparable prior year period. The overall increase in revenue was also driven by higher average jet fuel prices per gallon sold in the third quarter of 2018, where the average price per gallon sold was \$2.30, as compared to \$1.71 in the third quarter of 2017.

Revenues in our land segment were \$2.9 billion for the third quarter of 2018, an increase of \$0.1 billion, or 3.0%, as compared to the third quarter of 2017. The overall increase in revenue was influenced by a higher average fuel price per gallon sold in the third quarter of 2018, as compared to the third quarter of 2017. Volumes in our land segment experienced a 153 million gallon decrease for the third quarter of 2018, driven principally by our decision to reduce certain non-core, low margin activities in North America, which were not meeting our return expectations. This was partially offset by growth in Kinect, our global energy management services platform.

Revenues in our marine segment were \$2.5 billion for the third quarter of 2018, an increase of \$0.5 billion, or 23.4%, as compared to the third quarter of 2017. Volumes in our marine segment declined 12.5% to 6.0 million metric tons for the third quarter of 2018, as compared to the 2017 period, driven principally by our decision to discontinue certain low margin, low return activities over the past year. The increase in revenues was principally attributable to higher average bunker prices, where we experienced a 41.0% increase in the average price per metric ton sold, to \$427.4 in the third quarter of 2018 as compared to \$303.2 in the third quarter of 2017.

Gross Profit. Our gross profit for the third quarter of 2018 was \$266.7 million, an increase of \$26.8 million, or 11.2%, as compared to the third quarter of 2017.

Our gross profit during these periods was attributable to the following segments (in millions):

| | For the Three Months ended September 30, | | |
|------------------|---|-------------|------------------|
| | 2018 | 2017 | \$ Change |
| Aviation segment | \$ 140.7 | \$ 123.9 | \$ 16.7 |
| Land segment | 83.0 | 85.5 | (2.5) |
| Marine segment | 43.0 | 30.5 | 12.6 |
| | \$ 266.7 | \$ 239.9 | \$ 26.8 |

Our aviation segment gross profit for the third quarter of 2018 was \$140.7 million, an increase of \$16.7 million, or 13.5%, as compared to the third quarter of 2017. The increase in aviation gross profit was primarily due to continued strength in our government-related activity, growth in our international fuel sales and a return to normalized profitability in North America, which was negatively impacted by hurricanes Harvey and Irma during the third quarter of 2017.

Our land segment gross profit for the third quarter of 2018 was \$83.0 million, a decrease of \$2.5 million, or 2.9%, as compared to the third quarter of 2017. The decrease in land segment gross profit was primarily attributable to lower profitability in our operations in the U.K., driven by unseasonably warm and dry weather, and continued weakness in Brazil. The decrease was partially offset by higher profitability within Kinect, including the impact of recently acquired businesses that were not in the comparable prior year period.

Our marine segment gross profit for the third quarter of 2018 was \$43.0 million, an increase of \$12.6 million, or 41.3%, as compared to the third quarter of 2017. The gross profit increase was principally driven by higher profitability as a result of a sharp rise in bunker fuel prices for our core resale business, including the impact of certain seasonal activities.

Operating Expenses. Total operating expenses for the third quarter of 2018 were \$188.5 million, an increase of \$10.0 million, or 5.6%, as compared to the third quarter of 2017. The increase in operating expenses was primarily attributable to our acquired businesses and severance costs. The following table sets forth our expense categories (in millions):

26

Table of Contents

| | For the Three Months ended September 30, | | |
|------------------------------------|---|-------------|------------------|
| | 2018 | 2017 | \$ Change |
| Compensation and employee benefits | \$ 117.9 | \$ 107.6 | \$ 10.3 |
| General and administrative | 70.6 | 71.0 | (0.3) |
| | \$ 188.5 | \$ 178.6 | \$ 10.0 |

Income from Operations. Income from operations during these periods was attributable to the following segments (in millions):

| | For the Three Months ended September 30, | | |
|----------------------------------|---|-------------|------------------|
| | 2018 | 2017 | \$ Change |
| Aviation segment | \$ 76.4 | \$ 61.6 | \$ 14.8 |
| Land segment | 7.8 | 13.1 | (5.3) |
| Marine segment | 14.4 | 4.3 | 10.1 |
| | 98.6 | 79.1 | 19.6 |
| Corporate overhead - unallocated | (20.5) | (17.8) | (2.7) |
| | \$ 78.2 | \$ 61.3 | \$ 16.9 |

Our income from operations for the third quarter of 2018 was \$78.2 million, an increase of \$16.9 million, or 27.5%, as compared to the third quarter of 2017. The increase was primarily attributable to our aviation and marine segments and was partially offset by declines within the land segment. The increase within our aviation segment was primarily due to increased volumes and profitability from our international fueling operations as well as the negative impact of hurricanes Harvey and Irma during the third quarter of 2017. Within our marine segment, we experienced higher profitability higher profitability as a result of a sharp rise in bunker fuel prices for our core resale business, including the impact of certain seasonal activities, as compared to the third quarter of 2017. Within our land segment, we experienced lower profitability in our operations in the U.K., driven by unseasonably warm and dry weather, and continued weakness in Brazil as compared to the third quarter of 2017, which were partially offset by higher profitability from acquired businesses within Kinect.

Corporate overhead costs not charged to the business segments for the third quarter of 2018 were \$20.5 million, an increase of \$2.7 million, or 15.2%, as compared to the third quarter of 2017, primarily attributable to increases in incentive compensation offset by the impact of our cost savings initiatives.

Non-Operating Expenses, net. For the third quarter of 2018, we had non-operating expenses, net of \$16.4 million, a decrease of \$0.3 million as compared to the third quarter of 2017.

Income Taxes. For the third quarter of 2018, our effective income tax rate was 37.3% and our income tax provision was \$23.0 million, as compared to an effective income tax rate of 185.0% and an income tax provision of \$82.6 million for the third quarter of 2017. The lower effective income tax rate for the third quarter of 2018 was primarily related to the recording of valuation allowances in various jurisdictions, changes in estimates of uncertain tax position, and our mix of income being generated in tax jurisdictions with varying tax rates recorded in the third quarter of 2017 as compared to the third quarter of 2018.

Net Income Attributable to Noncontrolling Interest. For the third quarter of 2018, net income attributable to noncontrolling interest was \$0.6 million, which was the same as the third quarter of 2017.

Net Income and Diluted Earnings per Common Share. For the third quarter of 2018, we had net income of \$38.2 million and diluted earnings per common share of \$0.56 as compared to net loss of \$38.5 million and diluted loss per common share of \$0.57 for the third quarter of 2017.

Table of Contents**Nine Months Ended September 30, 2018 Compared to Nine Months Ended September 30, 2017**

Revenue. Our revenue for the first nine months of 2018 was \$29.8 billion, an increase of \$4.9 billion, or 19.9%, as compared to the first nine months of 2017. Our revenue during these periods was attributable to the following segments (in millions):

| | For the Nine Months Ended September 30, | | |
|------------------|--|-------------|------------------|
| | 2018 | 2017 | \$ Change |
| Aviation segment | \$14,218.9 | \$10,531.6 | \$3,687.3 |
| Land segment | 8,675.3 | 8,117.9 | 557.4 |
| Marine segment | 6,867.5 | 6,173.9 | 693.5 |
| | \$29,761.7 | \$24,823.4 | \$4,938.2 |

Revenues in our aviation segment were \$14.2 billion for the first nine months of 2018, an increase of \$3.7 billion, or 35.0%, as compared to the first nine months of 2017. The overall increase in revenue was primarily driven by higher average jet fuel prices per gallon sold in the first nine months of 2018, where the average price per gallon sold was \$2.21, as compared to \$1.67 in the first nine months of 2017. Total volumes for the first nine months of 2018 were 6.1 billion gallons, an increase of 3.8%, as compared to the comparable prior year period. The increased volumes was attributable to growth in our international fueling operations.

Revenues in our land segment were \$8.7 billion for the first nine months of 2018, an increase of \$0.6 billion, or 6.9%, as compared to the first nine months of 2017. The overall increase in revenue was influenced by a higher average fuel price per gallon sold in the first nine months of 2018, as compared to the first nine months of 2017. Volumes in our land segment declined moderately, experiencing a 0.2 billion gallon volume decrease for the first nine months of 2018, as compared to the first nine months of 2017.

Revenues in our marine segment were \$6.9 billion for the first nine months of 2018, an increase of \$0.7 billion, or 11.2%, as compared to the first nine months of 2017. The increase in revenues was driven by higher average fuel prices, where we experienced a 28.8% increase in the average price per metric ton sold, to \$389.6 in the first nine months of 2018 as compared to \$302.5 in the first nine months of 2017. Volumes in our marine segment were 17.6 million metric tons, a decrease of 13.6%, for the first nine months of 2018 as compared to the 2017 period, driven principally by lower volumes in our core resale operations, including our decision to discontinue certain low margin, low return activities over the past year.

Gross Profit. Our gross profit for the first nine months of 2018 was \$756.3 million, an increase of \$54.0 million, or 7.7%, as compared to the first nine months of 2017.

Our gross profit during these periods was attributable to the following segments (in millions):

| | For the Nine Months Ended September 30, | | |
|------------------|--|-------------|----------------------|
| | 2018 | 2017 | \$ Change |
| Aviation segment | \$378.0 | \$334.8 | \$43.2 |
| Land segment | 273.8 | 270.5 | 3.3 |
| Marine segment | 104.5 | 97.0 | 7.5 |
| | \$756.3 | \$702.3 | \$54.0 |

Our aviation segment gross profit for the first nine months of 2018 was \$378.0 million, an increase of \$43.2 million, or 12.9%, as compared to the first nine months of 2017. The increase in aviation gross profit was primarily due to increased activity from our government-related business, growth in our international fueling operations and a return to normalized profitability in North America, which was negatively impacted by hurricanes Harvey and Irma during the third quarter of 2017.

Our land segment gross profit for the first nine months of 2018 was \$273.8 million, an increase of \$3.3 million, or 1.2%, as compared to the first nine months of 2017. The increase in land segment gross profit is primarily attributable to higher profitability associated with Kinect, which was influenced by recently acquired businesses, and higher profits from our transaction processing activities. These increases were partially offset by lower profitability in our government business due to reduced margins as well as the strategic exit of certain convenience store activities in the U.S. in 2017.

Table of Contents

Our marine segment gross profit for the first nine months of 2018 was \$104.5 million, a increase of \$7.5 million, or 7.7%, as compared to the first nine months of 2017. The gross profit increase was principally driven by higher profitability within our core resale business.

Operating Expenses. Total operating expenses for the first nine months of 2018 were \$559.8 million, an increase of \$20.4 million, or 3.8%, as compared to the first nine months of 2017. The total increase in operating expenses was primarily attributable to our acquired businesses and severance costs. The following table sets forth our expense categories (in millions):

| | For the Nine Months Ended September 30, | | |
|------------------------------------|--|-------------|----------------------|
| | 2018 | 2017 | \$ Change |
| Compensation and employee benefits | \$342.0 | \$314.5 | \$27.5 |
| General and administrative | 217.8 | 225.0 | (7.1) |
| | \$559.8 | \$539.5 | \$20.4 |

Income from Operations. Income from operations during these periods was attributable to the following segments (in millions):

| | For the Nine Months Ended September 30, | | |
|----------------------------------|--|-------------|----------------------|
| | 2018 | 2017 | \$ Change |
| Aviation segment | \$188.3 | \$151.7 | \$36.6 |
| Land segment | 37.7 | 46.7 | (9.0) |
| Marine Segment | 30.9 | 19.9 | 11.0 |
| | 256.9 | 218.4 | 38.5 |
| Corporate overhead - unallocated | (60.4) | (55.5) | (4.9) |
| | \$196.4 | \$162.8 | \$33.6 |

Our income from operations for the first nine months of 2018 was \$196.4 million, an increase of \$33.6 million, or 20.6%, as compared to the first nine months of 2017. The increase was primarily attributable to our aviation and marine segments. Our aviation segment benefited from increased activity from our government-related activities and international fueling operations. Within our marine segment, we experienced higher profitability within our core resale business. Within our land segment, we experienced higher profitability associated with Kinect, which was influenced by recently acquired businesses and higher profits from our transaction processing activities. The increase was partially offset by lower profitability in our government business due to reduced margins, as well as the strategic exit of certain convenience store activities in the U.S. in 2017.

Corporate overhead costs not charged to the business segments for the first nine months of 2018 were \$60.4 million, an increase of \$4.9 million, or 8.9%, as compared to the first nine months of 2017.

Non-Operating Expenses, net. For the first nine months of 2018 we had non-operating expenses, net of \$54.5 million, an increase of \$7.2 million as compared to the first nine months of 2017 driven principally by higher finance costs associated with outstanding borrowings.

Income Taxes. For the first nine months of 2018, our effective income tax rate was 30.1% and our income tax provision was \$42.7 million, as compared to an effective income tax rate of 79.8% and an income tax provision of \$92.2 million for the first nine months of 2017. The lower effective income tax rate for the first nine months of 2018 was impacted by changes in the valuation allowance in various jurisdictions and our mix of income being generated in tax jurisdictions with varying income tax rates.

Net Income Attributable to Noncontrolling Interest. For the first nine months of 2018, net income attributable to noncontrolling interest was \$1.1 million, an increase of \$0.6 million as compared to the first nine months of 2017.

Net Income and Diluted Earnings per Common Share. For the first nine months of 2018 we had net income of \$98.1 million and diluted earnings per common share of \$1.45 as compared to net income of \$22.8 million and diluted earnings per common share of \$0.33 for the first nine months of 2017.

Table of Contents**Liquidity and Capital Resources**

Our liquidity, consisting of cash and cash equivalents and availability under the Credit Facility fluctuates based on a number of factors, including the timing of receipts from our customers and payments to our suppliers as well as changes in fuel prices. Availability under our Credit Facility is also limited by, among other things, our financial leverage ratio, which limits the total amount of indebtedness we may incur, and may therefore fluctuate from period to period.

In the current fuel price environment, cash and liquidity remains a significant priority for us. Our primary use of cash and liquidity is to fund working capital and strategic investments. Increases in fuel prices can negatively affect liquidity by increasing the amount of cash required to fund fuel purchases. In addition, while we are usually extended unsecured trade credit from our suppliers for our fuel purchases, rising fuel prices may reduce the amount of fuel which we can purchase on an unsecured basis, and in certain cases we may be required to prepay fuel purchases, which would negatively impact our liquidity. Fuel price increases may also negatively impact our customers, whereby they may not be able to purchase as much fuel from us because of their credit limits with us and the resulting adverse impact on their business could cause them to be unable to make payments owed to us for fuel purchased on credit. They may also choose to reduce the amount of fuel they consume in their operations to reduce costs. In any such event, the volume of orders from our customers may thereafter decrease and we may not be able to replace lost volumes with new or existing customers.

We believe that our cash and cash equivalents as of September 30, 2018 and available funds from our Credit Facility, together with cash flows generated by operations, remain sufficient to fund our working capital and capital expenditure requirements for at least the next twelve months. In addition, to further enhance our liquidity profile, we may choose to raise additional funds which may or may not be needed for additional working capital, capital expenditures or other strategic investments. Our opinions concerning liquidity are based on currently available information. To the extent this information proves to be inaccurate, or if circumstances change, future availability of trade credit or other sources of financing may be reduced and our liquidity would be adversely affected. Factors that may affect the availability of trade credit or other forms of financing include our financial performance (as measured by various factors, including cash provided by operating activities), the state of worldwide credit markets, and our levels of outstanding debt. Depending on the severity and direct impact of these factors on us, financing may be limited or unavailable on terms favorable to us.

Cash Flows

The following table reflects the major categories of cash flows for the nine months ended September 30, 2018 and 2017 (in millions). For additional details, please see the consolidated statements of cash flows.

| | For the Nine Months Ended September 30, | |
|---|--|-------------|
| | 2018 | 2017 |
| Net cash used in operating activities | \$(316.0) | \$(191.1) |
| Net cash provided by investing activities | 299.0 | 103.4 |
| Net cash used in financing activities | (212.0) | (72.7) |

*The adoption of ASU 2016-15 resulted in operating cash flow decreases and investing cash flow increases of \$357.5 million and \$236.3 million for the nine months ended September 30, 2018 and 2017, respectively.

Operating Activities. For the first nine months of 2018, net cash used in operating activities was \$316.0 million as compared to net cash used in operating activities of \$191.1 million for the first nine months of 2017. The \$124.9 million change in operating cash flows was principally due to year-over-year changes in accounts receivables, accounts payable and inventory. The increases in accounts receivable and accounts payable was primarily associated

with higher average fuel prices and the timing of collections and payments. Cash flows from inventory decreased \$107.6 million as compared to the first nine months of 2017, primarily as a result of strategic and seasonal inventory purchases and higher average fuel prices during the period.

At the beginning of 2018, accounting standards update 2016-15 (“ASU 2016-15”) became effective for us and provided revised guidance on the presentation of certain items, including those associated with retained beneficial interests in accounts receivable sale programs. Under the terms of our receivables purchase agreements (“RPAs”) with Wells Fargo and Citibank, we were entitled to retained beneficial interests, which gave us the right to receive additional cash consideration of either 10% or 6%,

Table of Contents

as a result of receiving cash consideration equal to either 90% or 94%, respectively of the total accounts receivables balance. Under the revised guidance, previously disclosed cash inflows attributable to held beneficial interests are no longer treated as a component of accounts receivables, net in operating activities, but instead are classified separately as an investing activity. However, during the quarter ended September 30, 2018, we amended the RPAs with Wells Fargo and Citibank to remove the retained beneficial interests, allowing us to sell 100% of our outstanding qualifying accounts receivable balances and receive cash consideration equal to the total balance, less a discount margin equal to LIBOR plus 1% to 3%.

Investing Activities. For the first nine months of 2018, net cash provided by investing activities was \$299.0 million as compared to net cash provided by investing activities of \$103.4 million for the first nine months of 2017. The \$195.6 million increase in cash provided by investing activities was principally due to increased cash receipts of retained beneficial interests in receivables sales and decreased cash used for the acquisition of businesses.

Financing Activities. For the first nine months of 2018, net cash used in financing activities was \$212.0 million as compared to net cash used in financing activities of \$72.7 million for the first nine months of 2017. The \$139.3 million change was due to a \$185.3 million increase in net repayments of debt under our credit facility in the first nine months of 2018 as compared to the first nine months of 2017 offset by a \$41.9 million decrease in cash used for common stock repurchases in the first nine months of 2018 as compared to the first nine months of 2017.

Other Liquidity Measures

Cash and Cash Equivalents. As of September 30, 2018 and December 31, 2017, we had cash and cash equivalents of \$142.1 million and \$372.3 million, respectively.

Credit Facility and Term Loans. On January 30, 2018, we amended our Credit Facility and elected to prepay \$300.0 million of our outstanding Term Loans and decrease the borrowing capacity of our Credit Facility to \$1.16 billion. We had \$523.2 million and \$835.8 million in Term Loans outstanding as of September 30, 2018 and December 31, 2017, respectively. Our Credit Facility includes a sublimit of \$400.0 million for the issuance of letters of credit and bankers' acceptances. Under the Credit Facility, we have the right to request increases in available borrowings up to an additional \$200.0 million, subject to the satisfaction of certain conditions. The credit facility matures in October 2021. We had outstanding borrowings under our Credit Facility totaling \$209.0 million and \$60.0 million as of September 30, 2018 and December 31, 2017, respectively. Our issued letters of credit under the Credit Facility totaled \$3.8 million and \$8.6 million as of September 30, 2018 and December 31, 2017, respectively. As of September 30, 2018 and December 31, 2017, the unused portion of our Credit Facility was \$947.2 million and \$1.19 billion, respectively. The unused portion of our Credit Facility is limited by, among other things, our financial leverage ratio, which limits the total amount of indebtedness we may incur, and may therefore fluctuate from period to period. Our Credit Facility and Term Loans contain certain financial and other covenants with which we are required to comply. Our failure to comply with the covenants contained in our Credit Facility and our Term Loans could result in an event of default. An event of default, if not cured or waived, would permit acceleration of any outstanding indebtedness under the Credit Facility and our Term Loans, trigger cross defaults under certain other agreements to which we are a party and impair our ability to obtain working capital advances and issue letters of credit, which would have a material adverse effect on our business, financial condition, results of operations and cash flows. As of September 30, 2018, we were in compliance with all financial covenants contained in our Credit Facility and our Term Loans.

Other Agreements. Additionally, we have other uncommitted credit lines primarily for the issuance of letters of credit, bank guarantees and bankers' acceptances. These credit lines are renewable on an annual basis and are subject to fees at market rates. As of September 30, 2018 and December 31, 2017, our outstanding letters of credit and bank guarantees under these credit lines totaled \$317.7 million and \$272.0 million, respectively. We also have RPAs that allow for the sale of up to an aggregate of \$725.0 million of our accounts receivable. Our sold accounts receivable

under the RPAs was \$553.7 million and \$377.3 million, as of September 30, 2018 and December 31, 2017, respectively.

Short-Term Debt. As of September 30, 2018, our short-term debt of \$35.7 million primarily represents the current maturities (within the next twelve months) of Term Loan borrowings, certain promissory notes related to acquisitions and capital lease obligations.

Table of Contents

Contractual Obligations and Off-Balance Sheet Arrangements

Except for changes in the contractual obligations and off-balance sheet arrangements described below, there were no other material changes from December 31, 2017 to September 30, 2018. For a discussion of these matters, refer to “Contractual Obligations and Off-Balance Sheet Arrangements” in Item 7 of our 2017 10-K Report.

Contractual Obligations

Derivative Obligations. As of September 30, 2018, our net derivative obligations were \$110.3 million, principally due within one year.

Purchase Commitment Obligations. As of September 30, 2018, fixed purchase commitments under our derivative programs amounted to \$59.2 million, principally due within one year.

Off-Balance Sheet Arrangements

Letters of Credit and Bank Guarantees. In the normal course of business, we are required to provide letters of credit to certain suppliers. A majority of these letters of credit expire within one year from their issuance, and expired letters of credit are renewed as needed. As of September 30, 2018, we had issued letters of credit and bank guarantees totaling \$321.5 million under our Credit Facility and other uncommitted credit lines. For additional information on our Credit Facility and other credit lines, see the discussion in “Liquidity and Capital Resources” above.

Recent Accounting Pronouncements

Information regarding new accounting pronouncements is included in Note 1, Basis of Presentation and Significant Accounting Policies, in the “Notes to the Consolidated Financial Statements” in this 10-Q Report.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Derivatives

For information about our derivative instruments, at their respective fair value positions as of September 30, 2018, see Notes to the Consolidated Financial Statements – *Note 3. Derivatives*.

There have been no material changes to our exposures to interest rate or foreign currency risk since December 31, 2017. Please refer to our 2017 10-K Report for a complete discussion of our exposure to these risks.

Item 4. Controls and Procedures

Management’s Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer (“CEO”) and our Chief Financial Officer (“CFO”), as appropriate, to allow timely decisions regarding required financial disclosure.

As of the end of the period covered by this 10-Q Report, we evaluated, under the supervision and with the participation of our CEO and CFO, the effectiveness of the design and operation of our disclosure controls and procedures pursuant to Exchange Act Rule 13a-15(e). Based upon this evaluation, the CEO and CFO concluded that

our disclosure controls and procedures were effective at a reasonable assurance level as of September 30, 2018.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting during the quarter ended September 30, 2018.

It should be noted that any system of controls, however well designed and operated, can provide only reasonable, and not absolute, assurance that the objectives of the system will be met. In addition, the design of any control system is based in part

Table of Contents

upon certain assumptions about the likelihood of future events. Because of these and other inherent limitations of control systems, there is only the reasonable assurance that our controls will succeed in achieving their goals under all potential future conditions.

Part II — Other Information**Item 1. Legal Proceedings**

On July 20, 2016, we were informed that the U.S. Department of Justice (the “DOJ”) is conducting an investigation into the aviation fuel supply industry, including certain activities by us and other industry participants at an airport in Central America. In connection therewith, we were served with formal requests by the DOJ about our activities at that airport and our aviation fuel supply business more broadly. We are cooperating with the investigation.

From time to time, we are under review by the IRS and various other domestic and foreign tax authorities with regards to income tax and indirect tax matters and are involved in various challenges and litigation in a number of countries, including, in particular, U.S., Brazil, Denmark and South Korea, where the amounts under controversy may be material. See Notes 7 and 11 of the accompanying consolidated financial statements for additional details regarding certain tax matters.

We are a party to various claims, complaints and proceedings arising in the ordinary course of our business including, but not limited to, environmental claims, commercial and governmental contract claims, such as property damage, demurrage, personal injury, billing and fuel quality claims, as well as bankruptcy preference claims and administrative claims. We are not currently a party to any such claim, complaint or proceeding that we expect to have a material adverse effect on our business or financial condition. However, any adverse resolution of one or more such claims, complaints or proceedings during a particular reporting period could have a material adverse effect on our consolidated financial statements or disclosures for that period.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds**Issuer Purchases of Equity Securities**

The following table presents information with respect to repurchases of common stock made by us during the quarterly period ended September 30, 2018 (in thousands, except average price per share):

| Period | Total Number of Shares Purchased (1) | Average Price Paid Per Share | Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs | Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs (2) |
|----------------------|--------------------------------------|------------------------------|--|--|
| 7/1/2018 - 7/31/2018 | — | \$ 20.55 | — | \$ 100,000 |
| 8/1/2018 - 8/31/2018 | 725 | 27.68 | 723 | 79,986 |
| 9/1/2018 - 9/30/2018 | — | 27.98 | — | 79,986 |
| Total | 726 | \$ 27.68 | 723 | \$ 79,986 |

(1) These amounts include shares purchased as part of our publicly announced programs and shares owned and tendered by employees to satisfy the required withholding taxes related to share-based payment awards, which are not deducted from shares available to be purchased under publicly announced programs.

(2) In October 2017, our Board of Directors approved a new common stock repurchase program which replaced the remainder of the existing program and authorized the purchase of up to \$100.0 million in common stock (the “Repurchase Program”). The Repurchase Program does not require a minimum number of shares of common stock to be purchased, has no expiration date and may be suspended or discontinued at any time. As of September 30, 2018,

approximately 80.0 million remains available for purchase under the Repurchase Program. The timing and amount of shares of common stock to be repurchased under the Repurchase Program will depend on market conditions, share price, securities law and other legal requirements and factors.

Table of Contents

Item 6. Exhibits

The exhibits set forth in the following index of exhibits are filed as part of this 10-Q Report:

Description

31 Certification of the Chief Executive Officer pursuant to Rule 13a-14(a) or Rule 15d — 14(a).

32 Certification of the Chief Financial Officer pursuant to Rule 13a-14(a) or Rule 15d — 14(a).

32 Certification of Chief Executive Officer and Chief Financial Officer under Section 906 of the Sarbanes-Oxley Act of 2002.

The following materials from World Fuel Services Corporation's Quarterly Report on Form 10-Q for the quarter ended September 30, 2018, formatted in XBRL (Extensible Business Reporting Language); (i) Consolidated Balance Sheets, (ii) Consolidated Statements of Income and Comprehensive Income, (iii) Consolidated Statements of Shareholders' Equity, (iv) Consolidated Statements of Cash Flows, and (v) Notes to the Consolidated Financial Statements.

Table of Contents

Signatures

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

Date: October 30, 2018 World Fuel Services Corporation

/s/ Michael J. Kasbar
Michael J. Kasbar
Chairman, President and Chief Executive Officer

/s/ Ira M. Birns
Ira M. Birns
Executive Vice President and Chief Financial Officer