FleetCor Technologies, Inc. (FLT) CEO Ron Clarke on Q3 2019 Results - Earnings Call Transcript

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Q3: 11-06-19 Earnings Summary

Press Release *10-Q* *Slides*

EPS of $3.1 beats by $0.05 | Revenue of $681.05M (9.92% Y/Y) beats by $1.12M

Earning Call Audio

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FleetCor Technologies, Inc. (NYSE:FLT) Q3 2019 Earnings Conference Call November 6, 2019 5:00 PM ET

Company Participants

Jim Eglseder - Head of Investor Relations

Ron Clarke - Chairman and Chief Executive Officer

Eric Dey - Chief Financial Officer

Conference Call Participants

Sanjay Sakhrani - Keefe, Bruyette & Woods, Inc.

Trevor Williams - Jefferies

Bob Napoli - William Blair & Company

Ryan Cary - Bank of America Merrill Lynch

Ashish Sabadra - Deutsche Bank

John Davis - Raymond James & Associates, Inc.

David Togut - Evercore ISI

Operator

Greetings, and welcome to the FLEETCOR Technologies Third Quarter 2019 Earnings Conference Call. As a reminder, this call is being recorded.

I would like to turn the conference over to our host, Mr. Jim Eglseder, Head of Investor Relations for FLEETCOR Technologies. Thank you, sir. You may begin.

Jim Eglseder

Good afternoon, everyone, and thank you for joining us today for our third quarter 2019 earnings call.

With me today are Ron Clarke, our Chairman and CEO; and Eric Dey, our CFO. Following comments from both Ron and Eric, the operator will announce your opportunity to get into the queue for a Q&A session. It is only then that the queue will open for questions.

Please note, our earnings release and supplement can be found under the Investor Relations section of our website at fleetcor.com. Throughout this call, we will be presenting non-GAAP financial information, including adjusted revenues, adjusted net income and adjusted net income per diluted share. This information is not calculated in accordance with GAAP and may be calculated differently than non-GAAP information at other companies. Reconciliations of historical non-GAAP financial information to the most directly comparable GAAP information appears in today’s press release and on our website, as previously described. We are also providing updated 2019 guidance on both the GAAP and non-GAAP basis with reconciliations.

Now before we begin our formal remarks, I need to remind everyone that part of our discussion today will include forward-looking statements. These includes forward-looking statements about our guidance and outlook, new products and fee initiatives and expectations regarding business developments and acquisitions. They are not guarantees of future performance, and therefore, you should not put undue reliance upon them. These results are subject to numerous risks and uncertainties, which could cause actual results to differ materially from what we expect. Some of those risks are mentioned in today's press release on Form 8-K and on our Annual Report Form 10-K filed with the Securities and Exchange Commission. These documents are available on our website and at www.sec.gov.

With that out of the way, I would like to turn the call over to Ron Clarke, our Chairman and CEO. Ron?

Ron Clarke

Okay. Jim, thanks. Good afternoon, everyone, and thanks for joining our third quarter earnings call. Upfront here, I plan to cover three subjects: first, I'll provide my perspective on our Q3 results and outlook for Q4; second, I'll share our continued progress on our beyond initiative; and lastly, I'll update you on the acquisition front.

Okay, so on to Q3. We reported Q3 revenue of $681 million, up 10% and $3.10 in cash, EPS up 16%. On a constant macro and constant scope basis, or what we call like-for-like basis, revenue was up 11% and cash EPS up approximately 17%. So right in line with our targets.

Overall, organic revenue growth was 11% in Q3, with fuel card organic revenue growth finishing at 10% in the quarter. Our global fuel card revenue represented about 42% of our overall consolidated Q3 revenue. Our three non-fuel lines of business performed quite well, with lodging and total revenue both up 17% and corporate pay revenue up 24%.

The volume growth, quite strong in all three non-fuel lines of business. In lodging, our SMB room nights were up 10%. In toll, active tags up 8%. In corporate pay, our virtual card spend up 14%. So healthy volume growth in each business.

Our trends in the quarter also quite good. Our new sales or new bookings, up 14% versus the prior year. And once again, we signed up over 30,000 new business accounts to our various programs. That represents over $100 million of new annualized recurring revenue. So real demand for our offerings.

Same-store sales rebounded quite nicely into the plus column, plus 1%. Inside of that number, various puts and takes. Our trucking business are quite soft really everywhere, here in the U.S., in the UK and even in Brazil. That was offset by strength in our Mexico and Russia fuel card business and within our corporate payments business.

Our client or business retention continued quite steady at 92%. So, obviously, pleased with that. Our balance sheet in a very good place, leverage finished below two times, and we now have approximately $1.3 billion available on our revolver. So well positioned to allocate capital to buybacks and/or acquisitions. And given the – some recent weakness with tech – IPOs, maybe valuations will come down.

So in summary, Q3 another clean, solid quarter. Organic revenue growth of 11%, profit growth 16%, strong volume growth in our three non-fuel businesses, continued positive sales, retention and same-store sales trends. And lastly, Q3 profits finishing at the top of our guidance range.

Okay, let me make a turn to our outlook for Q4. We're confirming overall organic revenue growth guidance of 9% to 11% for Q4, with fuel card organic revenue growth in the 7% to 9% range, that's on tougher comps. We're raising full-year 2019 cash EPS guidance to $11.73 at the midpoint. That reflects our $0.05 Q3 beat the guidance.

Just as reminder, our initial 2019 full-year guidance from February was $11.55. The assumptions within our updated rest of your guidance versus last time we spoke slightly less favorable macro, primarily due to FX weakness in Brazil, but that'll be offset by higher acquisition contribution, the TA deal, which closed on October 1.

Okay, let me transition to an update of our beyond strategy initiatives. Just as a reminder, our beyond strategy idea is really twofold. First, to offer our existing clients the opportunity to spend more with us by expanding the network in which they can make purchases; and then second, to attract new customers and/or new customer segments to which our expanded network appeals. So, for example, offering urban or city drivers in Brazil, the option of using our RFID parking and fueling sites in the city.

So let's start off with beyond fuel here in the U.S., another good quarter. We activated approximately 1,500 new beyond fuel clients in Q3. That's out of roughly 100,000 existing U.S. fuel card clients that we're targeting. These companion card clients, those that purchase both fuel and non-fuel, spend about 50% more and generate 25% more revenue per account than pure U.S. fuel clients. In addition, 20% of all new Q3 fuel card sales in the U.S. were to beyond fuel or two for clients, those choosing the option to purchase non-fuel items in addition to fuel.

Moving on to beyond toll in Brazil. Q3 continued further adoption of our 5 million existing total users there. The fuel transactions grew nicely up 60% in Q3 versus the prior year. The McDonald's transactions crazy, reached 460,000 in the quarter, up sequentially from Q2 and we estimate on track now to reach 3 million next year in 2020.

But maybe more importantly is the impact of beyond toll and attracting these new urban or city users. So the new urban sticker users added in Q3 was 58,000. That's up from 3,500 in Q1 and 18,000 in Q2. So the idea of attracting some of the potential 20 million Brazil city drivers to our beyond toll offering is starting to materialize.

Okay, in our corporate payments business, historically, we've relied on the virtual card as our primary go-to-market offering. But now with the recent Nvoicepay acquisition, we plan to broaden our go-to-market approach with four offerings.

So one will be plastics offering simple P-Card programs as an initial entree into the accounts payable space; two, virtual cards for clients who want to digitize some, but not all of their payables; third, full AP for clients who want to transform their entire AP process and make 100% of their payables electronic; and then lastly, cross-border payments for clients who have some international payments, who want a simple and integrated way to make those payments from the same user interface.

In Q3, about 14% of our overall payables revenue, excluding cross-border was from full AP, so up from a fraction earlier in the year. So we expect this four-prong payables product line to dramatically strengthen our market position, as we move into 2020.

So to us, the beyond strategy initiative is now working on both fronts. It's increasing the spend and revenue that we get from existing fuel, toll and virtual card clients. And maybe more importantly, the beyond offer is attracting new types, new kinds of clients to our programs. Again, as I said, 20% of all new U.S. fuel card clients sold in Q3 with the beyond offer and 20% of all new Brazil tag users in Q3 to the beyond toll offer, so starting to become material.

Okay, last up is acquisitions. We're delighted to announce the acquisition of Travelliance in early October. This is one of the deals we mentioned on our last call that was close in and we're pleased to have completed that deal. TA broadens our existing lodging business into the Airline segment, cruise, distressed passengers, even the airline personnel. And because it's global, it adds international hotel coverage and feet on the street capabilities.

This reflects our strategy of entering adjacent Lodging segment, so in this case, airlines, but there's others like corporate apartments or corporate meetings that could expand the TAM of our hotel line of business. We paid about $120 million for TA, annualized revenue approximately $50 million, with 20% EBITDA margins, looking for TA to be accretive in 2020.

In terms of pipeline, still quite active. Currently, we're working four, five, tuck-in opportunities in our fuel, lodging and corporate pay spaces. And as I mentioned earlier, plenty of liquidity to pursue them.

So in closing, we had a very good Q3, double-digit revenue and profit growth and continued good trends. Q4 outlook is maintained, despite the less favorable FX in Brazil. Our beyond strategy gaining more traction. We're capturing additional spend from existing clients. And again, extending the TAM and the new prospect base for our services. We continue to close tuck-in deals and have additional opportunities in the works.

So with that, let me turn the call back over to Eric to provide some additional details on the quarter. Eric?

Eric Dey

Thank you, Ron. For the third quarter of 2019, we reported revenue of $681 million, up 10%, compared to $619.6 million in the third quarter of 2018. GAAP net income increased 43% to $225.8 million from $157.7 million and GAAP net income per diluted share increased 46% to $2.49 from $1.71 in the third quarter of 2018.

As a reminder, included in the third quarter of 2018 results, was a $23 million true-up charge to income taxes related to the transition tax liability originally recorded at the end of 2017 in connection with U.S. tax reform, which reduced the GAAP net income and GAAP net income per diluted share in the quarter.

Non GAAP financial metrics that we will be discussing are adjusted net income and adjusted net income per diluted share, for which the reconciliation to GAAP numbers is provided in Exhibit 1 of our press release.

Adjusted net income for the third quarter of 2019 increased 14% to $280.6 million, compared to $246.6 million in the same period last year. And adjusted net income per diluted share increased 16% to $3.10, compared with $2.68 in adjusted net income per diluted share in the third quarter of 2018.

Third quarter results reflect the negative year-over-year impact from the macro economic environment of approximately $7 million in revenue. The macro impact was primarily due to lower foreign exchange rates, when compared with the third quarter of 2018, which we believe negatively impacted revenue by approximately $7 million, due primarily to unfavorable foreign exchange rates in Brazil and the UK.

Fuel prices were also slightly worse year-over-year in the third quarter. And although, we cannot precisely calculate the impact of these changes, we believe it negatively impacted revenue by approximately $3 million in the quarter. This negative impact was partially offset by a $3 million favorable impact in fuel spreads.

Organic revenue growth after adjusting out the impact of the macroeconomic environment and the Chevron deconversion was approximately 11% for the third quarter of 2019, and all major product categories performed well during the quarter.

Organic growth in our fuel card business was 10%, excluding the deconversion of the Chevron portfolio, driven by solid growth in most of our fuel card businesses. And our beyond fuel initiative contributed about 1 to 2 points of growth during third quarter.

The corporate payments category continues to perform well and was up 24% organically during the quarter. The growth in corporate payments was driven by both our cross-border business, which grew in excess of 30% again in the quarter, and our Comdata corporate payments business, which grew in the upper-teens.

Both our toll business and our lodging business were up 17% organically. So all in all, another very good quarter for our non-fuel businesses, resulting in very strong organic growth performance in the quarter.

Same-store sales also improved sequentially from a decrease of approximately 1% in the second quarter to an increase of approximately 1% in the third quarter. There are a lot of puts and takes between our businesses around the world. But generally, our Mexico and Russia fuel card businesses and our corporate payments businesses were strong in the quarter. That was partially offset by our trucking business in the U.S., in the UK and Brazil that were a bit soft in the quarter.

And moving down the income statement. Total operating expenses were up 4% for the third quarter of 2019 to $351.9 million, compared with $338.5 million in the third quarter of 2018. The increase was primarily due to acquisitions and normal growth in our operations.

As a percentage of total revenues, operating expenses were approximately 51.7%, compared to 54.6% in the third quarter of 2018. Included in operating expenses are credit losses of $15 million for the third quarter, or 5 basis points versus $17 million, or 6 basis points in the third quarter of 2018. As expected, we've begun to see the reduction in losses as a result of some new AI tools and processes we put in place earlier this year. And we continue to expect more improvement as the fuel stations implement EMV card terminals through 2020.

Depreciation and amortization expense was flat at $67.3 million in the third quarter of 2019, compared to $67.3 million in the third quarter of 2018. Interest expense increased 1% to $36.5 million, compared to $36.1 million in the third quarter of 2018. The increase in interest expense was due primarily to the impact of acquisitions closed in 2019 and higher LIBOR rates compared with last year.

Our effective tax rate for the third quarter of 2019 was 22.9%, compared to 33.6% for the third quarter of 2018. The 2018 third quarter tax rate included a $23 million true-up of our provisional transition tax liability originally recorded at the end of 2017 in connection with U.S. tax reform. If we exclude the impact of the transitional tax adjustment, the tax rate for the third quarter of 2018 would have been 23.4%.

Now turning to the balance sheet. We ended the quarter with $1.470 billion in total cash. Approximately $412 million is restricted and consists primarily of customer deposits.

As of September the 30, 2019, we had about $3.5 billion outstanding on our term loans and revolver and approximately $1.285 billion of undrawn availability. We also had $992 million borrowed in our securitization facility at the end of the quarter.

In the third quarter of 2019, we repurchased approximately 184,000 shares of our stock for $55 million, and we have $489 million remaining under our current authorization. The Board has authorized an additional $1 billion increase in the share buyback authorization, and we now have nearly $1.5 billion in total capacity.

As of September the 30th 2019, our leverage ratio was 1.98 times EBITDA, as calculated under our credit agreement, which is well below our covenant level of four times EBITDA. Given our leverage ratio and current liquidity, we believe we have ample dry powder to pursue both our M&A objectives and share buybacks.

We intend to use our future excess cash flow to temporarily pay down the balance on a revolving credit facility and securitization facility and maintain liquidity for acquisitions and other corporate purposes. And as a reminder, though, our first use of liquidity will continue to be M&A.

Finally, we spent approximately $16.7 million on CapEx during the third quarter of 2019.

Now onto the update for 2019. First, we are raising our adjusted net income per diluted share guidance by $0.05 to $11.73 at the midpoint to reflect our third quarter results compared to our expectations. As always, we expect a few moving parts in our balance of the year guidance.

For the balance of the year, we expect the macro impact to be approximately $10 million worse than our prior guidance due primarily to lower fuel prices and unfavorable foreign exchange rate. However, the impact of the Travelliance acquisition will offset the impact of the unfavorable macro.

So taking in total, these puts and takes net to zero in terms of financial impact for the fourth quarter. Please refer to our third quarter earnings call supplement for additional information regarding our guidance.

So with that out of the way, our guidance is as follows: total revenues to be between $2,640 million and $2,660 million, GAAP net income to be between $880 million and $900 million, GAAP net income per diluted share to be between $9.80 and $9.90, adjusted net income to be between $1,050 million and $1,070 million, and adjusted net income per diluted share to be between $11.68 and $11.78.

And some of the assumptions we have made in preparing the guidance includes the following: weighted fuel prices equal to $2.73 per gallon average in the U.S. for the fourth quarter, market spreads well below the fourth quarter of 2018 average, foreign exchange rates equal to the month of September 2019 average, interest expense of $150 million to $155 million for the full-year, approximately 90.3 million fully diluted shares outstanding for 2019, an adjusted tax rate of approximately 23% for the full-year, and no impact related to acquisitions or material new partnership agreements not already disclosed.

And with that said, operator, we'll open it up for questions.

Question-and-Answer Session

Operator

Thank you. We will now begin the question-and-answer session. [Operator Instructions] Our first question is from Sanjay Sakhrani with KBW. Please go ahead.

Sanjay Sakhrani

Thanks, and good results. Ron, thanks for the comments on the M&A pipeline. I'm just curious if there are any larger size deals that you're interested in the market in the pipeline. And then specifically, the Travelliance, could you maybe just walk through the synergy thesis there?

Ron Clarke

What's larger, Sanjay, to you?

Sanjay Sakhrani

Not bolt-on more transformative?

Ron Clarke

Yes. So I would say, at the list in front of me, we have two out of the five things we're working on where the number would start with the B, with the billion. So I don't know if you call those large, but they're more than tuck-ins.

Sanjay Sakhrani

And when we think about the probability of that type of deal happening sooner than later, I mean, is it – the valuations are still quite high?

Ron Clarke

Yes. The valuations are, I think, we said a million times. For us, it's really the conviction around the forward numbers. And so in those cases, we are working to see if we can get the conviction of the forward numbers, where we can make returns. So I'd say, those deals that are bigger are earlier than some of the other things we're looking at.

Sanjay Sakhrani

Okay, great. And then as far as the Travelliance sort of synergies that you might be able to extract, could just maybe talk through sort of timeframe and the thesis there? And then just a quick question on Gift. The weakness – I know it's the smaller part of the total. But the weakness there in terms of revenues, could you just talk about what's driving that? Thanks.

Ron Clarke

Yes. Let me start with TA. So at the headline level, I'd say, that our early view is, we'll double the profits of that business in 2020. And I'd say, the two key synergies are first, the hotel arbitrage. So we share, I think, about 8,000 hotels that we have in common. And we have much larger volumes in a lot of those hotels, and so we have better rates. So we'll pickup arbitrage basically in our rate versus TAs.

And then second, I'd say, the whole back-office, right? We got a lodging business. It's got a decent back-office around finance, HR and IT. And so we've got a bunch of synergies planned on the back-office. So those two things will drive the doubling of profits next year.

Sanjay Sakhrani

Great. And the weak gift?

Ron Clarke

Yes. Gift is really just timing. As you know, the – one of our least favorite things about that business is, the seasonality and the bumpiness of orders, the number of pretty large clients and they make orders of significant size. So sometimes, those orders come in, in a quarter or get pushed. And so in this case, fundamentally, we're moving forward into Q4 some of the revenue we expected in Q3.

Sanjay Sakhrani

Thank you.

Operator

Our next question is from Trevor Williams with Jefferies. Please go ahead.

Trevor Williams

Hey, thanks. Good afternoon. One for me on beyond fuel. Ron, I appreciate the color on the Q3 uptake. And I'll just ask first, my questions upfront. So first, do you mind reminding us what percentage of the 100,000 U.S. fuel customers that you guys have marketed the program to? And then second, I was just curious more on the trend that you've seen from the Q1 and Q2 cohorts. I know you guys have said in the past, you've seen an average initial uplift in spend around 40%. But I was just hoping you could give us some color around how that growth is trended in the quarters that follow? So thanks.

Ron Clarke

Good – both good questions. So of the 100,000 kind of credit worthy targets, I think, we're in the about two-thirds, call it, 65,000 that we've marketed to kind of year-to-date, so we keep adding 10,000 or 20,000 every quarter to target. I think, we're up to a tax rate in the 6,000 or 7,000 clients now.

Two, the book in total is spending about 50% more, that 7,000 out of 100 that are going beyond fuel and buying non-fuel spend about 50% more with us, which turns in about 25% more revenue. But the hope, the idea that we're working now is, whether the non-fuel spend could be dramatically higher, multiples of five or 10 times what the fuel spend is. And really, we limited it artificially going in by creating credit lines and credit limits proportionate to fuel rather than credit limits proportional to the clients' ability to repay.

So we're actually in test now with a subset of those 7,000 accounts, increasing the credit line and seeing if we can expand the non-fuel spend by again, multiples of five or 10 times. So the early view of that is positive. But I'd say, that could drive the 2020 success really as much as we continue to saturate.

Trevor Williams

Great. Thanks very much.

Operator

Our next question is from Bob Napoli with William Blair. Please go ahead.

Bob Napoli

Thank you. Nice quarter. Well done. The corporate payments business, Ron is, you had 30% revenue growth and your revenue per transaction was up quite a bit. I think, you're – you lapped the Nvoicepay acquisition in first quarter that is – but what is the outlook for that? What do you expect for that business? I generally think of the accounts payable piece to be a big market, but lower revenue per transaction, your revenue per transaction was up 20% year-over-year. So just some thoughts on that business on maybe the mix of revenues cross-border versus virtual card and the long-term growth and how AP fits into that?

Ron Clarke

Yes. Bob, I mean, as you know, it's a great line of business with a huge TAM that Nvoicepay pay deal, I believe closed April 1. So we're not close yet to lapping that. And frankly, all the components – all the offerings, their invoice pay with full AP, our core virtual card business, our plastics business and particularly, our cross-border, all of them are growing really well year-to-date 2019.

I think, again, our plan for that business, although, not baked is to try to guide that stuff still into the mid-teens, which again for us is really a function of, like I say all the time, sales investments relevant to the base. As the base keeps getting bigger, which it does, we have to modulate up our sales investment to keep that base growing 15%.

So we kind of design or engineer our way. If we thought we could invest a bit more and not have too many new people or too many new marketing programs, we might try to step it up some. But we want to maintain quality right in terms of the onboarding and the client service that we're trying – I'll say, do it in a controlled way, but effectively, grow the business in a controlled way.

Bob Napoli

What are the risks? There's a lot of investment going into that market and a lot of innovation. Where do you have – where are you most paying attention to the competitive front and where get back to your business?

Ron Clarke

Yes. I think I've said this before. We love the breadth now of our game. There are people fighting at it, [indiscernible], right? There are some pure full AP players. There's obviously some pure plastics players. There's banks, there's subcontracting, virtual card processing.

So the first thing I'd say is, I like the fact that we've got a broader solution set than most of the others that play in the game. And then second, I say it over and over again, it's a distribution game, right? These are relatively new services and require education and communication.

And so having the sales force that can go out and communicate and brief prospective accounts, I think, is still our main advantage. And then third is, because we get out earlier than other people our merchant network and the quality of the data and the ability to fulfill payments with a high degree of accuracy is a huge part of the game. So those advantages, I think, bode well, it's not that there aren't other people chasing, but we really like how we're set up.

Bob Napoli

Right. Thank you. I appreciate it.

Operator

Our next question is from Ryan Cary with Bank of America. Please go ahead.

Ryan Cary

Hi, guys, thanks for taking my question. We had Wex, call it, a weaker demand environment in the quarter, particularly in the fleet business. And while – I know you called out some headwinds in U.S. trucking. It doesn't sound like the headwinds you're seeing are quite as meaningful. So first, are you modeling any slowdown in demand in the fuel business, as compared to your prior expectations? And second, is there anything you can provide on demand trends quarter-to-date?

Ron Clarke

Yes, Ryan, hey, it's Ron. So you got it right. I'd say, in terms of our same-store base, I think, globally, we reported a plus one back into the plus column, and I did call out trucking soft here, the UK and Brazil. I'd say, other than that, the trends look relatively consistent for us year-to-date through the first three quarters. I think, year-to-date we had a – I can't remember zero minus one and a plus one.

So kind of flat on same-store through the first three quarters. I think, last year, we did a bit better. We were plus one or two. But no, I wouldn't say, for your Wex comment that we're seeing, other than the trucking, call out anything different than what we've seen.

Ryan Cary

Got it. And then just moving to the toll side, it's interesting to hear how beyond toll has driven the acceleration in new urban sticker users? How was that growth impacted merchant imbalance? Is there anything stopping you from meaningfully expanding the acceptance footprint? And what does it take for the merchant themselves to kind of introduce the payment capability of accepting on one of the toll tags?

Ron Clarke

Yes. I mean, frankly, I think we're a bit blown away by the pace. I don't know if you picked up the numbers for my opening remarks. But we we turned and basically went after these urban users who are not, obviously, heavy toll users, right? But they're a huge group and to go from focusing on one channel, we started in the gas station channel, trying to add these people at a 3,500 step that up to 18,000, when I saw the number for Q3 that we got into 58,000 and they're out looking again, another 50,000 a quarter, this quarter.

I mean, the distribution channels, we've opened up more of our traditional store, retail, digital channels to now target, these urban people. So that's what's causing a significant step up. You're right, it is a chicken and an egg, the bigger the network that we can offer urban people the more attractive our offer is, right? If we had fueling station twice as many parking, twice as many fast food, that would be even more appealing.

But I think we've obviously got enough is what the data tells me to attract people. And so we're going to chicken and egg it. We're going to keep trying to add urban users to generate revenue. We're going to keep expanding each one of those three networks, which we have over the last couple of years. And so I think, again, as you look into the mid-term in that network, it's more built out, our returns will get better, right? We'll be spending less money building out the network and obviously more money hopefully turning the crank.

In terms of digits and stuff, I'd say, the fueling challenge is higher than the parking or the fast food. The nature of having multiple lanes and the vehicles moving and the way the equipment and stuff sets up is a bit more complex in that gas station environment. So it's not particularly difficult at stationary like the fast food, where they then come through one line, one lane in the whole way.

So tougher in fuel and easier in parking and fast food. And clearly, as I said before, there are additional merchants in every one of those areas now interested in joining the program. So once we showed, people are coming to shell than the other fuel guys want to be in. Once we've shown that McDonald's is working, the other fast food people want to come in. Once we sign up the next biggest parking operator then we get calls to the next set of parking operators. So once we get the first rental car company in, in line, now the other rental car companies are calling.

So once you prove out that your client base will go to those merchants, you attract yet more merchants. So it's a – it's really – I keep telling you guys, it's a great model. The question is really just the pace at which we can do it.

Ryan Cary

Got it. Thank you for taking my question.

Operator

Our next question is from Ashish Sabadra with Deutsche Bank. Please go ahead.

Ashish Sabadra

Thanks. Congrats on such a solid quarter, particularly if I exclude the gift card, the growth was even stronger. Just my question on the corporate payment side. So I was wondering if you could share what the bookings growth was there? And then thanks for classifying now that the – how big the full EPS.

I was just wondering if you could share some – what's driving the growth – and like how you're going to market in the full AP solution space? How – what kind of traction you're seeing on cross-sell, as well as new rents? And how are you using the data or existing relationship to sell more into that customer base? Thanks.

Eric Dey

Yes. Ashish, it's Ron. Are you looking for the sales in corporate pay? That was your question – first question was?

Ashish Sabadra

Yes, bookings growth and corporate pay?

Eric Dey

You guys have that in funny anyway. [Ron, I would just take a sneak for it.] [ph]

Ashish Sabadra

I can get that offline. I was just more interested in how you're driving new sales and what learnings you've had and how we can see that potentials in process actually going forward?

Ron Clarke

Yes. I mean, the the marketing, I'd say, is evolving, right? So we had a number of separate pieces, as I mentioned earlier, the core Comdata business, Ashish, we owned five years ago, pushed basically plastics, P-Card and virtual cards. And obviously, Nvoicepay paid then 10, 15 years building itself up as a full AP provider. And obviously, Cambridge, we bought whatever two years ago has been a cross-border specialist.

And so, I'd say, the main change we're going through is trying to integrate that package and that marketing message So that we can take the power of having lots of ways to help a company, a corporation, make payments and make them aware of all the different programs that we've got. They want to start super simple. We can compete with P-Card guys, they want to get rid of their paper. We can give them the virtual card. They want to transform.

So I'd say, that the integration and the consolidation is the biggest change. With that said, we still have field specialists behind each one of those products. So we have people that are obviously super trained in virtual card, super trained in full AP and super training in cross-border.

And so what we're trying to figure out is the account manager lead, if you will, and the marketing lead that provides the consolidated set of solutions and then still have specialists that can go deep in terms of presenting our particular solutions. So that's what's going on now. We're trying to make a turn from effectively peddling one program, one service at a time to marketing something more comprehensive.

And I think when we do that, if we do that, the returns will be way better and bigger, because you can generate more interest from a prospect right offering a broader set of solutions for them.

Ashish Sabadra

Yes. No, that's helpful. And maybe just a preliminary look at next year going into 2020, is this kind of accelerated 9% to 11% organic growth sustainable, just given that you'll be hitting some difficult comps going into next year? And the same thing on fuel cards, any thoughts on how we think about the growth there?

Ron Clarke

Yes. I'd say still early days for us for 2020. We're, in fact, at a couple of budget reviews today and yesterday. So I'd say, we're in the middle, Ashish, of our 2020 planning. I guess, what I would say is that, we go into this every year with the same aspiration, which is to build plans across these businesses that can hit the goals that we set out, which are kind of 10% and 13%, and then using our free cash flow and capital to produce profits to the 15% to 20% range.

And so what I tell you is that Eric and I are coming in, trying to build plans. They can tradeoff. They can hopefully stay on that same track. But it would be, I think, premature, because we don't have the stuff consolidated to really give you any other guidance. I mean, obviously, Eric will be back in 90 days, correct?

Eric Dey

Yes. I agree, Ashish. So I mean, we're kind of right in the middle of the process and we'll have obviously a lot more to say when we get to that Q4 earnings call.

Ron Clarke

But remember, Ashish, which you know well, the beautiful thing about this business is the recurring model. And so if you have a good 2019, it helps you already have a good 2020. So just to repark that in your guys' mind that the modeling that we do is based off of exit rates. And if you look at our four quarters stacked up, you'll see sequential acceleration, obviously, in revenues, right in our business. So, obviously, assuming our trends like retention, which we quoted, stay in line that obviously creates built in growth as we roll into next year.

Ashish Sabadra

Yes, that's great. Congrats once again on solid quarter. Thanks.

Ron Clarke

Thanks, Sabadra.

Operator

Our next question is from John Davis with Raymond James. Please go ahead.

John Davis

Hey, good afternoon, guys. I just wanted to follow-up a little bit on the same-store sales commentary. Ron, I think, you called out U.S. trucking softness. It sounds like the good guidance this quarter was corporate payments. Any insight to macro trends just from that business and what you're seeing the businesses macro slightly better, getting slightly worse, any insights there would be helpful?

Ron Clarke

Yes. I think, the magic in the payables or corporate payments businesses is in the model. Again, it's not so much that the clients are healthier or not. And fuel cards, if you went into a client, let's say, that had 1,000 invoices and we went in and pay 20% of them, we pay 200 of them.

First of all, their number of invoices and expenses tend to grow every year. And then second, our share, the 20% can grow. So effectively, the model, if you will, is built to grow, to step up, if you will, quarter-over-quarter, year-over-year. So I'd say that's the difference, if you will, between the fuel card business, where they've got to go from 10 drivers to 11, their revenues have to go up, they have to decide they're going to spend more on drive versus stuff.

And so I think the model just lends itself, if you will, to a bit better same-store sales. And as the mix, that business has grown a bit faster. So that becomes a bigger part of our mix, it obviously helps our overall consolidated same-store number. But again, I think we feel comfortable. We're happy with plus one. It's pretty balanced other than the trucking callout and earlier, we don't really see anything even through October here that that's any different than what we've experienced kind of year-to-date.

John Davis

Okay. And then just – that's helpful. Just a quick follow-up on the M&A landscape and specifically kind of around corporate payments. I appreciate your comments about valuations. We'll see what the impact is there. The first thing that came to mind for me is maybe some of these high-flying B2B payments companies may be you're having a little bit of a reality check with what's going on the public markets. So are there any specific capabilities or geographies that you view as attractive, or kind of top of the list as you will get M&A opportunities and corporate payments?

Ron Clarke

Yes. I mean, again, the good news is, we kind of have a lot, again, of the products that we now have a full AP, even though there are other people that do that. We have virtual card processing, even though there's a few people that do that. We have a merchant network.

So we have a lot of the capabilities. I'd say, we're always on the lookout for either complementary market segments or verticals.

So, for example, we've got a pretty big position in construction, I think, it's a quarter or a third of our corporate payments business. So if there were another company that had a third in media or a third in, let's say, in healthcare, but I don't think it's for healthcare, a third in something else. Third in property management, some other kind of complementary vertical we'd like that or be someone that has some different kind of selling capacity.

It's found some way to crack digital selling, for example, or just figure out some kind of a new partner channel. Those would be, I think, the couple of things that we would look for. Again, this – the core AP business is most attractive here, an old USA, because we're the world's slowest. And getting off the paper, as you know, still kind of have paper. The rest of the planet seems to have done a better job than us. So I'd say that for now, most of our focus is still on targets in that Corporate Pay segments that are U.S. based.

John Davis

Okay, all right. Great. Thanks, guys.

Operator

Our next question is from Andrew Jeffrey with SunTrust. Please go ahead.

Unidentified Analyst

Hi, thanks. It's Jenny digging on for Andrew. Just thinking about the macro impact on fuel, is it – is the headwind more from pricing, or is it miles-driven? What metrics should we be watching there?

Ron Clarke

Ask that Jenny one more time? Is the headwind officially…

Unidentified Analyst

Is the headwind coming more from pricing or from miles-driven?

Ron Clarke

Yes, I don't think it's from pricing. I think it's softness in the – just in the channel of trucking, right, that the loads, the the capacity, the drivers, just what they're delivering. And then second is, what you're saying, it's vehicle or or fuel efficiency. Those would be the couple of things creating the slowdown.

Unidentified Analyst

Okay. And then do you anticipate it's getting to a point soon where it's going to start hitting like loss rates will go up and start hitting segment profitability?

Eric Dey

Loss rates in – what in the trucking business?

Unidentified Analyst

Yes.

Eric Dey

Yes. Our loss rates are – in that business are low single-digit. And I'd say, at least, half of whatever we lose there is credit, is us exiting some more challenge kind of trucking companies for credit. So I don't think so. I mean, even though the thing has slowed, it's clearly a necessary U.S. way of delivering it. So I think it, maybe it could continue to slow and the – the vehicle efficiencies, probably a point or two drag as your roll forward. But no, I don't – we don't see anything in the numbers that suggests a spike in attrition.

Ron Clarke

Yes. Hey, Jenny, also to add on to that, from a loss perspective, I mean, we have lots of tools that we've implemented over the last couple of years that helps us to kind of manage credit losses and manage the credit worthiness of the accounts. And we tend to manage our losses through lots of different things, including payment terms.

So think of account that would be probably less credit worthy, would have more frequent payment terms and less days to pay, because we want to manage the amount of our credit exposure through that. So we're constantly looking at it and evolving the way we build those types of accounts.

Unidentified Analyst

Great. Thank you so much.

Operator

Our next question comes from Ramsey El-Assal with Barclays. Please go ahead.

Unidentified Analyst

Hey guys, how's it going? It's Damien [ph] on for Ramsey. I'm just hoping to take a step back here on the B2B business. Obviously, Visa MasterCard are intensifying their focus on B2B payments. Just want to get your take on how that changes the dynamic in your business, presumably, better, it's sort of rising tide lifts all ships.

But then maybe then you could break out the growth rates of the various products or channels within corporate payments, for example, I'm assuming the partner channel is probably growing a little bit faster than the direct given the fast growth of some of the AP automation startups. But I just want to get your take on those couple of things?

Ron Clarke

Yes, Damien. Hey, it's Ron. So I would say, yes, to the first point to have Visa and MasterCard be big fans of this corporate payments or B2B, it's great. I mean, I think it helps both PR and marketing and awareness and stuff. So I think it certainly softens the beaches as as we go out. And there's obviously both super helpful to watch, both in research and and they're working on some products in some ways to hopefully make us more effective. And so I'd say that that's all good.

In terms of the components, yes, I'd say that the reason the channel think and grow faster is, there's two things going on. One is the channel partners that we already have a poor and more money in. So take Avid, who has been a client of ours for a while. They're continuing to ramp up sales and marketing spending, so they grow. And then B, we add new channel partners.

And so in the direct business, we mostly just do the second thing, right? We add new clients that we don't have. But in the channel business, for example, we brought on Bill.com as a partner and they're beginning to ramp up. So we – it's a twofer power of they invest more and grow and then we find new partners in the channel space.

Unidentified Analyst

Yes, that's great. And then just separately here on the lodging business, you guys rolled out the new network of hotels for the "gray collar workers". Maybe you could just give an update on that and maybe if it helps revenue per trend? And then I'll just slip in the sort of perennial question on Gifts, if there's any update on strategic alternatives there?

Ron Clarke

Yes, that's an interesting one. I think it's been less impactful with the existing base than we thought. So we – when we first launched and I think we got a 2% or 3% lift in room nights as clients saw, "Hey, there's a bunch more places I can go." What I think it is, is existing people kind of go existing accounts, go to where they went. They're harder to switch or change where they're going.

I think where maybe it's helping more is on the selling side attracting new people and having a larger hotel coverage and network to attract people. So they feel like if they join the program, they got plenty of coverage. So we thought initially, it was going to help more with the base. But I think the answer is, it's probably going to help more with new accounts.

Operator

Our next question is from David Togut with Evercore. Please go ahead.

David Togut

Thank you, and good evening. I apologize if you call this out earlier. But do you give the growth rate on the MasterCard fuel card in the quarter?

Eric Dey

I don't know. I don't think we did, David. I think we've given just the total number on it right in front of me, but we can circle back to you on this.

David Togut

Okay. As a follow-up, where do you stand in terms of building out the cross-border corporate pay capability connecting domestic corporate pay through the Nvoicepay acquisition to Cambridge? That seems to be where a lot of the world of payments is focused and you've got some unique assets there?

Ron Clarke

Yes. We've, again, as I mentioned earlier, we're doing that stitching, David, now, right, that it's funny that Nvoicepay and even Bill.com, both full AP guys had reached out to Cambridge even before we had done. The Cambridge transaction trying to have capability for the – whatever the 4% or 5% of cross-border payments that those client bases have.

So they were already trying to integrate it even before we did. So I'd say, it's still early days. We're trying to figure out how to speak to both clients we have that are only on one of those products or prospects they may be interested across all three or four of those products and yet keep some specialization, people that really know that particular area well.

So I'd say, it's a work-in-process, but I think it's a huge advantage for us right to have all the different ways to be able to help an AP department versus going in with just one. But I'd say, think next year, we'll probably be in a better place to articulate how we're going to do it.

David Togut

Got it. Just a quick final one for me. Any update on the growth at Allstar in the UK? And are you completely done with the shift to chip cards there?

Ron Clarke

Yes. We're done with the shift to chip cards. I'd say that we're still pushing the beyond fuel like all the markets were in a fuel cards. I'd say, the UK is the most mature, right? We have the highest market share as a company, not only with Allstar, but the other product lines we have there.

So I think for that thing to continue to be a decent, grow or in the mid-term, we've got to get the beyond fuel numbers up. So that thing is improving, I'd say, not going as well yet as the U.S. there's some subtleties there, but I'd say that's still our best idea for leveraging. It's a very big client base that we've got in the UK. So getting them to spend more with us seems like the easiest way to step up growth there.

David Togut

Understood. Thank you very much.

Ron Clarke

Good to talk to you.

Operator

This concludes the question-and-answer session and today's conference call. You may disconnect your lines. Thank you for participating, and have a pleasant day.