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FLEETCOR expects ramp-up this year to historic M&A levels
By Rachel Stone
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FLEETCOR Technologies [NYSE:FLT], a business payments service provider, aims to get back to its "traditional playbook" of acquiring larger, more accretive targets this year, said Steve Greene, executive vice president of corporate development and strategy.

"Bigger is better" now that markets have calmed down, he said. Atlanta-based FLEETCOR expects to have a strong acquisitions year and is targeting deals of at least USD 600m and into the billions of dollars, Greene said.

Even if interest rates don't come down this year, the company is in a strong position to pay attractive prices to sellers given its emphasis on finding synergies, an option that private equity buyers don't have, Greene said.

Still, with hot markets and elevated valuations last year, FLEETCOR did smaller deals, Greene said. The company spent USD 545m on five acquisitions in 2023. It had USD 1.4bn in unrestricted cash to end the year and expects to generate USD 1.4bn in free cash flow in 2024, according to 4Q23 earnings.

FLEETCOR spent much of 2023 in a strategic review, considering whether to break the company up, which also contributed to the quieter acquisition year. FLEETCOR has three core operating segments: vehicle payments, corporate payments and lodging. The corporate payments business trades at higher multiples and was potentially on the chopping block.

"We liked the equity story – the value creation potential – with [selling] the corporate payments business, but the value creation potential in absolute terms wasn't enough to expose us to potential risks with the fleet business in the vehicle payments that we'd be left with," Greene said. FLEETCOR's "No. 1 job" is to redefine and reinvent the vehicle payments business because its sheer size, which is more than half of FLEETCOR's total business, presents the company with its biggest value creation potential, he added.

It could revisit a split in the future, he said.

This year, making buys in corporate payments is "the highest M&A priority we have," Greene said. It places "a huge premium" on growth for potential targets, he said, pointing to proven distribution and efficient growth.

The company will focus acquisitions across the board on existing geographies of the US, Brazil, the UK and mainland Europe, looking to penetrate "deeper, not wider," Greene said.

FLEETCOR's growth in the vehicle space is two-pronged, according to the executive. It is looking to broaden its set of services into other vehicle payment expense categories such as parking, registration, and taxes and compliance as well as expand beyond its traditional business-to-business customer into the consumer space, he said.

For example, last week it announced a majority investment in Zapay, Brazil's digital mobility solution for paying vehicle taxes, registration and tickets.

In addition to making acquisitions around those service areas, FLEETCOR could look at commercial partnerships to offer insurance in Brazil, Greene said as an example, noting that it would not look to acquire an insurance company.

EBITDA multiples have dipped “at least a couple of turns” from a few years ago, and revenue multiples for businesses without profits have seen aid “a fair amount of compression,” Greene said. Comps in the corporate payments space like **Bill.com** [NYSE:BILL] and **AvidXChange** [NASDAQ:AVDX] are trading at 5x-6x revenue. As a collection of businesses, FLEETCOR trades a little higher, he said.

FLEETCOR, which is rebranding to Corpay next week, has a market cap around USD 21.48bn.