



**WEX Inc.**

WEX (NYSE)  
CIK: 1309108  
United States

**-5.88%**  
Gray Swan  
Event Factor

We expose risks that are frequently missed by equity analysts. These risks materialize when a company publicly discloses failures in their accounting, internal controls and management decisions. We call them Gray Swan Events. Gray Swan Events are reliably predictable public company disclosures which, while infrequent, nearly always lead to a decline in the underlying company's stock price.

Our GSE factors encapsulate this risk in one number which analysts can quickly apply to their estimated future stock price calls to make those calls more accurate.

**Determinants:**

Gray Swan Event	12-Month Forward-looking Probability	Historical Impact	Risk Factor	vs. Avg
Security Class Action	3.55%	-2.52%	-0.09%	+0.21%
Financial Restatements	2.11%	-6.13%	-0.13%	-0.11%
CEO Change	6.83%	-6.30%	-0.43%	+0.08%
CFO Change	20.15%	-1.07%	-0.22%	-0.06%
Material Weakness	17.98%	-1.14%	-0.20%	-0.17%
Mergers & Acquisitions	--	--	-4.81%	-4.81%
Gray Swan Event Factor			<b>-5.88%</b>	<b>-4.86%</b>

Company financial disclosures are imperfect and never fully represent all risks. Equity analysts scrutinize financial disclosures searching for hidden risks and adjust their valuations accordingly. A Gray Swan Event Factor Report helps analysts do this quicker, while also covering considerably more risk factors than a typical analyst could evaluate. We evaluate up to five years of history for 31 accounting, internal controls, and management issues for WEX Inc. and compare those to its peer companies (see exhibit A). Thus, each Gray Swan Event Factor fairly and appropriately calculates a company's future price-risk for unknown, or even deliberately hidden problems that may emerge in the company's future financial disclosures. The last column shows the difference between the risk factor for WEX Inc. and the average. The numbers are red when the risk factor has above average risk and blue when it has below average risk.

**Applying:**

$$\text{Valuation}_2 = (100 - 5.88)\% \times \text{Valuation}_1$$

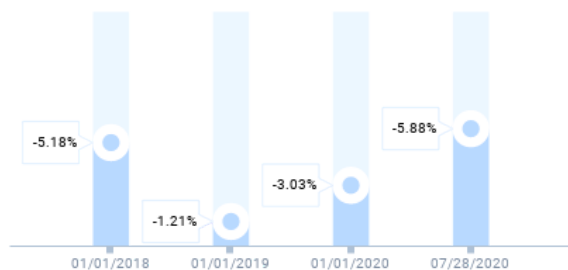
Determine your future price estimate (Valuation1) for WEX before analyzing and assessing its accounting, internal controls and management integrity risks. Multiply Valuation1 by (100 less the Gray Swan Event Factor) to get the adjusted price target (Valuation2).

Your adjusted target price will more accurately represent WEX's future price because it incorporates the expected effects of potential accounting, internal controls and management integrity risks for the next 12 months. Gray Swan Event Factors are updated periodically.

**Factor Benchmarking:**

**Historical Factors:**

WEX Inc.



**Industry Peer Group**

**Company Named Peer Group**

Company	GSE Factor	Risk Ratio	Company	GSE Factor	Risk Ratio
Qivi	-0.27%	0.38	FleetCor Technologi...	-0.39%	0.56
Donnelley Financial...	-0.27%	0.39	CSG Systems Interna...	-0.47%	0.67
Broadridge Financia...	-0.48%	0.68	Broadridge Financia...	-0.48%	0.68
Cardtronics Plc.	-0.66%	0.93	EVO Payments, Inc.	-0.52%	0.74
Evertec, Inc.	-0.70%	1.00	Evertec, Inc.	-0.70%	1.00
Priority Technology...	-0.92%	1.30	Global Payments Inc.	-0.81%	1.15
PaySign, Inc.	-1.17%	1.66	Green Dot Corp.	-1.39%	1.97
<b>WEX Inc.</b>	<b>-5.88%</b>	<b>8.35</b>	<b>WEX Inc.</b>	<b>-5.88%</b>	<b>8.35</b>





**A** Every car driver has some risk of getting in a car accident. Likewise, every public company has some risk of a hidden problem in accounting, internal controls, and/or management integrity. Also, just like a driver's age, record of tickets, past accidents, year of car, model of car, etc., are excellent predictors of a possible car accident and the cost of that accident, a company's past accounting record and the industry's record of stock-price declines for accounting problems are excellent predictors of a company's accounting/disclosure failures and its concurrent stock-price decline.

**B** We have identified six infrequent, but predictable, Gray Swan Events where investors have a clear pattern of depressing a stock's price after the event is disclosed. These six events rarely occur independently. They occur concurrent with other minor events. We calculate our Gray Swan Event Factor for each company by reviewing our database of all these events. We determine the significance of concurring events, the frequency of these events and their time intervals for companies in the same industry, size (large, mid-cap, small). We weight recent events higher than older events. We then calculate investor price responses to those instances of concurring and gray swan events by comparing the stock's price 30-days before the event and 30-days after. Finally, we multiply the expected probability of an event happening in the future for a company by the average historical price decline for that event to determine the event's factor. We then combine event factors into one Gray Swan Event Factor.

**C** Gray Swan Event Factors are an industry standard number like "Beta" or "WACC" numbers. An analyst can study a company's accounting disclosures, internal controls and management practices for 8-10 hours to find risks and issues, or they can simply apply the company's Gray

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**Gray Swan Event Factors™**  
The new standard for fiduciary accountability

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**Applying:**

**C**  $Valuation_2 = (100 - 5.88\%) \times Valuation_1$

**Factor Benchmarking:**

**Historical Factors:**  
WEX Inc.

Industry Peer Group			Company Named Peer Group		
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Swan Event Factor to the analyst's valuation number to calculate a more accurate future price target for the company. To use a Gray Swan Event Factor, analysts first calculate their own price target using their own proprietary method (Valuation1). The analyst's Valuation1 is then multiplied by (100 less the Gray Swan Event Factor) to yield the more accurate Valuation2 price. Estimated time to apply factor = 2 minutes.

**D** We provide an historical graph showing each company's Gray Swan Event Factors at the start of each of the prior years. We also provide a table of peer companies and place the target company in the appropriate order in the peer table. These two references provide context for the company's current Gray Swan Event Factor.

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*"We subscribe to Watchdog Research, Inc.'s Gray Swan Event Factor advisory service to more accurately predict potential future stock price losses from possible failures in accounting, transparency and management actions. Potential future-loss calculations are based on an in-depth 5-year review of each company's accounting and public disclosures covering 31 variables. The 12-month Gray Swan Event Factor for WEX Inc. is -5.88%. We have considered this -5.88% potential loss-risk factor while setting our target price for WEX Inc.."*

*Upon request, we can provide a full copy of Gray Swan Event Factor Report for private use. Watchdog Research, Inc. is an independent research organization that does not make "buy, sell or hold" recommendations and does not trade in public stocks."*

