



WidePoint Corporation

WYY (NYSE American) - Buy \$6 Price Target

2Q Results – August 15, 2024

WidePoint Tracking Well Ahead of Guidance on a Plethora of Major Contract Wins

Analyst: Barry M. Sine, CFA, CMT

- WidePoint is a cybersecurity-focused SaaS (software as a service) company serving mainly highly sensitive government agencies such as the DoD and DHS.
- It reported much better than expected 2Q results on strong demand from both government and commercial customers, driving 35% revenue growth.
- The company also detailed a number of recent and potential major contract wins, which we discuss in this report.
- Management noted that it is now likely to come in at the high end of guidance (which is 25% revenue growth) but with 1H revenue up 35%, it is tracking towards a major beat. So absent unforeseen events, we expect a guidance increase in 90 days with 3Q results.
- The company is also now cash flow positive with EBITDA more than covering minimal CAPX. The free cash flow yield is an attractive 10%.
- WidePoint operates as a SaaS company, but the stock trades at an 80% discount to the lofty 43x EV/EBITDA multiple of SaaS stocks (comps table at the end of this report).
- Our \$6 target implies a multiple of just 10x on our 2025 EBITDA estimate.

Rating	Buy	Earnings Per Share				
Target Price	\$6.00	Normalized to exclude unusual items				
Ticker Symbol	WYY	FYE - December	2023	2024E	2025E	2026E
Market	NASDAQ	1Q - March	(\$0.11)	(\$0.07) A	(\$0.04)	\$0.03
Stock Price	\$3.53	2Q - June	(\$0.10)	(\$0.05) A	(\$0.03)	\$0.01
52 wk High	\$4.55	3Q - September	(\$0.10)	(\$0.06)	(\$0.00)	\$0.04
52 wk Low	\$1.60	4Q - December	(\$0.15)	(\$0.04)	\$0.03	\$0.09
		Year	(\$0.46)	(\$0.23)	(\$0.04)	\$0.17
Shares Outstanding:	9.3 M	Revenue (\$mm)	106.0	130.8	145.6	162.4
Public Market Float:	7.2 M	EV/Rev	0.3X	0.2X	0.2X	0.2X
Avg. Daily Volume	104,785	EBITDA (\$mm)	0.8	3.1	5.1	6.3
Market Capitalization:	\$32.9 M	EV/EBITDA	34.9X	8.9X	5.4X	4.4X
Institutional Holdings:	11.7%					
Dividend Yield:	0.0%					

Risks/Valuation

- The key risk we see is cyber security risks as nearly all of the company's services are provided over the internet and it serves some high visibility customers such as the DoD and DHS.
- We value WYY shares on an EV/EBITDA multiple basis and assume that the current wide valuation gap with larger SaaS comps will narrow as WidePoint's results look more SaaS-like.

Company description: WidePoint is a Fairfax, Virginia-based SaaS company with 80% of its revenue from the U.S. government and 20% from commercial, state, and local customers. Its four product categories are telecom lifecycle management, identity management, telecom billing analytics, and IT as a service.



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WidePoint posted much better-than-expected second-quarter results, reported significant progress on major contracts, and indicated that it now expects to hit the high end of prior guidance for 2024. Management also indicated that it expects to hit positive EPS for the fourth quarter and all of 2025. This is new guidance and is significant for some conservative investors and quant models that value positive net income. We reiterate our Buy rating and \$6 price target.

Revenue came in at \$36.0 million, up 35%. For the first half of the year, revenue is up 35%, tracking well ahead of the 19% growth rate implied by the midpoint of guidance, which was unchanged. The high end of revenue guidance implies 25%, which the company is also tracking ahead of. Core managed services revenue was up 25%. This revenue carries a SaaS-like 31.3% gross margin. Carrier services, which is zero-margin pass-through revenue, grew 43%. This is nearly all from the company's CWMS 2.0 contract with the Department of Homeland Security (DHS).

During the call, management provided visibility on a number of major contracts. The first is its anchor contract with DHS called cellular wireless managed services or CWMS. It has previously won the five-year 1.0 and 2.0 contracts. The 2.0 contract was recently increased from \$500 million to \$754 million. This contract ends in November 2025 but DHS can issue contracts for one year afterward. The transition from 1.0 to 2.0 was messy, with the renewal taking years longer than expected, but DHS found ways to continue to pay WidePoint and the company ultimately won the new contract. The messy part was the investor concerns about the risk of the company's largest contract not being extended. The RFI (request for information) step of 3.0 has concluded and DHS is digesting industry feedback. We expect it to issue an RFQ (request for quotations) soon, which would have a submission deadline date and target contract award date. This contract is expected to be for 10 years (double the 1.0 and 2.0 terms) and roughly \$1.5 billion (double 2.0) so if WidePoint wins, as expected, this would greatly increase certainty and reduce risk.

The next major contract is the Navy's Spiral 4 contract where WidePoint was selected in May as one of seven primes for a ten-year \$2.7 billion contract. We expect that over 90% of this contract will again go to telecom carriers, with WidePoint vying for the managed services portion, so we would caution against dividing the total \$2.7 billion by 7 to get an expectation for the company. Spiral 3 does not end until September and the Navy is only just issuing small task orders, so significant revenue from this contract would not show up until later this year, or more likely in 2025.

Another contract is the NASA SEWP VI contract. SEWP is pronounced as soup and stands for solutions for enterprise-wide procurement. It was originally a vehicle for NASA to procure its IT needs but it was so well done that other government agencies are now procuring services under it, so it is a government-wide contract vehicle. SEWP VI will be a \$60 billion ten-year vehicle, versus \$20 billion previously. WidePoint is bidding as a prime contractor this time, whereas it was previously a subcontractor.

WidePoint has also won another sizable contract with a commercial provider, where the end customer is a government entity. It is not disclosing the identity of either. This contract is expected to start in September, accelerating revenue. It is solely to be managed services from a reporting standpoint and carries a higher gross margin than WidePoint's historic managed services margin, so it should raise the corporate average margin.

In addition, on July 9th the company announced \$2.84 million in orders, most of which were new contracts and the majority of which were commercial customers, whereas WidePoint is heavily skewed toward government customers.

The company also recently issued a press release touting its new MobileAnchor product which uses the tremendous computing power of a smartphone to turn it into a highly secure access card. WidePoint offers solutions for both physical access – smart ID cards – and network cybersecurity. It has won a contract with the Department of Education (DoE) and serves a number of K-12 school districts. For both school shooters



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and ransomware attacks, WidePoint offers security solutions. Presumably, these would be easy sales, but local governments can be tough to sell due to their inertia. Working with the DoE, WidePoint hopes to be able to counter the funding objection by bringing federal funds, so sales should accelerate.

The gross margin came in at 13.6%, down from the 14.6% reported a year ago, solely due to the greater mix of carrier revenue while the core managed services gross margin was up modestly. The EBITDA margin came in at 2.3%, up from 0.5% a year ago, but excluding carrier services revenue, the EBITDA margin was a more respectable 5.2%. For a company where so much of the business is SaaS, we see significant upside. Free cash flow, which is EBITDA minus CAPX, came in positive for the fifth consecutive quarter, at \$800k. This equates to roughly a 10% free cash flow yield, which is very attractive. The company completed a major investment program last year, so CAPX has been minimal this year and should remain so.

Despite the positive operating cash flow, the cash balance has declined from \$6.9 million at the start of the year, to \$4.0 million at the end of June. This is a temporary phenomenon as both billed and unbilled receivables are up significantly as WidePoint works through new billing requirements with the FEMA unit of DHS. Cash balances should rebound by year end, and then grow commensurately with free cash flow generation.

Lastly, EPS came in at negative 5 cents, down from negative 10 cents a year ago. Management expects to report positive EPS in the fourth quarter and for all of 2025. Our forecast is still slightly negative, but improving. We view GAAP EPS as less meaningful than EBITDA, but it does have meaning for certain conservative investors, who only invest in GAAP profitable companies, and for some quant models that invest solely on financial metrics.

We reiterate our Buy rating on WYY shares. They look very cheap on a revenue multiple basis, just 0.2x, due to the high proportion of carrier revenue, but since this revenue has no profit, we view EBITDA metrics as more appropriate. On this basis, the shares trade at 5.4x our 2025 EBITDA estimate. By contrast, a group of 81 SaaS comps trades at an average of 42.7x 2025 EBITDA estimates. Our \$6 price target only assumes a 10.0x multiple.

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YY Shares Trade at an 80% Discount to SaaS Comps on an EV/EBITDA Basis

Ticker	Company	Price Last	Cap \$ millions	EV \$ millions	Gross Margin	2023 EBITDA	2024E EBITDA\$	Growth vs. 2022E	2025E EBITDA\$	Growth vs. 2024E	EV/EBITDA 2025
WYY	WidePoint Corporation	\$3.51	32.68	27.60	33% (1)	0.79	3.10	291.8%	5.09	64.0%	5.4x
WYY	WidePoint Corporation	\$6.00	55.87	50.79	33% (1)	0.79	3.10	291.8%	5.09	64.0%	10.0x
CRM	Salesforce, Inc.	\$254.60	246,707	247,571	67%	6,401.00	15,105	136.0%	16,451	8.9%	15.0x
ADBE	Adobe Inc.	\$535.22	237,317	239,640	87%	7,055.00	10,650	51.0%	11,814	10.9%	20.3x
INTU	Intuit Inc.	\$645.83	180,540	188,128	75%	3,369.00	6,526	93.7%	7,644	17.1%	24.6x
NOW	ServiceNow, Inc.	\$818.80	168,673	170,389	79%	768.00	3,608	369.8%	4,513	25.1%	37.8x
CRWD	CrowdStrike Holdings, Inc. Class A	\$248.11	60,380	60,708	75%	(40.75)	1,021	-2604.2%	1,331	30.4%	45.6x
SHOP	Shopify, Inc. Class A	\$69.90	90,082	85,823	49%	(3,528.83)	1,345	-138.1%	1,843	37.0%	46.6x
WDAY	Workday, Inc. Class A	\$216.39	57,343	56,996	75%	206.76	2,379	1050.6%	2,773	16.6%	20.6x
PLTR	Palantir Technologies Inc. Class A	\$30.39	68,057	72,057	81%	(334.45)	1,016	-403.7%	1,238	21.9%	58.2x
ADSK	Autodesk, Inc.	\$244.61	52,716	54,245	90%	1,165.00	2,290	96.6%	2,516	9.9%	21.6x
SNOW	Snowflake, Inc. Class A	\$127.06	42,540	44,936	66%	(752.46)	245	-132.5%	381	55.6%	118.1x
TEAM	Atlassian Corp Class A	\$143.20	37,275	37,848	82%	(374.58)	1,073	-386.4%	1,178	9.8%	32.1x
SQ	Block, Inc. Class A	\$63.37	39,013	39,558	33%	(58.76)	2,907	-5047.5%	3,659	25.9%	10.8x
HUBS	HubSpot, Inc.	\$484.61	24,884	24,941	84%	(38.53)	520	-1448.4%	623	20.0%	40.0x
VEEV	Veeva Systems Inc Class A	\$190.32	30,766	26,621	71%	546.76	1,068	95.3%	1,215	13.8%	21.9x
ZS	Zscaler, Inc.	\$178.49	26,979	27,873	78%	(183.43)	488	-366.3%	631	29.1%	44.2x
NET	Cloudflare Inc Class A	\$81.75	27,934	28,951	76%	(92.13)	322	-449.5%	424	31.7%	68.3x
ZM	Zoom Video Communications, Inc. Cla	\$56.65	17,519	11,666	70%	590.97	1,860	214.8%	1,906	2.4%	6.1x
IOT	Samsara, Inc. Class A	\$39.83	21,939	23,002	74%	(167.10)	56	-133.3%	135	143.0%	170.3x
MDB	MongoDB, Inc. Class A	\$243.00	17,824	18,224	74%	(294.28)	191	-164.9%	282	47.5%	64.7x
BSY	Bentley Systems, Incorporated Class E	\$49.82	15,053	16,490	75%	297.63	481	61.5%	544	13.2%	30.3x
OKTA	Okta, Inc. Class A	\$92.82	15,616	15,844	74%	(676.00)	546	-180.8%	641	17.4%	24.7x
DT	Dynatrace, Inc.	\$47.40	14,121	13,651	80%	144.58	483	234.2%	572	18.3%	23.9x
AKAM	Akamai Technologies, Inc.	\$101.02	15,307	17,822	57%	1,261.85	1,675	32.8%	1,794	7.1%	9.9x
ESTC	Elastic NV	\$107.16	10,900	11,322	74%	(171.49)	189	-210.3%	262	38.7%	43.1x
ZI	ZoomInfo Technologies Inc	\$9.21	3,364	4,337	84%	330.00	449	36.2%	472	5.0%	9.2x
MNDY	monday.com Ltd.	\$262.18	13,051	12,736	89%	(120.10)	116	-196.9%	152	30.4%	83.9x
GWRE	Guidewire Software, Inc.	\$146.67	12,124	12,392	51%	(161.43)	118	-173.4%	185	55.9%	67.1x
DOCU	DocuSign, Inc.	\$53.59	10,971	11,228	79%	2.76	896	32342.3%	994	10.9%	11.3x
TWLO	Twilio, Inc. Class A	\$61.45	9,869	8,587	47%	(917.35)	825	-189.9%	922	11.8%	9.3x
FFIV	F5, Inc.	\$191.76	11,177	10,333	78%	539.52	1,031	91.0%	1,122	8.8%	9.2x
PCOR	Procore Technologies Inc	\$55.83	8,245	8,109	80%	(211.12)	175	-182.7%	199	14.2%	40.7x
WIX	Wix.com Ltd.	\$158.95	8,845	9,366	66%	(439.05)	363	-182.6%	485	33.8%	19.3x
PAYC	Paycom Software, Inc.	\$156.65	8,997	8,898	74%	571.17	732	28.1%	818	11.7%	10.9x
APPF	AppFolio Inc Class A	\$217.16	7,879	8,135	57%	(30.41)	208	-783.0%	273	31.6%	29.8x
CFLT	Confluent Inc Class A	\$21.31	6,763	6,732	70%	(430.03)	22	-105.2%	74	232.1%	10.5x
DAY	Dayforce, Inc.	\$52.95	8,371	9,434	52%	54.70	499	811.4%	585	17.3%	16.1x
PCTY	Paylocity Holding Corp.	\$150.13	8,342	8,184	68%	134.31	506	276.4%	539	6.7%	15.2x
DSGX	Descartes Systems Group Inc.	\$96.08	8,204	8,171	65%	200.30	284	41.9%	322	13.4%	25.4x
GTLB	Gitlab, Inc. Class A	\$44.12	7,011	6,800	90%	(172.21)	43	-124.7%	82	91.7%	83.3x
DBX	Dropbox, Inc. Class A	\$22.48	7,321	8,438	81%	362.30	1,008	178.1%	1,050	4.2%	8.0x
PATH	UIPath, Inc. Class A	\$11.53	6,604	5,169	85%	(287.16)	162	-156.4%	219	35.3%	23.6x
SPSC	SPS Commerce, Inc.	\$196.27	7,281	7,185	63%	99.51	186	86.7%	220	18.7%	32.6x
HCP	HashiCorp, Inc. Class A	\$33.70	7,034	6,323	81%	(265.84)	(31)	-88.3%	16	-151.1%	398.6x
U	Unity Software, Inc.	\$16.25	6,352	8,109	66%	(663.45)	370	-155.8%	424	14.6%	19.1x
SMAR	Smartsheet, Inc. Class A	\$47.78	6,610	6,418	81%	(169.87)	195	-215.0%	248	26.8%	25.9x
KVYO	Klaviyo, Inc. Class A	\$31.42	8,379	9,132	75%	(40.03)	123	-406.3%	160	30.5%	57.1x
BILL	BILL Holdings, Inc.	\$48.00	5,095	4,629	76%	(225.16)	165	-173.4%	237	43.1%	19.6x
QLYS	Qualys, Inc.	\$125.00	4,601	4,190	81%	168.32	262	55.9%	276	5.2%	15.2x
WK	Workiva Inc. Class A	\$76.33	4,216	4,503	76%	(72.75)	37	-150.7%	61	65.3%	73.9x
BOX	Box, Inc. Class A	\$27.80	4,045	4,925	75%	100.40	322	220.5%	370	14.8%	13.3x
FRSH	Freshworks, Inc. Class A	\$11.24	3,396	2,662	83%	(203.09)	77	-138.1%	111	43.5%	24.0x
BRZE	Braze, Inc. Class A	\$41.47	4,214	4,173	69%	(135.55)	(12)	-90.9%	26	-312.3%	159.4x
QTWO	Q2 Holdings, Inc.	\$69.75	4,205	4,574	45%	(26.24)	118	-549.8%	154	30.6%	29.7x
FROG	JFrog Ltd.	\$26.52	2,928	2,661	77%	(62.73)	64	-201.9%	82	28.9%	32.3x
NCNO	nCino Inc	\$32.35	3,723	3,907	54%	(56.47)	96	-270.2%	126	31.1%	31.0x
DOCN	DigitalOcean Holdings, Inc.	\$35.91	3,306	4,609	59%	86.74	299	244.4%	337	12.8%	13.7x
FIVN	Five9, Inc.	\$31.82	2,378	2,600	51%	13.31	180	1254.2%	213	18.1%	12.2x
RNG	RingCentral, Inc. Class A	\$32.61	2,994	4,982	70%	(602.78)	590	-197.8%	698	18.3%	7.1x
ASAN	Asana, Inc. Class A	\$12.95	2,954	2,774	90%	(388.22)	(40)	-89.7%	7	-118.4%	376.9x
BL	BlackLine, Inc.	\$52.19	3,245	3,573	74%	1.26	157	12427.9%	175	11.4%	20.4x
CXM	Sprinklr, Inc. Class A	\$9.02	2,392	1,941	75%	(28.83)	120	-516.5%	151	25.8%	12.8x
SEMR	SEMrush Holdings, Inc. Class A	\$13.86	2,030	1,924	83%	(21.75)	51	-336.6%	68	31.4%	28.5x
PYCR	Paycor HCM, Inc.	\$12.30	2,192	2,135	50%	23.89	214	796.1%	243	13.4%	8.8x
RAMP	LiveRamp Holdings, Inc.	\$22.29	1,485	1,267	73%	(98.07)	135	-237.4%	162	20.3%	7.8x
APPN	Applian Corporation Class A	\$30.00	2,170	2,325	72%	(141.26)	1	-100.5%	39	5859.0%	59.0x
JAMF	Jamf Holding Corp	\$16.99	2,169	2,599	71%	(64.41)	102	-258.1%	151	48.5%	17.2x
SPT	Sprout Social, Inc. Class A	\$32.11	1,833	1,907	77%	(44.79)	35	-178.6%	54	53.6%	35.3x
PD	PagerDuty, Inc.	\$18.82	1,799	1,898	77%	(83.88)	87	-204.3%	107	22.4%	17.7x
ZUO	Zuora, Inc. Class A	\$8.64	1,280	1,247	66%	(146.15)	92	-163.1%	113	22.6%	11.0x
FSLY	Fastly, Inc. Class A	\$6.20	859	1,000	50%	(81.85)	21	-126.0%	46	113.9%	22.0x
AMPL	Amplitude Inc Class A	\$8.62	1,050	875	74%	(84.19)	2	-102.2%	12	539.4%	74.8x
ZIP	ZipRecruiter, Inc. Class A	\$8.11	806	913	89%	113.26	70	-38.5%	82	17.6%	11.2x
OLO	Olo, Inc. Class A	\$5.33	864	580	61%	(41.05)	31	-176.4%	37	19.0%	15.5x
YEXT	Yext, Inc.	\$4.93	622	447	79%	(36.89)	66	-278.0%	99	50.6%	4.5x
BIGC	BigCommerce Holdings Inc	\$5.58	434	536	72%	(125.17)	20	-116.0%	30	48.2%	18.0x
CCSI	Consensus Cloud Solutions, Inc.	\$19.97	385	1,009	81%	166.97	186	11.5%	188	1.0%	5.4x
DOMO	Domo, Inc. Class B	\$7.62	291	374	71%	(78.86)	(8)	-89.8%	5	-162.5%	74.1x
ASUR	Asure Software, Inc.	\$8.05	213	203	60%	10.49	25	142.7%	29	14.1%	7.0x
MCHX	Marchex, Inc. Class B	\$1.97	86	74	52%	(3.07)	0	-109.4%	1	315.9%	61.7x
TWOU	2U, Inc.	\$0.55	2	875	73%	(111.65)	123	-210.1%	135	10.0%	6.5x
Average					71.4%				102.0%		42.7x

Source: Litchfield Hills Research and Company reports



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Glossary

ABaaS - Analytics & Billing as a Service

BPA – Blanket purchase agreement. A U.S. government contract term that allows the contract agency a blanket agreement to purchase goods or services.

COOP – Continuity of Operations Plan

CWMS - Cellular Wireless Managed Services

DB – digital billing

DB&A – digital billing and analytics

DHS – Department of Homeland Security

DoJ – Department of Justice

FedRAMP – Federal Risk and Authorization Management Program is a standardized government program run by the General Services Administration for security assessment, authorization, and continuous monitoring of cloud services provided to government agencies. The GSA established the FedRAMP management office in 2012 to create a unified government standard and disparate programs at individual agencies.

IAM - Identity and Access Management

IDIQ – Indefinite delivery, indefinite quantity. A government term for contract vehicles that allow the agency to buy as much of the good or service they want, on any schedule they want.

IdM – Identity management

ITA – IT Authorities – Tampa-based IT services company acquired in October 2021 for \$8.0 million.

ITaaS - IT as a Service

ITMS – a trademarked term for the Intelligent Telecommunications Management System WidePoint provides to the Department of Homeland Security

MMS - Managed Mobility Services

SEWP - Solutions for Enterprise-Wide Procurement

TLM – telecom lifecycle management

TM2 – trusted mobility management

TaaS – technology management as a service. It allows customers to securely manage the entire lifecycle of their mobile communications assets such as laptops, smartphones, and tablets.

UCA – unified communications analytics

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WidePoint Corporation – Income Forecast

Dollars in thousands, except per share data

Fiscal years ended December 31

	2024E					2025E					2026E				
	1QA	2QA	3Q	4Q	YEAR	1Q	2Q	3Q	4Q	YEAR	1Q	2Q	6,341	4Q	YEAR
Carrier services	19,382,669	20,403,280	15,673,943	16,848,958	72,308,850	20,739,456	21,831,510	16,771,119	18,028,385	77,370,470	22,191,218	23,359,715	17,945,098	19,290,372	82,786,403
YoY growth	42.5%	43.3%	7.0%	7.0%	24.2%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%
Managed services	14,824,610	15,637,491	12,969,581	15,011,370	58,443,052	17,048,302	17,983,115	15,174,410	18,013,644	68,219,470	19,605,547	20,680,582	17,754,059	21,616,373	79,656,561
YoY growth	27.0%	24.9%	17.0%	20.0%	22.3%	15.0%	15.0%	17.0%	20.0%	16.7%	15.0%	15.0%	17.0%	20.0%	16.8%
Revenue	34,207,279	36,040,771	28,643,524	31,860,328	130,751,902	37,787,757	39,814,624	31,945,529	36,042,029	145,589,940	41,796,764	44,040,297	35,699,157	40,906,745	162,442,964
YoY growth	35.3%	34.7%	11.3%	12.8%	23.3%	10.5%	10.5%	11.5%	13.1%	11.3%	10.6%	10.6%	11.8%	13.5%	11.6%
Seq growth	21.1%	5.4%	-20.5%	11.2%		18.6%	5.4%	-19.8%	12.8%		16.0%	5.4%	-18.9%	14.6%	
Cost of services															
Carrier	19,382,669	20,403,280	15,673,943	16,848,958	72,308,850	20,739,456	21,831,510	16,771,119	18,028,385	77,370,470	22,191,218	23,359,715	17,945,098	19,290,372	82,786,403
Gross margin %	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Managed services	10,158,719	10,744,269	8,911,191	10,314,071	40,128,250	11,592,845	12,228,518	10,242,727	12,159,210	46,223,299	13,135,716	13,855,990	11,895,220	14,482,970	53,369,896
Gross margin %	31.5%	31.3%	31.3%	31.3%	31.3%	32.0%	32.0%	32.5%	32.5%	32.2%	33.0%	33.0%	33.0%	33.0%	33.0%
Total cost of revenue	29,541,388	31,147,549	24,585,134	27,163,030	112,437,101	32,332,301	34,060,028	27,013,846	30,187,595	123,593,769	35,326,934	37,215,705	29,840,317	33,773,342	136,156,299
As a percent of revenue	86.4%	86.4%	85.8%	85.3%	86.0%	85.6%	85.5%	84.6%	83.8%	84.9%	84.5%	84.5%	83.6%	82.6%	83.8%
Gross margin	4,665,891	4,893,222	4,058,390	4,697,299	18,314,802	5,455,456	5,754,597	4,931,683	5,854,434	21,996,171	6,469,830	6,824,592	5,858,840	7,133,403	26,286,665
As a percent of revenue	13.6%	13.6%	14.2%	14.7%	14.0%	14.4%	14.5%	15.4%	16.2%	15.1%	15.5%	15.5%	16.4%	17.4%	16.2%
Sales and marketing	611,893	559,926	716,088	796,508	2,684,415	755,755	796,292	638,911	720,841	2,911,799	835,935	1,101,007	892,479	1,022,669	3,852,090
As a percent of revenue	1.8%	1.6%	2.5%	2.5%	2.1%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.5%	2.5%	2.5%	2.4%
General and administrative	4,448,483	4,542,769	3,610,381	4,015,844	16,617,477	4,723,470	4,976,828	3,993,191	4,505,254	18,198,742	5,015,612	5,284,836	4,283,899	4,908,809	19,493,156
As a percent of revenue	13.0%	12.6%	12.6%	12.6%	12.7%	12.5%	12.5%	12.5%	12.5%	12.5%	12.0%	12.0%	12.0%	12.0%	12.0%
Impairment															
Depreciation and amortization	256,534	252,112	300,000	300,000	1,108,646	300,000	300,000	300,000	300,000	1,200,000	300,000	300,000	300,000	300,000	1,200,000
Operating income	(651,019)	(461,585)	(568,079)	(415,053)	(2,095,736)	(323,768)	(318,524)	(419)	328,340	(314,371)	318,283	138,749	382,462	901,925	1,741,419
Operating margin	-1.9%	-1.3%	-2.0%	-1.3%	-1.6%	-0.9%	-0.8%	0.0%	0.9%	-0.2%	0.8%	0.3%	1.1%	2.2%	1.1%
Interest income	49,426	51,725	50,000	50,000	201,151	50,000	50,000	50,000	50,000	200,000	25,000	25,000	25,000	25,000	100,000
Interest expense	(58,737)	(72,331)	(55,000)	(55,000)	(241,068)	(55,000)	(55,000)	(55,000)	(55,000)	(220,000)	(55,000)	(55,000)	(55,000)	(55,000)	(220,000)
Other income	(34,781)	(1,534)	(2,000)	(2,000)	(40,315)	(2,000)	(2,000)	(2,000)	(2,000)	(8,000)	-	-	-	-	-
Pretax income	(695,111)	(483,725)	(575,079)	(422,053)	(2,175,968)	(330,768)	(325,524)	(7,419)	321,340	(342,371)	288,283	108,749	352,462	871,925	1,621,419
Taxes	(42,091)	15,828	-	-	(26,263)	-	-	-	-	-	-	-	-	-	-
tax rate	6.1%	-3.3%	0.0%	0.0%	1.2%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Net income to common	(653,020)	(499,553)	(575,079)	(422,053)	(2,149,705)	(330,768)	(325,524)	(7,419)	321,340	(342,371)	288,283	108,749	352,462	871,925	1,621,419
Net income margin	-1.9%	-1.4%	-2.0%	-1.3%	-1.6%	-0.9%	-0.8%	0.0%	0.9%	-0.2%	0.7%	0.2%	1.0%	2.1%	1.0%
Diluted shares outstanding	8,897,819	9,390,154	9,390,154	9,390,154	9,267,070	9,390,154	9,390,154	9,390,154	9,390,154	9,390,154	9,480,154	9,570,154	9,660,154	9,750,154	9,615,154
Seq change	(87,071)	492,335	-	-	-	-	-	-	-	-	90,000	90,000	90,000	90,000	-
EPS diluted - continuing	(\$0.07)	(\$0.05)	(\$0.06)	(\$0.04)	(\$0.23)	(\$0.04)	(\$0.03)	(\$0.00)	\$0.03	(\$0.04)	\$0.03	\$0.01	\$0.04	\$0.09	\$0.17
EBITDA															
Net loss	(653,020)	(499,553)	(575,079)	(422,053)	(2,149,705)	(330,768)	(325,524)	(7,419)	321,340	(342,371)	288,283	108,749	352,462	871,925	1,621,419
Depreciation and amortization	833,300	906,900	900,000	900,000	3,540,200	900,000	900,000	900,000	900,000	3,600,000	900,000	900,000	900,000	900,000	3,600,000
Income tax	(42,091)	15,800	-	-	(26,291)	-	-	-	-	-	-	-	-	-	-
Interest income	(49,426)	(51,725)	(50,000)	(50,000)	(201,151)	(50,000)	(50,000)	(50,000)	(50,000)	(200,000)	(25,000)	(25,000)	(25,000)	(25,000)	(100,000)
Interest expense	58,737	72,400	55,000	55,000	241,137	55,000	55,000	55,000	55,000	220,000	55,000	55,000	55,000	55,000	220,000
Other income	-	-	2,000	2,000	4,000	2,000	2,000	2,000	2,000	8,000	-	-	-	-	-
EBITDA	147,500	443,822	331,921	484,947	1,408,190	576,232	581,476	899,581	1,228,340	3,285,629	1,218,283	1,038,749	1,282,462	1,801,925	5,341,419
Loss on factoring receivables	7,282	1,666	-	-	8,948	-	-	-	-	-	-	-	-	-	-
Stock based comp	417,800	365,900	450,000	450,000	1,683,700	450,000	450,000	450,000	450,000	1,800,000	250,000	250,000	250,000	250,000	1,000,000
Adjusted EBITDA	572,582	811,388	781,921	934,947	3,100,838	1,026,232	1,031,476	1,349,581	1,678,340	5,085,629	1,468,283	1,288,749	1,532,462	2,051,925	6,341,419
EBITDA margin	1.7%	2.3%	2.7%	2.9%	2.4%	2.7%	2.6%	4.2%	4.7%	3.5%	3.5%	2.9%	4.3%	5.0%	3.9%
YoY growth	2776.6%	477.7%	245.2%	131.1%	291.8%	79.2%	27.1%	72.6%	79.5%	64.0%	43.1%	24.9%	13.6%	22.3%	24.7%
CAPX	6,494	11,507	25,000	25,000	68,001	100,000	20,000	20,000	20,000	160,000	100,000	20,000	20,000	20,000	160,000
Free Cash Flow	566,088	799,881	756,921	909,947	3,032,837	926,232	1,011,476	1,329,581	1,658,340	4,925,629	1,368,283	1,268,749	1,512,462	2,031,925	6,181,419

Source: Company reports and Litchfield Hills Research LLC

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