

WidePoint Corporation

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

April 16, 2025

DOGE is More of a Tailwind than A Headwind / WidePoint F24 Beats Guidance, Consensus, and Our Estimates - Reiterate Buy

Analyst: Barry M. Sine, CFA, CMT

- WidePoint reported much better than expected 4Q and full-year 2024 results with revenue up 35% for the year and EBITDA and free cash flow solidly in the black. Results exceeded prior guidance, consensus, and our estimates.
- Detailed guidance is expected with 1Q results, as usual, but for now, management expects to continue its double-digit growth trajectory with positive EPS for the year. Positive EPS is an important metric for the many quant funds that control over half the market volume today.
- More importantly, EBITDA is now consistently positive and should continue to grow. 2Q17 was the last quarter of negative adjusted EBITDA. The stock trades at an EV/EBITDA ratio of just 3.2x our F25 estimate and 2.7x our F26 estimate. Should the company hit our estimates, or even come close, we think these low multiples will generate buying activity.
- During the company's earnings call, there was a great deal of discussion about the state of government spending since the U.S. government is the company's predominant customer. Its main customer is the Department of Homeland Security, which is seeing an increase in its budget, not a decline.
- WidePoint also offers, and has long offered, several services that improve efficiency and cut waste, and is working to get DOGE's attention.
- CEO Jin Kang closed the earnings call saying that "DOGE is more of a tailwind than a headwind". Based on the stock's recent trading activity, we think the market's perception is the complete opposite, suggesting a buying opportunity in the stock.
- We reiterate our Buy rating and \$6 price target. Our updated model is included in this report.

Rating	Buy	Earnings Per Share				Normalized to exclude unusual items			
Target Price	\$6.00	FYE - December				2023	2024	2025E	2026E
Ticker Symbol	WYY	1Q - March				(\$0.11)	(\$0.07)	(\$0.00)	\$0.05
Market	NASDAQ	2Q - June				(\$0.10)	(\$0.05)	\$0.00	\$0.05
Stock Price	\$2.63	3Q - September				(\$0.10)	(\$0.04)	(\$0.01)	\$0.03
52 wk High	\$6.25	4Q - December				(\$0.15)	(\$0.04)	\$0.03	\$0.07
52 wk Low	\$1.83	Year				(\$0.46)	(\$0.21)	\$0.02	\$0.21
Shares Outstanding:	9.8 M	Revenue (\$mm)				106.0	142.6	162.1	182.8
Public Market Float:	7.7 M	EV/Rev				0.2X	0.1X	0.1X	0.1X
Avg. Daily Volume	30,179	EBITDA (\$mm)				0.8	2.6	5.7	6.7
Market Capitalization:	\$25.7 M	EV/EBITDA				22.6X	6.9X	3.2X	2.7X
Institutional Holdings:	13.7%								
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 Corporation – Income Forecast

Dollars in thousands, except per share data
Fiscal years ended December 31

	2024					2025E					2026E				
	1Q	2Q	3Q	4Q	YEAR	1Q	2Q	3Q	4Q	YEAR	1Q	2Q	6,680	4Q	YEAR
Carrier services	19,382,669	20,403,280	22,412,970	24,594,810	86,793,729	21,320,936	22,443,608	24,654,267	27,054,291	95,473,102	23,453,029	24,687,969	27,119,694	29,759,720	105,020,412
YoY growth	42.5%	43.3%	53.0%	56.2%	49.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%
Managed services	14,824,610	15,637,493	12,207,463	13,108,454	55,778,020	17,048,302	17,983,117	15,259,329	16,385,568	66,676,315	19,605,547	20,680,547	17,853,415	19,662,681	77,802,227
YoY growth	27.0%	24.9%	10.1%	4.8%	16.7%	15.0%	15.0%	25.0%	25.0%	19.5%	15.0%	15.0%	17.0%	20.0%	16.7%
Revenue	34,207,279	36,040,773	34,620,433	37,703,264	142,571,749	38,369,237	40,426,725	39,913,596	43,439,859	162,149,417	43,058,576	45,368,553	44,973,108	49,422,401	182,822,639
YoY growth	35.3%	34.7%	34.5%	33.4%	34.5%	12.2%	12.2%	15.3%	15.2%	13.7%	12.2%	12.2%	12.7%	13.8%	12.7%
Seq growth	21.1%	5.4%	-3.9%	8.9%		1.8%	5.4%	-1.3%	8.8%		-0.9%	5.4%	-0.9%	9.9%	
Cost of services															
Carrier	19,382,669	20,403,280	22,412,970	24,594,810	86,793,729	21,320,936	22,443,608	24,654,267	27,054,291	95,473,102	23,453,029	24,687,969	27,119,694	29,759,720	105,020,412
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	7,515,097	8,355,530	36,773,615	11,507,604	12,138,604	10,223,750	10,814,475	44,684,432	12,939,661	13,649,186	11,783,254	12,977,369	51,349,470
Gross margin %	31.5%	31.3%	38.4%	36.3%	34.1%	32.5%	32.5%	33.0%	34.0%	33.0%	34.0%	34.0%	34.0%	34.0%	34.0%
Total cost of revenue	29,541,388	31,147,549	29,928,067	32,950,340	123,567,344	32,828,539	34,582,212	34,878,017	37,868,766	140,157,534	36,392,690	38,337,155	38,902,947	42,737,090	156,369,882
As a percent of revenue	86.4%	86.4%	86.4%	87.4%	86.7%	85.6%	85.5%	87.4%	87.2%	86.4%	84.5%	84.5%	86.5%	86.5%	85.5%
Gross margin	4,665,891	4,893,224	4,692,366	4,752,924	19,004,405	5,540,698	5,844,513	5,035,578	5,571,093	21,991,882	6,665,886	7,031,399	6,070,161	6,685,312	26,452,757
As a percent of revenue	13.6%	13.6%	13.6%	12.6%	13.3%	14.4%	14.5%	12.8%	12.8%	13.6%	15.5%	15.5%	13.5%	13.5%	14.5%
Sales and marketing	611,893	559,926	530,391	560,056	2,262,266	690,646	727,681	478,963	434,399	2,331,689	775,054	816,634	539,677	494,224	2,625,590
As a percent of revenue	1.8%	1.6%	1.5%	1.5%	1.6%	1.8%	1.8%	1.2%	1.0%	1.4%	1.8%	1.8%	1.2%	1.0%	1.4%
General and administrative	4,448,483	4,542,769	4,352,980	4,277,156	17,621,388	4,604,308	4,851,207	4,390,496	4,561,185	18,407,196	5,167,029	5,444,226	4,947,042	5,189,352	20,747,650
As a percent of revenue	13.0%	12.6%	12.6%	11.3%	12.4%	12.0%	12.0%	11.0%	10.5%	11.4%	12.0%	12.0%	11.0%	10.5%	11.3%
Impairment															
Depreciation and amortization	256,534	252,112	259,980	232,507	1,001,133	250,000	250,000	250,000	250,000	1,000,000	250,000	250,000	250,000	250,000	1,000,000
Operating income	(651,019)	(461,583)	(450,985)	(316,795)	(1,880,382)	(4,257)	15,625	(83,880)	325,509	252,997	473,802	520,538	333,442	751,735	2,079,518
Operating margin	-1.9%	-1.3%	-1.3%	-0.8%	-1.3%	0.0%	0.0%	-0.2%	0.7%	0.2%	1.1%	1.1%	0.7%	1.5%	1.1%
Interest income	49,426	51,725	59,882	53,554	214,587	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)	(52,911)	(58,856)	(242,835)	(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)	99	6,808	(29,408)	(2,000)	(2,000)	(2,000)	(2,000)	(8,000)	-	-	-	-	-
Pretax income	(695,111)	(483,723)	(443,915)	(315,289)	(1,938,038)	(11,257)	8,625	(90,880)	318,509	224,997	443,802	490,538	303,442	721,735	1,959,518
Taxes	(42,091)	15,828	(18,705)	41,209	(3,759)	-	-	-	-	-	-	-	-	-	-
Tax rate	6.1%	-3.3%	4.2%	-13.1%	0.2%	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)	(499,551)	(425,210)	(356,498)	(1,934,279)	(11,257)	8,625	(90,880)	318,509	224,997	443,802	490,538	303,442	721,735	1,959,518
Net income margin	-1.9%	-1.4%	-1.2%	-0.9%	-1.4%	0.0%	0.0%	-0.2%	0.7%	0.1%	1.0%	1.1%	0.7%	1.5%	1.1%
Diluted shares outstanding	8,897,819	9,390,154	9,485,508	9,319,300	9,319,300	9,319,300	9,319,300	9,319,300	9,319,300	9,319,300	9,409,300	9,499,300	9,589,300	9,679,300	9,544,300
Seq change	(87,071)	492,335	95,354	(166,208)							90,000	90,000	90,000	90,000	
EPS diluted - continuing	(\$0.07)	(\$0.05)	(\$0.04)	(\$0.04)	(\$0.21)	(\$0.00)	\$0.00	(\$0.01)	\$0.03	\$0.02	\$0.05	\$0.05	\$0.03	\$0.07	\$0.21
EBITDA	(653,020)	(499,551)	(425,210)	(356,498)	(1,934,279)	(11,257)	8,625	(90,880)	318,509	224,997	443,802	490,538	303,442	721,735	1,959,518
Net loss															
Depreciation and amortization	833,300	906,900	821,700	706,920	3,268,820	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	(18,700)	41,232	(3,759)	-	-	-	-	-	-	-	-	-	-
Interest income	(49,426)	(51,725)	(59,882)	(53,554)	(214,587)	(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	52,900	58,763	242,800	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	2,000	2,000	8,000	-	-	-	-	-
EBITDA	147,500	443,824	370,808	396,863	1,358,995	895,743	915,625	816,120	1,225,509	3,852,997	1,373,802	1,420,538	1,233,442	1,651,735	5,679,518
Loss on factoring receivables	7,282	1,666	-	-	8,948										
Stock based comp	417,800	365,900	202,600	224,947	1,211,247	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	811,390	573,408	621,810	2,579,190	1,345,743	1,365,625	1,266,120	1,675,509	5,652,997	1,623,802	1,670,538	1,483,442	1,901,735	6,679,518
EBITDA margin	1.7%	2.3%	1.7%	1.6%	1.8%	3.4%	3.4%	3.2%	3.9%	3.5%	3.8%	3.7%	3.3%	3.7%	3.7%
YoY growth	2776.6%	477.8%	153.1%	53.7%	225.9%	135.0%	68.3%	120.8%	169.5%	119.2%	20.7%	22.3%	17.2%	13.5%	18.2%
CAPX	6,494	11,507	62,701	37,236	117,938	50,000	50,000	50,000	50,000	200,000	50,000	50,000	50,000	50,000	200,000
Free Cash Flow	566,088	799,883	510,707	584,574	2,461,252	1,295,743	1,315,625	1,216,120	1,625,509	5,452,997	1,573,802	1,620,538	1,433,442	1,851,735	6,479,518
As a percent of revenue	1.7%	2.2%	1.5%	1.6%	1.7%	3.4%	3.3%	3.0%	3.7%	3.4%	3.7%	3.6%	3.2%	3.7%	3.5%

Source: Company reports and Litchfield Hills Research LLC

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