



WidePoint Corporation

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

April 7, 2025

WidePoint was DOGE When DOGE Wasn't Cool - Reiterate Buy

Analyst: Barry M. Sine, CFA, CMT

- We continue to see significant upside potential for WidePoint Corporation (WYY), which we believe remains undervalued in the market, especially amidst the ongoing focus on government efficiency initiatives.
- With heightened attention on the Digital Optimization Government Efficiency (DOGE) initiative, WidePoint's specialized service offerings are underappreciated, presenting a unique opportunity for investors.
- WidePoint's innovative solutions for device management and telecom billing analytics align seamlessly with DOGE's goals of reducing waste and improving government operational efficiency.
- We maintain our Buy rating and a \$6 price target, reflecting a substantial upside from current levels.

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	(\$0.03)	\$0.03
Stock Price	\$2.92	2Q - June	(\$0.10)	(\$0.05) A	(\$0.03)	\$0.01
52 wk High	\$6.25	3Q - September	(\$0.10)	(\$0.04) A	(\$0.13)	(\$0.10)
52 wk Low	\$1.83	4Q - December	(\$0.15)	(\$0.07)	(\$0.00)	\$0.05
		Year	(\$0.46)	(\$0.24)	(\$0.20)	(\$0.01)
Shares Outstanding:	9.8 M	Revenue (\$mm)	106.0	136.0	150.9	167.9
Public Market Float:	7.7 M	EV/Rev	0.2X	0.2X	0.2X	0.1X
Avg. Daily Volume	30,450	EBITDA (\$mm)	0.8	2.3	3.5	4.6
Market Capitalization:	\$28.6 M	EV/EBITDA	29.0X	10.2X	6.5X	5.0X
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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Strategic Alignment with DOGE Goals:

WidePoint offers two key services that directly support DOGE's mission to streamline government processes and cut unnecessary expenses. The company's device management service provides a comprehensive solution for managing government-issued mobile devices and laptops from issuance through retirement, a service currently used by the Department of Homeland Security (DHS) but applicable across all federal agencies. This service could be a game-changer in promoting efficiency and reducing unnecessary administrative costs at the federal level.

In addition, WidePoint's telecom billing analytics tool identifies overbillings on government telecom and internet services, addressing common billing inefficiencies such as active services for employees who have already separated from their agencies. Given the reported 7% attrition rate in the federal workforce, this could translate to significant savings by eliminating wasteful charges.

Significant Cost Savings Opportunity:

With a growing number of federal employees leaving government service, it is highly likely that many devices and associated telecom services are not being properly deactivated or returned. WidePoint's services could play a pivotal role in closing this gap, potentially saving the federal government tens of billions of dollars by eliminating unnecessary spending on unused devices and services.

Potential for Major Government Contracts:

WidePoint is actively working to make the DOGE team aware of its services, and we see the potential for major contract wins if the company successfully garners attention from key stakeholders, including figures like Elon Musk or even former President Donald Trump. Given the government's extensive existing contract vehicles, WidePoint could quickly capture new business across multiple federal agencies.

Delayed Reporting of 10-K Filing:

While there has been a slight delay in the filing of WidePoint's 10-K and its associated earnings call, we view this as a minor issue related to the timing of revenue recognition. This delay has no impact on the company's cash flow, nor does it significantly affect the timing of when revenue will be recognized. We continue to expect the company to exceed the high end of its 2024 revenue guidance once the earnings report is released..

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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	3QA	4Q	YEAR	1Q	2Q	3Q	4Q	YEAR	1Q	2Q	4,618	4Q	YEAR
Carrier services	19,382,669	20,403,280	22,412,970	17,321,359	79,520,278	20,739,456	21,831,510	23,981,878	18,533,854	85,086,697	22,191,218	23,359,715	25,660,609	19,831,224	91,042,766
YoY growth	42.5%	43.3%	53.0%	10.0%	36.6%	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	15,637,493	12,207,463	13,760,423	56,429,989	17,048,302	17,983,117	14,282,732	16,512,507	65,826,657	19,605,547	20,680,584	16,710,796	19,815,008	76,811,936
YoY growth	27.0%	24.9%	10.1%	10.0%	18.1%	15.0%	15.0%	17.0%	20.0%	16.7%	15.0%	15.0%	17.0%	20.0%	16.7%
Revenue	34,207,279	36,040,773	34,620,433	31,081,782	135,950,267	37,787,757	39,814,627	38,264,610	35,046,361	150,913,355	41,796,764	44,040,300	42,371,405	39,646,232	167,854,702
YoY growth	35.3%	34.7%	34.5%	10.0%	28.2%	10.5%	10.5%	10.5%	12.8%	11.0%	10.6%	10.6%	10.7%	13.1%	11.2%
Seq growth	21.1%	5.4%	-3.9%	-10.2%		21.6%	5.4%	-3.9%	-8.4%		19.3%	5.4%	-3.8%	-6.4%	
Cost of services															
Carrier	19,382,669	20,403,280	22,412,970	17,321,359	79,520,278	20,739,456	21,831,510	23,981,878	18,533,854	85,086,697	22,191,218	23,359,715	25,660,609	19,831,224	91,042,766
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	9,494,692	37,912,777	11,592,845	12,228,520	9,640,844	11,145,942	44,608,151	13,135,716	13,855,992	11,196,233	13,276,056	51,463,997
Gross margin %	31.5%	31.3%	38.4%	31.0%	32.8%	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	29,928,067	26,816,051	117,433,055	32,332,301	34,060,029	33,622,722	29,679,796	129,694,848	35,326,934	37,215,707	36,856,843	33,107,280	142,506,763
As a percent of revenue	86.4%	86.4%	86.4%	86.3%	86.4%	85.6%	85.5%	87.9%	84.7%	85.9%	84.5%	84.5%	87.0%	83.5%	84.9%
Gross margin	4,665,891	4,893,224	4,692,366	4,265,731	18,517,212	5,455,456	5,754,597	4,641,888	5,366,565	21,218,506	6,469,830	6,824,593	5,514,563	6,538,953	25,347,939
As a percent of revenue	13.6%	13.6%	13.6%	13.7%	13.6%	14.4%	14.5%	12.1%	15.3%	14.1%	15.5%	15.5%	13.0%	16.5%	15.1%
Sales and marketing	611,893	559,926	530,391	621,636	2,323,846	755,755	796,293	765,292	700,927	3,018,267	835,935	1,101,007	1,059,285	991,156	3,987,384
As a percent of revenue	1.8%	1.6%	1.5%	2.0%	1.7%	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	4,352,980	4,040,632	17,384,864	4,723,470	4,976,828	4,783,076	4,380,795	18,864,169	5,015,612	5,284,836	5,084,569	4,757,548	20,142,564
As a percent of revenue	13.0%	12.6%	12.6%	13.0%	12.8%	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	259,980	300,000	1,068,626	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)	(461,583)	(450,985)	(696,536)	(2,260,123)	(323,768)	(318,523)	(1,206,481)	(15,158)	(1,863,930)	318,283	138,749	(929,291)	490,249	17,991
Operating margin	-1.9%	-1.3%	-1.3%	-2.2%	-1.7%	-0.9%	-0.8%	-3.2%	0.0%	-1.2%	0.8%	0.3%	-2.2%	1.2%	0.0%
Interest income	49,426	51,725	59,882	50,000	211,033	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)	(55,000)	(238,979)	(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	(2,000)	(38,216)	(2,000)	(2,000)	(2,000)	(2,000)	(8,000)	-	-	-	-	-
Pretax Income	(695,111)	(483,723)	(443,915)	(703,536)	(2,326,285)	(330,768)	(325,523)	(1,213,481)	(22,158)	(1,891,930)	288,283	108,749	(959,291)	460,249	(102,009)
Taxes	(42,091)	15,828	(18,705)	-	(44,968)	-	-	-	-	-	-	-	-	-	-
Tax rate	6.1%	-3.3%	4.2%	0.0%	1.9%	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)	(703,536)	(2,281,317)	(330,768)	(325,523)	(1,213,481)	(22,158)	(1,891,930)	288,283	108,749	(959,291)	460,249	(102,009)
Net income margin	-1.9%	-1.4%	-1.2%	-2.3%	-1.7%	-0.9%	-0.8%	-3.2%	-0.1%	-1.3%	0.7%	0.2%	-2.3%	1.2%	-0.1%
Diluted shares outstanding	8,897,819	9,390,154	9,485,508	9,485,508	9,314,747	9,485,508	9,485,508	9,485,508	9,485,508	9,485,508	9,575,508	9,665,508	9,755,508	9,845,508	9,710,508
Seq change	(87,071)	492,335	95,354	-	-	-	-	-	-	-	90,000	90,000	90,000	90,000	90,000
EPS diluted - continuing	(\$0.07)	(\$0.05)	(\$0.04)	(\$0.07)	(\$0.24)	(\$0.03)	(\$0.03)	(\$0.13)	(\$0.00)	(\$0.20)	\$0.03	\$0.01	(\$0.10)	\$0.05	(\$0.01)
EBITDA															
Net loss	(653,020)	(499,551)	(425,210)	(703,536)	(2,281,317)	(330,768)	(325,523)	(1,213,481)	(22,158)	(1,891,930)	288,283	108,749	(959,291)	460,249	(102,009)
Depreciation and amortization	833,300	906,900	821,700	800,000	3,361,900	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)	-	(44,991)	-	-	-	-	-	-	-	-	-	-
Interest income	(49,426)	(51,725)	(59,882)	(50,000)	(211,033)	(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	55,000	239,037	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	2,000	2,000	8,000	-	-	-	-	-
EBITDA	147,500	443,824	370,808	103,464	1,065,596	576,232	581,477	(306,481)	884,842	1,736,070	1,218,283	1,038,749	(29,291)	1,390,249	3,617,991
Loss on factoring receivables	7,282	1,666	-	-	8,948	-	-	-	-	-	-	-	-	-	-
Stock based comp	417,800	365,900	202,600	200,000	1,186,300	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	303,464	2,260,844	1,026,232	1,031,477	143,519	1,334,842	3,536,070	1,468,283	1,288,749	220,709	1,640,249	4,617,991
EBITDA margin	1.7%	2.3%	1.7%	1.0%	1.7%	2.7%	2.6%	0.4%	3.8%	2.3%	3.5%	2.9%	0.5%	4.1%	2.8%
YoY growth	2776.6%	477.8%	153.1%	-25.0%	185.7%	79.2%	27.1%	-75.0%	339.9%	56.4%	43.1%	24.9%	53.8%	22.9%	30.6%
CAFX	6,494	11,507	62,701	50,000	130,702	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	799,883	510,707	253,464	2,130,142	926,232	1,011,477	123,519	1,314,842	3,376,070	1,368,283	1,268,749	200,709	1,620,249	4,457,991
As a percent of revenue	1.7%	2.2%	1.5%	0.8%	1.6%	2.5%	2.5%	0.3%	3.8%	2.2%	3.3%	2.9%	0.5%	4.1%	2.7%

Source: Company reports and Litchfield Hills Research LLC



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