

WidePoint Corporation

WYY (NYSE American) - Buy \$8 Price Target

May 16, 2025

Raising Target to \$8 as WidePoint Reports Strong Q1 and Guidance - Reiterate Buy

Analyst: Barry M. Sine, CFA, CMT

- WidePoint reported better-than-expected first-quarter results, even with the negative impact of an out-of-period accounting adjustment that cut revenue by \$2.7 million and EBITDA by \$200k
- Management also reported strong progress on several of its major government contracts.
 - The company is confident that it is poised to win the third iteration of the Department of Homeland Security's (DHS) Cellular Wireless Managed Services (CWMS) contract, which should go out for bids this year or get extended if this is not done by the November 2025 deadline.
 - The \$2.7 billion, ten-year, Spiral 4 contract for the U.S. Navy, where WidePoint was one of seven winners last year, is now putting out orders, and the company is doing well. Even if the company is the lowest recipient of orders under this contract, it would represent a major revenue boost.
- New guidance calls for a revenue midpoint of \$158.8 million and an EBITDA midpoint of \$2.9 million. The company is also guided to free cash flow of \$2.5 million and positive EPS for the year. The free cash flow is especially notable as the company ended the quarter with \$3.7 million in cash, so it has numerous options to boost shareholder value, including buybacks and acquisitions.
- We raise our price target from \$6, which is just above the current price, to \$8. Even at this level, WYY shares would still trade at roughly half the value of SaaS comparables. It does, however, report a lower gross margin due to a sizable complement of carrier services revenue, which is essentially zero margin.

Rating	Buy	Earnings Per Share			
Target Price	\$8.00	Normalized to exclude unusual items			
Ticker Symbol	WYY	FYE - December	2023	2024	2025E
Market	NASDAQ	1Q - March	(\$0.11)	(\$0.07)	(\$0.08) A
Stock Price	\$5.30	2Q - June	(\$0.10)	(\$0.05)	\$0.03
52 wk High	\$6.25	3Q - September	(\$0.10)	(\$0.04)	(\$0.04)
52 wk Low	\$2.19	4Q - December	(\$0.15)	(\$0.04)	(\$0.04)
		Year	(\$0.46)	(\$0.21)	(\$0.13)
Shares Outstanding:	9.8 M	Revenue (\$mm)	106.0	142.6	158.0
Public Market Float:	7.7 M	EV/Rev	0.4X	0.3X	0.3X
Avg. Daily Volume	64,212	EBITDA (\$mm)	0.8	2.6	2.9
Market Capitalization:	\$51.9 M	EV/EBITDA	55.6X	17.1X	15.2X
Institutional Holdings:	13.6%				
Dividend Yield:	0.0%				

Risks/Valuation

- The key risk we see is cybersecurity 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	1QA	2Q	3Q	4Q	YEAR	1Q	2Q	6,018	4Q	YEAR
Carrier services	19,382,669	20,403,280	22,412,970	24,594,810	86,793,729	22,401,299	22,443,608	24,654,267	27,054,291	96,553,465	24,641,429	24,687,969	27,119,694	29,759,720	106,208,812
YoY growth	42.5%	43.3%	53.0%	56.2%	49.0%	15.6%	10.0%	10.0%	10.0%	11.2%	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	11,816,440	17,983,117	15,259,329	16,385,568	61,444,453	13,588,906	20,680,584	17,853,415	19,662,681	71,785,586
YoY growth	27.0%	24.9%	10.1%	4.8%	16.7%	-20.3%	15.0%	25.0%	25.0%	10.2%	15.0%	15.0%	17.0%	20.0%	16.8%
Revenue	34,207,279	36,040,773	34,620,433	37,703,264	142,571,749	34,217,739	40,426,725	39,913,596	43,439,859	157,997,918	38,230,335	45,368,553	44,973,108	49,422,401	177,994,398
YoY growth	35.3%	34.7%	34.5%	33.4%	34.5%	0.0%	12.2%	15.3%	15.2%	10.8%	11.7%	12.2%	12.7%	13.8%	12.7%
Seq growth	21.1%	5.4%	-3.9%	8.9%		-9.2%	18.1%	-1.3%	8.8%		-12.0%	18.7%	-0.9%	9.9%	
Cost of services															
Carrier	19,382,669	20,403,280	22,412,970	24,594,810	86,793,729	22,401,299	22,443,608	24,654,267	27,054,291	96,553,465	24,641,429	24,687,969	27,119,694	29,759,720	106,208,812
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	7,037,919	11,689,026	9,918,564	10,650,619	39,296,128	8,832,789	13,442,380	11,604,720	12,780,743	46,660,631
Gross margin %	31.5%	31.3%	38.4%	36.3%	34.1%	40.4%	35.0%	35.0%	35.0%	36.0%	35.0%	35.0%	35.0%	35.0%	35.0%
Total cost of revenue	29,541,388	31,147,549	29,928,067	32,950,340	123,567,344	29,439,218	34,132,634	34,572,831	37,704,910	135,849,593	33,474,218	38,130,349	38,724,413	42,540,463	152,869,442
As a percent of revenue	86.4%	86.4%	86.4%	87.4%	86.7%	86.0%	84.4%	86.6%	86.8%	86.0%	87.6%	84.0%	86.1%	86.1%	85.9%
Gross margin	4,665,891	4,893,224	4,692,366	4,752,924	19,004,405	4,778,521	6,294,091	5,340,765	5,734,949	22,148,326	4,756,117	7,238,205	6,248,695	6,881,938	25,124,955
As a percent of revenue	13.6%	13.6%	13.6%	12.6%	13.3%	14.0%	15.6%	13.4%	13.2%	14.0%	12.4%	16.0%	13.9%	13.9%	14.1%
Sales and marketing	611,893	559,926	530,391	560,056	2,262,266	639,482	727,681	478,963	434,399	2,280,525	688,146	816,634	539,677	494,224	2,538,681
As a percent of revenue	1.8%	1.6%	1.5%	1.5%	1.6%	1.9%	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	4,731,782	5,053,341	4,989,199	5,429,982	20,204,304	4,587,640	5,444,226	4,947,042	5,189,352	20,168,261
As a percent of revenue	13.0%	12.6%	12.6%	11.3%	12.4%	13.8%	12.5%	12.5%	12.5%	12.8%	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	223,688	250,000	250,000	250,000	973,688	250,000	250,000	250,000	250,000	1,000,000
Operating Income	(651,019)	(461,583)	(450,985)	(316,795)	(1,880,382)	(816,431)	263,069	(377,398)	(379,432)	(1,310,192)	(769,669)	727,344	511,976	948,362	1,418,013
Operating margin	-1.9%	-1.3%	-1.3%	-0.8%	-1.3%	-2.4%	0.7%	-0.9%	-0.9%	-0.8%	-2.0%	1.6%	1.1%	1.9%	0.8%
Interest income	49,426	51,725	59,882	53,554	214,587	53,430	50,000	50,000	50,000	203,430	25,000	25,000	25,000	25,000	100,000
Interest expense	(58,737)	(72,331)	(52,911)	(58,856)	(242,835)	(55,073)	(55,000)	(55,000)	(55,000)	(220,073)	(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)	(6,000)	-	-	-	-	-
Pretax Income	(695,111)	(483,723)	(443,915)	(315,289)	(1,938,038)	(818,074)	256,069	(384,398)	(386,432)	(1,332,835)	(799,669)	697,344	481,976	918,362	1,298,013
Taxes	(42,091)	15,828	(18,705)	41,209	(3,759)	(94,011)	-	-	-	(94,011)	-	-	-	-	-
Tax rate	6.1%	-3.3%	4.2%	-13.1%	0.2%	11.5%	0.0%	0.0%	0.0%	7.1%	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)	(724,063)	256,069	(384,398)	(386,432)	(1,238,824)	(799,669)	697,344	481,976	918,362	1,298,013
Net income margin	-1.9%	-1.4%	-1.2%	-0.9%	-1.4%	-2.1%	0.6%	-1.0%	-0.9%	-0.8%	-2.1%	1.5%	1.1%	1.9%	0.7%
Diluted shares outstanding	8,897,819	9,390,154	9,485,508	9,319,300	9,319,300	9,552,971	9,552,971	9,552,971	9,552,971	9,552,971	9,642,971	9,732,971	9,822,971	9,912,971	9,777,971
Seq change	(87,071)	492,335	95,354	(166,208)		233,671	-	-	-		90,000	90,000	90,000	90,000	
EPS diluted - continuing	(\$0.07)	(\$0.05)	(\$0.04)	(\$0.04)	(\$0.21)	(\$0.08)	\$0.03	(\$0.04)	(\$0.04)	(\$0.13)	(\$0.08)	\$0.07	\$0.05	\$0.09	\$0.13
EBITDA															
Net loss	(653,020)	(499,551)	(425,210)	(356,498)	(1,934,279)	(724,063)	256,069	(384,398)	(386,432)	(1,238,824)	(799,669)	697,344	481,976	918,362	1,298,013
Depreciation and amortization	833,300	906,900	821,700	706,920	3,268,820	709,900	900,000	900,000	900,000	3,409,900	900,000	900,000	900,000	900,000	3,600,000
Income tax	(42,091)	15,800	(18,700)	41,232	(3,759)	(94,011)	-	-	-	(94,011)	-	-	-	-	-
Interest income	(49,426)	(51,725)	(59,882)	(53,554)	(214,587)	(53,430)	(50,000)	(50,000)	(50,000)	(203,430)	(25,000)	(25,000)	(25,000)	(25,000)	(100,000)
Interest expense	58,737	72,400	52,900	58,763	242,800	55,073	55,000	55,000	55,000	220,073	55,000	55,000	55,000	55,000	220,000
Other income	-	-	-	-	-	-	2,000	2,000	2,000	6,000	-	-	-	-	-
EBITDA	147,500	443,824	370,808	396,863	1,358,995	(106,531)	1,163,069	522,602	520,568	2,099,708	130,331	1,627,344	1,411,976	1,848,362	5,018,013
Loss on factoring receivables	7,282	1,666	-	-	8,948	-	-	-	-	-	-	-	-	-	-
Stock based comp	417,800	365,900	202,600	224,947	1,211,247	198,900	198,900	198,900	198,900	795,600	250,000	250,000	250,000	250,000	1,000,000
Adjusted EBITDA	572,582	811,390	573,408	621,810	2,579,190	92,369	1,361,969	721,502	719,468	2,895,308	380,331	1,877,344	1,661,976	2,098,362	6,018,013
EBITDA margin	1.7%	2.3%	1.7%	1.6%	1.8%	0.3%	3.4%	1.8%	1.7%	1.8%	1.0%	4.1%	3.7%	4.2%	3.4%
YoY growth	2776.6%	477.8%	153.1%	53.7%	225.9%	-83.9%	67.9%	25.8%	15.7%	12.3%	311.8%	37.8%	130.3%	191.7%	107.9%
CAPX	6,494	11,507	62,701	37,236	117,938	27,632	100,000	125,000	150,000	402,632	50,000	50,000	50,000	50,000	200,000
Free Cash Flow	566,088	799,883	510,707	584,574	2,461,252	64,737	1,261,969	596,502	569,468	2,492,676	330,331	1,827,344	1,611,976	2,048,362	5,818,013
As a percent of revenue	1.7%	2.2%	1.5%	1.6%	1.7%	0.2%	3.1%	1.5%	1.3%	1.6%	0.9%	4.0%	3.6%	4.1%	3.3%

Source: Company reports and Litchfield Hills Research LLC



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