

WidePoint Corporation

WYY (NYSE American) - Buy \$15 Price Target

May 15, 2026

WidePoint Is Starting To Look Like A SaaS Company – Raising Target to \$15

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- WidePoint reported much better than expected 1Q results with 21% revenue growth and positive EPS despite two major contracts not yet contributing meaningfully to results.
- Management indicated the DHS CWMS 3.0 contract award may come soon, with the new program expected to carry higher pricing and better margins than CWMS 2.0.
- The new carrier SaaS contract looks set to begin ramping in Q3 and should materially improve the company's gross margin and valuation profile over time.
- New high-margin opportunities, including DaaS, LA28, the 2030 Census, and NASA SEWP 6, provide multiple additional paths for revenue and margin expansion.
- We raise our price target to \$15 per share as WidePoint increasingly looks less like a low-margin government reseller and more like a SaaS company.

Rating	Buy	Earnings Per Share				
Target Price	\$15.00	Normalized to exclude unusual items				
Ticker Symbol	WYY	FYE - December	2024	2025	2026E	2027E
Market	NASDAQ	1Q - March	(\$0.07)	(\$0.08)	\$0.01 A	\$0.00
Stock Price	\$8.98	2Q - June	(\$0.05)	(\$0.06)	\$0.02	\$0.08
52 wk High	\$10.49	3Q - September	(\$0.04)	(\$0.06)	\$0.05	\$0.14
52 wk Low	\$2.80	4Q - December	(\$0.04)	(\$0.09)	\$0.00	\$0.13
		Year	(\$0.21)	(\$0.28)	\$0.04	\$0.36
Shares Outstanding:	9.9 M	Revenue (\$mm)	142.6	150.5	172.7	193.7
Public Market Float:	8.2 M	EV/Rev	0.5X	0.5X	0.5X	0.4X
Avg. Daily Volume	68,039	EBITDA (\$mm)	2.6	1.1	4.7	8.5
Market Capitalization:	\$88.7 M	EV/EBITDA	30.1X	72.0X	16.7X	9.2X
Institutional Holdings:	18.7%					
Dividend Yield:	0.0%					

Risks/Valuation

- The key risk we identify is cybersecurity risk, as nearly all of the company's services are provided over the internet, and it serves high-visibility customers, including 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 Is Starting To Look Like A SaaS Company

WidePoint reported much better than expected 1Q results, even with a dip in the gross margin and the fact that two major contracts have not yet come online. The company provided very encouraging news that its major contract with the Department of Homeland Security will be renewed soon, and its major new carrier SaaS contract looks to start generating revenue in Q3, ramping up from there. The good news is that the stock is starting to perform, however it is still traded like a low-margin, low multiple government services company rather than a SaaS company. Part of the reason for this is, we believe, its low gross margin since the DHS contract includes significant pass-through revenue. With new contracts, we see the gross margin moving higher, and if so, we think the multiple will move higher. Thus, we raise our twelve-month price target to \$15 per share.

A Penny Of EPS Can Matter More Than A Dollar Of Revenue

Revenue came in at \$40.6 million, up 21%, well ahead of our estimates and consensus, getting the company off to a solid start to the year. With uncertainty on major contracts, management is holding off on issuing guidance. The gross margin actually dipped, to 13.8% from 14.0% a year ago, due to a higher proportion of revenue from lower margin resales of other companies' services. As the CFO noted on the call, the gross margin does fluctuate, so this is not concerning. Despite the slightly lower gross margin, the company generated enough revenue to cover fixed costs and was able to report positive \$0.01 in EPS. In today's markets, driven by quant models, we think there is a big difference between a slight loss and a slight gain – a profit is a profit – so that this swing looks to benefit the stock. We are optimistic that the company can maintain EPS profitability going forward, with 2Q the biggest risk until the carrier SaaS contract kicks in. However, WidePoint is largely a recurring revenue business, so the 1Q momentum bodes well for 2Q.

CWMS 3.0 Should Change The Margin Story

The major DHS CWMS 3.0 contract remains the key catalyst. The government has extended the order period on CWMS 2.0 out to June 24. DHS is not fully funded, and this may be an impediment to the government issuing the new award, but the President has asked that the reconciliation bill be on his desk by June 1. WidePoint management viewed the short extension as a positive sign that the new contract award may come soon. CWMS 3.0 is larger, longer, carries higher prices, and has a lower mix of zero margin pass-through revenue than CWMS 2.0, with positive implications for revenue growth and margins. There is still roughly \$100 million left on the current CWMS 2.0 ceiling, so DHS may wish to spend that at the lower rates before issuing new task orders under CWMS 3.0.

Carrier SaaS Deal Starts Shifting The Mix

The carrier SaaS contract is with one of the big three wireless carriers, whereby WidePoint is only licensing the software it uses in its own ITMS service. This carrier faces a deadline as its own offering becomes "nonviable" at the end of next month, and testing is underway. As a SaaS contract, it carries much higher margins than the company's blended margin and even than its 36% gross margin managed services business, so as revenue fully ramps, it should meaningfully move the gross margin higher. We have taken a conservative approach to adding this to our forecast so as we get more visibility on how revenue will ramp, we expect to raise our estimates.

DaaS Could Add Rocket Fuel To Margins

WidePoint also talked about its new device as a service (DaaS) offering, which it is pitching to Fortune 100 companies via its partner CDW. Its first contract has taken longer to win than expected, but it is now at the finish line with at least one contract tendered, so an announcement could happen at any time. This business carries 70% plus gross margins, so it too should meaningfully boost the gross margin.



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Big Government Opportunities Remain In Play

Longer-term major opportunities remain in place, such as the LA28 Olympics and the 2030 Census, both via CDW, and it continues to bid on large new contracts such as NASA's SEWP 6 IT services contract.

Balance Sheet Strength Provides Strategic Flexibility

The company ended the quarter with \$10.9 million in cash and a clean balance sheet. In our view, it is under-leveraged, so it is well-positioned for acquisitions, should any opportunities present themselves. Conversely, as its market cap approaches \$100 million, it may pop up on the radar screens of acquirers. WidePoint certainly brings unique capabilities to the table and a very strong reputation with the most demanding government agencies, such as DoW and DHS, from a security standpoint.

The Market Still Doesn't Fully Appreciate The Story

Growth was strong, and the outlook is much stronger. Profitability was also strong again, with a better outlook, especially starting with Q3. And the stock is rallying. As noted, we see significantly more upside to get to a SaaS type valuation. We raise our price target to \$15 per share, but view this as an interim step with more increases to come as the opportunities discussed in this report come to fruition, and we factor them into our estimates.



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WidePoint Corporation – Income Forecast

Fiscal years ended December 31	2025					2026E					2027E				
	1QA	2QA	3QA	4Q	YEAR	1QA	2Q	3Q	4Q	YEAR	1Q	2Q	8,475	4Q	YEAR
Carrier services	22,401,299	22,223,060	20,406,680	26,836,660	91,867,699	25,784,040	24,445,366	23,467,682	29,520,326	103,217,414	28,362,444	26,889,903	25,814,450	32,472,359	113,539,155
YoY growth	15.6%	8.9%	-9.0%	9.1%	5.8%	15.1%	10.0%	15.0%	10.0%	12.4%	10.0%	10.0%	10.0%	10.0%	10.0%
Managed services	11,816,440	15,657,142	15,718,527	15,485,556	58,677,665	14,791,990	17,222,856	18,076,306	19,356,945	69,448,097	16,271,189	18,945,142	20,787,752	24,196,181	80,200,264
YoY growth	-20.3%	0.1%	28.8%	18.1%	5.2%	25.2%	10.0%	15.0%	25.0%	18.4%	10.0%	10.0%	15.0%	25.0%	15.5%
Revenue	34,217,739	37,880,202	36,125,207	42,322,216	150,545,364	40,576,030	41,668,222	41,543,988	48,877,271	172,665,511	44,633,633	45,835,044	46,602,202	56,668,540	193,739,419
YoY growth	0.0%	5.1%	4.3%	12.3%	5.6%	18.6%	10.0%	15.0%	15.5%	14.7%	10.0%	10.0%	12.2%	15.9%	12.2%
Seq growth	-9.2%	10.7%	-4.6%	17.2%		-4.1%	2.7%	-0.3%	17.7%		-8.7%	2.7%	1.7%	21.6%	
Cost of services															
Carrier	22,401,299	22,223,060	20,406,680	26,836,660	91,867,699	25,454,063	24,445,366	23,467,682	29,520,326	103,217,414	28,362,444	26,889,903	25,814,450	32,472,359	113,539,155
Gross margin %	0.0%	0.0%	0.0%	0.0%	0.0%	-1.3%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Managed services	7,037,919	10,539,900	10,443,215	9,648,691	37,669,725	9,524,341	11,022,628	11,568,836	12,291,660	44,407,465	10,250,849	11,935,439	13,096,284	15,243,594	50,526,166
Gross margin %	40.4%	32.7%	33.6%	37.7%	35.8%	35.6%	36.0%	36.0%	36.5%	36.1%	37.0%	37.0%	37.0%	37.0%	37.0%
Total cost of revenue	29,439,218	32,762,960	30,849,895	36,485,351	129,537,424	34,978,404	35,467,994	35,036,518	41,811,986	147,624,879	38,613,293	38,825,342	38,910,734	47,715,953	164,065,322
As a percent of revenue	86.0%	86.5%	85.4%	86.2%	86.0%	86.2%	85.1%	84.3%	85.5%	85.5%	86.5%	84.7%	83.5%	84.2%	84.7%
Gross margin	4,778,521	5,117,242	5,275,312	5,836,865	21,007,940	5,597,626	6,200,228	6,507,470	7,065,285	25,040,632	6,020,340	7,009,702	7,691,468	8,952,587	29,674,098
As a percent of revenue	14.0%	13.5%	14.6%	13.8%	14.0%	13.8%	14.9%	15.7%	14.5%	14.5%	13.5%	15.3%	16.5%	15.8%	15.3%
Sales and marketing	639,482	669,797	677,618	746,927	2,733,824	595,997	750,028	747,792	879,791	2,973,608	803,405	825,031	838,840	1,020,034	3,487,310
As a percent of revenue	1.9%	1.8%	1.9%	1.8%	1.8%	1.5%	1.8%	1.8%	1.8%	1.7%	1.8%	1.8%	1.8%	1.8%	1.8%
General and administrative	4,731,782	4,922,649	4,832,422	5,241,572	19,728,425	4,832,023	5,000,187	4,985,279	5,865,273	20,682,761	4,909,700	5,041,855	5,126,242	6,233,539	21,311,336
As a percent of revenue	13.8%	13.0%	13.4%	12.4%	13.1%	11.9%	12.0%	12.0%	12.0%	12.0%	11.0%	11.0%	11.0%	11.0%	11.0%
Impairment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Depreciation and amortization	223,688	233,122	225,908	647,713	1,330,431	227,972	250,000	250,000	250,000	977,972	250,000	250,000	250,000	250,000	1,000,000
Operating Income	(816,431)	(708,326)	(460,636)	(799,347)	(2,784,740)	(58,366)	200,014	524,400	70,222	406,292	57,235	892,817	1,476,386	1,449,014	3,875,452
Operating margin	-2.4%	-1.9%	-1.3%	-1.9%	-1.8%	-0.1%	0.5%	1.3%	0.1%	0.2%	0.1%	1.9%	3.2%	2.6%	2.0%
Interest income	53,430	89,340	83,439	106,854	333,063	87,403	25,000	25,000	25,000	162,403	25,000	25,000	25,000	25,000	100,000
Interest expense	(55,073)	(52,382)	(47,671)	(47,265)	(202,391)	(44,993)	(55,000)	(55,000)	(55,000)	(209,993)	(55,000)	(55,000)	(55,000)	(55,000)	(220,000)
Other income	-	497	93	57	647	49,240	-	-	-	49,240	-	-	-	-	-
Pretax Income	(818,074)	(670,871)	(424,775)	(739,701)	(2,653,421)	33,284	170,014	494,400	40,222	407,942	27,235	862,817	1,446,386	1,419,014	3,755,452
Taxes	(94,011)	(52,412)	134,410	109,704	97,691	(43,676)	-	-	-	(43,676)	-	-	-	-	-
Tax rate	11.5%	7.8%	-31.6%	-14.8%	-3.7%	-131.2%	0.0%	0.0%	0.0%	-10.7%	0.0%	0.0%	0.0%	0.0%	0.0%
Net income to common	(724,063)	(618,459)	(559,185)	(849,405)	(2,751,112)	76,960	170,014	494,400	40,222	451,618	27,235	862,817	1,446,386	1,419,014	3,755,452
Net income margin	-2.1%	-1.6%	-1.5%	-2.0%	-1.8%	0.2%	0.4%	1.2%	0.1%	0.3%	0.1%	1.9%	3.1%	2.5%	1.9%
Diluted shares outstanding	9,552,971	9,586,166	9,655,173	9,655,173	9,669,721	10,073,810	10,163,810	10,253,810	10,343,810	10,208,810	10,433,810	10,523,810	10,613,810	10,703,810	10,568,810
Seq change	233,671	33,195	69,007	-	-	418,637	90,000	90,000	90,000	90,000	90,000	90,000	90,000	90,000	90,000
EPS diluted - continuing	(\$0.08)	(\$0.06)	(\$0.06)	(\$0.09)	(\$0.28)	\$0.01	\$0.02	\$0.05	\$0.00	\$0.04	\$0.00	\$0.08	\$0.14	\$0.13	\$0.36
EBITDA															
Net loss	(724,063)	(618,459)	(559,185)	(849,405)	(2,751,112)	76,960	170,014	494,400	40,222	451,618	27,235	862,817	1,446,386	1,419,014	3,755,452
Depreciation and amortization	709,900	725,300	650,400	1,007,800	3,093,400	512,400	900,000	900,000	900,000	3,212,400	900,000	900,000	900,000	900,000	3,600,000
Income tax	(94,011)	(52,412)	134,410	109,713	97,700	(43,676)	-	-	-	(43,676)	-	-	-	-	-
Interest income	(53,430)	(89,340)	(83,439)	(106,854)	(333,063)	(87,403)	(25,000)	(25,000)	(25,000)	(162,403)	(25,000)	(25,000)	(25,000)	(25,000)	(100,000)
Interest expense	55,073	52,382	47,671	47,274	202,400	44,993	55,000	55,000	55,000	209,993	55,000	55,000	55,000	55,000	220,000
Other income	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
EBITDA	(106,531)	17,471	189,857	208,528	309,325	503,274	1,100,014	1,424,400	970,222	3,667,932	957,235	1,792,817	2,376,386	2,349,014	7,475,452
Loss on factoring receivables	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Stock based comp	198,900	166,018	154,100	251,182	770,200	248,800	250,000	250,000	250,000	998,800	250,000	250,000	250,000	250,000	1,000,000
Adjusted EBITDA	92,369	183,489	343,957	459,710	1,079,525	752,074	1,350,014	1,674,400	1,220,222	4,666,732	1,207,235	2,042,817	2,626,386	2,599,014	8,475,452
EBITDA margin	0.3%	0.5%	1.0%	1.1%	0.7%	1.9%	3.2%	4.0%	2.5%	2.7%	2.7%	4.5%	5.6%	4.6%	4.4%
YoY growth	-83.9%	-77.4%	-40.0%	-26.1%	-58.1%	714.2%	635.7%	386.8%	165.4%	332.3%	60.5%	51.3%	56.9%	113.0%	81.6%
CAPX	27,632	93,334	20,031	124,472	265,469	77,832	75,000	75,000	75,000	302,832	75,000	75,000	75,000	75,000	300,000
Free Cash Flow	64,737	90,155	323,926	335,238	814,056	674,242	1,275,014	1,599,400	1,145,222	4,363,900	1,132,235	1,967,817	2,551,386	2,524,014	8,175,452
As a percent of revenue	0.2%	0.2%	0.9%	0.8%	0.5%	1.7%	3.1%	3.8%	2.3%	2.5%	2.5%	4.3%	5.5%	4.5%	4.2%

Source: Company reports and Litchfield Hills Research LLC

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