

SilverSun Technologies, Inc.
(NASDAQ/SSNT)**BUY - Price \$2.25 / Target: \$5.00***SilverSun sells software critical for small and mid-sized business operations.**December 19, 2018**Barry M. Sine*
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bsine@dawsonjames.com**SilverSun Empowers Small Business with Software**

- We initiate coverage of SilverSun Technologies with a Buy rating and \$5 price target. SilverSun is a value-added reseller (VAR) with most of its revenue coming from enterprise resource software (ERP) sales. We see four key drivers to earnings ahead.
- First, the U.S economy continues to grow and the small to mid-sized businesses SilverSun serves are continuing to prosper.
- Second, SilverSun offers cloud software and cloud hosting, which is the technology roadmap of the future. Yet roughly two-thirds of small businesses are stuck in the past running their software on their own servers or, even worse, desktop computers. We view these businesses as viable candidates for SilverSun's services.
- Third, SilverSun is one of the largest resellers of Sage ERP software and it provides its own software add-in for small merchants to sell into big-box retailers. Sage is began officially offering SilverSun's MAPADOC software in November, making the entire Sage reseller network a sales agent for this product.
- And fourth, SilverSun is an active acquiror buying a dozen regional Sage resellers around the country since 2014. Having a local presence is critical to customers. With owners of many small resellers nearing retirement age, we expect SilverSun to continue to leverage its strong reputation in the Sage community to complete more acquisitions. Customer acquisition costs via M&A are about one tenth that of customers added via the salesforce.
- We forecast revenue growing to \$43.3 mm in 2019 and \$46.8 mm in 2020 compared to \$40.2 mm in 2018.
- Our EBITDA forecast calls for EBITDA of \$2.8 mm in 2019 and \$3.3 mm in 2020.
- Our \$5 price target implies a valuation of 0.5x revenue and 6.9x EBITDA on our 2020 estimate. These multiples still represent a steep discount to comps given the company's small size and the stock's illiquidity. As revenue and EBITDA increase, we expect market cap and volume to rise accordingly, narrowing this gap.


SilverSun Technologies, Inc.

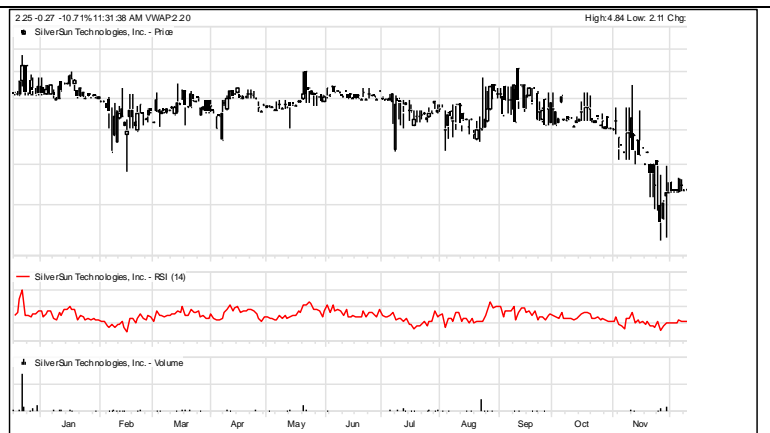
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Rating	Buy	Earnings Per Share				
Target Price	\$5.00	Normalized to exclude unusual items				
Ticker Symbol	SSNT	FYE - December	2017	2018E	2019E	2020E
Market	NASDAQ	1Q - March	\$0.03	\$0.01 A	\$0.06	\$0.07
Stock Price	\$2.25	2Q - June	\$0.03	\$0.00 A	\$0.05	\$0.07
52 wk High	\$4.84	3Q - September	\$0.07	\$0.04 A	\$0.07	\$0.09
52 wk Low	\$2.11	4Q - December	(\$0.24)	\$0.05	\$0.05	\$0.07
Shares Outstanding:	4.5 M	Year	(\$0.11)	\$0.11	\$0.23	\$0.29
Public Market Float:	1.7 M	Revenue (000s)	\$34,852	\$40,215	\$43,335	\$46,802
Avg. Daily Volume	2,678	EV/Rev	0.3X	0.3X	0.2X	0.2X
Market Capitalization:	\$10 M	EBITDA (000s)	\$1,648	\$1,648	\$2,813	\$3,272
Institutional Holdings:	6.9%	EV/EBITDA	6.1X	6.1X	3.6X	3.1X
Dividend Yield:	0.0%					

Senior Executives		Common Ownership Profile		
		Shareholder	Shares ('000)	% of Total
Mark Meller	Chief Executive Officer	Bard Associates, Inc.	214.0	4.8%
Crandall Melvin, III	Chief Financial Officer	Alan W. Weber (Investment Management)	70.0	1.6%
		Ingalls & Snyder LLC	15.0	0.3%
		Acadian Asset Management LLC	3.8	0.1%
		UBS Securities LLC	3.0	0.1%
		Directors and Officers	2,119	47.2%

Capitalization		
Market Value Basis ('000)	12/17/2018	%
Long-Term Debt	\$1,841	18.2%
Market Value of Equity	10,102	99.7%
Less: cash	-1,808	-17.8%
Enterprise Value	\$10,135	100.0%
Book Value Basis ('000)	09/30/2018	%
Long-Term Debt	\$1,841	15.9%
Other Liabilities	5,182	44.8%
Book Value of Equity	4,540	39.3%
Total Capital	\$11,563	100.0%



Source: Company reports, FactSet Data Systems and Dawson James estimates.

SilverSun Empowers Small Business with Software

We initiate coverage of SilverSun Technologies with a Buy rating and a \$5 price target, which would still represent a significant discount to comps. SilverSun provides three services, mainly to small and mid-sized businesses: 1) It resells software from other publishers, mainly in the ERP sector and primarily from a company called Sage, 2) proprietary software including popular add-ons for Sage software and 3) network services and security.

Our price target represents a multiple of 6.9x our 2020 EBITDA estimate. At the same EBITDA multiple as comps, the stock would be worth roughly \$18. At the same 3.2x sales multiple comps currently trade at, the stock would be worth \$34. SilverSun is a very small microcap stock with a market cap of just \$12 mm. If it were 100x larger with the same growth characteristics, we believe that the stock would be accorded a multiple more in line with comps.

We believe that SilverSun is well positioned for both organic and acquisition driven growth. Our investment thesis can be summarized in four points:

1. In the current economic environment, small businesses are growing rapidly and need software for basic business functions like finances, inventory management and customer relations.
2. While roughly two-thirds of these businesses still use old technology platforms housing their own servers and software on site, we estimate that nearly all will migrate to the cloud over the next decade, driving demand for SilverSun's cloud software and hosting services.
3. Its key ERP partner, Sage, began to directly sell SilverSun's own MAPADOC software in November, so that all Sage resellers will now be able to sell the product.
4. In the acquisition arena it is the preferred buyer of the numerous small Sage resellers around the country, many of whose founders are ready to retire. We estimate that the cost to acquire customers via acquisition is about one tenth that of using the company's own salesforce. Acquisitions also typically open new geographies.

The company was founded in 2002 as part of a company called iVoice and spun out in 2004 when it first began trading on the OTC bulletin board. Through its history it has always been acquisitive, starting with the acquisition of what is today its main operating subsidiary, SWK Technologies, in 2004. The SWK brand is well known among the company's small to mid-sized business customers. Since 2014, we count twelve announced acquisitions by SWK, mainly of Sage resellers.

SilverSun has six key brands and operates under three wholly owned subsidiaries. The parent company a holding company and the investor relations face to Wall Street. Most operations are conducted under the SWK Technologies brand and it continues to be the entity under which acquisitions are done. MAPADOC is the brand name for its electronic data interchange (EDI) software and is not a corporate entity. MAPADOC is short for map a document which is a standard EDI term.

In May 2018, the company created two separate wholly owned subsidiaries. The first, Secure Cloud Services (SCS), sells data hosting services. Since SilverSun's software is cloud based, customers need to utilize a reliable data center. SCS leases space from

industry leader Amazon Web Services (AWS) and resells it to its clients. SCS was created under the brand name Nellnube in 2017, which SilverSun acquired in June 2018.

SilverSun’s Critical Cyber Defense Corp. (CCDC) subsidiary was also set up in May 2018. CCDC operates as the sole U.S. distributor for Israeli security services company CyberHat. It will offer security operations center service via CyberHat’s Cyrebro unit, incident response, cyber security assessments and hacking simulations. Both CCDC and SCS were set up as separate legal entities partially to protect the parent in the event of a successful cyber attack of a client which might result in litigation.

SilverSun Goes to Market Under a Number of Brands

SilverSun Technologies
<https://www.silversuntech.com/>

Parent company



SWK Technologies
<https://www.swktech.com/>
Wholly owned subsidiary
Main operating business unit



Secure Cloud Services
<http://businessapplicationcloudhosting.com/>
Wholly owned subsidiary
Provides secure cloud hosting



Critical Cyber Defense Corp.
Wholly owned subsidiary
Provides cyber security defense
Sole U.S. distributor of CyberHat



Mapadoc
<https://www.mapadoc.com/>

DBA for its EDI software product



Time and Billing Solutions
<https://www.timeandbillingsolutions.com/>

DBA for its time and billing solutions software



Source: Company reports and Dawson James estimates

The company also has several of its own software products that are designed as plug ins for Sage or Acumatica ERP software. MAPADOC has been very popular and is EDI software for small businesses doing business with large retailers such as Wal-Mart or Target. EDI stands for electronic data interchange and this is the only method large retailers accept for communicating with suppliers. Winning a contract from a large retailer

such as Wal-Mart can be a windfall for small businesses but getting up to speed technologically can be a challenge. That's where MAPADOC comes in. MAPADOC will be added to the Sage price list in November. This should be a major revenue driver for SilverSun as all Sage resellers will now have access to MAPADOC and should sell it as the preferred EDI solution.

The company's other key software product's name is just what it does: Time and Billing Solutions. Again, this software is available as an ERP plug in to allow small businesses such as law firms that bill for their services by time, to automate the process and integrate into their ERP.

SilverSun Has Completed 14 Acquisitions Giving it a 15 State Footprint

10/3/2002	Incorporated as subsidiary of iVoice
9/5/2003	Corporate name change to Trey Resources
2/11/2004	Spun off as independent company
3/1/2004	Begins trading on OTCBB
6/1/2011	Corporate name change to SilverSun Technologies
6/2/2004	SilverSun acquires SWK Technologies
6/2/2006	SilverSun acquires AMP-Best Consulting of Syracuse, NY
1/24/2012	SilverSun acquires assets of IncorTech of Fontana, CA
6/18/2012	SilverSun acquires assets of HighTower, Inc. of Chicago, IL for \$700k
6/7/2012	SilverSun acquires Micro-Point, Inc. Westchester, NY
1/24/2013	SilverSun acquires assets of Point Solutions of Dallas, TX
2/12/2013	SilverSun acquires Software Generation of Colleyville, TX
5/6/2014	SilverSun acquires ESC Software of Tempe, AZ for \$350k
3/12/2015	SilverSun acquires 2000 Soft, Inc. of Santa Ana, CA for \$255 k
7/8/2015	SilverSun acquires ProductiveTech of Westville, NJ for \$1.36 mm
10/20/2015	SilverSun acquires Macabe Associates of Seattle, WA for \$141.5 k
10/20/2015	SilverSun acquires Oates & Company of Greensboro, NC for \$300 k
4/17/2017	Uplisted to NASDAQ Capital Market
6/1/2018	SilverSun acquires Info Sys Management of Portland, OR for \$1.7 mm
6/1/2018	SilverSun acquires Nellnube, Inc. of Milwaukie, OR for \$300 k

Source: Company reports

ERP is a \$40 Billion Industry Globally

ERP software is typically sold by small resellers around the country. Since ERP is so critical to a company's day to day functioning, customers prefer local vendors and face to face relationships rather than relying on a distant Silicon Valley provider with no human interaction. However, many of these resellers are still owned by their founder, who is now aging and eager to sell. For SilverSun, acquiring trusted local resellers gets it Sage customers at roughly 90% less than the acquisition cost of customers brought in by its own salesforce. Acquisitions also bring in the local staff with the critically important personal connection to customers, and SWK has been able to retain over 90% of these key people after acquisitions. To date, acquisitions have been done in eight states as SilverSun seeks to build a national footprint. SilverSun is well known among the Sage reseller community and is often the acquiror of choice since the founder of a reseller knows that SilverSun does as good or better a job at serving the customer bases reseller founders spent a lifetime cultivating.

ERP Software Encompasses Nearly All of the Major Functions of a Business



Source: Wikipedia

The term ERP was first coined by The Gartner Group in the 1990s to characterize materials planning software used in manufacturing industries. SilverSun's roots are more in the accounting arena as accountants were among the first agents to sell accounting software so their clients could automate their books and recordkeeping process. Wikipedia list six characteristics that describe what ERP software is:

1. An integrated system
2. Operates in (or near) real time

3. A common database that supports all the applications
4. A consistent look and feel across modules
5. Installation of the system with elaborate application/data integration by the Information Technology (IT) department, provided the implementation is not done in small steps
6. Deployment options include: on-premises, cloud hosted, or SaaS

Wikipedia also lists the key functions performed by ERP software:

- Finance and accounting: general ledger, fixed assets, payables including vouchering, matching and payment, receivables cash management and collections, cash management, financial consolidation.
- Management accounting: budgeting, costing, cost management, activity-based costing.
- Human resources: recruiting, training, rostering, payroll, benefits, retirement and pension plans, diversity management, retirement, separation.
- Manufacturing: engineering, bill of materials, work orders, scheduling, capacity, workflow management, quality control, manufacturing process, manufacturing projects, manufacturing flow, product life cycle management.
- Order processing: order to cash, order entry, credit checking, pricing, available to promise, inventory, shipping, sales analysis and reporting, sales commissioning.
- Supply chain management: supply chain planning, supplier scheduling, product configurator, order to cash, purchasing, inventory, claim processing, warehousing (receiving, putaway, picking and packing).
- Project management: project planning, resource planning, project costing, work breakdown structure, billing, time and expense, performance units, activity management.
- Customer relationship management: sales and marketing, commissions, service, customer contact, call center support.
- Data services: various "self-service" interfaces for customers, suppliers and/or employees.

ERP is today a \$40 billion industry globally. Wikipedia lists 54 ERP software vendors and another 22 open-source platforms. SilverSun is a value-added reseller for Sage, Acumatica and NetSuite. The largest, most well-known ERP software publishers are SAP, Oracle and Microsoft. SAP is a German company whose product is popular globally and its products are generally sold under the SAP brand. Microsoft sells its Microsoft Dynamics and NAV-X brands as part of a broader solution set, including Office, Skype and LinkedIn, to provide the specialized software needs of businesses. Oracle was originally founded as a database provider, but ERP is essentially a specialized form of database. Oracle's brands included JD Edwards Enterprise One, Oracle BusinessSuite and Fusion, PeopleSoft and NetSuite. As noted, SilverSun is a NetSuite reseller.

Sage is ranked number three but since it focuses on sales to small to medium-sized enterprises, it is not as well known. The Sage Group plc is headquartered in the U.K. It is the largest provider to small businesses with 6.1 mm customers. Over half of SilverSun's

business is either selling Sage licenses, or its own plug-in software applications to work with Sage.

Acumatica is a Bellevue, Washington based ERP provider, again focusing on small and medium sized businesses. As one might guess from its location, it is staffed by numerous Microsoft alumni, including its CEO. Acumatica appears to currently be a hot technology company as it just raised \$25 mm in additional venture funding from Accel-KKR and last year its Acumatica Cloud ERP software was named best ERP software by PC Magazine. As a result, SilverSun reports that it is seeing strong growth for Acumatica ERP in recent quarters.

We Forecast Revenue of \$47 mm by 2020

We forecast revenue of \$43 mm in 2019 and \$47 mm in 2020, exclusive of likely future acquisitions. The company breaks out its revenue and gross margin between software and services. Software is 15% of total revenue and is comprised of sales of the company's own proprietary products, of which we estimate that about 90% is MAPADOC, as well as license revenue from third-party software. The software unit carries a gross margin of roughly 50%. Software sales have been trending about \$1.5 mm per quarter and increased 12% last year. We expect that software sales will accelerate in the second half of 2019 as Sage includes MAPADOC in its price list and model 8% growth from mid-2019 through 2020.

The bulk of revenue is reported as service revenue and is about 85% of total. This includes the core implementation and project management business as well as managed services and cyber security. We assume that cyber security is near zero as the business was only started in May. Because service revenue is more labor intensive, it generates a lower gross margin on services revenue at around 40% versus 50% for software.

SilverSun has one of the cleanest financial statements we have seen with no complex adjustments to get to EBITDA. From gross profit, merely subtract selling and marketing and general and administrative expense. Selling and marketing was 13.9% of revenue last year and is running at around 16% this year. We model 15%. As we discussed previously, SilverSun's small and mid-sized business customers demand local, personal service since ERP software is so critical to running their business. As a result, SilverSun has 19 offices around the country with many of these coming from past acquisitions. It has retained over 90% of the employees from acquisitions.

G&A expense has been running consistently around 20% to 21% of revenue, and we model 20%. While selling expenses include the sales component of the company's branch locations, G&A picks up the rest. We forecast that G&A will grow in absolute terms, but become a smaller percentage of revenue due to its largely fixed nature.

If we take a 40% gross margin, less 15% for selling and 20% for G&A, we get to a 5% EBITDA level and in fact, the company reported 4.6% last quarter. We have noted a number of reasons why we think margins can expand ranging from a higher mix of software revenue to slower growth in G&A. Thus our model gets to a 6.5% EBITDA margin in 2019 and 7.0% in 2020. This equates to EBITDA of \$2.8 mm and \$3.3 mm, respectively.

SilverSun is profitable with EPS of \$0.05 for the first nine months of this year. We forecast this to grow to \$0.23 next year and \$0.29 next year. Leverage is moderate and cash exceeds debt so interest expense is minimal. While it carries a GAAP tax rate of roughly 28%, it has about \$6.8 mm in net operating loss carryforwards so it has paid only \$57k in taxes

through the first nine months of 2018 on revenue of \$30.3 mm and net income of \$246.5k. Our full earnings forecast is at the end of this report.

We Value SSNT Shares at \$5

With the caveat that SSNT shares' small \$12 market cap and illiquidity are a key impediment to gaining a valuation anywhere near that of comparable companies, we do see significant upside. We value SSNT shares at \$5. This assumes a multiple of just 0.5x our 2020 revenue estimate whereas comps trade at 3.1x their trailing twelve months revenue today. Presently, SSNT shares trade at just 0.3x revenue so our price target implies organic revenue growth, as well as multiple expansion. Comps trade at an enormous 21.7x trailing EBITDA with the lowest at 7.6x. SSNT shares trade at 11.2x presently. Our price target only implies a multiple of 6.9x our 2020 EBITDA estimate, so we may be too conservative.

Our \$5 Target Works Out to 7x Our 2020 EBITDA Estimate

Company Name	Fiscal Period	Price	Shares Outstanding	Market Value	Enterprise Value			Enterprise Value/Sales	Enterprise Value/EBIT	Enterprise Value/EBITDA	
					Value	Sales	EBIT				
SilverSun Technologies	09/30/2018	\$2.25	4.5	11.3	11.3	39.0	0.3	1.1	0.3x	39.8x	11.2x
SSNT @ 2020E	12/31/20	\$2.25	4.5	11.3	11.3	46.8	2.0	3.3	0.2x	5.5x	3.5x
SSNT @ target on 2020E	12/31/20	\$5.00	4.5	22.5	22.5	46.8	2.0	3.3	0.5x	11.0x	6.9x
RCM Technologies, Inc.	09/29/2018	\$3.67	12.7	46.7	70.5	186.7	6.2	8.0	0.4x	11.3x	8.8x
Asure Software, Inc.	09/30/2018	\$5.32	15.2	81.0	174.9	54.4	2.1	8.2	3.2x	82.8x	21.4x
GlobalSCAPE, Inc.	09/30/2018	\$4.45	18.0	80.0	68.8	33.9	2.6	4.8	2.0x	26.2x	14.4x
NetSol Technologies, Inc.	09/30/2018	\$5.60	11.8	66.0	65.6	60.9	3.1	8.6	1.1x	21.5x	7.6x
Park City Group, Inc.	09/30/2018	\$7.08	19.8	140.2	128.7	22.0	3.5	4.2	5.8x	36.6x	31.0x
Perficient, Inc.	09/30/2018	\$22.50	33.2	746.6	820.7	485.3	33.6	53.3	1.7x	NM	NM
Upland Software, Inc.	09/30/2018	\$26.94	21.6	582.1	724.2	98.0	3.6	15.5	7.4x	201.6x	46.7x
Average									3.1x	63.3x	21.7x
SSNT discount									92%	91%	84%
SSNT discount @ target on 2020E									84%	83%	68%

Source: Company reports and Dawson James estimates

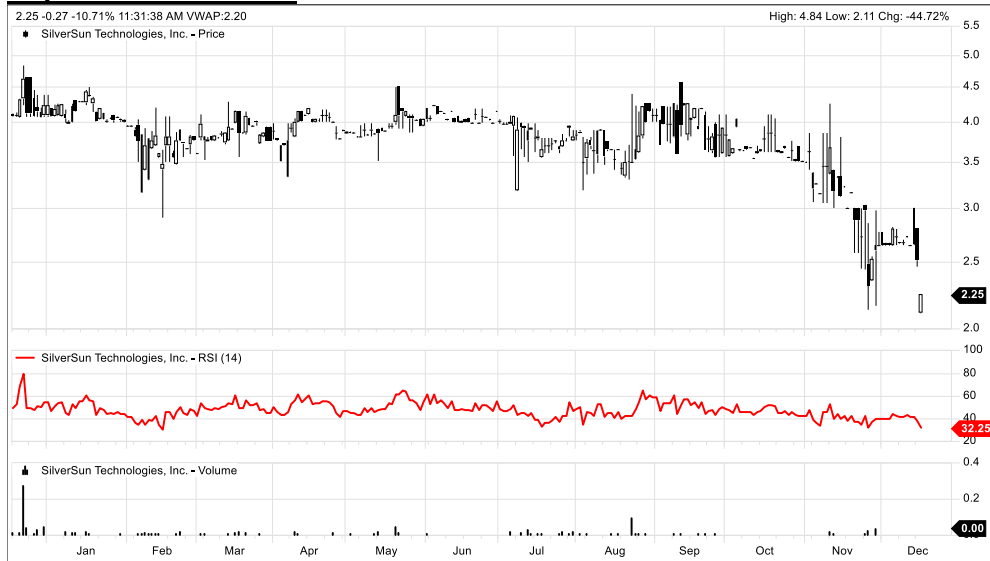
SilverSun Technologies Forecast

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

	2018E					2019E					2020E				
	1QA	2QA	3QA	4Q	YEAR	1Q	2Q	3Q	4Q	YEAR	1Q	2Q	3Q	4Q	YEAR
Software product revenue	1,635,061	1,367,660	1,677,780	1,389,992	6,070,493	1,716,814	1,436,043	1,761,669	1,459,492	6,374,018	1,802,655	1,507,845	1,849,752	1,532,466	6,692,719
YoY growth	80.3%	-4.7%	4.2%	5.0%	15.1%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Seq growth	23.5%	-16.4%	22.7%	-17.2%	436.7%	23.5%	-16.4%	22.7%	-17.2%	436.7%	23.5%	-16.4%	22.7%	-17.2%	436.7%
Cost of revenue	877,861	726,860	892,604	694,996	3,192,321	858,407	718,022	880,835	729,746	3,187,009	901,327	753,923	924,876	766,233	3,346,359
As a percent of revenue	53.7%	53.1%	53.2%	50.0%	52.6%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%
Gross margin	757,200	640,800	785,176	694,996	2,878,172	858,407	718,022	880,835	729,746	3,187,009	901,327	753,923	924,876	766,233	3,346,359
As a percent of revenue	46.3%	46.9%	46.8%	50.0%	47.4%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%
Seq growth	6.8%	-15.4%	22.5%	-11.5%	414.1%	23.5%	-16.4%	22.7%	-17.2%	436.7%	23.5%	-16.4%	22.7%	-17.2%	436.7%
Service revenue	7,675,013	8,315,564	9,609,278	8,544,631	34,144,486	8,826,265	9,562,899	11,050,670	9,826,326	39,266,159	10,150,205	10,997,333	12,708,270	11,300,275	45,156,083
YoY growth	8.2%	17.6%	20.5%	15.0%	15.4%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%
Seq growth	3.3%	8.3%	15.6%	-11.1%	399.6%	3.3%	8.3%	15.6%	-11.1%	399.6%	3.3%	8.3%	15.6%	-11.1%	399.6%
Cost of revenue	4,491,475	4,930,467	5,878,938	5,126,779	20,427,659	5,295,759	5,737,739	6,630,402	5,895,795	23,559,695	6,090,123	6,598,400	7,624,962	6,780,165	27,093,650
As a percent of revenue	58.5%	59.3%	61.2%	60.0%	59.8%	60.0%	60.0%	60.0%	60.0%	60.0%	60.0%	60.0%	60.0%	60.0%	60.0%
Gross margin	3,183,538	3,385,097	3,730,340	3,417,852	13,716,827	3,530,506	3,825,159	4,420,268	3,930,530	15,706,464	4,060,082	4,398,933	5,083,308	4,520,110	18,062,433
As a percent of revenue	41.5%	40.7%	38.8%	40.2%	40.2%	40.0%	40.0%	40.0%	40.0%	40.0%	40.0%	40.0%	40.0%	40.0%	40.0%
Seq growth	23.5%	6.3%	10.2%	-8.4%	401.3%	3.3%	8.3%	15.6%	-11.1%	399.6%	3.3%	8.3%	15.6%	-11.1%	399.6%
Total revenue	9,310,074	9,683,224	11,287,058	9,934,623	40,214,979	10,543,079	10,998,942	12,812,339	11,285,817	45,640,177	11,952,859	12,505,179	14,558,023	12,832,741	51,848,802
YoY growth	16.3%	13.8%	17.7%	13.5%	15.4%	13.2%	13.6%	13.5%	13.6%	13.5%	13.4%	13.7%	13.6%	13.7%	13.6%
Seq growth	6.4%	4.0%	16.6%	-12.0%	304.8%	6.1%	4.3%	16.5%	-11.9%	304.4%	5.9%	4.6%	16.4%	-11.9%	304.0%
Cost of revenue	5,369,336	5,657,327	6,771,542	5,821,775	23,619,980	6,154,166	6,455,761	7,511,236	6,625,541	26,746,704	6,991,450	7,352,323	8,549,838	7,546,398	30,440,009
As a percent of revenue	57.7%	58.4%	60.0%	58.6%	58.7%	58.4%	58.7%	58.6%	58.7%	58.6%	58.5%	58.8%	58.7%	58.8%	58.7%
Gross margin	3,940,738	4,025,897	4,515,516	4,112,848	16,594,999	4,388,913	4,543,181	5,301,102	4,660,276	18,893,472	4,961,409	5,152,856	6,008,184	5,286,343	21,408,792
As a percent of revenue	42.3%	41.6%	40.0%	41.4%	41.3%	41.6%	41.3%	41.4%	41.3%	41.4%	41.5%	41.2%	41.3%	41.2%	41.3%
Seq growth	19.9%	2.2%	12.2%	-8.9%	16.7%	6.7%	3.5%	16.7%	-12.1%	16.7%	6.5%	3.9%	16.6%	-12.0%	16.7%
Selling and marketing expense	1,596,373	1,719,484	1,700,034	1,688,886	6,704,777	1,792,323	1,869,820	2,178,098	1,918,589	7,758,830	2,031,986	2,125,880	2,474,864	2,181,566	8,814,296
As a percent of revenue	17.1%	17.8%	15.1%	17.0%	16.7%	17.0%	17.0%	17.0%	17.0%	243.5%	17.0%	17.0%	17.0%	17.0%	263.4%
General and administrative expense	2,059,669	2,093,905	2,300,242	1,986,925	8,440,741	2,108,616	2,199,788	2,562,468	2,257,163	9,128,035	2,390,572	2,501,036	2,911,605	2,566,548	10,369,760
As a percent of revenue	22.1%	21.6%	20.4%	20.0%	21.0%	20.0%	20.0%	20.0%	20.0%	286.4%	20.0%	20.0%	20.0%	20.0%	309.9%
EBITDA	284,696	212,508	515,240	437,038	1,449,482	487,974	473,573	560,537	484,524	2,006,607	538,851	525,940	621,716	538,229	2,224,736
EBITDA margin	3.1%	2.2%	4.6%	4.4%	3.6%	56.8%	66.0%	63.6%	66.4%	63.0%	59.8%	69.8%	67.2%	70.2%	66.5%
Share-based comp. expense	53,740	6,139	6,713	6,500	73,092	6,500	6,500	6,500	6,500	26,000	6,500	6,500	6,500	6,500	26,000
Depreciation and amortiation	142,634	174,042	253,450	200,000	770,126	200,000	200,000	200,000	200,000	800,000	200,000	200,000	200,000	200,000	800,000
Operating Income	88,322	32,327	255,077	230,538	606,264	281,474	267,073	354,037	278,024	1,180,607	332,351	319,440	415,216	331,729	1,398,736
Operating margin	0.9%	0.3%	2.3%	33.2%	21.1%	32.8%	37.2%	40.2%	38.1%	37.0%	36.9%	42.4%	44.9%	43.3%	41.8%
Interest expense	(6,689)	(8,109)	(15,089)	(10,000)	(39,887)	(10,000)	(10,000)	(10,000)	(10,000)	(40,000)	(10,000)	(10,000)	(10,000)	(10,000)	(40,000)
Other expense	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Pretax Income	81,633	24,218	239,988	220,538	566,377	271,474	257,073	344,037	268,024	1,140,607	322,351	309,440	405,216	321,729	1,358,736
Taxes	23,246	7,000	69,050	61,751	161,047	76,013	71,980	96,330	75,047	319,370	90,258	86,643	113,460	90,084	380,446
Tax rate	28.5%	28.9%	28.8%	28.0%	28.4%	28.0%	28.0%	28.0%	28.0%	28.0%	28.0%	28.0%	28.0%	28.0%	28.0%
Net income to common	58,387	17,218	170,938	158,787	405,330	195,461	185,092	247,707	192,977	821,237	232,093	222,797	291,755	231,645	978,290
Net income margin	7.7%	2.7%	21.8%	22.8%	14.1%	22.8%	25.8%	28.1%	26.4%	25.8%	25.8%	29.6%	31.5%	30.2%	29.2%
Diluted shares outstanding	4,497,617	4,617,804	4,853,495	4,853,505	4,705,605	4,853,515	4,853,525	4,853,535	4,853,545	4,853,530	4,853,555	4,853,565	4,853,575	4,853,585	4,853,570
Seq change	7,714	120,187	235,691	10	-	10	10	10	10	-	10	10	10	10	-
EPS diluted - continuing	\$0.01	\$0.00	\$0.04	\$0.03	\$0.09	\$0.04	\$0.04	\$0.05	\$0.04	\$0.17	\$0.05	\$0.05	\$0.06	\$0.05	\$0.20

Source: Company reports and Dawson James estimates

Important Disclosures:



Source: FactSet Data Systems

Price target and ratings changes over the past 3 years:

Initiated – Buy – December 19, 2018 – Price Target \$5.00

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VALUATION

Our \$5.00 price target implies a valuation of 0.5x our 2020 revenue estimate and 6.9x our 2020 EBITDA estimate.

RISK FACTORS

1. Because SilverSun sells to economically sensitive small businesses, we view is a more vulnerable to an economic recession.
2. The company relies on its strong relationship with Sage, for whom it is a value-added reseller. As one of Sage's largest resellers, in the unlikely event that Sage sought to sever the relationship or that Sage lost market share to competing ERP software for which SilverSun is not a reseller, we would envision a significant financial impact.
3. As a provider of cloud-based software and IT services, SilverSun's business is vulnerable to cyber attacks. Should hackers successfully mount an attack, we believe that it would lose customers and that the reputational damage would severely hamper is acquisition and sales activities.

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Ratings Definitions:

- 1) **Buy:** the analyst believes the price of the stock will appreciate and produce a total return of at least 20% over the next 12-18 months;
- 2) **Neutral:** the analyst believes the price of the stock is fairly valued for the next 12-18 months;
- 3) **Sell:** the analyst believes the price of the stock will decline by at least 20% over the next 12-18 months and should be sold.

The following chart reflects the range of current research report ratings for all companies followed by the analysts of the Firm. The chart also reflects the research report ratings relating to those companies for which the Firm has performed investment banking services in the last twelve months.

Ratings Distribution	Company Coverage		Investment Banking	
	# of Companies	% of Total	# of Companies	% of Totals
Market Outperform (Buy)	40	89%	10	25%
Market Perform (Neutral)	5	11%	0	0%
Market Underperform (Sell)	0	0%	0	0%
Total	45	100%	10	22%

Analyst Certification:

The analyst(s) whose name appears on this research report certifies that 1) all of the views expressed in this report accurately reflect his (their) personal views about any and all of the subject securities or issuers discussed; and 2) no part of the research analyst's compensation was, is, or will be directly or indirectly related to the specific recommendations or views expressed by the research analyst in this research report; and 3) all Dawson James employees, including the analyst(s) responsible for preparing this research report, may be eligible to receive non-product or service specific monetary bonus compensation that is based upon various factors, including total revenues of Dawson James and its affiliates as well as a portion of the proceeds from a broad pool of investment vehicles consisting of components of the compensation generated by investment banking activities, including but not limited to shares of stock and/or warrants, which may or may not include the securities referenced in this report.