December 3, 2018

WidePoint Corporation (NYSE/WYY)

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BUY - Price $0.46 / Target: $1.00

WidePoint Communications manages wireless devices for large government and corporate customers using a cloud SaaS model.

Managing Wireless for Government and Large Businesses

- We initiate coverage of WidePoint with a Buy rating and a $1.00 12-month price target.
- The company manages the complex process of managing thousands of wireless devices and the associated billing for very large government and business customers.
- It handles issuing and replacing handsets and other devices, software updates and security. It also handles associated billing, saving its customers millions of dollars.
- For large enterprises, issuing wireless devices to their employees is now standard practice. In addition to just cell phones, this can include laptops, pads and other devices.
- Looking ahead, enterprises will need to manage potentially billions of small embedded wireless devices in objects as diverse as cars, light fixtures, vending machines and livestock as the internet of things (IoT) technology wave accelerates.
- Presently, most enterprise customers use some combination of informal process to manage their employees' wireless devices resulting in about a 15% lost device rate, particularly as employees change employers and don't return their phone.
- Allowing employees to use their own devices is an even bigger risk since they take their employer's proprietary information with them when they change jobs and employers have no right to wipe the data off devices they do not own.
- Surprisingly, it is cheaper and more secure to issue employees company-owned phones, which WidePoint will manage.
- With strong momentum in government contracts, WidePoint just reported 15% 3Q18 YoY revenue growth. We expect its core managed services business to continue growing at least 10% for the foreseeable future as wireless devices become more commonplace and enterprises realize that they need a formal way to manage these devices.
- Our price target implies a multiple of 2x our 2020 managed services revenue estimate, in line with comps. We ascribe no value to the carrier services revenue which carries a negligible margin.
- The key risk is that the company deals with large government agencies and corporations, so the loss of one could have a material impact on revenue.

Please find Important Disclosures beginning on Page 10.

widepoint

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Rating	Buy
Target Price	$1.00
Ticker Symbol	WYY
Market	NASDAQ
Stock Price	$0.46
52 wk High	$0.73
52 wk Low	$0.40
Shares Outstanding:	83.8 M
Public Market Float:	76.8 M
Avg. Daily Volume	140,937
Market Capitalization:	$39 M
Institutional Holdings:	23.6%
Dividend Yield:	0.0%

Earnings Per Share	**Normalized to exclude unusual items**			
FYE - December	**2017**	**2018E**	**2019E**	**2020E**
1Q - March	($0.01)	($0.01) A	($0.00)	$0.00
2Q - June	($0.02)	($0.01) A	($0.00)	($0.00)
3Q - September	($0.00)	($0.00) A	($0.00)	($0.00)
4Q - December	($0.01)	$0.00	$0.00	$0.01
Year	**($0.04)**	**($0.01)**	**($0.00)**	**$0.00**
Revenue ($mm)	**75.9**	**82.8**	**92.8**	**99.3**
EV/Rev	0.5X	0.4X	0.4X	0.4X
EBITDA ($mm)	**(0.9)**	**1.5**	**2.1**	**2.6**
EV/EBITDA	NM	23.5X	17.0X	13.7X

Senior Executives	
Jin Kang	Chief Executive Officer
Jason Holloway	EVP - Sales and Marketing
Kito Mussa	Chief Financial Officer
Todd Dzyak	CEO - Widepoint Solutions
Caroline Godfrey	Chief Security Officer
Ian Sparling	CEO - Soft-ex

Common Ownership Profile

Shareholder	**Shares ('000)**	**% of Total**
Nokomis Capital LLC	12,774.3	15.3%
The Vanguard Group, Inc.	2,012.6	2.4%
First Wilshire Securities Management, I	1,061.0	1.3%
Perritt Capital Management, Inc.	701.0	0.8%
Renaissance Technologies LLC	580.8	0.7%
Directors and Officers	4,184	5.0%

Capitalization

Market Value Basis ('000)	**11/29/2018**	**%**
Long-Term Debt	$319	0.9%
Market Value of Equity	38,639	110.4%
Less: cash	-3,950	-11.3%
Enterprise Value	$35,008	100.0%

Book Value Basis ('000)	**09/30/2018**	**%**
Long-Term Debt	$319	0.7%
Other Liabilities	18,747	42.8%
Book Value of Equity	24,718	56.5%
Total Capital	$43,784	100.0%

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

Managing Wireless for Large Government and Business

We initiate coverage of WidePoint Corporation with a Buy rating and a $1 price target. The company's products are a bit technical, with lots of jargony names. But essentially the company provides cloud-based services to government and corporate customers to 1) Manage wireless devices, 2) Manage very smart, very secure employee ID cards and 3) Manage telecom billing and the customer analysis thereof. All three fall under the umbrella of the company's Trusted Mobility Management (TM2) product set. The products do two things for clients: save them money and protect them from security threats.

The company had three CEOs in 2017 until activist investors stepped in and the board appointed long-time WidePoint executive Jin Kang. Kang is a smart, mild-mannered technocrat with a solid business plan and a vision. The company has never generated much in profit since its inception in 1997, but revenue has started to grow over the last three years with even stronger growth expected ahead. Kang completely de-levered the balance sheet and cut costs to balance revenue so that WidePoint has been slightly EBITDA positive for the last five quarters. With the ship righted and stabilized, they now set sail for growth.

Our $1 price target values the company at 2x our 2020 managed services revenue estimate, which is in line with larger, slower growing government services comps. WidePoint generates 77% of revenue from government customers, mainly the U.S. federal government, but its products are equally relevant for the private sector. The company has two main revenue segments, but the largest, carrier services, can be essentially ignored since it is pass through revenue with no margin. The company's main product set is reported as managed services, and these carry a gross margin in the mid-high 40s. Carrier services are largely pass through revenue as WidePoint receives, processes and pays telecom bills for many of its customers, booking the amount of the bill as both revenue – as when its customer reimburses WidePoint – and expense – as when WidePoint pays the carrier.

WidePoint at a Glance

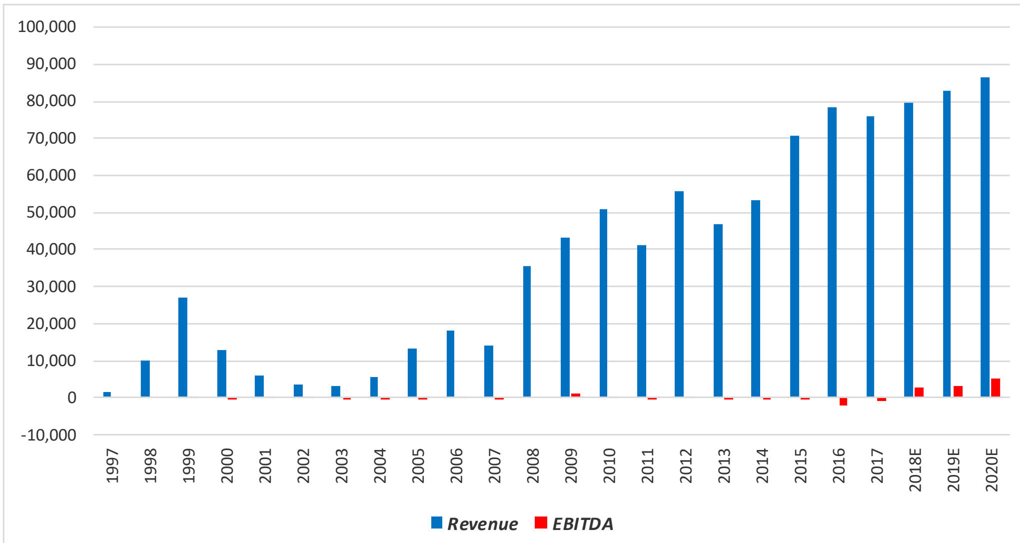
	Percent of Revenue	Gross Margin
Carrier Services	64%	0%
Managed Services	36%	57%
Total	***100%***	***20%***

Customer Breakdown	
U.S. Government	77%
State and local govt.	1%
Foreign governments	0%
Commercial	22%
Total	***100%***

Source: Company reports

WidePoint was started in 1996 as a SPAC (special purpose acquisition company) and made its first acquisition in 1996 acquiring Y2K consulting firm Zmax. With the Y2K crisis successfully weathered, the company went on an acquisition spree acquiring numerous Washington, D.C. area IT services companies and rebranding itself as WidePoint. The company has never been a significant profit generator, although as it has focused in on its current strategy, revenue is seeing significant sustained growth.

WidePoint Has Never Been Much of a Profit Generator, Despite Revenue Growth



Source: Company reports and Dawson James estimates

2017 was quite tumultuous for the company, as it went through three CEOs in the span of less than a year. We have spent considerable time with the current CEO, Jin Kang, who has been with the company since 2008 when it acquired the company he founded in 1999. In January 2017, the then 75-year-old CEO, Steve Komar, stepped down becoming executive chairman. Komar had been on the board since 1997 and stepped in as CEO. He had strong prior experience in financial IT, including senior roles at Fiserve and Diners Club. The board chose a management consultant, Jeffrey Nyweide, to replace him as CEO. In our experience, it is never a good idea to leave the old CEO in place to look over the shoulder of a newcomer. Additionally, Mr. Nyweide's experience was not a good fit with running the company. As rumblings of internal discontent made their way to shareholders, the largest shareholder went active which prompted the board to oust Nyweide after just seven months and turn to a trusted insider.

Kang quickly set his sights on deleveraging the balance sheet – it now has no debt – and bringing expenses in line with revenue. As a result, the company has now had five consecutive quarters of slightly positive EBITDA. Mr. Kang candidly agreed with us that perhaps some expenses will need to be restored, particularly sales and marketing which was down 27% in 3Q and new product development which has been zeroed out after having been around $700k in 2016.

The good news is that the company appears to have competitive products targeting a large market with significant growth potential. In addition to getting the balance sheet and expenses in line, it appears that growth is now on the horizon. In an October 9th press release, management detailed several new contracts that should generate an incremental $20 mm in recurring revenue for total revenue of around $96 mm in 2020, versus $76 mm in 2017.

WidePoint Serves Market with Over $30 Billion in Annual Revenue

WidePoint's Trusted Mobility Management (TM2) product set serves a market which Gartner estimates will soon grow to over $30 bn in revenue. The telecom lifecycle management market should be $6.6 bn by 2024 and the mobile and identity management market should be $26 bn by 2022. We have not seen any estimates for its third product, telecom bill presentment and analytics. WidePoint is the only company offering all three services and looks at cross selling to existing customers to accelerate growth. In fact, only one customer presently uses all three services and around 85% of customers only use one of its services.

When we first began researching the company, its product names did not intuitively explain what it actually does, so we will try to explain in simple English instead of industry jargon.

If we step back and look at the macro picture there are over 4.5 billion cell phones in use in the world today on a planet with a population of 7.7 billion. There are billions more tablet computers and the internet of things (IoT) market today encompasses tens of billions of devices, growing exponentially. Many of the mobile devices in use today are used and paid for by corporate and government entities. In fact for many jobs, a wireless device is now a prerequisite. Additionally, many individuals use their personal devices for work as well as personal use. This may appear to many employers to save them money, but as we explain later, it creates enormous data security problems when an employee leaves their employer and the employers data is still saved on the employee's personal phone.

Mobile phones have a relatively short life span of less than three years in personal use and less than two years in business use as businesses are more willing to spend to equip their workers with the latest devices. But issuing, updating, recapturing wiping and securely disposing of devices is a massive and growing necessary task for employers. That's where WidePoint comes in.

Under its **Telecom Lifecycle Management** (TLM) services, it acquires the phones on behalf of the employer, manages which carrier and which service plan will serve the device, installs the correct software and user setting, delivers it to the employee and provides 24/7/365 support when the inevitable issues occur. And when the employee leaves the company or is ready to upgrade to a new device, WidePoint handles that, managing the turning in of the old phone, wiping confidential and in some cases classified data, and disposing of the device either through recycling or resale. So in effect, WidePoint manages the entire lifecycle of the device.

While there are other companies that perform some of these services, for the most part companies and government agencies handle the process internally with homegrown solutions, which can be as simple as paper records or Excel spreadsheets. Predictably, these informal processes often lead to up to 15% losses with departing employees taking their phone with them or just throwing it in a desk drawer.

A hot topic for management is the trend toward employers allowing employees to bring their own devices (BYOD) so they can have the same cell phone for work and personal use. WidePoint believes this is a very bad, expensive and risky idea. First, employers pay their employees who use their own phones to compensate them for their expense. But the amount employers generally pay to employees is more than what they would pay buying the service in bulk directly and managing the services and handsets with WidePoint. The risk comes in when an employee leaves the firm. If the phone belongs to the employer, WidePoint can "melt" the phone disabling it remotely, so the employee no longer has access to confidential, and in the case of some of its government customers, classified, information stored on the phone. If the employee owns the device the employer has no right to access it and any confidential information stored on the phone stays on the phone accessible to the now former employee who may be going to work for a competitor.

WidePoint's next service is **Identity Management** (IdM). It typically provides smart card ID cards for government or corporate employees. A smart card is typically a plastic card, sometimes with the employees' picture, name and other information on it, that contains a computer chip. The chip looks like the chip on nearly every credit card and the SIM card in cell phones.

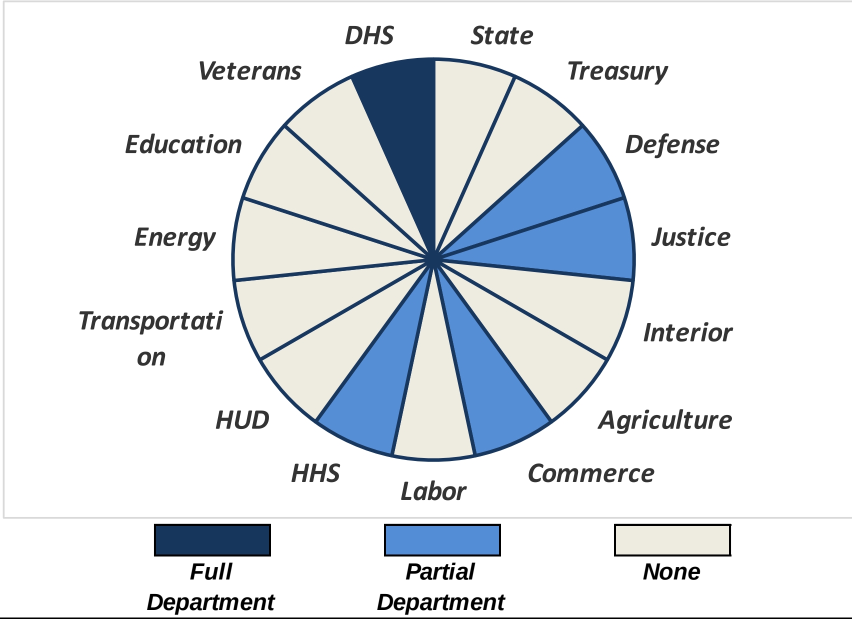
One innovation is that this secure identity chip can now be embedded in many new models of smartphones, so the employee can use their phone as their ID. Notable WidePoint customers of this service include Lockheed Martin and American Airlines in the private sector, and the FCC and FTC in the government sector.

The company's telecom **Bill Presentment and Management** (BPA) service interfaces with the billing systems of the major wireless carriers and presents billing information to its customers in a clear format, overlaying analytics. It is headquartered in Dublin, Ireland. The company can detect errors in bills or billing for devices that are no longer in use. As a result, this service can save customers significant amounts of money. Because this business is located in Europe, it has a strong customer base of European carriers such as Vodafone, O3 and Telefonica. On the commercial side, notable customers include McDonalds and Goodyear which both use WidePoint to manage and analyze the wireless bills they receive from carriers.

Most Revenue Comes from the U.S. Government, Which is Still Largely Untapped

As noted, even though the company's services have equal applicability for large corporate users as they do for government agencies, to date WidePoint has had more success cracking the government market which generates about 77% of revenue. The good news is that the company still has numerous arms of the government which it has not yet penetrated. Of the fifteen cabinet level departments, WidePoint's best customer is the Department of Homeland Security. It recently secured a major new contract with the Coast Guard that had been eagerly awaited by shareholders. Other departments where it has strong reach include Defense, Justice, Commerce and HHS. For Commerce, WidePoint will manage the wireless terminals all census takers will use nationally for the constitutionally mandated decennial census. WidePoint is working as a sub-contractor to CDW under this contract. If the entire U.S. government used WidePoint for TLM, we estimate that the total savings would be around $10 billion annually based on what it is saving the departments it is already working with.

WidePoint Has Strong Penetration in Five of Fifteen Cabinet Level Departments



Source: Company reports

While the commercial sector is a lesser contributor at roughly 23% of revenue, WidePoint has scored several wins with well-known customers, notably American Airlines, Southwest Airlines and UPS. What each of these have in common is that they employ thousands of employees who need to travel around in their daily work, and who use wireless devices to manage their workflow. This increasingly describes the global workforce, thus our optimism for WidePoint's prospects with large global corporations.

On the company's third quarter earnings call it also announced a major new customer relationship with telecommunications systems integrator, CSG International. CSG is one of the largest and most well-known providers of billing systems in the telecom industry. Its customers include AT&T, Cox Communications and DISH Network. Under this new contract, WidePoint will provide billing analytics and presentment, displacing the current provider of these services.

We Forecast Strong EBITDA Growth Off A Low Base

We forecast that the core managed services business will maintain double-digit growth, modelling it at 10% growth over the next two years. In the most recent quarter, growth was 15.3% and we have good visibility with major new announced contracts. One area of restructuring that the new CEO prioritized was the salesforce. Previously, WidePoint employed people who were more like passive account managers, rather than aggressive sales people earning commissions. We are already seeing early signs of success with this model. We model no growth for the carrier services business and since we model it a 0% gross margin, this has no impact on profitability. It is likely, however, that the company will continue to manage payments for new customers, so growth should be somewhat positive.

In terms of EBITDA, the company notably turned to booking positive EBITDA in mid-2017 with the cost cutting moves undertaken by the new CEO. In the most recent quarter, the EBITDA margin was just barely positive at 2.6%. We forecast that this will gradually expand, to 6.0% for 2020. Modest margin expansion, coupled with modest top line growth, should lead to 14% growth in 2019 and 60% in 2020 as the revenue base become large enough to more effectively absorb fixed costs.

We Value WYY In Line with Comps, Despite Faster Growth Expectations

Our $1 price target equates to 2x our 2020 managed services revenue estimate. As noted previously, since carrier services is essentially pass through revenue with little to no profit contribution, we ignore this revenue and only value the company on its core managed services business. Our $1 price target neatly works out to roughly the sale multiples comparables are trading at presently, on trailing twelve-month results.

As is usually the case when valuing small caps, there are few direct small cap comps in the case of WidePoint. In fact, there are no direct large cap comps either, but the companies we have chosen are all larger government services contractors. WidePoint is forecast to grow faster than these comps, implying a higher multiple. However, its small size and the relative illiquidity of its shares argue for a lower multiple. So, we assume that the two factors balance each other out and value the company in line with comparables.

Our $1 Target Works Out to the Same Multiples of 2020 Estimates as Comps Presently Trade At

Company Name	Fiscal Period	Price	Shares Outstanding	Market Value	Enterprise Value	Mgd. Svcs. Revenue	EBITDA	Enterprise Value/ Sales	Enterprise Value/ EBITDA
WidePoint	09/30/2018	$0.46	83.8	41.0	37.4	31.4	0.6	0.5x	61.2x
WYY@ 2020E	03/31/20	$0.46	83.8	41.0	37.4	41.9	2.6	0.9x	14.6x
WYY @ target on 2020E	03/31/20	$1.00	83.8	83.8	80.1	41.9	2.6	1.9x	31.3x
Accenture Plc Class A	08/31/2018	$161.07	638.3	102,817.4	98,137.7	41,603.4	6,860.9	2.4x	14.3x
Booz Allen Hamilton Holding Cc	03/31/2018	$50.96	142.3	7,253.8	8,698.0	6,171.9	584.8	1.4x	14.9x
CACI International Inc Class A	06/30/2018	$168.32	24.8	4,182.6	5,203.4	4,467.9	412.9	1.2x	12.6x
Cubic Corporation	09/30/2018	$59.03	27.3	1,613.8	1,707.1	1,202.9	79.0	1.4x	21.6x
Leidos Holdings, Inc.	12/29/2017	$62.08	149.8	9,297.1	11,766.1	10,170.0	1,021.0	1.2x	11.5x
Mercury Systems, Inc.	06/30/2018	$50.90	48.4	2,463.6	2,630.7	493.2	113.8	5.3x	23.1x
OSI Systems, Inc.	06/30/2018	$72.24	18.2	1,311.4	1,644.2	1,089.3	159.1	1.5x	10.3x
Perspecta, Inc.	03/31/2018	$20.33	164.5	3,343.6	5,978.6	2,819.0	482.0	2.1x	12.4x
Average								**2.1x**	**15.1x**

Source: Company reports and Dawson James estimates

WidePoint Corporation Income Forecast

Dollars in thousands, except per share data			2018					2019					2020		
Fiscal years ended December 31	1QA	2QA	3QA	4Q	YEAR	1Q	2Q	3Q	4Q	YEAR	1Q	2Q	3Q	4Q	YEAR
Carrier services	11,812,144	11,282,881	13,104,865	13,482,656	49,682,546	12,993,358	12,411,169	14,415,352	14,830,922	54,650,801	13,643,026	13,031,728	15,136,119	15,572,468	57,383,341
YoY growth	1.7%	3.4%	16.5%	20.0%	12.2%	10.0%	10.0%	10.0%	10.0%	10.0%	5.0%	5.0%	5.0%	5.0%	15.5%
Managed services	8,267,475	6,261,457	8,189,495	10,430,510	33,148,937	9,507,596	7,200,676	9,417,919	11,995,087	38,121,278	10,458,356	7,920,743	10,359,711	13,194,596	41,933,406
YoY growth	18.1%	-21.4%	13.5%	20.0%	7.3%	15.0%	15.0%	15.0%	15.0%	15.0%	10.0%	10.0%	10.0%	10.0%	10.0%
Revenue	**20,079,619**	**17,544,338**	**21,294,360**	**23,913,167**	**82,831,484**	**22,500,955**	**19,611,845**	**23,833,271**	**26,826,009**	**92,772,079**	**24,101,382**	**20,952,471**	**25,495,830**	**28,767,064**	**99,316,747**
YoY growth	7.9%	-7.1%	15.3%	20.0%	9.2%	12.1%	11.8%	11.9%	12.2%	12.0%	7.1%	6.8%	7.0%	7.2%	7.1%
Seq growth	0.8%	87.4%	121.4%	12.3%		-5.9%	-12.8%	21.5%	12.6%		-10.2%	-13.1%	21.7%	12.8%	
Cost of services															
Carrier	11,812,144	11,282,881	13,104,865	13,482,656	49,682,546	12,993,358	12,411,169	14,415,352	14,830,922	54,650,801	13,643,026	13,031,728	15,136,119	15,572,468	57,383,341
Gross margin	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
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	4,715,468	2,714,304	4,504,422	5,736,781	17,670,975	5,229,178	3,600,338	5,179,856	6,597,298	20,606,669	5,752,096	3,960,372	5,697,841	7,257,028	22,667,336
Gross margin	3,552,007	3,547,153	3,685,073	4,693,730	15,477,963	4,278,418	3,600,338	4,238,064	5,397,789	17,514,609	4,706,260	3,960,372	4,661,870	5,937,568	19,266,070
Gross margin %	43.0%	56.7%	45.0%	45.0%	46.7%	45.0%	50.0%	45.0%	45.0%	45.9%	45.0%	50.0%	45.0%	45.0%	45.9%
Total cost of revenue	16,527,612	13,997,185	17,609,287	19,219,437	67,353,521	18,222,536	16,011,507	19,595,207	21,428,220	75,257,470	19,395,122	16,992,099	20,833,960	22,829,496	80,050,677
As a percent of revenue	82.3%	79.8%	82.7%	80.4%	81.3%	81.0%	81.6%	82.2%	79.9%	81.1%	80.5%	81.1%	81.7%	79.4%	80.6%
Gross margin	3,552,007	3,547,153	3,685,073	4,693,730	15,477,963 #	4,278,418	3,600,338	4,238,064	5,397,789	17,514,609	4,706,260	3,960,372	4,661,870	5,937,568	19,266,070
Gross margin %	17.7%	20.2%	17.3%	19.6%	18.7%	19.0%	18.4%	17.8%	20.1%	18.9%	19.5%	18.9%	18.3%	20.6%	19.4%
Sales and marketing	534,637	444,945	387,407	597,829	1,964,818	562,524	490,296	595,832	670,650	2,319,302	602,535	523,812	637,396	719,177	2,482,919
As a percent of revenue	2.7%	2.5%	1.8%	2.5%	2.4%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
General and administrative	3,353,341	3,427,301	3,257,262	3,826,107	13,864,011	3,600,153	3,137,895	3,813,323	4,292,161	14,843,533	3,856,221	3,352,395	4,079,333	4,602,730	15,890,680
As a percent of revenue	16.7%	19.5%	15.3%	16.0%	16.7%	16.0%	16.0%	16.0%	16.0%	16.0%	16.0%	16.0%	16.0%	16.0%	16.0%
Product development	-	-	-	-	-	10,000	10,000	10,000	10,000	40,000	20,000	20,000	20,000	20,000	80,000
Depreciation and amortization	97,386	110,463	104,914	110,000	422,763	110,000	110,000	110,000	110,000	440,000	110,000	110,000	110,000	110,000	440,000
Operating Income	**(433,357)**	**(435,556)**	**(64,510)**	**159,794**	**(773,629)**	**(4,258)**	**(147,853)**	**(291,091)**	**314,977**	**(128,226)**	**117,504**	**(45,836)**	**(184,859)**	**485,661**	**372,472**
Operating margin	-2.2%	-2.5%	-0.3%	0.7%	-0.9%	0.0%	-0.8%	-1.2%	1.2%	-0.1%	0.5%	-0.2%	-0.7%	1.7%	0.4%
Interest income	3,326	2,077	936	-	6,339	-	-	-	-	-	-	-	-	-	-
Interest expense	(25,950)	(23,937)	(21,644)	(25,000)	(96,531)	(30,000)	(30,000)	(30,000)	(30,000)	(120,000)	(30,000)	(30,000)	(30,000)	(30,000)	(120,000)
Other income	(2)	3	2	-	3	-	-	-	-	-	-	-	-	-	-
Pretax Income	(455,983)	(457,413)	(85,216)	134,794	(863,818)	(34,258)	(177,853)	(321,091)	284,977	(248,226)	87,504	(75,836)	(214,859)	455,661	252,472
Taxes	6,190	14,758	24,795	6,740	52,483	(1,713)	(8,893)	(16,055)	14,249	(12,411)	4,375	(3,792)	(10,743)	22,783	12,624
tax rate	-1.4%	-3.2%	-29.1%	5.0%	-28.7%	5.0%	5.0%	5.0%	5.0%	20.0%	5.0%	5.0%	5.0%	5.0%	20.0%
Net income to common	**(462,173)**	**(472,171)**	**(110,011)**	**128,054**	**(916,301)**	**(32,545)**	**(168,961)**	**(305,037)**	**270,729**	**(235,814)**	**83,129**	**(72,044)**	**(204,116)**	**432,878**	**239,848**
Net income margin	-2.3%	-2.7%	-0.5%	0.5%	-1.1%	-0.1%	-0.9%	-1.3%	1.0%	-0.3%	0.3%	-0.3%	-0.8%	1.5%	0.2%
Diluted shares outstanding	83,041,597	82,911,730	83,177,804	83,197,804	83,082,234	83,217,804	83,237,804	83,257,804	83,277,804	83,247,804	83,297,804	83,317,804	83,337,804	83,357,804	83,327,804
Seq change	30,266	(129,867)	266,074	20,000		20,000	20,000	20,000	20,000		20,000	20,000	20,000	20,000	
EPS diluted - continuing	**($0.01)**	**($0.01)**	**($0.00)**	**$0.00**	**($0.01)**	**($0.00)**	**($0.00)**	**($0.00)**	**$0.00**	**($0.00)**	**$0.00**	**($0.00)**	**($0.00)**	**$0.01**	**$0.00**
EBITDA															
Net loss	(462,173)	(472,171)	(110,011)	128,054	(916,301)	(32,545)	(168,961)	(305,037)	270,729	(235,814)	83,129	(72,044)	(204,116)	432,878	239,848
Depreciation and amortization	393,400	368,600	346,100	390,000	1,498,100	390,000	390,000	390,000	390,000	1,560,000	390,000	390,000	390,000	390,000	1,560,000
Amort. of deferred financing	7,800	7,000	7,000	7,000	28,800	7,000	7,000	7,000	7,000	28,000	7,000	7,000	7,000	7,000	28,000
Income tax	6,190	14,758	24,795	6,740	52,483	(1,713)	(8,893)	(16,055)	14,249	(12,411)	4,375	(3,792)	(10,743)	22,783	12,624
Interest income	(3,326)	(2,077)	(936)	-	(6,339)	-	-	-	-	-	-	-	-	-	-
Interest expense	25,950	23,937	21,644	25,000	96,531	30,000	30,000	30,000	30,000	120,000	30,000	30,000	30,000	30,000	120,000
Other income	2	(3)	(2)	-	(3)	-	-	-	-	-	-	-	-	-	-
Provision for doubtful accounts	(5,800)	-	-	-	(5,800)	-	-	-	-	-	-	-	-	-	-
Gain on sale of assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Loss on disposal of leasehold	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Severance and exit	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Stock based comp	124,400	195,900	272,800	150,000	743,100	150,000	150,000	150,000	150,000	600,000	150,000	150,000	150,000	150,000	600,000
EBITDA	**86,443**	**135,944**	**561,390**	**706,794**	**1,490,571**	**542,742**	**399,147**	**255,909**	**861,977**	**2,059,774**	**664,504**	**501,164**	**362,141**	**1,032,661**	**2,560,472**
EBITDA margin	0.4%	0.8%	2.6%	3.0%	1.8%	2.4%	2.0%	1.1%	3.2%	2.2%	2.8%	2.4%	1.4%	3.6%	2.6%
YoY growth			1618.6%	153.5%		527.9%	193.6%	-54.4%	22.0%	38.2%	22.4%	25.6%	41.5%	19.8%	24.3%

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 3, 2018 – Price Target $1.00

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VALUATION

Our $1.00 price target values the managed services business at 2.0x revenue, in line with comps, and ascribes no value to the largely pass through carrier services business.

RISK FACTORS

1. WidePoint's target customer base are much larger than it is so its relatively small size may be an issue in securing new contracts.
2. The company has a limited history of profitability, and, in our opinion, must increase revenue to better cover fix costs and generate sustained profitability.
3. WYY shares are subject to the risks typically associated with smaller, illiquid companies such as lower valuations and difficulty executing larger trades without impacting the stock price. Over time, as revenue increases and the market cap grows, this impact is likely to lessen.

The securities of the company discussed in this report may be unsuitable for investors depending on their specific investment objectives and financial position. This report is offered for informational purposes only, and does not constitute an offer or solicitation to buy or sell any securities discussed herein in any jurisdiction where such would be prohibited. Additional information is available upon request.

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.

	Company Coverage		Investment Banking	
Ratings Distribution	# of Companies	% of Total	# of Companies	% of Totals
Market Outperform (Buy)	34	87%	10	29%
Market Perform (Neutral)	5	13%	0	0%
Market Underperform (Sell)	0	0%	0	0%
Total	39	100%	10	26%

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.