

**WidePoint Corporation (WYY)**
**Rating: Buy**

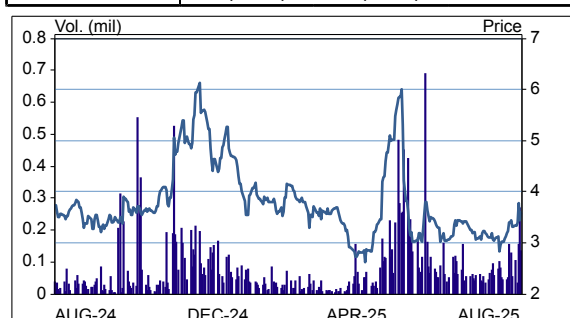
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**Recent Awards and Sales Pipeline Suggests Material Revenue Upside in 2H25 and 2026; Reit. Buy, \$7 PT**

Stock Data		8/15/2025	
Price		\$3.59	
Exchange		NYSE	
Price Target		\$7.00	
52-Week High		\$6.25	
52-Week Low		\$2.19	
Enterprise Value (M)		\$28	
Market Cap (M)		\$35	
Shares Outstanding (M)		9.8	
3 Month Avg Volume		113,017	
Short Interest (M)		0.02	
Balance Sheet Metrics			
Cash (M)		\$7.1	
Total Debt (M)		\$0.0	
Total Cash/Share		\$0.73	
Revenue (\$M)			
Full Year - Dec	2024A	2025E	2026E
1Q	34.2	34.2A	--
2Q	36.0	37.9A	--
3Q	34.6	39.0	--
4Q	37.7	41.7	--
FY	142.6	152.8	173.7
EBITDA (\$) Adjusted			
Full Year - Dec	2024A	2025E	2026E
1Q	0.6	0.1A	--
2Q	0.8	0.2A	--
3Q	0.6	0.8	--
4Q	0.6	1.6	--
FY	2.6	2.6	6.4
EPS (\$)			
Full Year - Dec	2024A	2025E	2026E
1Q	(0.07)	(0.08)A	--
2Q	(0.05)	(0.06)A	--
3Q	(0.04)	(0.04)	--
4Q	(0.04)	0.05	--
FY	(0.21)	(0.13)	0.18


**2Q25 Results ok, excitement driven by 2H25 and 2026 revenue opportunities.**

After market close on August 14, WidePoint Corporation reported 2Q25 operating results, including revenue of \$37.9M, versus our \$39.4M estimate. While revenue growth has been somewhat slower to materialize in 1H25, the company continues to be awarded new business and position itself to be awarded additional opportunities. This includes being awarded a fourth task order under the Navy's \$2.7B Spiral 4 contract and being awarded a new identity & access management contract to support the U.S. Department of Education. In addition, the company is well positioned, as a two time incumbent, to be awarded meaningful new business under the U.S. Department of Homeland Security's CWMS 3.0 program. The total contract is valued at \$3.0B over a ten-year period, up from CWMS 2.0 which was \$754M over five years. We believe an announcement could come as early as the next few months and is likely to serve as a meaningful catalyst for WYY shares and revenue growth in 2026. Further, the company highlighted its sales pipeline in the device-as-a-service business, or DaaS, which we believe includes some highly recognizable corporate names. As of June quarter end, the contracted backlog stood at \$265.0M. These efforts, coupled with an existing pipeline and recent contract awards are expected to drive materially stronger results moving into 2026. Further, we expect new revenue is likely to come at higher margins, improving the operating leverage in the business over time and potentially result in positive EPS, an inflection point for the business. As financial performance continues to improve, we expect to see investors gravitate toward undervalued WYY shares. We maintain our Buy rating and \$7.00 price target.

**Operating performance.** Second quarter revenue of \$37.9M compared to our \$39.4M estimate. Gross margin of 13.5% was down both sequentially and year over year from 14.0% and 13.6%, respectively. Over time, we believe the company can move gross margins higher as the revenue mix shifts towards higher margin managed services, aided by a strong pipeline in DaaS. Operating expense in the quarter was \$5.8M which was largely consistent with our estimate. On lower revenue and modestly lower gross margin, adj. EBITDA was a positive \$0.2M versus our \$0.8M estimate. While positive, for the 32nd consecutive quarter, we expect the company to reduce its full year adj. EBITDA guide of between \$2.8M and \$3.0M when it reports 3Q25 results in November. The company ended the June quarter with \$7.1M of total available cash on the balance sheet.

**Adjusting '25 and '26 estimates, price target unchanged.** Following 2Q25 results and updated management commentary, we are making a series of modest adjustments to our model. We are now modeling 2025 revenue of \$152.8M, versus \$156.9M previously. The decrease in our estimate reflects contracts being pushed later into the year, or even 2026. Coupled with modest margin expansion and ongoing cost discipline, results in 2025 adj. EBITDA of \$2.6M, down from \$2.9M previously. Our 2026 revenue and adj. EBITDA estimates are \$173.7M and \$6.4M, respectively. Our price target remains unchanged at \$7.

**Valuation fails to reflect high quality cash generating SaaS business.** We are valuing WYY shares at \$7, reflecting a 1.0x EV/revenue on our 2026 Managed Service revenue estimate of \$72.9M. Our \$7 price target represents approximately 100.0% upside from recent trading levels. Our targeted 1.0x EV/revenue multiple represents a significant small capitalization discount to larger cybersecurity peers and other software businesses that sell into both government and commercial entities. The discount reflects a combination of a lower gross margin profile, fewer resources, and smaller pool of potential institutional investors. Valuation levels for peer businesses average closer to 7.5x 2025 Street revenue forecasts. Over time, we believe revenue growth, increasing gross margin and improving adj. EBITDA and free cash flow should move the market multiple towards the broader cybersecurity and software as a service peers. Risks. (1) Dilution risk should the company raise additional capital; (2) high levels of industry competition; (3) technology and execution risks; (4) customer concentration risk; (5) intellectual property risks; and (6) key personnel risks.

WidePoint Corporation  
H.C. Wainwright & Co., LLC  
(\$000s) in U.S. dollars; December Year-End

Fiscal Year in \$ 000's	2021 2021A	2022 2022A	2023 2023E	2024					2025					2026 2026E
				1Q24A	2Q24A	3Q24A	4Q24A	2024A	1Q25A	2Q25A	3Q25E	4Q25E	2025E	2026E
<b>Revenue</b>														
Carrier Services	49,731	53,340	58,234	19,343	20,403	22,413	24,635	86,794	22,401	22,223	23,758	25,374	93,756	100,810
Managed Services	37,607	40,763	47,792	14,864	15,637	12,207	13,069	55,778	11,816	15,657	15,259	16,336	59,069	72,935
Gross Revenue	87,338	94,103	106,026	34,207	36,041	34,620	37,703	142,572	34,218	37,880	39,017	41,709	152,824	173,745
Cost of revenue	70,970	79,528	90,381	29,541	31,148	29,928	32,950	123,567	29,439	32,763	33,524	35,502	131,228	147,488
<b>Net revenue</b>	<b>16,368</b>	<b>14,575</b>	<b>15,646</b>	<b>4,666</b>	<b>4,893</b>	<b>4,692</b>	<b>4,753</b>	<b>19,004</b>	<b>4,779</b>	<b>5,117</b>	<b>5,493</b>	<b>6,208</b>	<b>21,597</b>	<b>26,256</b>
<b>Gross margin</b>	<b>18.7%</b>	<b>15.5%</b>	<b>14.8%</b>	<b>13.6%</b>	<b>13.6%</b>	<b>13.6%</b>	<b>12.6%</b>	<b>13.3%</b>	<b>14.0%</b>	<b>13.5%</b>	<b>14.1%</b>	<b>14.9%</b>	<b>14.1%</b>	<b>15.1%</b>
<b>Operating expenses:</b>														
Sales & marketing	2,009	2,134	2,192	612	560	530	560	2,262	639	670	610	627	2,546	2,918
General and administrative	12,725	14,720	15,882	4,448	4,543	4,353	4,277	17,621	4,732	4,923	5,006	4,919	19,579	20,753
Impairment charge, goodwill		16,277	0											
Impairment charge, definite-lived intangible assets		0	193											
Depreciation and amortization	1,027	1,077	1,080	257	252	260	233	1,001	224	233	265	237	959	978
Total costs and expenses	15,760	34,209	19,347	5,317	5,355	5,143	5,070	20,885	5,595	5,826	5,881	5,783	23,085	24,649
Operating income	608	(19,634)	(3,702)	(651)	(462)	(451)	(317)	(1,880)	(816)	(708)	(388)	424	(1,488)	1,608
Depreciation and amortization	1,654	2,535	3,371	833	907	822	838	3,400	710	725	740	755	2,930	3,172
<b>Adj. EBITDA</b>	<b>3,701</b>	<b>1,062</b>	<b>791</b>	<b>573</b>	<b>811</b>	<b>573</b>	<b>631</b>	<b>2,589</b>	<b>92</b>	<b>183</b>	<b>752</b>	<b>1,579</b>	<b>2,607</b>	<b>6,380</b>
<b>Adj. EBITDA margin</b>	<b>4.2%</b>	<b>1.1%</b>	<b>0.7%</b>	<b>1.7%</b>	<b>2.3%</b>	<b>1.7%</b>	<b>1.7%</b>	<b>1.8%</b>	<b>0.3%</b>	<b>0.5%</b>	<b>1.9%</b>	<b>3.8%</b>	<b>1.7%</b>	<b>3.7%</b>
Other income (expense)														
Interest income	4	42	91	49	52	60	54	215	53	89	89	89	321	357
Interest expense	(273)	(260)	(240)	(59)	(72)	(53)	(59)	(243)	(55)	(52)	(52)	(52)	(212)	(210)
Other (expense) income, net	643	1,344	(63)	(35)	(2)	0	7	(29)	0	0	0	0	0	0
Total other income	374	1,126	(211)	(44.2)	(22.1)	7.1	1.6	(58)	(1.6)	37.5	37.0	37.0	110	148
Income (loss) before income taxes	982	(18,507)	(3,913)	(695)	(484)	(444)	(315)	(1,938)	(818)	(671)	(351)	461	(1,378)	1,756
Income tax provision	640	5,078	133	(42)	16	(19)	41	(4)	(94)	(52)	0	0	(146)	0
Net Income	341	(23,585)	(4,046)	(653)	(500)	(425)	(356)	(1,934)	(724)	(618)	(351)	461	(1,232)	1,756
<i>Net Income Margin %</i>														
<b>Basic Earnings Per Share</b>	<b>\$0.04</b>	<b>(\$2.70)</b>	<b>(\$0.46)</b>	<b>(\$0.07)</b>	<b>(\$0.05)</b>	<b>(\$0.04)</b>	<b>(\$0.04)</b>	<b>(\$0.21)</b>	<b>(\$0.08)</b>	<b>(\$0.06)</b>	<b>(\$0.04)</b>	<b>\$0.05</b>	<b>(\$0.13)</b>	<b>\$0.18</b>
<b>Diluted Earnings Per Share</b>	<b>\$0.04</b>	<b>(\$2.70)</b>	<b>(\$0.46)</b>	<b>(\$0.07)</b>	<b>(\$0.05)</b>	<b>(\$0.04)</b>	<b>(\$0.04)</b>	<b>(\$0.21)</b>	<b>(\$0.08)</b>	<b>(\$0.06)</b>	<b>(\$0.04)</b>	<b>\$0.05</b>	<b>(\$0.13)</b>	<b>\$0.18</b>
Average Shares Outstanding (Basic)	9,070	8,732	8,831	8,898	9,390	9,486	9,504	9,319	9,553	9,586	9,634	9,682	9,614	9,804
Average Shares Outstanding (Diluted)	9,160	8,732	8,831	8,898	9,390	9,486	9,504	9,319	9,553	9,586	9,634	9,682	9,614	9,804
<b>Operating Metrics</b>														
Revenue Growth		7.7%	12.7%	35.3%	34.7%	34.5%	33.4%	34.5%	0.0%	5.1%	12.7%	10.6%	7.2%	13.7%
Price	\$3.59	\$3.59	\$3.59	\$3.59	\$3.59	\$3.59	\$3.59	\$3.59	\$3.59	\$3.59	\$3.59	\$3.59	\$3.59	\$3.59
Market Capitalization (\$000s)	\$32,885	\$31,349	\$32,256	\$31,943	\$33,711	\$34,053	\$34,118	\$34,118	\$34,295	\$34,414	\$34,586	\$34,759	\$34,759	\$35,460
Enterprise Value (\$000s)	\$26,405	\$23,818	\$25,335	\$28,240	\$29,710	\$28,417	\$26,301	\$26,301	\$30,592	\$27,593	\$27,123	\$26,301	\$26,301	\$22,151
Price-to-Earnings	-0.5x	-1.3x	-7.9x	-8.5x	-9.5x	-11.2x	-17.2x	-17.2x	-17.0x	-16.1x	-16.8x	-27.8x	-27.8x	20.2x
EV to Adj. EBITDA	n/a	n/a	31.3x	20.7x	14.6x	11.9x	10.2x	10.2x	14.5x	18.6x	16.3x	10.1x	10.1x	3.5x
Shareholders Equity	0	17,751	14,677	12,966	14,021	13,848	13,580	13,580	12,966	12,563	12,212	12,673	12,673	14,429
Net Debt	(6,480)	(7,531)	(6,921)	(3,703)	(4,001)	(5,636)	(7,817)	(7,817)	(3,703)	(6,821)	(7,463)	(8,458)	(8,458)	(13,309)

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Ratings	Count	Percent	IB Service/Past 12 Months	
			Count	Percent
Buy	545	81.34%	109	20.00%
Neutral	74	11.04%	11	14.86%
Sell	2	0.30%	0	0.00%
Under Review	49	7.31%	14	28.57%

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