

Mossberg's Investor Digest

Best Idea Profile:

WidePoint Corp. (NYSE MKT:WYY)

DESCRIPTION:

WidePoint Corp. provides wireless mobility management and cybersecurity solutions that enable government agencies and other entities to deploy fully compliant information technology services in accordance with government-mandated regulations and advanced system requirements. It addresses the critical need for cost-effective and easy-to-deploy mobile security solutions. Its managed mobility services (MMS) include communications management, or fleet management services; cybersecurity for a mobile workforce; and certificate on a device, which is the cloud-based solution to deliver secure digital certificates for all types of devices. WidePoint was founded in 1996 and is based in McLean, Virginia.

KEY INVESTMENT CONSIDERATIONS:

Expansion of Markets – The information technology market is being driven by the move to mobility and mobile devices—expanding the infrastructure beyond the traditional boundaries. Gartner Group predicts a 23% compound annual growth rate for MMS from 2012 to 2016, with a \$3.2 billion market by 2016.

Department of Homeland Security Win – In December 2013, after multiple delays, WidePoint was singly awarded a \$600 million purchase agreement by the Department of Homeland Security for cellular wireless managed services. This includes all eight DHS components, such as FEMA, U.S. Coast Guard, and U.S. Customs and Border Protection. This contract should contribute to revenue by the end of the second quarter, and has the potential to more than double annual revenues for WidePoint. WidePoint will pursue additional contracts with other Federal agencies as well. WidePoint believes its DHS contract can ramp to 100,000 devices managed and \$75 million in annual revenues just for core services at the DHS. The initial term is through 2018, but is likely to be extended and expanded.

Further Channel Expansion – In November 2013, Compass Group, a customer since 2005, executed a global agreement to provide all WidePoint MMS services to its 30,000 mobile devices in 52 countries. Management expects this to ramp to \$125,000 monthly recurring revenue by the end of 2014. The deal also includes the opportunity to sell to Compass' global base of customers and suppliers, representing over 500,000 mobile devices. This was the first of a trend to sign vertical channel partner deals.

Gartner Rating – The consultant named WidePoint as one of its original 18 companies in its "Magic Quadrant" MMS space.

Strong Leadership/Customers – WidePoint's customers include 34 of the Fortune 100 companies, 22 of the top 25 Federal contractors, more than 100 healthcare organizations, 200 colleges, 40 financial institutions, and 11 airlines. Its management brings much experience and lots of formidable contacts within government and industry.

Attractiveness as Target – The mergers and acquisition market has accelerated in this industry over the last year. There are multiple examples of companies with quality management and operations being acquired by companies wanting expertise in this business. As it moves ahead of larger companies in terms of vision and execution in the MMS space, it becomes more attractive to a larger company seeking to inhabit or dominate this space.

VALUATION:

Despite these recent developments, WYY is underfollowed by the investment community. As the DHS contract unfolds and begins to generate real revenues, investors may become more aware of the growth potential. Additionally, any takeover interest could reward investors.

WidePoint Corp. (NYSE MKT:WYY) Investment Data (as of 4/4/14)	
Recent Price	\$1.51
52-Week Range	\$0.45 - \$1.95
Fiscal Year End	Dec
Dividend	NA
Yield	NA
Shares Outstanding	73.0 M
Average Trading Volume (3 mos)	1.1 M
Market Capitalization	\$110 M
Cash	\$2 M
Long-term Debt	\$5 M
Enterprise Value (EV)	\$115 M
Book Value	\$0.35
TTM Revenue	\$46.8 M
P/ Revenue	2.4 x
TTM EPS	\$(0.03)
P/ EPS	NA
TTM EBITDA	\$(674) K
EV/ EBITDA	(171) x

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