

SilverSun Technologies Inc.

Initiate with an Outperform and PT of \$7; SSNT Can Gain Market Share in the Highly Fragmented IT Services and Software Reseller Space.

WestPark Capital initiates coverage on SilverSun Technologies with an Outperform rating, as we believe SilverSun Technologies can gain substantial market share in the highly fragmented ERP Software value-added reseller (VAR) space by pursuing a roll-up strategy. The company's nascent Electronic Data Interchange (EDI) proprietary software, MAPADOC, can potentially drive additional upside due to an attractive margin profile. We initiate coverage with an Outperform and price target of \$7 for SSNT.

- SSNT is a Value-added Reseller and an Application Software developer.** SilverSun Technologies is a VAR primarily for the ERP software of Sage, NetSuite and Acumatica. In addition, it has its own proprietary software group which developed MAPADOC, which is an Electronic Data Interchange (EDI). The company's third business segment is the Network and Managed Services group which provides IT Consulting and managed services to its SMB Clients. SSNT does reselling and implementation of ~35 third-party application software products, and serves ~3,300 SMBs and ~100 Enterprise clients nationwide.
- Attractive business model with ~40% recurring revenues.** SSNT boasts an attractive business model as all three business units are seeing steady growth. The company has a reasonably predictable stream of cashflows as ~40% of its total revenues are recurring on a monthly basis. Software sales make up ~15% of total sales, and Services revenue makes up ~85% of total revenues.
- Leading VAR that will consolidate the space.** SSNT generates 68% of its total revenues from the ERP and Value-added services business, and it is one of the largest resellers for Sage. The VAR and Managed Service Providers (MSP) markets are highly fragmented with mostly smaller players who have poor margins. SSNT's management team has made 13 acquisitions in the last 6 years, and intends to pursue more acquisitions. We believe this roll-up strategy for SSNT makes sense as it can consolidate these smaller resellers and managed service providers, and generate a lot of synergies. In addition, to seeking outright acquisitions, the company is striking partnership deals with smaller VARs under its Master VAR program which can potentially drive its gross margins much higher and bring down customer acquisition costs significantly.
- Robust order pipeline for F'18.** The long sales and implementation cycles which of Software resellers gives them an early indication of potential future sales. Management is upbeat about SSNT's robust pipeline of customer orders and the Master VAR program in F'18. We are forecasting revenues of \$38.0 million, which represents a 10% Y/Y increase and EPS of \$0.29 for F'18, up 66% Y/Y.
- We initiate coverage on SSNT with a \$7 PT.** Our PT for the company is predicated on an EV/Sales multiple of 0.9x applied to the company's F'18 revenue estimate of \$38.0 million. SSNT currently trades at only 0.5x revenues, which is significantly lower than its publicly-traded comps which trade at an EV/Sales multiple of 2.3x. Our price target points to an upside of ~75% from current levels. Thus, we initiate coverage with an Outperform Rating.

Initiation Outperform

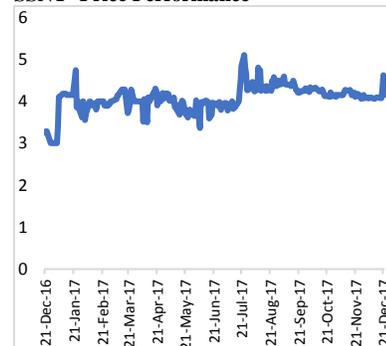
SilverSun Technologies Inc.
Price: \$4.00

Target Price: \$7.00

Software

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SSNT- Price Performance



SilverSun Technologies Inc. (SSNT)

	F'2016	F'2017E
EPS Reported (\$)		
Q1 (March)	0.02	0.03A
Q2 (June)	0.12	0.03A
Q3 (Sep)	0.61	0.07A
Q4 (Dec)	0.01	0.05
FY	0.77	0.18

Source: Company Data, WestPark Capital Estimates

Company Data

Price (\$)	4.00
Date of Price	9-Jan-18
52-week range	5.22-3.24
Market Cap (US\$ m)	17.96
Shares Outstanding (M)	4.49
Dividend (Special)	0.08
Fiscal year	31-Dec
Dividend Yield	1.92%
Target Price (\$)	\$7.00

See page 21 for analyst certification and important disclosures.

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Investment Thesis

- **Software and IT Services Company focused on SMB clients.** SilverSun Technologies is a VAR and master developer of Sage Software's ERP software. SSNT has its own proprietary software, MAPADOC, which is an Electronic Data Interchange (EDI) service. In addition, the company is also a managed network service provider (MSP). In aggregate, the company sells ~35 third-party products to help customers meet their business needs. SilverSun serves ~3,300 SMB customers and ~100 Enterprise customers in the US.
- **Stable and growing revenue streams.** We view the business model of SilverSun Technologies to be very attractive as all three of its core business segments are growing at a stable pace. In addition, ~40% of the company's total revenues are recurring on a monthly basis. Software sales make up ~15% of total sales, and Services revenue makes up ~85% of total revenues in F'18.
- **SSNT will be a Consolidator in the VAR and MSP space.** SSNT's management has made several acquisitions of smaller VARs and MSPs with a sizable client base, a robust product and services portfolio along with positive cashflows. The MSP and VAR markets are highly fragmented markets, which are ripe to be consolidated by a focused buyer. A majority of the VARs in the ERP space are smaller players with less than \$5 million in sales and suffer from poor gross margins from their ERP software reseller efforts. SSNT is one of the biggest resellers, and it makes sense for the company to pursue a roll-up strategy.
- **Seasoned management with substantial insider ownership.** We believe the company's management team has significant expertise in the Value-added reseller (VAR) and software market. In addition, the company's CEO, Mark Meller owns ~45% of the company's outstanding stock and along with the senior management and the Board, cumulative insider ownership of SSNT stands at ~55%. The company doesn't have a stated dividend policy, but has declared special dividends twice in F'17. In our view, substantial insider ownership aligns management with shareholders interest.
- **Master VAR program and sizable acquisitions can drive significant upside.** SSNT's Master VAR program which is in its early stages, if it becomes very successful will drive the company's gross margins and its EPS will improve substantially from current levels. In addition, sizable acquisitions of other software resellers or managed service providers can potentially drive revenues and earnings higher.
- **Our estimates for 4Q17 and F'18.** For Q4 2017, we are expecting revenues to be up 3.0% to \$8.5 million and EPS of \$0.05. Our forecasts for the next quarter are based upon a strong pipeline of customer orders waiting to be fulfilled. For F'18, we are modeling revenues of \$38 million, which represents a 10% Y/Y increase and EPS of \$0.29.
- **Initiate with an Outperform Rating and a \$7 price target for SSNT.** Our PT is based on an EV/Sales multiple of 0.9x applied to the company's 2018 revenue estimate of \$38.2 million. Value added resellers (VARs) tend to trade at a multiple of 1x-3x, whereas subscription software vendors tend to trade at an EV/NTM sales of 3x-5x based on their revenue growth rates. We believe SSNT's current EV/Sales multiple of 0.5x is very low, and should trade at a much higher multiple. We are optimistic about the company's prospects for sustained customer and revenue growth. Our PT of \$7 for SilverSun implies an upside of ~75% from current levels.
- **Risks to our Price Target include:** 1) Intense competition in the software market 2) Rapid Technological Change 3) Failure to Innovate 4) Fluctuations in Operating Results 5) Key personnel risk.

Business Segments

SilverSun Technologies is a value-added reseller (VAR) and master developer of Sage Software's Sage 100/500 and ERP X3 financial and accounting software. In addition it is also the developer and publisher of its own proprietary business solutions including its Electronic Data Interchange (EDI) software, MAPADOC. The company is also a managed network service provider (MSP). In aggregate, the company sells 35 third-party products to help customers meet their business needs. SilverSun has ~3,300 SMB customers and ~100 Enterprise customers.

The company's three different business units:

- 1) ERP (Enterprise Resource Management) and Value-added Services for ERP
- 2) Proprietary Products including EDI
- 3) Network and Managed Services

ERP and Value-added Services for ERP

SilverSun Technologies is a value-added reseller of leading ERP applications. SilverSun is one of the leading resellers of Sage in the US, and is "Diamond" partner of Sage. It has a sales and implementation presence complemented by a scalable software development practice of customizations and enhancements. Its services and technologies enables customers to manage, protect and monetize their enterprise assets on-premise or in the Cloud. In addition to Sage, due to the growing demand for cloud-based ERP Solutions, the company added two leading applications to its ERP Portfolio: 1) NetSuite ERP, the world's leading cloud-based ERP Solution and 2) Acumatica, a browser-based ERP solution that can be deployed on premise in the public cloud or in a private cloud. The company develops and resells a variety of add-on solutions its ERP customers. In aggregate, the company has 5 different practices under ERP: Sage 100, Sage 500, Sage X3, NetSuite and Acumatica. The company also sells another 30 different third-party products including Warehouse Management System (WMS) software published by High Jump Inc., as well as other Business Intelligence (BI) and CRM software applications from a number of other publishers.

It has 2,600 ERP Customers who are utilizing its ERP offerings. Pricing of the ERP products vary a lot based on variables such as product type, level of service, integration etc. As a result, the deal value size can vary significantly--- for example, the deployment of Sage X3 might generate revenues of \$480,000 whereas a deployment of Acumatica might lead to revenues of \$110,000. Generally, the customers tend to order more services than the software products. The sales cycle of SilverSun is typically 6 to 9 months, and often the salesforce gets referrals which lowers time by 20%-30%. For implementing the project, it takes up to 9 months. However, some of the cloud-based offerings like Acumatica, the deployment is much faster and can upgrade to better features quickly. The company is also doing cloud-based deployments for NetSuite (enhanced products, upgrades). Generally, ERP on the cloud is very big, but the company still does on-site implementation primarily for maintaining client relationships.

At any given point of time, the company is working on around 200 such projects. The company has around 160 employees, of which around ~30 is dedicated to sales and marketing. The company's salesforce markets to SMBs in a variety of ways including direct marketing, SEO Optimization for lead generation, webinars, conferences as well as requests for proposals (RFPs) for gaining newer customers. Management estimates that its churn rate is ~10%, and is working towards bringing the rate down. The company also offers a variety of value-added services focused on consulting and professional services, specialized programming, training, and technical support. The company has a dedicated

team for installation, support and training. SilverSun doesn't break out the revenues by segment unit, however, management stated that revenues from ERP and Value-added services including maintenance and subscription makes up ~\$23 million, which amounts to 67% of its total revenues.

Proprietary Products including EDI

Electronic Data Interchange (EDI) is the computer to computer exchange of standard business documents, such as purchase orders and invoices, in an electronic format. A standard file format is established for each kind of document in order to facilitate the exchange of data across a variety of platforms and programs. SilverSun developed their own proprietary EDI software solution, MAPADOC, which is fully integrated with Sage Software's (SGE.L-NR) ERP products.

MAPADOC allows businesses to dramatically cut data entry time by eliminating duplicate entries and reduces costly errors with trading partners. MAPADOC is the only EDI solution that is built within the framework of the Sage ERPs, allowing customers to stay within one application to get their job done. MAPADOC is marketed and distributed by the company's direct sales force, as well as through its platform partner, SPS Commerce, and a growing national network of independent software partners and resellers. As much as 70% of the Fortune 500 Customers use EDI for its many cost and timing benefits, which contributes to more efficient inventory management.

Exhibit 1: MAPADOC



Source: Company website

The company's own development staff has developed the EDI Software, MAPADOC, and is developing other products such as time and billing products (TBX), as well as proprietary ERP integrations and enhancements. However, those other products generate very little revenue currently with MAPADOC making up 90-95% of the revenues from the company's proprietary products group.

MAPADOC has more than 600 customers worldwide, and management expects it to achieve further market penetration with new customers. The company recently introduced the Cloud version of MAPADOC in August 2017 as a SaaS model, and had a strong reception from its customer base. Revenues from this proprietary products business unit is ~\$5 million, which amounts to ~14% of the company's total revenues. However, the gross margins for its own software including MAPADOC is much higher at 70%+, well above

the company's average gross margins which has ranged in the last 3 quarters at 39.5% to 42.3%. The services revenue from EDI Software however is in-line with services revenue from the other business units at ~40%. MAPADOC is sold mostly in the US, with some sales revenue from Australia. However, management is looking to expand its EDI business in 2018 starting with Canada. MAPADOC is in its infancy, we expect it to grow its revenues significantly in the US and abroad, and in the process bolstering the gross margins of SilverSun significantly from existing levels.

Network and Managed Services

SilverSun provides comprehensive network and managed services designed to eliminate the IT concerns and issues of its customers. The company's Network and Managed Services group provides customized solutions for all kinds of businesses from large national and international product and service providers, as well as small businesses with local customers. SilverSun's business continuity services also provides automatic on and off site backups, complete encryption and automatic failure testing.

SilverSun also provides email and web security, IT consulting, managed network and emergency IT services focused on several different industry verticals including supply chain logistics, consumer packaged goods, manufacturing and industrials. The company's dedicated network services practice provides managed services, hosting, business continuity, cloud, remote network monitoring, server implementation, support and assistance, operation and maintenance of large central systems, technical design of network infrastructure, technical trouble shooting, back-up, archiving and storage of data from servers. SilverSun competes very broadly on the Network and Managed Services segment with 100s of different MSPs most of which are small players in the space with less than \$10 million in annual revenues.

The company's managed services component includes— recurring revenues, projects as well as hardware. SilverSun's revenues from the Network and Managed Services Group makes up ~\$6 million in revenues, which represents ~18% of total revenues of the company. Out of the ~\$6 million in revenues, ~\$4.3 million of the revenues are recurring revenues generated on a monthly basis by the Managed Services unit of SSNT. Firms are increasingly turning to outside providers for fulfilling their IT needs, as it enables these firms to focus on their core business. Implementation of managed services reduces IT costs by 30% to 40% for businesses using MSPs, while reducing their Capital Expenditures and significant IT expenditures. The company intends to expand its product offerings to the SMB marketplace, and to increase its scale and services capabilities by making acquisitions of smaller MSP players in the US.

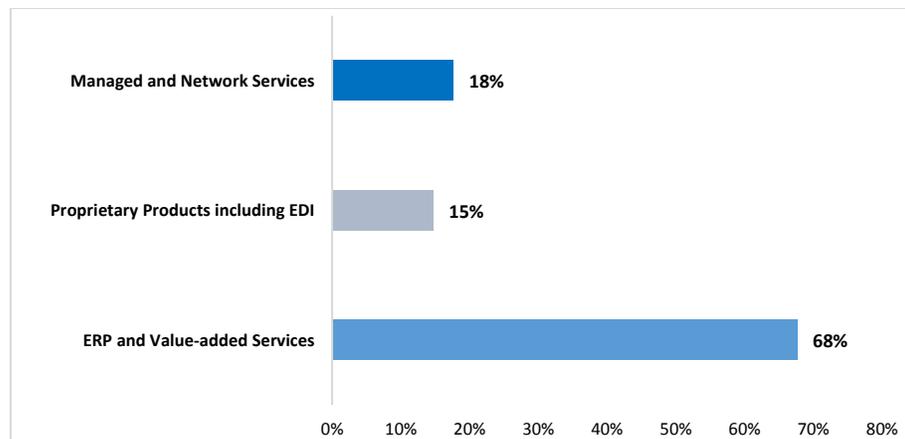
In the MSP space, most of the players are small with the top players like PCM Inc. (PCMI-NR) etc. generating a significant amount of total industry revenues. SilverSun's MSP business unit was ranked 425 out of the top 500 in the MSPmentor Rankings in 2005, and in 2017, that unit was ranked #45. With only \$6 million in revenues, we believe SilverSun can acquire some of the smaller players and be a major consolidator in the Managed services space, and in the process, gain significant market share in this highly fragmented MSP space. The company has 250 nationwide customers for the MSP business, and there is a lot of room for growth in this growing space.

Stable revenue streams with ~40% recurring revenues

We view the business model of SilverSun Technologies to be very attractive as all three of its core business segments are growing at a stable pace. In addition, ~40% of the company's total revenues are recurring revenues. The company doesn't disclose the breakdown of its

monthly recurring revenues, but Management estimates the sources of the recurring revenue for SSNT to be: 1) Maintenance and support- \$10M, 2) Managed services- \$4.5M and 3) Transaction fees- \$600K. The company has been very acquisitive in the past making 13 acquisitions in the last 6 years. Management states that they are actively looking for smaller Value-added resellers (VARs) and MSPs which broadens its SMB and Enterprise client-base, breadth of service offerings and enhancing its reseller product portfolio and is cashflow positive. The company's management is upbeat regarding the prospects of the company core ERP VAR business, which makes up the majority of SSNT's revenues. We believe the growth from the MSP business will be driven primarily via acquisitions. Lastly, the company's proprietary products is in its early stages, and if it can develop, publish and market its MAPADOC software along with the others in the pipeline the segment would command a greater percentage of total revenues for SilverSun.

Exhibit 2: SSNT- Revenue breakdown by business unit (in %)



Source: Company Data, WestPark Capital Estimates

Competitive Landscape

The value-added reseller (VAR) market for the ERP Software is a large and highly-fragmented market where most of the industry participants are small, privately-held companies as well as a handful of large companies. It is a highly competitive space with respect to price and service. The industry is fragmented with only a handful of leading players in the VAR space that generate the bulk of the industry revenues. As much as 95% of the players in the space have less than \$5 million in annual revenues, they suffer margins, and are often times looking for an exit strategy. Out of the hundreds of VARs in the Sage Software sales channel, the company believes it is one of the ten largest based on annual revenues.

In our view, SilverSun Technologies is one of the few ERP based VARs that are public. There are some publicly-traded players in the VAR and Software development space including GlobalScape (GSB-NR), NetSol Technologies (NTWK-NR), Edgewater Technology (EDGW-NR), Wayside Technology Group (WSTG-NR). The company's CEO, Mark Meller, views these companies as comparable in terms of the services they provide to the SMBs. These firms do not provide the same niche services and product offerings like SilverSun. Publicly-available information on privately-held competitors are minimal. In terms of Managed Services Providers, the top two players are Sirius Computer Solutions and PCM Inc. (PCMI-NR), according to the MSPmentor 501 list for 2017. Sirius is a privately-held corporation and is the top player in the MSP space. PCMI is a big reseller of Software and several other technology products and services with annual revenues in excess of \$2.2 billion.

On the EDI front, there is competition in the space with some of the other players being TrueCommerce (owned by HighJump Software), Kissinger Associates and Sterling Commerce. Sterling Commerce is owned by IBM (IBM-NR), and has very competitive offerings in the EDI marketplace. Kissinger Associates is a notable player in the EDI space, and does a lot of ERP Integration work as well. These firms compete with SSNT not only in terms of technological services but also pricing, which can be very intense in the software market.

Growth in ERP Market is a big tailwind

The global ERP market is a huge one with the leading software companies in the world including Oracle (ORCL-NR), Microsoft, SAP, NetSuite (owned by Oracle), Sage, Acumatica etc. all having a significant presence with their wide breadth of product and service offerings. According to Gartner, the worldwide ERP market will reach grow from \$31.8 billion in 2016 to \$34.3 billion in 2017. Cloud-based ERP systems are the fastest growing segment of the worldwide market, having surpassed the on-premise ERP systems sales in 2015. Since, SilverSun derives a majority of its revenues by being a value-added reseller of ERP systems, we believe the company's growth will be tied to the growth of the ERP software market. The company is well positioned to reap advantages of the cloud-based ERP market as it is a partner of NetSuite and Acumatica, both of whom are doing cloud-based ERP deployments.

Managed Services Market growing faster for cloud deployments

The managed services market is expected to grow from \$153 billion in 2017 to \$258 billion by 2022, representing a CAGR of 11%, according to Research and Markets. Managed data center services segment is expected to have the largest market size under the managed services umbrella. However, in terms of growth, the cloud deployment for managed services is expected to grow at the highest CAGR during this period, according to Research and Markets. We believe there is significant headroom for SSNT to grow its footing in the managed services space, especially on the cloud.

SSNT 3Q17 Earnings and Recent Updates

- **Topline in Q3.** In 3Q17, SSNT's topline revenues grew 1% Y/Y to \$9.59 million. The company's services revenue segment, which makes up the bulk of SSNT's revenues, grew 2% Y/Y to \$7.98 million in Q3 2017. The company's software sales declined 5.8% to \$1.61 million. Management attributed this decline in Software sales revenue on its financials to a shift to a SaaS pricing model on its core ERP sales business. The company's gross margin increased ~220 bps on a Y/Y basis to 39.5% in Q3 2017. The GAAP EPS of the company stood at \$0.07 per share, and the company ended 3Q17 with a cash balance of ~\$1.7 million.
- **Strong execution by management.** Management is focused on growing the absolute gross margin dollars of SSNT. Gross profit increased to \$3.79 million up 6.6% Y/Y in Q3 2017. We are encouraged by management executing very well on their stated business goals. The company's deferred revenue balance stood at \$2.2 million at the end of 3Q17. The company's network and managed services segment continued to grow its monthly recurring revenue and ended Q3 with an annual revenue run-rate of more than \$4.3 million. We believe this growth in monthly recurring revenue is a huge positive for the company, as investors tend to assign higher valuation multiples to companies with more predictive recurring revenues. In addition, the company announced a special cash dividend in Nov-15th, 2017 for shareholders, which is the second time this year, the company declared a special cash dividend. Worth noting, the company doesn't have a stated dividend policy.
- **Launch of Cloud version of MAPADOC.** SilverSun launched the cloud-version of its EDI solution, MAPADOC in 2017. Management stated a strong reception for the enhanced version of MAPADOC which led to robust initial sales with more in the pipeline. While we have limited visibility, we are optimistic about a cloud-based solution because it leads to a faster deployment of the software to its end-consumers, along with timely upgrades and features, which lead to greater customer satisfaction.
- **Expecting a strong Q4 2017.** Going forward we expect a solid end to F'17 for SSNT. For Q4 2017, we are expecting revenues to be up 3% to \$8.5 million and EPS of \$0.05. Our forecasts for the next quarter are based upon management stating that SSNT has a strong backlog of customer orders waiting to be fulfilled, along with the cloud version of MAPADOC. We look forward to getting more updates from management regarding the uptake of the cloud-based version of MAPADOC by its core SMB customers.

Outlook for F'18

We expect SilverSun's software and services revenues to remain relatively stable, as ~40% of the company's total revenue is generated from monthly recurring revenues, primarily from maintenance and support as well as managed services.

Revenue breakdown for F'18

We expect the company to finish F'17 with total revenues of \$34.6 million. This represents an annual revenue growth of ~1.3% from F'16, and a big drop from the company's revenue growth rate of 23.4% in F'16. Management attributed this sizable drop in F'17 revenue growth rate due to a shift in its ERP Sales business to a SaaS pricing model from an On-premise based model. For F'18, we are modeling revenues of \$38.0 million, which represents a 10% Y/Y increase. Management is very optimistic about the company's prospects for 2018, and they have highlighted a very strong pipeline for its software products and services in 2018. For F'18, we expect the revenue mix between Software and Services to maintain their historical trends. We expect Software sales to make up ~15% of total sales, and Services revenue to make up ~85% of total revenues in F'18.

Exhibit 3: Revenue segments breakdown

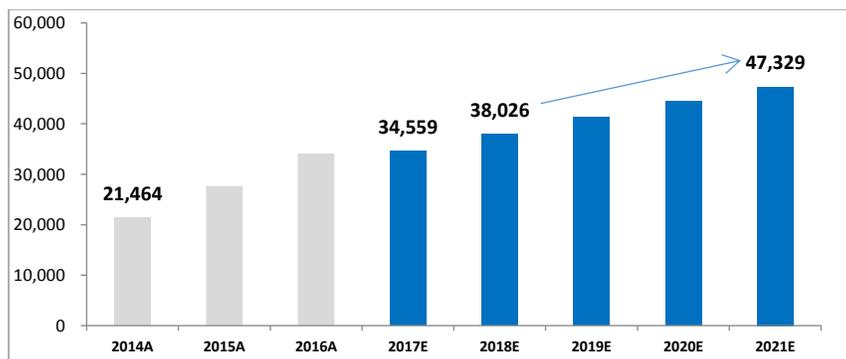
Details	2016A	2017E	2018E
Revenues:			
Software products	\$4,708	\$4,957	\$5,719
<i>Y/Y Growth</i>	11%	5%	15%
Services	29,414	\$29,602	32,308
<i>Y/Y Growth</i>	26%	1%	9%
Total Revenues	34,122	34,559	38,026
<i>Y/Y Growth</i>	23.4%	1.3%	10.0%

Source: Company Data, WestPark Capital Estimates

Long term revenue forecasts

From F'14-F'16, the company's topline grew more than 20% annually. However, we expect this stellar revenue growth to slow down a bit. We believe the company will be able to deliver double digit revenue growth in F'18. From F'19 onwards, we are modelling the company's topline growth to be in the high single digits. From F'17 to F'21, we expect the company's topline to grow at a compound annual growth rate (CAGR) of 8.2%.

Exhibit 4: SSNT's long-term revenue estimates



Source: Company Data, WestPark Capital Estimates

Growth Drivers

In addition, to organic growth from its core software applications, ERP Reselling as well as its proprietary products including MAPADOC, we believe the company can grow its business from two other avenues—1) Acquisitions and 2) Master VAR Program.

Software and IT Services Acquisitions

The company has been very acquisitive in the past, as current management has made 13 acquisitions in the last 6 years. Most of these acquisitions have been very small but have been aligned with management's strategy. Past acquisitions helped the company to acquire new customers, expand its geographical footprint, improvements in product/service offerings etc. Management is actively looking to acquire companies in the business software and IT Services consulting market with solid revenue streams, a well-established customer base that generate positive cashflow and that fit seamlessly with its existing operations. In prior acquisitions, SSNT grew the revenues from customer base of the acquired company by cross-selling, in some cases by as much as 20%.

In our view, the company can pursue this roll-up strategy by acquiring the best Sage resellers in North America, as 95% of these players have less than \$5M in annual sales, have poor margins and are willing to sell. Amongst the Sage software resellers, the top 20% of the resellers do 80% of the volume. The company is one of the ten largest resellers for Sage, and it makes economic sense for it to consolidate this fragmented space. If SilverSun can continue to promote cross-selling and up-selling of Software and Services across the Consolidated Customer platform, we believe the company will be able to create significant amounts of shareholder value. The company is looking at different types of software and technology firms to pursue acquisitions including:

- 1) **Managed Service Providers (MSPs):** MSPs with annual recurring revenues of less than \$10 million in the US. There are hundreds of MSPs in the US, and the management of SSNT believes it will be able to consolidate a number of these MSPs and become one of the most prominent players in the space.
- 2) **Independent Software Vendors (ISVs):** ISVs are publishers of both stand-alone software solutions and integrations that integrate with other third party products. The company is interested in ISVs that are selling to the SMBs providing applications addressing e-commerce, mobility, security and other functionalities.
- 3) **Value-added Resellers (VARs):** VARs with a sizable customer base, and annual revenues of more than \$2 million. As many of the smaller resellers operate at significantly lower margins, it makes economic sense for them to sell to a bigger player in the space.

Master VAR Program

The gross margins of VARs are a function of the sales volume they provide to the software publisher in the trailing twelve months, and SilverSun operates at the highest margins. Smaller resellers with lower sales volume and operate at significantly lower margins, are at a competitive disadvantage to companies such as SilverSun.

Being a leading VAR, SilverSun enjoys much higher margins. The company is currently testing a pilot project, the Master VAR program, under which it is seeking to build partnerships with underperforming lower tier resellers who don't make much money from Software product sales, and offering to do their product sales, while allowing the smaller VARs to retain their more attractive consulting and maintenance piece of the business. The Master VAR Program will enable the firm to increase its customer base, as it will enable

SSNT to earn the spread between its actual gross margins and pay the smaller VAR a slightly higher gross margins than what the smaller VAR could otherwise fetch on its own. In addition, it will be acquiring customers at no additional cost, and in effect, bring down the cost of new customer acquisition significantly. Worth noting, SSNT's new customer acquisition costs are around \$22,000. If the Master VAR program is successful and is launched on a much larger scale, it will bring down the customer acquisition costs meaningfully and grow gross margins significantly.

In addition, it gives SSNT an opportunity to upsell and cross-sell other products and services since it carries ~35 different software products, from which it can potentially benefit even more from the customer base of the smaller VARs. The pilot program of the Master VAR is in effect, and once it gets validated, the deadline for which is March 30, 2018, it will be deployed on a larger scale across the footprint of SSNT. The key metrics for evaluating the success of the Master VAR program are: 1) New customer sales 2) Increasing monthly recurring revenue including subscription and maintenance (some products have built-in subscription and maintenance components and 3) Lower attrition rate of customers.

Valuation and Rating Analysis

We initiate coverage on SSNT with an Outperform Rating and a \$7 price target. Our price target for the company is based on an EV/Sales multiple of 0.9x applied to the company's 2018 revenue estimate of \$38.0 million. There are several large Software and IT Services companies in the space as well as smaller privately-held Value added resellers (VARs). VARs tend to trade at a lower multiple of 1x-3x, as opposed proprietary developers of software. Subscription software vendors tend to trade at an EV/NTM sales of 3x-5x based on their revenue growth rates. We believe the SilverSun's currently EV/Sales multiple of 0.5x is very low, and should trade at a much higher multiple, based on its publicly-traded comparables.

We believe the company has solid prospects for sustained customer and revenue growth. In the event, that the company's growth of customer acquisition and/or revenue growth outpaces our estimates, we believe the company's stock will trade at a higher multiple. Our price target of \$7 for SilverSun implies an upside of ~68% from current levels. Thus, we initiate coverage with an Outperform Rating.

Exhibit 5: SSNT Valuation in US\$ M except per share data)

Current Price (January 9, 2018)	\$4.00		
Basic Shares	4.5		
Dilutive Securities	0.3		
Diluted Share Count	4.8		
Market Cap	\$19.1		
-Cash & Cash Equivalents	\$1.7		
+Debt	0.6		
Enterprise Value	18.0		
EV/Sales		F'17E	F'18E
Sales		\$34.6	\$38.0
Current EV/Sales Multiple		0.5x	0.5x
Target Multiple		0.9x	0.9x
Enterprise Value		\$29.4	\$32.3
+Net Cash		\$1.1	\$1.1
Equity Value		\$30.5	\$33.4
Diluted Shares Outstanding			4.8
Target Price			\$7

Source: WestPark Capital Estimates, Company Data

Exhibit 6: SSNT- Comparable Companies (as of January 9, 2018)

Company Name	Symbol	Price	Market Cap (in US\$M)	Enterprise Value	Cash	Debt	TTM			Valuation Metrics		
							Sales	EBITDA (in \$M)	EPS	EV/Sales	EV/EBITDA	TTM P/E
Software and IT Services												
Edgewater Technology Inc.	EDGW	\$6.16	\$86	\$79	13	5	\$114	\$7	(\$0.54)	0.7x	11.0x	N/A
NetSol Technologies Inc.	NTWK	\$5.05	\$57	\$59	9	10	\$65	\$6	(\$0.46)	0.9x	10.6x	N/A
GlobalScape Inc.	GSB	\$3.56	\$77	\$51	26	0	\$34	\$7	\$0.19	1.5x	7.8x	18.7x
Wayside Technology Group	WSTG	\$15.55	\$70	\$66	4	0	\$435	\$9	\$1.35	0.2x	7.4x	11.5x
Park City Group Inc.	PCYG	\$9.75	\$190	\$177	15	2	\$19	\$4	\$0.14	9.1x	42.9x	69.6x
Upland Software Inc.	UPLD	\$22.00	\$457	\$496	53	92	\$89	\$12	(\$0.95)	5.5x	40.7x	N/A
ClearOne Inc.	CLRO	\$8.45	\$71	\$48	23	0	\$43	(\$1)	(\$1.34)	1.1x	N/A	N/A
PCM Inc.	PCMI	\$9.10	\$107	\$304	8	206	\$2,220	\$38	\$0.79	0.1x	8.0x	11.6x
RCM Technologies Inc.	RCMT	\$6.14	\$74	\$82	1	9	\$180	\$8	\$0.13	0.5x	11.0x	48.0x
GSE Systems Inc.	GVP	\$3.30	\$64	\$48	16	0	\$62	\$2	\$0.05	0.8x	19.4x	66.0x
Intelligent Systems Corp.	INS	\$4.90	\$43	\$26	17	0	\$9	(\$1)	\$0.12	2.9x	N/A	40.8x
Asure Software Inc.	ASUR	\$14.62	\$182	\$230	28	76	\$49	\$7	(\$0.43)	4.7x	34.5x	N/A
Datawatch Corporation	DWCH	\$11.20	\$137	\$107	30	0	\$36	(\$3)	(\$0.33)	2.9x	N/A	N/A
SilverSun Technologies	SSNT	\$4.00	\$18.0	\$17.0	2	0.7	\$34	\$2	\$0.15	0.5x	9.4x	27.4x
Average (ex-SSNT)										2.4x	19.3x	38.0x

Source: Company Data, Thomson, Capital IQ, WestPark Capital Estimates

- **SilverSun trades at a sizable discount to other Software and IT Services peers.** We took an extensive look at a number of companies who are Software resellers and/or developing and marketing their own software products. This group of 13 publicly-traded companies under a market cap of \$500 million trades on average at an EV/Sales multiple of 2.4x. If SilverSun can grow its revenue base at a faster pace, we believe the company's absolute gross margin dollars will grow and a larger amount will flow through to the bottom line. We believe over time, the company can trade at a similar EV/Sales multiple of its peer group of 2.4x, if it can drive topline growth and increase customer adoption of its products. If such a scenario materializes in the future, our PT of \$7 would seem understated.
- **Significant acquisitions and Success of the Master VAR Program can drive additional upside.** The company's management has been very acquisitive in the past, and if the company makes sizable acquisition of other software resellers, the company can drive its revenues and EPS growth rates higher. In addition, the company's Master VAR program which is in its infancy, if that program is very successful, the company's gross profits and its bottom line will improve substantially from current levels. We believe these two factors can potentially serve as key catalysts for the company's stock price.

Investment Risks

Intense Competition in the Software Space

The Software and IT Services business segments in which SSNT operates are highly fragmented with some major players and numerous smaller players as well. The ERP Software, the EDI Software, MSP and business consulting industries are highly competitive. Some of the larger firms developing their own software have much greater financial resources, marketing capabilities, operate on a much larger scale to compete heavily. Price competition is intense in the software market, and might become even more competitive in the future.

Rapid Technological Change

The software industry is a highly dynamic industry which is characterized by rapid change and uncertainty especially in terms of new and emerging technologies in the marketplace. Advances in newer technologies by other competitors can cause some of the products of SSNT to become obsolete more quickly than expected.

Failure to Innovate

If SSNT cannot develop newer, innovative products and market them to their core SMB customers in a timely manner, the company will not be able to compete successfully. If the company's proprietary EDI software isn't updated with newer features and functionalities, the customers of SSNT might switch to a competitor leading to a higher churn rate.

Fluctuations in operating results

The company's revenues and earnings have been historically been very volatile and is expected to fluctuate in the future due to the contract-driven nature of the business. For software companies, unforeseen delays in revenue recognition due to a long sales-cycle and implementation timeframe might make operating results very volatile. For SSNT, a long sales-cycle and an implementation cycle might make quarterly results unpredictable.

Key Personnel Risk

The company's Chairman and CEO, Mark Meller, has been instrumental in the growth of the company's progress. He has significant expertise in the Software and IT services space. The loss of the company's CEO and/or the company's core executive management team could have a material adverse effect on the business's operations.

Management

Mark Meller– Chairman & CEO

Mr. Mark Meller has been the CEO of SilverSun Technologies since September 2004, and became Chairman of the Board in May 2009. Prior to that, he was the President and CFO of SilverSun since 2003. Mark also serves as the CEO of the company’s primary operating subsidiary, SWK Technologies Inc. Mark has been actively engaged in the acquisition and build-out of middle market companies for more than 2 decades, and has served on the Board of three publicly-traded companies. From 1988 to 2003, Mark served as the CEO of Bristol Townsend and Co. Inc., a New Jersey-based consulting firm providing merger and acquisition advisory services to middle market companies. From 1986 to 1988, Mark was VP of Corporate Finance and General Counsel to Crown Capital Group Inc., a New Jersey-based consulting firm providing advisory services for middle market leveraged buy-outs (LBO’s). Prior to that, he was a practicing lawyer and financial consultant in New York City. Mark graduated from SUNY-Binghamton with BA in Economics and Political Science and received his J.D. from the Boston University School of Law. He is a member of the New York State Bar.

Crandall Melvin III- CFO

Crandall Melvin III is the CFO of SilverSun and the CFO and VP of Finance at SWK Technologies. Crandall has over 30 years of experience in public accounting and industry and held a number of senior management positions following a 5 year career in retail, commercial banking and equipment leasing. Prior to joining SWK in 2006, he was the Co-founder and Chief Operating Office of AMP-Best Consulting, a company involved in software sales and implementation. AMP-Best was acquired by SWK Technologies in 2006. From 1993 to 2002, he worked in public accounting in Alaska and New York. Crandall is currently a Certified Public Accountant licensed in the State of New York and also holds the designation of Certified Global Management Accountant. Crandall holds a Bachelor of Arts degree in Political Science from the University of Southern California and an MBA from Syracuse University with additional graduate studies from the University of Alaska at Anchorage. He currently serves as Director of Community Baseball of Syracuse and is active in other community and civic organizations.

Company Overview

SilverSun Technologies Inc. is a Value-added reseller (VAR) of ERP Software, as well as a host of other business management applications and professional consulting services to small and medium sized companies, primarily in the manufacturing, distribution and service industries. It is a major reseller of ERP software published by Sage, which helps SMBs to address their business needs. Led by specialized project managers, the professional services range from software customization to data migration to SMB business consulting. The solutions SilverSun offers to its customer base includes accounting and business management, financial reporting, ERP, Warehouse management systems, Customer Relationship Management (CRM) and Business Intelligence (BI). Due to the growth in cloud-based ERP solutions the company has added, NetSuite ERP and Acumatica to its roster of products.

The company's subsidiary, SWK Technologies Inc., started developing and publishing its own proprietary business management solutions, MAPADOC for Electronic Data Interchange (EDI) as well as other proprietary solutions including time and billing and various other ERP enhancements. MAPADOC is a fully integrated, easy-to-use, feature-rich EDI solution for Sage Software's leading ERP Solutions including Sage 100 ERP, Sage 500 ERP and Sage ERP X3 Software products. In addition, to being a Value-added reseller of ERP Software and its own EDI Solution, MAPADOC, the company also provides managed IT Services to its core SMB customer base. The Managed IT Services and Network segment of the company includes remote network monitoring, server implementation, support and assistance, operation and maintenance of large central systems, technical design of network infrastructure, technical troubleshooting, network and server security, backup, archiving and data storage from servers, business continuity, email and Web services.

The company has used acquisitions of smaller VARs very effectively and is actively looking at acquiring other companies as well. Acquisitions have been a key component of the company's growth strategy as it enables SilverSun to rapidly offer new products and services, expand into new geographic markets, acquire a sizable customer base and create new profit centers for the company. The company's customer base is nationwide, with concentrations in the New York, New Jersey metropolitan area, Chicago, Dallas, Arizona, Seattle, Greensboro, and Southern California. SilverSun Technologies was founded in 1988 and is headquartered in East Hanover, New Jersey.

SilverSun Technologies Inc. (SSNT) - Financial Model

Exhibit 7: SSNT- Income Statement (in US\$ 000s, except for per share data)

Details	2014A	2015A	2016A	1Q17	2Q17	3Q17	4Q17E	2017E	2018E	2019E	2020E	2021E
Revenues:												
Software products	\$3,670	\$4,235	\$4,708	\$907	\$1,435	\$1,610	\$1,005	\$4,957	\$5,719	\$6,325	\$6,913	\$7,459
Y/Y Growth	7%	15%	11%	5%	21%	-6%	6%	5%	15%	11%	9%	8%
Services	17,794	23,407	29,414	7,096	7,074	7,977	7,455	\$29,602	32,308	35,054	37,613	39,870
Y/Y Growth	27%	32%	26%	2%	-4%	2%	2%	1%	9%	9%	7%	6%
Total Revenues	21,464	27,642	34,122	8,003	8,509	9,587	8,461	34,559	38,026	41,379	44,526	47,329
Y/Y Growth	23.4%	28.8%	23.4%	2.8%	-0.6%	0.6%	2.7%	1.3%	10.0%	8.8%	7.6%	6.3%
Cost of Revenues:												
Software Products	1,871	2,084	2,485	435	789	761	498	\$2,483	2,735	3,023	3,298	3,543
Services	11,019	14,714	18,910	4,181	4,316	5,038	4,585	\$18,119	19,631	21,208	22,681	23,922
Total Cost of revenues	12,891	16,798	21,395	4,616	5,105	5,799	5,083	20,602	22,366	24,231	25,978	27,465
Gross Profit	8,573	10,844	12,727	3,387	3,404	3,788	3,378	13,957	15,660	17,148	18,548	19,864
Gross Margin	39.9%	39.2%	37.3%	42.3%	40.0%	39.5%	39.9%	40.4%	41.2%	41.4%	41.7%	42.0%
Operating Expenses:												
Selling and marketing	3,326	4,304	4,358	1,147	1,275	1,182	1,140	\$4,744	5,075	5,404	5,788	6,153
G&A	4,281	5,636	6,374	1,705	1,779	1,903	1,714	\$7,101	7,693	8,050	8,594	9,040
Stock-based comp (SBC)	130	61	43	76	8	8	28	\$121	152	166	178	189
Depreciation & amortization	365	485	685	171	149	146	158	\$624	657	773	757	805
Total Operating Expenses	8,102	10,486	11,460	3,099	3,212	3,238	3,040	12,589	13,577	14,393	15,317	16,187
Operating Income (EBIT)	471	358	1,267	288	192	549	338	1,368	2,083	2,755	3,231	3,678
EBIT Margin	2.2%	1.3%	3.7%	3.6%	2.3%	5.7%	4.0%	4.0%	5.5%	6.7%	7.3%	7.8%
Interest expense	(60)	(57)	(65)	(8)	(9)	(8)	(23)	(\$49)	(\$44)	(\$39)	(\$34)	(\$34)
Other income (loss)	0	134	10	0	0	0	0	\$0	0	0	0	0
Total Other Expense	(60)	77	(55)	(8)	(9)	(8)	(23)	(49)	(44)	(39)	(34)	(34)
Pre-tax Earnings (EBT)	411	434	1,213	280	183	541	315	1,319	2,039	2,717	3,197	3,643
EBT Margin	2%	2%	4%	3%	2%	6%	4%	4%	5%	7%	7%	8%
Income tax benefit (expense)	(218)	(60)	2,224	(126)	(63)	(223)	(110)	(\$522)	(714)	(951)	(1,119)	(1,275)
Net Income	193	374	3,436	154	120	318	205	797	1,325	1,766	2,078	2,368
Net income Margin	0.9%	1.4%	10.1%	1.9%	1.4%	3.3%	2.4%	2.3%	3.5%	4.3%	4.7%	5.0%
Diluted EPS	\$0.05	\$0.09	\$0.77	\$0.03	\$0.03	\$0.07	\$0.05	\$0.18	\$0.29	\$0.39	\$0.46	\$0.52
Y/Y Growth									66%	33%	17%	14%
Diluted Shares (in M)	3,943	4,318	4,473	4,490	4,494	4,494	4,494	4,491	4,502	4,514	4,523	4,533
Dividends per share			\$0.06	\$0.02	\$0.02	\$0.00	\$0.04	\$0.08	\$0.00	\$0.00	\$0.00	\$0.00
EBIT	471	358	1,267	288	192	549	338	1,368	2,083	2,755	3,231	3,678
Depreciation and Amortization	365	485	685	171	149	146	158	624	657	773	757	805
EBITDA	\$835	\$843	\$1,952	\$459	\$341	\$695	\$496	\$1,992	\$2,740	\$3,528	\$3,988	\$4,482
EBITDA Margin	4%	3%	6%	6%	4%	7%	6%	6%	7%	9%	9%	9%

Source: WestPark Capital Estimates, Company Data

Exhibit 8: SSNT- Income Statement Schedule (in %)

SSNT-I/S Schedule (in %)	Proforma Assumptions											
	2014A	2015A	2016A	1Q17	2Q17	3Q17	4Q17E	2017E	2018E	2019E	2020E	2021E
Y/Y Growth												
Software products	7%	15%	11%	5%	21%	-6%	5.5%	5.3%	15.4%	10.6%	9.3%	7.9%
Services	27%	32%	26%	2%	-4%	2%	2.3%	0.6%	9.1%	8.5%	7.3%	6.0%
Total Revenues	23%	29%	23%	3%	-1%	1%	2.7%	1.3%	10.0%	8.8%	7.6%	6.3%
Cost of Revenues:												
Software Products	51.0%	49.2%	52.8%	48.0%	55.0%	47.3%	49.5%	50.1%	47.8%	47.8%	47.7%	47.5%
Services	61.9%	62.9%	64.3%	58.9%	61.0%	63.2%	61.5%	61.2%	60.6%	60.5%	60.3%	60.0%
Total Cost of Revenues	60.1%	60.8%	62.7%	57.7%	60.0%	60.5%	60.1%	59.6%	58.8%	58.6%	58.3%	58.0%
Expense Profile (% of Sales):												
Selling and marketing	15.5%	15.6%	12.8%	14.3%	15.0%	12.3%	13.5%	13.7%	13.3%	13.1%	13.0%	13.0%
G&A	19.9%	20.4%	18.7%	21.3%	20.9%	19.8%	20.3%	20.5%	20.2%	19.5%	19.3%	19.1%
Stock-based comp (SBC)	0.6%	0.2%	0.1%	1.0%	0.1%	0.1%	0.3%	0.4%	0.4%	0.4%	0.4%	0.4%
Depreciation and amortization	1.7%	1.8%	2.0%	2.1%	1.8%	1.5%	1.9%	1.8%	1.7%	1.9%	1.7%	1.7%
Total Operating Expenses	22.3%	22.4%	20.8%	24.4%	22.8%	21.5%	22.5%	22.7%	22.4%	21.7%	21.4%	21.2%
Interest expense	0.3%	0.2%	0.2%	0.1%	0.1%	0.1%	0.3%	0.1%	0.1%	0.1%	0.1%	0.1%
Other income (loss)	0.0%	-0.5%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Total Other Expense	0.3%	-0.3%	0.2%	0.1%	0.1%	0.1%	0.3%	0.1%	0.1%	0.1%	0.1%	0.1%
Tax Rate	53.1%	13.8%	-183.4%	45.0%	34.2%	41.3%	35.0%	39.6%	35.0%	35.0%	35.0%	35.0%
Profitability Metrics												
Software Product Gross Margin	49.0%	50.8%	47.2%	52.0%	45.0%	52.7%	50.5%	49.9%	52.2%	52.2%	52.3%	52.5%
Service Gross Margin	38.1%	37.1%	35.7%	41.1%	39.0%	36.8%	38.5%	38.8%	39.2%	39.5%	39.7%	40.0%
Total Gross Margin	39.9%	39.2%	37.3%	42.3%	40.0%	39.5%	39.9%	40.4%	41.2%	41.4%	41.7%	42.0%
EBITDA Margin	3.9%	3.0%	5.7%	5.7%	4.0%	7.2%	5.9%	5.8%	7.2%	8.5%	9.0%	9.5%
Operating Margin (EBIT)	2.2%	1.3%	3.7%	3.6%	2.3%	5.7%	4.0%	4.0%	5.5%	6.7%	7.3%	7.8%
Pre-tax Margin (EBT)	1.9%	1.6%	3.6%	3.5%	2.2%	5.6%	3.7%	3.8%	5.4%	6.6%	7.2%	7.7%
Net Profit Margin	0.9%	1.4%	10.1%	1.9%	1.4%	3.3%	2.4%	2.3%	3.5%	4.3%	4.7%	5.0%
Revenue Breakdown:												
Software Products	17.1%	15.3%	13.8%	11.3%	16.9%	16.8%	11.9%	14.3%	15.0%	15.3%	15.5%	15.8%
Services	82.9%	84.7%	86.2%	88.7%	83.1%	83.2%	88.1%	85.7%	85.0%	84.7%	84.5%	84.2%
Total Revenues	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Source: WestPark Capital Estimates, Company Data

Exhibit 9: SSNT- Balance Sheet (in US\$ 000s, except for per share data)

Details	2015A	2016A	2017E	2018E	2019E	2020E	2021E
ASSETS:							
Current Assets:							
Cash and restricted cash	\$1,193	\$1,621	\$2,826	\$4,801	\$7,303	\$10,070	\$13,136
Accounts receivables	2,477	2,502	2,815	3,098	3,371	3,627	3,856
Unbilled services	742	464	750	750	750	750	750
Prepaid Expenses & other current assets	444	331	559	559	559	559	559
Deferred tax assets- Current	38	355	0	0	0	0	0
Total Current Assets	4,894	5,272	6,950	9,208	11,983	15,006	18,300
PP&E, net	425	466	490	517	546	577	610
Intangibles, net	2,572	2,431	2,129	1,825	1,438	1,095	730
Goodwill	401	401	401	401	401	401	401
Deferred tax assets	162	2,060	2,060	2,060	2,060	2,060	2,060
Deposits and other assets	30	29	29	29	29	29	29
TOTAL ASSETS	8,484	10,659	12,059	14,040	16,456	19,168	22,131
LIABILITIES AND SHAREHOLDERS EQUITY:							
Current Liabilities:							
Accounts payable	1,594	1,822	1,728	1,901	2,069	2,226	2,366
Accrued expenses	822	824	931	1,027	1,117	1,202	1,278
Accrued interest	15	16	16	16	16	16	16
Income taxes payable	250	177	177	177	177	177	177
Contingent consideration--Current portion	128	180	180	180	180	180	180
Long-term debt-- Current portion	300	307	307	307	307	307	307
Capital lease obligations-- Current portion	90	95	95	95	95	95	95
Deferred revenue	2,370	1,690	2,337	2,572	2,799	3,012	3,201
Total Current Liabilities	5,569	5,110	5,771	6,275	6,760	7,215	7,620
Contingent consideration	272	32	32	32	32	32	32
Long-term debt	793	486	486	486	486	486	486
Capital lease obligations	92	60	60	60	60	60	60
Convertible note payable	200	0	0	0	0	0	0
Total Liabilities	6,927	5,689	6,349	6,853	7,338	7,793	8,198
Stockholders' Equity:							
Preferred Stock	0	0	0	0	0	0	0
Common Stock and APIC	12,198	12,177	12,119	12,271	12,436	12,614	12,804
Accumulated Deficit/Retained Earnings	(10,642)	(7,206)	(6,409)	(5,083)	(3,318)	(1,239)	1,129
Total Stockholders' Equity	1,556	4,971	5,710	7,188	9,119	11,375	13,933
Total liabilities and Stockholders' equity	8,484	10,659	12,059	14,040	16,456	19,168	22,131
<i>Balancing</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>
Balance Sheet Metrics:							
Deferred Revenue	\$2,370	\$1,690	\$2,337	\$2,572	\$2,799	\$3,012	\$3,201
Net Debt	(\$100)	(\$828)	(\$2,033)	(\$4,008)	(\$6,510)	(\$9,277)	(\$12,343)
Cash and Marketable Securities	\$1,193	\$1,621	\$2,826	\$4,801	\$7,303	\$10,070	\$13,136
Working Capital	(\$676)	\$162	\$1,179	\$2,933	\$5,224	\$7,791	\$10,680
Ratios							
Current Ratio	0.9x	1.0x	1.2x	1.5x	1.8x	2.1x	2.4x
Financial Leverage (Assets/Equity)	5.5	2.1	2.1	2.0	1.8	1.7	1.6

Exhibit 10: SSNT- Cashflow Statement (in US\$ 000s, except for per share data)

Details	F2015	F2016	2017E	2018E	2019E	2020E	2021E
OPERATING ACTIVITIES:							
Net Income	\$374	\$3,436	\$797	\$1,325	\$1,766	\$2,078	\$2,368
Adjustments:							
Gain on sale of Beerrun	(134)	0	0	0	0	0	0
Deferred income taxes	(162)	(2,215)	355	0	0	0	0
Depreciation & Amortization	166	232	321	354	385	414	440
Amortization of intangibles	319	452	302	303	388	343	364
Provision for Bad Debt	250	0	0	0	0	0	0
Stock based Compensation	41	43	121	152	166	178	189
Common stock issued for services	36	0	0	0	0	0	0
Stock warrants in exchange for services	20	0	0	0	0	0	0
Changes in operating assets & liabilities:							
Accounts Receivable	(270)	(24)	(314)	(282)	(273)	(256)	(228)
Unbilled services	(501)	278	(286)	0	0	0	0
Prepaid expenses and other current assets	(136)	113	(228)	0	0	0	0
Deposits and other assets	1	1	0	0	0	0	0
Accounts payable	(175)	228	(94)	173	168	157	140
Accrued Expenses	27	2	107	96	91	85	76
Income tax payable	174	(73)	(0)	0	0	0	0
Accrued interest	0	1	0	0	0	0	0
Deferred Revenues	95	(680)	647	235	227	213	190
Total Changes in operating assets & liabilities	(784)	(155)	(168)	221	212	199	177
Cash Flow from Operations	127	1,794	1,729	2,356	2,916	3,212	3,539
			-4%	36%	24%	10%	10%
INVESTING ACTIVITIES:							
Proceeds from sale of Beerrun	134	0	0	0	0	0	0
Software development costs	0	(312)	0	0	0	0	0
Acquisition of business	(710)	0	0	0	0	0	0
Purchases of property and equipment	(67)	(185)	(346)	(380)	(414)	(445)	(473)
Cash Flow from Investing	(643)	(497)	(346)	(380)	(414)	(445)	(473)
FINANCING ACTIVITIES:							
Payments of cash dividends	0	(265)	(179)	0	0	0	0
Preferred Stock issuance	0	0	0	0	0	0	0
Common Stock issuance	812	0	0	0	0	0	0
Contingent consideration	(50)	(189)	0	0	0	0	0
Repayments of long-term debt	(274)	(300)	0	(0)	0	0	0
Principal payment under capital lease obligations	(86)	(116)	(0)	0	0	0	0
Cash Flow from Financing	402	(870)	(179)	(0)	0	0	0
Net change in cash during period	(115)	428	1,205	1,975	2,502	2,767	3,066
Free Cash flow:							
Cashflow from Operations	127	1,794	1,729	2,356	2,916	3,212	3,539
CapEx in PP&E	(67)	(185)	(346)	(380)	(414)	(445)	(473)
Free Cashflow	59	1,609	1,383	1,976	2,502	2,767	3,066
Y/Y Growth			-14%	43%	27%	11%	11%

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Ratings Distribution		
Rating	Research Coverage	IB Clients
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