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Zacks Small-Cap Research

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Siyata Mobile (SYTA-NASDAQ)

UPDATE: Siyata reported 2022 3rd quarter financial results which showed high revenue growth rates compared to the prior year period.

Utilizing a DCF valuation process containing conservative estimates combined with other valuation methodologies, we believe SYTA could be worth $2.50. There is a wide range of outcomes which could materially increase or decrease our value price.

Current Price (11/11/22)	$0.13
Valuation	**$2.50**

OUTLOOK

Siyata Mobile Inc. is a global developer of innovative cellular-based communications products and solutions. Siyata's three complementary product categories include in-vehicle communications solutions, rugged handheld mobile devices, and cellular amplifiers to boost cellular signals. In January 2022, Siyata completed a public offering raising $20 million in gross proceeds. After completing a $4 million capital raise in Q4 2002, we believe the company may be sufficiently funded until free cash flow is generated. We estimate breakeven adjusted EBITDA profitability and free cash flow from operations in 2023.

SUMMARY DATA

52-Week High	**$7.20**
52-Week Low	**$0.10**
One-Year Return (%)	**-98.6**
Beta	**1.48**
Average Daily Volume (sh)	**3,018,315**
Shares Outstanding (mil)	**30.9**
Market Capitalization ($mil)	**$2.3**
Short Interest Ratio (days)	**1**
Institutional Ownership (%)	**25**
Insider Ownership (%)	**6.8**
Annual Cash Dividend	**$0.00**
Dividend Yield (%)	**0.00**
5-Yr. Historical Growth Rates	
Sales (%)	**N/A**
Earnings Per Share (%)	**N/A**
Dividend (%)	**N/A**
P/E using TTM EPS	**N/A**
P/E using 2022 Estimate	**N/A**
P/E using 2023 Estimate	**N/A**
Zacks Rank	**N/A**

Risk Level	**High,**
Type of Stock	**Small-Growth**
Industry	**Tech-Comm Equip**

ZACKS ESTIMATES

Revenue
(in millions of $)

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2020	2.30 A	2.10 A	2.30 A	-0.71 A	5.99 A
2021	4.00 A	0.36 A	1.22 A	1.94 A	7.55 A
2022	0.38 A	0.97 A	2.57 A	3.27 E	7.64 E
2023					18.30 E

EPS / Loss Per Share

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2020					-$9.15 A
2021	-$0.46 A	-$2.27 A	-$1.18 A	-$0.95 A	-$4.87 A
2022	-$0.27 A	-$0.22 A	-$0.17 E	-$0.03 E	-$0.68 E
2023					-$0.19 E

Quarterly revenues may not equal annual revenues due to rounding.
Quarterly EPS may not equal annual EPS due to rounding or dilution.
Historical data may exclude extraordinary items.

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WHAT'S NEW



Source: Siyata Mobile Investor Presentation (SD7)

The company reported 3rd quarter 2022 results on Novembers 10th which demonstrated strong growth for the SD7 rugged handset. Revenues for the quarter ending September 30, 2022 were $2,567,885 compared to $1,218,875 for the 3rd quarter of 2021. This 111% increase over the prior year period was primarily due to the increase in the sale of rugged devices including the SD7 rugged handset during the quarter. Sales related to rugged handsets and accessories increased 588% to approximately $1.9 million.

Gross profit for the 3rd quarter was $856,103 (gross margin of 33.3%) compared to $429,513 (gross margin of 35.2%) for the 3rd quarter of 2021. The gross margin decline was largely attributed to lower sales of higher margin cellular boosters.

Adjusted EBITDA was negative $1,579,980 for the quarter versus negative $4,869,303 in the same prior year period, an improvement of $3,289,323. This improvement was due to increased revenue, increased gross profit and a decrease in operating expenses. The company defines adjusted EBITDA as the net operating loss excluding depreciation and amortization, unusual items, and stock compensation.

Net loss for the 3rd quarter was ($499,991) as compared to a net loss of ($5,667,937) in the prior year period. Part of the large improvement in net loss was driven by a positive change in fair value of warrant liability totaling $2,680,603. Excluding that gain and other unusual items, we calculate the net loss at ($2,734,037), or ($0.17) per share.

As of September 30, 2022, the Company had cash balances of $988,626 compared to $1,619,742 at the end of 2021. Working capital at quarter end was $4,951,595. Subsequent to the end of the quarter, the company raised approximately $4.0 million in proceeds from a registered direct offering from institutional investors.

CEO and founder Marc Seelenfreund stated, *"We delivered on our plan to build and expand our potential customers for the SD7 during the third quarter, providing us with a foundation of increased distribution that is directly leading to many potential significant volume opportunities, of which we have begun shipping products in an increasing number of verticals beyond our primary focus on first responders, including: government, schools, utilities, security companies, defense contractors, amusement parks, and hotel resorts, to name but a few," continued Seelenfreund. "We are just beginning to see the rapid adoption of our disruptive solutions and as the displacement of land mobile radio (LMR) by PoC continues to progress, this should drive meaningful growth for our innovative products, such as the newest addition to our lineup, the SD7+, which integrates body camera functionality with 4G cellular connectivity and PoC features in a single solution."*

The company recently announced a new rugged handset, the SD7+, which features a wide-angle camera coupled with 4G cellular connectivity that will have traditional body camera functionality. It will also encompass real-time situational and positional tracking capabilities. The SD7+ will be powered with Visual Labs' innovative body camera software. Visual Labs is a privately held company and a leading developer of Android-based bodycam and dashcam software. Visual Labs provides its software to public safety, private security and other customers throughout the United States and internationally.

We are lowering our target value to $2.50 per share to account for the effect of higher prevailing interest rates on our discounted cash flow calculation, the increased total common share count following the recent offering, and lower than expected 2nd half sales of the SD7 rugged handset.

OUTLOOK AND PRODUCT SUMMARY

Siyata has laid the foundation for greater distribution and sales with expanded relationships and has broadened its offerings in all three of its product categories into North America. The company is seeing strong sales momentum in the 3rd quarter of 2022 and is hopeful that this momentum will continue as it leverages its new key sales channels.

Rugged Handsets

Siyata's rugged handsets are targeted to the approximately 47 million enterprise task and public sector workers across North America including construction, transport and logistics, manufacturing, energy and utility, public safety, and federal government. To date, Siyata has sold its rugged handsets only in international markets. Siyata expanded its footprint in this product category with the marketing campaign of the SD7 device in Q4 2021 in North America. The SD7 is a next-generation device and Siyata's first mission-critical push-to-talk (MCPTT) handset.

The MCPTT SD7 device has the potential to disrupt the land mobile radio (LMR) industry because of its unique form factor, competitive price point and purpose-built functionality. This should be highly attractive to users in multiple industries where critical communications is essential to their operations. The company believes based on current strong interest from customers, distributors and carriers, that the SD7 will drive meaningful revenue growth going forward.

Cellular Boosters

The companies third product category is the cellular signal booster market. Siyata's cellular booster kits address weak cellular signals for failsafe phone calls, texts, and fast uninterrupted streaming service. Siyata's multiple lines of cellular boosters cater to several verticals including Enterprise, Commercial, First Responder and Consumers. Siyata's booster suite of products are used both inside buildings as well as inside vehicles. The main market for this product line is in North America where the boosters are sold under the Uniden® brand name.

During the recent earnings call, the company announced they were developing a new product category – a Siyata High Power User Equipment (or HPUE) antenna, in conjunction with Assured Wireless Corporation. This unique product will be part of cellular booster portfolio and is designed to be used specifically on FirstNet. The company delivering the first units in the 3rd quarter over time this product category could contribute meaningfully to revenue.

RECENT PRESS RELEASES

October 13th - Siyata Announces Closing of $4.0 Million Registered Direct Offering

The company announced the closing of its previously announced $4.0 million registered direct offering. Siyata previously entered into a securities purchase agreement with certain institutional investors to purchase approximately $4.0 million of its common shares (or pre-funded warrants in lieu thereof) in a registered direct offering and warrants to purchase common shares in a concurrent private placement. The combined effective purchase price for one common share (or pre-funded warrant in lieu thereof) and one warrant was $0.23.

September 22nd - Siyata Mobile's Uniden Cellular Booster Kits and Accessories To Be Purchased By U.S. Navy

The company announced that it has received a purchase order from a federal government contractor who will provide Uniden® cellular booster kits and accessories to the U.S. Navy. The order includes the Uniden® U70P Cellular Booster Kits and accessories that will be utilized for numerous naval buildings with poor cell phone signal reception. This is the company's first sale of cellular boosters that will be used by the military.

August 30th - Siyata Mobile Announces Significant Ramp Up for SD7 Devices and Accessories Across Multiple Verticals

The company announced that it is in the process of ramping up sales of its next-generation MCPTT (mission critical push-to-talk) SD7 device, as well as the VK7 and Rapid Kit companion devices to numerous customers across multiple verticals including private security firms, police, emergency medical services (EMS), National Guard, school districts, hospitals/health clinics, a major theme park and others. In addition, demos have started or are about to begin with a defense contractor, several state patrols and various government agencies.

June 7th - Siyata Launches Next Generation Push-to-Talk Over Cellular SD7 Device on Verizon Global Network

The company announced that Verizon Communications Inc. (NYSE:VZ), one of the largest mobile operators in the U.S. with approximately 143 million retail connections, has fully integrated Siyata's rugged SD7 device into their network. As a Siyata channel partner, Verizon will sell the SD7 to their broad enterprise customer base as well as their first responder network of 4.5 million connections which includes over 30,000 public-safety agencies.

June 27th - Siyata's Next Generation Push-to-Talk Over Cellular SD7 Device is Now Commercially Available and Sold Through FirstNet® and AT&T.

The company announced the SD7 rugged device is now commercially available to the FirstNet network and to AT&T Inc. (NYSE:T) enterprise channels. AT&T is one of the country's largest mobile operators with 201.8 million mobility subscribers. As a Siyata channel partner, AT&T will offer the SD7 device and accessories to their extensive U.S. enterprise customer base.

July 6th – UScellular™ to Launch Siyata's Next Generation Push-to-Talk Over Cellular SD7 Device Across Their Network

Siyata announced that United States Cellular Corporation (NYSE: USM), the fourth largest wireless carrier in the U.S. with 4.8 million retail connections in 21 states, will launch Siyata's rugged SD7

device onto their network. UScellular™ is expected to begin selling the SD7 to their broad enterprise customer base beginning in the 3rd quarter of 2022.

July 13th - Logic Wireless and Siyata Mobile Launch Next Generation Push-to-Talk Over Cellular SD7 Device in the United Kingdom, Australia, New Zealand and the Pacific Islands

The company announced that Logic Wireless Europe Ltd., a leading distributor of business-critical communication solutions across the United Kingdom, Australia, New Zealand and the Pacific Islands, will introduce the Siyata SD7 rugged PoC device integrated with ChatterPTT. ChatterPTT is Logic Wireless's mobile application and gateway solution that intelligently enables different types of communication devices to communicate directly with each other.

July 18th - Siyata Accelerates Global Rollout of its Next Generation Push-to-Talk Over Cellular SD7 Device through Agreement with Azetti Networks

Siyata announced that Spain's Wireless Zeta Telecomunicaciones (Azetti) will begin to offer the company's SD7 rugged mission-critical push-to-talk (MCPTT) device through Azetti's existing enterprise sales channels. Azetti, established in 2000, offers mobile data related solutions and systems based on IP technology, and value-added services platforms for mobile operators, service providers and mission critical users. Products include Push-To-Talk over Cellular (PoC), Multi-Media Message Center (MMSC) and Wireless Internet Gateway.

July 26th - Siyata's Mission-Critical Push-to-Talk (PTT) Over Cellular SD7 Device Now Available with TASSTA's Industry-Leading PTT Solutions

The company announced that its SD7 rugged mission-critical push-to-talk (MCPTT) device is now available for customers who need the integrated industry-leading PTT solutions from TASSTA, a global MCPTT software provider and end-to-end solution for critical communications. TASSTA offers voice communications, emergency solutions, messaging and data transfers through a PTT solution that leverages the technical capabilities of enterprise grade smartphones. TASSTA's expansive product suite includes Push-to-Video, individual, group and priority calls, messaging including data transfer, voice recording, GPS and in-house tracking, alarm emergency solutions and many additional features.

KEY INVESTMENT POINTS

- Siyata Mobile is a developer and provider of cellular communication systems for enterprise customers and first responders. The company's solutions include in-vehicle mounted communication devices, rugged smartphones and cellular signal boosters.

- The company is a beneficiary of first responders need for next generation communication known as Push-to-Talk over Cellular (PoC). PoC is the next-generation solution displacing traditional land mobile two-way radios (LMR). LMR often has limited coverage area and poor reliability of communication for emergencies and outdoor workers.

- The company's rugged MCPTT handset SD7 is a simple, yet highly functional push-to-talk (PTT) only device that has all the benefits of PoC without any of the problems managing the current generation of rugged smart/feature phones. This appears to be a major improvement from the current lineup of LMRs and could take significant market share from the LMR industry.

- SYTA targets vehicle fleets, ambulances, school buses, police vehicles, utility fleets, industrial and residential customers, and large enterprise wireless carriers around the world.

- Sales growth is expected to materially improve in 2022 and 2023 from previous levels. It's possible the company will be break-even on an operating cash flow basis in early 2023.

- The company appears to be well capitalized after raising an additional $4.0 million from a registered direct offering the 4th quarter of 2022.

- We lower our target value to $2.50 per share to account for the effect of higher prevailing interest rates on our discounted cash flow calculation, the increase total common share count following the recent offering, and lower than expected 2nd half sales of the SD7 rugged handset.

OVERVIEW

The company believes it has significant growth opportunities in its three distinct, but related product categories. These include rugged handsets, in-vehicle wireless devices, and cellular boosters.

Rugged Handsets - The company announced that the SD7 Rugged Handset that supports Mission Critical Push-to-Talk (MCPTT) to North American wireless carriers was displayed previously at two important industry trades shows. These include the International Wireless Communications Expo (IWCE) and Motorola Channel Partners Expo. The feedback at both shows, and the direct engagement from senior personnel within the wireless carrier industry has been very strong as they prepare to capture new customers who have been using traditional LMR or two-way radios In addition, Siyata showcased its SD7 device with its companion VK7 in-vehicle kit, and a full suite of cellular boosters at the APCO (Association of Public-Safety Communications Officials) International Conference on August 7-10 in Anaheim, California. The product received high levels of interest and very positive reviews.

Several strategic domestic customers have already been successfully trialing SD7 pre-launch, which we believe will translate into multiple thousands of units sold in the first half of 2022. In conjunction with the earnings release, the company announced it had received a $2.2 million purchase order for a Tier 1 wireless carrier. The company's objective remains to expand their launch with additional North American and international carriers later in the year.





Source: Siyata Mobile Investor Presentation (SD7)

Siyata's rugged handsets are targeted to the approximately 47 million enterprise task and public sector workers across North America including construction, transportation, logistics, manufacturing, energy, utility, public safety and government. Siyata's Q4 2021 launch of the SD7 device in North America expanded the Company's footprint into these product customer categories. The dollar value of the addressable market with price points ranging for $300 per unit to $350 including accessories could be in the range of $14 to $16 billion.

The company's VK7 is a first-of-its-kind, patent-pending car kit that hosts a simple slide-in connection sleeve for the SD7. In addition, an external antenna connection for connecting to a windshield or roof mount antenna allows for an in-vehicle experience for users that is similar to that from a traditional LMR device. The VK7 has been designed to be used with the SD7, while connecting directly into the vehicle's power and can also connect to Siyata's Uniden cellular amplifier for better cellular connectivity.



Source: Siyata Mobile Investor Presentation (VK7)

The addressable market for in-vehicle devices such as the VK7 could include 3.5 million public sector and first responder vehicles in the U.S., 17.6 million commercial vehicles, and 3.5 million public sector, first responder, and commercial vehicles in Canada. The dollar value of the North American market alone could exceed $20 billion.

Cellular Boosters – This category includes devices under the Uniden brand that boosts cellular signal strength in businesses, buildings and vehicles. The company been focused on building relationships with more booster channel partners, particularly in the domestic market, where these partners pursue small and mid-sized booster sales opportunities on a day-to-day basis. The company previously added two sales and marketing professionals to deepen their partnerships with the large U.S. wireless carriers who can facilitate the sales of these cellular boosters to large enterprises and first responder which require both AT&T and FirstNet® cellular coverage and cellular coverage from other carriers.

Approximately $10 billion of cellular boosters are sold annually in North America, however the majority of these are consumer-oriented products mostly sold through electronic or online retailers. This market is expected to grow to $20 billion by 2026. Siyata is targeting the enterprise level segment of this market which is estimated to be 20% of the total addressable market, which would be a value of $2 billion growing to $4 billion over the next five years.

In-Building | In-Vehicle | Direct to UV350







Source: Siyata Mobile Investor Presentation (cellular booster products)

RISKS

- The company relies on channel partners to generate a substantial majority of revenues. If these channel partners fail to perform or Siyata cannot enter into agreements with these partners on favorable terms, financial results could be significantly harmed. A majority of revenues are generated through sales by channel partners, which are primarily wireless carriers who sell the company's products through their sales channels. While these arrangements are typically long term, they generally do not contain any firm purchase volume commitments.

- The company participates in a competitive industry, which may become more competitive over the long-term. Some of the company's competitors have greater resources and significantly more experience in high volume product manufacturing. Primary competitors in the non-rugged mobile device market include Apple Inc. and Samsung Electronics. Primary competitors in the rugged mobile device market include Sonim Technologies, Bullitt Mobile, and Kyocera Corporation. The cellular booster category includes competitors such as Wilson Electronics, Nextivity, and SureCall.

- If the business does not grow as expected, or the company fails to manage the growth effectively, operating results and the business would suffer. The ability to successfully grow the overall business depends on a number of factors including the acceleration and adoption of products by new end customers, the ability to expand into new vertical markets, the capacity to develop and deliver new products and services, and the success of expansion into international markets.

- Growth could be curtailed if land mobile radio (LMR) or other competitive alternatives are more successful than the company's offerings. Public sector and enterprise customers could incur restrained budgets or a preference for a competitive product.

- The company has a history of operating losses and might not be able to achieve profitability if revenue growth targets are not met. The accumulated deficit as of 12/31/2021 was $62,519,412.

- Material weaknesses were previously identified in 2019 and 2020 for product returns, intercompany transactions, insufficient audit support for journal entry testing, receivables expected credit losses, obsolete inventory, share issuance costs versus transaction expenses. The company has partially remediated the weaknesses and taken steps to strengthen internal controls for financial reporting.

VALUATION

Although our long-term projections haven't materially changed, we are lowering our valuation target based on substantially higher prevailing interest rates which raises the discount rate in our discounted cash flow calculation. Additionally, the recent $4 million capital raise substantially increased the total share count.

Our primary valuation tool utilizes a Discounted Cash Flow (DCF) process and produces three different scenarios.

Bull Case – The company experiences above average growth in all three of its key product categories. This includes a 10-year compound annual growth rate of 25% in the rugged handset business and 5.0% in the cellular booster business. The value in this scenario is $3.50 and we apply a probability factor of 45%.

Base Case – The company experiences strong growth in the rugged handset business but modest low-to-mid single-digit growth in the cellular booster businesses. The value in this scenario is $2.50 and we apply a probability factor of 40%.

Bear Case – The company experiences low-single digit growth across all product lines and fails to produce meaningful gross and operating margins. The exception is strong growth in the years 1-3 for rugged handsets. The value in this scenario is $0.00 as the company may not generate material free cash flow to create meaningful equity value. We apply a probability factor of 15% to this scenario.

The weighted average price target of these three scenarios is approximately $2.50. The discount rate used in the DCF calculation was 17.0%.

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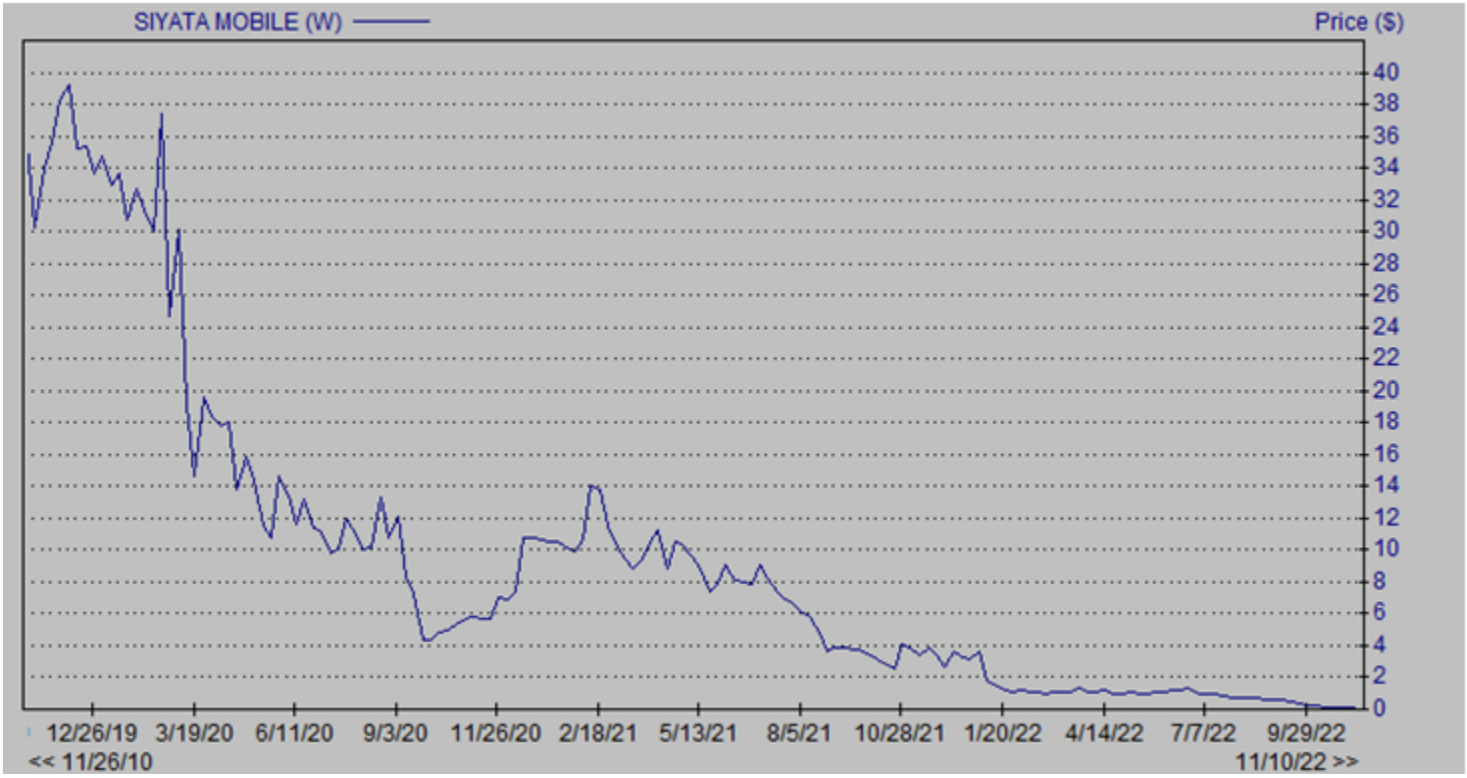
HISTORICAL STOCK PRICE



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