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Zacks Small-Cap Research

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Syra Health Corp. (SYRA-NASDAQ)

SYRA: New Business Activity Strong; SYRA Guides to 64%-100% '24E Revenue Growth

Syra Health reported 2023 results and initiated 2024 guidance. 2023 comparisons to 2022 were skewed by non-recurring pandemic related factors in 2022. SYRA expects revenue growth of 64% to 100% in 2024 compared to 2023. Moreover, there could be upside, depending on how quickly revenue related to SYRA's first federal-based award as a sub-contractor of an overall $75 billion contract ramps. Gross margin expanded in 2023, as higher margin business units grew, and SYRA anticipates further margin expansion.

Current Price (3/27/24)	$1.28
Valuation	**$5.32**

OUTLOOK

The company's new business activity remains strong. This month, SYRA announced several new contract wins, including a new Healthcare contract in Missouri, plans to deliver substance use disorder and overdose prevention training in Kansas and a contract valued at >$650,000 focused on healthcare quality improvement. Last month, SYRA won its 1st federal-based award as a sub-contractor; the overall contract is valued at $75B. The company's latest contract represents SYRA's entrance into its 18th state, supporting the company's goal to deliver healthcare solutions nationwide. The company continues to diversify revenue streams both by geographic markets and across its business units.

SUMMARY DATA

52-Week High	**$8.37**
52-Week Low	**$0.81**
One-Year Return (%)	**N/A**
Beta	**N/A**
Average Daily Volume (sh)	**1,887,691**
Shares Outstanding (mil)*	**6**
Market Capitalization ($mil)	**$40**
Short Interest Ratio (days)	**N/A**
Institutional Ownership (%)	**0**
Insider Ownership (%)	**60**
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 2024 Estimate	**N/A**
P/E using 2025 Estimate	**N/A**

*Ord A shares, not including B shares

Risk Level	**Average**
Type of Stock	**Small-Growth**
Industry	**Med Tech**

ZACKS ESTIMATES

Revenue
(in millions of $)

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2021					1.4 A
2022	0.9 A	1.2 A	1.5 A	2.0 A	5.6 A
2023	1.2 A	1.0 A	1.6 A	1.8 A	5.5 E
2024	1.4 E	2.8 E	2.8 E	3.0 E	10.1 E

Per Share Data

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2021					-$0.00 A
2022	-$0.44 A	-$0.25 A	-$0.09 A	-$0.16 A	-$0.70 A
2023	-$0.18 A	-$0.18 A	-$0.08 A	-$0.16 A	-$0.60 A
2024	-$0.18 E	-$0.13 E	-$0.13 E	-$0.14 E	-$0.59 E

Quarters might not sum due to rounding & share counts

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KEY POINTS

Syra Health reported 2023 results and initiated 2024 guidance. Our key takeaways include:

- 2023 comparisons to 2022 were skewed by non-recurring pandemic related factors in 2022.
- SYRA expects revenue growth of 64% to 100% in 2024 compared to 2023.
- There could be upside to these metrics, depending on how quickly revenue related to SYRA's first federal-based award as a sub-contractor of an overall $75 billion contract ramps.
- The company's gross margin expanded in 2023, as higher margin business units continued to grow, and SYRA anticipates further margin expansion reflecting the anticipated continued growth of its expanding portfolio of services and tools.

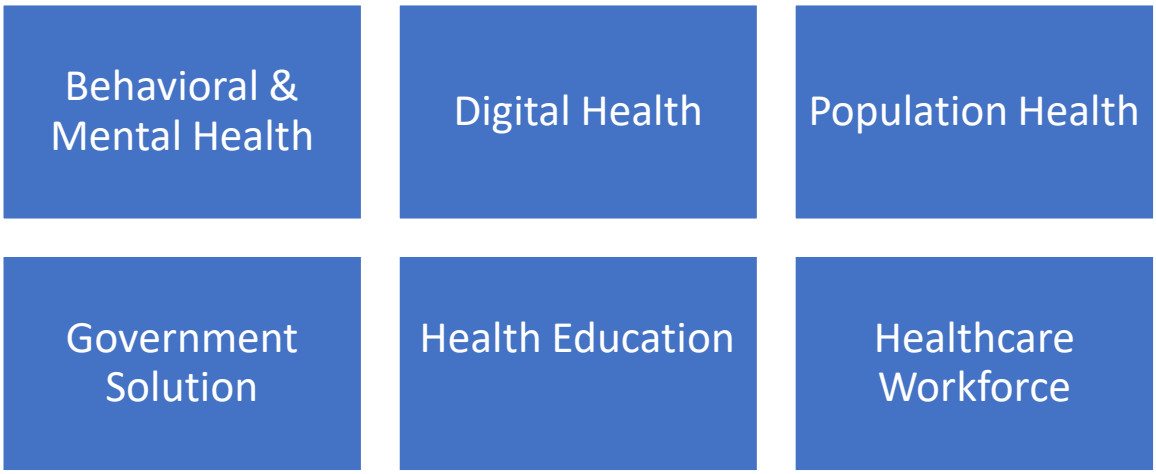
RECENT RESULTS / OUTLOOK

Guidance for 64%-100% revenue advance in 2024 …

Carmel, Indiana-based Syra Health Corp. (NASDAQ: SYRA), a healthcare technology company developing end-to-end solutions in behavioral and mental health, digital health, population health, health education services, management and healthcare workforce and government services, reported 2023 results this week.

Syra Health's 2023 revenue came in at $5.5 million compared to $5.6 million in 2022. The majority of revenue continues to come from the company's healthcare staffing services, although revenue is becoming more diversified. The company attributed the 2023 revenue decline to the impact of COVID in 2022. The company's Healthcare Workforce Solutions segment provides on-demand temporary medical personnel, including nurses and nurses' aides, among other healthcare workers. The pandemic drove the need by medical venues for higher staffing levels that, in turn, led to increases for SYRA's Healthcare Workforce operating unit in 2022, which abated once the impact of the pandemic eased. In fact, SYRA noted that all business units but its Healthcare Workforce segment advanced by a collective 250% and represented 23% of total 2023 revenues, up from only 6% in 2022.

SYRA operates through six different business units: Behavioral and Mental Health, which provides consulting services to mental health hospitals and organizations, government agencies and other health organizations, including pharmaceutical manufacturers; Digital Health develops and markets apps and other technology products to improve healthcare; and Population Health focuses on epidemiology solutions and data analytics services in pursuit of a healthier population. In addition, the Healthcare Workforce unit evaluates customers' healthcare staffing and provides solutions to improve their effectiveness, while Health Education provides education and training services. The company's Government unit addresses the needs of government agencies.



Source: Company reports

With higher margin business units representing a growing component of the total revenue, this impact contributed to improvements in gross profit margin. Growth in the company's Digital Health, Population Health, Behavioral and Mental Health, and Health Education business units reflect new contract awards, as well as the launch of SyraBot.

Segment highlights include the Population Health segment, which recorded a 125% year-over-year revenue improvement to $715,499, driven by demand for epidemiology services. Following the introduction of the segment's SyraBot product, Digital Health registered $515,250 of revenue in its first year of revenues. SYRA recorded gross profit of $1.4 million, up from $1.1 million in 2022. The gross profit margin expanded by 670 bps to 25.6% versus 18.9%. However, Total operating expense increased to $4.3 million from $3.2 million, as SYRA established the internal infrastructure to support expected growth and reflecting non-recurring expenses largely related to the IPO. the company completed its IPO in October 2023 raising gross proceeds of $6.7 million.

Higher salary, S,G&A and other OpEx were partially offset by lower professional fees, which declined 43% year-over-year, reflecting a decrease in stock-based compensation related to outsourced professionals. SYRA registered a net loss of $2.9 million in 2023 compared to a net loss of $2.1 million in 2022.

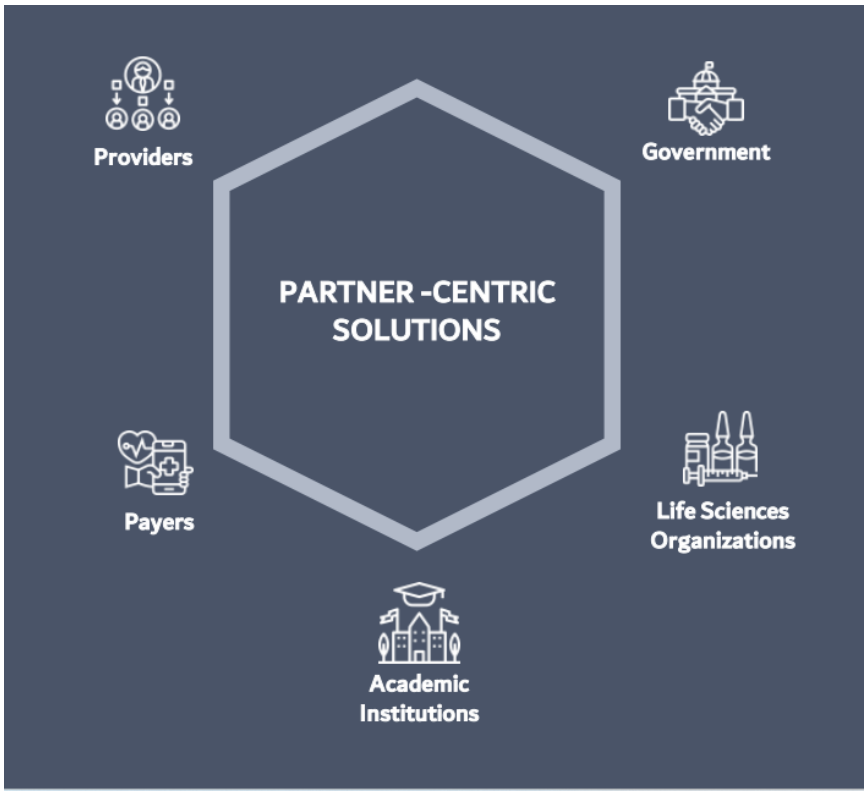
Going forward, we would expect operating leverage if revenue advance as we anticipate. Specifically, SYRA expects 2024 revenue to come in within a range of $9 million to $11 million. This guidance represents anticipated year-over-year growth of 64% to 100% and does not incorporate the potential revenue from the Caduceus Healthcare contract, to which SYRA is a sub-contractor.

Growth Strategy includes continued expansion into new states, business units

The company had cash of $3.3 million at December 31, 2023 to support its growth strategy concentrated on areas it believes likely to experience growth, as the rising U.S. focus on a healthier population presents strong opportunities for Syra Health to contribute to improving overall population healthcare within its specific target areas.

The company's goal is to become a leader in delivering healthcare solutions and providing customizable end-to-end solutions for the public and private healthcare sectors. SYRA expects to further expand its infrastructure, products and solutions to support its growing portfolio of healthcare services.

The company also plans to open offices in various markets to support sales and business development. SYRA expects to achieve organic growth and potentially would consider strategic M&A to complete and accelerate growth opportunities.



Source: Company-presentation

Within these areas, SYRA provides a broad array of solutions and services to payers, providers, life sciences organizations, academic institutions, and government agencies. SYRA focuses its solutions on prevention, improving access, and making care more affordable, with the goal of helping those it serves develop a healthier overall population.

NEW CONTRACT AWARDS

Contract awards continue in new & existing markets…

SYRA continues to win new contracts to grow revenue and expand its operating footprint. For example, earlier this week Syra Health announced a new healthcare workforce contract in Missouri to provide temporary medical services personnel. Revenue will be based on the number of positions filled and the duration of these placements. The contract encompasses the recruitment of specialized medical professionals crucial to addressing healthcare needs across Missouri, including of resident physicians, physicians, chief physicians, psychiatrists, and chief psychiatrists.

Earlier this month, SYRA announced Syra announced plans to deliver substance use disorder and overdose prevention training in Kansas and also won a contract valued at more than $650,000 focused on healthcare quality improvement.

SYRA also recently announced a partnership for a federal contract that overall is valued at $75 billion. Specifically, SYRA has been selected as a subcontractor for this contract, which was awarded to

Georgia-based Caduceus Healthcare by the federal Department of Health and Human Services (HHS), Administration for Families and Children (ACR), Office of Refugee Resettlement (ORR) Medical Staffing and Support. Syra Health will provide multiple services to Caduceus Healthcare as a sub-contractor to support this award. Overall, the contract is for Caduceus Healthcare to provide temporary shelter, care facilities, direct care services, medical care, case management, education, and transportation in support of HHS's Influx Care Facilities.

SYRA believes this represents an important milestone as the company continues to expend its operating footprint. Moreover, having introduced its federal government solutions unit only a few short months ago in December 2023, the company believes this also underscores the value of its growing portfolio of products, tools and services. This sub-contractor award represents SYRA's first federal-based contract.

SYRA has secured contracts across Oklahoma, Virginia, and Alabama to deliver healthcare staffing solutions to correctional facilities, two veteran homes in Ohio and one in Indiana. The segment also provides direct care staffing for the Department of Health and Human Resources Purchasing Division in West Virginia.

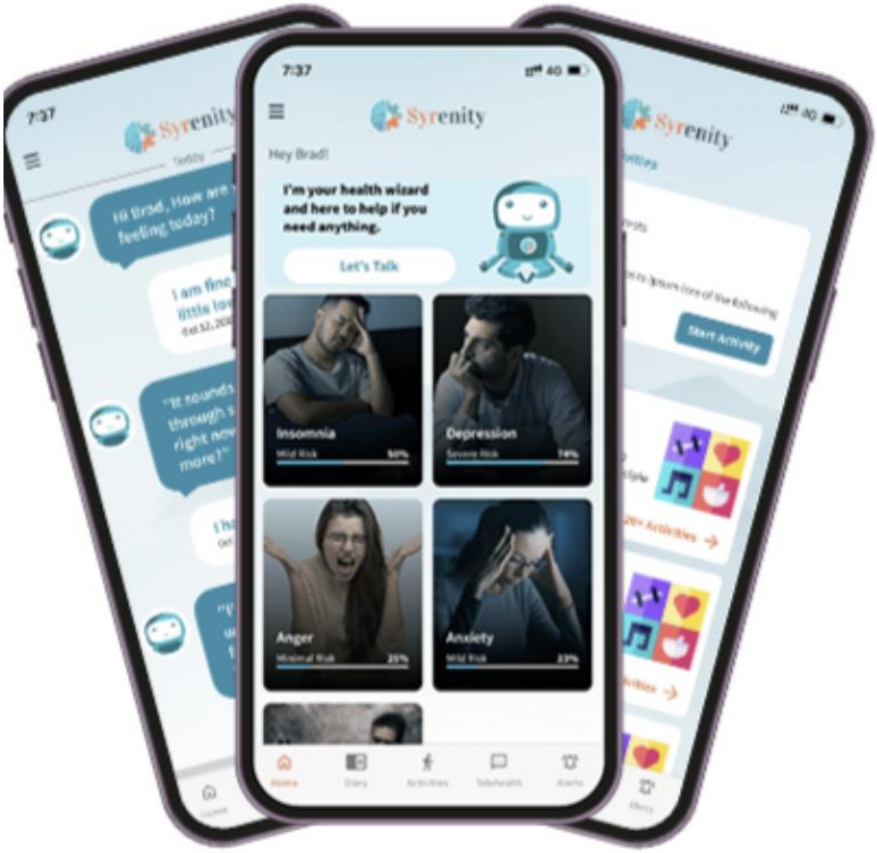
SYRA was awarded a contract with Osawatomie State Hospital and Adair Acute Care in Kansas to deploy licensed healthcare professionals to deliver vital social and therapy services. The company believes the Kansas contract is an important milestone in expanding its healthcare workforce reach. SYRA will deploy licensed professionals who will provide services around ensuring that patients receive comprehensive care and discharge planning. It also marks a second healthcare workforce contract in the state of Kansas. The segment has 13 active contracts in 12 states. The company recently expanded this operating segment to offer a new technology platform for employers and others who need to fill new positions or offer concierge services.

Highlights recent segment contract wins:

- Healthcare workforce contract in Missouri to provide temporary medical services personnel
- Contract valued at more than $650,000 focused on healthcare quality improvement
- Partnership for a federal contract valued at $75 billion
- Five-year, $4.75 million - DC Department of Behavioral Health
- County of Camden (NJ) Psychological Screening & Evaluation Services
- Mississippi Dept. of Human Services (MDHS)
- Extension of FSSA/DMHA/SEOW contract through June 2025
- One-year $450,000 - for epidemiology services with Tennessee's Shelby County Health Dept

GROWING PRODUCT PORTFOLIO

In the brief time since its founding, Syra Health has launched several important products and services and won multiple contract awards that are expected to advance its goal of improving preventive health measures and contribute to revenue growth. For example, in 2023, Syra Health achieved a number of important milestones to support its growth strategy. Within its Behavioral and Mental Health Business Unit, the company launched Syrenity.



Source: Company reports

Syrenity is SYRA's flagship mental and behavioral health product. It is focused on preventing mental health crises. It is AI-enabled and integrated with telehealth, offering users ongoing continual monitoring capabilities and an AI-backed diary. Integration with telemedicine enables Syrenity to provide access to licensed mental health professionals when treatment is needed.

Syrenity …

To-date, the company has introduced key products to support its growth strategy. SYRA's product portfolio includes Syrenity, CarePlus, and SyraBot, among others, focused on various aspects of patient healthcare, organizational efficiency, and to address mental and behavioral health concerns. The company leverages artificial intelligence (AI) tools to provide targeted education and real-time information to customers.

Syrenity is evidence-based and provides easy to access tools to enable users to identify, record and prevent the progression of potentially harmful factors influencing their behavioral and mental health. Syrenity integrates telehealth to facilitate the user's access to therapy when needed. The various modules to help users manage their behavioral and mental health include education, coaching, telehealth, as noted, cognitive restructuring, wellness activities, tracker, historical data collection, which includes an AI-enabled diary and trend analysis to allow users to make informed decisions about taking preventative measures or seeking treatment.

CarePlus …

The company recently launched CarePlus, which is an Electronic Medical Record (EMR) system that can be customized to help an organization enhance its operational efficiency, minimize errors by improving the accuracy and transparency of medical records and thereby improve patient care. CarePlus offers small to mid-sized healthcare organizations customizable templates and features such as e-prescribing,

laboratory integration, and patient portal access to manage patient health information efficiently and in a cost-effective way.

According to NIH, "electronic medical record (EMR) systems remain a significant priority for the improvement of healthcare services." According to the Deloitte Center for Health Solutions, with the next-gen of electronic health records, "By 2030, electronic health records will likely be more convenient, efficient, and intuitive for both consumers and clinicians."

Given that the healthcare industry has been transitioning to digital record keeping and installing EMR systems for several years, many larger organizations have installed proprietary systems. The target market for Syra Health's CarePlus system is small- to mid-sized organizations that do not have the budget to create an EMR system on their own. Syra Health's CarePlus offers features for these organizations to streamline clinical workflows and optimize the management of patient health information. A solid EMR is a tool to help organizations "Achieve equitable health outcomes for all consumers with a focus on wellness and prevention," according to Deloitte which are core objectives for Syra Health.

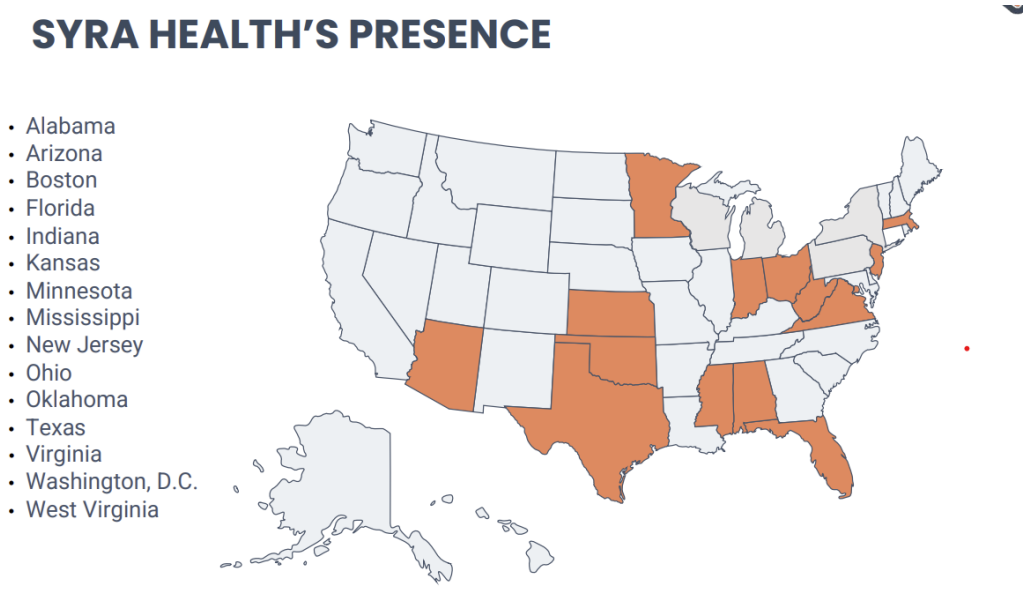
SyraBot …

The company markets its SyraBot product to a range of customers including payers, providers and government agencies. The company believes the product helps empower patients to manage their own healthcare. SyraBot allows them to find important benefit and healthcare information quickly. SyraBot is a digital health product that uses AI to deliver real-time responses to inquiries made through any healthcare organization's website and which provides real-time access to information 24-7 in up to 200 languages. The company aims to provide preventive tools and solutions to minimize risks of mental health crises. These goals are consistent with aims of medical professionals, healthcare organizations, governments and international public health agencies. For example, according to the World Health Organization (WHO), "In recent years, there has been increasing acknowledgement of the important role mental health plays in achieving global development goals, as illustrated by the inclusion of mental health in the Sustainable Development Goals. Depression is one of the leading causes of disability. Suicide is the fourth leading cause of death among 15-29-year-olds…Increased investment is required on all fronts: for mental health awareness to increase understanding and reduce stigma; for efforts to increase access to quality mental health care and effective treatments; and for research to identify new treatments and improve existing treatments for all mental disorders."

EXPANDING FOOTPRINT

Contracts span services across 18 states

The company's latest contract noted above represents SYRA's entrance into its 18th state. This supports Syra Health's goal to deliver healthcare solutions nationwide. The company continues to diversify revenue streams both by geographic markets and its business units. The company's contracts span services across 18 states, as noted, which represents an increase of three states compared to year-end 2023, and SYRA expects to continue to win new contracts in additional markets.



At year-end 2023
Source: Company presentation

The company expects to provide its solutions to new customers, potentially including Big Pharma, medical device manufacturers, biotech companies, and academic institutions, among others. We would anticipate additional expansion into new states as the company continues to grow its business.

MARKET OPPORTUNITY

The company believes the overall market opportunity for its broad product and service portfolio is sizable, reflecting current unmet healthcare needs and growing focus on preventive tools to avert behavioral and mental health crises before they occur. SYRA puts the size of the U.S. digital health market, one area in which it operates, north of $210 billion.

At the same time, the country is experiencing a growing healthcare workforce shortage, which was exacerbated during the pandemic. The country is expected to face a shortage of up to 124,000 physicians by 2034, according to the Association of American Medical Colleges. According to the Bureau of Labor Statistics (BLS), reflecting an aging population and an increase in chronic illnesses, including mental and behavioral health, 229,000 more jobs will be needed in the medical field by 2025. Moreover, an American Medical Association (AMA) survey indicates that 40% of physicians nationwide said they plan to leave practice within five years, often citing burnout as one of the primary reasons.

Concurrently, the growing incidence of mental health issues imposes further burdens on an already challenged healthcare system. As noted earlier, the U.S. Department of Health and Human Services indicates that almost 50% of all domestic counties do not have access to licensed psychiatrists and more than 110 million people live in areas where there is a mental health professional shortage. In terms of health equity concerns, the healthcare workforce shortage is "more acute" in certain historically under-served communities, according to CNN.

These trends place increasing challenges around allocating healthcare resources and are expected to drive growing demand for preventive tools, management solutions and health education, and all expected to grow significantly. At the same time, the incidence of mental health issues has been on the rise, while attention to preventive care and health equity are a growing focus for the healthcare industry and public health agencies.

VALUATION

We believe that as the company adds new contracts and diversifies its revenue streams, it will help generate upsid.e for shareholders. We believe it is difficult to compare SYRA shares to those of other publicly traded companies. While there are companies that provide services similar to one or more SYRA offers, there does not seem to be a direct comprehensive competitor. Nevertheless, using the overall sector as a general benchmark, on a price-to-sales (P/S) basis, these players trade at multiples that range from 3.5x to 7.5x revenue. We would also expect SYRA to enjoy better growth rates than many companies operating in the digital and tele healthcare space at this point in its development.

Given the early stage of the company's ongoing strategy plus the flurry of recent business awards, we assign an 90% confidence multiple to our 2024 forecast and note that the company believes revenue could come in much higher. Thus, if revenue ramps faster than we anticipate, our confidence multiple might prove conservative. Thus, depending on contract wins and rev5enue trends, we might increase / lower our confidence multiple in the future. At this point, we believe using the P/S multiple at the midpoint of the range and applying the above-noted confidence factor is appropriate. On this basis, we derive a near-term valuation of about $5.32. If the company delivers milestones earlier than anticipated, it could impact these multiples and adjustments. Specifically, if SYRA can deliver on its growth initiatives, in success we would anticipate share price appreciation over time.

Any delay or failure in successful execution of the strategy could represent a potential risk to The company's valuation and cause the share price to decline. The company believe the risk / reward ratio could be attractive for investors who have a higher than average risk tolerance and longer time horizon.

RISKS

We believe risks to SYRA achieving its goals, and to our valuation, include the following, among others.

- SYRA might not gain market share as quickly as the company expects, which could lead to slower than anticipated revenue ramp.
- The company could incur unanticipated costs associated with its initiatives.
- Competition could increase.
- The company might need to raise capital to support its strategy that might be dilutive to current shareholders.
- Management collectively holds more than 50% of SYRA shares, making SYRA a controlled company, and more than 70% of the vote. Interests of insiders might differ from those of public shareholders.
- Moreover, we believe the two classes of shares – A shares and convertible B shares – also present the risk of dilution.
- The majority of revenue comes from the FSSA (about 67.7% and 98.3% of total in 2023 and 2022). Unless it is renewed / extended, the agreement ends on June 30, 2025.

RECENT NEWS

- SYRA announced a new Healthcare contract in Missouri on March 28, 2024.
- SYRA reported 2023 results on March 25, 2024.
- On March 21, 2024 SYRA announced Syra Health to Deliver Substance Use Disorder and Overdose Prevention Training in Kansas.
- On March 4, 2024, Syra Health won a contract valued at more than $650,000 focused on healthcare quality improvement.
- On February 12, 2024, Syra Health announced a Healthcare Workforce Contract with Fairfax County, Virginia.
- SYRA announced a partnership for a federal contract valued at $75 Billion on February 8, 2024.
- On February 6, 2024, Syra Health announced a 1-year contract worth about $250,000 with Washington D.C. Department of Behavioral Health.
- Syra Health received another contract from the Maricopa County Department of Public Health in Arizona on January 30, 2024.
- On January 25, 2024, SYRA won a contract extension from Indiana Veterans' Home.
- On January 18, 2024, Syra Health announced a new contract with Indiana Department of Health.
- Syra Health announced a new contract with Mississippi Department of Human Services on December 21, 2023.
- On November 30, 2023, Syra Health won a contract to provide social services in Kansas.
- On November 28, 2023, Syra was selected to provide Behavioral and Mental health screening and evaluation services to law enforcement personnel in New Jersey.
- Syra Health won a contract valued at over $250k to evaluate San Antonio's Racial and Ethnic Approaches to Community Health (REACH) on November 21, 2023.
- On November 13, 2023, Syra Health launched SyraBot, a digital health product
- SYRA launched CarePlus on October 19, 2023.

PROJECTED FINANCIALS

SYRA Health Income Statement & Projections ($)

	2022	1Q23	2Q23	3Q23	4Q23	2023A	1Q24E	2Q24E	3Q24E	4Q24E	2024E
Net revenues:											
Healthcare workforce	5,260,370	1,112,570	870,132	1,121,238		4,259,292	1,064,311	2,103,395	2,160,432	2,314,080	7,642,218
Population health	318,036					715,499	182,293	360,265	370,034	396,351	1,308,944
Digital health				131,356		515,250	126,203	277,127	284,642	304,885	992,857
Behavioral and mental health						12,797	13,437	13,974	14,533	15,115	57,059
Health education	39,300					12,306	16,010	16,510	16,777	18,423	67,720
Medical communication, other	-	75,781	109,116	328,750	-	-	-	-	-	-	-
Net revenues	5,617,706	1,188,351	979,248	1,581,344	1,766,201	5,515,144	1,402,254	2,771,272	2,846,419	3,048,853	10,068,799
Cost of services	4,555,924	1,041,195	851,089	1,026,803	1,184,157	4,103,244	1,037,668	2,050,741	2,049,422	2,164,686	7,302,517
Gross profit	1,061,782	147,156	128,159	554,541	582,044	1,411,900	364,586	720,531	796,997	884,167	2,766,282
Operating expenses:											
Salaries and benefits	1,524,971	457,745	562,619	592,241	679,690	2,292,295	706,878	749,290	816,726	946,330	3,219,224
Professional services	1,035,902	236,660	128,844	58,875	162,084	586,463	163,705	165,342	166,995	143,203	639,245
R&D	-	-	-	-	-	240,048	62,412	66,157	65,496	64,841	258,906
S,G&A	575,755	215,463	208,357	234,084	474,018	1,131,922	478,758	473,971	478,710	473,923	1,905,362
Depreciation	14,849	11,763	12,293	12,357	12,358	48,771	12,852	13,623	14,850	29,286	70,612
Total operating expenses	3,151,477	921,631	912,113	897,557	1,568,198	4,299,499	1,424,605	1,468,383	1,542,777	1,657,583	6,093,349
Operating loss	(2,089,695)	(774,475)	(783,954)	(343,016)	(986,154)	(2,887,599)	(1,060,019)	(747,853)	(745,780)	(773,416)	(3,327,068)
Other income (expense):											
Interest income	63	2	4	2,820	116	2,942	186	184	184	182	735
Interest expense	(28,533)	(11,419)	(18,850)	(14,180)	(9,237)	(53,686)	(9,422)	(9,516)	(9,230)	(8,954)	(37,122)
Total other income (expense)	(28,470)	(11,417)	(18,846)	(11,360)	(9,121)	(50,744)	(9,236)	(9,332)	(9,047)	(8,772)	(36,387)
Net loss	(2,118,165)	(785,892)	(802,800)	(354,376)	(995,275)	(2,938,343)	(1,069,255)	(757,185)	(754,827)	(782,187)	(3,363,454)
Net loss / share (FD)	($0.70)	($0.18)	($0.18)	($0.08)	($0.16)	($0.60)	($0.19)	($0.13)	($0.13)	($0.14)	($0.59)
Weighted average common shar	3,041,085	4,366,067	4,378,751	4,360,426	5,731,587	4,877,861	5,731,747	5,731,877	5,732,007	5,732,137	5,731,942

Source: Company reports, Zacks estimates

Shares only reflect A shares, not including B convertible shares

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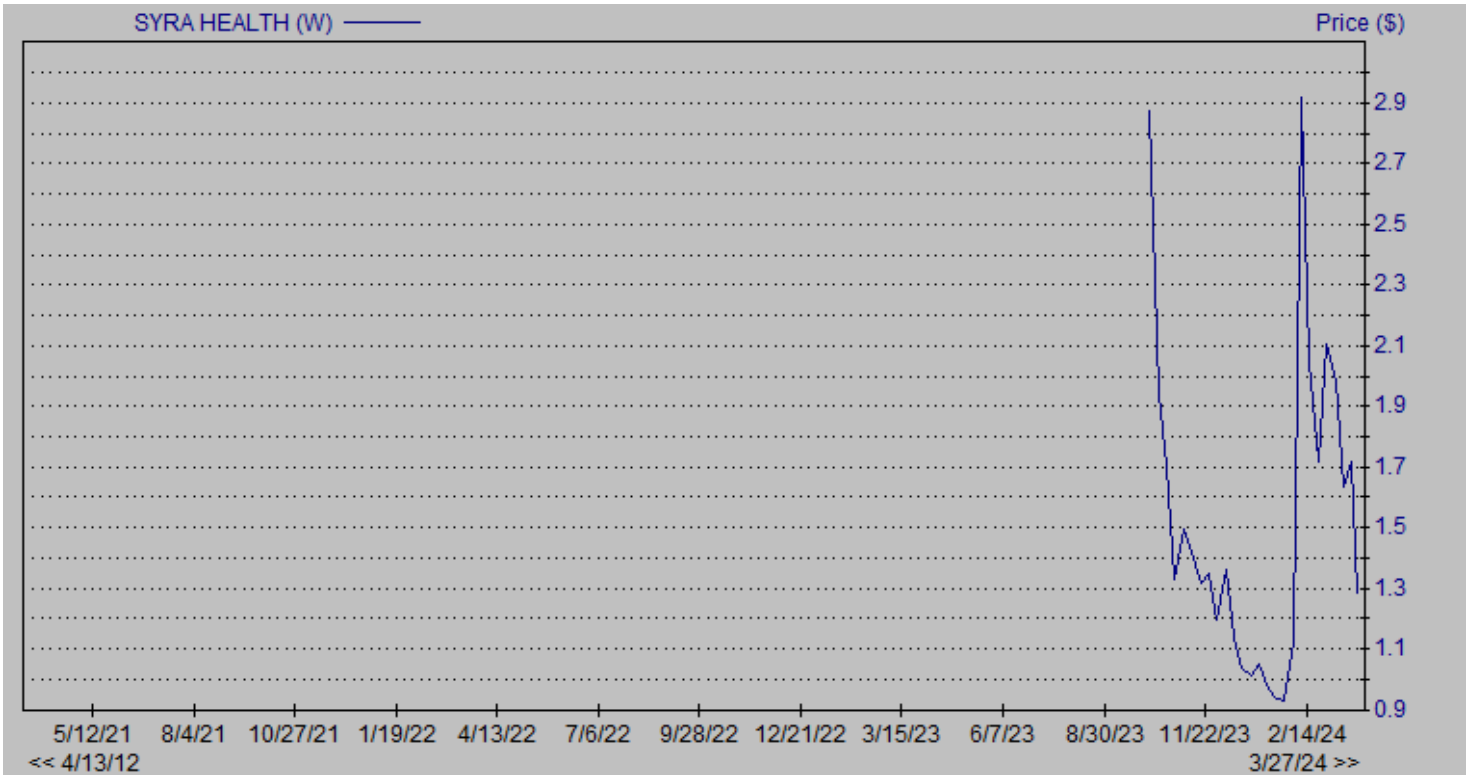
HISTORICAL STOCK PRICE



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