

# Zacks Small-Cap Research

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## Syra Health Corp. (SYRA-NASDAQ)

### SYRA: Revenue and Margins Expand in 2Q24

SYRA's 2Q24 revenue of \$2.0M more than doubled (up 101% y/y) from \$1.0M in 2Q23. Gross margins increased to 17.8% from 13.1%, as revenue at higher-margin business units grew. For example, Population Health unit revenue more than tripled to \$451k & the unit comprised ~23% of total 2Q24 revenue, up from 12% in 2Q23.

Current Price (8/9/24) **\$1.32**  
Valuation **\$3.60**

### OUTLOOK

SYRA is optimistic about revenue prospects and the ongoing shift in its services/revenue mix towards higher margin lines, as well as its prospects for federal contracts as the company continues to win new business. Syra Health recently was awarded its second federal subcontractor award. The company is also encouraged by the traction it is seeing for Syrenity, its AI-enabled mental health app. By the end of 2Q24, SYRA had deployed Syrenity for two employers. As it continues geographic market expansion & revenue diversification efforts, SYRA's contracts now span services across 23 states.

### SUMMARY DATA

52-Week High **\$8.37**  
52-Week Low **\$0.81**  
One-Year Return (%) **N/A**  
Beta **N/A**  
Average Daily Volume (sh) **346,316**

Shares Outstanding (mil)\* **7**  
Market Capitalization (\$mil) **\$8**  
Short Interest Ratio (days) **1.1**  
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**

Risk Level  
Type of Stock  
Industry  
Average  
Small-Growth  
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	1.8 A	2.0 A	2.0 E	2.0 E	7.7 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	-\$0.22 A	-\$0.21 A	-\$0.21 E	-\$0.21 E	-\$0.86 E

Quarters might not sum due to rounding & share counts

Disclosures on page 8

\*Ord A shares, not including B shares

## REVENUE AND MARGINS ADVANCE

### *Revenue up 101% year-over-year...*

Carmel, Indiana-based Syra Health Corp. (NASDAQ: SYRA) is a healthcare technology company developing end-to-end solutions in multiple healthcare areas. The company released 2Q24 results last week, with revenue of \$2.0 million more than doubling (up 101%) from \$1.0 million in 2Q23. Gross margins in 2Q24 increased to 17.8% compared to 13.1% in 2Q23, as revenue at higher-margin business units grew. For example, revenue at the company's Population Health unit more than tripled to \$451k, compared to \$120k in 2Q23. This unit comprised about 23% of total revenues in 2Q24, versus only 12% in 2Q23. The growth at the Population Health unit was driven by factors including the demand for data analytics and evaluation of state health department initiatives. The company ended the period with cash of \$1.6 million.

### *Recent federal based sub-contractor awards...*

SYRA is optimistic about its prospects for federal contracts, as the company continues to win new business, recently earning its second federal subcontractor award. Having introduced its federal government solutions unit in December 2023, the company believes these subcontracts underscores the value of its growing portfolio of products, tools and services. The company has been selected as a sub-contractor for prime contractor LUKE on a 10-year Defense Health Agency (DHA) contract (an Indefinite-Delivery, Indefinite-Quantity (IDIQ) contract for the Medical Q-Coded Support and Services – Next Generation Program (MQS2-NG) contract). The contract is valued at \$43 billion over the 10-year contract term and is to provide medical staffing services at DHA facilities nationwide.

LUKE apparently has been awarded all areas of responsibility for staffing several DHA labor categories including staffing physicians, nurses, dentists, ancillary services, and medical support personnel. Syra Health will serve as a sub-contractor, helping LUKE perform the contracted services, including providing contract workers across various healthcare labor categories to support the requirements within DHA hospitals, clinics, dental facilities, and health activities nationwide in the U.S., Washington DC, Puerto Rico, Guam, and U.S. territories and possessions.

The contract is expected to run through May 31, 2034. The company expects that some task orders will be received before year-end 2024. Task orders will determine the portion of contract revenue that is earmarked for Syra Health. However, we believe that billings and revenue in the door might lag the receipt of task orders.

SYRA had earlier 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.

As it expands various business lines, the company also continues to diversify revenue streams both by geographic markets and its business units. For instance, 1Q24 results specifically illustrate that SYRA's revenue is becoming more diversified. Specifically, SYRA's business units excluding Healthcare Workforce represented 19% of total revenues in 1Q24, up from only 7% in 1Q23. Aggregate revenues from SYRA's other business units, excluding Healthcare Workforce, advanced 333% year-over-year. Revenue from the Healthcare Workforce unit was up 27.6% year-over-year off a significantly larger base. The company's Healthcare Workforce Solutions segment provides on-demand temporary medical personnel, including nurses and nurses' aides, among other healthcare workers. SYRA is optimistic

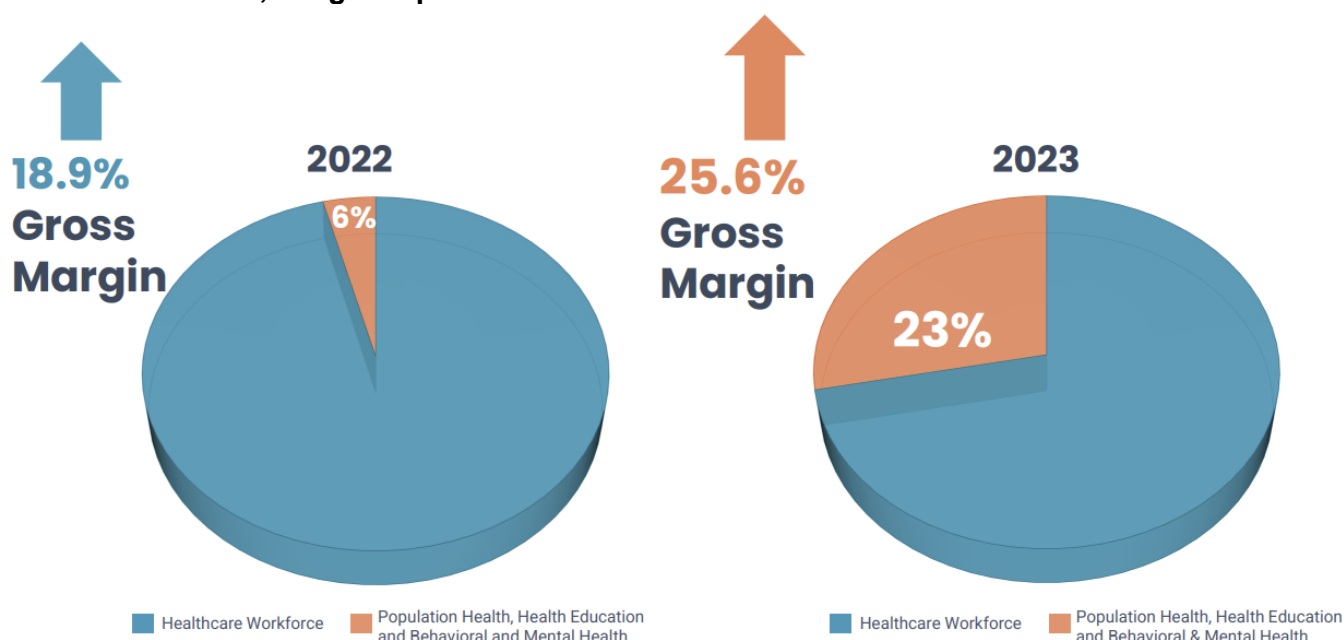
about the prospects for this segment, albeit run rates likely will not be at the same level as those recorded during the pandemic when the need for higher staffing levels at medical venues was acute.

Given that the LUKE subcontract is for nationwide service, we believe this also supports SYRA's goal to continue entering new domestic markets. SYRA ended 2023 with active business in 15 states. Recently, with the award of a contract with the state of Maine, the company had expanded its domestic footprint into its 19th state.

### *Margin expansion as revenue mix shifts towards higher margin business lines ...*

The company continued to shift its services mix toward higher margin services such as population health, digital health and other higher margin lines, a trend registered in 2023, as illustrated below. Gross margins in 2Q24 increased to 17.8% compared to 13.1% in 2Q23, as noted. Revenue at higher-margin business units such as Population Health and Digital Health recorded strong growth. As a result, the company's Population Health unit contributed about 23% of total revenues in 2Q24, versus only 12% in 2Q23. SYRA's emerging Digital Health unit contributed about 5% of total revenues in 2Q24, while there was no segment revenue in 2Q23.

### Revenue Distribution, Margin Expansion



Source: [Company presentation](#)

### *Company encouraged by traction it is seeing for Syrenity...*

SYRA is encouraged by the traction it is seeing for Syrenity, a key product the company has introduced recently to support its growth strategy. By the end of 2Q24, SYRA had deployed Syrenity for two employers. Syrenity is an AI-enabled mental health app. It 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, 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.

## *Contracts span services across 23 states; new wins in existing & additional markets expected ...*

SYRA is optimistic about its growth plans and strategy as it expands its footprint in additional and existing markets via new contract wins. With the latest contract, SYRA has active business in 23 states. As the company continues discussions with existing and prospective customers, SYRA recently secured a four-year, \$5.8 million statewide health education and training contract with Indiana Family and Social Services to train home and community support professionals and a contract with the Wyoming Department of Health, Behavioral Health Division to assess Emergency response plans.

Billings for contracts and / or task order receipts sometimes can lag work commencing. SYRA believes that revenue initially expected in 2024 might be recognized in early 2025 and we are revising our model.

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## **VALUATION**

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. As the company adds new contracts and diversifies its revenue streams, we expect it will help generate improving shareholder value. We believe it is difficult to compare SYRA shares to those of other publicly traded companies.

Given the early stage of the company's ongoing strategy plus the flurry of recent business awards, we assign an 80% confidence multiple to our 2024 forecast and note that billings could lag contract commencement, as noted. However, if revenue ramps faster than we anticipate, our confidence multiple might prove conservative and 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, on our revised 2024 topline forecast, we derive a near-term valuation of about \$3.60. 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.

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## 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 expected and revenue ramp could be slower.
- The company could incur unanticipated costs associated with its initiatives.
- Competition could increase.
- SYRA might need to raise capital 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.
- We believe the two classes of shares – A shares and convertible B shares – also present risks, including risk of dilution to public shareholders and the disparities in the two share classes.
- 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.

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## RECENT NEWS

- SYRA announced 2Q24 results on August 7, 2024.
- On July 30, 2024, SYRA was awarded a contract by Wyoming Department of Health, Behavioral Health Division, to assess emergency response plans.
- SYRA won a contract valued at nearly \$6 million to train Indiana health workers on July 24, 2024.
- On June. 27, 2024, Syra Health won another contract in Missouri.
- On June. 20, 2024, Syra Health announced it will deliver its 4th training for Maricopa County Department of Public Health in Arizona.
- SYRA announced the LUKE subcontractor award on May 14, 2024.
- Syra Health reported it will deliver a comprehensive needs assessment and community health improvement plan for Middlesex County, New Jersey.
- On April 24, 2024, Syra Health announced a new award to develop health equity accelerator plan for Portland, Maine.
- Syra won a training contract from Sedgwick County Health Department in Kansas to combat substance use disorder on April 22, 2024.
- On April 17, 2024, Syra Health and Maricopa County partnered for a 3rd public health training.
- SYRA announced a new Healthcare contract in Missouri on March 28, 2024.

## PROJECTED FINANCIALS

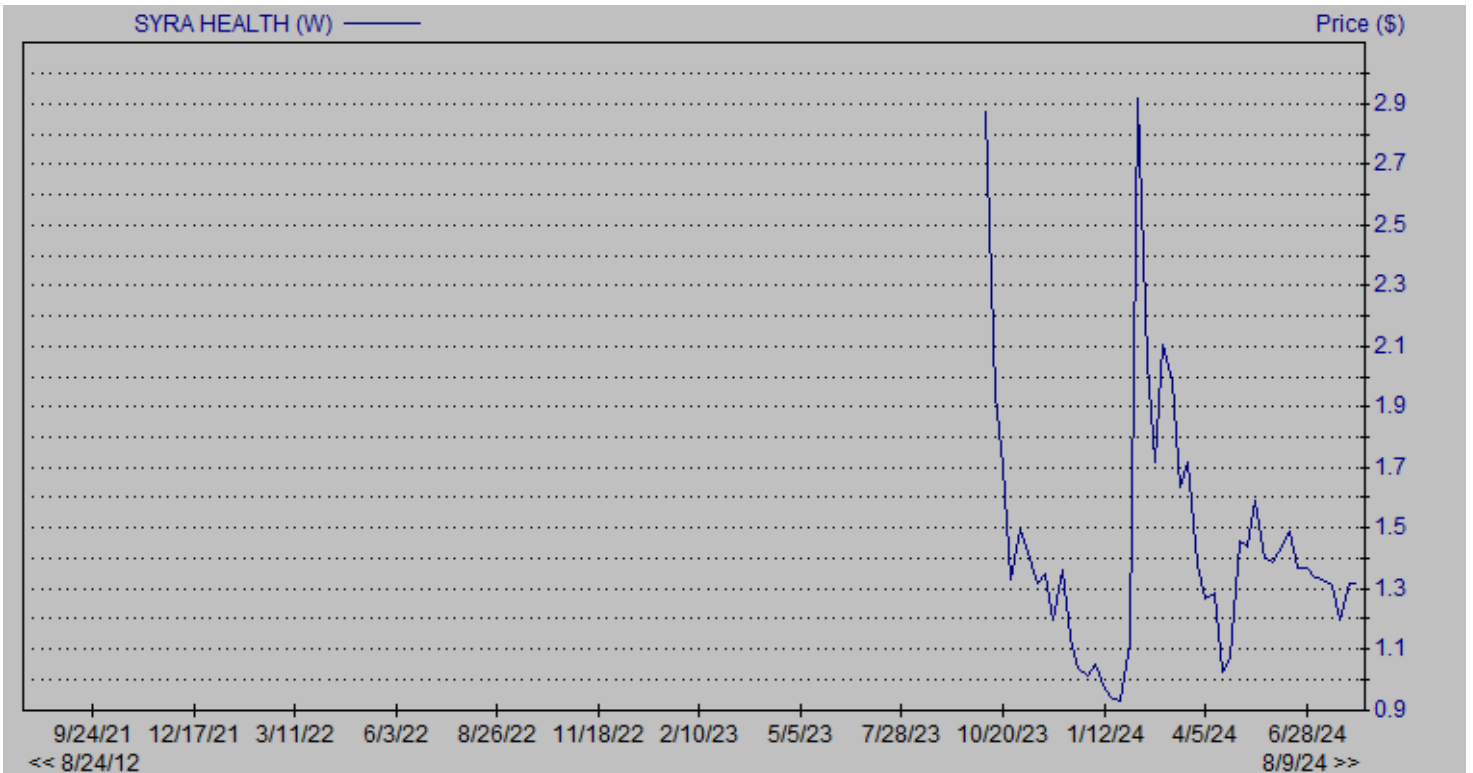
### SYRA Health Income Statement & Projections (\$)

	2022	1Q23	2Q23	3Q23	4Q23	2023A	1Q24A	2Q24A	3Q24E	4Q24E	2024E
Net revenues:											
Healthcare workforce	5,260,370	1,110,840	855,565	1,121,238		4,259,292	1,417,661	1,416,234	1,430,396	1,444,700	5,708,992
Population health	318,036	74,000	120,026			715,499	230,756	450,775	455,283	459,836	1,596,649
Digital health	-	-		131,356		515,250	92,250	92,250	94,649	97,109	376,258
Behavioral and mental health	-	1,730	3,657			12,797	1,673	422	464	511	3,070
Health education	39,300	1,781	-			12,306	10,000	10,000	10,000	10,000	40,000
Other	-	-	-	328,750	-	-	-	-	-	-	-
Net revenues	5,617,706	1,188,351	979,248	1,581,344	1,766,201	5,515,144	1,752,340	1,969,681	1,990,792	2,012,156	7,724,969
Cost of services	4,555,924	1,041,195	851,089	1,026,803	1,184,157	4,103,244	1,573,053	1,619,674	1,622,495	1,639,907	6,455,129
Gross profit	1,061,782	147,156	128,159	554,541	582,044	1,411,900	179,287	350,007	368,296	372,249	1,269,839
Operating expenses:											
Salaries and benefits	1,524,971	457,745	562,619	592,241	679,690	2,292,295	736,303	847,064	855,535	872,645	3,311,547
Professional services	1,035,902	236,660	128,844	58,875	162,084	586,463	194,580	141,456	142,871	144,299	623,206
R&D	-	-	-	-	-	240,048	277,548	277,894	280,673	283,480	1,119,595
S,G&A	575,755	215,463	208,357	234,084	474,018	1,131,922	402,265	456,572	461,138	465,749	1,785,724
Depreciation	14,849	11,763	12,293	12,357	12,358	48,771	12,545	17,374	17,548	17,723	65,190
Total operating expenses	3,151,477	921,631	912,113	897,557	1,568,198	4,299,499	1,623,241	1,740,360	1,757,764	1,783,897	6,905,261
Operating loss	(2,089,695)	(774,475)	(783,954)	(343,016)	(986,154)	(2,887,599)	(1,443,954)	(1,390,353)	(1,389,467)	(1,411,648)	(5,635,422)
Other income (expense):											
Interest income	63	2	4	2,820	116	2,942	981	3,826	3,635	3,271	11,713
Interest expense	(28,533)	(11,419)	(18,850)	(14,180)	(9,237)	(53,686)	(4,077)	(3,729)	(3,748)	(3,766)	(15,320)
Total other income (expense)	(28,470)	(11,417)	(18,846)	(11,360)	(9,121)	(50,744)	(3,096)	97	(113)	(495)	(3,607)
Net loss	(2,118,165)	(785,892)	(802,800)	(354,376)	(995,275)	(2,938,343)	(1,447,050)	(1,390,256)	(1,389,580)	(1,412,143)	(5,639,029)
Net loss / share (FD)	(\$0.70)	(\$0.18)	(\$0.18)	(\$0.08)	(\$0.16)	(\$0.60)	(\$0.22)	(\$0.21)	(\$0.21)	(\$0.21)	(\$0.86)
Weighted average common share	3,041,085	4,366,067	4,378,751	4,360,426	5,731,587	4,877,861	6,495,213	6,602,421	6,607,421	6,612,421	6,579,369

Source: Company reports, Zacks estimates

Shares only reflect A shares, not including B convertible shares

# HISTORICAL STOCK PRICE



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