

SurgePays Announces Record Third Quarter 2023 Financial Results

Net Income and Expanding Profitability Highlight Strength of the Company

- *Net income of \$7.1 million*
- *Revenue of \$34.2 million*
- *EPS of \$0.49*
- *\$7.5 million EBITDA*
- *Gross profit margin increased to 30.7%*

BARTLETT, Tenn., Nov. 14, 2023 (GLOBE NEWSWIRE) -- SurgePays, Inc. (Nasdaq: SURG) ("SurgePays" or the "Company"), a technology and telecom company focused on the underbanked and underserved, today announced its financial results for the third quarter ended September 30, 2023.

Third quarter 2023 Financial Highlights

- Net income of \$7.1 million in the third quarter 2023, compared to a net loss of \$(1.5) million in the third quarter 2022.
- Third quarter 2023 EBITDA of \$7.5 million compared to a third quarter 2022 EBITDA loss of \$(0.8) million.
- Revenue of \$34.2 million in the third quarter 2023, compared to \$36.2 million third quarter 2022.
- Gross profit of \$10.5 million in the third quarter 2023, an increase of \$8.6 million over the third quarter 2022. Gross profit margin expanded to 30.7% in the third quarter 2023.

Management Commentary

Commenting on the quarterly results, Chairman and CEO Brian Cox said, "We delivered the Company's highest ever net income during a period where we made some tough but necessary decisions to accomplish our long-term objectives. Year to date, we have achieved over \$17 million of net income and our profitability margins have continued to expand. Sales and profitability in our core business is growing. At the end of the third quarter, we had over \$12 million of cash on the balance sheet and minimal debt."

Mr. Cox continued, "Becoming profitable and self-reliant enables us to make disciplined but aggressive business decisions based on long term goals and growth objectives. The Company's core competency is to bring financial and wireless services to the underbanked and underserved populations in the United States, where they live and shop. Our goal is to build the largest direct distribution network of underbanked products and services to convenience stores. Our product suite gives us a competitive advantage in offering owner-operated and chain stores compelling reasons to utilize our technology-layered software platform. We are gaining strength and momentum by developing new products and services while growing our nationwide network of stores. For example, we partnered with ClearLine Mobile to integrate point of sale customer-facing LCD screens at the register to promote our products, activate wireless subscribers and create customer engagement. This next step advancement is part of our strategy to solidify SurgePays as an innovative market leader in providing wireless and fintech products to the underbanked and underserved where they live and shop."

Management Discussion & Analysis

SurgePays is a technology and telecom company focused on the underbanked and underserved communities. SurgePhone and Torch Wireless provide subsidized mobile broadband to over 250,000 low-income subscribers nationwide. The SurgePays fintech platform empowers clerks at thousands of convenience stores to offer a suite of prepaid wireless and financial products to underbanked customers.

During the third quarter ending September 30, 2023, the overall revenue was \$34.2 million compared to \$36.2 million in the third quarter ending September 30, 2022. The decrease was primarily due to management's decision to streamline the company's focus and messaging by winding down the LogicsIQ subsidiary operations, and all legacy business

outside the core business model. LogicsIQ, the mass-tort lead generation subsidiary, decreased by \$4.1 million in the third quarter, while revenues related to the company's core business objectives, providing wireless and financial services to the underbanked, increased by \$2.1 million.

Operating income improved overall to \$7.1 million in the third quarter of 2023, compared to a loss of \$(1.8) million in the third quarter of 2022.

Net income in the third quarter of 2023 was \$7.1 million, compared to a net loss of \$(1.5) million in the third quarter of 2022. EBITDA increased to \$7.5 million in the third quarter compared to (\$0.5) million in the third quarter of 2022.

Third Quarter 2023 Results Conference Call

SurgePays management will host a webcast at 5 p.m. ET / 2 p.m. PT to discuss these results.

The live webcast of the call can be accessed at [3Q23 Webcast Link](#) and on the company's investor relations website at ir.surgepays.com.

Telephone access to the call will be available at 1-844-825-9789 (in the U.S.) or by dialing 1-412-317-5180 (outside U.S.).

A telephone replay will be available approximately one hour following completion of the call through Thursday, November 28, 2023. To access the replay, please dial 844-512-2921 (in the U.S.) or 412-317-6671 (outside U.S.). Enter Conference ID #10183975.

About SurgePays, Inc.

SurgePays, Inc. is a technology and telecom company focused on the underbanked and underserved communities. SurgePhone and Torch Wireless provide subsidized mobile broadband to over 250,000 low-income subscribers nationwide. SurgePays fintech platform empowers clerks at over 8,000 convenience stores to provide a suite of prepaid wireless and financial products to underbanked customers. Please visit SurgePays.com for more information.

About Non-GAAP Financial Measures

The Company believes that EBITDA (earnings before interest, taxes, depreciation and amortization) is useful to investors because it is commonly used to evaluate companies on the basis of operating performance and leverage.

EBITDA is not intended to represent cash flows for the periods presented, nor have they been presented as an alternative to operating income or as an indicator of operating performance and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"). In accordance with SEC Regulation G, the non-GAAP measurements in this press release have been reconciled to the nearest GAAP measurement, which can be viewed under the heading "Reconciliation of Net Income (loss) from Operations to EBITDA" in the financial tables included in this press release.

Cautionary Note Regarding Forward-Looking Statements

This press release includes express or implied statements that are not historical facts and are considered forward-looking within the meaning of Section 27A of the Securities Act and Section 21E of the Securities Exchange Act. Forward-looking statements involve substantial risks and uncertainties. Forward-looking statements generally relate to future events or our future financial or operating performance and may contain projections of our future results of operations or of our financial information or state other forward-looking information. In some cases, you can identify forward-looking statements by the following words: "may," "will," "could," "would," "should," "expect," "intend," "plan," "anticipate," "believe," "estimate," "predict," "project," "potential," "continue," "ongoing," or the negative of these terms or other comparable terminology, although not all forward-looking statements contain these words.

Although we believe that the expectations reflected in these forward-looking statements such as regarding our market potential along with the statements under the heading Business Outlook are reasonable, these statements relate to future events or our future operational or financial performance and involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by these forward-looking statements. Furthermore, actual results may differ materially from those described in the forward-looking statements and will be affected by a variety of risks and factors that are beyond our control, including, without limitation, statements about our future financial performance, including our revenue, cash flows, costs of revenue and operating expenses; our anticipated growth; and our predictions about our industry. The forward-looking statements contained in this release are also subject to other risks and uncertainties, including those more fully described in our filings with the Securities and Exchange Commission ("SEC"), including in our Annual Report on Form 10-K for the fiscal year ended December 31, 2022. The forward-looking statements in this press release speak only as of the date on which the statements are made. We undertake no obligation to update, and expressly disclaim the obligation to update, any forward-looking statements made in this press release to reflect events or circumstances after the date of this press release or to reflect new information or the occurrence of unanticipated events, except as required by law.

Investor Relations

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Consolidated Balance Sheets

	September 30, 2023	December 31, 2022
	(Unaudited)	(Audited)
Assets		
Current Assets		
Cash	\$ 12,731,449	\$ 7,035,654
Accounts receivable - net	9,774,428	9,230,365
Inventory	14,549,407	11,186,242
Prepays	197,879	111,524
Total Current Assets	37,253,163	27,563,785
Property and equipment - net	432,224	643,373
Other Assets		
Note receivable	176,851	176,851
Intangibles - net	2,289,847	2,779,977
Internal use software development costs - net	571,689	387,180
Goodwill	1,666,782	1,666,782
Investment in CenterCom	449,843	354,206
Operating lease - right of use asset - net	398,926	431,352
Total Other Assets	5,553,938	5,796,348
Total Assets	\$ 43,239,325	\$ 34,003,506
Liabilities and Stockholders' Equity		
Current Liabilities		
Accounts payable and accrued expenses	\$ 6,833,124	\$ 5,784,374

Accounts payable and accrued expenses - related party	1,002,558	1,728,721
Installment sale liability	5,920,346	13,018,184
Deferred revenue	118,000	243,110
Operating lease liability	42,208	39,490
Notes payable - related parties	558,150	1,108,150
Notes payable	10,554	1,542,033
Total Current Liabilities	14,484,940	23,464,062
Long Term Liabilities		
Note payable	53,135	53,134
Notes payable - related parties	4,026,413	4,493,798
Notes payable - SBA government	463,870	474,846
Operating lease liability	367,465	399,413
Total Long Term Liabilities	4,910,883	5,421,191
Total Liabilities	19,395,823	28,885,253
Commitments and Contingencies (Note 8)		
Stockholders' Equity		
Common stock, \$0.001 par value, 500,000,000 shares authorized 14,343,261 and 14,116,832 shares issued and outstanding, respectively	14,344	14,117
Additional paid-in capital	41,889,886	40,780,707
Accumulated deficit	(18,207,472)	(35,804,106)
Stockholders' equity	23,696,758	4,990,718
Non-controlling interest	146,744	127,535
Total Stockholders' Equity	23,843,502	5,118,253
Total Liabilities and Stockholders' Equity	\$43,239,325	\$34,003,506

SurgePays, Inc. and Subsidiaries
Consolidated Statements of Operations
(Unaudited)

	For the Three Months		For the Nine Months	
	Ended September 30,		Ended September 30,	
	2023	2022	2023	2022
Revenues	\$ 34,160,834	\$ 36,171,345	\$ 104,823,710	\$ 85,317,860
Costs and expenses				
Cost of revenue	23,680,247	34,250,541	76,622,912	78,572,421
General and administrative expenses	3,389,015	2,933,204	10,201,663	9,655,529
Total costs and expenses	27,069,262	37,183,745	86,824,575	88,227,950
Income (loss) from operations	7,091,572	(1,012,400)	17,999,135	(2,910,090)
Other income (expense)				
Interest expense	(130,335)	(633,593)	(478,928)	(1,370,236)
Gain (loss) on investment in CenterCom	51,894	(52,435)	95,636	(42,099)
Amortization of debt discount	-	(57,933)	-	(95,001)
Gain on forgiveness of PPP loan - government	-	-	-	524,143
Total other income (expense) - net	(78,441)	(743,961)	(383,292)	(983,193)
Net income (loss) including non-controlling interest	7,013,131	(1,756,361)	17,615,843	(3,893,283)
Non-controlling interest	(71,170)	(216,163)	19,209	(167,714)
Net income (loss) available to common stockholders	\$7,084,301	\$ (1,540,198)	\$ 17,596,634	\$ (3,725,569)
Earnings (loss) per share - attributable to common stockholders				
Basic	\$0.50	\$ (0.12)	\$ 1.24	\$ (0.30)
Diluted	\$0.49	\$ (0.12)	\$ 1.19	\$ (0.30)
Weighted average number of shares outstanding - attributable to common stockholders				
Basic	14,291,263	12,443,052	14,205,127	12,259,907
Diluted	14,507,984	12,443,052	14,740,201	12,259,907

Reconciliation of Net Income (loss) from Operations to EBITDA

	Three months ended September 30, 2023 (unaudited)	Three months ended September 30, 2022 (unaudited)	Nine months ended September 30, 2023 (unaudited)	Nine months ended September 30, 2022 (unaudited)
Revenue	\$34,160,834	\$36,171,345	\$104,823,710	\$85,317,860
Cost of revenue (exclusive of depreciation and amortization)	23,680,247	34,250,541	76,622,912	78,572,421
General and administrative expenses	3,389,015	2,933,204	10,201,663	9,655,529
Gain (loss) from operations	\$7,091,572	\$(1,012,400)	\$17,999,135	\$(2,910,090)
Net gain (loss) to common stockholders	7,084,301	(1,540,198)	17,596,634	(3,725,569)
Interest expense	130,335	633,593	478,928	1,370,236
Depreciation and Amortization	266,025	361,628	830,500	832,164
EBITDA	\$7,480,661	(544,977)	\$18,906,062	(1,523,169)



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