

# SurgePays Announces Fourth Quarter and Full Year 2023 Financial Results

Company Delivers Record Financial Results with EBITDA of \$22.3 Million

- 2023 Revenue of \$137.1 million
- 2023 Net income of \$20.6 million
- 2023 \$22.3 million EBITDA
- 2023 EPS of \$1.39
- Gross profit margin increased to 26%

BARTLETT, Tenn., March 12, 2024 (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 fourth quarter and full year ended December 31, 2023.

## Full Year 2023 and Fourth Quarter Highlights

- Revenue of \$137.1 million for the full year 2023 and \$32.3 million for the fourth quarter, changes of 13% and -11% over the prior year periods, respectively.
- Gross profit of \$35.6 million for the full year 2023 and \$7.4 million for the fourth quarter, increases of 165% and 11% over the prior year periods, respectively.
- Net income of \$20.6 million for the full year 2023 and \$3.0 million for the fourth quarter.

## Management Commentary

Chairman and CEO Brian Cox commented on the year's results, "2023 was an excellent year for SurgePays. Our management team has done an outstanding job executing our growth strategy and delivered record financial results. Compounding profits, execution, and momentum from 2023, in conjunction with our successful raise in January and subsequent warrants exercised, have put us in the best financial position ever, with over \$40 million in cash.

The cumulative impact of our team's efforts has resulted in expanded opportunities and produced a year of solid profitability. We envision utilizing convenience stores and bodegas to become one of the largest distributors of unbanked financial technology and prepaid wireless services to the underbanked in the country. We believe we now have the product suite and war chest to make this vision a reality.

Additionally, in 2023, we acquired Clearline Mobile to integrate our SurgePays software with customer-facing touchscreen tablets next to convenience store registers. We feel this technology, combined with the planned nationwide launch of Linkup Mobile in the second quarter of 2024, our own prepaid wireless company, gives us a competitive advantage that separates us from the competition in terms of our suite of products and services, in-store marketing strategy, and support team. Our focus is now on building in-house and indirect sales channels and distribution.

In 2023, we produced \$20.6 million in net income, compared to a net loss of (\$0.7) million in 2022, through increasing revenue and expanding high gross margins. The ACP stopped accepting new applications for enrollment in February and is expected to run out of funding in April 2024. The company hopes that this essential program, which assists more than 20 million households, will be funded by Congress; however, at this time, we cannot predict any outcome. If the ACP is funded, we plan to expand our ACP customer base and use this base to expand our other business segments. If the ACP is not funded, we will look to increase revenue growth in our planned non-subsidized MVNO business and Comprehensive Platform Services through organic sales, key hires, and, as opportunities arise, complimentary acquisitions that are synergistic and accretive to our business model."

## Management Discussion & Analysis

SurgePhone wireless companies provide mobile broadband (wireless internet service) to low-income consumers nationwide. SurgePays' technology-layered platform empowers convenience store clerks to provide a suite of prepaid wireless and financial technology products to underbanked customers. We are attempting to corner the underserved market directly to the consumers and in the stores where they shop.

During the year ended December 31, 2023, overall revenue totaled \$137.1 million, or 113%, compared to the previous year. The increase was primarily due to Mobile Virtual Network Operations ("MVNO"), consisting of SurgePhone and Torch Wireless revenues related to providing subsidized mobile broadband and wireless service to consumers eligible for the ACP. The increase in MVNO revenue was \$30.2 million in 2023, largely due to a subscriber count of over 260,000 wireless ACP subscribers at year-end 2023 compared to 200,000 at year-end 2022.

Operating income improved to \$18.9 million in 2023 from \$0.6 million in 2022. The increase was primarily due to higher gross profit in 2023 due to higher MVNO gross profit, offset slightly by higher general and administrative ("G&A") costs.

Net income for 2023 was \$20.6 million compared to a net loss of (\$0.7) million in 2022. Earnings per diluted share increased to \$1.39 in 2023 compared to a (\$0.05) loss per share in 2022. The increase in net income was primarily a result of the expansion of our ACP subscribers and customer acquisition efficiency.

EBITDA increased to \$22.3 million in 2023 from \$2.3 million in 2022.

#### **Fourth Quarter and Full Year 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 [4Q23 Webcast Link](#), as well as on the company's investor relations website at [ir.surgepays.com](http://ir.surgepays.com).

Telephone access to the call will be available at 800-267-6316 (in the U.S.) or by dialing 203-518-9783 (outside U.S.) using the conference ID: SURGE.

A telephone replay will be available approximately one hour following completion of the call through March 26, 2024. To access the replay, please dial 844-512-2921 (in the U.S.) or 412-317-6671 (outside U.S.). Enter Access ID #1155155.

#### **About SurgePays, Inc.**

SurgePays, Inc. is a technology and telecom company focused on the underbanked and underserved communities. SurgePays technology-layered platform empowers clerks at over 8,000 convenience stores to provide prepaid wireless and financial technology products to underbanked customers. SurgePays prepaid wireless companies provide services to over 260,000 low-income subscribers nationwide. The company ranks as the 345th fastest-growing tech company in North America according to the 2023 Deloitte Technology Fast 500. Please visit [SurgePays.com](http://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," "attempting," 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 including but not limited to, the funding of the ACP program by the US government for the periods after April 2024, which at this time has not been funded. 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, the assumption that the ACP will be funded after April 2024, 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, 2023. 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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## SurgePays, Inc. and Subsidiaries

### Consolidated Balance Sheet

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
<b><u>Assets</u></b>		
<b>Current Assets</b>		
Cash	\$ 14,622,060	\$ 7,035,654
Accounts receivable - net	9,536,074	9,230,365
Inventory	9,046,594	11,186,242
Prepays and other	161,933	111,524
<b>Total Current Assets</b>	<b>33,366,661</b>	<b>27,563,785</b>
<b>Property and equipment - net</b>	<b>361,841</b>	<b>643,373</b>
<b>Other Assets</b>		
Note receivable	176,851	176,851

Intangibles - net	2,126,470	2,779,977
Internal use software development costs - net	539,424	387,180
Goodwill	1,666,782	1,666,782
Investment in CenterCom	464,409	354,206
Operating lease - right of use asset - net	387,869	431,352
Deferred income taxes - net	2,835,000	-
<b>Total Other Assets</b>	<b>8,196,805</b>	<b>5,796,348</b>
<b>Total Assets</b>	<b>\$41,925,307</b>	<b>\$34,003,506</b>
<b><u>Liabilities and Stockholders' Equity</u></b>		
<b>Current Liabilities</b>		
Accounts payable and accrued expenses	\$6,439,120	\$5,784,374
Accounts payable and accrued expenses - related party	1,048,224	1,728,721
Accrued income taxes payable	570,000	-
Installment sale liability	-	13,018,184
Deferred revenue	20,000	243,110
Operating lease liability	43,137	39,490
Notes payable - related parties	4,584,563	1,108,150
Notes payable	-	1,542,033
<b>Total Current Liabilities</b>	<b>12,705,044</b>	<b>23,464,062</b>
<b>Long Term Liabilities</b>		
Note payable	-	53,134
Notes payable - related parties	-	4,493,798
Notes payable - SBA government	460,523	474,846
Operating lease liability	356,276	399,413
<b>Total Long-Term Liabilities</b>	<b>816,799</b>	<b>5,421,191</b>
<b>Total Liabilities</b>	<b>13,521,843</b>	<b>28,885,253</b>
<b>Stockholders' Equity</b>		
Common stock, \$0.001 par value, 500,000,000 shares authorized 14,403,261 and 14,116,832 shares issued and outstanding, respectively	14,404	14,117
Additional paid-in capital	43,421,019	40,780,707
Accumulated deficit	(15,186,203 )	(35,804,106 )
Stockholders' equity	28,249,220	4,990,718
Non-controlling interest	154,244	127,535
<b>Total Stockholders' Equity</b>	<b>28,403,464</b>	<b>5,118,253</b>
<b>Total Liabilities and Stockholders' Equity</b>	<b>\$41,925,307</b>	<b>\$34,003,506</b>

SurgePays, Inc. and Subsidiaries  
Consolidated Statements of Operations

	2023	2022
	For the Year Ended	
	December 31,	
	2023	2022
<b>Revenues</b>	\$ 137,141,832	\$ 121,544,190
<b>Costs and expenses</b>		
Cost of revenues	101,499,341	108,074,782
General and administrative expenses	16,777,107	12,835,623
<b>Total costs and expenses</b>	118,276,448	120,910,405
<b>Income from operations</b>	18,865,384	633,785
<b>Other income (expense)</b>		
Interest expense	(595,975 )	(1,843,396 )
Gain (loss) on investment in CenterCom	110,203	(89,082 )
Amortization of debt discount	-	(115,404 )
Gain on forgiveness of PPP loan - government	-	524,143
Other income	-	336,726
<b>Total other income (expense) - net</b>	(485,772 )	(1,187,013 )
<b>Net income (loss) before provision for income taxes</b>	18,379,612	(553,228 )
<b>Provision for income tax benefit (expense)</b>	2,265,000	-
<b>Net income (loss) including non-controlling interest</b>	20,644,612	(553,228 )
<b>Non-controlling interest</b>	26,709	127,535
<b>Net income (loss) available to common stockholders</b>	\$20,617,903	\$(680,763 )
<b>Earnings (loss) per share - attributable to common stockholders</b>		
<b>Basic</b>	\$1.45	\$(0.05 )
<b>Diluted</b>	\$1.38	\$(0.05 )
<b>Weighted average number of shares outstanding - attributable to common stockholders</b>		
<b>Basic</b>	14,258,172	12,395,364
<b>Diluted</b>	14,922,881	12,395,364

## Reconciliation of Net Income (loss) from Operations to EBITDA

	Three months ended December 31, 2023 (unaudited)	Three months ended December 31, 2022 (unaudited)
Revenue	\$32,318,122	\$36,226,330
Cost of revenue (exclusive of depreciation and amortization)	24,876,429	29,502,361
General and administrative expenses	6,575,444	3,180,094
Gain (loss) from operations	\$866,249	\$3,543,875
Net gain (loss) to common stockholders	3,021,269	3,044,806
Interest expense	117,047	473,160
Depreciation and Amortization	277,082	271,940
EBITDA	\$3,415,398	\$3,789,906

  

	Twelve months ended December 31, 2023 (audited)	Twelve months ended December 31, 2022 (audited)
Revenue	\$137,141,832	\$121,544,190
Cost of revenue (exclusive of depreciation and amortization)	101,499,341	108,074,782
General and administrative expenses	16,777,107	12,835,623
Gain (loss) from operations	\$18,865,384	\$633,785
Net gain (loss) to common stockholders	20,617,903	(680,763 )
Interest expense	595,975	1,843,396
Depreciation and Amortization	1,107,582	1,104,104
EBITDA	\$22,321,460	\$2,266,737



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