

SurgePays Announces Record Second Quarter 2023 Financial Results

Historic Net Income and Earnings Per Share

- *Net income of \$6.0 million*
- *Revenue of \$35.9 million*
- *EPS of \$0.42*
- *\$6.4 million EBITDA*
- *Gross profit margin increased to 27.9%*

BARTLETT, Tenn., Aug. 10, 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 second quarter ended June 30, 2023.

Second Quarter 2023 Financial Highlights

- Net income of \$6.0 million in the second quarter 2023, compared to a net loss of \$(1.0) million in the second quarter 2022.
- Revenue of \$35.9 million in the second quarter 2023, an increase of 28% over the second quarter 2022.
- Gross profit of \$10.0 million in the second quarter 2023, an increase of \$7.8 million over the second quarter 2022. Gross profit margin expanded to 27.9% in the second quarter 2023.
- Second quarter 2023 EBITDA of \$6.4 million compared to a second quarter 2022 EBITDA loss of \$(86) thousand.

Management Commentary

Commenting on the quarterly results, Chairman and CEO Brian Cox said, "During the second quarter, we continued our multi-year strategy that yielded the best and most profitable quarter in the Company's history. Our increased efficiencies and margin improvement created \$6.0 million in net income, putting us over \$10 million in net income for 2023. Becoming profitable and self-reliant enables us to make disciplined business decisions based on goals and modeling what we want to accomplish, not based on raising cash for survival. Most know that I do not lead the Company by 90-day cycles, but I am pleased to post back-to-back quarters in the black, knowing we have been focused inward to prepare for our real growth opportunity in the upcoming years.

"The proven business case for convenience stores is over a century old, so aligning our sales interests with these constant points of distribution positions us for stability, longevity, and tremendous growth both in reach and the products and services offered. We have been highly focused on utilizing our unique suite of underbanked products and services to grow our footprint in owner-operated convenience stores. We are testing 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 our space.

"Throughout the second quarter, we continued to scale growth and increase points of distribution, subscribers, and cash flow. Our development, sales intake, onboard training, compliance, and support teams have all been diligently working to originate in-store ACP wireless subscriber activations. We are utilizing access to this beneficial assistance program as the enticing catalyst to build what is now a pipeline of over 25,000 locations to be onboarded with a staging target of less than 12 months. We believe this onboarding will create one of the largest direct distribution networks of underbanked products and services in the country.

"New partnerships have been a recent highlight in our growth strategy. We partnered with ParichuteConnect, a social impact investor who looks to use their investment dollars to effect social improvements. This collaboration allows us the opportunity to provide ParichuteConnect's representatives with the resources necessary to increase awareness about ACP in state or city school systems, community service organizations, and public service organizations. Recently we

partnered with LeadEx Solutions, whose proprietary banking software provides SurgePays integrated access to place full-screen ads on ATMs during a transaction and enable the customer to opt-in to the ACP enrollment process. These partnerships are a great opportunity for us to expand our ACP subscriber base and grow our network by partnering with synergistic companies, nonprofits, and governmental organizations.

"Our business case is strong and profitable. The difficult macro-environment is creating acceleration opportunities for SurgePays. We are primed to maximize these opportunities to drive revenue and substantially higher profitability through our expanded convenience store distribution and new partners. We are now well positioned to grow our prepaid wireless and financial products revenue and further build long-term value for our shareholders," concluded Cox.

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 provide a suite of prepaid wireless and financial products to underbanked customers.

During the second quarter ended June 30, 2023, overall revenue increased by \$7.9 million or 28% as compared to the second quarter ended June 30, 2022. The increase was primarily due to revenues related to providing mobile broadband and wireless service to low-income subscribers through the Affordable Connectivity Program ("ACP").

Operating income improved overall to \$6.2 million in the second quarter of 2023, compared to a loss of \$1.0 million in the second quarter of 2022.

Net income in the second quarter of 2023 was \$6.0 million compared to a net loss of \$(1.0) million in the second quarter of 2022. EBITDA increased to \$6.4 million in the second quarter compared to (\$86) thousand in the second quarter of 2022.

Second 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 [2Q23 Webcast Link](#) and on the company's investor relations website at ir.surgepays.com.

Telephone access to the call will be available at 1-844-481-2822 (in the U.S.) or by dialing 1-412-317-0681 (outside U.S.).

A telephone replay will be available approximately one hour following completion of the call through Thursday, August 24, 2023. To access the replay, please dial 877-344-7529 (in the U.S.) or 412-317-0088 (outside U.S.). Enter Conference ID #3929073.

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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SurgePays, Inc. and Subsidiaries

Consolidated Balance Sheets

	June 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Assets		
Current Assets		

Cash	\$ 5,188,098	\$ 7,035,654
Accounts receivable - net	10,289,379	9,230,365
Inventory	18,086,916	11,186,242
Prepays	167,655	111,524
Total Current Assets	33,732,048	27,563,785
Property and equipment - net	502,607	643,373
Other Assets		
Note receivable	176,851	176,851
Intangibles - net	2,453,224	2,779,977
Internal use software development costs - net	603,954	387,180
Goodwill	1,666,782	1,666,782
Investment in CenterCom	397,948	354,206
Operating lease - right of use asset - net	409,858	431,352
Total Other Assets	5,708,617	5,796,348
Total Assets	\$ 39,943,272	\$ 34,003,506
<u>Liabilities and Stockholders' Equity</u>		
Current Liabilities		
Accounts payable and accrued expenses	\$ 5,423,313	\$ 5,784,374
Accounts payable and accrued expenses - related party	467,899	1,728,721
Installment sale liability	11,349,440	13,018,184
Deferred revenue	43,200	243,110
Operating lease liability	41,290	39,490
Notes payable - related parties	1,108,150	1,108,150
Notes payable	42,243	1,542,033
Total Current Liabilities	18,475,535	23,464,062
Long Term Liabilities		
Note payable	31,970	53,134
Notes payable - related parties	4,026,413	4,493,798
Notes payable - SBA government	465,633	474,846
Operating lease liability	378,284	399,413
Total Long Term Liabilities	4,902,300	5,421,191
Total Liabilities	23,377,835	28,885,253
Commitments and Contingencies (Note 8)		
Stockholders' Equity		
Common stock, \$0.001 par value, 500,000,000 shares authorized 14,234,655 and 14,116,832 shares issued and outstanding, respectively	14,286	14,117
Additional paid-in capital	41,625,010	40,780,707
Accumulated deficit	(25,291,773)	(35,804,106)
Stockholders' equity	16,347,523	4,990,718
Non-controlling interest	217,914	127,535
Total Stockholders' Equity	16,565,437	5,118,253
Total Liabilities and Stockholders' Equity	\$ 39,943,272	\$ 34,003,506

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

	For the Three Months		For the Six Months	
	Ended June 30,		Ended June 30,	
	2023	2022	2023	2022
Revenues	\$ 35,886,433	\$ 28,005,144	\$ 70,662,876	\$ 49,146,515
Costs and expenses				
Cost of revenue	25,860,705	25,814,153	52,942,665	44,321,894
General and administrative expenses	3,823,227	3,038,529	6,812,648	6,722,310
Total costs and expenses	29,683,932	28,852,682	59,755,313	51,044,204
Income (loss) from operations	6,202,501	(847,538)	10,907,563	(1,897,689)
Other income (expense)				
Interest expense	(156,267)	(566,999)	(348,593)	(736,644)
Gain (loss) on investment in CenterCom	10,713	35,519	43,742	10,336
Amortization of debt discount	-	(37,068)	-	(37,068)
Gain on forgiveness of PPP loan - government	-	524,143	-	524,143
Total other income (expense) - net	(145,554)	(44,405)	(304,851)	(239,233)
Net income (loss) including non-controlling interest	6,056,947	(891,943)	10,602,712	(2,136,922)
Non-controlling interest	90,955	81,094	90,379	48,449
Net income (loss) available to common stockholders	\$ 5,965,992	\$ (973,037)	\$ 10,512,333	\$ (2,185,371)
Earnings (loss) per share - attributable to common stockholders				
Basic	\$ 0.42	\$ (0.08)	\$ 0.74	\$ (0.18)
Diluted	\$ 0.40	\$ (0.08)	\$ 0.71	\$ (0.18)
Weighted average number of shares outstanding - attributable to common stockholders				
Basic	14,191,083	12,268,669	14,154,163	12,166,817
Diluted	15,076,466	12,268,669	14,811,785	12,166,817

Reconciliation of Net Income (loss) from Operations to EBITDA

	Three months ended June 30, 2023 (unaudited)	Three months ended June 30, 2022 (unaudited)	Three months ended March 31, 2023 (unaudited)	Three months ended March 31, 2022 (unaudited)	Six months ended June 30, 2023 (unaudited)	Six months ended June 30, 2022 (unaudited)
Revenue	\$ 35,866,433	\$ 28,005,144	\$ 34,796,443	\$ 21,141,371	\$ 70,662,876	\$ 49,146,515
Cost of revenue (exclusive of depreciation and amortization)	25,860,705	25,814,153	27,081,960	\$ 18,507,741	52,942,665	44,321,894
General and administrative expenses	3,823,227	3,038,529	2,989,421	\$ 3,683,781	6,812,648	6,722,310
Gain (loss) from operations	\$6,182,501	\$ (847,538)	\$ 4,725,062	\$ (1,050,151)	\$ 10,907,563	\$ (1,897,689)
Net gain (loss) to common stockholders	5,965,992	(973,037)	4,546,341	\$ (1,212,334)	10,512,333	(2,185,371)
Interest expense	156,267	566,999	192,326	\$ 169,645	348,593	736,644
Depreciation and Amortization	276,833	238,971	276,710	\$ 195,020	553,543	433,991
EBITDA	\$6,399,092	(167,067)	\$ 5,015,377	\$ (847,669)	\$ 11,414,469	(1,014,736)



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