

November 17, 2020



SurgePays Announces Third Quarter 2020 Financial Results and Provides Corporate Update

Revenue for the nine months ending September 30, 2020 increased \$30.8 million or 251%

SurgePays, Inc. is currently trading as Surge Holdings, Inc. (SURG). Its namechange to "SurgePays, Inc." is expected to take effect soon.

BARTLETT, Tenn., Nov. 17, 2020 (GLOBE NEWSWIRE) -- SurgePays (OTCQB: SURG) ("Surge" or the "Company"), a fintech company meeting the needs of the underserved and underbanked, announces financial results from the third quarter ending September 30, 2020 and provides a financial update.

Corporate highlights and recent developments include:

- Announced rebranding to SurgePays to better reflect the Company's orientation around its fintech platform
- Launched proprietary 4SIM™ wireless activation technology
- Retained CORE IR to assist the Company with investor relations, public relations, advisory and shareholder communications

"The third quarter of 2020 continued to exceed expectations with regard to revenue, product diversification, and penetration, as the Company continued its strong growth. Concurrently, we are sharpening our focus to ensure that the Company operates efficiently and ensure that both our customers and our stockholders have a clear understanding of our business and of our path forward. We are very excited for the future of SurgePays and believe that the next few quarters will continue to demonstrate dynamic growth and progress," stated Brian Cox, SurgePays' Chief Executive Officer.

"We believe SurgePays as a brand is better representative of our focus on our fintech software platform that processes third-party prepaid wireless activations and top-ups, gift card activation and loads, and wireless SIM activation, providing a more precise direction as a public company as we implement our growth strategies and continue to work towards a listing on a major exchange. The SurgePays system drives value and growth by enabling retailers to instantly add credit to any prepaid wireless customer's account for any carrier, providing the merchant commissioned transactions, increased foot traffic, and customer loyalty. Moreover, our platform offers an innovative supply-chain marketplace for convenience store, bodega and tienda owners to order many top selling products for their stores at a deeper wholesale discount than traditional distribution due to utilizing the Direct

Store Delivery (DSD) model,” Mr. Cox concluded.

Financial Results for Third Quarter 2020

Revenue for the quarter ending September 30, 2020 was approximately \$12.8 million compared to \$4.9 million for the quarter ending September 30, 2019, an increase of \$7.9 million or 161%. Revenue for the nine months ending September 30, 2020 was approximately \$43.1 million compared to \$12.3 million for the same period in 2019, an increase of \$30.8 million or 251%.

Cost and expenses for the quarter ending September 30, 2020 were approximately \$3,200,000 compared to approximately \$3,016,000 for the same period in 2019. Cost and expenses for the nine months ending September 30, 2020 were approximately \$12,014,000 compared to \$9,260,000 for the nine months ending September 30, 2019.

Net loss for the quarter ending September 30, 2020 was approximately \$2,500,000, or (\$0.02) per common share, compared to approximately \$1,150,000, or (\$0.01) per common share, for the same period in 2019. Net loss for the nine months ending September 30, 2020 was approximately \$7,984,000, or (\$0.07) per share, compared to a net loss of approximately \$5,270,000, or (\$0.06) per share, for the nine months ending September 30, 2019.

Cash and cash equivalents as of September 30, 2020 totaled \$421,315 compared to \$143,903 as of September 30, 2019.

About SurgePays, Inc.

SurgePays, Inc. is meeting the needs of underserved markets in financial technology, telecommunications, and digital media. It offers prepaid wireless and underbanked financial products and services, along with popular consumer goods, to retail merchants (such as operators of convenience stores, bodegas, and gas stations) that address the needs of many store customers nationwide.

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SURGEPAYS, INC. AND SUBSIDIARIES
Condensed Consolidated Balance Sheets

	September 30, 2020	December 31, 2019
	<u>(unaudited)</u>	<u></u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 421,315	\$ 346,040
Accounts receivable, less allowance for doubtful accounts of \$0 and \$774,841, respectively	337,017	3,056,213
Note receivable	—	14,959
Lifeline revenue due from USAC	222,833	60,790
Inventory	177,184	—
Prepaid expenses	38,772	96,883
Total current assets	<u>1,197,121</u>	<u>3,574,885</u>
Property and Equipment, less accumulated depreciation of \$89,965 and \$38,656, respectively	249,871	294,616
Intangible assets less accumulated amortization of \$1,347,024 and \$519,404, respectively	4,406,497	4,769,117
Goodwill	866,782	866,782
	456,685	203,700
Investment in Centercom		
Operating lease right of use asset, net	419,372	210,816
Other long-term assets	61,458	66,457
Total assets	<u>\$ 7,657,786</u>	<u>\$ 9,986,373</u>
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current liabilities:		
Accounts payable and accrued expenses - others	\$ 5,479,508	\$ 3,637,577
Accounts payable and accrued expenses - related party	1,699,914	998,517
Credit card liability	378,260	449,158
Loss contingency	—	38,040
Deferred revenue	—	—
Derivative liability	1,415,238	190,846
Operating lease liability	50,151	90,944
Line of credit	912,870	912,870
Convertible notes payable and current portion of long- term debt, net	1,324,629	—

Debt – related party	463,000	—
Notes payable and current portion of long-term debt, net	247,094	736,172
Total current liabilities	<u>11,970,664</u>	<u>7,054,124</u>
Long-term debt less current portion – related party	2,225,440	2,205,440
Operating lease liability – net	365,723	119,872
Trade payables - long term	869,868	869,868
Notes payable and long term portion of debt - net	1,134,582	—
Convertible promissory notes payable - net	—	4,436,684
Total liabilities	<u>16,566,277</u>	<u>14,685,988</u>

Commitments and contingencies

Stockholders' deficit:

Series A preferred stock: \$0.001 par value; 100,000,000 shares authorized; 13,000,000 and 13,000,000 shares issued and outstanding at September 30, 2020 and December 31, 2019, respectively	13,000	13,000
Series C convertible preferred stock; \$0.001 par value; 1,000,000 shares authorized; 721,598 and 721,598 shares issued and outstanding at September 30, 2020 and December 31, 2019, respectively	722	722
Common stock: \$0.001 par value; 500,000,000 shares authorized; 116,236,031 shares and 102,193,579 shares issued and outstanding at September 30, 2020 and December 31, 2019, respectively	116,235	102,193
Additional paid in capital	9,816,841	6,055,042
Accumulated deficit	(18,855,289)	(10,870,572)
Total stockholders' deficit	<u>(8,908,491)</u>	<u>(4,699,615)</u>
Total liabilities and stockholders' deficit	\$ 7,657,786	\$ 9,986,373

SURGE HOLDINGS, INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Operations
(Unaudited)

	For the Three Months Ended		For the Nine Months Ended	
	September 30,		September 30,	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Revenue	\$ 12,802,172	\$ 4,901,864	\$ 43,104,767	\$ 12,295,058

Cost of revenue	11,216,186	3,023,292	39,422,776	7,814,614
Gross profit	<u>1,585,986</u>	<u>1,878,572</u>	<u>3,681,991</u>	<u>4,480,444</u>
Cost and expenses				
Depreciation and amortization	306,341	17,926	876,152	39,050
Selling, general and administrative	<u>2,904,569</u>	<u>2,998,359</u>	<u>11,138,464</u>	<u>9,222,923</u>
Total costs and expenses	<u>3,210,910</u>	<u>3,016,285</u>	<u>12,014,616</u>	<u>9,261,973</u>
Operating profit (loss)	<u>(1,624,924)</u>	<u>(1,137,713)</u>	<u>(8,332,625)</u>	<u>(4,781,529)</u>
Other income (expense):				
Interest expense	(1,164,409)	(20,767)	(2,348,175)	(93,157)
Derivative expense	(33,239)	—	(529,294)	—
Change in fair value of derivative liability	212,851	—	405,413	—
Gain on investment in Centercom	107,649	6,134	252,985	70,909
Gain/(loss) on settlement of liabilities	—	—	2,556,979	(466,187)
Other income	—	—	10,000	—
Total other income (expense)	<u>(877,148)</u>	<u>(14,633)</u>	<u>347,908</u>	<u>(488,435)</u>
Net loss before provision for income taxes	(2,502,072)	(1,152,346)	(7,984,717)	(5,269,964)
Provision for income taxes	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Net loss	\$ (2,502,072)	\$ (1,152,346)	\$ (7,984,717)	\$ (5,269,964)
Net loss per common share, basic and diluted	\$ (0.02)	\$ (0.01)	\$ (0.07)	\$ (0.06)
Weighted average common shares outstanding – basic and diluted	114,683,442	98,452,560	108,246,505	94,225,836

SURGE HOLDINGS, INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Cash Flows
(Unaudited)

**Nine Months Ended
September 30,**

	2020	2019
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Operating activities

Net loss	\$ (7,984,717)	\$ (5,269,964)
Adjustments to reconcile net income loss to net cash used in operating activities:		
Depreciation and amortization	876,512	39,051
Amortization of right of use assets	146,647	35,015
Amortization of debt discount	1,417,524	-
Stock-based compensation	127,992	307,873
Change in fair value of derivative liability	(405,413)	-
Derivative expense	529,294	-
(Gain) loss on settlement of liabilities	(2,681,586)	474,953
Gain on equity investment in Centercom	(252,985)	(70,909)
Changes in operating assets and liabilities:		
Accounts receivable	2,719,196	(5,163,347)
Lifeline revenue due from USAC	(162,043)	619,162
Customer phone supply	-	1,355,201
Inventory	(177,184)	-
Prepaid expenses	58,111	(100,600)
Other assets	4,999	-
Credit card liability	(70,898)	165,914
Deferred revenue	-	(50,000)
Loss contingency	(38,040)	(30,000)
Current portion of operating lease liability	(150,145)	(35,015)
Accounts payable and accrued expenses	2,665,117	2,767,632
Net cash used in operating activities	(3,377,619)	(4,955,034)

Investing activities

Repayments of notes receivable	14,959	-
Purchase of equipment	(4,147)	(222,000)
Net cash provided by (used) in investing activities	10,812	(222,000)

Financing activities

Issuance of Common Stock and warrants	705,000	3,190,500
Repurchase of Common Stock	(500,000)	-
Note payable, related party - borrowings	723,196	-
Note payable, related party - repayments	(240,196)	-
Note payable - borrowings	1,134,582	-
Note payable - repayments	(27,500)	(70,000)
Convertible promissory notes - borrowings	2,182,000	233,000

Convertible promissory notes - repayments	(373,000)	-
Cash paid for debt issuance costs	(162,000)	-
Line of credit - advances	-	1,130,000
Line of credit - repayments	-	(217,130)
Loan proceeds under related party financing arrangement	-	1,316,000
Loan repayments under related party financing arrangement	-	(674,000)
Net cash provided by financing activities	<u>3,442,082</u>	<u>4,908,370</u>
Net change in cash and cash equivalents	75,275	(300,709)
Cash and cash equivalents, beginning of period	<u>346,040</u>	<u>444,612</u>
Cash and cash equivalents, end of period	<u>\$ 421,315</u>	<u>\$ 143,903</u>
Supplemental cash flow information		
Cash paid for interest and income taxes:		
Interest	\$ 98,113	\$ 65,600
Income taxes	\$ -	\$ -
Non-cash investing and financing activities:		
Exchange of related party advances for Series C Preferred Stock	\$ -	\$ 389,502
Exchange of investment in CenterCom for Series C Preferred Stock	\$ -	\$ 178,508
Common Stock issued for an acquisition	\$ 210,794	\$ 1,000,000
Debt acquired in acquisition	\$ -	\$ 4,000,000
Common Stock and warrants issued with debt recorded as debt discount	\$ 906,098	\$ -
Derivative liability on convertible notes recorded as debt discount	\$ 1,366,636	\$ -
Operating lease liability	\$ 355,203	\$ 230,812
Make whole Common Stock issued pursuant to SPA	\$ 196,341	\$ -
Issuance of Common Stock for modification of debt	\$ 49,890	\$ -



Source: Surge Holdings, Inc.