

August 26, 2021



SurgePays Reports Second Quarter 2021 Financial Results and Provides Corporate Update

BARTLETT, Tenn., Aug. 26, 2021 (GLOBE NEWSWIRE) -- SurgePays, Inc. (OTCQB: SURG) ("SurgePays" or the "Company"), a blockchain financial technology company building a next generation supply chain network in the U.S. for convenience stores, mini-marts, tiendas, bodegas, gas stations, and other merchants serving underbanked consumers, today announces financial results for the second quarter ended June 30, 2021 and provides a corporate update.

Recent Corporate Highlights:

- Continued to progress towards an expected Nasdaq up-list of the Company through the customary regulatory process and filings
- Continued to progress towards an IPO of the Company's SaaS subsidiary LogicsIQ, Inc. (formerly Surge Logics, Inc.)
- Announced approval from the Emergency Broadband Benefit (EBB) Program to provide discounted broadband services through the Company's SurgePhone mobile virtual network operator (MVNO) subsidiary to qualified users
- Acquired Commander Communication, a provider of prepaid wireless payment products to approximately 500 convenience stores with intent to cross-sell other products and services into Commander's customer base
- Signed national distribution agreement with 1606 Corp. to distribute smokable-hemp products into the 8,000 convenience stores on the Company's platform
- Launched a proprietary, blockchain-supported, customer relationship management (CRM) and business intelligence (BI) platform called BLITZ to further penetrate the 34,000 retail stores in the Company's U.S. database
- Launched new custom private label gift card program for the Company's independent retail store clients to provide additional convenience and loyalty opportunities for these locations' customers

"The revenue initiatives we have announced in the last few months speak to the numerous market opportunities we have to execute our 'wide and deep' strategy. We are poised to offer the thousands of convenience stores, mini-marts, and bodegas we serve additional higher margin products and services beyond the lower-margin prepaid wireless top-ups on which we founded the Company," said SurgePays Chief Executive Officer Brian Cox. "We now have the ability to offer thousands of stores and, ultimately, the underbanked population that shop there, access to higher margin, innovative products and services, such as the smokable-hemp products from our partner 1606 Corp., more affordable wireless handsets and monthly wireless plans, retail gift cards, and even discounted broadband service through the EBB Program, that may otherwise be very difficult for them to purchase. Our expanded in-house sales team is dedicated to establishing and nurturing relationships with store

owners to help us expand our network of customer stores, and acquisitions like Commander Communications will help us expand our geographical reach.

“Meanwhile, our LogicsIQ subsidiary has seen a reacceleration in its business following a COVID-related slow-down in the second half of 2020. LogicsIQ had the second-best quarter of its existence with revenue in the second quarter of 2021 up nearly 32% over the first quarter of 2021, and this momentum has continued thus far into the third quarter. Anthony Nuzzo and his team at LogicsIQ have executed well during the leaner months with continued development and innovation and managed to continue to strategize for future growth despite the pressures from the pandemic.

“Lastly, we believe we are making good progress in the legal and regulatory process involved in SurgePays’ up-list to the Nasdaq as well as the anticipated IPO of LogicsIQ. We believe both events will be transformational corporate moments for SurgePays that will create value for our shareholders over the longer term,” Mr. Cox concluded.

Financial Results for Second Quarter 2021

Revenue in the second quarter of 2021 was \$11.38 million vs. \$14.51 million in the year-ago period. General and administrative expenses declined from \$4.17 million in the second quarter of 2020 to \$2.74 million in the second quarter of 2021. Net loss in the second quarter of 2021 improved to (\$214,000) from (\$2.43 million) in the year-ago period.

Cash and cash equivalents as of June 30, 2021 totaled \$574,824, as compared to \$673,995 as of December 31, 2020.

About SurgePays, Inc.

SurgePays, Inc. utilizes its blockchain software platform to offer a comprehensive suite of prepaid, financial services for the underbanked and top selling wholesale products to independently owned convenience stores, mini-marts, tiendas, and bodegas more cost efficiently than existing wholesale distribution models. Please visit www.SurgePays.com for more information.

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 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; our predictions about our industry; the impact of the COVID-19 pandemic on our business and our ability to attract, retain and cross-sell to clients. 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, 2020. 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.

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SURGEPAYS, INC. AND SUBSIDIARIES
Consolidated Balance Sheets

	June 30, 2021	December 31, 2020
	(Unaudited)	(Audited)
Assets		
Current Assets		
Cash	\$ 574,824	\$ 673,995
Accounts receivable - net	592,442	180,499
Lifeline revenue - due from USAC	-	212,621
Inventory	175,359	178,309
Prepays	6,067	5,605
Total Current Assets	<u>1,348,692</u>	<u>1,251,029</u>
Property and equipment - net	229,411	236,810
Other Assets		
Note receivable	176,851	-
Intangibles - net	3,760,238	4,125,742
Goodwill	866,782	866,782
Investment in Centercom - related party	389,984	414,612
Operating lease - right of use asset - net	552,222	368,638
Other	61,458	61,458
Total Other Assets	<u>5,807,535</u>	<u>5,837,232</u>
Total Assets	<u>\$ 7,385,638</u>	<u>\$ 7,325,071</u>
Liabilities and Stockholders' Deficit		
Current Liabilities		
Accounts payable and accrued expenses	\$ 5,800,859	\$ 6,827,487
Accounts payable and accrued expenses - related party	448,559	1,753,837
Deferred revenue	565,900	443,300
Operating lease liability	97,880	210,556
Line of credit	-	912,870
Loans payable - related parties	4,419,000	2,389,000
Notes payable	-	250,000
Convertible notes payable - net	837,741	1,516,170
Derivative liabilities	1,459,167	1,357,528
Total Current Liabilities	<u>13,629,106</u>	<u>15,660,748</u>
Long Term Liabilities		
Loans payable - related parties	1,130,440	1,100,440
Notes payable - SBA government	1,502,849	1,134,682
Operating lease liability	454,342	155,167
Total Long Term Liabilities	<u>3,087,631</u>	<u>2,390,289</u>
Total Liabilities	<u>16,716,737</u>	<u>18,051,037</u>
Stockholders' Deficit		
Series A, Convertible Preferred stock, \$0.001 par value, 100,000,000 shares authorized, 13,000,000 and 13,000,000 shares issued and outstanding, 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, respectively	722	722
Common stock, \$0.001 par value, 500,000,000 shares authorized 161,504,920 and 127,131,210 shares issued and outstanding, respectively	161,505	127,131
Additional paid-in capital	17,115,280	10,725,380
Accumulated deficit	(26,621,606)	(21,592,199)
Total Stockholders' Deficit	<u>(9,331,099)</u>	<u>(10,725,966)</u>
Total Liabilities and Stockholders' Deficit	<u>\$ 7,385,638</u>	<u>\$ 7,325,071</u>

SURGEPAYS, INC. AND SUBSIDIARIES
Consolidated Statements of Operations
(unaudited)

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2021	2020	2021	2020
Revenues	\$ 11,377,928	\$ 14,514,796	\$ 22,366,876	\$ 30,302,595
Costs and expenses				
Cost of revenue	10,051,119	14,381,822	19,908,428	29,835,974
General and administrative expenses	2,736,435	4,165,436	5,976,244	7,174,322
Total costs and expenses	12,787,554	18,547,258	25,884,672	37,010,296
Loss from operations	(1,409,626)	(4,032,462)	(3,517,796)	(6,707,701)
Other income (expense)				
Interest expense	(2,096,600)	(701,044)	(3,400,459)	(1,183,766)
Derivative expense	-	(147,721)	(1,775,057)	(496,055)
Change in fair value of derivative liabilities	645,830	224,378	949,680	192,562
Gain (loss) on investment in Centercom - related party	49,145	112,967	(24,628)	145,336
Gain on settlement of liabilities	701,404	2,108,543	842,982	2,556,979
Gain on deconsolidation of True Wireless	1,895,871	-	1,895,871	-
Other income	-	10,000	-	10,000
Total other income (expense) - net	1,195,650	1,607,123	(1,511,611)	1,225,056
Net loss	\$ (213,976)	\$ (2,425,339)	\$ (5,029,407)	\$ (5,482,645)
Loss per share - basic and diluted	\$ (0.00)	\$ (0.02)	\$ (0.03)	\$ (0.05)
Weighted average number of shares - basic	154,394,068	106,063,237	145,130,334	104,974,691

SURGEPAYS, INC. AND SUBSIDIARIES
Consolidated Statements of Cash Flows
(unaudited)

	For the Six Months Ended June 30,	
	2021	2020
Operating activities		
Net loss	\$ (5,029,407)	\$ (5,482,645)
Adjustments to reconcile net loss to net cash used in operations		
Depreciation and amortization	398,240	569,811
Amortization of right-of-use assets	92,531	92,867
Amortization of debt discount	1,351,351	796,863
	45,099	68,169
Recognition of share based compensation		
Change in fair value of derivative liabilities	(949,680)	(192,562)
Derivative expense	1,775,057	496,055
Gain on settlement of liabilities	(840,932)	(2,681,586)
Gain (loss) on equity method investment - Centercom - related party	24,628	(145,336)
Gain on deconsolidation of subsidiary (True Wireless)	(1,895,871)	-
Changes in operating assets and liabilities		
(Increase) decrease in		
Accounts receivable	(411,943)	2,241,635

Lifeline revenue - due from USAC	105,532	(172,300)
Inventory	(71,700)	(102,682)
Prepays	(462)	64,534
Other	-	66,457
Increase (decrease) in		
Accounts payable and accrued expenses	1,824,604	1,971,652
Accounts payable and accrued expenses - related party	(1,305,278)	-
Deferred revenue	122,600	317,148
Gain contingency	-	(38,040)
Operating lease liability	(89,616)	(101,029)
Net cash used in operating activities	<u>(4,855,247)</u>	<u>(2,230,989)</u>
Investing activities		
Purchase of property and equipment	(45,983)	(2,836)
Cash disposed in deconsolidation of subsidiary (True Wireless)	(325,316)	-
Net cash used in investing activities	<u>(371,299)</u>	<u>(2,836)</u>
Financing activities		
Proceeds from stock and warrants issued for cash	1,510,000	705,000
Repurchase of common stock	-	(500,000)
Proceeds from loans - related party	2,123,000	200,000
Repayments of loans - related party	(63,000)	(100,000)
Proceeds from notes payable	-	648,082
Repayments on notes payable	(250,000)	(27,500)
Proceeds from SBA notes	518,167	-
Proceeds from convertible notes	2,550,000	1,912,000
Repayments on convertible notes - net of overpayment	(1,260,792)	(468,000)
Cash paid for debt issuance costs	-	(142,000)
Net cash provided by financing activities	<u>5,127,375</u>	<u>2,227,582</u>
Net decrease in cash	(99,171)	(6,243)
Cash - beginning of period	<u>673,995</u>	<u>346,040</u>
Cash - end of period	\$ 574,824	\$ 339,797
Supplemental disclosure of cash flow information		
Cash paid for interest	\$ 113,810	\$ 64,646
Cash paid for income tax	\$ -	\$ -
Supplemental disclosure of non-cash investing and financing activities		
Deconsolidation of subsidiary (True Wireless)	\$ 2,434,552	\$ -
Debt discount/issue costs recorded in connection with derivative liabilities	\$ 2,140,829	\$ 1,234,546
Stock issued in settlement of liabilities	\$ 1,755,150	\$ -
Conversion of debt into equity	\$ 858,158	\$ -
Right-of-use asset obtained in exchange for new operating lease liability	\$ 515,848	\$ 355,203
Termination of ECS right-of-use lease	228,752	-
Stock issued in connection with debt modification	\$ 108,931	\$ -
Stock issued under make-whole arrangement	\$ 90,401	\$ -
Stock issued for acquisition of membership interest in ECS	\$ 17,900	\$ -
Stock issued for acquisition	\$ -	\$ 165,000
Stock and warrants issued with debt recorded as a debt discount	\$ -	\$ 801,636



Source: SURGEPAYS, INC.