

November 16, 2021



SurgePays Reports Third Quarter 2021 Financial Results and Provides Corporate Update

BARTLETT, Tenn., Nov. 16, 2021 (GLOBE NEWSWIRE) -- SurgePays, Inc. (Nasdaq: SURG) ("SurgePays" or the "Company"), a fintech company providing essential financial services and products to the underbanked population and software applications to a number of industry verticals, today announces financial results for the third quarter ended September 30, 2021 and provides a corporate update.

Recent Corporate Highlights:

- Uplisted to the Nasdaq Capital Market and completed a \$19.8 million public offering.
- Received 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 in 14 states.
- 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.
- Launched new custom private label gift card program for retail stores on the SurgePays fintech platform to provide additional convenience and loyalty opportunities for these locations' customers
- Continued to progress towards an IPO of the Company's enterprise software subsidiary LogicsIQ, Inc. (formerly Surge Logics, Inc.)
- Appointed Anthony P. Nuzzo, Jr. as CEO of LogicsIQ subsidiary

"The third quarter showed increasing revenue, margin expansion and a narrowing in the net loss. What I'm really excited about, though, is we are now trading on NASDAQ with a significant infusion of capital which should allow us to take advantage of multiple growth initiatives and better execute on things in our pipeline," commented SurgePays CEO Brian Cox.

"Our core mission has not changed: We are focused on utilizing our blockchain fintech software platform to bring essential financial services and products to the underbanked communities by targeting the stores most frequented by these customers. To this end, and with our newly available capital, we plan to shift from independent sales reps to building out a nationwide in-house sales team to more aggressively engage convenience stores, bodegas and community stores in order to expand beyond the 8,000 stores on our network. We have already identified an additional 30,000 stores for targeting, and over time the addressable market is literally hundreds of thousands of additional stores that could be transacting on the SurgePays network," Mr. Cox continued. "The combination of increasing the number of stores within our network and increasing average sales per store is really the

‘deep and wide’ approach at the heart of our growth strategy.”

“The capital generated from our recent NASDAQ listing allows us to greatly accelerate the rollout of the Emergency Broadband Benefit, or EBB, Program through our SurgePhone Wireless subsidiary. The successful limited launch in a handful of states suggests that a wider and more aggressive rollout can be the catalyst to our march towards profitability. We have ordered an additional 21,000 tablets to cover the remainder of 2021 and are aggressively putting more sales teams in place while exploring opportunities to expand our footprint beyond 14 states. We have already surpassed our short term goal of 15,000 EBB subscribers, ahead of schedule, which is a baseline of \$750,000 per month in relatively higher-margin reoccurring revenue.

“Our LogicsIQ subsidiary had its strongest quarter ever in the third quarter and generated nearly \$7.5 million in revenue. This is on the heels of its second-best quarter ever in the second quarter of 2021 when it delivered approximately \$4.5 million in revenue. The leaner COVID periods allowed the LogicsIQ team to essentially strengthen the underlying engine of its software platform and allow for the successful development of applications to target new verticals outside the core legal industry.

“In summary, the uplist and capital raising process took a significant amount of our team’s bandwidth for almost a year. Now that this is finally behind us, our focus is on efficient deployment of our capital to achieve maximum revenue growth and reach profitability in the near term. We believe being a profitable blockchain fintech will significantly increase overall shareholder value. Our team is encouraged with the opportunities immediately ahead of us across all business segments. I would like to thank the shareholders for their loyalty, patience and for believing in the management team. I have enjoyed preparing this update, and based on my view of the near future, I will enjoy the next corporate update even more as we execute on our growth strategy,” Mr. Cox concluded.

Financial Results for Third Quarter 2021

Revenue in the third quarter of 2021 was \$14.54 million vs. \$12.80 million in the year-ago period. General and administrative expenses declined from \$3.21 million in the third quarter of 2020 to \$2.28 million in the third quarter of 2021. Net loss in the third quarter of 2021 improved to (\$1.66 million) from (\$2.50 million) in the year-ago period.

Cash and cash equivalents as of September 30, 2021 was \$635,527, as compared to \$673,995 as of December 31, 2020. Subsequent to the end of the third quarter, the company raised \$19.8 million in gross proceeds from a public offering.

About SurgePays, Inc.

SurgePays, Inc. is a B2B fintech with other verticals in the underbanked and software development space. SurgePays utilizes its blockchain software platform to offer a comprehensive suite of essential financial services for the underbanked, and top selling consumable products to 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.

Company Contact:

Tony Evers CPA, CIA
Chief Financial Officer
Phone: (847) 648-7542 ext. 104
tevers@surgeholdings.com

Media Relations:

Henry Feintuch / Doug Wright
Feintuch Communications
914-548-6924 / 201-952-6033
surgepays@feintuchpr.com

Investor Relations:

CORE IR
516-222-2560
invest@surgeholdings.com

SURGEPAYS, INC. AND SUBSIDIARIES
Consolidated Balance Sheets

	September 30, 2021	December 31, 2020
	<u>(Unaudited)</u>	<u>(Audited)</u>
Assets		
Current Assets		
Cash	\$ 635,527	\$ 673,995
Accounts receivable - net	1,667,630	180,499
Lifeline revenue - due from USAC	-	212,621
Inventory	502,109	178,309
Prepays	35,001	5,605
Total Current Assets	<u>2,840,267</u>	<u>1,251,029</u>
Property and equipment - net	217,070	236,810
Other Assets		
Note receivable	176,851	-
Intangibles - net	3,596,861	4,125,742
Goodwill	866,782	866,782
Investment in Centercom - related party	411,056	414,612
Operating lease - right of use asset - net	522,072	368,638
Other	-	61,458
Total Other Assets	<u>5,573,622</u>	<u>5,837,232</u>
Total Assets	<u>\$ 8,630,959</u>	<u>\$ 7,325,071</u>
Liabilities and Stockholders' Deficit		
Current Liabilities		
Accounts payable and accrued expenses	\$ 4,159,473	\$ 6,827,487
Accounts payable and accrued expenses - related party	2,293,926	1,753,837
Deferred revenue	235,500	443,300
Operating lease liability	68,303	210,556
Line of credit	-	912,870
Loans payable - related parties	1,027,500	2,389,000
Notes payable - net	593,205	250,000
Convertible notes payable - net	1,298,083	1,516,170
Derivative liabilities	1,567,508	1,357,528
Total Current Liabilities	<u>11,243,498</u>	<u>15,660,748</u>

Long Term Liabilities

Loans payable - related parties	5,986,940	1,100,440
Notes payable - SBA government	1,499,424	1,134,682
Operating lease liability	447,002	155,167
Total Long Term Liabilities	<u>7,933,366</u>	<u>2,390,289</u>

Total Liabilities	<u>19,176,864</u>	<u>18,051,037</u>
--------------------------	-------------------	-------------------

Commitments and Contingencies (Note 8)**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 3,288,429 and 2,542,624 shares issued and outstanding, respectively	3,289	2,543
Additional paid-in capital	17,804,181	10,849,968
Accumulated deficit	(28,367,097)	(21,592,199)
Total Stockholders' Deficit	<u>(10,545,905)</u>	<u>(10,725,966)</u>

Total Liabilities and Stockholders' Deficit	\$ 8,630,959	\$ 7,325,071
--	--------------	--------------

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

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2021	2020	2021	2020
Revenues	\$ 14,538,353	\$ 12,802,172	\$ 36,905,373	\$ 43,104,767

Costs and expenses				
Cost of revenue	12,634,871	11,216,186	32,544,619	39,422,776
General and administrative expenses	<u>2,279,374</u>	<u>3,210,910</u>	<u>8,254,443</u>	<u>12,014,616</u>
Total costs and expenses	<u>14,914,245</u>	<u>14,427,096</u>	<u>40,799,062</u>	<u>51,437,392</u>
Loss from operations	<u>(375,892)</u>	<u>(1,624,924)</u>	<u>(3,893,689)</u>	<u>(8,332,625)</u>
Other income (expense)				
Interest expense	(1,236,778)	(1,164,409)	(4,637,236)	(2,348,175)
Derivative expense	-	(33,239)	(1,775,057)	(529,294)
Change in fair value of derivative liabilities	(202,784)	212,851	746,896	405,413
Gain (loss) on investment in Centercom - related party	21,072	107,649	(3,556)	252,985
Gain on settlement of liabilities	136,487	-	979,469	2,556,979
Gain on deconsolidation of True Wireless	-	-	1,895,871	-
Other income	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,000</u>
Total other income (expense) - net	<u>(1,282,003)</u>	<u>(877,148)</u>	<u>(2,793,613)</u>	<u>347,908</u>
Net loss	\$ (1,657,895)	\$ (2,502,072)	\$ (6,687,302)	\$ (7,984,717)
Loss per share - basic and diluted	\$ (0.51)	\$ (1.09)	\$ (2.21)	\$ (3.69)
Weighted average number of shares - basic and diluted	3,264,274	2,293,669	3,024,487	2,164,930

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

**For the Nine Months Ended
September 30,**

2021	2020
-------------	-------------

Operating activities		
Net loss	\$ (6,687,302)	\$ (7,984,717)

Adjustments to reconcile net loss to net cash used in operations

Depreciation and amortization	579,372	876,512
Amortization of right-of-use assets	122,681	146,647
Amortization of debt discount	2,008,036	1,417,524
Recognition of share based compensation	8,441	127,992
Change in fair value of derivative liabilities	(746,896)	(405,413)
Derivative expense	1,775,057	529,294
Gain on settlement of liabilities	(935,375)	(2,556,979)
(Gain) loss on equity method investment - Centercom - related party	3,556	(252,985)
Gain on deconsolidation of subsidiary (True Wireless)	(1,895,871)	-
Changes in operating assets and liabilities		
(Increase) decrease in		
Accounts receivable	(1,487,131)	2,719,196
Lifeline revenue - due from USAC	105,532	(162,043)
Inventory	(398,450)	(177,184)
Prepays	(29,396)	58,111
Other	61,458	4,999
Increase (decrease) in		
Accounts payable and accrued expenses	166,163	2,469,612
Accounts payable and accrued expenses - related party	540,089	-
Deferred revenue	(207,800)	-
Gain contingency	-	(38,040)
Operating lease liability	(126,533)	(150,145)
Net cash used in operating activities	<u>(7,144,369)</u>	<u>(3,377,619)</u>
Investing activities		
Purchase of property and equipment	(51,396)	(4,147)
Cash disposed in deconsolidation of subsidiary (True Wireless)	(325,316)	-
Repayment of notes receivable	-	14,959
Net cash provided by (used in) investing activities	<u>(376,712)</u>	<u>10,812</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	3,688,000	723,196
Repayments of loans - related party	(163,000)	(240,196)
Proceeds from notes payable	853,386	1,134,582
Repayments on notes payable	(250,000)	(27,500)
Proceeds from SBA notes	518,167	-
Repayments on SBA notes	(3,425)	-

Proceeds from convertible notes	2,550,000	2,182,000
Repayments on convertible notes - net of overpayment	(1,220,515)	(373,000)
Cash paid for debt issuance costs	-	(162,000)
Net cash provided by financing activities	<u>7,482,613</u>	<u>3,442,082</u>
Net decrease in cash	(38,468)	75,275
Cash - beginning of period	<u>673,995</u>	<u>346,040</u>
Cash - end of period	\$ 635,527	\$ 421,315
Supplemental disclosure of cash flow information		
Cash paid for interest	\$ 117,836	\$ 98,113
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	\$ 1,366,636
Debt discount recorded in connection with notes payable	\$ 265,268	
Stock issued in settlement of liabilities	\$ 1,879,785	\$ -
Conversion of debt into equity	\$ 948,002	\$ -
Right-of-use asset obtained in exchange for new operating lease liability	\$ 515,848	\$ 355,203
Termination of ECS ROU lease	\$ 228,752	\$ -
Stock issued in connection with debt modification	\$ 108,931	\$ 49,890
Stock issued under make-whole arrangement	\$ 90,401	\$ 196,341
Stock issued for acquisition of membership interest in ECS	\$ 17,900	\$ -
True up adjustment related to initial acquisition of True Wireless	\$ 87,596	
Stock issued for acquisition	\$ -	\$ 210,794
Stock and warrants issued with debt recorded as a debt discount	\$ -	\$ 906,098

Source: SURGEPAYS, INC.