

## SurgePays Announces Fourth Quarter 2022 and Full Year Financial Results

***Company to host conference call to discuss results and provide business outlook at 5:00 p.m. ET / 2:00 p.m. PT***

- ***Full year revenue increased 138%; 4Q22 revenue run rate of \$144.8 million***
- ***Full year gross profit increased 118%; 4Q gross profit run rate of \$26.8 million***
- ***2022 net loss of (\$681) thousand; 2022 EBITDA of \$2.3 million***

**BARTLETT, TN / ACCESSWIRE / March 30, 2023** / 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, 2022.

### **Fourth Quarter 2022 and Full Year Highlights**

- Revenue of \$36.2 million in the fourth quarter and \$121.5 million for the full year 2022, increases of 155% and 138% over the prior year periods, respectively.
- Gross profit of \$6.7 million in the fourth quarter and \$13.5 million for the year 2022, increases of 272% and 118% over the prior year periods, respectively.
- Net gain of \$3.0 million in the fourth quarter and \$(0.7) million for the year 2022, compared to a net loss of \$(6.6) million and \$(13.5) million in the year ago period.
- Completed acquisitions of Torch Wireless and Shockwave CRM, allowing for enhanced wireless subscriber growth through convenience stores across the SurgePays network.
- Scaled operations center team to over 200 and logistics and fulfillment team to over 40.
- Secured a \$25 million non-dilutive financing facility enabling purchase orders of over 300,000 devices.

### **Management Commentary**

Commenting on the year's results, Chairman and CEO, Brian Cox said, "2022 was a tremendous year of growth for SurgePays, where we exceeded our run rate revenue and subscriber growth guidance and our own expectations while throttling sales to better manage cash flows. We have built a phenomenal team that is working on more than 35 key projects and integrations all designed to drive store and wireless subscriber counts. Mobile broadband and wireless subscriber growth through the Affordable Connectivity Program ("ACP") continues to be an engine of growth while unlocking big opportunities to propel our SurgePays Fintech revenue. To accelerate, support and sustain this growth trajectory, we've proactively more than doubled our team at our near shore operations center and significantly ramped up our dedicated logistics, distribution, and fulfillment team.

"We are poised to drive revenue and profitability substantially higher through subscriber growth through convenience store distribution partners. On the surface, this channel has a much lower customer acquisition cost and traditionally should have better retention, which will be a big boost to margins. Strategically, using ACP as a catalyst to grow the convenience stores on our network will not only position us to grow our other prepaid wireless and financial products revenue, but should enable us to explore an M&A strategy of underbanked products and services to deploy on our own nationwide distribution network" Mr. Cox concluded.

### **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. 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 year ended December 31, 2022, overall revenue increased by \$70.5 million or 138% as compared to the previous year. The increase was primarily due to SurgePhone Wireless revenues related to providing mobile broadband

and wireless service to low-income subscribers. The Company exited 2022 with an annualized revenue run rate of approximately \$145 million.

Operating income improved overall to \$633 thousand in 2022 from a loss of \$6.0 million in 2021.

Net loss for 2022 was \$681 thousand compared to a net loss of \$13.5 million in 2021. EBITDA increased to \$2.3 million in 2022 from (\$5.1) million in 2021.

Additionally, in November 2022, management secured a \$25 million credit facility, which has allowed the Company to purchase wireless devices direct from the manufacturer at more than a 25% savings to prior acquisition costs. The purchasing, manufacturing, and shipping of these devices led to approximately 16 weeks of slower growth in ACP subscribers as part of this strategic decision to focus on the long-term subscriber potential by best utilizing the financing facility. As these new devices began arriving in March and will continue to arrive weekly, the Company anticipates that the unthrottled sales capacity could result in considerably more than doubling the subscriber base in 2023.

During the first quarter of 2023, the Company's sales team began beta testing ACP sign ups utilizing convenience store clerks to initiate the lead for customers paying with their SNAP (EBT) card. Management believes that if the early data from these tests are indicative of the mass rollout results, sales projections will be shattered and at considerably lower cost per acquisition.

## **Business Outlook**

For the full year 2023, the Company expects to achieve the following targets:

- Total revenues of at least \$190 million
- Positive operating cash flow in 2023
- 13,000 stores transacting on the SurgePays Network
- Over 500,000 wireless subscribers

## **Conference Call and Webcast Information**

The Company plans to release financial and operational results for fourth quarter 2022 at market close on Thursday March 30, 2023. 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 [4Q 2022 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 877-407-9208 (in the U.S.) or by dialing 201-493-6784 (outside U.S.).

A telephone replay will be available approximately one hour following completion of the call through Thursday, April 13, 2023. To access the replay, please dial 844-512-2921 (in the U.S.) or 412-317-6671 (outside U.S.). Enter Conference ID #13736828.

## **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](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," 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; 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, 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

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<b><u>Assets</u></b>		
<b>Current Assets</b>		
Cash	\$ 7,035,654	\$ 6,283,496
Accounts receivable - net	9,230,365	3,249,889

Inventory	11,186,242	4,359,296
Prepays	111,524	-
<b>Total Current Assets</b>	<b>27,563,785</b>	<b>13,892,681</b>
<b>Property and equipment - net</b>	<b>643,373</b>	<b>200,448</b>
<b>Other Assets</b>		
Note receivable	176,851	176,851
Intangibles - net	2,779,977	3,433,484
Internal use software development costs - net	387,180	-
Goodwill	1,666,782	866,782
Investment in CenterCom	354,206	443,288
Operating lease - right of use asset - net	431,352	486,668
<b>Total Other Assets</b>	<b>5,796,348</b>	<b>5,407,073</b>
<b>Total Assets</b>	<b>\$ 34,003,506</b>	<b>\$ 19,500,202</b>
<b><u>Liabilities and Stockholders' Equity</u></b>		
<b>Current Liabilities</b>		
Accounts payable and accrued expenses	\$ 18,802,558	\$ 6,602,577
Accounts payable and accrued expenses - related party	1,728,721	1,389,798
Deferred revenue	243,110	276,250
Operating lease liability	39,490	49,352
Notes payable - related parties	1,108,150	1,553,799
Notes payable - SBA government	-	126,418
Notes payable - net	1,542,033	-
<b>Total Current Liabilities</b>	<b>23,464,062</b>	<b>9,998,194</b>
<b>Long Term Liabilities</b>		
Note payable	53,134	-
Loans payable - related parties	4,493,798	4,507,017
Notes payable - SBA government	474,846	1,004,767
Operating lease liability	399,413	438,903
<b>Total Long Term Liabilities</b>	<b>5,421,191</b>	<b>5,950,687</b>
<b>Total Liabilities</b>	<b>28,885,253</b>	<b>15,948,881</b>
<b>Commitments and Contingencies (Note 9)</b>	-	-
	-	-
<b>Stockholders' Equity</b>		
Series A, Convertible Preferred stock, \$0.001 par value, 100,000,000 shares authorized, 0 and 13,000,000 shares issued and outstanding, respectively	-	260
Series C, Convertible Preferred stock, \$0.001 par value, 1,000,000 shares authorized, 0 and 0 shares issued and outstanding, respectively	-	-
Preferred stock, value	-	-
Common stock, \$0.001 par value, 500,000,000 shares authorized 14,116,832 and 12,063,834 shares issued and outstanding, respectively	14,117	12,064
Additional paid-in capital	40,780,707	38,662,340
Accumulated deficit	(35,524,106)	(35,123,343)
<b>Stockholders' equity</b>	<b>5,270,718</b>	<b>3,551,321</b>

Non-controlling interest	127,535	-
<b>Total Stockholders' Equity</b>	<b>5,398,253</b>	<b>3,551,321</b>
<b>Total Liabilities and Stockholders' Equity</b>	<b>\$ 34,003,506</b>	<b>\$ 19,500,202</b>

## SURGEPAYS, INC. AND SUBSIDIARIES

### Consolidated Statements of Operations

	<b>For the Year Ended</b>	
	<b>December 31,</b>	
	<b>2022</b>	<b>2021</b>
<b>Revenues</b>	\$ 121,544,190	\$ 51,060,589
<b>Costs and expenses</b>		
Cost of revenue	108,074,782	44,890,610
General and administrative expenses	12,835,623	12,162,547
<b>Total costs and expenses</b>	<b>120,910,405</b>	<b>57,053,157</b>
<b>Income (loss) from operations</b>	<b>633,785</b>	<b>(5,992,568 )</b>
<b>Other income (expense)</b>		
Interest expense	(1,843,396 )	(3,840,616 )
Derivative expense	-	(1,775,057 )
Change in fair value of derivative liabilities	-	1,806,763
Gain (loss) on investment in CenterCom	(89,082 )	28,676
Gain on settlement of liabilities	-	1,469,641
Amortization of debt discount	(115,404 )	(3,677,121 )
Gain on deconsolidation of True Wireless	-	1,895,871
Settlement expense	-	(3,750,000 )
Warrant modification expense	-	(74,476 )
Gain on forgiveness of PPP loan - government	524,143	-
Other income	336,726	377,743
<b>Total other income (expense) - net</b>	<b>(1,187,013 )</b>	<b>(7,538,576 )</b>
<b>Net loss including non-controlling interest</b>	<b>(553,228 )</b>	<b>(13,531,144 )</b>
<b>Non-controlling interest</b>	<b>127,535</b>	<b>-</b>
<b>Net loss available to common stockholders</b>	<b>\$ (680,763 )</b>	<b>\$ (13,531,144 )</b>
<b>Loss per share - basic and diluted</b>	<b>\$ (0.05 )</b>	<b>\$ (3.09 )</b>
<b>Weighted average number of shares - basic and diluted</b>	<b>12,395,364</b>	<b>4,381,709</b>

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

	Three months ended December 31, 2022 (unaudited)	Three months ended December 31, 2021 (unaudited)
Revenue	\$ 36,226,330	\$ 14,155,216
Cost of revenue (exclusive of depreciation and amortization)	29,502,361	12,345,991
General and administrative expenses	3,180,094	1,900,068
Gain (loss) from operations	\$ 3,543,875	\$ (90,843)
Net gain (loss) to common stockholders	3,044,806	(6,843,842)
Interest expense	473,160	(796,620)
Depreciation and Amortization	600,792	4,178,593
EBITDA	\$ 4,118,758	(3,461,869)
	Twelve months ended December 31, 2022 (unaudited)	Twelve months ended December 31, 2021 (unaudited)
Revenue	\$ 121,544,190	\$ 51,060,589
Cost of revenue (exclusive of depreciation and amortization)	108,074,782	44,890,610
General and administrative expenses	12,835,623	12,162,547
Gain (loss) from operations	\$ 633,785	\$ (5,992,568)
Net gain (loss) to common stockholders	(680,763)	(13,531,144)
Interest expense	1,843,396	3,840,616
Depreciation and Amortization	1,101,949	4,594,589
EBITDA	\$ 2,264,582	\$ (5,095,939)

**SOURCE:** SurgePays, Inc.