

SurgePays Announces First Quarter 2022 Financial Results

BARTLETT, Tenn., May 16, 2022 -- SurgePays, Inc. (Nasdaq: SURG) ("SurgePays" or the "Company"), a technology and telecommunications company focused on the underbanked and underserved, today announced its financial results for the first quarter ended March 31, 2022.

First Quarter 2022 Financial Highlights

- Revenue of \$21.1 million in the first quarter, an increase of 92% compared to the first quarter of 2021
- Gross profit of \$2.6 million in the first quarter, an increase of 133% compared to the first quarter of 2021
- Net loss of \$(1.2) million in the first quarter compared to a net loss of \$(4.8) million in the year ago period
- Adjusted EBITDA loss of \$(873) thousand in the first quarter compared to a loss of \$(4.0) million in 2020.

Chairman and CEO Brian Cox commented on first quarter results, "The first quarter demonstrated the progress we're making. Our actions were centered on maximizing the growth of our mobile broadband subscriber base. Revenue growth is being reflected in the quarterly results in a meaningful way. The cash flow we are generating is being instantly re-invested in the business to help accelerate growth in our mobile broadband subscribers which has now eclipsed 125,000 subscribers.

"The Affordable Connectivity Program (ACP), helps lower income Americans bridge the digital divide with greater access to mobile broadband internet accessibility. The current administration has made this program permanent and recognizes the needs of the underbanked and underserved. The increased visibility and recognition of our market potential should also increase the relevance and understanding of our business model. As we have enhanced our offerings to include wireless broadband along with a comprehensive suite of value-driven financial service products for the underbanked, our ability to attract mobile broadband subscribers, increase store count and grow market share has significantly increased. We are on track and on target."

Business Outlook

For the full year 2022, the Company expects to achieve the following financial targets:

- Total revenues of at least \$130 million.
- Adjusted EBITDA is expected to be at least \$15 million.
- Greater than 200,000 subscribers in the mobile broadband business.

Conference Call and Webcast Information

SurgePays will host a conference call today to review its results and discuss its performance at 9:00 a.m. ET / 6:00 a.m. PT. Participants may join the conference call by dialing 1-877-407-9208 (United States) or 1-201-493-6784 (International). A telephonic replay of the call will also be available shortly after the completion of the call, until 11:59 pm ET on May 30, 2022, by dialing 1-844-512-2921 (United States) or 1-412-317-6671 (International) and entering the replay pin number: 13730039.

A live webcast will be available on SurgePays, Inc Investor Relations site under the Upcoming Event section at <http://ir.surgepays.com> and will be archived online upon completion of the conference call.

About SurgePays, Inc.

SurgePays, Inc. is a technology and telecommunications company focused on the underbanked and underserved communities. SurgePhone Wireless provide mobile broadband to low-income consumers nationwide. SurgePays blockchain fintech platform utilizes a suite of financial and prepaid products to convert corner stores and bodegas into tech-hubs for underbanked neighborhoods. 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. Adjusted EBITDA provides an adjusted view of EBITDA that takes into account certain significant non-recurring transactions, if any, such as impairment losses and expenses associated with pending acquisitions, which vary significantly between periods and are not recurring in nature, as well as certain recurring non-cash charges such as changes in fair value of the Company's derivative liabilities and stock-based compensation. The Company believes that Adjusted EBITDA provides investors with a measure of the Company's operational and financial progress that corresponds with the measurements used by management as a basis for allocating

resources and making other operating decisions.

EBITDA and Adjusted EBITDA are 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 and Adjusted 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, 2021. 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.

SurgePays, Inc. and Subsidiaries Consolidated Statements of Operations

| | For the Three Months Ended March 31, | |
|--|---|--------------------|
| | 2022 | 2021 |
| | (Unaudited) | (Unaudited) |
| Revenues | \$ 21,141,372 | \$ 10,988,948 |
| Costs and expenses | | |
| Cost of revenue | 18,507,741 | 9,859,434 |
| General and administrative expenses | 3,683,782 | 3,237,684 |
| Total costs and expenses | 22,191,523 | 13,097,118 |
| Loss from operations | (1,050,151) | (2,108,170) |
| Other income (expense) | | |
| Interest expense | (169,645) | (599,636) |
| Derivative expense | - | (1,775,057) |
| Change in fair value of derivative liabilities | - | 303,850 |
| Loss on investment in CenterCom - former related party | (25,183) | (73,773) |
| Gain on settlement of liabilities | - | 141,578 |
| Amortization of debt discount | - | (704,223) |

| | | | | |
|--|----|-------------|----|--------------|
| Total other income (expense) - net | | (194,828)) | | (2,707,261)) |
| | | | | |
| Net loss including non-controlling interest | \$ | (1,244,979) | \$ | (4,815,431) |
| | | | | |
| Non-controlling interest | | (32,645) | | - |
| | | | | |
| Net loss available to common stockholders | \$ | (1,212,334) | \$ | (4,815,431) |
| | | | | |
| Loss per share - basic and diluted | \$ | (0.10) | \$ | (1.85) |
| | | | | |
| Weighted average number of shares - basic and diluted | | 12,063,834 | | 2,604,456 |

SurgePays, Inc. and Subsidiaries Consolidated Balance Sheets

| | March 31, 2022 | December 31, 2021 |
|---|---------------------------|------------------------------|
| | (Unaudited) | |
| Assets | | |
| | | |
| Current Assets | | |
| Cash | \$ 3,442,926 | \$ 6,283,496 |
| Accounts receivable - net | 5,644,120 | 3,249,889 |
| Inventory | 3,075,529 | 4,359,296 |
| Prepays | 239,400 | - |
| Total Current Assets | 12,401,975 | 13,892,681 |
| | | |
| Property and equipment - net | 204,158 | 200,448 |
| | | |
| Other Assets | | |
| Note receivable | 176,851 | 176,851 |
| Intangibles - net | 3,270,107 | 3,433,484 |
| Goodwill | 866,782 | 866,782 |
| Investment in CenterCom - former related party | 418,105 | 443,288 |
| Operating lease - right of use asset - net | 462,716 | 486,668 |
| Total Other Assets | 5,194,561 | 5,407,073 |
| | | |
| Total Assets | \$ 17,800,694 | \$ 19,500,202 |
| | | |
| Liabilities and Stockholders' Equity | | |
| | | |
| Current Liabilities | | |
| Accounts payable and accrued expenses | \$ 5,645,134 | \$ 6,602,577 |
| Accounts payable and accrued expenses - related party | 1,369,611 | 1,389,798 |
| Deferred revenue | 317,700 | 276,250 |
| Operating lease liability | 36,871 | 49,352 |
| Loans payable - related parties | 1,086,413 | 1,553,799 |
| Notes payable - SBA government | - | 126,418 |
| Notes payable - net | 461,047 | - |
| Total Current Liabilities | 8,916,776 | 9,998,194 |
| | | |
| Long Term Liabilities | | |
| Loans payable - related parties | 4,974,403 | 4,507,017 |
| Notes payable - SBA government | 1,125,572 | 1,004,767 |
| Operating lease liability | 429,354 | 438,903 |
| Total Long Term Liabilities | 6,529,329 | 5,950,687 |
| | | |
| Total Liabilities | 15,446,105 | 15,948,881 |
| | | |

Commitments and Contingencies (Note 8)**Stockholders' Equity**

| | | |
|--|----------------------|----------------------|
| 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 | 260 | 260 |
| Common stock, \$0.001 par value, 500,000,000 shares authorized 12,063,834 and 12,063,834 shares issued and outstanding, respectively | 12,064 | 12,064 |
| Additional paid-in capital | 38,710,587 | 38,662,340 |
| Accumulated deficit | (36,335,677) | (35,123,343) |
| Stockholders' equity before non-controlling interest | 2,387,234 | 3,551,321 |
| Non-controlling interest | (32,645) | - |
| Total Stockholders' Equity | 2,354,589 | 3,551,321 |
| Total Liabilities and Stockholders' Equity | \$ 17,800,694 | \$ 19,500,202 |

SurgePays, Inc. and Subsidiaries Consolidated Statements of Cash Flows

| | For the Three Months ended March 31, | |
|---|---|--------------------|
| | 2022 | 2021 |
| | (Unaudited) | (Unaudited) |
| Operating activities | | |
| Net loss - including non-controlling interest | \$ (1,244,979) | \$ (4,815,431) |
| Adjustments to reconcile net loss to net cash used in operations | | |
| Depreciation and amortization | 171,068 | 217,958 |
| Amortization of right-of-use assets | 23,952 | 64,854 |
| Amortization of debt discount/debt issue costs | - | 704,223 |
| Recognition of share based compensation | 9,294 | 61,571 |
| Change in fair value of derivative liabilities | - | (303,850) |
| Derivative expense | - | 1,775,057 |
| Gain on settlement of liabilities | - | (201,778) |
| Gain on equity method investment - Centercom - former related party | 25,183 | 73,773 |
| Changes in operating assets and liabilities | | |
| (Increase) decrease in | | |
| Accounts receivable | (2,394,231) | (308,938) |
| Lifeline revenue - due from USAC | - | (9,169) |
| Inventory | 1,283,767 | (55,500) |
| Prepays | (239,400) | (816) |
| Increase (decrease) in | | |
| Accounts payable and accrued expenses | (957,443) | (851,492) |
| Accounts payable and accrued expenses - related party | (20,187) | - |
| Deferred revenue | 41,450 | 281,900 |
| Operating lease liability | (22,030) | (67,716) |
| Net cash used in operating activities | (3,323,556) | (3,435,354) |
| Investing activities | | |
| Purchase of property and equipment | (11,401) | (2,615) |
| Net cash used in investing activities | (11,401) | (2,615) |
| Financing activities | | |
| Proceeds from stock and warrants issued for cash | - | 1,510,000 |
| Proceeds from loans - related party | - | 1,255,000 |
| Proceeds from notes payable | 500,000 | 768,167 |
| Repayments on notes payable | (5,613) | (1,466,719) |

| | | | | | |
|---|--|----|-------------|----|-----------|
| Repayments on debt notes | | | | | |
| Proceeds from convertible notes | | | - | | 2,300,000 |
| Net cash provided by financing activities | | | 494,387 | | 4,366,448 |
| | | | | | |
| Net increase (decrease) in cash | | | (2,840,570) | | 928,479 |
| | | | | | |
| Cash - beginning of period | | | 6,283,496 | | 673,995 |
| | | | | | |
| Cash - end of period | | \$ | 3,442,926 | \$ | 1,602,474 |
| | | | | | |
| Supplemental disclosure of cash flow information | | | | | |
| Cash paid for interest | | \$ | 8,552 | \$ | - |
| Cash paid for income tax | | \$ | - | \$ | - |
| | | | | | |
| Supplemental disclosure of non-cash investing and financing activities | | | | | |
| | | | | | |
| Debt issue costs recorded in connection with notes payable | | \$ | 38,953 | \$ | - |
| Debt discount/issue costs recorded in connection with debt/derivative liabilities | | \$ | - | \$ | 2,038,635 |
| Right-of-use asset obtained in exchange for new operating lease liability | | \$ | - | \$ | 515,848 |
| Stock issued in connection with debt modification | | \$ | - | \$ | 108,931 |
| Stock issued under make-whole arrangement | | \$ | - | \$ | 90,401 |

Reconciliation of Net Income (loss) from Operations to EBITDA and Adjusted EBITDA

| | March 31, 2022 | | March 31, 2021 | |
|--|----------------|-------------|----------------|-------------|
| | (unaudited) | | (unaudited) | |
| Revenue | \$ | 21,141,372 | \$ | 10,988,948 |
| Cost of revenue (exclusive of depreciation and amortization) | | 18,507,741 | | 9,859,434 |
| General and administrative expenses | | 3,683,782 | | 3,237,684 |
| Loss from operations | \$ | (1,050,151) | \$ | (2,108,170) |
| Net loss to common stockholders | | (1,212,334) | | (4,815,431) |
| Interest expense | | 169,645 | | 599,635 |
| Depreciation and Amortization | | 169,278 | | 217,958 |
| EBITDA | \$ | (873,411) | | (3,997,838) |