

SurgePays Announces Third Quarter 2024 Financial Results

Migration of former ACP Subscribers to Lifeline Well Underway

BARTLETT, Tenn., Nov. 12, 2024 /PRNewswire/ -- SurgePays, Inc. (Nasdaq: SURG) ("SurgePays" or the "Company"), a bridging critical financial and connectivity gaps in underserved communities, today announced its financial results for the third quarter ended September 30, 2024.

Management Commentary

Chairman and CEO Brian Cox commented on the quarter's results, "We anticipated a challenging third quarter, and we seized it as an opportunity to reset, recalibrate, and accelerate. With every team member intensely focused, we're advancing toward becoming cash flow positive as quickly as possible. We are aligning sales, integration, and strategy to generate new revenue streams across each of our business segments. This quarter wasn't a setback but a setup, priming us for long-term, sustainable growth.

"In the third quarter of 2024, SurgePays reported \$4.8 million in sales, aligning with expectations for our first full quarter without Affordable Connectivity Funding (ACP) since mid-2021. Our Mobile Virtual Network Operator (MVNO) revenue was \$23,609 compared to \$30.2 million in the same quarter last year, reflecting the anticipated funding shift. Meanwhile, sales in our Prepaid Platform Services segment surged 69% to \$4.7 million, showcasing significant growth momentum.

"Gross profit (exclusive of depreciation and amortization) swung to a \$7.8 million loss in the third quarter from a \$10.5 million profit in the year-ago period due to our strategic decision to utilize our strong balance sheet to protect our previous ACP subscriber base and distribution network. With ACP funding ending, our immediate focus was on how to retain and preserve these hard-earned customers within the SurgePays ecosystem. We chose to temporarily self-fund our MVNO operations, prioritizing customer continuity while facilitating a seamless transition to Lifeline, another government-subsidized program. By maintaining connectivity for our low-income customers, we made a socially responsible and strategic choice that positions us well for potential long-term economic returns. We expect this decision to be both customer-centered and financially astute in the long run.

"Our recent Master Services Agreement with TerraCom, Inc., a licensed Lifeline provider, represents a pivotal step. This partnership allows us to migrate up to 280,000 subscribers to Lifeline, establishing a steady alternative subsidy channel. In tandem, our sales teams are now actively engaging new customers, reigniting growth initiatives, and leveraging our SurgePays platform's point-of-sale capabilities at convenience stores. While ACP remains uncertain, our subsidized revenue channel is robustly supported by the Lifeline program. The team and platform built for ACP is now enrolling thousands of Lifeline customers daily without distracting from our core business focus. This department has been overwhelmed and has had to hire additional employees for the sales onboarding team. Our team has now enrolled over 70,000 customers in the Lifeline program, and we believe our Lifeline subscribers potential can far outpace our highest ACP subscriber count.

"Meanwhile, our retail prepaid brand, LinkUp Mobile, has proved to be a more significant opportunity than initially anticipated, and to capture maximum market share, we moved decisively to secure a direct carrier connection. We anticipate this partnership will enable us to quickly generate hundreds of thousands of new subscribers and establish LinkUp Mobile as a formidable presence in the prepaid space.

"Our SurgePays Prepaid Top-ups platform is experiencing exponential growth as a critical element in store readiness for LinkUp Mobile activations. As a prerequisite to LinkUp activations, stores join our platform, which also facilitates prepaid reloads. This channel's monthly revenue growth has surged nearly 400% in just five months, reaching over \$2.2 million in monthly revenue — a trend we expect will continue as market demand intensifies.

"Our ClearLine Point of Sale (POS) SaaS platform is emerging as a high-potential asset within SurgePays. This advanced platform redefines the in-store customer experience by transforming POS terminals and customer-facing screens into interactive engagement tools. ClearLine's patent-pending application supports in-store marketing campaigns, loyalty enrollment, and QR code interactions, effectively replacing traditional posters with smart TVs for dynamic QR-code advertising and instant coupon redemptions. By enhancing revenue per store and elevating customer satisfaction, ClearLine offers retailers actionable insights, driving growth and loyalty. Following years of development, ClearLine is now ready for market deployment, and as it gains traction, we anticipate it will contribute meaningfully to consolidated revenues by Q1 2025.

"While we continue investing across our four business channels, we're also laying a robust foundation for rapid, sustainable growth. Recently, we opened a dedicated sales and operations center in El Salvador, a project over a year in the making and a strategic move in anticipation of growth across all our verticals. Nearly 100 experienced team members, previously outsourced, are now full-time SurgePays employees, bringing continuity and expertise essential for our ambitious expansion and product launches.

This new facility marks a pivotal evolution from our longstanding outsourcing strategy, which enhances customer relationships and maximizes sales opportunities.

"At SurgePays, we're driven by four pillars of success: team, product, distribution, and funding. With what I believe is the most seasoned team in prepaid wireless, a market-leading product suite, proprietary distribution channels, and \$24 million in cash, cash equivalents, and investments as of September 30, 2024, we're positioned to execute our growth strategy with precision. Over the next few months, we expect each of our four business segments to create a momentum that drives continuous growth and improvement, generating synergistic and scalable recurring revenue."

Third Quarter 2024 Results Conference Call

SurgePays management will host a webcast today at 5 p.m. ET / 2 p.m. PT to discuss these results.

The live webcast of the call can be accessed on the company's investor relations website at ir.surgepays.com, or by registering at the following link [Third Quarter Results Call](#).

Telephone access to the call will be available at 877-545-0320 (in the U.S.) or by dialing 973-528-0002 (outside the U.S.). Participant access code is 801757.

A telephone replay will be available approximately one hour following completion of the call until November 26, 2024. To access the replay, please dial 877-481-4010 (in the U.S.) or 919-882-2331 (outside the U.S.). Replay passcode is 51609.

Share Repurchase Authorization

During the third quarter, SurgePays' board of directors authorized the company to repurchase up to \$5 million of common stock in the open market within six months from implementation of the program. The company repurchased \$485,131 of treasury shares in the third quarter.

About SurgePays, Inc.

SurgePays, Inc. is a technology and telecom company focused on the underbanked and underserved communities. SurgePays' technology-layered platform empowers clerks at over 8,000 convenience stores to provide a suite of prepaid wireless and financial products to underbanked customers. SurgePays prepaid wireless companies provide services to over 250,000 low-income subscribers nationwide. The company ranks as the 345th fastest-growing tech company in North America according to the 2023 Deloitte Technology Fast 500. Please visit [SurgePays.com](https://surgepays.com) for more information.

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 future 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," "attempting," 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 Management Commentary 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 including but not limited to, our plans to expand our prepaid wireless company and the stock buyback program, our ability to retain our subscribers on a free monthly plan subsidized by a sister program, our ability to obtain a company that has the license to subsidize our subscribers through a sister program and our expanded service and offerings. 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, whether the ACP is funded again, our ability to obtain a company that has the license to subsidize our subscribers through a sister program, statements about our future financial performance, including our revenue, cash flows, costs of revenue and operating expenses; our anticipated growth; and our predictions about our industry. 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, 2023. 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 Balance Sheets

September 30, 2024	December 31, 2023
(Unaudited)	

Assets

Current Assets			
Cash and cash equivalents	\$	13,651,559	\$ 14,622,060
Investments		10,068,506	-
Accounts receivable - net		1,513,996	9,536,074
Inventory		8,363,138	9,046,594
Prepays and other		312,679	161,933
Total Current Assets		<u>33,909,878</u>	<u>33,366,661</u>
Construction-in-process		518,189	-
Property and equipment - net		158,092	361,841
Other Assets			
Note receivable		176,851	176,851
Intangibles - net		1,636,339	2,126,470
Internal use software development costs - net		372,303	539,424
Goodwill		4,166,782	1,666,782
Investment in CenterCom		498,273	464,409
Operating lease - right of use asset - net		62,786	387,869
Deferred income taxes - net		-	2,835,000
Total Other Assets		<u>6,913,334</u>	<u>8,196,805</u>
Total Assets	<u>\$</u>	<u>41,499,493</u>	<u>\$ 41,925,307</u>

Liabilities and Stockholders' Equity

Current Liabilities			
Accounts payable and accrued expenses	\$	3,173,968	\$ 6,439,120
Accounts payable and accrued expenses - related party		462,376	1,048,224
Accrued income taxes payable		100,000	570,000
Deferred revenue		-	20,000
Operating lease liability		50,415	43,137
Note payable - related party		1,647,491	4,584,563
Total Current Liabilities		<u>5,434,250</u>	<u>12,705,044</u>
Long Term Liabilities			
Note payable - related party		2,303,989	-
Notes payable - SBA government		472,135	460,523
Operating lease liability		13,132	356,276
Total Long Term Liabilities		<u>2,789,256</u>	<u>816,799</u>
Total Liabilities		<u>8,223,506</u>	<u>13,521,843</u>
Stockholders' Equity			
Common stock, \$0.001 par value, 500,000,000 shares authorized			
19,931,549 shares issued and 19,650,779 shares outstanding, respectively, at September 30, 2024			
14,403,261 shares issued and outstanding at December 31, 2023			
Additional paid-in capital		19,935	14,404
Treasury stock - at cost (280,770 and 0 shares, respectively)		74,725,651	43,421,019
Accumulated deficit		(485,131)	-
Stockholders' equity		(41,102,720)	(15,186,203)
Non-controlling interest		33,157,735	28,249,220
Total Stockholders' Equity		<u>118,252</u>	<u>154,244</u>
Total Liabilities and Stockholders' Equity	<u>\$</u>	<u>41,499,493</u>	<u>\$ 41,925,307</u>

SurgePays, Inc. and Subsidiaries Consolidated Statements of Operations (Unaudited)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2024	2023	2024	2023
Revenues	\$ 4,769,697	\$ 34,160,834	\$ 51,284,531	\$ 104,823,710
Costs and expenses				
Cost of revenues	12,602,057	23,680,247	54,377,300	76,622,912
General and administrative expenses	6,448,402	3,389,015	20,312,185	10,201,663
Total costs and expenses	<u>19,050,459</u>	<u>27,069,262</u>	<u>74,689,485</u>	<u>86,824,575</u>
Income (loss) from operations	<u>(14,280,762)</u>	<u>7,091,572</u>	<u>(23,404,954)</u>	<u>17,999,135</u>
Other income (expense)				
Interest expense	(112,814)	(130,335)	(362,119)	(478,928)
Loss on lease termination - net	(194,862)	-	(194,862)	-
Other income	239	-	637,107	-
Interest income	183,537	-	183,537	-
Unrealized gains - investments	38,292	-	38,292	-
Dividends, interest and other income - investments	86,626	-	86,626	-
Gain on investment in CenterCom	-	51,894	33,864	95,636
Total other income (expense) - net	<u>1,018</u>	<u>(78,441)</u>	<u>422,445</u>	<u>(383,292)</u>
Net income (loss) before provision for income taxes	<u>(14,279,744)</u>	<u>7,013,131</u>	<u>(22,982,509)</u>	<u>17,615,843</u>
Provision for income tax benefit (expense)	<u>-</u>	<u>-</u>	<u>(2,970,000)</u>	<u>-</u>
Net income (loss) including non-controlling interest	<u>(14,279,744)</u>	<u>7,013,131</u>	<u>(25,952,509)</u>	<u>17,615,843</u>

Non-controlling interest	(4,397)	(71,170)	(35,992)	19,209
Net income (loss) available to common stockholders	<u>\$ (14,275,347)</u>	<u>\$ 7,084,301</u>	<u>\$ (25,916,517)</u>	<u>\$ 17,596,634</u>
Earnings per share - attributable to common stockholders				
Basic	\$ (0.73)	\$ 0.50	\$ (1.37)	\$ 1.24
Diluted	<u>\$ (0.73)</u>	<u>\$ 0.49</u>	<u>\$ (1.37)</u>	<u>\$ 1.19</u>
Weighted average number of shares outstanding - attributable to common stockholders				
Basic	19,689,010	14,291,263	18,940,689	14,205,127
Diluted	<u>19,689,010</u>	<u>14,507,984</u>	<u>18,940,689</u>	<u>14,740,201</u>

SurgePays, Inc. and Subsidiaries
Consolidated Statements of Changes in Stockholders' Equity
For the Three and Nine Months Ended September 30, 2024
(Unaudited)

	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Treasury Stock		Non-Controlling Interest	Total Stockholders' Equity
	Shares	Amount			Shares	Amount		
December 31, 2023	14,403,261	\$ 14,404	\$ 43,421,019	\$ (15,186,203)	\$ -	\$ -	\$ 154,244	\$ 28,403,464
Stock issued for cash	3,080,356	3,081	17,246,913	-	-	-	-	17,249,994
Cash paid as direct offering costs	-	-	(1,395,000)	-	-	-	-	(1,395,000)
Exercise of warrants - cash	1,860,308	1,861	8,797,396	-	-	-	-	8,799,257
Exercise of warrants - cashless	40,238	41	(41)	-	-	-	-	-
Stock issued for services	47,386	48	411,692	-	-	-	-	411,740
Recognition of stock based compensation - unvested shares - related parties	-	-	1,497,417	-	-	-	-	1,497,417
Recognition of stock-based compensation - related party	-	-	6,196	-	-	-	-	6,196
Non-controlling interest	-	-	-	-	-	-	(12,164)	(12,164)
Net income	-	-	-	1,224,595	-	-	-	1,224,595
March 31, 2024	19,431,549	19,435	69,985,592	(13,961,608)	-	-	142,080	56,185,499
Recognition of stock based compensation - unvested shares - related parties	-	-	2,981,577	-	-	-	-	2,981,577
Non-controlling interest	-	-	-	-	-	-	(19,431)	(19,431)
Net loss	-	-	-	(12,865,765)	-	-	-	(12,865,765)
June 30, 2024	19,431,549	19,435	72,967,169	(26,827,373)	-	-	122,649	46,281,880
Recognition of stock based compensation - unvested shares - related parties	500,000	500	1,758,482	-	-	-	-	1,758,982
Treasury shares repurchased (share buy-backs)	-	-	-	-	280,770	(485,131)	-	(485,131)
Non-controlling interest	-	-	-	-	-	-	(4,397)	(4,397)
Net loss	-	-	-	(14,275,347)	-	-	-	(14,275,347)
September 30, 2024	19,931,549	\$ 19,935	\$ 74,725,651	\$ (41,102,720)	280,770	\$ (485,131)	\$ 118,252	\$ 33,275,987
Per TB/ISL	19,931,549	\$ 19,935	\$ 74,725,651	\$ (41,102,720)		\$ (485,131)	\$ 118,252	
Difference	<u>-</u>	<u>-</u>	<u>-</u>	<u>(0)</u>	<u>-</u>	<u>-</u>	<u>0</u>	<u>33,275,987</u>

SurgePays, Inc. and Subsidiaries
Consolidated Statements of Cash Flows
(Unaudited)

	For the Nine Months Ended September 30,	
	2024	2023
Operating activities		
Net income (loss) - including non-controlling interest	\$ (25,952,509)	\$ 17,615,843
Adjustments to reconcile net income (loss) to net cash provided by (used in) operations		
Depreciation and amortization	693,880	701,279
Amortization of right-of-use assets	70,857	32,426
Amortization of internal use software development costs	167,121	96,795
Stock issued for services	411,740	874,284
Recognition of stock based compensation - unvested shares - related parties	6,237,976	-

Recognition of share based compensation - options - related party	6,196	27,882
Interest expense adjustment - SBA loans	19,750	-
Right-of-use asset lease payment adjustment true up	(148,584)	-
Gain on equity method investment - CenterCom	(33,864)	(95,637)
Cash paid for lease termination	(212,175)	-
Loss on lease termination - net	194,862	-
Changes in operating assets and liabilities		
(Increase) decrease in		
Accounts receivable	8,022,078	(544,063)
Inventory	683,456	(3,363,165)
Prepays and other	(150,746)	(86,355)
Deferred income taxes - net	2,835,000	-
Increase (decrease) in		
Accounts payable and accrued expenses	(5,765,152)	1,048,750
Accounts payable and accrued expenses - related party	(86,857)	(726,163)
Accrued income taxes payable	(470,000)	-
Installment sale liability - net	-	(7,097,838)
Deferred revenue	(20,000)	(125,110)
Operating lease liability	84,257	(29,230)
Net cash provided by (used in) operating activities	(13,412,714)	8,329,698
Investing activities		
Advances made for construction-in-process costs	(518,189)	-
Capitalized internal use software development costs	-	(281,304)
Purchase of investments - net	(10,068,506)	-
Net cash used in investing activities	(10,586,695)	(281,304)
Financing activities		
Proceeds from stock issued for cash	17,249,994	-
Proceeds from exercise of common stock warrants	8,799,257	207,240
Cash paid as direct offering costs	(1,395,000)	-
Repayments of loans - related party	(1,132,074)	(1,017,385)
Repayments on notes payable	-	(1,531,478)
Repayments on notes payable - SBA government	(8,138)	(10,976)
Treasury shares repurchased (share buy-backs)	(485,131)	-
Net cash provided (used in) by financing activities	23,028,908	(2,352,599)
Net increase (decrease) in cash and cash equivalents	(970,501)	5,695,795
Cash and cash equivalents - beginning of period	14,622,060	7,035,654
Cash and cash equivalents - end of period	\$ 13,651,559	\$ 12,731,449
Supplemental disclosure of cash flow information		
Cash paid for interest	\$ 372,579	\$ 209,840
Cash paid for income tax	\$ -	\$ -
Supplemental disclosure of non-cash investing and financing activities		
Reclassification of accrued interest - related party to note payable - related party	\$ 498,991	\$ -
Exercise of warrants - cashless	\$ 41	\$ -
Termination of ROU operating lease assets and liabilities	\$ 309,826	\$ -
Right-of-use asset obtained in exchange for new operating lease liability	\$ 98,638	\$ -
Goodwill (ClearLine Mobile, Inc.)	\$ 2,500,000	\$ -

SOURCE SurgePays

For further information: Investors: ir@surgepays.com; Media Contacts, Henry Feintuch / Doug Wright, Feintuch Communications, surgepays@feintuchpr.com, +646-753-5710 / +646-753-5711