

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)