# SurgePays Announces Second Quarter 2024 Financial Results

\$5 Million Share Repurchase Authorized

BARTLETT, Tenn., Aug. 13, 2024 /PRNewswire/ -- 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 second quarter ended June 30, 2024.

#### **Management Commentary**

Chairman and CEO Brian Cox commented on the quarter's results, "The second quarter of 2024 begins a transition phase for SurgePays. ACP funding has run out and there is no guarantee it will return. Fortunately, in the first quarter we shored up our balance sheet and began implementing growth initiatives outside of the ACP program to continue to pursue our strategic goal of being one of the country's largest providers of prepaid wireless and underbanked financial technology services.

"Second quarter sales of \$15.1 million were about as expected, but were well below the first quarter 2024 revenues of \$31.4 million and the year ago second quarter 2023 revenues of \$35.9 million due to the ending of the government's ACP funding in mid-May, which we knew was coming. Both the first quarter of 2024 and the second quarter of 2023 had full ACP funding.

"Gross profits in the 2024 second quarter were a loss of (\$3.4) million compared to a profit of \$10.0 million in the year ago quarter as the original ACP funding ran out mid-quarter. Additionally, we made the strategic decision to have our balance sheet take on the funding to maintain continuity within our subscriber base for three main reasons:

- 1. Congress could renew the ACP program at any time, and if we terminated service, we would have to go out and re-acquire customers from a standing start, which would cost tens of millions of dollars.
- 2. If Congress delayed or didn't fund the program, we had plan B to acquire a company with licenses to provide a similar wireless subsidy and offer our subscribers the option to remain on a free monthly plan subsidized by a sister program. This is in conjunction with incentivizing customers to switch to LinkUp Mobile, our non-subsidized prepaid wireless brand.
- 3. We know how critical broadband service is in everybody's life, and we believe it was simply the right thing to do.

"We are in a transition phase and are looking to get back to generating positive free cash flow by the end of this year through the following initiatives:

- 1. Continue to grow our ACP revenue stream should Congress begin funding it again.
- 2. Offer our ACP subscriber base a free monthly service plan utilizing the Lifeline program while enticing customers with a cost-saving LinkUp Mobile prepaid wireless
- 3. Scaling up our third-party wholesale transactions for other prepaid wireless company payments at convenience stores. We believe this initiative is necessary because it is a relationship gateway product for LinkUp Mobile activations and subscriber growth.
- 4. Expand our offerings outside of wireless. For instance, we recently launched our ClearLine customer engagement platform for convenience stores at last month's RetailNOW Conference in Las Vegas.
- 5. Expand product and service offerings to the same nationwide network of convenience stores we are building by exploring and executing prospective partnering or product distribution opportunities.
- 6. Identify unique market opportunities that represent potential positive short-term cash flow.

"As we said last quarter, we knew that the ACP funding could run out, and we are not waiting around for Congress to provide additional funding. Many initiatives are underway to expand SurgePays's footprint among the underbanked and underserved, who remain our key customers. We recognize that the expiration of ACP funding has adversely impacted our business and stock price. Therefore, we feel it's an opportune time to announce a corporate stock buyback so our long-term investors know our interests are aligned. Until December 31, 2024, we will implement a buyback of up to\$5 million (the "Maximum Amount") of SurgePays common stock in the open market. Repurchases may be made from time to time at management's discretion. The program will end upon the earlier of 6 months after the commencement of the program or the date upon which the Maximum Amount has been purchased and can be discontinued at any time. No shares have been repurchased under the program to date. There can be no assurance as to the timing or number of shares of any repurchases."

#### Second Quarter 2024 Results Conference Call

SurgePays management will host a webcast at5 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: Second Quarter Financial 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 650138.

A telephone replay will be available approximately one hour following completion of the call until August 27, 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 51057.

#### **Share Repurchase Authorization**

As indicated above, SurgePays's board of directors has authorized the company to repurchase up to\$5 million of common stock through the open market untilDecember 31, 2024.

### 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 <a href="SurgePays.com">SurgePays.com</a> 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 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," "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

	30-Jun-24	31-Dec-23
	(Unaudited)	3. 200 20
Assets		
Current Assets	Ф 00 404 F00	Ф 14 COO OCO
Cash	\$ 38,434,580	
Accounts receivable - net Inventory	1,412,177 8,363,434	9,536,074 9,046,594
Prepaids and other	507,927	161,933
Total Current Assets	48,718,118	33,366,661
Property and equipment - net	221,075	361,841
Other Assets		
Nata rassiushla	176 051	176 051
Note receivable Intangibles - net	176,851 1,799,716	176,851 2,126,470
Internal use software development costs - net	428,010	539,424
Goodwill	4,166,782	1,666,782
Investment in CenterCom	498,273	464,409
Operating lease - right of use asset - net	396,475	387,869
Deferred income taxes - net	390,473	2,835,000
Total Other Assets	7,466,107	8,196,805
Total Assets	\$ 56,405,300	\$ 41,925,307
Liabilities and Stockholders' Equity		
Current Liabilities		
Accounts payable and accrued expenses	\$ 4,297,557	\$ 6,439,120
Accounts payable and accrued expenses - related party	499,853	1,048,224
Accounts payable and accorded expenses - related party  Accrued income taxes payable	100,000	570,000
Deferred revenue	100,000	20,000
	96,332	43,137
Operating lease liability	1,606,654	4,584,563
Note payable - related party  Total Current Liabilities	6,600,396	12,705,044
Total Current Liabilities	6,600,396	12,705,044
Long Term Liabilities	0.700.700	
Note payable - related party	2,730,796	-
Notes payable - SBA government	474,758	460,523
Operating lease liability  Total Long Term Liabilities	317,470	356,276 816,799
Total Long Term Liabilities	3,323,024	010,733
Total Liabilities	10,123,420	13,521,843
Stockholders' Equity		
Common stock, \$0.001 par value, 500,000,000 shares authorized 19,431,549 and 14,403,261 shares issued and outstanding, respectively	-	14,404
Additional paid-in capital	72,967,169	43,421,019
Accumulated deficit	(26,827,373	(15,186,203
Stockholders' equity	46,159,231	28,249,220
Non-controlling interest	122,649	154,244
Total Stockholders' Equity	46,281,880	28,403,464
Total Liabilities and Stockholders' Equity	\$ 56,405,300	\$ 41,925,307

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

	For the Three Months Ended June 30,			For the Six Months Ended June				
		2024		2023		2024		2023
Revenues	\$	15,085,699	\$	35,886,433	\$	46,514,834	\$	70,662,876
Costs and expenses								
Cost of revenues		18,528,774		25,860,705		41,775,243		52,942,665
General and administrative expenses		7,432,978		3,823,227		13,863,783		6,812,648

Total costs and expenses		25,961,752	-	29,683,932		55,639,026		59,755,313
Income (loss) from operations		(10,876,053)		6,202,501		(9,124,192)		10,907,563
Other income (expense)							-	
Interest expense		(116,722)		(156,267)		(249,305)		(348,593
Other income		636,868		-		636,868		-
Gain on investment in CenterCom		17,711		10,713		33,864		43,742
Total other income (expense) - net		537,857		(145,554)		421,427		(304,851
Net income (loss) before provision for income taxes		(10,338,196)		6,056,947		(8,702,765)		10,602,712
Provision for income tax benefit (expense)		(2,547,000)		-		(2,970,000)	-	-
Net income (loss) including non-controlling interest		(12,885,196)		6,056,947		(11,672,765)		10,602,712
Non-controlling interest		(19,431)		90,955		(31,595)		90,379
Net income (loss) available to common stockholders	\$	(12,865,765)	\$	5,965,992	\$	(11,641,170)	\$	10,512,333
Earnings per share - attributable to common stockho	lders	<b>S</b>						
Basic	\$	(0.66)	\$	0.42	\$	(0.63)	\$	0.74
Diluted	\$	(0.66)	\$	0.4	\$	(0.63)	\$	0.71
Weighted average number of shares outstanding - at	tribut	table to commo	n stoo	kholders				
Basic		19,431,549		14,191,083		18,562,416		14,154,163
Diluted		19,431,549		15,076,466	_	18,562,416		14,811,785
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The accompanying notes are an integral part of these unaudited consolidated financial statements

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

	Common	Stock	Additional Paid-in	Accumulated	Non-Controlling	Total Stockholders'	
	Shares	Amount	Capital	Deficit	Interest	Equity	
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 part	ies -	-	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 part	ies -	-	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	

# (Unaudited)

	Common	Stock	Additional Paid-in	Accumulated	Non-Controlling	Total Stockholders'	
	Shares	Amount	Amount Capital Deficit		Interest	Equity	
December 31, 2022	14,116,832	\$ 14,117	\$ 40,780,707	\$ (35,804,106)	\$ 127,535	\$ 5,118,253	
Stock issued for services	60,082	60	307,398	-	-	307,458	
Recognition of stock based compensation - stock options	-	-	9,294	-	-	9,294	
Non-controlling interest	-	-	-	-	(576)	(576	
Net income			-	4,546,341		4,546,341	
March 31, 2023	14,176,914	14,177	41,097,399	(31,257,765)	126,959	9,980,770	
Stock issued for services	64,927	65	311,121	-	-	311,186	
Recognition of stock based compensation - stock options	-	-	9,294	-	-	9,294	
Exercise of warrants for cash	43,814	44	207,196	-	-	207,240	
Non-controlling interest	-	-	-	-	90,955	90,955	
Net income			-	5,965,992		5,965,992	
June 30, 2023	14,285,655	\$ 14,286	\$ 41,625,010	\$ (25,291,773)	\$ 217,914	\$ 16,565,437	

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

	For the Six Months Ended June 30,			
		2024		2023
Operating activities				
Net income (loss) - including non-controlling interest	\$	(11,672,765)	\$	10,602,712
Adjustments to reconcile net income (loss) to net cash provided by (used in) operation		(,0.2,.00)	Ψ	.0,002,2
Depreciation and amortization		467,520		467,519
Amortization of right-of-use assets		46,995		21,494
Amortization of internal use software development costs		111,414		64,530
Stock issued for services		411,740		618,644
Recognition of stock based compensation - unvested shares - related parties		4,478,994		-
Recognition of share based compensation - options - related party		6,196		18,588
Interest expense adjustment - SBA loans		19,750		-
Right-of-use asset lease payment adjustment true up		(97,346)		-
Gain on equity method investment - CenterCom		(33,864)		(43,742
Changes in operating assets and liabilities		, , ,		, ,
(Increase) decrease in				
Accounts receivable		8,123,897		(1,059,014
Inventory		683,160		(6,900,674
Prepaids and other		(345,994)		(56,131
Deferred income taxes - net		2,835,000		-
Increase (decrease) in				
Accounts payable and accrued expenses		(4,641,563)		(1,351,218
Accounts payable and accrued expenses - related party		(49,380)		(270,665
Accrued income taxes payable		(470,000)		-
Installment sale liability - net		-		(1,668,744
Deferred revenue		(20,000)		(199,910
Operating lease liability		56,134		(19,329
Net cash provided by (used in) operating activities		(90,112)		224,060
Investing activities				
Capitalized internal use software development costs		_		(281,304
Net cash used in investing activities				(281,304
Net cash used in investing activities				(201,304
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		(746,104)		(467,385
Repayments on notes payable		-		(1,520,954
Repayments on notes payable - SBA government		(5,515)		(9,213
Net cash provided (used in) by financing activities		23,902,632		(1,790,312

Cash - end of period \$ 38,4  Supplemental disclosure of cash flow information Cash paid for interest \$ 5  Cash paid for income tax  Supplemental disclosure of non-cash investing and financing activities	ise (decrease) in cash 23,812,520	(1,847,556
Supplemental disclosure of cash flow information  Cash paid for interest  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	ginning of period 14,622,060	7,035,654
Cash paid for interest 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	d of period \$ 38,434,580 \$	5,188,098
Reclassification of accrued interest - related party to note payable - related party	for interest \$ 259,765 \$	209,840
The state of the s	ental disclosure of non-cash investing and financing activities	
Right-of-use asset obtained in exchange for new operating lease liability  Goodwill (ClearLine Mobile, Inc.)  \$ 2,1	f warrants - cashless se asset obtained in exchange for new operating lease liability  \$ 98,638 \$	- - -

The accompanying notes are an integral part of these unaudited consolidated financial statements

# SOURCE SurgePays

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