

SurgePays Announces Full Year 2021 Financial Results

Bartlett, TN, March 24, 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 year ended December 31, 2021.

Full Year 2021 Financial Highlights

- Revenue of \$51.1 million in 2021 compared to \$54.4 million in 2020
- Gross profit of \$6.2 million in 2021 compared to \$2.5 million in 2020. Gross margin improved to 12.1% in 2021 compared to 4.5% in the prior year.
- Net loss of SurgePays of \$(13.5) million in 2021 compared to a loss of \$(10.7) million in 2020.
- Adjusted EBITDA loss of \$(3.9) million in 2021 compared to a loss of \$(8.1) million in 2020.
- Strong balance sheet with unrestricted cash and cash equivalents of \$6.3 million as of December 31, 2021.

Commenting on the progress in the business, Chairman and CEO Brian Cox stated, "I'm extremely proud of the work we accomplished in 2021 including our capital raise and uplist to the Nasdaq Market. We made strategic decisions in 2021 to rationalize our customer base and product offering to focus on profitable customers rather than driving a higher store count. This is evident in 2021 revenue that was slightly down but improved margins.

"Additionally, we seized upon the opportunity presented to us by the Affordable Connectivity Program (ACP), to connect millions of Americans with affordable mobile broadband access. The significant investments made to establish this program required upfront equipment purchases, but we are now producing positive cash flow from our subscriber base. We expect the growth of this program to drive significant revenue growth, substantially higher margins and produce positive EBITDA in 2022. The growth in this business was extraordinary in the five months it was live in 2021 and we expect the momentum to continue throughout 2022."

Mr. Cox Continued: "As we have enhanced our offering 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."

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 4:30 p.m. ET / 1:30 p.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 Thursday, April 7, 2022, by dialing 1-844-512-2921 (United States) or 1-412-317-6671 (International) and entering the replay pin number: 13728105.

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 in the cloud communications industry 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 also 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 the growth in the ACP to drive significant revenue growth, substantially higher margins and produce positive EBITDA in 2022 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, 2020. 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

	December 31, 2021	December 31, 2020
<u>Assets</u>		
Current Assets		
Cash	\$ 6,283,496	\$ 673,995
Accounts receivable - net	3,249,889	180,499
Lifeline revenue - due from USAC	-	212,621
Inventory	4,359,296	178,309
Prepays	-	5,605
Total Current Assets	13,892,681	1,251,029
Property and equipment - net	200,448	236,810
Other Assets		
Note receivable	176,851	-
Intangibles - net	3,433,484	4,125,742
Goodwill	866,782	866,782
Investment in Centercom - related party	443,288	414,612
Operating lease - right of use asset - net	486,668	368,638
Other	-	61,458

Total Other Assets		5,407,073		5,837,232
Total Assets	\$	19,500,202	\$	7,325,071
<u>Liabilities and Stockholders' Deficit</u>				
Current Liabilities				
Accounts payable and accrued expenses	\$	6,602,577	\$	6,827,487
Accounts payable and accrued expenses - related party		1,389,798		1,753,837
Deferred revenue		276,250		443,300
Operating lease liability		49,352		210,556
Line of credit		-		912,870
Loans payable - related parties		1,553,799		2,389,000
Notes payable - SBA government		126,418		-
Notes payable - net		-		250,000
Convertible notes payable - net		-		1,516,170
Derivative liabilities		-		1,357,528
Total Current Liabilities		9,998,194		15,660,748
Long Term Liabilities				
Loans payable - related parties		4,507,017		1,100,440
Notes payable - SBA government		1,004,767		1,134,682
Operating lease liability		438,903		155,167
Total Long Term Liabilities		5,950,687		2,390,289
Total Liabilities		15,948,881		18,051,037
Commitments and Contingencies (Note 8)		-		-
Stockholders' Equity (Deficit)				
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
Series C, Convertible Preferred stock, \$0.001 par value, 1,000,000 shares authorized, 0 and 721,598 shares issued and outstanding, respectively		-		722
Preferred stock				
Common stock, \$0.001 par value, 500,000,000 shares authorized 12,063,834 and 2,542,624 shares issued and outstanding, respectively		12,064		2,543
Additional paid-in capital		38,662,340		10,862,708
Accumulated deficit		(35,123,343)		(21,592,199)
Total Stockholders' Equity (Deficit)		3,551,321		(10,725,966)
Total Liabilities and Stockholders' Equity (Deficit)	\$	19,500,202	\$	7,325,071