



SurgePays, Inc.

Initiating Coverage with BUY and \$7 Target

Strong growth potential for its retail, telecom, and fintech products for retailers in the underbanked community. We expect high growth and spin-off over the next year to be positive for stock.

Initiating with BUY: We are initiating coverage of SurgePays with a BUY rating and a 12-month price target of \$7.00. SurgePays is a technology company that offers retail, telecom, and fintech products for retailers in the underbanked community.

Focused on large growth opportunities: The company is meeting the needs of underserved markets by offering financial technology, telecommunications, and retail products for customers at local retailers in their communities. It offers prepaid wireless and underbanked financial products and services, along with popular consumer goods, to retail merchants (mainly operators of convenience stores (C-stores)) that address the needs of store customers nationwide.

Large market potential: There are ~68 million adults in the U.S. that are underbanked. Many of these adults are conveniently located near C-stores where they can shop and acquire telecom and fintech products. This represents a significant market opportunity for SurgePays's telecom and fintech products, as well as its distribution products.

Strong EBB growth: The company recently reported very strong Q4 revenues for its EBB program of ~\$6.0 million, which is up significantly from Q3 revenues of ~\$1.2 million. SurgePays's mobile broadband business has gone from zero to nearly \$3 million in monthly revenue in less than six months (when the program originally launched in August 2021). SurgePays expects strong EBB growth in 2022 with a goal of achieving over 200,000 subscriber activations (up from 30,000 subscribers at the end of December 2021).

Spin-off to unlock value: In February 2021, the company filed a Form S-1 registration statement with the SEC for the planned sale of ~25% of LogicsIQ shares to the public (IPO). LogicsIQ will remain a majority-owned subsidiary of SurgePays. The exact details and timing of the spinoff/IPO will be determined later. The company believes that both SurgePays and LogicsIQ will, as separate public companies, be better positioned to deliver long-term growth and maximize stockholder value.

Growth is key: We believe that the biggest potential variable and challenge to our financial model is the ability of the company to successfully develop, market, and grow its EBB, LogicsIQ, and ECS platforms. For 2022, we expect strong revenue growth of +20% (y-o-y) to \$60 million.

However, challenges exist: SurgePays operates in a highly competitive environment and competes against a wide range of other technology and retail companies. The areas of technologies that SurgePays competes in are constantly changing and improving, so this requires SurgePays to constantly invest in its technology and products. If SurgePays is unable to keep its products innovative and useful, it may find its products and technologies obsolete.

Positive high risks versus rewards: Overall, concerns outweighed by growth prospects and valuation. We believe the demand for SurgePays's retail and fintech products and services will grow fueled by continued strong industry growth and advances in these industries. We believe the ~billion dollars market potentials presents high rewards for the risks.

Current valuation attractive: We calculate a 12-month price target for shares of SurgePays to be \$7.00 based on a NPV analysis, representing significant upside from the current share price. We believe this valuation appropriately balances out the company's high risks with the company's high growth prospects and large upside opportunities.

Company Description

SurgePays, based in Bartlett, TN, is a technology company that offers retail, telecom, and fintech products for retailers in the underbanked community.

United States
Technology

January 24, 2022

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COVERAGE INITIATION

Rating: **BUY**

Ticker: SURG

Price: \$3.07

Target: \$7.00

Stock Data

Exchange:	NasdaqCM
52-week Range:	1.76 –28.50
Shares Outstanding (million):	12
Market cap (\$million):	\$37
EV (\$million):	\$29
Debt (\$million):	\$11
Cash (\$million):	\$19
Avg. Daily Trading Vol. (\$million):	\$4
Float (million shares):	7
Short Interest (million shares):	~0.2
Dividend, annual (yield):	\$0 (NA%)

Revenues (US\$ million)

	<u>2020A</u> (Cur.)	<u>2021E</u> (Cur.)	<u>2022E</u> (Cur.)
Q1 Mar	16A	11A	14E
Q2 Jun	15A	11A	15E
Q3 Sep	13A	15A	15E
Q4 Dec	<u>11A</u>	<u>13E</u>	<u>16E</u>
Total	54A	50E	60E
EV/Revs	0.5x	0.6x	0.5x

Earnings per Share (pro forma)

	<u>2020A</u> (Cur.)	<u>2021E</u> (Cur.)	<u>2022E</u> (Cur.)
Q1 Mar	(1.47)A	(1.85)A	(0.03)E
Q2 Jun	(1.14)A	(0.07)A	(0.00)E
Q3 Sep	(1.09)A	(0.51)A	0.02E
Q4 Dec	<u>(1.15)A</u>	<u>(0.04)E</u>	<u>0.03E</u>
Total	(5.02)A	(1.47)E	0.02E
P/E	N/A	N/A	154x

Important Disclosures

Ascendant Capital Markets LLC seeks to do business with companies covered by its research team. Consequently, investors should be aware that the firm may have a conflict of interest that could affect the objectivity of this report. Investors should consider this report as only a single factor in making an investment decision.

For analyst certification and other important disclosures, refer to the Disclosure Section, located at the end of this report, beginning on page 26.

Exhibit 1: SurgePays, Inc. Stock Price (5-Years)



Source: <https://bigcharts.marketwatch.com/>

INVESTMENT THESIS

We are initiating coverage of SurgePays with a BUY rating and a 12-month price target of \$7.00.

SurgePays, based in Bartlett, TN, is a technology company that offers retail, telecom, fintech, and software products for retailers in the underbanked community. The company is meeting the needs of underserved markets by offering financial technology, telecommunications, and retail products for customers at local retailers in their communities. It offers prepaid wireless and underbanked financial products and services, along with popular consumer goods, to retail merchants (mainly operators of convenience stores (C-stores)) that address the needs of store customers nationwide.

The SurgePays system is a fintech software platform that processes third-party prepaid wireless activations and top-ups, gift card activation and loads, and wireless SIM activation. It enables retailers to instantly add credit to any prepaid wireless customer's account for any carrier, providing the merchant commissioned transactions, increased foot traffic, and customer loyalty. Additionally, SurgePays offers an innovative supply-chain marketplace for convenience store, bodega, and tienda owners. Retailers can order many top selling products for their store, at a deeper wholesale discount than traditional distribution due to utilizing the Direct Store Delivery (DSD) model.

SurgePays was originally incorporated in August 2006, and in December 2016, the company acquired True Wireless, LLC, bringing in the current management team lead by Kevin Brian Cox. In December 2017, the company changed its name to Surge Holdings, Inc. to

better reflect the diversity of its business operations. The company changed its name to SurgePays, Inc. in October 2020 to reflect its focus on its SurgePays fintech platform.

In February 2021, the company filed a Form S-1 registration statement with the SEC for the planned sale of ~25% of LogicsIQ shares to the public (IPO). LogicsIQ will remain a majority-owned subsidiary of SurgePays. The exact details and timing of the spinoff/IPO, capital structure, and management teams will be determined later. The company believes that both SurgePays and LogicsIQ will, as separate public companies, be better positioned to deliver long-term growth and maximize stockholder value.

LogicsIQ is an enterprise software development company providing marketing business intelligence (“BI”), plaintiff lead generation, and case load management solutions for law firms representing plaintiffs in Mass Tort legal cases. LogicsIQ’s enterprise software and vertically integrated services are specifically targeted for the 150,000+ law firms in the U.S.

Exhibit 2: SurgePays, Inc. Corporate Overview

Company Overview

A technology-driven company building an innovative supply chain software platform that offers a complete suite of underbanked financial services and prepaid products in addition to wholesale goods to over 8,000 retail outlets

Revenue Model

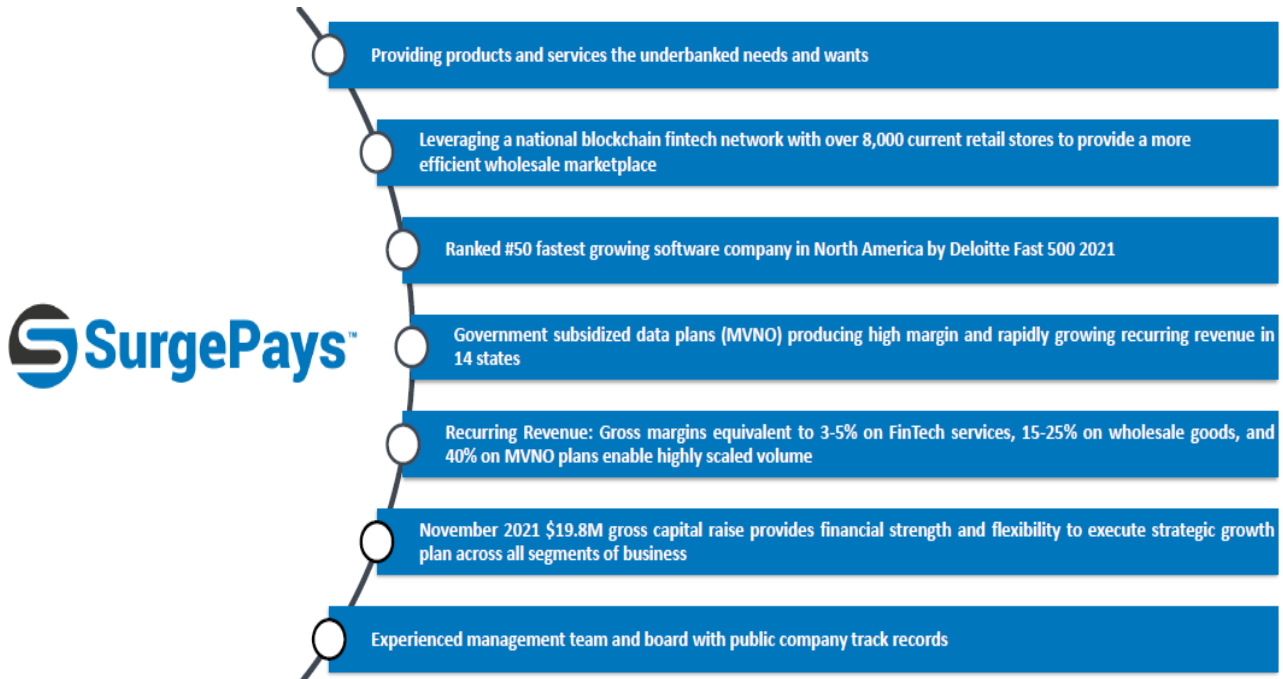
Multiple Revenue Streams

- **Fintech Transactions** - Prepaid Wireless payments, Gift Cards, Debit Card Loads and other services that are a part of our comprehensive underbanked suite for c-stores
- **Wholesale** - 3rd party products sold and distributed direct to c-stores through our blockchain software platform
- **MVNO Wireless Customers** - SurgePhone and LocoRabbit direct customer payments and subsidized EBB data services
- **LogicsIQ** – Deliver signed retainer clients to mass tort law firms through proprietary intake and CRM software



Source: Company reports.

Exhibit 3: SurgePays Investment Highlights



Source: Company reports.

Exhibit 4: Underbanked Market Opportunities

Addressable Market

68 Million Adults in the U.S. are Underbanked

- Residents of low-income neighborhoods visit c-stores five or more times per week due to proximity, convenience, and a lack of other stores in the neighborhood²
- Underbanked generally rely on local retailers to fill the financial services gap that leaves many families operating on a cash basis
- There are over 74,000,000 prepaid wireless subscribers in the U.S. with most paying for service (top-up) in person³
- Many c-store distributors have been doing business the same way for over 100 years and additionally do not serve Hispanic stores = primed for disruption
- Hispanic population has increased to more than 63.6 million representing over \$2 trillion in consumer spending power⁴
- Enabling independently owned stores to provide underbanked financial services to their community creates opportunities for upselling wholesale products






Source: Company reports.

SurgePays disrupts the current C-store wholesale product distribution model by leveraging blockchain technology to provide store owners a software platform interface, similar to an e-commerce marketplace, where they can order wholesale goods that will be shipped directly from the manufacturer. SurgePays offers independent store owners the ability to order wholesale products conveniently and efficiently at a lower cost than from traditional product distribution. Store owners realize a 10 - 15% lower price on the wholesale products they buy and can select from a wider variety of products from manufacturers nationwide. SurgePays's competitive edge is through its software platform, relationships, capacity, efficiency, economies of scale, and experience.

SurgePays also utilizes its blockchain fintech software platform to bring essential financial services and products (gift cards, wireless service, Emergency Broadband Benefit Program (EBB)) to the underbanked communities by targeting the stores that are most frequented by these customers.

SurgePays had strong revenue growth in Q3. In its Q3 2021 report (on November 16, 2021), the company reported revenues of \$15 million and net loss was \$1.7 million. Revenue was +14% (y-o-y) due to strong growth in its EBB and LogicsIQ businesses, which more than offset weakness in its ECS business.

The company does not provide specific quarterly financial guidance, but we believe that the company should continue to have high growth as it expands its products, customers, and technologies in 2022. The company has recently (on January 11, 2022) reported very strong Q4 revenues for its EBB program of ~\$6.0 million, which is up significantly from Q3 revenues of ~\$1.2 million. SurgePays's mobile broadband business has gone from zero to nearly \$3 million in monthly revenue in less than six months (when the program originally launched in August 2021). SurgePays expects strong EBB growth in 2022 with a goal of achieving over 200,000 subscriber activations (up from 30,000 subscribers at the end of December 2021).

For 2021, we expect revenues of \$50 million (-8% y-o-y) and net loss of \$7 million and EPS of \$(1.47). For 2022, we expect revenue of \$60 million (+20% y-o-y) and net income of ~\$0.3 million and EPS of \$0.02.

The company's balance sheet is solid with an estimated ~\$19 million in cash and \$11 million in debt as of December 2021. In November (its just completed Q4), the company raised \$20 million (selling 4.6 million shares at \$4.30/share). We believe the company has enough cash for its near term operational and strategic plans. In November 2021, the company's stock was uplisted to the Nasdaq Capital Market (from OTCQB).

Our investment thesis factors in an uncertain business and financial execution for its retail, telecom, fintech, and software products, a very competitive industry, uncertain macro environment, and balance sheet and investment uncertainties which is offset by the very large potential upside opportunities created from successful commercialization and growth. We believe that the current valuation for SurgePays has already factored in many of its risks (principally its ability to grow revenues and profitability and customers) but is under valuing its overall growth and product prospects, resulting in a positive risk versus reward scenario for an investment in SurgePays.

We believe the unlocking of value with the IPO spin-off of LogicsIQ will be a major catalyst for the stock. With major market opportunities and its current relative low share price valuation, we believe an investment in SurgePays presents favorable risk versus rewards for investors.

We believe the current valuation is attractive.

Based on our expectations and assumptions and our NPV analysis, we calculate a 12-month price target for shares of SurgePays to be \$7.00, representing significant upside from current share price. We believe this valuation appropriately balances out the company's high risks with the company's high growth prospects and large upside opportunities. We acknowledge that SurgePays is still at an early stage in its product development, commercialization, and growth, but we believe key sales and financial milestones over the next year should be positive catalysts for the stock.

INVESTMENT RISKS

Growth and Commercialization Risks

SurgePays's goal is to increase the operational and financial growth and profitability of its main businesses. The company on an overall basis will need to increase awareness to its target markets and to demonstrate superiority (more effective, lower costs, and/or better technologies) of its technologies and services. The markets for telecom, fintech, distribution, and technology software are characterized by high competition, frequent technological developments and innovations, new product and services, and evolving technology industry standards. This will require SurgePays to develop its technologies, services, expertise and reputation, and continue to improve the effectiveness and ease of use of its technologies and services. While the market opportunities are large, there are always significant risks to grow (add new customers) and commercialize new products (grow or maintain revenue per customers).

Competition

SurgePays operates in a highly competitive environment and competes against a wide range of other technology and distribution companies that are attempting to replicate or have better technologies and operations than the company's main distribution, fintech, and telecom products, and software technologies. Although SurgePays believes that its products and services are superior to competing products and technologies, there are always the possibility of new entrants or difficulties with existing competition. SurgePays competes primarily with very large technology and distribution companies but also many new and well capitalized entrants in many of its businesses. Many of these competitors are much larger, have greater resources, very large customer base, and proprietary technology; which could result in lower projected sales for SurgePays and at higher costs, reduced margins, and lowered profitability for the company.

Regulatory Risks

SurgePays's telecom and fintech products are heavily regulated by the FCC and other federal, state and local agencies. These regulators frequently restrict or impose conditions on the company's ability to operate in designated areas and to provide certain products or services. SurgePays provides Emergency Broadband Benefit ("EBB") programs, telecom retail products, and fintech products, all of which are highly regulated, have high privacy and security requirements, and have strict rules to be able to participate in them. If SurgePays experiences any problems or violations, the company may be unable to continue these businesses or may have significantly higher costs to maintain them.

Technology Risks

Technologies are constantly changing and improving due to new technologies and changing business and consumer demands. This requires a company like SurgePays to constantly invest in its technology and products. This is much more the case for SurgePays since the company is relatively small and it is actively focused on fintech which has rapidly changing technologies. Technologies and products are still being established and there are numerous various viable business platforms being developed. If SurgePays is unable to keep its products innovative and useful, it may find its technologies and products obsolete.

Spin-off Risks

In February 2021, SurgePays filed a Form S-1 registration statement with the SEC for the planned sale of ~25% of LogicsIQ shares to the public (IPO). LogicsIQ will remain a majority-owned subsidiary of SurgePays. The exact details and timing of the spinoff/IPO, capital structure, and management teams will be determined later. The company believes that both SurgePays and LogicsIQ will, as separate public companies, be better positioned to deliver long-term growth and maximize stockholder value. However, if SurgePays were to experience difficulties with the spin-off or if either of the two companies (post spin-off) were to face difficulties in its business, then it would have a material negative impact on its business and financials (particularly in the near term). This may negatively impact current shareholders of SurgePays as well as any uncertainties and volatility in valuations in regards to the planned spin-off.

Coronavirus and Economic Uncertainties

General technology spending tends to be correlated with economic activity and income levels due to their discretionary nature, so major deterioration in economic conditions tends to result in an overall decline in consumer and enterprise spending. This was demonstrated during the 2008 and 2009 Great Recession and global economic slowdown. While enterprise and consumer spending levels and economic conditions have rebounded since and have been strong the past several years, the global macroeconomic environment can change significantly quickly as was shown with the start of the pandemic in March 2020. Since then, due to huge government stimulus the U.S. economy is now very strong. However, the pandemic has still negatively impacted many businesses and has been a huge disruption to the U.S. (and global) economy. In particular, SurgePays's ECS business has been directly negatively affected by the pandemic with recent sales down due to COVID restrictions. Further economic disruptions and weakness may result in depressed enterprise and consumer spending levels; this may have a negative impact on SurgePays, its various businesses, and its customers.

Capital Markets Risks

We believe SurgePays has enough cash to fund its operations and strategic plans for the next several years. However, the company is still incurring losses and we believe that it will be at least a year before the company can be cash flow self-sufficient from operations. Many early stage technology companies fund their operations from the sale of equity or debt capital until their products or services reach commercial success. Early stage technology companies valuations tend to fluctuate widely, particularly in the past year with the volatility in the markets. There is always the chance that market interests and valuations for companies in this industry (or the total stock market) can decline significantly. The share price volatility in the past year (with a stock price range of \$1.76 – 28.50) in SurgePays's share price may make capital raising much more difficult and expensive.

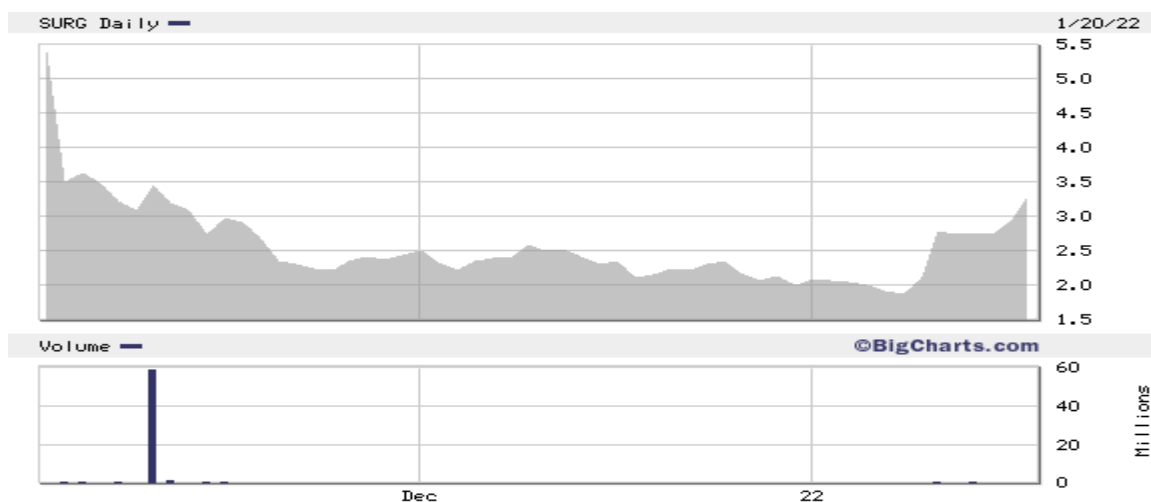
VALUATION

We are initiating coverage of SurgePays with a BUY rating and a 12-month price target of \$7.00, which is based on a NPV analysis. It currently generates significant revenue but also significant losses as it invests to grow its businesses so traditional valuation metrics are not useful. We believe a more accurate valuation should take into consideration the potential value of its various businesses (sum of the part). We do acknowledge that this valuation is complex and requires a large number of forward assumptions that we have to estimate that may be imprecise and may vary significantly from actual results. This is particularly so for a company like SurgePays which is still in early high growth phase with its main businesses.

However, we believe our assumptions are fair and provide a reasonable basis for our valuation analysis. Our analysis considers future estimated profits from each of its major business segments (based on estimated future profits and discounted this back to a current value), currently focused on its ECS (Electronic Check Services), LogicsIQ, and Surge Blockchain businesses. We apply a high discount rate to capture the high uncertainties associated generally with early stage companies. We then added up the values (including estimated current net cash), and allocated the value based on current share count. Based on our NPV analysis, we arrived at our 12-month price target of \$7.00, which we believe appropriately balances out the company's risks with its high growth prospects.

On November 2, 2021, the company's stock was uplisted to the Nasdaq Capital Market (from OTCQB). The company's stock has traded in a volatile range of \$1.76 – 28.50 over the past year, and \$1.76 - 4.24 since its uplisting. The stock closed at \$5.90 on 12/31/20 and is now (as of 1/21/22) at \$3.07.

Exhibit 5: SurgePays Stock Price (since uplisting to Nasdaq Capital Market on November 2, 2021)



Source: <https://bigcharts.marketwatch.com/>

We believe this stock price volatility is likely due to general stock price volatility with small/microcap technology stocks. We believe that there are near term catalysts that can drive the stock (particularly for key sales and growth milestones expected in 2022). As the company is likely to make significant progress (and growth) in its businesses over the next several years, we believe this will result in much improved visibility into future cash flows and higher share price. We believe the company has a solid balance sheet, and that it has enough capital to achieve its strategic goals.

We expect valuations for SurgePays to improve as visibility into cash flow generation becomes clearer, resulting in significant upside to the current share price. We also want to note that investor’s interest in technology companies (particularly with fintech, software, and telecom companies) are very high with many companies in this area attributed high valuations due to the large market and growth opportunities.

Exhibit 6: Company Valuation (DCF) by Business Segments (in millions)

Product	Calculated NPV	Discount Rate	Estimated Annual Profits
ECS	\$ 16	25%	4
LogicsIQ, Inc.	\$ 40	25%	10
Surge Blockchain, LLC	\$ 20	25%	5
Total	\$ 76		
Net cash	\$ 8		
Current Value for existing shareholders	\$ 84		
Shares Outstanding (mils)	12		
Estimated Value per share	\$ 7.00		

Source: Ascendant Capital Markets estimates

COMPANY

SurgePays, based in Bartlett, TN, is a technology company that offers retail, telecom, fintech, and software products for retailers in the underbanked community. The company is meeting the needs of underserved markets by offering financial technology, telecommunications, and retail products for customers at local retailers in their communities. It offers prepaid wireless and underbanked financial products and services, along with popular consumer goods, to retail merchants (mainly operators of convenience stores (C-stores)) that address the needs of store customers nationwide.

The SurgePays system is a fintech software platform that processes third-party prepaid wireless activations and top-ups, gift card activation and loads, and wireless SIM activation. It enables retailers to instantly add credit to any prepaid wireless customer's account for any carrier, providing the merchant commissioned transactions, increased foot traffic, and customer loyalty. Additionally, SurgePays offers an innovative supply-chain marketplace for convenience store, bodega, and tienda owners. Retailers can order many top selling products for their store, at a deeper wholesale discount than traditional distribution due to utilizing the Direct Store Delivery (DSD) model.

SurgePays was originally incorporated in August 2006, and was previously known as North American Energy Resources, Inc. and KSIX Media Holdings, Inc. Prior to April 2015, the company operated as an independent oil and natural gas company. In April 2015, NAER was acquired by KSIX Media, and the company became KSIX Media Holdings, Inc. and operated as an Internet marketing company. In December 2016, the company acquired True Wireless, LLC, bringing in the current management team lead by Kevin Brian Cox. In December 2017, the company changed its name to Surge Holdings, Inc. to better reflect the diversity of its business operations. The company changed its name to SurgePays, Inc. in October 2020 to reflect its focus on its SurgePays fintech platform. As of March 2021, SurgePays had 31 employees.

In February 2021, the company filed a Form S-1 registration statement with the SEC for the planned sale of ~25% of LogicsIQ shares to the public (IPO). LogicsIQ will remain a majority-owned subsidiary of SurgePays. The exact details and timing of the spinoff/IPO, capital structure, and management teams will be determined later. The company believes that both SurgePays and LogicsIQ will, as separate public companies, be better positioned to deliver long-term growth and maximize stockholder value.

Exhibit 7: SurgePays Management Team

Management Team



Brian Cox Chairman and CEO

Mr. Cox is an accomplished entrepreneur growing best-in-class companies for over 19 years, including building a company of over 1,300 employees. He began his career in telecom in 2004 when he founded his first prepaid telephone company (CLEC), which, through organic growth and acquisition, became the largest prepaid home phone company in the country before being sold in 2009. Since then, Mr. Cox has owned and directed over \$500 million in sales from his fintech/software and telecom companies by utilizing his expertise in underserved consumer markets.



Anthony P. Nuzzo Jr. President / Director

Mr. Nuzzo is an experienced financial service owner and operator with a successful track record as a CEO, CFO, and financial consultant while building multiple companies named to Inc. 500's list of fastest-growing financial institutions. In 2009, Mr. Nuzzo also served as CEO of Glass Mountain Capital, LLC, a financial services company. He is experienced in running large-scale operations and has an accomplished track record of growing revenues and profits through a disciplined management approach and building winning teams.



Anthony Evers, CPA, CIA. Chief Financial Officer

Mr. Evers is a talented and seasoned financial executive with over 30 years of proven financial and consulting experience. Mr. Evers has served as CFO and CIO for a variety of organizations, including non-profit, private-equity-backed, and publicly traded companies ranging from \$100 million to over \$1.3 billion in annual revenue. Most recently, he served as Chief Financial Officer for Vista Health System. Mr. Evers also successfully obtained his Certified Public Accountant and Certified Internal Auditor credentials.

Directors and Executive Officers	Position/Title	Age
Kevin Brian Cox	Chief Executive Officer and Chairman	45
Anthony P. Nuzzo, Jr.	President and Director	51
Anthony Evers	Chief Financial Officer	57

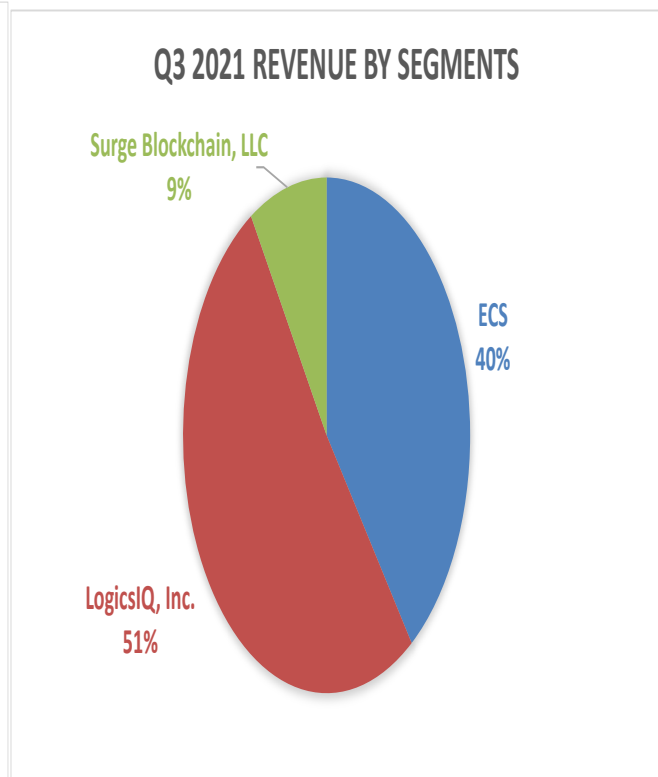
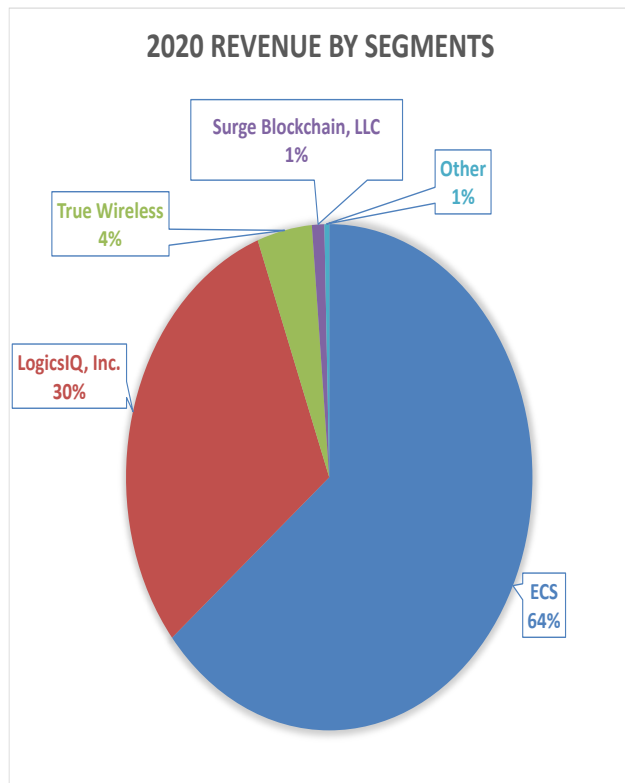
Source: Company reports.

PRODUCT

SurgePays provides wholesale goods and services to convenience stores (C-stores), bodegas, minimarts, tiendas and other corner stores that provide goods and services primarily to the underbanked community. SurgePays leverages Direct Store Delivery (DSD) and the cost saving efficiencies of direct e-commerce to provide a high variety of many commonly sold consumable products while increasing profit margins for these stores. These products are offered in a convenient wholesale e-commerce platform. SurgePays also utilizes its blockchain fintech software platform to bring essential financial services and products to the underbanked communities by targeting the stores that are most frequented by these customers.

Exhibit 8: SurgePays Businesses

- **Fintech Transactions** - Prepaid Wireless payments, Gift Cards, Debit Card Loads and other services that are a part of our comprehensive underbanked suite for c-stores
- **Wholesale** - 3rd party products sold and distributed direct to c-stores through our blockchain software platform
- **MVNO Wireless Customers** - SurgePhone and LocoRabbit direct customer payments and subsidized EBB data services
- **LogicsIQ** – Deliver signed retainer clients to mass tort law firms through proprietary intake and CRM software



Source: Company reports.

Traditional distribution components of transportation, warehousing, profit, and labor normally accounts for ~25% of the retail cost of a product sold in convenience stores (C-stores). Independent retailers generally do not get a better deal on products when buying by the case as opposed to the pallet. The value proposition is realized by reducing this markup by eliminating the need for these old-school supply chain costs via Direct Store Delivery (DSD). With DSD, goods can be delivered to the retailer directly from the manufacturer which should reduce the cost price of the products for the store owner.

SurgePays disrupts the current C-store wholesale product distribution model by leveraging blockchain technology to provide store owners a software platform interface, similar to an e-commerce marketplace, where they can order wholesale goods that will be shipped directly from the manufacturer. The same way residential B2C purchasing habits have changed due to the advent of relationship-centric retail platforms online, SurgePays offers independent store owners the ability to order wholesale products conveniently and efficiently at a lower cost than from traditional product distribution. Store owners realize a 10 - 15% lower price on the wholesale products they buy and can select from a wider variety of products from manufacturers nationwide.

SurgePays has established programs to market and sell these products or services to its customer's stores and can scale significantly and quickly to bring a wide variety of products into stores nationwide. SurgePays's ability to support sales transactions nationwide is bolstered by developing its software that fosters automation after the order is placed. CenterCom, SurgePays's operations center in Central America, provides a competitive advantage by adding bilingual customer care and support personnel to grow as needed.

Distributors generally do not have a complete set of product and service offerings or capabilities, and no single distributor currently provides all the top selling consumables while offering products and services to enhance the lifestyle of the underbanked such as prepaid wireless, gift cards, bill payment, check cashing, and reloadable debit cards. SurgePays believes this creates a significant opportunity for a shift to a nationwide wholesale e-commerce platform.

Most traditional convenience store distributors are companies that have been in business for over 50 years and utilize the historical "manufacturing plant to truck to warehouse to truck to store" logistics model. The principal competitive factors for distributors are product variety and availability, technical features, quality, price, customer support, and distribution coverage. However, the company believes that with its diverse product line, better efficiencies resulting in lower wholesale cost of goods sold, it has the ability to compete favorably in the industry and to capture market share and to generate high sales growth.

SurgePays's competitive edge is through its software platform, relationships, capacity, efficiency, economies of scale, and experience. Its blockchain platform streamlines the process for bringing products directly to the targeted retail store, providing them with better pricing and more product selection.

Exhibit 9: SurgePays Fintech Solutions



Source: Company reports.

SurgePays Blockchain Software

SurgePays Blockchain Software is a multi-purpose fintech platform utilized by more than 8,000 store owners nationwide to offer a complete suite of financial products to their underbanked customers. These services include adding real-time credit to prepaid wireless accounts, activating gift cards, loading Visa debit cards, payments and other financial transactions for the underbanked. All these services are bundled on a single software interface which conveniently allows the store clerk to perform these financial service processes for the customer at the register while checking out. Retail locations transacting on the SurgePays platform include independently owned convenience stores, bodegas, minimarts, tiendas, and other general purpose retail corner stores.

The SurgePays platform engages store owners in that the owner makes transactional profit while providing essential financial services to these underserved customers. This relationship presents SurgePays an opportunity to capitalize by offering the store owner other wholesale products commonly found in these same types of stores, by utilizing the same platform to develop other product sales.

The SurgePays Direct Store Delivery (DSD) module is unique by utilizing one touch ordering and cost saving efficiencies of e-commerce to provide stores as many commonly sold consumable products at a lower cost than traditional distributors. These products include herbal stimulants, energy shots, dry foods, hemp and CBD products, communication accessories, PPP products, bagged snacks and

food items, and many other novelties. Point and click orders for products are instantly sent to the manufacturer for delivery direct (drop ship) to the store without SurgePays having to take possession of the inventory.

SurgePays wholesale model is essentially an e-commerce storefront that offers products direct from manufactures. The goal of the SurgePays Portal is to leverage the competitive advantage and efficiencies of direct e-commerce, all through one convenient wholesale e-commerce platform.

SurgePhone Wireless and LocoRabbit Wireless

SurgePhone Wireless is a mobile virtual network operator (MVNO) and operates both the SurgePhone wireless and Loco Rabbit wireless brands.

SurgePhone Wireless is certified by the FCC to provide wireless services to qualifying customers under the Emergency Broadband Benefit Program (EBB) where the government will pay 100% of the qualifying customers LTE monthly data usage. SPW is licensed to provide EBB services to qualifying low-income customers in fourteen states. The EBB Program provides SurgePhone up to a \$90 reimbursement for the cost of each tablet distributed and a \$50 per customer, per month (recurring) subsidy for data services.

LocoRabbit Wireless offers prepaid wireless plans with talk, text, and 4G LTE data at prices that are lower than competitors. Available nationwide, LocoRabbit Wireless is sold online and by a nationwide network of convenience stores, gas stations, mini-marts, bodegas and tiendas connected to the SurgePays software platform. Due to its wireless payment platform, SurgePays is able to offer an industry high commission to the retailer for top-ups paid monthly at the client's store.

Electronic Check Services (ECS)

ECS has been a financial technology tech and wireless top-up platform for over 15 years. All ECS branding, software, equipment, support and functions have now been converted to the SurgePays fintech brand. In October 2019, SurgePays acquired ECS for the favorable ACH banking relationship; a fintech transactions platform processing over 20,000 transactions a day at ~8,000 independently owned retail stores. The ECS platform serves as the backbone for the company's wireless top-up transactions and wireless products.

LogicsIQ

LogicsIQ is an enterprise software development company providing marketing business intelligence ("BI"), plaintiff lead generation, and case load management solutions for law firms representing plaintiffs in Mass Tort legal cases. LogicsIQ's enterprise software and vertically integrated services are specifically targeted for the 150,000+ law firms in the U.S.

Lead generation consist of sourcing leads for its clients. LogicsIQ provides this service to its clients by qualifying leads through verification of information collected during the lead generation process, using a client questionnaire which assists in determining the services to be provided, and is completed and verified using its call center operations.

LogicsIQ products and services:

- *Intake Logics:* Intake Logics is its proprietary cloud-based customer relationship management (CRM) software built on years of data tracking and analysis to deliver optimal results.
- *LogicsIQ Services:* Services to its clients include tech support, marketing, intake solutions, and customer service.
- *Marketing Capabilities:* LogicsIQ attracts consumers with its proprietary media buying strategies and partners that generate, on average, 80,000 leads and thousands of retainers for clients that can subsequently run more cost-effective mass tort campaigns.
- *SaaS Service:* LogicsIQ has developed an internal case load management platform Software as a Service (SaaS) which is customized for law firms of any size and licensed on a subscription basis.

CenterCom

CenterCom is an operations support center based in El Salvador providing sales support, customer service, IT infrastructure design, graphic media, database programming, software development, revenue assurance, lead generation, and other various operational support services. CenterCom supports SurgePays as well as provides call center and operational support for various third-party clients.

SurgePays acquired in January 2019 a 40% equity ownership of Centercom Global, S.A. de C.V. Anthony Nuzzo, a director and officer of SurgePays, has a controlling (50%) interest in CenterCom Global.

True Wireless

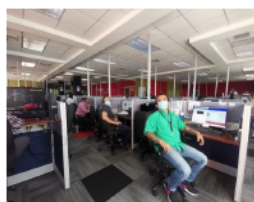
True Wireless (TW) is licensed to provide wireless services to qualifying low-income customers in five states. TW was originally acquired by SurgePays in December 2016. SurgePays sold TW in May 2021 and is no longer involved in its business.

Exhibit 10: SurgePays's LogicsIQ and CenterCom

Subsidiaries And Assets




An enterprise software development company providing marketing business intelligence (“BI”), mass tort legal action client generation and case load management solutions for law firms. Intake Logics is our proprietary cloud-based customer relationship management (CRM) software built to deliver optimal results converting leads to signed retainer cases.

Bilingual operations center providing sales support, customer service, IT support, graphic design, software development, revenue assurance, lead generation, and other various operational services. CenterCom creates a competitive advantage – namely, highly scalable and cost-efficient human capital while enabling Spanish-as-first language support for the exploding Hispanics store market.

Source: Company reports.

Exhibit 11: SurgePays Wireless Solutions

SurgePhone
Wireless

Mobile Virtual Network Operator (MVNO)

- Licensed by the FCC to provide The Emergency Broadband Benefit (EBB), a government benefit program, in 14 states
- EBB is an FCC program to help families and households struggling to afford internet service during the COVID-19 pandemic
- The SurgePhone brand is used exclusively for this subsidized product offering
- Program consists of reimbursing up to \$90 of the cost of a 4G/LTE tablet and \$50 per month for data usage – **averaging 350 new customers per day**
- Over 18,000 active customers (\$900,000 in monthly reoccurring revenue)



LocoRabbit
Wireless

Retail Pre-Paid Wireless

- Talk, text, and 4G LTE data plans that are lower than other well-known prepaid competitors
- Sold through a nationwide network of convenience stores, gas stations, mini-marts, bodegas and tiendas
- Established distribution network of stores via the SurgePays software platform often have a SIM kit hanging on the gift card rack
- Ability to exclusively offer an industry high commission to the retailer for top-ups paid monthly at the client's store due to our wireless payment platform



Source: Company reports.

Exhibit 12: SurgePays Wholesale Distribution Solutions

Wholesale Model

Supply Chain Disruption

Direct Store Delivery (DSD) method eliminates the traditional 25% markup added to the wholesale price of goods by distributors

- By utilizing our software, goods can be taken to the retailer directly from the manufacturer and this will invariably reduce the cost price of the product to the store
- Reduces distribution costs associated with transportation, warehousing, profit, and labor – **10-15% lower prices realized by store owners**
- Provide store owners a software interface, similar to an e-commerce marketplace, where they order wholesale goods shipped directly from the manufacturer
- Enable store owners to select from a wider variety of products from manufacturers
- Enable regional manufacturers to offer their products beyond their existing footprint to reach stores nationwide

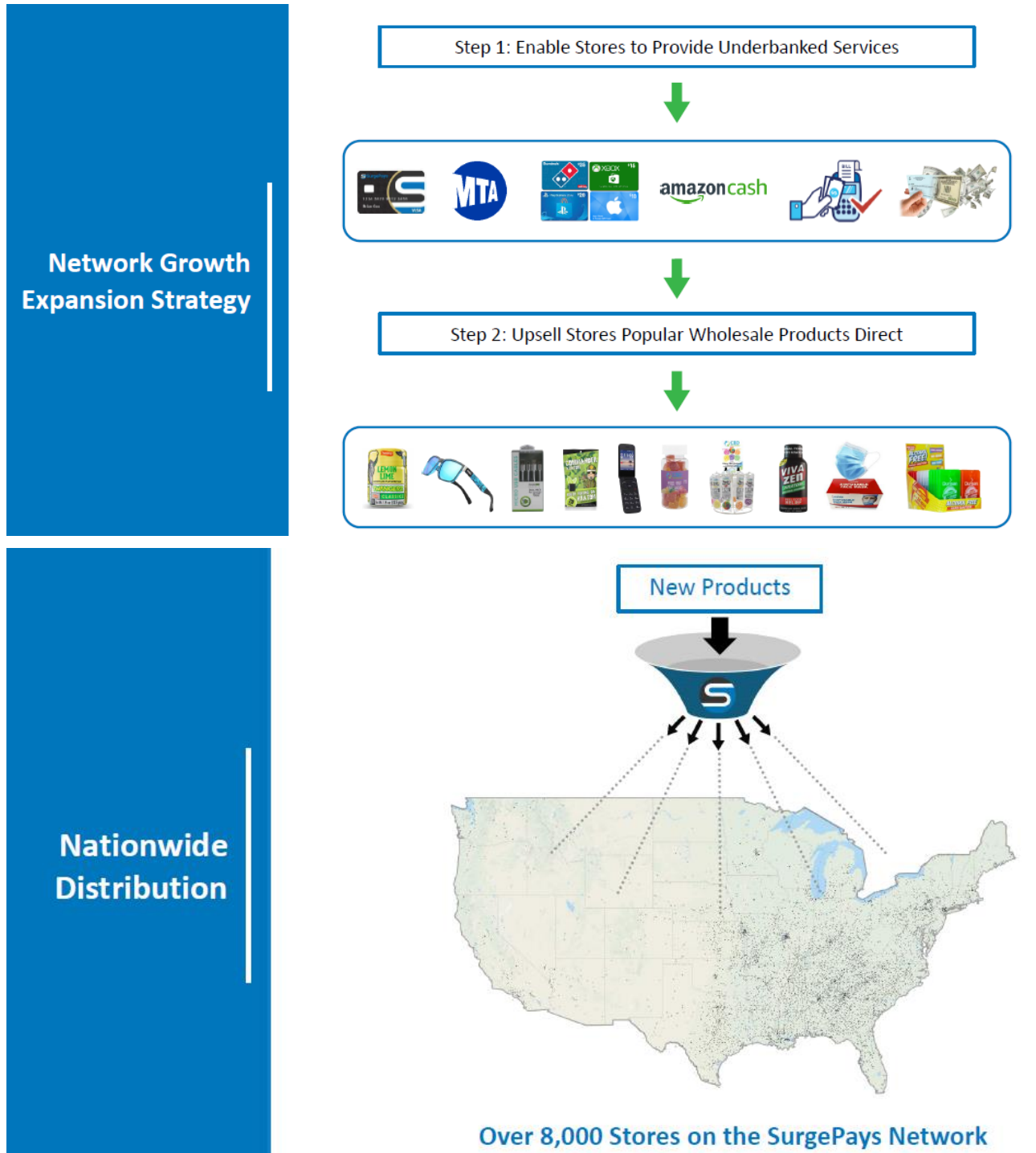


Step Two: Upsell the Store
Wholesale Products Shipped Directly



Source: Company reports.

Exhibit 13: SurgePays Product and Network Strategy



Source: Company reports.

SurgePays's long-term goal is to become a top provider of goods and services to independently owned retail stores across the country. It is pursuing the following key business and product strategies:

- Driving organic growth and acquisitions to its portfolio of distribution and underbanked products.
- Expanding its in-house sales as well as Independent Sales Organizations teams to drive retail growth.
- Developing, maintaining, and expanding its nationwide network of retail stores.
- Pursuing additional opportunistic capital raising and capital unlocking opportunities.
- Continuing to explore and execute prospective partnering or distribution opportunities.
- Identifying unique market opportunities that increase cash flow and shareholder value.

Exhibit 14: SurgePays Growth Strategy



Source: Company reports.

FINANCIALS

SurgePays's fiscal year ends on December 31. We expect its next earnings report (for Q4 2021 ending December) to be in mid-March. In November 2021, the company effected a 1-for-50 reverse stock split as well as uplisted its stock listing to the Nasdaq Capital Market.

Exhibit 15: SurgePays Historical Financials

FYE Dec 31					
(in millions except EPS)	2018A	2019A	2020A	2021E	2022E
Total Revenue	15.2	25.7	54.4	50.0	60.0
Growth % (y/y)		69%	111%	-8%	20%
Operating income (loss)	(1.5)	(7.8)	(10.1)	(4.2)	1.1
Net income (pro forma)	(1.5)	(8.4)	(10.7)	(7.2)	0.3
EPS	\$ (0.94)	\$ (4.39)	\$ (5.02)	\$ (1.47)	\$ 0.02
EBITDA	(1.2)	(7.2)	(8.6)	(3.3)	1.7

Source: Company reports and Ascendant Capital Markets estimates.

Recent Results (fiscal Q3 ending September 2021)

SurgePays had strong revenue growth in Q3. In its Q3 2021 report (on November 16, 2021), the company reported revenues of \$15 million and net loss was \$1.7 million. Revenue was +14% (y-o-y) due to strong growth in its EBB and LogicsIQ businesses, which more than offset weakness in its ECS business. Operating expenses were \$2.3 million, down slightly from Q2's \$2.7 million. Q3 EPS was \$(0.51), compared with Q3 2020 EPS of \$(1.09).

The company does not provide specific quarterly financial guidance, but we believe that the company should continue to have high growth as it expands its products, customers, and technologies in 2022. We have modeled solid revenue growth next year in 2022 after a small decline in 2021 (due to pandemic issues), primarily driven by its EBB and LogicsIQ businesses. The company has recently (on January 11, 2022) reported very strong Q4 revenues for its EBB program of ~\$6.0 million, which is up significantly from Q3 revenues of ~\$1.2 million. SurgePays's mobile broadband business has gone from zero to nearly \$3 million in monthly revenue in less than six months (when the program originally launched in August 2021). SurgePays expects strong EBB growth in 2022 with a goal of achieving over 200,000 subscriber activations (up from 30,000 subscribers at the end of December 2021).

For 2021, we expect revenues of \$50 million (-8% y-o-y) and net loss of \$7 million and EPS of \$(1.47). For 2022, we expect revenue of \$60 million (+20% y-o-y) and net income of ~\$0.3 million and EPS of \$0.02.

Exhibit 16: Q3 2021 and Recent Corporate Highlights

Recent Corporate Highlights:

- Uplisted to the Nasdaq Capital Market and completed a \$19.8 million public offering.
- Received approval from the Emergency Broadband Benefit (EBB) Program to provide discounted broadband services through the Company's SurgePhone mobile virtual network operator (MVNO) subsidiary to qualified users in 14 states.
- Acquired Commander Communication, a provider of prepaid wireless payment products to approximately 500 convenience stores with intent to cross-sell other products and services into Commander's customer base.
- Launched new custom private label gift card program for retail stores on the SurgePays fintech platform to provide additional convenience and loyalty opportunities for these locations' customers
- Continued to progress towards an IPO of the Company's enterprise software subsidiary LogicsIQ, Inc. (formerly Surge Logics, Inc.)
- Appointed Anthony P. Nuzzo, Jr. as CEO of LogicsIQ subsidiary

Source: Company reports.

Exhibit 17: Growth in Mobile Broadband Subscribers (as reported on January 11, 2022)

Month	Total Subscribers*	Revenue Generated
August	800	\$115,212
September	13,000	\$1,057,294
October	15,000	\$1,369,872
November	22,000	\$1,680,790
December	30,000	\$2,901,100

Source: Company reports.

Exhibit 18: Revenue By Segment

Fiscal Year End: December 31	2018 FY-A	2019 FY-A	Mar-20 Q1A	Jun-20 Q2A	Sep-20 Q3A	Dec-20 Q4A	2020 FY-A	Mar-21 Q1A	Jun-21 Q2A	Sep-21 Q3A
Revenue By Segments										
ECS		10.8	9.7	9.1	8.3	7.8	34.9	6.9	6.3	5.8
LogicsIQ, Inc.	0.4	7.2	5.5	4.5	3.7	2.8	16.4	3.4	4.5	7.5
Surge Pays, Inc.										
True Wireless	12.8	3.4	0.3	0.8	0.7	0.6	2.4	0.6	0.5	
Surge Blockchain, LLC	1.0	4.2	0.3	0.2	0.1	(0.1)	0.5	0.0	0.0	1.3
Other	1.0	0.1				0.2	0.2			
Totals	15.2	25.7	15.8	14.5	12.8	11.3	54.4	11.0	11.4	14.5

Source: Company reports.

We believe that the biggest potential variable and challenge to our financial model is the ability of the company to successfully develop, market, and grow its EBB, LogicsIQ, and ECS platforms. It is these businesses that have the highest potential for growth. If the company can make significant progress towards these goals, then revenue and earnings will likely be able to grow significantly. However, if the company has difficulties in making progress towards these goals, then revenue and profitability may not be achieved or will likely grow at a moderate rate or even not at all.

The company's balance sheet is solid with an estimated ~\$19 million in cash and \$11 million in debt as of December 2021. In November (its just completed Q4), the company raised \$20 million (selling 4.6 million shares at \$4.30/share). We believe the company has enough cash for its near term operational and strategic plans.

Exhibit 19: SurgePays Financial Metrics

Recent Share Price (1/21/22)	\$ 3.07
52-Weeks Share Price (Low - High)	\$1.76 - 28.50
Shares Outstanding	12 million
Market Capitalization	\$37 million
Enterprise Value	\$29 million
Cash (12/31/21) est.	\$19 million
Debt (12/31/21) est.	\$11 million
2020A Revenue	\$54 million
2020A Net loss	\$11 million
2020A EPS	\$ (5.02)
2021E Revenue	\$50 million
2021E Net loss	\$7 million
2021E EPS	\$ (1.47)

Source: Company reports and Ascendant Capital Markets estimates.

FINANCIAL MODEL

SurgePays Inc.

Income Statement (\$ mils)	2018	2019	Mar-20	Jun-20	Sep-20	Dec-20	2020	Mar-21	Jun-21	Sep-21	Dec-21	2021	Mar-22	Jun-22	Sep-22	Dec-22	2022
Fiscal Year End: December 31	FY-A	FY-A	Q1A	Q2A	Q3A	Q4A	FY-A	Q1A	Q2A	Q3A	Q4E*	FY-E	Q1E	Q2E	Q3E	Q4E	FY-E
Total Revenue	15.244	25.743	15.788	14.515	12.802	11.302	54.407	10.989	11.378	14.538	13.054	49.959	14.286	14.791	15.265	15.665	60.007
<u>Cost of Revenues</u>	8.570	20.305	15.059	14.382	11.216	11.281	51.938	9.857	10.051	12.635	11.226	43.770	12.143	12.425	12.670	12.845	50.083
Gross Profit	6.674	5.437	0.729	0.133	1.586	0.021	2.469	1.132	1.327	1.903	1.828	6.189	2.143	2.367	2.595	2.820	9.924
Depreciation and amortization	0.150	0.227	0.265	0.304	0.306	0.297	1.173	0.218				0.218					0.000
Selling, general and administrative	8.060	12.978	3.229	3.861	2.905	1.447	11.441	3.022	2.736	2.279	2.089	10.126	2.286	2.219	2.137	2.193	8.835
Restructuring and other							0.000					0.000					0.000
Total operating expenses	8.209	13.206	3.494	4.165	3.211	1.744	12.614	3.240	2.736	2.279	2.089	10.344	2.286	2.219	2.137	2.193	8.835
Operating income (loss)	(1.535)	(7.768)	(2.765)	(4.032)	(1.625)	(1.723)	(10.146)	(2.108)	(1.410)	(0.376)	(0.261)	(4.155)	(0.143)	0.148	0.458	0.627	1.090
Interest income (expense)	(0.140)	(0.227)	(0.483)	(0.701)	(1.164)	(1.036)	(3.384)	(1.304)	(2.097)	(1.237)	(0.208)	(4.845)	(0.210)	(0.210)	(0.210)	(0.210)	(0.839)
Other income (expense)	0.217	(0.452)	0.191	2.308	0.287	0.022	2.808	(1.403)	3.292	(0.045)	0.000	1.844	0.000	0.000	0.000	0.000	0.000
Income before income taxes	(1.459)	(8.447)	(3.057)	(2.425)	(2.502)	(2.737)	(10.722)	(4.815)	(0.214)	(1.658)	(0.469)	(7.156)	(0.353)	(0.062)	0.248	0.417	0.251
Income taxes	0.082						0.000				0.000	0.000	0.000	0.000	0.000	0.000	0.000
Net income (loss)	(1.541)	(8.447)	(3.057)	(2.425)	(2.502)	(2.737)	(10.722)	(4.815)	(0.214)	(1.658)	(0.469)	(7.156)	(0.353)	(0.062)	0.248	0.417	0.251
Nonrecurring/noncash adjustments							0.000					0.000					0.000
Net income (pro forma)	(1.541)	(8.447)	(3.057)	(2.425)	(2.502)	(2.737)	(10.722)	(4.815)	(0.214)	(1.658)	(0.469)	(7.156)	(0.353)	(0.062)	0.248	0.417	0.251
EBITDA	(1.228)	(7.156)	(2.436)	(3.631)	(1.205)	(1.320)	(8.592)	(1.764)	(1.218)	(0.201)	(0.098)	(3.281)	0.020	0.311	0.621	0.790	1.743
Shares, Basic	1.6	1.9	2.1	2.1	2.3	2.4	2.1	2.6	3.1	3.3	10.5	4.9	12.2	12.5	12.8	13.1	12.7
Shares, Diluted	1.6	1.9	2.1	2.1	2.3	2.4	2.1	2.6	3.1	3.3	10.5	4.9	12.2	12.5	12.8	13.1	12.7
EPS Basic (pro forma)	(\$0.94)	(\$4.39)	(\$1.47)	(\$1.14)	(\$1.09)	(\$1.15)	(\$5.02)	(\$1.85)	(\$0.07)	(\$0.51)	(\$0.04)	(\$1.47)	(\$0.03)	(\$0.00)	\$0.02	\$0.03	\$0.02
EPS Diluted (pro forma)	(\$0.94)	(\$4.39)	(\$1.47)	(\$1.14)	(\$1.09)	(\$1.15)	(\$5.02)	(\$1.85)	(\$0.07)	(\$0.51)	(\$0.04)	(\$1.47)	(\$0.03)	(\$0.00)	\$0.02	\$0.03	\$0.02
Margins																	
Gross margin	44%	21%	5%	1%	12%	0%	5%	10%	12%	13%	14%	12%	15%	16%	17%	18%	17%
Selling, general and administrative	53%	50%	20%	27%	23%	13%	21%	27%	24%	16%	16%	20%	16%	15%	14%	14%	15%
Operating margin	-10%	-30%	-18%	-28%	-13%	-15%	-19%	-19%	-12%	-3%	-2%	-8%	-1%	1%	3%	4%	2%
Tax rate, GAAP	-6%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Net margin	-10%	-33%	-19%	-17%	-20%	-24%	-20%	-44%	-2%	-11%	-4%	-14%	-2%	0%	2%	3%	0%
Y/Y % change																	
Total Revenue		69%					111%	-30%	-22%	14%	16%	-8%	30%	30%	5%	20%	20%
Gross margin		-19%					-55%	55%	898%	20%	8673%	151%	89%	78%	36%	54%	60%
Selling, general and administrative		61%					-12%	-6%	-29%	-22%	44%	-11%	-24%	-19%	-6%	5%	-13%
Operating income (loss)		406%					31%	-24%	-65%	-77%	-85%	-59%	-93%	-110%	-222%	-340%	-126%
Net income (loss)		448%					27%	58%	-91%	-34%	-83%	-33%	-93%	-71%	-115%	-189%	-104%
EPS Diluted (pro forma)		365%					14%	26%	-94%	-53%	-96%	-71%	-98%	-93%	-104%	-171%	-101%

Source: Company reports and Ascendant Capital Markets estimates.

*Reflects a 1-for-50 reverse stock split in November 2021.

SurgePays Inc.

Balance Sheet (\$ mils)	Dec-18	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22
Fiscal Year End: December 31	Q4A	Q4A	Q1A	Q2A	Q3A	Q4A	Q1A	Q2A	Q3A	Q4E	Q1E	Q2E	Q3E	Q4E
Assets														
Cash and cash equivalents	0.445	0.346	0.439	0.340	0.421	0.674	1.602	0.575	0.636	18.773	18.769	18.837	19.205	19.716
Short term investments		0.015	0.015	0.015						0.000	0.000	0.000	0.000	0.000
Accounts receivable, net	0.207	3.056	3.733	0.815	0.337	0.180	0.489	0.592	1.668	1.450	1.587	1.643	1.696	1.741
Lifeline revenue due from USAC	0.851	0.061	0.210	0.233	0.223	0.213	0.222							
Inventory	1.357			0.103	0.177	0.178	0.234	0.175	0.502	0.502	0.502	0.502	0.502	0.502
Deferred income taxes										0.000	0.000	0.000	0.000	0.000
Prepaid expenses and other	0.201	0.097	0.060	0.032	0.039	0.006	0.006	0.006	0.035	0.031	0.143	0.148	0.153	0.157
Total current assets	3.060	3.575	4.457	1.537	1.197	1.251	2.554	1.349	2.840	20.757	21.002	21.131	21.555	22.115
Property and equipment, net	0.031	0.295	0.259	0.243	0.250	0.237	0.224	0.229	0.217	0.217	0.217	0.217	0.217	0.217
Note receivable								0.177	0.177	0.177	0.177	0.177	0.177	0.177
Intangibles, net	0.065	4.769	4.984	4.695	4.406	4.126	3.924	3.760	3.597	3.597	3.597	3.597	3.597	3.597
Goodwill	0.867	0.867	0.867	0.867	0.867	0.867	0.867	0.867	0.867	0.867	0.867	0.867	0.867	0.867
Investment in Centercom		0.204	0.236	0.349	0.457	0.415	0.341	0.390	0.411	0.411	0.411	0.411	0.411	0.411
Deferred income tax										0.000	0.000	0.000	0.000	0.000
Other	0.061	0.277	0.519	0.473	0.481	0.430	0.881	0.614	0.522	0.522	0.522	0.522	0.522	0.522
Total assets	4.084	9.986	11.322	8.165	7.658	7.325	8.790	7.386	8.631	26.547	26.792	26.921	27.346	27.906
Liabilities and stockholders' equity														
Accounts payable and accrued exper	3.104	3.638	5.403	5.266	5.480	5.590	4.463	5.801	4.159	3.735	4.143	4.289	4.427	4.543
Accounts payable and accrued exper	0.150	0.999	1.253	1.546	1.700	1.754	1.604	0.449	2.294	2.060	2.286	2.367	2.442	2.506
Credit card liability	0.395	0.449	0.388	0.384	0.378	0.383	0.382			0.000	0.000	0.000	0.000	0.000
Deferred revenue	0.050		0.685	0.317		0.443	0.725	0.566	0.236	0.236	0.236	0.236	0.236	0.236
Deferred income tax										0.000	0.000	0.000	0.000	0.000
Warrant liabilities	0.051	0.191	1.362	1.449	1.415	1.358	2.729	1.459	1.568	1.568	1.568	1.568	1.568	1.568
Other	0.070	0.129	0.170	0.123	0.050	0.211	0.235	0.098	0.068	0.068	0.068	0.068	0.068	0.068
Short term debt	0.972	1.649	1.350	1.977	2.948	5.566	4.835	5.257	2.919	3.000	3.000	3.000	3.000	3.000
Total current liabilities	4.792	7.054	10.611	11.062	11.971	15.304	14.974	13.629	11.243	10.666	11.300	11.527	11.741	11.920
Deferred income taxes										0.000	0.000	0.000	0.000	0.000
Warrant liabilities										0.000	0.000	0.000	0.000	0.000
Other long term liabilities	0.601	0.990	1.219	1.212	1.236	1.010	1.433	0.454	0.447	0.447	0.447	0.447	0.447	0.447
Deferred revenue										0.000	0.000	0.000	0.000	0.000
Long term debt	0.680	6.642	6.369	2.854	3.360	1.737	2.773	2.633	7.486	7.486	7.486	7.486	7.486	7.486
Total other liabilities	1.281	7.632	7.588	4.066	4.596	2.747	4.207	3.088	7.933	7.933	7.933	7.933	7.933	7.933
Preferred stock	0.014	0.014	0.014	0.014	0.014	0.014	0.014	0.014	0.014	0.014	0.014	0.014	0.014	0.014
Common stock	0.088	0.102	0.105	0.113	0.116	0.127	0.153	0.162	0.003	(0.033)	(0.070)	(0.107)	(0.143)	(0.180)
Additional paid-in capital	0.334	6.055	6.932	9.264	9.817	10.725	15.850	17.115	17.804	17.804	17.804	17.804	17.804	17.804
Retained earnings	(2.424)	(10.871)	(13.928)	(16.353)	(18.855)	(21.592)	(26.408)	(26.622)	(28.367)	(28.836)	(29.189)	(29.251)	(29.002)	(28.586)
Accumulated other comprehensive income										19.000	19.000	19.000	19.000	19.000
Total stockholders' equity	(1.988)	(4.700)	(6.877)	(6.963)	(8.908)	(10.726)	(10.391)	(9.331)	(10.546)	7.948	7.559	7.461	7.672	8.052
Total stockholders' equity and liabili	4.084	9.986	11.322	8.165	7.658	7.325	8.790	7.386	8.631	26.547	26.792	26.921	27.346	27.906

Balance Sheet Drivers

	Dec-18	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22
	Q4A	Q4A	Q1A	Q2A	Q3A	Q4A	Q1A	Q2A	Q3A	Q4E	Q1E	Q2E	Q3E	Q4E
Prepaid as % of total rev	1%	0%	0%	0%	0%	0%	0%	0%	0%	0%	1%	1%	1%	1%
A/P and accrued exp as % of total rev	20%	14%	34%	36%	43%	49%	41%	51%	29%	29%	29%	29%	29%	29%
A/P and accrued exp related as % of tot	1%	4%	8%	11%	13%	16%	15%	4%	16%	16%	16%	16%	16%	16%
Activity Ratios														
A/R Days Sales Outstanding	1	11	21	5	2	1	4	5	10	10	10	10	10	10
Book & Cash Value (per share)														
Book Value per Share (diluted)	-\$1.22	-\$2.44	-\$3.31	-\$3.28	-\$3.88	-\$4.51	-\$3.99	-\$3.02	-\$3.23	\$0.76	\$0.62	\$0.60	\$0.60	\$0.61
Cash per Share (diluted)	\$0.27	\$0.19	\$0.22	\$0.17	\$0.18	\$0.28	\$0.62	\$0.19	\$0.19	\$1.79	\$1.54	\$1.51	\$1.50	\$1.51
Net cash per Share (diluted)	-\$0.74	-\$4.12	-\$3.50	-\$2.11	-\$2.57	-\$2.79	-\$2.31	-\$2.37	-\$2.99	\$0.79	\$0.68	\$0.67	\$0.68	\$0.70

Source: Company reports and Ascendant Capital Markets estimates

SurgePays Inc.

Cash Flow Statement (\$ mils)	2018	2019	Mar-20	Jun-20	Sep-20	Dec-20	2020	Mar-21	Jun-21	Sep-21	Dec-21	2021	Mar-22	Jun-22	Sep-22	Dec-22	2022	
Fiscal Year End: December 31	FY-A	FY-A	Q1A	Q2A	Q3A	Q4A	FY-A	Q1A	Q2A	Q3A	Q4E	FY-E	Q1E	Q2E	Q3E	Q4E	FY-E	
Cash flow from operating activities																		
Net income	(1.541)	(8.447)	(3.057)	(2.425)	(2.502)	(2.737)	(10.722)	(4.815)	(0.214)	(1.658)	(0.469)	(7.156)	(0.353)	(0.062)	0.248	0.417	0.251	
Depreciation	0.150	0.227	0.265	0.304	0.307	0.297	1.173	0.218	0.180	0.181	0.200	0.779	0.200	0.200	0.200	0.200	0.800	
Amortization		0.056	0.047	0.046	0.054	0.051	0.197	0.065	0.028	0.030		0.123					0.000	
Debt related amortization expense		0.069	0.345	0.452	0.621	0.599	2.017	0.704	0.647	0.657		2.008					0.000	
Dividend							0.000					0.000					0.000	
Stock comp	0.158	0.330	0.017	0.051	0.060	0.055	0.183	0.062	(0.016)	(0.037)	(0.037)	(0.028)	(0.037)	(0.037)	(0.037)	(0.037)	(0.147)	
Deferred rent							0.000					0.000					0.000	
A/R and inventory reserves		0.978				1.750	1.750					0.000					0.000	
Deferred income taxes							0.000					0.000	0.000	0.000	0.000	0.000	0.000	
Change in fair value of warrant	0.004	(0.004)	0.348	(0.045)	(0.180)	(0.135)	(0.011)	1.471	(0.646)	0.203		1.028					0.000	
Writedowns and impairments							0.000					0.000					0.000	
Other gains/losses	0.016	0.450	(0.615)	(2.212)	0.017	(0.046)	(2.856)	(0.128)	(2.584)	(0.116)		(2.828)					0.000	
Other		(0.038)					0.000					0.000					0.000	
Changes in operating assets and liabilities:																		
Accounts receivable	(0.103)	(3.600)	(0.677)	2.919	0.478	(1.573)	1.147	(0.309)	(0.103)	(1.075)	0.217	(1.270)	(0.137)	(0.056)	(0.053)	(0.044)	(0.290)	
Lifeline revenue due from USAC	0.320	0.790	(0.149)	(0.023)	0.010	0.010	(0.152)	(0.009)	0.115			0.106					0.000	
Inventory	(0.837)	1.357	(0.103)	(0.075)	(0.001)		(0.178)	(0.056)	(0.016)	(0.327)		(0.398)					0.000	
Prepaid expenses & other current	0.040	(0.086)	0.037	0.028	(0.006)	0.033	0.091	(0.001)	0.000	(0.029)	0.004	(0.026)	(0.111)	(0.005)	(0.005)	(0.004)	(0.125)	
Income tax							0.000					0.000					0.000	
Other assets	(0.097)	0.049	0.066		(0.061)		0.005	(0.001)	0.001	0.061	0.000	0.061	0.000	0.000	0.000	0.000	0.000	
Accounts payable	0.925	1.474	1.790	0.182	0.498	0.418	2.887	(0.851)	1.370	0.187	(0.425)	0.282	0.408	0.147	0.137	0.116	0.808	
Accrued expenses							0.000					(0.234)	(0.234)	0.226	0.081	0.076	0.064	
Deferred revenue	(0.172)	(0.050)	0.685	(0.368)	(0.317)	0.405	0.405	0.282	(0.159)	(0.330)		(0.208)					0.000	
Other liabilities	0.120	(0.088)	(0.145)	0.006	(0.049)	(0.075)	(0.263)	(0.068)	(0.022)	(0.037)	0.000	(0.127)	0.000	0.000	0.000	0.000	0.000	
Net cash (used in) provided by	(1.016)	(6.533)	(1.044)	(1.187)	(1.147)	(0.948)	(4.326)	(3.435)	(1.420)	(2.289)	(0.744)	(7.888)	0.197	0.268	0.567	0.712	1.743	
Cash flow from investing activities																		
Purchases of property and equipment	(0.332)	(0.228)	(0.003)	0.000	(0.001)	(0.002)	(0.007)	(0.003)	(0.043)	(0.005)	(0.200)	(0.251)	(0.200)	(0.200)	(0.200)	(0.200)	(0.800)	
Purchases of short-term investments	(0.190)	(0.015)			0.015		0.015					0.000					0.000	
Acquisitions	0.244	0.210					0.000	(0.325)				(0.325)					0.000	
Other							0.000					0.000					0.000	
Net cash used in investing activities	(0.278)	(0.032)	(0.003)	0.000	0.014	(0.002)	0.008	(0.003)	(0.369)	(0.005)	(0.200)	(0.577)	(0.200)	(0.200)	(0.200)	(0.200)	(0.800)	
Cash flow from financing activities																		
Issuance of debt	3.112	4.217	1.350	1.410	1.280	1.022	5.061	4.323	0.868	2.418	0.081	7.691	0.000	0.000	0.000	0.000	0.000	
Repayment of debt	(2.648)	(0.961)	(0.361)	(0.377)	(0.065)	(0.181)	(0.984)	(1.467)	(0.107)	(0.063)		(1.637)					0.000	
Issuance of stock		3.211	0.150	0.055	0.000	0.364	0.569	1.510			0.000	1.510	0.000	0.000	0.000	0.000	0.000	
Proceeds from stock option exercises							0.000					0.000					0.000	
Other							0.000					19.000					0.000	
Dividends and distributions							0.000					0.000					0.000	
Cash provided by (used in) financing activities	0.464	6.467	1.140	1.088	1.215	1.204	4.646	4.366	0.761	2.355	19.081	26.564	0.000	0.000	0.000	0.000	0.000	
Effect of exchange rate on cash							0.000					0.000					0.000	
Net increase (decrease) in cash	(0.830)	(0.099)	0.093	(0.099)	0.082	0.253	0.328	0.928	(1.028)	0.061	18.137	18.099	(0.003)	0.068	0.367	0.512	0.943	
Beginning cash and equivalents	1.274	0.445	0.346	0.439	0.340	0.421	0.346	0.674	1.602	0.575	0.636	0.674	18.773	18.769	18.837	19.205	18.773	
Ending cash and equivalents	0.445	0.346	0.439	0.340	0.421	0.674	0.674	1.602	0.575	0.636	18.773	18.773	18.769	18.837	19.205	19.716	19.716	

Source: Company reports and Ascendant Capital Markets estimates

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SurgePays, Inc.

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Total return is defined as price appreciation plus dividend yield.

Ascendant Capital Markets, LLC Rating System

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Total return is defined as price appreciation plus dividend yield.

Ascendant Capital Markets, LLC Distribution of Investment Ratings (as of January 15, 2022)

Rating	Count	Percent	Investment Banking Services Past 12 months	
			Count	Percent
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Hold	0	0%	0	0%
Sell	1	2%	0	0%
Total	41	100%	16	39%

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