



# SurgePays, Inc.

*Large Q3 revenue growth. We expect high growth and spin-off over the next year to be positive for stock. Raising P/T to \$9.00.*

## COMPANY UPDATE

**Rating: BUY**

Ticker: SURG

Price: \$5.87

Target: \$9.00  
(from \$8.75)

**Large Q3 revenue growth:** SurgePays recently (on November 14) reported its fiscal Q3 2022 (ending September) results. Revenue was \$36 million (+149% y-o-y), compared to our and consensus estimates of \$33 million. EPS was \$(0.12), compared to our and consensus estimates of \$0.29. There was no Q3 guidance.

**Strong growth in wireless:** The company currently has ~200,000 subscribers to its mobile wireless program, which is up significantly from 30,000 at the end of Q4, and ~150,000 at the end of Q2. Each subscriber is \$30/month of revenue with 60% gross margins.

**Strong EBB growth:** SurgePays's mobile broadband business has gone from zero to ~\$8 million in monthly revenue in about 15 months (when the program originally launched in August 2021). SurgePays has already exceeded (in October) its strong 2022 goal of achieving over 200,000 subscriber activations (up from 30,000 subscribers at the end of December 2021). The recent acquisition of Torch Wireless allows SurgePays to sell its EBB program in all 50 states.

**No update to 2022 guidance:** The company did not update its prior (given in August) 2022 guidance for revenue of \$130 million (+155%) and EBITDA of \$15 million.

**Not concerned about lower gross margins:** The company's Q3 gross margins were lower than we expected at 5% (vs. our estimate of 20%) as the company's faster ramp will depress margins as it recognizes high initial sign up costs (commissions and device costs), but gross margin should revert to its long term 60% gross margin over time.

**Adjusting estimates:** We are maintaining our 2022 revenue estimates of \$130 million, but lowering it for EPS to \$(0.33) from \$1.02.

**Focused on large growth opportunities:** The company is targeting the 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)) for 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 products.

**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. Exact details and timing of the spinoff/IPO will be determined later.

**Positive risks versus rewards:** 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.

**Valuation attractive:** We are maintaining our BUY rating, but raising our 12-month price target to \$9.00 from \$8.75, based on a NPV analysis, representing significant upside from the current share price. We believe this valuation appropriately balances out the company's 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

November 20, 2022

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### Stock Data

Exchange:	NasdaqCM
52-week Range:	1.76 – 7.30
Shares Outstanding (million):	13
Market cap (\$million):	\$76
EV (\$million):	\$81
Debt (\$million):	\$13
Cash (\$million):	\$8
Avg. Daily Trading Vol. (\$million):	\$1
Float (million shares):	2
Short Interest (million shares):	1
Dividend, annual (yield):	\$0 (NA%)

### Revenues (US\$ million)

	<u>2022E</u> <u>(Cur.)</u>	<u>2022E</u> <u>(Old)</u>	<u>2023E</u> <u>(Cur.)</u>	<u>2023E</u> <u>(Old)</u>
Q1 Mar	21A		48E	
Q2 Jun	28A		48E	47E
Q3 Sep	36A	33E	51E	46E
Q4 Dec	45E	48E	54E	59E
Total	130E		200E	200E
EV/Revs	0.6x		0.4x	

### Earnings per Share (pro forma)

	<u>2022E</u> <u>(Cur.)</u>	<u>2022E</u> <u>(Old)</u>	<u>2023E</u> <u>(Cur.)</u>	<u>2023E</u> <u>(Old)</u>
Q1 Mar	(0.10)A		(0.29)E	0.42E
Q2 Jun	(0.07)A		(0.07)E	0.45E
Q3 Sep	(0.12)A	0.29E	0.09E	0.39E
Q4 Dec	(0.04)E	0.88E	0.37E	0.64E
Total	(0.33)E	1.02E	0.12E	1.90E
P/E	N/A		49x	

### 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 13.**

## **OVERVIEW**

- SurgePays recently (on November 14) reported its fiscal Q3 2022 (ending September) results.
- Revenue was \$36 million (+149% y-o-y), compared to our and consensus estimates of \$33 million.
- EPS was \$(0.12), compared to our and consensus estimates of \$0.29.
- There was no Q3 guidance.
- The company did not update its prior (given in August) 2022 guidance for revenue of \$130 million (+155%) and EBITDA of \$15 million.
- There was no Q4 guidance.
- We are maintaining our 2022 revenue estimates of \$130 million, but lowering it for EPS to \$(0.33) from \$1.02.
- We are maintaining our 2023 revenue estimates of \$200 million, and lowering it for EPS to \$0.12 from \$1.90.

## **ADDITIONAL DETAILS**

- Gross profit for the quarter was \$1.9 million, compared with our estimate of \$6.5 million.
- Gross margin for the quarter was 5%, versus our expectation of 20% and 13% last year.
- Operating expenses were \$2.9 million, versus our expectation of \$2.9 million.
- Operating loss was \$(1.0) million, versus our expectation of income of \$3.6 million.
- Net loss was \$1.5 million, versus our expectation of net income of \$3.6 million.
  
- In November 2021, the company's stock was uplisted to the Nasdaq Capital Market (from OTCQB).
- In November 2021, the company effected a 1-for-50 reverse stock split.
  
- 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.
- In April, the company announced the acquisition of Torch Wireless, a provider of wireless broadband with the FCC's Affordable Connectivity Program (ACP) in a cash and limited royalties deal. The purchase price was ~\$800,000.

The company's balance sheet had \$8 million in cash and \$13 million in debt, compared with \$9 million in cash and \$13 million in debt at the end of June. In Q2, the company issued a revolving promissory note for \$5 million. In November 2021 (as part of its uplisting), the company raised \$20 million (selling 4.6 million shares at \$4.30/share). In November (current Q4), the company announced a new \$25 million credit line.

Exhibit 1: SurgePays Overview (as of April 2022)

## Corporate Overview

*SurgePays is a technology and telecom company* focused on underbanked and underserved communities.

SurgePhone and Torch wireless provide mobile broadband to over 100,000 low-income households nationwide producing *high margin and* recurring revenue – **Target > 200,000 subscribers in 2022**

SurgePays fintech platform utilizes a suite of financial and prepaid products to convert corner stores and bodegas into tech-hubs for underbanked neighborhoods.



NASDAQ: SURG

Share Price <sup>1</sup>	\$3.88
Market Cap <sup>1</sup>	\$47.0M
2021 Revenue	\$51.1M
Shares Outstanding <sup>3</sup>	12.1M
Float	6.8M
Insider Holdings	50%
Headquarters	Bartlett, TN

1. Price as of 04/14/22; Reflects fully diluted market capitalization
2. At December 30, 2021
3. Does not include 5.7 million warrants

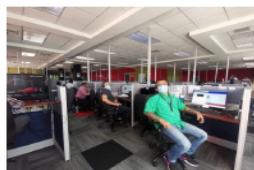
Source: Company reports.

Exhibit 2: 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 3: SurgePays Investment Highlights (as of April 2022)

## Investment Highlights & Guidance

- Revenue over \$130,000,000 annualized revenue for 2022 by Q4
- Mobile Broadband 2022: Over 200,000 subscribers with revenue of over \$75 million
  - Currently 100,000 subscribers @ \$30 reoccurring with 60% margin
- Fintech: 8,000 stores currently transacting on the SurgePays platform
  - Building a national in-house sales team for adding stores
- "De-risked" investment: SurgePays is providing essential services to a segment not directly affected by inflation or recession
- CEO is largest shareholder
- Significant growth expected in 2022 and beyond without a need for big dilution capital raises – not burning cash

Source: Company reports.

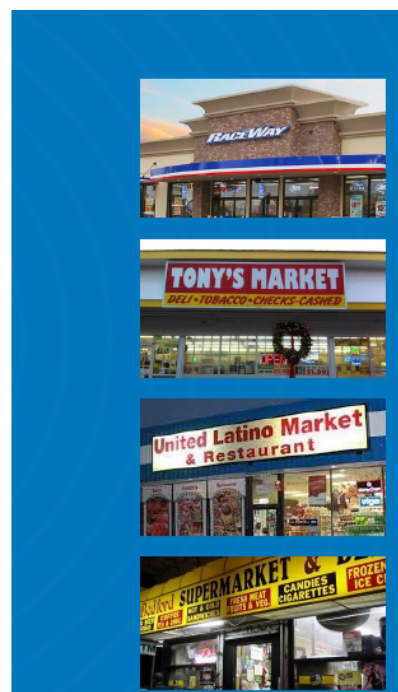
Exhibit 4: SurgePays Market Opportunity

## Market Opportunity

### 100 Million Adults in the U.S. are Underbanked<sup>1</sup>

- 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 neighborhood<sup>2</sup>
- 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 person<sup>3</sup>
- The Hispanic population has increased to more than 63.6 million representing over \$2 trillion in consumer spending<sup>4</sup>
- 30% of Florida (6.4M households) qualify for subsidized mobile broadband<sup>5</sup>

1. Source: <https://thefintechtimes.com/menta-and-agra-target-100-million-underbanked-americans-as-menta-credit-builder-is-launched/>  
 2. Source: <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC4620064/>  
 3. Source: <https://www.fiercewireless.com/wireless/lowenstein-what-s-road-map-for-areaid-united-states>



Source: Company reports.

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Exhibit 5: SurgePays Wireless

## B2C: SurgePhone & Torch Wireless

### Mobile Broadband Providers

- Launched SurgePhone Mobile Broadband in August 2021
- Affordable Connectivity Program (“ACP”) is a Federal program to help qualifying families and households to afford internet service
- Over 65,000 subscribers in **14 states** = \$5 mil/month revenue
- Acquisition of Torch Wireless in April 2022 expanded availability to all 50 states



- Program consists of reimbursing up to \$100 of the cost of LTE tablet and \$30 per month with a lucrative 60% margin

April 19, 2022



### SurgePays Passes 100,000 Mobile Broadband Subscribers

#### Acquisition of Torch Wireless Expands Growth Potential

BARTLETT, Tenn., April 19, 2022 (GLOBE NEWSWIRE) -- **SurgePays, Inc. (Nasdaq: SURG) (“SurgePays” or the “Company”)**, a technology and telecommunications company focused on the underbanked and underserved, announces continued growth in its mobile broadband subscriber business SurgePhone Wireless LLC (“SurgePhone”), the Company’s wholly owned subsidiary.

“The acquisition of Torch Wireless is helping to kick our mobile wireless business growth into overdrive. We are now licensed to sell this program in all 50 states, and we believe the warmer spring months will provide even greater opportunities to sign up new customers. We have surpassed 100,000 subscribers since last August and expect the next 100,000 subscribers to sign up over a much shorter timeframe,” said Chairman and CEO, Brian Cox.

### SurgePays Passes 150,000 Mobile Broadband Subscribers

Online Sales Spur Future Growth Acceleration in All 50 States

BARTLETT, Tenn., July 14, 2022 (GLOBE NEWSWIRE) -- **SurgePays, Inc. (Nasdaq: SURG) (“SurgePays” or the “Company”)**, a technology and telecommunications company focused on the underbanked and underserved, announces it exceeded 150,000 subscribers in its mobile broadband subscriber business SurgePhone Wireless LLC (“SurgePhone”), the Company’s wholly owned subsidiary.

### SurgePays Passes 200,000 Mobile Broadband Subscribers

#### Achieves 2022 Wireless Subscriber Guidance Ahead of Schedule

BARTLETT, Tenn., Oct. 05, 2022 (GLOBE NEWSWIRE) -- **SurgePays, Inc. (SURG) (“SurgePays” or the “Company”)**, a technology and telecommunications company focused on the underbanked and underserved, announces it exceeded 200,000 subscribers in its mobile broadband subscriber business SurgePhone Wireless LLC (“SurgePhone”), the Company’s wholly-owned subsidiary.

Source: Company reports.

**Exhibit 6: SurgePays FinTech Suite**

# FinTech Suite

SurgePays fintech platform utilizes a suite of financial and prepaid products to convert corner stores and bodegas into tech-hubs for underbanked neighborhoods.

Dynamic Processing Solution Enables:



Web based Portal or Verifone Terminal



Wireless Plan Payments

Wholesale e-Commerce Platform

Sell Bitcoin

Gift Cards

Debit Card Reload



Check Cashing Software

Load Amazon Cash

Load iGaming Apps

Activate Prepaid Wireless SIMs

Utility Bill Payment

Load Toll & Transit

Source: Company reports.

Exhibit 7: SurgePays Growth Strategy

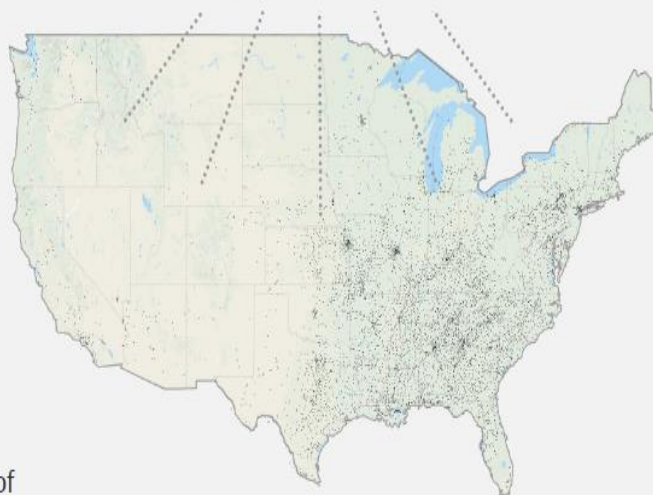
## Growth Strategies

### Organic

- Enable stores to provide a full suite of financial services to the underbanked and underserved
- Increase mobile broadband subscriber base
- Improve cash to digital conversion accessibility
- Build national sales team to grow number of stores

### Acquisitions

- Acquire distributor networks with an existing footprint of independently owned stores to add to our national network of community stores
- Acquire companies with complimentary products to add to our suite of underbanked financial or prepaid products



Over 8,000 Stores on the SurgePays Network

## Growth Strategies

### Organic

- **Expanding our network of retail locations**
- **In-house national sales team**
- **Utilizing Independent Sales Organizations**
- **Increase SurgePhone Wireless national footprint**

### Acquisitions

- **Acquire existing fintech companies with an existing network of stores**
- **Acquire manufacturers of products that are either currently sold to our retail stores, or regionally established companies that we can take nationwide**

Source: Company reports.

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**Exhibit 8: Q3 2022 and Recent Highlights (as of November 14, 2022)**

- *Q3 revenue increased 2.5X YoY*
- *Surpassed 2022 year-end goal of 200,000 Mobile Broadband subscribers*
- *ACP enrollment process fully integrated into SurgePays convenience store platform*

**Third Quarter 2022 Operational and Financial Highlights**

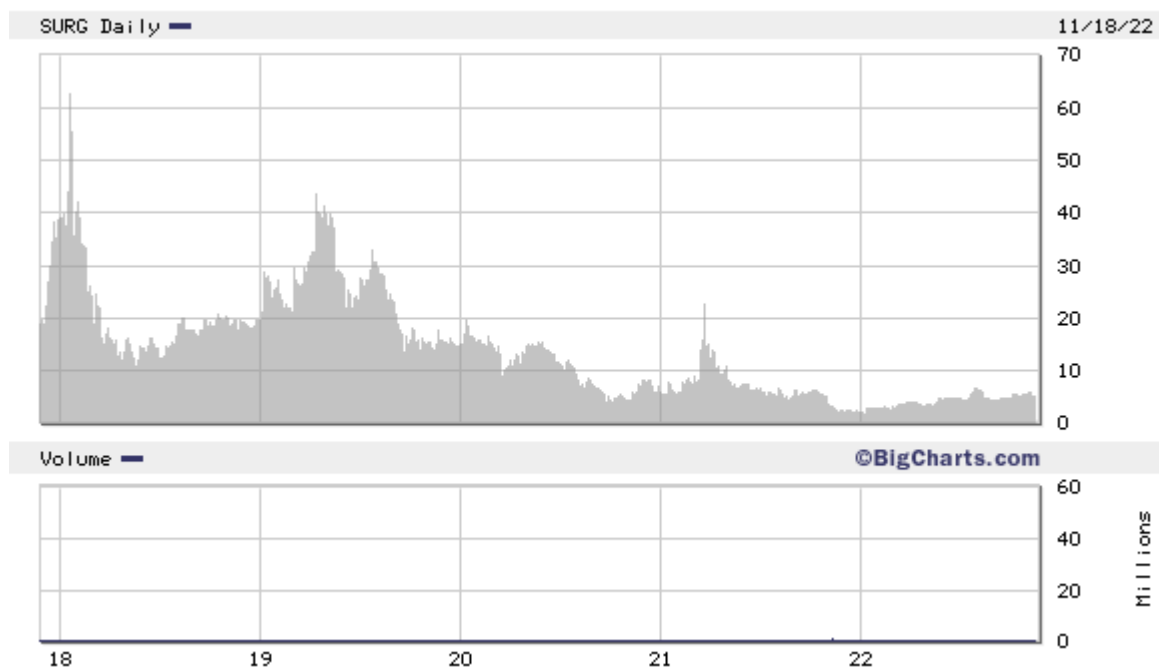
- Revenue of \$36.2 million in the third quarter, an increase of 149% compared to the third quarter of 2021
- Gross profit of \$1.9 million in the third quarter, an increase of 1% compared to the third quarter of 2021
- Net loss of \$(1.5 million) in the third quarter compared to a net loss of \$(1.7 million) in the year ago period
- Surpasses Year end Goal of 200,000 subscribers
- Appoints Jeremy Gies, President of SurgePays Fintech to drive increases in the number of stores using SurgePays software and revenue per store
- Integrate ACP into SurgePays Fintech Platform to enable in store enrollments

Source: Company reports.

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### Exhibit 9: SurgePays, Inc. Stock Price (5-Years)



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

### Exhibit 10: Consensus Expectations (as of November 14, 2022)

	Revenue (mils)			EPS	
	2022E	2023E		2022E	2023E
Q1 Mar	\$21A		Q1 Mar	\$(0.10)A	
Q2 Jun	\$28A		Q2 Jun	\$(0.07)A	
Q3 Sep	\$33E		Q3 Sep	\$0.29E	
Q4 Dec	\$45E		Q4 Dec	\$0.78E	
Total	\$127E	\$190E	Total	\$0.91E	\$2.40E

\*Quarterly estimates may not add to annual estimates due to variations in contributing estimates and rounding.

Source: Company report, Refinitiv, 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	Mar-23	Jun-23	Sep-23	Dec-23	2023
Fiscal Year End: December 31	FY-A	FY-A	Q1A	Q2A	Q3A	Q4A	FY-A	Q1A	Q2A	Q3A	Q4A*	FY-A	Q1A	Q2A	Q3A	Q4E	FY-E	Q1E	Q2E	Q3E	Q4E	FY-E
<b>Total Revenue</b>	15.2	25.7	15.8	14.5	12.8	11.3	54.4	11.0	11.4	14.5	14.2	51.1	21.1	28.0	36.2	44.7	130.0	47.6	47.6	50.6	54.2	200.0
Cost of Revenues	8.6	20.3	15.1	14.4	11.2	11.3	51.9	9.9	10.1	12.6	12.3	44.9	18.5	25.8	34.3	42.5	121.1	42.8	40.5	40.5	40.6	164.4
Gross Profit	6.7	5.4	0.7	0.1	1.6	0.0	2.5	1.1	1.3	1.9	1.8	6.2	2.6	2.2	1.9	2.2	9.0	4.8	7.1	10.1	13.5	35.6
Depreciation and amortization	0.1	0.2	0.3	0.3	0.3	0.3	1.2	0.2				0.2					0.0					0.0
Selling, general and administrative	8.1	13.0	3.2	3.9	2.9	1.4	11.4	3.0	2.7	2.3	3.9	11.9	3.7	3.0	2.9	2.7	12.3	7.6	7.1	8.1	7.7	30.6
Restructuring and other							0.0					0.0					0.0					0.0
Total operating expenses	8.2	13.2	3.5	4.2	3.2	1.7	12.6	3.2	2.7	2.3	3.9	12.2	3.7	3.0	2.9	2.7	12.3	7.6	7.1	8.1	7.7	30.6
<b>Operating income (loss)</b>	<b>(1.5)</b>	<b>(7.8)</b>	<b>(2.8)</b>	<b>(4.0)</b>	<b>(1.6)</b>	<b>(1.7)</b>	<b>(10.1)</b>	<b>(2.1)</b>	<b>(1.4)</b>	<b>(0.4)</b>	<b>(2.1)</b>	<b>(6.0)</b>	<b>(1.1)</b>	<b>(0.8)</b>	<b>(1.0)</b>	<b>(0.4)</b>	<b>(3.3)</b>	<b>(2.9)</b>	<b>0.0</b>	<b>2.0</b>	<b>5.8</b>	<b>5.0</b>
Interest income (expense)	(0.1)	(0.2)	(0.5)	(0.7)	(1.2)	(1.0)	(3.4)	(1.3)	(2.1)	(1.2)	(2.9)	(7.5)	(0.2)	(0.6)	(0.7)	(0.5)	(2.0)	(0.8)	(0.8)	(0.8)	(0.8)	(3.4)
Other income (expense)	0.2	(0.5)	0.2	2.3	0.3	0.0	2.8	(1.4)	3.3	(0.0)	(1.9)	(0.0)	0.0	0.5	0.2	0.5	1.1	0.0	0.0	0.0	0.0	0.0
Income before income taxes	(1.5)	(8.4)	(3.1)	(2.4)	(2.5)	(2.7)	(10.7)	(4.8)	(0.2)	(1.7)	(6.8)	(13.5)	(1.2)	(1.0)	(1.5)	(0.4)	(4.1)	(3.7)	(0.8)	1.2	4.9	1.6
Income taxes	0.1						0.0					0.0					0.0	0.0	0.0	0.0	0.0	0.0
Net income (loss)	(1.5)	(8.4)	(3.1)	(2.4)	(2.5)	(2.7)	(10.7)	(4.8)	(0.2)	(1.7)	(6.8)	(13.5)	(1.2)	(1.0)	(1.5)	(0.4)	(4.1)	(3.7)	(0.8)	1.2	4.9	1.6
Nonrecurring/noncash adjustments							0.0					0.0		0.1			0.1					0.0
<b>Net income (pro forma)</b>	<b>(1.5)</b>	<b>(8.4)</b>	<b>(3.1)</b>	<b>(2.4)</b>	<b>(2.5)</b>	<b>(2.7)</b>	<b>(10.7)</b>	<b>(4.8)</b>	<b>(0.2)</b>	<b>(1.7)</b>	<b>(6.8)</b>	<b>(13.5)</b>	<b>(1.2)</b>	<b>(0.9)</b>	<b>(1.5)</b>	<b>(0.4)</b>	<b>(4.1)</b>	<b>(3.7)</b>	<b>(0.8)</b>	<b>1.2</b>	<b>4.9</b>	<b>1.6</b>
EBITDA	(1.2)	(7.2)	(2.4)	(3.6)	(1.2)	(0.9)	(8.1)	(1.8)	(1.2)	(0.2)	(0.7)	(3.9)	(0.9)	(0.1)	(0.8)	(0.2)	(2.0)	(2.6)	0.2	2.2	6.0	5.8
Shares, Basic	1.6	1.9	2.1	2.1	2.3	2.4	2.1	2.6	3.1	3.3	8.7	4.4	12.1	12.3	12.4	12.6	12.4	12.7	12.8	13.0	13.2	13.0
Shares, Diluted	1.6	1.9	2.1	2.1	2.3	2.4	2.1	2.6	3.1	3.3	8.7	4.4	12.1	12.3	12.4	12.6	12.4	12.7	12.8	13.0	13.2	13.0
EPS Basic (pro forma)	(\$0.94)	(\$4.39)	(\$1.47)	(\$1.14)	(\$1.09)	(\$1.15)	(\$5.02)	(\$1.85)	(\$0.07)	(\$0.51)	(\$0.79)	(\$3.09)	(\$0.10)	(\$0.07)	(\$0.12)	(\$0.04)	(\$0.33)	(\$0.29)	(\$0.07)	\$0.09	\$0.37	\$0.12
EPS Diluted (pro forma)	(\$0.94)	(\$4.39)	(\$1.47)	(\$1.14)	(\$1.09)	(\$1.15)	(\$5.02)	(\$1.85)	(\$0.07)	(\$0.51)	(\$0.79)	(\$3.09)	(\$0.10)	(\$0.07)	(\$0.12)	(\$0.04)	(\$0.33)	(\$0.29)	(\$0.07)	\$0.09	\$0.37	\$0.12
<b>Margins</b>																						
Gross margin	44%	21%	5%	1%	12%	0%	5%	10%	12%	13%	13%	12%	12%	8%	5%	5%	7%	10%	15%	20%	25%	18%
Selling, general and administrative	53%	50%	20%	27%	23%	13%	21%	27%	24%	16%	28%	23%	17%	11%	8%	6%	9%	16%	15%	16%	14%	15%
Operating margin	-10%	-30%	-18%	-28%	-13%	-15%	-19%	-19%	-12%	-3%	-15%	-12%	-5%	-3%	-3%	-1%	-3%	-6%	0%	4%	11%	2%
Tax rate, GAAP	-6%	0%	0%	0%	0%	0%	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%	-48%	-27%	-6%	-3%	-4%	-1%	-3%	-8%	-2%	2%	9%	1%
<b>YY % change</b>																						
Total Revenue		69%					111%	-30%	-22%	14%	25%	-6%	92%	146%	149%	216%	155%	125%	70%	40%	21%	54%
Gross margin		-19%					-55%	55%	898%	20%	8579%	150%	133%	65%	1%	24%	46%	81%	226%	427%	506%	296%
Selling, general and administrative		61%					-12%	-6%	-29%	-22%	170%	4%	22%	11%	27%	-31%	3%	107%	135%	181%	189%	149%
Operating income (loss)		406%					31%	-24%	-65%	-77%	22%	-41%	-50%	-40%	157%	-79%	-45%	172%	-100%	-310%	-1396%	-250%
Net income (loss)		448%					27%	58%	-91%	-34%	150%	26%	-75%	355%	-10%	-93%	-70%	206%	-13%	-179%	-1207%	-138%
EPS Diluted (pro forma)		365%					14%	26%	-94%	-53%	-32%	-39%	-95%	7%	-76%	-96%	-89%	189%	-11%	-175%	-1157%	-137%

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	Mar-23	Jun-23	Sep-23	Dec-23
Fiscal Year End: December 31	Q4A	Q4A	Q1A	Q2A	Q3A	Q4A	Q1A	Q2A	Q3A	Q4A	Q1A	Q2A	Q3A	Q4E	Q1E	Q2E	Q3E	Q4E
<b>Assets</b>																		
Cash and cash equivalents	0.4	0.3	0.4	0.3	0.4	0.7	1.6	0.6	0.6	6.3	3.4	8.7	7.9	19.3	18.2	17.6	19.4	25.0
Short term investments		0.0	0.0	0.0										0.0	0.0	0.0	0.0	0.0
Accounts receivable, net	0.2	3.1	3.7	0.8	0.3	0.2	0.5	0.6	1.7	3.2	5.6	8.3	9.5	13.4	14.3	14.3	15.2	16.3
Lifeline revenue due from USAC	0.9	0.1	0.2	0.2	0.2	0.2	0.2											
Inventory	1.4			0.1	0.2	0.2	0.2	0.2	0.5	4.4	3.1	5.7	9.5	9.5	9.5	9.5	9.5	9.5
Deferred income taxes														0.0	0.0	0.0	0.0	0.0
Prepaid expenses and other	0.2	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0		0.2	0.0	0.1	0.2	0.5	0.5	0.5	0.5
<b>Total current assets</b>	<b>3.1</b>	<b>3.6</b>	<b>4.5</b>	<b>1.5</b>	<b>1.2</b>	<b>1.3</b>	<b>2.6</b>	<b>1.3</b>	<b>2.8</b>	<b>13.9</b>	<b>12.4</b>	<b>22.7</b>	<b>27.0</b>	<b>42.3</b>	<b>42.4</b>	<b>41.8</b>	<b>44.5</b>	<b>51.3</b>
Property and equipment, net	0.0	0.3	0.3	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.9	0.7	0.5	0.3	0.1	(0.0)	(0.2)
Note receivable														0.2	0.2	0.2	0.2	0.2
Intangibles, net	0.1	4.8	5.0	4.7	4.4	4.1	3.9	3.8	3.6	3.4	3.3	3.1	2.9	2.9	2.9	2.9	2.9	2.9
Goodwill	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9	1.7	1.7	1.7	1.7	1.7	1.7	1.7
Investment in Centercom		0.2	0.2	0.3	0.5	0.4	0.3	0.4	0.4	0.4	0.4	0.5	0.4	0.4	0.4	0.4	0.4	0.4
Deferred income tax														0.0	0.0	0.0	0.0	0.0
Other	0.1	0.3	0.5	0.5	0.5	0.4	0.9	0.6	0.5	0.5	0.5	0.5	0.4	0.4	0.4	0.4	0.4	0.4
<b>Total assets</b>	<b>4.1</b>	<b>10.0</b>	<b>11.3</b>	<b>8.2</b>	<b>7.7</b>	<b>7.3</b>	<b>8.8</b>	<b>7.4</b>	<b>8.6</b>	<b>19.5</b>	<b>17.8</b>	<b>29.5</b>	<b>33.4</b>	<b>48.5</b>	<b>48.4</b>	<b>47.6</b>	<b>50.1</b>	<b>56.7</b>
<b>Liabilities and stockholders' equity</b>																		
Accounts payable and accrued exper	3.1	3.6	5.4	5.3	5.5	5.6	4.5	5.8	4.2	6.6	5.6	11.3	13.7	13.4	13.8	13.8	14.7	15.7
Accounts payable and accrued exper	0.1	1.0	1.3	1.5	1.7	1.8	1.6	0.4	2.3	1.4	1.4	2.2	3.6	4.4	7.6	7.6	8.1	8.7
Credit card liability	0.4	0.4	0.4	0.4	0.4	0.4	0.4							0.0	0.0	0.0	0.0	0.0
Deferred revenue	0.1		0.7	0.3		0.4	0.7	0.6	0.2	0.3	0.3	0.1	1.9	1.9	1.9	1.9	1.9	1.9
Deferred income tax														0.0	0.0	0.0	0.0	0.0
Warrant liabilities	0.1	0.2	1.4	1.4	1.4	1.4	2.7	1.5	1.6					0.0	0.0	0.0	0.0	0.0
Other	0.1	0.1	0.2	0.1	0.1	0.2	0.2	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Short term debt	1.0	1.6	1.3	2.0	2.9	5.6	4.8	5.3	2.9	1.7	1.5	7.7	7.8	7.8	7.8	7.8	7.8	7.8
<b>Total current liabilities</b>	<b>4.8</b>	<b>7.1</b>	<b>10.6</b>	<b>11.1</b>	<b>12.0</b>	<b>15.3</b>	<b>15.0</b>	<b>13.6</b>	<b>11.2</b>	<b>10.0</b>	<b>8.9</b>	<b>21.3</b>	<b>26.9</b>	<b>27.5</b>	<b>31.1</b>	<b>31.1</b>	<b>32.5</b>	<b>34.1</b>
Deferred income taxes														0.0	0.0	0.0	0.0	0.0
Warrant liabilities														0.0	0.0	0.0	0.0	0.0
Other long term liabilities	0.6	1.0	1.2	1.2	1.2	1.0	1.4	0.5	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4
Deferred revenue														0.0	0.0	0.0	0.0	0.0
Long term debt	0.7	6.6	6.4	2.9	3.4	1.7	2.8	2.6	7.5	5.5	6.1	5.6	5.6	20.6	20.6	20.6	20.6	20.6
<b>Total other liabilities</b>	<b>1.3</b>	<b>7.6</b>	<b>7.6</b>	<b>4.1</b>	<b>4.6</b>	<b>2.7</b>	<b>4.2</b>	<b>3.1</b>	<b>7.9</b>	<b>6.0</b>	<b>6.5</b>	<b>6.0</b>	<b>6.0</b>	<b>21.0</b>	<b>21.0</b>	<b>21.0</b>	<b>21.0</b>	<b>21.0</b>
Preferred stock	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Common stock	0.1	0.1	0.1	0.1	0.1	0.1	0.2	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1
Additional paid-in capital	0.3	6.1	6.9	9.3	9.8	10.7	15.8	17.1	17.8	38.7	38.7	39.4	39.5	39.5	39.5	39.5	39.5	39.5
Retained earnings	(2.4)	(10.9)	(13.9)	(16.4)	(18.9)	(21.6)	(26.4)	(26.6)	(28.4)	(35.1)	(36.3)	(37.3)	(38.8)	(39.2)	(43.0)	(43.8)	(42.6)	(37.7)
Minority Interest											(0.0)	0.0	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)
Accumulated other comprehensive income														0.0	0.0	0.0	0.0	0.0
<b>Total stockholders' equity</b>	<b>(2.0)</b>	<b>(4.7)</b>	<b>(6.9)</b>	<b>(7.0)</b>	<b>(8.9)</b>	<b>(10.7)</b>	<b>(10.4)</b>	<b>(9.3)</b>	<b>(10.5)</b>	<b>3.6</b>	<b>2.4</b>	<b>2.2</b>	<b>0.5</b>	<b>0.0</b>	<b>(3.7)</b>	<b>(4.5)</b>	<b>(3.3)</b>	<b>1.6</b>
<b>Total stockholders' equity and liabili</b>	<b>4.1</b>	<b>10.0</b>	<b>11.3</b>	<b>8.2</b>	<b>7.7</b>	<b>7.3</b>	<b>8.8</b>	<b>7.4</b>	<b>8.6</b>	<b>19.5</b>	<b>17.8</b>	<b>29.5</b>	<b>33.4</b>	<b>48.5</b>	<b>48.4</b>	<b>47.6</b>	<b>50.1</b>	<b>56.7</b>

**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	Mar-23	Jun-23	Sep-23	Dec-23
	Q4A	Q4A	Q1A	Q2A	Q3A	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%	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%	47%	27%	40%	38%	30%	29%	29%	29%	29%
A/P and accrued exp related as % of tot	1%	4%	8%	11%	13%	16%	15%	4%	16%	10%	6%	8%	10%	10%	16%	16%	16%	16%
<b>Activity Ratios</b>																		
A/R Days Sales Outstanding	1	11	21	5	2	1	4	5	10	21	24	27	24	27	27	27	27	27
<b>Book &amp; Cash Value (per share)</b>																		
Book Value per Share (diluted)	-\$1.22	-\$2.44	-\$3.31	-\$3.28	-\$3.88	-\$4.51	-\$3.99	-\$3.02	-\$3.23	\$0.41	\$0.20	\$0.18	\$0.04	\$0.00	-\$0.29	-\$0.35	-\$0.25	\$0.12
Cash per Share (diluted)	\$0.27	\$0.19	\$0.22	\$0.17	\$0.18	\$0.28	\$0.62	\$0.19	\$0.19	\$0.72	\$0.29	\$0.71	\$0.63	\$1.52	\$1.43	\$1.37	\$1.48	\$1.89
Net cash per Share (diluted)	-\$0.74	-\$4.12	-\$3.50	-\$2.11	-\$2.57	-\$2.79	-\$2.31	-\$2.37	-\$2.99	-\$0.10	-\$0.35	-\$0.37	-\$0.44	-\$0.72	-\$0.80	-\$0.84	-\$0.69	-\$0.25

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	Mar-23	Jun-23	Sep-23	Dec-23	2023	
Fiscal Year End: December 31	FY-A	FY-A	Q1A	Q2A	Q3A	Q4A	FY-A	Q1A	Q2A	Q3A	Q4A	FY-A	Q1A	Q2A	Q3A	Q4E	FY-E	Q1E	Q2E	Q3E	Q4E	FY-E	
<b>Cash flow from operating activities</b>																							
Net income	(1.5)	(8.4)	(3.1)	(2.4)	(2.5)	(2.7)	(10.7)	(4.8)	(0.2)	(1.7)	(6.8)	(13.5)	(1.2)	(0.9)	(1.8)	(0.4)	(4.3)	(3.7)	(0.8)	1.2	4.9	1.6	
Depreciation	0.1	0.2	0.3	0.3	0.3	0.3	1.2	0.2	0.2	0.2	0.2	0.8	0.2	0.2	0.3	0.2	0.9	0.2	0.2	0.2	0.2	0.8	
Amortization	0.1	0.0	0.0	0.1	0.1	0.1	0.2	0.1	0.0	0.0	0.0	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Debt related amortization expense	0.1	0.3	0.5	0.6	0.6	0.6	2.0	0.7	0.6	0.7	1.7	3.7	0.0	0.0	0.3	0.0	0.3	0.0	0.0	0.0	0.0	0.0	
Dividend							0.0					0.0					0.0					0.0	
Stock comp	0.2	0.3	0.0	0.1	0.1	0.1	0.2	0.1	(0.0)	(0.0)	(0.0)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Deferred rent							0.0					0.0					0.0					0.0	
A/R and inventory reserves		1.0				1.8	1.8				0.0	0.0					0.0					0.0	
Deferred income taxes							0.0					0.0					0.0					0.0	
Change in fair value of warrant	0.0	(0.0)	0.3	(0.0)	(0.2)	(0.1)	(0.0)	1.5	(0.6)	0.2	(1.0)	0.0		0.2	(0.2)		0.0	0.0	0.0	0.0	0.0	0.0	
Writedowns and impairments							0.0					0.0					0.0					0.0	
Other gains/losses	0.0	0.4	(0.6)	(2.2)	0.0	(0.0)	(2.9)	(0.1)	(2.6)	(0.1)	1.0	(1.8)	0.0	(0.6)	0.1		(0.5)					0.0	
Other		(0.0)					0.0				(1.9)	(1.9)					0.0					0.0	
<b>Changes in operating assets and liabilities:</b>																							
Accounts receivable	(0.1)	(3.6)	(0.7)	2.9	0.5	(1.6)	1.1	(0.3)	(0.1)	(1.1)	(1.6)	(3.1)	(2.4)	(2.7)	(1.1)	(4.0)	(10.2)	(0.9)	(0.0)	(0.9)	(1.1)	(2.8)	
Lifeline revenue due from USAC	0.3	0.8	(0.1)	(0.0)	0.0	0.0	(0.2)	(0.0)	0.1			0.1					0.0					0.0	
Inventory	(0.8)	1.4	(0.1)	(0.1)	(0.0)	(0.0)	(0.2)	(0.1)	(0.0)	(0.3)	(3.9)	(4.3)	1.3	(2.6)	(3.9)		(5.2)					0.0	
Prepaid expenses & other current assets	0.0	(0.1)	0.0	0.0	(0.0)	0.0	0.1	(0.0)	0.0	(0.0)	0.0	0.0	(0.2)	0.2	(0.1)	(0.0)	(0.2)	(0.3)	(0.0)	(0.0)	(0.0)	(0.4)	
Income tax							0.0					0.0					0.0					0.0	
Other assets	(0.1)	0.0	0.1	(0.1)			0.0	(0.0)	0.0	0.1		0.1					0.0	0.0	0.0	0.0	0.0	0.0	
Accounts payable	0.9	1.5	1.8	0.2	0.5	0.4	2.9	(0.9)	1.4	0.2	4.1	4.8	(1.0)	5.7	4.5	(0.3)	9.0	0.4	0.0	0.9	1.0	2.3	
Accrued expenses							0.0					0.0	(0.0)	0.8	(0.8)	0.8	0.8	3.2	0.0	0.5	0.6	4.3	
Deferred revenue	(0.2)	(0.1)	0.7	(0.4)	(0.3)	0.4	0.4	0.3	(0.2)	(0.3)	0.0	(0.2)	0.0	(0.2)	1.8		1.6					0.0	
Other liabilities	0.1	(0.1)	(0.1)	0.0	(0.0)	(0.1)	(0.3)	(0.1)	(0.0)	(0.0)	(0.0)	(0.2)	(0.0)	(0.0)	(0.0)	0.0	(0.0)	0.0	0.0	0.0	0.0	0.0	
<b>Net cash (used in) provided by</b>	<b>(1.0)</b>	<b>(6.5)</b>	<b>(1.0)</b>	<b>(1.2)</b>	<b>(1.1)</b>	<b>(0.9)</b>	<b>(4.3)</b>	<b>(3.4)</b>	<b>(1.4)</b>	<b>(2.3)</b>	<b>(8.1)</b>	<b>(15.3)</b>	<b>(3.324)</b>	<b>0.175</b>	<b>(0.803)</b>	<b>(3.6)</b>	<b>(7.6)</b>	<b>(1.1)</b>	<b>(0.6)</b>	<b>1.8</b>	<b>5.6</b>	<b>5.8</b>	
<b>Cash flow from investing activities</b>																							
Purchases of property and equipment	(0.3)	(0.2)	(0.0)	0.0	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.1)	(0.0)		0.0	0.0	(0.0)	0.0	0.0	(0.0)	0.0	(0.0)	
Purchases of short-term investments	(0.2)	(0.0)			0.0		0.0					0.0					0.0					0.0	
Acquisitions	0.2	0.2					0.0	(0.3)				(0.3)		(1.1)			(1.1)					0.0	
Other							0.0					0.0					0.0					0.0	
<b>Net cash used in investing activities</b>	<b>(0.3)</b>	<b>(0.0)</b>	<b>(0.0)</b>	<b>0.0</b>	<b>0.0</b>	<b>(0.0)</b>	<b>0.0</b>	<b>(0.0)</b>	<b>(0.4)</b>	<b>(0.0)</b>	<b>(0.0)</b>	<b>(0.4)</b>	<b>(0.0)</b>	<b>(1.1)</b>	<b>0.0</b>	<b>0.0</b>	<b>(1.1)</b>	<b>0.0</b>	<b>0.0</b>	<b>(0.0)</b>	<b>0.0</b>	<b>(0.0)</b>	
<b>Cash flow from financing activities</b>																							
Issuance of debt	3.1	4.2	1.4	1.4	1.3	1.0	5.1	4.3	0.9	2.4	0.9	8.5	0.5	6.2		15.0	21.7	0.0	0.0	0.0	0.0	0.0	
Repayment of debt	(2.6)	(1.0)	(0.4)	(0.4)	(0.1)	(0.2)	(1.0)	(1.5)	(0.1)	(0.1)	(4.7)	(6.3)	(0.0)	(0.0)	(0.0)		(0.0)					0.0	
Issuance of stock		3.2	0.2	0.1	0.0	0.4	0.6	1.5			17.6	19.1					0.0	0.0	0.0	0.0	0.0	0.0	
Proceeds from stock option exercises							0.0					0.0					0.0					0.0	
Other							0.0					0.0					0.0					0.0	
Dividends and distributions							0.0					0.0					0.0					0.0	
<b>Cash provided by (used in) financing activities</b>	<b>0.5</b>	<b>6.5</b>	<b>1.1</b>	<b>1.1</b>	<b>1.2</b>	<b>1.2</b>	<b>4.6</b>	<b>4.4</b>	<b>0.8</b>	<b>2.4</b>	<b>13.8</b>	<b>21.3</b>	<b>0.5</b>	<b>6.2</b>	<b>(0.0)</b>	<b>15.0</b>	<b>21.7</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	
Effect of exchange rate on cash							0.0					0.0					0.0					0.0	
<b>Net increase (decrease) in cash</b>	<b>(0.8)</b>	<b>(0.1)</b>	<b>0.1</b>	<b>(0.1)</b>	<b>0.1</b>	<b>0.3</b>	<b>0.3</b>	<b>0.9</b>	<b>(1.0)</b>	<b>0.1</b>	<b>5.6</b>	<b>5.6</b>	<b>(2.8)</b>	<b>5.3</b>	<b>(0.8)</b>	<b>11.4</b>	<b>13.0</b>	<b>(1.1)</b>	<b>(0.6)</b>	<b>1.8</b>	<b>5.7</b>	<b>5.7</b>	
<b>Beginning cash and equivalents</b>	<b>1.3</b>	<b>0.4</b>	<b>0.3</b>	<b>0.4</b>	<b>0.3</b>	<b>0.4</b>	<b>0.3</b>	<b>0.7</b>	<b>1.6</b>	<b>0.6</b>	<b>0.6</b>	<b>0.7</b>	<b>6.3</b>	<b>3.4</b>	<b>8.7</b>	<b>7.9</b>	<b>6.3</b>	<b>19.3</b>	<b>18.2</b>	<b>17.6</b>	<b>19.4</b>	<b>19.3</b>	
<b>Ending cash and equivalents</b>	<b>0.4</b>	<b>0.3</b>	<b>0.4</b>	<b>0.3</b>	<b>0.4</b>	<b>0.7</b>	<b>0.7</b>	<b>1.6</b>	<b>0.6</b>	<b>0.6</b>	<b>6.3</b>	<b>6.3</b>	<b>3.4</b>	<b>8.7</b>	<b>7.9</b>	<b>19.3</b>	<b>19.3</b>	<b>18.2</b>	<b>17.6</b>	<b>19.4</b>	<b>25.0</b>	<b>25.0</b>	

Source: Company reports and Ascendant Capital Markets estimates

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**BUY:** We expect the stock to provide a total return of 15% or more within a 12-month period.

**HOLD:** We expect the stock to provide a total return of negative 15% to positive 15% within a 12-month period.

**SELL:** We expect the stock to have a negative total return of more than 15% within a 12-month period.

Total return is defined as price appreciation plus dividend yield.

### Ascendant Capital Markets, LLC Rating System

*Prior to January 31, 2014, ASCM used the following rating system:*

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**Buy:** We expect the stock to provide a total return of between 10% and 30% within a 12-month period.

**Neutral:** We expect the stock to provide a total return of between minus 10% and plus 10% within a 12-month period.

**Sell:** We expect the stock to provide a total return of minus 10% or worse within a 12-month period.

**Speculative Buy:** This rating is reserved for companies we believe have tremendous potential, but whose stocks are illiquid or whose equity market capitalizations are very small, often in the definition of a nano cap (below \$50 million in market cap). In general, for stocks ranked in this category, we expect the stock to provide a total return of 50% or more within a 12-month period. However, because of the illiquid nature of the stock's trading and/or the nano cap nature of the investment, we caution that these investments may not be suitable for all parties.

Total return is defined as price appreciation plus dividend yield.

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Rating	Count	Percent	Investment Banking Services Past 12 months	
			Count	Percent
Buy	43	98%	17	40%
Hold	0	0%	0	0%
Sell	1	2%	0	0%
Total	44	100%	17	39%

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