



SurgePays, Inc.

Large Q1 EPS upside. We expect continued high growth over the next year to be positive for stock. Raising P/T to \$10.50.

COMPANY UPDATE

Rating: BUY

Ticker: SURG

Price: \$6.37

Target: \$10.50
(from \$9.50)

Large Q1 EPS upside: SurgePays recently (on May 11) reported its fiscal Q1 2023 (ending March) results. Revenue was \$35 million (+64% y-o-y), compared to our and consensus estimates of \$37 million. EPS was \$0.31, compared to our estimates of \$(0.17) and consensus of \$(0.03). There was no Q1 guidance.

Large operating leverage: The company had a large increase in its gross margin (22% in Q1 from 12% y-o-y) as its customer base grows significantly. Each subscriber is \$30/month of revenue with 60% gross margins.

Strong growth in wireless: The company currently has ~250,000 subscribers to its mobile wireless program (Affordable Connectivity Program ("ACP")), which is up significantly from 30,000 at the end of Q4 2021. The company plans to focus more of its future mobile wireless subscriber growth from its convenience store distribution partners which should improve growth and profitability.

Strong EBB growth: SurgePays's mobile broadband business has gone from zero to ~\$12 million in monthly revenue in about 20 months (when the program originally launched in August 2021). SurgePays has already exceeded (in October 2022) its strong 2022 goal of achieving over 200,000 subscriber activations (up from 30,000 subscribers at the end of December 2021). The company's 2023 guidance is for 500,000 subscribers (up from ~250,000 currently).

Strong 2023 guidance: The company maintained 2023 guidance for revenue of "at least" \$190 million (+56%).

Raising 2023 estimates: We are raising our 2023 estimates for revenue to \$200 million, from \$190 million, and for EPS to \$0.90 from \$0.40.

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 \$10.50 from \$9.50, 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

May 30, 2023

Edward Woo, CFA
(561) 327-9435
ewoo@ascendant.com

Stock Data

Exchange:	NasdaqCM
52-week Range:	3.88 – 7.61
Shares Outstanding (million):	14
Market cap (\$million):	\$89
EV (\$million):	\$87
Debt (\$million):	\$7
Cash (\$million):	\$9
Avg. Daily Trading Vol. (\$million):	\$2
Float (million shares):	8
Short Interest (million shares):	1
Dividend, annual (yield):	\$0 (NA%)

Revenues (US\$ million)

	<u>2023E</u> (Cur.)	<u>2023E</u> (Old)	<u>2024E</u> (Cur.)	<u>2024E</u> (Old)
Q1 Mar	35A	37E	42E	44E
Q2 Jun	38E	42E	46E	50E
Q3 Sep	51E		61E	
Q4 Dec	<u>76E</u>	<u>61E</u>	<u>92E</u>	<u>73E</u>
Total	200E	190E	240E	228E
EV/Revs	0.4x		0.4x	

Earnings per Share (pro forma)

	<u>2023E</u> (Cur.)	<u>2023E</u> (Old)	<u>2024E</u> (Cur.)	<u>2024E</u> (Old)
Q1 Mar	0.31A	(0.17)E	0.21E	0.11E
Q2 Jun	0.12E	0.04E	0.23E	0.15E
Q3 Sep	0.16E		0.30E	0.15E
Q4 Dec	<u>0.32E</u>	<u>0.36E</u>	<u>0.46E</u>	<u>0.26E</u>
Total	0.90E	0.40E	1.20E	0.67E
P/E	7x		5x	

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 May 11) reported its fiscal Q1 2023 (ending March) results.
- Revenue was \$35 million (+64% y-o-y), compared to our and consensus estimates of \$37 million.
- EPS was \$0.31, compared to our estimates of \$(0.17) and consensus of \$(0.03).
- There was no Q1 guidance.
- The company maintained 2023 guidance for revenue of “at least” \$190 million (+56%).
- We are raising our 2023 estimates for revenue to \$200 million, from \$190 million, and for EPS to \$0.90 from \$0.40.
- We are raising our 2024 estimates for revenue to \$240 million, from \$228 million, and for EPS to \$1.20 from \$0.67.

ADDITIONAL DETAILS

- Gross profit for the quarter was \$8 million, compared with our estimate of \$4 million.
- Gross margin for the quarter was 22%, versus our expectation of 10% and 12% last year.
- Operating expenses were \$3.0 million, versus our expectation of \$5.9 million.
- Operating income was \$4.7 million, versus our expectation of a loss of \$2.2 million.
- Net income was \$4.5 million, versus our expectation of a loss of \$2.5 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 2022, 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 \$9 million in cash and \$7 million in debt, compared with \$7 million in cash and \$8 million in debt at the end of December. In November, 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 ¹	\$3.88
Market Cap ¹	\$47.0M
2021 Revenue	\$51.1M
Shares Outstanding ³	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

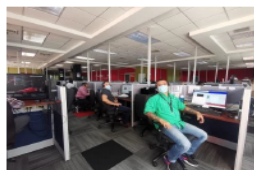
Source: Company reports.

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.

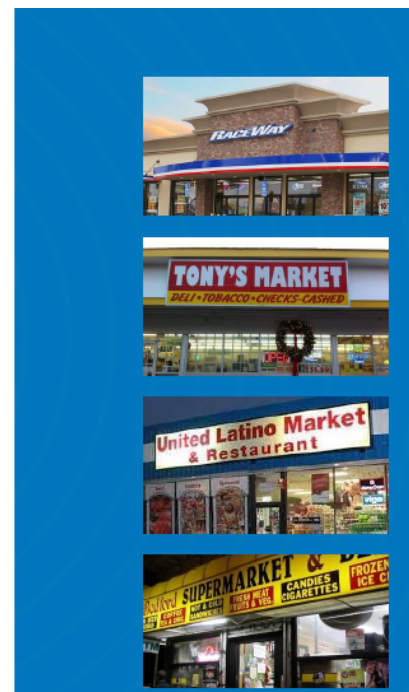
Exhibit 4: SurgePays Market Opportunity

Market Opportunity

100 Million Adults in the U.S. are Underbanked¹

- 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
- The Hispanic population has increased to more than 63.6 million representing over \$2 trillion in consumer spending⁴
- 30% of Florida (6.4M households) qualify for subsidized mobile broadband⁵

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.

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



Check Cashing Software



Wholesale e-Commerce Platform



Load Amazon Cash



Sell Bitcoin



Load iGaming Apps



Gift Cards



Activate Prepaid Wireless SIMs



Debit Card Reload



Utility Bill Payment



Load Toll & Transit

Source: Company reports.

Exhibit 7: SurgePays Growth Strategy

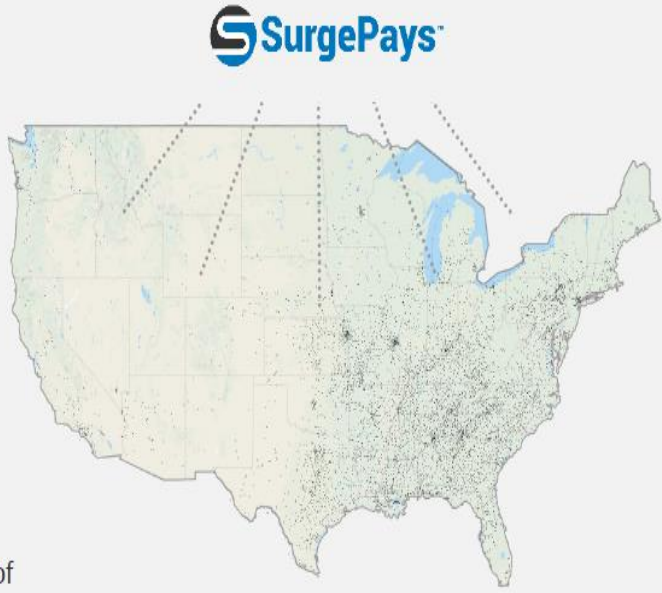
Growth Strategies

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

<u>Organic</u>	<u>Acquisitions</u>
<ul style="list-style-type: none"> • Expanding our network of retail locations • In-house national sales team • Utilizing Independent Sales Organizations • Increase SurgePhone Wireless national footprint 	<ul style="list-style-type: none"> • 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.

Exhibit 8: Q1 2023 and Recent Highlights (as of May 11, 2023)

First quarter 2023 Highlights

- Revenue of \$34.8 million in the first quarter, an increase of 64% over the prior year period.
- Gross profit of \$7.7 million in the first quarter, an increase of \$5.1 million over the year-ago period.
- Net income of \$4.5 million in the first quarter, compared to a net loss of \$(1.2) million in the year-ago period.
- First quarter 2023 EBITDA of \$5.0 million compared to a 1Q22 EBITDA loss of \$(848) thousand.

Source: Company reports.

Exhibit 9: 2023 Business Outlook (as of May 11, 2023)

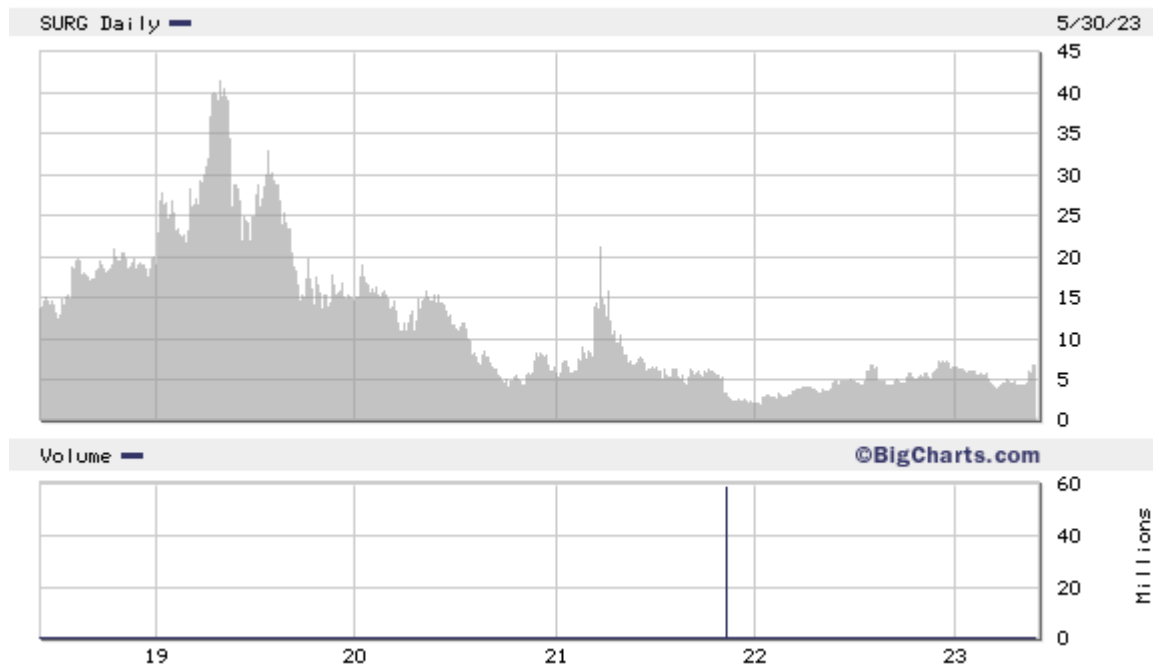
Business Outlook

For the full year 2023, the Company expects to achieve the following targets:

- Total revenues of at least \$190 million
- Positive operating cash flow in 2023
- 13,000 stores transacting on the SurgePays Network
- Over 500,000 wireless subscribers

Source: Company reports.

Exhibit 10: SurgePays, Inc. Stock Price (5-Years)



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

Exhibit 11: Consensus Expectations (as of May 11, 2023)

	Revenue (mils)			EPS	
	2023E	2023E		2023E	2023E
Q1 Mar	\$37E		Q1 Mar	\$(0.03)E	
Q2 Jun	\$47E		Q2 Jun	\$0.09E	
Q3 Sep			Q3 Sep		
Q4 Dec			Q4 Dec		
Total	\$198E	\$228E	Total	\$0.54E	\$0.67E

*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)	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	Mar-24	Jun-24	Sep-24	Dec-24	2024
Fiscal Year End: December 31	Q1A	Q2A	Q3A	Q4A*	FY-A	Q1A	Q2A	Q3A	Q4A	FY-A	Q1A	Q2E	Q3E	Q4E	FY-E	Q1E	Q2E	Q3E	Q4E	FY-E
Total Revenue	11.0	11.4	14.5	14.2	51.1	21.1	28.0	36.2	36.2	121.5	34.8	38.1	50.6	76.4	199.9	41.7	45.7	60.8	91.8	240.0
Cost of Revenues	9.9	10.1	12.6	12.3	44.9	18.5	25.8	34.3	29.5	108.1	27.1	30.9	41.0	61.5	160.5	33.0	36.1	48.0	72.5	189.6
Gross Profit	1.1	1.3	1.9	1.8	6.2	2.6	2.2	1.9	6.7	13.5	7.7	7.2	9.6	14.9	39.5	8.8	9.6	12.8	19.3	50.4
Depreciation and amortization	0.2				0.2					0.0					0.0					0.0
Selling, general and administrative	3.0	2.7	2.3	3.9	11.9	3.7	3.0	2.9	3.2	12.8	3.0	5.3	7.1	9.9	25.3	5.4	5.9	7.9	11.9	31.2
Restructuring and other					0.0					0.0					0.0					0.0
Total operating expenses	3.2	2.7	2.3	3.9	12.2	3.7	3.0	2.9	3.2	12.8	3.0	5.3	7.1	9.9	25.3	5.4	5.9	7.9	11.9	31.2
Operating income (loss)	(2.1)	(1.4)	(0.4)	(2.1)	(6.0)	(1.1)	(0.8)	(1.0)	3.5	0.6	4.7	1.9	2.5	5.0	14.1	3.3	3.7	4.9	7.3	19.2
Interest income (expense)	(1.3)	(2.1)	(1.2)	(2.9)	(7.5)	(0.2)	(0.6)	(0.7)	(0.5)	(2.0)	(0.2)	(0.2)	(0.2)	(0.2)	(0.8)	(0.2)	(0.2)	(0.2)	(0.2)	(0.8)
Other income (expense)	(1.4)	3.3	(0.0)	(1.9)	(0.0)	0.0	0.5	0.2	(0.0)	0.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Income before income taxes	(4.8)	(0.2)	(1.7)	(6.8)	(13.5)	(1.2)	(1.0)	(1.5)	3.0	(0.7)	4.5	1.7	2.3	4.8	13.3	3.1	3.5	4.7	7.1	18.4
Income taxes					0.0					0.0		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net income (loss)	(4.8)	(0.2)	(1.7)	(6.8)	(13.5)	(1.2)	(1.0)	(1.5)	3.0	(0.7)	4.5	1.7	2.3	4.8	13.3	3.1	3.5	4.7	7.1	18.4
Nonrecurring/noncash adjustments					0.0		0.1			0.1					0.0					0.0
Net income (pro forma)	(4.8)	(0.2)	(1.7)	(6.8)	(13.5)	(1.2)	(0.9)	(1.5)	3.0	(0.6)	4.5	1.7	2.3	4.8	13.3	3.1	3.5	4.7	7.1	18.4
EBITDA	(1.8)	(1.2)	(0.2)	(0.7)	(3.9)	(0.9)	(0.1)	(0.8)	4.1	2.4	5.0	2.2	2.8	5.3	15.4	3.7	4.0	5.2	7.7	20.5
Shares, Basic	2.6	3.1	3.3	8.7	4.4	12.1	12.3	12.4	12.8	12.40	14.1	14.2	14.4	14.6	14.4	14.7	14.8	15.0	15.2	15.0
Shares, Diluted	2.6	3.1	3.3	8.7	4.4	12.1	12.3	12.4	12.8	12.4	14.5	14.6	14.8	15.0	14.8	15.1	15.2	15.4	15.6	15.4
EPS Basic (pro forma)	(\$1.85)	(\$0.07)	(\$0.51)	(\$0.79)	(\$3.09)	(\$0.10)	(\$0.07)	(\$0.12)	\$0.23	(\$0.05)	\$0.32	\$0.12	\$0.16	\$0.33	\$0.93	\$0.21	\$0.23	\$0.31	\$0.47	\$1.23
EPS Diluted (pro forma)	(\$1.85)	(\$0.07)	(\$0.51)	(\$0.79)	(\$3.09)	(\$0.10)	(\$0.07)	(\$0.12)	\$0.23	(\$0.05)	\$0.31	\$0.12	\$0.16	\$0.32	\$0.90	\$0.21	\$0.23	\$0.30	\$0.46	\$1.20
Margins																				
Gross margin	10%	12%	13%	13%	12%	12%	8%	5%	19%	11%	22%	19%	19%	20%	20%	21%	21%	21%	21%	21%
Selling, general and administrative	27%	24%	16%	28%	23%	17%	11%	8%	9%	11%	9%	14%	14%	13%	13%	13%	13%	13%	13%	13%
Operating margin	-19%	-12%	-3%	-15%	-12%	-5%	-3%	-3%	10%	1%	14%	5%	5%	7%	7%	8%	8%	8%	8%	8%
Tax rate, GAAP	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Net margin	-44%	-2%	-11%	-48%	-27%	-6%	-3%	-4%	8%	-1%	13%	4%	5%	6%	7%	8%	8%	8%	8%	8%
YY % change																				
Total Revenue	-30%	-22%	14%	25%	-6%	92%	146%	149%	156%	138%	64%	36%	40%	111%	65%	20%	20%	20%	20%	20%
Gross margin	55%	898%	20%	8579%	150%	133%	65%	1%	272%	118%	192%	230%	401%	122%	193%	14%	33%	33%	29%	28%
Selling, general and administrative	-6%	-29%	-22%	170%	4%	22%	11%	27%	-17%	7%	-19%	75%	146%	208%	97%	81%	11%	11%	20%	23%
Operating income (loss)	-24%	-65%	-77%	22%	-41%	-50%	-40%	157%	-267%	-111%	-548%	-325%	-362%	42%	#####	-29%	92%	92%	48%	36%
Net income (loss)	58%	-91%	-34%	150%	26%	-75%	355%	-10%	-144%	-95%	-475%	-275%	-256%	59%	#####	-31%	103%	100%	50%	38%
EPS Diluted (pro forma)	26%	-94%	-53%	-32%	-39%	-95%	7%	-76%	-130%	-98%	-411%	-256%	-231%	35%	#####	-34%	95%	92%	44%	32%

Source: Company reports and Ascendant Capital Markets estimates.

SurgePays Inc.

Balance Sheet (\$ mils)	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24
Fiscal Year End: December 31	Q1A	Q2A	Q3A	Q4A	Q1A	Q2A	Q3A	Q4A	Q1A	Q2E	Q3E	Q4E	Q1E	Q2E	Q3E	Q4E
Assets																
Cash and cash equivalents	1.6	0.6	0.6	6.3	3.4	8.7	7.9	7.0	8.9	11.0	17.8	31.7	14.3	18.4	25.3	36.9
Short term investments										0.0	0.0	0.0	0.0	0.0	0.0	0.0
Accounts receivable, net	0.5	0.6	1.7	3.2	5.6	8.3	9.5	9.2	9.7	11.4	15.2	22.9	12.5	13.7	18.2	27.5
Lifeline revenue due from USAC	0.2															
Inventory	0.2	0.2	0.5	4.4	3.1	5.7	9.5	11.2	15.5	15.5	15.5	15.5	15.5	15.5	15.5	15.5
Deferred income taxes										0.0	0.0	0.0	0.0	0.0	0.0	0.0
Prepaid expenses and other	0.0	0.0	0.0		0.2	0.0	0.1	0.1	0.2	0.2	0.2	0.4	0.4	0.5	0.6	0.9
Total current assets	2.6	1.3	2.8	13.9	12.4	22.7	27.0	27.6	34.2	38.2	48.8	70.5	42.7	48.1	59.6	80.8
Property and equipment, net	0.2	0.2	0.2	0.2	0.2	0.9	0.7	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6
Note receivable		0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Intangibles, net	3.9	3.8	3.6	3.4	3.3	3.1	2.9	3.2	3.1	3.1	3.1	3.1	3.1	3.1	3.1	3.1
Goodwill	0.9	0.9	0.9	0.9	0.9	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7
Investment in Centercom	0.3	0.4	0.4	0.4	0.4	0.5	0.4	0.4	0.4	0.4	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	0.0	0.0
Other	0.9	0.6	0.5	0.5	0.5	0.5	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4
Total assets	8.8	7.4	8.6	19.5	17.8	29.5	33.4	34.0	40.6	44.5	55.2	76.8	49.1	54.4	66.0	87.2
Liabilities and stockholders' equity																
Accounts payable and accrued expenses	4.5	5.8	4.2	6.6	5.6	11.3	13.7	18.8	20.7	22.7	30.1	45.5	12.1	13.3	17.6	26.6
Accounts payable and accrued expenses	1.6	0.4	2.3	1.4	1.4	2.2	3.6	1.7	2.0	2.2	2.9	4.3	6.7	7.3	9.7	14.7
Credit card liability	0.4									0.0	0.0	0.0	0.0	0.0	0.0	0.0
Deferred revenue	0.7	0.6	0.2	0.3	0.3	0.1	1.9	0.2	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7
Deferred income tax										0.0	0.0	0.0	0.0	0.0	0.0	0.0
Warrant liabilities	2.7	1.5	1.6							0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other	0.2	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Short term debt	4.8	5.3	2.9	1.7	1.5	7.7	7.8	2.7	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.3
Total current liabilities	15.0	13.6	11.2	10.0	8.9	21.3	26.9	23.5	25.7	29.8	38.0	54.8	23.7	25.5	32.3	46.3
Deferred income taxes										0.0	0.0	0.0	0.0	0.0	0.0	0.0
Warrant liabilities										0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other long term liabilities	1.4	0.5	0.4	0.4	0.4	0.4	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	0.0	0.0
Long term debt	2.8	2.6	7.5	5.5	6.1	5.6	5.6	5.0	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5
Total other liabilities	4.2	3.1	7.9	6.0	6.5	6.0	6.0	5.4	4.9	4.9	4.9	4.9	4.9	4.9	4.9	4.9
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
Common stock	0.2	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.2	0.4	0.5	0.6	0.7	0.8
Additional paid-in capital	15.8	17.1	17.8	38.7	38.7	39.4	39.5	40.8	41.1	41.1	41.1	41.1	41.1	41.1	41.1	41.1
Retained earnings	(26.4)	(26.6)	(28.4)	(35.1)	(36.3)	(37.3)	(38.8)	(35.8)	(31.3)	(29.6)	(27.2)	(22.5)	(19.3)	(15.9)	(11.2)	(4.1)
Minority Interest					(0.0)	0.0	(0.2)	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Accumulated other comprehensive income										(2.0)	(2.0)	(2.0)	(2.0)	(2.0)	(2.0)	(2.0)
Total stockholders' equity	(10.4)	(9.3)	(10.5)	3.6	2.4	2.2	0.5	5.1	10.0	9.8	12.3	17.2	20.4	24.0	28.7	36.0
Total stockholders' equity and liabilities	8.8	7.4	8.6	19.5	17.8	29.5	33.4	34.0	40.6	44.5	55.2	76.8	49.1	54.4	66.0	87.2

Balance Sheet Drivers

	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24
	Q1A	Q2A	Q3A	Q4A	Q1A	Q2A	Q3A	Q4A	Q1A	Q2E	Q3E	Q4E	Q1E	Q2E	Q3E	Q4E
Prepaid as % of total rev	0%	0%	0%	0%	1%	0%	0%	0%	0%	0%	0%	0%	1%	1%	1%	1%
A/P and accrued exp as % of total rev	41%	51%	29%	47%	27%	40%	38%	52%	59%	59%	59%	59%	29%	29%	29%	29%
A/P and accrued exp related as % of total rev	15%	4%	16%	10%	6%	8%	10%	5%	6%	6%	6%	6%	16%	16%	16%	16%
Activity Ratios																
A/R Days Sales Outstanding	4	5	10	21	24	27	24	23	25	27	27	27	27	27	27	27
Book & Cash Value (per share)																
Book Value per Share (diluted)	-\$3.99	-\$3.02	-\$3.23	\$0.41	\$0.20	\$0.18	\$0.04	\$0.40	\$0.69	\$0.67	\$0.83	\$1.14	\$1.35	\$1.57	\$1.86	\$2.30
Cash per Share (diluted)	\$0.62	\$0.19	\$0.19	\$0.72	\$0.29	\$0.71	\$0.63	\$0.55	\$0.61	\$0.76	\$1.20	\$2.11	\$0.94	\$1.21	\$1.64	\$2.36
Net cash per Share (diluted)	-\$2.31	-\$2.37	-\$2.99	-\$0.10	-\$0.35	-\$0.37	-\$0.44	-\$0.05	\$0.14	\$0.29	\$0.74	\$1.65	\$0.49	\$0.76	\$1.20	\$1.92

Source: Company reports and Ascendant Capital Markets estimates

SurgePays Inc.

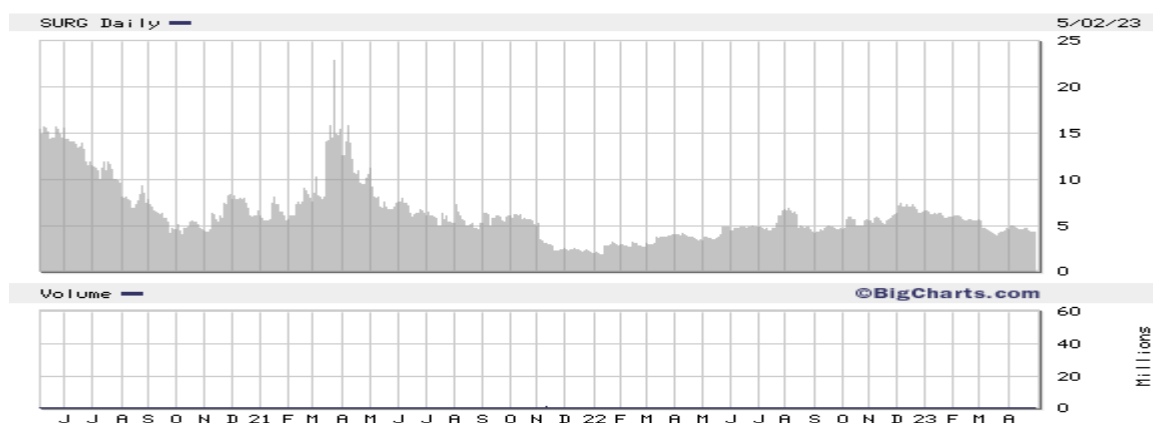
Cash Flow Statement (\$ mils)	Mar-21	Jun-21	Sep-21	Dec-21	2021	Mar-22	Jun-22	Sep-22	Dec-22	2022	Mar-23	Jun-23	Sep-23	Dec-23	2023	Mar-24	Jun-24	Sep-24	Dec-24	2024	
Fiscal Year End: December 31	Q1A	Q2A	Q3A	Q4A	FY-A	Q1A	Q2A	Q3A	Q4A	FY-A	Q1E	Q2E	Q3E	Q4E	FY-E	Q1E	Q2E	Q3E	Q4E	FY-E	
Cash flow from operating activities																					
Net income	(4.8)	(0.2)	(1.7)	(6.8)	(13.5)	(1.2)	(0.9)	(1.8)	3.3	(0.6)	4.5	1.7	2.3	4.8	13.3	3.1	3.5	4.7	7.1	18.4	
Depreciation	0.2	0.2	0.2	0.2	0.8	0.2	0.2	0.3	0.3	0.9	0.2	0.2	0.2	0.2	0.8	0.2	0.2	0.2	0.2	0.8	
Amortization	0.1	0.0	0.0	0.0	0.2	0.0	0.0	0.0	0.0	0.1				0.0						0.0	
Debt related amortization expen	0.7	0.6	0.7	1.7	3.7				0.1	0.5				0.0						0.0	
Dividend					0.0					0.0				0.0						0.0	
Stock comp	0.1	(0.0)	(0.0)	(0.0)	0.0	0.0	0.0	0.0	0.1	0.1	0.1	0.1	0.1	0.5	0.1	0.1	0.1	0.1	0.1	0.5	
Deferred rent					0.0					0.0				0.0						0.0	
A/R and inventory reserves				0.0	0.0			0.1	(0.1)	(0.0)				0.0						0.0	
Deferred income taxes					0.0					0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Change in fair value of warrant I	1.5	(0.6)	0.2	(1.0)	0.0		0.2	(0.2)	0.0	0.0				0.0						0.0	
Writedowns and impairments					0.0					0.0				0.0						0.0	
Other gains/losses	(0.1)	(2.6)	(0.1)	1.0	(1.8)	0.0	(0.6)	0.1	0.0	(0.4)				0.0						0.0	
Other				(1.9)	(1.9)					0.0				0.0						0.0	
Changes in operating assets and liabilities:																					
Accounts receivable	(0.3)	(0.1)	(1.1)	(1.6)	(3.1)	(2.4)	(2.7)	(1.1)	0.3	(5.9)	(0.4)	(1.8)	(3.8)	(7.7)	(13.7)	10.4	(1.2)	(4.5)	(9.3)	(4.6)	
Lifeline revenue due from USAC	(0.0)	0.1			0.1					0.0					0.0					0.0	
Inventory	(0.1)	(0.0)	(0.3)	(3.9)	(4.3)	1.3	(2.6)	(3.9)	(1.7)	(6.9)				0.0						0.0	
Prepaid expenses & other curre	(0.0)	0.0	(0.0)	0.0	0.0	(0.2)	0.2	(0.1)	0.0	(0.1)	(0.1)	(0.0)	(0.1)	(0.1)	(0.3)	(0.0)	(0.0)	(0.2)	(0.3)	(0.5)	
Income tax					0.0					0.0					0.0					0.0	
Other assets	(0.0)	0.0	0.1		0.1				13.0	13.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Accounts payable	(0.9)	1.4	0.2	4.1	4.8	(1.0)	5.7	4.5	(10.1)	(0.8)	1.9	2.0	7.5	15.3	26.7	(33.4)	1.2	4.4	9.0	(18.9)	
Accrued expenses					0.0	(0.0)	0.8	(0.8)	1.0	1.0	0.2	0.2	0.7	1.5	2.6	2.4	0.6	2.4	5.0	10.4	
Deferred revenue	0.3	(0.2)	(0.3)	0.0	(0.2)	0.0	(0.2)	1.8	(1.7)	(0.0)				0.0						0.0	
Other liabilities	(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)	0.0	0.0	0.0	0.0	0.0	
Net cash (used in) provided by	(3.4)	(1.4)	(2.3)	(8.1)	(15.3)	(3.3)	0.2	(0.8)	4.7	0.8	6.5	2.4	7.0	14.0	29.9	(17.2)	4.3	7.1	11.8	6.0	
Cash flow from investing activities																					
Purchases of property and equip	(0.0)	(0.0)	(0.0)	(0.0)	(0.1)	(0.0)		0.0	(0.0)	(0.0)	(0.2)	(0.2)	(0.2)	(0.2)	(0.8)	(0.2)	(0.2)	(0.2)	(0.2)	(0.8)	
Purchases of short-term investments					0.0					0.0					0.0					0.0	
Acquisitions		(0.3)			(0.3)		(1.1)			(1.1)					0.0					0.0	
Other					0.0				(0.4)	(0.4)					0.0					0.0	
Net cash used in investing activ	(0.0)	(0.4)	(0.0)	(0.0)	(0.4)	(0.0)	(1.1)	0.0	(0.4)	(1.5)	(0.2)	(0.2)	(0.2)	(0.2)	(0.8)	(0.2)	(0.2)	(0.2)	(0.2)	(0.8)	
Cash flow from financing activities																					
Issuance of debt	4.3	0.9	2.4	0.9	8.5	0.5	6.2			6.7	(0.9)	0.0	0.0	0.0	(0.9)	0.0	0.0	0.0	0.0	0.0	
Repayment of debt	(1.5)	(0.1)	(0.1)	(4.7)	(6.3)	(0.0)	(0.0)	(0.0)	(5.2)	(5.2)					0.0					0.0	
Issuance of stock	1.5			17.6	19.1					0.0	(0.1)	0.0	0.0	0.0	(0.1)	0.0	0.0	0.0	0.0	0.0	
Proceeds from stock option exercises					0.0				0.0	0.0					0.0					0.0	
Other					0.0					0.0	(3.5)				(3.5)					0.0	
Dividends and distributions					0.0					0.0					0.0					0.0	
Cash provided by (used in) fina	4.4	0.8	2.4	13.8	21.3	0.5	6.2	(0.0)	(5.2)	1.457	(4.5)	0.0	0.0	0.0	(4.5)	0.0	0.0	0.0	0.0	0.0	
Effect of exchange rate on cash					0.0					0.0					0.0					0.0	
Net increase (decrease) in cash	0.9	(1.0)	0.1	5.6	5.6	(2.8)	5.3	(0.8)	(0.9)	0.8	1.8	2.2	6.8	13.8	24.6	(17.4)	4.1	6.9	11.6	5.2	
Beginning cash and equivalents	0.7	1.6	0.6	0.6	0.7	6.3	3.4	8.7	7.9	6.3	7.0	8.9	11.0	17.8	7.0	31.7	14.3	18.4	25.3	31.7	
Ending cash and equivalents	1.6	0.6	0.6	6.3	6.3	3.4	8.7	7.9	7.0	7.0	8.9	11.0	17.8	31.7	31.7	14.3	18.4	25.3	36.9	36.9	

Source: Company reports and Ascendant Capital Markets estimates

ANALYST CERTIFICATION

Each analyst hereby certifies that the views expressed in this report reflect the analyst's personal views about the subject securities or issuers. Each analyst also certifies that no part of the analyst's compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in this report. The analyst who prepared this report is compensated based upon the overall profitability of Ascendant Capital Markets, LLC, which may, from time to time, include the provision of investment banking, financial advisory and consulting services. Compensation for research is based on effectiveness in generating new ideas for clients, performance of recommendations, accuracy of earnings estimates, and service to clients.

SurgePays, Inc.



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

	Report Date		Price
Report	Date	Rating	Target
1	1/24/2022	Buy	7.00
2	4/10/2022	Buy	8.00
3	5/29/2022	Buy	8.50
4	8/31/2022	Buy	8.75
5	11/20/2022	Buy	9.00
6	4/2/2023	Buy	9.50

- Ascendant Capital Markets, LLC has received compensation for advisory or investment banking services from the company in the past 12 months.

IMPORTANT DISCLOSURES

This report has been distributed by Ascendant Capital Markets, LLC and is for the sole use of our clients. This report is based on current public information that we consider reliable, but we do not represent it is accurate or complete, and it should not be relied on as such. This report contains information from various sources, including United States government publications, The Wall Street Journal and other periodicals, Yahoo! Finance and other sources, and is for informational purposes only and is not a recommendation to trade in the securities of the companies mentioned within the report. We seek to update our research and recommendations as appropriate, but the large majority of reports are published at irregular intervals as we consider appropriate and, in some cases, as constrained by industry regulations.

We may have a business relationship with companies covered in this report. Ascendant Capital Markets, LLC may make a market in the securities of the subject company. We and our affiliates, officers, directors, and employees will from time to time have long or short positions in, act as principal in, and buy or sell, the securities or derivatives (including options and warrants) thereof of covered companies referred to in this report. This report is not an offer to sell or the solicitation of an offer to buy any security in any jurisdiction where such an offer or solicitation would be illegal. It does not constitute a personal recommendation or take into account

the particular investment objectives, financial situations, or needs of individual clients. Clients should consider whether any information in this report is suitable for their particular circumstances and, if appropriate, seek professional advice, including tax advice. The price and value of the investments referred to in this report may fluctuate.

Following are some general risks that can adversely impact future operational and financial performance and share price valuation: (1) industry fundamentals with respect to legislation, mandates, incentives, customer demand, or product pricing; (2) issues relating to competing companies or products; (3) unforeseen developments with respect to management, financial condition or accounting policies or practices; or (4) external factors that affect the interest rates, currency, the economy or major segments of the economy. Past performance is not a guide to future performance, future returns are not guaranteed, and loss of original capital may occur. Certain transactions, including those involving futures, options, and other derivatives, give rise to substantial risk and are not suitable for all investors. Our report is disseminated primarily electronically, and, in some cases, in printed form. The information contained in this report is not incorporated into the contents of our website and should be read independently thereof. Copyright Ascendant Capital Markets, LLC. No part of this material may be copied, photocopied or duplicated by any means or redistributed without the prior written consent of Ascendant Capital Markets, LLC.

Risks & Considerations

Risks to attainment of our share price target include balance sheet/liquidity risks, technological and retail changes, customer demand for fintech and retail technologies, investor sentiment for investing in technology stocks, consumer sentiment and industry growth for retail and technology companies, competition, changing macroeconomic factors, and changes in government regulations.

Ascendant Capital Markets, LLC Rating System

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 Distribution of Investment Ratings (as of April 14, 2023)

Rating	Count	Percent	Investment Banking Services Past 12 months	
			Count	Percent
Buy	49	98%	18	37%
Hold	0	0%	0	0%
Sell	1	2%	0	0%
Total	50	100%	18	36%

Other Important Disclosures

Our analysts use various valuation methodologies including discounted cash flow, price/earnings (P/E), enterprise value/EBITDAS, and P/E to growth rate, among others. Risks to our price targets include failure to achieve financial results, product risk, regulatory risk, general market conditions, and the risk of a change in economic conditions.

Dissemination of Research

Ascendant Capital Markets, LLC research is distributed electronically via the Thomson Reuters platforms, Bloomberg, Capital IQ and FactSet. Please contact your investment advisor or institutional salesperson for more information.

General Disclaimer

The information and opinions in this report were prepared by Ascendant Capital Markets, LLC. This information is not intended to be used as the primary basis of investment decisions and because of individual client objectives it should not be construed as advice designed to meet the particular investment needs of any investor. This material is for information purposes only and is not an offer or solicitation with respect to the purchase or sale of any security. The reader should assume that Ascendant Capital Markets, LLC may have a conflict of interest and should not rely solely on this report in evaluating whether or not to buy or sell securities of issuers discussed herein. The opinions, estimates, and projections contained in this report are those of Ascendant Capital Markets, LLC as of the date of this report and are subject to change without notice. Ascendant Capital Markets, LLC endeavors to ensure that the contents have been compiled or derived from sources that we believe are reliable and contain information and opinions that are accurate and complete. However, Ascendant Capital Markets, LLC makes no representation or warranty, express or implied, in respect thereof, takes no responsibility for any errors and omissions contained herein, and accepts no liability whatsoever for any loss arising from any use of, or reliance on, this report or its contents. Information may be available to Ascendant Capital Markets, LLC, or its affiliates that is not reflected in this report. This report is not to be construed as an offer or solicitation to buy or sell any security.

Additional Disclosures

Ascendant Capital Markets, LLC is a broker-dealer registered with the United States Securities and Exchange Commission (SEC) and a member of the FINRA and SIPC. Ascendant Capital Markets, LLC is not a Registered Investment Advisor nor is it an investment advisor registered with the Securities and Exchange Commission or with the securities regulators of any state, and at the present time is not eligible to file for federal registration.