

SURGE HOLDINGS, INC.

Strong Q2 Sets Stage for Major Top-Line Growth

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SURGE HOLDINGS, INC. (OTC – SURG - \$0.355)

Price Target: \$3.25

Rating: Speculative Buy

COMPANY SNAPSHOT

Surge Holdings, Inc., is a publicly traded company that wholly owns subsidiaries utilizing emerging technology to improve the quality of life for the unbanked, under-banked, and the overlooked. Current holdings include business verticals and offerings in Telecommunications, Blockchain/Fintech Software as a Service (SaaS), Cryptocurrency Asset Mining, and Social Media Digital Marketing.

KEY STATISTICS

| | |
|---------------------------|-----------------|
| Price as of 8/20/18 | \$0.355 |
| 52 Week High – Low | \$1.45 - \$0.18 |
| Est. Shares Outstanding | 82.5M |
| Market Capitalization | \$29.9M |
| Est. Average Volume (30D) | 80,303 |
| Exchange | OTCQB |

COMPANY INFORMATION

Surge Holdings, Inc.
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INVESTMENT HIGHLIGHTS

Conclusion: Surge Holdings enjoyed a strong 2Q18—the first with the combined companies. On the heels of this performance along with expected news ahead, we project major top-line revenue growth this quarter. **The key metric for investors: An estimated \$1.5M in monthly revenue per 1000 stores, which should be continually replicated with greater sales penetration over time.**

Impressive combined 2Q18 results included a 20% revenue jump from pro forma 2017 results for the period and 7% from 1Q18. Results were in line with our expectations and gross profit showed a marked increase from 1Q18 as well.

SURG ended the period with a very healthy \$1.6M in cash and positive cash flow. Trends are favorable as \$1M in Lifeline revenue from the USAC is due and the cash position *increased* by \$352K from the beginning of the quarter to the end.

Fundamentals and technicals set to collectively drive the stock to \$0.50 in the near term, and much higher going forward. Store penetration, new sign-ups, alliances will drive revenue growth which will in turn drive the stock higher. In our view, once it breaks through the \$0.41 level, there is no resistance until the \$0.51 mark.

The current low valuation is ludicrous and should turn on a dime as early milestones are achieved. SURG trades only 10x trailing twelve months net income and 2x revenue---we believe it will eventually trade 4.2x next year's sales, which is more akin to fast-growing microcap stocks. Our price target remains \$3.25.

RECENT TRADING HISTORY FOR SURGE HOLDINGS, INC.

(Source: www.Stockta.com)



SENIOR ANALYST: ROBERT GOLDMAN

Rob Goldman founded Goldman Small Cap Research in 2009 and has over 20 years of investment and company research experience as a senior research analyst and as a portfolio and mutual fund manager. In addition to his work leading GSCR, Rob serves as the Director of Research for Marble Arch Research, Inc. During his tenure as a sell side analyst, Rob was a senior member of Piper Jaffray's Technology and Communications teams. Prior to joining Piper, Rob led Josephthal & Co.'s Washington-based Emerging Growth Research Group. In addition to his sell-side experience Rob served as Chief Investment Officer of a boutique investment management firm and Blue and White Investment Management, where he managed Small Cap Growth portfolios and *The Blue and White Fund*.

ANALYST CERTIFICATION

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