



Surge Components, Inc. Announces Fiscal Third Quarter 2019 Results

Gross Profit Strengthens a Robust 14.6% Year-Over-Year on Disciplined Cost Management and Continued Focus on Higher Profit Margin Product Sales

Gross Profit Margins Increase a Solid 720 bps Year-Over-Year to 29.9%

Continues Sharp Focus on Profitable Expansion Globally

Financial Highlights for the Fiscal Third Quarter Ended August 31, 2019

- Net sales of \$8.1 million, as compared to \$9.3 million in the prior year period
- Gross profit of \$2.4 million, as compared to \$2.1 million, a 14.6% year-over-year increase, driven by growth in sales volumes and higher profit margin product sales
- Gross profit margin of 29.9%, compared to 22.7% in the prior-year period
- Net income available to common shareholders of \$676,771; EPS of \$0.12 as compared to \$335,058, EPS of \$0.06 in the prior period.

Operational Highlights

- Actively cultivating the Company's distribution sales channels globally to solidify additional customer relationships
- Company continues to successfully mitigate impact of tariffs costs on certain products imported from China; actively moving some customer deliveries directly to Hong Kong
- Patent pending new pinpoint alarm in Company's Challenge division under legal review with patent office while continuing successful market testing with Company's client base

DEER PARK, N.Y. (October 15, 2019) – Surge Components, Inc. (“Surge” or “the Company”) (OTC Pink: SPRS), a leading supplier of capacitors, discrete semi-conductors and audible/sounding devices, today announced financial results for the fiscal third quarter ended August 31, 2019.

Ira Levy, President and Chief Executive Officer of Surge commented, “I am pleased with the Company’s strong execution in the third quarter. Driven by disciplined cost management and an ongoing commitment to servicing higher margin customers, Surge’s gross profit grew 14.6% and gross margins increased to 29.9% versus 22.7% in the year ago period. Our continued discipline around tightly managing expenses and in mitigating the impact of tariffs on our business also contributed to strengthened profitability.

While profits were strong, net sales declined 12.9% in the third quarter due to a reduction in sales demand from certain customers in our Surge business and the loss of a customer in our Challenge division. Despite the decline in the quarter, we delivered a solid 6.1% increase in net sales in the first nine months, a testament to the strength of our diversified global sales channels. We also have a strong pipeline of new opportunities focused on the expansion of our international footprint that we expect to

launch in the coming months. Our patent pending new pinpoint alarm system is also continuing to perform well in market testing and we remain in active dialogue with the patent office regarding the approval process.

As we look ahead, we remain committed to maximizing profitability on a global scale through our world class supply chain and innovative pipeline of new products, which continue to drive customer acquisition. We believe we are well positioned for continued success and to deliver long-term value for our shareholders.”

Results of Operations for the Three Months Ended August 31, 2019

Net sales for the three months ended August 31, 2019 decreased by 12.9% to \$8.1 million, as compared to net sales of \$9.3 million for the three months ended August 31, 2018. The decrease in net sales for the three-month period is primarily attributable to decreased demand from certain customers as increased tariffs costs adversely impacted their sales activity in the quarter. We also attribute the decrease in net sales to a decline in business with certain existing customers. Net sales for the three months ended August 31, 2019 reflect \$292,166 of tariff costs the Company was able to pass on to its customers.

Gross profit for the three months ended August 31, 2019 increased by 14.6% to \$2.4 million, as compared to \$2.1 million for the three months ended August 31, 2018. Gross profit margin as a percentage of net sales increased to 29.9% for the three months ended August 31, 2019, as compared to 22.7% in the three months ended August 31, 2018. The increase in gross profit and gross profit margin for the three-month period is primarily attributable to sales volume growth as well as certain products being sold at a higher profit margin. Management has continued to target customers with higher margins and has been able to negotiate reduced costs with factories resulting in a higher gross profit percentage. A portion of the increase in gross profit percentage can also be attributed to increases in commission income on new and existing accounts. In the three months ended August 31, 2019, the Company has not yet experienced a material adverse impact from tariff costs on certain products imported from China, which went into effect as of July 6, 2018. The Company has been able to pass along a portion of these costs to its customers. The Company is also moving some customer deliveries directly to Hong Kong in order to mitigate some of these costs. These customers accept responsibility for the transportation costs for the goods to be shipped to North America.

Selling and shipping expenses for the three months ended August 31, 2019 increased 1.7% to \$717,399, as compared to \$705,638 in the three months ended August 31, 2018. The increase in selling and shipping expenses for the three-month period was primarily attributable to increases in salesman compensation and travel expenses, offset by decreases in the Company's freight out, commission and entertainment expenses.

General and administrative expenses for the three months ended August 31, 2019 increased 6.4% to \$1.1 million, as compared to \$1.0 million for the three months ended August 31, 2018. The increase in general and administrative expenses for the three-month period is due to increases in rent and insurance expenses as well as increases to temporary help, bad debt expenses, telephone, public company and bad debt expenses. These increases were offset by decreases in maintenance, office and payroll expenses.

Net income available to common shareholders for the three months ended August 31, 2019 was \$676,771, as compared to a net income available to common shareholders of \$335,058 for the three months ended August 31, 2018. Net income per share available to common shareholders for the three

months ended August 31, 2019 was \$0.12, as compared to net income per share available to common shareholders of \$0.06 for the three months ended August 31, 2018.

This press release should be read in conjunction with the consolidated financial statements included in the Company's most recent quarterly report on Form 10-Q, which can be found at www.surgecomponents.com and at www.sec.gov.

Conference Call

Surge will host a conference call with investors on Tuesday, October 15, 2019 at 9:00 am ET.

To access the call please dial (866) 996-4414 from the United States, or (470) 495-0878 from outside the U.S. The conference call I.D. number is 5261267. Participants should dial in 5 to 10 minutes before the scheduled time and must be on a touch-tone telephone to ask questions.

A replay of the call can be accessed through October 22, 2019 by dialing (800) 585-8367 from the U.S., or (404) 537-3406 from outside the U.S. The conference call I.D. number is 5261267.

Cautionary Note Regarding Forward-Looking Statements

This press release contains forward-looking statements. All statements other than statements of historical facts contained herein, including statements regarding our future results of operations and financial position, business strategy and plans and objectives of management for future operations, are forward-looking statements. These statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements.

In some cases, forward-looking statements can be identified by terms such as "may," "will," "should," "expects," "plans," "anticipates," "could," "intends," "target," "projects," "contemplates," "believes," "estimates," "predicts," "potential" or "continue" or the negative of these terms or other similar words. These statements are only predictions and are based largely on our current expectations and projections about future events and financial trends that may affect our business, financial condition and results of operations. We discuss many of the risks in greater detail under the heading "Risk Factors" in our Annual Report on Form 10-K. These forward-looking statements represent our estimates and assumptions only as of the date of this press release. We assume no obligation to update any forward-looking statements for events or circumstances occurring after the date of this press release, except as required by law.

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