



Surge Components, Inc. Announces Fiscal Third Quarter 2021 Results

Company Delivers Significant Growth in Q3 Sales, up 22.7% Over Prior Year Period

Strong Sales Growth Drives Year-Over-Year Q3 Gross Profit Increase of 36.5% to \$3.1 Million

Robust Q3 2021 Gross Profit Margins of 29.0%

Financial Highlights for the Third Fiscal Quarter Ended August 31, 2021

- Net sales of \$10.6 million, compared to \$8.7 million in the prior-year-period
- Gross profit of \$3.1 million, compared to \$2.3 million in the prior-year-period
- Gross profit margin of 29.0%, compared to 26.1% in the prior-year period
- Net income available to common shareholders of \$878,740; EPS of \$0.16 compared to net income available to common shareholders of \$686,365; EPS of \$0.13 in the prior-year period

Operational Highlights

- Company opens new sales office in London, UK to develop more effectively the European market
- Surge expanding its presence in Asia with the hiring of a new sales manager in China
- Product demand and sales volumes remain strong for both Challenge and Surge businesses on growing customer demand
- Visibility into 2022 sales volumes remains strong as customers place orders much earlier in the sales cycle, due to extended factory lead times.
- Surge continues to hold a competitive advantage over peers with shorter lead times, helping to keep client supply chains up and running.

DEER PARK, N.Y. (October 15, 2021) – Surge Components, Inc. (“Surge” or “the Company”) (OTC Pink: SPRS), a leading supplier of capacitors, discrete semi-conductors, switches, and audible/sounding devices, today announced financial results for the fiscal third quarter ended August 31, 2021.

“We are pleased with our strong performance in the third quarter, highlighting our ability to quickly adapt and evolve to the changing industry dynamics posed by both COVID-19 and the global semiconductor chip shortage,” said Ira Levy, President and Chief Executive Officer of Surge. “We delivered strong growth in net sales, up 22.7% year over year. Through continued cost discipline, we drove a 36.5% increase in gross profit versus the prior year and gross margins also expanded 290 basis points to 29.0% in Q3. On a YTD basis, gross profit increased by 28.3%, a clear sign of the strength and stability of our business as we build back even stronger from the impacts of COVID-19.”

“While the global semiconductor chip shortage has impacted our business and the industry, both Surge and Challenge have been successful in delivering our products to clients with shorter lead times than our competitors. This is driving increased demand across our business and provides us with enhanced

visibility into 2022 sales volumes, as customers are looking to place orders much earlier than in prior years.”

“While we are hopeful that the worst effects of the pandemic are behind us, we are closely monitoring the global situation. We continue to place the highest level of importance on the health and safety of our people and clients and continue to implement COVID safety protocols across our global footprint. We are also continuing to expand our global footprint as markets reopen, recently opening a new sales office in London and expanding our presence in Asia with the hiring of a new sales manager in China. We will continue to be opportunistic in identifying additional opportunities to expand our footprint and build out our global sales teams into 2022 and beyond.”

“As we look towards the future, we remain committed to enhancing our profitability and providing valuable products to our customers. We believe we are ideally placed to succeed in our market and deliver long-term shareholder value.”

Results of Operations for the Three Months Ended August 31, 2021

Net sales for the three months ended August 31, 2021 increased by 22.7% to \$10.6 million, as compared to net sales of \$8.7 million for the three months ended August 31, 2020. The increase in net sales for the three-month period is primarily attributable to an increase in business with new customers as well as an increase in business with existing customers.

Gross profit for the three months ended August 31, 2021 increased by 36.5% to \$3.1 million, as compared to \$2.3 million for the three months ended August 31, 2020. Gross profit margin as a percentage of net sales increased to 29.0% for the three months ended August 31, 2021, as compared to 26.1% in the three months ended August 31, 2020. The increase in gross margin can be attributed to a higher profit margin on new business in the three months ended August 31, 2021. We attribute the increase in gross margin as a percentage of sales to shipping products with higher margins in the three months ended August 31, 2021.

Selling and shipping expenses for the three months ended August 31, 2021 increased 5.9% to \$618,346, as compared to \$583,984 for the three months ended August 31, 2020. We attribute the increase to an increase in commission expenses, entertainment and freight out expenses, offset by decreases in salesman payroll and travel expenses.

General and administrative expenses for the three months ended August 31, 2021 increased 5.2% to \$1.2 million, as compared to \$1.1 million for three months ended August 31, 2020. The increase in general and administrative expenses is primarily attributable to increases in officer payroll, salaries, director fees, rent expenses, temporary help, computer, and maintenance expenses. This increase was offset by decreases in health, general insurance expenses, and fewer bad debt expenses.

Net income for the three months ended August 31, 2021 was \$881,240, as compared to net income of \$688,865 for the three months ended August 31, 2020.

This press release should be read in conjunction with the Company’s 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.

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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