



**Surge Components, Inc. Announces Fiscal Fourth Quarter
and Full Year 2019 Results**

Strong Cost Management Discipline Delivers Gross Profit Increase of 11.6% Year-Over-Year to \$9.2 Million in FY 2019

Robust FY 2019 Gross Profit Margins of 28.5%

Company's Challenge Division Issued Patent on New Pinpoint Alarm Designed to Improve Ability to Determine Alarm Location

Financial Highlights for the Fiscal Year Ending November 30, 2019

- Net sales of \$32.5 million, as compared to \$32.4 million in the prior year period
- Gross profit of \$9.2 million, a 11.6% year-over-year increase, driven by growth in sales volumes as well as certain products being sold at a higher profit margin.
- Gross profit margin of 28.5%, compared to 25.6% in the prior-year period
- Net income available to common shareholders of \$2.029 million; EPS of \$0.38, compared to net income available to common shareholders of \$1.956 million; EPS of \$0.37 in the prior-year period

Financial Highlights for the Fourth Fiscal Quarter Ended November 30, 2019

- Net sales of \$7.5 million, compared to \$8.8 million in the prior-year-period as some of the Company's larger customers reduced order volumes as a result of excess product inventory levels in the quarter
- Gross profit of \$2.0 million, compared to \$2.4 million in the prior-year-period
- Gross profit margin of 27.1%, compared to 27.6% in the prior-year period
- Net income available to common shareholders of \$200,153; EPS of \$0.04 compared to net income available to common shareholders of \$1.4 million; EPS of \$0.27 in the prior-year period

Operational Highlights

- Company's Challenge division issued patent on pinpoint alarm, designed to improve an individual's ability to determine the location of the alarm
- Continue to actively cultivate the Company's distribution sales channels globally to solidify additional customer relationships.
- In September 2019, certain of the Company's products that were previously subject to tariffs are no longer tariffable [as a result of the signing of the phase I trade agreement]; putting the Company in a more competitive sales position.

DEER PARK, N.Y. (February 28, 2020) – 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 fourth quarter and fiscal year ended November 30, 2019.

“I am pleased with Surge’s performance in 2019,” said Ira Levy, President and Chief Executive Officer of Surge. “Driven by our disciplined cost management, successful mitigation of tariffs on our business, and a continued focus on sales to higher margin customers, full year 2019 gross profit increased 11.6% versus the prior year, while gross margins expanded 290 basis points to 28.5%. Full year net sales were up [modestly] over the prior year to \$32.5 million as we actively cultivated the Company’s distribution sales channels with existing and new customer relationships globally.

In our Challenge business segment, we continued to build out our pipeline of new products. Most notably, on December 31, 2019, the U.S. Patent and Trademark Office issued a patent for our new pinpoint alarm. Designed to improve an individual’s ability to determine the location of an alarm, the improved alarm can be used in a wide variety of applications including reversing vehicles, medical emergency notification and hardware devices that use Bluetooth or other wireless communication protocols. We are excited for this new development and remain committed to identifying new product opportunities in the future.

As we look ahead to 2020, we are closely monitoring the impact of the Coronavirus on our Asia operations and the Surge business. In recent weeks, the coronavirus outbreak in China has gripped the global community. As work continues to contain the spread of the virus, the outbreak is having an immediate impact on our business. Factories that produce our products in China reopened one week late after the Chinese New Year at production levels 35% to 50% below normal. This directly impacts the manufacturing productivity of the factories, and therefore the amount of inventory we receive, and can ship to customers. Based on the information available today, we anticipate that the virus outbreak will impact the Company’s supply chain and sales performance in a negative way until normality returns to the region and production levels improve. In the interim, we believe we are doing everything we can to keep customers production running and to keep things as smooth and stable as possible. While, it’s too early to forecast the full regional and global financial impact on our business, including sourcing, production and supply chain implications, we remain in close contact with our customers, suppliers and partners in China.”

Results of Operations for the Three and Twelve Months Ended November 30, 2019

Net sales for the fiscal year ended November 30, 2019 increased by less than 1% to \$32.5 million, as compared to net sales of \$32.4 million for the fiscal year ended November 30, 2018. The increase in net sales for the twelve-month period is primarily attributable to increases in business with new customers as well as additional business with existing customers. [Net sales for the Fiscal Years ended November 30, 2019 and November 30, 2018 reflect \$1.3 million and \$645,308, respectively, of tariff costs that the Company was able to pass on to its customers.] Net sales for the three months ended November 30, 2019 decreased by 14.8% to \$7.5 million, as compared to net sales of \$8.8 million for the three months ended November 30, 2018. The decline in net sales for the three month period is primarily attributable to lower sales as a portion of the Company’s larger customers reduced order volumes as they managed through excess product inventory levels in the quarter.

Gross profit for the fiscal year ended November 30, 2019 increased by 11.6% to \$9.2 million, as compared to \$8.3 million for the fiscal year ended November 30, 2018. The increase in gross profit for the twelve month period is primarily attributable to a [small] increase in sales volume as well as certain products being sold at a higher profit margin. Gross profit for the three months ended November 30, 2019

decrease by 16.5% to \$2.0 million, as compared to \$2.4 million for the three months ended November 30, 2018. The decrease in gross profit for the three-month period is primarily attributable to lower net sales.

Gross profit margin as a percentage of net sales increased to 28.5% for the fiscal year ended November 30, 2019, as compared to 25.6% in the fiscal year ended November 30, 2018. Gross profit margins were driven by increased sales volumes in the twelve months ended November 30, 2019 and by increased pricing to customers and the successful negotiation of lower costs from our supply chain. Gross profit margin as a percentage of net sales was 27.1% for the three months ended November 30, 2019, as compared to 27.6% for the three months ended November 30, 2018. The decline in gross profit margins for the three months ended November 30, 2019 were driven by lower net sales.

Selling and shipping expenses for the fiscal year ended November 30, 2019 increased 2.0% to \$2.7 million, as compared to \$2.6 million for the three months ended November 30, 2018. The increase in selling and shipping expenses for fiscal year 2019 is attributable to increases in selling expenses such as salesman payroll, travel, advertising and freight expenses, offset by a decrease in commission and shipping expenses. Selling and shipping expenses for the three months ended November 30, 2019 increased 0.5% to \$691,108, as compared to \$687,979 for the three months ended November 30, 2018. The increase in selling and shipping expenses for the three month period was primarily attributable to [increases in selling expenses such as salesman payroll, travel expenses, advertising and freight out expenses, offset by a decrease in commission expenses and shipping expenses].

General and administrative expenses for the fiscal year ended November 30, 2019 increased 12.2% to \$4.6 million, as compared to \$4.1 million for the fiscal year ended November 30, 2018. General and administrative expenses for the three months ended November 30, 2019 increased 29.5% to \$1.1 million, as compared to \$855,097 for the three months ended November 30, 2018. The increase in general and administrative expenses for the three- and twelve-month periods is primarily attributable to increases in officer salaries, bad debt allowance, and warehouse, rental, utilities and telephone expenses as well as increases in general and health insurance expenses and temporary help and stock promotion expenses. The increase was also due to a decrease in legal fees due to the reimbursement the Company received from its insurance carrier in Fiscal 2018 for expenses incurred by the Company during the proxy contest and related settlement with certain shareholders of the Company.

In October 2018, the Company received reimbursement from its insurance carrier in the amount of \$603,362 for a portion of the costs incurred by the Company in connection with the proxy contest and related settlement agreement. This amount is included in the Company's consolidated statements of operations in 2018 as other income. Offsetting the increase in 2019 was decreases due to a reduction in salaries and maintenance expenses as well as declines in computer and consulting expenses and bank charges.

Net income for the fiscal year ended November 30, 2019 was \$2.0 million, as compared to net income of \$1.9 million for the fiscal year ended November 30, 2018. Net income for the three months ended November 30, 2019 was \$200,153, as compared to net income of \$1.4 million for the three months ended November 30, 2018.

Earnings per share in the year ended November 30, 2019 was \$0.38 as compared to \$0.37 per share in the year ended November 30, 2018. Earnings per share for the three months ended November 30, 2019 was \$0.04 as compared to \$0.27 per share in the three months ended November 30, 2018.

This press release should be read in conjunction with the Company's consolidated financial statements included in the Company's most recent Annual Report on Form 10-K, 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 and the effects of the coronavirus on the Company, 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.

Investor Contacts:

Sloane & Company

Erica Bartsch, ebartsch@sloanep.com

212-486-9500