

Market Ripe for Digerati's Cloud Roll-Up Strategy

- *Company is Finalizing Deal with Synergy Telecom*
- *Majority of Target Market Still on Legacy Infrastructure*

DEERFIELD BEACH, FL / ACCESSWIRE / November 29, 2017 / Digerati Technologies, Inc. ([DTGI](#)), home to wholly-owned subsidiary Shift8 Networks, Inc., is on the move and expected to close its recently announced transaction with Synergy Telecom in the coming days. Shift8 offers cloud communication services, also known as Unified Communications as a Service or "UCaaS" to the underserved small-to-medium-sized-business ("SMB") market. Shift8 has embarked on a two-pronged approach for hyper growth in its market and execution of its business model. CEO Art Smith recently remarked on the Company's dual strategy noting the "tremendous growth opportunity in this space, both organically and through acquisition of profitable operators."

From the perspective of organic growth, DTGI is focused on serving the approximate twenty (20) million SMBs in the U.S. that have not yet migrated to a voice over Internet or VoIP solution, an astounding 75% of SMBs in the marketplace. In the coming years, SMBs will need to migrate to a UCaaS or enterprise VoIP solution due to its convenience and a mandate from the FCC to move away from outdated copper wire systems. UCaaS provides flexibility and scalability along with high availability for core business tasks. Implementation in business has been augmented due to numerous advantages such as cost-effectiveness, automating manual processes, and consolidating communication applications. In addition, cloud-based Unified Communication applications allow organizations to eliminate capital spending and adopt an operational cost model for which they pay for only their required capacity needs.

Although its initial market is in the U.S., DTGI is prepared to deliver solutions to a global market forecasted to reach \$96 billion in value by 2023. Superior customer service and its UCaaS technology, which has leveled the playing field when competing against larger operators (e.g. AT&T, Vonage, 8 x 8, Ring Central, etc.), has proven to be very effective in securing market share in the Company's Texas market. DTGI is prepared to serve SMBs fleeing the incumbents and national operators as customer attrition rates approach 10% among some of the major providers. In a recent case study, DTGI unseated a national incumbent provider that had served a 500-employee bank client for nearly ten (10) years. The migration to DTGI and Shift8 resulted in considerable savings, improved network performance, and superior customer service for a key client that is now one of the Company's top testimonials.

From the perspective of acquisition growth, DTGI is uniquely positioned to take advantage of "SMBs moving from the traditional phone network to the cloud for their communication needs," remarked Smith. DTGI can benefit from a landscape littered with smaller VoIP providers generating between \$2 million and \$10 million in

profitable revenue with little to no attrition due to a customer service emphasis on that "local touch." Moreover, acquisitions in the pipeline like T3 Communications, a leading provider of cloud communication services in Southwest Florida, are expected to drive cost synergies resulting in an additional 10% - 15% further boosting profitability. Additionally, in November of this year, the Company announced its Letter of Intent to acquire Synergy Telecom, Inc., a Texas-based cloud communication service provider. Synergy has extensive experience serving small-to-medium-sized-businesses, as well as government accounts. Today, Synergy provides service to over 2,500 business users. "We simply could not have secured a better culture of service and operational fit by combining with Shift8," remarked Synergy Telecom President Charlie Slaughter. Meanwhile, DTGI has many other acquisition targets identified, all of which are too small for a private equity group or a national provider, in this highly-fragmented sector of the industry. Management believes the value arbitrage of acquiring profitable revenue from the private sector at a relatively low multiple and recognizing a substantially higher multiple (400+% at current market) in the public markets is a winning formula for the Company and its shareholders.

With Shift8, DTGI intends to continue its track record of launching successful and award-winning subsidiary operations. Former subsidiaries include ATSI Communications, Inc., an international telecommunications operator serving emerging markets in Latin America, and GlobalSCAPE, Inc., an Internet software company specializing in secure file transfer. Digerati reached nearly a US\$500 million market cap trading on the American Stock Exchange under its former name of ATSI Communications, Inc. (AMEX:AI) and was recognized by Deloitte as one of the fastest growing technology companies in North America awarded both Fast500 and Fast50 Awards. Prior to its AMEX listing, the Company spun-off GlobalSCAPE to its shareholders as a separate publicly-traded company that has reached a peak market value of US\$120 million. Today, GlobalSCAPE trades on the New York Stock Exchange under the symbol NYSE: GSB. Meanwhile, several notable investors including a former sales executive for Rackspace (formerly NYSE: RAX) have joined DTGI in its latest round of financing, demonstrating their belief in DTGI's long-term success and opportunity to up list to NASDAQ in the future. As evidenced by AI and GSB, the Digerati Team has driven ventures to primary stock exchanges with successful exits for its shareholders.

While the Company's shift in its business model from wholesale VoIP services to enterprise UCaaS solutions resulted in a revenue decrease in recent years, there has been consistent improvement in the gross income since 2014 as the Company transitioned to higher-margin business solutions. The Company currently stands at a market capitalization of \$3.15 million, but the combination of a tight capital structure, an improved balance sheet post 7/31/2017, and the accretive revenues & EBITDA associated with the acquisitions in the pipeline, including T3 Communications and Synergy Telecom, are expected to provide substantial share price appreciation in the near-term.

Contact:

Worldwide Financial Marketing, Inc.

<http://wwfinancial.com/>

Phone: 954.360.9998

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