Digerati Technologies Reports Second Quarter FY2019 Results

- Revenue Growth of 884% to $1.5 Million -
- Adjusted EBITDA Improvement of 69% -

SAN ANTONIO, TX (GlobeNewswire) – March 19, 2019 – Digerati Technologies, Inc. (OTCQB: DTGI) ("Digerati" or the "Company"), a provider of cloud services specializing in UCaaS (Unified Communications as a Service) solutions for the small to medium-sized business ("SMB") market, announced today financial results for the three months ended January 31, 2019, the Company's second quarter for FY2019.

Key Financial Highlights for the Second Quarter of Fiscal Year 2019 (Ended January 31, 2019)

- Revenue increased by 884% to $1.486 million compared to $151,000 for the second quarter of FY2018.
- Gross profit increased to $691,000 compared to $53,000 for the second quarter of FY2018.
- Gross margin increased to 47% compared to 35% for the second quarter of FY2018.
- Adjusted EBITDA loss of $86,000, excluding all non-cash items and one-time transactional expenses, improved by 69% compared to an Adjusted EBITDA loss of $276,000 for the second quarter of FY2018.
- Average monthly revenue per customer (ARPU) was $742.

Chief Executive Officer Arthur L. Smith, commented, "Our second quarter results were in-line with our internal expectations as our first acquisition and Texas operations demonstrated significant growth and we continued working towards finalizing integration of our most recent acquisition in Florida. We believe our business in Florida has stabilized and we have initiated new sales and marketing, customer service and additional products and services to spur organic growth. These initiatives have proven to be successful in our Texas region and are now being rolled out in Florida. Additionally, our potential acquisition pipeline is robust as our team continues to conduct due diligence on some exciting opportunities."

Chief Financial Officer Antonio Estrada, Jr., stated, "Our cloud delivery business model and scalability of our platform has resulted in improved margins, strong ARPU and consistent customer growth. We believe we are well positioned for future growth as our investments in sales channels, service delivery and customer care are driving strong organic growth in Texas. We continue to balance organic growth with seeking acquisitions to bolster our platform."

Three Months ended January 31, 2019 Compared to Three Months ended January 31, 2018

Revenue for the second quarter ended January 31, 2019 was $1.486 million, an increase of $1.335 million or 884%, compared to $0.151 million for the second quarter ended January 31, 2018. This increase in Cloud-based hosted services revenue was attributable mainly to the acquisitions of both Synergy Telecom ("Synergy") and T3 Communications, Inc. ("T3"). Of note, revenue in Texas was $0.270 million, an increase of $0.119 million or 79%, compared to $0.151 million.

Our total number of customers increased from 134 customers at the end of the three months ended January 31, 2018 to 673 customers at the end of the three months ended January 31, 2019. Additionally, our average monthly revenue per customer or ARPU increased from $453 for the three months ended January 31, 2018 to $742 for the three months ended January 31, 2019.

Gross profit for the three months ending January 31, 2019 was $0.691 million, resulting in a gross margin of 47%, compared to $0.053 million and 35% for the three months ending January 31, 2018. The increase in gross margin between periods is attributed to a higher concentration of revenue from cloud services and direct enterprise customers, which generate a higher margin.

Selling, General and Administrative expenses for the three months ended January 31, 2019 increased by $0.400 million, or 137%, to $0.691 million from the three months ended January 31, 2018. The increase in SG&A expenses between periods is primarily attributed to the additional salaries and other employee related expenses of approximately $391,000 attributable to the T3 acquisition.

Adjusted EBITDA for the three months ended January 31, 2019, was a loss of $0.086 million, an improvement of $0.190 million, compared to a loss of $0.276 million for the same period in 2018.

Operating loss for the three months ended January 31, 2019, was a loss of $0.496 million, an improvement of $0.872 million, compared to a loss of $1.368 million for the same period in 2018.

Of note, the following were non-cash expenses associated with the three months ended January 31, 2019. We recognized share-based compensation expense of $242,000. Depreciation and amortization expenses for the three months ended January 31, 2019 was $168,000. Loss on derivative instruments for the three months ended January 31, 2019 was $1,358,000. Interest expense, debt discount, for the three months ended January 31, 2019 was $464,000.

Net loss for the three months ended January 31, 2019, was $2.499 million, an increase of $1.031 million as compared to a net loss of $1.468 million, for the same period in 2018. The resulting EPS for the three months period ended January 31, 2019 was a loss of ($0.17), as compared to a loss of ($0.15) for the same period in 2018.

At January 31, 2019, Digerati had $0.577 million of cash, $3.377 debt and 16.04 million shares issued and outstanding.

Further details about the Company's financial results are available in its annual report on Form 10Q, which will be available in the investor relations section of the Company's website at www.digerati-inc.com

Six Months ended January 31, 2019 Compared to Six Months ended January 31, 2018

Revenue for the six months ended January 31, 2019 was $3.008 million, an increase of $2.801 million or 1,353%, compared to $0.207 million for the six months ended January 31, 2018. This increase in Cloud-based hosted services revenue was attributable mainly to the acquisitions of both Synergy Telecom ("Synergy") and T3 Communications, Inc. ("T3"). Of note, revenue in Texas was $0.585 million, an increase of $0.378 million or 183%, compared to $0.207 million.

Our average monthly revenue per customer or ARPU increased from $393 for the six months ended January 31, 2018 to $754 for the six months ended January 31, 2019.

Gross profit for the six months ending January 31, 2019 was $1.456 million, resulting in a gross margin of 48%, compared to $0.064 million and 31% for the six months ending January 31, 2018. The increase in gross margin between periods is attributed to a higher concentration of revenue from cloud services and direct enterprise customers, which generate a higher margin.

Selling, General and Administrative expenses for the six months ended January 31, 2019 increased by $0.938 million, or 189%, to $1.434 million from the six months ended January 31, 2018. The increase in SG&A expenses between periods is primarily attributed to the additional salaries and other employee related expenses of approximately $828,000 attributable to the T3 acquisition and $136,000 attributable to the Synergy Telecom acquisition.

Adjusted EBITDA for the six months ended January 31, 2019, was a loss of $0.143 million, an improvement of $0.443 million, compared to a loss of $0.586 million for the same period in 2018.

Operating loss for the six months ended January 31, 2019, was a loss of $0.909 million, an improvement of $0.829 million, compared to a loss of $1.738 million for the same period in 2018.

Of note, the following were non-cash expenses associated with the six months ended January 31, 2019. We recognized share-based compensation expense of $386,000. Depreciation and amortization expenses for the six months ended January 31, 2019 was $338,000. Loss on derivative instruments for the six months ended January 31, 2019 was $1,497,000. Interest expense, debt discount, for the six months ended January 31, 2019 was $723,000.

Net loss for the six months ended January 31, 2019, was $3.413 million, an increase of $1.575 million as compared to a net loss of $1.838 million, for the same period in 2018. The resulting EPS for the six months period ended January 31, 2019 was a loss of ($0.25), as compared to a loss of ($0.20) for the same period in 2018.

Use of Non-GAAP Financial Measurements

The Company believes that EBITDA (earnings before interest, taxes, depreciation and amortization) is useful to investors because it is commonly used in the cloud communications industry to evaluate companies on the basis of operating performance and leverage. Adjusted EBITDA provides an adjusted view of EBITDA that takes into account certain significant non-recurring transactions, if any, such as impairment losses and expenses associated with pending acquisitions, which vary significantly between periods and are not recurring in nature, as well as certain recurring non-cash charges such as changes in fair value of the Company's derivative liabilities and stock-based compensation. The Company also believes that Adjusted EBITDA provides investors with a measure of the Company's operational and financial progress that corresponds with the measurements used by management as a basis for allocating resources and making other operating decisions. Although the Company uses Adjusted EBITDA as one of several financial measures to assess its operating performance, its use is limited as it excludes certain significant operating expenses. EBITDA and Adjusted EBITDA are not intended to represent cash flows for the periods presented, nor have they been presented as an alternative to operating income or as an indicator of operating performance and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"). In accordance with SEC Regulation G, the non-GAAP measurements in this press release have been reconciled to the nearest GAAP measurement, which can be viewed under the heading "Reconciliation of Net Loss to Adjusted EBITDA" in the financial table included in this press release.

About Digerati Technologies, Inc.

Digerati Technologies, Inc. (OTCQB: DTGI) is a provider of cloud services specializing in UCaaS (Unified Communications as a Service) solutions for the business market. Through its subsidiaries Synergy Telecom (www.synergytele.com) and T3 Communications (www.T3com.com), the Company is meeting the global needs of businesses seeking simple, flexible, reliable, and cost-effective communication and network solutions, including cloud PBX, cloud mobile, Internet broadband, SD-WAN, SIP trunking, and customized VoIP services, all delivered on its carrier-grade network and Only in the Cloud™. For more information about Digerati Technologies, please visit www.digerati-inc.com.

Forward-Looking Statements

The information in this news release includes certain forward-looking statements that are based upon assumptions that in the future may prove not to have been accurate and are subject to significant risks and uncertainties, including statements related to the future financial performance of the Company. Although the Company believes that the expectations reflected in the forward-looking statements are reasonable, it can give no assurance that such expectations or any of its forward-looking statements will prove to be correct. Factors that could cause results to differ include, but are not limited to, successful execution of growth strategies, product development and acceptance, the impact of competitive services and pricing, general economic conditions, and other risks and uncertainties described in the Company's periodic filings with the Securities and Exchange Commission.

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DIGERATI TECHNOLOGIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share amounts, unaudited)

	Three months ended January 31, 2019	Three months ended January 31, 2018	Six months ended January 31, 2019	Six months ended January 31, 2018
OPERATING REVENUES:				
Cloud-based hosted services	$ 1,486	$ 151	$ 3,008	$ 207
Total operating revenues	1,486	151	3,008	207
OPERATING EXPENSES:				
Cost of services (exclusive of depreciation and amortization)	795	98	1,552	143
Selling, general and administrative expense	691	291	1,434	496
Stock compensation & warrant expense	242	919	386	975
Legal and professional fees	86	176	210	292
Bad debt	-	-	(3)	-
Depreciation and amortization expense	168	35	338	39
Total operating expenses	1,982	1,519	3,917	1,945
OPERATING LOSS	(496)	(1,368)	(909)	(1,738)
OTHER INCOME (EXPENSE):				
Gain (loss) on derivative instruments	(1,358)	108	(1,497)	108
Income tax	(14)	-	(27)	-
Interest income (expense)	(662)	(208)	(1,038)	(208)
Total other income (expense)	(2,034)	(100)	(2,562)	(100)
NET LOSS INCLUDING NONCONTROLLING INTEREST	(2,530)	(1,468)	(3,471)	(1,838)
Less: Net loss attributable to the noncontrolling interest	31	-	58	-
NET LOSS ATTRIBUTABLE TO DIGERATI'S SHAREHOLDERS	$ (2,499)	$ (1,468)	$ (3,413)	$ (1,838)
INCOME (LOSS) PER SHARE - BASIC	$ (0.17)	$ (0.15)	$ (0.25)	$ (0.20)
INCOME (LOSS) PER SHARE - DILUTED	$ (0.17)	$ (0.15)	$ (0.25)	$ (0.20)
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING - BASIC	14,513,328	9,884,962	13,706,245	9,339,435
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING - DILUTED	14,513,328	9,884,962	13,706,245	9,339,435

Reconciliation of Net Loss to Adjusted EBITDA

NET LOSS ATTRIBUTABLE TO DIGERATI'S SHAREHOLDERS, as reported	$ (2,499)	$ (1,468)	$ (3,413)	$ (1,838)
EXCLUDING NON-CASH ITEMS & TRANSACTIONAL COSTS ADJUSTMENTS:				
Stock compensation & warrant expense	242	919	386	975
Legal and professional fees - transactional costs	-	138	42	138
Depreciation and amortization expense	168	35	338	39
(Gain) loss on derivative instruments	1,358	(108)	1,497	(108)
Interest expense - debt discount	464	-	723	-
OTHER ADJUSTMENTS				
Interest expense	198	208	315	208
Income tax	14	-	27	-
Less: Net loss attributable to the noncontrolling interest	(31)	-	(58)	-
ADJUSTED EBITDA	$ (86)	$ (276)	$ (143)	$ (586)