# Digerati Technologies Reports Third Quarter FY2019 Results

***- Revenue Growth of 658% to $1.5 Million -***

***- Adjusted EBITDA Improvement of 64% -***

**SAN ANTONIO, TX (GlobeNewswire) – June 17, 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 April 30, 2019, the Company's third quarter for FY2019.

**Key Financial Highlights for the Third Quarter of Fiscal Year 2019 (Ended April 30, 2019)**

- Revenue increased by 658% to $1.485 million compared to $196,000 for the third quarter of FY2018.
- Gross profit increased to $715,000 compared to $90,000 for the third quarter of FY2018.
- Gross margin increased to 48% compared to 46% for the third quarter of FY2018.
- Adjusted EBITDA loss of $102,000, excluding all non-cash items and one-time transactional expenses, improved by 64% compared to an Adjusted EBITDA loss of $281,000 for the third quarter of FY2018.
- Average monthly revenue per customer (ARPU) was $723.
- Net customer count increased by 374% to 688.

Digerati participates in high-growth segments of the telecommunication industry that are driven by demand from enterprise customers, specifically small to medium-sized businesses. The Company continues to emphasize its UCaaS/cloud communication business that is experiencing significant growth as businesses migrate from legacy phone systems to cloud-based telephony systems. Other services offered to its business market include leading-edge network and business continuity solutions like SD WAN and an LTE mobile broadband service that guarantees up-time during network outages. Approximately 95% of Digerati's revenue is contracted monthly recurring revenue.

In addition to executing on its organic growth strategy, the Company is continuing its disciplined approach to acquiring cloud communication service providers that have excelled at serving regional markets in the U.S. With a solid operational base in Texas and Florida, Digerati is well positioned to execute on this key strategic initiative and increase its market share in the 2nd and 4th largest state economies in the U.S.

Chief Executive Officer Arthur L. Smith, commented, "We are pleased with our third quarter results, highlighted by our continued growth in Texas and our overall improvement in Adjusted EBITDA as we approach breakeven. Sales and marketing, customer service and additional products and services initiatives have continued to drive growth. Our team has also continued to execute on integration initiatives related to our acquisitions that we anticipate will have a positive financial effect over the next few quarters."

Chief Financial Officer Antonio Estrada, Jr., stated, "We continue to identify and analyze potential synergistic acquisitions that when coupled with appropriate financing will drive additional growth and create value for our shareholders. Our cloud delivery business model and scalability of our platform allows us to improve margins and advance toward profitability as we add customers and deliver strong ARPU."

**Three Months ended April 30, 2019 Compared to Three Months ended April 30, 2018**

Revenue for the third quarter ended April 30, 2019 was $1.485 million, an increase of $1.289 million or 658%, compared to $0.196 million for the third quarter ended April 30, 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, cloud-based hosted services revenue in Texas was $0.277 million, an organic increase of $0.81 million or 41%, compared to $0.196 million.

Our total number of customers increased from 145 customers at the end of the three months ended April 30, 2018 to 688 customers at the end of the three months ended April 30, 2019. Additionally, our average monthly revenue per customer or ARPU increased from $466 for the three months ended April 30, 2018 to $723 for the three months ended April 30, 2019.

Gross profit for the three months ending April 30, 2019 was $0.715 million, resulting in a gross margin of 48%, compared to $0.090 million and 46% for the three months ending April 30, 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 April 30, 2019 increased by $0.543 million, or 164%, to $0.875 million from the three months ended April 30, 2018. The increase in SG&A expenses between periods is primarily attributed to the additional salaries and other employee related expenses of approximately $417,000 attributable to the T3 acquisition.

Adjusted EBITDA for the three months ended April 30, 2019, was a loss of $0.102 million, an improvement of $0.179 million, compared to a loss of $0.281 million for the same period in 2018.

Operating loss for the three months ended April 30, 2019, was a loss of $0.767 million, a slight increase of $0.053 million, compared to a loss of $0.714 million for the same period in 2018.

Of note, the following were non-cash expenses associated with the three months ended April 30, 2019. We recognized share-based compensation expense of $345,000. Depreciation and amortization expenses for the three months ended April 30, 2019 was $167,000. Gain on derivative instruments for the three months ended April 30, 2019 was $903,000. Interest expense, debt discount, for the three months ended April 30, 2019 was $376,000.

Net loss for the three months ended April 30, 2019, was $0.223 million, an improvement of $0.487 million as compared to a net loss of $0.708 million, for the same period in 2018. The resulting EPS for the three months period ended April 30, 2019 was a loss of ($0.01), as compared to a loss of ($0.06) for the same period in 2018.

At April 30, 2019, Digerati had $0.460 million of cash, $2.819 debt and 18.88 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.

**Nine Months ended April 30, 2019 Compared to Nine Months ended April 30, 2018**

Revenue for the nine months ended April 30, 2019 was $4.493 million, an increase of $4.090 million or 1,015%, compared to $0.403 million for the nine months ended April 30, 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 $0.862 million, an increase of $0.459 million or 114%, compared to $0.403 million.

Our average monthly revenue per customer or ARPU increased from $418 for the nine months ended April 30, 2018 to $738 for the nine months ended April 30, 2019.

Gross profit for the nine months ending April 30, 2019 was $2.171 million, resulting in a gross margin of 48%, compared to $0.154 million and 38% for the nine months ending April 30, 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 nine months ended April 30, 2019 increased by $1.479 million, or 178%, to $2.309 million from the nine months ended April 30, 2018. The increase in SG&A expenses between periods is primarily attributed to the additional salaries and other employee related expenses of approximately $1,246,000 attributable to the T3 acquisition and $136,000 attributable to the Synergy Telecom acquisition.

Adjusted EBITDA for the nine months ended April 30, 2019, was a loss of $0.406 million, an improvement of $0.462 million, compared to a loss of $0.868 million for the same period in 2018.

Operating loss for the nine months ended April 30, 2019, was a loss of $1.676 million, an improvement of $0.776 million, compared to a loss of $2.452 million for the same period in 2018.

Of note, the following were non-cash expenses associated with the nine months ended April 30, 2019. We recognized share-based compensation expense of $731,000. Depreciation and amortization expenses for the nine months ended April 30, 2019 was $505,000. Loss on derivative instruments for the nine months ended April 30, 2019 was $594,000. Interest expense, debt discount, for the nine months ended April 30, 2019 was $1,414,000.

Net loss for the nine months ended April 30, 2019, was $3.636 million, an increase of $1.089 million as compared to a net loss of $2.547 million, for the same period in 2018. The resulting EPS for the nine months period ended April 30, 2019 was a loss of ($0.24), as compared to a loss of ($0.26) 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.

The Company also reported that it adopted T3 Communications as the singular brand for its business operations. The T3 Communications brand replaced the Synergy Telecom brand in Texas with a goal of achieving single brand recognition across all of the territories the Company serves and the products and services it provides to its customers.

**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 subsidiary 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.

Investors:
IR@digerati-inc.com

The Eversull Group
Jack Eversull
jack@eversullgroup.com
(972) 571-1624

## Reconciliation of Net Loss to Adjusted EBITDA

| | Three months ended April 30, 2019 | Three months ended April 30, 2018 | Nine months ended April 30, 2019 | Nine months ended April 30, 2018 |
|---|---|---|---|---|
| NET LOSS ATTRIBUTABLE TO DIGERATI'S COMMON SHAREHOLDERS, as reported | $ (223) | $ (708) | $ (3,636) | $ (2,547) |
| EXCLUDING NON-CASH ITEMS & TRANSACTIONAL COSTS | | | | |
| ADJUSTMENTS: | | | | |
| Stock compensation & warrant expense | 345 | 354 | 731 | 1,328 |
| Non-recurring incentive compensation (payable in common stock at the option of the employee) | 153 | - | - | - |
| Legal and professional fees - transactional costs | - | 29 | 34 | 167 |
| Depreciation and amortization expense | 167 | 50 | 505 | 89 |
| (Gain) loss on derivative instruments | (903) | (47) | 594 | (155) |
| Interest expense - debt discount | 248 | - | 971 | - |
| OTHER ADJUSTMENTS | | | | |
| Interest expense | 128 | 41 | 443 | 250 |
| Income tax | 10 | - | 37 | - |
| Less: Net loss attributable to the noncontrolling interest | (29) | - | (87) | - |
| Deemed dividend on Series A Convertible preferred stock | 2 | - | 2 | - |
| ADJUSTED EBITDA | $ (102) | $ (281) | $ (406) | $ (868) |