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Zacks Small-Cap Research

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Digerati Technologies (OTCQB: DTGI)

Digerati Buys Skynet Telecom for $5.8 Million, Adding $3.4 Million in Annual Revenue

Using peer group average multiples of EV/Estimated Sales, we believe DTGI stock could be worth at least $0.205 per share.

Current Price (01/14/22)	$0.11
Valuation	**$0.205**

OUTLOOK

Digerati is a provider of UCaaS telecommunication services to small and medium businesses in the US. It plans to grow 5-10% internally supplemented by accretive acquisitions. Seasoned telecom executives that have successfully built and sold large public companies in the past lead its management team. Its recent arrangement with Post Road Group enables future acquisitions with prearranged financing terms in place. The company targets companies with $2-$10 million in sales and positive EBITDA in the US. Due to the highly fragmented industry, there are hundreds of companies to pursue.

SUMMARY DATA

52-Week High	**$0.23**
52-Week Low	**$0.05**
One-Year Return (%)	**91**
Beta	**1.6**
Average Daily Volume (sh)	**178,640**
Shares Outstanding (mil)	**139.1**
Market Capitalization ($mil)	**$16**
Short Interest Ratio (days)	**0**
Institutional Ownership (%)	**0**
Insider Ownership (%)	**26**
Annual Cash Dividend	**$0.00**
Dividend Yield (%)	**0.00**
5-Yr. Historical Growth Rates	
Sales (%)	**159.5**
Earnings Per Share (%)	**N/A**
Dividend (%)	**N/A**
P/E using TTM EPS	**N/A**
P/E using 2021 Estimate	**N/A**
P/E using 2022 Estimate	**N/A**

Risk Level	**High**
Type of Stock	**Small Growth**
Industry	**Internet-Software**

ZACKS ESTIMATES

Revenue
(in millions of $)

	Q1 (Oct)	**Q2** (Jan)	**Q3** (Apr)	**Q4** (Jul)	**Year** (Jul)
2020	1.6 A	1.6 A	1.6 A	1.6 A	6.3 A
2021	1.6 A	3.3 A	3.8 A	3.8 A	12.4 A
2022	3.8 A	4.1 E	4.8 E	4.9 E	17.6 E
2023					20.6 E

EPS

	Q1 (Oct)	**Q2** (Jan)	**Q3** (Apr)	**Q4** (Jul)	**Year** (Jul)
2020	-$0.06 A	-$0.01 A	-$0.02 A	$0.00 A	-$0.06 A
2021	-$0.01 A	-$0.02 A	-$0.09 A	-$0.01 A	-$0.13 A
2022	$0.01 A	-$0.01 E	-$0.01 E	-$0.01 E	-$0.02 E
2023					-$0.05 E

Zacks Projected EPS Growth Rate - Next 5 Years % **N/A**

WHAT'S NEW

Digerati Makes Accretive Buy of Skynet Telecom

On December 31, 2021 Digerati bought the assets of Skynet Telecom LLC in an accretive deal expected to add $3.4 million to annual revenues and positive EBITDA. The acquisition price was $5.8 million and consisted of $4.1 million in cash (subject to a net working capital adjustment,) $1 million in restricted stock, a $600,000 earn out, and a $100,000 holdback. At a share price of $0.11, that would add 9.1 million shares to the primary share count. Shares are to be paid out on the earlier of (a) the effective date of its S-1 at the price set forth in the prospectus, or (b) 180 days after December 31, 2021 at a value of the average of the last transaction price on the OTCQB for each of the 10 trading days immediately preceding). The restricted stock will be locked up for 180 days. The cash portion of the deal was financed by the Post Road credit facility. At a purchase price of $5.8 million and expected revenues of $3.4 million, this puts the transaction at 1.7 times enterprise value to sales.

We expect Skynet's financials should be filed and then the current S-1 amended with a capital raise and uplisting to follow. The subsequent uplisting would involve a reverse split of the stock at a ratio in a range of from 1 for 5 and up to 1 for 80 to reach compliance with NASDAQ's minimum stock price and at that time the company plans to change its name to "Nexogy." We expect both the acquisition and the deal to be accretive as the company plans to use proceeds to suppose the acquisition of Skynet making an addition to profits in excess of dilution.

Skynet is based in San Antonio, Texas and its acquisition increases Digerati's customer base by 343 customers. Digerati now has a total of over 3,100 business customers and approximately 33,000 users.

We are raising our FY 2022 estimate to revenues of $17.6 million to reflect this acquisition equaling growth of 41% and keeping the net loss virtually the same until we see financials on Skynet. We are raising FY2023 estimated revenue to $20.6 million from $17.3 million showing growth of 17%.

KEY POINTS

- Digerati sells Unified Communications as a Service (UCaaS) to SMBs primarily in Texas and Florida. UCaaS brings VoIP, video conferencing, instant messaging, and collaboration tools together on one platform that is hosted in the cloud. As well as being more cost effective and flexible in the office, it allows workers to enjoy all the features of an office-based system remotely and gives businesses more choices in the applications it chooses. Digerati's UCaaS solution also integrates with systems like Microsoft Teams and Oracle NetSuite, becoming the cloud telco engine behind these popular systems.

- UCaaS solutions primarily replace premised-based systems making maintenance and upgrades easier and cheaper for the client. Digerati specializes in providing service with superior customer service to the large telcos that are the usual providers to these businesses.

- Digerati is in the early stages of its roll up strategy funded by its new financing partnership with Post Road Group. In November 2020, it bought Nexogy and ActivePBX for approximately $12 million. Today it bought Skynet Telecom. It plans to continue to buy companies opportunistically and accretively. We expect a capital raise to support working capital and acquisitions.

- Seasoned management that successfully has built and sold other public telecom and software companies and created solid returns for investors runs the company.

- The UCaaS industry is highly fragmented and growing rapidly. Fifty percent of the US market is served by local and regional providers. The global UCaaS market is currently $38.7 billion and expected to be $169 billion by 2027, or a CAGR of 23.5%.

- The company trades at approximately a fully diluted (using 286 million shares) enterprise value of $46.6 million post Skynet acquisition. This is 3.1 times its calendar 2021 estimated sales of $15.1 million versus its peers who trade at 5.0 times. As its growth strategy, improved margins, and positive cash flow are further evidenced in the future, we believe it could trade closer to the peer group.

OVERVIEW

Digerati is a provider of cloud telecom services founded in 1993 with an initial business model that served markets in Latin America undergoing privatization and de-monopolization of government-owned telecom operations. After evolving as a telecom operator over the years, from legacy telecom infrastructure to Voice over Internet Protocol (VoIP) technology, the company launched its UCaaS business model targeting the underserved small to medium-sized business market in the US. Digerati is headquartered in San Antonio, Texas with additional major operations in Florida and serves the market through its operating subsidiaries, T3 Communications, Inc. and Nexogy, Inc. and its newest acquisition Skynet Telecom. It employs over 55 people all in the US and has over 3,100 business customers and with approximately 33,000 total users. It is operating under the T3 Communications (Ft Myers, FL) brand as well as the recently acquired Nexogy and ActivePBX brands both located in Miami and now operating from one location. It plans to merge all its brands under one roof in the near future offering a more cohesive marketing front and operate under the corporate name “Nexogy.”

The key to Digerati’s future success is the ability to make accretive acquisitions. It targets companies with $2 million to $10 million in sales that can be acquired at an accretive price. In the past its acquisitions have cost 0.8xs to 1.5 times trailing twelve-month revenues and are typically 4-5 times EBITDA. The company expects to pay for these deals with approximately 25% through a note to the seller tied to a future revenue hurdle, 25% with stock and 50% through the Post Road financing facility. Post Road charges interest at 12% plus LIBOR rates. Targets usually have EBITDA margins in the 15-25% range that can be increased through cost synergies. Synergies are achieved through personnel redundancies, data center integration, telecom costs migrated to lower cost solutions, and facility consolidations. While most of these savings are achieved within the first six months, it may take a full year for all the savings to be realized.

Another benefit of acquisitions is being able to bring in expertise in sub segments of the market. Each provider tends to have its niche and the entire Digerati family benefits from this knowledge and can often cross sell current clients. One example of this is found in new acquisition ActivePBX. It brought with it particular expertise in integrating all major CRMs with a contact center platform including a specific partner agreement with Oracle’s NetSuite.

Digerati sells directly as well as through partners that provide the customer support on a local level. This regional local touch is a competitive advantage against nation players and large telcos when serving SMBs. This arrangement leaves Digerati with high operating leverage as the labor intensive, non-scalable part is left to the partners. As an example, Digerati partnered with Sandler Partners, a master agent and distributor of connectivity and cloud services. Sandler has more than 8,000 partners, 200 telecom, cloud, and data providers, and extensive network of expert agents. Nexogy offers Sandler partners a call path model and the ability for partners to add their own services and products to the customer's invoice.

VALUATION

In order to value Digerati Technologies, we have to look at comparables on a calendar year and a fully diluted enterprise basis. The company has a very complicated cap table and investors should be aware that its fully diluted share count is vastly different than its primary common shares outstanding and that the total common shares will change based on certain events. The company has three series of convertible preferred stock that are forced to convert upon an uplisting, two of which convert based on a percentage of the total common shares outstanding (40%), not a fixed amount.

When the company calculated how many warrants to issue Post Road group in November 2020, it used a worst-case scenario to arrive at 107 million warrants representing 25% of the company's fully diluted stock. This was calculated as of November 2020 and shown in the table below. At that time the fully diluted share count was deemed to be 432 million with Post Road's warrants included.

Since that time the company has issued common stock and secured additional convertible notes so we have updated with the most conservative scenario to 460 million as the share count rose, more convertible notes were issued, and the 40% conversion ratio also added more shares. We also added the shares to be issued in the Skynet acquisition, which has already closed.

The company says that currently Post Road is only entitled to warrants that represent 46 million shares as conditions have not been met to be able to exercise all 107 million warrants. In addition, the convertible preferred stock only converts to 40% of the issued and outstanding. So, our best-case fully diluted current common share count is now 288 million shares.

If the company does an uplisting, or raises more that $5 million using common stock, the convertible preferred stock is forced to convert to common stock and the Post Road percentage is reduced to 15%. We expect that event to happen by the end of calendar 2021. At that point, the total common stock outstanding should decrease to 320 million fully diluted. Of course, any capital raise using equity will also add to the count, but not affect the enterprise value.

	Post Road Calculation		Conservative Case Now		Best Case Now		After Uplisting	
Post Road Warrants	107.8	25%	107.8	23%	46.0	16%	46.0	14%
Other warrants	-	0%	1.8	0%	1.8	1%	1.8	1%
Convertible Preferred	172.4	40%	180.0	39%	59.3	21%	87.1	27%
Options	9.2	2%	9.2	2%	9.2	3%	9.2	3%
Convertible Notes	22.3	5%	23.2	5%	23.2	8%	23.2	7%
CS outstanding 12/14	120.0	28%	148.2	32%	148.2	52%	148.2	46%
Total Diluted	**431.7**	**100%**	**459.9**	**100%**	**287.8**	**100%**	**319.9**	**100%**
		100%		102%		100%		99%

The company's plan in a capital raise is to simplify the cap table and we expect when it does raise cash it will pay off the convertible notes which convert at $0.05 per share reducing the outstanding by about 15 million.

Comparable Companies

Digerati's most similar comp is Crexendo, who provides the same service to the same target market. It also competes with RingCentral who in contrast targets large companies with more complex requirements. If we take the average multiples of EV to estimated calendar sales of the comp group (throwing out the high and the low) we get the averages shown below. Since our last update, the valuations of comparable companies have declined. Using calendar revenues of $15.4 million in 2021 and $19.5 million in 2022, this would value

Digerati at an enterprise value of $81 million, a market value of $62 million and a stock price of at least $0.142 using a conservative 460 million fully diluted shares outstanding. Keep in mind the fully diluted number was 251 million in Q1 2022 and the deal adds 9.1 million more shares at $0.11 per share equaling 260 million shares. This would be a stock price of $0.205 per share using the post offering share count of 320 million.

Company	Ticker	Calendar Revenue 2022E	Calendar Revenue 2021E	Last Qtr Annualized	LTM	EBIDTA Margin	EV/Sales 2022E	EV/Sales 2021E	EV/Sales Annualized	EV/Sales LTM	Included in Average?	Enterprise Value
Cloopen Group Holding	RAAS	219	165	174	149	-63%	0.4	0.5	0.5	0.6	n	85
ClearOne	CLRO	NA	NA	28	30	-7%	NA	NA	0.9	0.8	n	24
Crexendo	CXDO	40	28	35	23	0%	2.3	3.3	2.6	3.9	y	92
8x8 Inc.	EGHT	NA	680	606	581	-23%	NA	3.2	3.5	3.7	y	2,145
Five9	FIVN	748	601	617	564	3%	12.2	15.2	14.8	16.2	n	9,145
RingCentral Inc.	RNG	1,980	1,580	1,659	1,480	-9%	8.9	11.1	10.6	11.9	y	17,593
Concensus Cloud Solutions	CCSI	373	349	728	700	44%	2.5	2.6	1.3	1.1	y	924
Lantronix	LTRX	127	94	111	82	2%	2.3	3.0	2.6	3.5	y	287
Ooma	OOMA	207	189	188	180	1%	2.1	2.3	2.3	2.4	y	440
Vonage	VG	1,550	1,410	1,433	1,300	10%	3.7	4.0	3.9	4.4	y	5,660
Zoom	ZM	4,750	4,000	4,204	3,280	30%	8.9	10.5	10.0	12.8	y	42,097
Average						6.8%	4.3	5.0	4.7	5.5		4,864

Projected 2022E	Projected Revenue 2021E	TTM	EV/Sales 2022E	EV/Sales 2021E	EV/Sales TTM	Valuation Range Low	Valuation Range High
19.5	15.4	12.4	4.3	5.0	5.5	84	78

Conclusion of Enterprise Value	$80,551
Market Value	65,455
Fully diluted shares	319,862
Price per Share	**$0.205**

RISKS

- The company has five classes of stock: the common and Series A, B, and C Preferred Stock and a Series F Super Voting Preferred Stock. Holders of the Series F Super Voting Preferred represents 62% of the vote thus leaving common shareholders without any say in the company. Art Smith CEO, Antonio Estrada Jr. CFO, and Craig K. Clement Chairman own 34, 33, and 33 shares respectively which add to the total amount of Series F preferred. Upon uplisting, the company plans to cancel this class of stock resolving this issue.

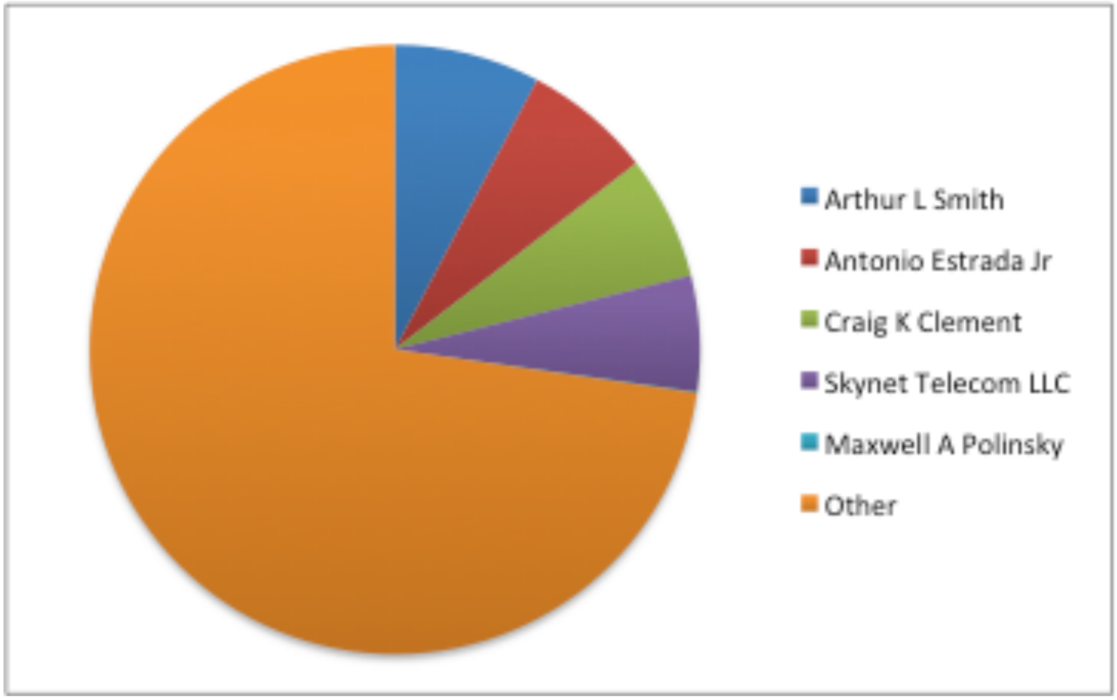
- Upon uplisting to an exchange, the Series B and C Preferred Stock is forced to convert to common however, it converts at a ratio so the holders of the preferred maintain the same percentage ownership of the company diluting only the other shareholders when capital is raised.

- The company has a going concern opinion, is cash flow negative, and will need to raise cash to support operations possibly resulting in dilution for common shareholders. The company's executive management team is taking approximately 50% of its compensation in stock. It had positive adjusted EBITDA in FY2021 and so far in FY2022.

- In order to list on NASDAQ or NYSE American, the company will have to address a number of deficiencies first, including stock price minimum, number of outside directors, and equity. It plans a reverse split to reach the stock price minimum.

OWNERSHIP

After acquisition shares are distributed



INCOME STATEMENT

	Q1 21 Oct. 31, 2020	Q2 21 Jan. 31, 2021	Q3 21 April 30, 2021	Q4 21 July 31, 2021	Q1 22 Oct. 31, 2021	Q2 22 Jan. 31, 2022E	Q3 22 April 30, 2022E	Q4 22 July 31, 2022E	FY2021	FY2022E	FY2023E
OPERATING REVENUES:											
Cloud software and service revenue	$ 1,549	$ 3,226	$ 3,666	$ 3,712	$ 3,703	$ 4,018	$ 4,735	$ 4,835	$ 12,153	$ 17,291	$ 20,307
Product revenue	$ 3	$ 100	$ 85	$ 75	$ 74	$ 65	$ 65	$ 65	$ 263	$ 269	$ 300
Total operating revenues	1,552	3,426	3,751	3,787	3,777	4,083	4,800	4,900	12,416	17,560	20,607
Yr-Yr Growth	-2.3%	120.0%	139.5%	152.5%	143.4%	19.2%	28.0%	29.4%	97.7%	41%	17%
OPERATING EXPENSES:											
Cost of services	748	1,434	1,526	1,427	1,490	1,584	1,805	1,842	5,135	6,722	7,831
Gross margin	804	1,992	2,225	2,360	2,287	2,499	2,995	3,058	7,281	10,839	12,776
% Gross margin	51.8%	58.1%	59.3%	62.3%	60.6%	61.2%	62.4%	62.4%	58.6%	61.7%	62.0%
SG&A expense	1,011	1,965	1,993	2,050	1,788	2,000	2,000	2,100	7,019	7,888	8,600
Legal and professional fees	258	255	204	177	574	400	260	250	894	1,484	1,200
Bad debt	0	4	5	8	13	2	2	2	17	19	20
Depreciation and amortization expense	161	432	611	545	492	510	800	800	1,749	2,602	3,000
Total operating expenses	1,430	2,656	2,813	2,780	2,867	2,912	3,062	3,152	9,679	11,993	12,820
Operating loss	(626)	(664)	(588)	(420)	(580)	(413)	(67)	(94)	(2,398)	(1,154)	(44)
Operating margin	-40.4%	-20.6%	-16.0%	-11.3%	-15.7%	-10.3%	-1.4%	-2.0%	-19.7%	-6.7%	-0.2%
OTHER INCOME (EXPENSE):											
Gain (loss) on derivative instruments	178	(160)	(10,878)	925	4,433	0	0	0	(9,935)	4,433	0
Gain (loss) on settlement of debt	0	197	150	213	0	0	0	0	560	0	0
Income tax benefit (expense)	(8)	(51)	(63)	(61)	(77)	(72)	(80)	(90)	(183)	(319)	0
Other income	0	0	0	(294)	(4)	0	0	0	(294)	(4)	0
Interest expense	(300)	(1,202)	(1,577)	(1,686)	(1,506)	(1,790)	(1,925)	(1,925)	(4,765)	(7,146)	(7,700)
Total other income (expense)	(130)	(1,216)	(12,368)	(903)	2,846	(1,216)	(2,005)	(2,015)	(14,617)	(3,036)	(7,700)
Net income	(756)	(1,880)	(12,956)	(1,323)	2,266	(1,629)	(2,072)	(2,109)	(17,015)	(4,190)	(7,744)
Less: Noncontrolling interests	35	30	158	109	158	175	180	185	332	698	740
Net inc. to common shareholders	(721)	(1,950)	(12,798)	(1,214)	2,424	(1,950)	(1,892)	(1,924)	(16,683)	(3,492)	(7,004)
Dividend on Convertible preferred stock	(5)	(5)	(5)	(5)	(5)	(5)	(5)	(5)	(20)	(20)	(20)
Net inc. to common shareholders	$ (726)	$ (1,955)	$ (12,803)	$ (1,219)	$ 2,419	$ (1,955)	$ (1,897)	$ (1,929)	$ (16,703)	$ (3,512)	$ (7,024)
EPS - basic	$ (0.01)	$ (0.02)	$ (0.09)	$ (0.01)	$ 0.02	$ (0.01)	$ (0.01)	$ (0.01)	$ (0.13)	$ (0.02)	$ (0.05)
EPS - diluted	$ (0.00)	$ (0.01)	$ (0.06)	$ (0.01)	$ 0.01	$ (0.01)	$ (0.01)	$ (0.01)	$ (0.08)	$ (0.01)	$ (0.03)
Avg. shares out - basic	119,914,246	122,706,601	136,719,871	137,950,308	138,719,017	139,138,039	148,228,909	148,228,909	129,411,947	143,578,719	148,228,909
Yr-Yr Growth	378.5%	221.9%	121.9%	112.2%	15.7%	13.4%	8.4%	7.5%	140%	11%	3%
Avg. shares out - diluted all in	161,404,298	205,404,298	219,417,568	230,165,736	250,723,611	250,723,611	250,723,611	250,723,611	204,097,975	250,723,611	250,723,611
Yr-Yr Growth	544.0%	438.9%	256.1%	254.1%	55.3%	22.1%	14.3%	8.9%	279%	23%	0%
Non-GAAP adjusted EBITDA	58	247	321	525	317	431	917	890	1,151	1,448	2,956
Adj EBITDA margin	3.7%	7.2%	8.6%	13.9%	8.4%	10.6%	19.1%	18.2%	9.3%	8.2%	14.3%
EBITDA-cash interest and cash taxes	(49)	(61)	(2)	167	9	123	609	582	55	1,393	1,564

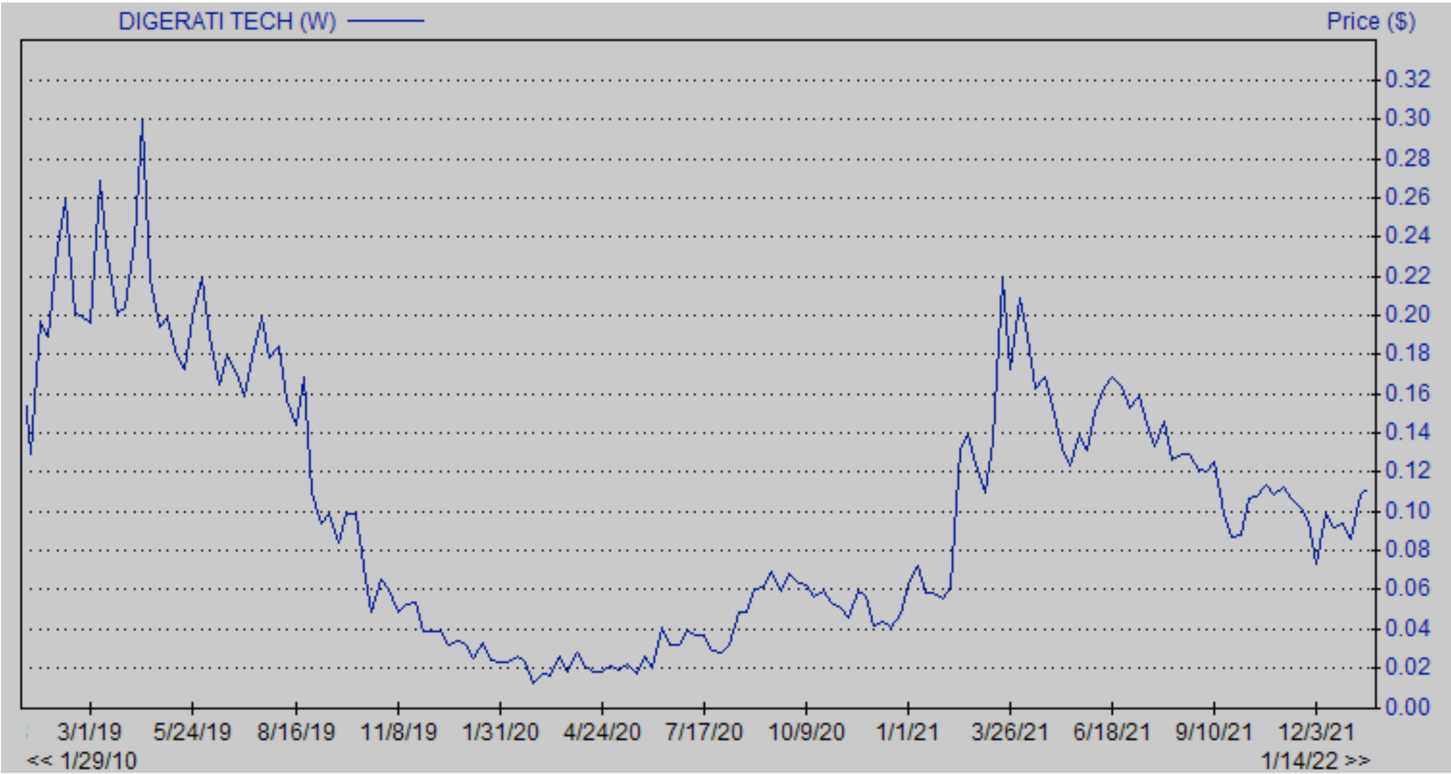
BALANCE SHEET

$ in Thousands	Oct 31, 2021	July 31, 2021	Qtr-Qtr Growth	Oct 31, 2020	Yr-Yr Growth
CURRENT ASSETS:					
Cash and cash equivalents	$ 1,646	$ 1,489	10.5%	$ 446	269.1%
Accounts receivable, net	471	617	-23.7%	116	306.0%
Prepaid and other current assets	218	232	-6.0%	732	-70.2%
Total current assets	2,335	2,338	-0.1%	1,294	80.4%
LONG-TERM ASSETS:					
Intangible assets, net	8,093	8,527	-5.1%	1,357	496.4%
Goodwill, net	3,931	3,931	0.0%	810	385.3%
Property and equipment, net	499	529	-5.7%	482	3.5%
Other assets	79	76	3.9%	43	83.7%
Investment in Itellum	185	185	0.0%	185	0.0%
Right-of-use asset	822	934	-12.0%	139	491.4%
Total assets	15,944	16,520	-3.5%	4,310	269.9%
CURRENT LIABILITIES:					
Accounts payable	1,937	1,653	17.2%	1,821	6.4%
Accrued liabilities	2,703	2,570	5.2%	1,887	43.2%
Equipment financing	28	37	-24.3%	62	-54.8%
Convertible note payable	**1,477**	**1,049**	40.8%	**647**	128.3%
Note payable, related party	**1,000**	**998**	0.2%	**138**	624.6%
Note payable	**3,438**	**2,963**	16.0%	**1,616**	112.7%
Deferred income	3	20	-85.0%	138	-97.8%
Derivative liability	12,340	16,773	-26.4%	223	5433.6%
Operating lease liability	478	503	-5.0%	74	545.9%
Total current liabilities	23,404	26,566	-11.9%	6,606	254.3%
LONG-TERM LIABILITIES:					
Notes payable, related party	**0**	**136**	-100.0%	**133**	-100.0%
Note payable	**6,727**	**6,241**	7.8%	**20**	33535.0%
Operating lease liability	344	431	-20.2%	64	437.5%
Total long-term liabilities	7,071	6,808	3.9%	217	3158.5%
Total liabilities	30,475	33,374	-8.7%	6,823	346.7%
STOCKHOLDERS' DEFICIT:					
Common stock	139	139	0.0%	122	13.9%
Additional paid in capital	89,157	89,100	0.1%	87,199	2.2%
Accumulated deficit	(102,956)	(105,380)	-2.3%	(89,418)	15.1%
Other comprehensive income	1	1	0.0%	1	0.0%
Total Digerati's stockholders' deficit	(13,659)	(16,140)	-15.4%	(2,096)	551.7%
Noncontrolling interest	(872)	(714)	22.1%	(417)	109.1%
Total stockholders' deficit	(14,531)	(16,854)	-13.8%	(2,513)	478.2%
Total liabilities and stockholders' deficit	15,944	16,520	-3.5%	4,310	269.9%
Current ratio	0.1	0.1	13.4%	0.2	-49.1%
Working capital	(21,069)	(24,228)	-13.0%	(5,312)	296.6%
Total debt	12,642	11,387	11.0%	2,554	395.0%
Debt/Total assets	79.3%	68.9%	15.0%	59.3%	33.8%

CASH FLOWS

$ in Thousands	Year July 30, 2020	Q1 Oct. 31, 2020	3 Mo Jan. 31, 2021	3 Mo Apr. 30, 2021	3 Mo July 30, 2021	Year July 30, 2021	Q1 Oct. 31, 2021
Cash flows from operating activities:							
Net loss	$ (3,424)	$ (756)	$ (1,980)	$ (12,956)	$ (1,323)	$ (17,015)	$ 2,266
Adjustments to reconcile net loss to cash used in by operating activities:							
Depreciation and amortization	613	161	432	611	503	1,707	492
Stock comp and warrant expense	1,127	343	33	182	66	624	24
Bad debt	(5)	0	4	5	8	17	13
Loss on AP settled with stock	0	0	0	0	0	0	0
Int exp. from stock iss for debt exten.	0	0	0	0	0	0	0
Amortization of ROU - operating	140	37	27	31	233	328	112
Amortization of debt discount	1,228	194	665	968	982	2,809	943
Loss (Gain) on derivative liabilities	(263)	(178)	160	10,878	(925)	9,935	(4,433)
(Gain) on settlement of debt	(134)	0	(197)	(150)	(213)	(560)	0
Accrued interest added to principal					510	510	184
Pref stock C issued for settlement of AP					333	333	0
Stock issued for debt extension					59	59	0
Changes in operating assets and liabilities:							
Accounts receivable	60	92	(228)	40	27	(69)	132
Prepaid exp & other current assets	(23)	(6)	(64)	(71)	187	46	2
Inventory	0	0	22	4	(53)	-27	11
Right of use operating lease liability	(140)	(38)	(26)	(31)	(233)	(328)	(112)
Accounts payable	235	334	(513)	276	2	99	282
Accrued expenses	646	44	910	443	(314)	1,083	130
Deferred income	(6)	(141)	190	(154)	(154)	(259)	(17)
Net cash used in operating activities	54	86	(565)	76	(305)	(708)	29
Cash flows from investing activities:							
Cash paid for equipment	(85)	(118)	(64)	(46)	(182)	(410)	(29)
Cash paid for escrow rel. to acquisition	(127)	0	0	0	0	0	0
Acquisitions of VoIP assets, net of cash	0	(365)	(9,743)	0	(282)	(10,390)	0
Net cash used in investing activities	(212)	(483)	(9,807)	(46)	(464)	(10,800)	(29)
Cash flows from financing activities:							
Proceed from sale of stocks & warrants	99	0	0	30	4	34	0
Borrowings from convertible debt, net	435	0	558	520	0	1,078	300
Borrowings from debt, net	626	308	12,728	0	0	13036	0
Borrowings from related party debt	0	0	0	0	0	0	0
Borrowings from 3rd party prom. notes	0	0	0	0	0	0	0
Payments of ROU - liability	0	0	0	0	0	0	0
Principal payments on debt, net	0	0	(1,330)	0	(8)	(1,338)	0
Principal payments on conv. notes, net	(140)	(101)	0	(165)	0	(266)	0
Principal pymts on rel. party notes, net	(443)	(31)	(138)	(147)	147	(169)	(134)
Principal pymts on 3rd. party notes, net	0	0	0	0	0	0	0
Principal payment on eqt. financing	(65)	(18)	(17)	(18)	(10)	(63)	(9)
Payment of debt financing cost	(75)	0	0	0	0	0	0
Net cash provided by financing activities	437	158	11,801	220	133	12,312	157
CHANGE IN CASH & EQUIVALENTS	279	(239)	1,429	250	(636)	804	157
CASH & EQUIVALENTS, beginning	406	685	446	1,875	2,125	685	1,489
CASH & EQUIVALENTS, end	685	446	1,875	2,125	1,489	1,489	1,646
SUPPLEMENTAL DISCLOSURES:							
Cash paid for interest	547	107	308	323	358	1,111	355
Income tax paid	0	0	0	0	0	0	0
Cash Flow	$ (718)	$ (199)	$ (856)	$ (431)	$ 233	$ (1,253)	$ (583)
Free cash flow	$ (930)	$ (682)	$ (10,663)	$ (477)	$ (231)	$ (12,053)	$ (612)

HISTORICAL STOCK PRICE



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