

August 15, 2014



Mobivity Announces Financial Results for the Second Quarter 2014

PHOENIX, Aug. 15, 2014 /PRNewswire/ -- Mobivity Holdings Corp. (OTCQB: MFON), an award-winning provider of proprietary and patented mobile marketing technologies and solutions, today announced financial results for the second quarter ended June 30, 2014.

Recent Highlights:

- Completed SmartReceipt operational and product integration;
- Strategic partnership announced with Epson bundling SmartReceipt with Epson products;
- Increased revenues (primarily through SmartReceipt acquisition) by 23% as compared to Q1 2014;
- Gross margins increased to 76.7% from 71.3% in the second quarter of 2014 compared to the same period a year ago as the company focused on vendor consolidation and cost reduction;
- Company continues to pursue cost efficiencies as well as implementing a series of cost reductions that are expected to drive down operating expenses, while improving gross margins.

Dennis Becker, chief executive officer of Mobivity, said, "Following the acquisition of SmartReceipt at the end of the first quarter, we were laser focused on quickly integrating SmartReceipt's customers and technology into our core strategy of driving "more customers, more often" for merchants. I'm extremely pleased with our team's progress as we've expanded the SmartReceipt product to include compatibility with Epson's OmniLink family of connected devices, began marketing and cross-selling activities to existing customers, and greatly reduced operational expenditures through optimizations achieved via the acquisition. By marrying together SmartReceipt's deep point-of-sale integration with our mobile marketing products, we're now equipped to couple transactional data with mobile marketing engagements which we believe delivers a highly effective and differentiated marketing platform for merchants. Our technology has the potential to touch billions of purchase transactions if we can successfully deploy in all of the locations of our existing franchise brand customers. That's a ton of data that will make our products smarter and drive great value."

Mike Bynum, president of Mobivity, added, "We are seeing a very positive reception to the SmartReceipt solution by both existing and new customers. Our recently announced partnership with Epson has created an Epson product line bundled with our SmartReceipt technology so that merchants can order SmartReceipt direct from Epson and its network of distributors and resellers. Our largest SMS marketing customer has begun trials of SmartReceipt in one of their largest markets and a national franchise brand is completing trials of SmartReceipt where they have seen double-digit redemption rates from promotions thanks to the transactional targeting technology of SmartReceipt. We have also begun to

pioneer third party promotions via SmartReceipt where an outside brand will pay an advertising fee to promote on another brand's printed receipts leveraging SmartReceipt's targeting capabilities. We believe the combination of SmartReceipt with our mobile products is proving to accelerate demand and I'm extremely excited for the momentum we've created during the first full quarter of getting SmartReceipt integrated into our sales operations."

Mr. Becker concluded, "With operational and product integration behind us, a new monetization opportunity with third-party advertising via SmartReceipt, and sales and marketing of our newly combined mobile marketing and SmartReceipt technology well underway, we are excited about the progress made thus far in 2014 and look forward to a strong second half."

Second Quarter 2014 Financial Results

Revenue for the second quarter of 2014 was \$1,110,000, up 2% from \$1,086,000 in the second quarter of 2013. The increase in revenue for the quarter is attributable to contributions from the company's SmartReceipt product, which was acquired during the first quarter of 2014, offset by year-over-year decreases in the company's SMS text messaging product due to the impact of changes made to the Federal Communication Commission's (FCC) interpretation of the Telephone Consumer Protection Act (TCPA) that went into effect on October 16, 2013, and the reduction in revenues from short-term projects and legacy non-strategic customers. Compared to the first quarter of 2014, the company attained growth in its SMS text messaging product revenues as customers continue to rebuild their SMS subscriber databases.

Gross margins increased to 76.7% from 71.3% in the second quarter of 2014 compared to the same period a year ago due to the reduction in revenue from lower margin, short-term projects, as well the higher contribution of higher margin revenue from SmartReceipt. Cost of goods sold was \$258,000 in the second quarter of 2014 compared to \$311,000 in the second quarter of 2013, with a gross margin profit of \$852,000 in the second quarter of 2014 compared to a gross profit of \$774,000 in the same period a year ago.

Operating expenses (excluding goodwill and intangible asset impairment charges) for the second quarter of 2014 were \$2,193,000 compared to \$2,380,000 in the same period of the prior year. The decrease in operating expenses is primarily attributable to decreases in sales and marketing expenditures as the company shifts a greater portion of its resources to larger franchise accounts and away from smaller premise based accounts during the quarter.

Operating loss was \$(1,457,000) in the three months ended June 30, 2014 compared to an operating loss of \$(1,664,000) in the corresponding period a year ago. Net loss for the quarter was \$(1,430,000), or \$(0.06) per diluted share, compared to a net loss of \$(9,875,000), or \$(1.69) per diluted share, in the second quarter of 2013.

Non-GAAP Adjusted Net Loss, a non-GAAP metric (see note on non-GAAP Measurements) was \$(1,080,000) during the second quarter of 2014 as compared to \$(403,000) during the prior year period.

Balance Sheet

The Company had \$2,628,000 of cash at June 30, 2014 compared to \$2,573,000

at December 31, 2013. Total notes payable outstanding were \$20,000 at June 30, 2014 and December 31, 2013. The company also has an Earn-out payable of \$2,332,000 as of June 30, 2014 pertaining to the company's acquisition of SmartReceipt. The earn-out is based on a series of formulas, and is payable in stock at the Company's discretion.

Non-GAAP Measurements

This press release includes a reference to Non-GAAP adjusted net loss, which constitutes a "non-GAAP financial measure" as defined by the SEC. "Non-GAAP adjusted net loss" is our net loss before interest, depreciation, amortization, stock-based compensation, and other non-cash operating income and expenses. Non-GAAP adjusted net loss is presented exclusively as a supplemental disclosure because our management believes that it is widely used to measure the performance, and as a basis for valuation, of companies in our industry. Our management uses Non-GAAP adjusted net loss as a measure of our operating performance and to compare our operating performance with those of our competitors. We also present Non-GAAP adjusted net loss because it is used by some investors as a way to measure a company's ability to incur and service debt, make capital expenditures and meet working capital requirements. A full reconciliation of the non-GAAP measures to GAAP can be found in the tables of today's press release. Non-GAAP adjusted net loss is supplemental to results presented under accounting principles generally accepted in the United States of America ("GAAP") and may not be comparable to similarly titled measures presented by other companies. These non-GAAP measures are used by management to facilitate period-to-period comparisons and analysis of Mobivity's operating performance and liquidity. Management believes these non-GAAP measures are useful to investors in trending, analyzing and benchmarking the performance and value of Mobivity's business. These non-GAAP measures should be considered in addition to, but not as a substitute for, other similar measures reported in accordance with GAAP.

About Mobivity

Mobivity is an award-winning provider of a suite of patented mobile marketing technologies designed to drive sales, enhance customer engagement, and reward customer loyalty for local businesses and national brands. Its solutions enable businesses across the United States to drive incremental sales and profitability by quickly and effectively communicating to their most loyal customers. Included are SmartReceipt, which transforms traditional retail transaction receipts into engaging "smart" receipts, an industry-leading text messaging product, and an innovative Stamp™ mobile loyalty application. Additionally, Mobivity offers a unique, high definition graphical system platform that allows its clients to enhance customer or fan experience by interacting with their mobile phones and video boards or screens in real time. Mobivity's clients include national brands such as CNN, Disney, the NFL, Sony Pictures, AT&T, Chick-fil-A, NBC Universal, and numerous professional sports teams, as well as thousands of small, local businesses across the U.S. For more information, visit www.mobivity.com.

Forward Looking Statement

This press release contains forward-looking statements concerning Mobivity Holdings Corp. within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Those forward-looking statements include statements regarding the Company's plans

to cross-market its products, including its recently acquired SmartReceipt operations; expectations for the growth of the Company's operations, sales force and revenue; and the advantages and growth prospects of the mobile marketing industry. Such statements are subject to certain risks and uncertainties, and actual circumstances, events or results may differ materially from those projected in such forward-looking statements. Factors that could cause or contribute to differences include, but are not limited to, the application and enforcement of the TCPA amendments in ways not expected; our ability to successfully integrate the SmartReceipt operations and our recent additions to management; our ability to develop the sales force required to achieve our development and revenue goals; our ability to raise additional working capital as and when needed; changes in the laws and regulations affecting the mobile marketing industry and those other risks set forth in Mobivity Holdings Corp.'s annual report on Form 10-K for the year ended December 31, 2013 filed with the SEC on March 31, 2014 and subsequently filed quarterly reports on Form 10-Q. Mobivity Holdings Corp. cautions readers not to place undue reliance on any forward-looking statements. Mobivity Holdings Corp. does not undertake, and specifically disclaims any obligation to update or revise such statements to reflect new circumstances or unanticipated events as they occur.

MOBIVITY HOLDINGS, INC.

ITEMIZED RECONCILIATION BETWEEN NET INCOME (LOSS) AND NON-GAAP ADJUSTED NET INCOME

| | Three Months Ended | |
|--|--------------------|------------|
| | June 30, | |
| \$000s except EPS | 2014 | 2013 |
| Net income (loss) | \$ (1,430) | \$ (9,874) |
| Depreciation and amortization | 116 | 58 |
| Change in Fair Value of Derivatives | (28) | 2,812 |
| Non-cash Stock Compensation Expense | 261 | 1,203 |
| Loss (Gain) on Contingent Considerations | - | 499 |
| Interest expense, Net | 1 | 4,899 |
| Non-GAAP Adjusted Net Income (Loss) | \$ (1,080) | \$ (403) |

| | | |
|---|------------|-----------|
| Weighted Average Diluted Shares Outstanding | 22,237,762 | 5,849,972 |
| Non-GAAP Adjusted EPS | \$ (0.05) | \$ (0.07) |

Mobivity Holdings Corp.

Consolidated Balance Sheets

June 30 2014 December 31, 2013

ASSETS

Current assets

| | | |
|--|---------------------|---------------------|
| Cash | \$2,628,437 | \$ 2,572,685 |
| Accounts receivable, net of allowance for doubtful accounts of \$58,072 and \$65,975, respectively | 504,055 | 280,667 |
| Other current assets | 126,359 | 140,114 |
| Total current assets | 3,258,851 | 2,993,466 |
| Goodwill | 5,999,765 | 3,108,964 |
| Intangible assets, net | 3,200,852 | 935,316 |
| Other assets | 86,216 | 63,944 |
| TOTAL ASSETS | \$12,545,684 | \$ 7,101,690 |

LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)

Current liabilities

| | | |
|---|-----------|------------|
| Accounts payable | \$626,338 | \$ 543,648 |
| Accrued interest | 18,623 | 16,943 |
| Accrued and deferred personnel compensation | 208,200 | 191,041 |
| Deferred revenue and customer deposits | 240,201 | 136,523 |
| Notes payable | 20,000 | 20,000 |

| | | |
|--|---------------------|---------------------|
| Derivative liabilities | 48,384 | 106,176 |
| Other current liabilities | 26,356 | 36,372 |
| Earn-out payable | 2,332,000 | 34,755 |
| Total current liabilities | 3,520,102 | 1,085,458 |
| Non-current liabilities | | |
| Earn-out payable | - | 24,245 |
| Total non-current liabilities | - | 24,245 |
| Total liabilities | 3,520,102 | 1,109,703 |
| Commitments and Contingencies (See Note 9) | | |
| Stockholders' equity (deficit) | | |
| Common stock, \$0.001 par value; 50,000,000 shares authorized; | | |
| 16,319,786 and 3,869,688 shares issued and outstanding | 22,238 | 16,320 |
| Equity payable | 108,170 | 108,170 |
| Additional paid-in capital | 60,674,285 | 54,452,697 |
| Accumulated deficit | (51,779,111) | (48,585,200) |
| Total stockholders' equity (deficit) | 9,025,582 | 5,991,987 |
| TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT) | \$12,545,684 | \$ 7,101,690 |

See accompanying notes to consolidated financial statements.

Mobivity Holdings Corp.

Consolidated Statements of Operations

(Unaudited)

| Six months ended June 30, | | Three months ended June 30, | |
|---------------------------|------|-----------------------------|------|
| 2014 | 2013 | 2014 | 2013 |

Revenues

| | | | | |
|---------------------|------------------|------------------|----------------|----------------|
| Revenues | \$2,013,106 | \$2,113,603 | \$1,109,891 | \$1,085,610 |
| Cost of revenues | 519,234 | 596,012 | 258,340 | 311,390 |
| Gross margin | 1,493,872 | 1,517,591 | 851,551 | 774,220 |

Operating expenses

| | | | | |
|--|------------------|------------------|------------------|------------------|
| General and administrative | 1,984,389 | 1,320,324 | 854,438 | 787,697 |
| Sales and marketing | 1,895,646 | 1,798,341 | 954,561 | 1,435,444 |
| Engineering, research, and development | 681,798 | 251,239 | 383,865 | 157,184 |
| Depreciation and amortization | 183,964 | 92,129 | 115,881 | 58,315 |
| Goodwill impairment | - | - | - | - |
| Intangible asset impairment | - | - | - | - |
| Total operating expenses | 4,745,797 | 3,462,033 | 2,308,745 | 2,438,640 |

| | | | | |
|-----------------------------|--------------------|--------------------|--------------------|--------------------|
| Loss from operations | (3,251,925) | (1,944,442) | (1,457,194) | (1,664,420) |
|-----------------------------|--------------------|--------------------|--------------------|--------------------|

Other income/(expense)

| | | | | |
|---|---------------|---------------------|---------------|--------------------|
| Interest income | 1,902 | 21 | 171 | 18 |
| Interest expense | (1,680) | (6,346,553) | (854) | (4,899,193) |
| Change in fair value of derivative liabilities | 57,792 | (3,813,598) | 27,713 | (2,812,048) |
| Gain on Debt Extinguishment | - | - | - | - |
| Gain (loss) on adjustment in contingent consideration | - | (193,464) | - | (499,176) |
| Total other income/(expense) | 58,014 | (10,353,594) | 27,030 | (8,210,399) |

| | | | | |
|---------------------------------|--------------------|---------------------|--------------------|--------------------|
| Loss before income taxes | (3,193,911) | (12,298,036) | (1,430,164) | (9,874,819) |
|---------------------------------|--------------------|---------------------|--------------------|--------------------|

| | | | | |
|--------------------|---|---|---|---|
| Income tax expense | - | - | - | - |
|--------------------|---|---|---|---|

| | | | | |
|-----------------|----------------------|-----------------------|----------------------|----------------------|
| Net loss | \$(3,193,911) | \$(12,298,036) | \$(1,430,164) | \$(9,874,819) |
|-----------------|----------------------|-----------------------|----------------------|----------------------|

| | | | | |
|---|-----------------|-----------------|-----------------|-----------------|
| Net loss per share - basic and diluted | \$(0.16) | \$(2.52) | \$(0.06) | \$(1.69) |
|---|-----------------|-----------------|-----------------|-----------------|

Weighted average number of shares

during the period - basic and diluted **19,877,470** **4,870,831** **22,237,762** **5,849,972**

See accompanying notes to consolidated financial statements (unaudited).

| | | |
|----------|-------------------------|-----------------------------------|
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SOURCE Mobivity Holdings Corp.