Zacks Small-Cap Research

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Pareteum Corp (TEUM-AMEX)

TEUM: Q2 Results Show Building Backlog and Positive Adjusted EBIDTA

Using an average ratio of 2.1Xs enterprise value to sales and sales forecast of $16 million in revenues in 2018. We believe Pareteum stock could be worth $1.43.

Current Price (08/14/17)	$1.18
Valuation	**$1.43**

OUTLOOK

Pareteum Corp., a provider of virtualized mobile platforms (ET Software DNA 2.0) for MNOs and MVNO operators worldwide is still recovering from the loss of its 2nd largest customer in 2015. New management has right sized the business, and brought the company to positive adjusted EBITDA. The company still has a major cash squeeze but is slowly winning new customers and is poised to return to growth.

SUMMARY DATA

52-Week High	**$5.25**
52-Week Low	**$0.52**
One-Year Return (%)	**-64.4**
Beta	**0.8**
Average Daily Volume (sh)	**653,913**
Shares Outstanding (mil)	**15**
Market Capitalization ($mil)	**$17**
Short Interest Ratio (days)	**0.5**
Institutional Ownership (%)	**4**
Insider Ownership (%)	**3**
Annual Cash Dividend	**$0.00**
Dividend Yield (%)	**0.00**
5-Yr. Historical Growth Rates	
Sales (%)	**-12.6**
Earnings Per Share (%)	**N/A**
Dividend (%)	**0**
P/E using TTM EPS	**N/M**
P/E using 2017 Estimate	**N/M**
P/E using 2018 Estimate	**N/M**
Zacks Rank	**N/A**

Risk Level	**High**
Type of Stock	**N/A**
Industry	**Internet Software**
Zacks Rank in Industry	**N/A**

ZACKS ESTIMATES

Revenue
(in millions of $)

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2015	5.0 A	19.2 A	3.5 A	3.3 A	31.0 A
2016	3.3 A	3.3 A	3.2 A	3.1 A	12.9 A
2017	2.8 A	3.2 A	3.2 E	3.4 E	12.6 E
2018					16.0 E

Earnings per Share
(GAAP EPS)

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2015	-$0.34 A	$1.52 A	-$0.65 A	-$1.09 A	-$0.79 A
2016	-$0.66 A	-$0.43 A	-$1.97 A	-$1.35 A	-$4.67 A
2017	-$0.14 A	-$0.10 A	-$0.14 E	-$0.18 E	-$0.56 E
2018					-$0.47 E

Zacks Projected EPS Growth Rate - Next 5 Years % **20**

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RECENT NEWS

A Building Backlog Is the Most Positive Sign in Q2 Results

In Q2, Pareteum continued to make progress improving operations. Revenues were up sequentially 16% as it came out of a seasonally weak Q1, but flat with 2016's quarter. The company emphasized that its biggest accomplishments were a huge increase it what it calls backlog, **from $43 million in Q1 to $60 million in Q2** and **reaching positive adjusted EBITDA**. Its backlog is defined as a rolling 36-month sum of potential revenues based on currently signed contracts.

The biggest piece of the increase in backlog is a deal with a financial services company in Brazil who expects to begin onboarding customers in Q4 2017. This seven-year SaaS agreement will enable the customer to provide mobile wireless services to a number of communications service providers and enterprises customers. This customer plans to use the platform for both communications and Internet of Things (IoT) applications. The Brazilian company's management believes it can reach a minimum of 3 million subscribers and supported connected devices within three years, and generate revenue in the 8-figure range. We will likely see meaningful revenues from this in 2018. Between now, and the start of on-boarding in Q4, the company will earn fees for setting up the service.

Q2 2017 revenues were $3.2 million versus $3.3 million a year ago. The two largest customers were 96.5% of sales and 90.2% of revenues came from Europe. Vodafone Spain is still the vast majority of sales. Gross margins increased to 70.8% versus 70.0% a year ago and up from 69.9% in Q1 2017. Expect this margin percent to bounce around depending on product mix and costs associated with adding new customers.

Operating expenses were $3.5 million versus $4.5 million last year and included restructuring charges of $459,000 in the 2017 quarter, and $205,000 in the 2016 quarter. Ex these one-time charges, expenses were reduced $1.3 million to $3.0 million this quarter. We do expect there to be another restructuring charge in Q3 2017.

Interest expense was $406,000 versus $296,000 a year ago of which only $17,000 was paid in cash.

Total other income was a loss $237,000 in 2017, aided by a currency translation gain of $433,000. Last year other income was a loss of $647,000. The net loss for Q2 2017 was $1.3 million versus a loss of $2.8 million.

The **EPS loss was $0.10 per share versus a loss of $0.43** per share in 2016. The primary share count increased to 12.9 million shares, almost double the 6.5 million shares in last year's quarter.

Given the company is running the business on EBITDA and debt concerns are the biggest issue, investors should focus on EBITDA. For the quarter the adjusted EBITDA, taking out one time restructuring costs, was a positive $463,000, versus a negative $691,000 a year ago. During the quarter the company spent $302,000 on capital expenditures.

Q2 showed more restructuring of its balance sheet, moving debt from short-term to long-term although the total amount remained at $6.9 million. Total cash declined to $1.4 million from $2.1 million. Working capital was a negative $7.7 million down from a negative $8.7 at March quarter end.

We are adjusting out Q3 and Q4 estimates to reflect lower than expected spending as the company tries to maintain EBITDA positive results while keeping revenues the same. All eyes are on Q4 for a successful launch in Brazil and signs of traction going forward.

Since Q2 2017 Ended

During Q2 2017 Pareteum was awarded its first contract to provide on-demand hosted Home Location Register (HLR) services. In July, it signed two other customers. The July customer is expected to launch in Q3 2017 and start to generate revenue in Q4 2017. These are relatively small contracts but show that the company is able to unbundle applications and turn them into stand-alone product offerings. The two new three-year contracts represent more than 50,000 new subscriber equivalents and add an additional $1,000,000 to Pareteum's current revenue backlog at the end of Q2 of $60 million. HLR is the main database location of permanent subscriber information for a mobile network. It contains user information such as address, account status, and preferences, and is searched each time any mobile connection is attempted, usually through the carrier initiating the call or through one of a number of authorized database service providers who generate revenue on a per-lookup fee. When roaming, subscriber control and management can become difficult and expensive as millions of devices attempt to establish millions of network connections each day. Pareteum's cloud-based system is a more cost-effective solution for communications service providers.

On Aug 10, 2017 Pareteum Corporation announced the implementation of its Global Mobility Cloud Platform by its new customer, Pronto Telecommunications, a converged voice and data applications solution provider. Pareteum helped Pronto expand from a terrestrial and satellite business, into high-margin, high-demand cloud based services. Pronto sells into over 100 countries where it serves customers using the Internet of Things (IoT) and Machine-to-Machine (M2M) applications.

KEY POINTS

- Pareteum has been transformed into a completely restructured, EBITDA positive entity. It should be viewed as a technology start up with a $13 million revenue run rate, considerable invested software development expense, and a seasoned, but new management team.

- The company's main problem is lack of cash and an inability to borrow any further. It needs to raise or earn $8 million to reach positive working capital. It plans a capital raise later in the year that could dilute current equity holders.

- The large majority of Pareteum's revenues is supported by its long relationship with Vodafone Spain and should keep the company above water. It has plans in place to grow its current business 25% this year off its $12 million Q4 2016 run rate. It has great prospects through Vodafone Enabler to capture customers requiring global roaming and has recently landed a potentially very large contract in Brazil with a financial services firm.

- Its cloud-based platform provides a leading edge solution for MVNOs and MVNEs who wish to create innovative products to sell to enterprises as well as consumers. It allows providers to seamless move traffic from carrier to carrier via software and takes advantage of multiple carriers in a geography without the user even knowing. This software defined network (SDN) solution is enjoying increasing adoption worldwide as it provides greater flexibility and lower costs than traditional legacy networks.

- As the company moves services to the cloud, it should be increasingly viewed as a SaaS company in the telecommunications field. As such it should command a higher multiple than its traditional MVNE peers.

- The company trades at a market value of $23.6 million (using 20 million all-in shares) or an enterprise value of $29 million. This is approximately 2.2 times its current revenue run rate of $13 million in sales, far below the average small SaaS company that trades at approximately 6.0 times.

VALUATION

While there are many MVNEs worldwide, many are private. Those that are public are all small except for Amdocs (DOX) an $8.3 billion company and Ericsson (ERIC) at $19.8 billion. On average they trade at 1.5 times enterprise value to sales. Using the EV/Sales average of 1.5X and using 2018 revenues gets us to an enterprise value of $24 million, a market value of $19.3 million or a target price of $1.00 per share using a fully diluted 20 million share outstanding.

However more importantly, as the company moves completely to a cloud-based SaaS provider, its should present much higher margins and thus will be compared to an entirely different list of SaaS vendors which trade at an average multiple more than twice this group.

	Ticker	Revenue		EBIDTA		Enterprise Value / Sales		Included	Enterprise
Company		2017E	LTM	Margin	EV/TTM EBIDTA	2017E	LTM	in Average?	Value
Amdocs	DOX	$3,904	$3,830	19%	11.4x	2.1x	2.2x	y	8,349
Redknee Solutions	RKN.TO	$130	$153	-3%	-23.5x	1.2x	1.04x	y	159
CSG Systems	CSGS	$779	$770	19%	9.9x	1.8x	1.8x	y	1,379
MER Telemanagement Sol	MTSL	NA	$13	-8%	-9.7x	NA	0.5x	n	6
Ericsson	ERIC	$24,060	$26,210	3%	5.5x	0.8x	0.8x	y	19,770
Average				**10%**	5.7x	**1.5x**	**1.4x**		**$7,414**

When looking at the SaaS providers, the average multiple is much higher at 5.7 sales. As TEUM moves to a higher percentage of sales received from its SaaS offering, its multiple should expand. The company believes as much as 15% of 2018 revenues could come from its new cloud services. If we use that as a proxy for SaaS, then 15% of 5.7x and 85% of 1.5x gives a blended multiple of 2.1x. **2.1x 2018 revenues yields an enterprise value of $34 million, a market value of $29 million and a stock price of $1.43.**

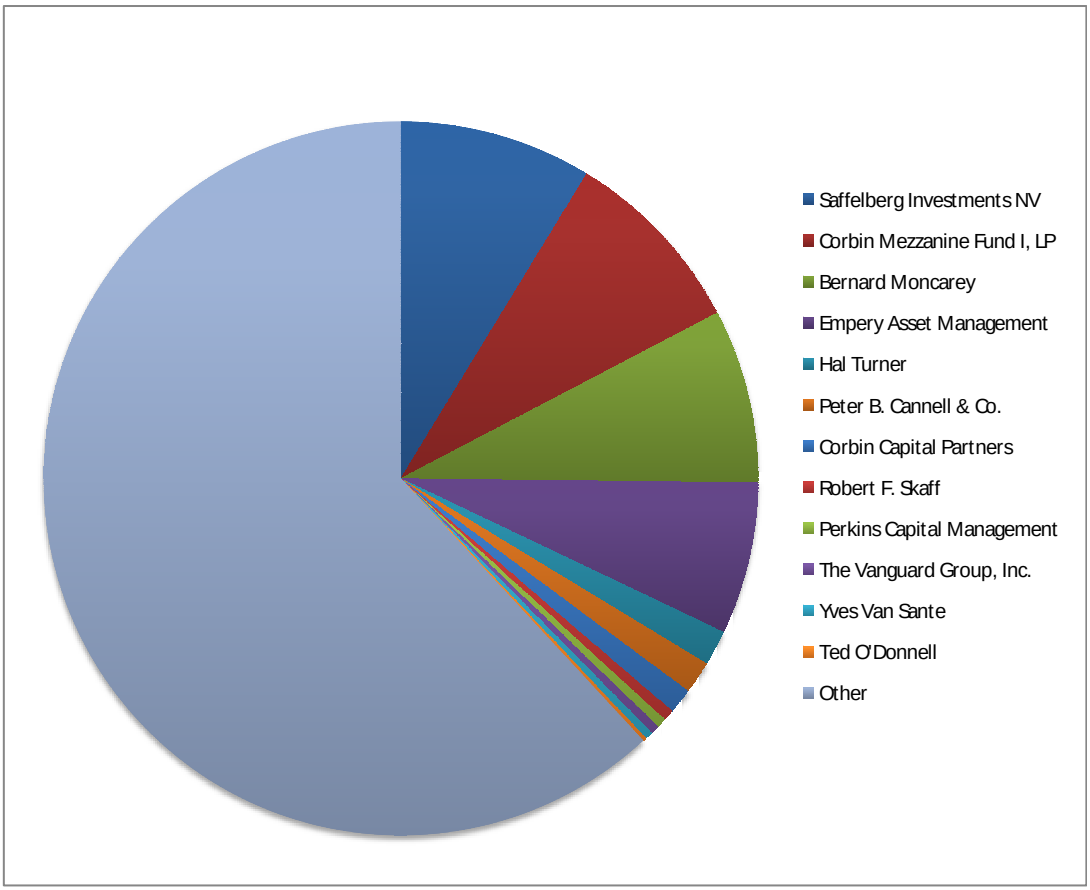
		Revenue		TTM	Enterprise Value / Sales		EV/	Included	Enterprise
Company	Ticker	2017E	LTM	EBITDA	2017E	LTM	EBITDA	in Average?	Value
Amber Road	AMBR	$80	$76	-$11	2.8x	2.9x	-20.4x	y	221
Bazaarvoice	BV	$205	$201	-$5	1.6x	1.7x	-68.8x	y	337
Calidus	CALD	$247	$228	-$8	5.9x	6.4x	-184.9x	y	1,450
Castlight Hea	CSLT	$133	$115	-$49	7.4x	8.5x	-20.2x	y	985
Gridsum	GSUM	$93	$65	-$5	2.8x	3.9x	-46.9x	y	257
Hubspot	HUBS	$364	$294	-$36	6.6x	8.1x	-66.4x	y	2,390
LivePerson I	LPSN	$215	$216	$8	3.3x	3.3x	88.3x	y	720
Q2 Holdings	QTWO	$195	$173	-$17	7.8x	8.8x	-87.7x	y	1,520
Shopify	SHOP	$648	$509	-$34	12.9x	16.4x	-241.9x	y	8,340
Splunk	SPLK	$1,200	$1,010	-$288	5.9x	7.0x	-24.3x	y	7,020
SPS Comme	SPSC	$221	$207	$23	3.8x	4.1x	37.1x	y	850
Twilio	TWLO	$373	$337	-$35	7.0x	7.7x	-73.9x	y	2,600
Upland Softw	UPLD	$95	$83	$9	5.3x	6.0x	54.2x	y	500
Wix	WIX	$423	$356	-$39	6.1x	7.3x	-66.4x	y	2,590
Average				**-34.9x**	**5.7x**	**6.6x**	**-51.6x**		**2,127**

RISKS

- A new management team is now running the company and they may not be successful in turning the company around and reaching positive cash flow while satisfying creditors.
- The grand majority of the revenues in 2016 were from one customer Vodafone Spain; 88% of revenues in 2016 were from the top two customers, Vodafone and ZAIN. Revenues from Europe were 93% of 2016's total revenues.
- There is currency risk as most of the company's operations are in Euros.
- The company was given a going concern opinion by its auditors. The company needs to raise $6-9 million more cash to maintain operations and pay off current debt. It is currently in a liquidity squeeze and has been using common stock as currency.
- The industry is fragmented and very competitive with many providers much bigger and with greater resources than Pareteum. Customers may be unwilling to do business with Pareteum due to its precarious financial situation.

OWNERSHIP

There are 14.5 million primary shares outstanding as of August 14, 2017.



PROJECTED INCOME STATEMENT

Pareteum Corporation	Q1 2016 31-Mar	Q2 2016 30-Jun	Q3 2016 30-Sep	Q4 2016 31-Dec	Q1 2017 31-Mar	Q2 2017 30-Jun	Q3 2017E 30-Sep	Q4 2017E 31-Dec	2015	2016	2017E	2018E
Total GAAP revenue	**3.3**	**3.3**	**3.2**	**3.1**	**2.8**	**3.2**	**3.2**	**3.4**	**31.0**	**12.9**	**12.6**	**16.0**
Yr-to-yr Growth	-35%	-83%	-9%	-4%	-15%	-1%	2%	7%	52.4%	-58.6%	-1.6%	26.5%
Cost of services	1.1	1.0	0.9	0.7	0.8	0.9	1.0	1.0	5.9	3.7	3.8	4.3
Gross profit	2.1	2.3	2.3	2.5	1.953	2.292	2.3	2.4	25.1	9.2	8.9	11.7
Gross Margin	65.6%	70.0%	71.9%	78.9%	69.9%	70.8%	69.8%	70.4%	80.9%	71.5%	70.2%	73.0%
Operating expenses:												
Product Development	1.3	0.8	0.7	0.8	0.3	0.3	0.3	0.4	4.5	3.5	1.2	1.4
Sales and Marketing	0.5	0.3	0.2	0.2	0.3	0.4	0.4	0.5	2.6	1.3	1.6	2.2
G&A	2.9	2.0	2.8	4.1	2.4	1.5	1.8	2.3	11.7	11.7	8.0	9.2
Depreciation and Amortization	1.1	1.1	1.1	0.9	0.8	0.9	0.9	0.9	6.6	4.2	3.5	3.5
Restructuring charge	0.6	0.2	3.8	(3.0)	0.1	0.5	0.2	0.4	1.3	1.6	1.2	1.6
Impairment for assets held and used	-	-	0.9	-	-	-	-	-	2.7	0.9	-	-
Impairment of goodwill	-	-	0.0	3.2	-	-	-	-		3.2	-	-
Loss on sale of assets	-	-	1.7	(0.2)	-	-	-	-		1.5	-	-
Total operating expenses	6.4	4.5	11.1	6.1	3.9	3.5	3.6	4.5	29.4	28.1	15.4	17.9
		4.3										
Operating income:	(4.3)	(2.2)	(8.8)	(3.6)	(2.0)	(1.2)	(1.3)	(2.1)	(4.3)	(18.9)	(6.5)	(6.2)
Operating margin	-130.6%	-66.3%	-278.7%	-115.3%	-71.2%	-36.3%	-39.9%	-61.9%	-13.9%	-147.0%	-51.7%	-38.6%
EBIDTA	(1.6)	(0.8)	(1.4)	(2.66)	(0.2)	0.462	0.1	(0.5)	9.743	-8.270	-3.082	-2.680
Other income:												
Interest income	0.0	0.0	0.0	0.0	0.0	0.1	0.1	0.1	0.1	0.1	0.2	-
Interest expense	(0.3)	(0.3)	(0.3)	(0.4)	(0.5)	(0.4)	(0.4)	(0.4)	(1.5)	(1.2)	-1.7	(0.2)
Int exp. For debt discount & converstion feature	(0.4)	(0.3)	(2.3)	(3.1)	(1.0)	(0.3)	(0.3)	(0.3)	(0.7)	(6.0)	(1.9)	-
Change in fair value of conversion feature	0.5	-	-	(3.8)	1.9	-	-	-	0.3	(3.3)	1.9	-
Change in fair value of warrant liabilities	-	0.1	(0.7)	0.6	-	-	-	-	-	-	-	-
Loss on extinquishment of debt	-	-	(0.4)	(0.1)	0.5	-	-	-	2.5	(0.5)	0.5	-
Other income	0.2	(0.1)	0.1	(0.4)	0.0	0.4	-	-	(0.9)	(0.2)	0.5	-
Amortization of deferred financing costs	(0.1)	(0.1)	(0.6)	(0.4)	(0.2)	(0.0)	(0.0)	(0.0)	(0.5)	(1.3)	(0.3)	-
Total other income	(0.028)	(0.647)	(4.2)	(7.6)	0.7	(0.237)	(0.7)	(0.7)	(0.7)	(12.5)	(0.9)	(0.2)
Income before income taxes	(4.3)	(2.8)	(13.0)	(11.3)	(1.3)	(1.4)	(2.0)	(2.8)	(5.0)	(31.4)	(7.4)	(6.3)
Provision for income tax	0.0	0.0	0.0	0.0	0.0	(0.1)	0.0	0.0	0.0	0.0	(0.1)	-
Tax rate	0%	0%	0%	0%	0%	5%	0%	0%	0.0%	0.0%	7.3%	0.0%
Net income	(4.3)	(2.8)	(13.0)	(11.3)	(1.3)	(1.344)	(2.0)	(2.8)	(5.0)	(31.4)	(7.4)	(6.3)
Currency translation	0.3	(0.3)	(0.4)	1.1	(0.0)	0.0	-	-	(2.7)	0.7	(0.0)	-
Comprehensive loss	(4.0)	(3.2)	(13.5)	(10.1)	(1.3)	(1.3)	(2.0)	(2.8)	(7.7)	(30.7)	(7.4)	(6.3)
Stk based compensation	0.9	1.3	2.1	(0.5)	0.8	0.3	0.3	0.3	3.5	3.9	1.7	2.7
One-time expenses	0.6	0.2	6.4	(3.2)	0.6	0.5	0.2	0.3	3.9	4.0	1.6	-
Non-GAAP Income	(2.7)	(1.5)	(4.6)	(11.8)	(0.0)	(0.6)	(1.5)	(2.2)	(1.6)	(20.6)	(3.6)	(3.6)
Yr-over-Yr					-100%	-62%	-68%	-82%	-92.5%	NM	NM	NM
Net income per share:												
Basic	**(0.66)**	**(0.43)**	**(1.97)**	**(1.35)**	**(0.14)**	**(0.10)**	**(0.14)**	**(0.18)**	**(0.80)**	**(4.41)**	**(0.56)**	**(0.42)**
	-47%	-116%	36%	133%	-100%	-84%	-86%	-88%				
Shares												
Primary Shares Outstanding	6.5	6.5	6.6	8.4	9.3	12.9	14.5	15.5	6.3	6.7	13.1	15.0
Yr-over-Yr	5.2%	4.6%	3.5%	29.6%	43.1%	97.3%	118.9%	85.1%	-95.7%	6.5%	93.8%	14.9%
All In Shares	8.5	8.2	9.0	14.2	19.8	20.0	20.0	21.4	8.8	10.0	20.3	21.0
Yr-over-Yr	-6.3%	-10.0%	3.9%	65.7%	132.4%	144.8%	122.7%	50.1%	-94.1%	12.7%	103.4%	3.6%
Adjusted EBITDA	**(2.37)**	**(0.69)**	**(1.35)**	**(2.66)**	**(0.198)**	**0.463**	**0.085**	**(0.510)**	**1.99**	**(7.07)**	**(0.16)**	**(2.68)**
Cap EX	0.766	0.564	0.053	0.031	0.031	0.302	0.300	0.300	7.71	1.41	0.93	2.00

QUARTERLY CASH FLOW

	YR 2015	31-Mar-16	30-Jun-16	30-Sep-16	31-Dec-16	YR 2016	31-Mar-17	30-Jun-17
CASH FLOWS FROM OPERATING ACTIVITIES:								
Net loss	(5,006,235)	(4,313,790)	(2,823,231)	(13,038,301)	(11,269,382)	(31,444,704)	(1,293,140)	(1,342,800)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:								
Depreciation and amortization	6,623,985	1,097,604	1,113,947	1,108,553	926,683	4,246,787	843,783	872,693
Provision for doubtful accounts	269,608	-	(279,740)	279,740	(88,528)	(88,528)	4,451	1,927
Provision for income taxes		-	-	-	-	-	-	-
Stock based compensation	3,481,908	944,024	362,107	796,309	1,794,997	3,897,437	818,286	305,007
Change in fair value of warrant liability	(299,948)	(518,986)	(140,950)	735,902	3,240,233	3,316,199	(1,920,881)	-
Change in fair value of conversion feature		-	-	-	-	-	-	-
Amortization of deferred financing costs	513,557	136,929	145,366	568,246	416,532	1,267,073	196,113	26,510
Interest expense relating to debt discount and conversion feature	682,389	351,799	261,345	2,319,679	3,108,784	6,041,607	1,049,236	293,362
Other income	-	(221,640)	109,080	(101,328)	434,815	220,927	-	-
Unrealized foreign currency translation gain (loss)	922,894	(221,640)	109,080	-	188,302	188,302	(36,818)	(433,658)
Extinguishment of Debt	(2,475,799)	-	-	443,426	98,473	541,899	(463,345)	-
Payables settled by issuance of shares							-	473,692
Impairments for assets held and used	2,681,407	-	-	850,985	-	850,985	-	-
Impairment of goodwill		-	-	3,228,930	-	3,228,930	-	-
Loss on sale of assets		-	-	1,746,905	(204,531)	1,542,374	-	-
Changes in operating assets and liabilities:								
Decrease (increase) in accounts receivable	6,566,499	35,624	632,975	118,007	(165,074)	621,532	4,343	354,670
Decrease (increase) in prepaid expenses, deposits and other assets	759,275	63,095	613,920	572,248	387,743	1,637,006	(209,030)	653,292
Increase (decrease) in accounts payable and customer deposits	2,627,745	571,047	77,819	59,386	(627,732)	80,520	370,494	95,519
Increase (decrease) in deferred revenue	(9,753,225)	(136,050)	(151,196)	(422,650)	(459,240)	(1,169,136)	(6,755)	(406,174)
Increase (decrease) in accrued expenses and other payables	1,385,775	78,570	618,319	(352,321)	1,206,693	1,551,261	(594,793)	(467,100)
Increase (decrease) in non-cash accrued expenses related to extinguishment of Debt	-	-	-	-	-	-	-	-
Net cash provided by (used in) operating activities	16,373,601	(1,911,774)	539,761	(1,086,284)	(1,199,534)	(3,657,831)	(1,201,238)	426,940
CASH FLOWS FROM INVESTING ACTIVITIES:								
Purchases of property and equipment	**(7,709,972)**	**(765,955)**	**(563,656)**	**(52,516)**	(31,033)	**(1,413,160)**	**(30,924)**	**(301,706)**
Advance purchase payment on 'Assets held for sale"		450,000	-	450,000	-	450,000	-	
Proceeds from sale of assets		-	-	2,000,000	-	2,000,000	-	
Net cash used in investing activities	(7,709,972)	(315,955)	(563,656)	2,397,484	(31,033)	1,036,840	(30,924)	(301,706)
CASH FLOWS FROM FINANCING ACTIVITIES:								
Financing related fees	-	-	(445,249)	(982,718)	1,427,967	-	(368,726)	3,785
Financing receivable	1,645,000	355,000	-	-	-	355,000	-	-
Exercise of warrants and options	5,861	-	-	-	-	-	-	-
Equity and debt issuance costs paid	(532,558)	(360,249)	360,249	-	(1,338,821)	(1,338,821)	-	-
Principal payment on 2014 10% LIBOR 3rd Party Loan	(5,500,000)	(85,000)	(330,098)	(466,711)	(85,000)	(966,809)	-	-
Proceed from 9% Unsecured Sub Convertible Note	1,275,000	2,273,000	-	-	-	2,273,000	-	-
Unsecured promissory note				350,000	-	350,000	-	-
Gross proceed from Preferred A shares issuance				1,490,000	1,000,000	2,490,000	-	-
Advance subordinated short term loan		-	350,000	(350,000)	-	-	-	-
Gross proceeds from public offering							3,500,000	-
Principal repayment of Senior Secured Loan							(1,500,000)	(250,000)
Advanced payment on "Assets held for sale"		-	450,000	(450,000)	-	-	-	-
Net cash provided by financing activities	(3,106,697)	2,182,751	(65,098)	(409,429)	1,004,146	3,162,370	1,631,274	(246,215)
EFFECT OF EXCHANGE RATES ON CASH AND CASH EQUIVALENTS	301,924	85,339	(83,422)	(161,861)	180,504	20,560	221,306	(516,224)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,534,910)	40,361	(172,415)	739,910	(45,917)	561,939	620,418	(637,205)
CASH AND CASH EQUIVALENTS, BEGINNING OF THE PERIOD	1,904,160	615,401	655,762	483,347	977,106	369,250	1,495,207	2,115,625
CASH AND CASH EQUIVALENTS, END OF THE PERIOD	369,250	655,762	483,347	977,106	931,189	931,189	2,115,625	1,441,602
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:								
Cash paid during the period for interest	1,136,021	233,864	233,864	218,668	231,499	909,637	319,328	16,865
Conversion of notes including accel. Amortization							801,549	-
Amendments to warrants and conv notes							2,344,948	-
Conversion of conv notes							774,424	-
Cash paid during the period for income taxes	14,771	-	-	-	15,581	15,581	-	895

BALANCE SHEET

	June 30, 2017	March 31, 2017	% Change	June 30, 2016	% Change
CURRENT ASSETS					
Cash and cash equivalents	**$741,941**	**$1,409,077**	-47%	**$237,196**	213%
Restricted cash	**699,661**	**669,730**	4%	**247,361**	183%
Accounts receivable	249,279	616,688	-60%	739,496	-66%
Prepaid expenses and other current assets	680,708	1,162,226	-41%	1,100,319	-38%
Total current assets	2,371,589	3,857,721	-39%	2,324,372	2%
NON-CURRENT ASSETS					
OTHER ASSETS	80,103	130,865	-39%	399,664	-80%
NOTE RECEIVABLE	1,021,561	1,019,240	0%		
PROPERTY AND EQUIPMENT, NET	7,735,945	8,093,252	-4%	11,959,974	-35%
INTANGIBLE ASSETS, NET	353,656	0	NM	162,741	117%
ASSETS HELD FOR SALE	0	0	0%	4,577,908	-100%
GOODWILL	0	0	0%	3,079,090	-100%
TOTAL ASSETS	11,562,854	13,101,078	-12%	22,503,749	-49%
CURRENT LIABILITIES					
Accounts payable and customer deposits	2,782,781	2,679,588	4%	3,185,671	-13%
Obligations under capital leases (current portion)	**-**	**-**	0%	95,616	-100%
Net billings in excess of revenues	562,682	872,616	-36%	1,007,313	-44%
Deferred revenues	-	180,027	-100%	**-**	
Accrued expenses and other payables	4,967,568	5,589,262	-11%	5,232,295	-5%
2014 10% + libor 3rd Party Loan	**1,750,000**	**3,250,000**	-46%	**5,453,632**	-68%
Total current liabilities	10,063,031	12,571,493	-20%	15,674,527	-36%
LONG TERM LIABILITIES					
Derivative Liabilities	0	0	0%	1,831,312	-100%
Non-current portion of net billings in excess of revenues	97,489	30,202	223%	1,072,105	-91%
Other long term liabilities	177,139	180,868	-2%	234,642	-25%
9% Sub Conv Promissory Note	**75,338**	**61,514**	22%	**1,155,264**	-93%
Senior secured loan - LT, net	**5,038,644**	**3,494,287**	44%	**0**	
Total long term liabilities	5,388,610	3,766,871	43%	4,293,323	26%
Total liabilities	15,451,641	16,338,364	-5%	19,967,850	-23%
Commitments and Contingencies (See Notes)					
STOCKHOLDERS' EQUITY					
Preferred Stock	384,503	384,503	0%	0	
Common Stock	290,540,444	289,865,307	0%	271,096,128	7%
Accumulated other comprehensive income (loss)	(5,097,560)	(5,113,722)	0%	(5,794,239)	-12%
Accumulated deficit	(289,716,174)	(288,373,374)	0%	(262,772,552)	10%
Pareteum Corp. stockholders' equity	(3,888,787)	(3,237,286)	20%	2,529,337	-254%
NON-CONTROLLING INTEREST	-	-	0%	6,562	-100%
Total stockholders' equity	(3,888,787)	(3,237,286)	20%	2,535,899	-253%
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$11,562,854	$13,101,078	-12%	$22,503,749	-49%
Current and Quick Ratio	0.2	0.3	-23%	0.1	59%
Working Capital	(7,691,442)	(8,713,772)	-12%	(13,350,155)	-42%
Total Debt	6,863,982	6,805,801	1%	7,308,896	-6%
TD/TA	59%	52%	14%	32%	83%

HISTORICAL STOCK PRICE



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