Zacks Small-Cap Research

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Pareteum Corp (TEUM-AMEX)

TEUM: Company Raises Equity To Complete Turnaround As Backlog Builds

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 $1.30 per share.

Current Price (11/14/17)	$0.86
Valuation	**$1.30**

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 just raised $10.7 million in an equity offering this month and has regained listing compliance. This much-needed capital raise should allow the company to execute its growth plan.

SUMMARY DATA

52-Week High	**$4.19**
52-Week Low	**$0.52**
One-Year Return (%)	**-73.7**
Beta	**0.8**
Average Daily Volume (sh)	**1,071,188**
Shares Outstanding (mil)	**30.1**
Market Capitalization ($mil)	**$25.9**
Short Interest Ratio (days)	**2**
Institutional Ownership (%)	**2**
Insider Ownership (%)	**3**
Annual Cash Dividend	**$0.00**
Dividend Yield (%)	**0.00**
5-Yr. Historical Growth Rates	
Sales (%)	**-14.2**
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	3.5 A	3.8 E	13.3 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	-$0.16 A	-$0.09 E	-$0.47 E
2018					-$0.25 E

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

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RECENT NEWS

Armed With Cash Pareteum Is Prepared to Execute

Since the loss of Iusacell as a customer in 2015, Pareteum has been run on a shoestring as the company struggled to right size itself and bring costs in line with current revenues. Having done that, the company was finally able to raise capital in an equity offering as its prospects have brightened with a record backlog of new customers. On November 9, 2017, Pareteum sold 9,009,478 shares of common stock, 4,034 shares of preferred stock (each of which shares is an equivalent of 1,000 shares of common stock), and five-year warrants to purchase up to 7,478,228 shares of common stock exercisable at $1.05 per warrant. The offering was priced at $0.92 per share of common stock and $920.00 per share of preferred stock. The Company received net proceeds from the offering of approximately **$10.7 million**, after deducting the applicable underwriting discount and estimated offering expenses payable by the Company. At the end of September, the company had $7.2 million in total debt, and negative working capital of $7.8 million. This cash infusion combined with another 1.5 million share of common sold on October 10, 2017 for $1.05 netting $1.4 million, pushed working capital up to $7.6 million and the quick ratio up to 1.7. The company believes it now has enough capital to reach operating break even and has dry powder for any acquisition opportunities.

Q3 Revenues and Backlog

Q3 revenues showed a slight sign of life, growing both sequentially and year over year. For the quarter the company reported revenue of $3.5 million versus $3.2 million last year and $3.2 million last quarter. More importantly the company announced its backlog (which it defines and a rolling 36-month sum of potential revenues based on currently signed contracts,) is at an all time high and ramped significantly in October. At the end of June the backlog was $60 million, at the end of September $94 million and the end of October $114 million. Outside of revenues from its biggest customer Vodafone, the major drivers of revenue in 2018 are expected to be the Brazilian customer added in Q2, the deal with an Eastern European company announced in September, and a new customer expected to be announced in this Q4 2017 quarter.

The customer in Brazil expects to begin onboarding customers this quarter. This seven-year SaaS agreement will enable the customer to provide mobile wireless services to a number of communications service providers and enterprises. 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. Before the start of on boarding, Pareteum will book fees for setting up the service.

Another new large customer is expected to be an Eastern European telecom company with broad holdings in the telecommunications, broadcasting, real estate, and industrial markets. Pareteum signed a five-year agreement to provide its Managed Services Platform to this customer. This telco will be able to provide wireless services to existing and new Mobile Virtual Network Operators (MVNOs) in its market who will serve consumers and businesses with mobile services as well as Internet of Things (IoT) devices. This customer is On-boarding is expected to begin at the beginning of Q2 2018. This customer currently has 2 million subscribers. Pareteum expects this telco to generate approximately $24 million in revenues for Pareteum over the first three years, and has stated it expects the five-year value of the contract to possibly be $48 million.

Q3 Results

Q3 2017 revenues were $3.5 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 77.4% versus 71.9% a year ago and up from 70.8% in Q1 2017. Expect this margin percent to bounce around depending on product mix and costs associated with adding new customers. As new customers are on boarded in Q4 we expect gross margin to be down sequentially.

Operating expenses were $4.2 million versus $11.1 million last year and included one-time charges of $253,000 in the 2017 quarter, and $6.4 million in the 2016 quarter. Ex these one-time charges, expenses were reduced $818,000 to $3.9 million this quarter.

Interest expense was $421,000 versus $254,000 a year ago. In the quarter $570,000 in interest was paid in cash.

Total other income was a loss $694,000 in 2017. Last year other income was a loss of $4.2 million. The net loss for Q2 2017 was $2.3 million versus a loss of $13.5 million.

The **EPS loss was $0.16 per share versus a loss of $1.97** per share in 2016. The primary share count increased to 14.3 million shares, more than double the 6.6 million shares in last year's quarter.

Given the company is running the business on EBITDA, investors should focus on that metric. For the quarter the adjusted EBITDA, taking out one time restructuring costs, was a positive $603,000, versus a negative $1.4 million a year ago. During the quarter the company spent $206,000 on capital expenditures.

We are adjusting our Q4 revenue estimate upwards to $3.8 million reflecting the company's guidance that it should exit the year at a $15 million run rate. We are also increasing the share count to reflect the recent capital raises. The 2017 estimate is now for $13.3 million in revenue and a loss of $0.47 per share. For 2018 we are keeping revenues at $16 million and decreasing the loss per share to $0.25 because of the increase in shares. With the large backlog ramping throughout 2017, investors await accelerating results going forward.

After Q3 2017 Ended

On October 16, 2017, the company announced the formation of a strategic partnership with Artilium plc. (ARTA.L) to development and market of new joint products and services. In conjunction with the agreement, Artilium swapped 27,695,177 ordinary shares of its stock for 3,200,332 shares of Pareteum common stock. Pareteum now owns 8% of Artilium. Both companies' shares will be subject to a 9-month lock-up. Artilium provides mobile telecommunications software to network operators and enablers. Its principal product is ARTA Mobile Applications Platform, which enables network operators to open networks to third party developers and launch services, which feature elements from the telecoms and Web environments. Its United Telecom segment provides telecom services to the corporate and consumer market, as well as develops and sells carrier grade shared services for telecom service providers, including fixed, mobile, and VOIP. Its Comsys segment offers interactive telephony services. The company was founded in 1995 and is based in London. In calendar year 2016, the company generated $12.3 million in revenue and it has a $53 million market cap.

KEY POINTS

- Pareteum has been transformed into a completely restructured, EBITDA positive entity. It should be viewed as a technology start up with a $14 million revenue run rate, considerable invested software development expense, and a seasoned, but new management team.
- Its November capital raise of $10.7 million gives the company much needed working capital and cash to execute on its plan.

- 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 $28 million using an estimated fully diluted number of 32 million shares, which equates to about an $18.1 million enterprise value. This is 2.0 times its current revenue run rate of $14 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 $8.1 billion company and Ericsson (ERIC) at $20.0 billion. On average they trade at 1.4 times enterprise value to sales. Using the EV/Sales average of 1.4X and using 2018 revenues gets us to an enterprise value of $22.4 million, a market value of $31.8 million or a target price of $1.00 per share using a fully diluted 32 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.

		Revenue		EBIDTA		Enterprise Value / Sales		Included	Enterprise
Company	Ticker	2017E	LTM	Margin	EV/TTM EBIDTA	2017E	LTM	in Average?	Value
Amdocs	DOX	$3,895	$3,830	19%	11.3x	2.1x	2.1x	y	8,120
Redknee Solutions	RKN.TO	$130	$145	-4%	-19.0x	0.9x	0.83x	y	120
CSG Systems	CSGS	$784	$770	19%	10.4x	1.9x	1.9x	y	1,500
MER Telemanagement Sol	MTSL	NA	$12	-8%	-4.5x	NA	0.4x	n	4
Ericsson	ERIC	$23,990	$25,410	3%	23.2x	0.8x	0.8x	y	20,020
Average				**9%**	13.4x	**1.4x**	**1.4x**		**$7,440**

When looking at the SaaS providers, the average multiple is much higher at 5.5xs estimated 2017 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 5.5x and 85% of 1.4x gives a blended multiple of 2.015 times. **Using $16 million 2018 revenues yields an enterprise value of $32.2 million, a market value of $41.7 million and a stock price of $1.30 per share.**

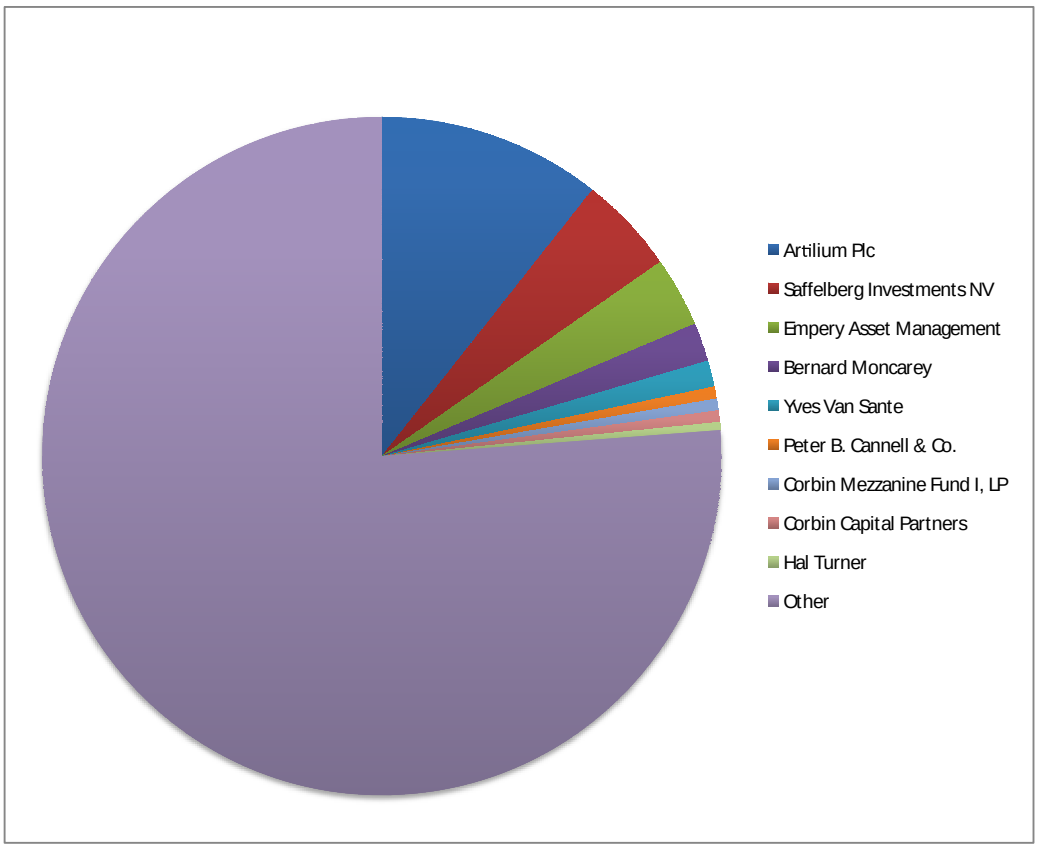
Company	Ticker	Revenue 2017E	Revenue LTM	TTM EBITDA	Enterprise Value / Sales 2017E	Enterprise Value / Sales LTM	EV/ EBITDA	Included in Average?	Enterprise Value
Amber Road	AMBR	$79	$76	-$11	2.5x	2.6x	-18.5x	y	200
Bazaarvoice	BV	$205	$203	-$3	1.6x	1.6x	-106.8x	y	319
Calidus	CALD	$249	$228	-$8	6.1x	6.6x	-192.6x	y	1,510
Castlight Hea	CSLT	$131	$115	-$49	3.3x	3.7x	-8.8x	y	430
Gridsum	GSUM	$93	$73	-$9	3.2x	4.1x	-33.4x	y	300
Hubspot	HUBS	$371	$318	-$35	7.5x	8.7x	-79.9x	y	2,770
LivePerson I	LPSN	$218	$216	$8	3.5x	3.5x	93.7x	y	764
Q2 Holdings	QTWO	$194	$173	-$17	8.8x	9.8x	-98.1x	y	1,700
Shopify	SHOP	$658	$509	-$34	13.6x	17.5x	-258.8x	y	8,920
Splunk	SPLK	$1,220	$1,070	-$284	7.3x	8.3x	-31.3x	y	8,910
SPS Comme	SPSC	$220	$207	$23	3.1x	3.3x	29.5x	y	676
Twilio	TWLO	$387	$337	-$35	6.9x	7.9x	-75.4x	y	2,650
Upland Softw	UPLD	$96	$83	$9	4.5x	5.2x	46.9x	y	433
Wix	WIX	$424	$356	-$39	5.5x	6.6x	-60.0x	y	2,340
Average				**-34.6x**	**5.5x**	**6.4x**	**-56.7x**		**2,280**

RISKS

- The company is trying to execute on a new business plan and has generated a large backlog. Management must now satisfy these new customers as expected and continue to grow with while paying off debt.
- The grand majority of the revenues in 2017 will be from one customer Vodafone Spain. For the nine months ending September 30, 2017, 96.9% of revenues came from the two largest customers, Vodafone and Zain. Going forward that revenue stream will diversify, but now it is still concentrated in that one customer.
- There is currency risk as most of the company's operations are in Euros.
- The industry is fragmented and very competitive with many providers much bigger and with greater resources than Pareteum. While much improved, customers may be unwilling to do business with Pareteum due to its financial situation and small size.

OWNERSHIP

There are 30.1 million primary shares outstanding as of November 13, 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 2017 30-Sep	Q4 2017E 31-Dec	2015	2016	2017E	2018E
Revenue	**3.3**	**3.3**	**3.2**	**3.1**	**2.8**	**3.2**	**3.5**	**3.8**	**31.0**	**12.9**	**13.3**	**16.0**
Yr-to-yr Growth	-35%	-83%	-9%	-4%	-15%	-1%	10%	19%	52.4%	-58.6%	3.3%	20.5%
Cost of services	1.1	1.0	0.9	0.7	0.8	0.9	0.8	1.0	5.9	3.7	3.5	4.3
Gross profit	2.1	2.3	2.3	2.5	1.953	2.292	2.7	2.8	25.1	9.2	9.8	11.7
Gross Margin	65.6%	70.0%	71.9%	78.9%	69.9%	70.8%	77.4%	74.7%	80.9%	71.5%	73.4%	73.0%
Operating expenses:												
Product Development	1.3	0.8	0.7	0.8	0.3	0.3	0.5	0.5	4.5	3.5	1.6	2.0
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	1.6	2.0	11.7	11.7	7.4	8.0
Depreciation and Amortization	1.1	1.1	1.1	0.9	0.8	0.9	1.4	1.4	6.6	4.2	4.6	5.7
Restructuring charge	0.6	0.2	3.8	(3.0)	0.1	0.5	0.3	0.4	1.3	1.6	1.2	-
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	4.2	4.9	29.4	28.1	16.5	17.9
		4.3										
Operating income:	(4.3)	(2.2)	(8.8)	(3.6)	(2.0)	(1.2)	(1.5)	(2.1)	(4.3)	(18.9)	(6.7)	(6.2)
Operating margin	-130.6%	-66.3%	-278.7%	-115.3%	-71.2%	-36.3%	-41.9%	-55.2%	-13.9%	-147.0%	-50.4%	-38.7%
Other income:												
Interest income	0.0	0.0	0.0	0.0	0.0	0.1	0.0	0.0	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)	(1.8)	(1.6)
Int exp. For debt discount & converstion feature	(0.4)	(0.3)	(2.3)	(3.1)	(1.0)	(0.3)	(0.2)	(0.2)	(0.7)	(6.0)	(1.8)	-
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	-	(0.3)	-	2.5	(0.5)	0.2	-
Other income	0.2	(0.1)	0.1	(0.4)	0.0	0.4	0.2	-	(0.9)	(0.2)	0.7	-
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	(0.2)	(0.7)	(0.6)	(0.7)	(12.5)	(0.8)	(1.6)
Income before income taxes	(4.3)	(2.8)	(13.0)	(11.3)	(1.3)	(1.4)	(2.2)	(2.7)	(5.0)	(31.4)	(7.5)	(7.8)
Provision for income tax	0.0	0.0	0.0	0.0	0.0	(0.1)	0.1	0.0	0.0	0.0	0.1	-
Tax rate	0%	0%	0%	0%	0%	5%	-7%	0%	0.0%	0.0%	-9.7%	0.0%
Net income	(4.3)	(2.8)	(13.0)	(11.3)	(1.3)	(1.3)	(2.3)	(2.7)	(5.0)	(31.4)	(7.6)	(7.8)
Currency translation	0.3	(0.3)	(0.4)	1.1	(0.0)	0.0	0.0	-	(2.7)	0.7	(0.0)	-
Comprehensive loss	(4.0)	(3.2)	(13.5)	(10.1)	(1.3)	(1.3)	(2.3)	(2.7)	(7.7)	(30.7)	(7.6)	(7.8)
Stk based compensation	0.9	1.3	2.1	(0.5)	0.8	0.3	0.4	0.4	3.5	3.9	1.9	2.0
One-time expenses	0.6	0.2	6.4	(3.2)	0.6	0.5	0.3	0.3	3.9	4.0	1.6	-
Non-GAAP Income	(2.7)	(1.5)	(4.6)	(11.8)	(0.0)	(0.6)	(2.0)	(2.0)	(1.6)	(20.6)	(4.0)	(5.8)
Yr-over-Yr					-100%	-62%	-57%	-83%	-92.5%	NM	NM	NM
Net income per share:												
Basic	**(0.66)**	**(0.43)**	**(1.97)**	**(1.35)**	**(0.14)**	**(0.10)**	**(0.16)**	**(0.09)**	**(0.80)**	**(4.41)**	**(0.47)**	**(0.25)**
	-47%	-116%	36%	133%	-100%	-84%	-84%	-95%				
Shares												
Primary Shares Outstanding	6.5	6.5	6.6	8.4	9.3	12.9	14.3	28.7	6.3	6.7	16.3	31.0
Yr-over-Yr	5.2%	4.6%	3.5%	29.6%	43.1%	97.3%	115.8%	242.6%	-95.7%	6.5%	142.0%	90.1%
All In Shares	8.5	8.2	9.0	14.2	19.8	20.0	24.2	45.0	8.8	10.0	27.2	45.0
Yr-over-Yr	-6.3%	-10.0%	3.9%	65.7%	132.4%	144.8%	169.6%	216.3%	-94.1%	12.7%	173.2%	65.2%
Adjusted EBITDA	**(2.37)**	**(0.69)**	**(1.35)**	**(2.66)**	**(0.198)**	**0.463**	**0.603**	**0.148**	**1.99**	**(7.07)**	**1.02**	**(0.47)**
Cap EX	0.766	0.564	0.053	0.031	0.031	0.302	0.206	0.300	7.71	1.41	0.84	2.00
Free cash flow	(3.14)	(1.25)	(1.40)	(2.69)	(0.23)	0.16	0.40	(0.15)	(5.72)	(8.48)	0.18	(2.47)

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	30-Sep-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)	(2,309,305)
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	1,432,712
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	385,242
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	25,595
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	205,842
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)	(216,002)
Extinguishment of Debt	(2,475,799)	-	-	443,426	98,473	541,899	(463,345)	-	299,511
Payables settled by issuance of shares							-	473,692	50,773
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	(86,085)
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	310,774
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	(191,983)
Increase (decrease) in deferred revenue	(9,753,225)	(136,050)	(151,196)	(422,650)	(459,240)	(1,169,136)	(6,755)	(406,174)	(226,621)
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)	(278,953)
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	(898,011)
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)**	(205,615)
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)	(236,539)
CASH FLOWS FROM FINANCING ACTIVITIES:									
Financing related fees	-	-	(445,249)	(982,718)	1,427,967	-	(368,726)	3,785	(216,650)
Debt finance costs									-
Financing receivable	1,645,000	355,000	-	-	-	355,000	-	-	-
Exercise of warrants and options	5,861	-	-	-	-	-	-	-	1,150,000
Unsecured promissory note				350,000	-	350,000	-	-	-
Payments on obligations under capital leases	-	-	-	-	-	-	-	-	(10,813)
Gross proceeds from public offering	-	-	-	-	-	-	3,500,000	-	-
Principal repayment of Senior Secured Loan	-	-	-	-	-	-	(1,500,000)	(250,000)	(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)	(466,650)
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)	99,275
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)	(1,501,925)
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	1,441,602
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	(60,323)
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	570,397
Conversion of notes including accel. Amortization	-	-	-	-	-	-	801,549	-	(801,549)
Conversion of preferred stock	-	-	-	-	-	-	-	-	2,143,196
Amendments to warrants and conv notes							2,344,948	-	359,626
Conversion of conv notes	-	-	-	-	-	-	774,424	-	(492,480)
Cash paid during the period for income taxes	14,771	-	-	-	15,581	15,581	-	895	1,454

BALANCE SHEET

	Pro Forma Nov 13, 2017	Sept 30, 2017	June 30, 2017	Qtr-Qtr % Change	Sept 30, 2016	Yr-Yr % Change
CURRENT ASSETS						
Cash and cash equivalents	**$16,007,936**	**$699,659**	**$741,941**	-6%	**$977,106**	-28%
Restricted cash	**698,641**	**698,641**	**699,661**	0%	**751,125**	-7%
Accounts receivable	335,364	335,364	249,279	35%	633,322	-47%
Prepaid expenses and other current assets	797,178	797,178	680,708	17%	1,102,532	-28%
Total current assets	17,839,119	2,530,842	2,371,589	7%	3,464,085	-27%
NON-CURRENT ASSETS						
OTHER ASSETS	79,992	79,992	80,103	0%	1,174,990	-93%
NOTE RECEIVABLE	594,428	594,428	1,021,561	-42%	0	NM
PROPERTY AND EQUIPMENT, NET	7,077,635	7,077,635	7,735,945	-9%	10,625,429	-33%
INTANGIBLE ASSETS, NET	0	0	353,656	-100%	0	NM
TOTAL ASSETS	25,591,174	10,282,897	11,562,854	-11%	15,264,504	-33%
CURRENT LIABILITIES						
Accounts payable and customer deposits	2,590,798	2,590,798	2,782,781	-7%	3,374,877	-23%
Obligations under capital leases (current portion)	0	0	0	0%	37,232	-100%
Net billings in excess of revenues	433,550	433,550	562,682	-23%	589,480	-26%
Accrued expenses and other payables	4,699,533	4,699,533	4,967,568	-5%	5,943,734	-21%
9% Unsecured Sub Convert Promissory Note	559,403	559,403	0	NM	**327,800**	71%
Senior secured loan - ST, net	2,000,000	2,000,000	0	NM	**0**	NM
2014 10% + libor 3rd Party Loan	0	0	**1,750,000**	-100%	**5,854,020**	-100%
Total current liabilities	10,283,284	10,283,284	10,063,031	2%	16,127,143	-36%
LONG TERM LIABILITIES						
Derivative Liabilities	471,458	471,458	0	NM	3,337,077	-86%
Non-current portion of net billings in excess of revenues	0	0	97,489	-100%	1,081,139	-100%
Other long term liabilities	166,220	166,220	177,139	-6%	221,339	-25%
9% Sub Conv Promissory Note	89,488	89,488	**75,338**	19%	**903,054**	-90%
Senior secured loan - LT, net	4,150,890	4,150,890	**5,038,644**	-18%	**0**	NM
Total long term liabilities	4,878,056	4,878,056	5,388,610	-9%	5,542,609	-12%
Total liabilities	15,161,340	15,161,340	15,451,641	-2%	21,669,752	-30%
Commitments and Contingencies (See Notes)						
STOCKHOLDERS' EQUITY						
Preferred Stock	3,711,280	-	384,503	-100%	1,360,571	-100%
Common Stock	303,839,454	292,242,457	290,540,444	1%	273,407,563	7%
Accumulated other comprehensive income (loss)	(5,095,421)	(5,095,421)	(5,097,560)	0%	(5,368,884)	-5%
Accumulated deficit	(292,025,479)	(292,025,479)	(289,716,174)	1%	(275,810,853)	6%
Total stockholders' equity	10,429,834	(4,878,443)	(3,888,787)	25%	(6,411,603)	-24%
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	25,591,174	10,282,897	11,562,854	-11%	15,258,149	-33%
Current and Quick Ratio	1.7	0.2	0.2	4%	0.2	15%
Working Capital	7,555,835	(7,752,442)	(7,691,442)	1%	(12,663,058)	-39%
Total Debt	7,271,239	7,271,239	6,863,982	6%	7,084,874	3%
TD/TA	28%	71%	59%	19%	46%	52%

Pro forma is estimated based on company shareholder equity reported pro forma

HISTORICAL STOCK PRICE



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