**Pareteum - The Wild West of Telecoms**

**Breach of Iran sanctions, related party and non-operational customers, anemic cash flows, uncollectable revenues.**

**June 25, 2019** – Pareteum (NASDAQ: TEUM) provides services to Mobile Virtual Network Operators (MVNOs), who sell data/minutes to users and purchase data/minutes from telecommunication network operators. Recently Pareteum has been subject to criticism from other short sellers. Given the discourse, Viceroy believe it is prudent that we also share our findings.

- Further to recent research reports, Pareteum has a history of promotional press releases of customer wins. A deeper investigation into these customers show much larger number are insignificant, and the companies behind them appear in no way capable of fulfilling the contract values advertised by Pareteum.
- Two of Pareteum’s customer wins appear to be undisclosed related parties tied to Pareteum consultant Dinesh “Danny” Patel.
- One of Pareteum’s announced customer wins is a company under a historic investigation and charged with significant VAT evasion fraud. Information on this is easily available, leading us to believe that Pareteum was aware of the company’s issues while announcing the customer win.
- Pareteum appears to be in breach of US sanctions against Iran through its provision of services to Iranian MVNO Amin SMC. Amin SMC appears to be chaired by Hamid Reza Amirinia, an individual suspected of breaching sanctions with an Iranian government mandate to launder money for the regime.
- Several entities on the pareteum.cloud domain are small companies or have no web presence whatsoever, leading us to believe that they are Pareteum customers who are unable to pay or have no operations.
- Pareteum’s 36-month contractual backlog measurement is not an accurate predictor of future profits. An analysis of the company’s backlog and management comments shows it should have reported 73.10% more revenue in Q1 2019 than it did. Management appears to be inflating this figure to hype up the share price and reassure investors.
- Pareteum’s management has a history of dishonest reporting. Notably, CFO Ted O’Donnell who was sued by former employer AudioEye for fabricating US$8.1m worth of revenue over 3 quarters which was found to have no supporting documentation. This was an overstatement of revenues in the period of more than 3,000%.
- Pareteum’s rapid-fire announcement of customer wins mirrors its announcements regarding cryptocurrency in 2017, which were put to an abrupt halt when a response to an SEC letter revealed TEUM had made no revenue, nor planned to do so, from cryptocurrency.
- Pareteum has made an US$3.7m loan to Yonder Media Mobile, an early stage MVNO operated by serial failure entrepreneur Adam Kidron. Kidron has burned at least US$100m in his enterprises, having already cratered the Yonder brand with a music streaming service which collapsed in 2017.
- A breakdown of Pareteum’s revenues, cash flows and receivables show the majority of its revenue from sources other than Vodafone and acquired businesses iPass and Artilium appears to be uncollectable. Accordingly, we believe total revenue is overstated by 42%, corroborating our findings regarding Pareteum’s customers.

We are as yet unable to quantify the impact of the company’s apparent breach of sanctions against Iran and have not assigned a discount. We have reported this apparent breach to the relevant federal authorities.

A token valuation on an EV/Revenue basis presents a 44% - 76% downside for Pareteum’s share price (State Current Price), with the more severe scenario more probable. However, based on the numerous subjective issues highlighted in this report and the dependence of the valuation on our already-conservative revenue adjustment, we cannot fully quantify the downside, which we believe to be significant.
Attention: Whistleblowers

Viceroy encourage any parties with information pertaining to misconduct within Pareteum or any other entity to file a report with the appropriate regulatory body.

We also understand first-hand the retaliation whistleblowers sometimes face for championing these issues. Where possible, Viceroy is happy act as intermediaries in providing information to regulators and reporting information in the public interest in order to protect the identities of whistleblowers.

You can contact the Viceroy team via email on viceroy@viceroyresearch.com

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1. Background

Pareteum provides services to Mobile Virtual Network Operators (MVNOs) who sell data/minutes to users and purchase data/minutes from telecom network operators. Pareteum was formerly Elephant Talk Communications Corporation (NYSE:ETCC). The company’s largest historical customer is Vodafone Enabler S.L., an MVNO operating on Vodafone Spain’s network.

Pareteum acquired 2 companies in the past year: Artilium, an organic-growth-challenged roll-up of telco service-related assets, and iPass, a rapidly shrinking, negative free cash flow Wi-Fi hotspot provider.

2. Customers: fakes, related parties, non-operational entities

Several of Pareteum’s customers are either related parties, small companies incapable of accounting for the revenue reported by Pareteum or have no discernible web presence. The most egregious examples are some of the customers in Pareteum’s press releases detailing large contract wins.

We have further reviewed Pareteum’s customers by searching the pareteum.cloud domain, together with Pareteum’s press releases.

Since the release of Aurelius Value’s report, Pareteum has retracted and modified slide decks, specifically their customer lists.

2.1. Possibly non-existent customers

A search of Pareteum’s sub-domains for pareteum.cloud turns up customers which we detail below. Some customers have very little information or web presence other than their Pareteum cloud login.

Iboconnect.com

Iboconnect has not been announced by Pareteum as a customer but uses a Pareteum sub-domain, ibo.pareteum.cloud.

![Iboconnect.com Login](https://web.archive.org/web/20190609070901/http://ibo.pareteum.cloud/account/login)

The website is operated by ibo connect Limited incorporated by Isaac Blankson and Christina Danquah on July 25, 2018. The largely incomplete website lists pre-paid SIM cards for purchase and many of the pages are unfinished with broken links.

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2. [https://beta.companieshouse.gov.uk/company/11483310](https://beta.companieshouse.gov.uk/company/11483310)
Ecrosspay Limited

Ecrosspay is a company registered in the UK owned by Tajudeen Osoba incorporated on October 31, 2017 but dormant until October 2018. The company does not have a website, but does have a pareteum.cloud domain in its name.

Note: ecrosspay.pareteum.cloud is no longer operational at the time of publication.

Voiptrade.pareteum.cloud & BigAppleMarketing.pareteum.cloud

No online presence for either of these companies could be found. There are potential connections to the barely-operational website voip-trade.com operated by VOIP-TRADE LTD, a UK entity incorporated on May 4, 2018.

Note: voiptrade.pareteum.cloud is no longer operational at the time of publication.

Exaccta.pareteum.cloud

This domain displays the logo of newweb.tuttogroup.com, a website purporting to sell SIM cards and associated services but has no way of online ordering. Newweb.tuttogroup.com also looks extremely similar to exactta.com (the Pareteum URL appears to be a typo), both of which are operated by Voiceserve Limited according to Tutto's privacy policy.

Voiceserve Limited is a UK subsidiary of Voiceserve Inc, a Delaware company formerly listed on the NASDAQ as VSRV. Considering neither tuttogroup nor exactta have any method of selling their products we doubt Pareteum derives any revenue from these entities.
JVT.pareteum.cloud

No corresponding entity could be found.

Integral.pareteum.cloud

No corresponding entity could be found. The other pages accessible at the top are all broken except for “Organization” which leads to a blank page.

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Inactive domains

Subdomains that exist on the pareteum.cloud domain but don’t seem to be active:

- Grafana.pareteum.cloud
- Hawkins.pareteum.cloud
- Apeiron.pareteum.cloud
- Ota.pareteum.cloud
- rgw.pareteum.cloud
- sd.pareteum.cloud

2.2. Pareteum’s Breach Party: Iran Sanctions Violation

Pareteum appears to be in breach of US sanctions against Iran by providing hosting services, and potentially extending mobile virtual network services, to Amin S.M.C. (Amin), an Iranian MVNO established in 2017. Amin is chaired by Hamid Reza Amirinia, an individual suspected of skirting sanctions with an Iranian government mandate and money laundering for the regime through an entity specifically sanctioned by the Office of Foreign Asset Controls.

Amin’s website is either managed or created by Pareteum judging by the 2017 Pareteum copyright in the lower left hand corner of the page and the use of the amin.pareteum.cloud domain¹³.

There are several inconsistencies on the Amin website: prices are quoted in Euros, the website itself is in English by default and does not appear to redirect to Amin’s local Iranian website. One would expect the website to be in Farsi and the currency to be denominated in Rials. The photos on the site still have watermarks.

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¹³ NB: parateum.cloud domains are somehow still held by ValidSoft UK, a Pareteum purchase and subsequent spin-off. Validsoft UK filed for bankruptcy and restructured, largely due to a defaulted receipt from Pareteum.


Beyond that the website appears to be either broken or incomplete; most links redirect back to the homepage or don’t work at all. While checkout functionality appears to work, no details on any of its plans are available; there is also no list for countries when entering customer details. We are unsure who is processing these payments.

<table>
<thead>
<tr>
<th>Account Info</th>
<th>Payment Information</th>
<th>Address</th>
</tr>
</thead>
<tbody>
<tr>
<td>EMAIL ADDRESS *</td>
<td>NAME ON CARD *</td>
<td>ADDRESS 1 *</td>
</tr>
<tr>
<td>PASSWORD *</td>
<td>CARD NUMBER *</td>
<td>ADDRESS 2</td>
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<tr>
<td>CONFIRM PASSWORD *</td>
<td>EXPIRATION DATE *</td>
<td>CITY *</td>
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<td>STATE *</td>
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<tr>
<td>Personal Info</td>
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<td>Phone Number *</td>
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</tbody>
</table>

**Figure 10** amin.pareteum.cloud/checkout\(^{15}\)

Pareteum is hosting an Iranian company’s website: providing a service that is not exempted. Other web-host providers have taken note\(^ {16}\).

Amin also has an Iranian language site: [www.aminmvno.com](http://www.aminmvno.com)\(^ {17}\) which displays the same logo as amin.pareteum.cloud and a page claiming to be working with Pareteum as an MVNO partner.

**Figures 11 & 12** aminmvno.com\(^ {18}\)

\(^{15}\) [http://amin.pareteum.cloud/checkout](http://amin.pareteum.cloud/checkout)


\(^{18}\) [https://web.archive.org/web/20190609065457/http://aminmvno.com/article/mvne-mvno-enabler-%DA%86%DB%8C%D8%B3%D8%AA%D8%9F](https://web.archive.org/web/20190609065457/http://aminmvno.com/article/mvne-mvno-enabler-%DA%86%DB%8C%D8%B3%D8%AA%D8%9F)
Amin SMC was granted a license to operate a MVNO in September 2018, and a now-defunct api.dowjones link to the license press release shows the full name of the company as “Ertebatate Sayar Houshmande Amin”. The Chairman of the Board is noted as Hamid Reza Amirinia.

Hamid Reza Amirinia is listed in a report by the People’s Mojahedin Organization of Iran as the Director of the Center for Innovation and Technology Co-operation, an organization allegedly used to skirt sanctions against the country.

<table>
<thead>
<tr>
<th>Hierarchy of Center for Innovation and Technology Co-operation of the President’s office:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Director: Hamid Reza Amirinia</td>
</tr>
<tr>
<td>Director of international affairs: Ali Morteza Birang</td>
</tr>
<tr>
<td>Director for Western Europe: Ahmadi</td>
</tr>
<tr>
<td>Director for international affairs: Morteza Birang, works with Hamid Reza Amirinia to provide regime’s needs from various countries.</td>
</tr>
</tbody>
</table>

Hamid Reza Amirinia, the director of the organisation, personally follows issues related to skirting sanctions in Austria. He has been working with the regime’s lobby network in Austria in various fields for more than eight years and has set up a widespread network. Part of Amirinia’s recent report to the Presidential institution reads:

“Austria’s capacities are very high and we have had good capacities with them since the Islamic revolution. Currently we are in contact with some groups there, regarding technology production who are indeed active in political economy too and have independent lobbies as well. It is also possible to use Austrian banks.”

1. Identifying one of the agencies to skirt sanctions in the office of Ahmadinejad

One of the agencies in the presidential office assigned for skirting sanctions is the Center for Innovation and Technology Co-operation (CITC) of the President’s Office. This organization was established 10 years ago and is located in a building separate from the presidential office. In the beginning it was not set up for skirting sanctions, but it focused on this task gradually and currently it is explicitly involved in this matter. The core of activities in this center and its main task is “technology diplomacy,” which is in fact to explore ways to skirt sanctions. One of its institutions is its international affairs office that pursues the ways to skirt sanctions under the guise of “technology diplomacy.”

The Center for Innovation and Technology Co-Operation is listed by the Office of Foreign Assets Control (OFAC) in its Specifically Designated Nationals (SDN) List, which lists entities “controlled by, or acting for or on behalf of, targeted countries. It also lists individuals, groups, and entities, such as terrorists and narcotics traffickers designated under programs that are not country-specific.”

The assets of these entities are blocked, and U.S. persons are prohibited from dealing with them without exemption from OFAC. The Center of Innovation and Technology Cooperation is specifically listed under the Iranian Financial Sanctions program AND the Weapons of Mass Destruction Proliferators Sanctions Regulations program. Amirinia’s position as chairman of Amin SMC and director of the Center for Innovation and Technology Cooperation certainly makes him “involved” with Pareteum’s Amin SMC dealings.

More recent evidence is the listing of jobs in Iran by Elephant Communications, Pareteum’s former name on LinkedIn and recruitment agency hamijobs, the latter bearing the company’s logo. Google’s snippets show the listings are fairly recent; July and December 2018. The hamijobs listing appears to be the only listing on the website for jobs in Iran.

This further complicates matters as it appears Pareteum might still be operating in the country, not just rendering services to Iranian entities. We have not been able to find a Pareteum subsidiary in Iran so far.

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20 https://sanctionssearch.ofac.treas.gov
21 https://www.treasury.gov/resource-center/faqs/Sanctions/Pages/faq_iran.aspx#630
Pareteum may also be involved with another sanctioned group, Etemad Amin Invest Co Mobin (Etemad). The Iranian language aminmvno.com domain was administered by Ali Shogi using a teminvestco.com domain according to a Whois record on August 17, 2016.

Teminvestco.com is the website of Etemad Amin Invest Co Mobin. The group was sanctioned by the EU, Australia, South Korea and Japan in 2010 over its involvement with the Islamic Revolutionary Guard Corps (IRGC).

22 http://www.hamijobs.com/etc
The SEC have previously questioned Pareteum regarding their Zain business in 2017 regarding exposure to Syria and Sudan, which the company asserted did not exist. In light of the newly imposed sanctions against Iran and its officials we do not believe this will be taken lightly by the relevant authorities.

At best, Pareteum is likely in ongoing violation of US sanctions, at worst they are facilitating a money laundering scheme. Note the People’s Mojahedin Organization of Iran report was released in 2012, and the api.dowjones site has the story published in September 2018. For Pareteum be so negligent would be a major failure of due diligence. We have informed the relevant authorities including the Treasury’s Office of Foreign Assets.

2.3. October 2, 2018: Pareteum Adds $15 Million in New Contracts

On October 2, 2018 Pareteum announced US$15m in new contracts with Parallax Sciences, oneCentral and Naledi. Our investigation showed none of these entities can be expected to generate this level of revenue.

Parallax Health Sciences

Parallax Health Sciences (OTCPK:PRLX) is a penny stock public company with no discernable asset base, ~US$12,000 in sales for 2018 sales and 7 employees on LinkedIn at the time of writing.

As noted by Aurelius Value, Parallax’s executives include the Pareteum CFO, Edward O’Donnell and former business associates from AudioEye including AudioEye’s former CEO who was named alongside O’Donnell in a case alleging fraud.

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24 https://www.sec.gov/Archives/edgar/data/1084384/000114420418000813/filename1.htm
27 https://www.linkedin.com/company/parallax-health-sciences-inc/about/
oneCentral

oneCentral is a business telephony IT services company domiciled in the Netherlands. It has 9 employees on LinkedIn and lists 9 employees on its corporate website including administrative roles.

![OneCentral LinkedIn profile](https://www.linkedin.com/company/onecentral/about/)

Of the three businesses, oneCentral is by far the largest with various sources claiming the company generated US$5.5m in sales 2018.

Naledi

Naledi Telecoms is a South African startup MVNO that appears to still not have launched. A Google South Africa search of “Naledi” returns no results and the company has no employees on LinkedIn.

Aurelius Value investigators found no activity at Naledi locations, where the founder confirmed that the business was not yet in operation.

2.4. October 8, 2018: Pareteum Expands Customer Base in Asia with 3-year $50 Million Contract


On October 2, 2018 Pareteum announced a 3-year US$50m contract with One Development. Our investigation shows that One Development has no way of fulfilling this contract. We question whether One Development even signed such a contract given how far beyond its scale it is.

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28 [https://www.linkedin.com/company/onecentral/about/](https://www.linkedin.com/company/onecentral/about/)
One Development

One Development was incorporated in 2014 and awarded an MVNO license in July 2018. The company has 7 employees on LinkedIn and has had no meaningful business in the 4 years since its incorporation. None of its founders have a particularly impressive background.

Figure 24 One Development – We Connect Thailand LinkedIn profile

One Development does business through weconnectthailand.com but is actually called “The One Development (Thailand) Company Limited”. Financials of Thai companies are publicly available through the Department of Business Development’s DBDWarehouse. Filings for One Development shows a small loss-making company with no capacity to fulfil a US$50m, 3-year contract. The entity made a 2018 gross profit of US$5,685.54.

Figure 25 DBD Warehouse The One Development (Thailand) Company Limited Income Statement

Pareteum’s US$50m, 3-year contract with One Development implies that it is several multiples larger than its contract with Vodafone.

32. http://datawarehouse.dbd.go.th/, click “คลิกที่นี่”, complete the captcha, search for “0105556016266”
2.5. October 17, 2018: Pareteum Announces $8 Million in New Agreements

Pareteum Announces $8 Million in New Agreements

Four Use Cases Revealed during MVNO North America Conference for Internet of Things, Broadband Home, Smart Metering, and Pot Tech

NEW YORK, NEW YORK -- October 17, 2018 -- Pareteum Corporation (NYSE American: TEUM), a global cloud software company, today at the MVNO North America Conference in Miami, Florida announced agreements with four new customers valued at $8 million, including Monogoto and Nextelle.

Pareteum’s new use cases include the following:

- Global Software Defined Cloud Platform and SuperAPI white label for Monogoto, platform as a service company providing an interface to onboard devices, build out internet of things solutions, and program APIs to scale with existing apps and services.
- Global Software Defined Cloud Platform solutions via real-time connectivity, monitoring, and billing for Nextelle, a mobile virtual network operator offering broadband home services and pre-paid wireless.
- Global Software Defined Cloud Platform and SuperAPI solution to capture water analysis data wirelessly and in real-time for an international water technologies company handling smart metering.
- Global Software Defined Cloud Platform and SuperAPI solution for the pet tech industry, enabling a pet device monitoring company to connect its internet of things devices wirelessly, and securely manage massive volumes of data with real-time access for monitoring and billing solutions.

Figure 26 Pareteum Press Release35

Pareteum did not disclose the “international water technologies company handling smart metering” nor the “pet device monitoring company” but the other two entities, Monogoto and Nextelle are both either inactive or small scale enterprises.

Monogoto

Monogoto was incorporated in 2014 and lists 8 employees on Linkedin.

Figure 27 monogoto LinkedIn profile36

The company’s website does not have any way to order online or by phone and has no payment mechanism available37. The sign-in link is inactive at the time of writing38.

Nextelle

Nextelle39 is something of a curiosity: the company claims to be a US company but appears to be solely owned by Dave Sharma and operated out of a mail box in Queensland, Australia. Nextelle.com does have a functioning website and appears to sell SIM cards and other internet services. The company also advertises its services on classified sites.

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36 https://www.linkedin.com/company/monogoto
The company’s only review reported the business as a scam:

![Nextelle review on Amazon](https://www.amazon.com/sp?_encoding=UTF8&asin=B06ZYFLXKW&isAmazonFulfilled=0&isCBA=&marketplaceID=ATVPDKIKXODER&orderID=&seller=ANC9TVVT7TX5S&tab=&vasStoreID=)

The company has no official documentation in either the US or Australia and possibly operates three other identical sites: nextgwireless.net, nextgtelecom.com.au and nextelle.co.nz.

2.6. October 23, 2018: Pareteum Adds $11 Million in New Business


On October 23, 2018 Pareteum announced US$11m in new business. The press release on Pareteum’s website differs from that on prnewswire.com as the latter mentions WorldSim in addition to Global Connect and Moby.

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41 https://www.amazon.com/sp?_encoding=UTF8&asin=B06ZYFLXKW&isAmazonFulfilled=0&isCBA=&marketplaceID=ATVPDKIKXODER&orderID=&seller=ANC9TVVT7TX5S&tab=&vasStoreID=

42 https://web.archive.org/web/20190609072915/nextgwireless.net


44 https://web.archive.org/web/20190609073101/nextelle.co.nz


SJ Global Investments London and Global Connect.

Global Connect and SJ Global appear to be undisclosed Pareteum related parties and customers. Neither of these companies appear large enough to account for the value assigned to their contracts by Pareteum.

While only Global Connect was announced by the company SJ Global is also a customer and more clearly illustrates the connections between Pareteum and some of its customers.

SJ Global Investments London Limited – Introducing the Patels

SJ Global is a customer of Pareteum as shown by the sjglobal.pareteum.cloud domain, a login page.

![Login Page](https://web.archive.org/web/20190609065541/http://sjglobal.pareteum.cloud/account/login)

Dinesh “Danny” Patel, a Pareteum consultant, is also the Director of SJ Global Worldwide Investment Limited.

![LinkedIn Profile](https://www.linkedin.com/in/dannyatthesimcompany/?originalSubdomain=uk)

We do not believe the SJ Global on the Pareteum site is SJ Global Investments Worldwide, but SJ Global Investments London, a separate company wholly owned by Rahul Patel incorporated on January 8, 2018. Rahul is the business associate and possible relative (likely son, based on his date of birth) of Dinesh “Danny” Patel.

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48 [https://www.linkedin.com/in/dannyatthesimcompany/?originalSubdomain=uk](https://www.linkedin.com/in/dannyatthesimcompany/?originalSubdomain=uk)
SJ Global Investments Worldwide does list its address as Suite 16, 107 Cheapside London and Danny Patel does work for SJ Global Investments Worldwide as he appears in a UK team photo on the company’s website.

It appears Pareteum’s global consultant Danny Patel has been used to create related party contracts of questionable integrity. Given the minor size of many of these companies we suspect these parties are being used to generate false revenue.

**Global Connect**

Global Connect is described in the release as “a communication services internet of things company with multinational clients focused on home automated solutions.”

Rahul Patel acquired 50% of Global Connect Solutions from Andrew Kemp on May 1, 2018, six months prior to the contract announcement.
Global Connect’s web presence makes extensive use of free web domains, and the company’s filings depict a financially insignificant entity.


Ownership of these domains is held by Global Connect Communication Ltd. Both Global Connect Solutions and Global Connect Communication are small companies not representative of the importance Pareteum assigns them in its press release.

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55 [https://beta.companieshouse.gov.uk/company/10111449](https://beta.companieshouse.gov.uk/company/10111449)
WorldSim

WorldSim’s is operated by Synectiv Limited, currently run by Asif Chandoo. Synectiv and its operators were part of a fraud case in the UK regarding VAT evasion. The former directors of the company, including Asif’s brother, Arif, were arrested in 2001 over this evasion.

Introduction
1. This appeal, by Synectiv Limited (“Synectiv”), is against the decision of HM Revenue and Customs (“HMRC”), contained in a letter dated 16 February 2010, which denied a claim for deduction of £4,418,990 input tax. This sum is consists of £788,900 incurred in relation to six transactions during the VAT period ending 30 April 2008 (04/09) and £630,000 incurred in relation to three transactions during for the VAT period ending 30 June 2006 (06/07).

2. HMRC’s primary case is that these nine transactions were connected to Missing

Tinder Intra-Community (“MITIC”) fraud and that Synectiv knew of that connection. Alternatively HMRC contend that Synectiv should have known that the nine transactions were connected to MITIC fraud.

Operation Fenison
41. On 2 November 2001 former directors of Synectiv, Aqeel Ali and Kamal Uddin along with Aminul Haq, were arrested in connection with MITIC fraud. On 7 January 2002 all three were charged with conspiracy to cheat the revenue. On 5 February 2002 Aqeel Chandoo was arrested and charged with conspiring with Aqeel Ali and others to cheat the revenue during the period between 16 November 1999 and 4 November 2001. Sandeep Gokhilar was also charged with the same offence in August 2002.

While the appeals are ongoing, this effectively means that Synectiv T/A Worldsim is likely barred from trading.

Note that information on the VAT fraud case is easily found through internet search and the former directors of Synectiv are all listed on the companiesshouse database, implying Pareteum knows full well they were dealing with an entity under investigation for fraud at the time of their announcement.

Moby

The link in Pareteum’s press release, mobywireless.com redirects to a different company, Hawaiian MVNO Mobi, Inc.

Neither Mobi nor Pareteum have ever disclosed doing business with each other.

Moby Wireless also has a facebook.com page\(^\text{58}\) on which it posts advertising and more links that redirect to Mobi web pages including a mobywireless.com/imei.php link that results in a 404 error on Mobi’s servers.

The company’s manta.com\(^\text{59}\) profile lists its website as wirelesslinkgroup.com, which redirects to wlgwholesale.com an electronics wholesaler headquartered at an electronics store in Long Island City, New York operated by Bo Guo.

We have as yet found no other connection between the WirelessLink Group mentioned above and the entity mentioned in Pareteum’s press release that is operating the Facebook pages selling SIM cards. Strangely the shares on the Facebook page are highly concentrated in the Jamestown, NY area.

We do not believe Moby Wireless will be generating any significant revenue for Pareteum.

2.7. September 17: Pareteum Secures $50 Million in New Contracts During August

On September 17, 2018, Pareteum announced US$50m in new contracts in August citing amongst the new customers ACN Europe, Wing Tel Communications, Secure Watch and Eyethu Mobile Network. Of the four, only ACN Europe and Wing Tel Communications appear to be able to pay Pareteum: Secure Watch is a security company and Eyethu Mobile Network appears to be an inactive South African MVNO startup.

\(^{58}\) https://www.facebook.com/pages/category/Business-Service/Moby-Wireless-166234850725116/


Secure Watch

Secure Watch is a 1 or 2 employee operation started by Brandon Clyde according to his LinkedIn profile\(^62\).

Secure Watch's appears to sell security systems, but their website appears to simply be a quote generator with no sign-up or email facilities\(^63\).

Clyde has recently founded Link Mobile, a relatively small MVNO operation\(^64\).

\(^{62}\) [https://www.linkedin.com/in/brandon-clyde-27a80547/detail/treasury/summary/?entityUrn=urn%3Ali%3Afs_treasuryMedia%3AACoAAAanocz4BMYQ1QTnlVNOoBFrCMAInDbh8seU%2C1550441764318)&section=summary&treasuryCount=1]

\(^{63}\) [https://web.archive.org/web/20190609075432/https://www.mysecurewatch.com/i-want-a-free-quote17981756]

\(^{64}\) [https://web.archive.org/web/20190609075625/https://www.mylanlinkmobile.com/]

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![Secure Watch Website](https://www.mysecurewatch.com)

![Brandon Clyde LinkedIn Profile](https://www.linkedin.com/in/brandon-clyde-27a80547/detail/treasury/summary/?entityUrn=urn%3Ali%3Afs_treasuryMedia%3AACoAAAanocz4BMYQ1QTnlVNOoBFrCMAInDbh8seU%2C1550441764318)&section=summary&treasuryCount=1)
Eyethu Mobile Network appears to have been launched by an unemployed South African individual with no history in the industry. The link in the Pareteum press release leads to an unavailable domain page.

There have been no relevant updates on Eyethu since the tweet below, leading us to believe the operation is dormant or non-existent, further supported by the non-functioning website.

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65 https://www.eyethumobilennetwork.co.za/
66 https://www.linkedin.com/in/mduduzi-mazibuko-922918175/?originalSubdomain=za
67 https://twitter.com/eyethu_network?lang=en
2.8. Customers No Longer Operational

Despite comments made by Hal Turner on their Q4 2018 call, at least one of Pareteum’s customers have shut down.

**Sol Mobile**

Sol Mobile was the first MVNO customer on Pareteum’s cloud platform announced on December 7, 2016. The company was dissolved on August 8, 2017 according to local filings and its website indicates it was never fully operational.

3. Yonder Media Mobile

Pareteum has loaned a total of US$3.7m to yet-to-be operational customer Yonder Media Mobile (marketed as Yo Mobile) as of Q1 2019. Yonder Media Mobile’s CEO and founder is Adam Kidron who has a history of failed entrepreneurship.

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70 https://beta.companieshouse.gov.uk/company/09658272/filing-history
The company was incorporated in July 2018 in Delaware and has 9 employees on LinkedIn and a boilerplate website. Yonder Media Mobile describes its plans to launch a “Mobile Virtual Experience Platform” but its profile on Kidron’s website Adam+co claims the company plans to launch in Latin America in fall 2019.72

Yonder Media Mobile’s founder and CEO Adam Kidron’s history of failed entrepreneurship:

- Urban Box Office Network

A web portal linking several sites for urban music, entertainment and information. A 2001 New York Times article claims a total of US$34m has thus far been invested and presumably lost: the company did not deny allegations it had a “burn rate” of US$1m a day.73

- Beyond Oblivion

Beyond Oblivion was the subject of an Evolver.FM investigative article describing the company’s wild promises and subsequent implosion.74 The article paints a picture of Kidron as an irresponsible and erratic CEO; Beyond Oblivion failed spectacularly before launch, taking US$87m of investors’ money with it.75

- 4food

A “build your own burger” chain founded in New York in 2010. While investment was planned to launch 3 locations, only one ever opened on September 7, 2010 and closed its doors on April 25, 2014. 4food’s website is still operational though parts of it are broken.

- Yonder Music

The “Yonder” brand has already crashed; Kidron launched Yonder Music in parts of Asia (Nepal, Malaysia and Indonesia that we could ascertain) from 2016 through 2017. The platform was discontinued effective June 15, 2018 with a facebook update claiming it was unable to secure investments for the platform.

Investors should be asking: why is Pareteum lending to Kidron?

Yonder Media Mobile’s instances on the Pareteum.cloud have no content associated with them.

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76 https://www.wsj.com/articles/5810001424052748703685404575307191182043842
4. Financial Issues

4.1. Revenue Collection Analysis

Pareteum’s filings state they bill monthly, and that “the term between invoicing and payment is due is not significant”. Realistically, this would imply a days receivable figure of between 30-45 days, allowing for some delinquent customers.

Pareteum has 4 months accounts receivable sitting on its balance sheet. When combined with the drastic increase in receivable days since the end of 2017, it appears that Pareteum’s new customers are not paying their bills. Despite this Pareteum’s management continues to recognize this apparent uncollectable revenue from customers.

The analysis below breaks down revenue, cash and receivables from:

1. Artiilium and iPass, the acquired entities;
2. Vodafone, the anchor customer; and
3. Pareteum’s other customers

### Revenue Collection Analysis (US$ 000’s)

<table>
<thead>
<tr>
<th></th>
<th>TTM 2019 Q1</th>
<th>2019 Q1</th>
<th>2018 Q4</th>
<th>2018 Q3</th>
<th>2018 Q2</th>
<th>2018 Q1</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue total</td>
<td>51,363</td>
<td>23,040</td>
<td>14,312</td>
<td>8,008</td>
<td>6,003</td>
<td>4,113</td>
</tr>
<tr>
<td>Vodafone and acquired entity revenue:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Vodafone (%)</td>
<td>20.1%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Vodafone (US$)</td>
<td>14,362</td>
<td>4,631</td>
<td>3,244</td>
<td>3,244</td>
<td>3,244</td>
<td>3,244</td>
</tr>
<tr>
<td>Artiilium</td>
<td>10,320</td>
<td>5,148</td>
<td>5,172</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>iPass</td>
<td>3,726</td>
<td>3,726</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revenue less acquisitions &amp; Vodafone</td>
<td>22,955</td>
<td>9,535</td>
<td>5,897</td>
<td>4,764</td>
<td>2,760</td>
<td>869</td>
</tr>
<tr>
<td>Accounts receivable analysis</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts receivable total</td>
<td>28,645</td>
<td>28,645</td>
<td>15,362</td>
<td>7,200</td>
<td>3,853</td>
<td>1,954</td>
</tr>
<tr>
<td>Change in accounts receivable</td>
<td>26,690</td>
<td>13,283</td>
<td>8,162</td>
<td>3,347</td>
<td>1,898</td>
<td>104</td>
</tr>
<tr>
<td>Less: accounts receivable acquired*</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Artiilium</td>
<td>4,391</td>
<td></td>
<td>4,391</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>iPass</td>
<td>4,344</td>
<td></td>
<td>4,344</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Vodafone accounts receivable</td>
<td>1,015</td>
<td>1,015</td>
<td>711</td>
<td>711</td>
<td>711</td>
<td>711</td>
</tr>
<tr>
<td>Accounts receivable less acquisitions &amp; Vodafone</td>
<td>23,286</td>
<td>23,286</td>
<td>10,260</td>
<td>6,489</td>
<td>3,142</td>
<td>1,244</td>
</tr>
<tr>
<td>Change in accounts receivable less acquisitions &amp; Vodafone</td>
<td>22,042</td>
<td>15,026</td>
<td>3,771</td>
<td>3,347</td>
<td>1,898</td>
<td>727</td>
</tr>
<tr>
<td>Cash collection analysis</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revenue collected</td>
<td>24,673</td>
<td>9,757</td>
<td>6,150</td>
<td>4,661</td>
<td>4,105</td>
<td>4,216</td>
</tr>
<tr>
<td>Revenue collected as % of total revenue</td>
<td>48.0%</td>
<td>42.3%</td>
<td>43.0%</td>
<td>58.2%</td>
<td>68.4%</td>
<td>102.5%</td>
</tr>
<tr>
<td>Revenue collected less acquisitions &amp; Vodafone</td>
<td>913</td>
<td>3,491</td>
<td>2,126</td>
<td>1,417</td>
<td>861</td>
<td>1,596</td>
</tr>
<tr>
<td>Revenue collected less acquisitions &amp; Vodafone as % of total revenue</td>
<td>4.0%</td>
<td>-36.6%</td>
<td>36.1%</td>
<td>29.7%</td>
<td>31.2%</td>
<td>183.6%</td>
</tr>
</tbody>
</table>

*Assumption based on “typical” payment terms of 30 days.

Figure 52 Viceroy Cash Collection Analysis

**We assume that:**

- The significant customer accounting for 40% of revenue in the 2018 10-K and 20.1% of revenue in Q1 2019 is Vodafone.
- Pareteum is getting paid by Vodafone on regular billing terms; Vodafone has historical days receivable between 7 and 30 days from 2016 onward. We assume a consistent 20 days outstanding through 2018 and Q1 2019.

For the year ended December 31, 2018, the Company had one customer that accounted for 40% of total revenue. For the year ended December 31, 2017, the Company had two customers that accounted for 96.9% of total revenue.

As of December 31, 2018, the Company had two customers that accounted for 47.3% and 47.2% respectively of accounts receivable and unfilled revenue. As of December 31, 2017, the Company had two customers that accounted for 46.7% and 23.9% of accounts receivable and unfilled revenue.

Figure 53 Pareteum 2018 10-K

Viceroy Research Group 25 viceroyresearch.org
Pareteum’s acquired businesses iPass and Artilium are getting paid on “typical” billing terms of 30 days, per management assertion. It is noteworthy that this is not strictly true:

- Artilium’s last publicly available financials show 77.473 receivable days and claim that the average credit period on sales to be 87 days as of June 30, 2018.
- iPass’s Q3 2018 revenue and receivables figures show 78.155 receivable days with standard credit terms of 30 days.

iPass’ purchase price accounting allocated US$4.344m in accounts receivable to Pareteum’s balance sheet.

Artilium’s purchase price accounting allocated a negligible amount of accounts receivable to Pareteum’s balance sheet: it appears Pareteum wrote a significant balance off. We have not accounted for this negligible balance.

According to our model Pareteum has collected only 4% of the revenue recognized from these customers in the 12 months trailing Q1 2019. While this figure is probably lower than Pretium’s actual collections, it creates a Catch-22 situation where receivables from Artilium and iPass are also growing exponentially.

4.2. Cash Flow Irregularities

As a sign of reality beginning to kick in, Pareteum has taken to paying its suppliers in equity as seen in Q1 2019’s US$1.5m figure of “Services settled by issuance of shares”.

<table>
<thead>
<tr>
<th>CASH FLOWS FROM OPERATING ACTIVITIES:</th>
<th>Three Months Ended</th>
<th>Three Months Ended</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>March 31, 2019</td>
<td>March 31, 2018</td>
</tr>
<tr>
<td>Net loss</td>
<td>$(5,778,515)</td>
<td>$(2,134,101)</td>
</tr>
<tr>
<td>Adjustments to reconcile net loss to net cash (used in) provided by operating activities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>2,841,403</td>
<td>965,290</td>
</tr>
<tr>
<td>Provision for doubtful accounts</td>
<td>285,892</td>
<td>-</td>
</tr>
<tr>
<td>Stock based compensation</td>
<td>3,713,614</td>
<td>1,077,925</td>
</tr>
<tr>
<td>Change in fair value of warrant liability</td>
<td>-</td>
<td>313,733</td>
</tr>
<tr>
<td>Amortization of deferred financing costs</td>
<td>49,690</td>
<td>6,142</td>
</tr>
<tr>
<td>Interest expense relating to debt discount and conversion feature</td>
<td>71,981</td>
<td>29,566</td>
</tr>
<tr>
<td>Services settled by issuance of shares</td>
<td>1,522,636</td>
<td>-</td>
</tr>
</tbody>
</table>

Figure 54 Pareteum 2019 10-Q
5. Management

5.1. History of fraud, collapsing stocks

Several of Pareteum’s senior management have a history of involvement with collapsing stocks and poor governance. In particular:

- Robert Harold “Hal” Turner – Executive Chairman and Principal Executive Officer
- Edward “Ted” O’Donnell – Chief Financial Officer
- Victor “Vic” Bozzo – Chief Executive Officer
- Denis McCarthy – President

Robert Harold “Hal” Turner

Pareteum’s Executive Chairman and Principal Executive Hal Turner has a history of collapsed business and misleading shareholders. Turner joined Pareteum as Executive Chairman on November 17, 2015.

Turner has previously:

- Served as CEO of Davnet, an Australian-listed company which collapsed with the dotcom bubble due to massive liquidity issues. A full account of the Davnet fraud is detailed in the book “Dot. Bomb Australia” by Kate Askew:

  “It turned out that Hal Turner, the American who took over at the helm of Davnet from Stephen Moignard in February 2001, had excellent money-dissipating skills. He did a great job of regularly racking up monthly expenses bills of $50,000.”

  “In hindsight, there was little doubt that when Turner had been in charge in 2000–01 there was much going on in the company—and in its financials. Davnet’s asset position fell by $100 million to not much more than $21 million. At the same time, its cash reserves shrank by $72 million, leaving about $11 million in the once-bursting company coffers. And Turner was anything if not generous. He parted company with Davnet after writing himself a $200,000 cheque for services rendered, and made sure to include a $16,000 expenses bill.”

  “Turner’s next stop was back in the USA. In February 2007 he was bought in to run a company called Catcher Holdings. By December, only 10 months later, Turner had again resigned. When Turner departed, the company had about $US100,000 to keep it going. “

  “Turner was last seen in 2010 at a company called Pac-West Telecomm. He was brought in to run the company in January 2008 after it had emerged as a private company following filing for Chapter 11 bankruptcy in May 2007 as a publicly listed company”

- Director of LastMile Communications from December 14, 2005 to June 6, 2006 a UK telecoms company liquidated in 2007.

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80 https://beta.companieshouse.gov.uk/officers/H_DqLpl6YgRAl5S8yE3t3cabz8/appointments
82 https://web.archive.org/web/20190610064443/http://docs.cpuc.ca.gov/PublishedDocs/Published/G000/M144/K903/144903959.PDF
• CEO of Catcher Holdings from February 21, 2007 through December 18, 2007 whose share price fell from US$1.40 to US$0.73 amid going concern issues. Turner made enthusiastic quotes similar to those now being issued at Pareteum regarding large customer wins. The revenues never materialized and Catcher Holdings’ stock price fell to US$0 and was suspended from trading by the SEC in January 2012 for lack of filings since September 2007.\(^83\)

Along for the “Hal Turner ride” were Denis McCarthy and Vic Bozzo; McCarthy served as CFO at Catcher Holdings from December 6, 2006 to January 29, 2008 and Bozzo served as Chief Sales and Marketing Officer and President and GM of Telastic services at Pac-West Telecomm from July 2010 to August 2011.

Edward “Ted” O’Donnell

If Hal Turner is the architect of the Pareteum current predicament, then Edward O’Donnell is the chief foreman it its construction. O’Donnell has a history of poor financial management, involvement with fraud and dishonest disclosure to investors.

• CFO of Radbourne Property Group which was charged with fraud. The Radbourne Property Group was run by John Van Clief about whom there is a surprising amount of information online showing the group was engaged in small-time fraud and failure to pay several liens.\(^84\) O’Donnell’s Bloomberg profile states: “[O’Donnell’s] primary responsibilities included raising capital, external reporting, outlining capital structure and budgeting.”

• CFO of AMERI Holdings, Inc (AMRH) from January 2016 through December 2016. which sank from US$6.50 to US$0.44. Trading in this time was largely dominated by Lone Star Value Management, the vehicle managed by Jeff Eberwein, who was later the subject of a cease-and-desist order by the SEC for beneficial ownership reporting breaches.\(^85\) We believe it is telling that AMERI Holdings is the only company at which O’Donnell was the CFO whose share price did not deteriorate during his tenure.


\(^85\) [https://www.sec.gov/litigation/admin/2017/34-80038.pdf](https://www.sec.gov/litigation/admin/2017/34-80038.pdf)
• CFO of spinoff AudioEye (NASDAQCM:AEYE) from December 2010 through January 2013 which sank from US$28.00 to US$12.13 during his tenure.
• VP of Finance at Augme Technologies which sank from US$2.94 to US$0.45 during his tenure.
• CFO of Carlyle Capital Group LLC, a company aping the name of The Carlyle Group to make VC and PE investments. As far as we have found the only mentions of the Carlyle Capital Group LLC are on Pareteum releases and as the employer of William C. Samuels, a New York progressive Democrat. Samuels also founded ACTV, at which O’Donnell worked. We are still unsure of the purpose, existence and scale of the Carlyle Capital Group.
• President at construction firm Aloysius Lyons which declared chapter 7 bankruptcy in 2007 after petitioning for chapter 11 bankruptcy in 2007 as well. The company’s website was non-functioning from at least March 2004 to February 2005.66

![Figure 56 Troubled Company Reporter March 19, 2007 Vol. 11, No. 66](http://bankrupt.com/TCR_Public/070319.mbx)

It is O’Donnell’s actions at AudioEye that first caught our attention. **Action was later taken against O’Donnell for his actions at AudioEye, which include fabrication of revenue and contract value, allegedly overstating the company’s revenues by more than 3,000% with no supporting documentation.** We believe this has parallels to the situation at Pareteum with non-operating customers.

![Figure 57 Case 4:15-cv-00163-DCB](http://bankrupt.com/TCR_Public/070319.mbx)

122. Furthermore, the revenues associated with the nonmonetary licensing transactions were highly material, comprising virtually all of the Company’s reported revenues in the first three quarters of 2014, as alleged above in ¶¶66, 81, 91. In the aggregate, the $8.1 million in revenues from the nonmonetary licensing transactions for the first three quarters of 2014 constituted 92% of the Company’s total $8.9 million in revenues reported for those quarters. Put differently, Defendants overstated the Company’s revenues during the Class Period by more than 3,000%.

123. The restatements also had a colossal impact on the Company’s gross profits and operating income. Defendants had reported $7.4 million in gross profits, and $914,830 in operating income, for the nine months ended September 30, 2014. Under the restatements, gross profits were reduced by $7.8 million to become a gross loss of $355,185. Similarly, operating income was reduced by $7.4 million to become an operating loss of -$6.5 million.

5.2. Misleading and promotional behavior

Pareteum management has made misleadingly promotional statements, more regularly in the past 2 years.

Backlog promotion and backlog spreadsheet

Pareteum management often discusses and promotes the company in the context of its 36-month contract revenue backlog. While the company’s financial performance has been less than stellar this internal metric has skyrocketed since Q1 2017 when it was first discussed.

While this would appear to be a proxy for future profitability there are several inconsistencies in both the company’s disclosure of this figure and of its past performance.

Hal Turner defined the backlog in the Q1 2019 earnings call as:

“We do review these sales and their revenue under contract on a snapshot basis at any given point in time, and we look at it for the following 36 months and that gives us a view of revenues under contract. We call this our 36 month contract revenue backlog.” [emphasis added]

1. Pareteum’s revenue should be far higher based on its past disclosure regarding backlog.
2. There are periods in which net backlog increases by the amount of additions in the quarter implying no backlog revenue was converted, contrary to management comments.

Backlog does not predict revenue

An analysis of Pareteum’s backlog shows the company is not converting its revenue at the rate it claims to be.

We conducted two analyses:

1. Backlog conversion occurs at the rate management claimed in the Q1 2018 earnings call: 15% of contract value in the first year, 30% in the second and 55% in the third.
2. Backlog conversion occurs at the rate management claimed in the Q3 2018 earnings call: 20% of contract value in the first year, 43% in the second and 89% in the third. If you’re thinking “wait, that’s more than 100%!”, you have not considered, as Pareteum management have, that customers can arbitrarily exceed their backlog quote. Management have worked this into their forecast. In true Spinal-Tap fashion, couldn’t you just make 10 louder?

![Figure 58 Pareteum Conference Call transcript, Q1 2018](image)
Our analysis was performed by finding the difference in backlog between periods, multiplying it by the percentage collected in the relevant year of the contract’s life, then dividing it into quarters equally. By doing this for every quarter’s “generation” of new backlog, we can build a picture of expected revenue from backlog.
The following assumptions were made in the analysis:

- The net change in backlog is equal to the value of new contracts signed in that period. Note that customers dropping off contracts is irrelevant as we use net change in backlog for our calculations.
- While Pareteum does disclose the new contract backlog added in the quarter in some disclosures, this is not consistent enough to build a useful picture of the backlog conversion.
- Contracts signed within the quarter are treated as being effective as of the last day of the quarter. For example, the change in backlog between Q3 & Q4 2016 would start to generate revenue in Q1 2017.
- Backlog is evenly billed throughout the year. For example, if 15% of contract value is converted in a year then 3.75% of that contract revenue would be recognized each quarter.
- We have used backlog data from Q3 2016 onward, as a result our analysis underrepresents the backlog revenue in earlier periods for this reason. Were we to include earlier figures the discrepancy would be larger, not smaller, as the backlog has never shrunk. Further as backlog has increased exponentially the significance in future periods of excluding earlier periods is reduced.

Based on the Q1 2018 earnings call estimates, Pareteum should have made at least US$3.833m (16.85%) more in revenue in Q1 2019 than it reported in revenue.

In conclusion, we believe backlog has been significantly overstated, either in its conversion rate or its value. Its exponential increase has made it an inaccurate tool for modelling Pareteum’s future revenue and management should revise its backlog figures or retire the measurement altogether. Investors should be wary of using it as any sign of the company’s performance.

Pareteum not collecting on Backlog

For example, in Q2 2018 Pareteum’s backlog was stated as US$276m with US$21m incremental from existing contracts, and the increase in the quarter was stated as US$55m based on newly awarded contracts. The company’s Q1 2018 backlog was US$200m implying that the US$76m difference was only newly awarded contracts and incremental revenue leaving no net reduction in backlog.

The math leaves no space for Pareteum to have collected any backlog in this period.

**Key Business Highlights for Second Quarter 2018:**

- Awarded 13 contracts aggregating to $55 million in total contract value, which added $55 million to 36-month Contractual Revenue Backlog
- Increased 36-month Contractual Revenue Backlog from $200 million at End of the first quarter of 2018 to $276 million; includes $21 million incremental from existing contracts
- Contractual Revenue Backlog conversion rate at 106%
- Ended the second quarter of 2018 with 2,713,600 Connections, an increase of 225% over the end of the second quarter of 2017 and 23% higher than the first quarter of 2018

**Figure 61 Pareteum Announces Record Second Quarter 2018 Results**

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It was a similar story in Q3 2018 when Pareteum’s backlog was stated as US$403m with US$72m in incremental from existing contracts, and the increase in the quarter from newly awarded contracts was US$127m.

Key Business Highlights for Third Quarter 2018:

- Awarded 19 contracts aggregating to $403 million in total contract value, which added $127 million to 36-month Contractual Revenue Backlog
- Increased 36-Month Contractual Revenue Backlog from $276 million at end of the second quarter of 2018 to $403 million, includes $72 million incremental from existing contracts
- Contractual Revenue Backlog conversion rate at 100%
- Ended the third quarter of 2018 with 2,903,000 Connections, an increase of 127% over the end of the third quarter of 2017 and 7% higher than the second quarter of 2018

Considering the difference between the Q3 and Q2 backlogs is equal to the newly awarded contracts we question where the US$72m from existing contracts is accounted for. The only reason the backlog addition in Q2 reconciled was the incremental backlog.

Pareteum bills monthly so its backlog additions should exceed the net increase of the backlog. This is not the case.

Perhaps unsurprisingly the backlog is not kept by CFO Ted O’Donnell but President Denis McCarthy in a spreadsheet according to the Q4 2018 earnings call Q&A (given O’Donnell’s history, we doubt this makes much a difference).

Since McCarthy joined the company in January 2018 the backlog has skyrocketed. Note that McCarthy does not sign off on the company’s SEC filings.

Blockchain promotion

Through 2017 and 2018 Pareteum management heavily promoted their blockchain business in several press releases. Readers will remember 2017 as the year that blockchain went berserk and it appears Pareteum management wanted to cash in on the craze.

On November 19, 2018 Pareteum received a comment letter from the SEC questioning, amongst other things, the company’s actual involvement in cryptocurrency.

Regarding claims to be a blockchain-enabler platform, its status and the existence of any revenue from that platform:

“To date, blockchain in this example is only used to allow for the deployment of a payment gateway to mobile phone subscribers, allowing customers to extend into a dual purpose payment gateway and deploy their own or existing blockchain functionality. We are not involved in any blockchain transactions, we merely facilitate the mechanism by which a mobile phone subscriber can use any form of payment their service provider will accept.

To date presumably due to the fluctuation of crypto currency we don’t believe any services have been launched as of yet that will accept crypto currency for payment. We currently generate no revenue from customers utilizing this platform for blockchain-related services and do not plan to do so in the future. We do not believe this previously-proposed offering is material to our business at this time.”

Regarding their claims of a cryptocurrency payment system and the deployment of new or existing digital tokens:

“We have no plans to engage in any cryptocurrency mining, have no plans to create our own digital currency and have no plans to act as a verification service for digital currency only to provide access to existing functionality for our customers using the power of blockchain.”

Regarding their relationship with cryptocurrency provider AirFox:

90 [https://www.sec.gov/Archives/edgar/data/1084384/000114420418062787/filename1.htm](https://www.sec.gov/Archives/edgar/data/1084384/000114420418062787/filename1.htm)
AirFox asked us to act as a referral to our customers for their service.

Though we continue to maintain a professional relationship with AirFox and have not terminated our partnership arrangement with AirFox at this time, AirFox has not deployed any mobile-phone related services and has discontinued this portion of their business for the time being. We have not and do not plan in the near future to generate any revenue from our relationship with AirFox.

This response was after a year’s worth of heavy promotion of blockchain on Pareteum’s platform in the form of press releases and white papers. The facts of the case are that Pareteum never had, nor were there real plans for, any blockchain related business or revenue.

6. Valuation

Pareteum management have made a point of claiming that EBITDA and free cash flow will be positive through 2019. Our adjustment shows that to be incorrect returning negative EBITDA and free cash flow. We believe our adjustments are fairly conservative due to the assumptions made regarding iPass and Artilium operating on regular billing terms.

We do not believe EBITDA and free cash flow will be positive in 2019 or beyond unless the company significantly changes its customer base, billing practices and sales operations (likely in a scaled down manner).

Additionally there is the governance issue of sanctions breaches, possible disclosure breaches, related party issues and the very real possibility of financial restatements.

In light of this, a valuation using only the adjusted revenue figure is something of a moot point – we believe the business, in its current form, is terminally unprofitable. We have included one for the sake of completeness. Finding accurate comparisons is tricky, as many MVNOs are privately held, and listed MVNO’s are much larger and profitable.
Pareteum Valuation - Viceroy Analysis

<table>
<thead>
<tr>
<th>Ticker</th>
<th>EV/EBITDA (trailing, LTM)</th>
<th>EV/Revenue</th>
<th>Market Cap</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pareteum Corporation</td>
<td>NM</td>
<td>10.00</td>
<td>278.0</td>
</tr>
<tr>
<td>8x8, Inc.</td>
<td>NM</td>
<td>6.07</td>
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<td>Vonage Holdings Corp.</td>
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<td>Amdocs Limited</td>
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<td>NASDAQ:CSGS</td>
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<tr>
<td>Telefonaktiebolaget LM Ericsson (publ)</td>
<td>OM: ERIC B</td>
<td>1.39</td>
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<tr>
<td>Average</td>
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All Comps

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<tr>
<th></th>
<th>USD m</th>
<th></th>
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</thead>
<tbody>
<tr>
<td>Revenue</td>
<td></td>
<td>51.4</td>
<td></td>
</tr>
<tr>
<td>Viceroy adjusted revenue</td>
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<td>29.3</td>
<td></td>
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<tr>
<td>Target EV</td>
<td>USD m</td>
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<tr>
<td>Target market cap</td>
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<tr>
<td>Downside</td>
<td>%</td>
<td>-76%</td>
<td></td>
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</table>

8x8, Inc.

<table>
<thead>
<tr>
<th></th>
<th>USD m</th>
<th></th>
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</tr>
<tr>
<td>Viceroy adjusted revenue</td>
<td></td>
<td>29.3</td>
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<td>Target EV</td>
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<tr>
<td>Downside</td>
<td>%</td>
<td>-44%</td>
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</table>

Figure 68: Viceroy Valuation

Pareteum is also an outlier with 8x8, Inc regarding EV/Revenue. Using only 8x8, Inc’s EV/Revenue results in a downside of 44%.

A token valuation on an EV/Revenue basis presents a 44% - 76% downside for Pareteum’s share price. Further risks highlighted in this report are difficult to quantify. Together with a conservative revenue adjustment, we believe the downside risk is much greater.

7. Conclusion

At a glance Pareteum’s growth story could be described as suspicious. After our investigation we believe this growth story is completely broken and may not have ever existed at all. Investors should take a look at the damage inflicted on Catcher Holdings, Davnet and AudioEye as a sign of things to come if management is investigated or held accountable for its actions.

We advise investors to call for a fully independent investigation of management, in particular: Hal Turner and Ted O’Donnell and for an investigation of the company’s revenue recognition practices and internal controls.