Pareteum Issues Chairman’s Update Letter

NEW YORK, NY – PRNewswire - April 16, 2018 - Pareteum Corporation (NYSE American: TEUM), (“Pareteum” or the “Company”), the rapidly growing Cloud Communications Platform company, today announced the issuance of a shareholder update letter from its Executive Chairman and Principal Executive Officer, Hal Turner.

Dear Fellow Shareholders,

Pareteum is on to a rapid start for 2018 in all meaningful areas. We are pleased to highlight the following:

At the end of Q1:

- Our 36 Month Contractual Revenue Backlog now sits at $200 million, with expectations for continued, and, even accelerated growth;
- TEUM has now won new contract awards that span the globe, including Western Europe, Eastern Europe, U.K., U.S., Latin America, Asia;
- Acceleration of the 36-Month Contractual Revenue Backlog conversions were revealed when Pareteum Announced Customer Go-Live Deployments in Europe, South America, North America, and Asia Pacific;
- Received the IoT Evolution's 2017 IoT Excellence and 2018 Internet Telephony Product of the Year Awards;

We have continued to experience financial improvements during the first few months of 2018. With our Software-as-a-Service (SaaS) business model, we have excellent visibility into our business operations and revenue recognition. This enabled us to pre-announce our first quarter, ended March 31, 2018 revenue, of $4.1 million, just a week after the quarter’s ended, and, which represents 47% growth for the first quarter ended March 31, 2018.This is significant because it represents a reversal of the prior year’s Q1 seasonal revenue decrease, and a sequential quarter over quarter revenue increase. This reflects the increasing role our Global Cloud is playing in revenue contribution, and, its ongoing potential. It is also significant that “connections” (our term representing devices, subscribers and their variable usage), which are a lead indicator of revenue, rose to 2,220,000 as of March 31, 2018. This connections growth of 94% versus the end of the first quarter 2017 and 30% from the sequential fourth quarter of 2017, gives management confidence.

TEUM has, for the first time in our company history as Pareteum, provided forward-looking guidance as follows:

- Revenue growth and increase over 2017 of at least 50% revenue growth for the full year 2018; this will be reviewed quarterly for possible grading;
- Continued improvement in both operating cash flow and EBITDA;
- Target gross margins of 70-75% and improving operating margins into the range of 15-20% over the next couple of years;
- We affirm our expectations for Positive EBITDA from Continuing Operations for the Full Year 2018; EBITDA is a NON-GAAP, measure;
- Our balance sheet remains strong with more than $15.5 million in cash;

It is important to acknowledge recent research updates by Dawson James Securities, Joseph Gunnar and Ascendiant Capital Markets, with price targets of $3.10, $3.50 and $4.00, respectively. While it is correct that analysts form their views and independently publish accordingly, I want to assure you that our whole management TEUM continues to believe that we are significantly undervalued and have our sights aimed high.

A major focus of our TEUM in 2018 is customer deployment and service delivery of previously awarded contracts. Converting these contractual customer agreements into live revenue production, with fully ramped service connections over the term of the agreement, is among our highest operating priorities. This is our lifeblood, and, it is the driver of current and future revenues. Here are some explanatory comments to questions we have received regarding our 36 Month Contractual Revenue Backlog and how it converts into billed and collected revenue.

It works like this:

A new contractual sales win is announced (based upon service platform type) as:
- Managed Services Platform (MSP): these are large Mobile Virtual Network Enabler (MVNE) agreements (i.e. Brazil or Eastern Europe); or,
- Global Cloud Services Platform: these are small communication services providers (CSP's) (i.e. Mobile Virtual Network Operator (MVNO) providing worldwide service); or,
- Application Exchange & Developers Platform: these are developers with applications that need connectivity (i.e. a developer is adding mobile services such as data, voice, SMS to a game, a home security company is adding wireless backup calling to their equipment);

Service Deployment and Implementation occurs on average over a 60 to 180 day period, dependent upon many factors such as number of connections and subscribers being migrated, complexity of the software integration with the customer's existing software and hardware, and the amount of custom tailored development work needed to satisfy the specific customer. Another variable is the availability of project and program managers, in country, to oversee the service initiation. Our targeted implementation times are shorter, ranging from 30 to 90 days, However, in some of the early agreements, the added element of customer readiness may have impacted the go live dates. These live deployments drive connections, which in turn generate monthly recurring revenue. In our recently released pre-announcement of the first quarter 2018, we disclosed that connections have ramped to 2,200,000, up 94% versus the end of the first quarter 2017 and 30% from the sequential fourth quarter of 2017.

Connections, as noted above, are a leading indicator of future revenue. As we convert backlog to live, in service connections, our revenue will increase. For every incremental dollar of revenue, we expect contribution to our bottom line, based upon our targeted gross margins and the high scalability of our software and systems that we use to drive our business and its growth;

One of the more popular comments TEUM has received since we recently provided our initial 2018 outlook of at least 50% revenue growth deals with the misunderstanding that monthly recurring revenue from the 3 year contracts signed is derived simply by dividing by 36 months. That is not the case. We often state, and, I will again reiterate, that our 36-month contractual revenue backlog does not convert equally at one-third per year over the three years. Our awarded contracts, depending on the type of contracted service, have a targeted range of 30-90 days for implementation, with our early experiences being longer by a factor of two (our planning financial model has adjusted for this). The connections (subscriptions) then ramp over time, based upon many factors in our customers businesses (noted above). So, let's use a hypothetical example of a $3 million, 3-year Cloud contract. The approximate revenue recognition of customer's 36 month agreement, most often occurs as follows:

- Year 1 at approximately 15% coming from implementation and initial connection pricing;
- Year 2 at approximately 30% monthly recurring revenues based upon number of connections;
- Year 3 at approximately 55% monthly recurring revenues with a ramping of the number of connections;

These percentages also closely align with the overall 36 Month Contractual Revenue Backlog and how the connections are scheduled by the customers to be deployed and go into live revenue production. This gives us good visibility into the revenue that will derive from our 36 Month Contractual Revenue Backlog. In addition to the 3 year ramp that we have chosen to report on, our executed contracts also include multiple sales with five and seven year contractual terms. I would also point to our historical success in renewing major contracts with our customers. These continued renewals will strengthen our backlog over time. Pareteum's contractual agreements do have automatic renewal periods. At the time of either a negotiated renewal, or the automatic extension renewal, the existing connections that are live and billing revenues continue as monthly recurring revenue (MRR) and are recognized into our P&L accordingly. Overall, it has been our experience that satisfied customers that are receiving valuable services typically renew.

Additionally, regarding our clients, we are often asked about the specific names. As is customary in highly competitive growth markets, we, and our clients do not disclose specific names due to competitive reasons. In addition, many of our clients do not wish to be disclosed due to the nature of their business. Many of our partners and some clients are disclosed on our website and in our 10-K filing.

In this letter, I have recapped the great start we have made in 2018, including our affirmation of the outlook we have provided earlier. We have also, very transparently, addressed some of your detailed questions regarding the 36 Month Contractual Revenue Backlog and how that converts into billed, collected, and recognized revenues on our P&L. With this context, it is important to address "where have we come from, and, now, where are we going?"

Here is my summary of that for you:

November 2015 – December 2016: this was the period of survival and making the fundamental changes to enable the business to have a chance to grow. This was characterized by significant expense reductions; stabilization of our anchor customer and the services provided; prioritization of many regulatory and compliance matters; maintaining a constructive relationship with our secured lender and planning to pay them back; attracting survival capital in the most efficient manner, given the condition of the business; stabilizing our software and services platform; creating the vision and mission of the business and the plans for the future; attracting key talent willing to join me and turn the company around … by all stretches of the imagination, it was heavy lifting and virtually a 24X7 investment of time and available resources … we survived!

2017: this year was characterized by launching sales, raising capital, paying off $10.1 million of senior secured debt, concluding outstanding legal and regulatory matters, and igniting the fires of growth with expansion into several new territories validating our go-to market strategy.

So now, where do we go? What is our future?

We are driving hard to grow our existing business and our addressable markets … this means adding channels, adding new sales executives, and simply selling more to existing and new clients.

We are in the strongest position the company has been in to attract new customers and grow our revenue. Our balance sheet is strong compared to the competitive landscape and we intend to use that to grow our business as fast as we can. We will find everyway and anyway to grow bigger.

We are also driving hard to identify new strategic partnerships and associated opportunities to grow more rapidly than the building of sales teams and new territories will enable. This means we are seeking new products and services where the “buy vs build” analysis favors buying. It also means we are seeking new revenues by partnering or acquiring companies that are active in segments where we are not; active in territories where we are not; or simply have amassed a revenue base that is highly synergistic to our plans. This can also help us identify new key personnel (developers, engineers, and operations) to support the growth we are planning to experience.

Our markets are somewhat fractured with no one operator having amassed any level of market dominance. We intend to grow in scale and scope and become a dominant force and to use our award winning platform services to further extend into new service and markets that will bring profitable revenues to our P&L.

We are measuring ourselves on revenue and earnings and with the discipline that all of our decisions and actions will be bound by the caveat of “accretive to earnings” and strategic position improvement as our benchmarks.

As you well know our software has allowed us to significantly scale our revenue while controlling the growth of our selling, general and administrative expenses. Our strategic initiatives will benefit from this capability further adding to scalability and efficiency.

I will leave you with this: our strategies are expected to enable and accelerate the world's shift to an open mobility and application network. When we're successful, it will accelerate the pace of innovation in the world, create more economic freedom, and provide better mobility services to billions of underserved people.

We look forward to continued success in 2018 with the driving force of our company: We are all in sales!

All good wishes to you our shareholders,

Robert H. Turner
Executive Chairman & Principal Executive Officer
Pareteum Corporation **(NYSE American: TEUM)**

About Pareteum Corporation

The mission of Pareteum Corporation (NYSE American: TEUM) is to connect "every person and everything". Organizations use Pareteum to energize their growth and profitability through cloud communication services and complete turnkey solutions featuring relevant content, applications, and connectivity worldwide. Our platform services partners (technologies integrated into our Cloud) include: HPE, IBM, Ribbon Communications (Sonus+GenBand), Oracle, Microsoft, and other world class technology providers. All of the relevant customer acquired value is derived from Pareteum's award winning software, developed and enhanced for many years. By harnessing the value of communications, Pareteum serves retail, enterprise and IoT customers. Pareteum currently has offices in New York, Sao Paulo, Madrid, Barcelona, Bahrain and the Netherlands. For more information please visit: www.pareteum.com.

Forward Looking Statements:

Certain statements contained herein constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements may include, without limitation, statements with respect to Pareteum's plans and objectives, projections, expectations and intentions. These forward-looking statements are based on current expectations, estimates and projections about Pareteum's industry, management's beliefs and certain assumptions made by management. Readers are cautioned that any such forward-looking statements are not guarantees of future performance and are subject to certain risks, uncertainties and assumptions that are difficult to predict. Because such statements involve risks and uncertainties, the actual results and performance of Pareteum may differ materially from the results expressed or implied by such forward-looking statements. Given these uncertainties, readers are cautioned not to place undue reliance on such forward-looking statements. Unless otherwise required by law, Pareteum also disclaims any obligation to update its view of any such risks or uncertainties or to announce publicly the result of any revisions to the forward-looking statements made here. Additional information concerning certain risks and uncertainties that could cause actual results to differ materially from those projected or suggested in Pareteum's filings with the Securities and Exchange Commission, copies of which are available from the SEC or may be obtained upon request from Pareteum Corporation.

Non-GAAP Financial Measures

This press release contains a measures of financial performance not calculated in accordance with accounting principles generally accepted in the United States ("GAAP") of Adjusted Earnings, Before Interest, Taxes, Depreciation and Amortization ("EBITDA").

Contractual Revenue Backlog Definition:

Contractual revenue backlog is measured on a forward looking 36 month snapshot view monthly, and, is generated by each of the Company's Managed Services, Global Mobility Cloud, and Application Exchange & Developer's Platform customers. The Pareteum multi-year Software-as-a-Service agreements include service establishment and implementation fees, guaranteed minimum monthly recurring fees, as well as contractually scheduled subscribers, in some cases including subscriber usage, during the term of the agreement, and, their resulting monthly recurring revenue. There can be no assurances that we reach the total revenue backlog. The revenue backlog assumes timing of revenue recognition that may vary from actual results.

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