

INDUSTRY NOTE

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Inventergy Global, Inc. Update

Inventergy Global owns over 760 patents acquired in three transactions from Huawei, Panasonic and Nokia. The Huawei and Nokia portfolios complement each other and provide Inventergy with a strong position to assert its assets in three market segments: IMS, (IP Multimedia Core Network Subsystems), VoIP enterprise networking equipment, and telecomm service providers. The Panasonic portfolio covers communications between a base station and handset and is used in five key market segments: telecommunication operators, base station equipment vendors, mobile equipment vendors, routers & cards and connected cars or vehicles with 3G or LTE mobile communications. The end markets generate multiple tens of billions in annual sales, providing rich opportunity for the company.

Portfolio	Acquired	Patents	Industry
Huawei	15-May-13	182	Fixed and Mobile communications focused on IMS
Panasonic	31-Oct-13	497	Mobile broadband (3G-4G)
Nokia	23-May-14	83	Fixed and Mobile communications focused on IMS

Source: Inventergy Global Inc.

In March the company announced its initiative in the mobile broadband industry where it has almost 350 patents in at least 34 mobile broadband patent families with claims directed to mobile terminals including phones, tablets, modems and hotspots. Of the 34 patent families, at least 15 contain standard essential patents and cover the 3G and LTE functionality in mobile devices. This is a very large market with 10 billion devices expected to be shipped cumulatively over the next five years. Inventergy is offering access to its mobile device standard essential patents for “significantly less” than \$1 per device. At five cents per unit that represents an undiscounted addressable market size of \$500 million.

The company announced its first licensing deal in February, a \$2 million, five-year license to two of Inventergy’s portfolios acquired from Huawei and Nokia. The license is for an estimated sales volume of a mid-tier telecomm company.

Based on the 130 companies Inventergy has identified as infringing its patents, we estimate there is a wide range of potential outcomes of the cash it can collect in license fees over the next few years. Factors that drive the estimated cash collection include the portion of Tier 1 licensees, the average license fee for the large and mid/small tier licensees, the success rate in negotiating license fees, litigation costs and the time frame for the campaign.

The table below presents various alternative cash outcomes assuming a 50% to 90% success rate in consummating license agreements with the 130 companies Inventergy has identified as infringing and an average license fee ranging from \$1.9 million to \$5.6 million.

Cash per share Possible Outcomes

Success Rate	Average License Fee			
	\$1.9M	\$2.8M	\$3.8M	\$5.6M
50%	\$ 1.00	\$ 1.61	\$ 2.28	\$ 3.50
65%	\$ 1.28	\$ 2.18	\$ 3.05	\$ 4.63
80%	\$ 1.77	\$ 2.74	\$ 3.82	\$ 5.76
90%	\$ 2.03	\$ 3.12	\$ 4.33	\$ 6.52

Source: Chardan Capital Markets estimates.

Other companies mentioned in report:

PAID, Inc. (PAYD - \$0.06 - Not Rated)

Inventergy was founded in February 2013 with a \$10 million investment (\$8 million in debt and \$2 million in equity) followed by two more rounds that raised \$9 million in equity. In June of 2014 the company completed a reverse merger with eOn Communications. In October of 2014 the company re-financed its \$8 million debt with an \$11 million note from Fortress Investment Group, with the option to expand by \$5 million and an additional \$3 million was committed by Fortress as an advance on license payments.

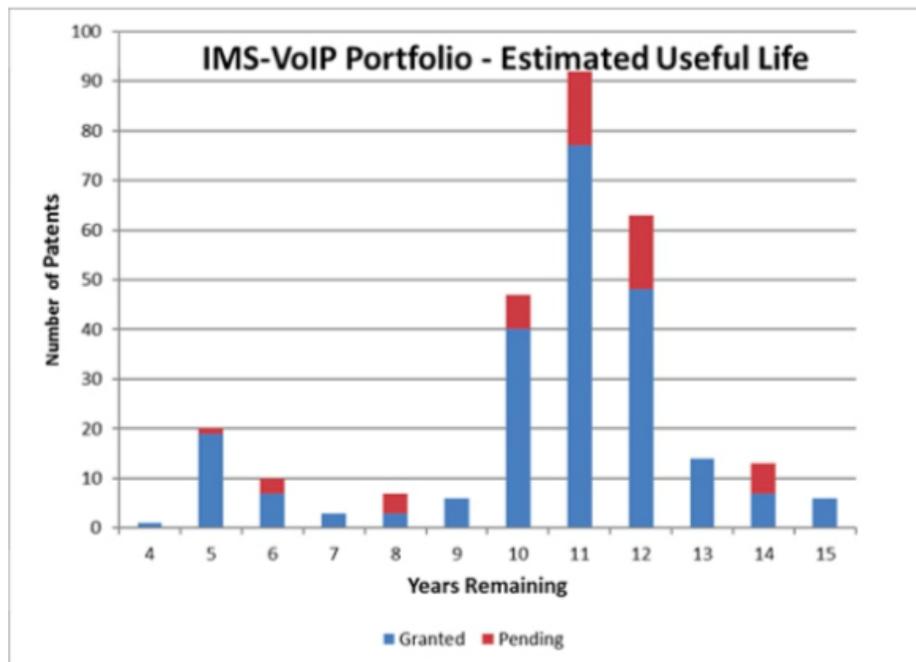
Inventergy has spent a total of \$10 million on the three portfolios, with an additional \$2 million due over the next two years. Huawei and Panasonic are also entitled to a revenue share of the net revenues (gross revenues less litigation costs) of their respective portfolios. We believe the share is about 20% to 25% of the net revenues.

The Fortress notes also have a revenue share feature after Inventergy repays the principal. Depending on when the notes are repaid and the amount of revenue, Fortress could be due another \$10 million to \$12 million.

The CEO of Inventergy is Joe Beyers, who spent 34 years at Hewlett-Packard, started 7 software businesses, led HP's \$600M per year Internet Business Unit and ran the company's patent, standards, technology and brand licensing.

The company engages first in collaborative discussions with potential licensees as opposed to leading with litigation or threats of litigation. Currently the company is engaged in only two suits, against Sonos and Genband. The Sonos suit was filed in response to a Sonos complaint asking for declaratory judgment against Inventergy.

The Huawei portfolio has a 10+ year average life and the Nokia portfolio a 7 year average life, a large number of standard essential patents and limited prior license encumbrances.



Source: Inventergy Global, Inc.

The Huawei/Nokia portfolios cover large and significant areas of the telecommunications industry and the company is targeting license agreements in three major market segments: IMS Core Systems, VoIP Enterprise Networking Equipment, and Telecommunications Service Providers.

IMS/VoIP IP assets relate to core communications components in 3 major market segments.

1 IMS Core Systems

- IP Multimedia Core Network Subsystem (IMS) is an architectural framework for delivering IP multimedia and voice applications from wireless and wireline devices
- IMS deployment growing rapidly world-wide

2 Enterprise Networking Equipment (VoIP)

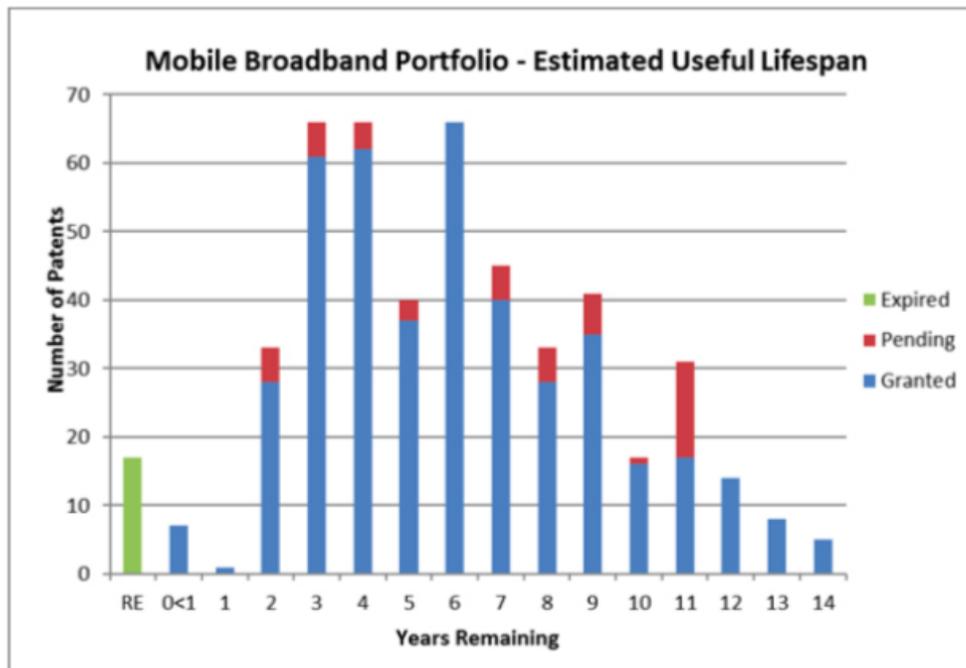
- Business Communications Systems (BCS) interconnect the various locations within an Enterprise
- Includes PBX (Private Branch Exchange) and Key Systems for intra-company voice communications and access to the PSTN (Public Switched Telephone System)
- Provides higher value services to the corporation including collaboration and video services

3 Telecommunications Service Providers

- Service Providers include national and regional wired and wireless phone service providers, and cable operators
- IMS technology powers Voice+Internet+TV bundles and video and internet delivery to mobile devices

Source: Inventergy Global, Inc.

The Panasonic portfolio has an average life of about 6 years and of the 497 patents, about 189, or 38%, are standards-relevant suggesting there are a large number of potential licensees.



Source: Inventergy Global, Inc.

Inventergy is offering access to its mobile device standard essential patents for “significantly less” than \$1 per device. One billion units are estimated to be shipped in 2015 and 10 billion cumulatively through 2020. At five cents per unit that represents an undiscounted addressable market size of \$500 million.

The Panasonic portfolio covers radio access technologies in five key market segments: telecommunications operators, base station equipment vendors, mobile equipment vendors, routers & cards, connected cars.

Radio Access Network communications technologies in 5 key market segments.	
1	Telecommunications Operators <ul style="list-style-type: none"> • Over 80 Telecom Operators in 18 Countries • 2.5 billion Mobile connections in 2013 • ARPU (Average Revenue Per User) varies by geography but runs in the range of \$30 - \$70 / month
2	Base Station Equipment Vendors <ul style="list-style-type: none"> • 3G - WCDMA/HSPA Base Stations • 4G / LTE Base Stations • Most Base Stations Equipment Vendors today make Base Stations which support 2G/3G/LTE Radio communications simultaneously
3	Mobile Equipment Vendors <ul style="list-style-type: none"> • Mobile phones / Smart Phones • Embedded Devices in Tablets, PC's, Netbooks and other mobile communications user equipment
4	Routers & Cards <ul style="list-style-type: none"> • Mobile Broadband Equipment such as USB Cards, Dongles, Mobile Routers
5	Connected Cars <ul style="list-style-type: none"> • Vehicles with 3G or LTE mobile communications

Source: Inventergy Global, Inc.

Many of the 130 potential licensees Inventergy has identified are large Tier 1 equipment providers and operators with a potential license value of \$20 to \$30 million. The mid-tier license values are probably similar to the \$2 million deal Inventergy announced in February. Depending on the mix of Tier 1 licensees we estimate the gross revenue potential ranges from \$250 million to \$850 million.

Costs to achieve this include litigation expenses, which we assume are 20%, lower than the average in the industry, but so far the company has a far fewer number of cases in litigation relative to the average IP company in the industry. We have also assumed the company will pay 20% of its net revenues to Panasonic and Huawei and the full \$12 million revenue share to Fortress. Annual cash non-litigation costs are running about \$8 million. The first \$39 million of income will be shielded by NOLs and we've assumed a 35% tax rate.

The key variables in estimating the range of cash outcomes the company can generate are the mix of Tier 1 settlements, the average settlement size of the Tier 1 and non-Tier 1 licensees, and the success rate.

The table below shows the potential cash generation, per share, assuming a three year license campaign, success rates on the 130 identified potential licenses, ranging from 50% to 90%, and average

license fees ranging from \$1.9 million to \$5.6 million. The average license fee is estimated by differing mixes of Tier 1 settlements from 10% to 20% and average license fees on Tier 1 settlements of \$10 million to \$20 million and average license fees on non-Tier 1 settlements of \$1 million to \$2 million.

Cash per share Possible Outcomes

	Average License Fee			
Success Rate	\$1.9M	\$2.8M	\$3.8M	\$5.6M
50%	\$ 1.00	\$ 1.61	\$ 2.28	\$ 3.50
65%	\$ 1.28	\$ 2.18	\$ 3.05	\$ 4.63
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Source: Chardan Capital Markets estimates.

Cash requirements in the short-term include a \$1 million payment to Nokia in June and the \$8 million in cash operating expenses. Cash at the end of 2014 was \$1.4 million and the company raised another \$2 million in March. The company entered into its first license agreement in February and its agreement with Fortress allows for another \$5 million in funding. It is likely the company will seek more funding unless it is able to strike more license agreements in the short-term.

Comparative Statistics

The table below presents market statistics on the IP space. Market caps range from \$3.8 million to \$2.3 billion, cash balances from minimal to over \$700 million and quarters of cash remaining based on the last twelve months of operating cash flow from a few months to many years.

One of the advantages to the IP model is the limited amount of opex required since the major cost, litigation, is performed on a contingency basis. However, for company's pursuing the big payday, one strategy defendants can and do pursue is to delay as much as possible, pressuring the cash balances of the plaintiffs, and possibly resulting in more favorable settlements.

		Price	Mkt. Cap	Net Debt	TEV	Cash	LTM OPCF	Q's of Cash
XXII	22nd Century Group	\$ 0.86	55.3	(5.3)	50.0	6.4	(6.6)	3.9
ACTG	Acacia Research	\$ 10.71	545.7	(193.0)	358.1	193.0	4.2	
CLIR	ClearSign Combustion	\$ 5.28	66.9	(1.8)	65.1	1.8	(5.5)	1.3
DSS	Document Security Solutions	\$ 0.41	19.0	5.9	24.8	2.3	(2.4)	3.9
FNJN	FINJAN Holdings	\$ 1.81	40.7	(17.5)	23.2	17.5	(7.4)	9.5
IDCC	InerDigital	\$ 50.82	1,887.3	(486.1)	1,408.5	703.9	242.0	
PTNT	Internet Patents Corp.	\$ 2.67	26.9	(24.6)	2.3	24.6	(2.4)	41.1
INVT	Inventergy	\$ 0.42	14.9	9.0	23.9	1.4	(8.4)	0.7
ITUS	ITUS	\$ 0.14	31.4	(10.5)	21.3	10.5	3.4	
MARA	Marathon Patent Group	\$ 5.36	74.5	17.4	91.9	5.1	4.5	
MGT	MGT Capital Investments	\$ 0.56	5.9	(2.2)	4.3	2.2	(4.9)	1.8
MMRF	MMRGlobal Inc.	\$ 0.01	3.9	2.5	6.4	0.3	(0.7)	1.9
NEON	Neonode, Inc.	\$ 3.46	140.0	(5.7)	134.3	6.1	(11.8)	2.1
NTIP	Network-1 Technologies	\$ 2.25	54.5	(18.7)	35.8	18.7	5.8	
PAYD	PAID, Inc.	\$ 0.06	19.6	(0.8)	18.8	0.8	(0.5)	6.2
PRKR	ParkerVision, Inc.	\$ 0.81	79.2	(11.2)	68.0	11.2	(18.5)	2.4
PPRO	Patent Properties	\$ 1.30	27.0	(15.4)	11.6	15.4	(9.3)	
PCO	Pendrell Corp. Class A	\$ 1.21	322.4	(168.8)	158.8	168.8	(13.3)	50.7
RMBS	Rambus Inc.	\$ 12.90	1,488.9	(146.0)	1,342.9	300.1	76.9	
RIHT	Rightscorp	\$ 0.09	7.7	(1.6)	6.1	1.7	(2.7)	
RPXC	RPX Corp.	\$ 14.51	787.6	(317.5)	470.0	317.5	191.5	
SPEX	Spherix Inc.	\$ 0.78	22.4	(3.7)	24.6	4.3	(9.5)	1.8
STRP	Straight Path Communications	\$ 20.26	242.7	(21.1)	221.4	21.1	6.7	
TSRA	Tessera Technologies	\$ 39.99	2,110.2	(434.4)	1,675.8	434.4	134.2	
UPIP	Unwired Planet Inc.	\$ 0.57	63.4	(77.8)	(14.5)	105.5	31.9	
VHC	VimnetX Holding	\$ 6.68	348.1	(41.2)	306.9	41.2	2.0	
VRNG	Vringo, Inc.	\$ 0.70	65.4	(16.0)	49.4	16.0	(28.4)	2.3
TSX:WIN	Wi-Lan Inc.	\$ 3.12	375.2	(82.8)	279.3	127.6	58.6	
WDDD	Worlds Inc.	\$ 0.14	13.0	1.1	14.1	0.0	(0.4)	0.4

In our view, some companies, with a limited number of patents, like ITUS, MMRGlobal, Straight Path, Worlds, Inc., Internet Patents, Paid, Inc. and MGT Gaming are looking for a big win they can parley into a takeover or into the acquisition of additional patent portfolios. These companies have patents on key technologies addressing large industries and if successful in their pursuit of licenses or positive litigation results could result in much higher share prices.

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