

Inventergy Global, Inc. (NASDAQ: INVT), Target Price: \$10.30

Based in Campbell, CA, Inventergy (NASDAQ: INVT, "Inventergy") is an intellectual property (IP) investment and licensing company. Inventergy works with leading technology companies to help them attain greater monetization from their IP assets and let them focus on their core business operations. The IP monetization business has high margin potential for savvy patent owners, and Inventergy has deep expertise in the telecommunications industry, in particular, and is skilled at identifying, acquiring and licensing high quality patents. We see a large potential opportunity for Inventergy, as the company has amassed an impressive portfolio of more than 700 patents in the telecom industry including seminal patents from leading global companies such as Huawei, Nokia and Panasonic. We were impressed by a very positive company outlook issued December 10, 2015, by CEO Joe Beyers, indicating that Inventergy has closed on over \$6mn of transactions in 2015. This activity level is well ahead of our estimates, and we are encouraged by the progress the company has made as it pursues what it sees as a \$200Bn opportunity in relevant annual revenue for potential licensees.

Investment Highlights

Impressive update from CEO highlights massive opportunity

On December 10, 2015, Inventergy CEO Joe Beyers – a seasoned technologist and inventor with over 30 years of experience working at HP before becoming CEO of Inventergy – provided an impressive company update for investors, highlighting Inventergy's accomplishments over the last year and opportunities in 2016E and beyond as it pursues licensing opportunities for its robust IP portfolio over 700 patents. Using IDC industry data and potential licensing partners, Inventergy sees a potential base of \$200Bn in annual revenues for potential licensees in four key areas: 1) Mobile handsets / devices; 2) Mobile Infrastructure (Cellular Base Stations); 3) IP Multimedia Subsystems (IMS), and Cellular Service Providers.

Transactions now tracking well ahead of our '15 estimates

Inventergy appears to be tracking ahead of our estimates, with Beyers disclosing that the company has now closed over \$6mn in transactions versus our expectations that the company would generate approximately \$4mn in revenue for the full year 2015. We do not believe this figure includes the recent announcement of a settlement with large telecom equipment industry player Genband US LLC, which was settled for an undisclosed amount. Transactions agreements in 2015 have included a \$2mn license agreement with a mid-tier telecommunications company, as well as \$4mn sales agreement for two patent families in the mobile communications infrastructure and mobile handset market segments.

Inventergy successfully completes 1:10 reverse split

On December 8, 2015, Inventergy announced that it had successfully completed a 1:10 reverse split, reducing shares outstanding from 42.2mn to approximately 4.2mn. The move was intended to help the company maintain the minimum 1.00 bid requirement for continued listing on the NASDAQ. We see a NASDAQ listing as a key investment attribute for the company, as the listing on the national exchange most associated with high profile technology companies should assist Inventergy as it pursues licensing deals and seeks to raise new financing. Importantly,

Inventergy also stated that it is working with strategic industry and financial partners to secure the ability to execute on its deal pipeline without needing to enter the equity markets in the short term.

Price target moves to \$10.30 to reflect reverse split

We are adjusting our price target for Inventergy to reflect the company's recent 1:10 reverse split. We were impressed by the company's December 10 announcement including both the progress made in 2015, the Genband settlement, and the scope of the revenue from potential licensees revenues in the company's four key target areas.

Stock Details (12/10/15)

NASDAQ:	INVT
Sector / Industry	Technology /Telecom Services
Price target	\$10.30
Recent share price	\$2.47
Shares o/s (mn)	4.2
Market cap (in \$mn)	10.6
52-week high/low	\$9.40 / \$0.71

Source: Thomson Reuters, SeeThruEquity Research

Key Financial (\$mn, unless specified)

	FY14	FY15E	FY16E
Revenues	0.7	6.0	8.5
EBITDA	(12.2)	(4.0)	(2.0)
EBIT	(13.8)	(5.6)	(3.5)
Net Income	(20.5)	(10.6)	(4.0)
EPS (\$)	-1.15	-2.62	-0.85

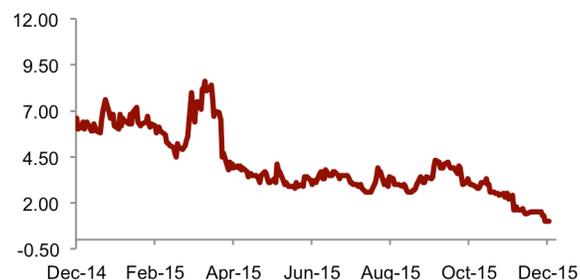
Source: SeeThruEquity Research

Key Ratios

	FY14	FY15E	FY16E
Gross margin (%)	-1.8	82.7	76.5
Operating Margin (%)	(1,916.9)	(93.2)	(41.3)
EBITDA margin (%)	(1,699.1)	(67.3)	(23.2)
Net margin (%)	(2,853.1)	(176.5)	(47.2)
P/Revenue (x)	14.8	1.8	1.2
EV/Revenue (x)	24.2	2.9	2.0

Source: SeeThruEquity Research

Share Performance, LTM



Source: Thomson Reuters

Upbeat investor update highlights massive opportunities for monetization of Inventergy's IP portfolio

- Inventergy CEO Joe Beyers provided an impressive company update for investors on December 10, 2015, which highlighted both the success the company has had year-to-date, as well as the substantial long term opportunities for monetizing Inventergy's IP portfolio.
- **Strong monetization in 2015:** Beyers announced that Inventergy had completed over \$6mn in monetization efforts in 2015, which was ahead of our estimates and also indicates continued growth from the first nine months of the year, in which the company recognized just under \$4.5mn in revenue.
- Deals completed in 2015 include a \$2mn license agreement with a mid-tier telecommunications company, as well as \$4mn sales agreement for two patent families in the mobile communications infrastructure and mobile handset market segments.

Rich IP portfolio with Inventergy targeting \$200Bn per year in revenues form potential licensees

- **Rich IP Portfolio:** Inventergy is seeking to monetize its rich IP portfolio consisting of over 700 patents worldwide, acquired from leading global technology firms such as Panasonic, Nokia and Huawei. Inventergy's IP portfolio includes a mixture handpicked set of standards-essential patents (SEPs) as well as valuable implementation patents. Inventergy is pursuing monetization of these IP assets through strategic licensing agreements and other monetization efforts with telecommunications device and infrastructure companies as well as telecommunications service providers.
- **Four Key segments represent \$200Bn in revenues form potential licensees:** Inventergy has built its patent portfolio targeting four key market segments in the telecommunications industry, which it estimates represents a potential base of \$200Bn in annual revenues for potential licensees in four key areas: 1) Mobile handsets / devices; 2) Mobile Infrastructure (Cellular Base Stations); 3) IP Multimedia Subsystems (IMS), and Cellular Service Providers. We have summarized each opportunity in the following table, using data provided by the company in its overview.

Segment	Mobile Handsets	Mobile Infrastructure	IMS and VoIP	Service Providers
IP Coverage	320 patents in 40 families worldwide. 186 patents in 15 families related to 3G and 4G/LTE	390 mobile infrastructure patents in 51 families related to base stations and mobile gateways	280 IMS/ VoIP patents in 56 families related to IMS infrastructure equipment and software	Seeking to apply patents from Mobile Infrastructure and Mobile Handsets to cellular service providers.
Market Commentary	Seeking 0.15- 0.30 per device, with addressable market of 8.5Bn units	Targeting potential licensee revenue opportunity estimated at 107Bn over next five years	Targeting \$100Bn in potential licensee partner revenues in VoIP and \$25Bn in IMS over the next five years.	Seeking to monetize the more than \$100Bn in annual revenues stemming from 50 operators and 1.4Bn subscribers in areas where Inventergy patents are applicable.

Source: Company

Strong Pipeline ahead; intriguing settlement with large industry participant Genband

- **Strong Pipeline:** Inventergy management indicated that the company has a strong pipeline of deals in both an investor update released on December 10, 2015, as well as in comments made at the IP Dealmakers Forum in New York on December 8, 2015. CEO Joe Beyers indicated that he was excited by what he characterized as an “attractive short to mid-term potential deal pipeline” with the potential to “create significant shareholder value.

- **Genband settlement adds validation to Inventergy's ability to monetize with larger industry participants.** The company also noted that it had entered into a settlement agreement with large telecom equipment industry participant Genband US LLC, marking the third settlement of the year. Although terms were not disclosed in the Genband settlement, we view the announcement as a positive development for the company, given that Genband is a large telecom infrastructure provider.
- In addition to potential future revenues from Genband, we see the deal as adding negotiating power to Inventergy as it seeks licensing / monetization agreements with other large industry players. As we noted in our initiation of Inventergy, the company had pending litigation with Genband and Sonus Networks.

QUARTERLY FINANCIAL SUMMARY

Figure 1. Income Statement Summary

Figures in \$, unless specified	3Q15	3Q14	9 mos 2015	9 mos 2014
Revenues	132,500	306,603	4,483,303	353,646
YoY Change	(56.8%)		1167.7%	
Cost of Revenues	51,651	339,795	913,800	418,000
Gross Margin	80,849	(33,192)	3,569,503	(64,354)
Gross Margin	61.0%	(10.8%)	79.6%	(18.2%)
Patent Amortization	377,742	387,585	1,152,365	1,012,956
General & Administrative	1,930,705	2,559,474	5,921,212	8,996,860
Operating Expenses	2,360,098	3,286,854	7,987,377	10,427,816
YoY Change	-28.2%		-23.4%	4.0%
Operating Income	(2,227,598)	(2,980,251)	(3,504,074)	(10,074,170)
Operating Margin	(1,681.2%)	(972.0%)	(78.2%)	(2,848.7%)
Other items, net	(1,243,269)	42,573	(5,991,273)	(2,261,136)
YoY growth	NM		NM	
Net income	(3,470,867)	(2,937,678)	(9,495,347)	(12,335,306)
EPS, Basic*	(0.98)	(1.48)	(2.95)	(7.86)
Avg. Shares Outstanding in period*	3.5	2.0	3.2	1.6

*EPS calculated from adjusting filings by 1:10 reverse split

Source: Company Form 10Q, SeeThruEquity Research

Additional Notes:

- **Nice top line performance thus far in 2015:** Inventergy reported \$4.48mn of revenues in the first nine months of 2015, up more than ten times from \$0.35mn in the comparable 2014 period. 3Q15 revenues came in at 132,500 versus 306,603 in 3Q14.
- **Tracking ahead of our sales estimates:** Inventergy revenue can vary quarter-to-quarter based on the timing of deals and revenue recognition, but we note that overall this year the company appears to be tracking ahead of our estimates, with approximately \$4.5mn in revenue in the first three quarters versus our estimate of \$2.1mn. Indeed the company has already surpassed our full year estimate of \$3.7mn in revenue for 2015E.
- Operating expenses declined in the first three quarters of the year from \$10.4mn in 2014, to \$8.0mn in 2015. Adjusting for the recent 1:10 reverse split, EPS came in at (\$0.98) in 3Q15, versus (\$1.48) in 3Q14, and (\$2.95) in the first three quarters of the year, versus (\$7.86) in the comparable 2014 period.
- Inventergy ended 3Q15 with cash on hand of \$1.37mn and financial debt of \$8.2mn, the majority of which is due to strategic financing partner Fortress.
- As we indicated in our initiation report on Inventergy, we have seen access to capital as a key risk assumption in our analysis of the company and its ability to execute its growth strategy. Considering this risk, we were pleased to see the announcement by management that they were working with strategic business and financing partners to enable Inventergy to execute its short term to midterm deal pipeline "without the need to enter the equity market in the short term."

Adjusting price target to \$10.30 to reflect reverse split

- Our price target for Inventergy moves to \$10.30, which reflects the 1:10 reverse split successfully completed by the company.
- We have been impressed by the progress that Inventergy has made thus far in 2015, with the pace of monetization tracking ahead of plan as Inventergy pursues what it sees as a base of \$200Bn in annual revenues from potential licensees in the telecom and technology industry.
- We continue to see Inventergy as a compelling, speculative company in the technology industry that offers both high potential for earnings leverage as well as strategic industry value resulting from its leveraging an attractive IP portfolio of more than 700 patents acquired from technology leaders as Huawei, Nokia and Panasonic.

About Inventergy Global, Inc.

Inventergy Global, Inc. ("Inventergy") is a Silicon Valley-based intellectual property company dedicated to identifying, acquiring and licensing patented technologies of market-significant technology leaders. Led by IP industry pioneer and veteran Joe Beyers, the Company leverages decades of corporate experience, market and technology expertise, and industry connections to assist Fortune 500 companies in leveraging the value of their innovations to achieve greater returns.

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