Tangoe (TNGO)

Initiating Coverage with an OUTPERFORM Rating and $27 PT, as Tangoe Leads the Fast-Growing TEM Market

- **Initiating coverage with an OUTPERFORM and $27 price target. We see Tangoe as the clear leader in the underpenetrated market of Communications Lifecycle Management (CLM). With expectations of solid revenue growth and margin expansion, we see meaningful EPS growth. We believe the company's recurring services model provides good revenue visibility. Last, given its core Telecom Expense Management (TEM) solution provides solid ROI, we see Tangoe as somewhat recession-resistant.**
- **Market leader in the fast-growing and underpenetrated TEM market.** Being >3x bigger then the closest competitors, there is a general feeling among IT managers that "you can't get fired going with Tangoe". We believe this provides a clear runway for Tangoe to gain share in the underpenetrated market for TEM, which Gartner expects to grow at a 22% CAGR from $894 million in 2010 to $1,951 million in 2014.
- **Sticky recurring model provides solid revenue visibility.** 89% of Tangoe's revenue in 2011 was related to recurring services and that is expected to increase to 90-92%. Furthermore, we believe the solution is somewhat sticky after an initial investment in bill auditing and on-boarding of billing records. Last, with the average recurring revenue of ~$150K for >800 customers, revenue is diversified.
- **Expect acquisitive strategy to aid growth and market dominance, but could also pose integration risks.** Tangoe has acquired eight companies in the past five years, which has helped bring scale, new technologies, and a global presence. However, we believe this has resulted in a non-integrated offering, which has caused some customer concern despite the high ROI of TEM solutions.
- **Strong organic recurring revenue growth and margin expansion required to support valuation.** Tangoe trades at 34x our 2013 EPS estimate, which is somewhat rich. However, the model is in early stages of scale, and revenue growth remains strong. We believe solid EPS growth should justify valuation, but is dependent on the company's maintaining 20%+ organic recurring revenue growth hitting its target for doubling EBITDA margins to 24-26% from 12.1% currently.
- **Our PT of $27 is based on our DCF analysis.** This represents a 42x multiple on our 2013 cash-adjusted EPS estimate. This is in line with our long-term EPS growth rate of 37%, which we believe may prove conservative given the company's leadership position in the fast-growing TEM market.

FYE Dec	2011A	2012E			2013E		
REV (M)	ACTUAL	CURR.	PREV.	CONS.	CURR.	PREV.	CONS.
Q1 Mar	$22.3A	$34.1A		--	$40.8E		$39.7E
Q2 Jun	26.0A	36.0E		35.2E	42.8E		41.3E
Q3 Sep	27.3A	37.4E		36.3E	44.9E		42.9E
Q4 Dec	29.2A	38.8E		38.0E	47.1E		44.8E
Year*	**$104.9A**	**$146.3E**		**$143.7E**	**$175.5E**		**$169.4E**
Change	53.3%	39.5%			19.9%		
	2011A	2012E			2013E		
EPS	ACTUAL	CURR.	PREV.	CONS.	CURR.	PREV.	CONS.
Q1 Mar	$0.06A	$0.09A		--	$0.14E		$0.12E
Q2 Jun	0.06A	0.10E		0.09E	$0.14E		0.13E
Q3 Sep	0.07A	0.11E		0.11E	$0.15E		0.15E
Q4 Dec	0.08A	0.13E		0.13E	$0.18E		0.16E
Year*	**$0.27A**	**$0.43E**		**$0.42E**	**$0.61E**		**$0.56E**
P/E	75.5x	48.3x			33.5x		
Change	123.6%	56.4%			44.2%		

Consensus estimates are from Thomson First Call.
** Numbers may not add up due to rounding.*

July 17, 2012

Price
$20.55

Rating
OUTPERFORM

12-Month Price Target
$27

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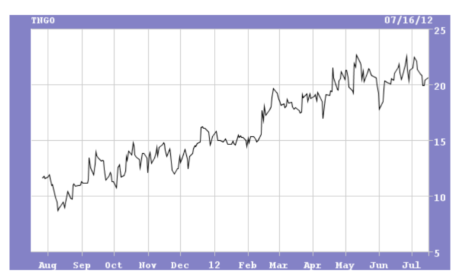
Company Information

Shares Outst (M)	41.7
Market Cap (M)	$857.6
52-Wk Range	$8.01 - $23.05
Book Value/sh	$1.36
Cash/sh	$1.73
Enterprise Value (M)	$803.5
LT Debt/Cap %	0.6

Company Description

Tangoe was founded in 2000 and is based in Orange, Connecticut. Tangoe is a premier provider of Communications Lifecycle Management (CLM) services aiding customers to manage telecommunications expense.



Source: Thomson Reuters

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Telecommunications Software

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Investment Thesis

Tangoe, based in Orange, CT, provides Communications Lifecycle Management (CLM) solutions to enterprises globally. Tangoe's solution helps manage the ever-growing and increasingly complex fixed and mobile telecommunications expenses faced by enterprises. CLM is a combined offering of telecommunications expense management (TEM) and mobile device management (MDM) services. Tangoe was founded in February 2000 and had its first public offering on July 27, 2011. The company currently trades under the symbol TNGO on the NASDAQ. As of May 2012, Tangoe has 1,100 employees and 14 offices.

We like Tangoe's leadership in the large, growing, and underpenetrated markets of CLM, TEM, and MDM (mobile device management). As the market leader with global scale, the argument that "you can't get fired going with Tangoe" rings true. This should lead to additional share gains in these fast growing markets. We also believe the cost-savings of the TEM market could prove to be somewhat recession-resistant. As we believe complexity of telecom services and billing is increasing, we believe TEM solutions such as Tangoe's should benefit as enterprises will find managing telecom costs and devices in-house more difficult. We see Tangoe gaining scale through solid organic and inorganic growth, which should lead to a doubling in EBITDA margins in the coming years.

However, we are concerned about the early stages and fragmented markets for CLM and TEM, which has led to a plethora of competitors from smaller direct vendors to systems integrators and carriers. In addition, we wonder if customers will reduce dependence as their telecom expense management reaches more optimal levels via Tangoe's solutions. We believe Tangoe also needs to justify its valuation through solid revenue growth and margin expansion. While the company does trade at a discount to some enterprise SaaS vendors, we do see Tangoe as a hybrid model with some custom and non-scalable services. Last, we see some risks regarding integration and distraction, given Tangoe's aggressive acquisition strategy. Our checks indicate this has led to a somewhat fragmented offering from Tangoe.

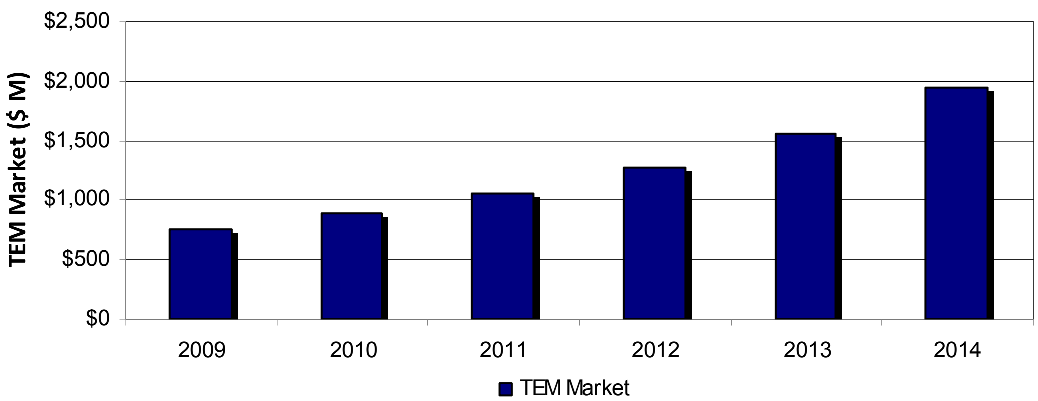
Overall, we are generally positive on Tangoe, as we see solid growth and margin expansion continuing and see the company as somewhat resistant to a slowdown in the global economy. While valuation appears somewhat rich, we expect solid EPS growth to be driven by 20%+ organic growth of recurring revenue (~90% of total revenue), M&A, and margin expansion. With 20% top-line growth and a doubling of EBITDA margins expected in the coming years, Tangoe looks much more reasonable on a P/E basis in the out years. We initiate coverage with an OUTPERFORM rating and $27 PT, which represents a 42x multiple on our 2013 cash-adjusted EPS estimate. This is in line with our long-term EPS growth rate of 37%, which we believe may prove conservative given the company's leadership position in the fast-growing TEM market.

Key Investment Points

Addressing a Large Untapped Market Opportunity in Telecom Expense Management

According to Tangoe, enterprises spent $425 billion globally on fixed and mobile telecom in 2011. Tangoe currently manages $17.6 billion or ~4.1% of the total spend globally, and Tangoe is by far the largest provider in the fragmented TEM market. We expect Tangoe to continue to penetrate this market through a combination of increasing customer penetration, new customers, regional expansion (namely Europe), and additional market share acquisitions. According to Gartner, the TEM market is expected to grow at a 22% CAGR from $894 million in 2010 to $1,951 million in 2014 (see Figure 1).

Figure 1: TEM Market Growth, 2009-2014



Source: Gartner and Wedbush Securities Inc.

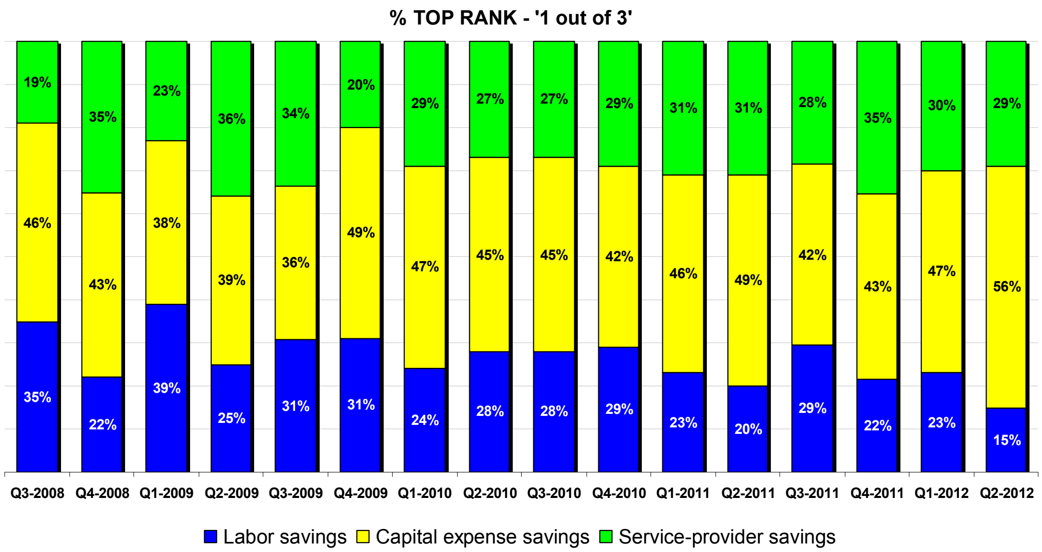
Increasing Complexity of Telecom in the Enterprise Should Favor TEM

Historically, enterprises spent mostly on fixed voice services. However, over time, Internet, hosting, connectivity, wireless and other telecom services have penetrated the enterprise. This has increased complexity, the number of bills and vendors, and the number of connected devices in the enterprise. We believe this increases the challenges for enterprises to manage their telecom expenses in an efficient manner. Of note, through its ~750 customers at the end of 2011, Tangoe supports service coverage in over 180 countries and territories in over 125 currencies with support for approximately 1,700 different communications providers and 1,900 different billing formats. In addition, connected devices continue to proliferate in the enterprise. We expect smartphones to grow at a 30% CAGR from 490 million in 2011 to 825 million in 2013. Gartner expects tablets to grow at a robust 44% CAGR from 60 million in 2011 to 369 million in 2016. We also see other connected devices penetrating the enterprise, further increasing complexity. Management has indicated that there is typically a 3% changeover in devices per month in the enterprise, which we expect to increase and further increase complexity.

ROI Case for TEM Should Help Tangoe Navigate Potential Recessions

Tangoe provides several areas to support the ROI to its clients from reduced expenses to improved productivity. We believe corporations are always looking to reduce expenses in a non-disruptive manner, even in rough economic times. Based upon Wedbush's proprietary Decision Metrics Survey, 29% of respondents indicated that service-provider savings was the top focus for savings. This compares to 59% indicating capital expense and 15% indicating labor. Service provider focused savings has ranged from 19-36% over the past four years of our quarterly survey. We see several key areas of ROI from Tangoe's solution including (1) reduced expenses such as billing errors, overages, unused plans, plan optimization, and pooling; (2) increase productivity through timely provision of devices, applications, and access; (3) optimized service agreements focused on capabilities and rate structures; (4) improved control and visibility through organization of bills and tools to analyze; and (5) better risk and policy management such as controlling unauthorized use, safety of sensitive data, and remote swiping of information.

Figure 2: Focus of Enterprise Savings



Source: Wedbush Securities Inc. Decision Metrics, July 2012

Tangoe is the Market Leader with Scale and a Solid Track Record

Tangoe currently has more than 1,100 employees supporting over 800 customers in over 180 countries and territories. Based upon our checks, this scale has proven attractive to customers, especially multinationals needing global support. With most competitors generating <$20 million in recurring revenue in 2011, we believe this scale has proven to be a competitive advantage for Tangoe. Overall, Tangoe is at least 3x the size of its closest competitor, IBM. We point out that IBM is currently a key Tangoe channel partner, and recently acquired competitor Rivermine. That said, Tangoe's management has indicated it is seeing Rivermine less in the market. However, we plan to closely watch this relationship. Checks also highlight Tangoe has a good track record keeping customers, which has led to a retention rate >90% according to the company. However, we caution that the TEM market remains in early stages.

M&A Strategy Brings Additional Scale, Products, and Regions

Since 2007, Tangoe has made eight strategic acquisitions. Management's goal is to gain scale, add new products, and expand regionally. In terms of scale, we believe it is a competitive advantage in the TEM market. Several acquisitions including TRAQ Wireless, ISG, HCL-EMS, Telwares, ProfitLine, and ttMobiles have improved scale and international presence. TRAQ Wireless and InterNoded brought MDM capabilities, while Anomalous Networks brought rTEM (real-time TEM), which enhances both Tangoe's TEM and MDM products. In Figure 8, we go into further detail regarding Tangoe's acquisitions. Thus far, we have been impressed with Tangoe's M&A strategy as it has remained focused on its three-pronged strategy and the company has shown prudence in terms of price.

Recurring Revenue Model Provides Solid Visibility

Tangoe primarily provides its solutions on a SaaS-like basis after shifting from a perpetual license model in 2006. In 2011, 89% of revenue was tied to recurring technology and services and this is expected to trend to 90-92% in the coming years with the remainder coming from strategic consulting, software licenses and other revenue. We estimate Tangoe is currently generating ~$150K in annual recurring revenue per customer per year for its >800 customers with no customer >10% and IBM the only 10%+ reseller. With contracts ranging 2-5 years and renewal rates >90%, Tangoe has solid revenue visibility.

Inherent Leverage Should Lead to Solid Margin Expansion with Solid Recurring Revenue Growth

With data centers and a platform in place that recognize over 125 currencies and 1,900 billing formats with connections to more than 1,700 communications service providers, Tangoe should see increasing economies of scale as it brings on additional clients. Management's target goal is to double EBITDA margins from 12.1% in 2011 to 24-26%. Management expects this to occur through improved gross margin (scale and revenue mix) and leverage in R&D and G&A, while investing in S&M. However, we point out that we expect Tangoe to have some ongoing margin pressure given it will be unlikely to fully automate its customer solutions, which should always require some custom/manual work. This is typically tied to billing formats that cannot be digitized and upfront services to get clients up and running.

Risks

CLM and TEM is a Fragmented and Early Stage Market

We see solid growth opportunities, but the CLM and TEM markets are still emerging and highly fragmented. While there is lots of headroom for TEM, the market could develop more slowly than expected, which could temper the high growth rates Tangoe has enjoyed. We also believe this has led to various types of competitors, from smaller direct competitors, divisions of much larger companies, and even service providers themselves. We believe this could create confusion and various types of pricing in the market and even aggressive pricing in order to gain share during the developing years of the TEM market.

Potential Diminishing Customer Returns

We believe the ROI presented by Tangoe's solution is very significant. However, we believe as initial efficiencies are addressed that additional ROI may be harder to come by. If customers realize or even perceive ROI is decreasing, they could reduce spending on Tangoe's solutions or even feel they could take some work back in house. That said, given devices in the enterprise turn over ~3% monthly; ongoing M&A in enterprises, carriers, and billing systems; continued employee turnover; new types of telecom services and billing plans; and the increasing trend of BYOD (bring your own device), we believe there will always be meaningful inefficiencies to address in CLM.

Ongoing M&A Strategy Could Pose Integration Risks and Distractions

Tangoe has acquired eight companies in the past five years (see Figure 8). While most of these acquisitions have been moderate in size, we believe the number of acquisitions could prove a challenge to integrate simultaneously and a distraction to the business. Based on our checks, we believe technology platforms of previous acquisitions have not been fully integrated, leading to a fragmented offering. Going forward, we expect the company to continue to be acquisitive. In addition, Tangoe is still on the hook for $17 million in contingent consideration and deferred acquisition payments related to several of these acquisitions, which would create a drag on cash generation. Last, the returns on acquisitions may not meet expectations. Of note, while we believe Tangoe has been a prudent purchaser, revenue from the HCL, Telwares, and ProfitLine acquisitions are down YoY, which we believe is due to some customer loss.

Standardization or Increased Simplicity of Billing Provided by Operators

The driving force behind TEM is a complex market of billing and operations support systems, and an increasingly diverse set of connected devices. As noted previously, Tangoe interfaces with >1,900 billing formats. Should consolidation in the BSS (Business Support Systems) and OSS (Operations Support Systems) markets continue and lead to more standardized billing formats, the need for third-party TEM solutions could be reduced. Likewise, an increased dominance of a device and/or O/S could also simplify billing. For example, Apple and Google have created their own payment systems and wallets, which could relegate carriers to billing for data usage (gigabytes) only. As Apple's iOS and Google's Android operating systems continue to gain share, this risk could increase.

Increasing Dependence on Channel Partners

Tangoe currently generates ~25% of its bookings through ~27 alliance partners of which ~two-thirds is through IBM, HP, Dell, and Xerox (ACS). Other key alliance partners include Bell Canada, Singtel, ISI, SPN, mobility, Insight, Advocate, webb, Pivotel, GQ AAS, Intersel, and others. We believe the increasing reliance on partners could reduce visibility into the pipeline and increase dependence on select partners. In addition, certain key channel partners such as IBM, which generated ~10% of Tangoe's revenue in 2011, could appear to be becoming more competitive with IBM's acquisition of Emptoris, whose Rivermine subsidiary has historically been competitive with Tangoe. Last, IBM and Dell have both been awarded performance warrants and IBM has the right of first refusal to bid for Tangoe.

Varying Flavors of Competition

We believe CLM, TEM, and MDM are all emerging markets with various types of competitors, from smaller direct competitors, divisions of much larger companies, and even service providers themselves. We highlight the TEM competitive landscape in tiers in Figure 10. We believe some smaller competitors could prove irrational with pricing in order to gain share, which could prove disruptive. Smaller competitors could also be more regionally focused, thus making it harder for Tangoe to penetrate certain markets. We believe larger competitors such as systems integrators (SIs), could offer scale, size, global presence, and a bundle of services to compete more effectively with Tangoe. Even partners such as IBM with its acquisition of Emptoris/Rivermine, could become more competitive, though we do not see this as likely near term. In addition, carriers such as AT&T and Vodafone offer TEM services. Of note, we would highlight Vodafone's acquisition of two TEM companies, Quickcomm and TnT Expense Management. However, we believe carrier-based solutions may prove challenging as most enterprises purchase telecom services through multiple operators in multiple countries. In MDM, Tangoe is more of an emerging competitor that is going up against several larger and more established competitors. Tangoe's angle is the integration of its TEM and rTEM capabilities.

Company Overview

Tangoe provides Communications Lifecycle Management (CLM) solutions globally to a range of enterprises, helping manage the growing fixed and mobile telecommunications expense for its customers. CLM is a combined offering of telecommunications expense management (TEM) and mobile device management (MDM) services. The CLM market is accelerating as telecom expenses rise. Gartner estimates that TEM revenue will grow at a CAGR of 22% from $894M in 2010 to $1.951B in 2014. This market should grow at the expense of in-house TEM solutions, which we believe have proven inefficient. As of May 2012, Tangoe is the market leader in TEM, controlling $17.6B, or 4.1%, of the $425B in annual global enterprise telecommunications spend.

Tangoe operationalizes its CLM via its On-Site Communication Management Platform (CMP) software. The software provides a comprehensive solution for Telecommunications Expense Management (TEM) and Mobile Device Management (MDM) and facilitates asset management, expense management, and usage management for communications assets and services. In addition to the CMP software, Tangoe provides strategic consulting services including sourcing, strategic advisory services, bill auditing, inventory optimization, mobile optimization, and policy administration. The company has a diverse mix of clients and offers a value proposition that includes delivering a substantial ROI, and increasing internal efficiency through centralization of enterprise communications efforts.

Tangoe commenced operations in February 2000 in Orange, CT as a provider of fixed TEM solutions. The company has since grown through organic growth and M&A expansion (acquired eight different companies in the past five years) and is viewed as the premier provider of a comprehensive fixed and mobile TEM solutions and an emerging player in MDM solutions. Following its IPO on 7/27/2011, the company trades under the symbol TNGO on the NASDAQ. Tangoe has 1,100 employees and 14 offices as of May 2012.

Products and Services

CLM grows in conjunction with an ever-expanding communications environment. Adoption of connected devices and technologies such as smartphones, Voice over IP (VOIP), and tablets has resulted in a growing global telecommunications expense for enterprises and increased complexity. In-house solutions are often inefficient and result in reduced productivity, security risk, inaccurate financial reporting, and dramatically increased expenses (a phenomenon referred to as “bill shock”). Figure 3 below illustrates a high-level view of the areas within the enterprise that Tangoe’s technology interacts with and provides. From a high level, Tangoe will review take in digital versions on telecom bills and details. Once on-boarded, Tangoe will monitor and analyze the flow of telecom expenses and help enterprises manage the costs in an efficient manner. Tangoe has also moved into MDM, which can help manage “bill shock” given the explosion in mobile data usage. For example, Tangoe’s MDM solution can help alert IT managers when employees are roaming internationally without an international roaming plans.

Figure 3: Tangoe Technology – Enabled Business Components

Source: Company reports, Wedbush Securities Inc

<u>On Site Communications Management Platform</u>

Tangoe enables CLM through its On-Site Communication Management Platform (CMP), which consolidates fixed and mobile TEM to a single location. Tangoe’s CMP provides TEM and real-time TEM (rTEM) solutions by providing on-site communication via third-party enterprise systems and Tangoe’s client groups, and providing accurate, real-time data and logs of communications. This software has three segmented packages, which provide a holistic CLM service: asset management, expense management, and usage management. Tangoe’s CMP represents most of the company’s visible recurring revenue. Tangoe engages in long-term subscription-based contracts with it customers ranging from 24-60 months.

<u>Strategic Consulting and Other Services</u>

Aside from CMP, Tangoe provides strategic consulting services, which consists primarily of services related to contract negotiations and bill audits. Contract negotiation fees include both fixed project fees and incentive fees driven by the amount of savings that the company is able to generate over the customer’s existing communications rates. These fees are recognized when fixed and determinable, usually when the customer and carrier execute the contract. Bill audit fees are driven by the amount of savings that the company is able to generate by reviewing current and prior communications invoices against the customer’s existing contracts. These fees are recognized when fixed and determinable, usually when the carrier agrees to issue a credit or refund to our customer. Other strategic consulting services include sourcing, strategic advisory services, inventory optimization, mobile optimization, and policy administration.

Revenue Model

Tangoe generates revenue from two main operations: its recurring technology and services revenue and its strategic consulting, software licenses and other revenue. Prior to 2006, the company derived its revenue on a transactional, non-recurring basis. The recurring technology and services revenue primarily consists of operations from Tangoe's CMP platform, and is generated through a 24-60 month subscription service, which includes a base charge and then additional charges based on customer threshold levels of telecom spend. The revenue is recognized at a given rate during the course of the subscription. Strategic consulting services revenue consists mostly of bill auditing and contract negotiation fees. Both bill auditing fees and contract negotiation fees rise relatively to the amount of savings provided, incentivizing customers through a value proposition.

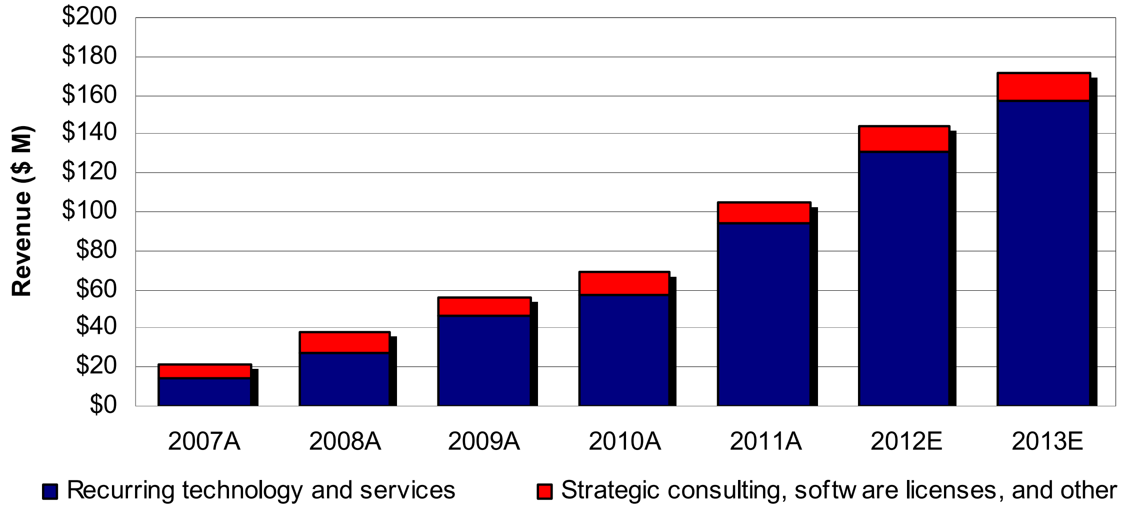
For TEM, management takes on customers with annual telecom spend as low as $5 million to well over $500 million. With $17.6 billion of annual spend under management and an estimated 890 customers, we calculate an average spend per customer of ~$20 million. We currently estimate management garners 0.7% of this spend per customer on recurring subscription-basis with a goal to increase this to 1.1-1.2% due to increased customer penetration and new modules. For MDM, Tangoe gets paid per device under management in a very wide range of $1-15 annually. Management indicated that it currently has 2.5 million devices under management.

Figure 4: Tangoe's Revenue Model

Group	**Recurring Technologies and Services**	**Strategic Consulting, Software Licenses and Other**
Percent of Revenue	89%	11%
Business Overview	CLM (TEM + MDM) in three areas: asset management, expense management, and usage management	Diverse range of strategic consulting services
Key Services and Products	Asset Management: Catalog management Procurement Provisioning Tracking Maintenance Disposal Expense Management: Contract management Billing Auditing Dispute Allocation Payment Optimization Usage Management: Security Policy management Monitoring Real-time Compliance Performance Support	**Strategic Consulting Services:** Sourcing Strategic advisory services Bill auditing Inventory optimization Mobile optimization Policy Administration
Revenue Model	Subscription Model Based on total telecom spend and number of devices managed with contract minimums	Fixed project and incentive fees and professional services fees

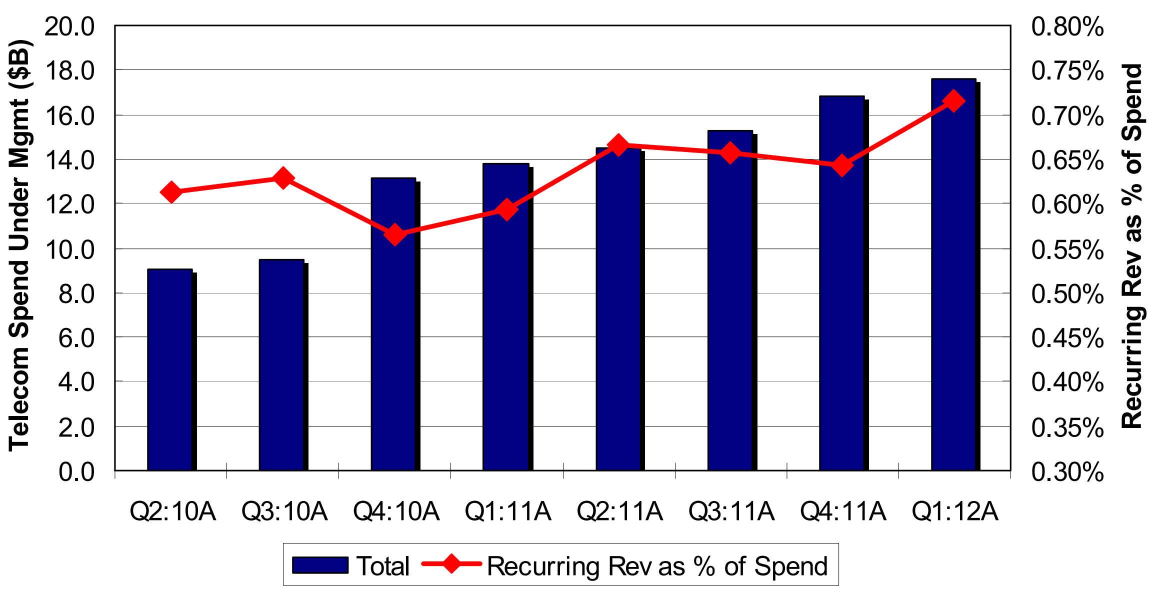
Source: Company data and Wedbush Securities Inc

Figure 5: Tangoe Revenue Breakdown By Source



Source: Company data and Wedbush Securities Inc

Figure 6: Recurring Revenue as % of Total Telecom Spend



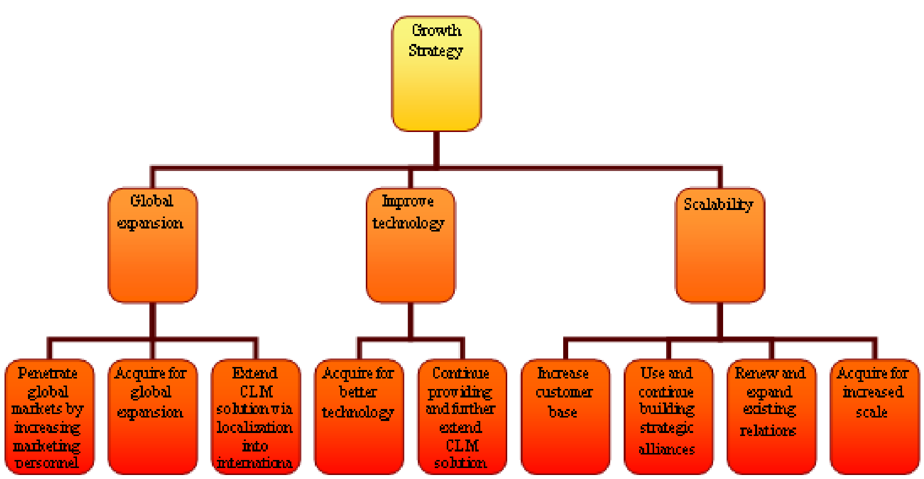
Source: Company data and Wedbush Securities Inc

Strategy

Tangoe maintains a tripartite growth strategy: (A) increased scalability, (B) technological growth, and (C) international expansion. The specific mechanisms to enable this strategy are as follows:

- ***Increase customer base (A/C)*** - Tangoe aims to continue adopting new customers. This has been accomplished through a hybrid of organic growth and inorganic growth via augmentation of competitors and expansion into MDM services. The last five acquisitions (HCL-EMS, Telwares, ProfitLine, Anomalous, and ttMobiles) has brought in >255 customers to Tangoe's customer base of well more than 800 enterprises. Looking forward, Tangoe anticipates continuing this trend through the addition of sales and marketing personnel, so it can effectively market to new enterprises.
- ***Continue trend of successful acquisitions (A/B/C)*** - Tangoe has synergized its organic growth with its acquisitions, increasing its scalability, technological capabilities, and international presence, while eliminating competitors in a highly fragmented market. Through its pipeline of acquisitions, Tangoe is developing a more comprehensive CLM solution, providing a portfolio of TEM, rTEM, and MDM solutions to enterprises globally. Looking forward, Tangoe will continue practicing this three-fold acquisition philosophy—gaining scalability, increasing technological capabilities, and penetrating international markets.
- ***Further penetrate international markets (C)*** – Development of Asian, European, and Latin American markets provide a rich, potential growth driver for TEM and MDM solutions. On an annual basis, Tangoe manages $4.6b in international communications expense, which equals 27.4% of its total managed communications expense. The uncertainty global enterprises face regarding TEM and MDM, combined with the inefficiency of first-party solutions logically points to the proven value proposition offered by Tangoe. With the acquisition of ttMobiles, Tangoe has established a presence in the UK. Tangoe offers a globally capable software solution, offering support for 1,700 different communications carriers (80% of global communications carriers) and 1,900 different formats in 16 different languages processed by 97 global invoice processing centers. To continue expansion, Tangoe plans to continue growing new customers and operations in global markets both by hiring additional sales and operations personnel, and by further localizing their CMP software.
- ***Use and continue building successful strategic alliances (A)*** - Tangoe has existing strategic alliances with major global enterprises such as Dell, IBM, and Xerox, and additional mobile service relationships with Bell Canada, SingTel, Starhub, and Telefonica. Currently, 25% of Tangoe's bookings are coming from partners. Looking forward, Tangoe seeks to make more alliances and leverage these alliance relationships in conjunction with sales efforts to increase its customer base and operations.
- ***Continue providing and further extend CLM solution (B/C)*** - Tangoe is the leader in providing CLM solutions, and seeks to continue expansion of its consolidated fixed and mobile CLM solution through further technological and service development, and localization into new domestic and international locations.
- ***Renew and expand existing customer relationships (A)*** – Management currently believes it has penetrated the existing customer opportunity by ~30% and sees opportunity to expand globally with multinationals and by selling additional modules and applications that drive additional ROI. As new technologies and connected devices such as VoIP, smartphones, and tablets become more readily adopted by enterprises, Tangoe will grow its CLM solution to accommodate increased expenses of communications assets and services. This expansion will be seen in TEM, but more so in MDM.

Figure 7: Tangoe's Growth Strategy



Source: Company reports, Wedbush Securities Inc

Mergers and Acquisitions

Tangoe's M&A strategy is driven by three primary characteristics: increase of scale, technological capabilities and international presence. Its M&A strategy catalyzed Tangoe's penetration of MDM solutions, and its expansion into the global market. Its history of M&A is as follows:

TRAQ Wireless—On March 9, 2007, Tangoe merged with TRAQ Wireless, a provider of wireless TEM solutions. With the merger of TRAQ Wireless, Tangoe not only increased its business scale, but also penetrated the wireless TEM space and expanded its platform to include MDM functionalities. This merger aligned Tangoe with the flourishing enterprise MDM demand, and allowed it to provide a consolidated package of both fixed and wireless TEM.

Information Strategies Group (ISG)—On July 5, 2008, Tangoe acquired ISG, a provider of telecommunications expense processing services and technology. With the acquisition of ISG, Tangoe improved the functionality of its expense management service, and enhanced its technological profile with ISG's call accounting product and billing chargeback and allocation software.

InterNoded Inc.—On December 23, 2008, Tangoe acquired InterNoded, a global provider of MDM solutions. With the acquisition of InterNoded, Tangoe expanded its business scale by gaining new customers, and strengthened its global MDM solution.

HCL-EMS—On January 5, 2011, Tangoe acquired HCL Expense Management Services (HCL-EMS), a provider of fixed and mobile TEM solutions. With the acquisition of HCL-EMS, Tangoe grew its scalability, gaining multiple processing centers, operation personnel, new customers, and new operations. Moreover, Tangoe stretched its global reach by augmenting a competitor in global TEM space.

Telwares—On March 16, 2011, Tangoe acquired Telwares' division of TEM, and announced a strategic global alliance with Telwares. Tangoe continued to increase the scale of its business, acquiring Telwares' invoice management, call accounting, and MDM solutions.

ProfitLine—On December 19, 2011, Tangoe acquired ProfitLine, a global provider of TEM and MDM services. With this acquisition, Tangoe digested a global provider of TEM and MDM solutions, increasing Tangoe's scale by integrating new personnel, customers, and operations.

Anomalous Networks—On January 10, 2012, Tangoe acquired Anomalous Networks, a provider of real-time TEM (rTEM) solutions for communications devices such as smartphones, tablets, PCs, and modem-enabled. Adding rTEM to its technological profile furthered Tangoe's CLM capabilities in both fixed TEM and MDM, as rTEM functionality allows Tangoe to provide services such as "predictive cost intelligence, 'bill shock' prevention, user alert acknowledgement tracking, usage anomaly detection, and enhanced policy enforcement." This process results in better TEM data accuracy.

ttMobiles—On February 21, 2012, Tangoe acquired ttMobiles, a MDM services and solutions provider to UK enterprises. Tangoe again extended its global reach, and focused specifically on the European market. Tangoe also integrated ttMobiles sundry functions including mobile sourcing, provider migration, localized charge auditing, personal call management, cost control, recorded call management, fleet administration, and complete outsourced mobile management.

Figure 8: Acquisition Timeline

Company Name	Date	Price ($ M)	Rationale
TRAQ Wireless	3/9/2007	$20.7M	Scalability, MDM technology, and international expansion
Information Strategies Group (ISG)	7/5/2008	$11.9M	Scalability and international expansion
Internoded Inc.	12/23/2008	$3.3M	Improve help desk efficiency and MDM technology
HCL – EMS	1/5/2011	$6.4M	Scalability and international expansion
Telwares	3/16/2011	$7.7M	Scalability and international expansion
ProfitLine	12/19/2011	$23.5M	Scalability and international expansion
Anomalous Networks	1/10/2012	$9.0M	Incorporate rTEM (real-time TEM)
ttMobiles	2/21/2012	$8.7M	Scalability and international expansion (UK market)

Source: Company data, Wedbush Securities, Inc.

Customers

Tangoe claims a customer base of over 800 that stretch across a range of enterprise verticals. Based upon our analysis, we believe Tangoe is nearing 900 total customers. Tangoe acquires customers through a combination of internal wins and M&A. Of note, in 2011, we estimate Tangoe added 255 customers with 105 added organically and 150 through the acquisitions of HCL, Telwares, and ProfitLine. In Q1, we estimate Tango added 135 customers with 35 added organically and 100 added through the acquisitions of Analogous Networks and ttMobiles. Our checks with certain customers indicate a solid ROI for Tangoe's solution and comfort given the company's size, global coverage, and investment in new technology (e.g., MDM). However, some customers expressed concern regarding the lack of a fully integrated offering due to the numerous acquisitions though we believe these comments are tilted towards customers acquired mostly via acquisitions. Overall, Tangoe claims a >90% renewal rate.

Figure 9: Tangoe's Diversified Customer Base & Partners

Group	Banking/Financial	Healthcare	Technology
Customers	Citi American Express UBS BoA Credit Suisse Capital One Visa Wells Fargo Lloyds Deutsche Bank HSBC Raymond James	CVS Pharmacy Intermountain Healthcare Express Scripts Novo Nordisk Aetna Abbott Novartis McKesson Delta Dental	Comcast AOL Phillips Dell Citrix Agilent Technologies EMC^2 Oracle SAP Motorola

Consumer and Transportation	Other	Systems Integrators and Professional Services
FedEx BestBuy PepsiCo Delta Hertz AMR GAP Kraft Foods Johnson and Johnson Target	First Energy TYCO ADP EATON Constellation Energy Chemtura USPS Haliburton Siemens	KPMG Xerox HP PWC BT IBM Accenture

Source: Company reports, Wedbush Securities Inc

Competitive Landscape

Tangoe leads a highly fragmented TEM market with a diverse customer base and broadest offering of mobile and fixed CLM. However, Tangoe faces competition in different forms, which we have segmented into three separate tiers. The tiers are defined as follows:

- Tier 1—These companies are Tangoe's premier competitors. These enterprises command a significant stake in the global TEM market, and directly compete with Tangoe's core revenue and can steal potential growth.
- Tier 2—These companies operate on a much smaller scale than those in Tier 1. Their main threat is that they operate in the North American region, which threatens Tangoe's core revenue.
- Tier 3—Similar to Tier 2, these companies operate on a smaller scale than Tier 1. However, their primary operations are in Latin America or Europe, which is distanced from Tangoe's core revenue, but they threaten Tangoe's potential growth.

Figure 10: TEM Competitive Landscape

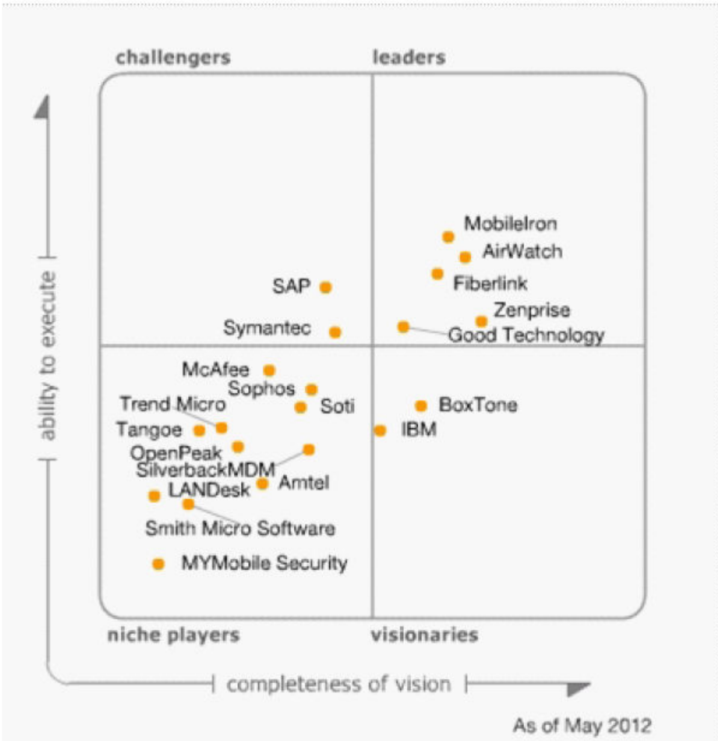
Company Name	Region	TEM Scale*	Company Notes
Tier 1			
Tangoe	Global	Any	Acquired ProfitLine, ttMobiles, and Anomalous Networks since December 2011
Vodafone	Global	Any	Acquired two TEM companies, Quickcomm and TnT Expense Management
IBM	Global	Any	Acquired Emptoris and Rivermine in February 2012
Symphony Teleca	Global	Any	Symphony Services merged with Teleca in February 2012
MDSL	Global	Any	TEM integrated with new IPO ServiceNow
Accenture	Global	Any	
CSC	Global	Any	
Tier 2			
Asentinel	North America	<250m, <50,000 MD	
Telesoft	North America	<200m, <100,000 MD	Leading vendor in education market
Pinnacle	North America	<100m, <50,000 MD	
Avotus	North America	<50m, <30,000 MD	Strong focus on healthcare market
Movero	North America	<50m, <20,000 MD	
Veramark	North America	<50m, <20,000 MD	
Widepoint/Avalon Global Solutions	North America	<50m, <20,000 MD	
Visage Mobile	North America	Any	Focus on mobile TEM and MDM
Tier 3			
TNX	Latin America	Any	
Telefonica Multinational Solutions	Latin America +EU	Any	
Anatole	Europe	<75m, <100,000 MD	
Orange Business Services	Europe	<50m, <80,000 MD	
Econocom	Europe	<50m, <40,000 MD	
Consotel	Europe	<30m, <100,000 MD	
Memobox	Europe	<50,000 MD	

Source: Company data, Wedbush Securities, Inc.

Note: * based on Gartner 2012 estimates, MD: mobile devices

In the MDM market, Gartner considers Tangoe a niche challenger. While there are several strong players in enterprise MDM such as Mobileiron, AirWatch, Fiberlink, Zenprise, Good Technology, we believe Tangoe's strategy in MDM is to enhance its TEM offering and to provide a more comprehensive CLM solution.

Figure 11: MDM Competitive Landscape



Source: Gartner and Wedbush Securities Inc

Management Team

Albert Subbloie - President and CEO, Founder

Mr. Subbloie co-founded Tangoe in February 2000, and serves as the President and CEO of the company. Prior to Tangoe, Mr. Subbloie co-founded the reverse auction site Buyersedge.com. Mr. Subbloie also served as CEO of FreeFire and CEO of Information Management Associates.

Gary Martino - Chief Financial Officer

Mr. Martino became Tangoe's CFO in July 2007. Prior to his experience at Tangoe, Mr. Martino co-founded Buyersedge.com. Mr. Martino also was the Managing Director of Riverside Advisors, LLC, and the CFO of Information Management Associates.

Scott Snyder - Senior Vice President, Mobile Solutions

Mr. Snyder joined Tangoe after the merger of Tangoe and TRAQ Wireless in March 2007. Mr. Snyder currently serves as Tangoe's SVP of Mobile Solutions. Mr. Snyder formerly served as the Chief Operating Officer of TRAQ Wireless.

Julie Palen - Senior Vice President, Strategic Business Development & Mobile Device Management

Ms. Palen joined Tangoe as a result of Tangoe's acquisition of InterNoded in December 2008. Ms. Palen currently serves as SVP of strategic business development and Tangoe's MDM solution. Prior to Tangoe, Ms. Palen was the president and CEO of InterNoded.

Don Farias, Senior Vice President, Expense Management Operations

Mr. Farias joined Tangoe as a result of Tangoe's acquisition of Information Strategies Group in July 2008. Mr. Farias formerly worked at ISG as the Director of Operations, supporting TEM solutions for Fortune 500 companies. He also worked at AT&T, where he controlled billing operations for 75 million customers.

Charles Gamble, Founder, Senior Vice President, Customer Account Management

Mr. Gamble co-founded Tangoe in February 2000, and oversees the company's fixed TEM products and engagements. Prior to Tangoe, Mr. Gamble served as president and COO of a consumer electronics retailer, and also helped initiate the ISP division for Progressive Concepts Inc.

Financial Results and Outlook

Recent Results

For Q1, Tangoe reported revenue of $34.1 million, which was up 53% YoY and 17% QoQ. Driving this growth was an estimated organic recurring revenue growth in the low to mid-20% range and the acquisitions of Telwares, ProfitLine, Analogous, and ttMobiles. Revenue was driven by a 28% YoY increase of telecom expense under management to $17.6 billion and the addition of 35 new customers outside of M&A, which added another ~105 customers. EBITDA increased 58% YoY. Pro Forma EPS of $0.09 was up from $0.06 in Q1 2011 and $0.08 in Q4 2011.

For 2011, Tango reported revenue of $104.9 million, which was up 53% YoY. Driving this growth was solid organic recurring revenue growth and the acquisitions of ProfitLine, HCL and Telwares. Revenue was driven by a 60% YoY increase of telecom expense under management to $16.8 billion and the additional of 105 new customers outside of M&A, which added another 150 customers. Management indicated that recurring revenue grew ~50% organically. EBITDA increased 87% YoY. Pro Forma EPS of $0.27 was up from $0.12 in 2010.

Figure 12 below highlights Tangoe's reported results versus guidance and consensus expectations since its IPO.

Figure 12: Results vs. Guidance and Consensus Estimates

	Period	Guidance	Consensus	Est Upside	Reported EPS	Reported Upside
EPS	Q2:2012	$0.09	$0.09	0.0%	NA	NA
	Q1:2012	$0.08	$0.08	0.0%	0.09	12.50%
	Q4:2011	$0.07	$0.07	0.0%	0.08	14.29%
	Q3:2011	$0.06	$0.06	0.0%	0.07	16.67%

	Period	Guidance	Consensus	Est Upside	Reported EBITDA	Reported Upside
EBITDA	Q2:2012	4.3-4.5	4.5	NA	NA	NA
	Q1:2012	3.5-3.7	3.7	1.94%	4.1	10.71%
	Q4:2011	3.2-3.4	3.4	3.33%	3.7	7.45%
	Q3:2011	3.0-3.2	3.1	-0.97%	3.3	8.21%

	Period	Guidance	Consensus	Est Upside	Reported Revenue	Reported Upside
Revenue	Q2:2012	35.0-35.5	38.0	7.80%	NA	NA
	Q1:2012	32.2-32.7	33.0	1.69%	34.1	3.48%
	Q4:2011	27.5-27.9	28.1	1.48%	29.2	4.02%
	Q3:2011	26.3-26.7	26.5	0.04%	27.3	2.98%

Source: First Call, Company data and Wedbush Securities Inc

Q2, 2012 and LT Guidance and Outlook

For Q2, Tangoe expects revenue of $35.0-35.5 million, up 34-36% YoY. EBITDA is expected to be $4.3-4.5 million with an EBITDA margin of 12.5% at the midpoint. Pro forma EPS is expected to be $0.09, up from $0.06 in Q2 2011 and flat with $0.09 in Q1. Total shares are expected to be 41.7 million, which includes the majority of the effect of the 2.2 million share follow on offering on April 3, 2012, which generated $37 million of net proceeds to the company. The offering was part of a larger 8.0 million share offering, which included 5.8 million shares from selling stockholders.

For 2012, Tangoe slightly increased revenue and EBITDA guidance, while lowering EPS guidance by $0.01 due to a $0.02 dilutive impact from its follow on offering. Management now expects revenue of $142.3-144.3 million, up 36-38% YoY. EBITDA is expected to be $20.2-20.7 million with an EBITDA margin of 14.3% at the midpoint. Pro forma EPS is expected to be $0.41-0.42 based on 41.3 million shares (was 39.5 million previously).

Long-term, management expects recurring revenue to increase to 90-92% of total revenue from 89% in 2011. Gross margin is expected to increase to 61-63% from 53% in 2011. EBITDA margin is expected to increase to 24-26% from 12% in 2011. The 1200-1400 basis point improvement in EBITDA margin is expected to be driven by the 800-1000 increase in gross margin, lower R&D and G&A spend on a percentage basis, and higher S&M spend on a percentage basis.

Our estimates are in line with guidance and consensus estimate for 2012 but slightly above for 2013. Longer-term, we expect Tangoe to hit the lower end of its target model by 2016.

Valuation and Recommendation

Comparative Analysis

For comparison, we measured Tangoe against a group of large-, mid-, and small-capitalization companies (Figure 13). We compared the companies on the basis of enterprise value to sales, enterprise value to EBITDA, price-to-free cash flow, P/E and P/E to growth. Among Telecom Software peers, Tangoe currently trades at a discount to its mid- and large-capitalization peer group on a 2013 PEG basis. It trades deservedly at a premium on other metrics due to its superior growth and more predictable SaaS model. Tangoe trades at a discount to SaaS peers on all metrics except being inline on EV/sales.

Figure 13: Telecom Software – Comparative Valuation

			Price	P/E		PEG		Adj. P/E		Adj. PEG		P/FCF	EV/Sales		EV/EBITDA	
	Ticker	Rating	07/17/12	2012E	2013E	2012E	2013E	2012E	2013E	2012E	2013E	TTM	2012E	2013E	2012E	2013E
Telecom Software																
Tangoe	TNGO	OP	$20.52	48.2x	33.4x	1.3x	0.9x	44.1x	30.6x	1.2x	0.8x	92.1x	5.5x	4.6x	38.9x	26.7x
Amdocs	DOX	OP	$29.76	14.2x	12.9x	1.2x	1.1x	12.1x	11.2x	1.0x	0.9x	12.1x	1.3x	1.2x	6.0x	5.6x
AsiaInfo	ASIA	N	$11.12	9.4x	8.9x	1.3x	1.3x	7.2x	6.7x	1.0x	0.9x	11.1x	1.0x	0.9x	6.0x	5.0x
CSG Systems	CSGS	N	$17.66	9.0x	8.8x	1.9x	1.9x	9.6x	9.6x	2.0x	2.0x	19.4x	0.9x	0.9x	4.1x	4.2x
Comverse Tech[1]	CMVT	OP	$5.58	13.8x	11.9x	0.8x	0.7x	15.7x	14.4x	1.0x	0.9x	5.8x	0.7x	0.7x	6.0x	6.3x
Motricity	MOTR	N/R	$0.52	NM	17.3x	NM	0.7x	NA	NA	NA	NA	N/A	0.3x	0.3x	NM	2.1x
NeuStar	NSR	OP	$33.48	12.0x	10.6x	0.7x	0.6x	12.8x	11.6x	0.7x	0.7x	12.7x	2.6x	2.4x	5.5x	5.0x
Nuance Comm	NUAN	UP	$21.03	12.0x	11.5x	1.1x	1.1x	12.1x	11.8x	1.1x	1.1x	20.4x	3.9x	3.5x	10.6x	9.7x
Procera Networks	PKT	N/R	$21.52	51.4x	39.8x	2.0x	1.5x	NA	NA	NA	NA	46.3x	6.4x	4.9x	62.4x	88.1x
Smith Micro	SMSI	N	$1.88	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM
Synchronoss	SNCR	OP	$18.18	16.3x	13.6x	0.7x	0.5x	12.7x	10.5x	0.5x	0.4x	25.6x	2.3x	1.9x	7.6x	6.0x
TCS	TSYS	OP	$1.31	12.3x	4.0x	0.7x	0.2x	11.8x	6.3x	0.7x	0.4x	7.1x	0.4x	0.4x	4.2x	2.8x
TeleNav	TNAV	N/R	$6.05	7.6x	20.6x	1.1x	2.9x	NA	NA	NA	NA	3.8x	0.2x	0.3x	0.8x	1.6x
Overall Unweighted Average				**15.8x**	**14.6x**	**1.1x**	**1.1x**	**11.7x**	**10.3x**	**1.0x**	**0.9x**	**16.4x**	**1.8x**	**1.6x**	**11.3x**	**12.4x**
SaaS Comparables																
Bazaarvoice	BV	N/R	$15.96	NM	NM	NM	NM	NA	NA	NA	NA	NA	5.8x	4.7x	NA	NA
Brightcove[2]	BCOV	N/R	$15.11	NM	NM	NM	NM	NA	NA	NA	NA	NA	4.8x	3.9x	NA	383.6x
Concur	CNQR	N/R	$64.22	74.7x	57.2x	3.0x	2.3x	NA	NA	NA	NA	31.4x	7.3x	5.8x	30.0x	24.0x
Constant Contact	CTCT	N/R	$16.89	30.7x	19.0x	0.8x	0.5x	NA	NA	NA	NA	8.9x	1.5x	1.2x	10.3x	7.3x
Corner Stone	CSOD	N/R	$23.21	NM	NM	NM	NM	NA	NA	NA	NA	NA	9.3x	6.6x	NA	NA
DealerTrack	TRAK	N/R	$28.57	26.6x	22.3x	1.7x	1.4x	NA	NA	NA	NA	13.9x	3.4x	3.0x	13.6x	11.3x
Demandware[2]	DWRE	N/R	$25.80	NM	NM	NM	NM	NA	NA	NA	NA	105.4x	10.0x	7.4x	NA	185.2x
ExactTarget[2]	ET	N/R	$22.25	NM	NM	NM	NM	NA	NA	NA	NA	NA	5.2x	4.3x	330.0x	95.1x
Guidewire	GWRE	N/R	$26.86	61.9x	79.0x	5.2x	6.6x	NA	NA	NA	NA	37.5x	6.0x	5.0x	35.6x	35.7x
Intralinks	IL	N/R	$3.99	66.5x	28.5x	5.7x	2.4x	NA	NA	NA	NA	4.7x	1.1x	1.1x	7.8x	6.5x
Jive	JIVE	N/R	$18.23	NM	NM	NM	NM	NA	NA	NA	NA	NA	8.5x	6.2x	NA	NA
LivePerson	LPSN	N/R	$18.55	44.8x	37.2x	1.8x	1.5x	NA	NA	NA	NA	31.2x	5.7x	4.7x	23.2x	18.7x
LogMeIn	LOGM	N/R	$31.26	47.4x	34.8x	2.0x	1.4x	NA	NA	NA	NA	35.5x	4.0x	3.3x	18.0x	13.6x
Netsuite[2]	N	N/R	$49.75	234.7x	146.3x	6.8x	4.3x	NA	NA	NA	NA	49.8x	11.2x	9.1x	113.7x	82.8x
Responsys	MKTG	N/R	$11.59	52.7x	37.6x	2.4x	1.7x	NA	NA	NA	NA	17.2x	2.8x	2.4x	17.9x	13.6x
Salesforce.com	CRM	N/R	$126.68	85.0x	63.8x	3.1x	2.3x	NA	NA	NA	NA	25.3x	5.7x	4.5x	44.2x	32.6x
SciQuest	SQI	N/R	$17.57	64.1x	42.6x	3.2x	2.1x	NA	NA	NA	NA	25.7x	5.3x	4.3x	27.8x	18.9x
Vocus	VOCS	N/R	$17.19	44.1x	27.0x	2.2x	1.4x	NA	NA	NA	NA	19.0x	1.4x	1.2x	16.5x	10.1x
Overall Unweighted Average				**69.4x**	**49.6x**	**3.2x**	**2.3x**	**NA**	**NA**	**NA**	**NA**	**31.2x**	**5.5x**	**4.4x**	**22.3x**	**17.5x**

[1] Fiscal Year.

[2] Excludes EV/EBITDA in Average.

Source: First Call and Wedbush Securities Inc

Discounted Cash Flow

We performed a discounted cash flow (DCF) analysis in which we measure the sensitivity of Tangoe's 12-month price target to different assumptions regarding the discount rate and terminal growth rate to our estimated 2017 year cash flow. We used 12.5% as a discount rate and 7% as a terminal cash flow growth rate. As a result, we arrive at an average 12-month valuation of $27. We also provide a range of values by varying the discount rate from 11.5% to 13.5%, and the terminal growth rate from 5% to 9%.

Figure 14: DCF Valuation

	Terminal Growth				
	5%	**6%**	**7%**	**8%**	**9%**
11.5%	$24.27	$28.05	$33.50	$42.08	$57.51
12.0%	$22.50	$25.67	$30.12	$36.78	$47.88
12.5%	$20.97	$23.67	**$27.35**	$32.66	$41.01
13.0%	$19.63	$21.95	$25.04	$29.36	$35.85
13.5%	$18.45	$20.46	$23.09	$26.67	$31.84

Source: Company data and Wedbush Securities Inc

Valuation Summary

We rely on our DCF analysis to arrive at a price target of $27. This represents a 42x multiple on our 2013 cash-adjusted EPS estimate. This is in line with our long-term EPS growth rate of 37%, which we believe may prove conservative given the company's leadership position in the fast growing TEM market and likely upside to EPS estimates.

Risks

Risks to the attainment of our price target include slower adoption of TEM and MDM among enterprises, standardization of billing, increased competition, and integration risks with M&A strategy.

Projected Financial Statements

Figure 15: Tangoe Revenue Model

Tangoe Revenue Model (Drivers)

(in 000's, except per share data and ratios)

		2011A				2012E				2013E		
	Mar-11 Q1:11A	Jun-11 Q2:11A	Sep-11 Q3:11A	Dec-11 Q4:11A	Mar-12 Q1:12A	Jun-12 Q2:12E	Sep-12 Q3:12E	Dec-12 Q4:12E	Mar-13 Q1:13E	Jun-13 Q2:13E	Sep-13 Q3:13E	Dec-13 Q4:13E
Key Metrics												
Telecom Spend Under Management ($B)	13.8	14.5	15.3	16.8	17.6	18.3	18.9	19.5	20.0	20.5	21.0	21.5
International Spend ($B)	4.7	3.5	4.1	4.6	4.7							
New Customers	120	25	38	72	140							
Total Customers	615	640	678	750	890							
Revenue												
Recurring technology and services	19,927	23,510	24,456	25,778	30,756	32,730	34,045	35,417	37,210	39,070	40,998	42,997
Strategic consulting, software licenses and other	2,414	2,537	2,856	3,463	3,391	3,306	3,306	3,389	3,558	3,727	3,896	4,063
Total Revenue	**22,341**	**26,047**	**27,312**	**29,241**	**34,147**	**36,036**	**37,351**	**38,806**	**40,768**	**42,797**	**44,894**	**47,060**
Revenue Mix												
Recurring technology and services	89%	90%	90%	88%	90%	91%	91%	91%	91%	91%	91%	91%
Strategic consulting, software licenses and other	11%	10%	10%	12%	10%	9%	9%	9%	9%	9%	9%	9%
Total Revenue	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**
Q/Q Revenue Growth												
Recurring technology and services	24.7%	18.0%	4.0%	5.4%	19.3%	6.4%	4.0%	4.0%	5.1%	5.0%	4.9%	4.9%
Strategic consulting, software licenses and other	-10.4%	5.1%	12.6%	21.3%	-2.1%	-2.5%	0.0%	2.5%	5.0%	4.8%	4.5%	4.3%
Total Revenue	**19.6%**	**16.6%**	**4.9%**	**7.1%**	**16.8%**	**5.5%**	**3.6%**	**3.9%**	**5.1%**	**5.0%**	**4.9%**	**4.8%**
Y/Y Revenue Growth												
Recurring technology and services	50.3%	69.2%	67.9%	61.3%	54.3%	39.2%	39.2%	37.4%	21.0%	19.4%	20.4%	21.4%
Strategic consulting, software licenses and other	-10.4%	-9.8%	11.2%	28.5%	40.5%	30.3%	15.8%	-2.1%	4.9%	12.7%	17.8%	19.9%
Total Revenue	**40.0%**	**55.9%**	**59.4%**	**56.6%**	**52.8%**	**38.4%**	**36.8%**	**32.7%**	**19.4%**	**18.8%**	**20.2%**	**21.3%**
Gross Profit												
Cost of Revenues												
Recurring technology and services	8,908	11,236	11,748	12,253	14,066	14,791	15,199	15,615	16,198	16,787	17,382	17,981
Strategic consulting, software licenses and other	1,272	1,245	1,142	1,532	1,458	1,488	1,488	1,525	1,601	1,677	1,753	1,828
Total Cost of Revenues	**10,180**	**12,481**	**12,890**	**13,785**	**15,524**	**16,279**	**16,687**	**17,140**	**17,799**	**18,464**	**19,135**	**19,809**
Recurring technology and services	11,019	12,274	12,708	13,525	16,690	17,939	18,846	19,802	21,012	22,283	23,617	25,016
Strategic consulting, software licenses and other	1,142	1,292	1,714	1,931	1,933	1,818	1,818	1,864	1,957	2,050	2,143	2,234
Total Gross Profit	**12,161**	**13,566**	**14,422**	**15,456**	**18,623**	**19,757**	**20,665**	**21,666**	**22,969**	**24,333**	**25,759**	**27,250**
Gross Margin												
Recurring technology and services	55.3%	52.2%	52.0%	52.5%	54.3%	54.8%	55.4%	55.9%	56.5%	57.0%	57.6%	58.2%
Strategic consulting, software licenses and other	47.3%	50.9%	60.0%	55.8%	57.0%	55.0%	55.0%	55.0%	55.0%	55.0%	55.0%	55.0%
Total Gross Margin	**54.4%**	**52.1%**	**52.8%**	**52.9%**	**54.5%**	**54.8%**	**55.3%**	**55.8%**	**56.3%**	**56.9%**	**57.4%**	**57.9%**
% of Total Gross Profit												
Recurring technology and services	90.6%	90.5%	88.1%	87.5%	89.6%	90.8%	91.2%	91.4%	91.5%	91.6%	91.7%	91.8%
Strategic consulting, software licenses and other	9.4%	9.5%	11.9%	12.5%	10.4%	9.2%	8.8%	8.6%	8.5%	8.4%	8.3%	8.2%
Total Gross Profit	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

Source: Company data and Wedbush Securities

Source: Company data, Wedbush Securities Inc

Figure 16: Tangoe Quarterly Income Statement

Tangoe Quarterly Income Statement

(in 000's, except per share data and ratios)

	2011A				2012E				2013E			
	Mar-11 Q1:11A	Jun-11 Q2:11A	Sep-11 Q3:11A	Dec-11 Q4:11A	Mar-12 Q1:12A	Jun-12 Q2:12E	Sep-12 Q3:12E	Dec-12 Q4:12E	Mar-13 Q1:13E	Jun-13 Q2:13E	Sep-13 Q3:13E	Dec-13 Q4:13E
Recurring technology and services	19,927	23,510	24,456	25,778	30,756	32,730	34,045	35,417	37,210	39,070	40,998	42,997
Strategic consulting, software licenses and other	2,414	2,537	2,856	3,463	3,391	3,306	3,306	3,389	3,558	3,727	3,896	4,063
Total Revenue	**22,341**	**26,047**	**27,312**	**29,241**	**34,147**	**36,036**	**37,351**	**38,806**	**40,768**	**42,797**	**44,894**	**47,060**
Cost of revenue:												
Recurring technology and services	8,908	11,236	11,748	12,253	14,066	14,791	15,199	15,615	16,198	16,787	17,382	17,981
Strategic consulting, software licenses and other	1,272	1,245	1,142	1,532	1,458	1,488	1,488	1,525	1,601	1,677	1,753	1,828
Total Cost of Revenue	**10,180**	**12,481**	**12,890**	**13,785**	**15,524**	**16,279**	**16,687**	**17,140**	**17,799**	**18,464**	**19,135**	**19,809**
Gross Profit	**12,161**	**13,566**	**14,422**	**15,456**	**18,623**	**19,757**	**20,665**	**21,666**	**22,969**	**24,333**	**25,759**	**27,250**
Operating Expense:												
Sales and Marketing	3,525	3,754	3,906	4,262	5,178	5,554	5,844	5,754	6,533	6,960	7,438	7,406
General and Administrative	3,264	3,927	4,217	4,435	5,786	5,810	5,845	5,741	5,954	6,355	6,553	6,595
Research and Development	2,821	2,791	2,977	3,095	3,596	3,647	3,634	3,702	3,875	4,058	4,184	4,372
Depreciation & Amortization	100	356	339	370	306	321	333	345	358	372	386	402
Total Operating Expense	**9,710**	**10,828**	**11,439**	**12,162**	**14,866**	**15,331**	**15,655**	**15,542**	**16,720**	**17,744**	**18,561**	**18,775**
Non-GAAP Operating Income	**2,451**	**2,738**	**2,983**	**3,294**	**3,757**	**4,426**	**5,009**	**6,124**	**6,249**	**6,589**	**7,199**	**8,475**
Interest expense	(659)	(777)	(1,427)	(184)	(235)	(249)	(249)	(249)	(249)	(249)	(249)	(249)
Interest income	4	3	14	24	17	15	29	31	33	35	37	40
Other income	-	-	-	-	-	-	-	-	-	-	-	-
Add: Misc. GAAP Expenses	-	-	1,041	-	-	-	-	-	-	-	-	-
(Loss) Income Before Income Tax Provision	**1,796**	**1,964**	**2,611**	**3,134**	**3,539**	**4,192**	**4,789**	**5,905**	**6,032**	**6,375**	**6,987**	**8,266**
Income Tax Provision	126	180	88	140	154	182	208	257	263	277	304	360
Non-GAAP Net Income	**1,670**	**1,784**	**2,523**	**2,994**	**3,385**	**4,010**	**4,581**	**5,649**	**5,770**	**6,097**	**6,683**	**7,906**
Total Adjustments	2,283	3,174	4,378	2,117	3,193	2,913	2,945	2,995	3,168	3,019	3,051	3,108
Net Income	**(613)**	**(1,390)**	**(1,855)**	**877**	**192**	**1,096**	**1,636**	**2,654**	**2,602**	**3,079**	**3,632**	**4,798**
Preferred Dividends	(929)	(929)	(310)	-	-	-	-	-	-	-	-	-
Accretion of Redeemable Conv. Pref. Stock.	(16)	(16)	(5)	-	-	-	-	-	-	-	-	-
GAAP Net Income	**(1,558)**	**(2,335)**	**(2,170)**	**877**	**192**	**1,096**	**1,636**	**2,654**	**2,602**	**3,079**	**3,632**	**4,798**
Earnings (Loss) Per Share:												
Non-GAAP	**0.06**	**0.06**	**0.07**	**0.08**	**0.09**	**0.10**	**0.11**	**0.13**	**0.14**	**0.14**	**0.15**	**0.18**
GAAP	(0.33)	(0.48)	(0.10)	0.02	0.00	0.03	0.04	0.06	0.06	0.07	0.08	0.11
Diluted Shares Outstanding	4,672	4,853	22,769	38,493	39,431	41,731	42,031	42,331	42,631	42,931	43,231	43,531
Fully Diluted Shares Outstanding	28,322	29,867	35,124	38,493								
EBITDA												
Depreciation & Amortization	100	356	339	370	306	321	333	345	358	372	386	402
EBITDA	2,551	3,094	3,322	3,664	4,063	4,747	5,342	6,469	6,607	6,960	7,585	8,877
EBITDA Margin	11.4%	11.9%	12.2%	12.5%	11.9%	13.2%	14.3%	16.7%	16.2%	16.3%	16.9%	18.9%
Margin Analysis												
Gross Margin	54.4%	52.1%	52.8%	52.9%	54.5%	54.8%	55.3%	55.8%	56.3%	56.9%	57.4%	57.9%
Sales and Marketing	15.8%	14.4%	14.3%	14.6%	15.2%	15.4%	15.6%	14.8%	16.0%	16.3%	16.6%	15.7%
General and Administrative	14.6%	15.1%	15.4%	15.2%	16.9%	16.1%	15.6%	14.8%	14.6%	14.8%	14.6%	14.0%
Research and development	12.6%	10.7%	10.9%	10.6%	10.5%	10.1%	9.7%	9.5%	9.5%	9.5%	9.3%	9.3%
Operating Margin	11.0%	10.5%	10.9%	11.3%	11.0%	12.3%	13.4%	15.8%	15.3%	15.4%	16.0%	18.0%
Pre Tax Margin	8.0%	7.5%	9.6%	10.7%	10.4%	11.6%	12.8%	15.2%	14.8%	14.9%	15.6%	17.6%
Tax Rate	7.0%	9.2%	3.4%	4.5%	4.4%	4.4%	4.4%	4.4%	4.4%	4.4%	4.4%	4.4%
Net Margin	7.5%	6.8%	9.2%	10.2%	9.9%	11.1%	12.3%	14.6%	14.2%	14.2%	14.9%	16.8%
Year/Year Growth												
Revenues	40.0%	55.9%	59.4%	56.6%	52.8%	38.4%	36.8%	32.7%	19.4%	18.8%	20.2%	21.3%
Gross Profit	36.6%	44.0%	50.0%	45.3%	53.1%	45.6%	43.3%	40.2%	23.3%	23.2%	24.7%	25.8%
Sales and Marketing	29.5%	27.3%	33.1%	31.1%	46.9%	47.9%	49.6%	35.0%	26.2%	25.3%	27.3%	28.7%
General and Administrative	31.0%	53.0%	64.1%	45.5%	77.3%	47.9%	38.6%	29.4%	2.9%	9.4%	12.1%	14.9%
Research and development	25.9%	22.7%	29.8%	30.9%	27.5%	30.7%	22.1%	19.6%	7.8%	11.3%	15.1%	18.1%
Operating Income	106.0%	101.5%	93.7%	95.1%	53.3%	61.6%	67.9%	85.9%	66.3%	48.9%	43.7%	38.4%
Pre Tax Profit	172.9%	137.2%	156.7%	143.1%	97.0%	113.4%	83.4%	88.4%	70.5%	52.1%	45.9%	40.0%
Net Profit	-29.9%	491.5%	1701.0%	-262.4%	-131.3%	-178.9%	-188.2%	202.6%	1255.2%	180.8%	122.1%	80.8%
Quarter/Quarter Growth												
Revenues	19.6%	16.6%	4.9%	7.1%	16.8%	5.5%	3.6%	3.9%	5.1%	5.0%	4.9%	4.8%
Gross Profit	14.3%	11.6%	6.3%	7.2%	20.5%	6.1%	4.6%	4.8%	6.0%	5.9%	5.9%	5.8%
Sales and Marketing	8.5%	6.5%	4.0%	9.1%	21.5%	7.3%	5.2%	-1.5%	13.6%	6.5%	6.9%	-0.4%
General & Administrative	7.1%	20.3%	7.4%	5.2%	30.5%	0.4%	0.6%	-1.8%	3.7%	6.7%	3.1%	0.7%
Research and development	19.3%	-1.1%	6.7%	4.0%	16.2%	1.4%	-0.4%	1.9%	4.7%	4.7%	3.1%	4.5%
Operating Income	45.2%	11.7%	8.9%	10.4%	14.1%	17.8%	13.2%	22.2%	2.0%	5.4%	9.3%	17.7%
Pre Tax Profit	39.3%	9.4%	32.9%	20.0%	12.9%	18.5%	14.2%	23.3%	2.2%	5.7%	9.6%	18.3%
Net Profit	42.1%	6.8%	41.4%	18.7%	13.1%	18.5%	14.2%	23.3%	2.2%	5.7%	9.6%	18.3%

Source: Company reports and Wedbush Securities estimates.

Source: Company data, Wedbush Securities Inc

Figure 17: Tangoe Annual Income Statement

Tangoe Annual Income Statement

(in 000's, except per share data and ratios)

	2007A	2008A	2009A	2010A	2011A	2012E	2013E
Recurring technology and services	14,174	27,839	46,005	57,703	93,671	132,948	160,276
Strategic consulting, software licenses and other	6,873	9,687	9,912	10,771	11,270	13,392	15,244
Total Revenue	**21,047**	**37,526**	**55,917**	**68,474**	**104,941**	**146,341**	**175,519**
Cost of revenue:							
Recurring technology and services	6,982	14,669	20,423	26,026	44,145	59,671	68,347
Strategic consulting, software licenses and other	2,821	3,043	4,360	3,874	5,191	5,959	6,860
Total Cost of Revenue	**9,803**	**17,712**	**24,783**	**29,900**	**49,336**	**65,630**	**75,207**
Gross Profit	**11,244**	**19,814**	**31,134**	**38,574**	**55,605**	**80,711**	**100,312**
Operating Expense:							
Sales and Marketing	5,954	7,683	9,577	11,856	15,447	22,330	28,337
General and Administrative	5,389	7,439	9,218	10,677	15,843	23,181	25,457
Research and Development	7,021	5,808	7,981	9,173	11,684	14,579	16,488
Depreciation & Amortization	730	942	1,221	1,091	1,165	1,304	1,518
Total Operating Expense	**19,094**	**21,872**	**27,997**	**32,797**	**44,139**	**61,394**	**71,801**
Non-GAAP Operating Income	**(7,850)**	**(2,058)**	**3,137**	**5,777**	**11,466**	**19,316**	**28,512**
Interest expense	(577)	(1,163)	(2,224)	(2,007)	(3,047)	(982)	(996)
Interest income	37	46	46	19	45	92	144
Other income	39	(66)	(184)	3	-	-	-
Add: Misc. GAAP Expenses	-	-	-	-	1,041	-	-
(Loss) Income Before Income Tax Provision	**(8,351)**	**(3,241)**	**775**	**3,792**	**9,505**	**18,426**	**27,660**
Income Tax Provision	(76)	23	264	295	534	802	1,204
Non-GAAP Net Income	**(8,275)**	**(3,264)**	**511**	**3,497**	**8,971**	**17,624**	**26,456**
Total Adjustments	1,499	3,629	2,881	5,250	11,952	12,047	12,345
Net Income	**(9,774)**	**(6,893)**	**(2,370)**	**(1,753)**	**(2,981)**	**5,578**	**14,111**
Preferred Dividends	(2,491)	(3,162)	(3,714)	(3,715)	(2,168)	-	-
Accretion of Redeemable Conv. Pref. Stock.	(60)	(62)	(64)	(64)	(37)	-	-
GAAP Net Income	**(12,325)**	**(10,117)**	**(6,148)**	**(5,532)**	**(5,186)**	**5,578**	**14,111**
Earnings (Loss) Per Share:							
Non-GAAP			**0.12**	**0.12**	**0.27**	**0.43**	**0.61**
GAAP			(1.43)	(1.26)	(0.32)	0.13	0.33
Diluted Shares Outstanding			4,311	4,399	16,412	41,381	43,081
Fully Diluted Shares Outstanding				28,722	32,952		
EBITDA Analysis							
Depreciation & Amortization	730	942	1,221	1,091	1,165	1,304	1,518
EBITDA	(7,120)	(1,116)	4,358	6,868	12,631	20,621	30,030
EBITDA Margin	-33.8%	-3.0%	7.8%	10.0%	12.0%	14.1%	17.1%
Margin Analysis							
Gross Margin	53.4%	52.8%	55.7%	56.3%	53.0%	55.2%	57.2%
Sales and Marketing	28.3%	20.5%	17.1%	17.3%	14.7%	15.3%	16.1%
General and Administrative	25.6%	19.8%	16.5%	15.6%	15.1%	15.8%	14.5%
Research and development	33.4%	15.5%	14.3%	13.4%	11.1%	10.0%	9.4%
Operating Margin	-37.3%	-5.5%	5.6%	8.4%	10.9%	13.2%	16.2%
Pre Tax Margin	-39.7%	-8.6%	1.4%	5.5%	9.1%	12.6%	15.8%
Tax Rate	0.9%	-0.7%	51.7%	8.4%	6.0%	4.5%	4.5%
Net Margin	-39.3%	-8.7%	0.9%	5.1%	8.5%	12.0%	15.1%
Year/Year Growth							
Revenues		78.3%	49.0%	22.5%	53.3%	39.5%	19.9%
Gross Profit		176.2%	157.1%	123.9%	144.2%	145.1%	124.3%
Sales and Marketing		29.0%	24.7%	23.8%	30.3%	44.6%	26.9%
General and Administrative		38.0%	23.9%	15.8%	48.4%	46.3%	9.8%
Research and development		-17.3%	37.4%	14.9%	27.4%	24.8%	13.1%
Operating Income		26.2%	-152.4%	184.2%	198.5%	168.5%	147.6%
Pre Tax Profit		38.8%	-23.9%	489.3%	250.7%	193.9%	150.1%
Net Profit		39.4%	-15.7%	684.3%	256.5%	196.5%	150.1%

Source: Company reports and Wedbush Securities estimates.

Source: Company data, Wedbush Securities Inc

Figure 18: Tangoe Annual Balance Sheet

Tangoe Annual Balance Sheet Statement

(in 000's, except per share data and ratios)

	2008A	2009A	2010A	2011A	2012E	2013E
Assets:						
Cash and cash equivalents	6,554	6,163	5,913	43,407	81,260	105,925
Accounts receivable, less allowances	11,384	11,517	14,295	25,311	30,174	36,591
Prepaid expenses and other current assets	870	1,585	1,395	2,503	3,896	4,724
Total Current Assets	**18,808**	**19,265**	**21,603**	**71,221**	**115,329**	**147,240**
Computers, Furniture, and Equipment, Net	1,625	1,761	1,795	3,334	3,897	4,569
Intangible assets, net	16,422	16,843	15,785	28,800	30,561	25,957
Goodwill	16,191	17,636	17,636	36,266	44,728	44,728
Security deposits and other non-current assets	453	573	1,925	1,241	1,906	1,906
Cash held in escrow	1,375	-	-	-	-	-
Total Assets	**54,874**	**56,078**	**58,744**	**140,862**	**196,422**	**224,400**
Liabilities:						
Accounts payable	2,745	2,858	3,303	6,605	9,522	11,005
Accrued Expenses	2,802	2,285	3,364	7,061	8,237	9,951
Deferred revenue-current portion	6,940	7,840	8,304	9,051	10,866	13,177
Notes Payable-current portion	6,609	9,398	6,345	7,904	13,187	13,187
Other current liabilities	200	200	-	1,079	746	746
Total Current Liabilities	**19,296**	**22,581**	**21,316**	**31,700**	**42,558**	**48,066**
Deferred rent and other non-current liabilities	1,298	2,480	3,099	1,659	3,601	3,601
Deferred revenue, less current portion		-	1,788	2,624	2,910	3,529
Notes payable, less current portion	15,408	11,933	11,777	8,290	4,918	4,918
Warrants for redeemable conv. pref. stock	328	511	1,345	-	-	-
Other noncurrent liabilities	200	-	-	-	-	-
Total Liabilities	**36,530**	**37,505**	**39,325**	**44,273**	**53,988**	**60,114**
Total Shareholders' Equity	**(35,482)**	**(39,031)**	**(42,022)**	**96,589**	**142,434**	**164,286**
Total Liabilities and Shareholders' Equity	**54,874**	**56,078**	**58,744**	**140,862**	**196,422**	**224,400**
Return Ratios						
Return on Sales	-8.7%	0.9%	5.1%	8.5%	12.0%	15.1%
Total Asset Turnover	0.68	1.00	1.17	0.74	0.75	0.78
Financial Leverage	(1.55)	(1.44)	(1.40)	1.46	1.38	1.37
Retention Ratio	100%	100%	100%	100%	100%	100%
Return on Equity	9.2%	-1.3%	-8.3%	9.3%	12.4%	16.1%
Return on Assets	-5.9%	0.9%	6.0%	6.4%	9.0%	11.8%
Sustainable Growth	9.2%	-1.3%	-8.3%	9.3%	12.4%	16.1%
Activity Ratios						
Receivables Turnover	3.3	4.9	4.8	4.1	4.8	4.8
Days Receivable	109.2	74.1	75.2	86.8	74.2	75.1
Payables Turnover	6.5	8.7	9.1	7.5	6.9	6.8
Days Payable	56	42	40	48	52	53
Liquidity/Leverage						
Current Ratio	1.0	0.9	1.0	2.2	2.7	3.1
Quick Ratio	0.9	0.8	0.9	2.2	2.6	3.0
Debt to Equity	(0.6)	(0.5)	(0.4)	0.2	0.1	0.1
Debt to Capital	(1.6)	(1.2)	(0.8)	0.1	0.1	0.1
Net Working Capital	(488)	(3,316)	287	39,521	72,771	99,174
ST Debt	6,609	9,398	6,345	7,904	13,187	13,187
LT Debt	15,408	11,933	11,777	8,290	4,918	4,918
Book Value per Share		($9.05)	($9.55)	$5.89	$3.44	$3.81
Tangible Book Value per Share		($17.05)	($17.15)	$1.92	$1.62	$2.17
Cash & Investments per Share		($3.52)	($2.78)	$1.66	$1.53	$2.04
Cash & Investments per Share, Net		($3.52)	($2.78)	$1.66	$1.53	$2.04

Source: Company reports, Wedbush Securities estimates.

Source: Company data, Wedbush Securities Inc

Figure 19: Tangoe Annual Cash Flow Statement

Tangoe Annual Cash Flow Statement

(in 000's, except per share data and ratios, FY ends December 31)

	2008A	2009A	2010A	2011E	2012E	2013E
Cash Flow from Operating Activities:						
Net income (loss)	(6,969)	(2,554)	(1,752)	(2,955)	5,578	14,111
Adjustments to reconcile net income to net cash provided by (used in) operating activities						
Amortization of debt discount	53	193	47	1,339	191	-
Amortization of leasehold interest	-	-	-	-	(24)	-
Depreciation and amortization	2,709	3,537	3,529	4,551	6,855	6,122
(Decrease) increase in deferred rent liability	193	(380)	(494)	(58)	43	-
Amortization of marketing agreement intangible assets	-	-	26	92	32	-
Allowance for doubtful accounts	137	9	207	23	-	-
Deferred income taxes	62	190	190	305	6	-
Stock based compensation expense	540	749	1,928	3,980	6,496	7,741
Stock based comp. related to common and convertible stock r	1,388	-	-	-	-	-
Non-cash expense relative to issuance of warrants to service p	15	8	-	-	-	-
Increase in fair value of warrants for redeemable conv. pref. st	66	184	884	1,996	-	-
Other	-	-	-	1,549	-	-
Change in operating assets and liabilities						
Accounts receivable	(1,596)	(141)	(2,986)	(4,437)	(3,433)	(6,418)
Prepaid expenses and other current assets	(323)	(25)	(501)	47	(468)	(829)
Other assets	(36)	(133)	(1,181)	(381)	10	-
Accrued Expenses	573	(199)	1,079	3,054	1,240	1,714
Accounts payable	392	113	172	(184)	(145)	1,483
Deferred revenue	1,523	882	2,252	1,226	1,619	2,930
Net Cash Provided by Operating Activities	**(1,273)**	**2,433**	**3,400**	**10,147**	**18,001**	**26,855**
Cash Flow from Investing Activities:						
Purchases of computers, furniture and equipment	(671)	(660)	(367)	(853)	(1,826)	(2,190)
Cash paid in connection with acquisitions, net of cash received	(12,051)	(70)	-	(22,194)	(8,577)	-
Cash held in escrow	(1,375)	-	-	-	-	-
Net Cash Used in Investing Activities	**(14,097)**	**(730)**	**(367)**	**(23,047)**	**(10,403)**	**(2,190)**
Cash Flow from Financing Activities:						
Repayment of debt	(3,239)	(580)	(8,562)	(38,018)	(1,544)	-
Borrowings of debt	16,690	-	5,500	20,000	-	-
Proceeds from initial public offering, net of issuance costs	-	-	-	66,989	30,322	-
Deferred financing costs	(138)	(85)	(60)	(170)	-	-
Payments of Settlement Liability	(175)	(200)	(200)	-	-	-
Payments of Debt in Connection with Acquisition	-	(895)	(952)	-	-	-
Proceeds from repayments of notes receivable	-	-	-	-	-	-
Proceeds from exercise of options	137	77	300	1,401	70	-
Other	7,258	(408)	691	192	1,396	-
Net Cash Provided by Financing Activities	**20,533**	**(2,091)**	**(3,283)**	**50,394**	**30,244**	**-**
	-	-	-	-		
Effect of Exchange Rate on Cash	10	(3)	-	-	11	-
	-	-	-	-		
Net Increase (Decrease) in Cash an Cash Equivalents	5,173	(391)	(250)	37,494	37,853	24,665
Cash and Equivalents, beginning of period	**1,381**	**6,554**	**6,163**	**5,913**	**43,407**	**81,260**
				-		
Cash and Equivalents, end of period	**6,554**	**6,163**	**5,913**	**43,407**	**81,260**	**105,925**

Source: Company data, Wedbush Securities Inc

Analyst Certification
I, Scott Sutherland, CFA, Suhail Chandy, CFA, certify that the views expressed in this report accurately reflect my personal opinion and that I have not and will not, directly or indirectly, receive compensation or other payments in connection with my specific recommendations or views contained in this report.

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Investment Rating System:
Outperform: Expect the total return of the stock to outperform relative to the median total return of the analyst's (or the analyst's team) coverage universe over the next 6-12 months.
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Rating Distribution (as of June 30, 2012)	**Investment Banking Relationships (as of June 30, 2012)**
Outperform:58% Neutral: 36% Underperform: 6%	Outperform:14% Neutral: 0% Underperform: 0%

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Company	Disclosure
Tangoe	1

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