February 16, 2012

TECHNOLOGY/ENTERPRISE SOFTWARE

Tangoe

Consolidating the CLM Universe; Raising PT to $20

Stock Rating:

OUTPERFORM

12-18 mo. Price Target	$20.00
TNGO - NASDAQ	$16.81

3-5 Yr. EPS Gr. Rate	NA
52-Wk Range	$17.89-$8.01
Shares Outstanding	38.5M
Float	20.0M
Market Capitalization	$554.1M
Avg. Daily Trading Volume	185,284
Dividend/Div Yield	$0.00/0.00%
Fiscal Year Ends	Dec
Book Value	$2.51
2012E ROE	NA
LT Debt	$16.2M
Preferred	NA
Common Equity	$97M
Convertible Available	No

EPS Diluted	Q1	Q2	Q3	Q4	Year	Mult.
2010A	0.02	0.03	0.03	0.04	0.12	NM
2011A	0.05	0.06	0.07	0.08	0.26	64.7x
Prior (E)	--	--	--	*0.07*	*0.25*	*67.2x*
2012E	0.08	0.10	0.11	0.13	0.41	41.0x
Prior (E)	*0.09*	--	*0.10*	*0.11*	*0.40*	*42.0x*
2013E	--	--	--	--	0.59	28.5x

Trading range as of 7/27/11 IPO.

SUMMARY

We are raising our PT to $20 from $17 on the heels of a solid 4Q11, led by healthy recurring revenue growth (+61% Y/Y) and new customer wins. Tangoe continues to gain share of worldwide fixed/mobile communications spend (manages $16.8B of the ~$425B TAM), and recent acquisitions of ProfitLine (12/19) and Anomalous Networks (1/10) broaden its CLM portfolio, increase scale, and present additional up/cross-sell opportunities. We believe Tangoe can continue to deliver double-digit EPS/revenue growth through a variety of drivers (e.g., greenfield opportunities, penetrate existing customers, international expansion, leverage in the model, deepen alliances, proliferation of mobile devices) for the foreseeable future. Given these solid fundamentals and an attractive valuation (~3.8x CY13E rev.), we remain buyers.

KEY POINTS

- **Solid 4Q.** TNGO posted 4Q11 EPS/rev. of $0.08/$29.2M, ahead of our ests. of $0.07/$28.3M and guidance. The healthy results were led by solid uptake across TEM/MDM products. Organic recurring revenue grew ~24-26% during the quarter. Additionally, Tangoe signed 22 new customers and we are pleased to see renewal rates remain in the mid-90% range.
- **Consolidating the space.** ProfitLine was one of the largest CLM vendors behind Tangoe and provides scale and entry into the Federal vertical (25% of ProfitLine's business is gov't). Anomalous offers real-time TEM (rTEM) solutions, an emerging technology complementary with Tangoe's TEM/MDM portfolio. We believe both acquisitions provide significant up/cross-sell opportunities.
- **Leverage in the model.** HCL, Telwares, and ProfitLine operated at lower margins than legacy Tangoe. Despite Tangoe's continued reinvestment given the open-ended CLM opportunity, we believe the company can deliver at least 150-200 bps of margin expansion during FY12 with further expansion in the future.
- **Adjusting estimates.** We now expect FY12E EPS/rev. of $0.41/$138.6M from $0.40/$135.5M. We also introduce FY13E of $0.59/$164.2M.
- **Valuation attractive.** At $16.81 TNGO trades at ~3.8x CY13E EV/S vs. peers at ~4.5x. Given the company's growth prospects, solid revenue visibility, and leverage in the model, we believe it should trade more in-line with peers.

Stock Price Performance

Company Description

Tangoe is a leading provider of communications life-cycle management (CLM) software and services, specifically designed to cover the entire life-cycle of an enterprise's communications assets, from initial procurement, through invoicing, to decommissioning and disposal.

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Commentary & Analysis

We are raising our price target to $20 from $17 on the heels of a solid 4Q11, led by healthy recurring revenue growth (+61% Y/Y) and new customer wins. Tangoe continues to gain share of worldwide fixed/mobile communications spend (manages $16.8B of the ~$425B TAM, or total available market), and recent acquisitions of ProfitLine (on 12/19) and Anomalous Networks (on 1/10) broaden Tangoe's communications lifecycle management portfolio, increase scale, and present additional up/cross-sell opportunities. We believe Tangoe can continue to deliver double-digit EPS/revenue growth through a variety of drivers (e.g., greenfield opportunities, penetrate existing customers, international expansion, leverage in the model, deepen alliances, proliferation of mobile devices) for the foreseeable future. Given these solid fundamentals and an attractive valuation (~3.8x CY13E rev.), we remain buyers.

Tangoe reported 4Q11 non-GAAP EPS and revenue of $0.08/$29.2M, topping its guidance and our $0.07/$28.3M forecast, with strength across the board. Tangoe posted recurring revenue of $25.8M (up 61.3% Y/Y), and services revenue grew a healthy 28.5% Y/Y to $3.5M (we note services revenue included $250K of one-time, non-recurring revenue). We are pleased to see the company deliver another quarter of mid-twenties organic recurring revenue growth and retention rates remain in the mid-90 percent range.

Tangoe closed 22 new customers during the quarter (vs. 25 new logos last quarter) and continues to displace competitors and home-grown systems. We note that Tangoe typically signs between 20-30 new customers a quarter. While the new customer count was lower than last quarter's, management notes that the average transaction size was almost 25% larger). It is clear to us that Tangoe is executing on its plan to increasingly drive CLM spend through its platform, with total spend under management now at $16.8B, up 60% (and up 54% ex-ProfitLine). Given low penetration rates at existing customers (~33% penetrated) and a large greenfield opportunity (~80% of companies use home grown systems), we expect Tangoe to continue driving spend through its platform for the foreseeable future.

Consolidating the space. Tangoe is proving to be a skilled consolidator, and we believe M&A is one of the company's core competencies (Tangoe acquired seven companies over the past five years). As a reminder, Tangoe acquired ProfitLine on 12/19/2011. One of the largest CLM vendors behind Tangoe, ProfitLine provides scale and entry into the Federal vertical market (25% of ProfitLine's business is gov't). ProfitLine operates in both the fixed and mobile space, and the vast majority of the company's 50 customers did not use both products. Further, ProfitLine was primarily US-focused. We believe Tangoe has a large opportunity to up/cross sell additional modules as well as penetrate international CLM spend at legacy ProfitLine customers. Last, ProfitLine brings healthy partnerships with **HP** and **SAIC** (system integrators). Recall strategic alliances are a key component of Tangoe's go-to-market strategy, as they contribute about 25% of new annual recurring revenue (Tangoe also has alliances with **IBM**, **Dell**, **HPQ,** and **Xerox**). ProfitLine contributed about $500K in revenues during 4Q11 and is expected to bring in $14-15M during FY12.

Tangoe on 1/10/2012 acquired Anomalous Networks, a leading provider of real-time TEM (rTEM) solutions. Unlike Tangoe's legacy CLM solutions that monitor telecom expense compliance upon bill receipt, Anomalous' rTEM technology monitors mobile device activity at the "actual point of consumption" to proactively management telecom expenses and reduce "bill shock." In other words, the real-time nature of rTEM enables companies to provide enhanced visibility into telecom spend and better manage its communications assets. While we do not expect significant revenue contribution from rTEM this year (~$1M in revenue), we believe rTEM is an emerging technology that is complementary with Tangoe's CLM portfolio and provides up/cross-sell opportunities, over time.

Leverage in the model. The integration of HCL and Telwares (both acquired during 1Q11) is well on track. Recall that HCL/Telwares operated at lower gross margins than Tangoe, which have served as a short-term drag to overall margins (gross margin dropped to 52.9% at 4Q11 from 57% at 4Q10 -- management notes gross margin ex-HCL/Telwares would have been higher in 4Q11 than in 4Q10). It typically takes Tangoe 12-18 months to fully transition acquired clients to its CLM platform (from the acquired platform), and we expect HCL/Telwares to be no different. During 4Q11, Tangoe ramped up its customer migrations which should be completed over the next few quarters. As a result, we expect gradual margin expansion over the course of this year (despite the ProfitLine acquisition) and anticipate Tangoe to successfully up/cross-sell legacy HCL/Telwares customers upon migration. We think management's goal of 55% gross margin at the end of FY12 is quite achievable.

Regarding the macro environment, management highlighted it has not seen any impact to its business from macro headwinds and notes its pipelines remain healthy. We believe Tangoe is relatively insulated, should the macro environment further deteriorate since: 1) Tangoe's contracts are longer-term (while contracts range from 2-5 years, the typical contract runs 2-3 years); and 2) Tangoe's TEM and MDM solutions drive ROI, improve efficiencies, and reduce compliance/regulatory/security risks, all of which provide an additional layer of "stickiness" (ie, loyalty/reluctance to switch). As a reminder, Tangoe delivered >20% organic recurring revenue growth during the '08/09 recession.

Altogether, we continue to believe the CLM market is still in its earliest stages of growth, as enterprises are just beginning to address the need to centrally manage a disparate inventory of fixed and mobile assets. This segment should only increase in importance as enterprises connect mobile devices (smartphones, tablets) to the corporate network at an accelerating pace. As a result of this growing complexity, we believe companies will begin to move off outdated, home-grown systems to effectively manage telecom resources. Given Tangoe's leadership position in the CLM space (Tangoe is more than three times larger than its nearest competitor and is the only player to combine TEM/MDM in one solution) and a healthy moat (ie, barriers to entry—Tangoe's CLM solution supports 16 languages, 125 currencies, 200 countries/territories, 1,900 billing formats, 1,700 carriers globally, and was awarded 12 patents), we believe the company should be able to effectively capture this large opportunity and deliver double-digit EPS/revenue growth for the foreseeable future.

Tangoe's Revised Outlook

Tangoe introduces 1Q12 and FY12 estimates. For 1Q12, Tangoe expects EPS of $0.08 on revenue of $32.2-32.7M. Tangoe also guides 1Q12 Adjusted EBITDA of $3.5-3.7M, taxes of $200K, and 39M shares outstanding.

For FY12, Tangoe expects EPS of $0.41-0.42 on revenue of $137-139M. Tangoe also guides FY12 Adjusted EBITDA of $19.5-20M, taxes of $1M, and 39.5M shares outstanding. Management expects FY gross margin to be 55% for the FY, with lower margins in the first half of the year and increasing as the year progresses.

Changes to our Model

Following TNGO's solid 4Q11 results and revised outlook, we've adjusted our model. We now expect FY12 EPS/revenue of $0.41/$138.6M vs. our prior estimate of $0.43/$135.5M and consensus of $0.41/$135.5M. We also introduce FY13 EPS/revenue of $0.59/$164.2M vs. consensus of $0.54/$152.7M. A more detailed breakout of our model changes is contained in the exhibit below:

Estimate Revisions

	4Q11A			1Q12E			FY11A			FY12E			FY13E		
($ in millions, except EPS)	Actuals	Previous	Variance[1]	New	Previous	Variance[1]	New	Previous	Variance[1]	New	Previous	Variance[1]	New	Previous	Variance[1]
Revenue and EPS															
Total Revenue	$29.2	$28.3	$1.0	$32.6	$32.3	$0.3	$104.9	$104.0	$1.0	$138.6	$135.5	$3.0	$164.2	--	--
Y/Y Growth	*56.6%*	*51.3%*	3.4%	*45.9%*	*44.7%*	0.8%	*53.3%*	*51.8%*	0.9%	*32.0%*	*30.4%*	2.2%	*18.5%*	--	--
Recurring Revenue	$25.8	$25.4	$0.4	$29.0	$29.4	($0.4)	$93.7	$93.3	$0.4	$123.6	$124.0	($0.3)	$147.0	--	--
Y/Y Growth	*61.3%*	*58.7%*	1.6%	*45.7%*	*47.7%*	(1.4%)	*62.3%*	*61.6%*	0.4%	*32.0%*	*32.9%*	(0.3%)	*18.9%*	--	--
Consulting & Other	$3.5	$2.9	$0.6	$3.6	$2.9	$0.7	$11.3	$10.7	$0.6	$14.9	$11.6	$3.4	$17.2	--	--
Y/Y Growth	*28.5%*	*7.2%*	16.6%	*47.8%*	*19.7%*	19.0%	*4.6%*	*(0.7%)*	5.1%	*32.4%*	*8.2%*	22.5%	*15.4%*	--	--
Non-GAAP EPS	$0.08	$0.07	$0.01	$0.08	$0.09	($0.02)	$0.26	$0.25	$0.01	$0.41	$0.40	$0.01	$0.59	--	--
Y/Y Growth	*93.3%*	*N/A*	14.0%	*49.7%*	*81.3%*	(21.1%)	*116.0%*	*0.0%*	5.1%	*56.5%*	*60.1%*	2.9%	*43.6%*	--	--
Adjusted EBITDA	$3.7	$3.5	$0.2	$3.7	$4.7	($1.0)	$12.7	$12.5	$0.2	$19.5	$20.6	($1.1)	$27.4	--	--
Y/Y Growth	*86.8%*	*78.8%*	4.3%	*46.7%*	*84.6%*	(25.9%)	*84.3%*	*82.0%*	1.2%	*54.4%*	*65.2%*	(5.6%)	*40.2%*	--	--
Cash Flow															
Cash From Operations	$4.8	$3.2	$1.7	$2.6	$3.4	($0.8)	$10.1	$8.5	$1.7	$18.1	$19.0	($0.9)	$30.5	--	--
Y/Y Growth	*284.8%*	*N/A*	34.4%	*131.0%*	*202.0%*	(30.8%)	*198.5%*	*149.5%*	16.4%	*78.3%*	*123.6%*	(4.9%)	*68.8%*	--	--
CFFO Per Share	$0.13	$0.08	$0.04	$0.07	$0.09	($0.02)	$0.30	$0.26	$0.05	$0.46	$0.48	($0.02)	$0.75	--	--
Y/Y Growth	*189.5%*	*N/A*	34.4%	*73.5%*	*126.9%*	(30.7%)	*156.3%*	*(66.9%)*	15.6%	*51.4%*	*86.8%*	(4.1%)	*63.4%*	--	--
Free Cash Flow	$4.5	$2.7	$1.8	$2.2	$3.0	($0.8)	$9.3	$7.5	$1.8	$16.5	$17.2	($0.7)	$28.6	--	--
Y/Y Growth	*269.4%*	*N/A*	39.9%	*107.5%*	*183.4%*	(36.5%)	*206.4%*	*147.6%*	19.2%	*77.1%*	*128.9%*	(4.5%)	*73.9%*	--	--
FCF Per Share	$0.12	$0.07	$0.05	$0.06	$0.08	($0.02)	$0.28	$0.23	$0.05	$0.42	$0.43	($0.02)	$0.70	--	--
Y/Y Growth	*177.9%*	*N/A*	40.0%	*55.9%*	*112.9%*	(36.5%)	*163.2%*	*(67.2%)*	18.4%	*50.3%*	*91.2%*	(3.7%)	*68.4%*	--	--
Margins															
Gross Margin (Non-GAAP)	52.9%	52.8%	0.1%	53.5%	56.2%	(2.7%)	53.0%	53.0%	0.0%	55.1%	56.5%	(1.4%)	56.8%	--	--
Operating Margin (Non-GAAP)	11.4%	10.9%	0.4%	10.2%	13.3%	(3.1%)	10.8%	10.6%	0.1%	13.0%	14.1%	(1.0%)	15.8%	--	--

Source: Oppenheimer & Co. Inc.

[1] variance column figures do not refer to y/y growth but variance %.

Income Statement Metrics (in millions), except EPS	FY 2009	Mar 10	Jun 10	Sept 10	Dec 10	FY 2010	Mar 11	Jun 11	Sept 11	Dec 11	FY 2011
Total Revenue	55.9	16.0	16.7	17.1	18.7	68.5	22.3	26.0	27.3	29.2	104.9
Y/Y Growth	49.0%	21.9%	22.9%	21.1%	23.9%	22.5%	40.0%	55.9%	59.4%	56.6%	53.3%
Q/Q Growth		5.8%	4.7%	2.6%	9.0%		19.6%	16.6%	4.9%	7.1%	
Subscription Revenue	46.0	13.3	13.9	14.6	16.0	57.7	19.9	23.5	24.5	25.8	93.7
Y/Y Growth	65.3%	20.5%	25.4%	26.1%	29.2%	25.4%	50.3%	69.2%	67.9%	61.3%	62.3%
Q/Q Growth		7.2%	4.8%	4.9%	9.7%		24.7%	18.0%	4.0%	5.4%	
Gross Margin (Non-GAAP)	55.7%	55.8%	56.4%	56.1%	57.0%	56.3%	54.4%	52.1%	52.8%	52.9%	53.0%
Operating Expenses (Non-GAAP)	52.8	14.8	15.3	15.6	17.0	62.7	20.1	23.3	24.3	25.9	93.6
Operating Margin (Non-GAAP)	5.6%	7.5%	8.1%	9.0%	9.0%	8.4%	10.1%	10.5%	10.9%	11.4%	10.8%
EPS (Non-GAAP)	0.16	0.02	0.03	0.03	0.04	0.12	0.05	0.06	0.07	0.08	0.26

Other (in millions)	FY 2009	Mar 10	Jun 10	Sept 10	Dec 10	FY 2010	Mar 11	Jun 11	Sept 11	Dec 11	FY 2011
Total Spend Managed ($ in billions)			$9.1	$9.5	$10.5			$14.5	$15.3	$16.8	
Y/Y Growth								60.0%	61.1%	60.0%	
Q/Q Growth				4.9%					5.5%	9.8%	
Revenue Mix											
Subscription Revenue	82%	83%	83%	85%	86%	84%	89%	90%	90%	88%	89%
Consulting & other	18%	17%	17%	15%	14%	16%	11%	10%	10%	12%	11%
New Customers Closed During the Quarter								25	25	22	

Source: Oppenheimer & Co. Inc., Company Reports

Stock prices of other companies mentioned in this report (as of 2/15/2012):

Dell (Dell-NASDAQ, $17.99, Not Rated)

International Business Machines (IBM-NYSE, $192.25, NR)

Hewlett-Packard (HPQ-NYSE, $29.12, NR)

SAIC (SAI-NYSE, $12.73, NR)

Xerox (XRX-NYSE, $8.33, NR)

TNGO Income Statement

(in millions), except EPS	FY 2009	FY 2010	Mar 11	Jun 11	Sept 11	Dec 11	FY 2011	Mar 12E	Jun 12E	Sept 12E	Dec 12E	FY 2012E	FY 2013E
Revenues													
Recurring revenue	46.0	57.7	19.9	23.5	24.5	25.8	93.7	29.0	30.2	31.5	32.9	123.6	147.0
Consulting & other	9.9	10.8	2.4	2.5	2.9	3.5	11.3	3.6	3.7	3.8	3.9	14.9	17.2
Total Revenue	**55.9**	**68.5**	**22.3**	**26.0**	**27.3**	**29.2**	**104.9**	**32.6**	**33.9**	**35.3**	**36.8**	**138.6**	**164.2**
Cost of revenue (Non-GAAP)	**24.8**	**29.9**	**10.2**	**12.5**	**12.9**	**13.8**	**49.3**	**15.2**	**15.4**	**15.7**	**16.0**	**62.3**	**71.0**
Total gross profit (Non-GAAP)	**31.1**	**38.6**	**12.2**	**13.6**	**14.4**	**15.5**	**55.6**	**17.4**	**18.5**	**19.6**	**20.8**	**76.3**	**93.2**
Adjusted Operating expenses													
S&M (Non-GAAP)	9.6	11.9	3.5	3.8	3.9	4.3	15.4	5.1	5.4	5.6	5.8	21.9	26.1
G&A (Non-GAAP)	9.2	10.7	3.3	3.9	4.2	4.4	15.8	4.5	4.6	4.7	4.8	18.6	21.0
R&D (Non-GAAP)	8.0	9.2	2.8	2.8	3.0	3.1	11.7	4.0	3.9	4.1	4.2	16.2	18.7
D&A	3.5	3.5	1.0	1.1	1.2	1.2	4.6	1.3	1.3	1.3	1.4	5.2	5.6
Amortization of intangibles	(2.3)	(2.4)	(0.7)	(0.8)	(0.9)	(0.8)	(3.2)	(0.9)	(0.9)	(1.0)	(1.0)	(3.7)	(4.1)
Total operating expenses (Non-GAAP)	28.0	32.8	9.9	10.8	11.4	12.2	44.3	14.1	14.2	14.7	15.2	58.2	67.3
Income (Loss) from operations (Non-GAAP)	**3.1**	**5.8**	**2.3**	**2.7**	**3.0**	**3.3**	**11.3**	**3.3**	**4.3**	**4.9**	**5.6**	**18.0**	**25.9**
Other income (expense), net													
Interest income (expense) and other, net (Non-GAAP)	(2.2)	(2.0)	(0.7)	(0.8)	(0.4)	(0.2)	(2.0)	(0.2)	(0.2)	(0.2)	(0.2)	(0.8)	(0.4)
Income (Loss) before taxes (Non-GAAP)	1.0	3.8	1.6	2.0	2.6	3.2	9.3	3.1	4.1	4.7	5.4	17.2	25.5
Income tax (benefit) Provision (Non-GAAP)	0.3	0.3	0.1	0.2	0.1	0.1	0.5	0.2	0.2	0.3	0.3	1.0	1.4
Net Income (Loss) (Non-GAAP)	**0.7**	**3.5**	**1.5**	**1.8**	**2.5**	**3.0**	**8.8**	**2.9**	**3.9**	**4.4**	**5.1**	**16.2**	**24.1**
EPS (Non-GAAP)	**0.16**	**0.12**	**0.05**	**0.06**	**0.07**	**0.08**	**0.26**	**0.08**	**0.10**	**0.11**	**0.13**	**0.41**	**0.59**
Diluted Shares Outstanding (Non-GAAP)	4.3	28.8	29.3	29.9	35.1	38.5	33.5	39.0	39.3	39.6	40.0	39.5	40.8
Adjusted EBITDA	4.4	6.9	2.6	3.1	3.3	3.7	12.7	3.7	4.6	5.2	5.9	19.5	27.4

Margin Analysis	FY 2009	FY 2010	Mar 11	Jun 11	Sept 11	Dec 11	FY 2011	Mar 12E	Jun 12E	Sept 12E	Dec 12E	FY 2012E	FY 2013E
Recurring revenue as % of revenue	82.3%	84.3%	89.2%	90.3%	89.5%	88.2%	89.3%	89.1%	89.2%	89.3%	89.4%	89.2%	89.5%
Consulting & other as % of revenue	17.7%	15.7%	10.8%	9.7%	10.5%	11.8%	10.7%	10.9%	10.8%	10.7%	10.6%	10.8%	10.5%
Cost of revenue as % of revenue (Non-GAAP)	**44.3%**	**43.7%**	**45.6%**	**47.9%**	**47.2%**	**47.1%**	**47.0%**	**46.5%**	**45.5%**	**44.5%**	**43.5%**	**44.9%**	**43.2%**
Gross Margin (Non-GAAP)	**55.7%**	**56.3%**	**54.4%**	**52.1%**	**52.8%**	**52.9%**	**53.0%**	**53.5%**	**54.5%**	**55.5%**	**56.5%**	**55.1%**	**56.8%**
S&M as % of revenue (Non-GAAP)	17.1%	17.3%	15.8%	14.4%	14.3%	14.6%	14.7%	15.8%	15.8%	15.8%	15.8%	15.8%	15.9%
G&A as % of revenue (Non-GAAP)	16.5%	15.6%	14.6%	15.1%	15.4%	15.2%	15.1%	13.0%	12.6%	12.5%	12.3%	13.5%	12.8%
R&D as % of revenue (Non-GAAP)	14.3%	13.4%	12.6%	10.7%	10.9%	10.6%	11.1%	12.3%	11.5%	11.5%	11.5%	11.7%	11.4%
Total Stock comp as % of revenue (Non-GAAP)	(1.3%)	(2.8%)	(3.7%)	(3.6%)	(3.3%)	(4.5%)	(3.8%)	(4.0%)	(4.0%)	(4.5%)	(4.5%)	(4.3%)	(4.5%)
Amortization of intang. as % of revenue (Non-GAAP)	(4.1%)	(3.6%)	(3.2%)	(2.9%)	(3.3%)	(2.7%)	(3.0%)	(2.7%)	(2.7%)	(2.7%)	(2.7%)	(2.7%)	(2.5%)
Operating Margin (Non-GAAP)	**5.6%**	**8.4%**	**10.1%**	**10.5%**	**10.9%**	**11.4%**	**10.8%**	**10.2%**	**12.6%**	**13.8%**	**15.1%**	**13.0%**	**15.8%**
Interest income (expense) and other, net as % of revenue	(4.2%)	(4.2%)	(5.3%)	(8.6%)	(5.1%)	(0.5%)	(4.8%)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
EBT Margin (Non-GAAP)	**1.7%**	**5.5%**	**7.1%**	**7.5%**	**9.6%**	**10.8%**	**8.9%**	**9.6%**	**12.0%**	**13.3%**	**14.6%**	**12.4%**	**15.5%**
Tax rate (non GAAP)	27.5%	7.8%	7.9%	9.2%	3.4%	4.4%	5.7%	6.4%	4.9%	6.4%	5.6%	5.8%	5.5%
Net income Margin (Non-GAAP)	**1.2%**	**5.1%**	**6.6%**	**6.8%**	**9.2%**	**10.3%**	**8.4%**	**9.0%**	**11.4%**	**12.4%**	**13.8%**	**11.7%**	**14.7%**
EBITDA Margin (Non-GAAP)	**11.9%**	**13.6%**	**14.6%**	**14.8%**	**15.5%**	**15.4%**	**15.1%**	**14.2%**	**16.4%**	**17.6%**	**18.8%**	**16.8%**	**19.2%**
Adjusted EBITDA Margin	**7.8%**	**10.0%**	**11.4%**	**11.9%**	**12.2%**	**12.6%**	**12.1%**	**11.5%**	**13.7%**	**14.9%**	**16.1%**	**14.1%**	**16.7%**

Y/Y Growth Analysis	FY 2009	FY 2010	Mar 11	Jun 11	Sept 11	Dec 11	FY 2011	Mar 12E	Jun 12E	Sept 12E	Dec 12E	FY 2012E	FY 2013E
Recurring revenue	65.3%	25.4%	50.3%	69.2%	67.9%	61.3%	62.3%	45.7%	28.5%	28.9%	27.5%	32.0%	18.9%
Consulting & other	2.3%	8.7%	(10.4%)	(9.8%)	11.2%	28.5%	4.6%	47.8%	44.8%	32.5%	12.6%	32.4%	15.4%
Total Revenue	49.0%	22.5%	40.0%	55.9%	59.4%	56.6%	53.3%	45.9%	30.1%	29.2%	25.7%	32.0%	18.5%
Cost of revenue as % of revenue (Non-GAAP)	39.9%	20.6%	44.4%	71.3%	71.3%	71.2%	64.9%	48.9%	23.5%	21.9%	16.2%	26.3%	14.0%
Gross Profit (Non-GAAP)	57.1%	23.9%	36.6%	44.0%	50.0%	45.5%	44.2%	43.4%	36.1%	35.8%	34.2%	37.1%	22.2%
S&M (Non-GAAP)	24.6%	23.8%	29.5%	27.3%	33.1%	31.1%	30.3%	46.1%	42.6%	42.8%	36.3%	41.7%	19.2%
G&A (Non-GAAP)	23.9%	15.8%	31.0%	53.0%	64.1%	45.5%	48.4%	39.0%	16.4%	11.7%	8.7%	17.7%	12.7%
R&D (Non-GAAP)	37.4%	14.9%	25.9%	22.7%	29.8%	30.9%	27.4%	42.1%	39.6%	36.4%	36.6%	38.6%	15.3%
Operating Profit (Non-GAAP)	(252.4%)	84.2%	89.1%	101.5%	93.7%	96.7%	95.4%	47.9%	56.1%	63.8%	67.4%	59.8%	43.3%
Total operating expenses (Non-GAAP)	28.0%	17.1%	28.5%	34.3%	41.7%	35.9%	35.2%	42.4%	31.1%	28.6%	25.1%	31.3%	15.6%
EBT (Non-GAAP)	(130.2%)	295.5%	142.3%	137.2%	156.7%	145.2%	146.0%	96.1%	107.4%	79.4%	69.5%	84.8%	47.7%
EPS (Non-GAAP)	(120.4%)	(24.6%)	139.8%	119.5%	119.9%	93.3%	116.0%	49.7%	65.0%	54.2%	61.2%	56.5%	43.6%
Adjusted EBITDA	(490.4%)	57.6%	76.1%	89.9%	83.0%	86.8%	84.3%	46.7%	50.2%	57.8%	60.3%	54.4%	40.2%

Source: Company Reports and Oppenheimer & Co. Inc. estimates

Investment Thesis

- A leading provider of communications lifecycle management (CLM) solutions
- Largest player in a multi-billion-dollar market that continues to grow
- Appears well positioned to sustain double-digit revenue and EPS growth
- Multiple growth drivers (greenfield marketplace, acquire new customers/penetrate existing accounts, international expansion, form additional strategic alliances, engage in additional acquisitions)
- Leverage in the model

Price Target Calculation

We arrive at our $20 price target for Tangoe by applying a 4.5x EV/S multiple to our FY13E revenue of $164.2M. We note the SaaS peer group has historically traded at 5-7x next-12-months' revenue. We contend that since TNGO's CLM solution is based on a deep technological SaaS foundation, the "stickiness" of its installed base, the recurring nature of its revenue (strong renewal rates, subscriptions model), its robust growth rates (40% five-year CAGR), market leadership position in an open-ended opportunity, and the sizable leverage in its model, Tangoe should trade roughly in line with its peers.

Key Risks to Price Target

There are several risks to our investment thesis, including the sluggish pace of IT spending, which may cause deals to be delayed and/or downsized; the company's failing to successfully integrate an acquisition; CLM demand not materializing as expected; loss of a material customer; increased competition from vendors with larger resources and scale; and the possibility that the company will be unable to execute on its growth initiatives. Any of these risks, as well as others unforeseen, could prevent the stock from attaining our price target.

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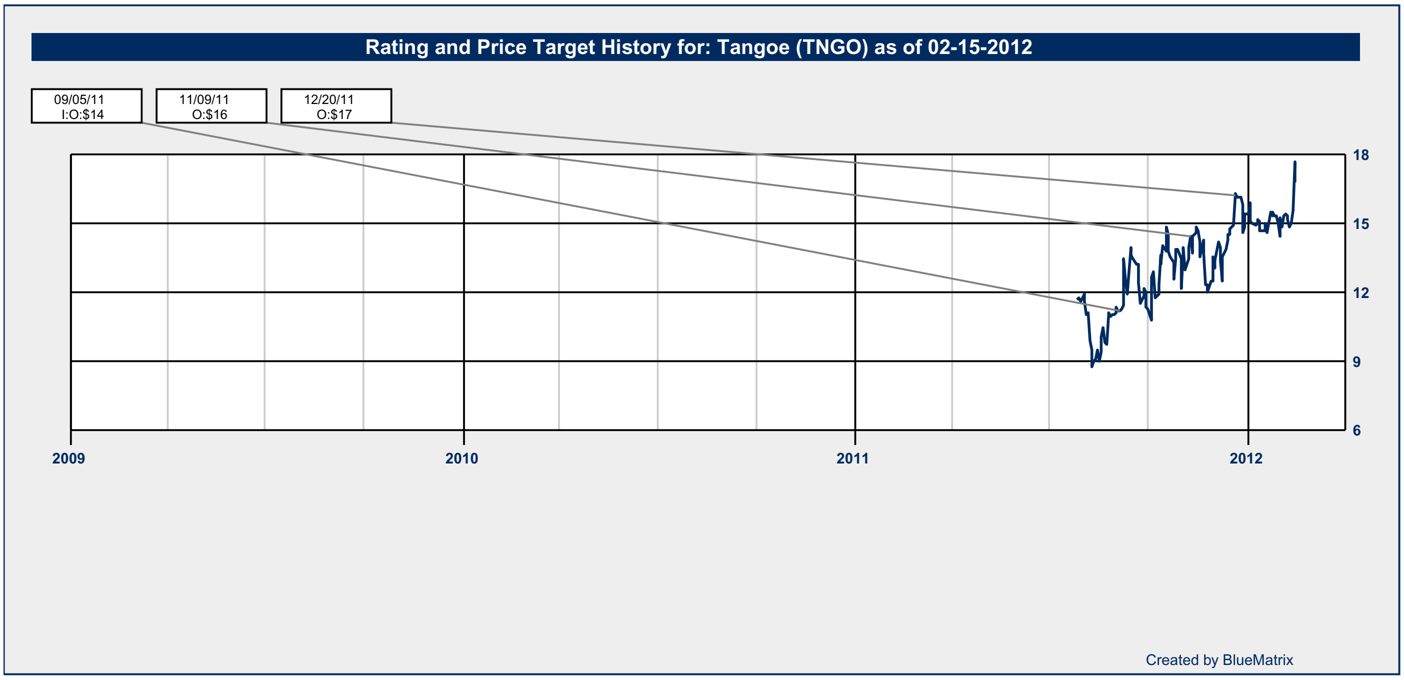

All price targets displayed in the chart above are for a 12- to- 18-month period. Prior to March 30, 2004, Oppenheimer & Co. Inc. used 6-, 12-, 12- to 18-, and 12- to 24-month price targets and ranges. For more information about target price histories, please write to Oppenheimer & Co. Inc., 300 Madison Avenue, New York, NY 10017, Attention: Equity Research Department, Business Manager.

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			IB Serv/Past 12 Mos.	
Rating	Count	Percent	Count	Percent
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PERFORM [P]	256	42.80	86	33.59
UNDERPERFORM [U]	7	1.20	4	57.14

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