EQUITY RESEARCH

QUARTERLY UPDATE

November 9, 2011

TECHNOLOGY/ENTERPRISE SOFTWARE

Tangoe

Dancin' To A Solid Quarter; Raising PT To $16

Stock Rating:

OUTPERFORM

12-18 mo. Price Target	$16.00
TNGO - NASDAQ	$13.97

3-5 Yr. EPS Gr. Rate	NA
52-Wk Range	$15.00-$8.01
Shares Outstanding	35.1M
Float	20.0M
Market Capitalization	$457.3M
Avg. Daily Trading Volume	110,471
Dividend/Div Yield	$0.00/0.00%
Fiscal Year Ends	Dec
Book Value	$2.67
2011E ROE	NA
LT Debt	$7.3M
Preferred	NA
Common Equity	$94M
Convertible Available	No

EPS Diluted	Q1	Q2	Q3	Q4	Year	Mult.
2009A	--	--	--	--	0.16	87.3x
2010A	--	--	--	--	0.79	17.7x
2011E	0.05A	0.06A	0.07A	0.07	0.25	55.9x
Prior (E)	*0.06A*	*--*	*0.06*	*0.06*	*--*	*55.9x*
2012E	0.09	0.09	0.10	0.11	0.39	35.8x
Prior (E)	*--*	*--*	*0.09*	*0.10*	*0.38*	*36.8x*

Trading range as of 7/27/11 IPO.

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SUMMARY

We are raising our PT to $16 from $14 on the heels of a solid 3Q11, led by healthy recurring revenue growth (+68% Y/Y) and solid customer wins. The company continues to gain share of worldwide fixed/mobile communications spend (now manages ~$15.3B of the ~$425B CLM market) and we believe Tango can deliver double-digit EPS/revenue growth through a variety of drivers (e.g., greenfield opportunities, penetrate spend at existing customers, international expansion, drive leverage in the model, deepen alliances) for the foreseeable future. With the HCL/Telwares acquisitions in the rear-view mirror, we expect TNGO to continue its M&A strategy to acquire customers, geography, or technology. Given these solid fundamentals and an attractive valuation (4.1x CY12E recurring rev.), we remain buyers.

KEY POINTS

- **Delivers a solid 3Q.** TNGO posted 3Q11 EPS/rev. of $0.07/$27.3M, vs. our estimates of $0.06/$26.5M. The healthy results were led by strong subscription rev. growth (up 68% Y/Y to $24.5M) and solid uptake across TEM/MDM products. We are particularly impressed with at least ~25-30% organic rev. growth and 83% adjusted EBITDA growth Y/Y to $3.3M.
- **Big win at IBM.** Tangoe closed a multi-year, multi-million dollar engagement at IBM during the quarter. While we don't expect rev. until FY12, this deal is another signal the company is able to up/cross-sell its installed base. Separately, TNGO added 25 new customers during 3Q11 (same as in 2Q11).
- **Expect more acquisitions.** TNGO acquired five companies in the past four years to obtain technology, customers, and extend its geographic reach. These acquisitions enabled TNGO to develop and up/cross-sell a holistic CLM suite to a larger installed base. Going forward, we expect TNGO to engage in additional tuck-in acquisitions to scale along these three axes.
- **Adjusting estimates.** We now expect FY11E and FY12E EPS/rev. of $0.25/$103.6M and $0.39/$121.3M, from $0.25/$102.0M and $0.38/$117.9M, respectively.
- **Valuation attractive.** At ~$14, TNGO trades at 4.1x CY12E recurring rev. vs. peers at 4.9x. 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 lifecycle management (CLM) software and services, specifically designed to cover the entire lifecycle of an enterprise's communications assets, from initial procurement, through invoicing, to decommissioning and disposal.

Commentary & Analysis

We are raising our PT to $16 from $14 on the heels of a solid 3Q11, led by healthy recurring revenue growth (+68% Y/Y) and solid customer wins. The company continues to gain share of worldwide fixed/mobile communications spend (now manages ~$15.3B of the ~$425B CLM market) and we believe the company can deliver double-digit EPS/revenue growth through a variety of drivers (e.g., greenfield opportunities, penetrate spend at existing customers, international expansion, drive leverage in the model, deepen alliances) for the foreseeable future. With the HCL/Telwares acquisitions in the rear-view mirror, we expect TNGO to continue its M&A strategy to acquire customers, geography, or technology. Given these solid fundamentals and an attractive valuation (4.1x CY12E recurring revenue), we remain buyers.

Tangoe reported 3Q11 non-GAAP EPS and revenue of $0.07/$27.3M, topping its guidance and our $0.06/$26.5M forecast, with strength across the board. TNGO posted recurring revenue of $24.5M (up 67.9% Y/Y) and services revenue grew 11.2% Y/Y to $2.9M (we note the company is not actively pushing its services business as it believes it is more prudent to focus the company's resources on the large opportunities present on the recurring revenue side of the business). We are particularly impressed with at least ~25-30% organic revenue growth and note adjusted EBITDA grew 83% Y/Y to $3.3M. While MDM represents less than 10% of revenue today, we believe this segment represents a LT growth opportunity as mobile devices (smartphones, tablets) proliferate the corporate network.

Tangoe closed 25 new customers during the quarter (vs. 25 new logos last quarter) and continues to displace competitors and home-grown systems. 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 $15.3B, up 61.1% Y/Y and 5.5% Q/Q. 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.

Regarding the macro environment, management highlighted it has not seen any impact to its business from macro headwinds and notes its pipelines are "robust." We believe Tangoe is relatively insulated should the macro environment further deteriorate since: 1) Tangoe's contracts are longer-term in duration (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. As a reminder, Tangoe delivered >20% organic recurring revenue growth during the '08/09 recession.

Big win at IBM. In addition to the 25 new customers closed during the quarter, Tangoe highlighted a big win at IBM, where it closed a multi-year, multi-million dollar engagement. In particular, Tangoe will deploy fixed TEM solutions (invoice bill processing) and is replacing a combination of home-grown systems and third-party vendors. While we do not expect revenue until FY12, this deal is another signal the company is able to up/cross-sell its installed base. Separately, recall that IBM (along with Dell, HP, and Xerox) is one of Tangoe's key strategic partners and, together, alliances represent ~25% of new annual recurring revenue.

International expansion provides a large growth opportunity. About $4.1B of the $15.3B CLM spend managed is internationally domiciled (which is up 37% Y/Y and 17% Q/Q). However, much of this spend is just US-based, multi-national spend overseas. While Tangoe believes there is plenty of runway left to further penetrate US-based multi-national spend, the company believes that over 50% of the $425B in global CLM spend is from international corporations (much of which is greenfield opportunities). To that end, we expect Tangoe to build out its European, Asia Pacific, and Latin American presence throughout FY12 (for example, we estimate the company has ~30 quota-carrying sales reps and will look to increase capacity by 40% in the coming months). Given the large and dynamic market opportunity, we believe this reinvestment makes sense, yet still expect the company to balance these efforts with margin expansion.

Leverage in the model. The integration of HCL and Telwares (both acquired during 1Q11) is progressing nicely. 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 52.1% at 2Q11 from 57% at 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 should be no different. To date, Tangoe has transitioned a "minority" of customers and we believe it takes 1-2 quarters post-transition to see margin improvement (HCL/Telwares installations have third-party costs which are no longer needed when clients migrate to Tangoe's CLM solution). We also expect Tangoe to successfully up/cross-sell legacy HCL/Telwares customers to its comprehenisve TEM/MDM product suite upon migration. Bottom line, we believe Tangoe can drive sequential Q/Q margin improvement and are pleased to see the combined company's margin profile back up to 52.8% during 3Q11. We also anticipate gross margin can revert back to the mid-56% range next year.

Tangoe is not afraid to acquire technology, clients, and/or geographic presence. Through much of its history, Tangoe has used acquisitions to augment its organic growth. Over the past four years, Tangoe acquired five companies in order to obtain new technology, grow its customer base, and extend its geographic reach. Overall, these deals allowed the firm to develop and integrate a holistic CLM offering and up-sell/cross-sell its combined CLM suite to a larger installed base. With the HCL/Telwares acquisitions in the rear-view mirror, we expect TNGO to continue its M&A strategy to acquire customers, geography, or technology to augment the company's ~20% organic recurring revenue growth goals. Given the robustness of its CLM platform, we suspect the company may initially focus on customers / geographic-based acquisitions over technology-based ones in the short term. However, we expect Tangoe to continue to engage in tuck-in acquisitions across all three axes over the next few years in order to scale and capture share.

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 function 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, companies will have 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 3X larger than its nearest competitor and is the only player to combine TEM/MDM in one solution) and a healthy moat (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 raised its 2011 non-GAAP revenue outlook to $103.2-103.6M (versus its prior outlook of $101.4-102.2M) and adjusted its non-GAAP EPS guidance to $0.25 (versus its prior outlook of $0.24-0.25). The company also raised its adjusted EBITDA range to $12.2-12.4M from $11.8-12.2M as a result of the strength in the quarter and better visibility into the remainder of the year. TNGO assumes a 7% tax rate for the full year and about 33.7M shares outstanding.

For 4Q11, Tangoe expects non-GAAP EPS and revenue of $0.07 and $27.5-27.9M. The company also expects adjusted EBITDA to come in at $3.2-3.4M and assumes a 7% tax rate and 38.5M shares outstanding.

Changes to our Model

Following TNGO's solid 3Q11 results and revised outlook, we've adjusted our model. We have increased our CY11E EPS and revenue to $0.25/$103.6M from $0.25/$102.0M, reflecting the recent momentum in and TNGO's improved outlook for the business. We note our CY11 free cash flow forecast also improved to $7.7M (vs. $7.1M). We similarly raised our CY12 EPS estimate to $0.39 (vs. $0.38), revenue forecast to $121.3M (vs. $117.9M), and FCF estimate to $16.6M (vs. $14.8M). A more detailed breakout of our model changes is contained in the exhibit below:

Estimate Revisions

($ in millions, except EPS)	3Q11A Actuals	3Q11A Previous	3Q11A Variance[1]	4Q11E New	4Q11E Previous	4Q11E Variance[1]	FY11E New	FY11E Previous	FY11E Variance[1]	FY12E New	FY12E Previous	FY12E Variance[1]
Revenue and EPS												
Total Revenue	$27.3	$26.5	$0.8	$27.9	$27.1	$0.8	$103.6	$102.0	$1.6	$121.3	$117.9	$3.4
Y/Y Growth	*59.4%*	*54.7%*	2.9%	*49.2%*	*44.8%*	2.9%	*51.2%*	*48.9%*	1.5%	*17.1%*	*15.6%*	2.8%
Recurring Revenue	$24.5	$24.0	$0.5	$25.0	$24.5	$0.5	$92.9	$91.9	$1.0	$109.7	$107.5	$2.2
Y/Y Growth	*67.9%*	*64.4%*	2.0%	*56.2%*	*53.0%*	2.0%	*60.9%*	*59.2%*	1.1%	*18.2%*	*17.0%*	2.0%
Consulting & Other	$2.9	$2.6	$0.3	$2.9	$2.6	$0.3	$10.7	$10.1	$0.6	$11.6	$10.4	$1.2
Y/Y Growth	*11.2%*	*(0.2%)*	10.3%	*7.2%*	*(3.8%)*	10.3%	*(0.7%)*	*(6.2%)*	5.5%	*8.2%*	*2.7%*	10.3%
Non-GAAP EPS	$0.07	$0.06	$0.0	$0.07	$0.06	$0.0	$0.25	$0.25	($0.0)	$0.39	$0.38	$0.0
Y/Y Growth	*N/A*	*N/A*	9.5%	*N/A*	*N/A*	3.5%	*0.0%*	*0.0%*	(1.1%)	*55.8%*	*49.1%*	3.3%
Adjusted EBITDA	$3.3	$3.0	$0.3	$3.3	$3.2	$0.2	$12.3	$11.8	$0.5	$18.5	$17.6	$0.9
Y/Y Growth	*83.0%*	*65.9%*	9.3%	*69.3%*	*59.9%*	5.5%	*79.2%*	*72.0%*	4.0%	*50.6%*	*49.3%*	4.8%
Cash Flow												
Cash From Operations	$1.7	$0.1	$1.6	$3.4	$4.5	($1.1)	$8.7	$8.2	$0.5	$18.8	$17.0	$1.8
Y/Y Growth	*(2.8%)*	*0.0%*	94.0%	*N/A*	*N/A*	(34.0%)	*155.5%*	*141.5%*	5.5%	*116.2%*	*107.0%*	9.5%
CFFO Per Share	$0.05	$0.00	$0.05	$0.09	$0.12	($0.03)	$0.26	$0.26	$0.00	$0.47	$0.43	$0.04
Y/Y Growth	*(19.7%)*	*0.0%*	93.9%	*0.0%*	*0.0%*	(34.0%)	*(66.1%)*	*(66.6%)*	1.3%	*80.5%*	*65.5%*	9.5%
Free Cash Flow	$1.6	($0.2)	$1.8	$2.9	$4.1	($1.2)	$7.7	$7.1	$0.6	$16.6	$14.8	$1.9
Y/Y Growth	*(5.8%)*	*0.0%*	112.6%	*N/A*	*N/A*	(41.8%)	*154.0%*	*134.1%*	7.8%	*115.7%*	*107.8%*	11.2%
FCF Per Share	$0.05	($0.01)	$0.05	$0.07	$0.11	($0.03)	$0.23	$0.22	$0.01	$0.42	$0.37	$0.05
Y/Y Growth	*(22.1%)*	*0.0%*	112.6%	*0.0%*	*0.0%*	(41.8%)	*(66.3%)*	*(67.6%)*	3.7%	*80.2%*	*66.2%*	11.2%
Margins												
Gross Margin (Non-GAAP)	52.8%	53.0%	(0.2%)	53.0%	53.0%	0.0%	53.0%	53.1%	(0.1%)	56.6%	56.4%	0.2%
Operating Margin (Non-GAAP)	10.9%	10.7%	0.2%	10.4%	10.5%	(0.1%)	10.5%	10.5%	0.0%	13.7%	13.6%	0.1%

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
Total Revenue	**55.9**	**16.0**	**16.7**	**17.1**	**18.7**	**68.5**	**22.3**	**26.0**	**27.3**
Y/Y Growth	49.0%	21.9%	22.9%	21.1%	23.9%	22.5%	40.0%	55.9%	59.4%
Q/Q Growth		5.8%	4.7%	2.6%	9.0%		19.6%	16.6%	4.9%
Subscription Revenue	**46.0**	**13.3**	**13.9**	**14.6**	**16.0**	**57.7**	**19.9**	**23.5**	**24.5**
Y/Y Growth	65.3%	20.5%	25.4%	26.1%	29.2%	25.4%	50.3%	69.2%	67.9%
Q/Q Growth		7.2%	4.8%	4.9%	9.7%		24.7%	18.0%	4.0%
Gross Margin (Non-GAAP)	**55.7%**	**55.8%**	**56.4%**	**56.1%**	**57.0%**	**56.3%**	**54.4%**	**52.1%**	**52.8%**
Operating Expenses (Non-GAAP)	**52.8**	**14.8**	**15.3**	**15.6**	**17.0**	**62.7**	**20.1**	**23.3**	**24.3**
Operating Margin (Non-GAAP)	**5.6%**	**7.5%**	**8.1%**	**9.0%**	**9.0%**	**8.4%**	**10.1%**	**10.5%**	**10.9%**
EPS (Non-GAAP)	**0.16**	**0.02**	**0.03**	**0.03**		**0.00**	**0.05**	**0.06**	**0.07**

Balance Sheet, Cash Flow, and Other (in millions)	FY 2009	Mar 10	Jun 10	Sept 10	Dec 10	FY 2010	Mar 11	Jun 11	Sept 11
Total Spend Managed ($ in billions)			**$9.1**	**$9.5**				**$14.5**	**$15.3**
Y/Y Growth								60.0%	61.1%
Q/Q Growth				4.9%					5.5%
International Spend Managed ($ in billions)				**$3.0**				**$3.5**	**$4.1**
Y/Y Growth									37.0%
Q/Q Growth									17.1%
Revenue Mix									
Subscription Revenue	82%	83%	83%	85%	86%	84%	89%	90%	90%
Consulting & other	18%	17%	17%	15%	14%	16%	11%	10%	10%
New Customers Closed During the Quarter								**25**	**25**
Employee Count	**439**					**541**	**741**	**829**	**850**
Revenue/Employee ($ in thousands)	**127.4**					**126.6**	**30.1**	**31.4**	**32.1**
Expense/Employee (Non-GAAP) ($ in thousands)	**120.2**					**115.9**	**27.1**	**28.1**	**28.6**

Source: Oppenheimer & Co. Inc., Company Reports

Stock prices of other companies mentioned (as of 11/8/2011):

Dell (Dell-NASDAQ, $15.59, NR)

Hewlett-Packard (HPQ-NYSE, $27.84, NR)

International Business Machines (IBM-NYSE, $187.25, NR)

Xerox (XRX-NYSE, $8.54, NR)

TNGO Income Statement

(in millions), except EPS	FY 2009	FY 2010	Mar 11	Jun 11	Sept 11	Dec 11E	FY 2011E	Mar 12E	Jun 12E	Sept 12E	Dec 12E	FY 2012E
Revenues												
Recurring revenue	46.0	57.7	19.9	23.5	24.5	25.0	92.9	25.9	26.9	27.9	29.0	109.7
Consulting & other	9.9	10.8	2.4	2.5	2.9	2.9	10.7	2.9	2.9	2.9	2.9	11.6
Total Revenue	**55.9**	**68.5**	**22.3**	**26.0**	**27.3**	**27.9**	**103.6**	**28.8**	**29.8**	**30.8**	**31.9**	**121.3**
Cost of revenue (Non-GAAP)	**24.8**	**29.9**	**10.2**	**12.5**	**12.9**	**13.1**	**48.6**	**12.6**	**13.0**	**13.4**	**13.7**	**52.6**
Total gross profit (Non-GAAP)	**31.1**	**38.6**	**12.2**	**13.6**	**14.4**	**14.8**	**54.9**	**16.2**	**16.8**	**17.4**	**18.2**	**68.7**
Adjusted Operating expenses												
S&M (Non-GAAP)	9.6	11.9	3.5	3.8	3.9	4.3	15.4	4.6	4.7	4.9	5.0	19.2
G&A (Non-GAAP)	9.2	10.7	3.3	3.9	4.2	3.7	15.1	3.9	4.1	4.2	4.2	16.4
R&D (Non-GAAP)	8.0	9.2	2.8	2.8	3.0	3.4	12.0	3.5	3.6	3.7	3.8	14.6
D&A	3.5	3.5	1.0	1.1	1.2	1.3	4.6	1.3	1.3	1.3	1.4	5.2
Amortization of intangibles	(2.3)	(2.4)	(0.7)	(0.8)	(0.9)	(0.8)	(3.2)	(0.8)	(0.8)	(0.8)	(0.9)	(3.3)
Total operating expenses (Non-GAAP)	28.0	32.8	9.9	10.8	11.4	11.9	44.0	12.5	12.9	13.2	13.5	52.1
Income (Loss) from operations (Non-GAAP)	**3.1**	**5.8**	**2.3**	**2.7**	**3.0**	**2.9**	**10.9**	**3.7**	**4.0**	**4.2**	**4.6**	**16.6**
Other income (expense), net												
Interest income (expense) and other, net (Non-GAAP)	(2.2)	(2.0)	(0.7)	(0.8)	(0.4)	(0.1)	(1.9)	0.0	0.0	0.0	(0.1)	(0.1)
Income (Loss) before taxes (Non-GAAP)	1.0	3.8	1.6	2.0	2.6	2.8	9.0	3.7	4.0	4.2	4.6	16.5
Income tax (benefit) Provision (Non-GAAP)	0.3	0.3	0.1	0.2	0.1	0.2	0.6	0.2	0.3	0.3	0.3	1.055
Net Income (Loss) (Non-GAAP)	**0.7**	**3.5**	**1.5**	**1.8**	**2.5**	**2.6**	**8.4**	**3.5**	**3.7**	**4.0**	**4.3**	**15.4**
EPS (Non-GAAP)	**0.16**		**0.05**	**0.06**	**0.07**	**0.07**	**0.25**	**0.09**	**0.09**	**0.10**	**0.11**	**0.39**
Diluted Shares Outstanding (Non-GAAP)	4.3	4.4	29.3	29.9	35.1	38.5	33.2	39.0	39.5	40.0	40.5	39.8
Adjusted EBITDA	4.4	6.9	2.6	3.1	3.3	3.3	12.3	4.2	4.5	4.7	5.1	18.5

Margin Analysis	FY 2009	FY 2010	Mar 11	Jun 11	Sept 11	Dec 11E	FY 2011E	Mar 12E	Jun 12E	Sept 12E	Dec 12E	FY 2012E
Recurring revenue as % of revenue	82.3%	84.3%	89.2%	90.3%	89.5%	89.6%	89.7%	90.0%	90.3%	90.6%	90.9%	90.5%
Consulting & other as % of revenue	17.7%	15.7%	10.8%	9.7%	10.5%	10.4%	10.3%	10.0%	9.7%	9.4%	9.1%	9.5%
Cost of revenue as % of revenue (Non-GAAP)	**44.3%**	**43.7%**	**45.6%**	**47.9%**	**47.2%**	**47.0%**	**47.0%**	**43.6%**	**43.5%**	**43.4%**	**43.0%**	**43.4%**
Gross Margin (Non-GAAP)	**55.7%**	**56.3%**	**54.4%**	**52.1%**	**52.8%**	**53.0%**	**53.0%**	**56.4%**	**56.5%**	**56.6%**	**57.0%**	**56.6%**
S&M as % of revenue (Non-GAAP)	17.1%	17.3%	15.8%	14.4%	14.3%	15.3%	14.9%	15.8%	15.8%	15.8%	15.8%	15.8%
G&A as % of revenue (Non-GAAP)	16.5%	15.6%	14.6%	15.1%	15.4%	12.5%	14.6%	12.6%	12.6%	12.5%	12.3%	13.5%
R&D as % of revenue (Non-GAAP)	14.3%	13.4%	12.6%	10.7%	10.9%	12.3%	11.6%	12.3%	12.1%	12.0%	11.9%	12.1%
Total Stock comp as % of revenue (Non-GAAP)	-1.3%	-2.8%	-3.7%	-3.6%	-3.3%	-3.3%	-2.6%	-4.0%	-4.0%	-4.5%	-4.5%	0.0%
Amortization of intang. as % of revenue (Non-GAAP)	-4.1%	-3.6%	-3.2%	-2.9%	-3.3%	-2.9%	-3.1%	-2.7%	-2.7%	-2.7%	-2.7%	-2.7%
Operating Margin (Non-GAAP)	**5.6%**	**8.4%**	**10.1%**	**10.5%**	**10.9%**	**10.4%**	**10.5%**	**12.9%**	**13.4%**	**13.8%**	**14.5%**	**13.7%**
Interest income (expense) and other, net as % of revenue	-4.2%	-4.2%	-5.3%	-8.6%	-5.1%	-0.4%	-4.8%	0.0%	0.0%	0.0%	-0.2%	-0.1%
EBT Margin (Non-GAAP)	**1.7%**	**5.5%**	**7.1%**	**7.5%**	**9.6%**	**10.0%**	**8.7%**	**12.9%**	**13.4%**	**13.8%**	**14.3%**	**13.6%**
Tax rate (non GAAP)	27.5%	7.8%	7.9%	9.2%	3.4%	7.0%	6.6%	6.4%	6.4%	6.4%	6.4%	6.4%
Net income Margin (Non-GAAP)	**1.2%**	**5.1%**	**6.6%**	**6.8%**	**9.2%**	**9.3%**	**8.1%**	**12.1%**	**12.5%**	**12.9%**	**13.4%**	**12.7%**
EBITDA Margin (Non-GAAP)	**11.9%**	**13.6%**	**14.6%**	**14.8%**	**15.5%**	**14.9%**	**15.0%**	**17.4%**	**17.7%**	**18.0%**	**18.8%**	**18.0%**
Adjusted EBITDA Margin	**7.8%**	**10.0%**	**11.4%**	**11.9%**	**12.2%**	**12.0%**	**11.9%**	**14.7%**	**15.0%**	**15.3%**	**16.1%**	**15.3%**

Y/Y Growth Analysis	FY 2009	FY 2010	Mar 11	Jun 11	Sept 11	Dec 11E	FY 2011E	Mar 12E	Jun 12E	Sept 12E	Dec 12E	FY 2012E
Recurring revenue	65.3%	25.4%	50.3%	69.2%	67.9%	56.2%	60.9%	30.1%	14.4%	14.2%	16.1%	18.2%
Consulting & other	2.3%	8.7%	-10.4%	-9.8%	11.2%	7.2%	-0.7%	19.7%	14.0%	1.4%	0.3%	8.2%
Total Revenue	49.0%	22.5%	40.0%	55.9%	59.4%	49.2%	51.2%	28.9%	14.4%	12.8%	14.5%	17.1%
Cost of revenue as % of revenue (Non-GAAP)	39.9%	20.6%	44.4%	71.3%	71.4%	62.9%	62.7%	23.4%	3.8%	3.7%	4.7%	8.1%
Gross Profit (Non-GAAP)	57.1%	23.9%	36.6%	44.0%	49.9%	38.8%	42.3%	33.6%	24.1%	21.0%	23.1%	25.1%
S&M (Non-GAAP)	24.6%	23.8%	29.5%	27.3%	33.0%	31.1%	30.3%	29.1%	25.4%	24.7%	18.2%	24.1%
G&A (Non-GAAP)	23.9%	15.8%	31.0%	53.0%	64.0%	22.4%	41.8%	20.4%	3.2%	-1.5%	13.1%	8.1%
R&D (Non-GAAP)	37.4%	14.9%	25.9%	22.7%	29.6%	44.9%	31.0%	25.6%	29.2%	24.4%	10.7%	21.9%
Operating Profit (Non-GAAP)	-252.4%	84.2%	89.1%	101.5%	93.7%	71.3%	88.0%	64.8%	45.4%	42.3%	60.1%	52.5%
Total operating expenses (Non-GAAP)	28.0%	17.1%	28.5%	34.3%	41.6%	32.7%	34.3%	26.5%	18.7%	15.4%	14.1%	18.4%
EBT (Non-GAAP)	-130.2%	295.5%	142.3%	137.2%	156.7%	116.3%	136.2%	132.3%	102.7%	62.6%	63.6%	84.2%
EPS (Non-GAAP)	-120.4%	-100.0%	139.8%	119.5%	119.9%			77.4%	58.0%	38.3%	56.6%	55.8%
Adjusted EBITDA	-490.4%	57.6%	76.1%	89.9%	83.0%	69.3%	79.2%	65.5%	44.4%	42.2%	53.1%	50.6%

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 $16 price target for Tangoe by applying a 4.7x multiple to our FY12E recurring revenue of $109.7M. We note the SaaS peer group has historically traded at 5-7x next-12-months' recurring revenue. Admittedly, Tangoe is not yet a pure SaaS-only shop (its MDM product is delivered via a dedicated hosted or as an on-premise solution but is expected to migrate to SaaS architecture by end of next year). We contend that since TNGO's CLM solution is based on a deep technological 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, which leads us to our $16 price target.

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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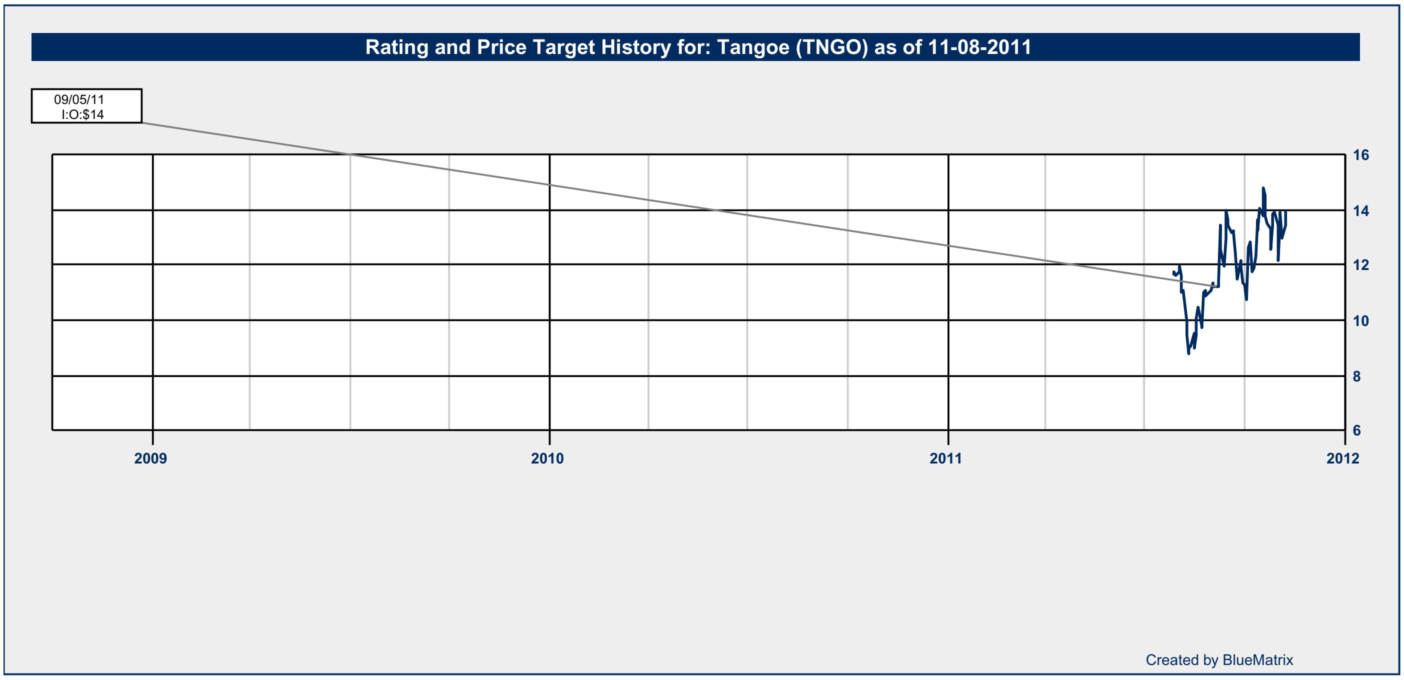

All price targets displayed in the chart above are for a 12- to- 18-month period. Prior to March 30, 2004, Oppenheimer & Co. Inc. used 6-, 12-, 12- to 18-, and 12- to 24-month price targets and ranges. For more information about target price histories, please write to Oppenheimer & Co. Inc., 300 Madison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

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Rating	Count	Percent	IB Serv/Past 12 Mos. Count	IB Serv/Past 12 Mos. Percent
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UNDERPERFORM [U]	9	1.50	3	33.33

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