

15 February 2012

Tangoe, Inc.

Reuters: **TNGO.OQ** Bloomberg: **TNGO US** Exchange: **NMS** Ticker: **TNGO**

Clean finish to FY11

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Tangoe reported 4Q11 revenue/EPS of \$29.2m/\$0.08 vs. our/consensus of \$28.1m/\$0.07. Adjusting for one-time and inorganic contribution, the effective revenue beat was about \$550k, equating to organic revenue growth of 26% y/y, about 27% on recurring revenue. FY12 guidance of \$138m at the midpoint implies 14% organic growth, we believe leaving room for outperformance as recent momentum points to >20% organic growth. We reiterate our Buy rating and raise our PT to \$20 from \$18.

Business continues to expand with portfolio

The combination of Tangoe's organic growth as well as new customers and channels that came with acquisitions is allowing the company to expand its market presence. About 2/3 of direct sales are from new customers, with the remaining third up-sell into the existing customer base. Channel contribution has grown to about a quarter of new bookings. Profitline brought Tangoe into the important government vertical and a channel partnership with SAIC. Telecom expense under management grew to \$16.8bn, up 20% since the mid-2011 IPO and 60% over FY10, helped by the acquisition of HCL and Telwares early in 2011. With European presence growing and planned expansion in APAC this year, we believe Tangoe will begin to have a well-diversified revenue base over the next 2-3 years.

Anomalous Networks acquisition brings key technology

Tangoe's \$3.5m acquisition of Anomalous Networks brings key new functionality of real-time TEM ("rTEM") that allows users to be alerted to potential "bill-shock" before it happens. Tangoe's traditional products haven't been able to do that, except through the mobile device management product that might simply block usage of the device based on certain rules. rTEM software installed on each device and monitored centrally can alert users as they approach their voice/data limits, a particularly useful enhancement in the era of smartphones and tiered data plans.

Reiterate Buy, raising PT to \$20 from \$18; risks

We adjust our estimates for FY12-13 based on guidance (see summary of estimate changes on page 3). Our \$20 price target is based on a CY13 uFCF/share estimate of \$0.51 (from \$0.48), an EV/uFCF/G multiple of 1.2x (slight premium to the group for market leadership), and an estimated five-year growth rate, net of dilution, of 30%. Risks include execution risk from integrating acquisitions, delayed profitability from new projects not ramping fast enough and customers taking expense processing in-house after early gains from Tangoe's platform.

Forecasts and ratios

| Year End Dec 31 | 2011A | 2012E |
|-----------------|-------|-------|
| FY EPS (USD) | 0.27 | 0.41 |
| Revenue (USDm) | 104.9 | 138.0 |
| EV/Sales (x) | 3.6 | 4.5 |

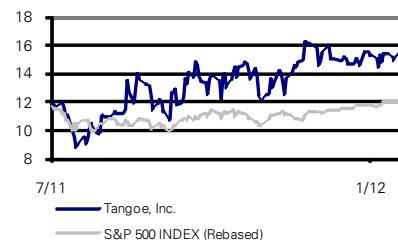
Source: Deutsche Bank estimates, company data

Results**Buy**

| | |
|----------------------------|--------------|
| Price at 15 Feb 2012 (USD) | 16.81 |
| Price target | 20.00 |
| 52-week range | 17.69 - 8.75 |

Key changes

| | | | |
|----------------|----------------|---|-------|
| Price target | 18.00 to 20.00 | ↑ | 11.1% |
| EPS (USD) | 0.39 to 0.41 | ↑ | 6.1% |
| Revenue (USDm) | 137.0 to 138.0 | ↑ | 0.7% |

Price/price relative

| Performance (%) | 1m | 3m | 12m |
|-----------------|------|------|-----|
| Absolute | 14.4 | 13.4 | — |
| S&P 500 INDEX | 4.2 | 6.8 | 1.1 |

Stock & option liquidity data

| | |
|-------------------------------------|---------|
| Market cap (USDm) | 658.7 |
| Shares outstanding (m) | 39.2 |
| Free float (%) | 100 |
| Volume (15 Feb 2012) | 777,100 |
| Option volume (und. shrs., 1M avg.) | — |

Deutsche Bank Securities Inc.

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Model updated: 15 February 2012

Running the numbers**North America****United States****Application Software****Tangoe, Inc.**

Reuters: TNGO.OQ

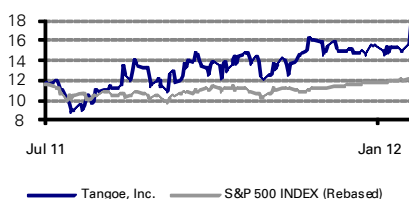
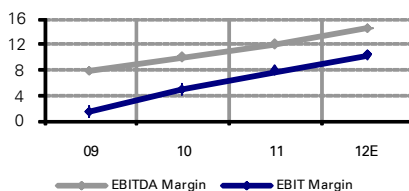
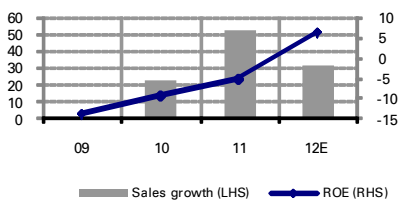
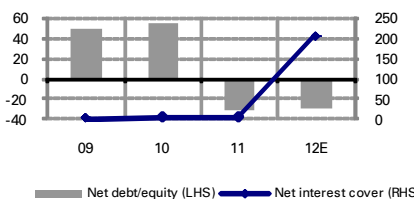
Bloomberg: TNGO UQ

Buy

| | |
|-------------------|------------------|
| Price (15 Feb 12) | USD 16.81 |
| Target price | USD 20.00 |
| 52-week Range | USD 8.75 - 17.69 |
| Market Cap (m) | USDm 659 |
| | EURm 504 |

Company Profile

Tangoe, Inc. provides on-demand communications lifecycle management (CLM) software and related services to enterprises, including large and medium-sized businesses and other organizations. The company's on-demand software and related services enable enterprises to manage and optimize the processes and expenses associated with the lifecycle of an enterprise's fixed and mobile communications assets and services. Tangoe, Inc. was founded in 2000.

Price Performance**Margin Trends****Growth & Profitability****Solvency**

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Fiscal year end 31-Dec

Financial Summary

| | 2009 | 2010 | 2011 | 2012E |
|--------------------|-------|-------|-------|-------|
| DB EPS (USD) | -0.11 | 0.06 | 0.14 | 0.26 |
| Reported EPS (USD) | -0.11 | -0.06 | -0.09 | 0.17 |
| DPS (USD) | 0.00 | 0.00 | 0.00 | 0.00 |
| BVPS (USD) | 0.80 | 0.71 | 2.98 | 2.66 |

Valuation Metrics

| | | | | |
|--------------------|-----|-----|------|-------|
| Price/Sales (x) | nm | nm | 3.9 | 4.8 |
| P/E (DB) (x) | nm | na | 88.8 | 63.5 |
| P/E (Reported) (x) | nm | nm | nm | 101.6 |
| P/BV (x) | 0.0 | 0.0 | 5.2 | 6.3 |
| FCF yield (%) | na | na | 2.4 | 2.5 |
| Dividend yield (%) | na | na | 0.0 | 0.0 |
| EV/Sales | nm | nm | 3.6 | 4.5 |
| EV/EBITDA | nm | nm | 30.2 | 31.5 |
| EV/EBIT | nm | nm | 47.1 | 44.6 |

Income Statement (USDm)

| | | | | |
|----------------|----|----|-----|-----|
| Sales | 56 | 68 | 105 | 138 |
| EBITDA | 4 | 7 | 13 | 20 |
| EBIT | 1 | 3 | 8 | 14 |
| Pre-tax profit | -2 | -1 | 2 | 8 |
| Net income | -3 | -2 | -3 | 6 |

Cash Flow (USDm)

| | | | | |
|--------------------------------------|----|----|-----|-----|
| Cash flow from operations | 2 | 3 | 11 | 18 |
| Net Capex | -1 | 0 | -1 | -2 |
| Free cash flow | 2 | 3 | 10 | 16 |
| Equity raised/(bought back) | -1 | -3 | -18 | -17 |
| Dividends paid | 0 | 0 | 0 | 0 |
| Net inc/(dec) in borrowings | 0 | 0 | 1 | 0 |
| Other investing/financing cash flows | -1 | 0 | 45 | -5 |
| Net cash flow | 0 | 0 | 38 | -5 |
| Change in working capital | 0 | -1 | 0 | -6 |

Balance Sheet (USDm)

| | | | | |
|-----------------------------|----|----|-----|-----|
| Cash and cash equivalents | 6 | 6 | 43 | 38 |
| Property, plant & equipment | 2 | 2 | 3 | 3 |
| Goodwill | 18 | 18 | 36 | 36 |
| Other assets | 31 | 33 | 58 | 64 |
| Total assets | 56 | 59 | 141 | 142 |
| Debt | 15 | 17 | 13 | 7 |
| Other liabilities | 22 | 23 | 32 | 30 |
| Total liabilities | 38 | 39 | 44 | 37 |
| Total shareholders' equity | 19 | 19 | 97 | 104 |
| Net debt | 9 | 11 | -31 | -31 |

Key Company Metrics

| | | | | |
|------------------------|-------|------|-------|-------|
| Sales growth (%) | nm | 22.5 | 53.3 | 31.5 |
| DB EPS growth (%) | na | na | 148.0 | 84.8 |
| Payout ratio (%) | nm | nm | nm | 0.0 |
| EBITDA Margin (%) | 7.8 | 10.0 | 12.1 | 14.5 |
| EBIT Margin (%) | 1.5 | 4.9 | 7.7 | 10.2 |
| ROE (%) | -13.8 | -9.2 | -5.1 | 6.4 |
| Net debt/equity (%) | 49.6 | 55.4 | -31.9 | -29.5 |
| Net interest cover (x) | 0.3 | 1.7 | 4.1 | 204.2 |

DuPont Analysis

| | | | | |
|-----------------------------|-------|-------|-------|------|
| EBIT margin (%) | 1.5 | 4.9 | 7.7 | 10.2 |
| x Asset turnover (x) | 1.0 | 1.2 | 1.1 | 1.0 |
| x Financial cost ratio (x) | -1.9 | 0.4 | 0.8 | 1.0 |
| x Tax and other effects (x) | 1.7 | -1.3 | -0.5 | 0.5 |
| = ROA (post tax) (%) | -4.6 | -3.1 | -3.0 | 4.6 |
| x Financial leverage (x) | 3.0 | 3.0 | 1.7 | 1.4 |
| = ROE (%) | -13.8 | -9.2 | -5.1 | 6.4 |
| annual growth (%) | na | 32.9 | 44.8 | na |
| x NTA/share (avg) (x) | 0.8 | 0.7 | 1.8 | 2.6 |
| = Reported EPS | -0.11 | -0.06 | -0.09 | 0.17 |
| annual growth (%) | na | 41.5 | -42.1 | na |

Source: Company data, Deutsche Bank estimates

4Q Review

Beat on revenue and EPS; guidance leaves headroom

Tangoe reported 4Q11 revenue/EPS of \$29.2m/\$0.08 vs. our/consensus of \$28.1m/\$0.07. Adjusting for one-time and inorganic contribution, the effective revenue beat was about \$550k, equating to organic revenue growth of 26% y/y, about 27% on recurring revenue. FY12 guidance of \$138m at the midpoint implies 14% organic growth, we believe leaving room for outperformance as recent momentum points to >20% organic growth. We reiterate our Buy rating and raise our PT to \$20 from \$18.

Key metrics:

- Cash balance at the end of FY11 was \$43.4m vs. \$52.5m at the end of 3Q11. \$14m was paid out for the Profitline acquisition.
- Cash flow from operations was \$4.8m in 4Q11 vs. \$1.2m in 4Q10 and \$1.7m last quarter.
- 1Q12 Guidance: Revenue of \$32.2m to \$32.7m and EPS of \$0.08 vs. our previous estimate of \$32.8m/\$0.09 and consensus of \$31.6m/\$0.08.
- FY12 revenue guidance of \$137m-\$139m and EPS of \$0.41-\$0.42 vs. our previous estimate \$137m/\$0.39 and consensus of \$135.5m/\$0.41

Figure 1: Summary of estimate changes

| | Revenues | | EPS | | uFCF/Share | |
|-------|----------|---------|--------|--------|------------|--------|
| | Old | New | Old | New | Old | New |
| 1Q12E | \$32.8 | \$32.5 | \$0.09 | \$0.08 | \$0.06 | 0.08 |
| 2Q12E | \$33.9 | \$33.8 | \$0.10 | \$0.09 | \$0.08 | \$0.07 |
| 2012E | \$137.0 | \$138.0 | \$0.39 | \$0.41 | \$0.40 | \$0.42 |
| 2013E | \$159.0 | \$162.0 | \$0.45 | \$0.47 | \$0.48 | \$0.51 |

Source: Deutsche Bank

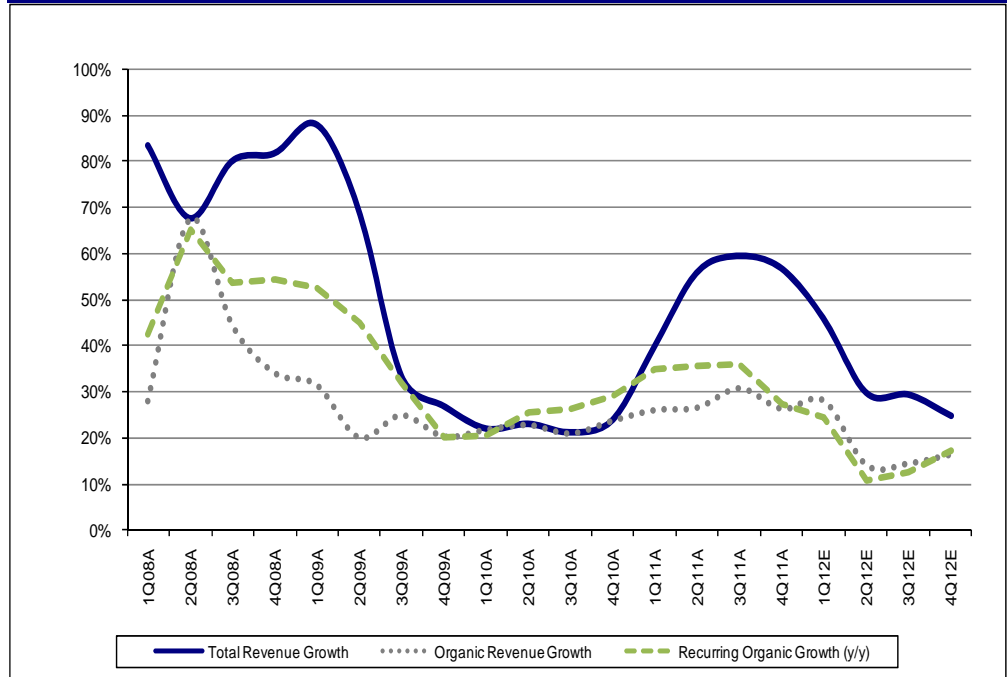
Business continues to expand with portfolio

The combination of Tangoe's organic growth as well as new customers and channels that came with acquisitions is allowing the company to expand its market presence. About 2/3 of direct sales are from new customers, with the remaining third up-sell into the existing customer base. Channel contribution has grown to about a quarter of new bookings. Profitline brought Tangoe into the important government vertical and a channel partnership with SAIC. Telecom expense under management grew to \$16.8bn, up 20% since the mid-2011 IPO and 60% over FY10, helped by the acquisition of HCL and Telwares early in 2011. With European presence growing and planned expansion in APAC this year, we believe Tangoe will begin to have a well-diversified revenue base over the next 2-3 years.

Figure 2 below shows the company's recent organic growth momentum. We note that during FY11, our estimates for contribution from HCL and Telwares (\$17 in total) could have been lower than the actual results. This leads to the computed organic rates in the 26-30% range, 26% in the most recent quarter, being optically inflated and suggesting a slowdown in FY12, based on conservative guidance of 14% (implied) organic growth. HCL and Telwares both anniversary during 1Q12, with roughly \$2.7m residual contribution in the quarter. We think the natural organic growth rate of the business is over 20%, with organic recurring

revenue growth closer to 25%. Recent outperformance of about 3% in each of the last two quarters also points to guidance allowing for headroom.

Figure 2: Organic growth analysis – current expectations could be conservative



Source: Deutsche Bank

Anomalous Networks acquisition brings key technology

Tangoe's \$3.5m acquisition of Anomalous Networks brings key new functionality of real-time TEM ("rTEM") that allows users to be alerted to potential "bill-shock" before it happens. Tangoe's traditional products haven't been able to do that, except through the mobile device management product that might simply block usage of the device based on certain rules. rTEM software installed on each device and monitored centrally can alert users as they approach their voice/data limits, a particularly useful enhancement in the era of smartphones and tiered data plans.

Figure 3: Earnings history

| | Revenue (\$m) | | | | | | Fully Diluted EPS | | | | | |
|------------|---------------|----------|-------------------|------------------|-------------------|-----------------|-------------------|--------|-------------------|---------------|-----|---------------|
| | Est. | Actual | Absolute Variance | Percent Variance | Guidance: Qtr Fwd | Guidance: FY | Est. | Actual | Absolute Variance | Guidance: Fwd | Qtr | Guidance FY |
| 9/30/2011 | \$26,500 | \$27,312 | 812 | 3% | \$27.5m-\$27.9m | \$103.2-\$103.6 | \$0.06 | \$0.07 | 0.01 | \$0.07 | | \$0.25 |
| 12/31/2011 | \$28,100 | \$29,241 | 1141 | 4% | \$32.2m-\$32.7m | \$137m-\$139m | \$0.07 | \$0.08 | 0.01 | \$0.08 | | \$0.41-\$0.42 |

Source: Deutsche Bank

Figure 4: Estimates vs. actuals

| | Actual 4Q11 | Estimates 4Q11 | Variance | | Q/Q Comparison | | Y/Y Comparison | |
|---|----------------|-------------------|---------------|-------------|----------------|--------------|----------------|--------------|
| | | | | | 3Q11 | Growth | 4Q10 | Growth |
| Net Revenues | 29,241 | 28,100 | 1,141 | 4% | 27,312 | 7% | 18,676 | 57% |
| Total cost of revenue | 13,759 | 12,907 | 852 | 6.6% | 13,068 | 5.3% | 8,039 | 71.2% |
| Gross profit | 15,482 | 15,193 | 289 | 2% | 14,244 | 9% | 10,637 | 46% |
| Sales and Marketing | 4,262 | 4,215 | 47 | 1% | 3,813 | 12% | 3,250 | 31% |
| Research & Development | 3,095 | 3,091 | 4 | 0% | 2,723 | 14% | 2,364 | 31% |
| General and administrative | 4,435 | 4,496 | (61) | -1.4% | 4,386 | 1.1% | 3,049 | 45.5% |
| Operating Income | 3,320 | 3,063 | 257 | 8.4% | 2,983 | 11.3% | 1,687 | 96.8% |
| Interest (expense) and income | (160) | (101) | (59) | 58.4% | (372) | -57.0% | (398) | -59.8% |
| Pretax income | 3,160 | 2,962 | 198 | 6.7% | 2,611 | 21.0% | 1,289 | 145.2% |
| Provision for Taxes | 140 | 207 | (67) | | 88 | 59.1% | 113 | 23.9% |
| Adjusted Net Income | 3,020 | \$2,754 | \$266 | 10% | 2,523 | 20% | 1,176 | 157% |
| Diluted EPS | \$0.08 | \$0.07 | \$0.01 | 10% | \$0.07 | 9% | \$0.04 | 91% |
| Pro Forma Fully diluted Shares | 38,493 | 38,500 | (7) | 0% | 35,124 | 10% | 28,631 | 34% |
| Equity based compensation | 1,316 | 869 | 447 | 51% | 897 | 47% | 760 | 73% |
| Amortization of intangibles/debt issuance c | 801 | 661 | 140 | | 910 | | 632 | |
| Other Adjustments | - | - | - | | 2,571 | | 323 | |
| Reported Earnings | 903 | 1,224 | (321) | -26% | (1,855) | -149% | (539) | -268% |
| GAAP EPS* | \$0.02 | \$0.03 | (\$0.01) | -26% | (\$0.05) | -144% | (\$0.12) | -119% |
| Gross margin | 53% | 54% | | | 52% | | 57% | |
| Operating margin | 11% | 11% | | | 11% | | 9% | |
| Pretax margin | 11% | 11% | | | 10% | | 7% | |
| Net margin | 10% | 10% | | | 9% | | 6% | |

Source: Deutsche Bank

Figure 5: Price sensitivity chart

| Price Target Sensitivity Based Upon CY13E EV/uFCF/Growth | | | | | | | Historical P/E/G Ratios | | |
|--|---------------|---------|------------|----------------|---------|---------|---------------------------|------|------|
| EV/uFCF/G Multiples | | | | | | | S&P Tech NASDAQ | | |
| | | 0.8x | 1.0x | 1.2x | 1.4x | 1.6x | Average '92-'98 | 2.0x | 2.0x |
| -20% | \$0.41 | \$11.32 | \$13.77 | \$16.23 | \$18.68 | \$21.13 | Median '92-'98 | 2.0x | 1.8x |
| -10% | \$0.46 | \$12.60 | \$15.36 | \$18.11 | \$20.87 | \$23.63 | | | |
| DB Est. * | \$0.51 | \$13.87 | \$16.94 | \$20.00 | \$23.06 | \$26.13 | | | |
| 10% | \$0.56 | \$15.15 | \$18.52 | \$21.89 | \$25.26 | \$28.63 | | | |
| 20% | \$0.61 | \$16.42 | \$20.10 | \$23.77 | \$27.45 | \$31.13 | | | |
| EV/uFCF/G Multiples | | | | | | | Relative EV/uFCF/G Ratios | | |
| | | 0.8x | 1.0x | 1.2x | 1.4x | 1.6x | 2011 | 2012 | |
| LTG | 18% | \$8.77 | \$10.61 | \$12.45 | \$14.29 | \$16.13 | SaaS Software Group | | |
| | 24% | \$11.32 | \$13.77 | \$16.23 | \$18.68 | \$21.13 | Average | 1.1x | 0.8x |
| | 30% | \$13.87 | \$16.94 | \$20.00 | \$23.06 | \$26.13 | Median | 1.0x | 0.8x |
| | 36% | \$16.42 | \$20.10 | \$23.77 | \$27.45 | \$31.13 | Software Group | | |
| | 42% | \$18.97 | \$23.26 | \$27.55 | \$31.84 | \$36.13 | Average | 1.0x | 1.0x |
| LT FCF/Gr | | 32% | Cash/Share | | \$1.13 | | Median | 1.0x | 0.8x |
| Options dilution | | -2% | | | | | | | |
| LTG - FCF/Sh ⁽¹⁾ | | 30% | | | | | | | |

Source: Deutsche Bank

Reiterate Buy, raising PT to \$20 from \$18; risks

Our \$20 price target is based on a CY13 uFCF/share estimate of \$0.51 (from \$0.48), an EV/uFCF/G multiple of 1.2x (slight premium to the group for market leadership), and an estimated five-year growth rate, net of dilution, of 30%. Risks include execution risk from integrating acquisitions, delayed profitability from new projects not ramping fast enough and customers taking expense processing in-house after early gains from Tangoe's platform.

Figure 6: Income statement

| Range: | Income Statement (dollars in thousands, except EPS) FYE Dec-31 | | | | | | | | | | | | Deutsche Bank Securities TomErnst - 866.812.7891 Nandan Anttila - 212.250.4570 | | | | | | | | | | | | | |
|--|--|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------------|-----------------|----------|----------|----------|----------|--|-----------|-----------|-----------|--|--|--|--|--|--|--|--|--|--|
| | Fiscal Year ends 2011 | | | | | | Fiscal Year ends 2012 | | | | | | Fiscal Year Ends in December | | | | | | | | | | | | | |
| | Mar-11 1Q11A | Jun-11 2Q11A | Sep-11 3Q11A | Dec-11 4Q11A | Mar-12 1Q12E | Jun-12 2Q12E | Sep-12 3Q12E | Dec-12 4Q12E | 2006A | 2007A | 2008A | 2009A | 2010A | 2011A | 2012E | 2013E | | | | | | | | | | |
| | \$22,341 | \$26,047 | \$27,312 | \$29,241 | \$32,500 | \$33,750 | \$35,300 | \$36,450 | \$12,879 | \$21,047 | \$37,526 | \$55,917 | \$68,474 | \$104,941 | \$138,000 | \$162,000 | | | | | | | | | | |
| Net Revenues | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Recurring technology and services | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Strategic consulting, software licenses and other | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Recurring technology and services | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Strategic consulting, software licenses and other | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Total cost of revenue | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Gross profit | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Sales and Marketing | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Research & Development | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | | | | | | | | | | | | | | | | | | | | | | | | | | |
| General and administrative | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Public company costs | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Depreciation | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Operating Income | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Decrease (increase) in fair value of warrants for redeemable convertible | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Interest (expense) and income | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Pretax income | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Provision for Taxes | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Adjusted Net Income | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Adjusted EBITDA | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Diluted EPS | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Diluted EPS (incl. Stock Options) | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Pro Forma Fully diluted Shares | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | | | | | | | | | | | | | | | | | | | | | | | | | | |
| GAAP Diluted shares | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Equity based | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Amortization of intangibles/debt issuance cost | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Other Adjustments | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Reported Earnings | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | | | | | | | | | | | | | | | | | | | | | | | | | | |
| GAAP EPS* | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Key Metrics | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Net Cash and Equivalents | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Net Cash Per Share | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Days Sales Outstanding (reported) | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Days Deferred Revenue | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Adjusted EBITDA | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Revenue Mix | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Recurring technology and services | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Strategic consulting, software licenses and other | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Margin Analysis | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Recurring technology margins | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Strategic consulting margins | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Gross Margin | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Sales and marketing expenses | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Research & Development | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | | | | | | | | | | | | | | | | | | | | | | | | | | |
| General & Administrative expenses | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Operating income | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Interest and other income net | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Pretax income | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Tax rate | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Net income | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Adjusted EBITDA Margins | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Growth Analysis | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Year-Over-Year | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Total revenue growth | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Recurring Technology growth | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Strategic consulting growth | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Operating income | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | | | | | | | | | | | | | | | | | | | | | | | | | | |
| EPS | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Adjusted EBITDA Growth | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Sequential | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Total revenue growth | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | | | | | | | | | | | | | | | | | | | | | | | | | | |
| EPS | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | | | | | | | | | | | | | | | | | | | | | | | | | | |

Source: Deutsche Bank

Figure 7: Balance sheet

| Tangoe Balance Sheet (in thousands) FY Ends December | | | | | | | | | | |
|--|---------------|---------------|---------------|---------------|----------------|----------------|----------------|----------------|----------------|----------------|
| | Dec-08 | Dec-09 | Mar-11 | Jun-11 | Sep-11 | Dec-11 | Mar-12 | Jun-12 | Sep-12 | Dec-12 |
| | 4Q08A | 4Q09A | 1Q11A | 2Q11A | 3Q11A | 4Q11A | 1Q12E | 2Q12E | 3Q12E | 4Q12E |
| Balance Sheet | | | | | | | | | | |
| Cash and equivalents | 6,554 | 6,163 | 6,876 | 8,981 | 52,521 | 43,407 | 29,153 | 31,805 | 36,703 | 38,076 |
| Accounts receivable | 11,384 | 11,517 | 20,191 | 21,007 | 24,405 | 25,311 | 27,018 | 28,609 | 29,859 | 30,780 |
| Prepaid expenses and Other current assets | 869 | 1,585 | 1,488 | 1,418 | 2,098 | 2,503 | 2,600 | 2,700 | 2,824 | 2,916 |
| Total current assets | 18,808 | 19,265 | 28,556 | 31,406 | 79,024 | 71,221 | 58,772 | 63,114 | 69,386 | 71,772 |
| Computers, furniture and equipment - NET | 1,625 | 1,761 | 2,508 | 2,610 | 2,578 | 3,334 | 3,418 | 3,484 | 3,511 | 3,424 |
| Security deposits in non current assest | 453 | 573 | 2,727 | 3,744 | 1,070 | 1,241 | 4,875 | 5,063 | 5,295 | 5,467 |
| Goodwill | 16,191 | 17,636 | 22,893 | 22,893 | 22,893 | 36,266 | 36,266 | 36,266 | 36,266 | 36,266 |
| Intangible assets | 16,422 | 16,843 | 20,869 | 21,683 | 20,910 | 28,800 | 27,832 | 26,868 | 25,889 | 24,867 |
| Cash Held in Escrow | 1,375 | - | - | - | - | - | - | - | - | - |
| Total Assets | 54,874 | 56,078 | 77,553 | 82,336 | 126,475 | 140,862 | 131,162 | 134,794 | 140,347 | 141,797 |
| Accts payables and accruals | 2,745 | 2,858 | 4,434 | 5,894 | 6,439 | 6,605 | 3,900 | 4,185 | 4,377 | 4,520 |
| Accrued Expenses | 2,802 | 2,285 | 4,544 | 5,367 | 4,961 | 7,606 | 6,175 | 6,413 | 6,707 | 6,816 |
| Long term debt—current portion | 6,609 | 4,421 | 9,430 | 10,555 | 4,324 | 7,904 | - | - | - | - |
| Line of Credit | - | 5,000 | - | - | - | - | - | - | - | - |
| Capital leases—current portion | 200 | 177 | - | - | - | 1,079 | - | - | - | - |
| Deferred Revenue | 6,228 | 6,881 | 8,973 | 8,492 | 9,252 | 9,051 | 12,422 | 12,600 | 13,492 | 14,580 |
| Total current liabilities | 18,584 | 21,622 | 27,382 | 30,308 | 24,976 | 31,700 | 22,497 | 23,198 | 24,577 | 25,916 |
| Deferred rent and other non-current liabilities | 1,298 | 2,480 | 3,642 | 771 | 1,629 | 1,659 | 3,250 | 3,375 | 3,530 | 3,645 |
| Long term debt—less current portion | 15,408 | 11,725 | 22,028 | 21,170 | - | 8,290 | - | - | - | - |
| Capital lease—less current portion | 200 | 208 | - | - | - | - | - | - | - | - |
| Deferred Revenue - Long Term | 712 | 959 | 2,036 | 2,036 | 2,483 | 2,624 | 3,106 | 3,150 | 3,373 | 3,645 |
| Warrants for redeemable convertible preferred st | 328 | 512 | 2,598 | 4,072 | 3,762 | - | 3,779 | 3,924 | 4,104 | 4,238 |
| Total liabilities | 36,530 | 37,506 | 57,686 | 58,357 | 32,850 | 44,273 | 32,632 | 33,647 | 35,584 | 37,444 |
| Redeemable Convertible Preferred Stock | 53,826 | 57,604 | 62,391 | 63,336 | - | - | - | - | - | - |
| Total stockholder's equity | (35,482) | (39,032) | (42,524) | (39,357) | 93,625 | 96,589 | 98,531 | 101,147 | 104,763 | 104,353 |
| Total Liabilities and SE | 54,874 | 56,078 | 77,553 | 82,336 | 126,475 | 140,862 | 131,162 | 134,794 | 140,347 | 141,797 |
| Analysis | | | | | | | | | | |
| Cash, equivalents, ST Investments | 6,554 | 6,163 | 6,876 | 8,981 | 52,521 | 43,407 | 29,153 | 31,805 | 36,703 | 38,076 |
| Cash per share | \$0.28 | \$0.26 | \$0.26 | \$0.30 | \$1.50 | \$1.13 | \$0.76 | \$0.82 | \$0.93 | \$0.96 |
| Long-term liabilities | 16,906 | 14,413 | 25,670 | 21,941 | 1,629 | 9,949 | 3,250 | 3,375 | 3,530 | 3,645 |
| Debt per share | \$0.73 | \$0.62 | \$3.71 | \$3.21 | \$0.17 | \$0.46 | \$0.08 | \$0.09 | \$0.09 | \$0.09 |
| Book value per share | -\$1.5 | -\$1.7 | -\$1.6 | -\$1.3 | \$2.7 | \$2.5 | \$2.6 | \$2.6 | \$2.7 | \$2.6 |
| Deferred revenue | 6,940 | 7,840 | 11,010 | 10,528 | 11,735 | 11,675 | 15,528 | 15,750 | 16,866 | 18,225 |
| % y/y growth | | 13% | 30% | 25% | 30% | 16% | 41% | 50% | 44% | 56% |
| % q/q growth | | 7% | 9% | -4% | 11% | -1% | 33% | 1% | 7% | 8% |
| Days Deferred Revenue (DDR) | 53 | 47 | 44 | 36 | 39 | 36 | 43 | 42 | 43 | 45 |
| Days Sales Outstanding (DSO) | 86 | 69 | 81 | 73 | 80 | 78 | 75 | 76 | 76 | 73 |
| Working capital | 224 | (2,357) | 1,174 | 1,098 | 54,048 | 39,521 | 36,274 | 39,916 | 44,809 | 45,856 |
| Current ratio | 1.0x | 0.9x | 1.0x | 1.0x | 3.2x | 2.2x | 2.6x | 2.7x | 2.8x | 2.8x |
| ROE | 12% | 1% | 1% | 3% | -7% | 1% | 1% | 1% | 2% | 3% |
| ROA | -8% | -1% | -1% | -2% | -2% | 1% | 0% | 1% | 2% | 2% |

Source: Deutsche Bank

Figure 8: Cash flow statement

| | | | | | | | | | | | | | | | | | |
|---|---------|---------|----------|----------|----------|---------|---------|---------|--|----------|----------|---------|---------|----------|----------|---------|--|
| Tangoe | | | | | 3,114 | | | | | | | | | | | | |
| Cash Flow Statement (in thousands) | | | | | 3,904 | | | | | | | | | | | | |
| (FY:12) | | | | | (2,401) | | | | | | | | | | | | |
| | Mar-11 | Jun-11 | Sep-11 | Dec-11 | Mar-12 | Jun-12 | Sep-12 | Dec-12 | | 2007A | 2008A | 2009A | 2010A | 2011A | 2012E | 2013E | |
| | 1Q11A | 2Q11A | 3Q11A | 4Q11A | 1Q12E | 2Q12E | 3Q12E | 4Q12E | | | | | | | | | |
| CASH FLOW FROM OPERATING ACTIVITIES: | | | | | | | | | | | | | | | | | |
| Net income/(loss) | (613) | (1,380) | (1,855) | 903 | 482 | 1,167 | 2,166 | 2,666 | | (9,735) | (6,959) | (2,554) | (1,752) | (2,955) | 6,480 | 13,215 | |
| Adjustments to reconcile net loss to net cash used in operating activities: | | | | | | | | | | | | | | | | | |
| Amortization of debt discount and imputed interest expense | 180 | 195 | | 207 | | | | | | - | - | - | - | 1,549 | - | - | |
| Amortization of IBM warrants | 19 | 30 | | (49) | | | | | | 32 | 53 | 192 | 95 | 1,339 | - | - | |
| Depreciation & amortization | 1,008 | 1,123 | 1,314 | 1,198 | 1,410 | 1,420 | 1,483 | 1,541 | | 1,911 | 2,709 | | 26 | 4,643 | 5,854 | 5,786 | |
| Stock-based compensation expense | 835 | 932 | 897 | 1,316 | 1,450 | 1,450 | 1,450 | 1,434 | | 279 | 1,928 | 749 | 1,928 | 3,980 | 5,784 | 5,736 | |
| Non-cash expense related to issuance of warrants | | | | | | | | | | - | - | | | | - | - | |
| Increase (decrease) in deferred rent liability | (125) | (20) | 44 | 43 | 1,591 | 125 | 155 | 115 | | 199 | 193 | (380) | (494) | (58) | 1,986 | 3,291 | |
| Allowance for doubtful accounts | 11 | 12 | - | - | | | | | | 205 | 137 | 9 | 207 | 23 | - | - | |
| Deferred income taxes | 125 | 3 | 92 | 84 | | | | | | - | 62 | | | | - | - | |
| Incr. (Decr.) in fair value of warrants for redeemable pf'd stock | 541 | 1,474 | (19) | - | 3,779 | 145 | 180 | 134 | | (39) | 80 | 183 | 884 | 1,996 | 4,238 | 97 | |
| Changes in operating assets and liabilities: | | | | | | | | | | - | - | - | - | - | - | - | |
| (Incr.) Decr. in accounts receivable | (1,606) | (826) | (3,399) | 1,394 | (1,707) | (1,590) | (1,250) | (921) | | (1,040) | (1,596) | (141) | (2,986) | (4,437) | (5,469) | (4,382) | |
| (Incr.) Decr. in prepaid expenses | 94 | 74 | (82) | (39) | (97) | (100) | (124) | (92) | | 258 | (323) | (26) | (500) | 47 | (413) | (639) | |
| (Incr.) Decr. in deposits & other assets | (444) | 54 | 63 | (54) | (3,634) | (187) | (232) | (172) | | 264 | (36) | (133) | (1,242) | (381) | (4,226) | (2,769) | |
| Incr. (Decr.) in accounts payable | 814 | 781 | 1,594 | (135) | (2,705) | 285 | 192 | 143 | | 708 | 392 | 112 | 172 | 3,054 | (2,085) | 769 | |
| Incr. (Decr.) in accrued liabilities and others | (424) | 500 | (440) | 180 | (886) | 237 | 294 | 109 | | (45) | 573 | (198) | 1,080 | (184) | (245) | (314) | |
| Incr. (Decr.) in deferred revenues | 713 | (493) | 1,218 | (212) | 3,853 | 222 | 1,116 | 1,359 | | 2,200 | 1,524 | 882 | 2,252 | 1,226 | 6,550 | 2,005 | |
| | | | | | | | | | | - | - | - | - | - | - | - | |
| | | | | | | | | | | - | - | - | - | - | - | - | |
| Net cash provided by operating activities | 1,129 | 2,449 | 1,733 | 4,836 | 3,545 | 3,174 | 5,430 | 6,305 | | (4,803) | (1,263) | 2,431 | 3,389 | 10,147 | 18,453 | 22,795 | |
| CASH FLOW FROM INVESTING ACTIVITIES: | | | | | | | | | | | | | | | | | |
| Capital expenditures (net of capital leases originated) | (383) | (459) | (306) | (371) | (526) | (522) | (532) | (432) | | (513) | (671) | (1,258) | (1,125) | (1,519) | (2,011) | (2,298) | |
| Capital leases originated | | 491 | 175 | | | | | | | - | - | 598 | 660 | 666 | - | - | |
| Capital expenditures (net of capital leases originated) | (383) | 32 | (131) | (371) | (526) | (522) | (532) | (432) | | (513) | (671) | (660) | (465) | | - | - | |
| Cash paid in connection with acquisitions | (8,166) | (0) | - | (14,028) | | | | | | (1,979) | (13,425) | (965) | (952) | (22,194) | - | - | |
| | | | | | | | | | | - | - | - | - | - | - | - | |
| Net cash used in investing activities | (8,549) | 32 | (131) | (14,399) | (526) | (522) | (532) | (432) | | (2,492) | (14,096) | (1,625) | (1,417) | (23,047) | (2,011) | (2,298) | |
| CASH FLOW FROM FINANCING ACTIVITIES: | | | | | | | | | | | | | | | | | |
| Net incr. (decr.) debt | 7,881 | 47 | (26,425) | 479 | (16,194) | - | - | - | | 3,747 | 13,451 | (579) | (3,012) | (18,018) | (16,194) | - | |
| Repayment of settlement liab | | - | - | - | (1,079) | - | - | - | | (175) | (175) | | | | (1,079) | - | |
| Costs incurred in securing financing | | | | (170) | | | | | | (89) | - | (85) | - | (170) | - | - | |
| Payments made to repurchase securities | | | | | | | | | | - | - | (408) | - | | - | - | |
| Proceeds from exercise of stock options and warrants | 205 | (126) | | 1,514 | | | | | | 334 | 137 | 75 | 300 | 1,593 | - | - | |
| Proceeds from repayment of notes receivable | | | | | | | | | | - | - | - | 691 | - | - | - | |
| Proceeds from issuance (Repurchase) of stock | | | 69,925 | (2,936) | | | | (4,500) | | - | 7,258 | - | - | 66,969 | - | - | |
| Other/Acquisitions | | | | | | | | | | - | - | - | - | - | (4,500) | (4,500) | |
| Net cash (used in) provided by financing activities | 8,086 | (79) | 43,500 | (1,113) | (17,273) | - | - | (4,500) | | 3,818 | 20,671 | (1,197) | (2,221) | 50,394 | (21,773) | (4,500) | |
| Exchange rate fluctuation | | (138) | | | | | | | | | | | | (138) | | | |
| Increase (decrease) in cash and cash equivalents | 666 | 2,263 | 45,102 | (10,676) | (14,254) | 2,652 | 4,898 | 1,373 | | (3,477) | 5,312 | (391) | (250) | 37,356 | (5,331) | 15,998 | |
| Cash and cash equivalents at beginning of period | 6,051 | 6,718 | 8,981 | 54,083 | 43,407 | 29,153 | 31,805 | 36,703 | | 4,858 | 1,381 | 6,692 | 6,301 | 6,051 | 43,407 | 38,076 | |
| Cash and cash equivalents at end of period | 6,718 | 8981 | 54083 | 43407 | 29,153 | 31,805 | 36,703 | 38,076 | | 1,381 | 6,692 | 6,301 | 6,051 | 43,407 | 38,076 | 54,074 | |
| Free cash flow | | | | | | | | | | | | | | | | | |
| Cash flow from operations | 1,129 | 2,449 | 1,733 | 4,836 | 3,545 | 3,174 | 5,430 | 6,305 | | (4,803) | (1,263) | 2,431 | -2% | -1% | -1% | | |
| - Capex | (383) | (459) | (306) | (371) | (526) | (522) | (532) | (432) | | (513) | (671) | (1,258) | (1,125) | (1,519) | (2,011) | (2,298) | |
| Free cash flow | 746 | 1,990 | 1,427 | 4,465 | 3,019 | 2,652 | 4,898 | 5,873 | | (5,316) | (1,934) | 1,173 | 2,264 | 8,628 | 16,442 | 20,498 | |
| Per share | 0.03 | 0.07 | 0.04 | 0.12 | 0.08 | \$0.07 | \$0.12 | \$0.15 | | (\$0.24) | (\$0.08) | \$0.05 | \$0.08 | \$0.26 | \$0.42 | \$0.51 | |
| - net interest income | 399 | 574 | 627 | 94 | 15 | 15 | 15 | 16 | | 539 | 1,116 | 2,178 | 1,984 | 1,694 | 62 | 65 | |
| - IPO expense | 405 | 61 | - | | | | | | | | | | | 466 | | | |
| Unlevered Free cash flow | 1,550 | 2,625 | 2,054 | 4,559 | 3,035 | 2,667 | 4,913 | 5,889 | | (4,776) | (818) | 3,351 | 4,248 | 10,788 | 16,504 | 20,563 | |
| Per share | \$0.06 | 0.09 | 0.06 | 0.12 | 0.08 | \$0.07 | \$0.12 | \$0.15 | | (\$0.22) | (\$0.04) | \$0.14 | \$0.16 | \$0.32 | \$0.42 | \$0.51 | |
| uFCF Margins | | | | | | | | | | -23% | -2% | 6% | 6% | 10% | 12% | 12.7% | |

Source: Deutsche Bank

Tom Ernst

Deutsche Bank Securities

(866) 812-7891

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|--|------|----------|--------|-----------|----------|-----------|------------------|----------|----------|-----------|-------|-------|------------------|----------|--------|-------|-------|-------|------------------|--------|--------|--------|-------|-------|
| | | | | MARKET | Net | NET CASH | Sales | | | TEV/SALES | | | EPS | | | P/E | | | FCF/Share | | | EV/FCF | | |
| | | | | CAP | Cash | PER SH | CY11E | CY12E | CY13E | CY11E | CY12E | CY13E | CY11E | CY12E | CY13E | CY11E | CY12E | CY13E | CY11E | CY12E | CY13E | CY11E | CY12E | CY13E |
| Enterprise and Security | | | | | | | | | | | | | | | | | | | | | | | | |
| | | Price | Rating | 15-Feb-12 | | | | | | | | | | | | | | | | | | | | |
| Adobe Systems Inc. | ADBE | \$32.46 | Buy | \$16,110 | \$1,407 | \$3.25 | \$4,216 | \$4,430 | \$4,950 | 3.5x | 3.3x | 3.0x | \$2.35 | \$2.43 | \$2.78 | 14x | 13x | 12x | \$2.79 | \$2.95 | \$3.51 | 10.5x | 9.9x | 8.3x |
| Check Point Software Techn | CHKP | \$58.22 | Hold | \$12,492 | \$2,690 | \$12.54 | \$1,247 | \$1,366 | \$1,464 | 9.1x | 8.3x | 7.7x | \$2.87 | \$3.14 | \$3.34 | 20x | 19x | 17x | \$3.16 | \$3.56 | \$3.85 | 14.4x | 12.8x | 11.9x |
| Citrix Systems Inc. | CTXS | \$74.16 | Buy | \$14,195 | \$1,581 | \$8.26 | \$2,200 | \$2,459 | \$2,668 | 5.8x | 5.2x | 4.8x | \$2.45 | \$2.75 | \$3.03 | 30x | 27x | 24x | \$3.21 | \$3.63 | \$4.28 | 20.5x | 18.2x | 15.4x |
| Fair Isaac Corp. | FICO | \$38.98 | Hold | \$1,508 | (\$230) | (\$6.95) | \$625 | \$645 | \$671 | 2.8x | 2.7x | 2.6x | \$1.97 | \$2.52 | \$2.68 | 20x | 15x | 15x | \$3.54 | \$4.40 | \$4.62 | 13.0x | 10.4x | 9.9x |
| Fortinet Inc. | FTNT | \$25.82 | Buy | \$4,232 | \$468 | \$2.86 | \$434 | \$516 | \$610 | 9.0x | 7.5x | 6.4x | \$0.45 | \$0.51 | \$0.64 | 58x | 51x | 40x | \$0.78 | \$1.00 | \$1.19 | 29.6x | 23.1x | 19.4x |
| Imperva Inc | IMPV | \$33.09 | Buy | \$807 | \$77 | \$3.15 | \$77 | \$98 | \$121 | 9.5x | 7.5x | 6.0x | (\$0.78) | (\$0.16) | \$0.33 | NM | NM | NM | (\$0.42) | \$0.22 | \$0.63 | NM | NM | 47.3x |
| Informatica Corp. | INFA | \$47.66 | Buy | \$5,393 | \$564 | \$4.99 | \$783 | \$900 | \$1,032 | 6.2x | 5.4x | 4.7x | \$1.39 | \$1.66 | \$1.95 | 34x | 29x | 24x | \$1.52 | \$1.71 | \$1.87 | 28.0x | 25.0x | 22.8x |
| Microsoft Corp. | MSFT | \$30.05 | Buy | \$256,056 | \$51,716 | \$6.07 | \$72,052 | \$76,928 | \$82,883 | 3.1x | 2.9x | 2.7x | \$2.76 | \$2.87 | \$3.26 | 11x | 10x | 9x | \$3.08 | \$3.51 | \$3.73 | 7.8x | 6.8x | 6.4x |
| Nuance Communications Inc. | NUAN | \$26.91 | Buy | \$8,626 | (\$704) | (\$1.84) | \$1,459 | \$1,768 | \$2,026 | 6.4x | 5.3x | 4.6x | \$1.42 | \$1.65 | \$1.80 | 19x | 16x | 15x | \$1.12 | \$1.47 | \$1.60 | 25.6x | 19.5x | 18.0x |
| Oracle Corp. | ORCL | \$27.98 | Hold | \$143,342 | \$16,234 | \$3.17 | \$36,822 | \$38,570 | \$40,667 | 3.5x | 3.3x | 3.1x | \$2.31 | \$2.38 | \$2.50 | 12x | 12x | 11x | \$2.57 | \$2.67 | \$2.75 | 9.7x | 9.3x | 9.0x |
| Pros Holdings Inc. | PRO | \$18.65 | Buy | \$523 | \$68 | \$2.31 | \$97 | \$116 | \$137 | 4.7x | 3.9x | 3.3x | \$0.39 | \$0.43 | \$0.51 | 48x | 43x | 36x | \$0.41 | \$0.44 | \$0.50 | 40.3x | 36.7x | 32.5x |
| Red Hat Inc. | RHT | \$48.15 | Hold | \$9,446 | \$1,301 | \$6.63 | \$1,081 | \$1,236 | \$1,475 | 7.9x | 6.9x | 5.8x | \$1.07 | \$1.09 | \$1.37 | 45x | 44x | 35x | \$1.60 | \$1.63 | \$2.19 | 25.9x | 25.5x | 18.9x |
| Symantec Corp. | SYMC | \$17.94 | Hold | \$13,724 | \$312 | \$0.41 | \$6,722 | \$7,043 | \$7,421 | 2.0x | 1.9x | 1.8x | \$1.60 | \$1.76 | \$1.94 | 11x | 10x | 9x | \$2.18 | \$2.68 | \$2.78 | 8.1x | 6.5x | 6.3x |
| Verint | VRNT | \$28.85 | Buy | \$1,441 | (\$758) | (\$15.18) | \$727 | \$791 | \$675 | 2.6x | 2.4x | 2.8x | \$2.84 | \$2.41 | \$2.70 | 10x | 12x | 11x | \$2.09 | \$2.52 | \$2.90 | 21.0x | 17.5x | 15.2x |
| VMware | VMW | \$97.52 | Buy | \$41,980 | \$3,253 | \$7.56 | \$3,746 | \$4,436 | \$5,157 | 10.3x | 8.7x | 7.5x | \$2.15 | \$2.44 | \$2.95 | 45x | 40x | 33x | \$3.67 | \$4.61 | \$4.67 | 24.5x | 19.5x | 19.2x |
| | | | | | | | Group Median ==> | | | 5.8x | 5.2x | 4.6x | Group Median ==> | | | 20.0x | 17.4x | 16.2x | Group Median ==> | | | 20.8x | 17.8x | 15.4x |
| | | | | | | | Group Mean ==> | | | 5.8x | 5.0x | 4.5x | Group Mean ==> | | | 27.0x | 24.4x | 20.9x | Group Mean ==> | | | 19.9x | 17.2x | 17.4x |
| Cloud Computing and SaaS | | | | | | | | | | | | | | | | | | | | | | | | |
| | | | | | | | | | | | | | | | | | | | | | | | | |
| Ariba Inc. | ARBA | \$29.75 | Buy | \$2,919 | \$181 | \$2.27 | \$479 | \$559 | \$660 | 5.7x | 4.9x | 4.1x | \$0.85 | \$1.02 | \$1.27 | 35x | 29x | 23x | \$0.79 | \$0.94 | \$1.56 | 34.6x | 29.4x | 17.6x |
| Aspen Technology Inc. | AZPN | \$21.39 | Buy | \$2,059 | \$138 | \$1.49 | \$223 | \$262 | \$344 | 8.6x | 7.3x | 5.6x | (\$0.27) | (\$0.08) | \$0.40 | NM | NM | 53x | \$0.64 | \$0.89 | \$1.11 | 31.3x | 22.3x | 17.9x |
| Concur Technologies Inc. | CNQR | \$56.45 | Hold | \$3,163 | \$322 | \$4.48 | \$370 | \$466 | \$562 | 7.7x | 6.1x | 5.1x | \$0.86 | \$0.86 | \$1.09 | 66x | 66x | 52x | \$0.84 | \$1.21 | \$1.35 | 61.6x | 42.9x | 38.6x |
| IntraLinks Holdings Inc. | IL | \$6.37 | Hold | \$348 | (\$43) | (\$0.42) | \$212 | \$205 | \$225 | 1.8x | 1.9x | 1.7x | \$0.43 | \$0.45 | \$0.54 | 15x | 14x | 12x | \$0.53 | \$0.66 | \$0.75 | 12.8x | 10.3x | 9.0x |
| Intuit Inc. | INTU | \$56.65 | Buy | \$17,108 | \$611 | \$2.04 | \$4,037 | \$4,416 | \$4,845 | 4.1x | 3.7x | 3.4x | \$2.72 | \$3.02 | \$3.37 | 21x | 19x | 17x | \$3.10 | \$3.21 | \$3.85 | 17.6x | 17.0x | 14.2x |
| NetSuite Inc. | N | \$46.67 | Hold | \$3,314 | \$121 | \$1.65 | \$236 | \$297 | \$360 | 13.5x | 10.8x | 8.9x | \$0.15 | \$0.21 | \$0.40 | NM | NM | NM | \$0.41 | \$0.60 | \$0.75 | NM | 75.4x | 60.0x |
| NeuStar Inc. | NSR | \$35.46 | Hold | \$2,617 | \$399 | \$5.36 | \$621 | \$820 | \$925 | 3.6x | 2.7x | 2.4x | \$1.59 | \$2.07 | \$2.82 | 22x | 17x | 13x | \$2.48 | \$2.80 | \$3.10 | 12.1x | 10.7x | 9.7x |
| RealPage Inc. | RP | \$26.63 | Buy | \$1,949 | \$21 | \$0.14 | \$261 | \$327 | \$385 | 7.4x | 5.9x | 5.0x | \$0.35 | \$0.48 | \$0.62 | 75x | 55x | 43x | \$0.60 | \$0.75 | \$0.98 | 43.9x | 35.3x | 27.0x |
| Salesforce.com Inc. | CRM | \$130.62 | Buy | \$18,570 | \$1,266 | \$9.12 | \$2,259 | \$2,900 | \$3,550 | 7.7x | 6.0x | 4.9x | \$1.33 | \$1.56 | \$1.95 | 98x | 84x | 67x | \$2.68 | \$3.23 | \$3.96 | 45.3x | 37.6x | 30.7x |
| ServiceSource International Ir | SREV | \$16.00 | Buy | \$1,245 | \$42 | \$0.85 | \$206 | \$245 | \$300 | 5.9x | 4.9x | 4.0x | \$0.08 | \$0.06 | \$0.15 | NM | NM | NM | (\$0.32) | \$0.09 | \$0.22 | NM | NM | 67.4x |
| Synchronoss Technologies Ir | SNCR | \$34.01 | Buy | \$1,318 | 139 | \$1.79 | \$230 | \$285 | \$345 | 5.1x | 4.1x | 3.4x | \$0.98 | \$1.10 | \$1.25 | 35x | 31x | 27x | \$0.72 | \$1.15 | \$1.30 | 44.7x | 28.1x | 24.8x |
| Taleo Corp. | TLEO | \$45.80 | Buy | \$2,017 | \$111 | \$2.54 | \$325 | \$389 | \$449 | 5.9x | 4.9x | 4.2x | \$1.03 | \$1.18 | \$1.45 | 44x | 39x | 32x | \$0.82 | \$1.34 | \$1.54 | 52.7x | 32.4x | 28.2x |
| Tangoe | TNGO | \$16.81 | Buy | \$647 | (\$13) | \$1.50 | \$105 | \$138 | \$162 | 6.3x | 4.8x | 4.1x | \$0.26 | \$0.41 | \$0.47 | 64x | 41x | 36x | \$0.32 | \$0.42 | \$0.51 | 47.8x | 36.4x | 30.0x |
| VMware | VMW | \$97.52 | Buy | \$41,860 | \$3,253 | \$7.56 | \$3,746 | \$4,436 | \$5,157 | 10.3x | 8.7x | 7.5x | \$2.15 | \$2.44 | \$2.95 | 45x | 40x | 33x | \$3.67 | \$4.61 | \$4.67 | 24.5x | 19.5x | 19.2x |
| | | | | | | | Group Median ==> | | | 6.1x | 4.9x | 4.2x | Group Median ==> | | | 44x | 39x | 32x | Group Median ==> | | | 39.3x | 29.4x | 25.9x |
| | | | | | | | Group Mean ==> | | | 6.7x | 5.5x | 4.6x | Group Mean ==> | | | 47x | 39x | 34x | Group Mean ==> | | | 35.7x | 30.6x | 28.2x |

Source: Deutsche Bank

Figure 10: Operating metrics

| | Sales Growth | | | EPS Growth | | | FCF/share Growth | | | Gross Margins | | | Operating Margins | | | uFCF Margins | | | DDRs | | | CapX/annual revs | | | S&M/subscription revs | | | Subscription growth | | |
|---------------------------------|--------------|-------|-------|------------|-------|-------|------------------|-------|-------|---------------|-------|-------|-------------------|-------|-------|--------------|-------|-------|-------|-------|-------|------------------|-------|-------|-----------------------|-------|-------|---------------------|-------|-------|
| | CY11E | CY12E | CY13E | CY11E | CY12E | CY13E | CY11E | CY12E | CY13E | CY11E | CY12E | CY13E | CY11E | CY12E | CY13E | CY11E | CY12E | CY13E | CY11E | CY12E | CY13E | CY11E | CY12E | CY13E | CY11E | CY12E | CY13E | CY11E | CY12E | CY13E |
| Enterprise and Security | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Adobe Systems Inc. | 11% | 5% | 12% | 21% | 3% | 15% | 33% | 6% | 19% | 91% | 91% | 91% | 38% | 37% | 38% | 33% | 33% | 35% | 37 | 41 | 43 | 5% | 6% | 6% | | | | | | |
| Check Point Software Techn | 14% | 10% | 7% | 16% | 9% | 6% | -100% | 13% | 8% | 88% | 88% | 89% | 58% | 59% | 59% | 54% | 56% | 56% | 139 | 155 | 170 | -57% | -59% | -59% | | | | | | |
| Citrix Systems Inc. | 17% | 12% | 8% | 18% | 12% | 10% | 15% | 13% | 18% | 90% | 92% | 92% | 26% | 28% | 29% | 28% | 28% | 31% | 135 | 145 | 160 | 6% | 6% | 5% | | | | | | |
| Fair Isaac Corp. | 2% | 3% | 4% | 31% | 28% | 6% | 29% | 24% | 5% | 70% | 70% | 70% | 21% | 23% | 23% | 22% | 26% | 27% | 28 | 29 | 32 | 3% | 3% | 3% | | | | | | |
| Fortinet Inc. | 34% | 19% | 18% | 56% | 14% | 26% | 21% | 28% | 19% | 74% | 74% | 74% | 20% | 20% | 20% | 29% | 32% | 32% | 220 | 222 | 222 | -31% | -33% | -33% | | | | | | |
| Imperva Inc. | 39% | 27% | 24% | NM | NM | NM | NM | NM | 187% | 69% | 80% | 79% | 14% | 12% | 9% | -13% | 5% | 13% | 120 | 117 | 123 | 2% | 1% | 1% | | | | | | |
| Informatica Corp. | 20% | 15% | 15% | 25% | 19% | 17% | 32% | 12% | 9% | 85% | 84% | 84% | 28% | 29% | 29% | 22% | 21% | 20% | 91 | 93 | 94 | 1% | 1% | 1% | | | | | | |
| Microsoft Corp. | 8% | 7% | 8% | 17% | 4% | 14% | 19% | 14% | 6% | 78% | 76% | 75% | 39% | 37% | 38% | 36% | 39% | 38% | 66 | 66 | 66 | 3% | 4% | 4% | | | | | | |
| Nuance Communications Inc | 19% | 21% | 15% | 21% | 16% | 9% | 20% | 31% | 9% | 70% | 70% | 69% | 34% | 36% | 36% | 25% | 27% | 25% | 71 | 67 | 68 | 4% | 3% | 3% | | | | | | |
| Oracle Corp. | 14% | 5% | 5% | 21% | 3% | 5% | 41% | 4% | 3% | 78% | 79% | 79% | 45% | 45% | 45% | 36% | 35% | 35% | 62 | 62 | 62 | 1% | 2% | 2% | | | | | | |
| Pros Holdings Inc. | 30% | 20% | 18% | 59% | 12% | 19% | NM | 10% | 13% | 74% | 73% | 73% | 16% | 16% | 17% | 12% | 11% | 10% | 117 | 107 | 100 | 3% | 2% | 1% | | | | | | |
| Red Hat Inc. | 26% | 14% | 19% | 40% | 2% | 25% | 33% | 2% | 35% | 34% | 30% | 30% | 9% | 9% | 9% | 29% | 26% | 29% | 254 | 261 | 259 | -33% | -30% | -34% | | | | | | |
| Symantec Corp. | 11% | 5% | 5% | 11% | 10% | 11% | 13% | 23% | 4% | 86% | 86% | 88% | 26% | 26% | 27% | 25% | 29% | 29% | 166 | 205 | 215 | 4% | 3% | 2% | | | | | | |
| Verint | 3% | 9% | | 56% | -15% | | -35% | 20% | | 69% | 68% | | 25% | 22% | | 14% | 16% | | 88 | 82 | | 1% | 2% | | | | | | | |
| VMware | 31% | 18% | 16% | 42% | 13% | 21% | 57% | 25% | 1% | 88% | 88% | 88% | 31% | 30% | 32% | 42% | 45% | 39% | 215 | 228 | 242 | 8% | 6% | 4% | | | | | | |
| Group Median => | 17% | 12% | 13% | 23% | 11% | 14% | 21% | 13% | 9% | 78% | 79% | 79% | 26% | 28% | 29% | 28% | 28% | 30% | 117 | 107 | 112 | 3% | 2% | 2% | | | | | | |
| Group Mean => | 19% | 13% | 13% | 31% | 9% | 14% | 14% | 16% | 24% | 76% | 77% | 77% | 29% | 29% | 29% | 26% | 29% | 30% | 121 | 125 | 133 | -5% | -6% | -7% | | | | | | |
| Cloud Computing and SaaS | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Ariba Inc. | 31% | 17% | 18% | 14% | 19% | 25% | -100% | 18% | 66% | 68% | 69% | 71% | 18% | 19% | 21% | 16% | 16% | 23% | 111 | 110 | 111 | 6% | 3% | 3% | 30% | 31% | 31% | 69% | 27% | 26% |
| Aspen Technology Inc. | 26% | 18% | 31% | NM | NM | NM | 43% | 40% | 24% | 77% | 79% | 82% | -10% | -5% | 17% | 27% | 32% | 32% | 195 | 227 | 230 | 2% | 1% | 1% | 80% | 60% | 47% | 268% | 58% | 45% |
| Concur Technologies Inc. | 21% | 26% | 21% | 8% | 0% | 28% | -27% | 43% | 11% | 73% | 73% | 73% | 20% | 18% | 19% | 13% | 15% | 13% | 67 | 75 | 78 | 8% | 9% | 9% | 33% | 32% | 31% | 21% | 26% | 21% |
| IntraLinks Holdings Inc. | 15% | -3% | 10% | 61% | 6% | 21% | -29% | 24% | 14% | 80% | 82% | 82% | 22% | 22% | 23% | 14% | 18% | 18% | 63 | 63 | 62 | 12% | 10% | \$0 | 20% | 20% | 19% | 15% | -3% | 10% |
| Intuit Inc. | 14% | 9% | 10% | 34% | 11% | 12% | 32% | 3% | 20% | 83% | 83% | 82% | 33% | 32% | 32% | 23% | 22% | 24% | 57 | 15 | 56 | -27% | -25% | -27% | 44% | 45% | 43% | 18% | 9% | 13% |
| NetSuite Inc. | 22% | 26% | 21% | 21% | 36% | 92% | 126% | 45% | 26% | 73% | 74% | 75% | 5% | 5% | 8% | 12% | 14% | 15% | 157 | 170 | 180 | 4% | 3% | 2% | 45% | 46% | 44% | 22% | 26% | 23% |
| NeuStar Inc. | 18% | 32% | 13% | -100% | 30% | 37% | 76% | 13% | 11% | 0% | 0% | 0% | 3% | 3% | 3% | 29% | 25% | 25% | 58 | 58 | 60 | 7% | 6% | 3% | 0% | 0% | 0% | 0% | 0% | 0% |
| RealPage Inc. | 39% | 25% | 18% | 83% | 37% | 29% | 105% | 24% | 31% | 65% | 66% | 67% | 18% | 19% | 21% | 17% | 17% | 19% | 89 | 93 | 94 | 6% | 5% | 4% | 18% | 19% | 19% | 43% | 27% | 19% |
| Salesforce.com Inc. | 36% | 28% | 22% | 9% | 18% | 25% | 1% | 20% | 23% | 82% | 82% | 83% | 11% | 13% | 13% | 17% | 16% | 16% | 175 | 178 | 193 | 6% | 5% | 5% | 46% | 46% | 46% | 37% | 29% | 22% |
| ServiceSource International | 34% | 19% | 22% | -16% | -22% | 139% | -227% | NM | 156% | 46% | 44% | 44% | 6% | 4% | 7% | -12% | 3% | 6% | 0 | 0 | 0 | 7% | 7% | 6% | 21% | 21% | 21% | 34% | 19% | 22% |
| Synchronoss Technologies | 35% | 24% | 21% | 42% | 12% | 14% | 277% | 59% | 13% | 56% | 56% | 56% | 23% | 25% | 22% | 12% | 16% | 15% | 19 | 18 | 17 | 6% | 7% | 5% | | | | | | |
| Taleo Corp. | 34% | 20% | 15% | 31% | 14% | 23% | 68% | 63% | 15% | 70% | 70% | 71% | 14% | 14% | 15% | 11% | 15% | 15% | 145 | 138 | 140 | 5% | 4% | 3% | 28% | 29% | 28% | 29% | 24% | 18% |
| Tangoe | 53% | 32% | 17% | 104% | 58% | 14% | 106% | 32% | 21% | 53% | 56% | 57% | 11% | 13% | 13% | 12% | 12% | 12% | 36 | 45 | 42 | 1% | 1% | 1% | 14% | 15% | 14% | 62% | 31% | 18% |
| VMware | 31% | 18% | 16% | 42% | 13% | 21% | 57% | 25% | 1% | 88% | 88% | 88% | 31% | 30% | 32% | 42% | 45% | 39% | 215 | 228 | 242 | 8% | 6% | -4% | 32% | 32% | 31% | | | |
| Group Median => | 31% | 22% | 18% | 31% | 14% | 25% | 50% | 25% | 21% | 71% | 71% | 72% | 16% | 16% | 18% | 15% | 16% | 17% | 78 | 84 | 86 | 6% | 5% | 3% | 30% | 31% | 31% | 32% | 26% | 20% |
| Group Mean => | 29% | 21% | 18% | 26% | 18% | 37% | 36% | 32% | 31% | 65% | 66% | 66% | 15% | 15% | 18% | 17% | 19% | 19% | 99 | 101 | 108 | 4% | 3% | 2% | 32% | 30% | 29% | 51% | 23% | 20% |

Source: Deutsche Bank

Appendix 1

Important Disclosures

Additional information available upon request

Disclosure checklist

| Company | Ticker | Recent price* | Disclosure |
|--------------|---------|-----------------------|------------|
| Tangoe, Inc. | TNGO.OQ | 15.56 (USD) 13 Feb 12 | 1,2,7 |

*Prices are sourced from local exchanges via Reuters, Bloomberg and other vendors. Data is sourced from Deutsche Bank and subject companies.

Important Disclosures Required by U.S. Regulators

Disclosures marked with an asterisk may also be required by at least one jurisdiction in addition to the United States. See "Important Disclosures Required by Non-US Regulators" and Explanatory Notes.

1. Within the past year, Deutsche Bank and/or its affiliate(s) has managed or co-managed a public or private offering for this company, for which it received fees.
2. Deutsche Bank and/or its affiliate(s) makes a market in securities issued by this company.
7. Deutsche Bank and/or its affiliate(s) has received compensation from this company for the provision of investment banking or financial advisory services within the past year.

Important Disclosures Required by Non-U.S. Regulators

Please also refer to disclosures in the "Important Disclosures Required by US Regulators" and the Explanatory Notes.

1. Within the past year, Deutsche Bank and/or its affiliate(s) has managed or co-managed a public or private offering for this company, for which it received fees.
2. Deutsche Bank and/or its affiliate(s) makes a market in securities issued by this company.
7. Deutsche Bank and/or its affiliate(s) has received compensation from this company for the provision of investment banking or financial advisory services within the past year.

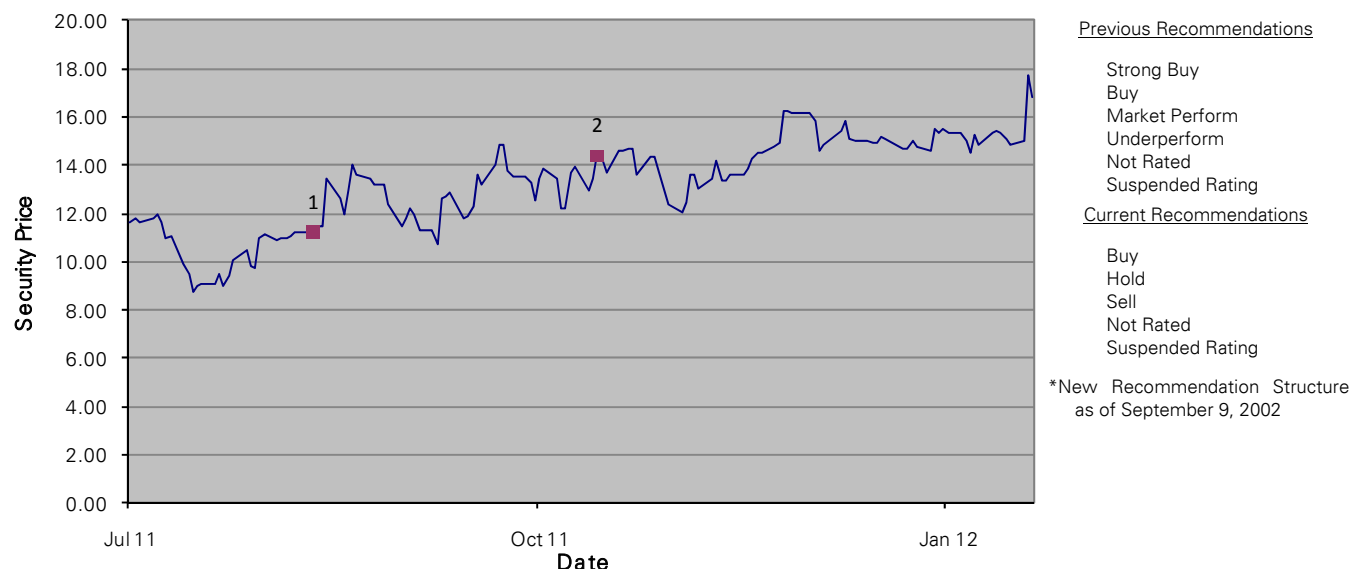
For disclosures pertaining to recommendations or estimates made on securities other than the primary subject of this research, please see the most recently published company report or visit our global disclosure look-up page on our website at <http://gm.db.com/ger/disclosure/Disclosure.eqsr?ricCode=TNGO.OQ>.

Analyst Certification

The views expressed in this report accurately reflect the personal views of the undersigned lead analyst(s) about the subject issuer and the securities of the issuer. In addition, the undersigned lead analyst(s) has not and will not receive any compensation for providing a specific recommendation or view in this report. Tom Ernst Jr

Historical recommendations and target price: Tangoe, Inc. (TNGO.OQ)

(as of 2/15/2012)

**Equity rating key**

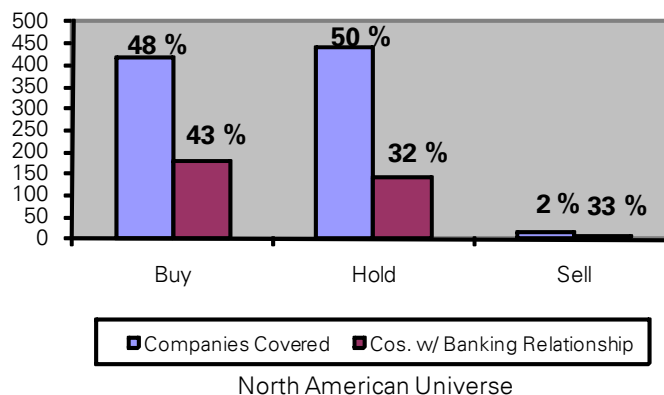
Buy: Based on a current 12-month view of total shareholder return (TSR = percentage change in share price from current price to projected target price plus projected dividend yield), we recommend that investors buy the stock.

Sell: Based on a current 12-month view of total shareholder return, we recommend that investors sell the stock.

Hold: We take a neutral view on the stock 12-months out and, based on this time horizon, do not recommend either a Buy or Sell.

Notes:

- Newly issued research recommendations and target prices always supersede previously published research.
- Ratings definitions prior to 27 January, 2007 were:
 - Buy: Expected total return (including dividends) of 10% or more over a 12-month period
 - Hold: Expected total return (including dividends) between -10% and 10% over a 12-month period
 - Sell: Expected total return (including dividends) of -10% or worse over a 12-month period

Equity rating dispersion and banking relationships

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