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Tangoe (TNGO)

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

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

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

Consensus estimates are from Thomson First Call.

* Numbers may not add up due to rounding.

July 17, 2012

Price
\$20.55

Rating
OUTPERFORM

12-Month Price Target
\$27

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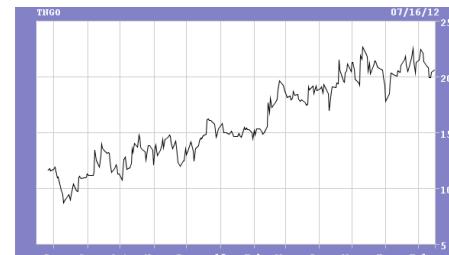
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Company Information

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

Company Description

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



Source: Thomson Reuters

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Investment Thesis

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

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

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

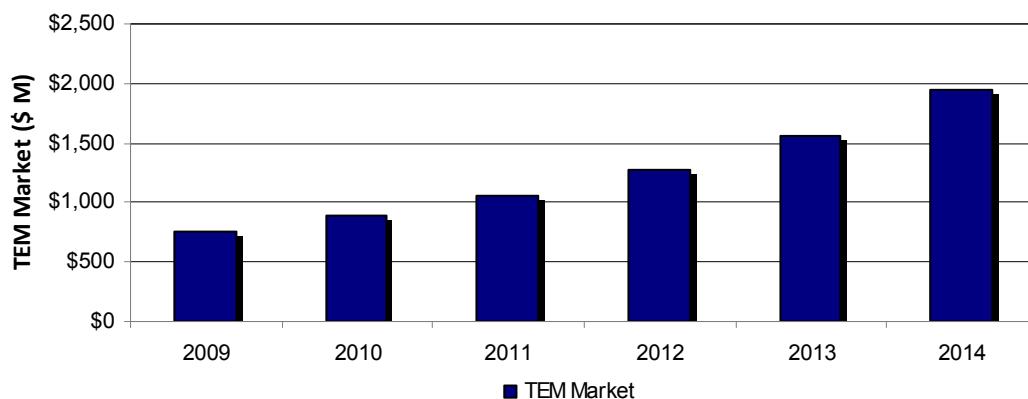
Overall, we are generally positive on Tangoe, as we see solid growth and margin expansion continuing and see the company as somewhat resistant to a slowdown in the global economy. While valuation appears somewhat rich, we expect solid EPS growth to be driven by 20%+ organic growth of recurring revenue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

Key Investment Points

Addressing a Large Untapped Market Opportunity in Telecom Expense Management

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

Figure 1: TEM Market Growth, 2009-2014



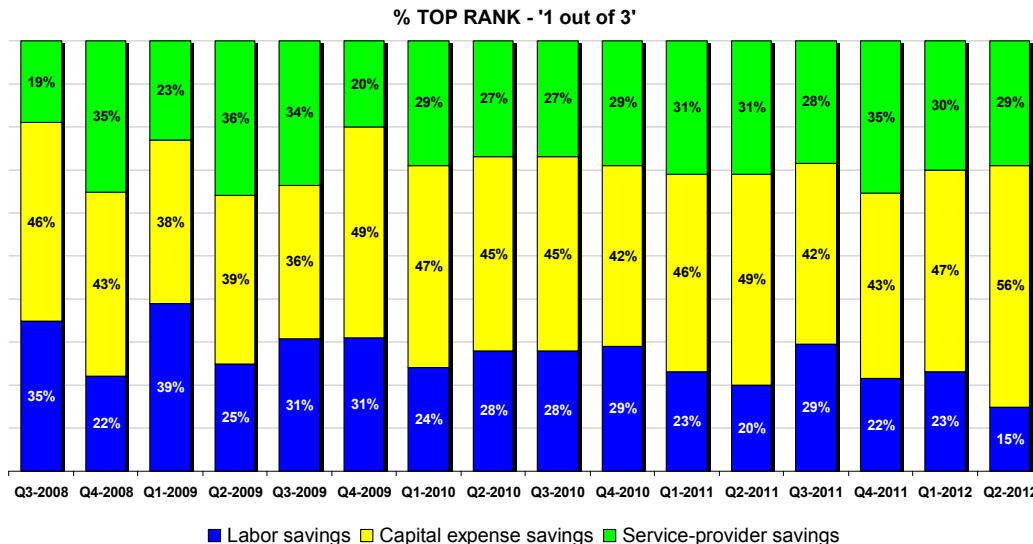
Source: Gartner and Wedbush Securities Inc.

Increasing Complexity of Telecom in the Enterprise Should Favor TEM

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

ROI Case for TEM Should Help Tangoe Navigate Potential Recessions

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

Figure 2: Focus of Enterprise Savings

Source: *Wedbush Securities Inc. Decision Metrics, July 2012*

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

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

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

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

Recurring Revenue Model Provides Solid Visibility

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

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

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

Risks

CLM and TEM is a Fragmented and Early Stage Market

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

Potential Diminishing Customer Returns

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

Ongoing M&A Strategy Could Pose Integration Risks and Distractions

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

Standardization or Increased Simplicity of Billing Provided by Operators

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

Increasing Dependence on Channel Partners

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

Varying Flavors of Competition

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

Company Overview

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

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

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

Products and Services

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

Figure 3: Tangoe Technology – Enabled Business Components



Source: Company reports, Wedbush Securities Inc

On Site Communications Management Platform

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

Strategic Consulting and Other Services

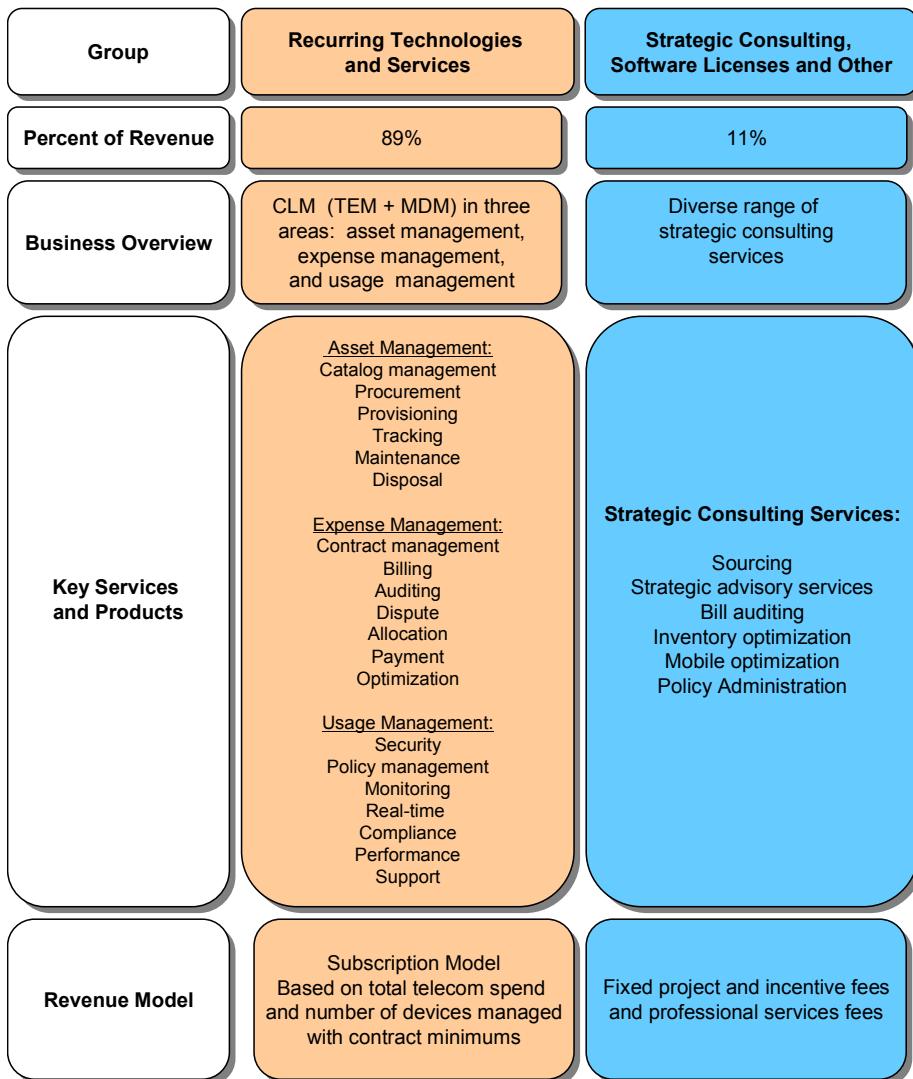
Aside from CMP, Tangoe provides strategic consulting services, which consists primarily of services related to contract negotiations and bill audits. Contract negotiation fees include both fixed project fees and incentive fees driven by the amount of savings that the company is able to generate over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

Revenue Model

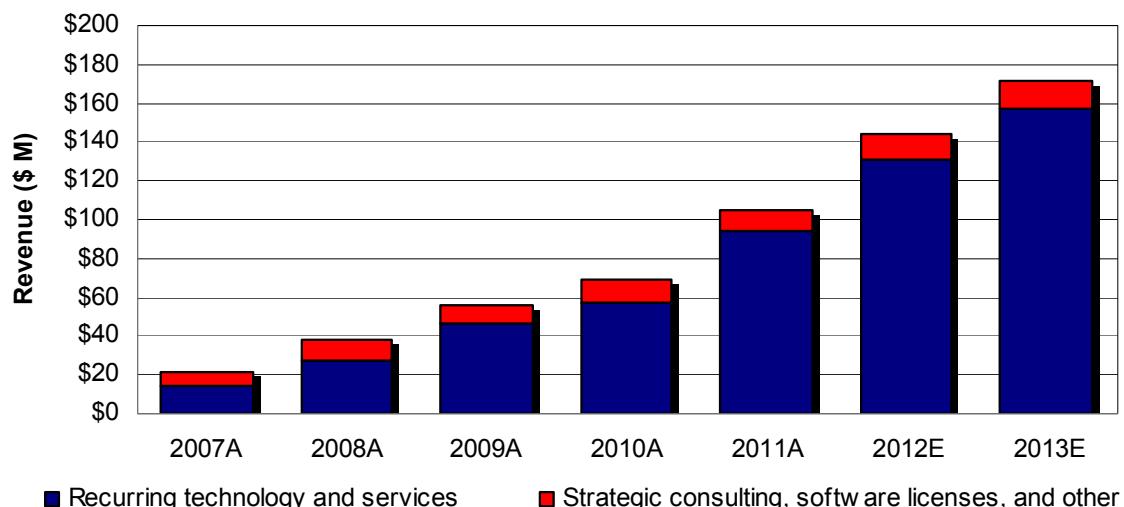
Tangoe generates revenue from two main operations: its recurring technology and services revenue and its strategic consulting, software licenses and other revenue. Prior to 2006, the company derived its revenue on a transactional, non-recurring basis. The recurring technology and services revenue primarily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

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

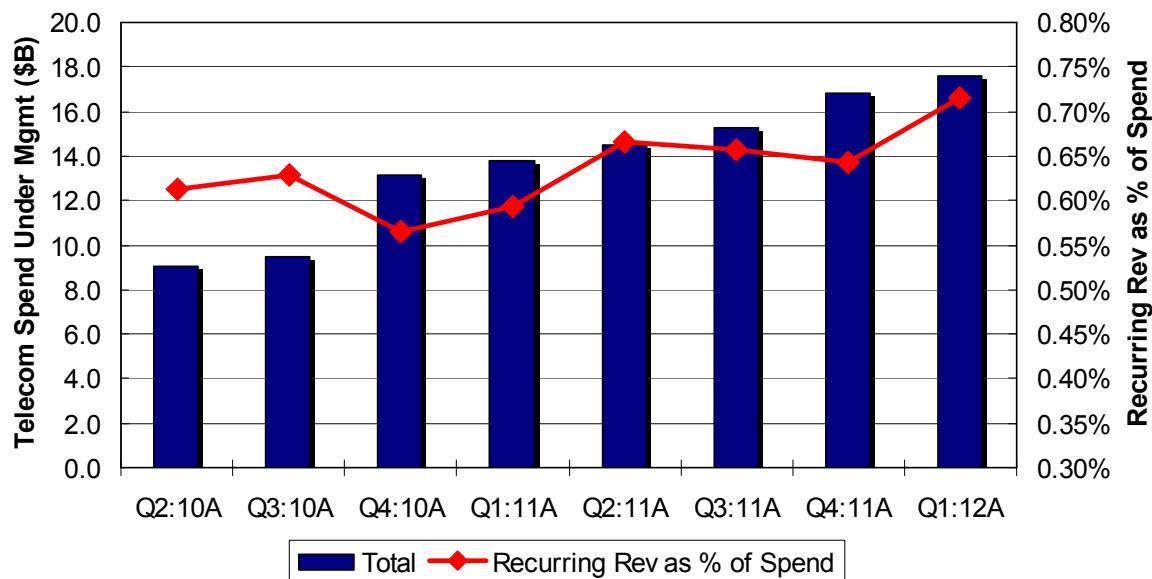
Figure 4: Tangoe's Revenue Model



Source: Company data and Wedbush Securities Inc

Figure 5: Tangoe Revenue Breakdown By Source

Source: Company data and Wedbush Securities Inc

Figure 6: Recurring Revenue as % of Total Telecom Spend

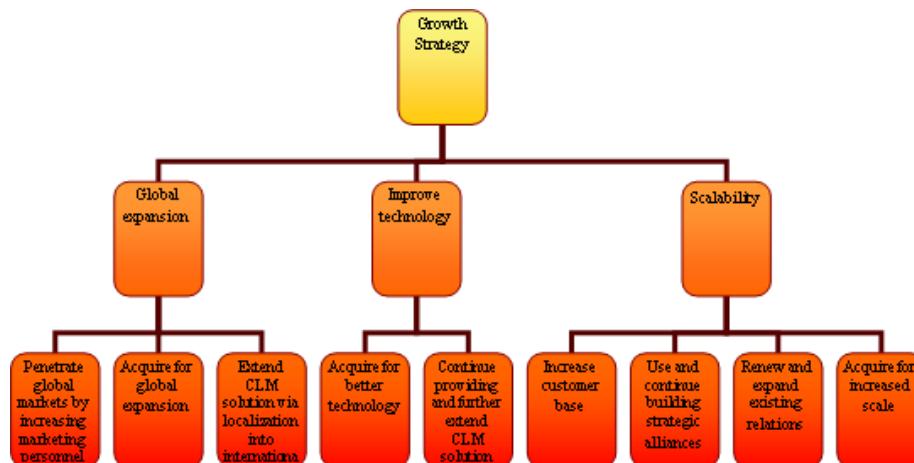
Source: Company data and Wedbush Securities Inc

Strategy

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

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

Figure 7: Tangoe's Growth Strategy



Source: Company reports, Wedbush Securities Inc

Mergers and Acquisitions

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

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

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

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

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

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

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

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

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

Figure 8: Acquisition Timeline

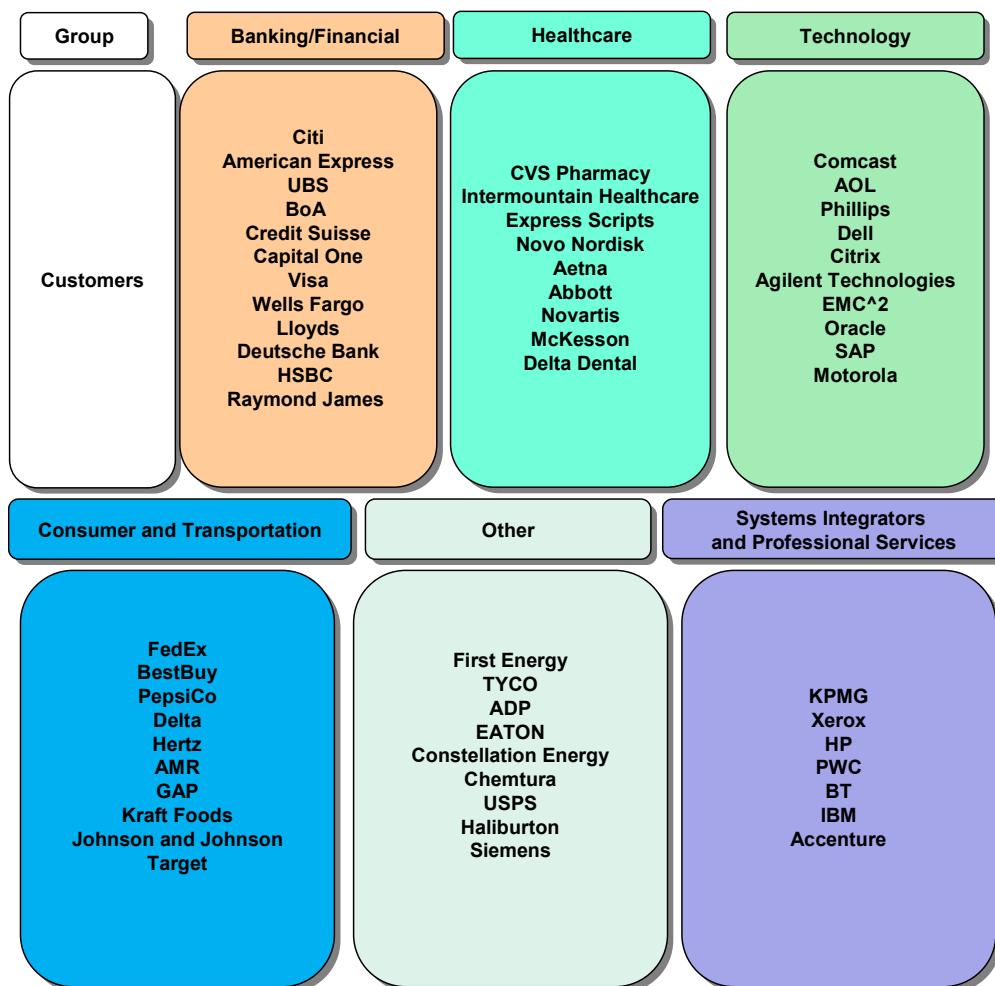
Company Name	Date	Price (\$ M)	Rationale
TRAQ Wireless	3/9/2007	\$20.7M	Scalability, MDM technology, and international expansion
Information Strategies Group (ISG)	7/5/2008	\$11.9M	Scalability and international expansion
Internoded Inc.	12/23/2008	\$3.3M	Improve help desk efficiency and MDM technology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

Source: Company data, Wedbush Securities, Inc.

Customers

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

Figure 9: Tangoe's Diversified Customer Base & Partners



Source: Company reports, Wedbush Securities Inc

Competitive Landscape

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

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

Figure 10: TEM Competitive Landscape

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

Source: Company data, Wedbush Securities, Inc.

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

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

Figure 11: MDM Competitive Landscape



Source: Gartner and Wedbush Securities Inc

Management Team

Albert Subbloie - President and CEO, Founder

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

Gary Martino - Chief Financial Officer

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

Scott Snyder - Senior Vice President, Mobile Solutions

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

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

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

Don Farias, Senior Vice President, Expense Management Operations

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

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

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

Financial Results and Outlook

Recent Results

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

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

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

Figure 12: Results vs. Guidance and Consensus Estimates

	Period	Guidance	Consensus	Est Upside	Reported EPS	Reported Upside
EPS	Q2:2012	\$0.09	\$0.09	0.0%	NA	NA
	Q1:2012	\$0.08	\$0.08	0.0%	0.09	12.50%
	Q4:2011	\$0.07	\$0.07	0.0%	0.08	14.29%
	Q3:2011	\$0.06	\$0.06	0.0%	0.07	16.67%
	Period	Guidance	Consensus	Est Upside	Reported EBITDA	Reported Upside
EBITDA	Q2:2012	4.3-4.5	4.5	NA	NA	NA
	Q1:2012	3.5-3.7	3.7	1.94%	4.1	10.71%
	Q4:2011	3.2-3.4	3.4	3.33%	3.7	7.45%
	Q3:2011	3.0-3.2	3.1	-0.97%	3.3	8.21%
	Period	Guidance	Consensus	Est Upside	Reported Revenue	Reported Upside
Revenue	Q2:2012	35.0-35.5	38.0	7.80%	NA	NA
	Q1:2012	32.2-32.7	33.0	1.69%	34.1	3.48%
	Q4:2011	27.5-27.9	28.1	1.48%	29.2	4.02%
	Q3:2011	26.3-26.7	26.5	0.04%	27.3	2.98%

Source: First Call, Company data and Wedbush Securities Inc

Q2, 2012 and LT Guidance and Outlook

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

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

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

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

Valuation and Recommendation

Comparative Analysis

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

Figure 13: Telecom Software – Comparative Valuation

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

¹ Fiscal Year.

² Excludes EV/EBITDA in Average.

Source: First Call and Wedbush Securities Inc

Discounted Cash Flow

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

Figure 14: DCF Valuation

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

Source: Company data and Wedbush Securities Inc

Valuation Summary

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

Risks

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

Projected Financial Statements

Figure 15: Tangoe Revenue Model

Tangoe Revenue Model (Drivers)

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

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

Source: Company data and Wedbush Securities

Source: Company data, Wedbush Securities Inc

Figure 16: Tangoe Quarterly Income Statement

Tangoe Quarterly Income Statement (in 000's, except per share data and ratios)												
	2011A			2012E			2013E					
	Mar-11 Q1:11A	Jun-11 Q2:11A	Sep-11 Q3:11A	Dec-11 Q4:11A	Mar-12 Q1:12A	Jun-12 Q2:12E	Sep-12 Q3:12E	Dec-12 Q4:12E	Mar-13 Q1:13E	Jun-13 Q2:13E	Sep-13 Q3:13E	Dec-13 Q4:13E
Recurring technology and services	19,927	23,510	24,456	25,778	30,756	32,730	34,045	35,417	37,210	39,070	40,998	42,997
Strategic consulting, software licenses and other	2,414	2,537	2,856	3,463	3,391	3,306	3,306	3,389	3,558	3,727	3,896	4,063
Total Revenue	22,341	26,047	27,312	29,241	34,147	36,036	37,351	38,806	40,768	42,797	44,894	47,060
Cost of revenue:												
Recurring technology and services	8,908	11,236	11,748	12,253	14,066	14,791	15,199	15,615	16,198	16,787	17,382	17,981
Strategic consulting, software licenses and other	1,272	1,245	1,142	1,532	1,458	1,488	1,488	1,525	1,601	1,677	1,753	1,828
Total Cost of Revenue	10,180	12,481	12,890	13,785	15,524	16,279	16,687	17,140	17,799	18,464	19,135	19,809
Gross Profit	12,161	13,566	14,422	15,456	18,623	19,757	20,665	21,666	22,969	24,333	25,759	27,250
Operating Expense:												
Sales and Marketing	3,525	3,754	3,906	4,262	5,178	5,554	5,844	5,754	6,533	6,960	7,438	7,406
General and Administrative	3,264	3,927	4,217	4,435	5,786	5,810	5,845	5,741	5,954	6,355	6,553	6,595
Research and Development	2,821	2,791	2,977	3,095	3,596	3,647	3,634	3,702	3,875	4,058	4,184	4,372
Depreciation & Amortization	100	356	339	370	306	321	333	345	358	372	386	402
Total Operating Expense	9,710	10,828	11,439	12,162	14,866	15,331	15,655	15,542	16,720	17,744	18,561	18,775
Non-GAAP Operating Income	2,451	2,738	2,983	3,294	3,757	4,426	5,009	6,124	6,249	6,589	7,199	8,475
Interest expense	(659)	(777)	(1,427)	(184)	(235)	(249)	(249)	(249)	(249)	(249)	(249)	(249)
Interest income	4	3	14	24	17	15	29	31	33	35	37	40
Other income	-	-	-	-	-	-	-	-	-	-	-	-
Add: Misc. GAAP Expenses	-	-	1,041	-	-	-	-	-	-	-	-	-
(Loss) Income Before Income Tax Provision	1,796	1,964	2,611	3,134	3,539	4,192	4,789	5,905	6,032	6,375	6,987	8,266
Income Tax Provision	126	180	88	140	154	182	208	257	263	277	304	360
Non-GAAP Net Income	1,670	1,784	2,523	2,994	3,385	4,010	4,581	5,649	5,770	6,097	6,683	7,906
Total Adjustments	2,283	3,174	4,378	2,117	3,193	2,913	2,945	2,995	3,168	3,019	3,051	3,108
Net Income	(613)	(1,390)	(1,855)	877	192	1,096	1,636	2,654	2,602	3,079	3,632	4,798
Preferred Dividends	(929)	(929)	(310)	-	-	-	-	-	-	-	-	-
Accretion of Redeemable Conv. Pref. Stock.	(16)	(16)	(5)	-	-	-	-	-	-	-	-	-
GAAP Net Income	(1,558)	(2,335)	(2,170)	877	192	1,096	1,636	2,654	2,602	3,079	3,632	4,798
Earnings (Loss) Per Share:												
Non-GAAP	0.06	0.06	0.07	0.08	0.09	0.10	0.11	0.13	0.14	0.14	0.15	0.18
GAAP	(0.33)	(0.48)	(0.10)	0.02	0.00	0.03	0.04	0.06	0.06	0.07	0.08	0.11
Diluted Shares Outstanding	4,672	4,853	22,769	38,493	39,431	41,731	42,031	42,331	42,631	42,931	43,231	43,531
Fully Diluted Shares Outstanding	28,322	29,867	35,124	38,493								
EBITDA												
Depreciation & Amortization	100	356	339	370	306	321	333	345	358	372	386	402
EBITDA	2,551	3,094	3,322	3,664	4,063	4,747	5,342	6,469	6,607	6,960	7,585	8,877
EBITDA Margin	11.4%	11.9%	12.2%	12.5%	11.9%	13.2%	14.3%	16.7%	16.2%	16.3%	16.9%	18.9%
Margin Analysis												
Gross Margin	54.4%	52.1%	52.8%	52.9%	54.5%	54.8%	55.3%	55.8%	56.3%	56.9%	57.4%	57.9%
Sales and Marketing	15.8%	14.4%	14.3%	14.6%	15.2%	15.4%	15.6%	14.8%	16.0%	16.3%	16.6%	15.7%
General and Administrative	14.6%	15.1%	15.4%	15.2%	16.9%	16.1%	15.6%	14.8%	14.6%	14.8%	14.6%	14.0%
Research and development	12.6%	10.7%	10.9%	10.6%	10.5%	10.1%	9.7%	9.5%	9.5%	9.5%	9.3%	9.3%
Operating Margin	11.0%	10.5%	10.9%	11.3%	11.0%	12.3%	13.4%	15.8%	15.3%	15.4%	16.0%	18.0%
Pre Tax Margin	8.0%	7.5%	9.6%	10.7%	10.4%	11.6%	12.8%	15.2%	14.8%	14.9%	15.6%	17.6%
Tax Rate	7.0%	9.2%	3.4%	4.5%	4.4%	4.4%	4.4%	4.4%	4.4%	4.4%	4.4%	4.4%
Net Margin	7.5%	6.8%	9.2%	10.2%	9.9%	11.1%	12.3%	14.6%	14.2%	14.9%	16.8%	
Year/Year Growth												
Revenues	40.0%	55.9%	59.4%	56.6%	52.8%	38.4%	36.8%	32.7%	19.4%	18.8%	20.2%	21.3%
Gross Profit	36.6%	44.0%	50.0%	45.3%	53.1%	45.6%	43.3%	40.2%	23.3%	23.2%	24.7%	25.8%
Sales and Marketing	29.5%	27.3%	33.1%	31.1%	46.9%	47.9%	49.6%	35.0%	26.2%	25.3%	27.3%	28.7%
General and Administrative	31.0%	53.0%	64.1%	45.5%	77.3%	47.9%	38.6%	29.4%	2.9%	9.4%	12.1%	14.9%
Research and development	25.9%	22.7%	29.8%	30.9%	27.5%	30.7%	22.1%	19.6%	7.8%	11.3%	15.1%	18.1%
Operating Income	106.0%	101.5%	93.7%	95.1%	53.3%	61.6%	67.9%	85.9%	66.3%	48.9%	43.7%	38.4%
Pre Tax Profit	172.9%	137.2%	156.7%	143.1%	97.0%	113.4%	83.4%	88.4%	70.5%	52.1%	45.9%	40.0%
Net Profit	-29.9%	491.5%	1701.0%	-262.4%	-131.3%	-178.9%	-188.2%	202.6%	1255.2%	180.8%	122.1%	80.8%
Quarter/Quarter Growth												
Revenues	19.6%	16.6%	4.9%	7.1%	16.8%	5.5%	3.6%	3.9%	5.1%	5.0%	4.9%	4.8%
Gross Profit	14.3%	11.6%	6.3%	7.2%	20.5%	6.1%	4.6%	4.8%	6.0%	5.9%	5.9%	5.8%
Sales and Marketing	8.5%	6.5%	4.0%	9.1%	21.5%	7.3%	5.2%	-1.5%	13.6%	6.5%	6.9%	-0.4%
General & Administrative	7.1%	20.3%	7.4%	5.2%	30.5%	0.4%	0.6%	-1.8%	3.7%	6.7%	3.1%	0.7%
Research and development	19.3%	-1.1%	6.7%	4.0%	16.2%	1.4%	-0.4%	1.9%	4.7%	4.7%	3.1%	4.5%
Operating Income	45.2%	11.7%	8.9%	10.4%	14.1%	17.8%	13.2%	22.2%	2.0%	5.4%	9.3%	17.7%
Pre Tax Profit	39.3%	9.4%	32.9%	20.0%	12.9%	18.5%	14.2%	23.3%	2.2%	5.7%	9.6%	18.3%
Net Profit	42.1%	6.8%	41.4%	18.7%	13.1%	18.5%	14.2%	23.3%	2.2%	5.7%	9.6%	18.3%

Source: Company reports and Wedbush Securities estimates.

Source: Company data, Wedbush Securities Inc

Figure 17: Tangoe Annual Income Statement

Tangoe Annual Income Statement (in 000's, except per share data and ratios)							
	2007A	2008A	2009A	2010A	2011A	2012E	2013E
Recurring technology and services	14,174	27,839	46,005	57,703	93,671	132,948	160,276
Strategic consulting, software licenses and other	6,873	9,687	9,912	10,771	11,270	13,392	15,244
Total Revenue	21,047	37,526	55,917	68,474	104,941	146,341	175,519
Cost of revenue:							
Recurring technology and services	6,982	14,669	20,423	26,026	44,145	59,671	68,347
Strategic consulting, software licenses and other	2,821	3,043	4,360	3,874	5,191	5,959	6,860
Total Cost of Revenue	9,803	17,712	24,783	29,900	49,336	65,630	75,207
Gross Profit	11,244	19,814	31,134	38,574	55,605	80,711	100,312
Operating Expense:							
Sales and Marketing	5,954	7,683	9,577	11,856	15,447	22,330	28,337
General and Administrative	5,389	7,439	9,218	10,677	15,843	23,181	25,457
Research and Development	7,021	5,808	7,981	9,173	11,684	14,579	16,488
Depreciation & Amortization	730	942	1,221	1,091	1,165	1,304	1,518
Total Operating Expense	19,094	21,872	27,997	32,797	44,139	61,394	71,801
Non-GAAP Operating Income	(7,850)	(2,058)	3,137	5,777	11,466	19,316	28,512
Interest expense	(577)	(1,163)	(2,224)	(2,007)	(3,047)	(982)	(996)
Interest income	37	46	46	19	45	92	144
Other income	39	(66)	(184)	3	-	-	-
Add: Misc. GAAP Expenses	-	-	-	-	1,041	-	-
(Loss) Income Before Income Tax Provision	(8,351)	(3,241)	775	3,792	9,505	18,426	27,660
Income Tax Provision	(76)	23	264	295	534	802	1,204
Non-GAAP Net Income	(8,275)	(3,264)	511	3,497	8,971	17,624	26,456
Total Adjustments	1,499	3,629	2,881	5,250	11,952	12,047	12,345
Net Income	(9,774)	(6,893)	(2,370)	(1,753)	(2,981)	5,578	14,111
Preferred Dividends	(2,491)	(3,162)	(3,714)	(3,715)	(2,168)	-	-
Accretion of Redeemable Conv. Pref. Stock.	(60)	(62)	(64)	(64)	(37)	-	-
GAAP Net Income	(12,325)	(10,117)	(6,148)	(5,532)	(5,186)	5,578	14,111
Earnings (Loss) Per Share:							
Non-GAAP							
GAAP							
Diluted Shares Outstanding							
Fully Diluted Shares Outstanding							
EBITDA Analysis							
Depreciation & Amortization	730	942	1,221	1,091	1,165	1,304	1,518
EBITDA	(7,120)	(1,116)	4,358	6,868	12,631	20,621	30,030
EBITDA Margin	-33.8%	-3.0%	7.8%	10.0%	12.0%	14.1%	17.1%
Margin Analysis							
Gross Margin	53.4%	52.8%	55.7%	56.3%	53.0%	55.2%	57.2%
Sales and Marketing	28.3%	20.5%	17.1%	17.3%	14.7%	15.3%	16.1%
General and Administrative	25.6%	19.8%	16.5%	15.6%	15.1%	15.8%	14.5%
Research and development	33.4%	15.5%	14.3%	13.4%	11.1%	10.0%	9.4%
Operating Margin	-37.3%	-5.5%	5.6%	8.4%	10.9%	13.2%	16.2%
Pre Tax Margin	-39.7%	-8.6%	1.4%	5.5%	9.1%	12.6%	15.8%
Tax Rate	0.9%	-0.7%	51.7%	8.4%	6.0%	4.5%	4.5%
Net Margin	-39.3%	-8.7%	0.9%	5.1%	8.5%	12.0%	15.1%
Year/Year Growth							
Revenues		78.3%	49.0%	22.5%	53.3%	39.5%	19.9%
Gross Profit		176.2%	157.1%	123.9%	144.2%	145.1%	124.3%
Sales and Marketing		29.0%	24.7%	23.8%	30.3%	44.6%	26.9%
General and Administrative		38.0%	23.9%	15.8%	48.4%	46.3%	9.8%
Research and development		-17.3%	37.4%	14.9%	27.4%	24.8%	13.1%
Operating Income		26.2%	-152.4%	184.2%	198.5%	168.5%	147.6%
Pre Tax Profit		38.8%	-23.9%	489.3%	250.7%	193.9%	150.1%
Net Profit		39.4%	-15.7%	684.3%	256.5%	196.5%	150.1%

Source: Company reports and Wedbush Securities estimates.

Source: Company data, Wedbush Securities Inc

Figure 18: Tangoe Annual Balance Sheet**Tangoe Annual Balance Sheet Statement**

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

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

Source: Company reports, Wedbush Securities estimates.

Source: Company data, Wedbush Securities Inc

Figure 19: Tangoe Annual Cash Flow Statement**Tangoe Annual Cash Flow Statement**

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

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

Source: Company data, Wedbush Securities Inc

Analyst Certification

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

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Investment Rating System:

Outperform: Expect the total return of the stock to outperform relative to the median total return of the analyst's (or the analyst's team) coverage universe over the next 6-12 months.

Neutral: Expect the total return of the stock to perform in-line with the median total return of the analyst's (or the analyst's team) coverage universe over the next 6-12 months.

Underperform: Expect the total return of the stock to underperform relative to the median total return of the analyst's (or the analyst's team) coverage universe over the next 6-12 months.

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Rating Distribution (as of June 30, 2012)	Investment Banking Relationships (as of June 30, 2012)
Outperform: 58% Neutral: 36% Underperform: 6%	Outperform: 14% Neutral: 0% Underperform: 0%

The Distribution of Ratings is required by FINRA rules; however, WS' stock ratings of Outperform, Neutral, and Underperform most closely conform to Buy, Hold, and Sell, respectively. Please note, however, the definitions are not the same as WS' stock ratings are on a relative basis.

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Wedbush Equity Research Disclosures as of July 17, 2012

Company	Disclosure
Tangoe	1

Research Disclosure Legend

1. WS makes a market in the securities of the subject company.
2. WS managed a public offering of securities within the last 12 months.
3. WS co-managed a public offering of securities within the last 12 months.
4. WS has received compensation for investment banking services within the last 12 months.
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9. WS has received compensation for products and services other than investment banking services within the past 12 months.
10. The research analyst, a member of the research analyst's household, any associate of the research analyst, or any individual directly involved in the preparation of this report has a long position in the common stocks.
11. WS or one of its affiliates beneficially own 1% or more of the common equity securities.
12. The analyst maintains Contingent Value Rights that enables him/her to receive payments of cash upon the company's meeting certain clinical and regulatory milestones.

Price Charts

Wedbush disclosure price charts are updated within the first fifteen days of each new calendar quarter per FINRA regulations. Price charts for companies initiated upon in the current quarter, and rating and target price changes occurring in the current quarter, will not be displayed until the following quarter. Additional information on recommended securities is available on request.

TNGO



* WS changed its rating system from (Strong Buy/Buy/Hold/Sell) to (Outperform/ Neutral/Underperform) on July 14, 2009.
 Please access the attached hyperlink for WS' Coverage Universe: <http://www.wedbush.com/services/cmg/equities-division/research/equity-research> Applicable disclosure information is also available upon request by contacting Ellen Kang in the Research Department at (213) 688-4529, by email to ellen.kang@webbush.com, or the Business Conduct Department at (213) 688-8090. You may also submit a written request to the following: Business Conduct Department, 1000 Wilshire Blvd., Los Angeles, CA 90017.

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Rating
Buy

North America
United States

TMT
Application Software

Company
Tangoe, Inc.

Reuters
TNGO.OQ

Bloomberg
TNGO US

Exchange
NMS

Ticker
TNGO

Date
9 May 2012

Forecast Change

Price at 8 May 2012 (USD)	19.30
Price target	26.00
52-week range	21.53 - 8.75

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Acquisition strategy validation solidifies

Beat on revenue and EPS; guidance tweaked up

Tangoe delivered a modest beat on estimates at \$34.1m/\$0.09 vs. our \$33m/\$0.07 and consensus of \$33m/\$0.08. Guidance was tweaked up on revenue and EBITDA, with EPS adjusted down 1c (after the 2c dilution) from the 2.2m primary shares issued as part of the recent secondary offering. Integration of HCL and Telwares appear ahead of plan, which we believe bodes well for Profitline. Expense under management and new customer adds were both healthy in the quarter and we reiterate our Buy rating.

Continuing to gain share

TNGO added 35 new customers in the quarter, higher than the typical range of 20-30, we believe as a result of more salespeople from the recent acquisitions of ttMobiles and Anomalous Networks, both of which brought new technology and the UK region. Although the company has not increased its quarterly customer-add target, we think it is likely we will see a slightly elevation in this quarterly metric. Expense under management grew to \$17.6bn, up 28% y/y and 5% q/q, on the back new customer deployments. Based on a \$425bn global spend estimate, TNGO's share has risen this past year from 3% to about 4%, still allowing for plenty of headroom for growth. Our customer checks also showed TNGO being recognized the leader in this space.

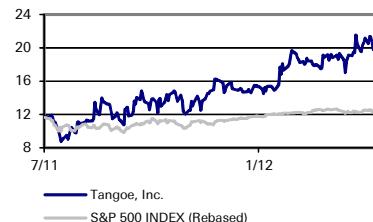
Margins probably have upside as migrations progress

The company expects to complete a majority of migrations from HCL and Telwares customers (both early 2011 acquisitions) by the end of 2Q12, which should help gross margins in the second half from higher automation and better scale. Profitline customers will be gradually migrated over the typical 4-6 quarter period. With ttMobiles and rTEM products already richer in margin, revenue mix should help aggregate margins over time. The company mentioned five rTEM wins in 1Q, a nice surprise for an acquisition that was just completed in January 2012.

Reiterate Buy, raising PT to \$26 from \$25; risks

Our \$26 price target is based on a CY13 uFCF/share estimate of \$0.58 (from \$0.55), an EV/uFCF/G multiple of 1.3x (slight premium to group given market leadership position), and an estimated five-year growth rate, net of dilution, of 33%. Risks include integration of acquisitions, delayed profitability from new projects not ramping fast enough and customers taking expense processing in-house after early gains from Tangoe's platform.

Price/price relative



Performance (%)	1m	3m	12m
Absolute	-0.2	27.6	-
S&P 500 INDEX	-2.5	1.0	1.8

Forecasts And Ratios

Year End Dec 31	2011A	2012E	2013E
2Q EPS	0.06	0.09	0.12
FY EPS (USD)	0.27	0.41	0.49
Revenue (USDm)	104.9	143.0	170.0

Source: Deutsche Bank estimates, company data

Deutsche Bank Securities Inc.

All prices are those current at the end of the previous trading session unless otherwise indicated. Prices are sourced from local exchanges via Reuters, Bloomberg and other vendors. Data is sourced from Deutsche Bank and subject companies. Deutsche Bank does and seeks to do business with companies covered in its research reports. Thus, investors should be aware that the firm may have a conflict of interest that could affect the objectivity of this report. Investors should consider this report as only a single factor in making their investment decision. DISCLOSURES AND ANALYST CERTIFICATIONS ARE LOCATED IN APPENDIX 1. MICA(P) 072/04/2012.



Model updated: 09 May 2012

Running the numbers

North America	
United States	
Application Software	

Tangoe, Inc.

Reuters: TNGO.OQ Bloomberg: TNGO UQ

Buy

Price (8 May 12)	USD 19.30
Target Price	USD 26.00
52 Week range	USD 8.75 - 21.53
Market Cap (m)	USDm 797 EURm 613

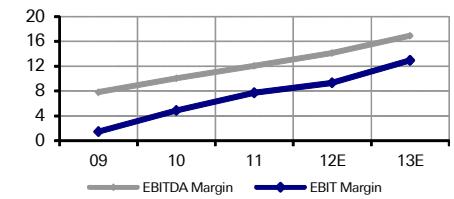
Company Profile

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.

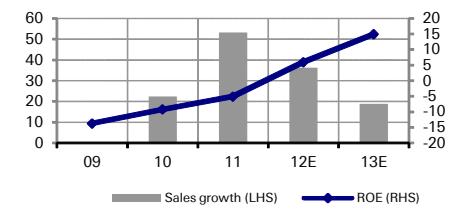
Price Performance



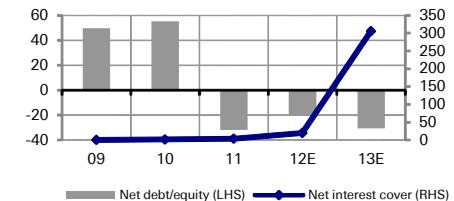
Margin Trends



Growth & Profitability



Solvency



Fiscal year end 31-Dec	2009	2010	2011	2012E	2013E
Financial Summary					
DB EPS (USD)	-0.11	0.06	0.14	0.27	0.40
Reported EPS (USD)	-0.11	-0.06	-0.09	0.15	0.40
DPS (USD)	0.00	0.00	0.00	0.00	0.00
BVPS (USD)	0.80	0.71	2.98	2.60	2.90
Valuation Metrics					
Price/Sales (x)	nm	nm	3.9	5.6	4.8
P/E (DB) (x)	nm	na	88.8	72.4	47.9
P/E (Reported) (x)	nm	nm	nm	132.4	47.9
P/BV (x)	0.0	0.0	5.2	7.4	6.7
FCF yield (%)	na	na	2.4	2.0	3.0
Dividend yield (%)	na	na	0.0	0.0	0.0
EV/Sales	nm	nm	3.6	5.4	4.6
EV/EBITDA	nm	nm	30.2	38.4	27.3
EV/EBIT	nm	nm	47.1	58.1	35.7
Income Statement (USDm)					
Sales	56	68	105	143	170
EBITDA	4	7	13	20	29
EBIT	1	3	8	13	22
Pre-tax profit	-2	-1	2	7	18
Net income	-3	-2	-3	6	17
Cash Flow (USDm)					
Cash flow from operations	2	3	11	18	27
Net Capex	-1	0	-1	-2	-2
Free cash flow	2	3	10	16	25
Equity raised/(bought back)	-1	-3	-18	-20	0
Dividends paid	0	0	0	0	0
Net inc/(dec) in borrowings	0	0	1	1	0
Other investing/financing cash flows	-1	0	45	-13	-5
Net cash flow	0	0	38	-15	20
Change in working capital	0	-1	0	-1	-5
Balance Sheet (USDm)					
Cash and cash equivalents	6	6	43	28	48
Property, plant & equipment	2	2	3	4	4
Goodwill	18	18	36	45	45
Other assets	31	33	58	68	68
Total assets	56	59	141	145	165
Debt	15	17	13	7	11
Other liabilities	22	23	32	31	30
Total liabilities	38	39	44	38	41
Total shareholders' equity	19	19	97	107	123
Net debt	9	11	-31	-22	-38
Key Company Metrics					
Sales growth (%)	nm	22.5	53.3	36.3	18.9
DB EPS growth (%)	na	na	148.0	86.0	51.0
Payout ratio (%)	nm	nm	nm	0.0	0.0
EBITDA Margin (%)	7.8	10.0	12.1	14.1	16.9
EBIT Margin (%)	1.5	4.9	7.7	9.3	12.9
ROE (%)	-13.8	-9.2	-5.1	5.9	14.9
Net debt/equity (%)	49.6	55.4	-31.9	-20.2	-30.6
Net interest cover (x)	0.3	1.7	4.1	19.8	305.5
DuPont Analysis					
EBIT margin (%)	1.5	4.9	7.7	9.3	12.9
x Asset turnover (x)	1.0	1.2	1.1	1.0	1.1
x Financial cost ratio (x)	-1.9	0.4	0.8	0.9	1.0
x Tax and other effects (x)	1.7	-1.3	-0.5	0.5	0.8
= ROA (post tax) (%)	-4.6	-3.1	-3.0	4.2	11.1
x Financial leverage (x)	3.0	3.0	1.7	1.4	1.3
= ROE (%)	-13.8	-9.2	-5.1	5.9	14.9
annual growth (%)	na	32.9	44.8	na	152.1
x NTA/share (avg) (x)	0.8	0.7	1.8	2.5	2.7
= Reported EPS	-0.11	-0.06	-0.09	0.15	0.40
annual growth (%)	na	41.5	-42.1	na	176.3

Source: Company data, Deutsche Bank estimates

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1Q12 Review

Beat on revenue and EPS; guidance tweaked up

Tangoe delivered a modest beat on estimates at \$34.1m/\$0.09 vs. our \$33m/\$0.07 and consensus of \$33m/\$0.08. Guidance was tweaked up on revenue and EBITDA, with EPS adjusted down 1c (after the 2c dilution) from the 2.2m primary shares issued as part of the recent secondary offering. Integration of HCL and Telwares appear ahead of plan, which we believe bodes well for Profitline. Expense under management and new customer adds were both healthy in the quarter and we reiterate our Buy rating.

Key metrics:

- Cash balance at the end of FY11 was \$37.9m vs. \$43.4m at the end of 4Q11.
- Cash flow from operations was \$3.5m in 1Q12 vs. 4.8m in 4Q11.
- 2Q12 guidance: Revenue of \$35m-\$35.5m revenue; Adj EBITDA \$4.3m-\$4.5m and adjusted EPS of \$0.09 on 41.7m shares.
- FY12 guidance: Revenue of \$142.3m-\$144.3m, EBITDA \$20.2m-\$20.7m, adjusted EPS of \$0.41-\$0.42 on 41.3m diluted shares. Net effect of \$0.02 dilution and \$0.01 raise in margin profile is a \$0.01 reduction vs. previous guide. Our last published model had taken this dilution into account.

Figure 1: Summary of estimate changes

	Revenues		EPS		uFCF/Share	
	Old	New	Old	New	Old	New
2Q12E	\$34.8	\$35.3	\$0.09	\$0.09	\$0.12	\$0.09
2012E	\$142.5	\$143.0	\$0.40	\$0.41	\$0.41	\$0.41
2013E	\$168.0	\$170.0	\$0.47	\$0.49	\$0.55	\$0.58

Source: Deutsche Bank

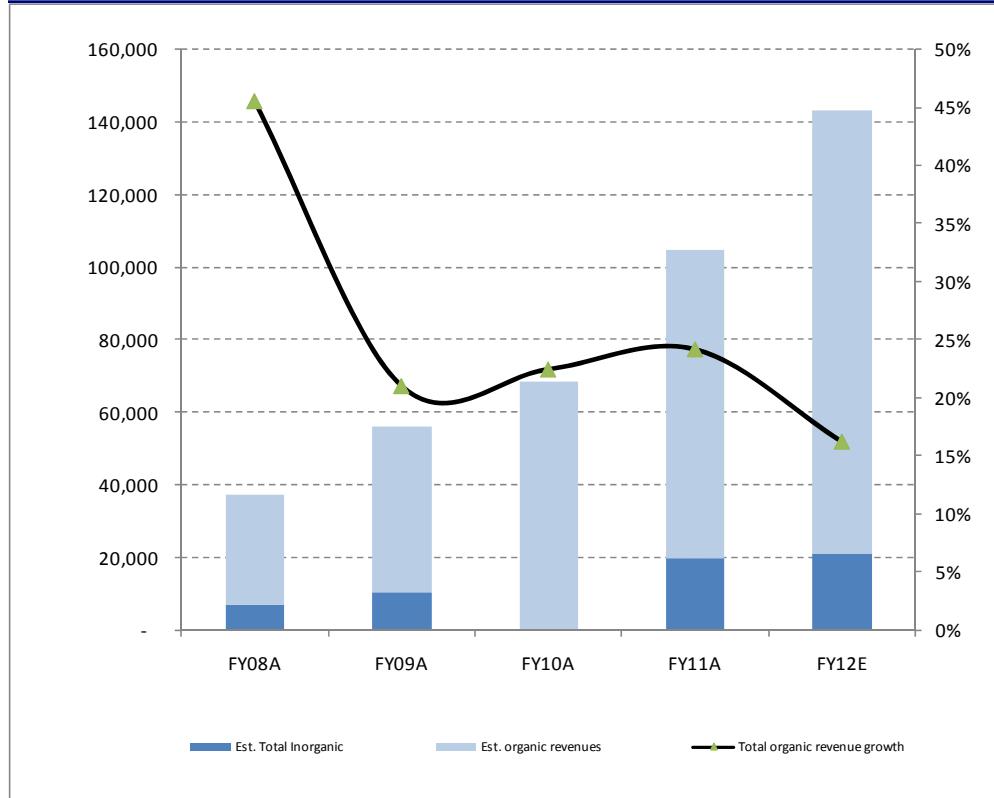
Continuing to gain share

TNGO added 35 new customer in the quarter, higher than the typical guided range of 20-30, we believe as a result of more salespeople from the recent acquisitions of ttMobiles and Anomalous Networks, both of which brought new technology and the UK region. While the company has not revised up its quarterly customer-add target, we think it's likely we will see a slightly elevation in this quarterly metric. Expense under management grew to \$17.6bn, up 28% y/y and 5% q/q, on the back new customer deployments. Based on a \$425bn global spend estimate, TNGO's share has grown this past year from 3% to about 4%, still allowing for plenty of headroom for growth. Our customer checks also showed TNGO being recognized the leader in this space.

Figure 2 below shows the company's recent organic growth momentum. We note that during FY11, the company reported \$19.9m in annual inorganic contribution. This leads to the computed organic rates in the 25% range. We think the natural organic growth rate of the business is over 20%, with organic recurring revenue growth closer to 25%.



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



Source: Deutsche Bank

Margins probably have upside as migrations progress

The company expects to complete a majority of migrations from HCL and Telwares customers (both early 2011 acquisitions) by the end of 2Q12, which should help gross margins in the second half from higher automation and better scale. Profitline customers will be gradually migrated over the typical 4-6 quarter period. With ttMobiles and rTEM products already richer in margin, revenue mix should help aggregate margins over time. The company mentioned five rTEM wins in 1Q, a nice surprise for an acquisition that was just completed in December 2011.

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: Qtr Fwd	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	\$0.42-\$0.43	
4/1/2012	\$33,000	\$34,147	1147	3%	\$33m-\$33.5m	\$142.3-\$144.3	\$0.07	\$0.09	0.02	\$0.09	\$0.41-\$0.42	

Source: Deutsche Bank

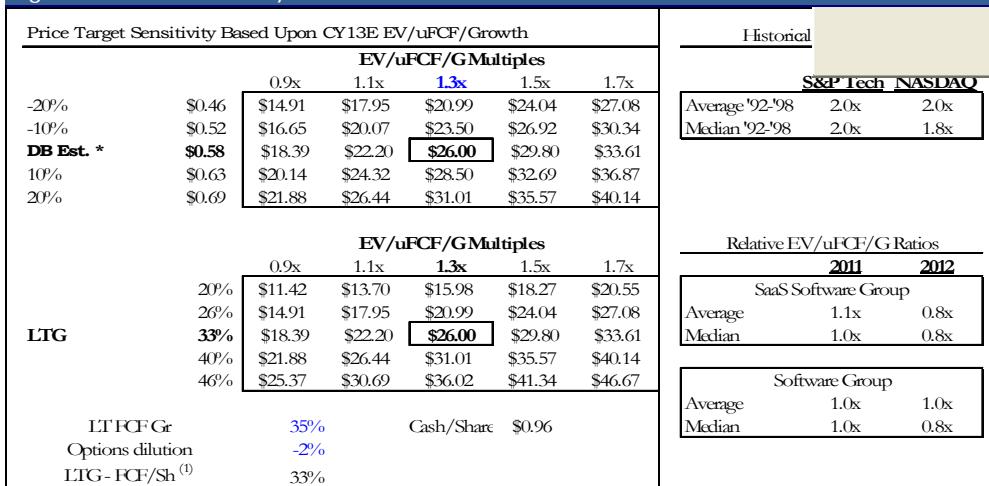


Figure 4: Estimates vs. actuals

	Actual	Forecast	Variance	%
Net Revenues	34,147	\$33,000	1,147	3%
Recurring technology and services	30,756	29,260	1,496	5%
Strategic consulting, software licenses and o	3,391	3,740	(349)	-9%
Total cost of revenue	15,524	14,663	861	6%
Gross profit	18,623	18,337	286	2%
Sales and Marketing	5,178	5,280	(102)	
Research & Development	3,596	3,960	(364)	-9%
General and administrative	5,786	5,115	671	13%
Operating Income	3,757	3,240	517	16%
Interest (expense) and income	(218)	(17)		
Pretax income	3,539	3,223	316	0
Provision for Taxes	154	315	(161)	-51%
Adjusted Net Income	\$3,385	\$2,908	477	16%
Diluted EPS	\$0.09	\$0.07	0	22%
Pro Forma Fully diluted Shares	39,431	41,200	(1,769)	-4%
StockBasedComp	1,624	1,450	174	
Reported Earnings	383	490	(107)	-22%
GAAP EPS*	\$0.01	\$0.01	(0)	-18%
Gross margin	55%	56%	(0)	-2%
Operating margin	11.0%	9.8%	0	12.0%
Pretax margin	10.4%	9.8%	0	6.1%
Net margin	9.9%	8.8%	0	12.5%

Source: Deutsche Bank

Figure 5: Price sensitivity chart



Source: Deutsche Bank

Reiterate Buy, raising PT to \$26 from \$25; risks

Our \$26 price target (from \$25) is based on a CY13 uFCF/share estimate of \$0.58 (from \$0.55), an EV/uFCF/G multiple of 1.3x (slight premium to group given market leadership position), and an estimated five-year growth rate, net of dilution, of 33%. Risks include integration of 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

Tangoe													Deutsche Bank Securities								
Income Statement													Tom Ernst - 866.812.7891								
(dollars in thousands, except EPS)													Nandan Amaladi - 212.250.4570								
FY E Dec-11																					
	Mar-11	Jun-11	Sep-11	Dec-11		Mar-12	Jun-12	Sep-12	Dec-12					2006A	2007A	2008A	2009A	2010A	2011A	2012E	2013E
	1Q11A	2Q11A	3Q11A	4Q11A		1Q12A	2Q12E	3Q12E	4Q12E					\$12,879	\$21,047	\$37,526	\$55,917	\$68,474	\$104,941	\$143,000	\$170,000
Net Revenues	\$22,341	\$26,047	\$27,312	\$29,241		\$34,147	\$35,250	\$36,000	\$37,603					3,578	14,174	27,839	46,005	57,703	93,671	129,041	154,060
Recurring technology and services	19,927	23,510	24,456	25,778		30,756	31,791	32,472	34,022					9,301	6,873	9,687	9,912	10,771	11,270	13,959	15,940
Strategic consulting, software licenses and other	2,414	2,537	2,856	3,463		3,391	3,459	3,528	3,581												
Recurring technology and services	9,057	11,258	11,926	12,227		14,066	14,306	14,288	14,970					629	6,982	14,720	20,538	26,350	44,468	57,629	67,786
Strategic consulting, software licenses and other	1,272	1,245	1,142	1,532		1,458	1,487	1,482	1,504					3,845	2,821	3,043	4,360	3,874	5,191	5,931	5,774
Total cost of revenue	10,180	12,503	13,068	13,759		15,524	15,793	15,769	16,474					4,474	9,803	17,713	24,783	29,901	49,510	63,560	73,561
Gross profit	12,161	13,544	14,244	15,482		18,623	19,457	20,231	21,129					8,405	11,244	19,813	31,134	38,573	55,431	79,440	96,439
Sales and Marketing	3,525	3,181	3,813	4,262		5,178	5,345	5,099	5,138					4,416	5,954	7,683	9,576	11,856	14,781	20,760	23,769
Research & Development	2,821	2,833	2,723	3,095		3,596	3,712	3,611	3,584					5,913	7,021	5,807	7,982	9,173	11,472	14,503	18,452
General and administrative	3,264	4,436	4,386	4,435		5,786	5,973	6,060	6,142					2,929	5,389	7,439	9,218	10,677	16,521	23,961	25,500
Adjustments																				0	0
Depreciation	299	356	339	370		306	466	516	531					299	1,911	2,709	3,537	1,091	1,364	1,819	6,726
Operating Income	2,252	2,738	2,983	3,320		3,757	3,960	4,944	5,734					(5,152)	(9,031)	(3,825)	821	5,776	11,293	18,396	21,993
Chg in fair value warrants														0	39	(66)	(184)	-	-	-	-
Interest (expense) and income	(655)	(774)	(372)	(160)		(218)	(218)	(218)	(18)					(198)	(540)	(1,116)	(2,178)	(1,984)	(1,961)	(672)	(72)
Pretax income	1,597	1,964	2,611	3,160		3,539	3,742	4,726	5,716					(5,350)	(9,532)	(5,007)	(1,541)	3,792	9,332	17,724	21,921
Provision for Taxes	126	180	88	140		154	187	236	286					54	76	23	264	295	534	863	1,096
Adjusted Net Income	1,471	1,784	2,523	3,020		3,385	3,555	4,490	5,431					(5,404)	(9,456)	(5,030)	(1,805)	3,497	8,798	16,861	20,825
Adjusted EBITDA	2,551	3,094	3,322	3,690		4,071	4,426	5,460	6,265					(4,853)	(7,120)	(1,116)	4,358	6,867	12,657	20,223	28,718
Diluted EPS	\$0.06	\$0.06	\$0.07	\$0.08		\$0.09	\$0.09	\$0.11	\$0.13					(\$0.25)	(\$0.43)	(\$0.22)	(\$0.08)	\$0.13	\$0.26	\$0.41	\$0.49
Diluted EPS (Incl. Stock Options)	\$0.02	\$0.03	\$0.05	\$0.04		\$0.04	\$0.05	\$0.07	\$0.11					(\$0.26)	(\$0.44)	(\$0.30)	(\$0.11)	\$0.06	\$0.14	\$0.27	\$0.40
Pro Forma Fully diluted Shares	26,244	29,867	35,124	38,493		39,431	41,700	41,909	42,118					21,298	22,147	23,282	23,318	27,328	33,700	41,289	42,647
GAAP Diluted shares	4,672	4,672	4,672	4,672		4,672	4,672	4,672	4,672					2,373	3,088	4,046	4,311	4,399	4,672	4,672	4,672
StockBasedCorp	835	932	897	1,316		1,624	1,624	912						37	279	1,929	749	1,928	3,980	5,784	3,648
Amortization of intangibles/debt issuance cost	709	757	910	801		1,378	1,196	1,215	1,268					0	-	-	-	-	2,438	3,177	5,057
Other Adjustments	540	1,485	2,571	-		-	-	-	0					-	-	-	-	-	883	4,596	-
Reported Earnings	(613)	(1,390)	(1,855)	903		383	735	1,652	3,250					(5,441)	(9,735)	(6,959)	(2,554)	(1,752)	(2,955)	6,020	17,177
GAAP EPS*	(\$0.02)	(\$0.05)	(\$0.05)	\$0.02		\$0.01	\$0.02	\$0.04	\$0.08					(\$0.26)	(\$0.44)	(\$0.30)	(\$0.11)	\$0.06	\$0.15	\$0.40	\$0.40
Key Metrics																					
Net Cash and Equivalents	-18,794	-12,960	50,892	33,458		29,347	20,793	24,482	24,492					0	0	-10,352	-8,250	-8,962	33,458	24,492	41,284
Net Cash Per Share	(30.72)	(50.43)	\$1.45	\$0.87		\$0.74	\$0.50	\$0.58	\$0.58					0	\$0.00	(\$0.44)	(\$0.35)	(\$0.31)	\$0.87	\$0.58	\$0.96
Days Sales Outstanding (reported)	81	73	80	78		70	76	76	76					0	-	86	69	69	78	76	71
Days Deferred Revenue	44	36	39	36		33	42	40	38					0	-	53	47	49	36	38	38
Adjusted EBITDA	2,551	3,094	3,322	3,690		4,071	4,426	5,460	6,265					(4,853)	(7,120)	(1,116)	4,358	6,867	12,657	20,223	28,718
Revenue Mix																					
Recurring technology and services	89%	90%	90%	88%		90%	90%	90.2%	90.5%					28%	67%	74%	82%	84%	89%	90%	91%
Strategic consulting, software licenses and other	11%	10%	10%	12%		10%	10%	9.8%	9.5%					72%	33%	26%	18%	16%	11%	10%	9%
Margin Analysis																					
Recurring technology margins	54.5%	52.1%	51.2%	52.6%		54.3%	55.0%	56.0%	56.0%					82.4%	50.7%	47.1%	55.4%	54.3%	52.5%	55.3%	56.0%
Strategic consulting margins	47.3%	50.9%	60.0%	55.8%		57.0%	58.0%	58.0%	58.0%					58.7%	59.0%	68.6%	56.0%	64.0%	53.9%	57.5%	63.8%
Gross Margin	54.4%	52.0%	52.2%	52.9%		54.5%	55.2%	56.2%	56.2%					65.3%	53.4%	52.8%	55.7%	56.3%	52.8%	55.6%	56.7%
Sales and marketing expenses	15.8%	12.2%</b																			

Figure 7: Balance sheet

Tangoe Balance Sheet (in thousands) FY Ends December	Dec-08 <u>4Q08A</u>	Dec-09 <u>4Q09A</u>	Dec-10 <u>4Q10A</u>	Mar-11 <u>1Q11A</u>	Jun-11 <u>2Q11A</u>	Sep-11 <u>3Q11A</u>	Dec-11 <u>4Q11A</u>	Mar-12 <u>1Q12A</u>	Jun-12 <u>2Q12E</u>	Sep-12 <u>3Q12E</u>	Dec-12 <u>4Q12E</u>	Dec-13 <u>4Q13E</u>
Balance Sheet												
Cash and equivalents	6,554	6,163	5,913	6,876	8,981	52,521	43,407	37,866	24,510	28,278	28,457	48,468
Accounts receivable	11,384	11,517	14,295	20,191	21,007	24,405	25,311	26,551	29,880	30,451	31,754	35,421
Prepaid expenses and Other current assets	869	1,585	1,395	1,488	1,418	2,098	2,503	3,428	3,539	3,614	3,775	3,682
Total current assets	18,808	19,265	21,603	28,556	31,406	79,024	71,221	67,845	57,929	62,343	63,986	87,571
Computers, furniture and equipment - NET	1,625	1,761	1,795	2,508	2,610	2,578	3,334	3,496	3,563	3,591	3,503	3,719
Security deposits in non current asset	453	573	1,925	2,727	3,744	1,070	1,241	1,906	1,968	2,009	2,099	2,245
Goodwill	16,191	17,636	17,636	22,893	22,893	22,893	36,266	44,728	44,728	44,728	44,728	
Intangible assets	16,422	16,843	15,785	20,869	21,683	20,910	28,800	34,543	33,347	32,132	30,864	26,272
Cash Held in Escrow	1,375	-										
Total Assets	54,874	56,078	58,744	77,553	82,336	126,475	140,862	152,518	141,535	144,804	145,179	164,535
Accts payables and accruals	2,745	2,858	3,303	4,434	5,894	6,439	6,605	8,555	8,972	9,163	9,571	5,388
Accrued Expenses	2,802	2,285	3,364	4,544	5,367	4,961	7,061	7,925	8,181	8,355	8,614	8,531
Long term debt —current portion	6,609	4,421	453	9,430	10,555	4,324	7,904	13,187	-	-	-	-
Line of Credit	5,000	5,500	-	-	-	-	-	-	-	-	-	-
Capital leases—current portion	200	177	392	-	-	-	1,079	-	-	-	-	-
Deferred Revenue	6,228	6,881	8,304	8,973	8,492	9,252	9,051	10,203	13,452	13,084	12,983	15,533
Total current liabilities	18,584	21,622	21,316	27,382	30,308	24,976	31,700	39,870	30,605	30,602	31,169	29,452
Deferred rent and other non-current liabilities	1,298	2,480	3,099	3,642	771	1,629	1,659	3,601	3,717	3,796	3,965	7,184
Long term debt —less current portion	15,408	11,725	11,319	22,028	21,170	-	8,290	4,918	-	-	-	-
Capital lease —less current portion	200	208	457	-	-	-	-	-	-	-	-	-
Deferred Revenue - Long Term	712	959	1,788	2,036	2,036	2,483	2,624	2,274	2,998	2,916	2,894	3,525
Warrants for redeemable convertible preferred st	328	512	1,346	2,598	4,072	3,762	-	-	-	-	-	898
Total liabilities	36,530	37,506	39,325	57,686	58,357	32,850	44,273	50,663	37,321	37,315	38,028	41,059
Redeemable Convertible Preferred Stock	53,826	57,604	61,441	62,391	63,336	-	-	-	-	-	-	-
Total stockholder's equity	(35,482)	(39,032)	(42,022)	(42,524)	(39,357)	93,625	96,589	101,855	104,214	107,489	107,152	123,476
Total Liabilities and SE	54,874	56,078	58,744	77,553	82,336	126,475	140,862	152,518	141,535	144,804	145,179	164,535
Analysis												
Cash, equivalents, ST Investments	6,554	6,163	5,913	6,876	8,981	52,521	43,407	37,866	24,510	28,278	28,457	48,468
Cash per share	\$0.28	\$0.26	\$0.21	\$0.26	\$0.30	\$1.50	\$1.13	\$0.96	\$0.59	\$0.67	\$0.68	\$1.13
Long-term liabilities	16,906	14,413	14,875	25,670	21,941	1,629	9,949	8,519	3,717	3,796	3,965	7,184
Debt per share	\$0.73	\$0.62	\$0.52	\$3.71	\$3.21	\$0.17	\$0.46	\$0.55	\$0.09	\$0.09	\$0.09	\$0.17
Book value per share	-\$1.5	-\$1.7	-\$1.5	-\$1.6	-\$1.3	\$2.7	\$2.5	\$2.6	\$2.5	\$2.6	\$2.5	\$2.9
Deferred revenue	6,940	7,840	10,092	11,010	10,528	11,735	11,675	12,477	16,450	16,000	15,877	19,058
% y/y growth	13%	29%	30%	25%	30%	16%	13%	56%	36%	36%	20%	
% q/q growth	7%	12%	9%	4%	11%	-1%	7%	32%	-3%	-1%	-6%	
Days Deferred Revenue (DDR)	53	47	49	44	36	39	36	33	42	40	38	38
Days Sales Outstanding (DSO)	86	69	69	81	73	80	78	70	76	76	76	71
Working capital	224	(2,357)	287	1,174	1,098	54,048	39,521	27,975	27,324	31,741	32,817	58,120
Current ratio	1.0x	0.9x	1.0x	1.0x	1.0x	3.2x	2.2x	1.7x	1.9x	2.0x	2.1x	3.0x
ROE	12%	1%	1%	1%	3%	-7%	1%	0%	1%	2%	3%	4%
ROA	-8%	-1%	-1%	-1%	-1%	-2%	-2%	1%	0%	0%	1%	2%

Source: Deutsche Bank



Figure 8: Cash flow statement

Tangoe Cash Flow Statement (in thousands) (FY-12)	3,509																		
	Mar-11 1Q11A	Jun-11 2Q11A	Sep-11 3Q11A	Dec-11 4Q11A	Mar-12 1Q12A	Jun-12 2Q12E	Sep-12 3Q12E	Dec-12 4Q12E	2007A	2008A	2009A	2010A	2011A	2012E	2013E				
CASH FLOW FROM OPERATING ACTIVITIES:																			
Net income/(loss)	(613)	(1,390)	(1,855)	903	192	735	1,652	3,250	(9,735)	(6,959)	(2,554)	(1,752)	(2,955)	5,823	17,177				
Adjustments to reconcile net loss to net cash used in operating activities:																			
Amortization of debt discount and imputed interest expense	180	195	757	207	191				32	53	192	95	1,339	191	-				
Amortization of BV/warrants	19	30	(49)		(24)							26		(24)	-				
Depreciation & amortization	1,008	1,123	1,314	1,198	1,875	1,662	1,730	1,799	1,911	2,709			4,643	7,067	6,726				
Stock-based compensation expense	835	932	897	1,316	1,624	1,624	1,624	912	279	1,928	749	1,928	3,980	5,784	3,648				
Non-cash expense related to issuance of warrants															-				
Increase (decrease) in deferred rent liability	(125)	(20)	44	43	43	116	79	169	199	193	(380)	(494)	(58)	407	3,219				
Allowance for doubtful accounts	11	12	-	-					205	137	9	207	23	-	-				
Deferred income taxes	126	3	92	84	6						62			-	-				
Incr. (Decr.) in fair value of warrants for redeemable pf stock	541	1,474	(19)	-	32	-	-	-	(39)	80	183	884	1,996	32	898				
Changes in operating assets and liabilities:															-				
(Incr.) Decr. in accounts receivable	(1,606)	(826)	(3,399)	1,394	190	(3,329)	(570)	(1,303)	(1,040)	(1,596)	(141)	(2,986)	(4,437)	(5,013)	(3,667)				
(Incr.) Decr. in prepaid expenses	94	74	(82)	(39)	-	(111)	(75)	(161)	258	(323)	(26)	(500)	47	(347)	93				
(Incr.) Decr. in deposits & other assets	(444)	54	63	(54)	10	(62)	(42)	(89)	264	(36)	(133)	(1,242)	(381)	(183)	(146)				
Incr. (Decr.) in accounts payable	814	781	1,594	(135)	928	417	191	408	708	392	112	172	3,054	1,944	(4,183)				
Incr. (Decr.) in accrued liabilities and others	(424)	500	(440)	180	(1,112)	256	174	259	(45)	573	(198)	1,080	(184)	(423)	(83)				
Incr. (Decr.) in deferred revenues	713	(493)	1,218	(212)	(426)	3,973	(450)	(123)	2,200	1,524	882	2,252	1,226	2,974	3,181				
Net cash provided by operating activities	1,129	2,449	1,733	4,836	3,529	5,282	4,312	5,121	(4,803)	(1,263)	2,431	3,389	10,147	18,245	26,861				
CASH FLOW FROM INVESTING ACTIVITIES:																			
Capital expenditures (net of capital leases originated)	(383)	(459)	(306)	(371)	(426)	(534)	(544)	(442)	(513)	(671)	(1,258)	(1,125)	(1,519)	(1,946)	(2,350)				
Capital leases originated		491	175								598	660	666	-	-				
Capital expenditures (net of capital leases originated)	(383)	32	(131)	(371)	(426)	(534)	(544)	(442)	(513)	(671)	(660)	(465)	-	-	-				
Cash paid in connection with acquisitions	(8,166)	(0)	-	(14,028)	(8,577)				(1,979)	(13,425)	(965)	(962)	(22,194)	(8,577)	-				
Net cash used in investing activities	(8,549)	32	(131)	(14,399)	(9,003)	(534)	(544)	(442)	(2,492)	(14,096)	(1,825)	(1,417)	(23,047)	(10,523)	(2,350)				
CASH FLOW FROM FINANCING ACTIVITIES:																			
Net incr. (decr.) debt	7,881	47	(26,425)	479	(1,474)	(18,105)	-	-	3,747	13,451	(579)	(3,012)	(18,018)	(19,579)	-				
Repayment of settlement lab	-	-	-	-	-	-	-	-	(175)	(175)	-	-	-	-	-				
Costs incurred in securing financing				(170)					(88)	-	(85)	-	(170)	-	-				
Payments made to repurchase securities									-	(408)	-	-	-	-	-				
Proceeds from exercise of stock options and warrants	205	(126)		1,514	1,396				334	137	75	300	1,593	1,396	-				
Proceeds from repayment of notes receivable									-	-	-	691	-	-	-				
Proceeds from issuance (Repurchase) of stock		69,925	1,936	-					-	7,258	-	-	66,989	-	-				
Other/Acquisitions									-	-	-	-	(4,500)	(4,500)	-				
Net cash (used in) provided by financing activities	8,086	(79)	43,500	(1,113)	(78)	(18,105)	-	(4,500)	3,818	20,671	(1,197)	(2,221)	50,394	(22,683)	(4,500)				
Exchange rate fluctuation		(138)			11								(138)	-	-				
Increase (decrease) in cash and cash equivalents	666	2,263	45,102	(10,676)	(5,541)	(13,356)	3,768	179	(3,477)	5,312	(391)	(250)	37,356	(14,950)	20,011				
Cash and cash equivalents at beginning of period	6,051	6,718	8,981	54,083	43,407	37,866	24,510	28,457	4,858	1,381	6,692	6,301	6,051	43,407	28,457				
Cash and cash equivalents at end of period	6,718	8,981	54,083	43,407	37,866	24,510	28,278	28,457	1,381	6,692	6,301	6,051	43,407	28,457	48,468				
Free cash flow													-2%	-1%	-1%				
Cash flow from operations	1,129	2,449	1,733	4,836	3,529	5,282	4,312	5,121	(4,803)	(1,263)	2,431	3,389	10,147	18,245	26,861				
- Capex	(383)	(459)	(306)	(371)	(426)	(534)	(544)	(442)	(513)	(671)	(1,258)	(1,125)	(1,519)	(1,946)	(2,350)				
Free cash flow	746	1,990	1,427	4,465	3,103	4,749	3,768	4,679	(5,316)	(1,934)	1,173	2,264	8,628	16,299	24,511				
Per share	0.03	0.07	0.04	0.12	0.08	0.11	\$0.09	\$0.11	(\$0.24)	(\$0.08)	\$0.05	\$0.08	\$0.26	\$0.39	\$0.57				
- net interest income	399	574	627	94	15	207	207	17	539	1,116	2,178	1,984	1,694	447	68				
- IPO expense	405	61	-										466	-	-				
Unlevered Free cash flow	1,550	2,625	2,054	4,559	3,118	4,956	3,975	4,696	(4,776)	(818)	3,351	4,248	10,788	16,746	24,579				
Per share	\$0.06	0.09	0.06	0.12	0.08	0.12	\$0.09	\$0.11	(\$0.22)	(\$0.04)	\$0.14	\$0.16	\$0.32	\$0.41	\$0.58				
uRCF Margins									-23%	-2%	6%	6%	10%	12%	14%				

Source: Deutsche Bank



Figure 9: Comp sheet

Tom Ernst

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Enterprise and Security	Price	Rating	8-May-12	Market			Net			Net Cash			Sales			TEV/Sales			EPS			P/E			FCF/Share			EV/FCF		
				CAP			Cash			PER SH			CY11A			CY12E			CY13E			CY11A			CY12E			CY13E		
Adobe Systems Inc.	ADBE	\$32.67	Buy	\$16,347	\$1,263	\$2.94	\$4,216	\$4,513	\$4,950	3.6x	3.3x	3.0x	\$2.35	\$2.43	\$2.78	14x	13x	12x	\$2.79	\$2.94	\$3.49	10.7x	10.1x	8.5x						
Check Point Software Technc	CHKP	\$55.40	Hold	\$11,887	\$2,690	\$12.54	\$1,247	\$1,366	\$1,464	8.6x	7.9x	7.3x	\$2.87	\$3.14	\$3.34	19x	18x	17x	\$3.16	\$3.56	\$3.85	13.6x	12.0x	11.1x						
Citrix Systems Inc.	CTXS	\$81.57	Buy	\$15,613	\$1,581	\$8.26	\$2,206	\$2,496	\$2,724	6.5x	5.7x	5.2x	\$2.49	\$2.74	\$3.12	33x	30x	26x	\$2.92	\$3.71	\$4.31	25.1x	19.8x	17.0x						
Fair Isaac Corp.	FICO	\$41.83	Hold	\$1,529	(\$230)	(\$8.92)	\$634	\$636	\$672	2.8x	2.8x	2.6x	\$2.22	\$2.42	\$2.77	19x	17x	15x	\$3.70	\$4.30	\$4.75	13.7x	11.8x	10.7x						
Fortinet Inc.	FTNT	\$24.92	Buy	\$4,084	\$468	\$2.86	\$434	\$516	\$610	8.6x	7.3x	6.1x	\$0.45	\$0.51	\$0.64	56x	49x	39x	\$0.78	\$1.00	\$1.19	28.4x	22.0x	18.5x						
Informatica Corp.	INFA	\$46.40	Buy	\$4,992	\$566	\$5.02	\$784	\$900	\$1,032	5.6x	4.9x	4.3x	\$1.43	\$1.62	\$1.92	32x	29x	24x	\$1.43	\$0.42	\$1.84	28.9x	99.0x	22.4x						
Microsoft Corp.	MSFT	\$30.50	Buy	\$259,891	\$51,716	\$6.07	\$72,052	\$76,901	\$82,901	3.2x	3.0x	2.7x	\$2.76	\$2.81	\$3.22	11x	11x	9x	\$3.08	\$3.45	\$3.81	7.9x	7.1x	6.4x						
Nuance Communications Inc.	NUAN	\$23.32	Buy	\$7,475	(\$704)	(\$1.84)	\$1,459	\$1,768	\$2,026	5.6x	4.6x	4.0x	\$1.42	\$1.65	\$1.80	16x	14x	13x	\$1.12	\$1.47	\$1.60	22.4x	17.1x	15.7x						
Oracle Corp.	ORCL	\$27.93	Hold	\$141,884	\$14,965	\$2.95	\$36,822	\$38,089	\$40,117	3.4x	3.3x	3.2x	\$2.31	\$2.55	\$2.67	12x	11x	10x	\$2.57	\$2.84	\$2.96	9.7x	8.8x	8.4x						
Pros Holdings Inc.	PRO	\$17.35	Buy	\$491	\$71	\$2.51	\$97	\$116	\$137	4.3x	3.6x	3.1x	\$0.39	\$0.43	\$0.51	45x	41x	34x	\$0.41	\$0.44	\$0.50	36.6x	33.8x	29.9x						
Red Hat Inc.	RHT	\$57.48	Hold	\$11,259	\$1,260	\$6.43	\$1,081	\$1,277	\$1,513	9.5x	8.1x	6.8x	\$0.77	\$1.07	\$1.14	75x	54x	50x	\$1.60	\$1.84	\$2.42	31.9x	27.8x	21.1x						
Symantec Corp.	SYMC	\$15.81	Hold	\$12,095	\$312	\$0.41	\$6,722	\$7,043	\$7,421	1.8x	1.7x	1.6x	\$1.60	\$1.76	\$1.94	10x	9x	8x	\$2.18	\$2.68	\$2.78	7.1x	5.7x	5.5x						
Verint	VRNT	\$29.52	Buy	\$1,489	(\$713)	(\$14.14)	\$796	\$870	\$945	2.5x	2.3x	2.1x	\$2.48	\$2.62	\$2.94	12x	11x	10x	\$2.45	\$2.78	\$3.05	17.8x	15.7x	14.3x						
VMware	VMW	\$105.07	Buy	\$45,230	\$3,253	\$7.56	\$3,767	\$4,531	\$5,277	11.1x	9.3x	8.0x	\$2.17	\$2.51	\$3.04	48x	42x	35x	\$3.99	\$5.01	\$5.95	24.4x	19.5x	16.4x						
Cloud Computing and SaaS																														
Ariba Inc.	ARBA	\$39.36	Buy	\$3,876	\$224	\$2.27	\$479	\$556	\$645	7.6x	6.6x	5.7x	\$0.85	\$1.05	\$1.27	46x	37x	31x	\$0.62	\$0.94	\$1.56	59.9x	39.3x	23.8x						
Aspen Technology Inc.	AZPN	\$21.54	Buy	\$2,068	\$182	\$1.49	\$223	\$259	\$325	8.5x	7.3x	5.8x	(\$0.27)	(\$0.02)	(\$0.45)	NM	NM	48x	\$0.64	\$1.05	\$1.17	31.5x	19.0x	17.2x						
Bazaarvoice Inc.	BV	\$17.71	Buy	\$1,147	\$124	\$2.01	\$94	\$122	\$155	10.9x	8.4x	6.6x	(\$0.45)	(\$0.60)	(\$0.32)	NM	NM	NM	(\$0.02)	(\$0.36)	(\$0.31)	NM	NM	NM						
Concur Technologies Inc.	CNQR	\$61.92	Hold	\$3,494	\$322	\$4.45	\$370	\$470	\$572	8.6x	6.8x	5.5x	\$0.86	\$1.01	\$1.11	72x	61x	56x	\$0.84	\$1.37	\$1.40	68.1x	41.8x	41.2x						
Demandware Inc	DWRE	\$28.12	Buy	\$909	\$107	\$3.53	\$57	\$74	\$100	14.2x	10.8x	8.0x	\$0.00	(\$0.53)	(\$0.04)	NM	NM	NM	(\$0.11)	(\$0.55)	(\$0.14)	NM	NM	NM						
ExactTarget Inc.	ET	\$24.94	Buy	\$1,766	\$197	\$13.08	\$207	\$262	\$322	7.6x	6.0x	4.9x	(\$3.11)	(\$0.60)	(\$0.15)	NM	NM	NM	(\$3.77)	(\$1.15)	(\$0.27)	NM	NM	NM						
Guidewire Software Inc.	GWRE	\$25.99	Buy	\$1,267	\$173	\$3.60	\$203	\$236	\$276	5.4x	4.6x	4.0x	\$1.28	\$0.15	\$0.38	20x	NM	68x	\$0.26	\$0.06	\$0.42	85.4x	NM	52.9x						
Intralinks Holdings Inc.	IL	\$5.13	Hold	\$278	(\$44)	(\$0.15)	\$214	\$190	\$210	1.5x	1.7x	1.5x	\$0.42	(\$0.12)	\$0.00	12x	NM	NM	\$0.76	\$0.10	\$0.42	6.9x	54.5x	12.5x						
Intuit Inc.	INTU	\$56.28	Buy	\$17,222	\$999	\$3.27	\$4,054	\$4,416	\$4,850	4.0x	3.7x	3.3x	\$2.77	\$3.08	\$3.39	20x	18x	17x	\$3.11	\$3.21	\$3.85	17.1x	16.5x	13.8x						
NetSuite Inc.	N	\$42.74	Hold	\$3,117	\$149	\$2.05	\$236	\$298	\$362	12.6x	10.0x	8.2x	\$0.15	\$0.21	\$0.40	NM	NM	NM	\$0.41	\$0.60	\$0.75	98.6x	68.2x	54.6x						
NeuStar Inc.	NSR	\$34.84	Hold	\$2,386	(\$332)	(\$4.85)	\$621	\$820	\$920	4.4x	3.3x	3.0x	\$1.59	\$2.04	\$2.46	22x	17x	14x	\$2.48	\$3.37	\$3.96	16.0x	11.8x	10.0x						
RealPage Inc.	RP	\$18.10	Buy	\$1,334	\$72	\$0.14	\$259	\$324	\$383	4.9x	3.9x	3.3x	\$0.35	\$0.46	\$0.60	51x	40x	30x	\$0.49	\$0.73	\$0.95	36.4x	24.6x	18.8x						
salesforce.com inc.	CRM	\$146.02	Buy	\$20,710	\$1,410	\$10.20	\$2,267	\$2,940	\$3,600	8.5x	6.6x	5.4x	\$1.36	\$1.61	\$2.19	NM	91x	67x	\$3.09	\$3.57	\$4.14	44.0x	38.1x	32.8x						
ServiceSource International Ir	SREV	\$12.57	Buy	\$978	\$42	\$0.85	\$206	\$247	\$302	4.6x	3.8x	3.1x	\$0.08	\$0.07	\$0.16	NM	NM	80x	(\$0.33)	\$0.09	\$0.22	NM	NM	53.5x						
Synchronoss Technologies Ir	SNCR	\$20.22	Buy	\$784	139	\$1.79	\$230	\$285	\$345	2.8x	2.3x	1.9x	\$0.98	\$1.10	\$1.25	21x	18x	16x	\$0.72	\$1.15	\$1.30	25.6x	16.1x	14.2x						
Tangoe	TNGO	\$19.30	Buy	\$761	\$33	\$0.96	\$105	\$143	\$170	6.9x	5.1x	4.3x	\$0.26	\$0.41	\$0.49	74x	47x	40x	\$0.32	\$0.41	\$0.58	57.3x	45.2x	31.8x						
VMware	VMW	\$105.07	Buy	\$45,101	\$3,253	\$7.56	\$3,767	\$4,531	\$5,277	11.1x	9.3x	8.0x	\$2.17	\$2.51	\$3.04	48x	42x	35x	\$3.99	\$5.01	\$5.95	24.4x	19.5x	16.4x						
Group Median ==>																														
Group Mean ==>																														
Group Median ==>																														
Group Mean ==>																														

Source: Deutsche Bank



Figure 10: Operating metrics

	Sales Growth			EPS Growth			FCF/share Growth			Gross Margins			Operating Margins			uFCF Margins			DDRs			CapX/annual revs		
	CY11A	CY12E	CY13E	CY11A	CY12E	CY13E	CY11A	CY12E	CY13E	CY11A	CY12E	CY13E	CY11A	CY12E	CY13E	CY11A	CY12E	CY13E	CY11A	CY12E	CY13E	CY11A	CY12E	CY13E
	Enterprise and Security																							
Adobe Systems Inc.	11%	7%	10%	21%	3%	14%	44%	5%	19%	91%	92%	92%	38%	37%	38%	33%	33%	35%	37	41	46	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	1%	1%	1%
Citrix Systems Inc.	18%	13%	9%	20%	10%	14%	5%	27%	16%	90%	92%	92%	26%	26%	27%	25%	28%	30%	139	146	154	5%	6%	5%
Fair Isaac Corp.	4%	0%	6%	47%	9%	14%	35%	16%	10%	71%	71%	72%	24%	25%	26%	21%	25%	26%	25	26	30	3%	4%	3%
Fortinet Inc.	34%	19%	18%	56%	14%	26%	21%	29%	19%	74%	74%	74%	24%	24%	26%	29%	32%	32%	220	222	222	1%	1%	1%
Informatica Corp.	21%	15%	15%	-100%	13%	19%	23%	-71%	341%	73%	75%	75%	6%	7%	6%	20%	5%	19%	70	72	75	\$0	\$0	\$0
Microsoft Corp.	8%	7%	8%	17%	2%	15%	19%	12%	11%	78%	76%	75%	39%	38%	38%	36%	38%	39%	66	66	66	3%	4%	5%
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%	3%	5%	21%	10%	5%	41%	11%	4%	78%	79%	79%	45%	47%	47%	35%	38%	37%	62	62	62	1%	2%	2%
Pros Holdings Inc.	30%	20%	18%	59%	11%	19%	NM	8%	13%	74%	72%	73%	16%	16%	16%	12%	11%	10%	117	109	100	3%	2%	1%
Red Hat Inc.	50%	18%	19%	4%	40%	7%	33%	15%	32%	33%	34%	40%	11%	9%	9%	29%	28%	31%	262	254	265	5%	8%	5%
Symantec Corp.	11%	5%	5%	11%	10%	11%	13%	23%	4%	86%	86%	86%	26%	26%	27%	25%	29%	29%	166	205	215	4%	3%	2%
Verint	10%	9%	9%	36%	6%	13%	-24%	13%	10%	69%	68%	68%	25%	22%	21%	16%	16%	16%	88	78	92	1%	2%	2%
VMware	32%	20%	16%	44%	16%	21%	71%	26%	19%	88%	88%	88%	31%	30%	32%	46%	48%	49%	230	263	305	8%	6%	4%
Group Median ==>	18%	13%	10%	21%	10%	14%	21%	14%	13%	74%	76%	75%	26%	26%	27%	27%	29%	31%	117	109	100	3%	3%	2%
Group Mean ==>	21%	13%	12%	19%	12%	14%	15%	11%	47%	75%	76%	77%	28%	28%	28%	29%	29%	31%	121	127	136	3%	4%	3%
Cloud Computing and SaaS																								
Ariba Inc.	31%	16%	16%	14%	23%	21%	-100%	52%	65%	68%	68%	69%	18%	20%	21%	13%	17%	24%	93	80	75	7%	3%	4%
Aspen Technology Inc.	26%	16%	25%	NM	NM	NM	43%	66%	11%	77%	81%	85%	-10%	-2%	9%	27%	39%	39%	195	245	239	2%	1%	1%
Bazaarvoice Inc.	66%	30%	27%	NM	NM	NM	NM	NM	NM	67%	68%	69%	-15%	-22%	-9%	-1%	-19%	-13%	143	132	122	5%	7%	8%
Concur Technologies Inc.	21%	27%	22%	8%	18%	9%	-27%	63%	1%	73%	73%	72%	20%	18%	19%	13%	17%	14%	67	75	79	8%	8%	8%
Demandware Inc	54%	31%	35%	NM	NM	NM	NM	NM	NM	65%	66%	67%	1%	-16%	0%	-6%	-24%	-4%	127	107	90	6%	10%	11%
ExactTarget Inc.	55%	26%	23%	NM	NM	NM	NM	NM	NM	67%	62%	63%	-7%	-8%	-4%	NM	NM	NM	59	59	59	16%	12%	11%
Guidewire Software Inc.	26%	16%	17%	106%	-88%	155%	-18%	-78%	632%	63%	59%	66%	18%	6%	13%	6%	1%	7%	136	100	89	-1%	-1%	-3%
IntraLinks Holdings Inc.	16%	-11%	11%	59%	-129%	NM	3%	-87%	336%	80%	76%	76%	22%	-3%	5%	19%	3%	11%	69	69	74	11%	12%	\$0
Intuit Inc.	14%	9%	10%	36%	11%	10%	32%	3%	20%	83%	83%	82%	34%	33%	33%	23%	22%	24%	52	15	56	-28%	-27%	-28%
NetSuite Inc.	22%	26%	21%	21%	39%	89%	126%	45%	25%	73%	73%	75%	5%	5%	8%	13%	15%	15%	157	178	196	4%	3%	3%
NeuStar Inc.	18%	32%	12%	14%	28%	20%	76%	36%	17%	78%	77%	76%	33%	32%	33%	27%	28%	29%	58	59	59	7%	5%	3%
RealPage Inc.	37%	25%	18%	83%	29%	32%	68%	48%	30%	66%	65%	66%	18%	18%	20%	14%	17%	18%	83	79	79	6%	4%	4%
salesforce.com inc.	37%	30%	22%	12%	18%	36%	16%	15%	16%	82%	82%	83%	12%	12%	15%	19%	17%	16%	197	217	225	7%	6%	6%
ServiceSource International	34%	20%	22%	-16%	-14%	125%	-230%	NM	133%	46%	45%	45%	6%	4%	8%	-12%	4%	6%	0	0	0	7%	6%	5%
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%
Tangoe	53%	36%	19%	104%	56%	20%	106%	27%	42%	53%	56%	57%	11%	13%	13%	12%	11%	13%	36	38	38	1%	1%	1%
VMware	32%	20%	16%	44%	16%	21%	71%	26%	19%	88%	88%	88%	31%	30%	32%	46%	48%	49%	230	263	305	8%	6%	-4%
Group Median ==>	32%	25%	21%	36%	18%	21%	37%	36%	22%	68%	68%	69%	18%	12%	13%	13%	16%	15%	83	79	79	6%	6%	4%
Group Mean ==>	34%	22%	20%	40%	2%	46%	32%	21%	97%	70%	69%	70%	13%	10%	14%	14%	13%	16%	101	102	106	4%	4%	3%

Source: Deutsche Bank







Appendix 1

Important Disclosures

Additional information available upon request

Disclosure checklist			
Company	Ticker	Recent price*	Disclosure
Tangoe, Inc.	TNGO.OQ	19.30 (USD) 8 May 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.

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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.

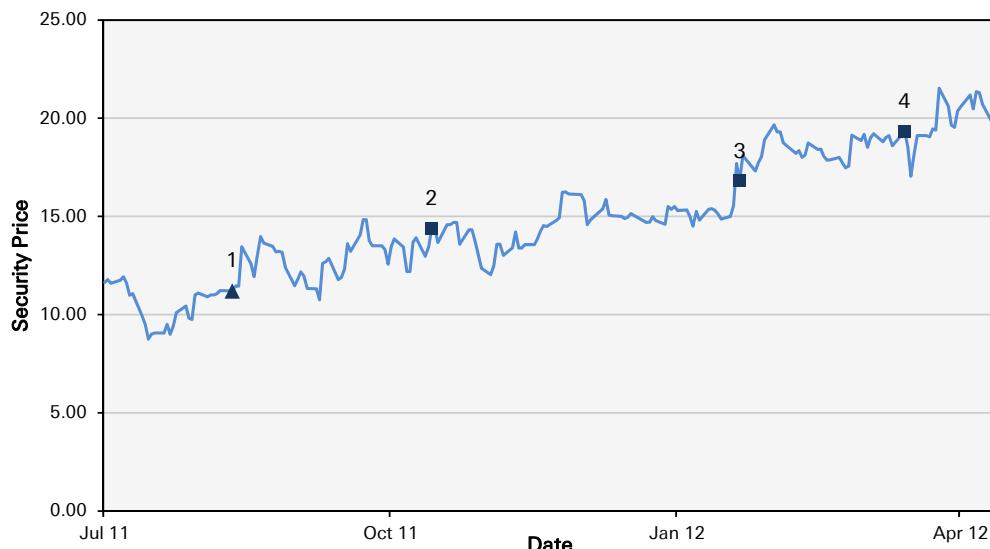
For disclosures pertaining to recommendations or estimates made on securities other than the primary subject of this research, please see the most recently published company report or visit our global disclosure look-up page on our website at <http://gm.db.com/ger/disclosure/Disclosure.eqsr?ricCode=TNGO.OQ>

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.OO)
 (as of 5/8/2012)



Previous Recommendations

Strong Buy
 Buy
 Market Perform
 Underperform
 Not Rated
 Suspended Rating

Current Recommendations

Buy
 Hold
 Sell
 Not Rated
 Suspended Rating

*New Recommendation Structure
 as of September 9, 2002

- | | |
|---|--|
| 1. 09/06/2011: Upgrade to Buy, Target Price Change USD17.00 | 3. 02/16/2012: Buy, Target Price Change USD20.00 |
| 2. 11/09/2011: Buy, Target Price Change USD18.00 | 4. 04/09/2012: Buy, Target Price Change USD25.00 |

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:

1. Newly issued research recommendations and target prices always supersede previously published research.

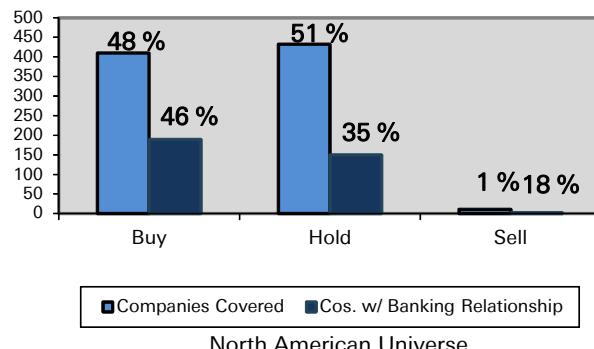
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Buy: Expected total return (including dividends) of 10% or more over a 12-month period

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Equity rating dispersion and banking relationships



North American Universe



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TANGOE, INC. (TNGO: \$19.30)

May 9, 2012

Company Update
Rating: Buy
Price Target: \$30.00

Market Data					
EPS (\$)					
FY DEC	2011	2012		2013	
	Actual	Previous	Current	Previous	Current
Q1	\$0.05A	\$0.08	\$0.09A	—	\$0.13E
Q2	\$0.06A	—	\$0.09E	—	\$0.14E
Q3	\$0.07A	—	\$0.11E	—	\$0.15E
Q4	\$0.08A	\$0.14	\$0.13E	—	\$0.16E
YEAR	\$0.26A	—	\$0.42E	—	\$0.58E
Valuation Ratio					
	FY11	FY12	FY13		
P/E	74.2x	46.0x	33.3x		
EV/S	6.4x	4.7x	3.9x		
EV/EBITDA	53.2x	33.1x	23.1x		
Financial Data					
	FY11	FY12	FY13		
Revenue	\$104.9A	\$143.9E	\$171.3E		
Gross Margin	53.00%	54.78%	55.39%		
Operating Margin	3.90%A	3.21%E	6.20%E		
EBITDA	\$12.7A	\$20.4E	\$29.2E		
Balance Sheet					
	FY11	FY12	FY13		
Accounts Receivable	\$25.3A	—	—		
Current Assets	\$71.2A	—	—		
PPE	\$3.3A	—	—		
Total Assets	\$140.9A	—	—		
Accounts Payable	\$6.6A	—	—		
Short Term Debt	\$7.9A	—	—		
Current Liabilities	\$31.7A	—	—		
Total Liabilities	\$44.3A	—	—		
Long Term Debt	\$8.3A	—	—		
Shareholders Equity	\$96.6A	—	—		

Company Description

Tangoe, Inc. (TNGO) was founded in 2000 and is based in Orange, Connecticut. Tangoe is the leading global provider of SaaS-based telecommunications expense management solutions that help customers lower costs and increase controls over wireline and wireless telecom assets. Tangoe has run-rate revenues of \$137 million and more than 1,000 employees supporting roughly 800 customers worldwide.

Firing On All Cylinders; Can't Ask For More
Summary

Tangoe, Inc. (TNGO) reported strong 1Q12 results after the close last night. Revenues of \$34.1 million solidly eclipsed our \$33.0 million forecast and guidance of \$32.7-\$33.2 million. Pro forma EPS came in at \$0.09, ahead of our \$0.08 forecast (which matched guidance). The standout metric was its 35 "new logo" wins (versus 22 in 4Q11 and a usual 20-30 range), which should bolster near-term growth as deployments ramp. With acquisitions integrating smoothly, sales headcounts continuing to climb, and its balance sheet bolstered by a recent follow-on, we remain convinced that Tangoe will garner a premium valuation like other SaaS leaders as its track record grows. As such, we reiterate our \$30.00 target price and Buy rating.

Key Points

- **Revenues scaling rapidly still.** Tangoe's revenues came in at \$34.1 million for 1Q12, well above our \$33.0 million forecast and a sequential ramp of 16.8% (or 52.8% versus 1Q11). While acquisition impacts skew the comparison, organic growth was estimated in the "mid- to low-20% level," a solid performance for a company whose growth remains well augmented by both strategic and complementary acquisitions. Adding 35 "new logo" wins (up from a usual 20-30 range and 22 in 4Q11) attests to solid organic sales execution.
- **EPS climbing even as acquisitions integrate.** Pro forma EPS set a new high at \$0.09, ahead of our \$0.08 forecast and the \$0.08 record set in 4Q11. With a goal to complete most customer migrations from two prior acquisitions by the end of 2Q12, duplicated costs remain an upside EPS driver ahead. Its retention rate remained "in the mid-90%" level to attest to its service value proposition and sector leadership. The gross margin improvement in the quarter (rising 159 basis points sequentially to 54.5%) was another key success area.
- **Forecasts incrementally higher for revenues; EPS held back by share count.** Given the upside in the quarter, our revenue forecast for 2012 increases to \$143.9 million versus \$142.3 million prior. Despite the EPS upside, the impact of its recent follow-on offering (adding 2.2 million shares) leaves our pro forma EPS forecast unchanged at \$0.42 (with 4Q12 lowered to \$0.13 from \$0.14 prior). In our view, our forecasts remain adequately conservative to expect moderate upside as a likely scenario as the rest of 2012 unfolds.
- **Balance sheet bolstered by deal.** Post 1Q12, Tangoe completed a follow-on offering that added over \$37 million to cash reserves, in part replenishing cash used in recent acquisitions. Added to the \$37.9 million it exited 1Q12 with, cash reserves total roughly \$75 million versus acquisition-related notes totaling \$18.1 million (or net cash per share of roughly \$1.36). As its unique SaaS "roll-up" strategy has been highly successful, we see this liquidity build as a smart, proactive move to bolster its positioning for further acquisitions.
- **Category killer has peer valuation but above-average potential.** With solid profitability and organic growth, we believe Tangoe warrants a premium valuation due to its "category killer" status in the TEM space and its ability to augment organic growth with a well defined and proven accretive acquisition strategy. Now trading at a SaaS peer-matching 5.5x run-rate revenue multiple, our \$30.00 target assumes a 7.5x run-rate revenue multiple (the lower-end of the SaaS leader valuation range of roughly 7-11x) applied to our 4Q12 forecast.

(figures in millions except per share data)			Price % Change vs. 52-Week High										Revenue Growth										Revenue Multiples										Earnings Multiples									
	Ticker	Rating	Stock Price	52-Week High	Shares	Market Cap.	Net Cash	Net Cash Per Share	Equity Valuation	Latest Q	LQA	EV/Rev	2009	EV/Rev	2010	EV/Rev	2011	EV/Rev	LQA	EV/EPS	2009	EV/EPS	2010	EV/EPS	2011	EV/EPS																
Software-as-a-Service																																										
Concur Technologies *	CNQR	BUY	\$61.92	\$62.60	-1.1%	56.4	\$3,494.3	\$251.0	\$4.45	\$3,243.3	28.08%	\$433.6	7.5	\$247.6	13.1	\$292.9	11.1	\$349.5	9.3	\$1.32	43.5	\$1.14	50.4	\$1.22	47.1	\$1.21	47.5															
Constant Contact	CTCT	BUY	\$22.33	\$36.33	-38.5%	31.1	\$694.9	\$143.0	\$4.59	\$551.9	19.84%	\$239.8	2.3	\$129.1	4.3	\$174.2	3.2	\$214.4	2.6	\$0.36	49.3	\$0.12	NM	\$0.39	NM	\$0.71	25.0															
Cornerstone OnDemand **	CSOD	NR	\$18.68	\$23.50	-20.5%	54.2	\$1,012.9	\$85.4	\$1.58	\$927.5	42.63%	\$80.1	11.6	\$29.3	31.6	\$46.6	19.9	\$75.5	12.3	(\$0.24)	NM	(\$1.24)	NM	(\$0.40)	NM	(\$0.32)	NM															
DemandTec *	DMAN	NR	\$13.19	\$14.08	-6.3%	35.2	\$463.7	\$66.4	\$1.89	\$397.3	2.97%	\$89.3	4.5	\$79.1	5.0	\$82.4	4.8	\$92.7	4.3	\$0.04	NM	\$0.08	NM	\$0.00	NM	\$0.00	NM															
inContact	SAAS	NR	\$5.80	\$6.00	-3.3%	46.4	\$269.3	\$6.5	\$0.14	\$262.8	20.34%	\$102.7	2.6	\$84.2	3.1	\$82.2	3.2	\$89.0	3.0	(\$0.12)	NM	\$0.12	47.2	\$0.15	37.7	(\$0.23)	NM															
Intralinks ***	IL	BUY	\$5.13	\$32.25	-84.1%	54.1	\$277.5	(\$8.4)	(\$0.15)	\$285.9	1.57%	\$211.7	1.4	\$140.7	2.0	\$184.3	1.6	\$213.5	1.3	\$0.44	12.0	\$0.08	NM	\$0.26	20.3	\$0.44	12.0															
Kenexa ****	KNXA	NR	\$30.30	\$33.90	-10.6%	28.1	\$852.4	\$54.2	\$1.93	\$798.2	29.72%	\$311.2	2.6	\$157.7	5.1	\$199.4	4.0	\$291.1	2.7	\$0.76	37.3	\$0.62	45.8	\$0.62	45.8	\$0.84	33.8															
LivePerson Inc.	LPSN	BUY	\$14.89	\$17.57	-15.3%	56.4	\$839.6	\$107.9	\$1.91	\$731.8	20.17%	\$146.0	5.0	\$87.5	8.4	\$109.9	6.7	\$133.1	5.5	\$0.36	36.0	\$0.29	44.7	\$0.31	41.9	\$0.36	36.0															
LogMeInn *****	LOGM	BUY	\$32.19	\$49.50	-35.0%	25.4	\$816.2	\$192.4	\$7.59	\$623.7	20.89%	\$130.8	4.8	\$74.4	8.4	\$101.1	6.2	\$119.5	5.2	\$0.56	43.9	\$0.59	NM	\$0.86	28.6	\$0.69	35.7															
NeiSuite	N	HOLD	\$42.74	\$51.78	-17.5%	72.9	\$3,116.9	\$154.2	\$2.11	\$926.8	29.71%	\$277.3	10.7	\$166.5	17.8	\$193.1	15.3	\$236.3	12.5	\$0.24	NM	\$0.06	NM	\$0.13	NM	\$0.15	NM															
RealPage ***	RP	BUY	\$18.10	\$32.83	-44.9%	73.2	\$1,324.4	\$4.6	\$0.06	\$1,319.8	29.31%	\$297.7	4.4	\$140.9	9.4	\$188.3	7.0	\$258.0	5.1	\$0.40	45.1	\$0.16	NM	\$0.20	NM	\$0.36	50.1															
RightNow Technologies	RNOW	NR	\$43.00	\$43.38	-0.9%	36.0	\$1,550.1	\$80.9	\$2.24	\$1,469.1	32.72%	\$230.7	6.4	\$152.7	9.6	\$185.5	7.9	\$227.0	6.5	\$0.60	NM	\$0.40	NM	\$0.48	NM	\$0.58	NM															
Salesforce.com ***	CRM	BUY	\$146.02	\$164.75	-11.4%	141.8	\$20,709.6	\$1,447.2	\$10.20	\$192.64	38.31%	\$2,527.7	7.6	\$1,305.6	14.8	\$1,657.1	11.6	\$2,266.5	8.5	\$1.36	NM	\$1.15	NM	\$1.22	NM	\$1.35	NM															
SuccessFactors ***	SFSF	NR	\$39.99	\$40.44	-1.1%	89.3	\$3,593.1	\$248.1	\$2.76	\$3,345.1	66.32%	\$400.2	8.4	\$153.1	21.8	\$205.9	16.2	\$336.3	9.9	(\$0.08)	NM	(\$0.04)	NM	\$0.07	NM	\$0.09	NM	\$0.09	NM													
Taleo *****	TLEO	NR	\$45.98	\$46.00	0.0%	45.0	\$2,068.8	\$116.0	\$2.58	\$1,952.8	19.14%	\$339.1	5.8	\$198.4	9.8	\$241.8	8.1	\$324.6	6.0	\$1.04	41.7	\$0.77	56.4	\$0.78	55.6	\$1.06	40.9															
Tangoe ****	TNGO	BUY	\$19.30	\$21.74	-11.2%	41.7	\$804.8	\$56.8	\$1.36	\$748.0	52.84%	\$136.6	5.5	\$55.9	13.4	\$68.5	10.9	\$104.9	7.1	\$0.36	NM	\$0.02	NM	\$0.13	NM	\$0.26	NM															
Ultimate Software	ULTI	BUY	\$76.42	\$78.14	-2.2%	28.1	\$2,145.3	\$67.0	\$2.39	\$2,078.3	21.36%	\$311.3	6.6	\$196.6	10.6	\$227.8	9.1	\$269.2	7.7	\$0.88	NM	\$0.47	NM	\$0.75	NM	\$1.06	NM															
Vocus	VOCS	HOLD	\$16.11	\$33.70	-52.2%	21.7	\$348.9	(\$53.4)	(\$2.47)	\$402.4	30.76%	\$142.1	2.8	\$84.6	4.8	\$97.9	4.1	\$115.1	3.5	\$0.08	NM	\$0.65	28.6	\$0.71	26.2	\$0.82	22.7															
Column Averages:			2011 Revenue Growth Rate Average										28.15%										31.74%										33.7									
Other Notable Companies																																										
Lionbridge Technologies Inc.	LIOX	BUY	\$2.92	\$3.73	-21.7%	59.7	\$174.2	(\$4.8)	(\$0.08)	\$179.0	12.49%	\$448.4	0.4	\$389.3	0.5	\$405.2	0.4	\$427.9	0.4	\$0.24	12.5	\$0.20	15.0	\$0.26	11.5	\$0.21	14.3															
Responsys	MKTG	NR	\$12.00	\$18.19	-34.0%	53.4	\$641.1	\$94.8	\$1.77	\$546.3	21.43%	\$149.0	3.7	\$66.6	8.2	\$94.1	5.8	\$134.9	4.0	\$0.24	NM	-	NM	-	NM	\$0.21	NM															

* Concur uses Fiscal September-ended data & DemandTec uses February-ended data to approximate Calendar Years; Concur cash reserves are net of a convertible note and customer funding liabilities

**** Cornerstone OnDemand LQA and forecasts reflect post-IPO sharecounts to normalize results; prior results are pre-IPO dilution; fully diluted to include "in the money" options**

*** IntraLinks & RealPage use shares est'd post IPO for all periods to "normalize" comparisons; impacts of recent follow-ons included; 2010 appreciation based upon IPO pricing mid-year

**** Salesforce.com uses Fiscal January-ended data to approximate Calendar Years; pre-tax EPS pre-F2010

**** SuccessFactors, Kenexa, Taleo & Tangoe growth rates meaningfully skewed by acquisition impacts; TNGO cash & estimates reflect recent follow-on offering impacts

***** LogMeIn latest quarter growth rate excludes impact of former partnership which ended in Q4:10

Note: EPS figures are pro forma (excluding non-cash items such as stock-based compensation and acquisition-related amortization); EPS multiples considered non-meaningful (NM) if negative or materially greater than 60x.

Stock prices as of the close of trading on May 8, 2012

Source: Wunderlich Securities, FactSet Consensus & Company Reports

TANGOE - Earnings Model
Analyst: Richard K. Baldry, CFA • 410-369-2633

	2008 TOTAL	2009 TOTAL	1Q10 MAR	2Q10 JUN	3Q10 SEP	4Q10 DEC	2010 TOTAL	1Q11 MAR	2011 JUN	3Q11 SEP	4Q11 DEC	2011 TOTAL	1Q12 MAR	2Q12E JUN	3Q12E SEP	4Q12E DEC	2012E TOTAL	1Q13E MAR	2Q13E JUN	3Q13E SEP	4Q13E DEC	2013E TOTAL	
(000's excluding per share data)																							
Recurring Revenues: Technology & Services Strategic Consulting & Other	\$27,839 9,687	\$46,005 9,912	\$13,260 2,695	\$13,891 2,814	\$14,570 2,568	\$15,982 2,694	\$57,703 10,771	\$19,927 2,414	\$23,510 2,537	\$24,456 2,856	\$25,778 3,463	\$93,671 11,270	\$30,756 3,391	\$31,739 3,552	\$32,404 3,856	\$34,156 4,069	\$129,055 14,867	\$36,138 \$3,984	\$38,086 4,085	\$38,885 4,434	\$40,987 4,679	\$154,097 17,182	
TOTAL REVENUES	\$37,526	\$55,917	\$15,955	\$16,705	\$17,138	\$18,676	\$68,474	\$22,341	\$26,047	\$27,312	\$29,241	\$104,941	\$34,147	\$35,290	\$36,260	\$38,225	\$143,922	\$40,123	\$42,171	\$43,319	\$45,666	\$171,279	
Sequential Revenue Increase (avg. in annual)	\$1,231	\$797	\$876	\$750	\$433	\$1,538	\$899	\$3,665	\$3,706	\$1,265	\$1,929	\$2,641	\$4,906	\$1,143	\$970	\$1,965	\$2,246	\$1,898	\$2,048	\$1,148	\$2,347	\$1,860	
Total Cost of Revenues	17,712	24,783	7,052	7,286	7,524	8,039	29,901	10,180	12,480	12,890	13,759	49,309	15,524	16,234	16,317	17,010	65,085	18,055	18,871	19,277	20,207	76,411	
GROSS MARGIN	\$19,814	\$31,134	\$8,903	\$9,419	\$9,614	\$10,637	\$38,573	\$12,161	\$13,567	\$14,422	\$15,482	\$55,632	\$18,623	\$19,057	\$19,943	\$21,215	\$78,837	\$22,067	\$23,299	\$24,042	\$25,459	\$94,868	
Research & Development	5,808	7,981	2,240	2,275	2,294	2,364	9,173	2,821	2,791	2,977	3,095	11,684	3,596	4,235	4,261	4,396	16,487	4,614	4,850	4,982	5,252	19,697	
Selling & Marketing	7,683	9,577	2,723	2,949	2,935	3,249	11,856	3,524	3,755	3,906	4,262	15,447	5,178	5,823	5,892	6,020	22,914	6,520	6,747	6,931	7,307	27,505	
General & Administrative	7,439	9,218	2,492	2,567	2,570	3,049	10,678	3,264	3,927	4,217	4,435	15,843	5,786	6,176	6,164	6,307	24,433	6,520	6,747	6,931	7,307	27,505	
Depreciation (est'd quarterly 2008-2009)	942	1,221	258	270	276	287	1,091	299	356	339	370	1,364	497	522	547	572	2,138	597	622	647	672	2,538	
Amortization (est'd quarterly 2008-2009)	1,767	2,316	614	609	583	632	2,438	709	767	910	801	3,187	1,378	1,750	1,750	1,750	6,628	1,750	1,750	1,750	1,750	7,000	
Stock-Based Compensation (embedded above)	1,928	749	209	450	509	760	1,928	835	932	897	1,316	3,980	1,624	1,675	1,750	2,000	7,049	2,000	2,250	2,250	2,500	9,000	
Total Operating Expenses	\$25,567	\$31,062	\$8,536	\$9,120	\$9,167	\$10,341	\$37,164	\$11,452	\$12,528	\$13,246	\$14,279	\$51,505	\$18,059	\$18,506	\$18,614	\$19,045	\$74,224	\$20,001	\$20,716	\$21,241	\$22,287	\$84,245	
OPERATING PROFIT	(\$5,753)	\$72	\$367	\$299	\$447	\$296	\$1,409	\$709	\$1,039	\$1,176	\$1,203	\$4,127	\$564	\$551	\$51,329	\$2,169	\$4,614	\$2,066	\$2,583	\$2,801	\$1,712	\$10,623	
Adjusted EBITDA	(\$2,058)	\$3,137	\$1,448	\$1,628	\$1,815	\$1,975	\$6,666	\$2,552	\$3,094	\$3,322	\$3,690	\$12,658	\$4,071	\$4,498	\$5,376	\$6,491	\$20,437	\$6,413	\$7,205	\$7,448	\$8,094	\$29,161	
Interest & Other Income (Net)	(1,163)	(2,362)	(532)	(531)	(523)	(400)	(1,986)	(655)	(774)	(1,394)	(160)	(2,983)	(218)	(218)	(218)	(872)	0	0	0	0	0	0	
PRE-TAX NET INCOME	(\$6,936)	(\$2,290)	(\$165)	(\$232)	(\$76)	(\$104)	(\$577)	\$54	\$265	(\$218)	\$1,043	\$1,144	\$346	\$333	\$1,111	\$1,951	\$3,742	\$2,066	\$2,583	\$2,801	\$3,172	\$10,623	
Provision For Income Taxes	23	264	64	49	68	113	294	126	180	88	140	534	154	200	200	250	804	300	400	400	500	1,600	
NET INCOME	(\$6,959)	(\$2,554)	(\$229)	(\$281)	(\$144)	(\$217)	(\$871)	(\$72)	(\$85)	(\$306)	\$903	\$610	\$192	\$133	\$911	\$1,701	\$2,938	\$1,766	\$2,183	\$2,401	\$2,672	\$9,023	
Items: Warrants/Debt Fee (Q2:11); Restructuring (Q3:11); "ALL-IN" GAAP Net INCOME			647	(45)	(42)	323	883	540	2,420	1,864	0	4,824											
													(\$876)	(\$236)	(\$102)	(\$540)	(\$1,754)	(\$612)	(\$2,335)	(\$2,170)	\$903	(\$6,384)	
Adjusted Net Income (Excluding Non-Cash Items)	(\$3,264)	\$511	\$594	\$778	\$948	\$1,175	\$3,495	\$1,472	\$1,784	\$2,523	\$3,020	\$8,799	\$3,385	\$3,558	\$4,411	\$5,451	\$16,806	\$5,516	\$6,183	\$6,401	\$6,922	\$25,023	
Earnings Analysis																							
Fully Diluted Shares Outstanding	22,000	25,000	28,416	28,631	28,600	28,600	28,562	28,458	29,867	35,124	38,493	32,986	39,431	41,700	41,950	42,200	41,320	42,450	42,700	42,950	43,200	42,825	
Adjusted EPS (Excluding Non-Cash Items)	(\$0.15)	(\$0.02)	(\$0.01)	(\$0.03)	(\$0.03)	(\$0.04)	(\$0.12)	(\$0.05)	(\$0.06)	(\$0.07)	(\$0.08)	(\$0.26)	(\$0.09)	(\$0.09)	(\$0.11)	(\$0.13)	(\$0.42)	(\$0.13)	(\$0.14)	(\$0.15)	(\$0.16)	(\$0.58)	
GAAP Diluted EPS	(\$0.32)	(\$0.10)	(\$0.01)	(\$0.01)	(\$0.01)	(\$0.01)	(\$0.04)	(\$0.02)	(\$0.08)	(\$0.10)	(\$0.02)	(\$0.18)	(\$0.00)	(\$0.00)	(\$0.02)	(\$0.04)	(\$0.06)	(\$0.04)	(\$0.05)	(\$0.06)	(\$0.06)	(\$0.21)	
Margin Analysis																							
Blended Gross Margin	52.80%	55.68%	55.80%	56.38%	56.10%	56.96%	56.33%	54.43%	52.09%	52.80%	52.95%	53.01%	54.54%	54.00%	55.00%	55.50%	54.78%	55.00%	55.25%	55.50%	55.75%	55.39%	
Operating Margin	-15.33%	0.13%	2.30%	1.79%	2.61%	1.58%	2.06%	3.17%	3.99%	4.31%	4.11%	3.93%	1.65%	1.56%	3.67%	5.68%	3.21%	5.15%	6.13%	6.47%	6.95%	6.20%	
Adjusted Operating Margin	-10.39%	10.08%	13.37%	14.42%	16.01%	15.87%	14.97%	18.53%	20.18%	20.68%	21.44%	20.30%	19.15%	20.87%	24.21%	27.90%	23.20%	26.36%	28.25%	29.15%	28.06%		
Net Margin	-18.54%	-4.57%	-1.44%	-1.68%	-0.84%	-1.16%	-1.27%	-0.32%	0.33%	-1.12%	3.09%	0.58%	0.56%	0.38%	2.51%	4.45%	2.04%	4.40%	5.18%	5.54%	5.85%	5.27%	
Adjusted Net Margin	-8.70%	0.91%	3.72%	4.66%	5.53%	6.29%	5.10%	6.59%	6.85%	9.24%	10.33%	8.38%	9.91%	10.08%	12.16%	14.26%	11.68%	13.75%	14.66%	14.78%	15.16%	14.61%	
Expense Analysis																							
Research & Development	15.48%	14.27%	14.04%	13.62%	13.39%	12.66%	13.40%	12.63%	10.72%	10.80%	10.58%	11.13%	10.53%	12.00%	11.75%	11.50%	11.46%	11.50%	11.50%	11.50%	11.50%	11.50%	
Selling & Marketing	20.47%	17.13%	17.07%	17.65%	17.13%	17.40%	17.31%	15.77%	14.42%	14.30%	14.58%	14.72%	15.16%	16.50%	15.75%	16.25%	16.00%	16.00%	16.00%	16.00%	16.00%	16.00%	
General & Administrative	19.82%	16.49%	15.62%	15.37%	15.00%	16.33%	15.59%	14.61%	15.08%	15.44%	15.17%	15.10%	16.94%	17.50%	17.00%	16.50%	16.25%	16.00%	16.00%	16.00%	16.00%	16.00%	
Tax Rate (Cash)	0.00%	0.00%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Tax Rate (GAAP)	-0.33%	-11.53%	-38.79%	-21.12%	-89.47%	-108.65%	-50.95%	233.33%	67.92%	-40.37%	13.42%	46.68%	44.51%	NM	NM	NM	21.49%	NM	NM	NM	NM	NM	15.05%
Growth Analysis																							
Recurring Revenue Growth - Yr/Yr	96.41%	65.25%	20.51%	25.37%	26.10%	29.22%	25.43%	50.28%	69.25%	67.85%	61.29%	62.33%	54.34%	35.00%	32.50%	32.50%	37.77%	17.50%	20.00%	20.00%	20.00%	19.40%	
Recurring Revenue Growth - Sequential	-	-	7.21%	4.76%	4.89%	9.69%	-	24.68%	17.98%	4.02%	5.41%	-	19.31%	3.19%	2.10%	5.41%	-	5.80%	5.39%	2.10%	5.41%	-	
Consulting & Other Revenue Growth - Yr/Yr	40.94%	2.32%	29.07%	12.07%	-1.31%	-0.63%	8.67%	-10.43%	-9.84%	11.21%	28.54%	4.63%	40.47%	40.00%	35.00%	17.50%	31.92%	17.50%	15.00%	15.00%	15.00%	15.57%	
Consulting & Other Revenue Growth - Sequential	-	-	-0.59%	4.42%	-8.74%	4.91%	-	-10.39%	5.10%	12.57%	21.25%	-	-2.08%	4.74%	8.55%	5.54%	-	-2.08%	2.51%	8.55%	5.54%	-	
Total Revenue Growth - Yr/Yr	78.30%	49.01%	21.88%	22.91%	21.07%	23.85%	22.46%	40.03%	55.92%	59.37%	56.57%	53.26%	52.84%	35.49%	32.76%	30.72%	37.15%	17.50%	19.50%	19.47%	19.47%	19.01%	
Total Revenue Growth - Sequential	-	-	-	5.81%	4.70%	2.59%	8.97%	-	19.62%	13.42%	7.06%	-	16.78%	3.35%	2.75%	5.42%	-	4.96%	5.10%	2.72%	5.42%	-	

Source: company information & Wunderlich Securities, Inc.

TANGOE - Balance Sheet Metrics

Analyst: Richard K. Baldry, CFA - 410-369-2633

(000's)	4Q08 DEC	4Q09 DEC	4Q10 DEC	1Q11 MAR	2Q11 JUN	3Q11 SEP	4Q11 DEC	1Q12 MAR
Follow-on Proceeds (est'd; closed post 1Q12)								\$37,000
ASSETS								
Cash & Equivalents (incl/L-T Investments)	6,554	6,163	5,913	6,876	8,981	52,521	43,407	37,866
Accounts Receivable (net)	11,384	11,517	14,295	20,191	21,007	24,405	25,311	26,551
Prepaid Expenses & Other	869	1,585	1,395	1,488	1,418	2,098	2,503	3,428
TOTAL CURRENT ASSETS	\$18,807	\$19,265	\$21,603	\$28,555	\$31,406	\$79,024	\$71,221	\$67,845
Property & Equipment (net)	1,625	1,761	1,795	2,508	2,610	2,578	3,334	3,496
Intangibles (net)	16,422	16,843	15,785	20,869	21,683	20,910	28,800	34,543
Goodwill	16,191	17,636	17,636	22,893	22,893	22,893	36,266	44,728
Other Assets	1,828	573	1,925	2,727	3,744	1,070	1,241	1,906
TOTAL LONG-TERM ASSETS	\$36,066	\$36,813	\$37,141	\$48,997	\$50,930	\$47,451	\$69,641	\$84,673
TOTAL ASSETS	\$54,874	\$56,078	\$58,744	\$77,552	\$82,336	\$126,475	\$140,862	\$152,518
LIABILITIES & EQUITY								
Accounts Payable	2,745	2,858	3,303	4,434	5,894	6,439	6,605	8,555
Accrued Expenses & Other	3,002	2,485	3,364	4,544	5,367	5,727	8,140	8,671
Notes Payable	6,609	9,398	6,345	9,430	8,492	3,558	7,904	13,187
Deferred Revenues	6,228	6,881	8,304	8,973	10,555	9,252	9,051	9,457
TOTAL CURRENT LIABILITIES	\$18,584	\$21,622	\$21,316	\$27,381	\$30,308	\$24,976	\$31,700	\$39,870
Deferred Rent & Other	1,498	2,480	3,099	3,642	771	1,629	1,659	3,601
Deferred Revenue (net current)	712	959	1,788	2,036	2,036	2,483	2,624	2,274
Notes Payable (net current)	15,408	11,933	11,776	22,028	21,170	3,762	8,290	4,918
Warrants for Redeemable Preferred	328	512	1,345	2,598	4,072	0	0	0
TOTAL LIABILITIES	\$36,530	\$37,506	\$39,324	\$57,685	\$58,357	\$32,850	\$44,273	\$50,663
Preferred Stock	\$53,826	\$57,604	\$61,441	\$62,391	\$63,336			
Common Stock (& Series A pre-IPO)	368	368	368	368	366	3	3	3
Additional Paid-In Capital	4,361	5,097	7,316	8,376	9,352	140,838	142,905	147,909
Other	(439)	1,608	1,930	1,925	6,453	10,482	10,476	10,546
Accumulated Deficit	(39,772)	(46,104)	(51,635)	(53,193)	(55,528)	(57,698)	(56,795)	(56,603)
TOTAL STOCKHOLDERS EQUITY	(\$35,482)	(\$39,031)	(\$42,021)	(\$42,524)	(\$39,357)	\$93,625	\$96,589	\$101,855
TOTAL LIABILITIES & EQUITY	\$54,874	\$56,078	\$58,744	\$77,552	\$82,336	\$126,475	\$140,862	\$152,518

Source: company information & Wunderlich Securities, Inc.

Disclosures:

Analyst Certification

I Richard K. Baldry, CFA, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject companies and their underlying securities. I further certify that I have not and will not be receiving direct or indirect compensation in exchange for expressing the specific recommendation(s) in this research report.

Valuation/Risks

- **Valuation:** TNGO shares trade at 5.5x 1Q12 run-rate revenues, matching the SaaS average. We see upside to its multiple over the year as investors recognize its superior growth opportunity and use a 7.5x multiple a year out as the basis for our \$30.00 target.
- **Risks:** Acquisition integration, acceptance of the SaaS model, and a limited public track record are key investment risks.

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Company-specific disclosures:

Wunderlich Securities makes a market in the shares of Tangoe, Inc., Constant Contact, Inc., IntraLinks Holdings, Inc. and LivePerson, Inc..

Public Companies Mentioned in this Report:

Concur Technologies, Inc. (CNQR - 61.92 - Buy)
 Salesforce.com, Inc. (CRM - 146.02 - Buy)
 Constant Contact, Inc. (CTCT - 22.33 - Buy)
 IntraLinks Holdings, Inc. (IL - 5.13 - Buy)
 Lionbridge Technologies, Inc. (LIOX - 2.92 - Buy)
 LogMeIn, Inc. (LOGM - 32.19 - Buy)
 LivePerson, Inc. (LPSN - 14.89 - Buy)
 NetSuite Inc. (N - 42.74 - Hold)
 RealPage, Inc. (RP - 18.10 - Buy)
 The Ultimate Software Group, Inc. (ULTI - 76.42 - Buy)
 Vocus, Inc. (VOCS - 16.11 - Hold)

General disclosures:

Prices are as of the close of 05/08/12.

Ratings Distribution (in Percentages) & Investment Banking Disclosure Chart Information

Ratings Distribution & Investment Banking Disclosure				
Rating	Count	Ratings Distribution*	Count	Investment Banking**
Buy -rated	131	61.79	23	17.56
Hold -rated	72	33.96	6	8.33
Sell -rated	9	4.25	1	11.11

* Percentage of all Wunderlich-covered stocks assigned an equivalent Buy, Hold, or Sell rating.
 ** Percentage of companies within Wunderlich-rated Buy, Hold, and Sell categories for which Wunderlich or an associated firm provided investment banking services within the past 12 months.

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Hold - a security which at the time the rating is instituted or reiterated indicates an expectation of a total return of plus or minus 5% over the next 12-18 months.

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TANGOE INC

Healthy Q1 Results

Healthy Q1 results: Revenue and profitability were both better than consensus, allowing for a slight raise to guidance and notching up yet another “beat and raise quarter”. Management continued to sound positive on the state of affairs and the health of the business as well as end demand. All in, this appears to have been a good quarter consistent with prior quarters and supports the ongoing investment story for the stock. We re-iterate our 1-Overweight rating.

Modest increase to guidance: Full-year guidance was raised in-line with the extent of the Q1 surprise, suggesting management’s outlook for the remaining three quarters is unchanged. However, with the positive commentary around the health of end markets (no macro weakness issues) and the international expansion that should gain traction in coming quarters, we think any surprises favor the upside

Good, consistent quarter overall: Tangoe added 35 new customers in Q1, above the typical 20–30 new customer additions in the past, which is a constructive start to the year and coupled with the increased hiring of the sales force shows good momentum. The ASP was in-line with the historically discussed range (\$150–200k), the contribution mix towards total revenue remained 50% fixed TEM and 40% mobile TEM and the sources of revenue were similar to previous quarters with 25% from partners, 25% from direct sales to existing customers and 50% from new wins.

Re-affirming the investment case: We think these results support Tangoe’s investment case of a structural shift where enterprises are increasingly outsourcing their Telecom Expense Management solution, which remains a largely greenfield opportunity that can sustain the solid c. 25%+ growth on recurring revenue into the medium term.

TNGO: Quarterly and Annual EPS (USD)

	2011		2012		2013		Change y/y		
FY Dec	Actual	Old	New	Cons	Old	New	Cons	2012	2013
Q1	0.05A	0.08E	0.09A	0.08E	N/A	N/A	0.12E	80%	N/A
Q2	0.06A	0.09E	0.09E	0.09E	N/A	N/A	0.14E	50%	N/A
Q3	0.07A	0.12E	0.11E	0.11E	N/A	N/A	0.15E	57%	N/A
Q4	0.08A	0.14E	0.13E	0.14E	N/A	N/A	0.16E	62%	N/A
Year	0.26A	0.43E	0.41E	0.42E	0.59E	0.59E	0.56E	58%	44%
P/E	74.2		47.1			32.7			

Source: Barclays Research.

Consensus numbers are from Thomson Reuters

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PLEASE SEE ANALYST(S) CERTIFICATION(S) AND IMPORTANT DISCLOSURES BEGINNING ON PAGE 7.

Stock Rating

1-OVERWEIGHT

Unchanged

Sector View

1-POSITIVE

Unchanged

Price Target

USD 26.00

Unchanged

Price (08-May-2012)

USD 19.30

Potential Upside/Downside

+35%

Tickers

TNGO

Market Cap (USD mn)

724

Shares Outstanding (mn)

37.16

Free Float (%)

82.99

52 Wk Avg Daily Volume (mn)

0.3

Dividend Yield (%)

N/A

Return on Equity TTM (%)

-5.09

Current BVPS (USD)

2.92

Source: FactSet Fundamentals

Price Performance

Exchange-Nasdaq

52 Week range

USD 21.74-8.01



Link to Barclays Live for interactive charting

U.S. Software

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COMPANY SNAPSHOT

Tangoe Inc

U.S. Software

Income statement (\$mn)	2011A	2012E	2013E	2014E	CAGR
Revenue	105	144	177	219	27.7%
EBITDA (adj)	13	21	29	44	51.9%
Operating profit (adj)	11	19	26	43	56.4%
Pre-tax income	-2	5	14	30	N/A
Net income (adj)	9	17	25	41	67.3%
EPS (adj) (\$)	0.26	0.41	0.59	0.96	55.1%
Diluted shares (mn)	33	41	42	42	8.6%
DPS (\$)	0.00	0.00	0.00	0.00	N/A

Stock Rating	1-OVERWEIGHT
Sector View	1-POSITIVE
Price (08-May-2012)	USD 19.30
Price Target	USD 26.00
Ticker	TNGO

Margin and return data

	Average				
EBITDA (adj) margin (%)	12.1	14.4	16.1	20.3	15.7
Adjusted operating margin (%)	10.7	13.2	14.9	19.7	14.6
Pre-tax margin (%)	-2.3	3.6	7.7	13.8	5.7
Net (adj) margin (%)	8.3	12.0	14.2	18.7	13.3
ROIC (%)	5.6	9.2	11.6	15.2	10.4
ROA (%)	6.2	10.2	12.7	16.3	11.4
ROE (%)	9.0	15.5	19.4	24.9	17.2

Investment case

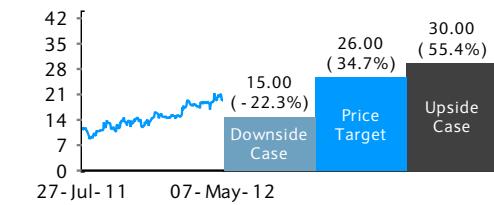
Why a 1-Overweight? We like Tangoe's market leading position both in terms of product breadth and the quality of the technology offering. The market itself is still quite under penetrated with Tangoe as the only large independent vendor. There is still plenty of room for growth in acquiring both new customers and further cross selling as the solution represents a compelling ROI for customers.

Balance sheet and cash flow (\$mn)

	CAGR				
Net PP&E	3	3	2	2	-17.2%
Goodwill	36	40	34	27	-9.1%
Cash and equivalents	43	52	83	131	44.6%
Total assets	141	168	199	251	21.2%
Short and long-term debt	16	18	18	18	3.8%
Other long-term liabilities	0	0	0	0	N/A
Total liabilities	44	57	69	86	24.9%
Net debt/(funds)	-27	-34	-65	-113	N/A
Shareholders' equity	97	111	130	164	19.4%
Change in working capital	-1	-0	4	8	N/A
Cash flow from operations	10	19	31	50	70.1%
Capital expenditure	-1	-1	-1	-1	N/A
Free cash flow	9	18	30	49	73.6%

Upside case **USD 30.00**
Tangoe's growth could accelerate if there is an improvement in economic conditions where customers are willing to purchase more adjacent products/services. Our upside target is based on a 2012 EV/Sales of 8x.

Downside case **USD 15.00**
Greater competitive pressure from large telecom operators like AT&T or large vendors such as IBM and Accenture could affect Tangoe's ability to win deals and negatively impact the terminal multiple. Our downside target is based on an EV/Sales of 4x.

Upside/downside scenarios

Source: FactSet Fundamentals

Valuation and leverage metrics

	Average				
P/E (adj) (x)	74.2	47.1	32.7	20.1	43.5
EV/sales (x)	N/A	N/A	N/A	N/A	N/A
EV/EBITDA (adj) (x)	N/A	N/A	N/A	N/A	N/A
Equity FCF yield (%)	1.4	2.2	3.7	5.9	3.3
Dividend yield (%)	0.0	0.0	0.0	0.0	0.0
Net debt/EBITDA (adj) (x)	-2.2	-1.6	-2.3	-2.6	-2.2
Total debt/capital (%)	14.4	14.0	12.2	9.9	12.6

Selected operating metrics

License revenue	N/A	N/A	N/A	N/A
Maintenance revenue	N/A	N/A	N/A	N/A
Services revenue	N/A	N/A	N/A	N/A
Deferred revenue (\$mn)	12	13	17	23

Source: Company data, Barclays Research

Note: FY End Dec

Healthy Q1 Results

Tangoe has reported Q1 12 results after market. Total revenue was better than consensus coming in at \$34.1m (53% y/y growth) vs. \$33m. The dollar beat on revenue flowed through the P&L to be better than consensus expectations, with adjusted EBITDA of \$4.1m (58% y/y growth) vs. \$3.7m and adjusted EPS of \$0.09 vs. \$0.08. Figure 1 summarizes this.

Figure 1: Summary of actual results vs. consensus

\$, m	1Q 11	1Q 12	1Q 12	Actual	1Q 12	Actual
	Actual	Actual	Barclays	Barclays	Cons	vs. Cons.
Recurring technology and services	19.9	30.7	29.9	2.7%		
Strategic consulting, licenses	2.4	3.4	3.1	8.3%		
Total Revenue	22.3	34.1	33.0	3.2%	33	3.3%
EBITDA, adjusted	2.6	4.1	3.3	25.9%	3.7	10.8%
% margin	11.5%	11.9%	9.9%		11.2%	
Net income, adjusted	1.4	3.4	2.9	15.3%	2.9	17.2%
EPS, adjusted	0.05	0.09	0.08	19.1%	0.08	12.5%

Source: Barclays Research, Company data, FactSet

Guidance upgraded for better Q1

Full year guidance has been modestly increased for total revenue now in the range of \$142.3–144.3m from \$141.5–143.5m and adjusted EBITDA to \$20.2–20.7m from \$20.0–20.5m. However, the company is now forecasting a higher share count of 41.3m vs. 39.5m previously due to the recent follow-on offering (which was not anticipated at the time of original guidance), and is hence lowering the EPS guidance by 1 cent to \$0.41–0.42 from \$0.42–0.43. Without the increased share count assumption EPS guidance would have increased by \$0.02. Q2 guidance was also provided, with revenue in the range \$35–35.5m vs. consensus \$34.9m, adjusted EBITDA in the range \$4.3–4.5m vs. consensus \$4.5m and adjusted EPS of \$0.09 vs. consensus \$0.09.

Clearly, the full year guidance has been raised in-line with the extent of the Q1 surprise. This suggests management's outlook for the remaining three quarters of the year is unchanged from the previously issued guidance. However, with the positive commentary around the health of end markets (no macro weakness issues) and the international expansion that should gain traction in the coming quarters, we think this leaves any risk of a surprise favoring the upside.

Overall the quarter was said to be just very good and consistent with prior quarters. Tangoe added 35 new customers in Q1, which is above the normal 20–30 additions that the company has historically seen. We also notice that there was a moderate uptick in Sales & Marketing spending, which reflects the increased hiring in quota carrying sales reps and the support staff around those sales people. In our view, this shows ongoing momentum in the business and readiness to capture the still large end market opportunity. The ASP was in-line with the historically discussed range of \$150–200k, the contribution mix towards total revenue remained 50% fixed TEM and 40% mobile TEM and the sources of revenue were

similar to previous quarters with 25% from partners, 25% from direct sales to existing customers and 50% from new wins.

We believe this exemplifies Tangoe's story of being well exposed to a structural shift of enterprises outsourcing their Telecom Expense Management solution, which is still largely a greenfield opportunity and the company should be able to deliver good, consistent results into the medium term.

Estimate changes

We are upgrading our numbers based on the better than expected Q1 results and the improved guidance. While it looks like an EPS downgrade, this is purely due to the higher share count due to the follow-on offering as mentioned above and on a pro forma share count basis, we would actually be increasing our EPS estimate, as reflected by our increased adjusted Net Income forecast.

Figure 2: Summary of estimate changes

\$, m	New	Old	Change	New	Old	Change
	2012E	2012E		2013E	2013E	
Recurring technology and services	130.0	129.4	0.5%	162.6	155.3	4.7%
Strategic consulting, licenses	13.5	13.4	0.8%	14.8	13.8	7.7%
Total Revenue	143.5	142.8	0.5%	177.4	169.1	4.9%
R&D, non-GAAP	15.2	15.6	(2.9)%	18.4	17.4	5.9%
% margin						
Sales & Marketing, non-GAAP	22.2	22.7	(2.3)%	28.9	27.6	4.9%
% margin						
G&A, non-GAAP	21.2	20.5	3.5%	23.4	21.8	7.4%
% margin						
Operating profit, adjusted	18.9	18.6	1.6%	26.5	26.0	1.9%
% margin						
Net income, adjusted	17.2	16.9	1.7%	25.2	23.5	7.5%
EPS, adjusted	0.41	0.43	(2.9)%	0.59	0.59	1.1%

Source: Barclays Research

Figure 3: Tangoe P&L

Fiscal end = Dec USD, m	2010A	2011A	1Q 12	2Q 12E	3Q 12E	4Q 12E	2012E	2013E	2014E
Recurring technology and services	57.7	93.7	30.8	32.0	32.8	34.5	130.0	162.6	201.6
y/y growth	25.4%	62.3%	54.3%	36.0%	34.0%	34.0%	38.8%	25.0%	24.0%
Strategic consulting, licenses	10.8	11.3	3.4	3.0	3.3	3.8	13.5	14.8	17.1
y/y growth	8.7%	4.6%	40.5%	20.0%	15.0%	9.0%	19.7%	10.0%	15.0%
Total revenue	68.5	104.9	34.1	35.0	36.1	38.3	143.5	177.4	218.6
y/y growth	22.5%	53.3%	52.8%	34.4%	32.0%	31.0%	36.8%	23.6%	23.2%
Gross profit, non-GAAP	38.6	55.6	18.6	19.2	20.0	21.2	79.0	99.3	129.2
% margin	56.3%	53.0%	54.5%	54.7%	55.5%	55.4%	55.1%	56.0%	59.1%
Sales and marketing	11.9	15.4	5.2	5.5	5.6	5.9	22.2	28.9	36.7
% margin	17.3%	14.7%	15.2%	15.7%	15.5%	15.4%	15.5%	16.3%	16.8%
General and admin	10.7	15.8	5.8	5.4	5.1	4.9	21.2	23.4	26.2
% margin	15.6%	15.1%	16.9%	15.4%	14.1%	12.8%	14.8%	13.2%	12.0%
Research and development	9.2	11.7	3.6	3.7	4.0	3.9	15.2	18.4	21.9
% margin	13.4%	11.1%	10.5%	10.6%	11.1%	10.1%	10.6%	10.4%	10.0%
Depreciation and amortization	3.5	4.6	1.9	2.0	2.0	2.1	7.9	8.4	7.7
Total operating expenses, non-GAAP	33.0	44.4	14.9	15.0	15.1	15.1	60.1	72.8	86.2
% margin	48.1%	42.3%	43.5%	42.9%	41.9%	39.5%	41.9%	41.0%	39.4%
Operating income, non-GAAP	5.6	11.2	3.8	4.1	4.9	6.1	18.9	26.5	43.0
% margin	8.2%	10.7%	11.0%	11.8%	13.7%	15.9%	13.2%	14.9%	19.7%
Operating income, GAAP	1.4	2.6	0.6	0.9	1.7	2.9	6.1	13.6	30.1
% margin	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Adjusted EBITDA	6.9	12.7	4.1	4.6	5.3	6.6	20.7	28.6	44.3
% margin	10.0%	12.1%	11.9%	13.2%	14.8%	17.3%	14.4%	16.1%	20.3%
Total net other income/expense	(2.9)	(5.0)	(0.2)	(0.2)	(0.2)	(0.2)	(0.9)	0.1	0.1
Profit before tax, non-GAAP	2.7	8.2	3.5	3.9	4.7	5.9	18.0	26.5	43.1
Tax, non-GAAP	0.3	0.5	0.2	0.2	0.2	0.3	0.9	1.3	2.2
Effective tax rate, %	10.7%	6.5%	4.4%	5.0%	5.0%	5.0%	4.9%	5.0%	5.0%
Net loss, GAAP	(1.8)	(3.0)	0.2	0.5	1.3	2.4	4.3	12.4	28.1
Net income, non-GAAP	3.4	8.7	3.4	3.7	4.5	5.6	17.2	25.2	40.9
Shares diluted	4.4	33.2	39.0	41.7	42.0	42.5	41.3	42.5	42.5
EPS diluted, non-GAAP	0.12	0.26	0.09	0.09	0.11	0.13	0.41	0.59	0.96
y/y growth		120.8%	81.0%	49.5%	48.5%	67.3%	60.5%	43.3%	62.2%

Source: Barclays Research, Company data

Figure 4: Tangoe Balance Sheet

Fiscal end = Dec USD, m	2010A	2011A	1Q 12	2Q 12E	3Q 12E	4Q 12E	2012E	2013E	2014E
Current assets									
Cash and cash equivalents	5.9	43.4	37.9	43.0	45.4	52.3	52.3	82.7	131.3
Accounts receivable	14.3	25.3	26.6	27.3	30.6	32.6	32.6	40.8	50.3
Total current assets	21.6	71.2	67.8	73.7	79.4	88.3	88.3	126.9	185.0
Non-current assets									
PP&E	1.8	3.3	3.5	3.3	3.1	2.9	2.9	1.9	1.9
Intangible assets	15.8	28.8	34.5	34.5	34.5	34.5	34.5	34.5	34.5
Goodwill	17.6	36.3	44.7	43.1	41.5	40.0	40.0	33.6	27.3
Total non-current assets	37.1	69.6	84.7	82.9	81.1	79.3	79.3	72.0	65.6
Total assets	58.7	140.9	152.5	156.6	160.5	167.6	167.6	198.9	250.6
Current liabilities									
Accounts payable	3.3	6.6	8.6	8.8	7.9	8.4	8.4	10.6	13.1
Deferred revenue	8.3	9.1	9.5	10.2	11.2	10.9	10.9	14.7	20.8
Notes payable	6.3	7.9	13.2	13.2	13.2	13.2	13.2	13.2	13.2
Total current liabilities	21.3	31.7	39.9	41.8	42.9	45.9	45.9	58.3	75.5
Non-current liabilities									
Deferred revenue	1.8	2.6	2.3	2.3	2.3	2.3	2.3	2.3	2.3
Notes payable	11.8	8.3	4.9	4.9	4.9	4.9	4.9	4.9	4.9
Total non-current liabilities	18.0	12.6	10.8						
Total liabilities	39.3	44.3	50.7	52.6	53.7	56.7	56.7	69.1	86.3
Shareholders' equity									
Additional paid-in capital	7.3	142.9	147.9	149.5	151.2	152.8	152.8	159.3	165.8
Retained earnings	(51.6)	(56.8)	(56.6)	(56.1)	(54.8)	(52.5)	(52.5)	(40.1)	(12.0)
Total shareholders' equity	19.4	96.6	101.9	104.0	106.9	110.9	110.9	129.7	164.3
Total liabilities and equity	58.7	140.9	152.5	156.6	160.5	167.6	167.6	198.9	250.6

Source: Barclays Research, Company data

Figure 5: Tangoe Cash Flow

Fiscal end = Dec USD, m	2010A	2011A	1Q 12	2Q 12E	3Q 12E	4Q 12E	2012E	2013E	2014E
Net income	(1.8)	(3.0)	0.2	0.5	1.3	2.4	4.3	12.4	28.1
Depreciation and amortization	3.5	4.6	1.9	1.8	1.8	1.9	7.4	8.4	7.7
Stock based compensation	1.9	4.0	1.6	1.6	1.6	1.6	6.5	6.5	6.5
Change in OWC:	(1.2)	(0.7)	(0.4)	1.2	(2.2)	1.1	(0.4)	4.2	7.7
Accounts receivable	(3.0)	(4.4)	0.2	(0.8)	(3.3)	(1.9)	(5.8)	(8.2)	(9.5)
Accounts payable	0.2	(0.2)	0.9	0.2	(0.8)	0.5	0.8	2.2	2.5
Deferred revenue	2.3	1.2	(0.4)	0.8	1.0	(0.4)	1.0	3.9	6.1
Cash from operating activities	3.4	10.1	3.5	5.3	2.6	7.2	18.6	31.4	49.9
Purchase of PP&E	(0.4)	(0.9)	(0.4)	(0.2)	(0.2)	(0.2)	(1.1)	(1.1)	(1.3)
Cash from investing activities	(0.4)	(23.0)	(9.0)	(0.2)	(0.2)	(0.2)	(9.7)	(1.1)	(1.3)
Rewpayments of debt	(8.6)	(38.0)	(1.5)	0.0	0.0	0.0	(1.5)	0.0	0.0
Borrowings of debt	5.5	20.0	0.1	0.0	0.0	0.0	0.1	0.0	0.0
IPO/common stock issuance	0.0	67.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net cash from financing activities	(3.3)	50.4	(0.1)	0.0	0.0	0.0	(0.1)	0.0	0.0
Change in cash	(0.3)	37.5	(5.6)	5.1	2.4	6.9	8.9	30.4	48.6
FX impact	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net change in cash	(0.3)	37.5	(5.5)	5.1	2.4	6.9	8.9	30.4	48.6

Source: Barclays Research, Company data

ANALYST(S) CERTIFICATION(S)

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Primary Stocks (Ticker, Date, Price)

Tangoe Inc (TNGO, 08-May-2012, USD 19.30), 1-Overweight/1-Positive

Guide to the Barclays Fundamental Equity Research Rating System:

Our coverage analysts use a relative rating system in which they rate stocks as 1-Overweight, 2-Equal Weight or 3-Underweight (see definitions below) relative to other companies covered by the analyst or a team of analysts that are deemed to be in the same industry sector (the "sector coverage universe").

In addition to the stock rating, we provide sector views which rate the outlook for the sector coverage universe as 1-Positive, 2-Neutral or 3-Negative (see definitions below). A rating system using terms such as buy, hold and sell is not the equivalent of our rating system. Investors should carefully read the entire research report including the definitions of all ratings and not infer its contents from ratings alone.

Stock Rating

1-Overweight - The stock is expected to outperform the unweighted expected total return of the sector coverage universe over a 12-month investment horizon.

2-Equal Weight - The stock is expected to perform in line with the unweighted expected total return of the sector coverage universe over a 12-month investment horizon.

3-Underweight - The stock is expected to underperform the unweighted expected total return of the sector coverage universe over a 12-month investment horizon.

RS-Rating Suspended - The rating and target price have been suspended temporarily due to market events that made coverage impracticable or to comply with applicable regulations and/or firm policies in certain circumstances including where the Corporate and Investment Banking Division of Barclays is acting in an advisory capacity in a merger or strategic transaction involving the company.

Sector View

1-Positive - sector coverage universe fundamentals/valuations are improving.

2-Neutral - sector coverage universe fundamentals/valuations are steady, neither improving nor deteriorating.

3-Negative - sector coverage universe fundamentals/valuations are deteriorating.

Below is the list of companies that constitute the "sector coverage universe":

U.S. Software

Ariba, Inc. (ARBA)	Autodesk Inc. (ADSK)	Citrix Systems (CTXS)
Cornerstone OnDemand Inc. (CSOD)	DealerTrack Holdings (TRAK)	Ellie Mae Inc. (ELLI)
Informatica Corp. (INFA)	Intuit Inc. (INTU)	LogMeIn, Inc. (LOGM)
Microsoft Corp. (MSFT)	NetSuite Inc. (N)	Oracle Corp. (ORCL)
Parametric Technology (PMTC)	Qlik Tech (QLIK)	Salesforce.com Inc. (CRM)
SAP AG (SAP)	Symantec Corp. (SYMC)	Tangoe Inc (TNGO)
Teradata Corp. (TDC)	TIBCO Software (TIBX)	VMware Inc. (VMW)

IMPORTANT DISCLOSURES CONTINUED

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Barclays Equity Research has 2298 companies under coverage.

43% have been assigned a 1-Overweight rating which, for purposes of mandatory regulatory disclosures, is classified as a Buy rating; 55% of companies with this rating are investment banking clients of the Firm.

42% have been assigned a 2-Equal Weight rating which, for purposes of mandatory regulatory disclosures, is classified as a Hold rating; 48% of companies with this rating are investment banking clients of the Firm.

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Each analyst has a single price target on the stocks that they cover. The price target represents that analyst's expectation of where the stock will trade in the next 12 months. Upside/downside scenarios, where provided, represent potential upside/potential downside to each analyst's price target over the same 12-month period.

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IMPORTANT DISCLOSURES CONTINUED

Tangoe Inc (TNGO)

USD 19.30 (08-May-2012)

Rating and Price Target Chart - USD (as of 08-May-2012)

Stock Rating

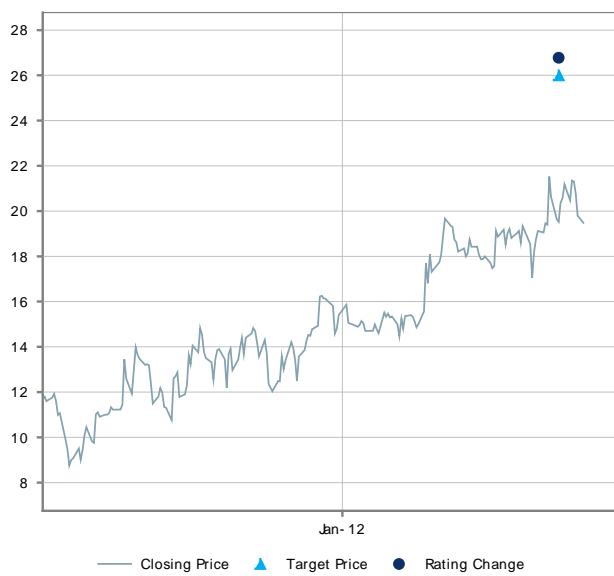
1-OVERWEIGHT

Sector View

1-POSITIVE

Currency=USD

Date	Closing Price	Rating	Price Target
24-Apr-2012	19.53	1-Overweight	26.00



[Link to Barclays Live for interactive charting](#)

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Barclays Bank PLC and/or an affiliate has received compensation for investment banking services from Tangoe Inc in the past 12 months.

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Tangoe Inc is, or during the past 12 months has been, an investment banking client of Barclays Bank PLC and/or an affiliate.

Valuation Methodology: Our price target of \$26 is based on a 2012 EV/Sales of 6.5x and revenue of \$143m

Risks which May Impede the Achievement of the Barclays Research Price Target: Tangoe could face increasing competition from telecom operators such as AT&T, especially where they have a large installed base. In addition, if IBM focused its considerable resources on the TEM market via its acquisition of Emptoris/Rivermine this could be another issue. Tangoe has also been very acquisitive in its past, and thus needs to integrate its wide range of products. This poses execution risk since a failure to integrate products properly and loss of functionality could create reputational damage.

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April 29, 2012

Stock Rating:
OUTPERFORM

12-18 mo. Price Target	NA
TNGO - NASDAQ	\$21.18

3-5 Yr. EPS Gr. Rate	NA
52-Wk Range	\$21.74-\$8.01
Shares Outstanding	36.4M
Float	20.0M
Market Capitalization	\$771.6M
Avg. Daily Trading Volume	588,675
Dividend/Div Yield	\$0.00/0.00%
Book Value	\$2.51
Fiscal Year Ends	Dec
2012 ROE	NA
LT Debt	\$16.2M
Preferred	NA
Common Equity	\$97M
Convertible Available	No

EPS Diluted	Q1	Q2	Q3	Q4	Year	Mult.
2009A	--	--	--	--	0.16	NM
2010A	0.02	0.03	0.03	0.04	0.12	NM
2011A	0.05	0.06	0.07	0.08	0.26	81.5x

Trading range as of 7/27/11 IPO.

TECHNOLOGY/ENTERPRISE SOFTWARE

Tangoe

Dropping Coverage

SUMMARY

We are discontinuing equity research coverage of TNGO, previously rated Outperform, due to a realignment in analyst coverage. The prior price target and all EPS estimates are discontinued.

KEY POINTS

- We are dropping coverage of TNGO, previously rated Outperform, due to a realignment in analyst coverage. The prior price target and all EPS estimates are discontinued.
- Effective with this discontinuation, our last recommendation on TNGO should not be relied upon going forward. The data herein are up-to-date as of our last note on the company, published February 21, 2012.
- The decision is unrelated to any awareness on our part of any material change in the fundamental condition of the firm. Were we to continue to cover the stock, we would not necessarily change our rating at this time.
- Rather, our decision to drop coverage relates to a realignment in coverage. Effective with this discontinuation of coverage, the last recommendation issued for this stock should not be relied upon going forward.

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.

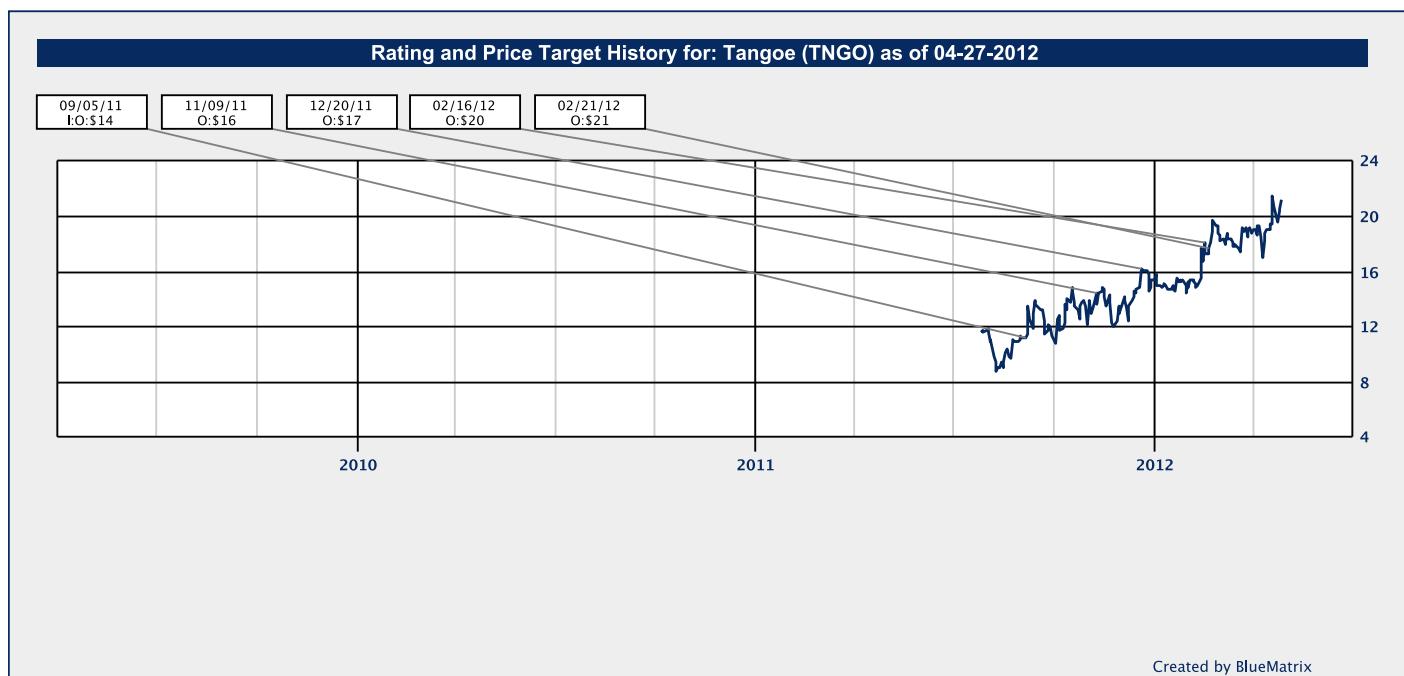
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Outperform(O) - Stock expected to outperform the S&P 500 within the next 12-18 months.

Perform (P) - Stock expected to perform in line with the S&P 500 within the next 12-18 months.

Underperform (U) - Stock expected to underperform the S&P 500 within the next 12-18 months.

Not Rated (NR) - Oppenheimer & Co. Inc. does not maintain coverage of the stock or is restricted from doing so due to a potential conflict of interest.

Oppenheimer & Co. Inc. Rating System prior to January 14th, 2008:

Buy - anticipates appreciation of 10% or more within the next 12 months, and/or a total return of 10% including dividend payments, and/or the ability of the shares to perform better than the leading stock market averages or stocks within its particular industry sector.

Neutral - anticipates that the shares will trade at or near their current price and generally in line with the leading market averages due to a perceived absence of strong dynamics that would cause volatility either to the upside or downside, and/or will perform less well than higher rated companies within its peer group. Our readers should be aware that when a rating change occurs to Neutral from Buy, aggressive trading accounts might decide to liquidate their positions to employ the funds elsewhere.

Sell - anticipates that the shares will depreciate 10% or more in price within the next 12 months, due to fundamental weakness perceived in the company or for valuation reasons, or are expected to perform significantly worse than equities within the peer group.

Distribution of Ratings/IB Services Firmwide				
Rating	IB Serv/Past 12 Mos.			
	Count	Percent	Count	Percent
OUTPERFORM [O]	322	55.23	142	44.10
PERFORM [P]	254	43.57	88	34.65
UNDERPERFORM [U]	7	1.20	3	42.86

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In the past 12 months Oppenheimer & Co. Inc. has received compensation for investment banking services from TNGO.

In the past 12 months Oppenheimer & Co. Inc. has managed or co-managed a public offering of securities for TNGO.

In the past 12 months Oppenheimer & Co. Inc. has provided investment banking services for TNGO.

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Rating
Buy

North America
United States

TMT
Application Software

Company
Tangoe, Inc.

Reuters
TNGO.OQ

Bloomberg
TNGO US

Exchange
NMS
Ticker
TNGO

Date
9 April 2012

Forecast Change

Price at 5 Apr 2012 (USD)	19.33
Price target	25.00
52-week range	19.67 - 8.75

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Tangoe completes secondary offering

Post-secondary model update

Tangoe completed its follow-on offering of 9.2m shares, of which 7m were secondary and 2.2m primary, at \$18.50 per share. Business for the company remains strong as integration of recent acquisitions is proceeding well. We believe the company will stay disciplined in its acquisitions as the focus shifts away from scale to geographic and technology-focused assets. We update our model for the new primary shares and reiterate our Buy rating, raising our PT to \$25 from \$20.

Recent acquisitions were well-chosen

Acquisitions during 2011 were focused on gaining scale. After the HCL and Telwares deals early in the year, Tangoe acquired Profitline in December 2011, gaining about \$15m in annual revenue and 50 customers, including Starbucks, BASF, NASA, DoD and the US Postal Service, about \$5m in annual revenue from the government sector alone. With almost \$35m new "scale" related revenue acquired through these three assets, Anomalous Networks was a purely technology play followed by ttMobiles gets Tangoe about 50 customers – and 50 staff very familiar with the UK market. See page 4 for a summary.

Estimates for FY12 leave headroom

Early guidance for FY12 embeds about \$20m in acquired revenue, effectively about 16% organic growth at the midpoint, whereas recent organic growth has consistently been above 20%. We believe this leaves adequate headroom for the company to beat estimates as we progress through the year. The process of integrating acquisitions is fairly standardized at the company, but we note there were five acquisitions in the past 15 months vs. only three in the years prior to 2011.

Reiterate Buy rating, raising PT to \$25 from \$20

Our \$25 price target (from \$20) is based on a CY13 uFCF/share estimate of \$0.55 (from \$0.48), an EV/uFCF/G multiple of 1.2x (slight premium to group given market leadership position), and an estimated five-year growth rate, net of dilution, of 33%. Risks include integration of acquisitions, delayed profitability from new projects not ramping fast enough and customers taking expense processing in-house after early gains from Tangoe's platform.

Price/price relative



Performance (%)	1m	3m	12m
Absolute	5.3	28.6	–
S&P 500 INDEX	2.5	9.1	4.9

Forecasts And Ratios

Year End Dec 31	2011A	2012E	2013E
1Q EPS	0.06	0.07	0.11
FY EPS (USD)	0.27	0.40	0.46
Revenue (USDm)	104.9	142.5	168.0
EV/Sales (x)	3.6	5.2	4.5
EV/FCF (x)	39.3	43.8	32.0

Source: Deutsche Bank estimates, company data

Deutsche Bank Securities Inc.

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Model updated: 05 April 2012

Running the numbers

North America	
United States	
Application Software	

Tangoe, Inc.

Reuters: TNGO.OQ Bloomberg: TNGO UQ

Buy

Price (5 Apr 12)	USD 19.33
Target Price	USD 25.00
52 Week range	USD 8.75 - 19.67
Market Cap (m)	USDm 808 EURm 619

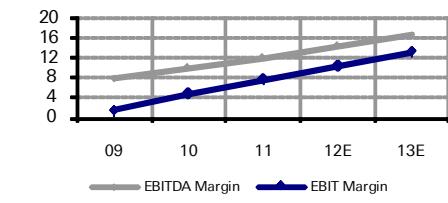
Company Profile

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.

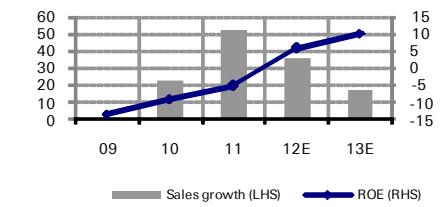
Price Performance



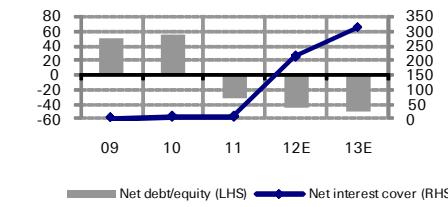
Margin Trends



Growth & Profitability



Solvency



Fiscal year end 31-Dec	2009	2010	2011	2012E	2013E
Financial Summary					
DB EPS (USD)	-0.11	0.06	0.14	0.26	0.33
Reported EPS (USD)	-0.11	-0.06	-0.09	0.16	0.33
DPS (USD)	0.00	0.00	0.00	0.00	0.00
BVPS (USD)	0.80	0.71	2.98	3.19	3.47
Valuation Metrics					
Price/Sales (x)	nm	nm	3.9	5.7	4.9
P/E (DB) (x)	nm	na	88.8	75.1	58.3
P/E (Reported) (x)	nm	nm	nm	117.7	58.3
P/BV (x)	0.0	0.0	5.2	6.1	5.6
FCF yield (%)	na	na	2.4	2.1	2.8
Dividend yield (%)	na	na	0.0	0.0	0.0
EV/Sales	nm	nm	3.6	5.2	4.5
EV/EBITDA	nm	nm	30.2	36.7	27.0
EV/EBIT	nm	nm	47.1	51.5	34.0
Income Statement (USDm)					
Sales	56	68	105	143	168
EBITDA	4	7	13	20	28
EBIT	1	3	8	15	22
Pre-tax profit	-2	-1	2	9	16
Net income	-3	-2	-3	7	14
Cash Flow (USDm)					
Cash flow from operations	2	3	11	19	26
Net Capex	-1	0	-1	-2	-2
Free cash flow	2	3	10	17	24
Equity raised/(bought back)	-1	-3	-18	-17	0
Dividends paid	0	0	0	0	0
Net inc/(dec) in borrowings	0	0	1	0	0
Other investing/financing cash flows	-1	0	45	24	-5
Net cash flow	0	0	38	24	19
Change in working capital	0	-1	0	-2	-4
Balance Sheet (USDm)					
Cash and cash equivalents	6	6	43	67	87
Property, plant & equipment	2	2	3	3	4
Goodwill	18	18	36	36	36
Other assets	31	33	58	62	64
Total assets	56	59	141	169	191
Debt	15	17	13	7	11
Other liabilities	22	23	32	28	31
Total liabilities	38	39	44	36	41
Total shareholders' equity	19	19	97	134	149
Net debt	9	11	-31	-60	-76
Key Company Metrics					
Sales growth (%)	nm	22.5	53.3	35.8	17.9
DB EPS growth (%)	na	na	148.0	79.5	28.8
Payout ratio (%)	nm	nm	nm	0.0	0.0
EBITDA Margin (%)	7.8	10.0	12.1	14.3	16.7
EBIT Margin (%)	1.5	4.9	7.7	10.2	13.2
ROE (%)	-13.8	-9.2	-5.1	6.0	10.1
Net debt/equity (%)	49.6	55.4	-31.9	-45.2	-50.9
Net interest cover (x)	0.3	1.7	4.1	210.4	308.7
DuPont Analysis					
EBIT margin (%)	1.5	4.9	7.7	10.2	13.2
x Asset turnover (x)	1.0	1.2	1.1	0.9	0.9
x Financial cost ratio (x)	-1.9	0.4	0.8	1.0	1.0
x Tax and other effects (x)	1.7	-1.3	-0.5	0.5	0.6
= ROA (post tax) (%)	-4.6	-3.1	-3.0	4.4	7.9
x Financial leverage (x)	3.0	3.0	1.7	1.3	1.3
= ROE (%)	-13.8	-9.2	-5.1	6.0	10.1
annual growth (%)	na	32.9	44.8	na	69.0
x NTA/share (avg) (x)	0.8	0.7	1.8	2.8	3.3
= Reported EPS	-0.11	-0.06	-0.09	0.16	0.33
annual growth (%)	na	41.5	-42.1	na	101.9

Source: Company data, Deutsche Bank estimates

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Discussion and exhibits

Tangoe completes secondary

Tangoe completed its follow-on offering of 9.2m shares, of which 7m were secondary and 2.2m were primary, at \$18.50 per share. Business for the company remains strong as integration of recent acquisitions is proceeding well. We believe the company will stay disciplined in its acquisitions as the focus shifts away from scale to geographic and technology-focused assets. We update our model for the new primary shares and reiterate our Buy rating, raising our PT to \$25 from \$20.

Figure 1: Summary of estimate changes

	Revenues		EPS		uFCF/Share	
	Old	New	Old	New	Old	New
1Q12E	\$32.8	\$33.0	\$0.09	\$0.07	\$0.06	0.08
2012E	\$137.0	\$142.5	\$0.39	\$0.40	\$0.40	\$0.41
2013E	\$159.0	\$168.0	\$0.45	\$0.47	\$0.48	\$0.55

Source: Deutsche Bank

Progress since IPO

Below we list significant developments since the company's IPO:

- Tangoe went public on July 27, 2011, issuing 8.8m shares (7.5m primary) at \$10. Green shoe of 1.3m secondary shares was exercised
- Two quarters of beat-and-raise since IPO
- Three acquisitions since going public
- Spend under management went from about \$14bn to about \$17bn
- Customer count grew from 615 to 750
- Employee count grew from 757 to about 1,000
- Tangoe has been positioned as a Leader in Gartner's Magic Quadrant report published in March 2012

Recent acquisitions were well-chosen

Acquisitions during 2011 were focused on gaining scale. After the HCL and Telwares deals early in the year, Tangoe acquired Profitline in December 2011, gaining about \$15m in annual revenue and 50 customers, including Starbucks, BASF, NASA, DoD and the US Postal Service, about \$5m in annual revenue from the government sector alone. With almost \$35m new "scale" related revenue acquired through these three assets, Anomalous Networks was a purely technology play followed by ttMobiles, which gets Tangoe about 50 customers – and 50 staff very familiar with the UK market. Two smaller remaining players in the TEM sector are Symphony SMS (part of Symphony Service Corp, an outsourcing vendor) and Rivermine, now part of IBM after its acquisition of Emptoris.



Figure 2: Acquisition history

Acquired Asset	Nature of Product	Price Paid	% recurring revenue
Traq (March 2007)	Mobile TEM	\$20.7m	~90%
ISG (July 2008)	Fixed TEM	\$10.7m	~90%
Internoded (Dec 2008)	Mobile Device Management	\$3.5m	~85%
HCL TEM business (Jan 2011)	Fixed TEM	\$5.2m	>90%
Telwares (March 2011)	Fixed and Mobile TEM	\$5.4m	>90%
Profitline (Dec 2011)	Telecom expense and mobility management	\$23.5m	>90%
Anomalous Networks (Jan 2012)	Real-time telecom expense management	\$9m	>90%
ttMobiles (Feb 2012)	Mobile communications management, UK market	\$8.7m	~77%

Source: Deutsche Bank

Estimates for FY12 leave headroom

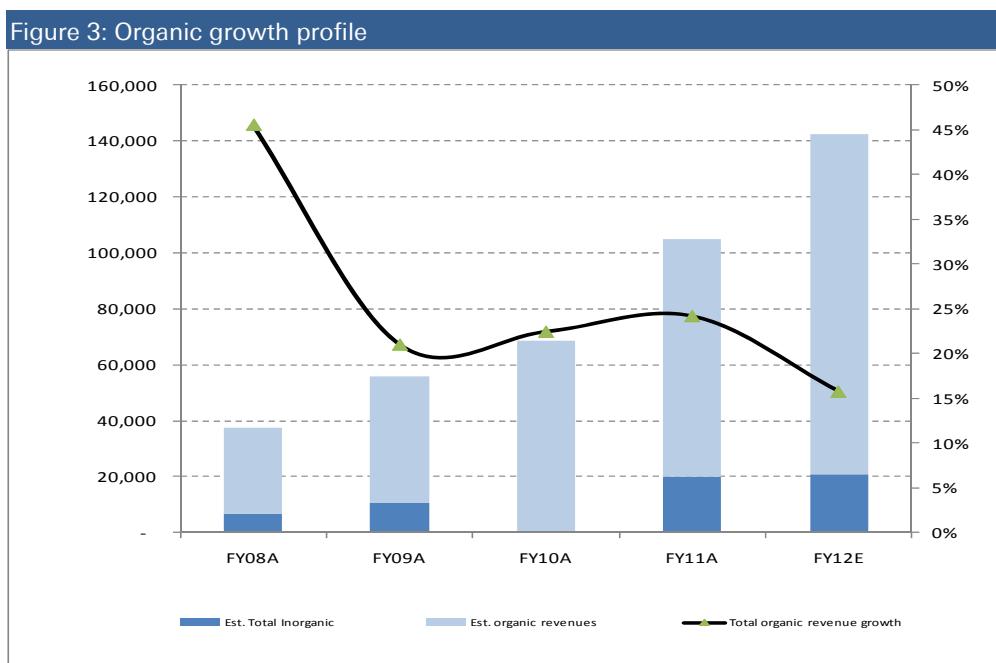
Early guidance for FY12 embeds about \$20m in acquired revenue, effectively about 16% organic growth at the midpoint, whereas recent organic growth has consistently been above 20%. We believe this leaves adequate headroom for the company to beat estimates as we progress through the year. The process of integrating acquisitions is fairly standardized at the company, but we note there were five acquisitions in the past 15 months vs. only three in the years prior to 2011.

Customers from the HCL and Telwares acquisitions are beginning to be migrated after the businesses themselves were integrated into Tangoe. With over half of Tangoe's staff in customer-facing roles, we expect customer migration to be fairly smooth, but like with other software migrations, the process can often depend on the needs and internal processes at the individual customers. Profitline customers are more likely to be migrated next year, as it's still early days since the acquisition.

Figure 4 below shows the organic growth profile of the company since 2008. Inorganic contribution in FY11 was \$19.9m and the company's guidance for FY12 embeds about \$20m in acquired revenue, about \$14.5m from Profitline, \$1m from Anomalous Networks and \$4.5m from ttMobiles.



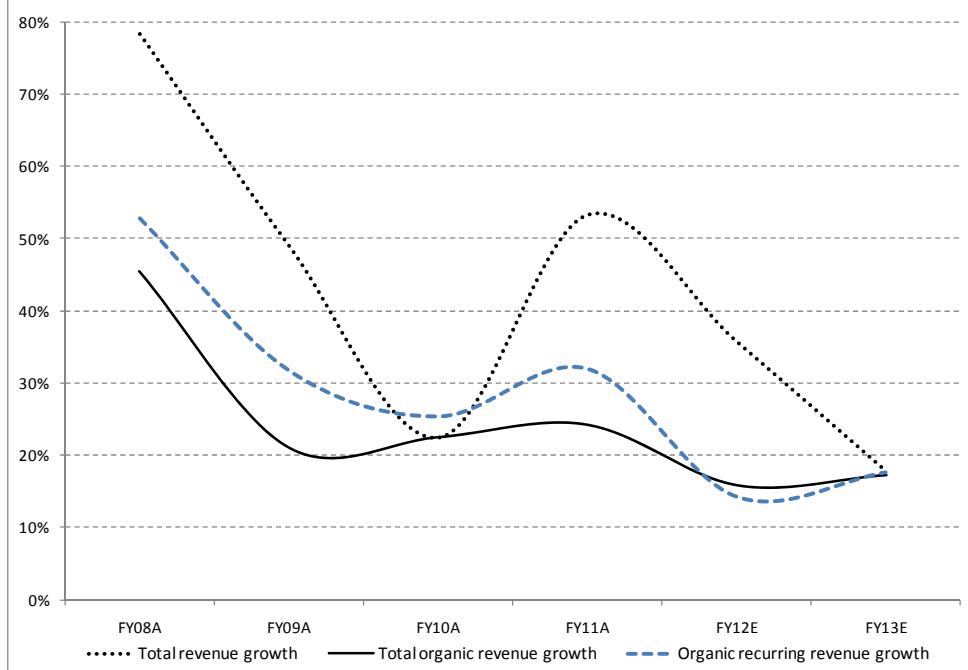
Figure 3: Organic growth profile



Source: Deutsche Bank

Figure 4 plots organic growth for total revenue and recurring revenue. We note that the company doesn't disclose organic recurring revenue separately. We assume that of the \$19.9m in total inorganic revenue in FY11, about \$17.5m was recurring, with the rest in consulting or professional services.

Figure 4: Organic revenue profile



Source: Deutsche Bank



Ownership structure

Directors and Officers own about 21% of shares post-secondary.

Figure 5: Ownership structure

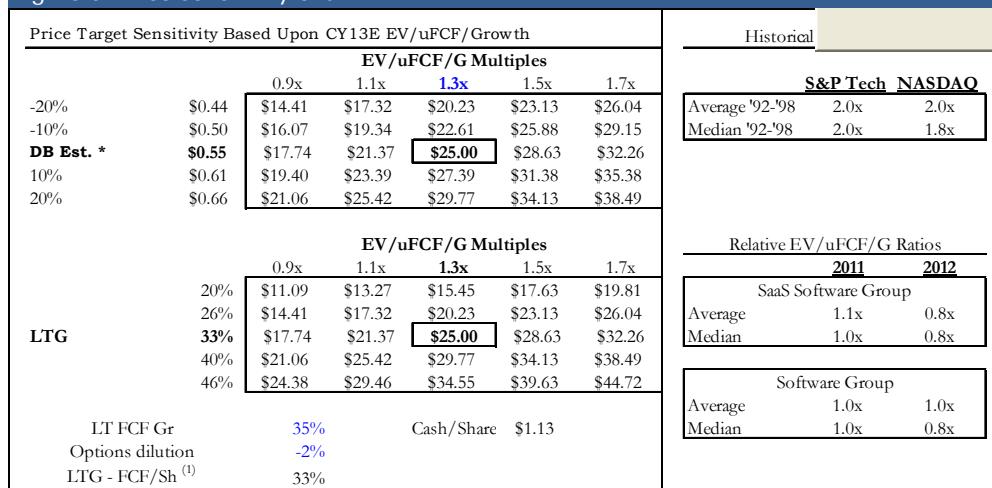
Sellers	Pre IPO	Post IPO	Post Secondary
Edison Ventures	21%	14%	4.1%
Sevin Rosen Funds	16%	11%	4.8%
Investor Growth Capital	12%	7%	5.3%
CEO, Al Subbloe	9%	7%	5.7%
North Atlantic Capital	10%	7%	3.2%
IBM	6%	5%	5%
HO2 Partners	5%	4%	4%

Source: Deutsche Bank

Reiterate Buy rating, raising PT to \$25 from \$20

Our \$25 price target (from \$20) is based on a CY13 uFCF/share estimate of \$0.55 (from \$0.48), an EV/uFCF/G multiple of 1.2x, and an estimated five-year growth rate, net of dilution, of 33%. Risks include integration of 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: Price sensitivity chart



Source: Deutsche Bank

Figure 7: Income statement

Tangoe Income Statement (dollars in thousands, except EPS) FYE Dec-31											Deutsche Bank Securities Tom Ernst - 866.812.7891 Nandan Amadi - 212.250.4570																										
Fiscal Year ends 2011											Fiscal Year ends 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												
Net Revenues		\$22,341		\$26,047		\$27,312		\$29,241		\$33,000		\$34,830		\$36,613		\$38,057		\$12,879		\$21,047		\$37,526		\$55,917		\$68,474		\$104,941		\$142,500		\$168,000					
Recurring technology and services		19,927		23,510		24,456		25,778		29,260		31,016		32,721		34,108		3,578		14,174		27,839		46,005		57,703		93,671		127,105		150,419					
Strategic consulting, software licenses and other		2,414		2,537		2,856		3,463		3,740		3,815		3,891		3,949		9,301		6,873		9,687		9,912		10,771		11,270		15,395		17,581					
Recurring technology and services		9,057		11,258		11,926		12,227		13,167		13,957		14,725		15,348		629		6,982		14,720		20,538		26,350		44,468		57,197		65,229					
Strategic consulting, software licenses and other		1,272		1,245		1,142		1,532		1,496		1,526		1,518		1,540		3,845		2,821		3,043		4,360		3,874		5,191		6,080		6,369					
Total cost of revenue		10,180		12,503		13,068		13,759		14,663		15,483		16,242		16,889		4,474		9,803		17,713		24,783		29,901		49,510		63,277		71,597					
Gross profit		12,161		13,544		14,244		15,482		18,337		19,347		20,370		21,168		8,405		11,244		19,813		31,134		38,573		55,431		79,223		96,403					
Sales and Marketing		3,525		3,181		3,813		4,262		5,280		5,399		5,309		5,328		4,416		5,954		7,683		9,576		11,856		14,781		21,316		24,161					
Research & Development		2,821		2,833		2,723		3,095		3,960		4,005		3,661		3,615		5,913		7,021		5,807		7,982		9,173		11,472		15,242		21,595					
General and administrative		3,264		4,436		4,386		4,435		5,115		5,120		5,342		5,514		2,929		5,389		7,439		9,218		10,677		16,521		21,091		22,632					
Public company costs										300		300		300		300														0		1,200					
Depreciation		299		356.00		339.00		370.00		442		456		504		519		299		1,911		2,709		3,537		1,091		1,364		1,921		5,786					
Operating Income		2,252		2,738		2,983		3,320		3,240		4,067		5,254		5,891		(5,152)		(9,031)		(3,825)		821		5,776		11,293		18,453		22,229					
Decrease (increase) in fair value of warrants for redeemable convertible																				0		39		(66)		(184)		-		-		-		-		-	
Interest (expense) and income		-655		-774		-372		-160		-17		-17		-17		-18		(198)		(540)		(1,116)		(2,178)		(1,984)		(1,961)		(69)		(72)					
Pretax income		1,597		1,964		2,611		3,160		3,223		4,050		5,237		5,873		(5,350)		(9,532)		(5,007)		(1,541)		3,792		9,332		18,384		22,157					
Provision for Taxes		126		180		88		140		315		396		512		575		54		-76		23		264		295		534		1,799		2,168					
Adjusted Net Income		1,471		1,784		2,523		3,020		2,908		3,654		4,725		5,299		(5,404)		(9,456)		(5,030)		(1,805)		3,497		8,798									

Figure 8: Balance sheet

Tangoe Balance Sheet (in thousands) FY Ends December	Dec-08 <u>4Q08A</u>	Dec-09 <u>4Q09A</u>	Dec-10 <u>4Q10A</u>	Mar-11 <u>1Q11A</u>	Jun-11 <u>2Q11A</u>	Sep-11 <u>3Q11A</u>	Dec-11 <u>4Q11A</u>	Mar-12 <u>1Q12E</u>	Jun-12 <u>2Q12E</u>	Sep-12 <u>3Q12E</u>	Dec-12 <u>4Q12E</u>	Dec-13 <u>4Q13E</u>
Cash and equivalents	6,554	6,163	5,913	6,876	8,981	52,521	43,407	74,386	62,809	67,949	67,500	86,590
Accounts receivable	11,384	11,517	14,295	20,191	21,007	24,405	25,311	27,434	29,525	30,969	32,137	37,000
Prepaid expenses and Other current assets	869	1,585	1,395	1,488	1,418	2,098	2,503	2,640	2,786	2,929	3,045	3,641
Total current assets	18,808	19,265	21,603	28,556	31,406	79,024	71,221	104,460	95,120	101,847	102,681	127,231
Computers, furniture and equipment - NET	1,625	1,761	1,795	2,508	2,610	2,578	3,334	3,418	3,484	3,511	3,424	3,636
Security deposits in non current asset	453	573	1,925	2,727	3,744	1,070	1,241	1,650	1,742	1,831	1,903	2,220
Goodwill	16,191	17,636	17,636	22,893	22,893	22,893	36,266	36,266	36,266	36,266	36,266	36,266
Intangible assets	16,422	16,843	15,785	20,869	21,683	20,910	28,800	27,832	26,868	25,889	24,867	21,167
Cash Held in Escrow	1,375	-	-	-	-	-	-	-	-	-	-	-
Total Assets	54,874	56,078	58,744	77,553	82,336	126,475	140,862	173,626	163,479	169,344	169,142	190,520
Accts payables and accruals	2,745	2,858	3,303	4,434	5,894	6,439	6,605	6,600	7,105	7,469	7,764	5,328
Accrued Expenses	2,802	2,285	3,364	4,544	5,367	4,961	7,061	6,270	6,618	6,956	7,117	8,436
Long term debt —current portion	6,609	4,421	453	9,430	10,555	4,324	7,904	7,904	-	-	-	-
Line of Credit	5,000	5,500	-	-	-	-	-	-	-	-	-	-
Capital leases—current portion	200	177	392	-	-	-	1,079	-	-	-	-	-
Deferred Revenue	6,228	6,881	8,304	8,973	8,492	9,252	9,051	11,147	13,003	13,994	13,531	16,083
Total current liabilities	18,584	21,622	21,316	27,382	30,308	24,976	31,700	31,921	26,727	28,419	28,412	29,847
Deferred rent and other non-current liabilities	1,298	2,480	3,099	3,642	771	1,629	1,659	3,300	3,483	3,661	3,806	7,104
Long term debt —less current portion	15,408	11,725	11,319	22,028	21,170	-	8,290	8,290	-	-	-	-
Capital lease —less current portion	200	208	457	-	-	-	-	-	-	-	-	-
Deferred Revenue - Long Term	712	959	1,788	2,036	2,036	2,483	2,624	2,787	3,251	3,499	3,383	3,650
Warrants for redeemable convertible preferred st	328	512	1,346	2,598	4,072	3,762	-	-	-	-	-	888
Total liabilities	36,530	37,506	39,325	57,686	58,357	32,850	44,273	46,297	33,460	35,579	35,600	41,489
Redeemable Convertible Preferred Stock	53,826	57,604	61,441	62,391	63,336	-	-	-	-	-	-	-
Total stockholder's equity	(35,482)	(39,032)	(42,022)	(42,524)	(39,357)	93,625	96,589	127,329	130,019	133,765	133,542	149,031
Total Liabilities and SE	54,874	56,078	58,744	77,553	82,336	126,475	140,862	173,626	163,479	169,344	169,142	190,520
Analysis												
Cash, equivalents, ST Investments	6,554	6,163	5,913	6,876	8,981	52,521	43,407	74,386	62,809	67,949	67,500	86,590
Cash per share	\$0.28	\$0.26	\$0.21	\$0.26	\$0.30	\$1.50	\$1.13	\$1.81	\$1.51	\$1.62	\$1.59	\$2.00
Long-term liabilities	16,906	14,413	14,875	25,670	21,941	1,629	9,949	11,590	3,483	3,661	3,806	7,104
Debt per share	\$0.73	\$0.62	\$0.52	\$3.71	\$3.21	\$0.17	\$0.46	\$0.47	\$0.08	\$0.09	\$0.09	\$0.16
Book value per share	-\$1.5	-\$1.7	-\$1.5	-\$1.6	-\$1.3	\$2.7	\$2.5	\$3.1	\$3.1	\$3.2	\$3.1	\$3.4
Deferred revenue	6,940	7,840	10,092	11,010	10,528	11,735	11,675	13,933	16,254	17,493	16,914	19,733
% y/y growth	13%	29%	30%	25%	30%	16%	27%	54%	49%	45%	17%	-
% q/q growth	7%	12%	9%	-4%	11%	-1%	19%	17%	8%	-3%	-1%	-
Days Deferred Revenue (DDR)	53	47	49	44	36	39	36	38	42	43	40	40
Days Sales Outstanding (DSO)	86	69	69	81	73	80	78	75	76	76	76	75
Working capital	224	(2,357)	287	1,174	1,098	54,048	39,521	72,540	68,394	73,428	74,270	97,383
Current ratio	1.0x	0.9x	1.0x	1.0x	1.0x	3.2x	2.2x	3.3x	3.6x	3.6x	3.6x	4.3x
ROE	12%	1%	1%	1%	3%	-7%	1%	0%	1%	2%	2%	3%
ROA	-8%	-1%	-1%	-1%	-2%	-2%	1%	0%	1%	1%	2%	2%

Source: Deutsche Bank, company data



Figure 9: Cash flow statement

Tangoe Cash Flow Statement (in thousands) (FY-12)													Application Software Tangoe, Inc.				
	Mar-11 1Q11A	Jun-11 2Q11A	Sep-11 3Q11A	Dec-11 4Q11A	Mar-12 1Q12E	Jun-12 2Q12E	Sep-12 3Q12E	Dec-12 4Q12E	2007A	2008A	2009A	2010A	2011A	2012E	2013E		
CASH FLOW FROM OPERATING ACTIVITIES:																	
Net income/(loss)	(613)	(1,390)	(1,855)	903	490	1,240	2,296	2,843	(9,735)	(6,959)	(2,554)	(1,752)	(2,955)	6,869	14,253		
Adjustments to reconcile net loss to net cash used in operating activities:																	
Amortization of debt discount and imputed interest expense	180	195	757	207						32	53	192	95	1,339	-	-	
Amortization of BM w warrants	19	30	(49)										26				
Depreciation & amortization	1,008	1,123	1,314	1,198	1,410	1,420	1,483	1,541	1,911	2,709			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	1,641	183	178	144	199	193	(380)	(494)	(58)	2,147	3,298		
Allowance for doubtful accounts	11	12	-	-					205	137	9	207	23	-	-		
Deferred income taxes	126	3	92	84					-	62							
Incr. (Decr.) in fair value of warrants for redeemable pf stock	541	1,474	(19)	-					(39)	80	183	884	1,996	-	888		
Changes in operating assets and liabilities:																	
(Incr.) Decr. in accounts receivable	(1,606)	(826)	(3,399)	1,394	(2,123)	(2,091)	(1,444)	(1,168)	(1,040)	(1,596)	(141)	(2,986)	(4,437)	(6,826)	(4,863)		
(Incr.) Decr. in prepaid expenses	94	74	(82)	(39)	(137)	(146)	(143)	(116)	258	(323)	(26)	(500)	47	(542)	(596)		
(Incr.) Decr. in deposits & other assets	(444)	54	63	(54)	(409)	(92)	(89)	(72)	264	(36)	(133)	(1,242)	(381)	(662)	(317)		
Incr. (Decr.) in accounts payable	814	781	1,594	(135)	(5)	505	364	295	708	392	112	172	3,054	1,159	(2,436)		
Incr. (Decr.) in accrued liabilities and others	(424)	500	(440)	180	(791)	348	339	160	(45)	573	(198)	1,080	(184)	56	1,319		
Incr. (Decr.) in deferred revenues	713	(493)	1,218	(212)	2,258	2,321	1,238	(578)	2,200	1,524	882	2,252	1,226	5,239	2,819		
Net cash provided by operating activities	1,129	2,449	1,733	4,836	3,784	5,138	5,672	4,483	(4,803)	(1,263)	2,431	-	3,389	10,147	19,077	25,888	
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	(0)	(16,194)	-	-	3,747	13,451	(579)	(3,012)	(18,018)	(16,194)	-		
Repayment of settlement lab	-	-	-	-	(1,079)	-	-	-	(175)	(175)	-	-	(1,079)	-	-		
Costs incurred in securing financing	-	-	-	(170)					(88)	-	(85)	-	(170)	-	-		
Payments made to repurchase securities	-	-	-	-					334	137	75	300	1,593	-	-		
Proceeds from exercise of stock options and warrants	205	(126)	-	1,514					-	-	-	691	-	-	-		
Proceeds from repayment of notes receivable	-	-	-	-	69,925	(2,936)	28,800	(4,500)	-	-	-	-	66,989	28,800	-		
Proceeds from issuance (Repurchase) of stock	-	-	-	-					-	7,258	-	-	-	(4,500)	(4,500)		
Other/Acquisitions	-	-	-	-					3,818	20,671	(1,197)	(2,221)	50,394	7,027	(4,500)		
Net cash (used in) provided by financing activities	8,086	(79)	43,500	(1,113)	27,721	(16,194)	-	(4,500)	-	-	-	-	(138)	-	-		
Exchange rate fluctuation	666	2,263	45,102	(10,676)	30,979	(11,577)	5,140	(449)	(3,477)	5,312	(391)	(250)	37,356	24,093	19,090		
Increase (decrease) in cash and cash equivalents	6,051	6,718	8,981	54,083	43,407	74,386	62,809	67,949	4,858	1,381	6,692	6,301	6,051	43,407	67,500		
Cash and cash equivalents at beginning of period	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
Cash and cash equivalents at end of period	6,718	8,981	54,083	43,407	74,386	62,809	67,949	67,500	1,381	6,692	6,301	6,051	43,407	67,500	86,590		
Free cash flow															-2%	-1%	-1%
Cash flow from operations	1,129	2,449	1,733	4,836	3,784	5,138	5,672	4,483	(4,803)	(1,263)	2,431	3,389	10,147	19,077	25,888		
- 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	3,258	4,617	5,140	4,051	(5,316)	(1,934)	1,173	2,264	8,628	17,066	23,590		
Per share	0.03	0.07	0.04	0.12	0.08	\$0.11	\$0.12	\$0.10	(\$0.24)	(\$0.08)	\$0.05	\$0.08	\$0.26	\$0.41	\$0.55		
- 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	3,274	4,632	5,156	4,067	(4,776)	(818)	3,351	4,248	10,798	17,128	23,655		
Per share	\$0.06	0.09	0.06	0.12	0.08	\$0.11	\$0.12	\$0.10	(\$0.22)	(\$0.04)	\$0.14	\$0.16	\$0.32	\$0.41	\$0.55		
uFCF Margins	-	-	-	-	-	-	-	-	-23%	-2%	6%	6%	10%	12%	14.1%		

Source: Deutsche Bank, company data



Figure 10: Comp sheet

Tom Ernst

Nandan Amladi, Jobin Mathew

Deutsche Bank Securities
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Enterprise and Security	Price	Net	NET CASH	Sales			TEV/SALES			EPS			P/E			FCF/Share			EV/FCF				
				Cash	PER SH	CY11A	CY12E	CY13E	CY11A	CY12E	CY13E	CY11A	CY12E	CY13E	CY11A	CY12E	CY13E	CY11A	CY12E	CY13E	CY11A	CY12E	CY13E
Adobe Systems Inc.	ADBE	\$33.59	\$1,263	\$2.94	\$4,216	\$4,513	\$4,950	3.7x	3.4x	3.1x	\$2.35	\$2.43	\$2.78	14x	14x	12x	\$2.79	\$2.95	\$3.51	11.0x	10.4x	8.7x	
Check Point Software Techno	CHKP	\$63.08	\$2,690	\$12.54	\$1,247	\$1,366	\$1,464	9.9x	9.1x	8.5x	\$2.87	\$3.14	\$3.34	22x	20x	19x	\$3.16	\$3.56	\$3.85	16.0x	14.2x	13.1x	
Citrix Systems Inc.	CTXS	\$78.28	\$1,581	\$8.26	\$2,206	\$2,496	\$2,724	6.2x	5.5x	5.0x	\$2.49	\$2.74	\$3.12	31x	29x	25x	\$2.92	\$3.71	\$4.31	23.9x	18.9x	16.2x	
Fair Isaac Corp.	FICO	\$42.31	(\$230)	(\$6.95)	\$634	\$636	\$671	2.9x	2.9x	2.8x	\$2.22	\$2.43	\$2.75	19x	17x	15x	\$3.70	\$4.43	\$4.69	13.3x	11.1x	10.5x	
Fortinet Inc.	FTNT	\$28.44	\$468	\$2.86	\$434	\$516	\$610	10.0x	8.4x	7.1x	\$0.45	\$0.51	\$0.64	64x	56x	44x	\$0.78	\$1.00	\$1.19	33.0x	25.5x	21.4x	
Imperva Inc	IMPV	\$38.63	\$95	\$4.95	\$78	\$99	\$122	8.3x	6.6x	5.3x	(\$0.56)	(\$0.14)	\$0.35	NM	NM	NM	(\$0.55)	\$0.23	\$0.66	NM	NM	50.8x	
Informatica Corp.	INFA	\$52.76	\$564	\$4.99	\$784	\$900	\$1,032	6.9x	6.0x	5.2x	\$1.43	\$1.62	\$1.92	37x	33x	28x	\$1.43	\$1.68	\$1.84	33.4x	28.4x	26.0x	
Microsoft Corp.	MSFT	\$31.52	\$51,716	\$6.07	\$72,052	\$76,928	\$82,883	3.3x	3.1x	2.8x	\$2.76	\$2.87	\$3.26	11x	11x	10x	\$3.08	\$3.51	\$3.73	8.3x	7.3x	6.8x	
Nuance Communications Inc.	NUAN	\$25.52	(\$704)	(\$1.84)	\$1,459	\$1,768	\$2,026	6.1x	5.0x	4.4x	\$1.42	\$1.65	\$1.80	18x	15x	14x	\$1.12	\$1.47	\$1.60	24.4x	18.6x	17.1x	
Oracle Corp.	ORCL	\$29.56	\$14,965	\$2.95	\$36,822	\$38,089	\$40,117	3.7x	3.5x	3.4x	\$2.31	\$2.55	\$2.67	13x	12x	11x	\$2.57	\$2.84	\$2.96	10.4x	9.4x	9.0x	
Pros Holdings Inc.	PRO	\$18.41	\$68	\$2.31	\$97	\$116	\$137	4.6x	3.9x	3.3x	\$0.39	\$0.43	\$0.51	48x	43x	36x	\$0.41	\$0.44	\$0.50	39.7x	36.2x	32.0x	
Red Hat Inc.	RHT	\$60.95	\$1,260	\$6.43	\$1,081	\$1,277	\$1,513	10.2x	8.6x	7.3x	\$0.77	\$1.07	\$1.14	79x	57x	53x	\$1.60	\$1.84	\$2.42	34.0x	29.7x	22.5x	
Symantec Corp.	SYMC	\$18.31	\$312	\$0.41	\$6,722	\$7,043	\$7,421	2.1x	2.0x	1.9x	\$1.60	\$1.76	\$1.94	11x	10x	9x	\$2.18	\$2.68	\$2.78	8.2x	6.7x	6.4x	
Verint	VRNT	\$30.75	(\$713)	(\$14.14)	\$796	\$870	\$945	2.5x	2.3x	2.1x	\$2.48	\$2.62	\$2.94	12x	12x	10x	\$2.45	\$2.78	\$3.05	18.3x	16.2x	14.7x	
VMware	VMW	\$113.75	\$3,253	\$7.56	\$3,767	\$4,531	\$5,277	12.1x	10.1x	8.7x	\$2.17	\$2.51	\$3.04	52x	45x	37x	\$3.99	\$5.01	\$5.95	26.6x	21.2x	17.9x	
				Group Median ==>			6.1x	5.0x	4.4x	Group Median ==>			20.5x	18.7x	17.1x	Group Median ==>			21.1x	17.4x	16.2x		
				Group Mean ==>			6.2x	5.4x	4.7x	Group Mean ==>			30.9x	26.7x	23.2x	Group Mean ==>			21.5x	18.1x	18.2x		
Cloud Computing and SaaS																							
Ariba Inc.	ARBA	\$33.43	\$181	\$2.27	\$479	\$559	\$660	6.5x	5.5x	4.7x	\$0.85	\$1.02	\$1.27	39x	33x	26x	\$0.59	\$0.94	\$1.56	53.1x	33.1x	19.9x	
Aspen Technology Inc.	AZPN	\$20.20	\$138	\$1.49	\$223	\$262	\$344	8.1x	6.9x	5.3x	(\$0.27)	(\$0.08)	\$0.40	NM	NM	50x	\$0.64	\$0.89	\$1.11	29.4x	21.0x	16.8x	
Bazaarvoice Inc.	BV	\$18.10	\$124	\$2.01	\$94	\$122	\$155	11.1x	8.6x	6.7x	(\$0.45)	(\$0.60)	(\$0.32)	NM	NM	NM	(\$0.02)	(\$0.36)	(\$0.31)	NM	NM	NM	
Concur Technologies Inc.	CNQR	\$56.29	\$322	\$4.48	\$370	\$466	\$562	7.7x	6.1x	5.0x	\$0.86	\$0.86	\$1.09	66x	66x	52x	\$0.84	\$1.21	\$1.35	61.4x	42.8x	38.5x	
IntraLinks Holdings Inc.	IL	\$5.09	(\$44)	(\$0.15)	\$214	\$190	\$210	1.5x	1.7x	1.5x	\$0.42	(\$0.12)	\$0.00	12x	NM	NM	\$0.76	\$0.10	\$0.42	6.9x	54.1x	12.4x	
Intuit Inc.	INTU	\$59.77	\$999	\$3.27	\$4,054	\$4,416	\$4,850	4.3x	3.9x	3.6x	\$2.77	\$3.08	\$3.39	22x	19x	18x	\$3.11	\$3.21	\$3.85	18.2x	17.6x	14.7x	
NetSuite Inc.	N	\$49.73	\$121	\$1.65	\$236	\$297	\$360	14.4x	11.5x	9.5x	\$0.15	\$0.21	\$0.40	NM	NM	NM	\$0.41	\$0.60	\$0.75	NM	80.6x	64.1x	
NeuStar Inc.	NSR	\$36.97	\$399	\$5.36	\$621	\$820	\$925	3.8x	2.8x	2.5x	\$1.59	\$2.07	\$2.82	23x	18x	13x	\$2.48	\$2.80	\$3.10	12.8x	11.3x	10.2x	
RealPage Inc.	RP	\$18.42	\$21	\$0.14	\$259	\$315	\$375	5.1x	4.2x	3.5x	\$0.35	\$0.46	\$0.60	52x	40x	31x	\$0.49	\$0.73	\$0.95	37.1x	25.0x	19.3x	
salesforce.com inc.	CRM	\$157.04	\$1,410	\$10.20	\$2,267	\$2,940	\$3,600	9.2x	7.1x	5.8x	\$1.36	\$1.61	\$2.19	NM	98x	72x	\$3.09	\$3.57	\$4.14	47.5x	41.2x	35.5x	
ServiceSource International Ir	SREV	\$15.57	\$42	\$0.85	\$206	\$245	\$300	5.7x	4.8x	3.9x	\$0.08	\$0.06	\$0.15	NM	NM	NM	(\$0.33)	\$0.09	\$0.22	NM	NM	65.5x	
Synchronoss Technologies Ir	SNCR	\$31.77	139	\$1.79	\$230	\$285	\$345	4.7x	3.8x	3.2x	\$0.98	\$1.10	\$1.25	32x	29x	25x	\$0.72	\$1.15	\$1.30	41.6x	26.1x	23.1x	
Tangoe	TNGO	\$19.33	\$33	\$1.81	\$105	\$143	\$168	7.3x	5.4x	4.5x	\$0.26	\$0.40	\$0.47	74x	49x	42x	\$0.32	\$0.41	\$0.55	54.7x	42.8x	31.8x	
VMware	VMW	\$113.75	\$3,253	\$7.56	\$3,767	\$4,531	\$5,277	12.1x	10.1x	8.7x	\$2.17	\$2.51	\$3.04	52x	45x	37x	\$3.99	\$5.01	\$5.95	26.6x	21.2x	17.9x	
				Group Median ==>			6.5x	5.5x	4.7x	Group Median ==>			36x	40x	37x	Group Median ==>			37.1x	29.6x	21.5x		
				Group Mean ==>			7.2x	5.9x	4.9x	Group Mean ==>			40x	44x	40x	Group Mean ==>			35.4x	34.7x	31.0x		

Source: Deutsche Bank, company data



Figure 11: 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		
	CY11A	CY12E	CY13E	CY11A	CY12E	CY13E	CY11A	CY12E	CY13E	CY11A	CY12E	CY13E	CY11A	CY12E	CY13E	CY11A	CY12E	CY13E	CY11A	CY12E	CY13E	CY11A	CY12E	CY13E	CY11A	CY12E	CY13E			
Enterprise and Security																														
Adobe Systems Inc.	11%	7%	10%	21%	3%	14%	33%	6%	19%	91%	92%	92%	38%	37%	38%	33%	33%	36%	37	41	46	5%	6%	6%						
Check Point Software Techn	14%	10%	7%	18%	9%	6%	-100%	13%	8%	88%	88%	89%	58%	59%	59%	54%	56%	56%	139	155	170	1%	1%	1%						
Citrix Systems Inc.	18%	13%	9%	20%	10%	14%	5%	27%	16%	90%	92%	92%	26%	26%	27%	25%	28%	30%	139	146	154	5%	6%	5%						
Fair Isaac Corp.	4%	0%	6%	47%	10%	13%	35%	20%	6%	71%	72%	73%	24%	24%	25%	23%	27%	27%	25	26	32	3%	3%	3%						
Fortinet Inc.	34%	19%	18%	56%	14%	26%	21%	29%	19%	74%	74%	74%	24%	24%	26%	29%	32%	32%	220	222	222	1%	1%	1%						
Imperva Inc	41%	26%	24%	NM	NM	NM	NM	NM	188%	69%	80%	79%	14%	12%	9%	-14%	5%	10%	127	146	170	2%	2%	1%						
Informatica Corp.	21%	15%	15%	28%	14%	18%	23%	18%	9%	85%	84%	85%	29%	29%	30%	21%	21%	20%	85	93	94	2%	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%	3%	5%	21%	10%	5%	41%	11%	4%	78%	79%	79%	45%	47%	47%	35%	38%	37%	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.	50%	18%	19%	4%	40%	7%	33%	15%	32%	33%	34%	40%	11%	9%	9%	29%	28%	31%	262	254	265	5%	8%	5%						
Symantec Corp.	11%	5%	5%	11%	10%	11%	13%	23%	4%	86%	86%	86%	26%	26%	27%	25%	29%	29%	166	205	215	4%	3%	2%						
Verint	10%	9%	9%	36%	6%	13%	-24%	13%	10%	69%	68%	68%	25%	22%	21%	16%	16%	16%	88	78	92	1%	2%	2%						
VMware	32%	20%	16%	44%	16%	21%	71%	26%	19%	88%	88%	88%	31%	30%	32%	46%	48%	49%	230	263	305	8%	6%	4%						
Group Median ==>	18%	13%	10%	21%	10%	13%	21%	16%	10%	78%	79%	79%	26%	26%	27%	25%	28%	30%	117	107	100	3%	3%	2%						
Group Mean ==>	21%	13%	12%	29%	12%	14%	15%	18%	24%	76%	77%	77%	29%	29%	29%	26%	29%	30%	122	129	137	3%	3%	3%						
Cloud Computing and SaaS																														
Ariba Inc.	31%	17%	18%	14%	19%	25%	-100%	61%	66%	68%	69%	70%	18%	19%	21%	12%	17%	23%	93	80	75	6%	3%	3%	30%	30%	30%	69%	25%	25%
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%
Bazaarvoice Inc.	66%	30%	27%	NM	NM	NM	NM	NM	NM	67%	68%	69%	-15%	-22%	-9%	-1%	-19%	-13%	143	132	122	5%	7%	8%	46%	47%	42%	66%	30%	27%
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%	93%	32%	31%	21%	26%	21%
IntraLinks Holdings Inc.	16%	-11%	11%	59%	-129%	NM	3%	-87%	336%	80%	76%	76%	22%	-3%	5%	19%	3%	11%	69	69	74	11%	12%	\$0	20%	24%	22%	16%	-11%	11%
Intuit Inc.	14%	9%	10%	36%	11%	10%	32%	3%	20%	83%	83%	82%	34%	33%	33%	23%	22%	24%	52	15	56	-28%	-27%	-28%	42%	42%	41%	21%	8%	12%
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.	37%	22%	19%	83%	30%	30%	68%	48%	30%	66%	68%	69%	18%	19%	20%	14%	17%	19%	83	79	79	6%	5%	4%	18%	18%	20%	41%	24%	20%
salesforce.com inc.	37%	30%	22%	12%	18%	36%	16%	15%	16%	82%	82%	83%	12%	12%	15%	19%	17%	16%	197	217	225	7%	6%	6%	46%	46%	46%	37%	30%	22%
ServiceSource International	34%	19%	22%	-16%	-22%	139%	-230%	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%						
Tangoe	53%	36%	18%	104%	52%	17%	106%	28%	34%	53%	56%	57%	11%	13%	13%	13%	12%	13%	36	40	40	1%	1%	1%	14%	15%	14%	62%	36%	18%
VMware	32%	20%	16%	44%	16%	21%	71%	26%	19%	88%	88%	88%	31%	30%	32%	46%	48%	49%	230	263	305	8%	6%	-4%	32%	32%	31%	36%	26%	22%
Group Median ==>	31%	22%	19%	36%	16%	29%	37%	28%	25%	68%	69%	70%	18%	12%	15%	13%	16%	15%	83	79	78	6%	6%	3%	32%	32%	31%	36%	26%	22%
Group Mean ==>	31%	21%	19%	32%	-1%	50%	32%	17%	100%	65%	65%	66%	13%	10%	15%	16%	15%	17%	102	103	109	3%	3%	2%	33%	32%	30%	55%	23%	21%

Source: Deutsche Bank, company data





Appendix 1

Important Disclosures

Additional information available upon request

Disclosure checklist			
Company	Ticker	Recent price*	Disclosure
Tangoe, Inc.	TNGO.OQ	19.33 (USD) 5 Apr 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

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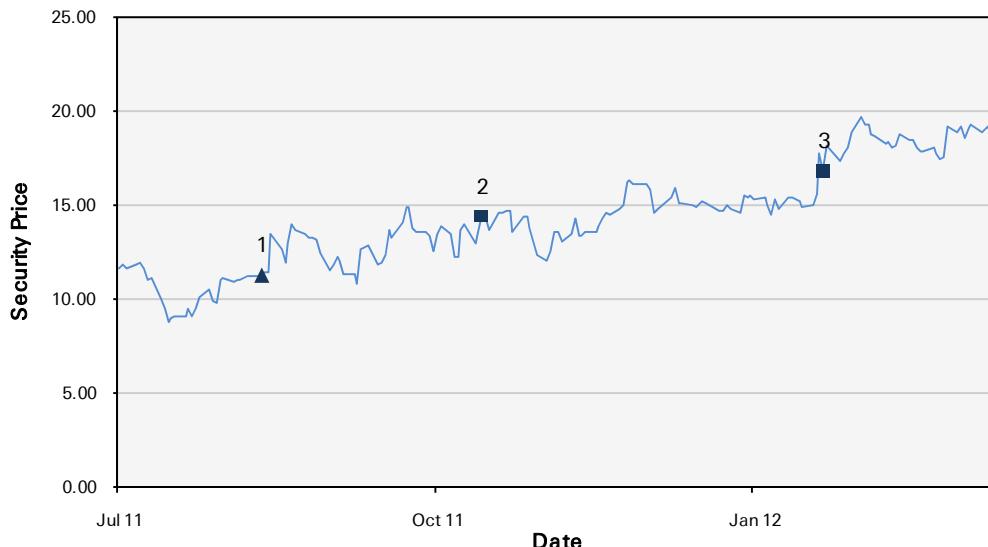
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Historical recommendations and target price: Tangoe, Inc. (TNGO.OO)
 (as of 4/5/2012)



Previous Recommendations

Strong Buy
 Buy
 Market Perform
 Underperform
 Not Rated
 Suspended Rating

Current Recommendations

Buy
 Hold
 Sell
 Not Rated
 Suspended Rating

*New Recommendation Structure
 as of September 9, 2002

- | | |
|---|--|
| 1. 09/06/2011: Upgrade to Buy, Target Price Change USD17.00 | 3. 02/16/2012: Buy, Target Price Change USD20.00 |
| 2. 11/09/2011: Buy, Target Price Change USD18.00 | |

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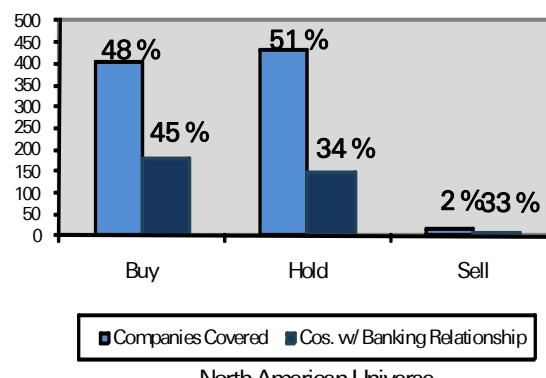
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TANGOE, INC. (TNGO: \$18.60)

April 5, 2012

**Initiating Coverage
Rating: Buy
Price Target: \$30.00**

Market Data					
12-18 Month Price Target				\$30.00	
52-Week Range				\$20.05 - \$8.01	
EPS (\$)					
FY DEC	2011	2012		2013	
	Actual	Previous	Current	Previous	Current
Q1	\$0.05A	–	\$0.08E	–	\$0.13E
Q2	\$0.06A	–	\$0.09E	–	\$0.14E
Q3	\$0.07A	–	\$0.11E	–	\$0.15E
Q4	\$0.08A	–	\$0.14E	–	\$0.16E
YEAR	\$0.26A	–	\$0.42E	–	\$0.58E
Valuation Ratio					
	FY11	FY12	FY13		
P/E	71.5x	44.3x	32.1x		
EV/EBITDA	51.2x	32.2x	22.9x		
EV/S	6.2x	4.6x	3.8x		
Financial Data					
	FY11	FY12	FY13		
Revenue	\$104.9A	\$142.3E	\$170.0E		
Gross Margin	53.00%	53.50%	54.90%		
Operating Margin	3.90%	6.00%	8.10%		
EBITDA	\$12.7A	\$20.2E	\$28.4E		
Balance Sheet					
	FY11	FY12	FY13		
Accounts Receivable	\$25.3A	–	–		
Current Assets	\$71.2A	–	–		
PPE	\$3.3A	–	–		
Total Assets	\$140.9A	–	–		
Accounts Payable	\$6.6A	–	–		
Short Term Debt	\$7.9A	–	–		
Current Liabilities	\$31.7A	–	–		
Total Liabilities	\$44.3A	–	–		
Long Term Debt	\$8.3A	–	–		
Shareholders Equity	\$96.6A	–	–		

Company Description

Tangoe, Inc. (TNGO) was founded in 2000 and is based in Orange, Connecticut. Tangoe is the leading global provider of SaaS-based telecommunications expense management solutions that help customers lower costs and increase controls over wireline and wireless telecom assets. Tangoe has run-rate revenues of \$117 million and more than 800 employees supporting over 700 customers worldwide.

Initiating Coverage With a Buy; Best Telecom Expense Management Dance Partner
Summary

We are initiating coverage of Tangoe, Inc. (TNGO) with a Buy rating and \$30.00 target price. Having consolidated a significant number of competitors and expanded its suite of offerings via both internal development and strategic acquisitions in fixed and wireless Telecommunications Expense Management (TEM) and in Mobile Device Management (MDM), Tangoe has become a “one stop” Communications Lifecycle Management (CLM) provider. In our view, as a sector dominator, the company’s accelerated revenue and earnings growth, combined with its recurring and predictable financial model, create a compelling investment that should outperform the broader market.

Key Points

- **Leader in SaaS tools for very large market.** Tangoe is well established as the leading SaaS provider of telecom expense management solutions addressing fixed-line, datacom, and wireless spend as well as mobile device management. In our view, Tangoe’s tools can be marketed to virtually any Global 5000 enterprise customer and to the bulk of the global mid-market, creating a very large (multi-billion dollar) market opportunity with minimal penetration to date.
- **Proven cost cutter for customers, with control improvement also.** Tangoe’s TEM solutions rapidly discover cost savings for customers, from reducing unused lines to improving rate plan selection. With systems in place, customers also gain greater control over service usage, end-user devices and applications to bolster its overall value-add. A retention rate of over 95% attests to its value proposition and reinforces its recurring revenue model.
- **Solid organic growth and proven "roll-up" strategy.** Despite intense macro pressures, Tangoe’s revenues grew over 20% in both 2010 and 2011. Tangoe has also executed a clear "roll-up" strategy in its core TEM space by applying its technology-driven solutions to competitors' manual-centric business models. With 4Q11 reported revenue growth of 56.6% attesting to the scaling benefits of these efforts, we believe this strategy warrants a premium valuation for Tangoe, particularly in light of the consistently accretive outcomes demonstrated.
- **Scaling profitability with deleveraged balance sheet post IPO.** With adjusted EBITDA forecast to increase nearly 3x from 2010 to 2012 (to \$20.2 million in 2012 versus \$6.9 million in 2010), Tangoe is solidly profitable and on the cusp of an earnings breakout, in our view. With an acquisitive history, the balance sheet was moderately levered pre-IPO, but IPO and follow-on proceeds have cut debt roughly 50% to \$16.2 million versus cash reserves now estimated at \$81.3 million or roughly \$1.60 in net cash per share.
- **Category killer has peer valuation but above-average potential.** With solid profitability and organic growth, we believe Tangoe warrants a premium valuation due to its "category killer" status in the TEM space and its ability to augment organic growth with a well defined and proven accretive acquisition strategy. Now trading at a SaaS peer-matching 6x run-rate revenue multiple, our \$30.00 target assumes a 7.5x run-rate revenue multiple (adding a 25% premium for its acquisition strategy) applied to our 4Q12 forecast.

Executive Summary

Having consolidated a significant number of smaller competitors, and expanded its suite of offerings via both internal development and strategic acquisitions in fixed and wireless Telecommunications Expense Management (TEM) and in Mobile Device Management (MDM), Tangoe has become a “one stop” Communications Lifecycle Management (CLM) provider. In our view, as a SaaS sector dominator, in an attractive and large space, the company’s accelerated revenue and earnings growth, combined with its recurring and predictable financial model, create a compelling investment that should outperform the broader market. Against this backdrop, we are initiating coverage of Tangoe with a Buy rating and \$30.00 target price. We see the shares as a solid core holding for growth-oriented investors.

Key Investment Highlights

Leader in SaaS tools for very large market. Tangoe is well established as the leading global SaaS provider of Telecom Expense Management (TEM) solutions for enterprise and mid-market companies. Having moved from fixed-line and datacom-centric solutions into the wireless expense management arena, Tangoe more recently broadened to also manage end-user devices in the mobile world, an emerging segment termed Mobile Device Management (MDM). In our view, Tangoe’s tools can be marketed to virtually any Global 5000 enterprise customer, and to the bulk of the global mid-market to create a very large market opportunity with only minimal penetration to date. With Tangoe currently the largest scaled vendor while still serving only roughly 700 customers, we see the space as a true "multi-billion dollar" opportunity long-term. The competitive environment is largely addressed currently by small regional service providers with manually-intensive business models as contrasted to Tangoe's highly automated processes.

Proven cost cutter for customers, with control improvements also. Tangoe’s TEM solutions are designed to rapidly discover cost savings for customers, from reducing unused lines to improving rate plan selection. With systems in place, customers also gain greater control over service usage, end-user devices and applications to bolster its overall value-add. More recent capabilities even allow for real-time spend management optimization to avoid problems such as sudden usage spikes or unplanned international service requirements that previously might have resulted in large (but avoidable) billing increases.

Highly visible, recurring revenue model. As a SaaS-based revenue model (albeit with professional services as a natural component of revenues), the volatility of quarterly licensing revenues of legacy software providers has been replaced by a highly predictable revenue and earnings model. Long-term, we believe overall predictability should prove to be strong and supportive of a premium valuation versus growth-oriented companies who typically lack such visibility.

Solid organic growth rate and proven acquisition history. Despite intense macroeconomic pressures, Tangoe’s revenues grew organically over 20% in both 2010 and 2011. Tangoe has also executed a clear "roll-up" strategy in its core TEM space by applying its technology-driven solutions to competitors' manual-centric business models. With 4Q11 reported revenue growth of 56.6% attesting to the scaling benefits of these efforts, we believe this strategy warrants a premium valuation for Tangoe, particularly in light of the consistently accretive outcomes demonstrated.

Scaling profitability with deleveraged balance sheet post IPO. With adjusted EBITDA forecast to increase nearly 3x from 2010 to 2012 (to \$20.2 million in 2012 versus \$6.9 million in 2010), Tangoe is solidly profitable and on the cusp of an earnings breakout, in our view. With an acquisitive history, the balance sheet was moderately levered pre-IPO, but IPO and follow-on proceeds have cut debt roughly 50% to \$16.2 million versus cash reserves now estimated at \$81.3 million to yield roughly \$1.60 in net cash per share.

Valuation Framework

Primary near-term factor is expected revenue multiple expansion. We view Tangoe as having “category killer” status in the TEM market, and as a solid player in the fast emerging MDM space. With solid profitability and organic growth well established, we believe the company should become a “premium player” in terms of valuation in the SaaS space, although a limited track record has likely gated this move somewhat. In our view, its ability to augment solid organic growth with a well-defined and proven accretive acquisition strategy should garner a premium valuation. Currently trading at roughly 5.9x run-rate revenues (net of net cash), matching its peer average of 5.9x, investors willing to buy early and hold through the development of a solid guidance and execution history could be well rewarded by sharply higher valuation multiples on an increasing revenue base over time. Our price target of \$30.00 assumes a 7.5x run-rate revenues multiple (arguing for a 25% premium for its accretive acquisition strategy) applied to our 4Q12 forecast and adds an estimated net cash reserve adjustment.

Too early to focus on EPS, but does offer defensibility, in our view. While we view it as too early to focus on an earnings-driven valuation given its accelerated organic growth phase and only early-stage overall profitability (operating margins in 4Q11 were just 4.1% but did increase over 250 basis points year over year), pro forma EPS can be used, in our view, as a backstop in terms of valuation defensibility. Run-rate pro forma EPS in 4Q11 were \$0.32, to yield an implied pro forma P/E (net of cash reserves of roughly \$1.60 per share) of roughly 53x, essentially inline with the 57% revenue growth rate reported for 4Q11. As we typically apply a 1.5 PEG to account for superior predictability in the SaaS space, the “core P/E multiple” (pre-PEG) could be implied at 35x. With pro forma EPS up over 100% in 2011 (to \$0.26 versus \$0.12 in 2010 if using a normalized sharecount to improve the comparisons’ fairness), the multiples (pre-PEG or not) are defensible in our view. Perhaps more importantly, looking forward, our 4Q12 run-rate pro forma EPS forecast of \$0.56 would imply a P/E of roughly 30x (or 20x with a PEG of 1.5x) at current trading levels, a well defensible multiple in our view.

Company Description

Tangoe, Inc. (TNGO) was founded in 2000 and is based in Orange, Connecticut. Venture-backed by Edison Ventures, Sevin Rosen Funds, Investor Growth Capital and North Atlantic Capital, Tangoe is the leading global provider of SaaS-based telecommunications expense management (TEM) solutions that help enterprise and mid-market customers lower their costs and increase the controls over their telecommunications and data communications assets, in both fixed-line and wireless environments. With the proliferation of intelligent wireless devices increasing the complexity of supporting wireless deployments, Tangoe has extended its solutions to also address Mobile Device Management (MDM), to create an end-to-end solution suite for Communications Lifecycle Management (CLM). Today, Tangoe has run-rate revenues of roughly \$117 million and more than 800 employees supporting over 700 customers worldwide. End customer spending managed by its systems totals over \$15 billion and over 2 million end-user wireless devices are managed by its applications.

Market & Products

Complex problems underserved by manual outsourcing players. The complexity of administering to telecommunications spending should not be underestimated. Looked at simply, even a company with as few as 500 “white collar” employees could be forced to deal with as many as 15,000-20,000 bills per year (assuming each is billed monthly for one desk phone, one mobile phone and one data connection for a total of up to 36 bills per year each). With rate and billing complexity for telecommunications exacerbated by issues related to volumes (with time of day and seasonal variations for example) and geographies (international currencies and languages and rates varying greatly versus domestic geographies)

and even technologies (compatibility-driven or even user-driven such as applet downloading and billing), and multiplied by the number of vendors chosen globally, the manual approach to billing outsourcing employed by many companies leaves most issues unaddressed. In manual outsourcing situations, business partners typically aggregate only basic datasets to forward to payables departments, leaving optimization efforts largely unsupported.

Automation is key to success in TEM. In Tangoe's case, it has deployed a global infrastructure (with 88 global invoice processing centers covering over 180 countries) that is capable not only of capturing and integrating raw digital billing feeds (as would be expected perhaps in most "G20"-type countries), but also of efficiently converting paper-based bills into digital feeds by using automated optical conversion technologies. This infrastructure investment leaves Tangoe uniquely capable of preserving and using virtually all billing data within its SaaS-based analytic engine for future billing and vendor optimization and selection efforts.

In terms of scale, we note that Tangoe processes roughly 500,000 invoices monthly on behalf of its customers (in 16 languages and more than 125 currencies currently). With challenges exacerbated by the need to support over 60 global regulatory agencies, we believe the barriers to building a truly global telecommunications expense management engine to compete with Tangoe are extremely high.

Very large end-market should see strong adoption given high ROI. From a target market perspective, while Tangoe derives the bulk of its revenues from large enterprises (roughly 50% of revenues come from its top 100 customers who are typically Global 2000 enterprises, it also services the global mid-market. In our view, the Global 5000 should virtually all be strong target customers (with telecom/datacom a nearly ubiquitous requirement for modern companies to compete in the global market) as should mid-market companies (which we see totaling several hundred thousand companies as we estimate as many as 250,000 companies have, for example, adopted mid-market ERP solutions over the past two decades). Overall, while impossible to accurately gauge, we are confident that Tangoe's end market represents a true "multi-billion dollar" market opportunity. To support this claim we note that average revenues per customer tend to be much higher than in most SaaS verticals, with its Top 35 customers averaging more than \$1.0 million per year and its Top 100 averaging roughly \$600,000. Its overall average revenue per customer is in the \$150,000-\$200,000 range to leave even moderate penetration of the global enterprise and mid-markets capable of driving billions in annual revenues over the long-term.

From an ROI perspective, the company notes that its ability to cut costs (by improving rate plans and eliminating unused telecom/datacom lines, for example) can in many cases result in payback periods of six months or less, an analysis we see supported by its very high customer retention level (at above 95% annually to come in at the upper-end of all SaaS players). We believe the ubiquity of telecom/datacom usage globally, tied to its strong customer ROI argues not only for a large market, but for a strong likelihood of high customer adoption rates long-term.

Mobile Device Management offers complementary offering to core telecom expense management. With wireless devices becoming ever "smarter," they are also becoming more difficult to administer to for corporations. While "dumb mobile phones" could largely be treated the same as fixed telecom lines, phones that can now download fee-based applications (and even viruses) offer unique new management problems for both technical and financial optimization. With its 2008 acquisition of privately-held Telwares, Tangoe moved into the Mobile Device Management (MDM) space. While we view this space as highly fragmented and competitive (with many private and public companies looking to compete in it today), we see Tangoe's unique ability to bridge between billing data and device control as a clear advantage. We view this as an upside market (and financial) opportunity currently, with its TEM space primarily

responsible for (and well capable of) supporting our forecasts and the company's total current valuation.

Financial Model - Factors & Forecasts

Factors

Key factors driving Tangoe's financial model are as follows.

1. Recurring revenue-driven. As a subscription-oriented revenue model, as opposed to the former licensing model that dominated the software industry for decades, Tangoe's revenues (and in turn earnings) have high predictability and stability, with a strong, sequential-growth bias. While its services and consulting revenues are not recurring, they represented only 11% of 2011 total revenues to minimize their volatilizing impact. This recurring revenue model supports a strong tendency to achieve record revenues both annually and sequentially (our model notes no sequentially lower quarters dating back to at least 2008; prior years dating back to 2005 also carry unbroken year over year growth). We see no factors likely to change this pattern going forward and note that no customers represent a material portion of revenues.

2. Organic growth augmented by acquisitions. While not immune to the recession's impacts, Tangoe continued to report solid organic growth of more than 20% in each of the past two years. In addition, Tangoe has been a serial acquirer of both competing companies and complementary product offerings. While at times strategic product acquisitions could prove to add minimally to revenues and/or earnings (or could potentially even prove mildly dilutive), the company's competitive acquisitions fit a clear "roll-up" strategy by being rapidly accretive. Tangoe has a solid global foundation built upon highly automated business processes (such as optical scanning of paper-based bills in international geographies) and advanced software engines to provide its services. While its competitors continue to rely on manually-intensive data entry and analysis methods, Tangoe can typically increase the profitability of its acquisitions both rapidly and materially. As such, we would expect (and hope) to see a continuation of its roll-up strategy both domestically (its primary focus to date) and internationally (noting its recent U.K.-based acquisition of ttMobiles in February 2012). In our view, the faster Tangoe can identify and complete these types of acquisitions the better as they should offer steady upside to base-line forecasts which cannot anticipate the timing and impact of the accretion that would be expected.

3. Gross margins below SaaS peers but should trend higher on steady-state basis. Blended gross margins in 4Q11 were 53%, a level well below many pure-play SaaS players in other vertical markets. The global infrastructure Tangoe has deployed to enable the ability to capture and digitize telecom bills across the world (regardless of language and currency) offers a cost to operations that is well above that of many SaaS-based models. However, it also offers large competitive barriers to entry and scale. Long-term, as Tangoe scales from the current "hundreds of customers" scale (over 700 now) to the thousands, we expect steady increases to overall gross margins and profitability on a steady-state basis (once acquisitions are fully integrated and optimized to augment organic growth). Periodically however, we note that acquisitions will likely result in dampened near-term gross margins prior to integration and optimization.

4. Earnings poised for solid growth. With revenues setting consistent record highs, and growth (organic and acquisition-driven) remaining at a highly accelerated pace (4Q11 revenues were up 56.6%), pro forma earnings have demonstrated a strong "stair step" pattern over the past few years (adjusted net income has risen sequentially every quarter since 4Q08). In aggregate, adjusted net income scaled over 100% in 2011 to \$8.8 million versus \$3.5 million in 2010, or to \$0.26 per share in 2011 versus roughly \$0.12 in 2010 (using a "normalized" sharecount to improve comparisons pre-IPO). Our \$0.42 pro forma EPS forecast for 2012 would still offer greater than 60% upside versus 2011.

Forecasts

2012

Combining the above factors, we are forecasting record 2012 revenues of \$142.3 million, up 35.6% year-over-year, to drive record pro forma EPS of \$0.42 (up 60% versus the prior record of \$0.26 in 2011). By contrast to the unbroken sequential adjusted net income pattern that dates back to 2008, our model presumes a one quarter narrow de-leveraging (modeled essentially flat at \$2.96 million in 1Q12 versus \$3.02 million in 4Q11) as a result of early year spending and acquisition impacts, although we would not be greatly surprised to see upside of our model result in another sequentially higher quarter. This forecast leaves pro forma EPS estimated flat sequentially at \$0.08 for 1Q12 before returning to a sequential growth pattern thereafter (up \$0.01 sequentially in 2Q12 to \$0.09, \$0.02 higher in 3Q12 to \$0.11 and \$0.03 higher in 4Q12 to \$0.14) to leave run-rate pro forma EPS of \$0.56 exiting the year.

2013

Looking out to 2013, we are forecasting record revenues of \$170.0 million, up 19.5% year-over-year, to drive pro forma EPS of \$0.58. With no ability to know if/when strategic or complementary acquisitions are timed, we simply focus on the development of a steady-state model to leave its accretive acquisition roll-up strategy as an (expected) upside driver. As a steady-state model, we assume recurring revenues grow 20%, but model services grow at a slower 15% rate. We see gross margins trending slowly higher, forecast at 54.9% for 2013 versus the 53.5% we forecast for 2012. In terms of fairness as forecasts, we note that gross margins have been as high as 56.3% in 2010 prior to certain investment and acquisition dampeners. Again, given a solidly sequentially higher earnings bias, we view run-rate pro forma EPS as more important than actual annual forecasts and note that our 4Q13 forecast results in a run-rate earnings level of \$0.64 per share. From an upside perspective, with only minor organic and acquisition-driven upside over the next 12-18 months, we believe run-rate pro forma EPS could actually scale well higher, with for example, only \$1.6 million in quarterly adjusted net income upside required to drive run-rate pro forma EPS to as high as \$0.80 exiting 4Q12.

Balance Sheet Solid

Tangoe's balance sheet is solid. With adjusted EBITDA forecast to increase over 2.5x from 2010 to 2012 (to \$20.2 million in 2012 versus \$6.9 million in 2010), Tangoe is solidly profitable to leave its balance sheet an asset largely available for continued strategic and complementary acquisitions as has been a long-term focus for the company. The balance sheet was moderately leveraged pre-IPO, with debt totaling \$29.7 million versus cash of \$9.0 million in 2Q11. Post IPO, debt was cut strongly (to \$7.3 million exiting 3Q11) but has rebounded moderately as a result of continued acquisitions to exit 4Q11 at \$16.2 million. However, total cash has also stepped up strongly as an offset, exiting 4Q11 at \$43.4 million (including IPO and core cash generation impacts) and is set to increase to roughly \$81 million as a result of its recent follow-on offering (in which the company sold 2.2 million shares of an 8.0 million share offering).

In our view, with a proven "roll-up" strategy in place, we would expect to see ongoing acquisitions completed, backed up by sporadic forays into the capital markets to replenish deployed capital. So long as its acquisitions remain largely focused on buying competing vendors in an accretive manner (with less focus on strategic and potentially dilutive acquisitions), we would strenuously support such efforts as a strong avenue to continue to accelerate its scale and earnings development pace while simultaneously building even greater barriers to entry.

Figure 1: COMPARABLES ANALYSIS - Software-as-a-Service ("SaaS") Companies

	Ticker	Rating	Stock Price	Price %			Shares	Market Cap.	Net Cash	Equity Valuation	Revenue Growth		Revenue Multiples						Earnings Multiples																			
				52-Week High	Change vs. 52-Week High	52-Week High					Latest Q	LQA	EV/Rev	2009	EV/Rev	2010	EV/Rev	2011	EV/Rev	LQA	EV/EPS	2009	EV/EPS	2010	EV/EPS	2011	EV/EPS											
Software-as-a-Service																																						
Concur Technologies *	CNQR	BUY	\$55.78	\$62.60	-10.9%	56.0	\$3,123.7	\$251.0	\$4.48	\$2,872.7	29.55%	\$401.5	7.2	\$247.6	11.6	\$292.9	9.8	\$349.5	8.2	\$1.28	40.1	\$1.14	45.0	\$1.22	42.0	\$1.21	42.4											
Constant Contact	CTCT	BUY	\$29.25	\$36.33	-19.5%	30.6	\$896.4	\$140.1	\$4.57	\$756.3	21.20%	\$230.1	3.3	\$129.1	5.9	\$174.2	4.3	\$214.4	3.5	\$1.08	22.9	\$0.12	NM	\$0.39	NM	\$0.71	34.8											
Cornerstone OnDemand **	CSOD	NR	\$21.09	\$23.50	-10.3%	54.2	\$1,143.6	\$85.4	\$1.58	\$1,058.2	42.63%	\$80.1	13.2	\$29.3	36.1	\$46.6	22.7	\$75.5	14.0	(\$0.24)	NM	(\$0.24)	NM	(\$0.40)	NM	(\$0.32)	NM											
DemandTec *	DMAN	NR	\$13.19	\$14.00	-6.3%	35.2	\$463.7	\$66.4	\$1.89	\$397.3	2.97%	\$89.3	4.5	\$79.1	5.0	\$82.4	4.8	\$92.7	4.3	\$0.04	NM	\$0.08	NM	\$0.00	NM	\$0.00	NM											
inContact	SAAS	NR	\$5.60	\$6.00	-6.7%	46.4	\$260.0	\$9.2	\$0.20	\$250.9	16.97%	\$95.0	2.6	\$84.2	3.0	\$82.2	3.1	\$89.0	2.8	(\$0.28)	NM	\$0.12	45.0	\$0.15	36.0	(\$0.23)	NM											
IntraLinks ***	IL	BUY	\$5.19	\$32.25	-83.9%	54.1	\$280.8	(\$8.4)	(\$0.15)	\$289.1	1.57%	\$211.7	1.4	\$140.7	2.1	\$184.3	1.6	\$213.5	1.4	\$0.44	12.1	\$0.08	NM	\$0.26	20.6	\$0.44	12.1											
Kenexa ****	KNXA	NR	\$30.52	\$33.19	-8.0%	27.9	\$852.0	\$98.7	\$3.54	\$753.2	24.14%	\$318.3	2.4	\$157.7	4.8	\$199.4	3.8	\$291.1	2.6	\$1.08	25.0	\$0.62	43.5	\$0.62	43.5	\$0.84	32.1											
LivePerson Inc.	LPSN	BUY	\$16.85	\$17.57	-4.1%	55.8	\$939.5	\$93.3	\$1.67	\$846.2	21.96%	\$146.0	5.8	\$87.5	9.7	\$109.9	7.7	\$133.1	6.4	\$0.40	37.9	\$0.29	52.3	\$0.31	49.0	\$0.36	42.2											
LogMeln *****	LOGM	BUY	\$34.80	\$49.50	-29.7%	25.3	\$880.1	\$198.6	\$7.85	\$681.4	24.21%	\$129.3	5.3	\$74.4	9.2	\$101.1	6.7	\$119.5	5.7	\$0.76	35.5	\$0.59	NM	\$0.86	31.3	\$0.69	39.1											
NetSuite	N	HOLD	\$49.51	\$51.78	-4.4%	72.1	\$3,572.0	\$141.4	\$1.96	\$3,430.6	23.10%	\$256.4	13.4	\$166.5	20.6	\$193.1	17.8	\$236.3	14.5	\$0.20	NM	\$0.06	NM	\$0.13	NM	\$0.15	NM											
RealPage ***	RP	BUY	\$18.08	\$32.83	-44.9%	72.3	\$1,306.9	\$1.0	\$0.01	\$1,306.0	31.60%	\$284.6	4.6	\$140.9	9.3	\$188.3	6.9	\$258.0	5.1	\$0.40	NM	\$0.16	NM	\$0.20	NM	\$0.36	NM											
RightNow Technologies	RNOW	NR	\$43.00	\$43.38	-0.9%	36.0	\$1,550.1	\$80.9	\$2.24	\$1,469.1	32.72%	\$230.7	6.4	\$152.7	9.6	\$185.5	7.9	\$227.0	6.5	\$0.60	NM	\$0.40	NM	\$0.48	NM	\$0.58	NM											
Salesforce.com ***	CRM	BUY	\$155.68	\$160.12	-2.8%	141.8	\$22,079.6	\$1,447.2	\$10.20	\$20,632.5	38.31%	\$2,527.7	8.2	\$1,305.6	15.8	\$1,657.1	12.5	\$2,266.5	9.1	\$1.36	NM	\$1.15	NM	\$1.22	NM	\$1.35	NM											
SuccessFactors ****	SFSF	NR	\$39.99	\$40.44	-1.1%	89.9	\$3,593.1	\$248.1	\$2.76	\$3,345.1	66.32%	\$400.2	8.4	\$153.1	21.8	\$205.9	16.2	\$336.3	9.9	(\$0.08)	NM	(\$0.04)	NM	\$0.07	NM	\$0.09	NM											
Taleo *****	TLEO	NR	\$45.99	\$46.00	0.0%	45.0	\$2,069.2	\$116.0	\$2.58	\$1,953.3	19.14%	\$339.1	5.8	\$198.4	9.8	\$241.8	8.1	\$324.5	6.0	\$1.04	41.7	\$0.77	56.4	\$0.78	55.7	\$1.06	41.0											
Tangoe *****	TNGO	BUY	\$18.60	\$20.05	-7.2%	40.7	\$757.0	\$65.1	\$1.60	\$691.9	56.57%	\$117.0	5.9	\$55.9	12.4	\$68.5	10.1	\$104.9	6.6	\$0.32	53.1	\$0.02	NM	\$0.13	NM	\$0.26	65.4											
Ultimate Software	ULTI	BUY	\$72.15	\$75.00	-3.8%	27.8	\$2,008.5	\$55.3	\$1.99	\$1,953.2	20.42%	\$291.0	6.7	\$196.6	9.9	\$227.8	8.6	\$269.2	7.3	\$1.56	45.0	\$0.47	NM	\$0.75	NM	\$1.06	66.2											
Vocus	VOCS	HOLD	\$13.04	\$33.70	-61.3%	21.1	\$275.0	\$108.2	\$5.13	\$166.8	16.01%	\$122.1	1.4	\$84.6	2.0	\$97.9	1.7	\$115.1	1.4	\$0.96	8.2	\$0.65	12.2	\$0.71	11.1	\$0.82	9.6											
Column Averages:						-17.0%						27.19%			5.9			11.0			8.6			6.4			32.2			42.4			36.2			38.5		
Other Notable Companies																																						
Lionbridge Technologies Inc.	LIOX	BUY	\$2.83	\$3.73	-24.1%	59.4	\$168.2	\$0.5	\$0.01	\$167.7	6.99%	\$429.5	0.4	\$389.3	0.4	\$405.2	0.4	\$427.9	0.4	\$0.32	8.8	\$0.20	14.1	\$0.26	10.9	\$0.21	13.4											
Responsys	MKTG	NR	\$12.31	\$18.19	-32.3%	53.4	\$657.6	\$94.8	\$1.77	\$562.9	21.43%	\$149.0	3.8	\$66.6	8.4	\$94.1	6.0	\$134.9	4.2	\$0.24	NM	-	NM	\$0.21	NM	\$0.21	NM											

* Concur uses Fiscal September-ended data & DemandTec uses February-ended data to approximate Calendar Years; Concur cash reserves are net of a convertible note and customer funding liabilities

** Cornerstone OnDemand LQA and forecasts reflect post-IPO sharecounts to normalize results; prior results are pre-IPO dilution; fully diluted to include "in the money" options

*** IntraLinks & RealPage use shares est'd post IPO for all periods to "normalize" comparisons; impacts of recent follow-ons included; 2010 appreciation based upon IPO pricing mid-year

**** Salesforce.com uses Fiscal January-ended data to approximate Calendar Years; pre-tax EPS pre-F2010

***** SuccessFactors, Kenexa, Taleo & Tangoe growth rates meaningfully skewed by acquisition impacts; TNGO figures reflect recent follow-on offering impacts

***** LogMeln latest quarter growth rate excludes impact of former partnership which ended in Q4:10

Note: EPS figures are pro forma (excluding non-cash items such as stock-based compensation and acquisition-related amortization); EPS multiples considered non-meaningful (NM) if negative or materially greater than 60x

Stock prices as of the close of trading on April 4, 2012

Source: Wunderlich Securities, FactSet Consensus & Company Reports

TANGOE - Earnings Model
Analyst: Richard K. Baldry, CFA • 410-369-2633

	2008 TOTAL	2009 TOTAL	1Q10 MAR	2Q10 JUN	3Q10 SEP	4Q10 DEC	2010 TOTAL	1Q11 MAR	2011 JUN	3Q11 SEP	4Q11 DEC	2011 TOTAL	1Q12E MAR	2012E JUN	3Q12E SEP	4Q12E DEC	2012E TOTAL	1Q13E MAR	2013E JUN	3Q13E SEP	4Q13E DEC	2013E TOTAL	
(000's excluding per share data)																							
Recurring Revenues: Technology & Services	\$27,839	\$46,005	13,260	13,891	14,570	15,982	57,703	19,927	23,510	24,456	25,778	93,671	29,392	31,151	32,404	34,156	127,103	35,271	37,381	38,885	40,987	152,524	
Strategic Consulting & Other	9,687	9,912	2,695	2,814	2,568	2,694	10,771	2,414	2,537	2,856	3,463	11,270	3,561	3,742	3,856	4,069	15,227	4,095	4,303	4,434	4,679	17,511	
TOTAL REVENUES	\$37,526	\$55,917	\$15,955	\$16,705	\$17,138	\$18,676	\$68,474	\$22,341	\$26,047	\$27,312	\$29,241	\$104,941	\$32,953	\$34,893	\$36,260	\$38,225	\$142,330	\$39,366	\$41,684	\$43,319	\$45,666	\$170,035	
Sequential Revenue Increase (avg. in annual)	\$1,231	\$797	\$876	\$750	\$433	\$1,538	\$899	\$3,665	\$3,706	\$1,265	\$1,929	\$2,641	\$3,712	\$1,940	\$1,367	\$1,965	\$2,246	\$1,141	\$2,319	\$1,635	\$2,347	\$1,860	
Total Cost of Revenues	17,712	24,783	7,052	7,286	7,524	8,039	29,901	10,180	12,480	12,890	13,759	49,309	15,653	16,400	16,770	17,392	66,215	17,911	18,862	19,494	20,436	76,703	
GROSS MARGIN	\$19,814	\$31,134	\$8,903	\$9,419	\$9,614	\$10,637	\$38,573	\$12,161	\$13,567	\$14,422	\$15,482	\$55,632	\$17,300	\$16,493	\$19,490	\$20,833	\$76,116	\$21,454	\$22,822	\$23,825	\$25,231	\$93,332	
Research & Development	5,808	7,981	2,240	2,275	2,294	2,364	9,173	2,821	2,791	2,977	3,095	11,684	3,954	4,100	4,170	4,300	16,524	4,527	4,794	4,982	5,252	19,554	
Selling & Marketing	7,683	9,577	2,723	2,949	2,935	3,249	11,856	3,524	3,755	3,906	4,262	15,447	5,437	5,670	5,802	6,020	22,929	6,669	6,931	7,307	7,206		
General & Administrative	7,439	9,218	2,492	2,567	2,570	3,049	10,678	3,264	3,927	4,217	4,435	15,843	5,520	5,670	5,802	6,020	23,012	6,298	6,669	6,931	7,307	27,206	
Depreciation (est'd quarterly 2008-2009)	942	1,221	258	270	276	287	1,091	299	356	339	370	1,364	400	425	450	475	1,750	500	525	550	575	2,150	
Amortization (est'd quarterly 2008-2009)	1,767	2,316	614	609	583	632	2,438	709	767	910	801	3,187	850	850	850	850	3,400	850	850	850	850	3,400	
Stock-Based Compensation (embedded above)	1,928	749	209	450	509	760	1,928	835	932	897	1,316	3,980	1,250	1,500	1,750	2,000	6,500	2,000	2,250	2,500	2,500	9,000	
Total Operating Expenses	\$25,567	\$31,062	\$8,536	\$9,120	\$9,167	\$10,341	\$37,164	\$11,452	\$12,528	\$13,246	\$14,279	\$51,505	\$16,161	\$16,715	\$17,073	\$17,666	\$67,615	\$18,474	\$19,508	\$20,244	\$21,290	\$79,515	
OPERATING PROFIT	(\$5,753)	\$72	\$367	\$299	\$447	\$296	\$1,409	\$709	\$1,039	\$1,176	\$1,203	\$4,127	\$1,139	\$1,778	\$2,417	\$3,166	\$8,500	\$2,980	\$3,314	\$3,582	\$3,941	\$13,817	
Adjusted EBITDA	(\$2,058)	\$3,137	\$1,448	\$1,628	\$1,815	\$1,975	\$6,666	\$2,552	\$3,094	\$3,322	\$3,690	\$12,658	\$3,639	\$4,553	\$5,467	\$6,491	\$20,150	\$6,330	\$6,939	\$7,232	\$7,866	\$28,367	
Interest & Other Income (Net)	(1,183)	(2,362)	(532)	(531)	(523)	(400)	(1,986)	(655)	(774)	(1,394)	(160)	(2,983)	(150)	(150)	(150)	(150)	(600)	0	0	0	0	0	
PRE-TAX NET INCOME	(\$6,936)	(\$2,290)	(\$165)	(\$232)	(\$76)	(\$104)	(\$577)	\$54	\$265	(\$218)	\$1,043	\$1,144	\$989	\$1,628	\$2,267	\$3,016	\$7,900	\$2,980	\$3,314	\$3,582	\$3,941	\$13,817	
Provision For Income Taxes	23	264	64	49	68	113	294	126	180	88	140	534	125	200	200	250	775	300	400	400	500	1,600	
NET INCOME	(\$6,959)	(\$2,554)	(\$229)	(\$281)	(\$144)	(\$217)	(\$871)	(\$72)	(\$85)	(\$306)	\$903	\$610	\$864	\$1,428	\$2,067	\$2,766	\$7,125	\$2,680	\$2,914	\$3,182	\$3,441	\$12,217	
Items: Warrants/Debt Fee (Q2:11); Restructuring (Q3:11); "ALL-IN" GAAP Net Income			647	(45)	(42)	323	883	540	2,420	1,864	0	4,824											
"ALL-IN" GAAP Net Income																							
Adjusted Net Income (Excluding Non-Cash Items)	(\$3,264)	\$511	\$594	\$778	\$948	\$1,175	\$3,495	\$1,472	\$1,784	\$2,523	\$3,020	\$8,799	\$2,964	\$3,778	\$4,667	\$5,616	\$17,025	\$5,530	\$6,014	\$6,282	\$6,791	\$24,617	
Earnings Analysis																							
Fully Diluted Shares Outstanding	22,000	25,000	28,416	28,631	28,600	28,600	28,562	28,458	29,867	35,124	38,493	32,986	38,993	40,700	40,950	41,200	40,461	41,450	41,700	41,950	42,200	41,825	
Adjusted EPS (Excluding Non-Cash Items)	(\$0.15)	\$0.02	(\$0.01)	(\$0.03)	(\$0.03)	(\$0.04)	(\$0.12)	\$0.05	\$0.06	\$0.07	\$0.08	\$0.26	\$0.08	\$0.09	\$0.11	\$0.14	\$0.42	\$0.13	\$0.14	\$0.15	\$0.16	\$0.58	
GAAP Diluted EPS	(\$0.32)	(\$0.10)	(\$0.01)	(\$0.01)	(\$0.01)	(\$0.01)	(\$0.04)	(\$0.02)	(\$0.08)	(\$0.10)	(\$0.02)	(\$0.18)	\$0.02	\$0.04	\$0.05	\$0.07	\$0.18	\$0.06	\$0.07	\$0.08	\$0.08	\$0.29	
Margin Analysis																							
Blended Gross Margin	52.80%	55.68%	55.80%	56.38%	56.10%	56.96%	56.33%	54.43%	52.09%	52.80%	52.95%	53.01%	52.50%	53.00%	53.75%	54.50%	53.48%	54.50%	54.75%	55.00%	55.25%	54.89%	
Operating Margin	-15.33%	0.13%	2.30%	1.79%	2.61%	1.58%	2.06%	3.17%	3.99%	4.31%	4.11%	3.93%	3.46%	5.10%	6.66%	8.28%	5.97%	7.57%	7.95%	8.27%	8.63%	8.13%	
Adjusted Operating Margin	-10.39%	10.08%	13.37%	14.42%	16.01%	15.87%	14.97%	18.53%	20.18%	20.68%	21.44%	20.30%	18.72%	22.32%	25.74%	28.88%	24.17%	28.11%	28.04%	28.90%	28.09%		
Net Margin	-18.54%	-4.57%	-1.44%	-1.68%	-0.84%	-1.16%	-1.27%	-0.32%	0.33%	-1.12%	3.09%	0.58%	2.62%	4.09%	5.70%	7.24%	5.01%	6.81%	6.99%	7.34%	7.53%	7.1%	
Adjusted Net Margin	-8.70%	0.91%	3.72%	4.66%	5.53%	6.29%	5.10%	6.59%	6.85%	9.24%	10.33%	8.38%	8.99%	10.83%	12.87%	14.69%	11.96%	14.05%	14.43%	14.50%	14.87%	14.48%	
Expense Analysis																							
Research & Development	15.48%	14.27%	14.04%	13.62%	13.39%	12.66%	13.40%	12.63%	10.72%	10.80%	10.58%	11.13%	12.00%	11.75%	11.50%	11.25%	11.61%	11.50%	11.50%	11.50%	11.50%		
Selling & Marketing	20.47%	17.13%	17.07%	17.65%	17.13%	17.40%	17.31%	15.77%	14.42%	14.30%	14.58%	14.72%	16.50%	16.25%	16.00%	15.75%	16.11%	16.00%	16.00%	16.00%	16.00%		
General & Administrative	19.82%	16.49%	15.62%	15.37%	15.00%	16.33%	15.59%	14.61%	15.08%	15.44%	15.17%	15.10%	16.75%	16.25%	16.00%	15.75%	16.11%	16.00%	16.00%	16.00%	16.00%		
Tax Rate (Cash)	0.00%	0.00%	-	-	-	-	-	-	-	-	-	-	0.35%	4.05%	5.03%	4.11%	4.26%	5.15%	6.24%	5.99%	6.86%	6.10%	
Tax Rate (GAAP)	-0.33%	-11.53%	-38.79%	-21.12%	-89.47%	-108.65%	-50.95%	233.33%	67.92%	-40.37%	13.42%	46.68%	NM	NM	NM	NM	9.81%	NM	NM	NM	NM	NM	11.55%
Growth Analysis																							
Recurring Revenue Growth - Yr/Yr	96.41%	65.25%	20.51%	25.37%	26.10%	29.22%	25.43%	50.28%	69.25%	67.85%	61.29%	62.33%	47.50%	32.50%	32.50%	32.50%	35.69%	20.00%	20.00%	20.00%	20.00%	20.00%	
Recurring Revenue Growth - Sequential	-	-	7.21%	4.76%	4.89%	9.69%	-	24.68%	17.98%	4.02%	5.41%	-	14.02%	5.98%	4.02%	5.41%	-	3.26%	5.98%	4.02%	5.41%	-	
Consulting & Other Revenue Growth - Yr/Yr	40.94%	2.32%	29.07%	12.07%	-1.31%	-0.63%	8.67%	-10.43%	-9.84%	11.21%	28.54%	4.63%	47.50%	47.50%	35.00%	17.50%	35.11%	15.00%	15.00%	15.00%	15.00%	15.00%	
Consulting & Other Revenue Growth - Sequential	-	-	-0.59%	4.42%	-8.74%	4.91%	-	-10.39%	5.10%	12.57%	21.25%	-	2.82%	5.10%	3.03%	5.54%	-	0.63%	5.10%	3.03%	5.54%	-	
Total Revenue Growth - Yr/Yr	78.30%	49.01%	21.88%	22.91%	21.07%	23.85%	22.46%	40.03%	55.92%	59.37%	56.57%	53.26%	47.50%	33.96%	32.76%	30.72%	35.63%	19.46%	19.46%	19.47%	19.47%	19.47%	
Total Revenue Growth - Sequential	-	-	-	5.81%	4.70%	2.59%	8.97%	-	19.62%	13.42%	-	-	-	12.69%	5.89%	3.92%	5.42%	-	2.98%	5.89%	3.92%	5.42%	-

Source: company information & Wunderlich Securities, Inc.

TANGOE - Balance Sheet Metrics

Analyst: Richard K. Baldry, CFA - 410-369-2633

(000's)	4Q08 DEC	4Q09 DEC	4Q10 DEC	1Q11 MAR	2Q11 JUN	3Q11 SEP	4Q11 DEC		
IPO Proceeds (est'd; closed post 2Q11)				\$66,100					
ASSETS									
Cash & Equivalents (incl/L-T Investments)	6,554	6,163	5,913	6,876	8,981	52,521	43,407		
Accounts Receivable (net)	11,384	11,517	14,295	20,191	21,007	24,405	25,311		
Prepaid Expenses & Other	869	1,585	1,395	1,488	1,418	2,098	2,503		
TOTAL CURRENT ASSETS	\$18,807	\$19,265	\$21,603	\$28,555	\$31,406	\$79,024	\$71,221		
Property & Equipment (net)	1,625	1,761	1,795	2,508	2,610	2,578	3,334		
Intangibles (net)	16,422	16,843	15,785	20,869	21,683	20,910	28,800		
Goodwill	16,191	17,636	17,636	22,893	22,893	22,893	36,266		
Other Assets	1,828	573	1,925	2,727	3,744	1,070	1,241		
TOTAL LONG-TERM ASSETS	\$36,066	\$36,813	\$37,141	\$48,997	\$50,930	\$47,451	\$69,641		
TOTAL ASSETS	\$54,874	\$56,078	\$58,744	\$77,552	\$82,336	\$126,475	\$140,862		
LIABILITIES & EQUITY									
Accounts Payable	2,745	2,858	3,303	4,434	5,894	6,439	6,605		
Accrued Expenses & Other	3,002	2,485	3,364	4,544	5,367	5,727	8,140		
Notes Payable	6,609	9,398	6,345	9,430	8,492	3,558	7,904		
Deferred Revenues	6,228	6,881	8,304	8,973	10,555	9,252	9,051		
TOTAL CURRENT LIABILITIES	\$18,584	\$21,622	\$21,316	\$27,381	\$30,308	\$24,976	\$31,700		
Deferred Rent & Other	1,498	2,480	3,099	3,642	771	1,629	1,659		
Deferred Revenue (net current)	712	959	1,788	2,036	2,036	2,483	2,624		
Notes Payable (net current)	15,408	11,933	11,776	22,028	21,170	3,762	8,290		
Warrants for Redeemable Preferred	328	512	1,345	2,598	4,072	0	0		
TOTAL LIABILITIES	\$36,530	\$37,506	\$39,324	\$57,685	\$58,357	\$32,850	\$44,273		
Preferred Stock	\$53,826	\$57,604	\$61,441	\$62,391	\$63,336				
Common Stock (& Series A pre-IPO)	368	368	368	368	366	3	3		
Additional Paid-In Capital	4,361	5,097	7,316	8,376	9,352	140,838	142,905		
Other	(439)	1,608	1,930	1,925	6,453	10,482	10,476		
Accumulated Deficit	(39,772)	(46,104)	(51,635)	(53,193)	(55,528)	(57,698)	(56,795)		
TOTAL STOCKHOLDERS EQUITY	(\$35,482)	(\$39,031)	(\$42,021)	(\$42,524)	(\$39,357)	\$93,625	\$96,589		
TOTAL LIABILITIES & EQUITY	\$54,874	\$56,078	\$58,744	\$77,552	\$82,336	\$126,475	\$140,862		

Source: company information & Wunderlich Securities, Inc.

Disclosures:

Analyst Certification

I Richard K. Baldry, CFA, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject companies and their underlying securities. I further certify that I have not and will not be receiving direct or indirect compensation in exchange for expressing the specific recommendation(s) in this research report.

Valuation/Risks

- **Valuation:** TNGO shares trade at 6x 4Q11 run-rate revenues, matching the SaaS average. We see potential upside to its multiple over the year as investors recognize its superior growth opportunity and use a 7.5x multiple a year out as the basis for our \$30.00 target.
- **Risks:** Acquisition integration, acceptance of the SaaS model, and a limited public track record are key investment risks.

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Company-specific disclosures:

Wunderlich Securities makes a market in the shares of Constant Contact, Inc. and IntraLinks Holdings, Inc..

Public Companies Mentioned in this Report:

Concur Technologies, Inc. (CNQR - 55.78 - Buy)
 Salesforce.com, Inc. (CRM - 155.68 - Buy)
 Constant Contact, Inc. (CTCT - 29.25 - Buy)
 IntraLinks Holdings, Inc. (IL - 5.19 - Buy)
 Lionbridge Technologies, Inc. (LIOX - 2.83 - Buy)
 LogMeIn, Inc. (LOGM - 34.80 - Buy)
 LivePerson, Inc. (LPSN - 16.85 - Buy)
 NetSuite Inc. (N - 49.51 - Hold)
 RealPage, Inc. (RP - 18.08 - Buy)
 The Ultimate Software Group, Inc. (ULTI - 72.15 - Buy)
 Vocus, Inc. (VOCS - 13.04 - Hold)

General disclosures:

Prices are as of the close of 04/04/12.

Ratings Distribution (in Percentages) & Investment Banking Disclosure Chart Information

Ratings Distribution & Investment Banking Disclosure				
Rating	Count	Ratings Distribution*	Count	Investment Banking**
Buy -rated	131	61.79	22	16.79
Hold -rated	74	34.91	8	10.81
Sell -rated	7	3.30	0	0.00

* Percentage of all Wunderlich-covered stocks assigned an equivalent Buy, Hold, or Sell rating.
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Sell – a security which at the time the rating is instituted or reiterated indicates an expectation of a negative total return of greater than 10% over the next 12-18 months.

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AM Call Summary

April 5, 2012

Initiating Coverage

Company Name	Ticker	Rating	Price Target
Tangoe, Inc.	TNGO	Buy	\$30.00

Energy

Exploration & Production

April 4, 2012

Chasing the Wolfbone Play in Delaware Basin, Texas

The Permian Basin is going through a drilling renaissance. We watched the Midland Basin Wolfcamp Shale play unfold in the last 18 months and we are turning our attention to the Delaware Basin, to an equally high potential trend: the Wolfbone Play in eastern Reeves County. This play is tightly held and the first movers are: J. Cleo Thompson (private), Clayton Williams Energy Inc. (CWEI-\$79.26, Buy), Comstock Resources (CRK-NR), Eagle Oil and Gas (private), Atlantic Operating Company (private), Patriot Resources (private) and Concho Resources (CXO-\$102.81, Buy). In addition to Reeves County, Pecos County could have Wolfbone potential. Moving toward the north central parts of Reeves County and spilling into Ward County, producers such as Energen Corp. (EGN-NR) are pursuing a highly prospective and overpressured 3rd Bone Spring Sand. There are many ways to “slice and dice” the Delaware Basin and we expect to have a more granular view of the various plays as 2012 unfolds.

Irene O. Haas - 713.403.3980 - ihaas@wundernet.com

Technology

Tangoe, Inc. (TNGO: \$18.60)

Software as-a-Service

April 5, 2012

Initiating Coverage With a Buy; Best Telecom Expense Management Dance Partner

We are initiating coverage of Tangoe, Inc. (TNGO) with a Buy rating and \$30.00 target price. Having consolidated a significant number of competitors and expanded its suite of offerings via both internal development and strategic acquisitions in fixed and wireless Telecommunications Expense Management (TEM) and in Mobile Device Management (MDM), Tangoe has become a “one stop” Communications Lifecycle Management (CLM) provider. In our view, as a sector dominator, the company’s accelerated revenue and earnings growth, combined with its recurring and predictable financial model, create a compelling investment that should outperform the broader market.

Richard K. Baldry, CFA - 410.369.2633 - rbaldry@wundernet.com

Initiating Coverage
Rating: Buy
Price Target: \$30.00

Disclosures:

Analyst Certification

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Public Companies Mentioned in this Report:

Clayton Williams Energy, Inc. (CWEI - 77.50 - Buy)

Concho Resources Inc. (CXO - 100.92 - Buy)

Tangoe, Inc. (TNGO - 18.60 - Buy)

General disclosures:

Pricing is as of the previous day's close.

Ratings Distribution (in Percentages) & Investment Banking Disclosure Chart Information

Ratings Distribution & Investment Banking Disclosure				
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February 21, 2012

Stock Rating:
OUTPERFORM

12-18 mo. Price Target	\$21.00
TNGO - NASDAQ	\$17.74

3-5 Yr. EPS Gr. Rate	NA
52-Wk Range	\$18.48-\$8.01
Shares Outstanding	33.0M
Float	20.0M
Market Capitalization	\$584.8M
Avg. Daily Trading Volume	236,641
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	68.2x
2012E	0.08	0.10	0.11	0.13	0.42	42.2x
Prior (E)	--	--	--	--	0.41	43.3x
2013E	--	--	--	--	0.61	29.1x
Prior (E)	--	--	--	--	0.59	30.1x

Trading range as of 7/27/11 IPO.

TECHNOLOGY/ENTERPRISE SOFTWARE
Tangoe
Acquires ttMobiles; Raising PT to \$21
SUMMARY

On 2/21, Tangoe announced the acquisition of ttMobiles Limited for roughly \$8.6 million in cash. Privately held, UK-based ttMobiles is a leading provider of mobile TEM solutions and services for mobile asset, expense, and usage management. We view this as yet another solid acquisition for Tangoe as it expands its European footprint, adds complementary mobile TEM technology to its growing portfolio, and provides plenty of up/cross-sell opportunities to legacy customers. Further, we continue to believe Tangoe can deliver at least 15-20% organic recurring revenue growth through a variety of drivers for the foreseeable future. Given the accretive nature of the transaction and its ability to bolster growth, we are raising our price target to \$21 from \$20.

KEY POINTS

- **Another Solid Acquisition.** We estimate Tangoe is paying an attractive ~1.7x our CY12 revenue forecast. ttMobiles was founded in 2001 and provides mobile TEM services across a variety of verticals (customers include Heineken UK, McAfee, Xerox). This is Tangoe's third acquisition in the past two months and its eighth over the past five years.
- **Opens up additional revenue opportunities.** We believe ttMobiles is primarily a geographic play that augments Tangoe's global presence and enables it to better serve European-based/multinational corporations. We estimate less than 30% of Tangoe's spend under management (total spend ~\$16.8B) is internationally domiciled and believe this deal presents additional TEM/MDM up/cross possibilities.
- **Still plenty of leverage in the model.** We expect Tangoe to continue making significant investments given its open-ended CLM market opportunity. However, as Tangoe ramps prior acquisitions (HCL, Telwares, ProfitLine), we still 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 \$0.42/\$143.1M and FY13E of \$0.61/\$169.2M from \$0.41/\$138.6M and \$0.59/\$164.2M, respectively.
- **Valuation attractive.** At \$17.74 Tangoe trades around ~4x CY13E EV/S vs. peers at ~5-6x. 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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Tangoe's Revised Outlook

Tangoe adjusts 1Q12 and FY12 estimates. For 1Q12, Tangoe now expects EPS of \$0.08 on revenue of \$32.7M-33.2M from \$0.08/\$32.2-32.7M. ttMobiles is expected to contribute \$0.5M in revenue during the quarter (\$0.4M in recurring and \$0.1M in non-recurring revenue). Tangoe reaffirmed 1Q12 Adjusted EBITDA of \$3.5-3.7M and 39M shares outstanding. Consensus estimates call for \$0.07/\$27.3M

For FY12, Tangoe now expects EPS of \$0.42-0.43 on revenue of \$141.5-143.5M, from \$0.41-0.42/\$137-139M. ttMobiles is expected to contribute \$4.5M in revenue during the year (\$3.5M in recurring and \$1M in non-recurring revenue). Tangoe now expects FY12 Adjusted EBITDA of \$20-20.5M, vs. \$19.5-20M. Tangoe still expects 39.5M shares outstanding.

Changes to Our Model

Based on Tangoe's revised outlook, we've adjusted our model. We now expect FY12 EPS/revenue of \$0.42/\$143.1M vs. our prior estimate of \$0.41/\$138.6M and consensus of \$0.37/\$118.8M. For FY13, we now expect \$0.61/\$169.2M vs. \$0.59/\$164.2M. A more detailed breakout of our model changes is contained in the exhibit below:

(\$ in millions, except EPS)	1Q12E			FY12E			FY13E		
	New	Previous	Variance ¹	New	Previous	Variance ¹	New	Previous	Variance ¹
Revenue and EPS									
Total Revenue	\$33.1	\$32.6	\$0.5	\$143.1	\$138.6	\$4.5	\$169.2	\$164.2	\$5.0
Y/Y Growth	48.0%	45.9%	1.5%	36.3%	32.0%	3.2%	18.3%	18.5%	3.0%
Recurring Revenue	\$29.4	\$29.0	\$0.4	\$127.2	\$123.6	\$3.5	\$150.8	\$147.0	\$3.8
Y/Y Growth	47.7%	45.7%	1.4%	35.8%	32.0%	2.8%	18.6%	18.9%	2.6%
Consulting & Other	\$3.7	\$3.6	\$0.1	\$15.9	\$14.9	\$1.0	\$18.4	\$17.2	\$1.2
Y/Y Growth	51.2%	47.8%	2.3%	41.3%	32.4%	6.3%	15.6%	15.4%	6.4%
Non-GAAP EPS	\$0.08	\$0.08	\$0.00	\$0.42	\$0.41	\$0.01	\$0.61	\$0.59	\$0.02
Y/Y Growth	50.1%	49.7%	0.2%	61.7%	56.5%	3.2%	43.6%	43.6%	3.2%
Adjusted EBITDA	\$3.7	\$3.7	(\$0.0)	\$20.0	\$19.5	\$0.4	\$28.1	\$27.4	\$0.7
Y/Y Growth	46.4%	46.7%	(0.2%)	57.7%	54.4%	2.1%	40.6%	40.2%	2.4%
Cash Flow									
Cash From Operations	\$2.4	\$2.6	(\$0.2)	\$17.8	\$18.1	(\$0.3)	\$31.6	\$30.5	\$1.0
Y/Y Growth	113.4%	131.0%	(8.2%)	75.1%	78.3%	(1.8%)	77.5%	68.8%	3.2%
CFFO Per Share	\$0.06	\$0.07	(\$0.01)	\$0.45	\$0.46	(\$0.01)	\$0.77	\$0.75	\$0.02
Y/Y Growth	60.3%	73.5%	(8.2%)	48.7%	51.4%	(1.8%)	71.9%	63.4%	3.2%
Free Cash Flow	\$2.0	\$2.2	(\$0.2)	\$16.3	\$16.5	(\$0.2)	\$29.8	\$28.6	\$1.1
Y/Y Growth	89.8%	107.5%	(9.4%)	74.9%	77.1%	(1.2%)	83.1%	73.9%	3.8%
FCF Per Share	\$0.05	\$0.06	(\$0.00)	\$0.41	\$0.42	(\$0.01)	\$0.73	\$0.70	\$0.03
Y/Y Growth	42.6%	55.9%	(9.4%)	48.5%	50.3%	(1.2%)	77.2%	68.4%	3.8%
Margins									
Gross Margin (Non-GAAP)	53.5%	53.5%	0.0%	55.1%	55.1%	0.0%	56.8%	56.8%	(0.0%)
Operating Margin (Non-GAAP)	10.1%	10.2%	(0.1%)	13.0%	13.0%	(0.0%)	15.8%	15.8%	0.0%

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)											
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									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

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	29.4	31.3	32.6	33.9	127.2	150.8
Consulting & other	9.9	10.8	2.4	2.5	2.9	3.5	11.3	3.7	3.862	4.086	4.323	15.9	18.4
Total Revenue	55.9	68.5	22.3	26.0	27.3	29.2	104.9	33.1	35.1	36.6	38.2	143.1	169.2
Cost of revenue (Non-GAAP)	24.8	29.9	10.2	12.5	12.9	13.8	49.3	15.4	16.0	16.3	16.6	64.3	73.2
Total gross profit (Non-GAAP)	31.1	38.6	12.2	13.6	14.4	15.5	55.6	17.7	19.2	20.3	21.6	78.8	96.0
Adjusted Operating expenses													
S&M (Non-GAAP)	9.6	11.9	3.5	3.8	3.9	4.3	15.4	5.2	5.6	5.8	6.0	22.6	26.9
G&A (Non-GAAP)	9.2	10.7	3.3	3.9	4.2	4.4	15.8	4.7	4.8	5.0	5.0	19.5	21.8
R&D (Non-GAAP)	8.0	9.2	2.8	2.8	3.0	3.1	11.7	4.1	4.0	4.2	4.4	16.7	19.2
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)	(3.9)	(4.2)
Total operating expenses (Non-GAAP)	28.0	32.8	9.9	10.8	11.4	12.2	44.3	14.4	14.8	15.3	15.8	60.2	69.4
Income (Loss) from operations (Non-GAAP)	3.1	5.8	2.3	2.7	3.0	3.3	11.3	3.3	4.4	5.0	5.8	18.6	26.7
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	4.2	4.8	5.6	17.8	26.3
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	4.0	4.5	5.3	16.8	24.9
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	0.42	0.61
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	4.7	5.3	6.2	20.0	28.1

Margin Analysis													
Recurring revenue as % of revenue	82.3%	84.3%	89.2%	90.3%	89.5%	88.2%	89.3%	89.0%	89.0%	88.9%	88.7%	88.9%	89.1%
Consulting & other as % of revenue	17.7%	15.7%	10.8%	9.7%	10.5%	11.8%	10.7%	11.0%	11.0%	11.1%	11.3%	11.1%	10.9%
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%	13.2%	12.9%	12.8%	12.3%	13.6%	12.9%
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%	10.1%	12.5%	13.7%	15.3%	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%	9.5%	11.9%	13.2%	14.8%	12.4%	15.5%
Tax rate (non GAAP)	27.5%	7.8%	7.9%	9.2%	3.4%	4.4%	5.7%	6.4%	4.8%	6.2%	5.3%	5.6%	5.3%
Net income Margin (Non-GAAP)	1.2%	5.1%	6.6%	6.8%	9.2%	10.3%	8.4%	8.9%	11.3%	12.3%	14.0%	11.7%	14.7%
EBITDA Margin (Non-GAAP)	11.9%	13.6%	14.6%	14.8%	15.5%	15.4%	15.1%	14.0%	16.1%	17.3%	18.8%	16.7%	19.1%
Adjusted EBITDA Margin	7.8%	10.0%	11.4%	11.9%	12.2%	12.6%	12.1%	11.3%	13.4%	14.6%	16.1%	14.0%	16.6%

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

Y/Y Growth Analysis													
Recurring revenue	65.3%	25.4%	50.3%	69.2%	67.9%	61.3%	62.3%	47.7%	33.0%	33.1%	31.5%	35.8%	18.6%
Consulting & other	2.3%	8.7%	(10.4%)	(9.8%)	11.2%	28.5%	4.6%	51.2%	52.2%	43.1%	24.8%	41.3%	15.6%
Total Revenue	49.0%	22.5%	40.0%	55.9%	59.4%	56.6%	53.3%	48.0%	34.9%	34.2%	30.7%	36.3%	18.3%
Cost of revenue as % of revenue (Non-GAAP)	39.9%	20.6%	44.4%	71.3%	71.3%	71.2%	64.9%	51.1%	28.1%	26.5%	20.8%	30.4%	13.8%
Gross Profit (Non-GAAP)	57.1%	23.9%	36.6%	44.0%	50.0%	45.5%	44.2%	45.5%	41.2%	41.0%	39.5%	41.6%	21.9%
S&M (Non-GAAP)	24.6%	23.8%	29.5%	27.3%	33.1%	31.1%	30.3%	48.3%	47.9%	48.2%	41.7%	46.4%	19.0%
G&A (Non-GAAP)	23.9%	15.8%	31.0%	53.0%	64.1%	45.5%	48.4%	43.0%	23.1%	18.4%	12.8%	23.0%	12.0%
R&D (Non-GAAP)	37.4%	14.9%	25.9%	22.7%	29.8%	30.9%	27.4%	44.2%	44.8%	41.6%	42.0%	43.1%	15.1%
Operating Profit (Non-GAAP)	(252.4%)	84.2%	89.1%	101.5%	93.7%	96.7%	95.4%	48.2%	60.1%	68.4%	75.9%	64.6%	43.4%
Total operating expenses (Non-GAAP)	28.0%	17.1%	28.5%	34.3%	41.7%	35.9%	35.2%	44.9%	36.4%	33.9%	29.5%	35.8%	15.3%
EBT (Non-GAAP)	(130.2%)	(295.5%)	142.3%	137.2%	156.7%	145.2%	146.0%	96.5%	113.0%	84.7%	78.5%	90.6%	47.6%
EPS (Non-GAAP)	(120.4%)	(24.6%)	139.8%	119.5%	119.9%	93.3%	116.0%	50.1%	69.7%	59.0%	70.2%	61.7%	43.6%
Adjusted EBITDA	(490.4%)	57.6%	76.1%	89.9%	83.0%	86.8%	84.3%	46.4%	52.7%	60.9%	66.9%	57.7%	40.6%

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 \$21 price target for Tangoe by applying a roughly 4.5x EV/S multiple to our FY13E revenue of \$169.2M. 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, market leadership position in an open-ended opportunity, and the sizable leverage in its model, Tangoe should trade more in line with its peers.

Key Risks to Price Target

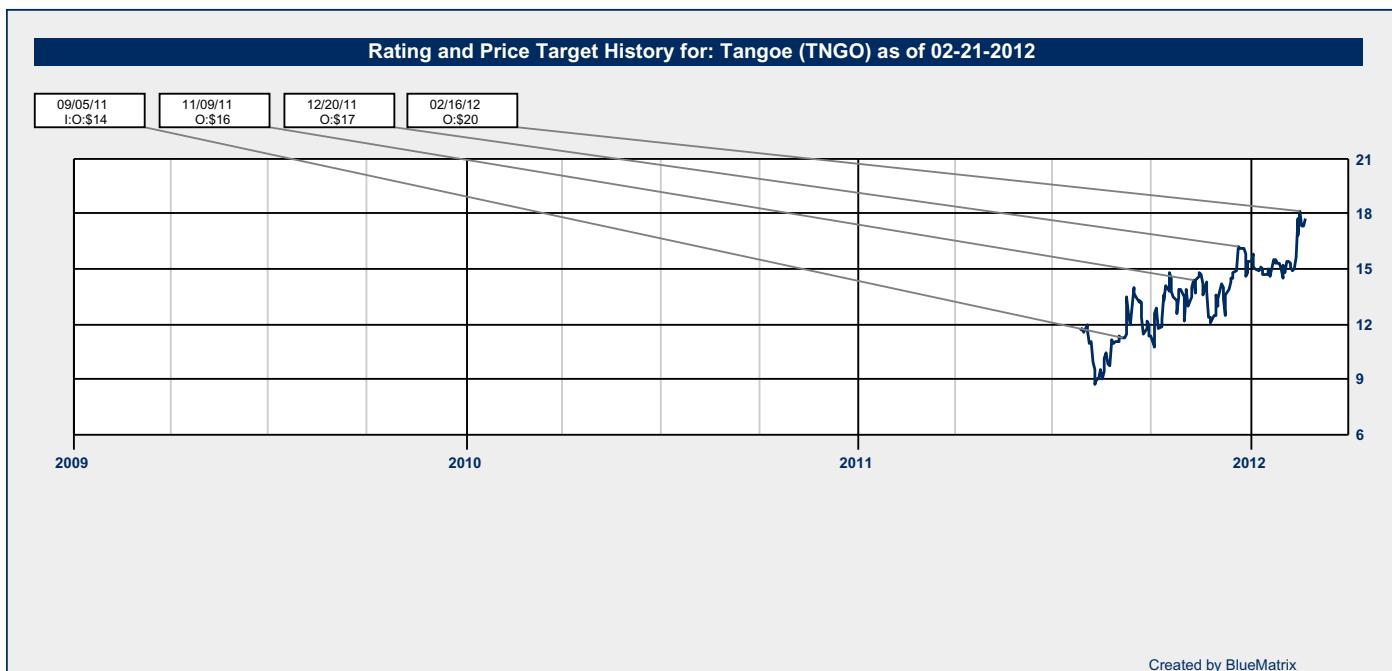
There are several risks to our investment thesis, including the sluggish pace of IT spending, which may cause deals to be delayed and/or downsized; the company's failing to successfully integrate an acquisition; CLM demand not materializing as expected; loss of a material customer; increased competition 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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Underperform (U) - Stock expected to underperform the S&P 500 within the next 12-18 months.

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Neutral - anticipates that the shares will trade at or near their current price and generally in line with the leading market averages due to a perceived absence of strong dynamics that would cause volatility either to the upside or downside, and/or will perform less well than higher rated companies within its peer group. Our readers should be aware that when a rating change occurs to Neutral from Buy, aggressive trading accounts might decide to liquidate their positions to employ the funds elsewhere.

Sell - anticipates that the shares will depreciate 10% or more in price within the next 12 months, due to fundamental weakness perceived in the company or for valuation reasons, or are expected to perform significantly worse than equities within the peer group.

Distribution of Ratings/IB Services Firmwide				
Rating	IB Serv/Past 12 Mos.			
	Count	Percent	Count	Percent
OUTPERFORM [O]	334	55.90	146	43.71
PERFORM [P]	257	43.00	87	33.85
UNDERPERFORM [U]	7	1.20	4	57.14

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15 February 2012

Tangoe, Inc.

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

Clean finish to FY11

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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.

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.

Deutsche Bank



Results

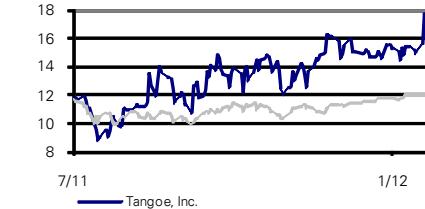
Buy

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
Volume (15 Feb 2012)			777,100
Option volume (und. shrs., 1M avg.)			-

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.)	-

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

Deutsche Bank Securities Inc.

All prices are those current at the end of the previous trading session unless otherwise indicated. Prices are sourced from local exchanges via Reuters, Bloomberg and other vendors. Data is sourced from Deutsche Bank and subject companies. Deutsche Bank does and seeks to do business with companies covered in its research reports. Thus, investors should be aware that the firm may have a conflict of interest that could affect the objectivity of this report. Investors should consider this report as only a single factor in making their investment decision. DISCLOSURES AND ANALYST CERTIFICATIONS ARE LOCATED IN APPENDIX 1. MICA(P) 146/04/2011.

Model updated: 15 February 2012

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

Reuters: TNGO.OQ

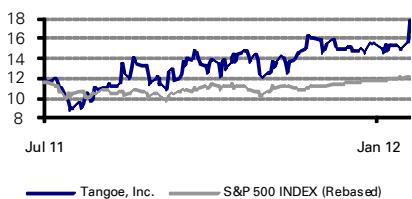
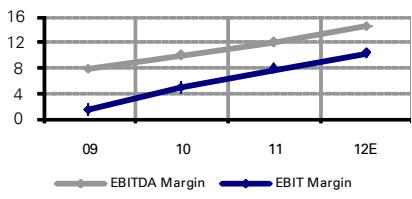
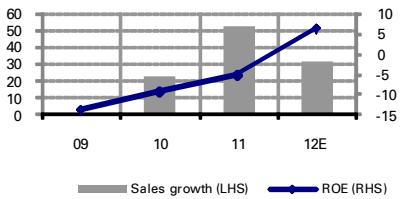
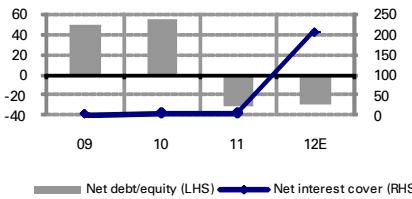
Bloomberg: TNGO UQ

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****Tom Ernst Jr**

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thomas.ernst@db.com

Fiscal year end 31-Dec	2009	2010	2011	2012E
Financial Summary				
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

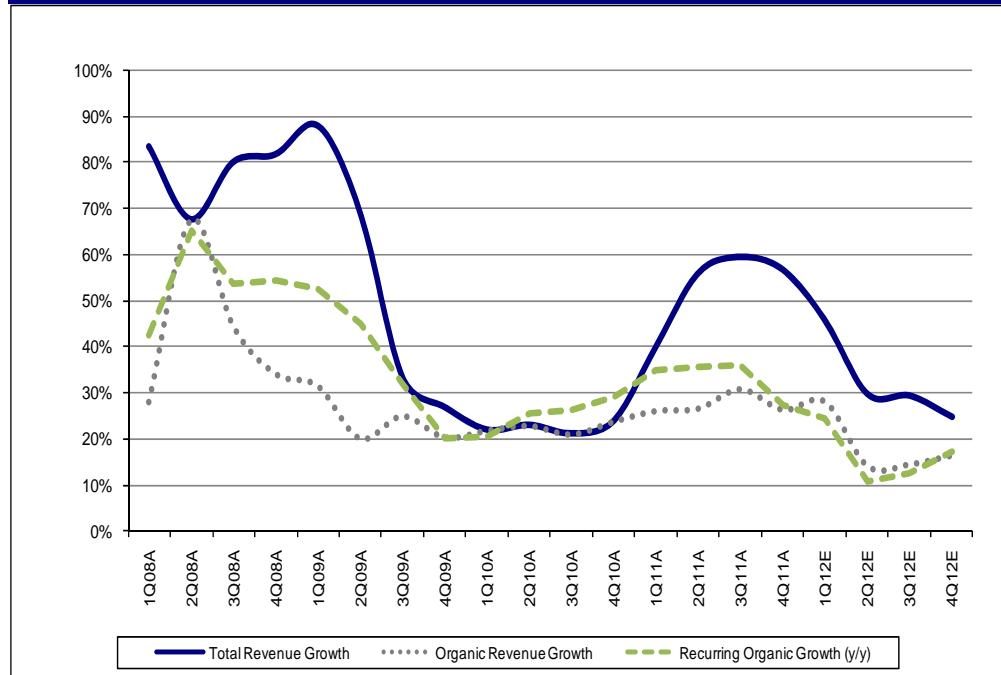
Business continues to expand with portfolio

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 optimistically 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: Qtr Fwd	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	20x
-20%	\$0.41	\$11.32	\$13.77	\$16.23	\$18.68	\$21.13	Median '92-'98	20x
-10%	\$0.46	\$12.60	\$15.36	\$18.11	\$20.87	\$23.63		1.8x
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
							SaaS Software Group	
18%	\$8.77	\$10.61	\$12.45	\$14.29	\$16.13		Average	1.1x
24%	\$11.32	\$13.77	\$16.23	\$18.68	\$21.13		Median	1.0x
LTG	30%	\$13.87	\$16.94	\$20.00	\$23.06	\$26.13		
36%	\$16.42	\$20.10	\$23.77	\$27.45	\$31.13			
42%	\$18.97	\$23.26	\$27.55	\$31.84	\$36.13			
LT FCF Gr		32%	Cash/Share	\$1.13			Software Group	
Options dilution		-2%					Average	1.0x
LTG - FCF/Sh ⁽¹⁾		30%					Median	1.0x

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

Tangoe										Deutsche Bank Securities								
Income Statement (dollars in thousands, except EPS)										Ton Ernst - 866.812.7931 Nandan Amjad - 212.250.4570								
FYEDec-31																		
Fiscal Year ends 2011																		
Net Revenues										Mar-12	Jun-12	Sep-12	Dec-12	2006A	2007A	2008A	2009A	2010A
Recurring technology and services										1Q12E	2Q12E	3Q12E	4Q12E	\$12,879	\$21,047	\$37,526	\$55,917	\$68,474
Strategic consulting, software licenses and other										\$32,500	\$33,750	\$35,300	\$36,450	\$12,879	\$21,047	\$37,526	\$55,917	\$68,474
Total cost of revenue										14,443	15,002	15,658	16,172	3,578	14,174	27,839	46,005	57,703
Gross profit										12,989	13,519	14,183	14,675	9,301	6,873	9,687	9,912	10,771
Sales and Marketing										12,161	13,544	14,244	15,482	8,405	11,244	19,813	31,134	38,573
Research & Development										2,821	2,833	2,723	3,095	5,913	7,021	5,807	7,982	9,173
General and administrative										3,284	4,436	4,386	4,435	4,973	4,894	5,080	5,209	2,929
Public company costs										300	300	300	300	300	300	300	300	0
Depreciation										299	366.00	339.00	370.00	442	456	504	519	299
Operating Income										3,252	2,738	2,983	3,320	3,243	3,986	5,110	5,684	(5,152)
Decrease (increase) in fair value of warrants for redeemable convertible										-	-	-	-	0	39	(66)	(184)	-
Interest (expense) and income										-655	-774	-372	-160	-17	-17	-17	-18	-198
Pretax income										1,597	1,984	2,611	3,160	3,226	3,969	5,093	5,666	(5,350)
Provision for Taxes										126	180	88	140	316	388	498	554	54
Adjusted Net Income										1,471	1,784	2,523	3,020	2,910	3,580	4,594	5,112	(5,404)
Adjusted EBITDA										2,551	3,094	3,322	3,690	3,684	4,442	5,614	6,203	(4,853)
Diluted EPS										\$0.06	\$0.06	\$0.07	\$0.08	\$0.08	\$0.09	\$0.12	\$0.13	\$0.13
Diluted EPS (Incl. Stock Options)										\$0.02	\$0.03	\$0.05	\$0.04	\$0.04	\$0.05	\$0.08	\$0.09	\$0.09
Pro Forma Fully diluted Shares										26,244	29,867	35,124	38,493	38,600	38,986	39,376	39,770	21,296
GAAP Diluted shares										4,672	4,672	4,672	4,672	4,672	4,672	4,672	4,672	2,372
Equity based										835	932	897	1,316	1,450	1,450	1,450	1,434	37
Amortization of intangibles/debt issuance cost										709	757	910	801	988	964	979	1,022	-
Other Adjustments										540	1,485	2,571	-	0	0	0	0	-
Reported Earnings										(613)	(1,330)	(1,855)	903	492	1,167	2,166	2,656	(5,441)
GAAP EPS*										(\$0.02)	(\$0.05)	(\$0.05)	\$0.02	\$0.01	\$0.03	\$0.06	\$0.07	(\$2.23)
Key Metrics																		
Net Cash and Equivalents										-18,794	-12,960	50,892	33,458	25,903	28,430	33,173	34,431	19,943
Net Cash Per Share										(\$0.72)	(\$0.43)	\$1.45	\$0.87	\$0.67	\$0.73	\$0.84	\$0.87	\$0.87
Days Sales Outstanding (reported)										81	73	80	78	75	76	76	76	73
Days Deferred Revenue										44	36	39	36	43	42	43	45	42
Adjusted EBITDA										2,551	3,094	3,322	3,690	3,684	4,442	5,614	6,203	(4,853)
Revenue Mix										89%	90%	90%	88%	89%	89.0%	89.3%	89.5%	89%
Recurring technology and services										11%	10%	10%	12%	11%	11.0%	10.7%	10.5%	11%
Strategic consulting, software licenses and other										89%	90%	90%	88%	89%	89.0%	89.3%	89.5%	89%
Margin Analysis																		
Recurring technology margins										54.5%	52.1%	51.2%	52.6%	56.0%	55.0%	55.0%	56.0%	56.0%
Strategic consulting margins										47.3%	50.9%	60.0%	55.8%	60.0%	60.0%	61.0%	61.0%	58.7%
Gross Margin										54.4%	52.0%	52.2%	59.2%	55.6%	55.6%	55.6%	55.6%	55.6%
Sales and marketing expenses										15.8%	12.2%	14.0%	14.6%	16.0%	15.5%	14.5%	14.0%	14.0%
Research & Development										12.6%	10.9%	10.0%	10.6%	12.0%	11.5%	10.0%	9.5%	9.5%
General and Administrative expenses										14.6%	17.0%	16.1%	15.2%	15.3%	14.5%	14.4%	14.3%	14.3%
Operating income										10.1%	10.5%	10.9%	11.4%	11.8%	14.5%	15.6%	16.0%	16.0%
Interest and other income net										-2.9%	-3.0%	-1.4%	-0.5%	-0.1%	-0.1%	0.0%	0.0%	-1.5%
Pretax income										7.1%	7.5%	9.6%	10.8%	9.9%	11.8%	14.4%	15.5%	-41.5%
Tax rate										7.9%	9.2%	3.4%	4.4%	9.8%	9.8%	9.8%	9.8%	-45.3%
Net income										6.6%	6.8%	9.2%	10.3%	0.0%	0.0%	0.0%	0.0%	-42.0%
Adjusted EBITDA Margins										11.4%	11.9%	12.2%	12.6%	11.3%	13.2%	15.9%	17.0%	-37.7%
Growth Analysis																		
Year-Over-Year										40.0%	55.9%	59.4%	56.6%	45.5%	29.6%	29.2%	24.7%	63.4%
Total revenue growth										50%	69%	68%	61%	45%	27.8%	28.9%	26.5%	29.1%
Recurring Technology growth										-10%	-10%	11%	29%	51%	46.2%	32.5%	10.9%	26.1%
Strategic consulting growth										89.1%	101.6%	93.8%	96.8%	44.0%	45.6%	71.3%	71.2%	75.3%
Operating income										120.6%	119.5%	117.2%	91.0%	34.5%	53.7%	62.4%	63.8%	-57.6%
EPS										76.1%	89.9%	83.0%	86.9%	44.4%	43.6%	69.0%	68.1%	68.3%
Adjusted EBITDA Growth										19.6%	16.6%	4.9%	7.1%	11.1%	3.8%	4.6%	3.3%	21.8%
Sequential										36.5%	6.6%	20.3%	9.2%	(3.9%)	21.8%	2		

Figure 7: Balance sheet

Tangoe Balance Sheet (in thousands) FY Ends December	Dec-08 <u>4Q08A</u>	Dec-09 <u>4Q09A</u>	Mar-11 <u>1Q11A</u>	Jun-11 <u>2Q11A</u>	Sep-11 <u>3Q11A</u>	Dec-11 <u>4Q11A</u>	Mar-12 <u>1Q12E</u>	Jun-12 <u>2Q12E</u>	Sep-12 <u>3Q12E</u>	Dec-12 <u>4Q12E</u>	Dec-13 <u>4Q13E</u>
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	54,074
Accounts receivable	11,384	11,517	20,191	21,007	24,405	25,311	27,018	28,609	29,859	30,780	35,162
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	3,555
Total current assets	18,808	19,266	28,556	31,406	79,024	71,221	58,772	63,114	69,386	71,772	92,790
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	3,636
Security deposits in non current asset	453	573	2,727	3,744	1,070	1,241	4,875	5,063	5,295	5,467	8,237
Goodwill	16,191	17,636	22,893	22,893	36,266	36,266	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	21,167
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	162,096
Accts payables and accruals	2,745	2,858	4,434	5,894	6,439	6,605	3,900	4,185	4,377	4,520	5,289
Accrued Expenses	2,802	2,285	4,544	5,367	4,961	7,061	6,175	6,413	6,707	6,816	6,503
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	16,488
Total current liabilities	18,584	21,622	27,382	30,308	24,976	31,700	22,497	23,198	24,577	25,916	28,279
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	6,936
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	3,742
Warrants for redeemable convertible preferred st	328	512	2,598	4,072	3,762	-	3,779	3,924	4,104	4,238	4,335
Total Liabilities	36,530	37,506	57,686	58,357	32,850	44,273	32,632	33,647	35,584	37,444	43,292
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	118,804
Total Liabilities and SE	54,874	56,078	77,553	82,336	126,475	140,862	131,162	134,794	140,347	141,797	162,096
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	54,074
Cash per share	\$0.28	\$0.26	\$0.26	\$0.30	\$1.50	\$1.13	\$0.76	\$0.82	\$0.93	\$0.96	\$1.33
Long-term liabilities	16,906	14,413	25,670	21,941	1,629	9,949	3,250	3,375	3,530	3,645	6,936
Debt per share	\$0.73	\$0.62	\$3.71	\$3.21	\$0.17	\$0.46	\$0.08	\$0.09	\$0.09	\$0.09	\$0.17
Book value per share	-\$1.5	-\$1.7	-\$1.6	-\$1.3	\$2.7	\$2.5	\$2.6	\$2.6	\$2.7	\$2.6	\$2.9
Deferred revenue	6,940	7,840	11,010	10,528	11,735	11,675	15,528	15,750	16,866	18,225	20,230
% y/y growth	13%	30%	25%	30%	16%	41%	50%	44%	56%	11%	
% q/q growth	7%	9%	-4%	11%	-1%	33%	1%	7%	8%	5%	
Days Deferred Revenue (DDR)	53	47	44	36	39	36	43	42	43	45	42
Days Sales Outstanding (DSO)	86	69	81	73	80	78	75	76	76	76	73
Working capital	224	(2,357)	1,174	1,098	54,048	39,521	36,274	39,916	44,809	45,856	64,511
Current ratio	1.0x	0.9x	1.0x	1.0x	3.2x	2.2x	2.6x	2.7x	2.8x	2.8x	3.3x
ROE	12%	1%	1%	3%	-7%	1%	1%	1%	2%	3%	3%
ROA	-8%	-1%	-1%	-2%	-2%	1%	0%	1%	2%	2%	2%

Source: Deutsche Bank

Figure 8: Cash flow statement

Tangoe Cash Flow Statement (in thousands) (FY:12)	3,114 3,904 (2,401)																	
	Mar-11 1Q11A	Jun-11 2011A	Sep-11 3Q11A	Dec-11 4Q11A	Mar-12 1Q12E	Jun-12 2Q12E	Sep-12 3Q12E	Dec-12 4Q12E	2007A	2008A	2009A	2010A	2011A	2012E	2013E			
CASH FLOW FROM OPERATING ACTIVITIES:																		
Net income/(loss)	(613)	(1,390)	(1,855)	903	492	1,167	2,166	2,656	(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	757	207						32	53	192	95	1,339	-	-		
Amortization of IBM warrants	19	30	-	(49)									26	-	-	-		
Depreciation & amortization	1,008	1,123	1,314	1,198	1,410	1,420	1,483	1,541	1,911	2,709			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	126	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	(686)	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)	(935)	(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 lab		-	-	-	(1,079)	-	-	-	(175)	(175)	-	-	(1,079)	-				
Costs incurred in securing financing									(88)	-	(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)					7,258	-	-	66,989	-	-		
Other/Acquisitions															(4,500)	(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	4,658	1,381	6,692	6,301	6,051	43,407	38,076			
Cash and cash equivalents at end of period	6,718	8,981	54,083	43,407	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																-2%	-1%	-1%
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	3,389	10,147	18,453	22,795			
- 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	(5316)	(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

Figure 9: Comp sheet

Tom Ernst

Nandan Amjadi, Jobin Mathew

Deutsche Bank Securities
(866) 812-7891

Enterprise and Security	Price	Rating	15-Feb-12	Market			Net			Net Cash			Sales			TEV/Sales			EPS			P/E			FCF/Share			EV/FCF		
				CAP			Cash			PER SH			CY11E			CY12E			CY13E			CY11E			CY12E			CY13E		
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 Technc	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 ==>		
				Group Mean ==>			5.8x			5.0x			4.5x			Group Mean ==>			27.0x			24.4x			20.9x			Group Mean ==>		
				Group Mean ==>			5.8x			5.0x			4.5x			Group Mean ==>			27.0x			24.4x			20.9x			Group Mean ==>		
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 ==>		
				Group Mean ==>			6.7x			5.5x			4.6x			Group Mean ==>			47x			39x			34x			Group Mean ==>		
				Group Mean ==>			6.7x			5.5x			4.6x			Group Mean ==>			47x			39x			34x			Group Mean ==>		
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%	88%	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%	86%	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.

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

(as of 2/15/2012)

Previous Recommendations

Strong Buy
Buy
Market Perform
Underperform
Not Rated
Suspended Rating

Current Recommendations

Buy
Hold
Sell
Not Rated
Suspended Rating

*New Recommendation Structure
as of September 9, 2002

- | | | | |
|--------------|-----------------------------------|---------------|-----------------------------------|
| 1. 9/6/2011: | Buy, Target Price Change USD17.00 | 2. 11/9/2011: | Buy, Target Price Change USD18.00 |
|--------------|-----------------------------------|---------------|-----------------------------------|

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Equity rating dispersion and banking relationships

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

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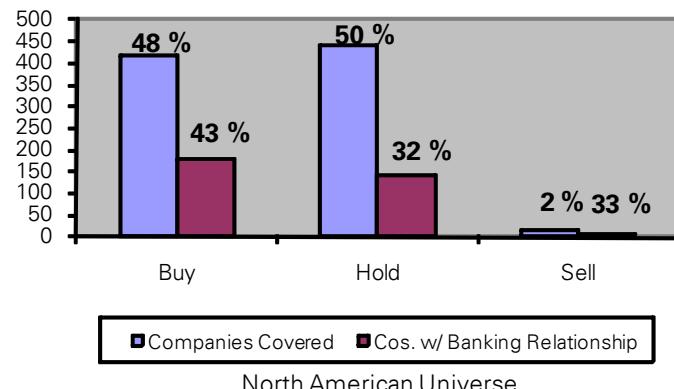
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February 16, 2012

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.

TECHNOLOGY/ENTERPRISE SOFTWARE

Tangoe

Consolidating the CLM Universe; Raising PT to \$20

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% YY), 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 manage 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

(\$ in millions, except EPS)	4Q11A			1Q12E			FY11A			FY12E			FY13E		
	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	--	--
YY 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	--	--
YY 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	--	--
YY Growth	26.5%	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	--	--
YY 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	--	--
YY Growth	86.6%	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	--	--
YY Growth	284.6%	N/A	34.4%	131.0%	202.0%	(30.8%)	198.5%	149.5%	16.4%	79.3%	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	--	--
YY 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	--	--
YY 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	--	--
YY 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.

¹variance 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)											
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													
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%

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

Y/Y Growth Analysis													
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%

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

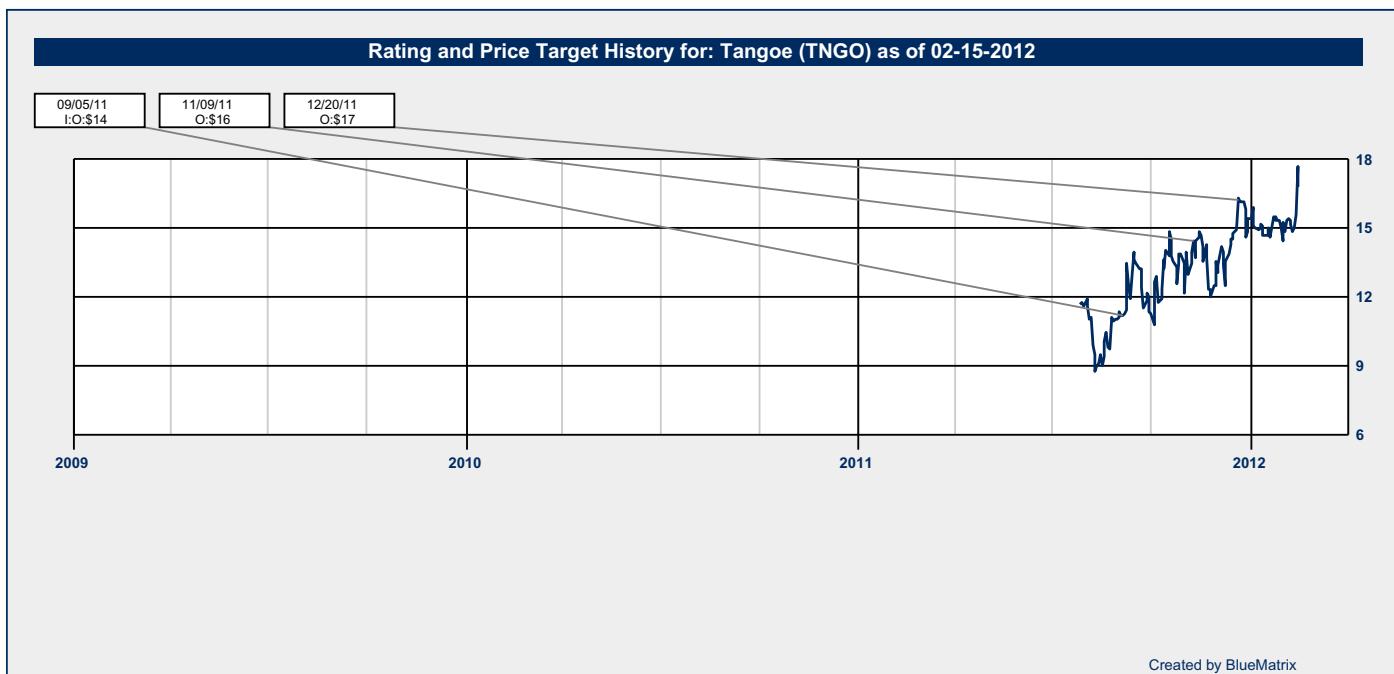
There are several risks to our investment thesis, including the sluggish pace of IT spending, which may cause deals to be delayed and/or downsized; the company's failing to successfully integrate an acquisition; CLM demand not materializing as expected; loss of a material customer; increased competition 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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Distribution of Ratings/IB Services Firmwide				
Rating	IB Serv/Past 12 Mos.			
	Count	Percent	Count	Percent
OUTPERFORM [O]	335	56.00	147	43.88
PERFORM [P]	256	42.80	86	33.59
UNDERPERFORM [U]	7	1.20	4	57.14

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December 20, 2011

Stock Rating:
OUTPERFORM

12-18 mo. Price Target	\$17.00
TNGO - NASDAQ	\$14.93

3-5 Yr. EPS Gr. Rate	NA
52-Wk Range	\$15.79-\$8.01
Shares Outstanding	33.0M
Float	20.0M
Market Capitalization	\$492.1M
Avg. Daily Trading Volume	119,360
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.
2010A	--	--	--	--	0.79	18.9x
2011E	0.05A	0.06A	0.07A	0.07	0.25	59.7x
2012E	0.09	0.10	0.10	0.11	0.40	37.3x
Prior (E)	--	0.09	--	--	0.39	38.3x

Trading range as of 7/27/11 IPO.

TECHNOLOGY/ENTERPRISE SOFTWARE
Tangoe
ProfitLine Acquisition Bolsters CLM Capabilities
SUMMARY

AHs, TNGO announced its purchase of ProfitLine for roughly \$23.5 million in cash. The privately-held, California-based, ProfitLine is one of the biggest pure play communication lifecycle management (CLM) vendors in the space. We view this as a solid acquisition for TNGO, as it simultaneously takes out a healthy competitor and provides both plenty of up-sell/cross-sell opportunities for Tangoe and an entry into the federal-vertical (25% of ProfitLine's business is government). Additionally, as we believe one of TNGO's core competencies is M&A, we expect it to successfully migrate ProfitLine's customers to its platform and realize operational synergies in 2012. Given the accretive nature of the transaction and its ability to bolster growth, we are raising our price-target to \$17 from \$16.

KEY POINTS

- **Consolidating the space.** We estimate TNGO is paying an attractive 1.7x our CY12 revenue forecast to purchase one of the next largest independent players in the CLM market. We view this as a solid use of cash and a cost effective way to take out a competitor and acquire blue-chip customers.
- **Plenty of revenue synergies on the horizon.** We believe ProfitLine's roughly 50 customers represent a lucrative cross-sell/up-sell opportunity. As most of these customers are only using ProfitLine's solutions domestically and utilizing only either its fixed or MDM solutions, we believe TNGO can use its global reach and broad portfolio to significantly penetrate this install base.
- **Should open up the Federal door.** We feel the transaction will also provide TNGO with domain expertise and access to strategic relationships (**HP**) to help it finally break into the government vertical.
- **Adjusting estimates.** We now expect FY11E and FY12E EPS/revenue of \$0.25/\$104.0M and \$0.40/\$135.5M, up from \$0.25/\$103.6M and \$0.39/\$121.3M, respectively.
- **Valuation attractive.** At ~\$15, TNGO trades at 4.1x CY12E recurring revenue vs. peers at ~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 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.

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Changes to our Estimates

We've adjusted our model following TNGO's acquisition of ProfitLine. We have increased our CY11E revenue forecast by \$400K to \$104.0 million but left our EPS unchanged at \$0.25. For FY12, we have increased our revenue forecast by \$14.2 million to \$135.5 million to account for the contribution of ProfitLine. Although we believe ProfitLine will be slightly dilutive to TNGO's gross margins in 2012, we expect TNGO to achieve operational synergies (elimination of redundant positions) and for the deal to be modestly accretive next year. Thus, we have increased our 2012 EPS by a penny to \$0.40. For a closer view of our other changes, please see the exhibit below:

Estimate Revisions

(\$ in millions, except EPS)	4Q11E			FY11E			FY12E		
	New	Previous	Variance ¹	New	Previous	Variance ¹	New	Previous	Variance ¹
Revenue and EPS									
Total Revenue	\$28.3	\$27.9	\$0.4	\$104.0	\$103.6	\$0.4	\$135.5	\$121.3	\$14.2
Y/Y Growth	51.3%	49.2%	1.4%	51.8%	51.2%	0.4%	30.4%	17.1%	10.5%
Recurring Revenue	\$25.4	\$25.0	\$0.4	\$93.3	\$92.9	\$0.4	\$124.0	\$109.7	\$14.2
Y/Y Growth	58.7%	56.2%	1.6%	61.6%	60.9%	0.4%	32.9%	18.2%	11.5%
Consulting & Other	\$2.9	\$2.9	\$0.0	\$10.7	\$10.7	\$0.0	\$11.6	\$11.6	\$0.0
Y/Y Growth	7.2%	7.2%	0.0%	(0.7%)	(0.7%)	0.0%	8.2%	8.2%	0.0%
Non-GAAP EPS	\$0.07	\$0.07	\$0.00	\$0.25	\$0.25	\$0.00	\$0.40	\$0.39	\$0.01
Y/Y Growth	N/A	N/A	0.2%	0.0%	0.0%	0.0%	60.1%	55.8%	2.7%
Adjusted EBITDA	\$3.5	\$3.3	\$0.2	\$12.5	\$12.3	\$0.2	\$20.6	\$18.5	\$2.1
Y/Y Growth	78.8%	69.3%	5.3%	82.0%	79.2%	1.5%	65.2%	50.6%	10.2%
Cash Flow									
Cash From Operations	\$3.2	\$3.4	(\$0.2)	\$8.5	\$8.7	(\$0.2)	\$19.0	\$18.8	\$0.2
Y/Y Growth	N/A	N/A	(6.4%)	149.5%	155.5%	(2.4%)	123.6%	116.2%	1.0%
CFFO Per Share	\$0.08	\$0.09	(\$0.01)	\$0.26	\$0.26	(\$0.01)	\$0.48	\$0.47	\$0.00
Y/Y Growth	0.0%	0.0%	(6.4%)	(66.9%)	(66.1%)	(2.4%)	86.8%	80.5%	1.0%
Free Cash Flow	\$2.7	\$2.9	(\$0.2)	\$7.5	\$7.7	(\$0.2)	\$17.2	\$16.6	\$0.6
Y/Y Growth	N/A	N/A	(7.2%)	147.6%	154.0%	(2.6%)	128.9%	115.7%	3.3%
FCF Per Share	\$0.07	\$0.07	(\$0.01)	\$0.23	\$0.23	(\$0.01)	\$0.43	\$0.42	\$0.01
Y/Y Growth	0.0%	0.0%	(7.2%)	(67.2%)	(66.3%)	(2.6%)	91.2%	80.2%	3.3%
Margins									
Gross Margin (Non-GAAP)	52.8%	53.0%	(0.2%)	53.0%	53.0%	(0.1%)	56.5%	56.6%	(0.1%)
Operating Margin (Non-GAAP)	10.9%	10.4%	0.6%	10.6%	10.5%	0.2%	14.1%	13.7%	0.4%

Source: Oppenheimer & Co. Inc.

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

Stock prices of other companies mentioned (as of 12/19/2011):

Hewlett-Packard (HPQ-NYSE, \$25.13, 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	25.4	93.3	29.4	30.4	31.5	32.6	124.0
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	28.3	104.0	32.3	33.3	34.4	35.5	135.5
Cost of revenue (Non-GAAP)	24.8	29.9	10.2	12.5	12.9	13.3	48.9	14.2	14.6	15.0	15.3	59.0
Total gross profit (Non-GAAP)	31.1	38.6	12.2	13.6	14.4	14.9	55.1	18.2	18.8	19.4	20.2	76.6
Adjusted Operating expenses												
S&M (Non-GAAP)	9.6	11.9	3.5	3.8	3.9	4.3	15.5	5.1	5.3	5.4	5.6	21.4
G&A (Non-GAAP)	9.2	10.7	3.3	3.9	4.2	3.6	15.0	4.4	4.5	4.6	4.7	18.1
R&D (Non-GAAP)	8.0	9.2	2.8	2.8	3.0	3.5	12.1	4.0	4.0	4.1	4.2	16.4
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)	(0.9)	(0.9)	(0.9)	(1.0)	(3.7)
Total operating expenses (Non-GAAP)	28.0	32.8	9.9	10.8	11.4	11.8	44.0	13.9	14.2	14.5	14.9	57.5
Income (Loss) from operations (Non-GAAP)	3.1	5.8	2.3	2.7	3.0	3.1	11.1	4.3	4.6	4.9	5.3	19.1
Other income (expense), net												
Interest income (expense) and other, net (Non-GAAP)	(2.2)	(2.0)	(0.7)	(0.8)	(0.4)	(0.3)	(2.1)	(0.5)	(0.5)	(0.5)	(0.6)	(2.1)
Income (Loss) before taxes (Non-GAAP)	1.0	3.8	1.6	2.0	2.6	2.8	9.0	3.8	4.1	4.4	4.7	17.0
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	1.085
Net Income (Loss) (Non-GAAP)	0.7	3.5	1.5	1.8	2.5	2.6	8.4	3.6	3.8	4.1	4.4	15.9
EPS (Non-GAAP)	0.16						0.25	0.09	0.10	0.10	0.11	0.40
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	3.5	12.5	4.7	5.0	5.3	5.7	20.6

Margin Analysis												
Recurring revenue as % of revenue	82.3%	84.3%	89.2%	90.3%	89.5%	89.8%	89.7%	91.1%	91.3%	91.6%	91.8%	91.5%
Consulting & other as % of revenue	17.7%	15.7%	10.8%	9.7%	10.5%	10.2%	10.3%	8.9%	8.7%	8.4%	8.2%	8.5%
Cost of revenue as % of revenue (Non-GAAP)	44.3%	43.7%	45.6%	47.9%	47.2%	47.2%	47.0%	43.8%	43.7%	43.5%	43.1%	43.5%
Gross Margin (Non-GAAP)	55.7%	56.3%	54.4%	52.1%	52.8%	52.8%	53.0%	56.2%	56.3%	56.5%	56.9%	56.5%
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%	12.7%	14.4%	12.6%	12.6%	12.5%	12.3%	13.4%
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%	10.9%	10.6%	13.3%	13.7%	14.2%	15.0%	14.1%
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%	9.9%	8.6%	11.7%	12.2%	12.8%	13.3%	12.5%
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%	9.2%	8.1%	11.0%	11.4%	11.9%	12.4%	11.7%
EBITDA Margin (Non-GAAP)	11.9%	13.6%	14.6%	14.8%	15.5%	15.4%	15.1%	17.3%	17.6%	18.0%	18.8%	17.9%
Adjusted EBITDA Margin	7.8%	10.0%	11.4%	11.9%	12.2%	12.5%	12.0%	14.6%	14.9%	15.3%	16.1%	15.2%

V/Y Growth Analysis												
Recurring revenue	65.3%	25.4%	50.3%	69.2%	67.9%	58.7%	61.6%	47.7%	29.4%	28.8%	28.5%	32.9%
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%	51.3%	51.8%	44.7%	27.9%	25.9%	25.6%	30.4%
Cost of revenue as % of revenue (Non-GAAP)	39.9%	20.6%	44.4%	71.3%	71.3%	65.9%	63.5%	39.1%	16.7%	16.1%	14.7%	20.6%
Gross Profit (Non-GAAP)	57.1%	23.9%	36.6%	44.0%	50.0%	40.3%	42.8%	49.4%	38.3%	34.7%	35.4%	39.0%
S&M (Non-GAAP)	24.6%	23.8%	29.5%	27.3%	33.1%	33.0%	30.8%	44.9%	40.2%	39.1%	29.7%	38.1%
G&A (Non-GAAP)	23.9%	15.8%	31.0%	53.0%	64.1%	17.7%	40.5%	34.0%	14.6%	9.1%	30.0%	20.9%
R&D (Non-GAAP)	37.4%	14.9%	25.9%	22.7%	29.8%	47.0%	31.5%	40.9%	44.5%	38.6%	21.5%	35.6%
Operating Profit (Non-GAAP)	-252.4%	84.2%	89.1%	101.5%	93.7%	83.2%	91.5%	90.6%	67.1%	63.9%	71.6%	72.3%
Total operating expenses (Non-GAAP)	28.0%	17.1%	28.5%	34.3%	41.7%	32.2%	34.2%	40.0%	31.0%	27.1%	25.9%	30.6%
EBT (Non-GAAP)	-130.2%	295.5%	142.3%	137.2%	156.7%	116.6%	136.3%	137.4%	107.5%	68.1%	68.6%	89.2%
EPS (Non-GAAP)	-120.4%	-100.0%	139.8%	119.5%	119.9%			81.3%	61.6%	43.0%	61.3%	60.1%
Adjusted EBITDA	-490.4%	57.6%	76.1%	89.9%	83.0%	78.8%	82.0%	84.6%	60.5%	58.7%	61.3%	65.2%

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 \$17 price target for Tangoe by applying a 4.6x multiple to our FY12E recurring revenue of \$124.0M. 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 \$17 price target.

Key Risks to Price Target

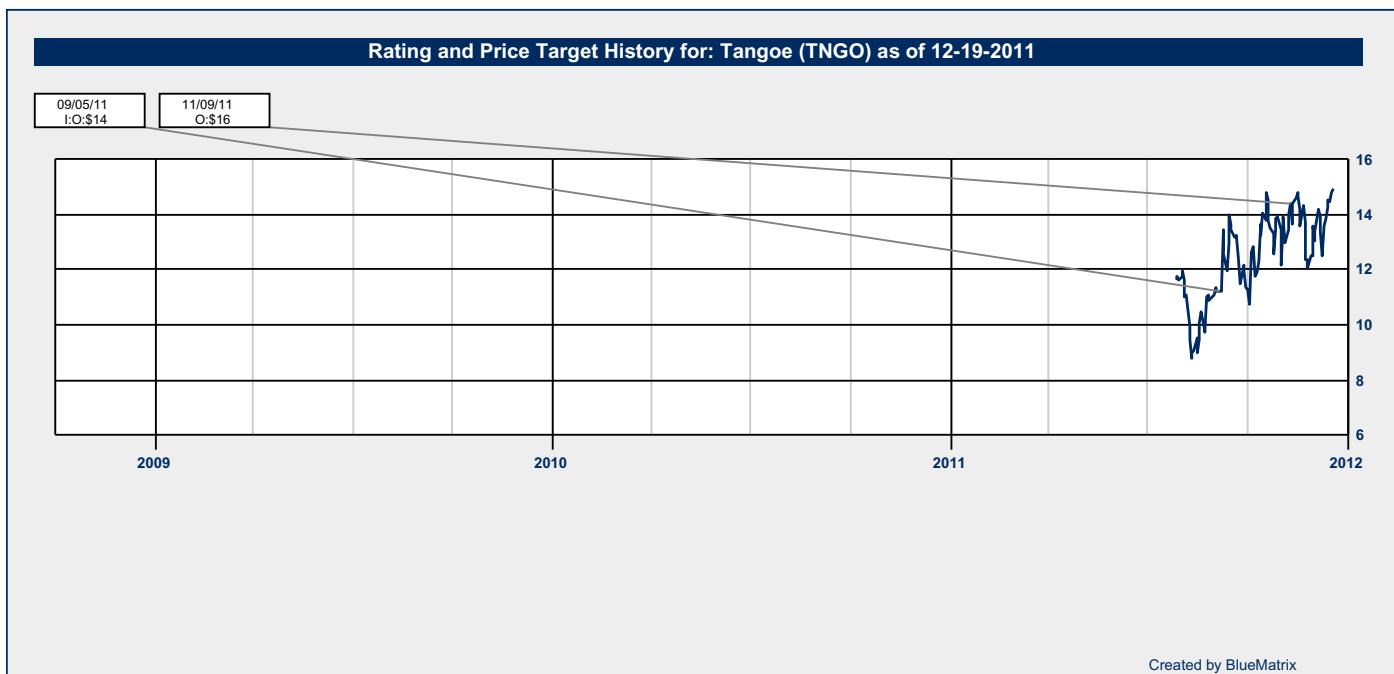
There are several risks to our investment thesis, including the sluggish pace of IT spending, which may cause deals to be delayed and/or downsized; the company's failing to successfully integrate an acquisition; CLM demand not materializing as expected; loss of a material customer; increased competition 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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Analyst Certification - The author certifies that this research report accurately states his/her personal views about the subject securities, which are reflected in the ratings as well as in the substance of this report. The author certifies that no part of his/her compensation was, is, or will be directly or indirectly related to the specific recommendations or views contained in this research report.

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Underperform (U) - Stock expected to underperform the S&P 500 within the next 12-18 months.

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Neutral - anticipates that the shares will trade at or near their current price and generally in line with the leading market averages due to a perceived absence of strong dynamics that would cause volatility either to the upside or downside, and/or will perform less well than higher rated companies within its peer group. Our readers should be aware that when a rating change occurs to Neutral from Buy, aggressive trading accounts might decide to liquidate their positions to employ the funds elsewhere.

Sell - anticipates that the shares will depreciate 10% or more in price within the next 12 months, due to fundamental weakness perceived in the company or for valuation reasons, or are expected to perform significantly worse than equities within the peer group.

Distribution of Ratings/IB Services Firmwide				
Rating	IB Serv/Past 12 Mos.			
	Count	Percent	Count	Percent
OUTPERFORM [O]	335	56.30	143	42.69
PERFORM [P]	254	42.70	85	33.46
UNDERPERFORM [U]	6	1.00	3	50.00

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In the past 12 months Oppenheimer & Co. Inc. has managed or co-managed a public offering of securities for TNGO.

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Please log on to <http://www.opco.com> or write to Oppenheimer & Co. Inc., 300 Madison Avenue, New York, NY 10017, Attention: Equity Research Department, Business Manager.

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20 December 2011

Tangoe, Inc.

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

Tangoe acquires Profitline

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Tangoe acquires Profitline

Tangoe announced the acquisition of Profitline, for \$23.5m, ~1.6x CY12 rev. This is its 3rd acquisition this year, after acquiring HCL's TEM business and Telwares early in 2011. The acquisition will bring ~\$14m-\$15m in 2012 revenues. Tangoe expects slight accretion as customers are migrated gradually to its platform over the next 12-18 months. With a good track record of integrating acquisitions, we think this move will improve Tangoe's scale, mainly with the addition of key government agencies as customers. We reiterate our Buy rating and \$18 PT

Consolidation Opportunity Ripe and Unique to Tangoe

It appears Profitline sold out at a time when its sizable customer base of about 50 was losing business competitively to Tangoe. As has been Tangoe's practice, we will likely see many of the approximately 100 employees become integrated early in the process, with customers gradually migrating to Tangoe's platform over the next four to six quarters. Customers include Starbucks, BASF, NASA, DoD and the US Postal Service, with about \$5m in annual revenue from the government sector, where Tangoe hasn't historically had much presence. Two other private competitors of roughly the same scale as Profitline-Rivermine and Symphony - now remain. Recall IBM acquired Emptoris last week, which owns Rivermine. With IBM already a top partner of Tangoe, we wouldn't be surprised to see the Rivermine assets carved off, which could be a net positive for Tangoe, the only natural consolidator in the market.

Reiterate Buy and \$18 PT

Our \$18 price target is based on a CY13 uFCF/share estimate of \$0.48, an EV/uFCF/G multiple of 1.1x, 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.

Deutsche Bank



Company Update

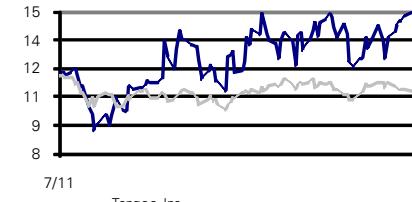
Buy

Price at 19 Dec 2011 (USD)	14.93
Price target	18.00
52-week range	14.93 - 8.75

Key changes

EPS (USD)	0.25 to 0.26 ↑	1.8%
Revenue (USDm)	103.4 to 103.8 ↑	0.4%

Price/price relative



	1m	3m	12m
Absolute	9.9	13.1	-
S&P 500 INDEX	-0.8	0.1	-3.1

Stock & option liquidity data

Market cap (USDm)	484.2
Shares outstanding (m)	32.4
Free float (%)	100
Volume (19 Dec 2011)	24,791
Option volume (und. shrs., 1M avg.)	-

Forecasts and ratios

Year End Dec 31	2010A	2011E	2012E
FY EPS (USD)	0.13	0.26	0.39
EV/EBITDA (x)	-	36.3	29.4
Revenue (USDm)	68.5	103.8	137.0
EV/Sales (x)	-	4.3	4.0
EV/FCF (x)	0.0	54.9	34.5

Source: Deutsche Bank estimates, company data

Deutsche Bank Securities Inc.

All prices are those current at the end of the previous trading session unless otherwise indicated. Prices are sourced from local exchanges via Reuters, Bloomberg and other vendors. Data is sourced from Deutsche Bank and subject companies. Deutsche Bank does and seeks to do business with companies covered in its research reports. Thus, investors should be aware that the firm may have a conflict of interest that could affect the objectivity of this report. Investors should consider this report as only a single factor in making their investment decision. DISCLOSURES AND ANALYST CERTIFICATIONS ARE LOCATED IN APPENDIX 1. MICA(P) 146/04/2011.

Model updated: 20 December 2011

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

Reuters: TNGO.OQ

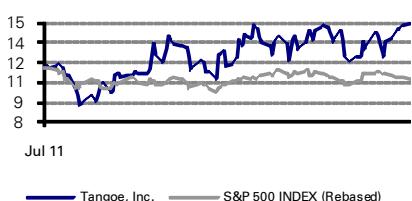
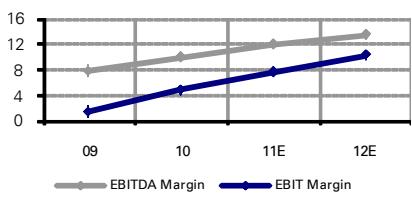
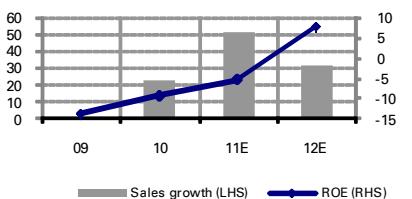
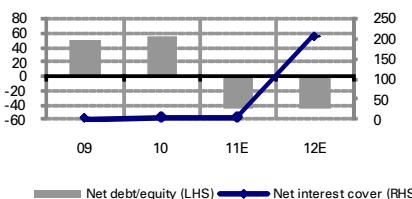
Bloomberg: TNGO US

Buy

Price (19 Dec 11)	USD 14.93
Target price	USD 18.00
52-week Range	USD 8.75 - 14.93
Market Cap (m)	USDm 484 EURm 369

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****Tom Ernst Jr**

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Fiscal year end 31-Dec	2009	2010	2011E	2012E
Financial Summary				
DB EPS (USD)	-0.11	0.06	0.15	0.24
Reported EPS (USD)	-0.11	-0.06	-0.08	0.17
DPS (USD)	0.00	0.00	0.00	0.00
BVPS (USD)	0.80	0.71	2.50	2.29
Valuation Metrics				
Price/Sales (x)	nm	nm	4.7	4.2
P/E (DB) (x)	nm	na	100.1	62.1
P/E (Reported) (x)	nm	nm	nm	88.1
P/BV (x)	0.0	0.0	6.0	6.5
FCF yield (%)	na	na	1.7	2.7
Dividend yield (%)	na	na	0.0	0.0
EV/Sales	nm	nm	4.3	4.0
EV/EBITDA	nm	nm	36.3	29.4
EV/EBIT	nm	nm	56.1	38.4
Income Statement (USDm)				
Sales	56	68	104	137
EBITDA	4	7	12	18
EBIT	1	3	8	14
Pre-tax profit	-2	-1	3	8
Net income	-3	-2	-3	7
Cash Flow (USDm)				
Cash flow from operations	2	3	9	17
Net Capex	-1	0	-1	-2
Free cash flow	2	3	8	16
Equity raised/(bought back)	-1	-3	-18	-4
Dividends paid	0	0	0	0
Net inc/(dec) in borrowings	0	0	0	0
Other investing/financing cash flows	-1	0	47	-5
Net cash flow	0	0	37	7
Change in working capital	0	-1	-2	-1
Balance Sheet (USDm)				
Cash and cash equivalents	6	6	41	48
Property, plant & equipment	2	2	3	3
Goodwill	18	18	23	23
Other assets	31	33	48	53
Total assets	56	59	115	127
Debt	15	17	5	7
Other liabilities	22	23	28	31
Total liabilities	38	39	34	38
Total shareholders' equity	19	19	81	89
Net debt	9	11	-36	-41
Key Company Metrics				
Sales growth (%)	nm	22.5	51.6	32.0
DB EPS growth (%)	na	na	157.9	61.2
Payout ratio (%)	nm	nm	nm	0.0
EBITDA Margin (%)	7.8	10.0	11.9	13.5
EBIT Margin (%)	1.5	4.9	7.7	10.3
ROE (%)	-13.8	-9.2	-5.4	7.8
Net debt/equity (%)	49.6	55.4	-44.0	-45.7
Net interest cover (x)	0.3	1.7	4.2	204.4
DuPont Analysis				
EBIT margin (%)	1.5	4.9	7.7	10.3
x Asset turnover (x)	1.0	1.2	1.2	1.1
x Financial cost ratio (x)	-1.9	0.4	0.8	1.0
x Tax and other effects (x)	1.7	-1.3	-0.4	0.5
= ROA (post tax) (%)	-4.6	-3.1	-3.1	5.5
x Financial leverage (x)	3.0	3.0	1.7	1.4
= ROE (%)	-13.8	-9.2	-5.4	7.8
annual growth (%)	na	32.9	41.3	na
x NTA/share (avg) (x)	0.8	0.7	1.6	2.2
= Reported EPS	-0.11	-0.06	-0.08	0.17
annual growth (%)	na	41.5	-31.0	na

Source: Company data, Deutsche Bank estimates

Tangoe acquires Profitline

Tangoe acquires Profitline

Tangoe announced the acquisition of smaller private competitor Profitline, for \$23.5m, about 1.6x CY12 revenue. This is Tangoe's third consolidative move this year, after acquiring HCL's TEM business and Telwares early in 2011. The acquisition will bring about \$14m-\$15m in 2012 revenues and the company expects slight accretion as customers are migrated gradually to Tangoe's platform over the next 12-18 months. With a good track record of integrating acquisitions, we see this move as further improving Tangoe's scale, particularly with the addition of key government agencies as customers. We reiterate our Buy rating and \$18 PT.

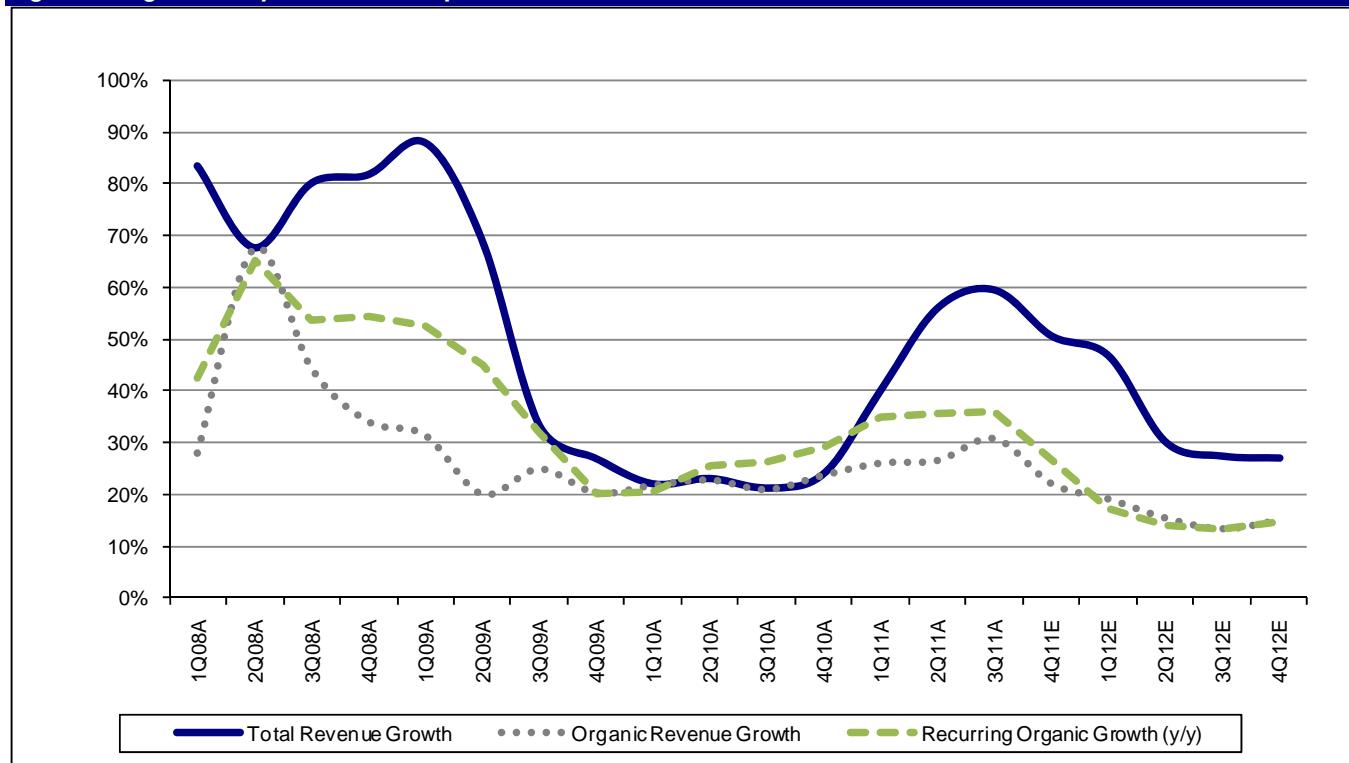
Figure 1: Estimate Changes

	Revenues		EPS		uFCF/Share	
	Old	New	Old	New	Old	New
4Q11E	\$27.7	\$28.1	\$0.07	\$0.07	\$0.08	0.08
1Q12E	\$29.0	\$32.8	\$0.09	\$0.09	\$0.06	\$0.06
2011E	\$103.4	\$103.8	\$0.25	\$0.25	\$0.28	\$0.28
2012E	\$122.0	\$137.0	\$0.39	\$0.39	\$0.40	\$0.40

Source: Deutsche Bank

Consolidation Opportunity Ripe and Unique to Tangoe

It appears Profitline sold out at a time when its sizable customer base of about 50 was losing business competitively to Tangoe. As has been Tangoe's practice, we will likely see many of the approximately 100 employees become integrated early in the process, with customers gradually migrating to Tangoe's platform over the next four to six quarters. Customers include Starbucks, BASF, NASA, DoD and the US Postal Service, with about \$5m in annual revenue from the government sector, where Tangoe hasn't historically had much presence. Two other private competitors of roughly the same scale as Profitline-Rivermine and Symphony - now remain. Recall IBM acquired Emptoris last week, which owns Rivermine. With IBM already a top partner of Tangoe, we wouldn't be surprised to see the Rivermine assets carved off, which could be a net positive for Tangoe, the only natural consolidator in the market.

Figure 2: Organic analysis – current expectations could be conservative

Source: Deutsche Bank

Reiterate Buy and \$18 PT

Our \$18 price target is based on a CY13 uFCF/share estimate of \$0.48, an EV/uFCF/G multiple of 1.1x, 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 3: EV/uFCF/G sensitivity

Source: Deutsche Bank



Figure 4: Income Statement

Source: Deutsche Bank

Figure 5: Balance Sheet



Figure 6: Cash Flow Statement

Appendix 1

Important Disclosures

Additional information available upon request

Disclosure checklist			
Company	Ticker	Recent price*	Disclosure
Tangoe, Inc.	TNGO.OQ	14.93 (USD) 19 Dec 11	1,2,7

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

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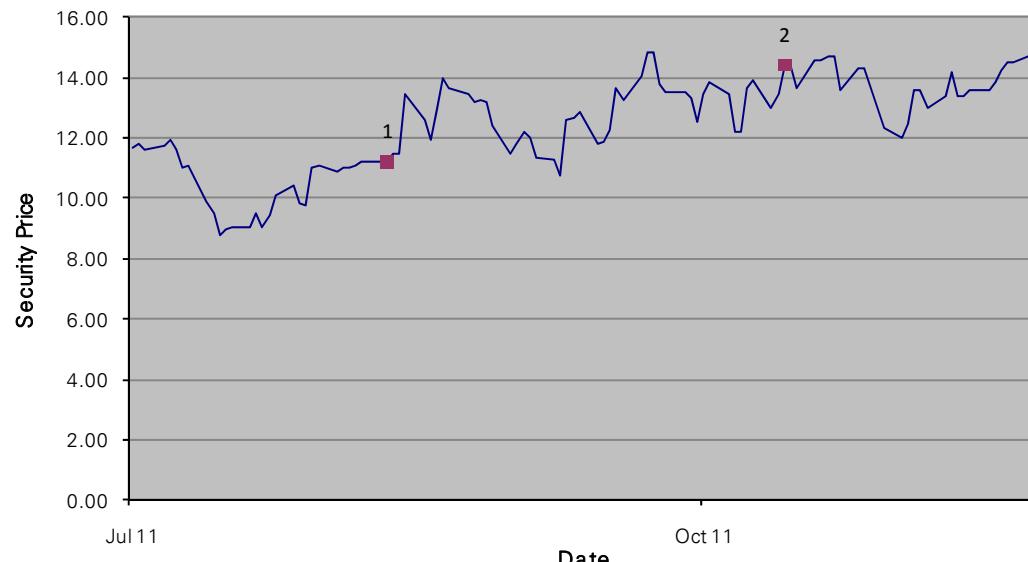
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Historical recommendations and target price: Tangoe, Inc. (TNGO.OQ)

(as of 12/19/2011)



1. 9/6/2011: Buy, Target Price Change USD17.00 2. 11/9/2011: Buy, Target Price Change USD18.00

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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.

either a

Notes:

- Notes:**

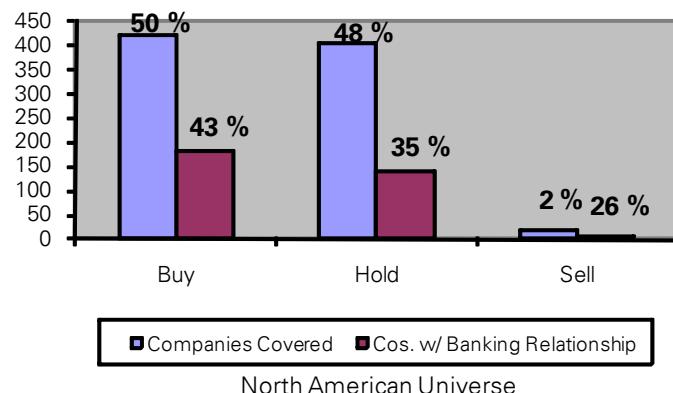
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15 Dec 2011 - 11:20:28 AM CDT

COMPANY ALERT**Tangoe, Inc.****IBM to acquire Emptoris; net positive for Tangoe****Breaking News****Buy**

Reuters:TNGO.OQ Exchange:NMS Ticker:TNGO

Price (USD)	14.53
Price target	18.00
52-week range	14.83 - 8.75
Market cap (USD)	471.3
Shares outstanding (m)	32.4
Free float (%)	100
Volume (14 Dec 2011)	217,800
S&P 500 INDEX	1,211.82

FYE 12/31	2010A	2011E	2012E
1Q EPS	0.02	0.02A	0.06
2Q EPS	0.01	0.03A	0.06
3Q EPS	0.02	0.05	0.06
4Q EPS	0.01	0.04	0.06
FY EPS (USD)	0.06	0.14	0.24
P/E (x)	-	100.6	59.8

* Includes the impact of FAS123R requiring the expensing of stock options.

IBM (Buy, USD188.72) this morning announced that it is acquiring Emptoris, a provider of on-demand supply chain software. We note that Rivermine, a smaller telecom expense management (TEM) competitor of Tangoe, was recently acquired by Emptoris. We believe the Emptoris acquisition is focused on IBM's efforts to beef up its software business. IBM's relationship with Tangoe is on the consulting (Global Services) side of the business and we therefore don't see the Rivermine segment as directly competitive or disruptive to the IBM partner relationship.

As a byproduct of the IBM-Emptoris deal, we also see the possibility of Tangoe being able to acquire the Rivermine customer base, in case IBM decides to focus purely on the supply chain assets of Emptoris.

Reiterate Buy and \$18 PT

Our \$18 price target is based on a CY13 uFCF/share estimate of \$0.48, an EV/uFCF/G multiple of 1.1x (slight premium to the peer group given 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.

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November 9, 2011

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.

TECHNOLOGY/ENTERPRISE SOFTWARE

Tango

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

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.** Tango 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

Tango 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.

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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 comprehensive 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			4Q11E			FY11E			FY12E		
	Actuals	Previous	Variance ¹	New	Previous	Variance ¹	New	Previous	Variance ¹	New	Previous	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%)	^(86.1%)	^(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)									
Total Spend Managed (\$ in billions)				\$9.1	\$9.5				\$14.5
^{Y/Y Growth}									^{60.0%}
^{Q/Q Growth}					^{4.9%}				^{61.1%}
^{5.5%}									
International Spend Managed (\$ in billions)					\$3.0				\$3.5
^{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
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						0.25	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												
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	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%	15.6%	15.3%	16.1%	15.3%

V/Y Growth Analysis												
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

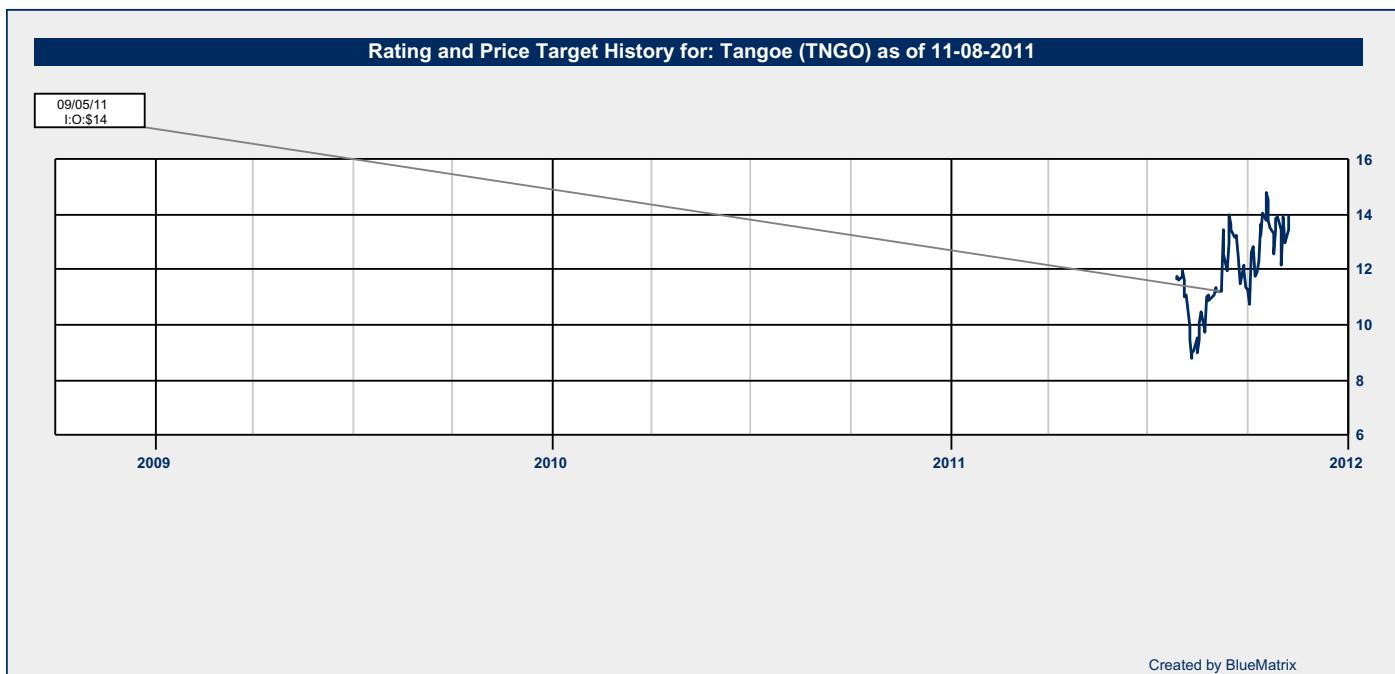
There are several risks to our investment thesis, including the sluggish pace of IT spending, which may cause deals to be delayed and/or downsized; the company's failing to successfully integrate an acquisition; CLM demand not materializing as expected; loss of a material customer; increased competition 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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Distribution of Ratings/IB Services Firmwide				
Rating	IB Serv/Past 12 Mos.			
	Count	Percent	Count	Percent
OUTPERFORM [O]	327	55.10	145	44.34
PERFORM [P]	258	43.40	84	32.56
UNDERPERFORM [U]	9	1.50	3	33.33

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7 November 2011

Tangoe, Inc.

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

Extending leadership in nascent growth market

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Beat and Raise

Tangoe reported 3Q results with revenue/EPS of \$27.3m/\$0.07 versus our/street's \$26.5m/\$0.06 estimate. The company continues to expand the nascent communications lifecycle management (CLM) market (spend managed is up 6% q/q), and the large multi-million dollar IBM deal vindicates market opportunity. Estimated organic recurring revenue growth of 28% came above our expectations, and we view current 2011 expectations as conservative. We are raising estimates for higher momentum. Reiterate our buy rating and raise target to \$18 (from \$17

Expanding lead in nascent market; IBM win vindicates market opportunity

Tangoe continues to penetrate the growing market for CLM with about \$15.3b in spend managed (up 6% q/q) within an estimated potential TAM of \$425b globally. The company added 25 new customers, in-line with 2Q, and within range of targeted 25 -30 customers, and also had up-sell into major customers, both including Motorola, BlueCoat, and Novartis. The large multi-million dollar internal IBM deal vindicates market opportunity, and view this strengthening existing partnership, and potentially opening new revenue opportunities with IBM over time. We view recurring revenue organic growth of 29%, in-line with last qtr's 28%, as solid, and we think current 4Q estimates of total organic revenue growth is 18% and organic recurring revenue growth of 20% in 4Q, could be conservative given current momentum

MDM, international expansion and current partner investments could lead upside in 2012

MDM represents <10% of revenue, and could benefit from enterprise adoption of greater number of mobile form factors. They continue to benefit from the major 2Q product release and closed biz with Expedia, Biogen, AmerisourceBergen and PWC. The company continues to invest internationally (intl'l biz is up 37% y/y) and believe new investments could potentially see greater revenue contribution from APAC in 2012, like Europe in 2011. We believe recent partner additions like HP and ACS (broke into Xerox this quarter) are beginning to ramp, and their full impact can be seen only in 2012. We are raising revenue estimates for higher business momentum, but maintain EPS expectations as we expect much of upside to be fueled back to drive growth.

Reiterate Buy and raise target to \$18 (from \$17)

Our \$18 price target is based on a CY13 uFCF/share estimate of \$0.48, an EV/uFCF/G multiple of 1.1x (slight premium to the peer group given market leadership), and an estimated five-year growth rate, net of dilution, of 30% (up from 26%). Risks include execution risk from integrating acquisitions, delayed profitability from new projects not ramping fast enough and customers taking expense processing inhouse after early gains from Tangoe's platform.

Forecasts and ratios

Year End Dec 31	2010A	2011E	2012E
FY EPS (USD)	0.13	0.25	0.39
EV/Sales (x)	-	3.6	3.7

Source: Deutsche Bank estimates, company data

Deutsche Bank



Forecast Change

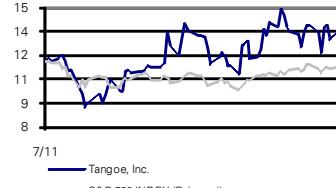
Buy

Price at 7 Nov 2011 (USD)	13.00
Price target	18.00
52-week range	14.83 - 8.75

Key changes

Price target	17.00 to 18.00	↑	5.9%
EPS (USD)	0.25 to 0.25	↑	2.2%
Revenue (USDm)	101.8 to 103.4	↑	1.6%

Price/price relative



Performance (%)

	1m	3m	12m
Absolute	18.6	40.8	-
S&P 500 INDEX	10.4	14.0	4.3

Stock & option liquidity data

Market cap (USDm)	421.6
Shares outstanding (m)	32.4
Free float (%)	100
Volume (7 Nov 2011)	12,951
Option volume (und. shrs., 1M avg.)	-

Deutsche Bank Securities Inc.

All prices are those current at the end of the previous trading session unless otherwise indicated. Prices are sourced from local exchanges via Reuters, Bloomberg and other vendors. Data is sourced from Deutsche Bank and subject companies. Deutsche Bank does and seeks to do business with companies covered in its research reports. Thus, investors should be aware that the firm may have a conflict of interest that could affect the objectivity of this report. Investors should consider this report as only a single factor in making their investment decision. DISCLOSURES AND ANALYST CERTIFICATIONS ARE LOCATED IN APPENDIX 1. MICA(P) 146/04/2011.

Model updated: 09 November 2011

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

Reuters: TNGO.OQ

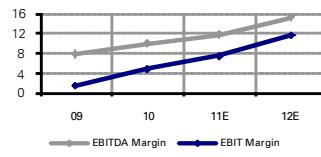
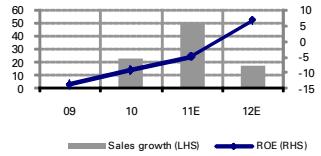
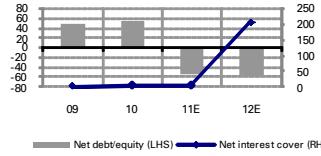
Bloomberg: TNGO US

Buy

Price (7 Nov 11)	USD 13.00
Target price	USD 18.00
52-week Range	USD 8.75 - 14.83
Market Cap (m)	USDm 422 EURm 305

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**

Fiscal year end 31-Dec	2009	2010	2011E	2012E
Financial Summary				
DB EPS (USD)	-0.11	0.06	0.14	0.24
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	2.95	2.77
Valuation Metrics				
Price/Sales (x)	nm	nm	4.1	4.2
P/E (DB) (x)	nm	na	90.0	53.5
P/E (Reported) (x)	nm	nm	nm	75.6
P/BV (x)	0.0	0.0	4.4	4.7
FCF yield (%)	na	na	2.0	3.2
Dividend yield (%)	na	na	0.0	0.0
EV/Sales	nm	nm	3.6	3.7
EV/EBITDA	nm	nm	30.5	24.1
EV/EBIT	nm	nm	47.6	31.4
Income Statement (USDm)				
Sales	56	68	103	122
EBITDA	4	7	12	19
EBIT	1	3	8	14
Pre-tax profit	-2	-1	2	8
Net income	-3	-2	-3	7
Cash Flow (USDm)				
Cash flow from operations	2	3	9	18
Net Capex	-1	0	-1	-2
Free cash flow	2	3	8	16
Equity raised/(bought back)	-1	-3	-18	-4
Dividends paid	0	0	0	0
Net inc/(dec) in borrowings	0	0	0	0
Other investing/financing cash flows	-1	0	62	0
Net cash flow	0	0	51	12
<i>Change in working capital</i>	0	-1	-1	0
Balance Sheet (USDm)				
Cash and cash equivalents	6	6	56	67
Property, plant & equipment	2	2	3	3
Goodwill	18	18	23	23
Other assets	31	33	48	49
Total assets	56	59	129	142
Debt	15	17	5	6
Other liabilities	22	23	28	27
Total liabilities	38	39	34	34
Total shareholders' equity	19	19	96	108
<i>Net debt</i>	9	11	-50	-60
Key Company Metrics				
Sales growth (%)	nm	22.5	51.0	18.0
DB EPS growth (%)	na	na	149.9	68.1
Payout ratio (%)	nm	nm	nm	0.0
EBITDA Margin (%)	7.8	10.0	11.8	15.2
EBIT Margin (%)	1.5	4.9	7.5	11.6
ROE (%)	-13.8	-9.2	-5.1	6.6
Net debt/equity (%)	49.6	55.4	-52.7	-55.9
Net interest cover (x)	0.3	1.7	4.1	205.9
DuPont Analysis				
EBIT margin (%)	1.5	4.9	7.5	11.6
x Asset turnover (x)	1.0	1.2	1.1	0.9
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	-3.1	4.9
x Financial leverage (x)	3.0	3.0	1.6	1.3
= ROE (%)	-13.8	-9.2	-5.1	6.6
annual growth (%)	na	32.9	45.2	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	-39.6	na

Source: Company data, Deutsche Bank estimates

Tom Ernst Jr

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3Q Review

Beat and Raise

Tangoe reported 3Q results with revenue/EPS of \$27.3m/\$0.07 versus our/street's \$26.5m/\$0.06 estimate. The company continues to expand the nascent communications lifecycle management (CLM) market (spend managed is up 6% q/q), and the large multi-million dollar IBM deal vindicates market opportunity. Estimated organic recurring revenue growth of 28% came above our expectations, and we view current 2011 expectations as conservative. We are raising estimates for higher momentum. Reiterate our buy rating and raise target to \$18 (from \$17).

Guidance:

- Fourth Quarter 2011 Guidance: Total revenue is expected to be in the range of \$27.5 million to \$27.9 million. Adjusted EBITDA is expected to be in the range of \$3.2 million to \$3.4 million. Non-GAAP EPS is expected to be approximately \$0.07 based on 38.5 million weighted-average diluted shares outstanding.
- Full Year 2011 Guidance: Total revenue is expected to be in the range of \$103.2 million to \$103.6 million. Adjusted EBITDA is expected to be in the range of \$12.2 million to \$12.4 million. Non-GAAP EPS is expected to be approximately \$0.25 based on 33.7 million weighted-average diluted shares outstanding.

Figure 1: Summary of estimate changes

	Revenues		EPS		uFCF/Share	
	Old	New	Old	New	Old	New
4Q11E	\$26.9	\$27.7	\$0.07	\$0.07	\$0.10	0.08
1Q12E	\$28.8	\$29.0	\$0.09	\$0.09	\$0.06	\$0.06
2011E	\$101.8	\$103.4	\$0.25	\$0.25	\$0.31	\$0.28
2012E	\$120.0	\$122.0	\$0.39	\$0.39	\$0.40	\$0.40

Source: Deutsche Bank

Expanding lead in nascent market; large IBM win vindicates market opportunity

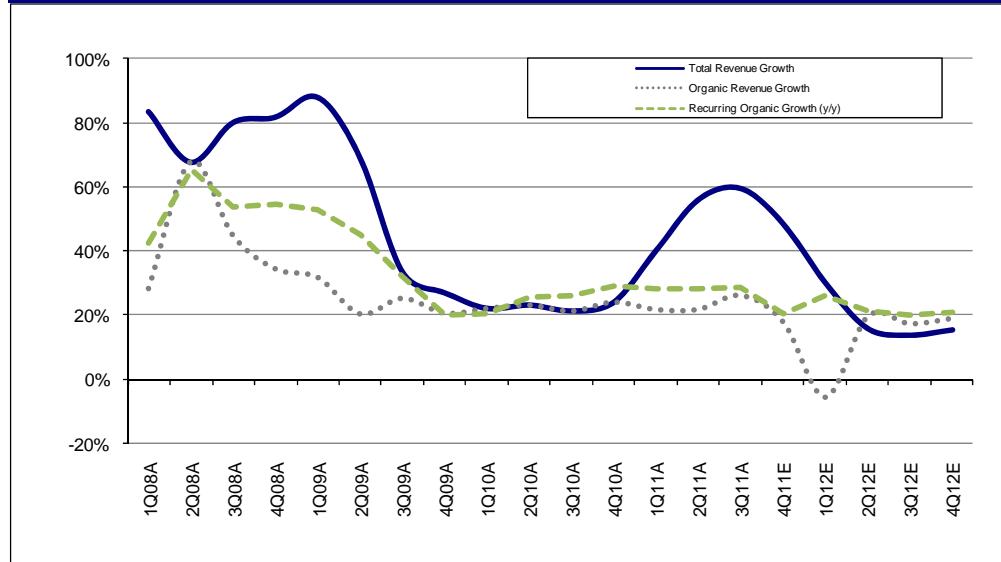
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MDM, international expansion and current partner investments could lead upside in 2012

MDM represents <10% of revenue, and could benefit from enterprise adoption of greater number of mobile form factors. They continue to benefit from the major 2Q product release and closed biz with Expedia, Biogen, AmerisourceBergen and PWC. The company continues to invest internationally (intnl biz is up 37% y/y) and believe new investments could potentially see greater revenue contribution from APAC in 2012, like Europe in 2011. We believe recent partner additions like HP and ACS (broke into Xerox this quarter) are beginning to ramp, and their full impact can be seen only in 2012. We are raising revenue estimates for

higher business momentum, but maintain EPS expectations as we expect much of upside to be fueled back to drive growth.

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



Source: Deutsche Bank

Figure 3: Estimates vs. actuals

	Actual 3Q11	Estimates 3Q11	Variance	QoQ Comparison 2Q11 Growth		YY Comparison 3Q10 Growth		
				2Q11	Growth	3Q10	Growth	
Net Revenues	27,312	26,500	812	3%	26,047	5%	17,138	59%
Total cost of revenue	13,068	12,517	551	4.4%	12,503	4.5%	7,524	73.7%
Gross profit	14,244	13,983	261	2%	13,544	5%	9,614	48%
Sales and Marketing	3,813	4,108	(295)	-7%	3,181	20%	2,935	30%
Research & Development	2,723	3,296	(573)	-17%	2,833	-4%	2,294	19%
General and administrative	4,386	3,313	1,074	32.4%	4,436	-1.1%	2,570	70.7%
Operating Income	2,983	2,672	311	11.6%	2,738	8.9%	1,539	93.8%
Interest (expense) and income	(372)	(108)	(264)	244.4%	(774)	-51.9%	(523)	-28.9%
Pretax income	2,611	2,564	47	1.8%	1,984	32.9%	1,016	157.0%
Provision for Taxes	88	308	(220)		180	-51.1%	69	27.5%
Adjusted Net Income	2,523	\$2,256	\$267	12%	1,784	41%	947	166%
Diluted EPS	\$0.07	\$0.06	\$0.01	12%	\$0.06	20%	\$0.03	117%
Pro Forma Fully diluted Shares	35,124	35,100	24	0%	29,867	18%	28,631	23%
Equity based compensation	861	861	-	0%	931	-8%	509	69%
Amortization of intangibles/debt issuance c/o	910	663	257		757		583	
Other Adjustments	2,172	2,172	-		2,011		(42)	
Reported Earnings	(1,420)	(1,430)	10	-1%	(1,915)	-28%	(103)	1279%
GAAP EPS	(\$0.04)	(\$0.04)	\$0.00	-1%	(\$0.06)	-37%	(\$0.02)	73%
Gross margin	52%	53%			52%		56%	
Operating margin	11%	10%			11%		9%	
Pretax margin	10%	10%			8%		6%	
Net margin	9%	9%			7%		6%	

Source: Deutsche Bank

Figure 4: 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		
		0.7x	0.9x	1.1x	1.3x	1.5x	Average '92-'98	20x	20x
-20%	\$0.39	\$10.06	\$12.38	\$14.70	\$17.02	\$19.34	Average '92-'98	20x	20x
-10%	\$0.43	\$11.13	\$13.74	\$16.35	\$18.96	\$21.57			
DB Est. *	\$0.48	\$12.20	\$15.10	\$18.00	\$20.90	\$23.80			
10%	\$0.53	\$13.27	\$16.46	\$19.65	\$22.84	\$26.03			
20%	\$0.58	\$14.34	\$17.82	\$21.30	\$24.78	\$28.26			
Relative EV/uFCF/G Ratios									
		0.7x	0.9x	1.1x	1.3x	1.5x	2011	2012	
LTG	18%	\$7.92	\$9.66	\$11.40	\$13.14	\$14.88	SaaS Software Group		
	24%	\$10.06	\$12.38	\$14.70	\$17.02	\$19.34	Average	1.1x	0.8x
	30%	\$12.20	\$15.10	\$18.00	\$20.90	\$23.80	Median	1.0x	0.8x
	36%	\$14.34	\$17.82	\$21.30	\$24.78	\$28.26			
	42%	\$16.48	\$20.54	\$24.60	\$28.66	\$32.72			
LTGCF Gr		32%	Cash/Share		\$1.50	Software Group			
Options dilution		-2%				Average	1.0x	1.0x	
LTG-FCF/Sh ⁽¹⁾		30%				Median	1.0x	0.8x	

Source: Deutsche Bank

Reiterate Buy and raise target to \$18 (from \$17)

Our \$18 price target is based on a CY13 uFCF/share estimate of \$0.48, an EV/uFCF/G multiple of 1.1x (slight premium to the peer group given market leadership), and an estimated five-year growth rate, net of dilution, of 30% (up from 26%, as we see current investments pushing out higher cash flow margins over time)

Risks

Risks include execution risk from integrating acquisitions, delayed profitability from new projects not ramping fast enough and customers taking expense processing inhouse after early gains from Tangoe's platform.

Figure 5: Income statement

Tango										Deutsche Bank Securities										
Income Statement (dollars in thousands, except EPS)										Ton Ernst - 668.612.7691 Nandan Arladi - 212.250.4670										
FYEDec-31																				
Fiscal Year ends 2011																				
Net Revenues										Fiscal Year ends 2012										
Recurring technology and services										Fiscal Year ends 2012										
Recurring technology and services	19,927	23,510	24,456	24,987	26,151	27,194	28,036	28,877	3,578	14,174	27,839	46,005	57,703	92,880	110,258	130,318				
Strategic consulting, software licenses and other	2,414	2,537	2,656	2,713	2,849	2,906	2,964	3,023	9,301	6,873	9,637	9,912	10,771	10,520	11,742	13,682				
Recurring technology and services	9,057	11,258	11,926	11,728	11,768	12,237	12,616	12,995	629	6,982	14,720	20,538	26,350	43,969	49,616	56,533				
Strategic consulting, software licenses and other	1,272	1,245	1,142	1,001	1,048	1,069	1,091	1,113	3,845	2,821	3,043	4,360	3,874	4,660	4,321	4,966				
Total cost of revenue	10,180	12,503	13,068	12,723	12,816	13,307	13,707	14,107	4,474	9,803	17,713	24,783	29,901	48,480	53,937	61,489				
Gross profit	12,161	13,944	14,244	14,971	16,184	16,793	17,293	17,793	8,405	11,244	19,813	31,134	38,573	54,920	68,063	82,511				
Sales and Marketing	3,525	3,181	3,813	4,432	4,605	4,780	4,920	5,091	4,416	5,954	7,683	9,576	11,856	14,951	19,336	23,532				
Research & Development	2,821	2,833	2,723	3,047	3,126	3,245	3,532	3,629	5,913	7,021	5,807	7,982	9,173	11,424	13,532	17,057				
General and administrative	3,264	4,406	4,386	4,294	3,712	3,816	3,896	3,977	2,929	5,389	7,439	9,218	10,677	16,380	15,401	17,888				
Public company costs				0	300	300	300	300					0	1,200						
Depreciation	299	366	339	323	359	370	409	422	299	1,911	2,709	3,537	1,091	1,323	1,560	4,295				
Operating Income	2,252	2,738	2,983	2,870	4,082	4,282	4,236	4,374	(5,152)	(9,031)	(3,825)	821	5,776	10,843	16,974	19,729				
Decrease (Increase) in fair value of warrants for redeemable convertible	-	-	-	-	0	0	0	0	0	39	(66)	(184)	-	-	-	-	-	-	-	
Interest (expense) and income	655	774	372	-101	-17	-17	-17	-18	-198	-540	-1,116	-2,178	-1,984	-1,902	-69	-72				
Pretax income	1,597	1,934	2,611	2,769	4,065	4,235	4,219	4,366	(5,350)	(9,532)	(5,007)	(1,541)	3,792	8,941	16,905	19,657				
Provision for Taxes	126	180	88	194	398	417	413	426	54	76	23	264	205	588	1,664	1,922				
Adjusted Net Income	1,471	1,784	2,523	2,575	3,667	3,848	3,806	3,930	(5,404)	(9,456)	(5,030)	(1,805)	3,497	8,363	15,251	17,734				
Adjusted EBITDA	2,551	3,094	3,322	3,199	4,440	4,653	4,646	4,796	(4,853)	(7,120)	(1,116)	4,358	6,867	12,166	18,534	24,025				
Diluted EPS	\$0.06	\$0.06	\$0.07	\$0.07	\$0.09	\$0.10	\$0.10	\$0.10	(90.25)	(50.43)	(50.22)	(\$0.09)	\$0.13	\$0.25	\$0.39	\$0.45				
Diluted EPS (incl. Stock Options)	\$0.02	\$0.03	\$0.05	\$0.04	\$0.06	\$0.06	\$0.06	\$0.06	(92.26)	(50.44)	(50.30)	(\$0.11)	\$0.06	\$0.02	\$0.24	\$0.30				
Pro Forma Fully diluted Shares	26,244	29,867	36,124	38,500	38,693	38,886	39,080	39,276	21,236	22,147	23,232	23,318	27,328	33,700	38,984	39,769				
GAAP Diluted shares	4,672	4,672	4,672	4,672	4,672	4,672	4,672	4,672	2,373	3,088	4,046	4,311	4,399	4,672	4,672	4,672				
Equity based	635	991	861	889	1,450	1,450	1,450	1,434	37	279	1,929	749	1,928	3,496	5,784	5,736				
Amortization of intangibles/debt issuance cost	709	757	910	661	681	678	688	719	-	-	-	2,438	3,037	2,765	-	-				
Other Adjustments	540	2,011	2,172	-	0	0	0	0	-	-	-	-	-	883	4,723	-	-			
Reported Earnings	(613)	(1,915)	(1,420)	1,045	1,536	1,720	1,668	1,777	(5,441)	(9,735)	(6,959)	(2,554)	(1,752)	(2,903)	6,702	11,998				
GAAP EPS	(\$0.02)	(\$0.05)	(\$0.04)	\$0.03	\$0.04	\$0.04	\$0.04	\$0.05	(2,229)	(3,15)	(\$1.72)	(\$0.59)	(\$0.40)	(\$0.10)	\$0.17	\$0.30				
Key Metrics																				
Net Cash and Equivalents	-18,794	-12,960	50,892	52,835	50,633	53,657	57,711	63,551	0	0	-10,362	-8,250	-8,982	52,835	63,551	79,678				
Net Cash Per Share	(\$0.72)	(\$0.43)	\$1.45	\$1.37	\$1.31	\$1.38	\$1.48	\$1.62	0	0	\$0.00	(\$0.44)	(\$0.35)	(\$0.31)	\$1.37	\$1.62	\$1.99			
Days Sales Outstanding (reported)	81	73	80	75	75	76	76	73	0	-	86	69	69	75	73	67				
Days Deferred Revenue	44	36	39	43	43	42	43	45	0	-	53	47	49	43	45	42				
Adjusted EBITDA	2,551	3,094	3,322	3,199	4,440	4,653	4,646	4,796	(4,853)	(7,120)	(1,116)	4,358	6,867	12,166	18,534	24,025				
Revenue Mix																				
Recurring technology and services	89%	90%	90%	90%	90%	90%	90%	91%	28%	67%	74%	82%	84%	90%	90%	90%				
Strategic consulting, software licenses and other	11%	10%	10%	10%	10%	9.7%	9.6%	9.5%	72%	33%	26%	18%	16%	10%	10%	10%				
Margin Analysis																				
Recurring technology margins	54.5%	52.1%	51.2%	53.1%	55.0%	55.0%	55.0%	55.0%	82.4%	50.7%	47.1%	54.5%	54.3%	52.7%	55.0%	56.6%				
Strategic consulting margins	50.9%	60.0%	63.1%	63.1%	63.2%	63.2%	63.2%	63.2%	58.7%	59.0%	60.0%	64.0%	55.7%	63.2%	63.8%					
Gross Margin	54.4%	52.0%	52.2%	54.0%	55.8%	55.8%	55.8%	55.8%	65.3%	53.4%	52.9%	55.7%	53.1%	55.8%	57.3%					
Sales and marketing expenses	15.9%	12.2%	14.0%	16.0%	15.9%	15.9%	15.9%	16.0%	34.3%	28.3%	20.5%	17.1%	17.3%	14.5%	15.9%	16.3%				
Research & Development	12.6%	10.9%	10.0%	11.0%	10.8%	10.8%	11.4%	11.4%	45.9%	33.4%	15.5%	14.3%	13.4%	11.0%	11.1%	11.9%				
General and administrative expenses	14.6%	17.0%	16.1%	15.8%	12.8%	12.7%	12.6%	12.6%	22.7%	25.6%	19.8%	16.6%	15.6%	15.8%	12.6%	12.4%				
Operating income	10.1%	10.9%	10.4%	14.1%	14.1%	14.2%	13.7%	13.7%	4.00%	-42.9%	-10.2%	1.8%	8.4%	10.5%	13.9%	13.7%				
Interest and other income net	-2.0%	-3.0%	-1.4%	-0.4%	-0.1%	-0.1%	-0.1%	-0.1%	-1.6%	-2.6%	-3.0%	-2.9%	-1.8%	-0.1%	-0.1%	-0.1%				
Pretax income	7.1%	7.5%	9.6%	10.0%	14.0%	14.2%	13.6%	13.7%	-41.5%	-45.3%	-13.3%	-2.8%	5.5%	8.6%	13.9%	13.7%				
Tax rate	7.9%	9.2%	3.4%	7.0%	9.8%	9.8%	9.8%	9.8%	-1.0%	0.8%	-0.5%	-17.1%	7.8%	6.6%	9.8%	9.8%				
Net income	6.6%	6.8%	9.2%	0.0%	0.0%	0.0%	0.0%	0.0%	-42.0%	-44.9%	-13.4%	-3.2%	5.1%	8.1%	12.5%	12.3%				
Adjusted EBITDA Margins	11.4%	11.9%	12.2%	11.5%	15.3%	15.5%	15.0%	15.0%	-37.7%	-33.8%	-3.0%	7.8%	10.0%	11.8%	15.2%	16.7%				
Growth Analysis																				
Year-Over-Year																				
Total revenue growth	40.0%	55.9%	59.4%	48.3%	29.8%	15.6%	13.5%	15.2%	63.4%	78.3%	49.0%	22.5%	51.0%	18.0%	18.0%					
Recurring Technology growth	50%	69%	68%	56%	31.2%	15.7%	14.6%	15.6%	20.1%	98.4%	65.3%	25.4%	61.0%	18.7%	18.2%					
Strategic consulting growth	-10%	-10%	11%	1%	18.0%	14.5%	3.8%	11.4%	-26.1%	40.9%	2.3%	8.7%	-2.3%	11.6%	16.5%					
Operating income	89.1%	101.5%	93.8%	70.1%	81.2%	56.4%	42.0%	52.4%	75.3%	-57.6%	-121.5%	60.3%	87.7%	56.5%	16.2%					
EPS	120.6%	119.5%	117.2%	62.8%	69.1%	65.7%	35.6%	49.6%	68.3%	-49.4%	-64.2%	-26.3%	93.7%	57.8%	14.0%					
Adjusted EBITDA Growth	76.1%	89.9%	83.0%	62.0%	74.1%	50.4%	39.8%	49.9%	46.7%	-84.3%	-490.5%	57.6%	77.2%	52.3%	29.6%					
Sequential																				

Figure 6: Balance sheet

Tangoe											
Balance Sheet (in thousands)											
FY Ends December											
Balance Sheet	Dec-08 4Q08A	Dec-09 4Q09A	Mar-11 1Q11A	Jun-11 2Q11A	Sep-11 3Q11A	Dec-11 4Q11E	Mar-12 1Q12E	Jun-12 2Q12E	Sep-12 3Q12E	Dec-12 4Q12E	Dec-13 4Q13E
Cash and equivalents	6,554	6,163	6,876	8,981	52,521	55,605	53,533	56,667	60,811	66,741	85,894
Accounts receivable	11,384	11,517	20,191	21,007	24,405	23,147	24,233	25,487	26,221	25,761	28,922
Prepaid expenses and Other current assets	869	1,585	1,488	1,418	2,098	2,216	1,160	1,204	1,240	1,276	2,720
Total current assets	18,808	19,265	28,566	31,406	79,024	80,968	78,926	83,368	88,272	93,778	117,536
Computers, furniture and equipment - NET	1,625	1,761	2,508	2,610	2,578	2,707	2,776	2,829	2,852	2,781	2,953
Security deposits in non current asset	453	573	2,727	3,744	1,070	2,273	4,350	4,515	4,650	4,785	7,382
Goodwill	16,191	17,636	22,893	22,893	22,893	22,893	22,893	22,893	22,893	22,893	22,893
Intangible assets	16,422	16,843	20,869	21,683	20,910	20,249	19,568	18,890	18,202	17,484	14,882
Cash Held in Escrow	1,375	-	-	-	-	-	-	-	-	-	-
Total Assets	54,874	56,078	77,553	82,336	126,475	129,091	128,513	132,486	136,869	141,720	165,645
Accts payables and accruals	2,745	2,858	4,434	5,894	6,439	4,155	4,350	4,515	4,650	4,785	5,828
Accrued Expenses	2,802	2,285	4,544	5,367	4,961	5,817	5,510	5,719	5,890	6,051	5,828
Long term debt—current portion	6,609	4,421	9,430	10,556	4,324	4,324	-	-	-	-	-
Line of Credit	5,000	-	-	-	-	-	-	-	-	-	-
Capital leases—current portion	200	177	-	-	-	-	-	-	-	-	-
Deferred Revenue	6,228	6,881	8,973	8,492	9,252	10,812	11,084	11,237	11,849	12,760	14,777
Total current liabilities	18,584	21,622	27,382	30,308	24,976	25,108	20,944	21,471	22,389	23,606	26,432
Deferred rent and other non-current liabilities	1,298	2,480	3,642	771	1,629	2,770	2,900	3,010	3,100	3,190	6,216
Long term debt—less current portion	15,408	11,725	22,028	21,170	-	-	-	-	-	-	-
Capital lease—less current portion	200	208	-	-	-	-	-	-	-	-	-
Deferred Revenue - Long Term	712	959	2,036	2,036	2,483	2,454	2,771	2,809	2,962	3,190	3,353
Warrants for redeemable convertible preferred st	328	512	2,598	4,072	3,762	3,221	3,372	3,500	3,604	3,709	3,885
Total liabilities	36,530	37,506	57,686	58,357	32,850	33,552	29,987	30,790	32,056	33,695	39,886
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	95,539	98,525	101,695	104,814	108,025	125,759
Total Liabilities and SE	54,874	56,078	77,553	82,336	126,475	129,091	128,513	132,486	136,869	141,720	165,645
Analysis											
Cash, equivalents, ST Investments	6,554	6,163	6,876	8,981	52,521	55,605	53,533	56,667	60,811	66,741	85,894
Cash per share	\$0.28	\$0.26	\$0.26	\$0.30	\$1.50	\$1.44	\$1.38	\$1.46	\$1.56	\$1.70	\$2.14
Long-term liabilities	16,906	14,413	25,670	21,941	1,629	2,770	2,900	3,010	3,100	3,190	6,216
Debt per share	\$0.73	\$0.62	\$3.71	\$3.21	\$0.17	\$0.18	\$0.07	\$0.08	\$0.08	\$0.08	\$0.16
Book value per share	-\$1.5	-\$1.7	-\$1.6	-\$1.3	\$2.7	\$2.5	\$2.5	\$2.6	\$2.7	\$2.8	\$3.1
Deferred revenue	6,940	7,840	11,010	10,528	11,735	13,265	13,856	14,047	14,811	15,950	18,130
%y/y growth	13%	30%	25%	30%	31%	26%	33%	26%	20%	14%	
%q/q growth	7%	9%	4%	11%	13%	4%	1%	5%	8%	6%	
Days Deferred Revenue (DDR)	53	47	44	36	39	43	43	42	43	45	42
Days Sales Outstanding (DSO)	86	69	81	73	80	75	75	76	76	73	67
Working capital	224	(2,357)	1,174	1,098	54,048	55,861	57,981	61,887	65,884	70,171	91,104
Current ratio	1.0x	0.9x	1.0x	1.0x	3.2x	3.2x	3.8x	3.9x	3.9x	4.0x	4.4x
ROE	12%	1%	1%	5%	-5%	1%	2%	2%	2%	2%	3%
ROA	-8%	-1%	-1%	-1%	-2%	-1%	1%	1%	1%	1%	2%

Source: Deutsche Bank

Figure 7: Cash flow statement

Tngoe
Cash Flow Statement (in thousands)
(FY12)

	Mar-11 1Q11A	Jun-11 2Q11A	Sep-11 3Q11A	Dec-11 4Q11E	Mar-12 1Q12E	Jun-12 2Q12E	Sep-12 3Q12E	Dec-12 4Q12E	2007A	2008A	2009A	2010A	2011E	2012E	2013E
CASHFLOW FROM OPERATING ACTIVITIES:															
Net income/(loss)	(613)	(1,300)	(1,855)	1,045	1,536	1,720	1,668	1,777	(9,735)	(6,956)	(2,554)	(1,752)	(2,813)	6,702	11,908
Adjustments to reconcile net loss to net cash used in operating activities:															
Amortization of debt discount and imputed interest expense	180	195	757						-	-	-	-	1,549	-	-
Amortization of EBIT warrants	19	30							32	53	192	95	1,132	-	-
Depreciation & amortization	1,008	1,123	1,314	990	1,039	1,048	1,088	1,140	-	-	-	26	49	-	-
Stock-based compensation expense	835	932	897	869	1,450	1,450	1,450	1,434	1,911	2,709	749	1,928	4,435	4,325	4,205
Non-cash expense related to issuance of warrants									279	1,928			3,533	5,784	5,736
Increase (decrease) in deferred rent liability	(125)	(20)	44	1,141	130	110	90	90	199	193	(380)	(494)	1,040	420	3,026
Allowance for doubtful accounts	11	12	-						205	137	9	207	23	-	-
Deferred income taxes	126	3	92						-	62					
Incr. (Decr.) in fair value of warrants for redeemable pfcl stock	541	1,474	(19)	(541)	151	128	105	105	(39)	80	183	884	1,455	488	176
Changes in operating assets and liabilities:															
(Incr.) Decr. in accounts receivable	(1,009)	(829)	(3,309)	1,259	(1,085)	(1,254)	(735)	461	(1,040)	(1,599)	(141)	(2,996)	(4,573)	(2,613)	(3,161)
(Incr.) Decr. in prepaid expenses	94	74	(82)	(118)	1,066	(44)	(36)	(36)	258	(323)	(28)	(500)	(32)	940	(1,443)
(Incr.) Decr. in deposits & other assets	(444)	54	63	(1,203)	(2,077)	(169)	(135)	(135)	264	(36)	(133)	(1,242)	(1,530)	(2,512)	(2,298)
Incr. (Decr.) in accounts payable	814	781	1,594	(2,264)	195	165	135	135	708	392	112	172	605	630	1,042
Incr. (Decr.) in accrued liabilities and others	(424)	500	(440)	866	(307)	209	171	171	(46)	573	(169)	1,050	492	244	(234)
Incr. (Decr.) in deferred revenues	713	(493)	1,218	1,530	590	191	764	1,139	2,200	1,524	882	2,232	2,968	2,665	2,160
Net cash provided by operating activities	1,129	2,449	1,733	3,542	2,678	3,569	4,575	6,281	(4,803)	(1,263)	2,431	3,369	8,853	17,093	21,019
CASHFLOW FROM INVESTING ACTIVITIES:															
Capital expenditures (net of capital leases originated)	(353) ¹	(469)	(306)	(468)	(427)	(424)	(432)	(361)	(513)	(671)	(1,258)	(1,125)	(1,606)	(1,633)	(1,866)
Capital leases originated		491 ¹	175						-	598	660	666	-	-	-
Capital expenditures (net of capital leases originated)	(353)	32	(131)	(468)	(427)	(424)	(432)	(361)	(513)	(671)	(660)	(465)	-	-	-
Cash paid in connection with acquisitions	(8,106)	(0)	-						(1,979)	(13,425) ¹	(965)	(952)	(8,166)	-	-
Net cash used in investing activities	(8,519)	32	(131)	(469)	(427)	(424)	(432)	(361)	-	-	-	-	-	-	-
CASHFLOW FROM FINANCING ACTIVITIES:															
Net incr. (decr.) debt	7,881	47	(26,425)	-	(4,324)	-	-	-	3,747	13,461	(579)	(3,012)	(18,497)	(4,324)	-
Repayment of settlement liability		-	-		-	-	-	-	(175)	(175)	-	-	-	-	-
Costs incurred securing financing		-	-						(89)	(89)	-	-	-	-	-
Payments made to repurchase securities		-	-						-	(409)	-	-	-	-	-
Proceeds from exercise of stock options and warrants	205	(126)							334	137	75	300	79	-	-
Proceeds from repayment of notes receivable									-	691	-	-	-	-	-
Proceeds from issuance (Repurchase) of stock			69,925 ¹						-	7,258	-	-	69,925	-	-
Net cash (used in) provided by financing activities	8,086	(79)	43,500	-	(4,324)	-	-	-	3,818	20,671	(1,197)	(2,221)	51,507	(4,324)	-
Exchange rate fluctuation		(139)											(139)	-	-
Increase (decrease) in cash and cash equivalents	666	2,203	46,102	3,084	(2,073)	3,135	4,144	5,930	(3,477)	5,312	(391)	(250)	51,116	11,136	19,153
Cash and cash equivalents at beginning of period	6,051	6,718	8,981	54,083	57,167	55,065	58,229	62,373	4,858	1,381	6,692	6,301	6,051	57,167	68,303
Cash and cash equivalents at end of period	6,718	8,881	54,083	57,167	55,096	58,229	62,373	68,303	1,381	6,692	6,301	6,051	57,167	68,303	87,466
Free cash flow															
Cash flow from operations	1,129	2,449	1,733	3,542	2,678	3,569	4,575	6,281	(4,803)	(1,263)	2,431	3,369	8,853	17,093	21,019
- CapEx	(353)	(469)	(306)	(468)	(427)	(424)	(432)	(361)	(513)	(671)	(1,258)	(1,125)	(1,606)	(1,633)	(1,866)
Free cash flow	746	1,990	1,427	3,084	2,251	3,135	4,144	5,930	(5,316)	(1,934)	1,173	2,234	7,247	15,460	19,153
Per share	0.03	0.07	0.04	0.08	\$0.05	\$0.08	\$0.11	\$0.15	(5024)	(50.05)	\$0.05	\$0.08	\$0.22	\$0.40	\$0.48
- net interest income	399	574	627	94	15	15	15	16	539	1,116	2,178	1,934	1,694	62	65
- IFCExpense	405	61	-										466	-	-
Unlevered Free cash flow	1,560	2,625	2,054	3,178	2,267	3,150	4,159	5,946	(4,776)	(818)	3,351	4,248	9,407	15,522	19,218
Per share	\$0.05	0.09	0.06	0.08	\$0.05	\$0.08	\$0.11	\$0.15	(5022)	(50.04)	\$0.14	\$0.16	\$0.28	\$0.40	\$0.48
uFCF Margins									-23%	-2%	6%	6%	9%	13%	13.3%

Source: Deutsche Bank

Figure 8: Comp sheet

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Enterprise and Security	Price	Rating	9-Nov-11	Market Data												Valuation					
				Market	Net	Net Cash	Sales			TEV/Sales			EPS			P/E			FCF/Share		
							CAP	Cash	Persh	CY10A	CY11E	CY12E	CY10A	CY11E	CY12E	CY10A	CY11E	CY12E	CY10A	CY11E	CY12E
Adobe Systems Inc.	ADBE	\$29.92	Buy	\$14,922	\$1,212	\$2.85	\$3,800	\$4,164	\$4,600	3.6x	3.3x	3.0x	\$1.94	\$2.29	\$2.55	15x	13x	12x	\$2.10	\$2.45	\$3.00
Check Point Software Technic	CHKP	\$58.49	Held	\$12,550	\$2,690	\$12.54	\$1,098	\$1,244	\$1,348	10.4x	9.2x	8.5x	\$2.48	\$2.82	\$3.08	24x	21x	19x	\$3.03	\$3.30	\$3.50
Citrix Systems Inc.	CTXS	\$73.59	Buy	\$14,086	\$1,581	\$8.26	\$1,875	\$2,200	\$2,459	7.1x	6.0x	5.4x	\$2.08	\$2.45	\$2.75	35x	30x	27x	\$2.78	\$3.21	\$3.63
Fair Isaac Corp.	FICO	\$33.73	Held	\$1,305	(\$230)	(\$6.95)	\$610	\$625	\$645	2.5x	2.5x	2.4x	\$1.50	\$1.97	\$2.52	22x	17x	13x	\$2.74	\$3.54	\$4.40
Fortinet Inc.	FTNT	\$23.96	Buy	\$3,927	\$468	\$2.86	\$325	\$403	\$463	11.0x	8.9x	7.7x	\$0.29	\$0.35	\$0.44	84x	68x	55x	\$0.64	\$0.82	\$0.87
Informatica Corp.	INFA	\$16.96	Buy	\$5,313	\$564	\$4.99	\$550	\$783	\$900	7.3x	6.1x	5.3x	\$1.12	\$1.39	\$1.66	42x	34x	28x	\$1.16	\$1.52	\$1.71
Microsoft Corp.	MSFT	\$26.80	Buy	\$228,363	\$51,716	\$6.07	\$66,690	\$72,206	\$77,012	2.9x	2.7x	2.5x	\$2.35	\$2.81	\$2.82	11x	10x	10x	\$2.60	\$2.67	\$3.19
Nuance Communications Inc.	NJAN	\$25.86	Buy	\$8,218	(\$550)	(\$1.59)	\$1,228	\$1,454	\$1,677	7.1x	6.0x	5.2x	\$1.18	\$1.47	\$1.71	22x	18x	15x	\$0.93	\$1.16	\$1.40
Oracle Corp.	ORCL	\$32.87	Held	\$169,281	\$16,871	\$3.28	\$32,337	\$37,286	\$39,722	4.7x	4.1x	3.8x	\$1.92	\$2.33	\$2.45	17x	14x	13x	\$1.82	\$2.62	\$2.74
Pros Holdings Inc.	PRO	\$16.19	Buy	\$451	\$64	\$2.31	\$74	\$96	\$115	5.2x	4.0x	3.4x	\$0.24	\$0.32	\$0.40	67x	50x	41x	(\$0.27)	\$0.30	\$0.52
Red Hat Inc.	RHT	\$50.58	Held	\$9,922	\$1,301	\$6.63	\$860	\$1,080	\$1,232	10.4x	8.3x	7.3x	\$0.77	\$1.05	\$1.14	66x	48x	44x	\$1.20	\$1.50	\$1.63
Symantec Corp.	SYMC	\$17.12	Held	\$13,097	\$312	\$0.41	\$6,048	\$6,710	\$7,057	2.1x	1.9x	1.8x	\$1.44	\$1.58	\$1.76	12x	11x	10x	\$1.93	\$2.20	\$2.66
Verint	VRNT	\$28.15	Buy	\$1,406	(\$682)	(\$13.65)	\$727	\$792	\$864	2.5x	2.3x	2.1x	\$2.84	\$2.50	\$3.00	10x	11x	9x	\$2.09	\$3.06	\$3.27
VMware	VMW	\$99.59	Buy	\$42,871	\$3,253	\$7.56	\$2,857	\$3,731	\$4,436	13.9x	10.6x	8.9x	\$1.51	\$2.11	\$2.29	66x	47x	43x	\$2.34	\$3.32	\$4.11
Cloud Computing and SaaS				Group Median ==>			6.1x	5.1x	4.5x	Group Median ==>			23.0x	19.2x	17.0x	Group Median ==>			20.0x	17.2x	15.6x
Cloud Computing and SaaS				Group Mean ==>			6.5x	5.4x	4.8x	Group Mean ==>			35.3x	27.9x	24.3x	Group Mean ==>			22.6x	19.8x	16.4x
Ariba Inc.	ARBA	\$30.00	Buy	\$2,930	\$232	\$2.87	\$366	\$479	\$569	7.4x	5.6x	4.8x	\$0.75	\$0.83	\$1.02	40x	36x	29x	\$0.87	\$0.79	\$0.94
Aspen Technology Inc.	AZPN	\$18.32	Buy	\$1,723	\$145	\$1.55	\$177	\$210	\$272	8.9x	7.5x	5.8x	(\$0.78)	(\$0.38)	(\$0.07)	NM	NM	NM	\$0.45	\$0.62	\$0.95
Concur Technologies Inc.	CNR	\$48.26	Held	\$2,691	\$322	\$5.52	\$306	\$367	\$438	7.8x	6.5x	5.4x	\$0.80	\$0.82	\$0.99	61x	59x	49x	\$1.16	\$0.93	\$1.48
DemandTec Inc.	DIVAN	\$8.15	Buy	\$268	\$64	\$1.95	\$80	\$90	\$100	2.6x	2.3x	2.0x	(\$0.03)	(\$0.05)	(\$0.13)	NM	NM	63x	\$0.10	\$0.13	\$0.16
IntraLinks Holdings Inc.	IL	\$8.80	Buy	\$481	(\$43)	(\$0.42)	\$184	\$212	\$205	2.8x	2.5x	2.6x	\$0.27	\$0.43	\$0.45	33x	21x	19x	\$0.74	\$0.53	\$0.66
Intuit Inc.	INTU	\$53.33	Buy	\$16,106	\$985	\$3.26	\$3,554	\$3,990	\$4,446	4.3x	3.8x	3.4x	\$2.03	\$2.59	\$2.99	26x	21x	18x	\$2.35	\$2.97	\$3.38
Metricity Inc.	MDTR	\$1.74	Buy	\$79	\$3	\$0.07	\$133	\$131	\$140	0.6x	0.6x	0.5x	\$0.39	(\$0.03)	(\$0.07)	4x	NM	25x	(\$0.24)	(\$0.84)	\$0.06
NetSuite Inc.	N	\$41.35	Held	\$2,936	\$121	\$1.65	\$193	\$235	\$295	14.6x	12.0x	9.5x	\$0.13	\$0.15	\$0.22	NM	NM	NM	\$0.18	\$0.34	\$0.43
NeuStar Inc.	NSR	\$32.86	Held	\$2,465	\$399	\$5.36	\$527	\$600	\$665	3.9x	3.4x	3.2x	\$1.40	\$1.77	\$1.92	23x	19x	17x	\$1.41	\$2.64	\$2.50
RealPage Inc.	RP	\$25.29	Buy	\$1,851	\$21	\$0.14	\$188	\$261	\$327	9.7x	7.0x	5.6x	\$0.19	\$0.35	\$0.48	NM	72x	52x	\$0.29	\$0.60	\$0.75
Salesforce.com Inc.	CRM	\$133.34	Buy	\$19,128	\$1,252	\$8.97	\$1,657	\$2,230	\$2,800	10.8x	8.0x	6.4x	\$1.22	\$1.30	\$1.78	NM	NM	75x	\$2.66	\$2.74	\$3.48
SuccessFactors Inc.	SFSF	\$26.51	Buy	\$2,307	247	\$2.94	\$209	\$332	\$415	9.8x	6.2x	5.0x	\$0.07	\$0.13	\$0.23	NM	NM	NM	\$0.47	\$0.33	\$0.60
Synchronous Technologies Ir	SNCR	\$31.73	Buy	\$1,232	139	\$3.85	\$170	\$230	\$278	6.4x	4.8x	3.9x	\$0.69	\$0.86	\$1.10	46x	37x	29x	\$0.19	\$0.86	\$1.15
Taleo Corp.	TLEO	\$33.09	Buy	\$1,458	\$111	\$2.54	\$242	\$325	\$389	5.6x	4.1x	3.5x	\$0.78	\$1.03	\$1.18	42x	32x	28x	\$0.49	\$0.82	\$1.34
Tangoe	TNGO	\$13.44	Buy	\$401	(\$13)	(\$0.30)	\$68	\$103	\$122	6.1x	4.0x	3.4x	\$0.13	\$0.25	\$0.39	NM	54x	34x	\$0.16	\$0.28	\$0.40
VMware	VMW	\$99.59	Buy	\$42,749	\$3,253	\$7.56	\$2,857	\$3,731	\$4,436	13.9x	10.6x	8.9x	\$1.51	\$2.11	\$2.29	66x	47x	43x	\$2.34	\$3.32	\$4.11
Cloud Computing and SaaS				Group Median ==>			6.4x	4.8x	3.9x	Group Median ==>			40x	36x	29x	Group Median ==>			43.0x	35.7x	28.1x
Cloud Computing and SaaS				Group Mean ==>			7.1x	5.5x	4.6x	Group Mean ==>			38x	40x	37x	Group Mean ==>			45.4x	35.7x	30.2x

Source: Deutsche Bank

Figure 9: Operating metrics**Operating Metrics**

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	Sales Growth			EPS Growth			P/E/share Growth			Gross Margins			Operating Margins			uFCF Margins			DDRs			CapX/annual revs			S&M/subscription revs			Subscription growth			
	CY10A	CY11E	CY12E	CY10A	CY11E	CY12E	CY10A	CY11E	CY12E	CY10A	CY11E	CY12E	CY10A	CY11E	CY12E	CY10A	CY11E	CY12E	CY10A	CY11E	CY12E	CY10A	CY11E	CY12E	CY10A	CY11E	CY12E	CY10A	CY11E	CY12E	
	Enterprise and Security																														
Adobe Systems Inc.	29%	10%	10%	26%	18%	11%	15%	17%	22%	91%	91%	91%	37%	37%	38%	28%	29%	33%	34	33	33	4%	4%	5%							
Check Point Software Tech.	19%	13%	8%	21%	14%	9%	0%	9%	6%	88%	89%	88%	57%	57%	58%	59%	57%	56%	131	132	155	0%	1%	1%							
Citrix Systems Inc.	16%	17%	12%	-100%	18%	12%	31%	15%	13%	91%	90%	92%	26%	26%	28%	28%	28%	28%	132	135	145	4%	6%	6%							
Fair Isaac Corp.	-1%	2%	3%	1%	31%	28%	-11%	29%	24%	70%	70%	70%	18%	21%	23%	17%	22%	26%	27	28	29	2%	3%	3%							
Fortinet Inc.	29%	24%	15%	39%	23%	24%	0%	28%	6%	74%	75%	75%	20%	20%	20%	32%	33%	31%	243	267	266	1%	1%	1%							
Informatica Corp.	30%	20%	15%	24%	25%	19%	64%	32%	12%	84%	85%	84%	26%	28%	29%	20%	22%	21%	82	91	93	1%	1%	1%							
Microsoft Corp.	14%	8%	7%	25%	19%	0%	26%	3%	20%	80%	78%	76%	39%	39%	38%	33%	32%	35%	61	61	61	4%	4%	4%							
Nuance Communications Inc.	11%	18%	15%	7%	24%	17%	3%	24%	21%	69%	70%	70%	33%	35%	36%	24%	25%	27%	68	60	60	3%	2%	3%							
Oracle Corp.	39%	15%	7%	27%	22%	5%	18%	44%	5%	76%	78%	79%	43%	45%	46%	29%	36%	35%	60	64	64	1%	1%	2%							
Pros Holdings Inc.	8%	29%	20%	-33%	34%	22%	-170%	NM	74%	73%	73%	13%	14%	15%	-10%	9%	13%	116	109	97	2%	5%	2%								
Red Hat Inc.	20%	26%	14%	-49%	37%	8%	20%	25%	8%	85%	85%	84%	25%	26%	26%	27%	27%	26%	262	270	268	4%	4%	3%							
Symantec Corp.	2%	11%	5%	-9%	10%	11%	13%	14%	21%	85%	86%	86%	26%	25%	26%	24%	25%	29%	167	195	205	5%	4%	2%							
Verint	3%	9%	9%	56%	-12%	20%	-35%	46%	7%	69%	68%	68%	25%	22%	23%	14%	19%	19%	88	88	91										
VMware	41%	31%	19%	51%	39%	9%	15%	42%	24%	88%	88%	88%	28%	30%	31%	35%	38%	40%	200	190	185	7%	8%	5%							
Group Median ==>	17%	16%	11%	22%	23%	12%	14%	29%	16%	82%	81%	81%	28%	27%	28%	28%	28%	29%	102	100	95	3%	4%	3%							
Group Mean ==>	18%	17%	11%	6%	22%	14%	-1%	25%	19%	80%	80%	80%	30%	30%	31%	26%	29%	30%	119	123	125	3%	3%	3%							
Cloud Computing and SaaS																															
Ariba Inc.	8%	31%	17%	8%	10%	23%	-5%	-8%	18%	66%	68%	68%	19%	18%	20%	23%	16%	16%	125	111	113	3%	9%	5%	29%	30%	29%	17%	67%	23%	
Aspen Technology Inc.	21%	19%	30%	NM	NM	NM	274%	40%	53%	67%	75%	78%	-42%	-20%	2%	23%	28%	33%	185	240	229	2%	2%	1%	287%	90%	50%	2429%	229%	91%	
Concur Technologies Inc.	19%	20%	19%	5%	3%	20%	1%	-20%	60%	73%	72%	73%	23%	21%	22%	21%	14%	19%	67	78	88	6%	9%	5%	30%	33%	33%	22%	20%	19%	
DemandTec Inc.	1%	12%	12%	-125%	NM	NM	NM	32%	22%	69%	68%	69%	0%	-1%	4%	4%	5%	5%	208	193	188	3%	6%	4%	69%	68%	69%	1%	12%	12%	
Intralinks Holdings Inc.	31%	15%	-3%	NM	61%	6%	-25%	-29%	24%	81%	80%	82%	24%	22%	22%	22%	14%	18%	66	63	63	12%	12%	10%	21%	20%	20%	31%	15%	-3%	
Intuit Inc.	12%	12%	11%	13%	27%	15%	-10%	26%	14%	82%	83%	83%	29%	32%	32%	20%	22%	23%	50	57	15	6%	4%	4%	48%	45%	44%	16%	16%	13%	
Mobility Inc.	17%	-2%	7%	NM	-107%	NM	-131%	NM	NM	64%	64%	63%	13%	-1%	2%	-8%	-29%	2%	2	2	13%	31%	11%	10%	14%	13%	17%	-2%	7%		
NetSuite Inc.	16%	22%	25%	141%	16%	49%	NM	87%	27%	72%	73%	74%	5%	5%	5%	7%	10%	10%	140	154	159	0%	0%	0%	43%	46%	47%	12%	21%	27%	
Neustar Inc.	8%	14%	9%	4%	27%	8%	118%	87%	-5%	77%	78%	78%	33%	37%	36%	20%	33%	29%	28	25	30	7%	8%	7%	17%	17%	18%	10%	14%	9%	
RealPage Inc.	34%	39%	25%	44%	83%	37%	-12%	105%	24%	65%	65%	66%	13%	18%	19%	11%	17%	17%	93	89	93	6%	6%	5%	18%	18%	19%	32%	43%	27%	
Salesforce.com Inc.	27%	35%	26%	7%	6%	37%	79%	3%	27%	82%	82%	82%	14%	12%	13%	23%	18%	18%	184	191	203	5%	6%	5%	44%	46%	45%	28%	34%	26%	
SuccessFactors Inc.	37%	59%	25%	NM	88%	73%	153%	-30%	79%	76%	72%	72%	2%	4%	4%	20%	9%	13%	342	248	262	3%	2%	3%	43%	40%	39%	62%	44%	26%	
Synchronous Technologies	32%	35%	21%	23%	25%	27%	-66%	34%	34%	54%	56%	56%	22%	22%	22%	4%	15%	16%	12	22	18	9%	7%	7%							
Taleo Corp.	21%	34%	20%	1%	31%	14%	-59%	68%	63%	70%	70%	70%	14%	14%	14%	9%	11%	15%	124	145	138	6%	5%	4%	26%	28%	29%	16%	25%	24%	
Tango	22%	51%	18%	NM	94%	58%	8%	80%	43%	56%	53%	56%	8%	10%	14%	7%	8%	10%	49	43	45	2%	2%	1%	17%	14%	16%	61%	61%	19%	
VMware	41%	31%	19%	51%	39%	9%	15%	42%	24%	88%	88%	88%	28%	30%	31%	39%	38%	40%	200	190	185	7%	8%	5%	33%	32%	32%	22%	28%	23%	
Group Median ==>	21%	28%	19%	7%	27%	25%	1%	36%	27%	70%	72%	72%	14%	14%	14%	20%	14%	16%	100	89	93	6%	6%	5%	29%	31%	30%	22%	28%	23%	
Group Mean ==>	20%	27%	18%	9%	23%	38%	24%	41%	34%	70%	70%	71%	13%	13%	16%	15%	13%	17%	116	113	112	6%	7%	5%	47%	35%	33%	184%	42%	23%	

Source: Deutsche Bank

Deutsche Bank Securities Inc.

Appendix 1

Important Disclosures

Additional information available upon request

Disclosure checklist			
Company	Ticker	Recent price*	Disclosure
Tangoe, Inc.	TNGO.OQ	13.97 (USD) 8 Nov 11	1,2,7

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

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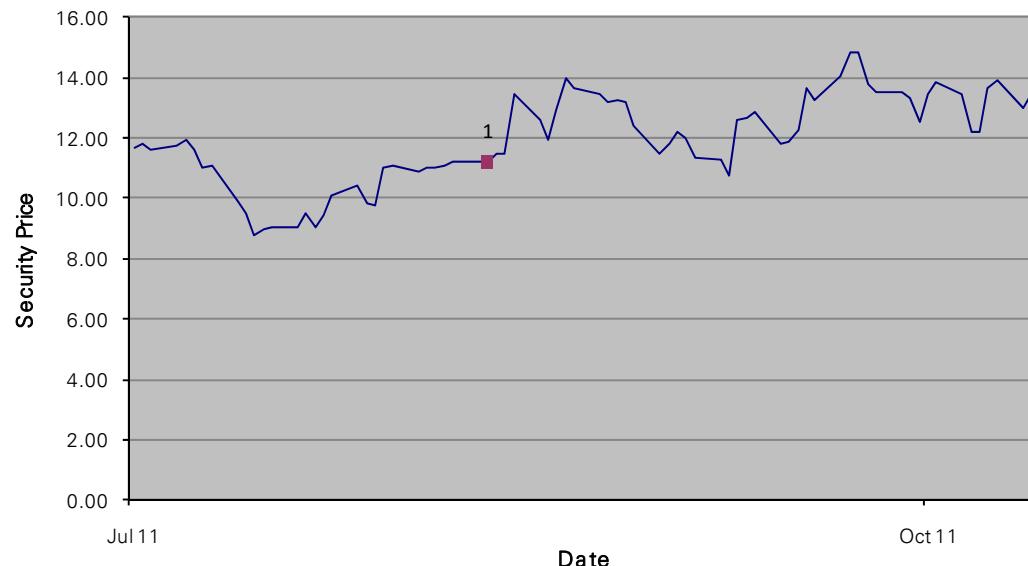
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Historical recommendations and target price: Tangoe, Inc. (TNGO.OQ)

(as of 11/8/2011)

Previous Recommendations

Strong Buy
Buy
Market Perform
Underperform
Not Rated
Suspended Rating

Current Recommendations

Buy
Hold
Sell
Not Rated
Suspended Rating

*New Recommendation Structure
as of September 9, 2002

1. 9/6/2011: Buy, Target Price Change USD17.00

Equity rating key

Equity rating dispersion and banking relationships

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.

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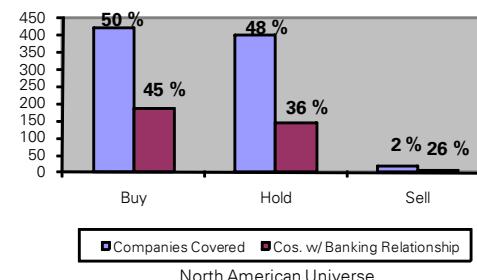
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November 9, 2011

Software Bytes

TECHNOLOGY/ENTERPRISE SOFTWARE

SUMMARY

- **TNGO: Dancin' To A Solid Quarter; Raising PT to \$16**
- **ADBE: Realigns Business Once Again...Plans to Shed 7.5% of Workforce and Shift Model**
- **Mozilla Firefox Now Supports Amazon's Kindle Cloud Reader; Internet Explorer Support Coming Soon?**

KEY POINTS

TNGO: Dancin' To A Solid Quarter; Raising PT to \$16

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.

ADBE: Realigns Business Once Again...Plans to Shed 7.5% of Workforce and Shift Model

Adobe announced plans to realign its business around its Digital Media and Digital Marketing solutions and to shift more of its business from perpetual-license deals to recurring-revenue via its subscription-offering. As part of the restructuring, ADBE intends on eliminating 750 full-time employees (~10% > than its last round of head-count reductions in 11/09) and stepping-up its investments in these two digital areas.

Mozilla Firefox Now Supports Amazon's Kindle Cloud Reader; Internet Explorer Support Coming Soon?

Yesterday, Amazon disclosed its Kindle Cloud Reader was now available on Mozilla Firefox. The company's HTML5 based webapp, called Cloud Reader, is a web based e-book reader, which enables users to read Kindle books instantly in their browsers and across devices.

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Today's Quote:

"If you want to make an apple pie from scratch, you must first create the universe." - Dr. Carl Sagan, born this day in 1934.

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TNGO: Dancin' To A Solid Quarter; Raising PT to \$16

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.

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 (communications lifecycle management) 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.

ADBE: Realigns Business Once Again...Plans to Shed 7.5% of Workforce and Shift Model

After the bell yesterday, Adobe announced its plans to realign its business around its Digital Media and Digital Marketing solutions and to shift more of its business from perpetual license deals to recurring revenue via its subscription offering. As part of the restructuring, the company intends on eliminating 750 full-time employees (roughly 10% more than its last round of head-count reductions in 11/09) and materially stepping up its investments in these two digital areas. The company also highlighted that in order to drive sales and bookings in its digital marketing solutions, it plans on cutting its investments and license sales from certain enterprise solution product lines. Adobe management stated the impact from these changes will likely reduce FY12 revenue growth by approximately 4-5%. We note Adobe now expects FY12 revenue growth of 4-6%, below our and Street forecasts of roughly 9%. Looking ahead, management believes it can accelerate revenue growth to double-digits in FY13 and beyond.

Along with these changes, we expect Adobe to ramp its spend on its HTML5 efforts, focus on enhancing its digital publishing solutions, invest in its media monetization initiatives, try to bring innovation to its Creative Suite and step up its leadership position in document services. The net result of these actions and increased investments is margins are likely flat in FY12. Thus, while valuation appears inexpensive and we believe Adobe's decision to focus on these two large growth areas and shift its business to a more predictable model could pay off over time, given these efforts will likely take time to come to fruition, its healthy exposure to Europe and limited margin expansion on the horizon, we remain on the sidelines.

4Q11 tracking well. Although there are still four weeks remaining in the quarter, we believe ADBE is

on track to at least meet our estimates of \$0.59 on revenue of \$1091.5 million. Despite the macro uncertainty, management reaffirmed its 4Q guidance of \$0.57-0.64 on revenue of \$1075.0-1125.0.

Better aligning resources. Due to Adobe's plans to realign its resources around Digital Media and Digital Marketing, it plans to cut 750 full-time positions, which is anticipated to cost the company \$87-94M in pre-tax restructuring costs.

Estimates unchanged for now. We are leaving our estimates unchanged until we gain additional insight into ADBE's restructuring and re-alignment plans.

Valuation. At ~\$28 in after hours trading, ADBE trades at ~11x our FY12E EPS versus its large-cap peers at ~12.5x. While we don't anticipate material multiple expansion any time soon, we believe downside is relatively limited.

Mozilla Firefox Now Supports Amazon's Kindle Cloud Reader; Internet Explorer Support Coming Soon?

Yesterday, **Amazon** disclosed its Kindle Cloud Reader was now available on Mozilla Firefox. The company's HTML5 based webapp, called Cloud Reader, is a web based e-book reader, which enables users to read Kindle books instantly in their browsers and across devices. With this latest announcement, we note Amazon's Kindle webapp is now available on **Google's** Chrome browser, **Apple's** Safari browser and now Mozilla's Firefox browser. We believe **Microsoft's** Internet Explorer will also likely support Amazon's webapp shortly, thus providing Amazon with coverage of most browsers.

Today's Quote:

"If you want to make an apple pie from scratch, you must first create the universe." - Dr. Carl Sagan, born this day in 1934.

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

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

Price Target Calculation

TNGO: 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 software-as-a-service 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

TNGO: 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.

Important Disclosures and Certifications

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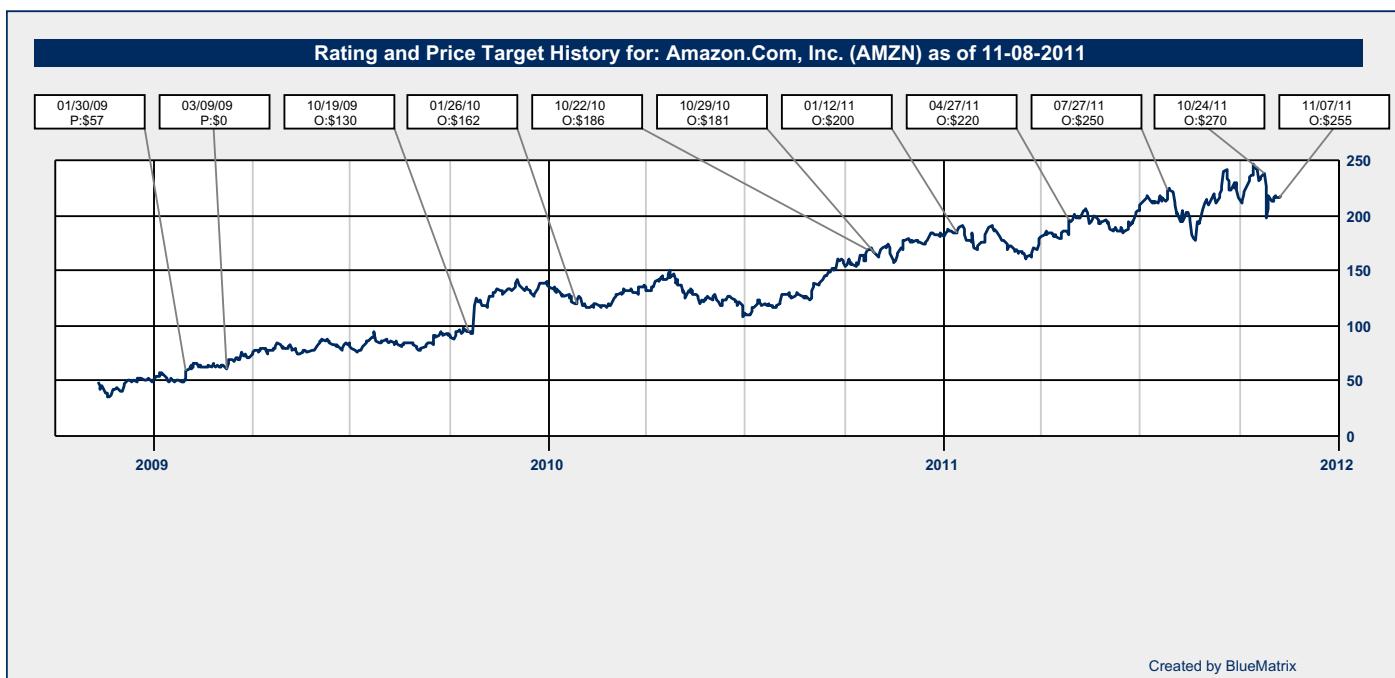
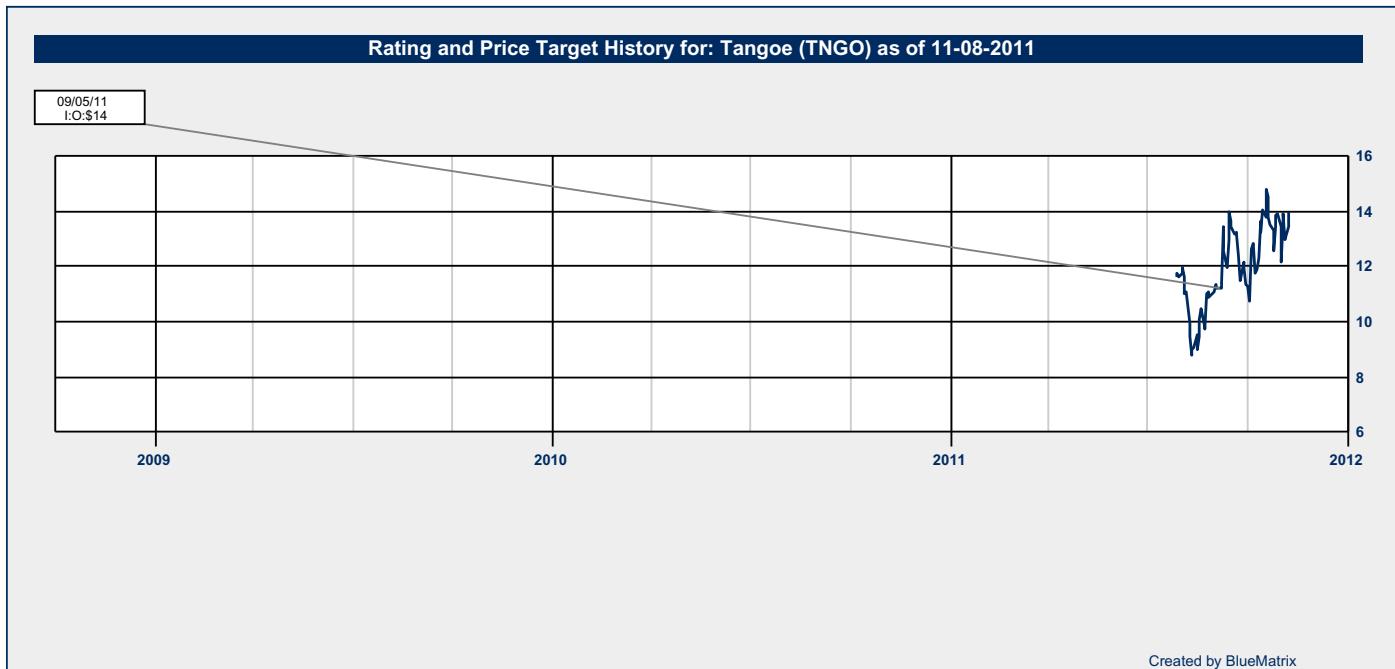
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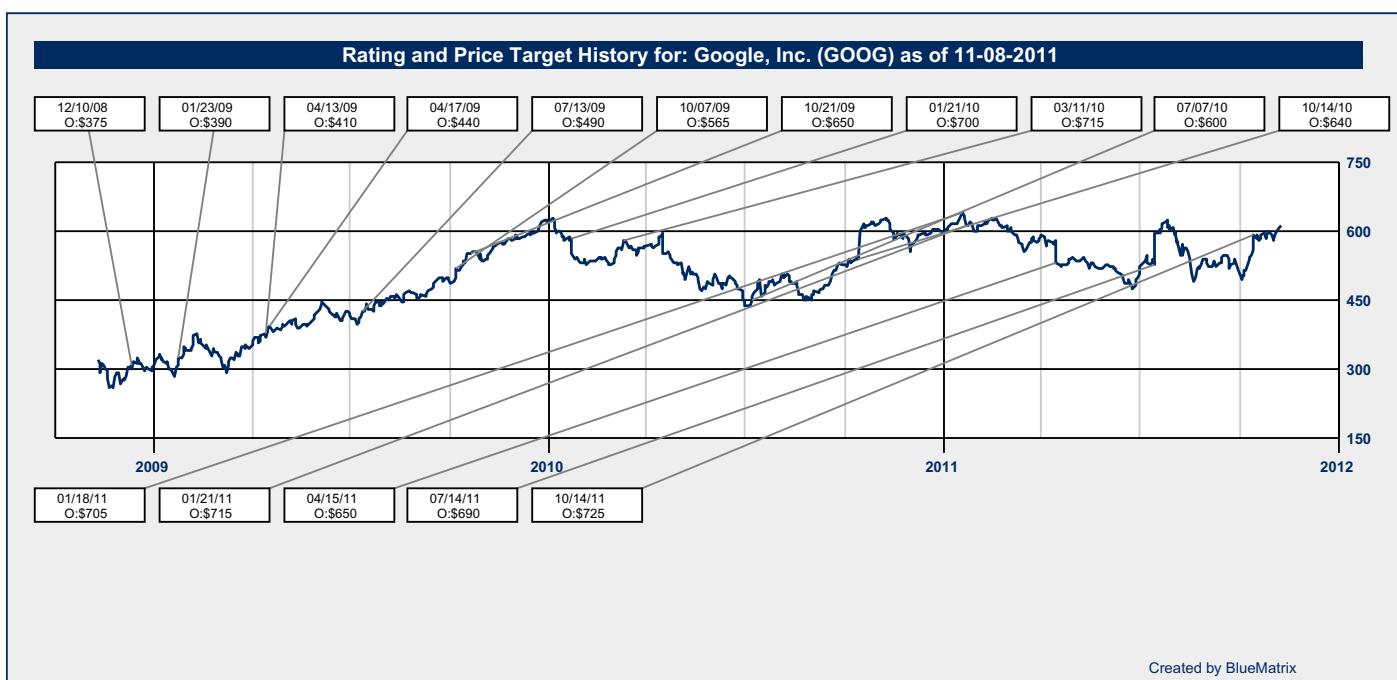
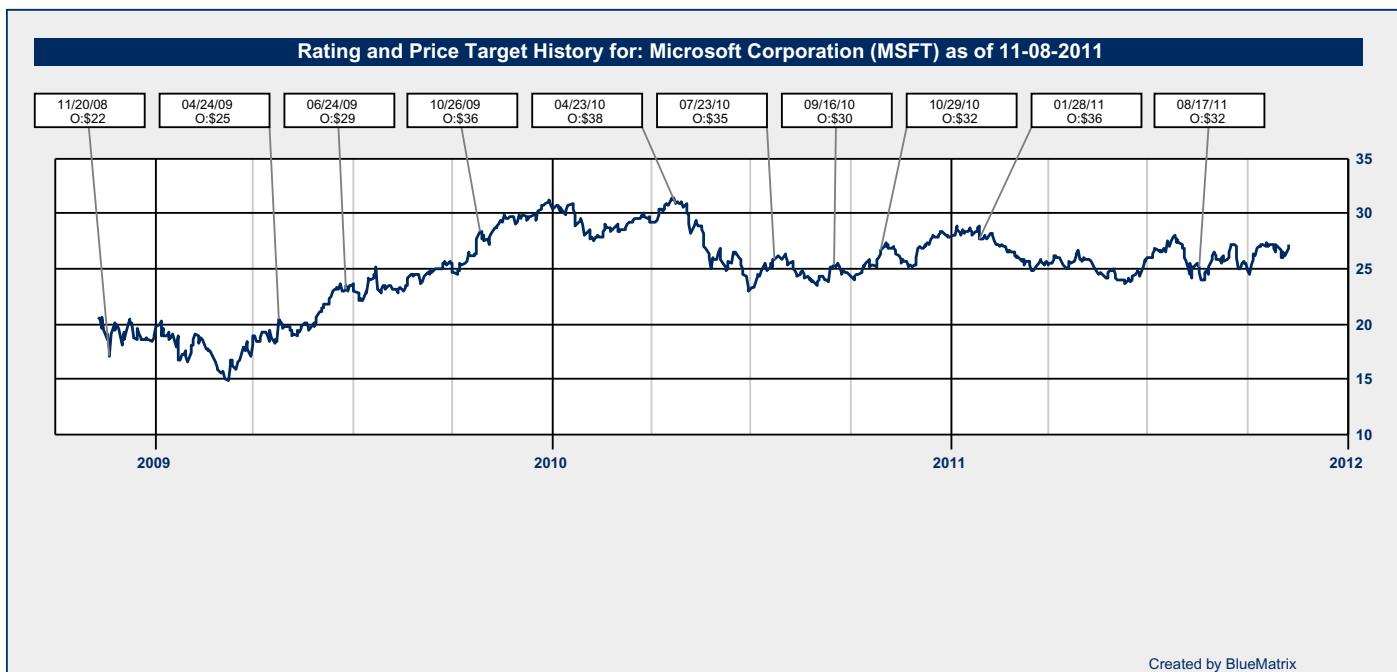
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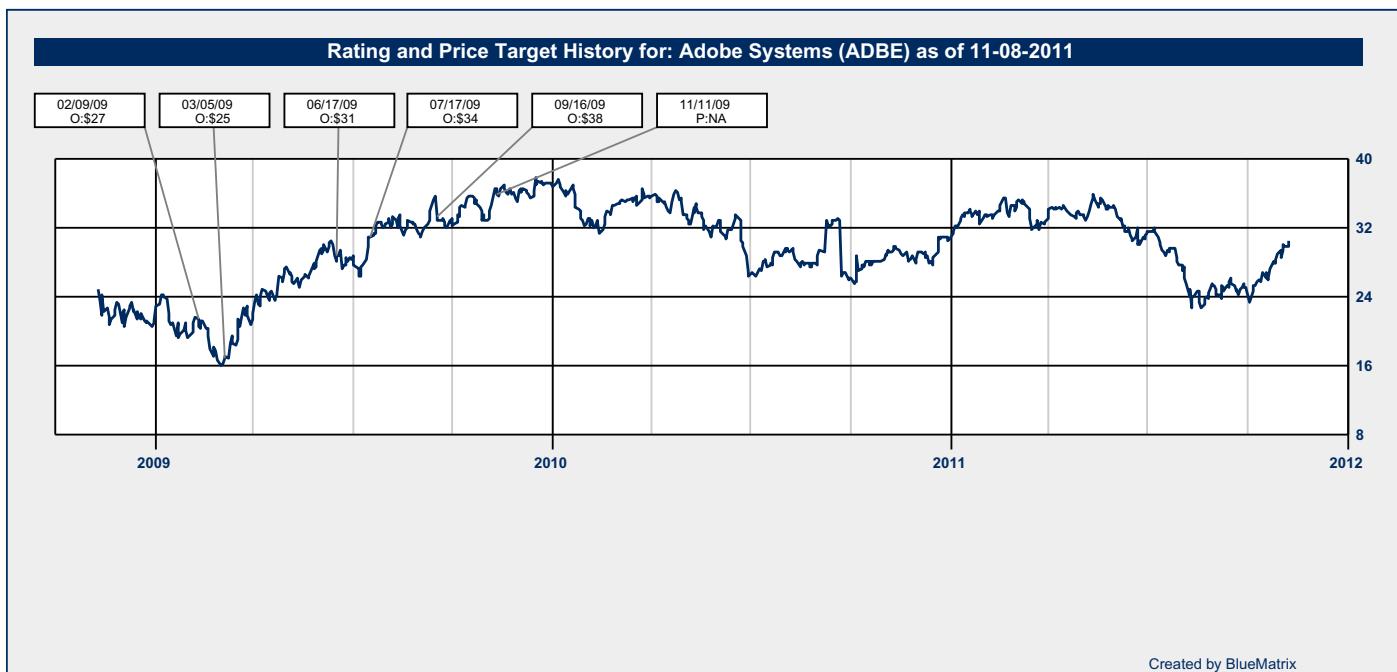
Important Disclosure Footnotes for Companies Mentioned in this Report that Are Covered by Oppenheimer & Co. Inc:

Stock Prices as of November 9, 2011

Tangoe (TNGO - Nasdaq, 13.97, OUTPERFORM)
 Amazon.Com, Inc. (AMZN - Nasdaq, 217.99, OUTPERFORM)
 Microsoft Corporation (MSFT - Nasdaq, 27.16, OUTPERFORM)
 Google, Inc. (GOOG - Nasdaq, 612.34, OUTPERFORM)
 Adobe Systems (ADBE - Nasdaq, 30.42, PERFORM)







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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Outperform(O) - Stock expected to outperform the S&P 500 within the next 12-18 months.

Perform (P) - Stock expected to perform in line with the S&P 500 within the next 12-18 months.

Underperform (U) - Stock expected to underperform the S&P 500 within the next 12-18 months.

Not Rated (NR) - Oppenheimer & Co. Inc. does not maintain coverage of the stock or is restricted from doing so due to a potential conflict of interest.

Oppenheimer & Co. Inc. Rating System prior to January 14th, 2008:

Buy - anticipates appreciation of 10% or more within the next 12 months, and/or a total return of 10% including dividend payments, and/or the ability of the shares to perform better than the leading stock market averages or stocks within its particular industry sector.

Neutral - anticipates that the shares will trade at or near their current price and generally in line with the leading market averages due to a perceived absence of strong dynamics that would cause volatility either to the upside or downside, and/or will perform less well than higher rated companies within its peer group. Our readers should be aware that when a rating change occurs to Neutral from Buy, aggressive trading accounts might decide to liquidate their positions to employ the funds elsewhere.

Sell - anticipates that the shares will depreciate 10% or more in price within the next 12 months, due to fundamental weakness perceived in the company or for valuation reasons, or are expected to perform significantly worse than equities within the peer group.

Distribution of Ratings/IB Services Firmwide				
Rating	IB Serv/Past 12 Mos.			
	Count	Percent	Count	Percent
OUTPERFORM [O]	327	55.10	145	44.34
PERFORM [P]	258	43.40	84	32.56
UNDERPERFORM [U]	9	1.50	3	33.33

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Oppenheimer & Co. Inc. expects to receive or intends to seek compensation for investment banking services in the next 3 months from TNGO.

In the past 12 months Oppenheimer & Co. Inc. has managed or co-managed a public offering of securities for TNGO.

In the past 12 months Oppenheimer & Co. Inc. has received compensation for investment banking services from TNGO.

Oppenheimer & Co. Inc. makes a market in the securities of TNGO, AMZN, MSFT, GOOG, and ADBE.

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6 September 2011

Tangoe, Inc.

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

Initiating coverage with a Buy

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Market leader in Communications Lifecycle Management

Tangoe is the clear market leader in the emerging segment of communications lifecycle management. Over the past decade, Tangoe has developed a platform to help enterprises manage and optimize their telecommunications spending. We believe Tangoe's comprehensive solution, robustly growing recurring revenue (>25% organically) and global reach gives investors an opportunity to own a quality stock early in its public life. We initiate coverage with a Buy rating and \$17 price target.

Early stage market with abundant growth prospects

Tangoe serves the global CLM market of enterprises that spend over \$400bn each year in telecom services. With about \$14bn in expenses under management, Tangoe is 3x larger than its closest competitor in the space, which today is highly fragmented and predominantly consulting services-oriented. We believe Tangoe's product-oriented approach and a multi-tenant SaaS platform provides scale and margin leverage over time. Tangoe has also taken advantage of the fragmentation to make five key acquisitions since 2007, entering new segments, geographies or acquiring a customer base. The company's recent partnerships with global system integrators IBM, Dell, HP and Xerox, significantly expand its reach. Tangoe's solution supports 1,700 operator billing models in 180 countries, 125 currencies and 16 languages, providing significant barriers to entry.

Sticky solution with high visibility

Tangoe's bundled technology and services generally pay for themselves within the first year, creating a sticky solution and a recurring revenue stream. The 2-5 year contracts and proven deployment methodology provide high visibility into future revenues, typically 70% in the year ahead and 90% a quarter ahead. Customers deploying Tangoe's solution benefit immediately from the automation of bill processing, a tedious monthly ritual at most enterprises globally. Customers can also reduce their spending by detecting errors, optimizing contracts, provisioning new service or device and managing mobile devices remotely.

Buy rating and a \$17 price target

Our \$17 price target is based on a CY13 uFCF/share estimate of \$0.48, an EV/uFCF/G multiple of 1.2x (slight premium to the peer group given market leadership), and an estimated five-year growth rate, net of dilution, of 26%. 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. See also pp. 31-33.

Forecasts and ratios

Year End Dec 31	2010A	2011E	2012E
3Q EPS	0.03	0.06	0.10
FY EPS (USD)	0.13	0.25	0.39
Revenue (USDm)	68.5	101.8	120.0
EV/Sales (x)	–	3.1	3.1
EV/FCF (x)	0.0	36.5	23.3

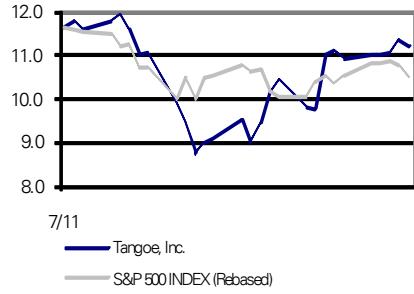
Source: Deutsche Bank estimates, company data

Coverage Change

Buy

Price at 2 Sep 2011 (USD)	11.22
Price target	17.00
52-week range	11.92 - 8.75

Price/price relative



Performance (%)	1m	3m	12m
Absolute	-5.9	–	–
S&P 500 INDEX	-6.4	-10.6	7.7

Stock & option liquidity data

Market cap (USDm)	362.4
Shares outstanding (m)	32.3
Free float (%)	100
Volume (2 Sep 2011)	12,682
Option volume (und. shrs., 1M avg.)	–

Deutsche Bank Securities Inc.

All prices are those current at the end of the previous trading session unless otherwise indicated. Prices are sourced from local exchanges via Reuters, Bloomberg and other vendors. Data is sourced from Deutsche Bank and subject companies. Deutsche Bank does and seeks to do business with companies covered in its research reports. Thus, investors should be aware that the firm may have a conflict of interest that could affect the objectivity of this report. Investors should consider this report as only a single factor in making their investment decision. DISCLOSURES AND ANALYST CERTIFICATIONS ARE LOCATED IN APPENDIX 1. MICA(P) 146/04/2011.

Model updated: 04 September 2011

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

Reuters: TNGO.OQ

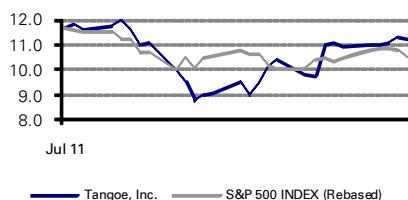
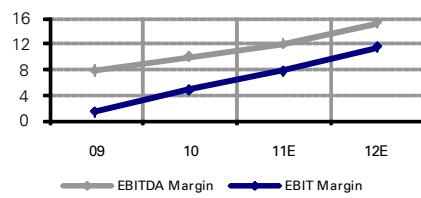
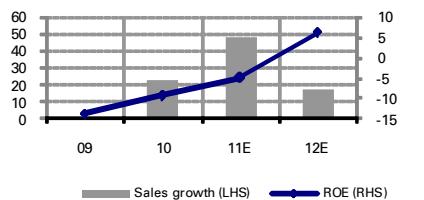
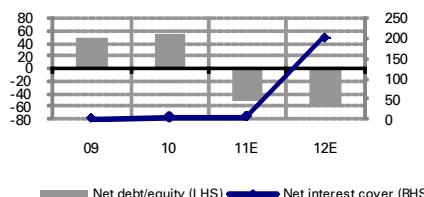
Bloomberg: TNGO US

Buy

Price (2 Sep 11)	USD 11.22
Target price	USD 17.00
52-week Range	USD 8.75 - 11.93
Market Cap (m)	USDm 362 EURm 255

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****Tom Ernst Jr**

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thomas.ernst@db.com

Fiscal year end 31-Dec	2009	2010	2011E	2012E
------------------------	------	------	-------	-------

Financial Summary

DB EPS (USD)	-0.11	0.06	0.14	0.24
Reported EPS (USD)	-0.11	-0.06	-0.09	0.16
DPS (USD)	0.00	0.00	0.00	0.00
BVPS (USD)	0.80	0.71	2.95	2.79

Valuation Metrics

Price/Sales (x)	nm	nm	3.6	3.6
P/E (DB) (x)	nm	na	80.9	47.5
P/E (Reported) (x)	nm	nm	nm	68.3
P/BV (x)	0.0	0.0	3.8	4.0
FCF yield (%)	na	na	2.4	3.7
Dividend yield (%)	na	na	0.0	0.0
EV/Sales	nm	nm	3.1	3.1
EV/EBITDA	nm	nm	26.2	20.3
EV/EBIT	nm	nm	39.9	26.8

Income Statement (USDm)

Sales	56	68	102	120
EBITDA	4	7	12	18
EBIT	1	3	8	14
Pre-tax profit	-2	-1	3	8
Net income	-3	-2	-3	6

Cash Flow (USDm)

Cash flow from operations	2	3	10	18
Net Capex	-1	0	-1	-2
Free cash flow	2	3	9	16
Equity raised/(bought back)	-1	-3	-24	0
Dividends paid	0	0	0	0
Net inc/(dec) in borrowings	0	0	0	0
Other investing/financing cash flows	-1	0	62	0
Net cash flow	0	0	47	16
<i>Change in working capital</i>	<i>0</i>	<i>-1</i>	<i>2</i>	<i>0</i>

Balance Sheet (USDm)

Cash and cash equivalents	6	6	53	68
Property, plant & equipment	2	2	3	3
Goodwill	18	18	23	23
Other assets	31	33	47	49
Total assets	56	59	125	142
Debt	15	17	5	6
Other liabilities	22	23	25	29
Total liabilities	38	39	30	35
Total shareholders' equity	19	19	95	107
<i>Net debt</i>	<i>9</i>	<i>11</i>	<i>-48</i>	<i>-62</i>

Key Company Metrics

Sales growth (%)	nm	22.5	48.7	17.9
DB EPS growth (%)	na	na	139.9	70.5
Payout ratio (%)	nm	nm	nm	0.0
EBITDA Margin (%)	7.8	10.0	11.8	15.2
EBIT Margin (%)	1.5	4.9	7.7	11.5
ROE (%)	-13.8	-9.2	-5.0	6.2
Net debt/equity (%)	49.6	55.4	-50.0	-57.6
Net interest cover (x)	0.3	1.7	4.8	199.8

DuPont Analysis

EBIT margin (%)	1.5	4.9	7.7	11.5
x Asset turnover (x)	1.0	1.2	1.1	0.9
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	-3.1	4.7
x Financial leverage (x)	3.0	3.0	1.6	1.3
= ROE (%)	-13.8	-9.2	-5.0	6.2
annual growth (%)	na	32.9	45.7	na
x NTA/share (avg) (x)	0.8	0.7	1.8	2.6
= Reported EPS	-0.11	-0.06	-0.09	0.16
annual growth (%)	na	41.5	-38.6	na

Source: Company data, Deutsche Bank estimates

Investment thesis

Outlook

Tangoe is the clear market leader in the emerging segment of communications lifecycle management. Over the past decade, Tangoe has developed a platform to help enterprises manage and optimize their telecommunications spending. We believe Tangoe's comprehensive solution, robustly growing recurring revenue (>25% organically) and global reach give investors an opportunity to own a quality stock early in its public life.

With about \$14bn in expenses under management, Tangoe is 3x larger than its closest competitor in the space, which today is fairly fragmented and predominantly services-oriented. We believe Tangoe's product-oriented approach and a multi-tenant SaaS platform provides scale and margin leverage over time. Tangoe has taken advantage of the fragmentation to make five key acquisitions since 2007, entering new segments, geography or acquiring a customer base. And the company's recent partnerships with global system integrators IBM, Dell, HP and Xerox significantly expand their reach. The global presence developed over the past decade supports 1,700 operator billing models in 180 countries, 125 currencies and 16 languages providing significant barriers to entry.

Tangoe's bundled technology and services generally pay for themselves within the first year, creating a sticky solution and a recurring revenue stream. Tangoe's 2-5 year contracts and proven deployment methodology provide high visibility into future revenues, typically 70% in the year ahead and 90% in the quarter ahead. Customers deploying Tangoe's solution benefit immediately from the automation of bill processing, a tedious monthly ritual at most enterprises globally. Customers can also reduce their spending by detecting errors, optimizing contracts, provisioning new service, managing mobile devices remotely and device disposal/recycling.

Valuation

We believe it's best to value companies like Tangoe based on their cash flows. Our \$17 price target is based on a CY13 uFCF/share estimate of \$0.48, an EV/uFCF/G multiple of 1.2x (in line with the peer group), and a five-year growth rate, net of dilution, of 23%. We cross-check our valuation with a DCF analysis, shown on pages 32-33.

Risks

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. Some customers may also perceive aggregated customer data as a privacy issue.

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Investment Positives

Commanding lead in a nascent, specialized market segment

Tangoe is the clear market leader in the emerging segment of telecom expense management (TEM), with global scale and a rapidly growing adjacency into mobile device management. Tangoe offers a complete portfolio that includes fixed and mobile TEM solutions, particularly attractive to multinational corporations who can consolidate their cost savings on to a single platform. The bundled technology and services measurably reduce telecom expenses, with payback typically within the first year.

Powerful barriers to entry

Tangoe is the largest provider in the TEM software space with roughly 8% market share, based on annual recurring revenues. The next nearest competitor is less than a third the size in a still-fragmented market dominated by consulting firms and relatively few purely product-oriented solutions. Tangoe currently manages about \$14bn telecom expenses annually in a market of over \$400bn globally, allowing abundant room to grow over time. Tangoe's global presence developed over the past decade, with support for 1,700 operator billing models in 180 countries, 125 currencies and 16 languages provide significant barriers to entry.

Acquisitions accelerate market share, backed by strong organic analysis

Tangoe has made five acquisitions since 2007, each of which enabled the company to gain market share as well expand its portfolio. In addition, organic revenue consistently grew over 20% (over 25% for recurring) during this period, together delivering revenue CAGR of almost 50% since 2007.

Scale benefits from a product-oriented approach

Tangoe's on-demand software platform provides customers relatively quick deployment that drives high automation rates after the initial setup. The scalable multi-tenant architecture has the potential to cannibalize a largely consulting-oriented market that is over \$500m in size, since product effectiveness is consistently higher and these scale benefits result in higher margins over time.

Highly visible recurring revenue

Tangoe's contract term ranges from 24 months to 60 months with ASP's ranging from \$150k-200k. Tangoe's revenue mix is 90% recurring given the nature of monthly telecom bills. Multi-year contracts and the convenience of automating a historically manual process tend to create a sticky solution with customers. Retention rates have been consistently over 90%, with any loss typically due to customers exiting the market altogether, e.g., through consolidation or M&A.

Diversified, blue-chip customer base

Tangoe has flagship customers across the financial, healthcare, technology, consulting, and transportation verticals. Some leading customers are Bank of America, Novartis, Dell, IBM and FedEx. No single customer accounted for more than 10% of total revenue for 2008, 2009 or 2010. Today, most customers are US-based multinationals, but a new sales office in the Netherlands should help expand the company's footprint into Western Europe, a market only slightly behind the US in the development of TEM solutions.

Strong channel partners expand reach

In an effort to expand reach and accelerate global growth, Tangoe has signed on leading system integration firms, including IBM, Dell, HP, Xerox and 16 other regional firms. Share or partner-driven revenue is relatively small today, but over 20% of new bookings are coming from the channel, a share we expect to grow over time.

Investment Risks

Once early gains are captured in reducing costs, customers may take efforts in-house
Customers pay a percentage of savings to Tangoe. Once systematized, customers could decide to save themselves the payment to Tangoe by taking the processing of invoices in-house. There have been no recent incidents of customer loss in such a fashion.

People-intensive model could hurt margins if customers don't ramp up as planned
Integrating the customer's IT environment into Tangoe's infrastructure is a complex task and delays could impact margins. The company has a standardize approach developed over the past decade, but rapid growth into new geographies and use of partners to deliver solutions may impact the margin profile.

Acquired assets may not get integrated efficiently
The company's growth has benefited from five acquisitions made since 2007. While each of these acquisitions has improved the company's strategic position in the market and the relatively low multiples paid have helped accretion, integration of future acquisitions could become more complex as the company grows larger.

Aggregated customer data could be perceived as a privacy or competitive risk
Tangoe's knowledgebase of contracts and best practices is built up over time by aggregating historical data, which some customers might consider risky from a privacy perspective. Any dramatic changes in the regulatory environment may also impact Tangoe's ability to compete internationally.

Large customers or resellers such as IBM and Dell could concentrate revenues
Loss of a large customer or channel could significantly impact the business. Current customer count of over 600 and no customer over 10% of revenue reduce this likelihood.

Lack of up-front billings suppress cash flow as compared to typical SaaS model
The company bills customers monthly in arrears as new invoices are processed. Unlike the typical SaaS company, where advance billing results in significant deferred revenue build-up, Tangoe's business model does not benefit from up-front cash payments. However, future cash flows should grow higher with the number of customers and expenses under management.

Channel approach and expansion into new geographies increase cost profile
The company's efforts to expand internationally by partnering with local resellers and by establishing local offices could increase costs and reduce margins during this expansion.

Industry Overview

Communications Lifecycle Management (CLM)

The telecom industry has seen significant change over the past decade, with the growth in VoIP, mobile voice and data services, and changes in regulatory regimes globally, most of which caused dramatic changes in tariffs and the competitive landscape. As corporations began to expand globally, spending on telecom services took on a much more significant role. Enterprises are increasingly seeking solutions to effectively and efficiently manage, control and optimize their expanding communications assets, services, usage and associated expenses. The CLM market provides solutions to help meet this demand. The CLM market consists of the telecommunications expense management, or TEM, market and the mobile device management, or MDM, market, which is an emerging market adjacent to TEM.

Corporations globally spend over \$400bn annually on telecom services, which include office phones, internet and data connectivity, wireless voice and data services and more recently, the remote management of mobile devices used by staff. Inefficient management of these expenses, including overpayments due to billing errors, often results in enterprises incurring significant avoidable expenses. Below we discuss some common trends driving the uptake of CLM solutions.

Large volume and complexity of bills

A company's communications infrastructure is critical for its smooth operations. With advancing technology, communication infrastructure has encompassed a growing diversity of technologies. Billing systems vary across operators, each with varying payment terms. And different countries have different regulatory and tax regimes. Multi-national companies have to contend with multiple operators, currencies, languages and regulatory requirements. This provides a ripe opportunity for telecom expense management.

Significant increase in the number of mobile users and what devices are used for

Mobile devices and their use for both voice and data applications looks dramatically different today than it did just five years ago. Not only are more people roaming with their devices as they travel, many are using smartphones and tablets to access enterprise applications remotely in addition to making plain old phone calls. The need to manage expenses and devices is amplified by IT security and policy concerns as several personal devices are provisioned for corporate use and vice versa. Gartner estimates worldwide converged mobile device enterprise shipments grew at a CAGR of 54% from 2005-10. And mobile applications deployed by enterprises will grow at 30% in 2011.

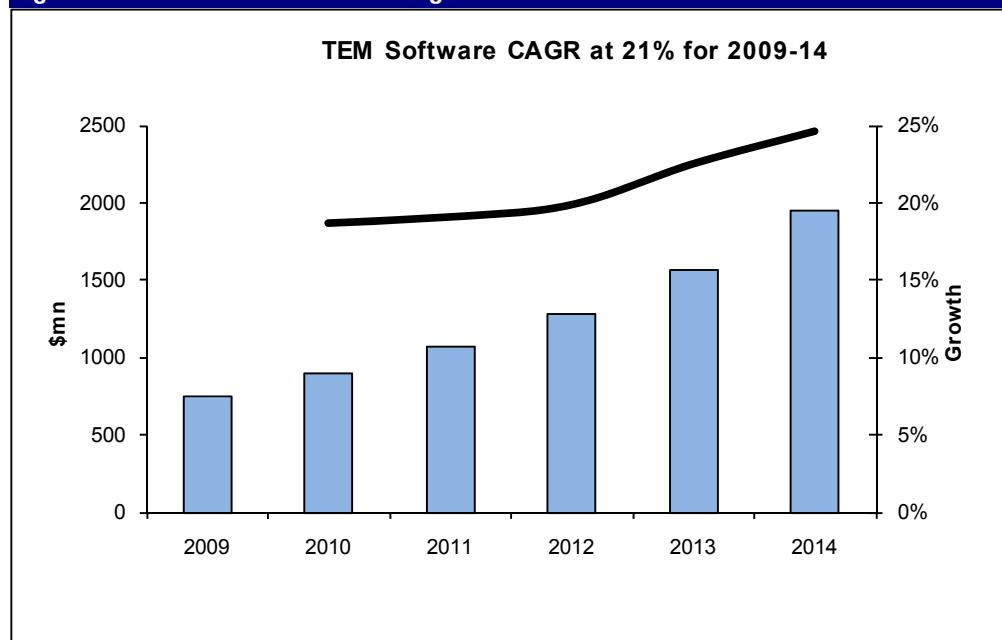
Dynamic changes in communication infrastructure and services creates a need for TEM

Telecommunication expenditure, ranging 1%-3% of revenue, is a significant portion of an enterprise budget. Gartner estimates TEM services to grow at a double-digit compound annual growth rate through 2014. There are roughly 300 TEM vendors globally with about \$1bn market size in 2011. The top 10 software-oriented vendors account for about \$200m in recurring revenue. The rest is a highly fragmented mix of services-oriented firms who perform custom projects for clients. These projects typically don't use a robust technology back-end and have low repeatability across customers.

Note the distinction between telecom expenses (over \$400bn annually) and the TEM vendor space, which is estimated at about \$1bn per year. The latter is the collective revenue of vendors who provide TEM solutions to optimize the \$400bn annual spend. The market size for mobile device management, MDM, is estimated by IDC to be about \$300m in 2010, growing to \$1.2bn in 2015. Depending on the definition and scope of MDM, various industry

analysts size this market ranging from a few hundred million dollars to a billion dollars or more per year. We believe \$300m is a reasonable estimate for 2010 given the plethora smartphones and tablets hitting the market and the number of enterprise applications being made available on them. We estimate MDM should grow by 25% y/y or more, over the next five years.

Figure 1: TEM solutions market sizing



Source: Deutsche Bank, Gartner data

Figure 2 below breaks out the significant categories within TEM. These are the typical categories one would expect to see. We back out consumer-related spending and assume that about 25% of enterprise spend is on mobile.

Figure 2: Market Opportunity

	2010	Projected CAGR
Global telecom services (\$bn)	\$1,588	2%
Fixed voice services	\$365	
Fixed data services	\$241	
Fixed internet services	\$90	
Total Market Fixed data	\$696	
Less: Consumer fixed services	-\$366	
Estimated Enterprise Fixed services (\$bn)	\$330	1%
Mobile Voice services	\$647	
Mobile Data services	\$245	
Total Mobile services market	\$892	
Mobile % of enterprise spend	25%	
Estimated enterprise Mobile services (\$bn)	\$100	15%
Total Enterprise Fixed, Mobile and MDM(\$bn)	\$430	

Source: Deutsche Bank, Company estimates, Gartner

Mobile Device Management (MDM) is a relatively new area where typical functions include:

- Device provisioning, configuration and inventory management
- Distributing software, including OS updates, over the air directly to the device
- Managing the software image remotely so user doesn't install disallowed software
- Backup/restore capability for content on the device
- Security and policy administration for the device
- Device monitoring and "remote kill" if the device is lost, stolen or if employee leaves the firm
- Mobility management: roaming management, location reporting, etc.

Obviously the capabilities of each device determine the level of functionality that can be made available via an MDM platform. Enterprise-oriented devices like the BlackBerry were built with many of these capabilities in the back-end infrastructure. And many consumer-oriented devices like the iPhone and Android have an ecosystem of third-party software vendors building such capabilities. Vendors in MDM range from small pure-play shops to large enterprise software and security vendors.

Market penetration assumptions and scenarios

Considering the global enterprise telecom spend of \$430bn, Tangoe currently manages about \$14bn, just 3% of this industry revenue stream. With such low penetration today and with Tangoe being the leading player, the opportunity ahead is large and attractive.

In our scenario analysis below, we change market penetration each year by 100 bps/120bps/150bps y/y in our base case/optimistic case/aggressive case. It is worth noting that a small increase in penetration levels acts as a powerful lever, almost doubling revenue from \$360m revenue in 2020 in the base case scenario to over \$600m in revenue with an aggressive scenario.

Figure 3: Market penetration scenario analysis

Base Case	2007A	2008A	2009A	2010A	2011E	2012E	2013	2014	2015	2016	2017	2018	2019	2020
Net Revenues \$mn)	21.05	37.53	55.92	68.47	101.80	120	140	164	192	223.1	255.4	288.8	323.5	359.5
Growth (%)	78.3%	49.0%	22.5%	48.7%	17.9%	16.7%	17.1%	17.1%	16.2%	14.5%	13.1%	12.0%	11.1%	
Rev\$ managed (mn)			9,000	13,700	18,360	23,201	28,228	33,447	38,864	44,483	50,312	56,357	62,623	
Revenue Share (%)					0.76%	0.74%	0.65%	0.60%	0.58%	0.57%	0.57%	0.57%	0.57%	0.57%
Global enterprise spend on telecom	405,199	413,303	421,569	430,000	438,600	447,372	456,319	465,446	474,755	484,250	493,935	503,814	513,890	
Growth (%)			2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
(% of TAM into total worldwide installed base)	0%	0%	2.1%	3.2%	4.2%	5.2%	6.2%	7.2%	8.2%	9.2%	10.2%	11.2%	12.2%	
Optimistic Scenario														
Net Revenues \$mn)	21.05	37.53	55.92	68.47	101.80	133.3	173.2	214.6	257.6	302.3	348.6	396.6	446.5	498.1
Growth (%)	78.3%	49.0%	22.5%	48.7%	31.0%	29.9%	23.9%	20.0%	17.3%	15.3%	13.8%	12.6%	11.6%	
Rev\$ managed (mn)			9,000	13,700	19,237	24,990	30,966	37,171	43,611	50,294	57,228	64,418	71,873	
Revenue Share (%)					0.76%	0.74%	0.69%	0.69%	0.69%	0.69%	0.69%	0.69%	0.69%	0.69%
Global enterprise spend on telecom	0	405,199	413,303	421,569	430,000	438,600	447,372	456,319	465,446	474,755	484,250	493,935	503,814	513,890
Growth (%)			2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
(% of TAM into total worldwide installed base)	0%	0%	2.1%	3.2%	4.4%	5.6%	6.8%	8.0%	9.2%	10.4%	11.6%	12.8%	14.0%	
Aggressive Scenario														
Net Revenues \$mn)	21.05	37.53	55.92	68.47	101.80	146.6	197.3	250.1	304.9	361.8	420.8	482.0	545.6	611.4
Growth (%)	78.3%	49.0%	22.5%	48.7%	44.0%	34.7%	26.7%	21.9%	18.7%	16.3%	14.6%	13.2%	12.1%	
Rev\$ managed (mn)			9,000	13,700	20,553	27,675	35,073	42,756	50,733	59,011	67,600	76,509	85,748	
Revenue Share (%)					0.76%	0.74%	0.71%	0.71%	0.71%	0.71%	0.71%	0.71%	0.71%	0.71%
Global enterprise spend on telecom	405,199	413,303	421,569	430,000	438,600	447,372	456,319	465,446	474,755	484,250	493,935	503,814	513,890	
Growth (%)			2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
(% of TAM into total worldwide installed base)	0%	0%	2.1%	3.2%	4.7%	6.2%	7.7%	9.2%	10.7%	12.2%	13.7%	15.2%	16.7%	

Source: Deutsche Bank, company data

Competition

As described in the Industry section above, Tangoe operates primarily in the TEM domain with a growing presence in mobile device management (MDM). Tangoe is the only company that has a presence in both TEM and MDM space. Tangoe is ranked a leader in Gartner's TEM "Magic Quadrant" for the breadth and completeness of its portfolio, process management and advisory services.

Within the MDM space, Gartner rates Tangoe a "Challenger" with competitive products that address the basic needs of MDM. Industry analyst IDC estimates Tangoe's market share in MDM to be about 2% in 2010 as larger vendors such as Sybase (part of SAP), Microsoft, HP, IBM and Symantec take the top five spots in the space, collectively with about 48% market share. Clearly, Tangoe is a small player in MDM, but its offering sold with TEM is likely more attractive to enterprise clients who don't want to invest in a large, standalone MDM solution.

Market leader with significant lead vs. competition

Tangoe is far ahead of its competitors in the domain of telecom expense management. Based on estimates of software-based vendors with a recurring revenue model, Tangoe is roughly 33 percentage points ahead of its nearest competitor in terms of the recurring FY2011E revenue.

Figure 4: TEM market share overview

2011			Description
TEM Company	Recurring Revenue	% of TEM SW Mkt	
Tangoe	\$90m	43%	Tangoe is the leading global provider of Communications Lifecycle Management (CLM) software and related services to a wide range of global enterprises. Currently supports more than 500 active clients
Tier 1 Competitors (roughly \$20m in recurring annual revenue)			
Rivermine (w/MBG)	~\$20m	10%	Rivermine, a division of Emptoris, Inc., provides automated solutions (both on-demand software and managed services) that enable organizations to gain visibility into, and control over, their communications spend. Sodexo, Fannie Mae, IKON Office Solutions, and many more
Symphony	~\$20m	10%	Symphony SMS maximizes ROI for clients by providing CLM and MDM solutions to its clients for saving telecom expense
Profitline	~\$20m	10%	ProfitLine is a global provider of Telecom Expense and Mobility Management Services. ProfitLine's TLM Savings Suite allows Clients to focus on their core business while reducing telecom spend and management costs, increasing productivity and improving user satisfaction
Other Competitors (roughly \$10m in recurring annual revenue)			
IBM	\$15m	7%	(Tangoe partner)
Vodafone/TnT	~\$10m	5%	
Invoice Insight	~\$10m	5%	Insight's Telecom Expense Management (TEM) Solution, InsightTEMSM,
HP (EDS)	\$10m	5%	(Tangoe partner)
Top 10 ARR ~\$210m			

Source: Deutsche Bank

Other notable competitors fall in three broad groups:

- **Large SI firms with global presence:** focus on multinational customers and a vendor-neutral, consulting-oriented approach: Accenture, CSC, Dell (Perot Systems), IBM Global Services, HP (EDS), Xerox (ACS) fall in this group. Note that IBM is Tangoe's largest partner and Dell, HP and Xerox are new partnerships.
- **Large telcos:** AT&T and Vodafone provide TEM services to their large enterprise clients. However, since these services are provided by the operator themselves, in many markets via private-label offerings, there is a heavier services and consulting component and a perceived lack of neutrality.
- **Smaller consulting and product providers:** Anatole (France), Asential, Avalon Avotus, Ezwim (Netherlands), MDSL (UK), Telesoft, TNX, Ttmobiles (UK) and Veremark. Each of these vendors specializes in a region, fixed or mobile, size of customer, BPO model, etc., with revenues ranging from \$5m to \$15m annually.

Competition in the MDM space is much more fragmented at the lower end of the market. However, as discussed above, the top five players own about half the market. But given the rapidly evolving smartphone and tablet marketplace, we could see many of the following specialty vendors make headway on their own, or get acquired by larger firms: AirWatch, Boxtone, Capricode (Finland), Excitor (Denmark), FancyFon (Ireland), Fiberlink, Fixmo, Fromdistance (Estonia), IBELEM (France), MobileIron, Good Technology (best known for push email platform), Zenprise, etc.

Traditional security firms like Symantec, McAfee, and connectivity software companies like Smith Micro consider MDM an adjacent space to expand their core offering.

Company Background

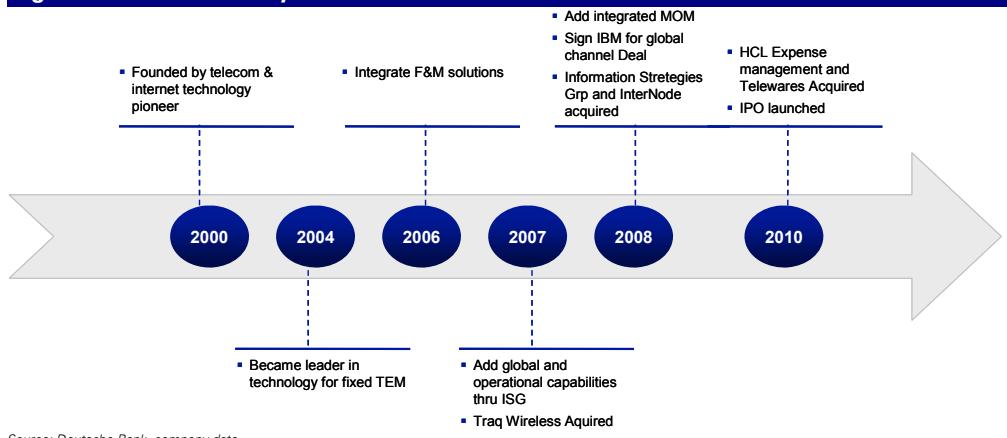
Tangoe is a leader in global provider of communications lifecycle management (CLM) to large and medium-sized businesses. CLM encompasses the entire lifecycle of an enterprise's communications assets and services like planning, sourcing, procurement, invoice processing, expense allocation, accounting etc. Its on-demand Communications Management Platform is a suite of software designed to manage and optimize the complex processes and expenses associated with CLM for both fixed and mobile communications assets and services. It sells its on-demand software and related services primarily on a subscription basis under contracts that typically have terms ranging from 24 to 60 months. Customers are invoiced monthly in arrears based on expenses processed. For any new deal, the average ASP is \$150K-\$200K. A part of its revenue (~10%) comes from strategic consulting services, which involve process management and IT integration into the customer's environment.

The company was formed in February 2000. Since then it has grown to over 600 end customers ranging from large global, multi-location companies with more than 350,000 employees to single-location companies with just 150 employees. Revenues have increased from \$21m in FY2007 to 68m in FY2010 reflecting a CAGR of 48%. The organic revenue has grown at a growth rate of 46% y/y in FY2008, 21% y/y in FY2009 and 22% y/y in FY2010. Its employee base is of 757 full time employees of whom 68 are in sales and marketing. Headquartered in Orange, Connecticut, it has facilities across the United States, China and a new European headquarters in The Netherlands.

Figure 5: Company locations

Location	Headquarters	Geographic locations		
		United States	China	Netherlands
Orange, CT				
Customers	Description			
	Its clients range from large global, multi-location Fortune 500 companies across multiple industries to single-location companies with just 150 employees			
Revenues	Revenue Growth (FY10)			Revenue Contribution (FY10)
	TR	Recurring tech and services	Consulting & Licenses	Recurring tech and services
	22.5%	25.4%	8.7%	84%
Human Resources	As of Mar 31, 2011, the company had more than 757 employees, with offices with 68 in sales and marketing, , 93 in implementation and data management services, 22 in strategic consulting, 310 in client services, 94 in research and development			

Source: Deutsche Bank, company data

Figure 6: Timeline of key events

Source: Deutsche Bank, company data

Products & Services

Tangoe's on-demand software and related services enable enterprises to manage and optimize the complex processes and expenses associated with the complete lifecycle of an enterprise's fixed and mobile communications assets and services. Its Communications Management Platform is a suite of software designed to manage and optimize the complex processes and expenses associated with this lifecycle for both fixed and mobile communications assets and services. Tangoe's customers engage its client services group to manage their communications assets and services using Communications Management Platform. Its solution has comprehensive capabilities and for the client it reduces expenses, optimizes service agreements, and improves control and visibility. Its product portfolio consists of two parts:

1. Communications Management Platform (CMP): An on-demand suite of software designed to manage and optimize the complex processes and expenses associated with the complete lifecycle of an enterprise's fixed and mobile communications assets and services. This includes expense management related to telecom services, both fixed and mobile, as well as a suite of mobile device management services that help enterprises manage an increasingly mobile workforce. CMP also integrates with customers' critical third-party enterprise systems. CMP implements the baseline policies that govern internal and external enterprise communications interactions. CMP also provides customers with comprehensive business intelligence, including historical, trend and predictive analytics, dashboards and reporting capabilities. Information is provided in real-time with flexible views of activity for all aspects and stages of the communications lifecycle. Tangoe sells CMP in three standard bundles:
 - Asset Management : It provides full asset procurement, provisioning, tracking and disposal capabilities for fixed and mobile communications assets and services
 - Expense Management: It provides automated processing and services to manage every aspect of the fixed and mobile communications billing function, from receipt to payment.
 - Usage Management: It provides enterprises with visibility and control over how communications assets and services are being used in fixed and mobile environments through a combination of real-time and historical usage tracking as well as corporate communications and security policy enforcement
2. Strategic Consulting and Other Services: A comprehensive set of strategic consulting services that address all areas of CLM for fixed and mobile environments. These services can be contracted separately or in conjunction with CMP. These include sourcing, bill auditing, inventory optimizing, mobile optimization and policy administration.

Figure 7: Product portfolio

Source: Company presentation; Used with permission

Figure 8: Product overview

Products/Services	Description
Communications Management Platform	
Telecom Expense Management	Optimize every critical process within communications environment like invoice management, inventory management, reporting and analytics, audit and assurance, provisioning, call rebilling, rate plan optimization, direct bill payment, help desk, device recycling
Mobile Device Management	Reduce smartphone costs, increase smartphone security and compliance, manage device applications remotely, provide centralized management and control, deploy iPads with device, network access, and application security policies, enforce security policies for Android devices
Strategic Consulting	
Mobile Optimization	Negotiating the best rates, ensuring the effective utilization of the established rate plans, client's employees are utilizing the appropriate services and plans, maximizing user deployments, and minimizing mobile service costs
Carrier Contract Negotiations	Encompasses discovery and set-up, strategy, price, terms and commitment levels, market rate and contract analysis price negotiations, terms and conditions analysis/negotiation, contract finalization, compliance verification
Benchmarking Services	Provides clients with services demand sets and target rates that enable them to assess how competitive their current agreements and future negotiations are against current market conditions and trends
Historical Bill Audit	Identify errors, document the root cause of the problem, manage the dispute process, recover the overpayments, and provide recommendations to prevent reoccurring issues
Carrier Transition Assurance	Ensure service migrations occur with zero negative impact to user services and operational uptime

Source: Deutsche Bank, company data

Customers

Tangoe has about \$14bn of telecom expenses under management catering to over 615 end customers. End customers range from large global, multi-location companies with more than 350,000 employees to single-location companies with just 150 employees. No single end customer accounted for more than 10% of its total revenue for 2008, 2009 or 2010. No single strategic alliance partner accounted for more than 10% of its total revenue for 2008. However, IBM accounted for 12% and 11% in sales during 2009 and 2010, respectively. Tangoe's customers include insurance providers, retailers, computer technology manufacturers, financial service providers, pharmaceuticals, hotel franchisers, etc., virtually penetrating every industry in managing their communication expenditure. A glimpse of some clients below:

- Midwest-based Fortune 500 insurance provider
- Fortune 500 computer and business services provider
- Leading US-based provider of security products and services
- Northeast-based Fortune 500 distributor of electronic components
- Fortune 500 provider of global payroll and business services
- West coast provider of energy services
- Fortune 500 worldwide leader in retail entertainment and book sales
- West coast provider of retail marketing and research services
- Fortune 500 worldwide hotel franchiser
- Northeast-based manufacturer of polymers and chemicals
- Top 30 Fortune 500 computer and technology manufacturer and distributor
- Big Four global financial services provider
- New England-based designer and manufacturer of video media
- Top 20 Fortune 500 technology company
- One of the nation's largest independent hotel operators
- Northeast-based Fortune 500 industrial manufacturer
- Southeast-based leader in clinical laboratory and diagnostic technology
- Global Fortune 200 financial provider and credit card lender
- West coast-based Top 20 Fortune 500 pharmaceutical provider
- One of the ten largest banks in the US, operating in the Midwest.
- New England-based provider of scientific and technical instruments

Summary of customer diligence

We conducted several diligence calls across Tangoe's customer base, ranging from relatively small to fairly large.

Consistent themes from customers

Customers acknowledged Tangoe's deep domain expertise in operator contracts, billing and geographic variations. They also described the maturity of Tangoe's processes and consistency in their deployment methodology that gets projects ramped quickly. Larger accounts also appreciate the high level of executive involvement even after the project is up and running.

Other highlights:

- Fixed and Mobile TEM widely deployed MDM and new device recycling service gaining traction, particularly with larger enterprises who are introducing consumer-oriented devices into their enterprise environment.
- Customer feedback on features makes it back into product
- On-demand platform attractive to many customers since they don't want to staff TEM internally or invest in their own equipment
- Some customers have been using the product for over 5 years are still happy with results. One customer said, "We got back \$3 for every \$1 we spent with Tangoe."
- Customer perception is that fixed and mobile are two different products, which they are today. Architecture work is on-going to create a common product.
- Early days of international expansion were rocky. New office in Amsterdam helps with European deployments (second largest TEM market)
- Former HCL customers were pleased about Tangoe's acquisition

Customer case study summary show measurable ROI

Although Tangoe does not disclose contract details, its ASP ranges from \$150k- \$200k, with top 100 customers approaching \$600k. We have summarized snap shots of successful customer case studies below.

Figure 9: Summary of case studies

Customer Description	Communications Environment	Savings impact
US-based benefits management company	2,200 mobile devices \$1.8m annual expenditure	25% savings Disconnected 200 un-used phones ROI of over 400% in first year
Global medical technology company	3,300 mobile devices 32 countries \$4.5m annual spend with 4 carriers	ROI of over 200% in the first year
Global information and analytics management company	23 service contracts in 18 countries	\$575K recovered expenses in the first year; \$3.1m savings over life of contract
Global high-tech instrument company	2,400 invoices in 30 countries, 14 languages 185 carriers	Consolidated bill processing to one location Direct pay in 18 countries

Source: Company filings

Savings continue to accrue over time

The value proposition that clients derive out of implementing Tangoe solutions ranges from reducing errors that typically affect 25% of all bills to lowering ongoing cost by 20%-40%. Without streamlined expense management, companies lose between \$500k to \$50m each year. Tangoe manages spend 3x larger and 5x more devices than its closest competitor, given its breadth and strength in product spectrum, now about \$14bn in expenses and 1.8m mobile devices.

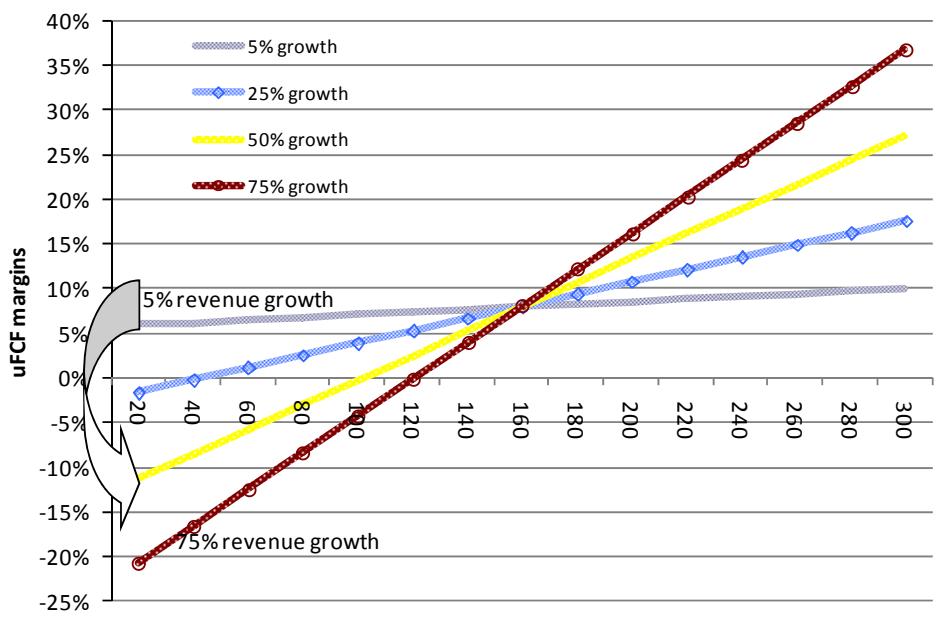
After the initial gains in the first year, Tangoe continues to optimize contracts based on market rates and manages turnover in devices, voice/data plans, applications on devices, etc.

Business Model

Tangoe generates its revenues from subscriptions and services related to its Communications Management Platform. These services include help desk, asset procurement and provisioning, and carrier dispute resolution. The recurring technology and services revenue is recognized ratably over the contract term. Tangoe licenses its on-demand software primarily on a subscription basis under agreements with terms ranging from 24 to 60 months.

The company bills its customers on a monthly basis in arrears and hence does not have significant deferred revenues on its balance sheet. We note this significant difference from our other SaaS coverage, where annual or quarterly pre-payments are standard and cash collected up front with subsequent ratable revenue recognition boosts the cash flow margins for these companies.

Figure 10 below shows the significant impact pre-payments (shown as days deferred revenue, or DDR) can have on a company's unlevered free-cash-flow margins. Note the difference in the theoretical cash flow margins for a company growing revenue at 25% with DDR of 40 (a profile similar to Tangoe), compared to another company growing at the same revenue rate but with DDR of 100 (typical of a SaaS company in our coverage). Prepayments boost uFCF margin by about 4% points in this scenario, with an assumed baseline of 8% uFCF margin. Investors should take this into consideration when studying Tangoe. We discuss this further in the Valuation section.

Figure 10: Sensitivity of pre-payments (DDRs) to cash flow margins

Source: Deutsche Bank, company data

Implementation and services fees related to the Communications Management Platform are recognized ratably over the expected life of the customer relationship. Historically, a high percentage of subscription-based customers renew their agreements with terms similar to their original contracts. These multi-year contracts also have significant exit clauses to ensure their full revenue potential.

The main driver for Tangoe's revenue is the amount of communications spend that it manages for fixed line and mobile voice/data contracts and the number of mobile devices that it manage for mobile device contracts. The customers are subject to a minimum charge for up to a specified threshold amount of communications spend or number of mobile devices under management and additional charges are levied to the extent those specified thresholds are exceeded.

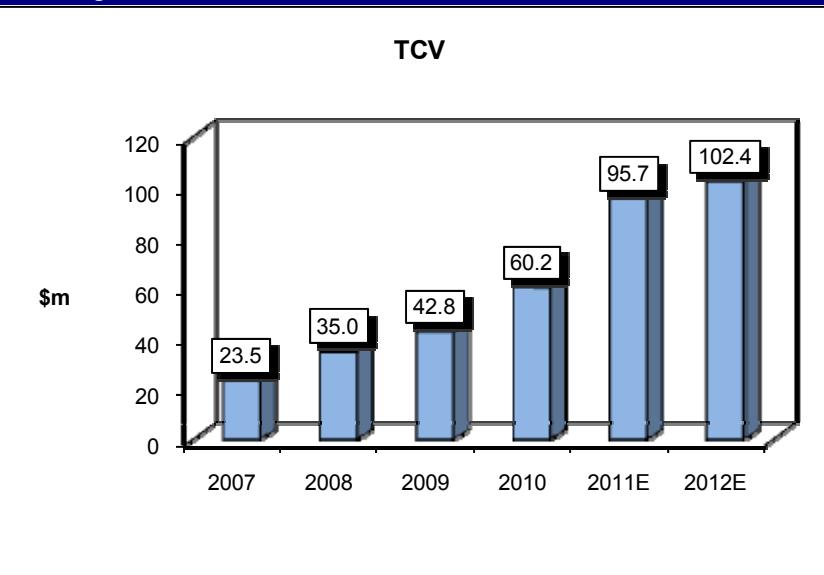
In addition to the subscription fees, a small part of revenue is also generated from strategic consulting, software licenses (from legacy on-premise customers) and mobile device activation fees (MDM product). Strategic consulting consists primarily of fees charged for contract negotiations and bill audits. Contract negotiation fees include both fixed project fees and incentive fees which is driven by the amount of savings that Tangoe is able to generate over the customer's existing communications rates. These fees are recognized when the customer and carrier execute the contract.

Historically most of Tangoe's revenue have come from within the United States. It intends to build its international sales operations by increasing direct sales force abroad expecting its international revenue to increase in absolute dollars and as a percentage of total revenue.

In order to maintain and extend its position of market leader in global provider of CLM solutions Tangoe plans to continue enhancing its service offerings, develop additional software capabilities and localize applications for new geographies. It aims to broaden existing customer relationships and acquire new customers by marketing its solution to

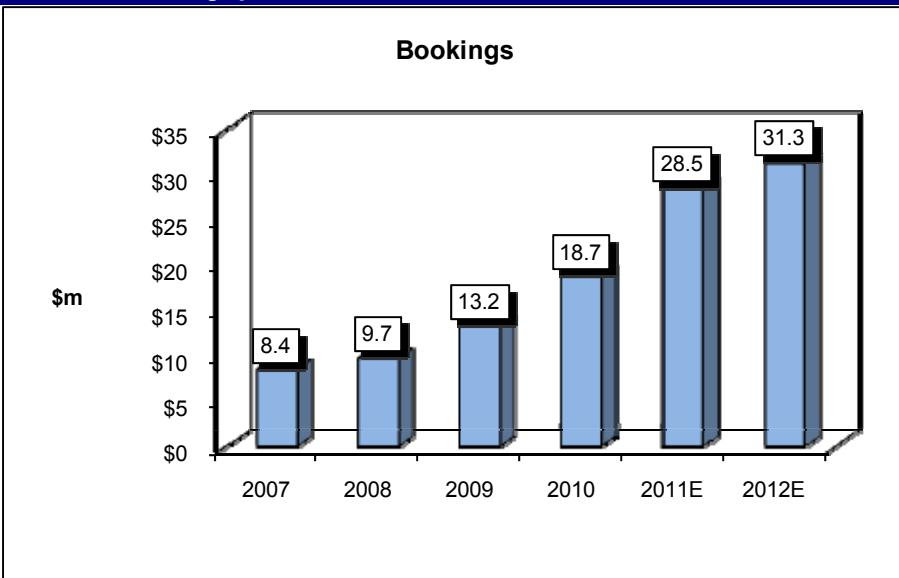
enterprises that do not have a CLM solution. Tangoe is hiring additional international sales and operations personnel and targeting new customers in foreign markets and global operations of existing customers.

Figure 11: TCV growth



Source: Deutsche Bank

Figure 12:ARR Bookings profile



Source: Deutsche Bank

Tangoe's bookings growth indicates positive momentum increasing from \$9.7m in FY2008 to \$18.7m in FY2010 at a CAGR of 39%. The expected ARR for FY2011 is \$28.5m (with contribution from the HCL and Telwares acquisitions) and that of FY2012 is \$31.3m. Of the new bookings, 40% - 60% come from the company's direct sales efforts and 20%- 30% come via the partner. IBM is the oldest channel partner and now brings in over 10% of new bookings, while the new partners, Dell (via Perot), HP (via EDS) and Xerox (via ACS) are still relatively early in their ramp.

The TCV is also showing a positive trend with the TCV increasing from \$23.5m in FY2007 to \$60.2m in FY2010 reflecting a CAGR of 37%. The Adjusted EBITDA margin for Tangoe is 10% in FY2010 with retention rate >90%. In addition to +20% organic revenue growth,

Tangoe started the transition to SaaS in 2006. Revenue from recurring mix has increased from 28% recurring in 2006 to 84% in 2010. 1Q11 showed 89% recurring mix, 90% in 2Q11. Tangoe has seen 22 consecutive quarters of revenue growth.

Tangoe's main focus is on the sales and marketing efforts to increase its recurring technology and services-related customer base. It aims to increase the recurring technology and services revenue in absolute dollars and as a percentage of total revenue over the next 12 months. With a retention rate of over 90% and recurring revenues already at 90%, we expect margins to improve over time as scale increases.

Employees

The number of employee in Tangoe has increased from 184 in Dec 2007 to 757 in Mar 2011. The headcount includes 68 in sales and marketing, 125 in account management and help desk services, 93 in implementation and data management services, 22 in strategic consulting, 310 in client services, 94 in research and development and 45 in G&A.

Latest News

Jul 15, 2011 — Tangoe, Inc. announced the launch of Tangoe University™, a members-only online resource for Communications Lifecycle Management news, expert insight, and information

May 17, 2011 — Tangoe, Inc. announced the expansion of the Tangoe User Group (TUG) board including the appointment by Tangoe of two co-chairpersons

May 6, 2011 — Following the recent launch of its Executive Seminar Series in New York, NY and Boston, MA, Tangoe, Inc. announced it has added additional cities to this year's seminar schedule including Chicago, IL, Stamford, CT, and Dallas, TX

Apr 28, 2011 — Tangoe, Inc. announced the newest version of its Mobile Device Management (MDM) platform suite

Apr 6, 2011 — Tangoe, Inc. announced it has been awarded a patent for mobile device authorization, configuration, provisioning, and administration

Mar 30, 2011 — Tangoe, Inc. announced the opening of its European headquarters in Amsterdam

Mar 18, 2011 — Tangoe, Inc. and Telwares Inc. announced Tangoe's acquisition of Telwares' telecom expense management business

Feb 16, 2011 — Tangoe, Inc. announced it will continue its successful executive seminar program by hosting a half-day information session on the strategies for securing and negotiating global telecom contracts in Boston on Thursday, March 3, 2011

Jan 31, 2011 — Tangoe, Inc. announced that it has entered into an agreement with HCL Technologies to formalize a strategic alliance and acquire all existing HCL Telecom Expense Management (TEM) customer agreements and operations

Jan 13, 2011 — Tangoe, Inc. announced it has been designated a Leader by Gartner, Inc. in its "Magic Quadrant for Telecom Expense Management", published December 2010

Management

Albert R. Subbloe, Jr., President and Chief Executive Officer

Mr. Subbloe's detailed knowledge of the company provides a critical contribution to its board of directors. Prior to Tangoe, Mr. Subbloe served as President and CEO of FreeFire, Inc., Executive Vice President of Business Development of TeleTech Holdings, Inc, President and CEO of Information Management Associates, Inc., board of directors of buyingedge.com, Inc., Operative, Inc., Acsis, Inc. He holds a degree in Economics from Trinity College.

Gary R. Martino, Chief Financial Officer

Mr. Martino was also a member of our board of directors from February 2000 to March 2007. Prior to Tangoe, Mr. Martino was a Managing Director of Riverside Advisors, financial consultant to 6FigureJobs.com, Inc., Executive Chairman of IMA, President of IMA's buyingedge.com, Inc. Mr. Martino received his B.S.B.A. from Georgetown University.

Albert M. Rossini, Executive Vice President, Global Sales

Mr. Rossini joined Tangoe in 2006. Prior to which he served as Senior Vice President, Sales and Services of HSS, Inc., Senior Vice President of Sales and Marketing for Elcom International, managed both national and international campaigns for Nynex Corporation and Digital Equipment Corporation. He holds a B.A. from the University of Connecticut.

Charles D. Gamble, co-founded Tangoe and Senior Vice President, Fixed Solutions

Mr. Gamble has been with Tangoe since Feb 2000. Prior to Tangoe, Mr. Gamble served as President and COO of a large consumer electronics internet retailer and launched the ISP division for Progressive Concepts, Inc. He holds an M.B.A. from the Wharton Business School and a B.A. from Georgetown University.

Scott E. Snyder, Senior Vice President, Mobile Solutions

Mr. Snyder holds this position in Tangoe since October 2008. Prior to Tangoe he was the COO of Traq from August 2006. He was also with Trilogy Software, Inc., leading product direction and development. Mr. Snyder holds M.S. and B.S. degrees from the University of Michigan.

Julie Palen - Senior Vice President, Mobile Device Management Solutions

Prior to its merger with Tangoe in December 2008, Julie was president and CEO of InterNoded, Inc. With more than eighteen years experience in the technology industry and a decade of experience in wireless consulting, development, and management, Julie lead an executive team that drove strategic partnerships with RIM, Nokia, Good, Microsoft, IBM, Cingular, Sprint, and Verizon Wireless

Robert Whitmore - Senior Vice President, Professional Services

With over twenty years of technology, telecommunications, and operations experience, Robert brings a wealth of knowledge and experience to Tangoe. As Senior Vice President of Professional Services, Robert oversees Tangoe's strategic sourcing, bill audit, and strategic consulting professionals. Prior to that, Robert worked for Kraft Foods and General Electric, where he graduated from GE's Information Systems Management Program

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

Charlie brings eighteen years of experience to Tangoe, leading the professional services organization and playing a lead role in the company's most important fixed communications consulting engagements. Charlie earned his MBA from the Wharton Business School.

Don Farias, Vice President, Expense Management Operations

Don brings close to twenty years of experience in telecommunications, network engineering, operations and financial management controls to Tangoe. Don secured his undergraduate degree from Johnson & Wales University in Business Administration and Computer Science as well as his masters in Business Administration from New York University and a Master in Telecom Management from University of Southern California.

David Alley, Vice President, Human Resources

Dave has over 25 years experience in the field of Human Capital Management and is responsible for all of Tangoe's global Human Resource initiatives. Dave is certified as a Senior Professional in Human Resource (SPHR) and is a graduate of the Management and Leadership Program at the prestigious Aspen Institute in Colorado.

Investors and Corporate Governance

Tangoe Board of Directors established three committees viz. Audit Committee, Compensation Committee and Nominating and Corporate Governance Committee. The composition of these committees is depicted in the table below:

Figure 13: Governance structure

Directors	Committees		
	Audit	Compensation	Nomination and corporate governance
Mr. Coit	M		
Mr. Kaiser	C	M	
Mr. Kokos	M		
Mr. Golding		C	
Mr. Waller		M	M
Mr. Kimzey			C

M = Member, C = Chairperson

Source: Deutsche Bank, company data

Audit committee is primarily responsible for supervising their corporate accounting and financial reporting process. Compensation committee is mainly responsible for reviewing and directs policies pertaining to compensation and benefit of management and employees. Nominating & Corporate Governance committee chiefly administers and assists the board of directors in evaluating and advising nominees for directorship during elections.

Figure 14: Share ownership

	Shares	%ownership
Edison Venture Fund	4,469,312	12.7%
Sevin Rosen Funds	3,499,224	10.0%
Investor AB	2,760,943	7.9%
North Atlantic Capital	2,054,351	5.9%
Subbloe Jr., Albert R	1,455,753	4.1%
Palen, Julie	554,421	1.6%
Martino, Gary R	325,953	0.9%
Rossini, Albert M	218,671	0.6%
Gamble, Charles D	177,925	0.5%
Kokos, Gerald G	2,839	
Insider ownership	15,519,392	
Free float shares	19,880,608	
Shares Outstanding	35,100,000	
Float(%)	56.6%	

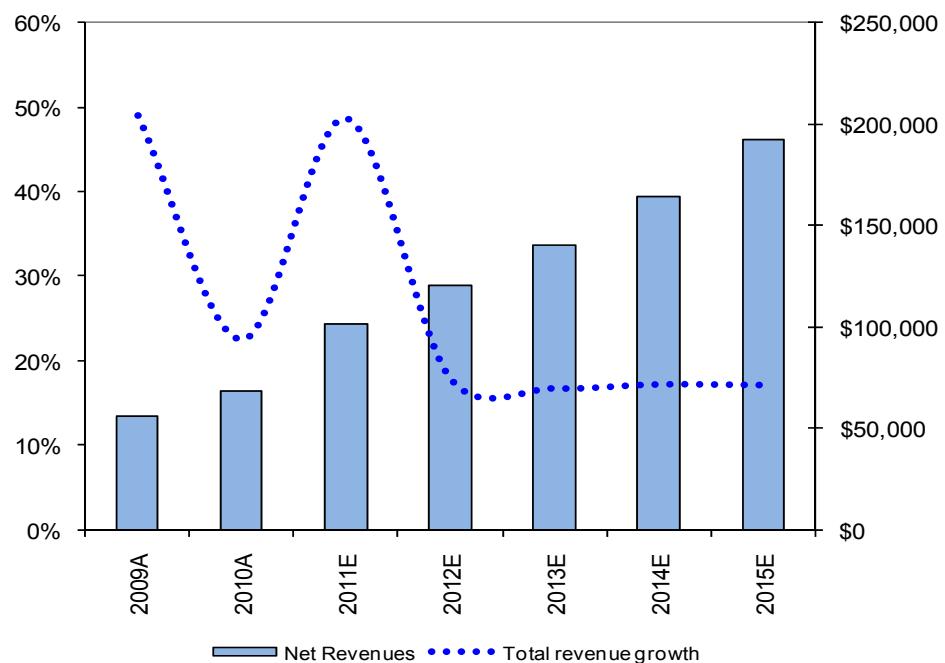
Source: Deutsche Bank, CapitalIQ

Ownership structure shows the three VCs still holding over a third of the shares, CEO holding about 4% and other executives holding another 4%. A float of about 20m shares should allow for adequate liquidity in trading volumes.

Financials

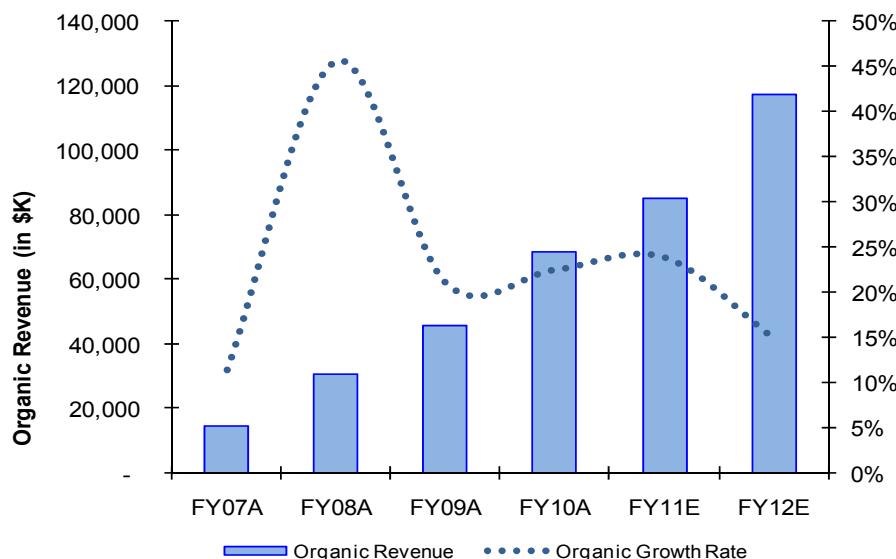
Tangoe revenues have grown steadily in the past four years, from \$21m in 2007 to \$68m in 2010, a CAGR of 48%. We expect the growth momentum to continue as Tangoe leverages its position as the leading provider of CLM solutions. The revenue is mostly recurring with more than 90% visibility going into each quarter and about 70% a year ahead. Acquisitions drove total revenue growth in tandem with strong organic growth, as shown in Figures 15-16 below.

Figure 15: Revenue profile



Source: Deutsche Bank, company data

With 22 quarters of continuous sequential growth, Tangoe's organic revenues have grown from \$14.3m in FY2007 to \$68.5m to FY2010 reflecting a CAGR of 68%. We expect the organic revenue to grow a bit slower as the revenue base grows.

Figure 16: Organic growth

Source: Deutsche Bank, company data

Despite significant acquisitions, the above analysis shows robust organic growth at 35-40% since 2007. However, we are modeling organic growth rate at 18-20% to factor in conservatism in the model.

Inorganic route helps land-grab strategy

Tangoe has made five key acquisitions since 2007 to expand its product and customer footprint. The company's acquisitions are based on three key motivations:

- Expand technology assets
- New geographies
- New customers

The company has been disciplined about sales multiples for these acquisitions, typically paying 2x-3x of sales at the high end and below 1x at the low end, depending on the type of asset and percentage of recurring revenue. Traditional software M&A multiples are usually higher, with our 10-year industry database showing acquirers paying 4x-6x maintenance multiples in public company software M&A. Tangoe's gradually increasing operating margins during this period also indicates they are effective in the integration process.

Also of note is the fact that executives from the acquired companies generally have stayed on at Tangoe to run their respective business as a division within Tangoe, another sign that these integrations are effective.

Figure 17 shows a summary of the acquisitions. We describe them in more detail below the exhibit.

Figure 17: Summary of acquisitions

Announced Date	Target	Size (\$mm)	Rationale and business synergy
Mar-09-2007	Traq Wireless, Inc	20.7	Provider of software and services that focuses on wireless expense management for enterprises. It had a recurring model
Jul-28-2008	Information Strategies Group, Inc	11.9	Provider of communications and information technology expense processing services and technologies. It had a recurring model
Dec-23-2008	InterNoded, Inc	3.3	Provider of mobile device management solutions.
Jan-25-2011	HCL Expense Management Services Inc	6.4	Provider of telecommunications expense management, invoice processing and mobility management solutions and acquisition of key customers
Mar-16-2011	Telwares, Inc.	7	Provider of telecommunications expense management, invoice processing and mobility management solutions and acquisition of key customers
	Total consideration paid	\$49.30	

Source: Deutsche Bank, company data

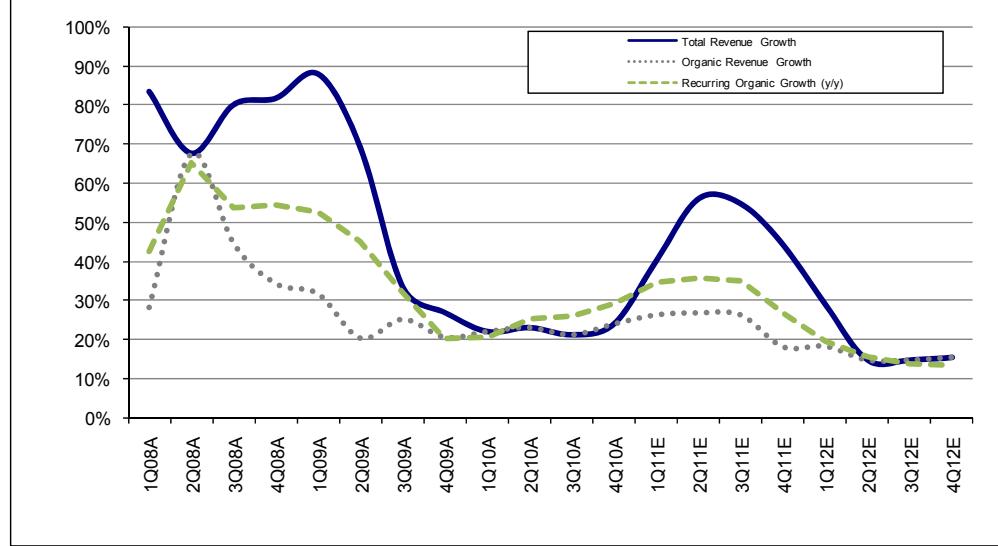
Traq brought wireless TEM capabilities to Tangoe's organic fixed TEM platform. Traq also helped Tangoe accelerate its transition to a recurring revenue model, as most of Traq's revenue was recurring. The mobile TEM and fixed TEM products remained separate, mostly since operators providing these services continue to retain separate billing systems and end-users of fixed line services vs. mobile services are also different within the typical enterprise. Specifically, fixed-line services in the enterprise are related to desk phones and data connectivity, where the end user is seldom involved in provisioning, bill payments, etc. On the other hand, with mobile devices, enterprises have a mix of corporate-liable and individual-liable devices, and end users are typically involved in the payment of bills, either directly or through their IT department.

Information Strategies Group (ISG) had a fixed TEM product with a recurring revenue model. ISG also brought international capabilities to Tangoe's solution. By July 2008, over half of Tangoe's revenues were recurring in nature. By the end of 2008, Tangoe crossed the 80% threshold with the addition of ISG to the revenue mix.

Internoded was Tangoe's foray into Mobile Device Management (MDM). By the second half of 2008, MDM had begun to get the attention of enterprises as the iPhone and Android devices were becoming mainstream, applications were proliferating and enterprises were looking for solutions to manage these typically individual-liable devices in a corporate environment. MDM was a natural adjacency to TEM and Tangoe expanded its market definition to include device-oriented services, calling it CLM. Internoded's platform has evolved in its capabilities since the acquisition but remains a standalone part of Tangoe's portfolio.

HCL Expense Management Services and **Telwares** acquisitions were both clearly a strategic expansion of operations and enlargement of the customer base, with the potential to cross-sell to the customers of HCL and Telwares the capabilities of Tangoe's existing solution. Through this acquisition the company added more than 100 customers with aggregate annual telecommunications expense under management in excess of \$3 billion. Both acquisitions were made in 1Q11, just before Tangoe's IPO. We believe the price paid for both was below 1x sales, as both businesses had declining revenues and limited technology differentiation.

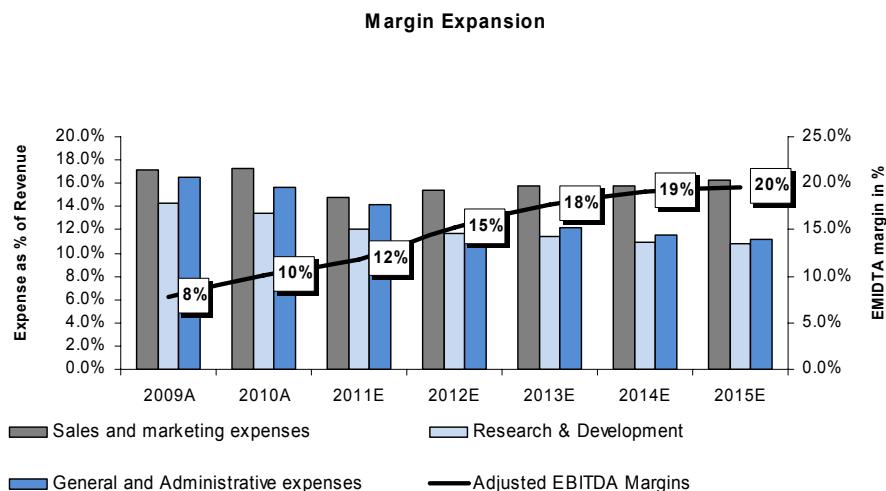
Our analysis of organic revenues indicates that the company has been consistently growing total revenue at over 20% for the past three years, with recurring revenues growing organically over 25%.

Figure 18: Organic Revenue profile

Source: Deutsche Bank, company data

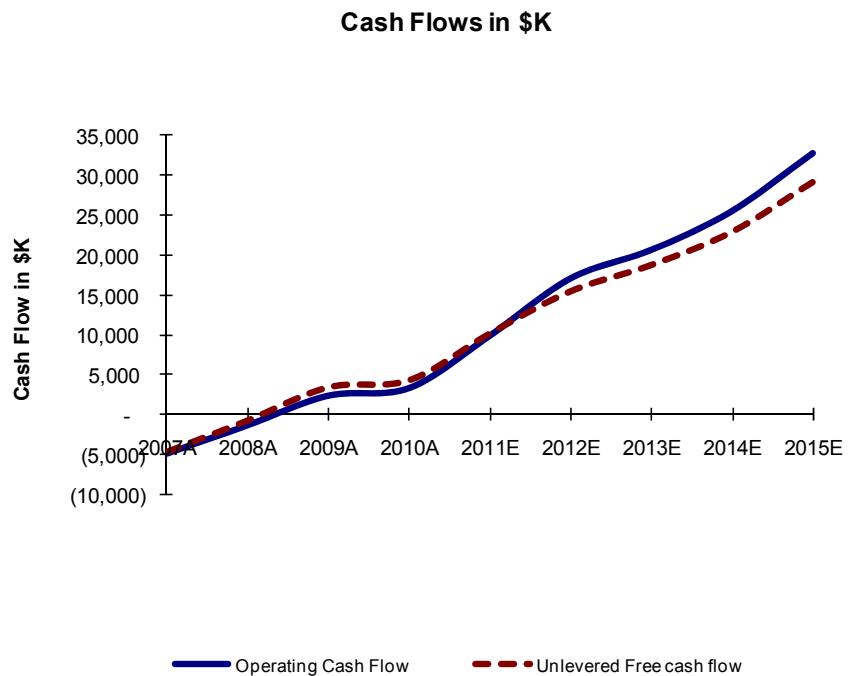
We expect EBITDA margin to grow at a slower pace near-term since Tangoe plans to investments in technological and process improvements along with overseas expansion. The EBITDA is expected to increase from \$6.8M to \$12m (74% growth) in 2011. We expect the cost of recurring technology and services revenue which consists of costs associated with data center operations, customer product support centers and client services group to remain relatively stable on an annual basis.

Tangoe's business model comes with lower gross margins because of higher proportion of consulting and service content associated with taking new customers live. Like other companies in our coverage with technology-enabled services, human capital involved in implementing its solutions naturally suppresses gross margins as compared to more "pure" SaaS models. Specifically, gross margin is expected to decrease to 53% in 2011 due to acquisition of HCL and Telwares which had gross margins significantly below corporate average compared to 56% for Tangoe last year. With increasing focus on expanding software functionality of current offerings R&D expense is expected to increase in dollar terms but decrease in percentage terms, over time. R&D, G&A and Sales marketing investments are expected to be up by 35%, 23% and 27% in 2011 due to increased focus on technological and process improvements.

Figure 19: Margin expansion

Source: Deutsche Bank, company data

Operating cash flow has been positive for full year 2009 and 2010. It is likely to increase post debt repayment as net interest expense is expected to decrease by 117% from FY11 to FY12 which should effectively increase the net income. Cash flow from financing will show a one-time inflow from the IPO. The uFCF margin grew from (2%) in 2008 (critical mass of SaaS transition) to 6% in 2010. It is projected to grow to 11% in 2012. The capex is about 2% of revenue.

Figure 20: Cash flow profile

Source: Deutsche Bank, company data

Valuation

Tangoe's subscription model is driven by a relatively steady, recurring revenue stream from multi-year contracts as well as new in-year bookings. We believe it is best to value subscription-based companies on a growth-adjusted unlevered free cash flow basis. Our \$17 price target is based on a CY13 uFCF/share estimate of \$0.48, an EV/uFCF/G multiple of 1.2x (slight premium to group given market leadership), and a five-year growth rate, net of dilution, of 26%.

Figure 21: PEG table

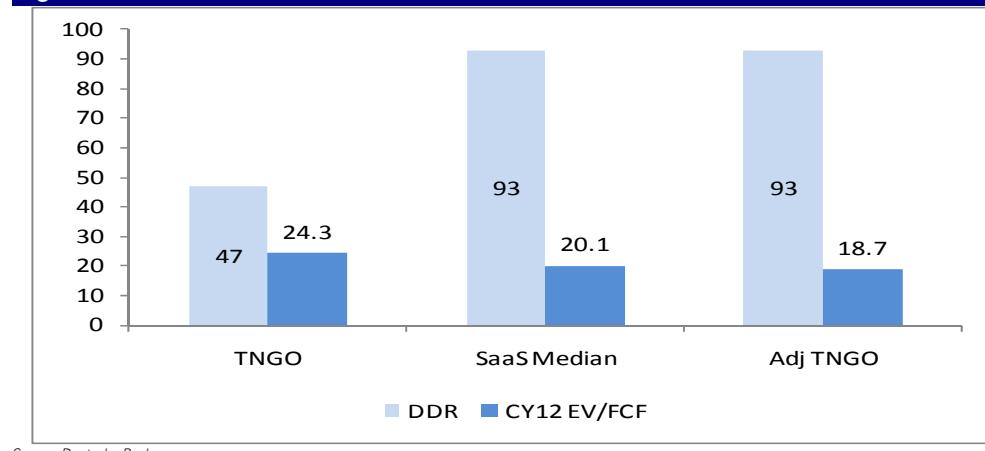
Price Target Sensitivity Based Upon CY13E EV/uFCF/G Growth						Historical P/E/G Ratios	
						S&P Tech NASDAQ	
			EV/uFCF/G Multiples				
			0.8x	1.0x	1.2x	1.4x	1.6x
-20%	\$0.38	\$9.94	\$11.92	\$13.91	\$15.90	\$17.88	
-10%	\$0.43	\$10.98	\$13.22	\$15.45	\$17.69	\$19.92	
DB Est. *	\$0.48	\$12.03	\$14.52	\$17.00	\$19.48	\$21.97	
10%	\$0.53	\$13.08	\$15.81	\$18.55	\$21.28	\$24.01	
20%	\$0.57	\$14.13	\$17.11	\$20.09	\$23.07	\$26.05	
			EV/uFCF/G Multiples				
		0.8x	1.0x	1.2x	1.4x	1.6x	
16%	\$7.84	\$9.33	\$10.82	\$12.31	\$13.80		
21%	\$9.94	\$11.92	\$13.91	\$15.90	\$17.88		
LTG	26%	\$12.03	\$14.52	\$17.00	\$19.48	\$21.97	
	31%	\$14.13	\$17.11	\$20.09	\$23.07	\$26.05	
	36%	\$16.23	\$19.70	\$23.18	\$26.66	\$30.14	
LT FCF Gr		28%	Cash/Share	\$1.55			
Options dilution		-2%					
LTG - FCF/Sh ⁽¹⁾		26%					

Relative EV/uFCF/G Ratios	
2011	2012
SaaS Software Group	
Average	1.1x
Median	1.0x
Software Group	
Average	1.0x
Median	0.8x

Source: Deutsche Bank

Continuing our discussion from Figure 10, we note that since Tangoe doesn't bill customers in advance, relative to other SaaS companies, its days of deferred revenue (DDR) metric is relatively low, in the 47 range vs. our SaaS median of 93. The current valuation for Tangoe, therefore, is distorted by this fact, although the recurrent nature of its revenues is very similar to other SaaS companies. If Tangoe were to bill customers in advance and had DDRs of 93 (median for our SaaS coverage), its unlevered cash flow margins would increase significantly, from our CY12 estimate of 13% to 17%, based on the analysis shown in Figure 11 earlier. This would drive down the EV/FCF multiple, which is at 24.3x currently, to 18.7x. We illustrate this in Figure 22 below.

Figure 22: EV/FCF at different DDR levels



We have also used a DCF valuation with 9% WACC and 16x terminal multiple. Figures 23-25 below show the underlying assumptions.

Figure 23: WACC

	Stock Ticker	Price	Beta ⁵	Market Value (\$MM)		Debt/ Equity	Leveraging Factor ⁷	UnLeveraged Beta ⁸	
				Equity	LT Debt ⁶				
COMPARABLE COMPANIES									
Salesforce.com	CRM	\$126.58	1.28	\$17,088	\$498	2.9%	1.03	1.24	
Tangoe	TNGO	\$11.00	0.57	\$345	\$12	3.4%	1.03	0.55	
Servicesource	SREV	\$16.57	1.20	\$1,126	\$1	0.1%	1.00	1.20	
Intralinks	IL	\$9.00	2.26	\$487	\$126	25.9%	1.23	1.83	
Cornerstone on Demand	CSOD	\$15.68	1.06	\$754	\$7	0.9%	1.01	1.05	
Convio	CNVO	\$9.30	0.94	\$170	\$0	0.0%	1.00	0.94	
SPS Commerce	SPSC	\$18.39	0.75	\$220	\$0	0.0%	1.00	0.75	
Successfactors	SFSF	\$23.12	1.81	\$1,929	\$0	0.0%	1.00	1.81	
Concur Technologies	CNQR	\$40.79	1.41	\$2,201	\$228	10.4%	1.09	1.29	
Average UnLeveraged Beta									
Median UnLeveraged Beta									
Modeled Beta									
Current Debt/ Capital	Debt/ Equity	Effective Unleveraged Beta	Leveraging Factor	Leveraged Beta ⁹	Cost of Equity ¹⁰	Cost of Debt	% of Equity	% of Debt	Current WACC
3.3%	3.4%	0.55	1.03	0.57	8.70%	5.05%	96.7%	3.3%	8.57%
5.8%	6.2%	0.55	1.06	0.58	8.83%	5.05%	94.2%	5.8%	8.59%
8.3%	9.1%	0.55	1.08	0.60	8.95%	5.05%	91.7%	8.3%	8.59%
10.8%	12.1%	0.55	1.11	0.61	9.09%	5.05%	89.2%	10.8%	8.60%
13.3%	15.4%	0.55	1.14	0.63	9.23%	5.05%	86.7%	13.3%	8.61%
15.8%	18.8%	0.55	1.17	0.65	9.38%	5.05%	84.2%	15.8%	8.62%
18.3%	22.4%	0.55	1.20	0.67	9.55%	5.05%	81.7%	18.3%	8.63%
20.8%	26.3%	0.55	1.24	0.68	9.72%	5.05%	79.2%	20.8%	8.64%
23.3%	30.4%	0.55	1.27	0.71	9.90%	5.05%	76.7%	23.3%	8.65%

Source: Deutsche Bank

Figure 24: 5-year financial model summary

	FY06A	FY07A	FY08A	FY09A	FY010A	FY11E	FY12E	FY13E	FY14E	FY15E	FY16E	FY17E	FY18E
Revenues	13	21	38	56	68	102	120	140	164	192	225	263	308
Growth				78%	49%	22%	49%	18%	17%	17%	17%	17%	17%
Net Income	-5	-9	-5	-2	3	8	15	17	23	30	35	41	48
Free Cash Flow		-4.8	-0.8	3.4	4.2	10.1	15.4	18.7	22.9	29.2	37.3	48.2	62.2
Share Count	21.3	22.1	23.3	23.3	27.3	32.3	38.5	39.3	40.0	40.9	41.7	42.5	43.4
FCF per share	\$0.00	(\$0.22)	(\$0.04)	\$0.14	\$0.16	\$0.31	\$0.40	\$0.48	\$0.57	\$0.71	\$0.90	\$1.13	\$1.43
FCF Margins				-22.7%	-2.2%	6.0%	6.2%	9.9%	12.9%	13.4%	14.0%	15.2%	20.2%

Source: Deutsche Bank

Figure 25: DCF

Present Value of Terminal Value per share ¹					
FY17E FCF per share	\$1.13	\$1.13	\$1.13	\$1.13	\$1.13
Enterprise Value/FCF Multiple	13x	15x	17x	19x	21x
FY17E Terminal Value per share	\$14.20	\$16.47	\$18.74	\$21.00	\$23.27
Discount Rate					
8.0%	\$8.72	\$10.11	\$11.51	\$12.90	\$14.29
8.5%	\$8.47	\$9.82	\$11.18	\$12.53	\$13.88
9.00%	\$8.23	\$9.54	\$10.85	\$12.17	\$13.48
9.5%	\$7.99	\$9.27	\$10.54	\$11.82	\$13.10
10.0%	\$7.76	\$9.00	\$10.24	\$11.48	\$12.72

Cash Position per share	\$1.55				
Total Equity Value ²					
Discount Rate	13x	15x	17x	19x	21x
8.0%	\$13.58	\$14.97	\$16.36	\$17.76	\$19.15
8.5%	\$13.27	\$14.62	\$15.97	\$17.33	\$18.68
9.0%	\$12.97	\$14.28	\$15.60	\$16.91	\$18.22
9.5%	\$12.68	\$13.95	\$15.23	\$16.51	\$17.78
10.0%	\$12.40	\$13.64	\$14.88	\$16.12	\$17.36

"Fair Value" Current Stock Price Matrix					
Shares Dilution rate	3.0%	2.5%	2.0%	1.5%	1.0%
Discount Rate					
8.0%	\$22.93	\$20.46	\$16.36	\$22.33	\$23.42
8.5%	\$22.37	\$19.97	\$15.97	\$21.79	\$22.85
9.0%	\$21.82	\$19.49	\$15.60	\$21.27	\$22.30
9.5%	\$21.29	\$19.03	\$15.23	\$20.76	\$21.77
10.0%	\$20.78	\$18.59	\$14.88	\$20.27	\$21.25
12 Month Price Target ³					\$ 17.00

(1) Terminal Value = FY16 FCF times range of FCF multiples discounted based on range of WACCs

(2) Equity Value = PV of terminal Value + sum of discounted cashflows

(3) Deutsche Bank estimates

Source: Deutsche Bank

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Figure 26: Income statement

Source: Deutsche Bank

Figure 27: Balance sheet

Tangoe Balance Sheet (in thousands) FY Ends December												
Balance Sheet	Dec-08 4Q08A	Dec-09 4Q09A	Mar-10 1Q10A	Jun-10 2Q10A	Sep-10 3Q10A	Dec-10 4Q10A	Mar-11 1Q11A	Jun-11 2Q11E	Sep-11 3Q11E	Dec-11 4Q11E	Dec-12 4Q12E	Dec-13 4Q13E
Cash and equivalents	6,554	6,163	4,114	4,092	4,392	5,913	6,876	8,981	54,110	52,592	67,964	86,646
Accounts receivable	11,384	11,517	12,883	14,345	13,880	14,295	20,191	21,007	23,066	22,489	25,052	28,273
Prepaid expenses and Other current assets	869	1,585	1,537	1,067	1,585	1,395	1,488	1,418	1,590	1,615	1,241	2,658
Total current assets	18,808	19,265	18,534	19,504	19,857	21,603	28,556	31,406	78,766	76,696	94,257	117,577
Computers, furniture and equipment - NET	1,625	1,761	1,660	1,741	1,814	1,795	2,508	2,610	2,734	2,871	2,949	3,132
Security deposits in non current asset	453	573	1,323	1,652	1,889	1,925	2,727	3,744	2,175	2,209	4,653	7,216
Goodwill	16,191	17,636	17,636	17,636	17,636	17,636	22,893	22,893	22,893	22,893	22,893	22,893
Intangible assets	16,422	16,843	18,125	17,422	16,743	15,785	20,869	21,683	21,030	20,365	17,584	14,968
Cash Held in Escrow	1,375	-										
Total Assets	54,874	56,078	57,278	57,955	57,939	58,744	77,553	82,336	127,598	125,034	142,337	165,785
Accts payables and accruals	2,745	2,858	3,677	3,931	4,214	3,303	4,434	5,894	5,300	5,382	6,205	7,596
Accrued Expenses	2,802	2,285	1,662	2,600	2,700	3,364	4,544	5,367	5,565	5,652	6,515	5,697
Long term debt —current portion	6,609	4,421	4,502	4,821	4,823	453	9,430	10,555	5,300	-	-	-
Line of Credit	5,000	5,000	5,000	5,000	5,000	5,500	-	-	-	-	-	-
Capital leases—current portion	200	177	162	248	328	392	-	-	-	-	-	-
Deferred Revenue	6,228	6,881	8,460	8,450	9,005	8,304	8,973	8,492	10,079	10,504	12,409	14,445
Total current liabilities	18,584	21,622	23,463	25,050	26,070	21,316	27,382	30,308	26,244	21,538	25,129	27,737
Deferred rent and other non-current liabilities	1,298	2,480	3,972	3,760	3,554	3,099	3,642	771	2,650	2,691	3,102	6,076
Long term debt —less current portion	15,408	11,725	10,264	9,256	7,946	11,319	22,028	21,170	-	-	-	-
Capital lease —less current portion	200	208	163	295	397	457	-	-	-	-	-	-
Deferred Revenue - Long Term	712	959				1,788	2,036	2,036	2,287	2,384	3,102	3,278
Warrants for redeemable convertible preferred st	328	512	1,110	1,065	1,022	1,346	2,598	4,072	3,081	3,129	3,607	3,798
Total liabilities	36,530	37,506	38,972	39,426	38,989	39,325	57,686	58,357	34,263	29,742	34,940	40,890
Redeemable Convertible Preferred Stock	53,826	57,604	58,607	59,551	60,495	61,441	62,391	63,336	-	-	-	-
Total stockholder's equity	(35,482)	(39,032)	(40,301)	(41,022)	(41,545)	(42,022)	(42,524)	(39,357)	93,335	95,291	107,396	124,896
Total Liabilities and SE	54,874	56,078	57,278	57,955	57,939	58,744	77,553	82,336	127,598	125,034	142,337	165,785
Analysis												
Cash, equivalents, ST Investments	6,554	6,163	4,114	4,092	4,392	5,913	6,876	8,981	54,110	52,592	67,964	86,646
Cash per share	\$0.28	\$0.26	\$0.18	\$0.14	\$0.15	\$0.21	\$0.26	\$0.30	\$1.54	\$1.38	\$1.75	\$2.19
Long-term liabilities	16,906	14,413	73,006	72,862	72,392	14,875	25,670	21,941	2,650	2,691	3,102	6,076
Debt per share	\$0.73	\$0.62	\$3.12	\$2.54	\$2.53	\$0.52	\$3.71	\$3.21	\$0.23	\$0.07	\$0.08	\$0.15
Book value per share	-\$1.5	-\$1.7	-\$1.7	-\$1.4	-\$1.5	-\$1.5	-\$1.6	-\$1.3	\$2.7	\$2.5	\$2.8	\$3.2
Deferred revenue	6,940	7,840	8,460	8,450	9,005	10,092	11,010	10,528	12,367	12,888	15,512	17,723
% y/y growth	13%	1%	15%	23%	29%	30%	25%	37%	28%	20%	14%	
% q/q growth	7%	8%	0%	7%	12%	9%	-4%	17%	4%	7%	5%	
Days Deferred Revenue (DDR)	53	47	48	46	47	49	44	36	42	43	45	42
Days Sales Outstanding (DSO)	86	69	73	77	73	69	81	73	78	75	73	67
Working capital	224	(2,357)	(4,929)	(5,546)	(6,213)	287	1,174	1,098	52,522	55,158	69,128	89,840
Current ratio	1.0x	0.9x	0.8x	0.8x	0.8x	1.0x	1.0x	1.0x	3.0x	3.6x	3.8x	4.2x
ROE	12%	1%	2%	1%	0%	1%	1%	5%	-5%	1%	2%	3%
ROA	-8%	-1%	-2%	0%	0%	-1%	-1%	-2%	-1%	1%	1%	2%

Source: Deutsche Bank

Figure 28: Cash flow statement

Tangoe Cash Flow Statement (in thousands) (FY:12)																		
	Mar-10 1Q10A	Jun-10 2Q10A	Sep-10 3Q10A	Dec-10 4Q10A	Mar-11 1Q11A	Jun-11 2011E	Sep-11 3Q11E	Dec-11 4Q11E	2007A	2008A	2009A	2010A	2011E	2012E	2013E			
CASH FLOW FROM OPERATING ACTIVITIES:																		
Net income/(loss)	(875)	(235)	(103)	(539)	(613)	(1,390)	(1,430)	1,087	(9,735)	(6,959)	(2,554)	(1,752)	(2,346)	6,321	11,763			
Adjustments to reconcile net loss to net cash used in operating activities:																		
Amortization of debt discount and imputed interest expense	24	23	24	24	180	195			32	53	192	95	375	-	-	-	-	
Amortization of IBM warrants	7	2	4	13	19	30			-	-	-	26	49	-	-	-	-	
Depreciation & amortization	871	879	860	919	1,008	1,123	999	1,013	1,911	2,709		4,143	4,435	4,413				
Stock-based compensation expense	209	450	509	760	835	932	861	869	279	1,928	749	1,928	3,497	5,784	5,736			
Non-cash expense related to issuance of warrants	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Increase (decrease) in deferred rent liability	(104)	(137)	(142)	(111)	(125)	(20)	1,879	41	199	193	(380)	(494)	1,775	411	2,974			
Allowance for doubtful accounts	12	10	10	175	11	12			205	137	9	207	23	-	-	-	-	
Deferred income taxes	48	47	48	48	126	3			-	62		-	-	-	-	-	-	
Incr. (Decr.) in fair value of warrants for redeemable pf stock	648	(45)	(42)	323	541	1,474	(991)	48	(39)	80	183	884	1,072	478	191			
Changes in operating assets and liabilities:																		
(Incr.) Decr. in accounts receivable	(1,379)	(1,472)	455	(590)	(1,606)	(826)	(2,059)	578	(1,040)	(1,596)	(141)	(2,986)	(3,914)	(2,563)	(3,220)			
(Incr.) Decr. in prepaid expenses	48	471	(518)	(501)	94	74	(172)	(25)	258	(323)	(26)	(500)	(29)	374	(1,418)			
(Incr.) Decr. in deposits & other assets	(19)	43	(637)	(629)	(444)	54	1,569	(34)	264	(36)	(133)	(1,242)	1,145	(2,445)	(2,562)			
Incr. (Decr.) in accounts payable	348	(9)	230	(387)	814	781	(594)	82	708	392	112	172	1,083	822	1,391			
Incr. (Decr.) in accrued liabilities and others	(916)	800	532	664	(424)	500	198	87	(45)	573	(198)	1,080	361	863	(818)			
Incr. (Decr.) in deferred revenues	620	(10)	554	1,088	713	(493)	1,839	521	2,200	1,524	882	2,252	2,580	2,624	2,212			
Net cash provided by operating activities	(458)	817	1,784	1,246	1,129	2,449	2,099	4,268	(4,803)	(1,263)	2,431	3,389	9,945	17,104	20,661			
CASH FLOW FROM INVESTING ACTIVITIES:																		
Capital expenditures (net of capital leases originated)	(157)	(351)	(348)	(269)	(86)	(265)	(470)	(486)	(513)	(671)	(1,258)	(1,125)	(1,307)	(1,732)	(1,979)			
Capital leases originated	-	272	266	122	-	-	-	-	-	598	660	-	-	-	-	-	-	
Capital expenditures (net of capital leases originated)	(157)	(79)	(82)	(147)	(86)	(265)	(470)	(486)	(513)	(671)	(660)	(465)	-	-	-	-	-	
Cash paid in connection w ith acquisitions	-	-	0	(952)	(8,166)	(0)	-	-	(1,979)	(13,425)	(965)	(952)	(8,166)	-	-	-	-	
Net cash used in investing activities	(157)	(79)	(82)	(1,099)	(8,252)	(265)	(470)	(486)	(2,492)	(14,096)	(1,625)	(1,417)	(9,473)	(1,732)	(1,979)			
CASH FLOW FROM FINANCING ACTIVITIES:																		
Net incr. (decr.) debt	(1,462)	(768)	(1,216)	434	7,881	47	(26,425)	(5,300)	3,747	13,451	(579)	(3,012)	(23,797)	-	-	-	-	
Repayment of settlement lab	-	-	(200)	-	-	-	-	-	(175)	(175)	-	-	-	-	-	-	-	
Costs incurred in securing financing	-	-	-	-	-	-	-	-	(88)	-	(85)	-	-	-	-	-	-	
Payments made to repurchase securities	-	-	-	-	-	-	-	-	-	-	(408)	-	-	-	-	-	-	
Proceeds from exercise of stock options and warrants	28	8	15	249	205	(126)	-	-	334	137	75	300	79	-	-	-	-	
Proceeds from repayment of notes receivable	-	-	-	691	-	-	-	-	-	-	-	691	-	-	-	-	-	
Proceeds from issuance (Repurchase) of stock	-	-	-	-	69,925	-	-	-	-	7,258	-	-	69,925	-	-	-	-	
Net cash (used in) provided by financing activities	(1,434)	(760)	(1,401)	1,374	8,086	(79)	43,500	(5,300)	3,818	20,671	(1,197)	(2,221)	46,207	-	-	-	-	
Exchange rate fluctuation	-	-	-	-	(0)	-	-	-	-	-	-	(0)	-	-	-	-	-	
Increase (decrease) in cash and cash equivalents	(2,049)	(22)	301	1,520	963	2,105	45,129	(1,517)	(3,477)	5,312	(391)	(250)	46,679	15,371	18,682			
Cash and cash equivalents at beginning of period	6,301	4,252	4,230	4,531	6,051	7,015	9,119	54,248	4,658	1,381	6,692	6,301	6,051	52,731	68,102			
Cash and cash equivalents at end of period	4,252	4,230	4,531	6,051	7,015	9,119	54,248	52,731	1,381	6,692	6,301	6,051	52,731	68,102	86,784			
Free cash flow																-2%	-1%	-1%
Cash flow from operations	(458)	817	1,784	1,246	1,129	2,449	2,099	4,268	(4,803)	(1,263)	2,431	3,389	9,945	17,104	20,661			
- Capex	(157)	(351)	(348)	(269)	(86)	(265)	(470)	(486)	(513)	(671)	(1,258)	(1,125)	(1,307)	(1,732)	(1,979)			
Free cash flow	(615)	466	1,436	977	1,043	2,184	1,829	3,783	(5,316)	(1,934)	1,173	2,264	8,638	15,371	18,682			
Per share	(\$0.03)	\$0.02	\$0.05	\$0.03	0	0	0	\$0.10	(\$0.24)	(\$0.08)	\$0.05	\$0.08	\$0.27	\$0.40	\$0.48			
- net interest income	532	531	523	398	603	695	95	91	539	1,116	2,178	1,984	1,485	62	65			
Unlevered Free cash flow	(83)	997	1,959	1,375	1,646	2,879	1,724	3,874	(4,776)	(818)	3,351	4,248	10,123	15,434	18,747			
Per share	(\$0.00)	\$0.03	\$0.07	\$0.05	0	0	0	\$0.10	(\$0.22)	(\$0.04)	\$0.14	\$0.16	\$0.31	\$0.40	\$0.48	-23%	-2%	13%
uFCF Margins																6%	6%	13%

Source: Deutsche Bank

**Figure 29: Comp sheet**

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Enterprise and Security		Price	Rating	2-Sep-11	Market	Net	Net Cash	Sales			TEV/Sales			EPS			P/E			FCF/Share			EV/FCF		
								Cap	Cash	Per Sh	CY10A	CY11E	CY12E	CY10A	CY11E	CY12E	CY10A	CY11E	CY12E	CY10A	CY11E	CY12E	CY10A	CY11E	CY12E
Adobe	ADBE	\$24.15	Buy	\$12,227	\$1,125	\$2.61	\$3,800	\$4,181	\$4,600	2.9x	2.7x	2.4x	\$1.94	\$2.30	\$2.55	12x	11x	9x	\$2.10	\$2.70	\$3.12	10.2x	8.0x	6.9x	
Check Point Software	CHKP	\$53.06	Hold	\$11,385	\$2,690	\$12.54	\$1,098	\$1,244	\$1,348	9.3x	8.2x	7.6x	\$2.48	\$2.82	\$3.08	21x	19x	17x	\$3.03	\$3.30	\$3.50	13.4x	12.3x	11.6x	
Citrix Systems	CTXS	\$57.35	Buy	\$10,977	\$1,581	\$8.26	\$1,875	\$2,181	\$2,416	5.4x	4.6x	4.2x	\$2.08	\$2.40	\$2.76	28x	24x	21x	\$2.78	\$3.25	\$3.95	17.6x	15.1x	12.4x	
Fair Isaac	FICO	\$23.85	Hold	\$969	(\$238)	(\$6.45)	\$610	\$627	\$649	2.0x	1.9x	1.9x	\$1.50	\$1.84	\$1.86	16x	13x	13x	\$2.74	\$2.70	\$2.80	11.1x	11.2x	10.8x	
Fortinet, Inc.	FTNT	\$18.40	Buy	\$3,016	\$468	\$2.86	\$325	\$403	\$463	8.2x	6.6x	5.8x	\$0.29	\$0.35	\$0.44	64x	52x	42x	\$0.64	\$0.82	\$0.87	24.3x	19.0x	17.9x	
Informatica	INFA	\$38.43	Buy	\$4,348	\$564	\$4.99	\$650	\$782	\$900	5.8x	4.8x	4.2x	\$1.12	\$1.38	\$1.62	34x	28x	24x	\$0.71	\$1.16	\$1.48	47.2x	28.9x	22.6x	
Microsoft	MSFT	\$25.80	Buy	\$219,558	\$48,983	\$5.76	\$66,690	\$72,206	\$77,012	3.5x	3.2x	3.0x	\$2.35	\$2.81	\$2.82	11x	9x	9x	\$2.60	\$2.67	\$3.19	7.7x	7.5x	6.3x	
Nuance Communications	NUAN	\$17.61	Buy	\$5,596	(\$359)	(\$1.59)	\$1,228	\$1,454	\$1,677	4.8x	4.1x	3.6x	\$1.18	\$1.47	\$1.71	15x	12x	10x	\$0.93	\$1.16	\$1.40	20.6x	16.6x	13.7x	
Oracle	ORCL	\$26.97	Hold	\$139,273	\$14,076	\$2.50	\$32,337	\$37,188	\$39,716	3.9x	3.4x	3.2x	\$1.92	\$2.30	\$2.36	14x	12x	11x	\$1.82	\$2.29	\$2.40	13.4x	10.7x	10.2x	
PROS Holdings	PRO	\$15.10	Buy	\$414	\$62	\$2.25	\$74	\$96	\$115	4.8x	3.7x	3.1x	\$0.24	\$0.32	\$0.40	62x	47x	38x	(\$0.27)	\$0.30	\$0.52	NM	42.6x	24.5x	
Red Hat, Inc.	RHT	\$37.27	Hold	\$7,316	\$1,267	\$6.45	\$860	\$1,055	\$1,166	6.9x	5.6x	5.1x	\$0.77	\$1.00	\$1.10	49x	37x	34x	\$1.20	\$1.45	\$1.54	25.6x	21.3x	20.0x	
Symantec	SYMC	\$16.36	Hold	\$12,515	\$312	\$0.41	\$6,048	\$6,692	\$7,039	2.0x	1.8x	1.7x	\$1.44	\$1.60	\$1.77	11x	10x	9x	\$1.93	\$2.14	\$2.35	8.3x	7.5x	6.8x	
Vmware	VMW	\$88.08	Buy	\$37,916	\$3,253	\$7.56	\$2,857	\$3,731	\$3,999	12.6x	9.7x	9.0x	\$1.51	\$2.11	\$2.29	58x	42x	38x	\$2.34	\$3.32	\$4.11	34.5x	24.3x	19.6x	
								Group Median ==>			4.8x	4.1x	3.6x	Group Median ==>			21.4x	18.8x	17.2x	Group Median ==>			15.5x	15.1x	12.4x
								Group Mean ==>			5.6x	4.6x	4.2x	Group Mean ==>			30.5x	24.2x	21.3x	Group Mean ==>			19.5x	17.3x	14.1x
Cloud Computing and SaaS																									
Ariba	ARBA	\$26.12	Buy	\$2,476	\$194	\$2.66	\$366	\$474	\$553	6.2x	4.8x	4.1x	\$0.75	\$0.82	\$1.04	35x	32x	25x	\$0.87	\$0.80	\$1.32	27.1x	29.2x	17.8x	
Aspen Technology	AZPN	\$15.97	Buy	\$1,499	\$151	\$1.61	\$177	\$209	\$279	7.6x	6.5x	4.8x	(\$0.78)	(\$0.35)	\$0.05	NM	NM	NM	\$0.45	\$0.51	\$0.93	32.2x	27.9x	15.4x	
Concur Technologies	CNQR	\$39.03	Hold	\$2,176	\$322	\$5.52	\$306	\$367	\$438	6.1x	5.1x	4.2x	\$0.80	\$0.82	\$0.99	49x	48x	40x	\$1.16	\$0.93	\$1.48	28.8x	36.1x	22.6x	
DemandTec	DMAN	\$6.02	Buy	\$194	\$65	\$2.03	\$80	\$90	\$102	1.6x	1.4x	1.3x	(\$0.03)	(\$0.03)	\$0.14	NM	NM	43x	\$0.10	\$0.09	\$0.19	39.3x	43.9x	21.3x	
Intralinks	IL	\$8.68	Buy	\$477	(\$30)	(\$0.54)	\$184	\$216	\$260	2.8x	2.3x	2.0x	\$0.27	\$0.50	\$0.71	33x	17x	12x	\$0.74	\$0.93	\$1.20	12.4x	9.9x	7.7x	
Intuit	INTU	\$47.35	Buy	\$14,821	\$1,411	\$4.51	\$3,554	\$3,994	\$4,426	3.8x	3.4x	3.0x	\$2.03	\$2.60	\$2.99	23x	18x	16x	\$2.35	\$2.97	\$3.36	18.2x	14.4x	12.8x	
Motricity	MOTR	\$2.10	Hold	\$95	\$3	\$0.07	\$133	\$131	\$140	0.7x	0.7x	0.7x	\$0.39	(\$0.03)	\$0.07	5x	NM	31x	(\$0.24)	(\$0.84)	\$0.06	NM	NM	33.3x	
Netsuite	N	\$30.26	Hold	\$2,101	\$106	\$1.53	\$193	\$234	\$280	10.3x	8.5x	7.1x	\$0.13	\$0.15	\$0.29	NM	NM	NM	\$0.18	\$0.36	\$0.43	NM	79.1x	66.7x	
NeuStar	NSR	\$23.89	Hold	\$1,792	\$399	\$5.36	\$527	\$595	\$650	2.6x	2.3x	2.1x	\$1.40	\$1.75	\$1.90	17x	14x	13x	\$1.41	\$2.19	\$2.45	13.1x	8.5x	7.6x	
Realpage	RP	\$19.51	Buy	\$1,378	\$87	\$1.08	\$188	\$263	\$327	6.9x	4.9x	3.9x	\$0.19	\$0.35	\$0.48	NM	56x	41x	\$0.29	\$0.60	\$0.75	62.6x	30.8x	24.5x	
Salesforce.com	CRM	\$123.61	Buy	\$17,733	\$1,252	\$8.97	\$1,657	\$2,230	\$2,750	9.9x	7.4x	6.0x	\$1.22	\$1.32	\$1.94	NM	94x	64x	\$2.66	\$2.72	\$3.60	43.1x	42.2x	31.8x	
Successfactors	SFSF	\$20.83	Buy	\$1,729	251	\$4.43	\$209	\$312	\$385	7.1x	4.7x	3.8x	\$0.07	\$0.06	\$0.15	NM	NM	NM	\$0.57	\$0.49	\$0.80	28.9x	33.6x	20.5x	
Synchronoss	SNCR	\$24.55	Buy	\$943	143	\$3.95	\$170	\$227	\$275	4.7x	3.5x	2.9x	\$0.69	\$0.84	\$1.07	36x	29x	23x	\$0.19	\$0.47	\$1.12	NM	43.8x	18.3x	
Taleo Corporation	TLEO	\$23.91	Buy	\$1,053	\$148	\$3.33	\$242	\$322	\$385	3.7x	2.8x	2.4x	\$0.78	\$0.99	\$1.20	30x	24x	20x	\$0.49	\$0.60	\$1.33	42.2x	34.4x	15.5x	
Tangoe	TNGO	\$11.22	Buy	\$394	\$49	\$1.47	\$68	\$102	\$120	5.0x	3.4x	2.9x	\$0.13	\$0.25	\$0.39	88x	45x	29x	\$0.16	\$0.31	\$0.40	62.8x	31.1x	24.3x	
Vmware	VMW	\$88.08	Buy	\$37,808	\$3,253	\$7.56	\$2,857	\$3,731	\$3,999	12.6x	9.7x	9.0x	\$1.51	\$2.11	\$2.29	58x	42x	38x	\$2.34	\$3.32	\$4.11	34.5x	24.3x	19.6x	
								Group Median ==>			6.1x	4.7x	3.8x	Group Median ==>			34x	32x	29x	Group Median ==>			33.4x	31.1x	20.1x
								Group Mean ==>			5.8x	4.5x	3.8x	Group Mean ==>			37x	38x	30x	Group Mean ==>			36.6x	32.6x	22.5x

Source: Deutsche Bank

Figure 30: Operating metrics

	Sales Growth			EPS Growth			FCF/share Growth			Gross Margins			Operating Margins			uFCF Margins			DDRs			CapX/annual revs		
	CY10A	CY11E	CY12E	CY10A	CY11E	CY12E	CY10A	CY11E	CY12E	CY10A	CY11E	CY12E	CY10A	CY11E	CY12E	CY10A	CY11E	CY12E	CY10A	CY11E	CY12E	CY10A	CY11E	CY12E
	Enterprise and Security																							
Adobe	29%	10%	10%	26%	19%	11%	15%	28%	16%	91%	91%	91%	10%	11%	11%	28%	33%	34%	34	33	33	4%	3%	4%
Check Point Software	19%	13%	8%	21%	14%	9%	0%	9%	6%	88%	89%	88%	57%	57%	58%	59%	57%	56%	131	132	155	0%	1%	1%
Citrix Systems	16%	16%	11%	15%	16%	15%	31%	17%	22%	91%	91%	92%	26%	26%	28%	28%	29%	31%	132	144	164	4%	5%	4%
Fair Isaac	-1%	3%	4%	1%	22%	1%	-9%	-1%	4%	70%	70%	70%	18%	21%	20%	18%	18%	18%	27	28	25	2%	2%	2%
Fortinet, Inc.	29%	24%	15%	39%	23%	24%	0%	28%	6%	64%	63%	64%	6%	6%	6%	32%	33%	31%	243	267	266	1%	1%	1%
Informatica	30%	20%	15%	24%	24%	18%	-18%	64%	28%	84%	85%	85%	26%	28%	28%	12%	17%	19%	82	91	88	1%	1%	1%
Microsoft	14%	8%	7%	25%	19%	0%	-100%	3%	20%	80%	78%	76%	39%	39%	38%	33%	31%	35%	61	61	61	-41%	-37%	-41%
Nuance Communications	11%	18%	15%	7%	24%	17%	3%	24%	21%	69%	70%	70%	33%	35%	36%	24%	25%	27%	68	60	60	3%	2%	3%
Oracle	39%	15%	7%	27%	20%	3%	18%	26%	5%	76%	77%	78%	43%	45%	45%	29%	32%	31%	60	62	50	1%	1%	1%
PROS Holdings	8%	29%	20%	-33%	34%	22%	-170%	NM	74%	73%	73%	73%	13%	14%	15%	-10%	9%	12%	116	109	97	2%	5%	2%
Red Hat, Inc.	20%	23%	11%	-46%	31%	9%	20%	20%	6%	86%	84%	85%	24%	25%	26%	27%	27%	26%	287	262	270	4%	4%	3%
Symantec	1%	11%	5%	-9%	11%	11%	16%	11%	10%	85%	86%	86%	26%	26%	27%	24%	24%	26%	167	191	188	5%	4%	2%
Vmware	41%	31%	7%	51%	39%	9%	15%	42%	24%	88%	88%	86%	28%	30%	34%	35%	38%	44%	200	190	185	7%	8%	6%
Group Median ==>	19%	16%	10%	21%	22%	11%	3%	22%	16%	84%	84%	85%	26%	26%	28%	28%	29%	31%	116	109	97	2%	2%	2%
Group Mean ==>	20%	17%	10%	11%	23%	11%	-14%	22%	18%	80%	80%	80%	27%	28%	29%	26%	29%	30%	124	125	126	-1%	0%	-1%
Cloud Computing and SaaS																								
Ariba	8%	30%	17%	8%	9%	27%	-5%	-7%	64%	66%	68%	70%	19%	18%	21%	22%	16%	23%	125	111	113	3%	9%	5%
Aspen Technology	-21%	18%	34%	NM	NM	NM	274%	15%	81%	67%	75%	79%	-42%	-20%	1%	23%	24%	33%	185	225	201	2%	2%	1%
Concur Technologies	19%	20%	19%	5%	3%	20%	1%	-20%	60%	73%	72%	73%	23%	21%	22%	21%	14%	19%	67	78	88	6%	9%	5%
DemandTec	1%	13%	13%	-125%	NM	NM	NM	-10%	107%	69%	68%	69%	0%	-1%	5%	4%	3%	6%	179	179	179	3%	6%	5%
Intralinks	31%	17%	20%	NM	87%	43%	-25%	25%	29%	81%	81%	82%	24%	24%	24%	22%	24%	25%	66	83	81	12%	11%	7%
Intuit	12%	12%	11%	13%	28%	15%	-10%	26%	13%	82%	83%	83%	29%	32%	32%	21%	23%	24%	50	57	19	6%	4%	4%
Motricity	17%	-2%	7%	-100%	-107%	NM	-131%	NM	NM	23%	22%	23%	8%	12%	10%	-8%	-29%	2%	2	2	2	13%	31%	11%
Netsuite	16%	21%	20%	141%	19%	96%	NM	99%	18%	72%	74%	76%	5%	5%	7%	7%	11%	11%	140	142	142	3%	3%	2%
NeuStar	8%	13%	9%	4%	25%	9%	118%	55%	12%	0%	0%	0%	13%	15%	15%	20%	28%	28%	48	50	46	7%	8%	7%
Realpage	34%	40%	24%	44%	80%	38%	-12%	103%	26%	65%	65%	66%	13%	17%	20%	11%	16%	16%	93	89	93	6%	5%	4%
Salesforce.com	27%	35%	23%	7%	8%	47%	79%	2%	33%	82%	82%	82%	14%	12%	15%	23%	17%	19%	184	187	200	5%	6%	5%
Successfactors	37%	49%	23%	NM	-16%	151%	203%	-14%	63%	76%	72%	73%	2%	1%	3%	22%	13%	17%	342	285	299	3%	2%	3%
Synchronoss	32%	33%	21%	23%	22%	27%	-66%	146%	139%	54%	55%	55%	22%	21%	21%	4%	8%	16%	12	24	18	9%	7%	7%
Taleo Corporation	21%	33%	20%	1%	27%	21%	-59%	23%	123%	70%	70%	71%	14%	14%	14%	9%	8%	15%	124	125	138	6%	5%	4%
Tangoe	22%	49%	18%	NM	97%	54%	8%	102%	28%	70%	70%	71%	14%	14%	14%	8%	11%	12%	49	43	45	2%	1%	1%
Vmware	41%	31%	7%	51%	39%	9%	15%	42%	24%	88%	88%	86%	28%	30%	34%	35%	38%	44%	200	190	185	7%	8%	6%
Group Median ==>	21%	25%	20%	7%	22%	33%	1%	24%	33%	70%	70%	71%	14%	14%	15%	20%	14%	17%	100	89	93	6%	6%	5%
Group Mean ==>	20%	26%	18%	1%	17%	53%	27%	25%	55%	64%	64%	65%	11%	13%	15%	15%	13%	18%	116	114	113	6%	7%	5%

Source: Deutsche Bank

Appendix 1

Important Disclosures

Additional information available upon request

Disclosure checklist			
Company	Ticker	Recent price*	Disclosure
Tangoe, Inc.	TNGO.OQ	11.22 (USD) 2 Sep 11	1,2,7

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

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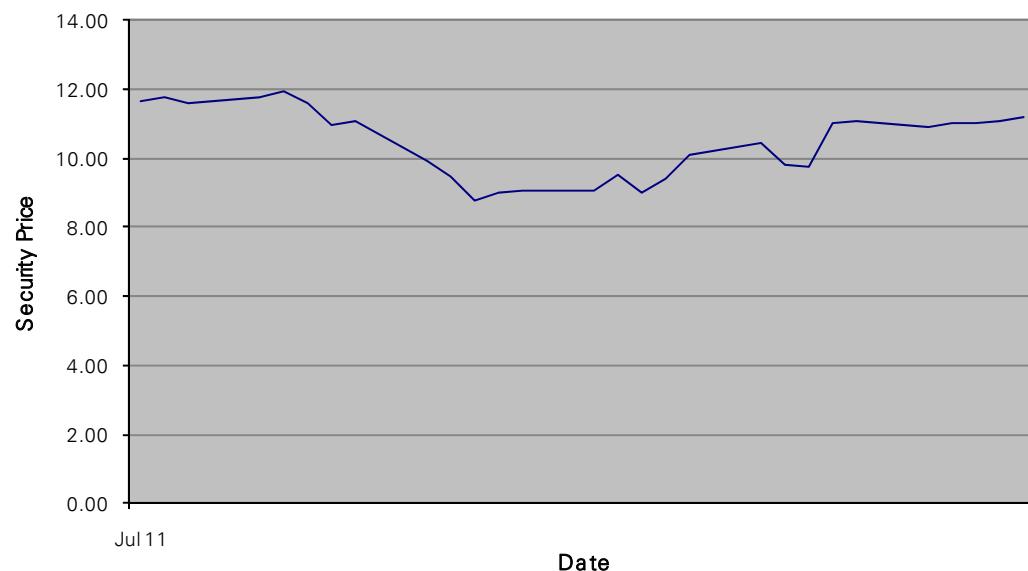
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Historical recommendations and target price: Tangoe, Inc. (TNGO.OQ)

(as of 9/2/2011)



Previous Recommendations

Strong Buy
Buy
Market Perform
Underperform
Not Rated
Suspended Rating

Current Recommendations

Buy
Hold
Sell
Not Rated
Suspended Rating

*New Recommendation Structure
as of September 9, 2002

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Equity rating dispersion and banking relationships

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.

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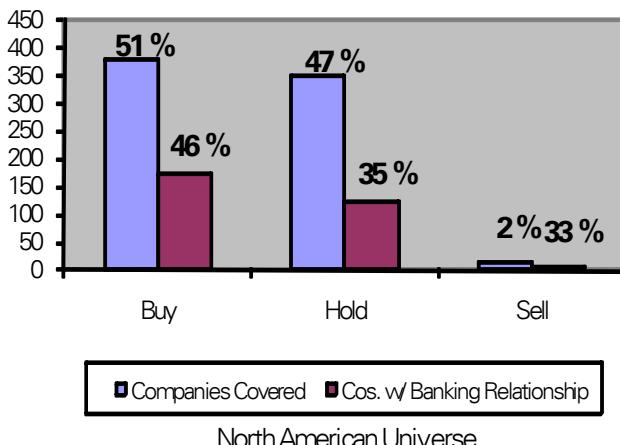
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September 5, 2011

Stock Rating:
OUTPERFORM

12-18 mo. Price Target	\$14.00
TNGO - NASDAQ	\$11.33

3-5 Yr. EPS Gr. Rate	NA	
52-Wk Range	\$12.77-\$8.01	
Shares Outstanding	31.4M	
Float	18.6M	
Market Capitalization	\$352.3M	
Avg. Daily Trading Volume	235,556	
Dividend/Div Yield	\$0.00/0.00%	
Fiscal Year Ends	Dec	
Book Value	(\$1.32)	
2011E ROE	NA	
LT Debt	\$31.7M	
Preferred	NA	
Common Equity	(\$39M)	
Convertible Available	No	
EPS Diluted	Q1 Q2 Q3 Q4 Year Mult.	
2009A	-- -- -- -- 0.16	70.8x
2010A	-- -- -- -- 0.79	14.3x
2011E	0.06A 0.06A 0.06 0.06 0.25	45.3x
2012E	0.09 0.09 0.09 0.10 0.38	29.8x

Trading range as of 7/27/11 IPO.

TECHNOLOGY/ENTERPRISE SOFTWARE
Tangoe

This Dance Partner Reduces Telecom Expenses; Initiate with Outperform

SUMMARY

We are initiating coverage of Tangoe with an Outperform rating and a 12-18-month price target of \$14. Tangoe is a leading provider of communications lifecycle management (CLM) solutions and manages ~\$14.5B of the ~\$425B worldwide fixed/mobile communications spend per year, more than any other vendor in the market. Combined with a sticky customer base, solid visibility into its future revenue stream and meaningful new customer additions, we expect Tangoe to deliver healthy double-digit revenue and EPS growth for the foreseeable future. Given these solid fundamentals and an attractive valuation, we believe that Tangoe is well positioned to outperform its competitors and the broader markets over the next 12-18 months.

KEY POINTS

- **Greenfield opportunities abound.** TNGO estimates that 80% of enterprises use outdated, home-grown systems to manage fixed/mobile telecom assets. As mobile devices proliferate throughout organizations, coupled with increasing privacy/regulatory concerns, it is clear to us many corporations will be unable to effectively manage this process going forward without a complete CLM solution.
- **Plenty of growth drivers.** TNGO has plenty of growth drivers in front of it (new customers, penetrate existing accounts, international expansion, leverage in the model, additional strategic alliances) that should enable it to sustain at least 15-20% organic growth for the foreseeable future.
- **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.
- **Attractive valuation.** At \$11.33, TNGO trades at 3.4x CY12E recurring revenue vs. peers at 4.3x. Given the company's growth prospects, solid revenue visibility, and leverage in the model, we believe it should trade in line with its 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.

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Investment Thesis

We are initiating coverage of Tangoe with an Outperform rating and a 12-18-month price target of \$14. Tangoe is a leading provider of communications lifecycle management (CLM) solutions, a segment of the software market focused on managing the lifecycle of an enterprise's communications assets and services. Tangoe's customers utilize its CLM platform to reduce costs by identifying/resolving billing errors, optimize service plans for usage patterns/needs, and manage used/unused telecom assets and services. Further, customers rely on Tangoe's solution to automate mobile device provisioning and facilitate compliance with internal policies/regulatory requirements. Through a combination of organic growth, successful acquisitions, and strategic alliances, Tangoe manages ~\$14.5B (more than any other vendor in the market) of the estimated ~\$425B of worldwide fixed/mobile communications spend per year.

We believe Tangoe offers the most comprehensive CLM product in the market by combining fixed and mobile telecommunications expense management (TEM) and mobile device management (MDM) in one solution. Coupled with what we believe to be a large and underpenetrated market opportunity, Tangoe has a variety of growth drivers in front of it (e.g., manage additional spend at existing accounts, new customer acquisitions, international expansion) that should enable it to deliver healthy double-digit revenue and EPS growth for the foreseeable future. These dynamics, combined with a "sticky" customer base, solid visibility into its future revenue stream, and opportunity for multiple expansion, lead us to believe that Tangoe is well positioned to outperform its competitors and the broader markets over the next 12-18 months.

Key Points

Tangoe's CLM solution delivers healthy ROI for its customers that prospective customers should find attractive in a volatile economic environment. Tangoe's CLM solution enables customers to manage, centralize, and reduce fixed and mobile communications spend, improve operational efficiency and productivity, align third-party service agreements with corporate initiatives, and strengthen corporate governance by managing privacy concerns and compliance with regulations/internal policies. We note that Tangoe experienced solid demand during the last recession, as recurring revenue grew over 20% during the '08/'09 downturn. Since that time, Tangoe's value proposition has become even more attractive, as it now offers telecom expense management (TEM) and mobile device management (MDM) in one solution.

Multiple growth drivers to tap, given a growing and underpenetrated market. First, 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 of outdated, home-grown systems to effectively manage telecom resources. Given its leadership position in the CLM space, Tangoe should be able to effectively capture this large opportunity (Tangoe estimates that 80% of enterprises use internally developed systems/processes to manage telecom assets). Additionally, international expansion and future acquisitions should augment Tangoe's long-term growth rate. We expect the company to deliver at least 15-20% organic recurring revenue growth for the foreseeable future.

Lots of leverage in the model. There is significant operating leverage in the model that should enable Tangoe to deliver healthy margin expansion over the next few years. For example, Tangoe's gross margins took a hit this year (we expect GM to trend down to approximately 53% in 2011 from 56.3% and 55.7% in 2010 and 2009, respectively) as the company digests two recent acquisitions. We note these integrations are on track and expect gross margins to increase back to 56% in 2012, with gross margins trending toward the low 60% range over the next 3-5 years. Similarly, we expect Tangoe to deliver adjusted EBITDA margin in the mid-11% range in 2011 (increasing from 10.0% and 7.8% in 2010 and 2009, respectively) and believe it should steadily increase toward the company's long-term target of 24-26% as the business gains critical mass.

Seasoned management team. Tangoe has a seasoned management team with deep experience in the CLM industry. Albert Subbolio co-founded Tangoe and has served as its president and CEO since 2000. Gary Martino (CFO since July 2007) was a member of Tangoe's board from February 2000 to March 2007. Additionally, Tangoe co-founder Charles Gamble has served in several leadership roles at the company since February 2000, and Albert Rossini has served as EVP of Global Sales since December 2006. We note that Tangoe has rounded out its core management team by bringing on other CLM industry veterans through the company's acquisitive past. We believe that Tangoe has assembled a quality management team and expect it will keep the company focused on the long-term CLM opportunity.

Attractive valuation. At \$11.33, Tangoe trades at 3.4x our CY12 recurring revenue projection of \$107.5M, a discount to the SaaS (software as a service) peer group multiple of 4.3x. Admittedly, Tangoe is not yet a pure SaaS-only shop (the MDM product is delivered via a dedicated hosted or as an on-premise solution but is expected to migrate to a SaaS architecture by the end of next year). However, given the company's growth prospects, solid revenue visibility, and leverage in the model, we believe it should trade in line with its peers. As a result, we apply a 4.1x CY12 recurring revenue multiple to arrive at our \$14 price target.

Note that there are risks entailed in an investment in TNGO. Please see “Investment Risks” on p. 18 for more information.

Growth Drivers

Over the past four years, Tangoe has delivered impressive growth, moving from a \$13M business in 2006 to over \$68M in 2010 (representing ~50% CAGR). While Tangoe continues to grow its installed base, we expect it will take time to deeply penetrate new customers' fixed and mobile telecom spend. However, we believe Tangoe is well positioned to take advantage of the enterprise mobile revolution as smartphones and tablets connect to the corporate network at an accelerating pace. Given numerous growth drivers and building market awareness, we believe Tangoe is well positioned to deliver at least 15-20% organic recurring revenue growth for the foreseeable future.

Through internal development and acquisitions, Tangoe has assembled a comprehensive product portfolio. The company continues to invest in R&D and spends more in R&D than several of its competitors generate in revenues. We expect continued investment in R&D to enable the firm to roll out enhancements to its CLM platform that should keep customer retention high, target new revenue drivers (e.g., cross/up-sell opportunities), and bolster the company's long-term growth prospects.

Greenfield opportunities abound. Tangoe manages ~\$14.5B of the estimated ~\$425B of annual fixed/mobile communications spend worldwide. As mobile assets have proliferated throughout the enterprise, companies have built piecemeal systems and processes to manage their collective inventory of communications assets. Tangoe estimates that 80% of enterprises use home-grown systems, which are often manual in nature. Typically, this infrastructure is not robust and cannot efficiently scale to handle new devices, regulatory/internal controls changes, or technologies. Without a comprehensive CLM package, it is difficult for organizations (and especially so for multinationals) to centrally manage the enterprise-wide universe of telecom assets, verify the accuracy of monthly bills, or allocate costs to specific divisions or users. We also note that carriers often issue statements in different formats, currencies, and languages, adding to this complexity.

We expect Tangoe to continue investment in sales and marketing to drive awareness and build pipelines for its CLM solution. As enterprises increasingly support employee connectivity of mobile devices to the corporate network (each with separate data plans, contract terms, and monthly bills) and increasing privacy and regulations/internal policies become more complex, it is clear to us that many corporations will be unable to effectively manage this process using outdated, home-grown systems going forward.

Room to further penetrate existing accounts. Tangoe has done an admirable job of delivering ROI for its customers, and we believe there are significant opportunities to broaden these relationships to manage greater amounts of their fixed and mobile spend. For example, we estimate on average, Tangoe has penetrated only ~33% of telecom spend per client as various buying centers within a client often own different pieces of a corporation's telecom spend and it takes time to develop relationships throughout the enterprise. In fact, 25-35% of new annual recurring revenue comes from existing customer relationships (expansion into new geographies, add-on products, general increases in spend under management). We expect over time, customers should see the value of Tangoe's offering and be more willing to hand over additional business and/or buy complementary products/services. Further, Tangoe's quota-carrying sales team is compensated on annual recurring revenue added, which aligns their interests with the firm's desire to penetrate existing accounts for incremental revenue opportunities.

Based on our assumption the company has penetrated only ~33% of its installed base and currently manages ~\$14.5B, we believe Tangoe has the opportunity to increase telecom spend managed to over \$40B just by fully penetrating its existing customers. While we do not anticipate Tangoe will ever win 100% of its customers' business, we believe the

company will continue to expand its relationships, cross-sell/up-sell additional features and services, and manage increasing amounts of telecom spend per customer over time.

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. We expect Tangoe to continue to engage in tuck-in acquisitions over the next few years in order to continue scaling along these three axes.

Strategic alliances a key part of Tangoe's growth strategy. In addition to its direct sales force, Tangoe formed ~20 strategic alliances with a variety of channel partners/resellers including ACS, Dell, HCL, and IBM. These partners enable Tangoe to extend its reach in the marketplace by reselling or white-labeling Tangoe's CLM solutions. Partners often perform lead generation, sales, and ongoing management of customer accounts. Strategic alliances contribute approximately 25% to Tangoe's new sales, with the IBM relationship alone accounting for revenues of 10.6% and 11.8% in 2010 and 2009, respectively.

Management notes that gross margins for partner sales are roughly consistent with direct sales, as partners typically mark up the offerings to their clients. In order to continue expanding its market reach, we expect Tangoe to add one to two strategic relationships (BPO and/or SI companies) over the next 12-24 months.

International expansion is in the early innings. Approximately \$3.5B of the ~\$14.5B of spend managed by Tangoe is domiciled internationally. We note that in addition to growing the overall size of the pie, Tangoe is looking to meaningfully expand its international operations, since the vast majority of its international spend is from US-based multinationals. The company recently opened offices in Amsterdam (European HQ) and China and has branches in London and Brussels. Given the overall size of the market, combined with the fact that Tangoe is just beginning to ramp its international presence, we believe there is a significant opportunity for Tangoe to grow overseas.

Industry Trends

Over the past decade, the breadth, complexity, and sophistication of an enterprise's fixed and mobile communications infrastructure has increased exponentially. Historically, much of an organization's telecom footprint was fixed in nature and included telephones, lines, circuits, switches, and fixed networks. Now, significant advances in telecom technology have expanded the corporate network to include a variety of new devices/technologies including mobile devices (smartphones, tablets) or Voice over IP (VoIP). We believe many organizations do not have tools or systems in place to centrally manage fixed and mobile telecom assets in an effective and efficient manner.

CLM is big business...and growing. Tangoe estimates that enterprises spend ~\$425B per year to manage fixed and mobile telecom assets and services. Gartner's research suggests that the TEM market should grow at over a 20% CAGR through 2013, with mobile growth outpacing fixed growth.

However, many companies still use manual, home-grown solutions to manage communications assets. As mobile assets have proliferated throughout the enterprise, companies have built piecemeal systems and processes to manage their collective inventory of communications assets. Tangoe estimates that 80% of enterprises use home-grown systems, often manual in nature. Typically, this infrastructure is not robust and cannot efficiently scale to handle new devices, regulatory/internal control changes, or technologies. As a result, it is difficult for organizations (especially multinationals) to centrally manage the enterprise-wide universe of telecom assets, verify the accuracy of monthly bills, and/or allocate costs to specific divisions or users. We note that carriers often issue statements in different formats, currencies, and languages, adding to this complexity.

A simple example can help illustrate one of the many benefits of a CLM solution. Many enterprises issue company-owned cell phones/smartphones to employees (or support bring-your-own-device programs) from a variety of carriers, each with a unique set of service options, contracts, and billing arrangements. Besides the complexities associated with trying to manage the sheer volume of monthly bills, Tangoe believes that 25% of bills have errors that result in overcharges of ~4-8%. Further, since voice/data plans are not always optimized for actual monthly usage, employers may overpay for high minute/data packages that go unused or conversely pay for overages as employees blow through their minutes or roam when traveling internationally. Without a centralized solution, companies quite often do not have visibility into whether or not they are paying for access to devices assigned to inactive or terminated employees. While this is just one example, it quickly distills the value and potential ROI benefits that a CLM solution can provide.

Risk and policy management is increasing in importance. Separately, as companies continue to add support for newer mobile devices to their network, it has become more difficult, yet increasingly more important, to protect confidential information and manage compliance with government/industry regulations or internal policies. For example, several countries (such as Germany, Portugal, and Spain) require that invoices be encrypted and/or identifying data redacted prior to transmission outside of the country (we note that Tangoe has 88 global invoice processing centers to adhere to regulatory compliance). Further, companies must be able to remotely monitor devices for compliance or "kill" devices should they be lost or stolen. Mobile device support is only beginning to mature, with Gartner expecting 80% of enterprises to support tablets by 2013. Therefore, we believe that efficient corporate governance requires a centralized and automated solution to ensure regulatory requirements with laws and policies.

Putting this all together, enterprises (especially multinational organizations) can no longer afford to go without a holistic view of their fixed/mobile assets and accompanying

expenses, especially given increasing spend per year. As mobile devices enter the workplace at escalating rates, organizations need to enforce compliance and manage the security risks that accompany these devices. Therefore, we believe that the aforementioned industry trends favor adoption of third-party CLM solutions over home-grown systems, and Tangoe is well positioned to be a formidable candidate at the RFP table.

Valuation

Tangoe's growth drivers, healthy fundamentals, and market leadership lead us to believe Tangoe's shares should outperform the broader markets over the next 12-18 months. At current levels, Tangoe's stock trades at 3.4x our CY12 recurring revenue projection of \$107.5M and is attractively priced, in our view. We note Tangoe trades at a discount to the SaaS group, which currently trades at 4.3x CY12E recurring revenue. Admittedly, Tangoe is not yet a pure SaaS company, as its MDM product is still delivered via a dedicated hosted or as an on-premise solution. However, Tangoe's flagship CMP suite is currently offered on-demand, and the company expects to migrate the MDM product to an SaaS architecture by the end of next year. Given the company's growth prospects, solid revenue visibility, and leverage in the model, we believe it should trade in line with its peers. As a result, we apply a 4.1x CY12 recurring revenue multiple to arrive at our \$14 price target.

The company's stage in its lifecycle, healthy organic growth (we expect the company to deliver at least 15-20% organic recurring revenue growth for the foreseeable future), positive acquisitive track record, and solid revenue visibility (~90% of revenues are recurring) lead us to believe that traditional P/E and cash flow-based valuation methods are less appropriate measures to value Tangoe's shares. Instead, we believe that EV/recurring revenue is a more appropriate way to value the company and expect that EV/FCF will likely be another viable metric to value the company as it matures.

The following table values Tangoe against other SaaS enterprise software companies:

Company	Ticker	Rating	09/01/11 Price	Net Cash	Ent. Value	Rec. Rev.			EV to Rec. Rev		
						CY10E	CY11E	CY12E	CY10E	CY11E	CY12E
Ariba	ARBA	P	\$26.94	240.6	\$2,365	\$248.3	\$361.2	\$422.2	9.5x	6.5x	5.6x
Concur	CNQR	O	\$41.36	377.4	\$1,886	\$295.8	\$354.5	\$427.7	6.4x	5.3x	4.4x
ConstantContact	CTCT	O	\$18.30	111.2	\$430	\$174.2	\$214.7	\$260.6	2.5x	2.0x	1.7x
Cornerstone OnDemand	CSOD	NR	\$15.41	80.9	\$655	\$72.7	\$107.8	\$142.2	9.0x	6.1x	5.6x
DemandTec	DMAN	NR	\$6.22	65.4	\$135	\$79.7	\$90.2	\$101.2	1.7x	1.5x	1.3x
Kenexa	KNXA	O	\$19.75	87.4	\$423	\$157.8	\$212.7	\$239.9	2.7x	2.0x	1.8x
NetSuite	N	NR	\$31.65	118.3	\$2,002	\$193.2	\$234.2	\$279.2	10.4x	8.5x	7.2x
Responsys	MKTG	NR	\$14.50	80.9	\$1,031	\$131.9	\$159.6	\$187.2	N/M	7.8x	6.5x
Salesforce.com	CRM	P	\$127.00	802.5	\$17,416	\$1,551.1	\$2,073.4	\$2,556.0	11.2x	8.4x	6.8x
SuccessFactors	SFSF	O	\$22.59	357.4	\$1,515	\$209.4	\$311.7	\$371.1	7.2x	4.9x	4.1x
Taleo	TLEO	O	\$25.44	141.4	\$961	\$202.4	\$262.4	\$316.6	4.7x	3.7x	3.0x
Ultimate Software	ULTI	P	\$49.28	54.0	\$1,322	\$170.9	\$214.4	\$266.5	7.7x	6.2x	5.0x
Vocus	VOCS	NR	\$20.62	116.6	\$271	\$97.9	\$114.8	\$132.9	2.8x	2.4x	2.0x
Average Multiple									6.1x	5.2x	4.3x
<hr/>											
Company	Ticker	Rating	09/01/11 Price	Net Cash	Ent. Value	Annual Rec. Rev			EV to Rec. Rev		
						CY10	CY11E	CY12E	CY10	CY11E	CY12E
Tangoe	TNGO	O	\$11.33	\$ (23)	\$ 361	\$57.7	\$91.9	\$107.5	6.3x	3.9x	3.4x

Source: Oppenheimer & Co., Reuters Note: Estimates not covered by Opco are from First Call.

Company Background

Tangoe is a leading provider of CLM solutions, a segment of the software market focused on managing the lifecycle of an enterprise's communications assets and services. As defined by Tangoe, CLM encompasses fixed and mobile planning and sourcing, procurement and provisioning, inventory and usage management, invoice processing, expense allocation and accounting, and asset decommissioning and disposal. Tangoe's primary offering, the communications management platform (CMP), is an SaaS-based solution used to manage fixed and mobile communications assets and services. Broadly speaking, the two primary sub-sectors within the CLM universe are telecommunications expense management (TEM) and mobile device management (MDM). We note that through a history of acquisitions and internal developments, Tangoe became one of the first providers to integrate fixed and mobile CLM solutions as well as TEM and MDM solutions in one platform. As a result, Tangoe maintains a leadership position and offers one of the most comprehensive CLM suites in the market. The company believes it is over three times larger than its nearest competitor.

Founded in 2000, Tangoe is headquartered in Orange, CT. The company employs over 750 people across global offices including the United States, Amsterdam, and China (Tangoe serves the Latin American market through local partners) and manages ~\$14.5B of the estimated ~\$425B in fixed and mobile communications spend per year along with over 1.7M mobile devices. About ~50% of revenues is fixed TEM, ~40% is mobile TEM/MDM, with the remaining ~10% coming from strategic consulting. While MDM deal sizes are typically smaller than TEM deals, we believe MDM represents an emerging market and expect it will continue to grow from the less than 10% of total revenues it comprises today.

Tangoe boasts of servicing over 615 end customers ranging from small companies with 150 employees to multinational corporations with over 350,000 employees. While Tangoe is not particularly levered to any one vertical, we note that technology and finance/insurance each comprise approximately 15-20% of total revenue. No single end customer comprised more than 10% of total revenue from 2008 to 2010. We note that Tangoe typically adds 20-30 new customers a quarter.

Product Offering

The Communications Management Platform is an SaaS-based solution that is offered on a subscription basis (with contracts that range from 24 to 60 months) and manages the lifecycle of fixed and mobile communications assets and services. CLM integrates with leading ERP products such as SAP or Oracle to synch employee, accounting, user access authentication, and security policy information. For those companies interested in outsourcing aspects of telecom management, Tangoe offers help desk, asset procurement and provisioning, and carrier dispute resolution through its Client Services Group.

Tangoe's CLM suite is both flexible and scalable, enabling the company to support smaller installations through global deployments. About \$3.5B of Tangoe's ~\$14.5B managed spend is international, and the solution supports 16 languages, 125 currencies, 200 countries/territories, and 1,900 billing formats for 1,700 carriers globally. With support for 63 global regulatory bodies, coupled with holding 12 patents (and seven more pending), we believe Tangoe has created a sizable moat vis-à-vis its competitors.

Tangoe offers CLM solutions in three base packages which can be sold separately or bundled together. These packages include standard capabilities as well as the ability to add-on functionality. The following is a brief overview of the three packages:

- **Asset Management** – manages asset procurement, provisioning, tracking, and disposal capabilities for fixed and mobile communications assets and services. In particular, it provides:
 - *Catalog Management* – catalog communications services, devices, features, and plans
 - *Procure* – enforce workflow management capabilities to request and approve fixed/mobile service and equipment orders
 - *Provision* – use over-the-air (OTA) provisioning to configure mobile devices (with usage/security policies) and install corporate applications
 - *Track* – track communications assets including configuration, ownership, and operational/connectivity status
 - *Maintain* – deploy usage/security policies and updates to mobile devices
 - *Dispose* – erase and dispose of mobile devices

- **Expense Management** – manages the lifecycle of fixed and mobile communications billings. In particular, it provides:
 - *Contract Management* – a central repository to manage contracts and agreements
 - *Billing* – import service and equipment bills into a centralized repository
 - *Audit* – evaluate billing data against contracts (rates, terms) and asset inventories to flag exceptions
 - *Dispute* – dispute and track billing, service, and asset exceptions with carriers/providers
 - *Allocate* – allocate expenses to business units, cost centers, and employees
 - *Payment* – automatically pay invoices (directly to vendor or feed A/P systems) based on predefined business rules
 - *Optimize* – evaluate contracts against actual usage to optimize billing contracts/plans

- **Usage Management** – monitors (real-time and historical) fixed/mobile communications asset usage and compliance with corporate security policies. In particular, it provides:
 - *Secure* – delete data from and disable mobile devices
 - *Policy Management* – define security and usage policies
 - *Monitor* – monitor device usage for problem identification, fraud detection, and misuse of services
 - *Real-Time* – monitor device-level usage costs to identify usages in violation of corporate policy or expenses related to roaming charges
 - *Compliance* – enforce usage policies to limit functionality and track non-compliant behavior
 - *Performance* – monitor/manage wireless server infrastructure performance and mobile device configurations
 - *Support* – provide mobile device support capabilities on a stand-alone basis or in conjunction with an existing corporate help desk

While Tangoe's main revenue driver is recurring subscription revenue (which comprises ~90% of total revenues), we note the company also offers strategic consulting services including sourcing (review and negotiate contracts with carriers), bill auditing (identify billing errors), inventory optimization (align assets with business need), mobile optimization (optimize mobile policies/assets/contracts with business need), and policy administration (develop enterprise policies for communications assets and services).

Tangoe sees a large and growing opportunity in the TEM/MDM space, and we expect the firm to devote the majority of its sales and marketing resources toward growing the recurring revenue side of the house. While the strategic consulting business is still important to Tangoe, we do not expect the firm to actively grow this segment of the business and believe it will hover around 10% of revenues over the near term.

Business Model

Tangoe's TEM product is primarily delivered as an on-demand solution, whereas its MDM product is delivered via a dedicated hosted or on-premise solution (we note that Tangoe expects to migrate the MDM product to a SaaS architecture by the end of next year). The firm has good visibility into its revenue stream each quarter, with about 90% of revenues recurring and the remaining coming from consulting and software licenses. Tangoe's business model has proven to be relatively stable, as evidenced by over 20% recurring revenue growth during the '08/'09 recession. We note that Tangoe bills clients on a monthly basis.

Tangoe's revenue model is levered to the dollar amount of communications spend managed (for fixed line contracts), number of devices managed (for mobile device contracts), and add-on functionality/services. ASPs run north of \$175K, with the top 100 accounts averaging \$574K. MDM ASPs are lower than for TEM, which we expect to rise and which should help drive ASPs higher over the next few years. About ~50% of revenues is fixed TEM, ~40% is mobile TEM/MDM, with the remaining ~10% coming from strategic consulting. While MDM deal sizes are typically smaller than TEM deals, we believe MDM represents an emerging market and expect it will continue to grow from the less than 10% of total revenues it comprises today.

Tangoe's target market ranges from small companies with several million dollars in telecom spend through multinational enterprises with over one billion dollars in telecom spend. Contracts run for 24-60 months (with a typical contract averaging runs for 24-36 months), and we note that Tangoe's customer base is pretty "sticky," with retention rates in the mid-90s.

Tangoe's quota-carrying sales team is compensated on annual recurring revenue added, which aligns the sales force with the firm's desire to drive sales in new accounts as well as penetrate existing accounts for incremental revenue opportunities. While the sales cycle typically ranges from six to nine months, we note Tangoe can roll out a new implementation within 60-90 days.

Tangoe sees a large and growing opportunity in the TEM/MDM space, and we expect the firm to devote the majority of its sales and marketing resources toward growing the recurring revenue side of the house. While the strategic consulting business is still important to Tangoe, we do not expect the firm to actively grow this segment of the business and believe it will hover around 10% of revenues over the near term.

As an aside, management disclosed that billings is not a metric that the company focuses on and believes it is a less important metric for Tangoe than it may be for other SaaS companies. For example, while contracts run 24-60 months, Tangoe bills clients on a monthly basis and not one year (or more) in advance like other SaaS shops may. Second, much of Tangoe's deferred revenue makeup is related to legacy maintenance contracts (which is amortized annually) and will not be replenished with subscription contracts due to Tangoe's transition to a pure-SaaS shop.

Recent Acquisitions & Strategic Alliances

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. We expect Tangoe to continue to engage in tuck-in acquisitions over the next few years in order to continue scaling along these three axes. While Tangoe prefers cash-based deals, we note that management is not averse to stock-based transactions.

Through these acquisitions and internal developments, Tangoe became one of the first providers to integrate fixed and mobile CLM solutions as well as TEM and MDM solutions in one platform. The following section briefly highlights Tangoe's recent acquisition history:

- **Telwares, Inc.** – On March 16, 2011, Tangoe acquired Telwares' TEM business for \$4.5M (with deferred cash payments of an additional \$2.5M). Through this acquisition, Tangoe extended its fixed/mobile capabilities by acquiring invoice management, call accounting, and MDM operations. We note Telwares had ~75 TEM customers that should contribute ~\$8M in revenues during 2011. Additionally, we expect Tangoe to migrate existing Telwares customers to Tangoe solutions over the next 12-18 months.
- **HCL Technologies** – On January 25, 2011, Tangoe acquired HCL Technologies' Expense Management Services Inc. (HCL EMS) for \$3M (with earnout payments of up to \$3.4M). Through this acquisition, Tangoe acquired TEM, invoice processing, and mobility management solutions. We note that HCL had ~40 TEM customers that should generate ~\$10M in revenues during 2011. Additionally, we expect Tangoe to migrate existing HCL customers to Tangoe solutions over the next 12-18 months.
- **InterNoded, Inc.** – On December 23, 2008, Tangoe acquired InterNoded, Inc., a provider of MDM solutions, for \$3.3M. Through this acquisition, Tangoe obtained MDM technology capabilities which enabled the firm to offer an integrated TEM and MDM solution.
- **Information Strategies Group, Inc. (ISG)** – On July 28, 2008, Tangoe acquired ISG, a provider of telecom and IT expense processing services and technologies, for \$11.9M. Through this acquisition, Tangoe added international capabilities, acquired call accounting and bill chargeback/allocation technology, and grew its customer base.
- **TRAQ Wireless, Inc.** – On March 9, 2007, Tangoe acquired TRAQ Wireless, Inc., a provider of mobile lifecycle management solutions, for \$20.7M. Through this acquisition, Tangoe acquired wireless expense management technology capabilities which enabled the firm to offer an integrated fixed and mobile TEM solution.

Expect Margin Expansion Over Time. Tangoe delivered gross margins of 56.3% and 55.7% in 2010 and 2009, respectively. We expect gross margins to trend down over 200 bps (to approximately 53%) in 2011 while the company digests the Telwares and HCL acquisitions (HCL and Telwares have typically operated at lower margin structures). We note these integrations are on track and expect margins to increase back to 56% next year as Tangoe fully integrates these purchases. Over time (i.e., ~ three to five years), we expect gross margins to trend higher toward management's long-term target of 61-63%.

Due to the large and growing market opportunity, we agree with the company's investment in R&D and S&M. Despite these investments, we expect adjusted EBITDA margin (a metric used by Tangoe management) to come in at the mid-11% range in 2011 (increasing from 10.0% and 7.8% in 2010 and 2009, respectively) and believe it should steadily increase toward the company's long-term target of 24-26% as the business gains critical mass.

Strategic Alliances a Key Part of Tangoe's Growth Strategy. In addition to its direct sales efforts, Tangoe formed ~20 strategic alliances with a variety of channel partners/resellers including ACS, Dell, HCL, and IBM. These partners enable Tangoe to extend its reach in the marketplace by reselling or white-labeling Tangoe's CLM solutions. Partners often perform lead generation, sales, and ongoing management of customer accounts. They can also provide implementation and consulting services related to the solution, branded as being provided by the partner itself.

Strategic alliances contribute approximately 25% to Tangoe's new sales, with the IBM relationship alone accounting for revenues of 10.6% and 11.8% in 2010 and 2009, respectively. The IBM relationship is the most mature relationship, and Dell is one of the newest (formed in March 2011). While Tangoe does not have exclusive relationships with its strategic partners, management discloses that Tangoe is entrenched with these companies due to the complexity surrounding CLM solutions (e.g., partners need to have intimate knowledge of the CLM product to sell, implement, and support it, and it is often difficult to maintain such expertise across a variety of solutions). Further, Tangoe issued common stock warrants to IBM and Dell that should incentivize them to actively sell its solution. Separately, Gartner notes that Tangoe's partner revenues alone outpace the total revenues of other TEM players.

Management notes that gross margins for partner sales are roughly consistent with direct sales as partners typically mark up the offerings to their clients. In order to continue expanding its market reach, we expect Tangoe to add one to two strategic relationships with business process outsourcing firms and system integrators over the next 12-24 months.

Recent Results

Delivers solid 2Q11. Tangoe released its 2Q11 quarterly results (its last complete quarter as a private company) on August 23, 2011, that were in line with the company's preliminary results provided in the S-1. Overall, Tangoe delivered solid results across the board and posted non-GAAP EPS of \$0.06 on revenue of \$26.0M, up 56% Y/Y and in line with our estimates of \$0.06 on revenue of \$25.5M. The results were led by healthy recurring revenue growth, up 69% Y/Y to \$23.5M from \$13.9M. Tangoe delivered organic recurring revenue growth of 28% for 2Q11 and for 1H11, and recurring revenue comprised 90% of total revenue for the quarter (up from 83% in 2Q10 and 89% in 1Q11). Last, Tangoe posted adjusted EBITDA of \$3.1M, up 90% Y/Y from \$1.6M.

No signs of a slowdown. Management highlighted it has not seen any impact to its business from macro headwinds and notes its pipelines are strong and growing. Recall that Tangoe experienced solid demand during the last recession, as recurring revenue grew over 20% (and against plan) during the '08/'09 downturn. Since that time, Tangoe's value proposition has become even more attractive, as it now offers TEM and MDM in one solution.

Customer retention rates are in the mid-90s, and the company added 25 new customers during the quarter (it typically adds 20-30 a quarter). Additionally, Tangoe rolled out the latest version of its MDM suite, which contained device and application security enhancements for Apple iOS and Android operating systems.

Acquisitions are on track. Management highlighted that the HCL and Telwares acquisitions are on track, and the company expects to complete the migrations over the next 12-18 months. We believe the company is ready to digest its next acquisition should the opportunity for an acquisition present itself.

Issues 3Q11 and FY11 guidance. Looking ahead, management expects 3Q11 non-GAAP EPS and revenue of \$0.06/\$26.3-26.7M. The company also expects adjusted EBITDA of \$3-3.2M and 35.1M shares outstanding. For FY11, the company now expects non-GAAP EPS and revenue of \$0.24-0.25/\$101.4-102.2M. The company also expects adjusted EBITDA of \$11.8-12.2M, 33.3M shares outstanding, and a tax rate of 8%. Longer term, management is targeting an adjusted EBITDA margin of 24-26%.

Strong execution and good visibility should lead to upside. Based on Tangoe's strong growth during 1H11, visibility into future revenue, business momentum, market opportunity and increasing market awareness, and healthy balance sheet post-IPO, we believe the company is poised to deliver a strong second half of the fiscal year and can deliver at least 15-20% organic recurring revenue growth for the foreseeable future. Altogether, we expect non-GAAP EPS/revenue of \$0.06/\$26.5M and \$0.25/\$102.0M for 3Q11 and FY11, respectively.

Competitive Landscape

The CLM marketplace is highly fragmented and competitive, with competitors ranging from in-house solutions to third-party providers. Often, in-house solutions are immature/manual in nature and do not offer the functionality, scalability, or productivity gains offered by Tangoe's CLM platform. While third-party providers offer capable solutions, we note that they are point solutions and are not a complete fixed/mobile TEM and MDM suite. As discussed in the "Recent Acquisitions & Strategic Alliances" section, business process outsourcing (BPO) firms and system integrators typically do not have a CLM solution of their own, and Tangoe believes there are opportunities to form additional strategic alliances similar to its partnerships with ACS, Dell, HCL, and IBM.

The CLM industry has undergone a considerable amount of consolidation over the past few years. Tangoe acquired five companies over the last four years alone, of which two (HCL, Telwares) were completed earlier this year (see "Recent Acquisitions & Strategic Alliances" for more information). Other examples of M&A activity include Emptoris's acquisition of Rivermine in January 2011 and Vodafone's acquisition of TnT Expense Management and Quickcomm in October 2010. Despite competitor acquisitions, Tangoe manages more fixed/mobile communications spend per year than any other IT and process outsourcing company.

Key Competitors		
TEM	Outsource Service Providers	MDM
Emptoris MDSL Symphony SMS Vodafone XIGO	ProfitLine Vodafone	AirWatch BoxTone Good Technology MobileIron Sybase Zenprise

Source: Company Reports

We believe that Tangoe competes successfully in each of the aforementioned categories. And unlike many of its competitors, Tangoe offers a complete suite of integrated fixed and mobile TEM/MDM solutions and can also boast of a diverse customer base. Over time, we expect that competitors will ramp the quality and breadth of their CLM offerings, and we anticipate further consolidation as firms jockey to gain market share.

Investment Risks

Although there are a variety of investment risks associated with investing in Tangoe, we highlight our biggest concerns below:

History of losses. Tangoe has a history of GAAP losses since its founding in 2000. However, revenue has been growing steadily during this time, signaling the company's reinvestment strategy is paying off. While Tangoe is still not profitable on a GAAP basis, we note that it has been adjusted EBITDA positive since 3Q08. Additionally, Tangoe has delivered positive net income on a non-GAAP basis since 2Q09, most recently at \$1.7M in 2Q11.

CLM demand may not materialize. The market for third-party CLM solutions is nascent, and Tangoe expects it to continue growing over the next several years. Due to macro uncertainties, improvements in home-grown solutions, or simply a lack of awareness, the demand for third-party CLM offerings (both domestically and internationally) may not blossom as expected. That said, Tangoe's business model has proven to be surprisingly stable during previous periods of economic uncertainty, as recurring revenue grew over 20% (and against plan) during the '08/'09 downturn.

Strategic alliances break down. A pillar of Tangoe's growth strategy is its formation of strategic alliances with channel partners/resellers including ACS, Dell, HCL, and IBM. Several relationships were formed recently (for example, with Dell in March 2011) and may not develop as expected. Additionally, channel partners may choose to collaborate more with Tangoe's competitors should they offer better contract terms or improve their CLM solutions. As a result, Tangoe's top line and bottom line could be significantly impacted should it lose channel partners, partners do not deliver products/services according to Tangoe's standards, alliances do not grow as expected, or indirect channel margins deteriorate.

M&A activity or consolidation could negatively impact the company. Tangoe operates in a fragmented and competitive industry. Over the past several years, consolidation has been a key theme in the CLM space which we do not expect to change over the near term. While Tangoe has been a successful acquirer (closing five acquisitions in the past four years), M&A represents a threat both internally (should Tangoe fail to successfully integrate a target post-acquisition) and externally (should competitors improve offerings/reduce pricing, resulting in customer losses or renegotiated contracts). Regarding the internal threat, we note that Tangoe has demonstrated skill in successfully integrating targets upon acquisition.

Intensifying competition. While Tangoe is a leading provider of CLM software and services, the space is evolving. Should other vendors with greater resources or brand recognition decide to enter the market, Tangoe's standing in the marketplace could be materially impaired.

Stock prices of other companies mentioned in this report (as of 9/1/2011):

Vodafone Group PLC (VOD-NASDAQ, \$26.44, Not Rated)

Management & Board Profile

Key Officer	Age	2010 Compensation	Shares Owned*	Major Experience
Albert R. Subbloie, Jr. <i>President, CEO, and Chairman of the Board</i>	51	\$1,717,193	2,122,821	Mr. Subbloie co-founded Tangoe and has served as President/CEO since October 2000. He has been a member of the board since February 2000 and has served as chairman since March 2010. Previously, Mr. Subbloie co-founded Information Management Associates, Inc., Buyersedge.com, Inc., and FreeFire, Inc.
Gary R. Martino <i>CFO</i>	51	\$756,245	657,172	Mr. Martino has served as CFO since July 2007 and was a member of the board from February 2000 to March 2007. Previously, Mr. Martino was a managing director at Riverside Advisors, LLC (M&A firm), CFO of Information Management Associates, Inc., and co-founded Buyersedge.com, Inc.
Albert M. Rossini <i>EVP, Global Sales</i>	54	\$633,687	263,330	Mr. Rossini has served as EVP, Global Sales since December 2006. Previously, Mr. Rossini served as SVP, Sales & Services for HSS, Inc. and SVP, Sales and Marketing for Elcom International.
Charles D. Gamble <i>SVP, Customer Account Management</i>	50	\$438,258	265,238	Mr. Gamble co-founded Tangoe and has served as SVP since February 2000. Previously, Mr. Gamble served as president/CEO of a consumer electronics internet retailer.
Scott E. Snyder <i>SVP, Mobile Solutions</i>	47	\$468,827	208,565	Mr. Snyder has served as SVP, Mobile Solutions since October 2008. Previously, Mr. Snyder served as COO of TRAQ Wireless, Inc. (acquired by Tangoe in March 2007).

Board of Directors	Age	Shares Owned*	Major Experience
Albert R. Subbloie, Jr. <i>President, CEO, and Chairman of the Board</i>	See Above	See Above	See Above
David M. Coit	64	2,072,806	Mr. Coit has served on Tangoe's board since August 2006. He founded North Atlantic Capital Corporation (VC firm) and has served as its president since May 1986.
Gary P. Golding <i>Compensation Committee Chair</i>	54	4,487,767	Mr. Golding has served on Tangoe's board since September 2002. He has served as a general partner and investment manager of Edison Venture Fund (VC firm) since 1997. Mr. Golding also sits on the board of Vocus, Inc.
Ronald W. Kaiser <i>Audit Committee Chair</i>	57	70,745	Mr. Kaiser has served on Tangoe's board since January 2009. He also serves on the boards of Vocus, Inc. and OPNET Technologies, Inc.
Jackie R. Kimzey <i>Nominating & Corporate Governance Committee Chair</i>	58	1,912,223	Mr. Kimzey has served on Tangoe's board since March 2008. He also served as general partner of Sevin Rosen Funds (VC firm) and co-founded and served as CEO of ProNet Inc.
Gerald G. Kokos	61	105,762	Mr. Kokos has served on Tangoe's board since September 2002. He has also served as president, CEO, and a director of VFA, Inc. since January 2000.
Richard S. Pontin	57	280,864	Mr. Pontin has served on Tangoe's board since March 2007. Previously, Mr. Pontin served as CEO of several companies including TRAQ Wireless, Inc. (acquired by Tangoe in March 2007), Broadwing Corporation (now Level 3 Communications, LLC), Cincinnati Bell Inc., and Airband Communications, Inc.
Noah J. Walley	48	18,455	Mr. Walley has served on Tangoe's board since July 2008. He has served as Head of North American Technology Investing of Investor Growth Capital, Inc. (VC firm) since April 2003. Previously, he served as a general partner with Morgan Stanley Venture Partners.

* Shares beneficially owned after the offering after full exercise of the underwriters' option

Source: Company Reports

TNGO Income Statement

(in millions), except EPS	Mar 10	Jun 10	Sept 10	Dec 10	FY 2010	Mar 11	Jun 11	Sept 11E	Dec 11E	FY 2011E	Mar 12E	Jun 12E	Sept 12E	Dec 12E	FY 2012E
Revenues															
Recurring revenue	13.3	13.9	14.6	16.0	57.7	19.9	23.5	24.0	24.5	91.9	25.4	26.4	27.4	28.4	107.5
Consulting & other	2.7	2.8	2.6	2.7	10.8	2.4	2.5	2.6	2.6	10.1	2.6	2.6	2.6	2.6	10.4
Total Revenue	16.0	16.7	17.1	18.7	68.5	22.3	26.0	26.5	27.1	102.0	28.0	28.9	30.0	31.0	117.9
Cost of revenue (Non-GAAP)	7.1	7.3	7.5	8.0	29.9	10.2	12.5	12.5	12.7	47.9	12.2	12.6	13.1	13.5	51.4
Total gross profit (Non-GAAP)	8.9	9.4	9.6	10.6	38.6	12.2	13.5	14.1	14.3	54.1	15.8	16.3	16.9	17.5	66.5
Adjusted Operating expenses															
S&M (Non-GAAP)	2.7	2.9	2.9	3.3	11.9	3.5	3.8	4.1	4.1	15.5	4.4	4.6	4.7	4.9	18.6
G&A (Non-GAAP)	2.5	2.6	2.6	3.0	10.7	3.3	3.9	3.6	3.6	14.4	3.8	3.9	4.1	4.2	16.1
R&D (Non-GAAP)	2.2	2.3	2.3	2.4	9.2	2.8	2.8	3.3	3.4	12.3	3.4	3.5	3.6	3.7	14.1
D&A	0.9	0.9	0.9	0.9	3.5	1.0	1.1	1.1	1.1	4.3	1.1	1.1	1.2	1.2	4.6
Amortization of intangibles	(0.6)	(0.6)	(0.6)	(0.6)	(2.4)	(0.7)	(0.8)	(0.9)	(0.8)	(3.2)	(0.8)	(0.8)	(0.7)	(0.8)	(3.0)
Total operating expenses (Non-GAAP)	7.7	8.1	8.1	9.0	32.8	9.9	10.8	11.2	11.5	43.4	11.9	12.3	12.9	13.3	50.4
Income (Loss) from operations (Non-GAAP)	1.2	1.4	1.5	1.7	5.8	2.3	2.7	2.8	2.8	10.7	3.8	4.0	4.0	4.2	16.0
Other income (expense), net															
Interest income (expense) and other, net (Non-GAAP)	(0.5)	(0.5)	(0.5)	(0.4)	(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)	0.7	0.8	1.0	1.3	3.8	1.6	2.0	2.5	2.7	8.8	3.8	4.0	4.0	4.1	16.0
Income tax (benefit) Provision (Non-GAAP)	0.1	0.0	0.1	0.1	0.3	0.1	0.2	0.2	0.2	0.7	0.3	0.3	0.3	0.2	1.031
Net Income (Loss) (Non-GAAP)	0.6	0.8	0.9	1.2	3.5	1.5	1.8	2.3	2.5	8.0	3.6	3.7	3.8	3.9	14.9
EPS (Non-GAAP)	0.02	0.03				0.06	0.06	0.06	0.06	0.25	0.09	0.09	0.09	0.10	0.38
Diluted Shares Outstanding (Non-GAAP)						28.4	28.6			4.4	23.7	29.9	35.1	38.5	31.8
Adjusted EBITDA						1.4	1.6	1.8	2.0	6.9	2.6	3.1	3.0	3.2	11.8
											4.2	4.3	4.5	4.6	17.6

Margin Analysis																
Recurring revenue as % of revenue	83.1%	83.2%	85.0%	85.6%	84.3%	89.2%	90.3%	90.3%	90.4%	90.1%	90.7%	91.0%	91.3%	91.6%	91.2%	
Consulting & other as % of revenue	16.9%	16.8%	15.0%	14.4%	15.7%	10.8%	9.7%	9.7%	9.6%	9.9%	9.3%	9.0%	8.7%	8.4%	8.8%	
Cost of revenue as % of revenue (Non-GAAP)	44.2%	43.6%	43.9%	43.0%	43.7%	45.6%	48.0%	47.0%	47.0%	46.9%	43.6%	43.6%	43.6%	43.7%	43.6%	
Gross Margin (Non-GAAP)	55.8%	56.4%	56.1%	57.0%	56.3%	54.4%	52.0%	53.0%	53.0%	53.1%	56.4%	56.4%	56.4%	56.4%	56.4%	
S&M as % of revenue (Non-GAAP)	17.1%	17.6%	17.1%	17.4%	17.3%	15.8%	14.4%	15.4%	15.3%	15.2%	15.8%	15.8%	15.8%	15.8%	15.8%	
G&A as % of revenue (Non-GAAP)	15.6%	15.4%	15.0%	16.3%	15.6%	14.6%	15.1%	12.7%	12.5%	14.2%	12.6%	12.6%	12.6%	12.6%	13.6%	
R&D as % of revenue (Non-GAAP)	14.0%	13.6%	13.4%	12.7%	13.4%	12.6%	10.6%	12.6%	12.6%	12.1%	12.0%	12.0%	12.0%	12.0%	12.0%	
Total Stock-based compensation as % of revenue (Non-GAAP)	-1.3%	-2.7%	-3.0%	-4.1%	-2.8%	-3.7%	-3.6%	-3.4%	-3.3%	-1.7%	-4.5%	-4.5%	-5.0%	-5.5%	0.0%	
Amortization of intangibles as % of revenue (Non-GAAP)	-3.8%	-3.6%	-3.4%	-3.4%	-3.6%	-3.2%	-2.9%	-3.7%	-2.9%	-3.1%	-2.7%	-2.6%	-2.5%	-2.5%	-2.6%	
Operating Margin (Non-GAAP)	7.5%	8.1%	9.0%	9.0%	8.4%	10.1%	10.5%	10.7%	10.5%	10.5%	13.7%	13.8%	13.5%	13.4%	13.6%	
Interest income (expense) and other, net as % of revenue	-7.4%	-2.9%	-2.8%	-3.9%	-4.2%	-5.3%	-5.6%	-13.7%	-0.4%	-7.1%	0.0%	0.0%	0.0%	-0.2%	-0.1%	
EBT Margin (Non-GAAP)	4.1%	5.0%	5.9%	6.9%	5.5%	7.1%	7.5%	9.4%	10.1%	8.6%	13.7%	13.8%	13.5%	13.2%	13.5%	
Tax rate (non GAAP)	9.7%	5.9%	6.8%	8.8%	7.8%	7.9%	9.2%	8.1%	8.7%	8.5%	6.4%	6.4%	6.4%	6.4%	6.5%	
Net income Margin (Non-GAAP)	3.7%	4.7%	5.5%	6.3%	5.1%	6.6%	6.8%	9.2%	7.9%	7.9%	12.8%	12.8%	12.6%	12.5%	12.7%	
EBITDA Margin (Non-GAAP)	12.9%	13.4%	14.0%	14.0%	13.6%	14.6%	14.8%	14.8%	14.5%	14.7%	17.6%	17.6%	17.5%	17.5%	17.5%	
Adjusted EBITDA Margin						9.1%	9.8%	10.6%	10.0%	11.4%	11.9%	11.4%	11.7%	11.6%	14.9%	
											72.0%	63.7%	40.0%	49.2%	47.0%	

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

Y/Y Growth Analysis																
Recurring revenue	20.5%	25.4%	26.1%	29.2%	25.4%	50.3%	69.2%	64.4%	53.0%	59.2%	27.4%	12.1%	14.2%	16.1%	17.0%	
Consulting & other	29.1%	12.1%	-1.3%	-0.6%	8.7%	-10.4%	-9.8%	-0.2%	-3.8%	-6.2%	7.4%	2.3%	1.4%	0.3%	2.7%	
Total Revenue	21.9%	22.9%	21.1%	23.9%	22.5%	40.0%	55.9%	54.7%	44.8%	48.9%	25.2%	11.1%	12.9%	14.6%	15.6%	
Cost of revenue as % of revenue (Non-GAAP)	21.4%	21.2%	20.2%	19.9%	20.6%	44.4%	71.6%	65.7%	58.2%	60.1%	19.8%	1.0%	4.8%	6.4%	7.4%	
Gross Profit (Non-GAAP)	22.3%	24.3%	21.7%	27.1%	23.9%	36.6%	43.8%	46.2%	34.8%	40.2%	29.8%	20.5%	20.2%	21.8%	22.9%	
S&M (Non-GAAP)	12.6%	22.1%	24.3%	36.5%	23.8%	29.5%	27.6%	39.1%	27.3%	30.8%	25.4%	21.5%	15.9%	18.3%	20.1%	
G&A (Non-GAAP)	11.5%	17.8%	14.4%	19.2%	15.8%	31.0%	53.3%	40.8%	19.1%	35.3%	17.2%	0.3%	12.6%	15.8%	11.1%	
R&D (Non-GAAP)	16.9%	16.0%	13.4%	13.7%	14.9%	25.9%	21.0%	45.7%	44.2%	34.3%	19.0%	26.2%	7.6%	9.1%	14.8%	
Operating Profit (Non-GAAP)	171.9%	89.0%	63.9%	62.2%	84.2%	89.1%	101.5%	84.3%	68.5%	84.7%	70.2%	45.5%	42.5%	46.5%	50.2%	
Total operating expenses (Non-GAAP)	12.7%	17.5%	16.0%	22.1%	17.1%	28.5%	34.1%	38.9%	28.4%	32.4%	20.6%	14.2%	14.6%	15.7%	16.2%	
EBT (Non-GAAP)	-808.6%	398.8%	139.6%	179.0%	295.4%	142.3%	137.2%	144.3%	112.5%	131.6%	140.0%	102.9%	62.8%	49.5%	81.7%	
EPS (Non-GAAP)						-100.0%	196.4%	119.5%					47.5%	57.1%	45.5%	
Adjusted EBITDA	103.8%	59.1%	43.3%	45.6%	57.6%	76.1%	89.9%	65.9%	59.9%	72.0%	63.7%	40.0%	49.2%	47.0%	49.3%	

TNGO Balance Sheet

(in millions)	FY 2009	FY 2010	Mar 11	Jun 11	Sept 11E	Dec 11E	FY 2011E	Mar 12E	Jun 12E	Sept 12E	Dec 12E	FY 2012E
Assets												
Cash and cash equivalents	6.2	5.9	6.9	9.0	53.1	57.2	57.2	53.6	61.1	66.9	72.1	72.1
Accounts receivable, net	11.5	14.3	20.2	21.0	20.6	20.1	20.1	25.2	23.5	23.3	23.1	23.1
Prepaid expenses and other assets	1.6	1.4	1.5	1.4	1.7	1.8	1.8	2.4	2.5	2.6	2.7	2.7
Total Current Assets	19.3	21.6	28.6	31.4	75.4	79.1	79.1	81.2	87.0	92.8	97.9	97.9
Computers, Furniture and Equipment, net	1.8	1.8	2.5	2.6	2.7	2.9	2.9	3.0	3.2	3.3	3.5	3.5
Intangible assets, net	16.8	15.8	20.9	21.7	21.7	21.7	21.7	21.7	21.7	21.7	21.7	21.7
Goodwill	17.6	17.6	22.9	22.9	22.9	22.9	22.9	22.9	22.9	22.9	22.9	22.9
Security deposits and other non-current assets	0.6	1.9	2.7	3.7	4.0	4.1	4.1	5.0	5.2	5.4	5.6	5.6
Total Non-current Assets	36.8	37.1	49.0	50.9	51.3	51.5	51.5	52.6	53.0	53.3	53.7	53.7
Total Assets	56.1	58.7	77.6	82.3	126.7	130.6	130.6	133.8	140.0	146.1	151.5	151.5
Liabilities												
Accounts payable	2.9	3.3	4.4	5.9	4.9	5.1	5.1	4.8	5.6	5.8	6.0	6.0
Accrued expenses	2.3	3.4	4.5	5.4	6.4	6.7	6.7	5.6	6.2	7.1	7.3	7.3
Deferred revenue	6.9	8.3	9.0	8.5	9.1	9.8	9.8	10.4	11.1	11.9	12.7	12.7
Notes payable, current portion	9.4	6.3	9.4	10.6	5.1	5.1	5.1	5.1	5.1	5.1	5.1	5.1
Settlement liability, current portion	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Current Liabilities	21.6	21.3	27.4	30.3	25.5	26.6	26.6	25.9	27.9	29.8	31.1	31.1
Deferred rent and other non-current liabilities	2.5	3.1	3.6	0.8	0.9	0.8	0.8	0.8	0.9	0.9	0.8	0.8
Deferred revenue, less current portion	1.0	1.8	2.0	2.0	2.1	2.1	2.1	2.2	2.2	2.2	2.3	2.3
Notes payable, less current portion	11.9	11.8	22.0	21.2	9.9	9.9	9.9	9.9	9.9	9.9	9.9	9.9
Warrants for redeemable convertible preferred stock	0.5	1.3	2.6	4.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Non-current Liabilities	15.9	18.0	30.3	28.0	12.9	12.8	12.8	12.9	13.0	13.0	13.0	13.0
Total Liabilities	37.5	39.3	57.7	58.4	38.3	39.4	39.4	38.7	40.9	42.9	44.1	44.1
Total stockholders' equity (deficit)	18.6	19.4	19.9	24.0	88.4	91.2	91.2	95.1	99.1	103.2	107.4	107.4
Total Liabilities and stockholders' equity (deficit)	56.1	58.7	77.6	82.3	126.7	130.6	130.6	133.8	140.0	146.1	151.5	151.5

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

TNGO Cash Flow Statement

(in millions)	FY 2009	FY 2010	Mar 11	Jun 11	Sept 11E	Dec 11E	FY 2011E	Mar 12E	Jun 12E	Sept 12E	Dec 12E	FY 2012E
Net income (loss)	(2.6)	(1.8)	(0.6)	(1.4)	(2.8)	0.8	(4.0)	1.6	1.7	1.5	1.4	6.1
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:												
Amortization of debt discount	0.2	0.0	0.2	0.2	0.2	0.2	0.8	0.2	0.2	0.2	0.2	0.8
D&A	3.5	3.5	1.0	1.1	1.1	1.1	4.3	1.1	1.1	1.2	1.2	4.6
Increase (decrease) in deferred rent liability	(0.4)	(0.5)	(0.1)	(0.0)	0.1	(0.1)	(0.1)	0.0	0.0	0.0	(0.1)	(0.0)
Amortization of marketing agreement intangible asset	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.1
Allowance for doubtful accounts	0.0	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Deferred income taxes	0.2	0.2	0.1	0.0	0.0	0.0	0.2	0.0	0.0	0.0	0.0	0.2
Stock-based compensation	0.7	1.9	0.8	0.9	0.9	0.9	3.5	1.3	1.3	1.5	1.7	5.8
Stock-based compensation related to common stock and Series A convertible preferred stock repurchase	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Non-cash expense relative to issuance of warrants to service provider	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Increase (decrease) in fair value of warrants for redeemable convertible preferred stock	0.2	0.9	0.5	1.5	0.0	0.0	2.0	0.0	0.0	0.0	0.0	0.0
Changes in operating assets and liabilities:												
Accounts receivable, net	(0.1)	(3.0)	(1.6)	(0.8)	0.4	0.5	(1.6)	(5.0)	1.7	0.2	0.2	(2.9)
Prepaid expenses and other assets	(0.0)	(0.5)	0.1	0.1	(0.3)	(0.0)	(0.2)	(0.6)	(0.1)	(0.1)	(0.1)	(0.9)
Other assets	(0.1)	(1.2)	(0.4)	0.1	(0.2)	(0.1)	(0.7)	(1.0)	(0.2)	(0.2)	(0.2)	(1.5)
Accrued expenses	(0.2)	1.1	(0.4)	0.5	1.0	0.3	1.4	(1.1)	0.6	0.9	0.2	0.6
Accounts payable	0.1	0.2	0.8	0.8	(1.0)	0.1	0.8	(0.3)	0.8	0.2	0.2	0.9
Deferred revenue	0.9	2.3	0.7	(0.5)	0.6	0.8	1.6	0.6	0.8	0.8	0.9	3.1
Changes in working capital	0.5	(1.2)	(0.9)	0.1	0.5	1.5	1.3	(7.3)	3.6	1.9	1.3	(0.7)
Net cash (used in) provided by operating activities	2.4	3.4	1.1	2.4	0.1	4.5	8.2	(3.1)	7.9	6.4	5.8	17.0
Purchases of computers, furniture and equipment		(0.7)		(0.4)	(0.1)	(0.3)	(0.3)	(0.5)	(1.1)	(0.5)	(0.5)	(0.6)
Cash paid in connection with acquisitions, net of cash acquired		(0.1)		0.0	(8.2)	(0.0)	0.0	0.0	(8.2)	0.0	0.0	0.0
Cash held in escrow		0.0		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net cash (used in) provided by investing activities	(0.7)	(0.4)	(8.3)	(0.3)	(0.3)	(0.5)	(9.3)	(0.5)	(0.5)	(0.6)	(0.6)	(2.2)
Rampayments of debt	(0.6)	(8.6)	(11.9)	(0.1)	(25.5)	0.0	(37.6)	0.0	0.0	0.0	0.0	0.0
Borrowings of debt	0.0	5.5	20.0	0.0	0.0	0.0	20.0	0.0	0.0	0.0	0.0	0.0
Deferred financing costs	(0.1)	(0.1)	(0.2)	0.0	0.0	0.0	(0.2)	0.0	0.0	0.0	0.0	0.0
Payments of settlement liability	(0.2)	(0.2)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Payment of debt in connection with acquisition	(0.9)	(1.0)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Proceeds from exercise of options	0.1	0.3	0.2	0.0	0.0	0.0	0.3	0.0	0.0	0.0	0.0	0.2
Proceeds from repayment of notes receivable	0.0	0.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Proceeds from initial public offering of common stock	0.0	0.0	0.0	0.0	69.8	0.0	69.8	0.0	0.0	0.0	0.0	0.0
Payments made to repurchase securities as a result of litigation settlement	(0.4)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Proceeds from issuance of Series F redeemable convertible preferred stock, net of costs incurred	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Cash paid to repurchase outstanding common stock and Series A convertible preferred stock	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net cash (used in) provided by financing activities	(2.1)	(3.3)	8.1	(0.1)	44.3	0.0	52.3	0.0	0.0	0.0	0.0	0.2
Effect of exchange rate changes on cash	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net increase (decrease) in cash	(0.4)	(0.3)	1.0	2.1	44.1	4.1	51.3	(3.5)	7.5	5.8	5.2	14.9
Cash at beginning of period	6.6	6.2	5.9	6.9	9.0	53.1	5.9	57.2	53.6	61.1	66.9	57.2
Cash at end of period	6.2	5.9	6.9	9.0	53.1	57.2	57.2	53.6	61.1	66.9	72.1	72.1

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

Investment Thesis

- A leading provider of communications lifecycle management (CLM) solutions
- Largest player in a multibillion-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 \$14 price target for Tangoe by applying a 4.1x multiple to our FY12E recurring revenue of \$107.5M. 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 \$14 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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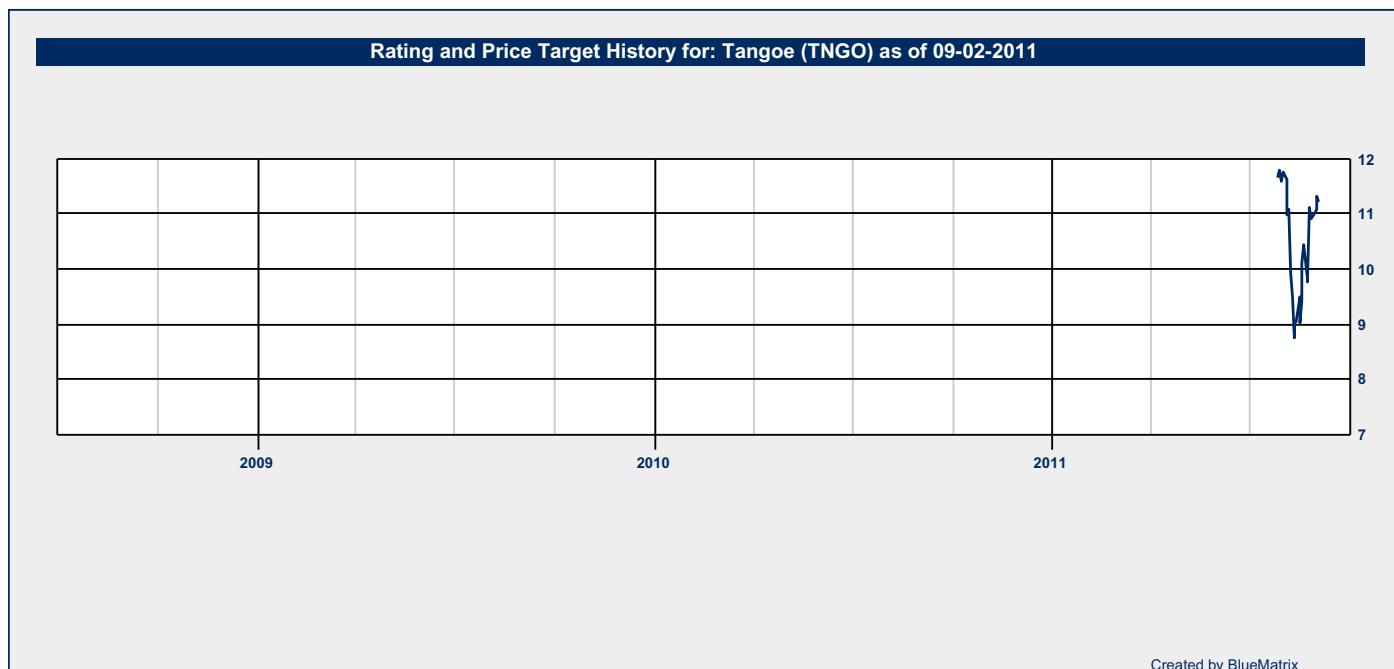
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 Salesforce.com (CRM - NYSE, 123.61, PERFORM)
 SuccessFactors (SFSF - Nasdaq, 20.83, OUTPERFORM)

Taleo (TLEO - Nasdaq, 23.91, OUTPERFORM)
 Ultimate Software Group (ULTI - Nasdaq, 47.00, PERFORM)
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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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Sell - anticipates that the shares will depreciate 10% or more in price within the next 12 months, due to fundamental weakness perceived in the company or for valuation reasons, or are expected to perform significantly worse than equities within the peer group.

Distribution of Ratings/IB Services Firmwide				
Rating	IB Serv/Past 12 Mos.			
	Count	Percent	Count	Percent
OUTPERFORM [O]	326	55.60	147	45.09
PERFORM [P]	249	42.50	78	31.33
UNDERPERFORM [U]	11	1.90	4	36.36

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