WUNDERLICH SECURITIES

Technology: Software as-a-Service

Initiating Coverage
Rating: Buy
Price Target: $30.00

TANGOE, INC. (TNGO: $18.60)

April 5, 2012

Market Data	
12-18 Month Price Target	$30.00
52-Week Range	$20.05 - $8.01
ADTV - 90Day (000s)	483.5
Market Cap ($MM)	$677.6
Shares Out (MM)	33.2
Public Market Float (MM)	27.2
Dividend	NA
Dividend/Yield	NM

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 leveraged 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.

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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 leveraged 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 beleive 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 volatizing 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 potetnially 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 ot 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 that 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

(figures in millions except per share data)	Ticker	Rating	Stock Price	52-Week High	Price % Change vs. 52-Week High	Shares	Market Cap.	Net Cash	Net Cash Per Share	Equity Valuation	Revenue Growth Latest Q	Revenue Multiples LQA	EV/Rev	2009	EV/Rev	2010	EV/Rev	2011	EV/Rev	Earnings Multiples 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	($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	$5.60	$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
LogMeIn ******	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
2011 Revenue Growth Rate Average																		31.74%									
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	-	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

****** 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 April 4, 2012

Source: Wunderlich Securities, FactSet Consensus & Company Reports

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

(000's excluding per share data)	2008 TOTAL	2009 TOTAL	1Q10 MAR	2Q10 JUN	3Q10 SEP	4Q10 DEC	2010 TOTAL	1Q11 MAR	2Q11 JUN	3Q11 SEP	4Q11 DEC	2011 TOTAL	1Q12E MAR	2Q12E JUN	3Q12E SEP	4Q12E DEC	2012E TOTAL	1Q13E MAR	2Q13E JUN	3Q13E SEP	4Q13E DEC	2013E TOTAL
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	$18,493	$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	6,298	6,669	6,931	7,307	27,206
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	2,250	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	$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 EBIDTA	($2,058)	$3,137	$1,448	$1,628	$1,815	$1,975	$6,866	$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)			647	(45)	(42)	323	883	540	2,420	1,864	0	4,824										
"ALL-IN" GAAP NET INOME			($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	$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	$0.02	$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%	27.18%	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%	7.19%
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%	10.90%	10.58%	11.13%	12.00%	11.75%	11.50%	11.25%	11.61%	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%	16.50%	16.25%	16.00%	15.75%	16.11%	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%	16.75%	16.25%	16.00%	15.75%	16.17%	16.00%	16.00%	16.00%	16.00%	16.00%
Tax Rate (Cash)	0.00%	0.00%	-	-	-	-	-	7.88%	9.16%	3.37%	3.37%	5.72%	4.05%	5.03%	4.11%	4.26%	4.35%	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	11.58%
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%	16.59%	4.86%	7.06%	-	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.

This report constitutes a compendium report (covers six or more subject companies). As such, Wunderlich Securities, Inc. chooses to provide specific disclosures for the subject companies by reference. To access current disclosures for the subject companies, clients may e-mail a request to research@wundernet.com, or may write or call the Wunderlich Securities Research Department at Wunderlich Securities, Inc., 400 E. Pratt Street, Suite 710, Baltimore, MD, 21202, 866.297.8259.

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.*

*** 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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Buy – a security which at the time the rating is instituted or reiterated indicates an expectation of a total return of greater than 20% over the next 12-18 months.

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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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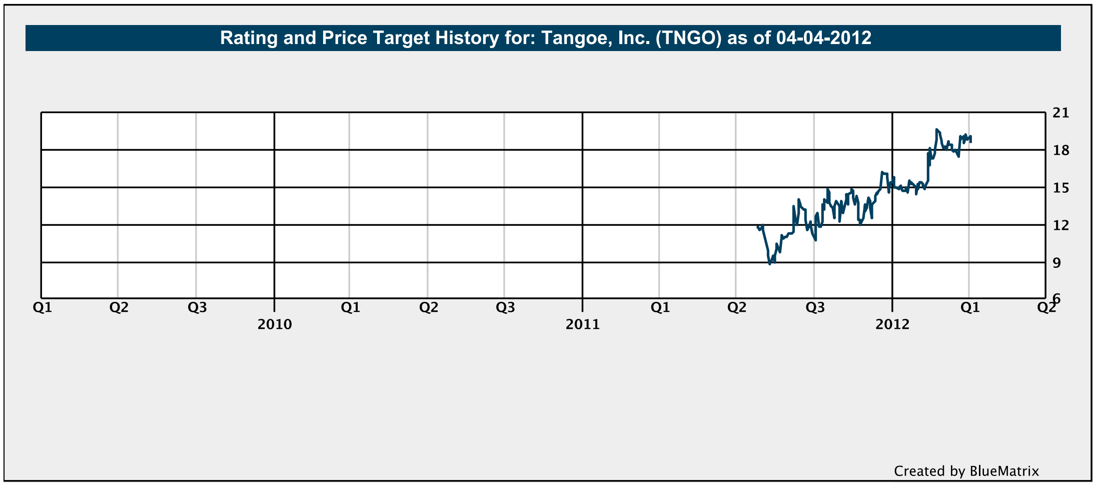

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