

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 | | | | 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

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% |

| | | | | | | | | | | | | | |
|---|-----------------|----------------|---------------|---------------|---------------|--------------|---------------|--------------|--------------|--------------|--------------|--------------|--------------|
| 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% |

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 \$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

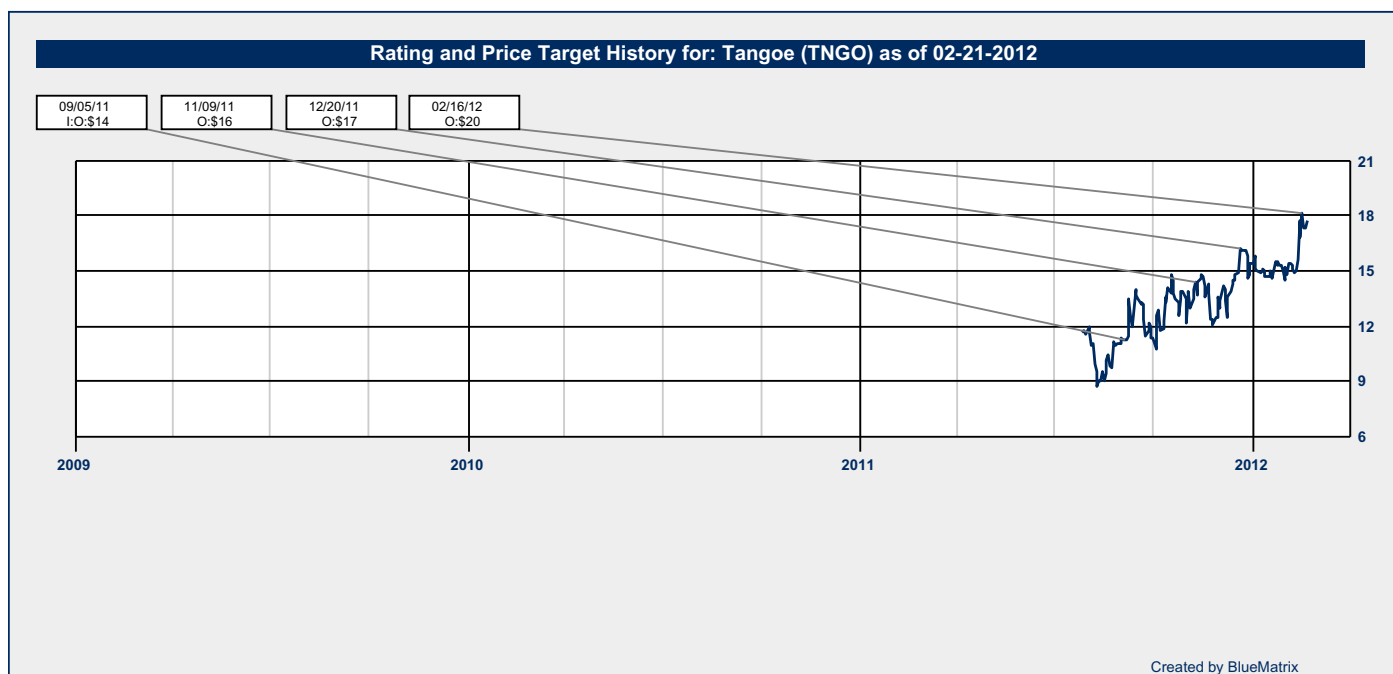
There are several risks to our investment thesis, including the sluggish pace of IT spending, which may cause deals to be delayed and/or downsized; the company's failing to successfully integrate an acquisition; CLM demand not materializing as expected; loss of a material customer; increased competition 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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| Rating | Count | IB Serv/Past 12 Mos. | |
|------------------|-------|----------------------|-------|
| | | Percent | Count |
| OUTPERFORM [O] | 334 | 55.90 | 146 |
| PERFORM [P] | 257 | 43.00 | 87 |
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