EQUITY RESEARCH

INITIATION OF COVERAGE

September 5, 2011

TECHNOLOGY/ENTERPRISE SOFTWARE

Tangoe

This Dance Partner Reduces Telecom Expenses; Initiate with Outperform

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.

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- **Greenfield opportunities abound.** TNGO estimates that 80% of enterprises use outdated, home-grown systems to manage fixed/mobile telecom assets.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.

Brad Reback, CFA
404-364-8728
Brad.Reback@opco.com

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 Subbloie 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:

			09/01/11	Net	Ent.	Rec. Rev.			EV to Rec. Rev		
Company	**Ticker**	**Rating**	**Price**	**Cash**	**Value**	**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		**9.0x**	**6.1x**
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	**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**
			09/01/11	**Net**	**Ent.**	**Annual Rec. Rev**			**EV to Rec. Rev**		
Company	**Ticker**	**Rating**	**Price**	**Cash**	**Value**	**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. *President, CEO, and Chairman of the Board*	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 *CFO*	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 *EVP, Global Sales*	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 *SVP, Customer Account Management*	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 *SVP, Mobile Solutions*	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. *President, CEO, and Chairman of the Board*	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 *Compensation Committee Chair*	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 *Audit Committee Chair*	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 *Nominating & Corporate Governance Committee Chair*	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	39.0	39.5	40.0	40.5	39.8
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%	-8.6%	-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%**	**8.6%**	**9.2%**	**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%**	**10.6%**	**10.0%**	**11.4%**	**11.9%**	**11.4%**	**11.7%**	**11.6%**	**14.9%**	**15.0%**	**15.0%**	**15.0%**	**15.0%**

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)	16.8%	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%	46.8%	49.1%
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%

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

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)	(0.6)	(2.2)
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	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	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)**
Repayments 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.

Important Disclosures and Certifications

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.

Potential Conflicts of Interest:

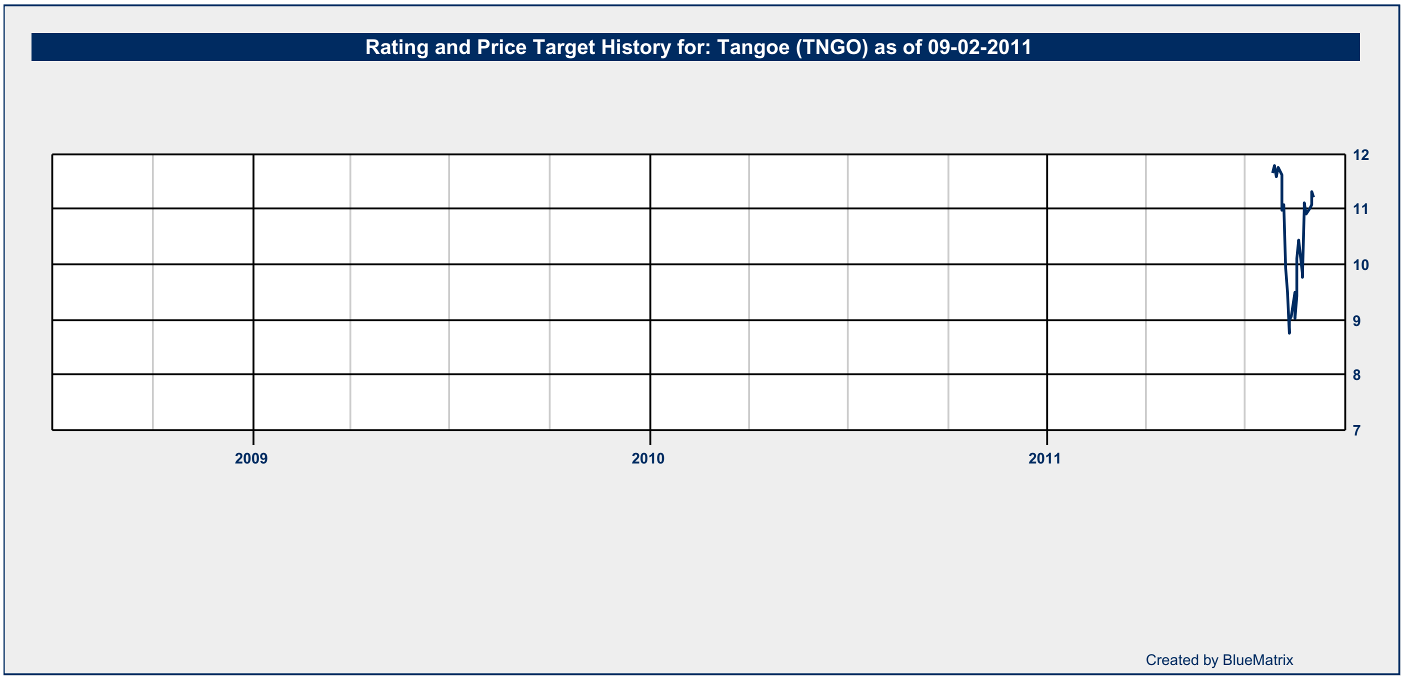
Equity research analysts employed by Oppenheimer & Co. Inc. are compensated from revenues generated by the firm including the Oppenheimer & Co. Inc. Investment Banking Department. Research analysts do not receive compensation based upon revenues from specific investment banking transactions. Oppenheimer & Co. Inc. generally prohibits any research analyst and any member of his or her household from executing trades in the securities of a company that such research analyst covers. Additionally, Oppenheimer & Co. Inc. generally prohibits any research analyst from serving as an officer, director or advisory board member of a company that such analyst covers. In addition to 1% ownership positions in covered companies that are required to be specifically disclosed in this report, Oppenheimer & Co. Inc. may have a long position of less than 1% or a short position or deal as principal in the securities discussed herein, related securities or in options, futures or other derivative instruments based thereon. Recipients of this report are advised that any or all of the foregoing arrangements, as well as more specific disclosures set forth below, may at times give rise to potential conflicts of interest.

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

Stock Prices as of September 5, 2011

Ariba (ARBA - Nasdaq, 26.12, PERFORM)
Concur Technologies (CNQR - OTC, 39.03, OUTPERFORM)
Constant Contact Inc. (CTCT - Nasdaq, 17.41, OUTPERFORM)
Kenexa (KNXA - Nasdaq, 18.41, OUTPERFORM)
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)
SAP AG (SAP - NYSE, 51.99, 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.

Oppenheimer & Co. Inc. Rating System as of January 14th, 2008:

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

			IB Serv/Past 12 Mos.	
Rating	**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

Although the investment recommendations within the three-tiered, relative stock rating system utilized by Oppenheimer & Co. Inc. do not correlate to buy, hold and sell recommendations, for the purposes of complying with FINRA rules, Oppenheimer & Co. Inc. has assigned buy ratings to securities rated Outperform, hold ratings to securities rated Perform, and sell ratings to securities rated Underperform.

Company Specific Disclosures

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

Oppenheimer & Co. Inc. expects to receive or intends to seek compensation for investment banking services in the next 3 months from TNGO, CNQR, CTCT, KNXA, SFSF, and TLEO.

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

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

Oppenheimer & Co. Inc. makes a market in the securities of TNGO, ARBA, CNQR, CTCT, KNXA, SFSF, TLEO, and ULTI.

Additional Information Available

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.

Other Disclosures

This report is issued and approved for distribution by Oppenheimer & Co. Inc. Oppenheimer & Co. Inc transacts Business on all Principal Exchanges and Member SIPC. This report is provided, for informational purposes only, to institutional and retail investor clients of Oppenheimer & Co. Inc. and does not constitute an offer or solicitation to buy or sell any securities discussed herein in any jurisdiction where such offer or solicitation would be prohibited. The securities mentioned in this report may not be suitable for all types of investors. This report does not take into account the investment objectives, financial situation or specific needs of any particular client of