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Reason for Report:

Earnings Announcement

Changes	Previous	Current
Rating	--	Neutral
Price Tgt	--	\$6.00
FY11E Rev (mil)	\$181.6	\$191.5
FY12E Rev (mil)	\$197.1	\$208.3
FY11E EPS	\$0.53	\$0.69
FY12E EPS	\$0.46	\$0.62

Price:	\$4.90
52 Week High:	\$11.48
52 Week Low:	\$4.65
12-Month Price Target:	\$6.00

DCF with assumptions of 16% NT WACC,
3% LT growth rate.
Shares Out (mil): 44.9
Market Cap. (mil): \$220.0
Avg Daily Vol (000): 240
Book Value/Share: \$3.61
Debt to Total Capital: 0%
Est LT EPS Growth: (3%)
P/E to LT EPS Growth (FY11): -2.4x
Fiscal Year End: Jun

Rev (mil)	2010A	2011E	2012E
Sep	\$36.0A	\$51.1A	\$49.4E
Dec	\$40.5A	\$46.1E	\$51.5E
Mar	\$45.1A	\$46.8E	\$53.0E
Jun	<u>\$49.5A</u>	<u>\$47.5E</u>	<u>\$54.5E</u>
FY	\$171.2A	\$191.5E	\$208.3E
CY	\$191.8E	\$195.2E	\$219.0E

FY RM	1.3x	1.1x	1.1x
CY RM	1.1x	1.1x	1.0x

EPS	2010A	2011E	2012E
Sep	\$0.83A	\$0.27A	\$0.15E
Dec	\$0.83A	\$0.16E	\$0.15E
Mar	\$0.83A	\$0.13E	\$0.16E
Jun	<u>\$0.24A</u>	<u>\$0.13E</u>	<u>\$0.16E</u>
FY	\$0.83A	\$0.69E	\$0.62E
CY	\$1.50E	\$0.56E	\$0.64E

FY P/E	5.9x	7.1x	7.9x
CY P/E	3.3x	8.8x	7.7x

TeleNav, Inc. Neutral

(TNAV - \$4.90)

TeleNav Reports Solid FY1Q11 Results And Issues Better Guidance

CONCLUSION:

TeleNav reported fiscal 1Q11 results and hosted a conference call after the close on October 28. Financial results were in line to better than expected, although subscriber additions were less than our forecast. Management raised fiscal 2011 guidance.

- **Financial Results:** First quarter revenues were 1.2% ahead of our forecast, while adjusted EBITDA was 19.3% ahead. GAAP EPS of \$0.27 was 5c ahead of our estimate and street consensus of \$0.22.
- **Positive Notables:** TeleNav expects the AT&T agreement to auto-renew in March 2011; financial results were ahead of expectations, management raised 2011 guidance; growth in "other" revenues is expected to double in 2011; the company is earning premium service revenues from Sprint customers.
- **Negative Notables:** An auto-renew of the AT&T contract would only last for one year; TeleNav did not announce any new carrier or automotive partnerships; subscriber adds were less than expected.
- **Net net,** TeleNav's results were better than expected and the updated 2011 guidance should result in numbers moving up across the street. However, the longer-term risks of future carrier renegotiations and competition from other (free) navigation services remain. We maintain our \$6 target and Neutral rating.
- **Changes to our model.** We are raising our fiscal 2011 revenue estimate by just over 5%, in line with management's updated guidance. We are also raising GAAP EPS to \$0.69 from \$0.53.

INVESTMENT RECOMMENDATION:

We rate TeleNav Neutral with a \$6 target price. Our target price is based on our DCF valuation using a cost of capital of 16.0% and a 3.0% terminal growth rate.

RISKS TO ACHIEVEMENT OF TARGET PRICE:

Renegotiation of carrier contracts could result in a larger revenue and customer declines than anticipated. New competitors such as Google could widely offer mobile navigation for free. Smartphones and their millions of apps could limit TeleNav's customer penetration.

COMPANY DESCRIPTION:

TeleNav is a leading provider of mobile location based services.

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TeleNav Reports Solid FY1Q11 Results And Issues Better Guidance

TeleNav reported fiscal 1Q11 results and hosted a conference call after the close on October 28. Financial results were in line to better than expected, although subscriber additions were less than our forecast. First quarter revenues were 1.2% of our forecast, while adjusted EBITDA was 19.3% ahead. GAAP EPS of \$0.27 was 5c ahead of our estimate and street consensus of \$0.22. Management raised fiscal 2011 guidance.

Exhibit 1: TNAV 1Q11 Results At A Glance

in millions, unless otherwise stated

	1Q10 Act.	4Q10 Act.	1Q11 Est.	1Q11 Act.
Total Net Revenues	\$ 36.0	\$ 49.5	\$ 50.5	\$ 51.1
Adjusted EBITDA	\$ 14.9	\$ 21.2	\$ 18.1	\$ 21.6
Net Income	\$ 8.1	\$ 10.6	\$ 10.1	\$ 12.4 *
Total Subscribers	10.8	16.1	18.1	17.7
Total Net Adds	1.3	1.6	2.0	1.6
ARPU (calculated, includes pass thru)	\$ 1.10	\$ 1.01	\$ 0.91	\$ 0.94 *
EPS - Piper Jaffray / Actual	\$ -	\$ 0.24	\$ 0.22	\$ 0.27 *
EPS - Consensus Est.			\$ 0.22	

**Reported*

Source: Company data, Piper Jaffray estimates

Highlights From the Conference Call**Positive Notables**

- TeleNav expects the AT&T agreement to auto-renew in March 2011. Management declined to elaborate on what gives them confidence that it will be auto-renewed, but when pressed on the conference call, management noted that they are in constant dialog with all of their carrier partners. We believe TeleNav has probably been given a wink and a nod by AT&T that they don't plan on canceling or renegotiating the contract at this time.
- Financial results were ahead of expectations. TeleNav beat our estimates and guidance for all key financial metrics.
- Management raised its outlook for fiscal 2011. The midpoint of 2011 revenue guidance was raised by 3.8% while the midpoint of net income guidance was raised over 29%. The company also raised gross margin guidance by 200 basis points. See Exhibits 2 and 3, below, for a comparison of TeleNav's guidance to our estimates.
- Management guided to meaningful growth in "other" revenues segment. In the current quarter, "other" revenues represented over 5% of total revenues, but is expected to represent 10% exiting the fiscal year. Other revenues are driven by automotive, premium navigation services, and mobile advertising.
- On the call, management noted that the company is earning premium service revenues from Sprint customers for services such as premium navigation (with voice input) and weather/traffic alerts.

Exhibit 2: TeleNav 2Q11 Guidance*in millions, unless otherwise stated*

		PJC Prior Estimates (millions, except EPS)	PJC New Estimates (millions, except EPS)
Guidance			
Total Revenue	\$45 - \$47 million	43.0	46.1
Gross Margin	79 - 80%	78%	79%
Non-GAAP Operating Expenses	\$21 - \$23 million, excluding \$900k in stock-	22.8	22.4
GAAP Net Income	\$6.5 - \$7.5 million	4.9	7.2
GAAP EPS	\$0.14 - \$0.16	\$0.11	\$0.16
Non-GAAP Net Income	\$7 - \$8 million	5.8	7.7
Non-GAAP EPS	\$0.15 - \$0.17	\$0.13	\$0.17
Effective Tax Rate	41%	41%	41%
Wtd-Avg Diluted Shares	45 - 46 million	46.2	45.3

*Source: Company data, Piper Jaffray estimates***Exhibit 3: TeleNav Fiscal 2011 Guidance***in millions, unless otherwise stated*

		PJC Prior Estimates (millions, except EPS)	PJC New Estimates (millions, except EPS)
Updated Guidance			
Total Revenue	\$187 - \$192 million	181.6	191.5
Gross Margin	78 - 80%	78%	79%
Non-GAAP Operating Expenses	\$90 - \$94 million, excluding \$4M in stock-based	92.6	92.5
GAAP Net Income	\$29 - \$33 million	24.5	31.6
GAAP EPS	\$0.64 - \$0.72	\$0.53	\$0.69
Non-GAAP Net Income	\$32 - \$36 million	24.5	33.9
Non-GAAP EPS	\$0.70 - \$0.78	\$0.53	\$0.75
Effective Tax Rate	41%	41%	41%
Wtd-Avg Diluted Shares	45 - 46 million	46.3	45.4

*Source: Company data, Piper Jaffray estimates***Negative Notables**

- While an auto-renew of the AT&T contract would be a positive for the company, the terms of the contract call for the renewal period to only last for one year (at which point it would be up for renewal again). This essentially means that there are no renegotiation overhangs in 2011, but in 2012 we could see an AT&T renegotiation followed by a Sprint renegotiation later in the year.
- TeleNav did not announce any new carrier or automotive partnerships.
- Subscriber additions were less than forecast. TeleNav added 1.6 million new subscription customers, versus our estimate of 2.0 million. Customer adds were flat quarter-over-quarter.

Net Net

TeleNav's results were better than expected and the updated 2011 guidance should result in numbers moving up across the street. However, the longer-term risks of future carrier renegotiations and competition from other (free) navigation services remain. We maintain our \$6 target and Neutral rating.

Changes to Our Model

We are raising our fiscal 2011 revenue estimate by just over 5%, in line with management's updated guidance. We are also raising GAAP EPS to \$0.69 from \$0.53.

TeleNav

(Figures in millions, except per share)

				Est	Est	Est	Est	Est
	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
Income statement								
Subscription revenue	48	109	169	177	188	199	205	209
Automotive and other revenue	0	2	2	15	20	26	34	44
Total Revenue	48	111	171	192	208	225	239	253
Cost of revenue	11	20	29	40	43	46	50	53
R&D	14	23	39	53	60	65	69	73
S&M	13	16	17	20	24	26	27	29
G&A	5	8	13	19	26	27	28	29
Adjusted EBITDA	5	43	73	59	56	61	64	68
D&A	0	0	0	0	0	0	0	0
Operating income	5	43	73	59	56	61	64	68
Non-cash compensation	(0)	(1)	(5)	(4)	(5)	(7)	(7)	(8)
Interest, net	0	0	0	0	0	0	0	0
Other income (expense)	0	(1)	(0)	(2)	(2)	(2)	(2)	(2)
Pretax income	4.8	41.5	68.0	53.5	48.8	51.7	55.1	58.6
Income taxes (benefit)	0	12	27	22	20	21	23	24
	0	0	0	0	0	0	0	0
Net income	5	30	41	32	29	31	32	35
Preferred div and accretion	0	0	0	0	0	0	0	0
Net income to common stockholders	4.6	29.6	41.4	31.6	28.8	30.5	32.5	34.6
Net Income to common, Adjusted	5	30	41	32	29	31	32	35
Amount allocable to common shareholders								
Diluted Shares O/S			37	45	47	47	48	49
EPS (Diluted)			\$0.83	\$0.69	\$0.62	\$0.64	\$0.67	\$0.70
Margins								
Cost of service	23.6%	18.3%	17.2%	20.7%	20.5%	20.6%	20.8%	21.0%
G&A	10.3%	7.4%	7.4%	10.0%	12.3%	12.1%	11.8%	11.6%
S&M	27.3%	14.8%	9.7%	10.6%	11.4%	11.4%	11.4%	11.4%
R&D	28.4%	21.0%	22.8%	27.7%	29.0%	29.0%	29.0%	29.0%
EBITDA	10.3%	38.6%	42.8%	31.0%	26.9%	26.9%	27.0%	27.0%
Operating Income	10.3%	39.4%	43.5%	33.5%	29.7%	30.4%	31.4%	32.7%
Tax rate	4%	29%	39%	41%	41%	41%	41%	41%
Gross Margin		82%	83%	79%	80%	79%	79%	79%
Annual growth								
Total Revenue		131%	54%	12%	9%	8%	6%	6%
EBITDA			71%	-19%	-6%	8%	6%	6%
Sequential growth								
Total Revenue		126%	55%	5%	6%	6%	3%	2%
EBITDA		764%	71%	-19%	-6%	8%	6%	6%

10/28/2010

Source: Company data, Piper Jaffray estimates.

Current disclosure information for this company is located at <http://www.piperjaffray.com/researchdisclosures>.

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TeleNav

(Figures in millions, except per share)

	Sep-08	Dec-08	Mar-09	Jun-09	Sep-09	Dec-09	Mar-10	Jun-10	Sep-10	Est Dec-10	Est Mar-11	Est Jun-11
Income statement	1Q09	2Q09	3Q09	4Q09	1Q10	2Q10	3Q10	4Q10	1Q11	2Q11	3Q11	4Q11
Subscription revenue	21.1	24.9	29.0	33.6	35.6	39.6	44.5	48.9	48.5	42.8	42.8	42.8
Automotive and other revenue	0.5	0.3	0.8	0.6	0.4	0.9	0.6	0.6	2.6	3.3	4.0	4.8
Total Revenue	21.5	25.3	29.8	34.3	36.0	40.5	45.1	49.5	51.1	46.1	46.8	47.5
Cost of revenue	4.0	4.5	5.3	6.5	7.1	6.9	7.2	8.3	8.8	9.7	10.5	10.7
R&D	4.6	5.5	6.1	7.1	7.8	9.1	10.5	11.6	12.5	13.4	13.3	13.8
S&M	3.8	4.0	4.1	4.5	3.8	4.0	4.4	4.5	4.6	5.1	5.2	5.4
G&A	1.6	1.9	2.3	2.4	2.5	3.0	3.5	3.8	3.6	3.9	5.8	5.9
Adjusted EBITDA	7.4	9.5	12.1	13.8	14.9	17.5	19.6	21.2	21.6	14.1	11.9	11.7
D&A												
Operating income	7.4	9.5	12.1	13.8	14.9	17.5	19.6	21.2	21.6	14.1	11.9	11.7
Non-cash compensation	(0.1)	(0.1)	(0.1)	(0.2)	(0.3)	(0.5)	(0.6)	(3.5)	(0.9)	(0.9)	(1.1)	(1.1)
Interest, net								0.0	0.1	0.0	0.0	0.0
Other income (expense)	0.1	0.1	(0.7)	(0.3)	(0.5)	0.2	(0.0)	(0.1)	0.1	(1.0)	(0.5)	(0.5)
Pretax income	7.5	9.5	11.3	13.3	14.1	17.2	19.0	17.7	20.9	12.2	10.3	10.1
Income taxes (benefit)	2.5	2.6	3.8	3.0	6.0	7.1	6.5	7.1	8.6	5.0	4.2	4.1
Net income	4.975	6.862	7.448	10.333	8.121	10.136	12.541	10.612	12.4	7.2	6.1	6.0
Preferred div and accretion												
Net income to common stockholders								8.936	12.4	7.2	6.1	6.0
Net Income to common, Adjusted								8.9	12.4	7.2	6.1	6.0
Amount allocable to common shareholders												
Diluted Shares O/S								37	45	45	46	46
EPS (Diluted)								\$0.24	\$0.27	\$0.16	\$0.13	\$0.13
Margins												
Cost of service	18.7%	17.6%	17.7%	18.9%	19.6%	17.0%	15.9%	16.9%	17.3%	21.0%	22.5%	22.5%
G&A	7.4%	7.4%	7.8%	7.0%	6.9%	7.4%	7.7%	7.7%	7.0%	8.5%	12.4%	12.4%
S&M	17.9%	15.9%	13.6%	13.0%	10.6%	9.8%	9.7%	9.1%	9.0%	11.0%	11.2%	11.4%
R&D	21.4%	21.6%	20.3%	20.8%	21.5%	22.5%	23.2%	23.4%	24.5%	29.0%	28.5%	29.0%
EBITDA	34.6%	37.5%	40.5%	40.3%	41.4%	43.3%	43.5%	42.9%	42.3%	30.5%	25.4%	24.7%
Operating Income	35.4%	37.9%	41.6%	41.1%	41.8%	44.3%	44.1%	43.4%	44.5%	32.8%	27.7%	27.4%
Tax rate	33%	28%	34%	22%	42%	41%	34%	40%	41%	41%	41%	41%
Gross Margin	81%	82%	82%	81%	80%	83%	84%	83%	83%	79%	78%	78%
Annual growth												
Total Revenue	162%	155%	138%	97%	67%	60%	51%	45%	42%	14%	4%	-4%
EBITDA	#N/A	9269%	757%	233%	100%	85%	63%	54%	45%	-20%	-39%	-45%
Sequential growth												
Total Revenue	23%	17%	18%	15%	5%	12%	11%	10%	3%	-10%	2%	2%
EBITDA	80%	27%	28%	14%	8%	18%	12%	8%	2%	-35%	-15%	-1%

10/28/2010

Source: Company data, Piper Jaffray estimates.

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TeleNav

(Figures in millions, except per share)

			Est	Est	Est	Est	Est	Est
Balance Sheet	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
Cash & Cash Equivalents	17	33	113	83	103	129	157	188
A/R	15	24	37	43	49	52	55	57
Deferred Tax Asset, ST	0	2	2	4	4	4	4	4
Prepaid Expenses and Other C/A	1	3	3	84	84	84	84	84
PPE, Net	3	7	10	12	14	16	18	20
Deferred Tax Asset, LT	0	0	0	0	0	0	0	0
Dposits and Other Assets	1	3	10	8	8	8	8	8
Total Assets	36	72	175	233	262	292	325	361
A/P	1	2	3	2	2	2	3	4
Accrued Compensation	2	4	6	4	4	4	4	4
Accrued Royalties	2	3	3	4	4	4	4	4
Other Accrued Expenses	2	2	3	3	3	3	3	3
Deferred Revenue	2	3	7	28	28	28	28	28
Warrant Liability, current	0	0	0	0	0	0	0	0
Income Taxes Payable	0	3	2	6	6	6	6	6
S/T Debt	0	0	0	0	0	0	0	0
Other Liabilities	1	0	3	5	5	5	5	5
Warrant Liabilities	2	0	0	0	0	0	0	0
Commitments and Contingencies	0	0	0	0	0	0	0	0
Long-term Debt	0	0	0	0	0	0	0	0
Convertible Preferred stock	50	51	0	0	0	0	0	0
Equity	(26)	3	149	181	210	241	273	308
Liabilities + Equity	36	72	175	233	262	292	325	361

Source: Company data, Piper Jaffray estimates.

TeleNav

(Figures in millions, except per share)

			Est	Est	Est	Est	Est
Statement of Cash Flows	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
Net income	30	41	32	29	31	32	35
D&A	2	5	7	7	8	8	9
Change in working capital	(8)	(13)	(6)	(6)	(2)	(2)	(2)
Accrued interest	0	0	0	0	0	0	0
Other operating	0	11	27	0	0	0	0
Net cash from operations	24	44	59	30	36	38	41
License cost	0	0	0	0	0	0	0
Cap-x	(8)	(7)	(8)	(9)	(10)	(10)	(10)
Other investing	0	(2)	(81)	0	0	0	0
Net cash from investing	(8)	(10)	(89)	(9)	(10)	(10)	(10)
Issue stock / exercise options	0	44	0	0	0	0	0
Debt issues	0	0	0	0	0	0	0
Other financing	0	1	0	0	0	0	0
Net cash from financing	0	45	0	0	0	0	0
Effect of foreign exchange							
Change in cash	16.3	79.7	(30.1)	20.3	26.2	28.1	30.9
Cash at beginning	16.9	33.2	112.9	82.8	103.0	129.3	157.3
Cash at end	33.2	112.9	82.8	103.0	129.3	157.3	188.2

Source: Company data, Piper Jaffray estimates.

TeleNav

Valuation analysis

(\$ millions, except per share data)

	FY 2009	FY 2010	Est FY 2011	Est FY 2012	Est FY 2013	Est FY 2014	Est FY 2015
EBIT	\$42	\$68	\$55	\$51	\$54	\$57	\$61
Less: Tax Rate*EBIT	(15)	(24)	(19)	(18)	(19)	(20)	(21)
Plus: Depreciation	2	5	7	7	8	8	9
Less: Change in Working Capital	\$8	\$13	\$6	\$6	\$2	\$2	\$2
Less: Capital Expenditures	(\$8)	(\$7)	(\$8)	(\$9)	(\$10)	(\$10)	(\$10)
Free Cash Flow to the Firm	\$31	\$55	\$41	\$37	\$35	\$38	\$39
After tax Interest Expense	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Equity Free Cash Flow	\$31	\$55	\$41	\$37	\$35	\$38	\$39
Equity FCF per share		1.48	0.90	0.81	0.74	0.78	0.80

Current Price

Cost of capital

Risk free rate (10-yr UST)

Risk premium

Beta

Cost of equity (CAPM)

Weighted ave. cost of debt

Debt to capital

WACC (k)

Projected

Terminal

4.0%

5.0%

6.0%

5.0%

2.0

1.75

16.0%

13.8%

8.0%

8.0%

0%

10%

16.0%

12.8%

Terminal FCF growth rate (g)

3.0%

FCF Terminal Multiple (1+g)/(k-g)

10.5x

Terminal Value of Firm

\$412

Valuation (end of FY 2011)

PV FCF 2012 through 2015

\$104

PV Terminal Value

\$227

PV of Firm

\$332

Less: 2011 Net Debt

\$0

Majority Equity Value

\$332

Less Minority Discount

15%

Minority Equity Value

\$282

DCF Valuation Per Share

\$6

Source: Company data, Piper Jaffray estimates.

Important Research Disclosures



Notes: The boxes on the Rating and Price Target History chart above indicate the date of the Research Note, the rating, and the price target. Each box represents a date on which an analyst made a change to a rating or price target, except for the first box, which may only represent the first Note written during the past three years.

Legend:

I: Initiating Coverage

R: Resuming Coverage

T: Transferring Coverage

D: Discontinuing Coverage

S: Suspending Coverage

OW: Overweight

N: Neutral

UW: Underweight

B: Buy (Piper Jaffray discontinued use of the B, N, and S ratings on June 30, 2009)

N: Neutral

S: Sell

OP: Outperform (Piper Jaffray discontinued use of the OP, MP and UP ratings on November 15, 2007)

MP: Market Perform

UP: Underperform

AL On/AL Off: Placed on/removed from the Alpha List maintained by Piper Jaffray (AL use discontinued March 2010)

NA: Not Available

UR: Under Review

Distribution of Ratings/IB Services Piper Jaffray				
Rating	Count	Percent	IB Serv./Past 12 Mos.	
			Count	Percent
BUY [OW]	296	49.20	67	22.64
HOLD [N]	260	43.20	24	9.23
SELL [UW]	46	7.60	1	2.17

Note: Distribution of Ratings/IB Services shows the number of companies currently in each rating category from which Piper Jaffray and its affiliates received compensation for investment banking services within the past 12 months. FINRA rules require disclosure of which ratings most closely correspond with "buy," "hold," and "sell" recommendations. Piper Jaffray ratings are not the equivalent of buy, hold or sell, but instead represent recommended relative weightings. Nevertheless, Overweight corresponds most closely with buy, Neutral with hold and Underweight with sell. See Stock Rating definitions below.

Important Research Disclosures

Analyst Certification — Christopher M. Larsen, Sr. Research Analyst

— Bradley W. Korch, Research Analyst

— Joseph A. Mastrogiovanni, Research Analyst

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