

April 26, 2011

TELENV, INC. (TNAV-Q)

Rating: Buy
12-Month Target: \$16.80

Q3'11 EARNINGS PREVIEW

MARKET INFO: TNAV-Q			
Closing Price			\$10.76
Target Price			\$16.80
Potential ROI			56.1%
52 Week Range (\$)			\$4.65 / \$12.27
Market Cap (\$mm)			\$452.4
Cash (mm)			\$155.7
Debt (mm)			\$0.0
Enterprise Value (mm)			\$296.7
Shares o/s (mm)			42.0
Avg Volume (previous 3 months)			163,960
FYE: June 30	FY2010A	FY2011E	FY2012E
Revenue (mm)	\$171.2	\$198.6	\$230.5
EBITDA (mm)	\$78.5	\$73.7	\$79.5
EBITDA margin (%)	45.9%	37.1%	34.5%
EPS	\$0.83	\$0.84	\$0.88
VALUATION	FY2010A	FY2011E	FY2012E
EV/Sales	1.7X	1.5X	1.3X
EV/EBITDA	3.8X	4.0X	3.7X
P/E	13.0X	12.9X	12.2X

Source: Capital IQ, M Partners



Q3'11 PREVIEW

- Telenav reports its Q3'11 results after market close on April 28th and will hold a conference call at 5:00 pm. The toll-free dial in number is (888) 204-4317.
- Our EBITDA margin forecast is 1.3% higher than the consensus while our revenue forecast is \$0.8M lower than consensus. Variance in EBITDA margins are simply the result of differences in the rate at which margins decline.
- The company provided extensive forward guidance for the remainder of FY'11 during the Q2'11 investor call. Management guided towards FY'11 revenue of between \$195M and \$200M for FY'11 and Q3'11 revenue of between \$48M and \$50M.

(\$mm)	Actuals		Q3'11 Estimates		Change	
	Q2'11A	Q3'10A	M Partners	Consensus	Q/Q	Y/Y
Revenue	\$48.0	\$45.1	\$48.5	\$49.3	1.0%	7.5%
Adj. EBITDA*	\$18.5	\$20.9	\$15.2	\$14.8	-18.2%	-29.3%
EBITDA (%)	38.6%	46.4%	31.3%	30.0%	- 732 bps	- 1514 bps
EPS*	\$0.22	\$0.25	\$0.18	\$0.17	-19.0%	-27.2%

Source: M Partners, Capital IQ

MEANINGFUL PROGRESS DURING THE QUARTER

- Extended its agreement with AT&T until 2013 with the same terms and conditions as previous.
- Partnered with QNX Car (RIMM-Q) for automotive applications.
- Won a contract with Delphi to provide in-car navigation for a significant automotive manufacturer. We believe that it may be Audi.
- Extended its navigation solution
- Launched on iPhone 4 for Verizon.

ITEMS OF INTEREST FOR INVESTORS DURING THE CALL

- Growth rates of lines of business outside of Sprint and AT&T.
- Guidance adjustments up or down.

WHAT WE THINK

- The company has exceeded its quarterly guidance since it went public in 2010. Based on previous patterns, we believe that it is more likely that performance will exceed guidance than miss it for Q3'11.
- Even if the company exceeds guidance, we do not see the likelihood of a violent swing in the share price, which occurred when the company reported for Q1'11 and Q2'11 results.
- Although we note that the share price has declined from a recent all-time high of \$12.27 to a \$0.30 range around \$10.50. An earnings report that exceeds guidance could result in the share price recapturing some of the recent lost ground.
- We re-iterate our BUY recommendation and share price target of \$16.80, inferring a FYE 7.5X EV/EBITDA multiple, which is in-line with its peer group at 7.6X. Considering that TNAV has some of the best margins among its peers, we believe that the median multiple inferred in our target price is more than justified. Right now TNAV trades at just 4.0X EV/EBITDA multiple.

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											Valuation Multiples				
TeleNav	Market Cap (mm)	Ent. Value (mm)	LTM Revenues (mm)	Cash & Equiv. (mm)	LTM EBITDA (mm)	LTM EBITDA Margin (%)	LTM EPS	EBITDA (%)	ROE (%)	3-Year Growth Rate (%)	FYE TEV/ EBITDA	FY+1 TEV/ EBITDA	FWD P/E	TEV/ LTM EBITDA	TEV/ LTM Revenues
LBS Vendors															
DigitalGlobe, Inc. (NYSE:DGI)	\$1,330.9	\$1,497.7	\$322.2	\$179.3	\$164.1	50.9	0.1	50.9%	0.8%	28.5%	5.9x	5.4x	85.7x	9.1x	4.6x
Garmin Ltd. (NasdaqGS:GRMN)	\$7,168.3	\$5,882.9	\$2,689.9	\$1,285.4	\$731.3	27.2	3.0	27.2%	19.9%	-5.4%	9.1x	9.3x	14.5x	8.0x	2.2x
GeoEye, Inc. (NasdaqGS:GEOY)	\$840.1	\$1,014.9	\$330.3	\$333.4	\$170.1	51.5	1.0	51.5%	6.8%	21.8%	5.5x	4.4x	19.8x	6.0x	3.1x
TomTom NV (ENXTAM:TOM2)	\$1,392.3	\$1,674.0	\$1,521.1	\$311.3	\$276.6	18.2	0.5	18.2%	0.0%	0.0%	6.2x	5.8x	10.2x	6.1x	1.1x
Trimble Navigation Limited (NasdaqGS:TRMB)	\$6,215.5	\$6,167.4	\$1,293.9	\$220.8	\$206.2	15.9	0.8	15.9%	7.8%	1.9%	22.0x	18.6x	26.4x	28.3x	4.8x
Wireless Matrix Corp. (TSX:WRX)	\$77.5	\$64.0	\$37.7	\$13.5	\$5.2	13.9	(0.0)	13.9%	-11.5%	4.0%	12.9x	9.7x	19.5x	12.2x	1.7x
Average								29.6%	4.0%	8.5%	10.3x	8.9x	29.3x	11.6x	2.9x
Median								22.7%	3.8%	3.0%	7.6x	7.6x	19.7x	8.6x	2.6x
TeleNav, Inc. (NasdaqGS:TNAV)	\$452.4	\$296.7	\$193.7	\$155.7	\$78.6	40.6	1.0	40.6%	36.7%	0.0%	4.0x	3.7x	12.9x	3.8x	1.5x

Source: Capital IQ, M Partners

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Rating System

Buy: price expected to rise
Sell: price is inflated and expected to decrease
Hold: properly priced
Speculative Buy: price expected to rise; material risk to the investment exists
Under review: not currently rated

Summary of Recommendations		
As of March 31, 2011		
Buy	35	86%
Sell	1	2%
Hold	5	12%
Total	41	100%

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