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#### Reason for Report:

Change in Price Target

Changes	Previous	Current
Rating	--	Neutral
Price Tgt	\$6.00	\$8.00
FY11E Rev (mil)	\$191.5	\$199.1
FY12E Rev (mil)	\$208.3	\$231.4
FY11E EPS	\$0.69	\$0.80
FY12E EPS	\$0.62	\$0.73

Price:	\$7.37
52 Week High:	\$11.48
52 Week Low:	\$4.65
12-Month Price Target:	\$8.00

DCF with assumptions of 16% NT WACC,  
3% LT growth rate.

Shares Out (mil):	44.9
Market Cap. (mil):	\$330.9
Avg Daily Vol (000):	114
Book Value/Share:	\$3.82
Debt to Total Capital:	NA
Est LT EPS Growth:	4%
P/E to LT EPS Growth (FY11):	2.3x
Fiscal Year End:	Jun

Rev (mil)	2010A	2011E	2012E
Sep	\$36.0A	\$51.1A	\$54.0E
Dec	\$40.5A	\$48.0A	\$56.8E
Mar	\$45.1A	\$49.2E	\$59.1E
Jun	<u>\$49.5A</u>	<u>\$50.8E</u>	<u>\$61.6E</u>
FY	\$171.2A	\$199.1E	\$231.4E
CY	\$193.7A	\$210.8E	\$249.1E

FY RM	1.9x	1.7x	1.4x
CY RM	1.7x	1.6x	1.3x

EPS	2010A	2011E	2012E
Sep	\$0.83A	\$0.27A	\$0.17E
Dec	\$0.83A	\$0.22A	\$0.18E
Mar	\$0.83A	\$0.16E	\$0.19E
Jun	<u>\$0.24A</u>	<u>\$0.15E</u>	<u>\$0.19E</u>
FY	\$0.83A	\$0.80E	\$0.73E
CY	\$1.56A	\$0.66E	\$0.77E

FY P/E	8.9x	9.2x	10.1x
CY P/E	4.7x	11.2x	9.6x

## TeleNav, Inc. Neutral

(TNAV - \$7.37)

### TeleNav Reports Strong Quarter, Raises Guidance

#### CONCLUSION:

TeleNav reported fiscal 2Q11 results and hosted a conference call after the close on January 27. Financial results and subscriber metrics were better than expected. Management raised fiscal 2011 guidance and issued fiscal 3Q11 guidance above our estimates.

- **Financial Results:** Second quarter revenues were 4.1% ahead of our forecast, while adjusted EBITDA was 14.5% ahead. GAAP EPS of \$0.22 was 6c ahead of our estimate and 5c ahead of street consensus of \$0.17.
- **Positive Notables:** TeleNav and AT&T extended their contract by 2 years; financial results were ahead of expectations; subscriber results were better than expected; management raised 2011 guidance; TeleNav signed an agreement with Delphi to bring TeleNav's navigation software to select models from a global vehicle manufacturer; TeleNav is growing its mobile advertising business; the company is looking to grow new markets and technologies through M&A.
- **Negative Notables:** R&D expenses continue to grow; headcount and comp costs continue to grow; competition from free navigation services remain.
- **Net net,** TeleNav's results were better than expected, the updated 2011 guidance should result in numbers moving up across the street, and the AT&T extension resolves one overhang. The longer-term risks of future carrier renegotiations and competition from other (free) navigation services remain, but we are getting increasingly confident that new revenue sources (advertising, automotive and enterprise LBS) can help to mitigate this risk. We are maintaining our Neutral rating, but we are increasing our target to \$8 on better long-term revenue growth.
- **Changes to our model.** We are raising our fiscal 2011 revenue estimate by 4%, in line with management's updated guidance. We are also raising GAAP EPS to \$0.80 from \$0.69.

#### INVESTMENT RECOMMENDATION:

We rate TeleNav Neutral with an \$8 target price. We continue to base our target price 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 Strong Quarter And Raises Guidance

TeleNav reported fiscal 2Q11 results and hosted a conference call after the close on January 27. Second quarter revenues were 4.1% ahead of our forecast, while adjusted EBITDA was 14.5% ahead. GAAP EPS of \$0.22 was 6c ahead of our estimate and 5c ahead of street consensus of \$0.17. Management raised fiscal 2011 guidance and issued fiscal 3Q11 guidance above our estimates.

### Exhibit 1: TNAV 2Q11 Results At A Glance

*in millions, unless otherwise stated*

	2Q10 Act.	1Q11 Act.	2Q11 Est.	2Q11 Act.
Total Net Revenues	\$ 40.5	\$ 51.1	\$ 46.1	\$ 48.0
Adjusted EBITDA	\$ 17.5	\$ 21.6	\$ 14.1	\$ 16.1
Net Income	\$ 10.1	\$ 12.4	\$ 7.2	\$ 10.0 *
Total Subscribers	12.7	17.7	19.2	19.6
Total Net Adds	1.9	1.6	1.5	1.9
ARPU (reported)	\$ 1.04	\$ 0.94	\$ 0.75	\$ 0.80
EPS - Piper Jaffray / Actual	\$ 0.19	\$ 0.27	\$ 0.16	\$ 0.22 *
EPS - Consensus Est.			\$ 0.17	

\*Reported

Source: Company data, Piper Jaffray estimates

## Highlights From the Conference Call

### Positive Notables

- TeleNav and AT&T extended their existing contract by 2 years. The contract was up for auto-renewal in March, and the extension provides TeleNav with access to AT&T's subscriber base on the same terms as before until 2013.
- Financial results were ahead of expectations; TeleNav beat our estimates and guidance for all key financial metrics.
- Subscriber results were also better than expected. TeleNav provided service to an average of 19.6M subscribers in the quarter, ahead of our 19.2M estimate. TeleNav exited the quarter providing service to more than 20 million subscribers.
- Management raised its outlook for fiscal 2011. The midpoint of 2011 revenue guidance was raised by 4.2% while the midpoint of net income guidance was raised over 19%. The company also raised gross margin guidance by 100 basis points. See Exhibits 2 and 3, below, for a comparison of TeleNav's guidance to our estimates.
- TeleNav signed an agreement with Delphi to bring TeleNav's navigation software to select models from a global vehicle manufacturer.
- TeleNav is growing its mobile advertising business. During the quarter, TeleNav increased its base of mobile advertisers by 50% to 750,000. TeleNav's click-through rates remained high at 3.6% while drive to rates exceeded 24%.
- The company is looking to grow new markets and technologies through M&A. TeleNav has hired a new VP of Corporate Development and Strategy who will lead TeleNav's strategic M&A efforts. On the call, management noted that they could use M&A both to extend their offerings internationally and also to add new technologies to the core product offerings.

### Exhibit 2: TeleNav 3Q11 Guidance

*in millions, unless otherwise stated*

	Guidance	PJC Prior Estimates (millions, except EPS)	PJC New Estimates (millions, except EPS)
Total Revenue	\$48 - \$50 million	46.8	49.2
Gross Margin	80%	78%	80%
Non-GAAP Operating Expenses	\$26 - \$27 million, excluding \$1M in stock-based comp	24.4	26.5
GAAP Net Income	\$7.0 - \$8.0 million	6.1	7.3
GAAP EPS	\$0.15 - \$0.17	\$0.13	\$0.16
Non-GAAP Net Income	\$7.5 - \$8.5 million	6.7	7.9
Non-GAAP EPS	\$0.16 - \$0.18	\$0.15	\$0.17
Effective Tax Rate	40%	41%	40%
Wtd-Avg Diluted Shares	45 - 46 million	45.6	45.1

Source: Company data, Piper Jaffray estimates

**Exhibit 3: TeleNav Fiscal 2011 Guidance***in millions, unless otherwise stated*

	Prior Guidance	Updated Guidance	PJC Prior Estimates (millions, except EPS)	PJC New Estimates (millions, except EPS)
Total Revenue	\$187 - \$192 million	\$195 - \$200 million	191.5	199.1
Gross Margin	78 - 80%	80%	79%	80%
Non-GAAP Operating Expenses	\$90 - \$94 million, excl. \$4M in stock-based comp	\$97 - \$100 million, excl. \$4M in stock-based comp	92.5	97.5
GAAP Net Income	\$29 - \$33 million	\$36 - \$38 million	31.6	36.3
GAAP EPS	\$0.64 - \$0.72	\$0.79 - \$0.83	\$0.69	\$0.80
Non-GAAP Net Income	\$32 - \$36 million	\$38 - \$40 million	33.9	38.7
Non-GAAP EPS	\$0.70 - \$0.78	\$0.84 - \$0.88	\$0.75	\$0.86
Effective Tax Rate	41%	40%	41%	39%
Wtd-Avg Diluted Shares	45 - 46 million	45 million	45.4	45.0

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

- Operating expenses grew meaningfully this quarter and are expected to grow again in fiscal 3Q11. TeleNav saw growth in compensation costs both from headcount increases and from greater competition for talent. R&D expenses grew as the company continues to explore new technologies and services.
- Despite management's assurances that TeleNav is not seeing a material impact from free navigation offerings, the competitive risks from these services remain.

**Net Net**

TeleNav's results were better than expected, the updated 2011 guidance should result in numbers moving up across the street, and the AT&T contract extension resolves one overhang. The longer-term risks of future carrier renegotiations and competition from other (free) navigation services remain, but we are getting increasingly confident that new revenue sources (advertising, automotive and enterprise LBS) can help to mitigate this risk. We are maintaining our Neutral rating, but we are increasing our target to \$8 on better long-term revenue growth.

**Changes to Our Model**

We are raising our fiscal 2011 revenue estimate by 4%, in line with management's updated guidance. We are also raising GAAP EPS to \$0.80 from \$0.69.

# TeleNav

(Figures in millions, except per share)

<b>Income statement</b>	<b>FY 2008</b>	<b>FY 2009</b>	<b>FY 2010</b>	<b>Est FY 2011</b>	<b>Est FY 2012</b>	<b>Est FY 2013</b>	<b>Est FY 2014</b>	<b>Est FY 2015</b>
Subscription revenue	48	109	169	184	210	238	264	279
Automotive, advertising and other revenue	0	2	2	15	22	30	42	63
<b>Total Revenue</b>	<b>48</b>	<b>111</b>	<b>171</b>	<b>199</b>	<b>231</b>	<b>268</b>	<b>307</b>	<b>342</b>
Cost of revenue	11	20	29	39	47	55	64	72
R&D	14	23	39	55	67	78	89	99
S&M	13	16	17	22	28	33	37	42
G&A	5	8	13	20	28	32	36	39
<b>Adjusted EBITDA</b>	<b>5</b>	<b>43</b>	<b>73</b>	<b>63</b>	<b>60</b>	<b>70</b>	<b>80</b>	<b>90</b>
D&A	0	0	0	0	0	0	0	0
<b>Operating income</b>	<b>5</b>	<b>43</b>	<b>73</b>	<b>63</b>	<b>60</b>	<b>70</b>	<b>80</b>	<b>90</b>
Non-cash compensation	(0)	(1)	(5)	(4)	(6)	(8)	(9)	(10)
Interest, net	0	0	0	1	1	1	2	2
Other income (expense)	0	(1)	(0)	0	0	0	0	0
<b>Pretax income</b>	<b>4.8</b>	<b>41.5</b>	<b>68.0</b>	<b>59.6</b>	<b>55.6</b>	<b>63.1</b>	<b>72.8</b>	<b>81.7</b>
Income taxes (benefit)	0	12	27	23	22	25	29	33
	0	0	0	0	0	0	0	0
Net income	5	30	41	36	33	38	44	49
Preferred div and accretion	0	0	0	0	0	0	0	0
<b>Net income to common stockholders</b>	<b>4.6</b>	<b>29.6</b>	<b>41.4</b>	<b>36.3</b>	<b>33.4</b>	<b>37.9</b>	<b>43.7</b>	<b>49.0</b>
<b>Net Income to common, Adjusted</b>	<b>5</b>	<b>30</b>	<b>41</b>	<b>36</b>	<b>33</b>	<b>38</b>	<b>44</b>	<b>49</b>
<b>Amount allocable to common shareholders</b>								
Diluted Shares O/S			37	45	46	47	48	49
EPS (Diluted)			\$0.83	\$0.80	\$0.73	\$0.81	\$0.92	\$1.01
<b>Margins</b>								
Cost of service	23.6%	18.3%	17.2%	19.5%	20.5%	20.6%	20.8%	21.0%
G&A	10.3%	7.4%	7.4%	10.3%	12.3%	12.0%	11.8%	11.6%
S&M	27.3%	14.8%	9.7%	11.2%	12.2%	12.2%	12.2%	12.2%
R&D	28.4%	21.0%	22.8%	27.5%	29.0%	29.0%	29.0%	29.0%
<b>EBITDA</b>	<b>10.3%</b>	<b>38.6%</b>	<b>42.8%</b>	<b>31.5%</b>	<b>26.1%</b>	<b>26.1%</b>	<b>26.2%</b>	<b>26.2%</b>
Operating Income	10.3%	39.4%	43.5%	34.1%	28.8%	29.4%	30.3%	32.2%
Tax rate	4%	29%	39%	39%	40%	40%	40%	40%
Gross Margin		82%	83%	80%	80%	79%	79%	79%
<b>Annual growth</b>								
Total Revenue		131%	54%	16%	16%	16%	15%	12%
EBITDA			71%	-15%	-4%	16%	15%	12%
<b>Sequential growth</b>								
Total Revenue		126%	55%	9%	14%	14%	11%	5%
EBITDA		764%	71%	-15%	-4%	16%	15%	12%

1/27/2011

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	Dec-10	Est Mar-11	Est Jun-11
<b>Income statement</b>	<b>1Q09</b>	<b>2Q09</b>	<b>3Q09</b>	<b>4Q09</b>	<b>1Q10</b>	<b>2Q10</b>	<b>3Q10</b>	<b>4Q10</b>	<b>1Q11</b>	<b>2Q11</b>	<b>3Q11</b>	<b>4Q11</b>
Subscription revenue	21.1	24.9	29.0	33.6	35.6	39.6	44.5	48.9	48.0	44.7	45.1	46.0
Automotive, advertising and other revenue	0.5	0.3	0.8	0.6	0.4	0.9	0.6	0.6	3.1	3.4	4.1	4.8
<b>Total Revenue</b>	<b>21.5</b>	<b>25.3</b>	<b>29.8</b>	<b>34.3</b>	<b>36.0</b>	<b>40.5</b>	<b>45.1</b>	<b>49.5</b>	<b>51.1</b>	<b>48.0</b>	<b>49.2</b>	<b>50.8</b>
Cost of revenue	4.0	4.5	5.3	6.5	7.1	6.9	7.2	8.3	8.8	8.8	9.8	11.4
R&D	4.6	5.5	6.1	7.1	7.8	9.1	10.5	11.6	12.5	13.0	14.5	14.7
S&M	3.8	4.0	4.1	4.5	3.8	4.0	4.4	4.5	4.6	5.6	5.9	6.2
G&A	1.6	1.9	2.3	2.4	2.5	3.0	3.5	3.8	3.6	4.5	6.1	6.3
<b>Adjusted EBITDA</b>	<b>7.4</b>	<b>9.5</b>	<b>12.1</b>	<b>13.8</b>	<b>14.9</b>	<b>17.5</b>	<b>19.6</b>	<b>21.2</b>	<b>21.6</b>	<b>16.1</b>	<b>12.8</b>	<b>12.1</b>
D&A												
<b>Operating income</b>	<b>7.4</b>	<b>9.5</b>	<b>12.1</b>	<b>13.8</b>	<b>14.9</b>	<b>17.5</b>	<b>19.6</b>	<b>21.2</b>	<b>21.6</b>	<b>16.1</b>	<b>12.8</b>	<b>12.1</b>
Non-cash compensation	(0.1)	(0.1)	(0.1)	(0.2)	(0.3)	(0.5)	(0.6)	(3.5)	(0.9)	(0.9)	(1.0)	(1.2)
Interest, net								0.0	0.1	0.2	0.2	0.1
Other income (expense)	0.1	0.1	(0.7)	(0.3)	(0.5)	0.2	(0.0)	(0.1)	0.1	0.1	0.1	0.1
<b>Pretax income</b>	<b>7.5</b>	<b>9.5</b>	<b>11.3</b>	<b>13.3</b>	<b>14.1</b>	<b>17.2</b>	<b>19.0</b>	<b>17.7</b>	<b>20.9</b>	<b>15.4</b>	<b>12.1</b>	<b>11.1</b>
Income taxes (benefit)	2.5	2.6	3.8	3.0	6.0	7.1	6.5	7.1	8.6	5.4	4.8	4.5
Net income	4.975	6.862	7.448	10.333	8.121	10.136	12.541	10.612	12.4	10.0	7.3	6.7
Preferred div and accretion												
<b>Net income to common stockholders</b>								<b>8.936</b>	<b>12.4</b>	<b>10.0</b>	<b>7.3</b>	<b>6.7</b>
<b>Net Income to common, Adjusted</b>								<b>8.9</b>	<b>12.4</b>	<b>10.0</b>	<b>7.3</b>	<b>6.7</b>
<b>Amount allocable to common shareholders</b>												
Diluted Shares O/S								37	45	45	45	45
EPS (Diluted)								\$0.24	\$0.27	\$0.22	\$0.16	\$0.15
<b>Margins</b>												
Cost of service	18.7%	17.6%	17.7%	18.9%	19.6%	17.0%	15.9%	16.9%	17.3%	18.3%	20.0%	22.5%
G&A	7.4%	7.4%	7.8%	7.0%	6.9%	7.4%	7.7%	7.7%	7.0%	9.4%	12.4%	12.4%
S&M	17.9%	15.9%	13.6%	13.0%	10.6%	9.8%	9.7%	9.1%	9.0%	11.6%	12.0%	12.2%
R&D	21.4%	21.6%	20.3%	20.8%	21.5%	22.5%	23.2%	23.4%	24.5%	27.2%	29.5%	29.0%
<b>EBITDA</b>	<b>34.6%</b>	<b>37.5%</b>	<b>40.5%</b>	<b>40.3%</b>	<b>41.4%</b>	<b>43.3%</b>	<b>43.5%</b>	<b>42.9%</b>	<b>42.3%</b>	<b>33.5%</b>	<b>26.1%</b>	<b>23.9%</b>
Operating Income	35.4%	37.9%	41.6%	41.1%	41.8%	44.3%	44.1%	43.4%	45.0%	36.1%	28.4%	26.4%
Tax rate	33%	28%	34%	22%	42%	41%	34%	40%	41%	35%	40%	40%
Gross Margin	81%	82%	82%	81%	80%	83%	84%	83%	83%	82%	80%	78%
<b>Annual growth</b>												
Total Revenue	162%	155%	138%	97%	67%	60%	51%	45%	42%	19%	9%	3%
EBITDA	#N/A	9269%	757%	233%	100%	85%	63%	54%	45%	-8%	-35%	-43%
<b>Sequential growth</b>												
Total Revenue	23%	17%	18%	15%	5%	12%	11%	10%	3%	-6%	2%	3%
EBITDA	80%	27%	28%	14%	8%	18%	12%	8%	2%	-25%	-20%	-5%

1/27/2011

Source: Company data, Piper Jaffray estimates.

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*TeleNav*

(Figures in millions, except per share)

<b>Balance Sheet</b>	<b>FY 2008</b>	<b>FY 2009</b>	<b>Est FY 2010</b>	<b>Est FY 2011</b>	<b>Est FY 2012</b>	<b>Est FY 2013</b>	<b>Est FY 2014</b>	<b>Est FY 2015</b>
Cash & Cash Equivalents	17	33	113	36	61	90	125	166
A/R	15	24	37	39	45	52	58	64
Deferred Tax Asset, ST	0	2	2	3	3	3	3	3
Prepaid Expenses and Other C/A	1	3	3	124	124	124	124	124
PPE, Net	3	7	10	11	13	16	20	23
Deferred Tax Asset, LT	0	0	0	1	1	1	1	1
Dposits and Other Assets	1	3	10	6	6	6	6	6
<b>Total Assets</b>	<b>36</b>	<b>72</b>	<b>175</b>	<b>220</b>	<b>254</b>	<b>292</b>	<b>337</b>	<b>387</b>
A/P	1	2	3	3	3	3	5	6
Accrued Compensation	2	4	6	7	7	7	7	7
Accrued Royalties	2	3	3	4	4	4	4	4
Other Accrued Expenses	2	2	3	4	4	4	4	4
Deferred Revenue	2	3	7	11	11	11	11	11
Warrant Liability, current	0	0	0	0	0	0	0	0
Income Taxes Payable	0	3	2	0	0	0	0	0
S/T Debt	0	0	0	0	0	0	0	0
Other Liabilities	1	0	3	7	7	7	7	7
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
<b>Equity</b>	<b>(26)</b>	<b>3</b>	<b>149</b>	<b>185</b>	<b>219</b>	<b>257</b>	<b>300</b>	<b>349</b>
<b>Liabilities + Equity</b>	<b>36</b>	<b>72</b>	<b>175</b>	<b>220</b>	<b>254</b>	<b>292</b>	<b>337</b>	<b>387</b>

Source: Company data, Piper Jaffray estimates.

TeleNav

(Figures in millions, except per share)

<b>Statement of Cash Flows</b>	<b>FY 2009</b>	<b>FY 2010</b>	<b>Est FY 2011</b>	<b>Est FY 2012</b>	<b>Est FY 2013</b>	<b>Est FY 2014</b>	<b>Est FY 2015</b>
Net income	30	41	36	33	38	44	49
D&A	2	5	8	8	9	10	11
Change in working capital	(8)	(13)	(1)	(6)	(6)	(6)	(4)
Accrued interest	0	0	0	0	0	0	0
Other operating	0	11	4	0	0	0	0
<b>Net cash from operations</b>	<b>24</b>	<b>44</b>	<b>47</b>	<b>35</b>	<b>41</b>	<b>48</b>	<b>56</b>
License cost	0	0	0	0	0	0	0
Cap-x	(8)	(7)	(8)	(10)	(12)	(13)	(14)
Other investing	0	(2)	(114)	0	0	0	0
<b>Net cash from investing</b>	<b>(8)</b>	<b>(10)</b>	<b>(122)</b>	<b>(10)</b>	<b>(12)</b>	<b>(13)</b>	<b>(14)</b>
Issue stock / exercise options	0	44	(2)	0	0	0	0
Debt issues	0	0	0	0	0	0	0
Other financing	0	1	0	0	0	0	0
<b>Net cash from financing</b>	<b>0</b>	<b>45</b>	<b>(2)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Effect of foreign exchange							
Change in cash	16.3	79.7	(76.5)	24.8	29.0	34.8	41.7
Cash at beginning	16.9	33.2	112.9	36.4	61.2	90.2	125.0
Cash at end	33.2	112.9	36.4	61.2	90.2	125.0	166.6

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
<b>EBIT</b>	<b>\$42</b>	<b>\$68</b>	<b>\$59</b>	<b>\$55</b>	<b>\$62</b>	<b>\$71</b>	<b>\$79</b>
Less: Tax Rate*EBIT	(15)	(24)	(21)	(19)	(22)	(25)	(28)
Plus: Depreciation	2	5	8	8	9	10	11
Less: Change in Working Capital	\$8	\$13	\$1	\$6	\$6	\$6	\$4
Less: Capital Expenditures	(\$8)	(\$7)	(\$8)	(\$10)	(\$12)	(\$13)	(\$14)
Free Cash Flow to the Firm	\$31	\$55	\$39	\$39	\$43	\$48	\$53
After tax Interest Expense	\$0	\$0	\$0	\$0	\$1	\$1	\$1
Equity Free Cash Flow	\$31	\$55	\$40	\$40	\$44	\$49	\$54
Equity FCF per share		<b>1.48</b>	<b>0.88</b>	<b>0.87</b>	<b>0.94</b>	<b>1.04</b>	<b>1.11</b>

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

4.0%

6.0%

2.0

16.0%

8.0%

0%

**16.0%**

## Terminal

5.0%

5.0%

1.75

13.8%

8.0%

10%

**12.9%**

Terminal FCF growth rate (g)

3.0%

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

10.5x

**Terminal Value of Firm**

**\$550**

## Valuation (end of FY 2011)

PV FCF 2012 through 2015

\$126

PV Terminal Value

\$304

**PV of Firm**

**\$430**

Less: 2011 Net Debt

\$0

Majority Equity Value

\$430

Less Minority Discount

15%

Minority Equity Value

\$366

**DCF Valuation Per Share**

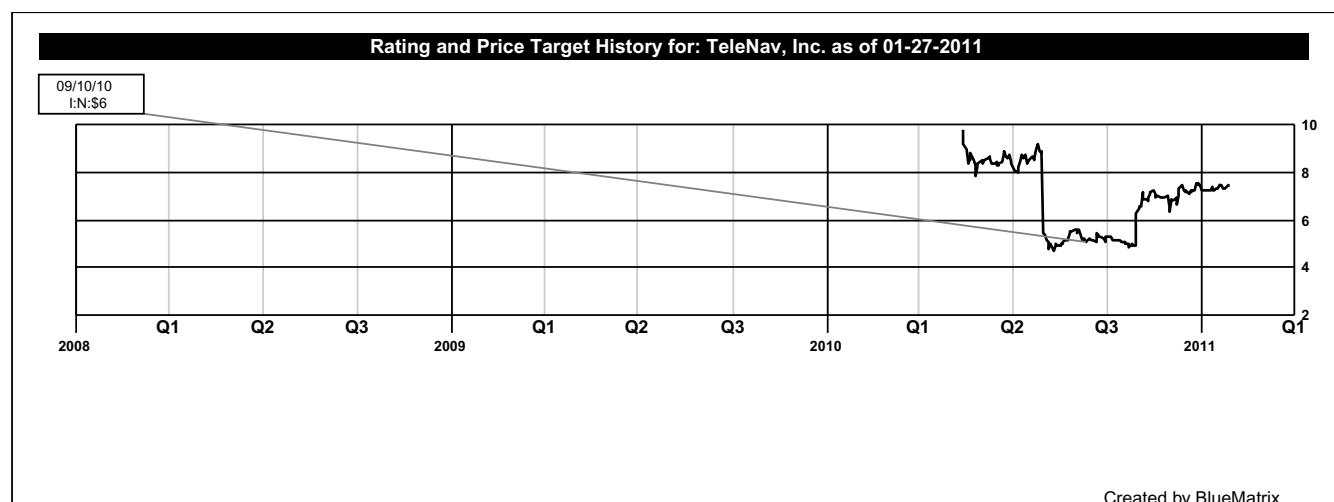
**\$8**

Source: Company data, Piper Jaffray estimates.

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

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NA: Not Available

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Distribution of Ratings/IB Services Piper Jaffray				
Rating	Count	Percent	IB Serv./Past 12 Mos.	
			Count	Percent
BUY [OW]	317	50.60	70	22.08
HOLD [N]	266	42.40	29	10.90
SELL [UW]	44	7.00	2	4.55

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

— Bradley W. Korch, Research Analyst

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