

TeleNav, Inc.

F2Q11 First Take: Transition Looks Relatively Painless So Far; Positive - ALERT

- First Take: Positive
- TNAV beat F2Q expectations, reporting PF EPS of \$0.24 on revenue of \$48 million (JPMe \$0.17/\$45.9mm, Street \$0.17/46.2mm). Average subscribers came in at 19.6 million, ahead of our forecast (18.8mm). Gross margins at 82% easily beat our expectations of 79%, so the impact of the transition to Sprint fixed fee contract so far appears quite benign. Emerging product categories (premium navigation, auto, ad-based) represented 7% of revenues, ahead of our forecast of 5%. The company benefited about \$0.02 from a lower-than-expected tax rate, but we believe the results were otherwise clean and encouraging.
- F3Q and FY11 guidance, both ahead of expectations. TNAV is looking for F3Q PF EPS of \$0.16-\$0.18 on sales of \$48-50mm versus our at-consensus forecast of \$0.15 EPS on revenue of \$45.2mm. Gross margins are expected to be about 80% versus our forecast of 76%. For the full year, TNAV is looking for \$0.84-\$0.88 EPS on sales of \$195-\$200mm (JPMe \$0.72/\$187, Street \$0.71/\$190), so guidance has been increased by more than the extent of the F2Q beat.
- The company has rolled over the AT&T contract by two additional years to March 2013, which removes a major overhang for at least another year. TNAV has expanded its auto relationships to include Delphi and QNX.
- We should learn on the conference call what percentage of revenues originated from Sprint, at which point we should have a better handle on ARPU trends. That said, the transition to a fixed fee contract with Sprint has impacted F2Q results much less than we anticipated.
- TNAV conference call is at 5.00pm ET. Dial-in: 888-208-1361.

Neutral

TNAV, TNAV US

Price: \$7.49

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Applied & Emerging Technologies

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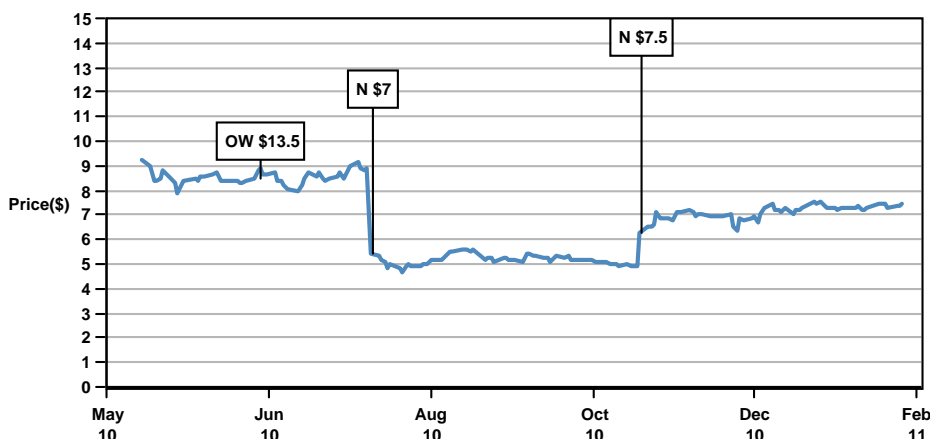
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TeleNav, Inc. (TNAV) Price Chart



Date	Rating	Share Price (\$)	Price Target (\$)
22-Jun-10	OW	8.45	13.50
30-Jul-10	N	5.44	7.00
29-Oct-10	N	6.29	7.50

Source: Bloomberg and J.P. Morgan; price data adjusted for stock splits and dividends.
Initiated coverage Jun 22, 2010. This chart shows J.P. Morgan's continuing coverage of this stock; the current analyst may or may not have covered it over the entire period.
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