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Reason for Report:

Change in Price Target

Changes	Previous	Current
Rating	--	Neutral
Price Tgt	\$11.00	\$14.00
FY11E Rev (mil)	--	\$209.3
FY12E Rev (mil)	--	\$259.0
FY11E EPS	--	\$0.92
FY12E EPS	--	\$0.94

Price:	\$15.13
52 Week High:	\$15.38
52 Week Low:	\$4.65
12-Month Price Target:	\$14.00

DCF with assumptions of 16% NT WACC,
11% terminal WACC, 3% LT growth rate.
Shares Out (mil): 45.2
Market Cap. (mil): \$683.9
Avg Daily Vol (000): 187
Book Value/Share: \$3.93
Debt to Total Capital: 0%
Est LT EPS Growth: 11%
P/E to LT EPS Growth (FY11): 1.5x
Fiscal Year End: Jun

Rev (mil)	2010A	2011E	2012E
Sep	\$36.0A	\$51.1A	\$58.9E
Dec	\$40.5A	\$48.0A	\$62.7E
Mar	\$45.1A	\$57.1A	\$66.2E
Jun	\$49.5A	\$53.0E	\$71.3E
FY	\$171.2A	\$209.3E	\$259.0E
CY	\$193.7A	\$231.7E	\$287.7E

FY RM	4.0x	3.3x	2.6x
CY RM	3.5x	3.0x	2.4x

EPS	2010A	2011E	2012E
Sep	\$0.83A	\$0.27A	\$0.21E
Dec	\$0.83A	\$0.22A	\$0.23E
Mar	\$0.83A	\$0.25A	\$0.24E
Jun	\$0.24A	\$0.18E	\$0.26E
FY	\$0.83A	\$0.92E	\$0.94E
CY	\$1.56A	\$0.87E	\$1.03E

FY P/E	18.2x	16.4x	16.1x
CY P/E	9.7x	17.4x	14.7x

TeleNav, Inc. Neutral

(TNAV - \$15.13)

Takeaways From Upbeat Management Meetings

CONCLUSION:

After recently hosting investor meetings with TeleNav's CEO and CFO, we are feeling more comfortable with the company's growth strategy. Our number one concern for the stock has been the company's ability to manage the competitive threat from free navigation services. We walked away from our meetings, however, with increased confidence in the the company's ability to manage this threat and grow revenues from new sources to minimize the risk.

- **Management is looking beyond the threat.** To us, it seemed that management has accepted and embraced the threat of free navigation services and is putting greater energy into growing and diversifying its revenues via premium services, in-dash navigation, and international expansion. Expansion into new geographies, particularly emerging markets with a broader installed base of feature phones, allows the company to grow core revenues while working on new revenue drivers in parallel.
- **Automotive could be a bigger opportunity.** TeleNav's deal with Ford is a 5-year deal that was several years in the making, essentially making TeleNav THE navigation provider for the foreseeable future on its next generation platform. In addition, the company's recently announced deal with Delphi could have the TeleNav system in an additional manufacturer's cars in the near future. In the past, we had thought of automotive as a nice side business, but it looks like it has much bigger potential and could be a meaningful driver of future revenues.
- **Premium LBS services taking shape.** In the wake of the latest Sprint deal, which offers a fixed payment for bundling service to all subscribers, TeleNav is increasingly looking to premium services to grow revenues. In fact, this could be the company's model to generate revenues if competitive pressures drive the cost of basic navigation to free. As an example, Sprint's \$5 premium offering adds information on speed traps, weather, lane assists and commuter alerts.
- **Advertising revenues remain small today, but the results the company is seeing could bode well for future revenue potential.** Of customers that click-through an advertisement today, the drive-to rate is greater than 25%, an impressive result given that advertisers appear willing to pay decent money (\$1+) to get customers to their location. TeleNav remains focused on growing its user base as the mobile advertising industry continues to take form.

INVESTMENT RECOMMENDATION:

We continue to rate TeleNav Neutral, but we are raising our target price to \$14 after lowering our terminal discount rate on better confidence in the business. We base our target price on our DCF valuation to 2015 using a NT WACC of 16%, a terminal WACC of 11% (was 13.3%) and a 3.0% terminal growth rate.

RISKS TO ACHIEVEMENT OF TARGET PRICE:

Renegotiation of carrier contracts and free navigation services could put revenues at risk. New growth areas could fail to generate anticipated revenues.

COMPANY DESCRIPTION:

TeleNav is a leading provider of mobile location based services.

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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	187	230	271	301	312
Automotive, advertising and other revenue	0	2	2	22	29	44	62	93
Total Revenue	48	111	171	209	259	315	363	405
Cost of revenue	11	20	29	41	47	57	67	75
R&D	14	23	39	54	74	90	104	116
S&M	13	16	17	23	31	38	44	49
G&A	5	8	13	20	31	37	41	45
Adjusted EBITDA	5	43	73	71	77	94	108	121
D&A	0	0	0	0	0	0	0	0
Operating income	5	43	73	71	77	94	108	121
Non-cash compensation	(0)	(1)	(5)	(4)	(6)	(9)	(11)	(12)
Interest, net	0	0	0	1	1	1	2	3
Other income (expense)	0	(1)	(0)	0	0	0	0	0
Pretax income	4.8	41.5	68.0	68.0	71.5	85.6	99.4	111.7
Income taxes (benefit)	0	12	27	26	29	34	40	45
	0	0	0	0	0	0	0	0
Net income	5	30	41	42	43	51	60	67
Preferred div and accretion	0	0	0	0	0	0	0	0
Net income to common stockholders	4.6	29.6	41.4	41.8	42.9	51.4	59.6	67.0
Net Income to common, Adjusted	5	30	41	42	43	51	60	67
Amount allocable to common shareholders								
Diluted Shares O/S			37	45	46	47	48	49
EPS (Diluted)			\$0.83	\$0.92	\$0.94	\$1.10	\$1.25	\$1.38
Margins								
Cost of service	23.6%	18.3%	17.2%	19.6%	18.0%	18.1%	18.3%	18.5%
G&A	10.3%	7.4%	7.4%	9.5%	11.9%	11.6%	11.4%	11.2%
S&M	27.3%	14.8%	9.7%	11.0%	12.0%	12.0%	12.0%	12.0%
R&D	28.4%	21.0%	22.8%	26.0%	28.5%	28.5%	28.5%	28.5%
EBITDA	10.3%	38.6%	42.8%	34.0%	29.7%	29.7%	29.8%	29.8%
Operating Income	10.3%	39.4%	43.5%	38.1%	33.3%	34.5%	35.9%	38.8%
Tax rate	4%	29%	39%	39%	40%	40%	40%	40%
Gross Margin		82%	83%	80%	82%	82%	82%	81%
Annual growth								
Total Revenue		131%	54%	22%	24%	22%	15%	12%
EBITDA			71%	-3%	8%	22%	16%	12%
Sequential growth								
Total Revenue		126%	55%	11%	23%	18%	11%	4%
EBITDA		764%	71%	-3%	8%	22%	16%	12%

5/13/2011

Source: Company data, Piper Jaffray estimates.

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(Figures in millions, except per share)

	Sep-09	Dec-09	Mar-10	Jun-10	Sep-10	Dec-10	Mar-11	Est Jun-11	Est Sep-11	Est Dec-11	Est Mar-12	Est Jun-12
	1Q10	2Q10	3Q10	4Q10	1Q11	2Q11	3Q11	4Q11	1Q12	2Q12	3Q12	4Q12
Income statement												
Subscription revenue	35.6	39.6	44.5	48.9	48.0	44.7	46.3	47.9	53.0	56.3	59.2	62.0
Automotive, advertising and other revenue	0.4	0.9	0.6	0.6	3.1	3.4	10.9	5.2	5.8	6.4	7.0	9.3
Total Revenue	36.0	40.5	45.1	49.5	51.1	48.0	57.1	53.0	58.9	62.7	66.2	71.3
Cost of revenue	7.1	6.9	7.2	8.3	8.8	8.8	12.7	10.6	10.6	11.3	11.9	12.8
R&D	7.8	9.1	10.5	11.6	12.5	13.0	13.7	15.1	16.8	17.9	18.9	20.3
S&M	3.8	4.0	4.4	4.5	4.6	5.6	6.4	6.4	7.1	7.5	7.9	8.6
G&A	2.5	3.0	3.5	3.8	3.6	4.5	5.4	6.4	7.0	7.4	7.8	8.4
Adjusted EBITDA	14.9	17.5	19.6	21.2	21.6	16.1	18.9	14.6	17.5	18.6	19.6	21.1
D&A												
Operating income	14.9	17.5	19.6	21.2	21.6	16.1	18.9	14.6	17.5	18.6	19.6	21.1
Non-cash compensation	(0.3)	(0.5)	(0.6)	(3.5)	(0.9)	(0.9)	(1.1)	(1.3)	(1.4)	(1.5)	(1.6)	(1.7)
Interest, net				0.0	0.1	0.2	0.3	0.2	0.1	0.2	0.2	0.2
Other income (expense)	(0.5)	0.2	(0.0)	(0.1)	0.1	0.1	(0.0)	0.1	0.0	0.0	0.0	0.0
Pretax income	14.1	17.2	19.0	17.7	20.9	15.4	18.0	13.6	16.2	17.3	18.3	19.7
Income taxes (benefit)	6.0	7.1	6.5	7.1	8.6	5.4	6.9	5.3	6.5	6.9	7.3	7.9
Net income	8.121	10.136	12.541	10.612	12.4	10.0	11.2	8.2	9.7	10.4	11.0	11.8
Preferred div and accretion												
Net income to common stockholders				8.936	12.4	10.0	11.2	8.2	9.7	10.4	11.0	11.8
Net Income to common, Adjusted				8.9	12.4	10.0	11.2	8.2	9.7	10.4	11.0	11.8
Amount allocable to common shareholders												
Diluted Shares O/S				37	45	45	45	45	45	46	46	46
EPS (Diluted)				\$0.24	\$0.27	\$0.22	\$0.25	\$0.18	\$0.21	\$0.23	\$0.24	\$0.26
Margins												
Cost of service	19.6%	17.0%	15.9%	16.9%	17.3%	18.3%	22.3%	20.0%	18.0%	18.0%	18.0%	18.0%
G&A	6.9%	7.4%	7.7%	7.7%	7.0%	9.4%	9.4%	12.0%	11.9%	11.9%	11.9%	11.9%
S&M	10.6%	9.8%	9.7%	9.1%	9.0%	11.6%	11.2%	12.0%	12.0%	12.0%	12.0%	12.0%
R&D	21.5%	22.5%	23.2%	23.4%	24.5%	27.2%	24.1%	28.5%	28.5%	28.5%	28.5%	28.5%
EBITDA	41.4%	43.3%	43.5%	42.9%	42.3%	33.5%	33.0%	27.5%	29.7%	29.7%	29.7%	29.7%
Operating Income	41.8%	44.3%	44.1%	43.4%	45.0%	36.1%	40.8%	30.5%	32.9%	33.0%	33.2%	34.1%
Tax rate	42%	41%	34%	40%	41%	35%	38%	39%	40%	40%	40%	40%
Gross Margin	80%	83%	84%	83%	83%	82%	78%	80%	82%	82%	82%	82%
Annual growth												
Total Revenue	67%	60%	51%	45%	42%	19%	27%	7%	15%	31%	16%	34%
EBITDA	100%	85%	63%	54%	45%	-8%	-4%	-31%	-19%	15%	4%	45%
Sequential growth												
Total Revenue	5%	12%	11%	10%	3%	-6%	19%	-7%	11%	6%	6%	8%
EBITDA	8%	18%	12%	8%	2%	-25%	17%	-23%	20%	6%	6%	8%

5/13/2011

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	39	71	113	163	223
A/R	15	24	37	36	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	178	178	178	178	178
PPE, Net	3	7	10	10	12	16	20	23
Deferred Tax Asset, LT	0	0	0	2	2	2	2	2
Dposits and Other Assets	1	3	10	4	4	4	4	4
Total Assets	36	72	175	272	315	367	428	496
A/P	1	2	3	2	3	3	4	6
Accrued Compensation	2	4	6	5	5	5	5	5
Accrued Royalties	2	3	3	3	3	3	3	3
Other Accrued Expenses	2	2	3	4	4	4	4	4
Deferred Revenue	2	3	7	67	67	67	67	67
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	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	186	229	280	340	407
Liabilities + Equity	36	72	175	272	315	367	428	496

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	42	43	51	60	67
D&A	2	5	9	9	10	11	12
Change in working capital	(8)	(13)	1	(8)	(7)	(5)	(4)
Accrued interest	0	0	0	0	0	0	0
Other operating	0	11	63	0	0	0	0
Net cash from operations	24	44	114	44	55	66	75
License cost	0	0	0	0	0	0	0
Cap-x	(8)	(7)	(7)	(12)	(14)	(15)	(16)
Other investing	0	(2)	(173)	0	0	0	0
Net cash from investing	(8)	(10)	(180)	(12)	(14)	(15)	(16)
Issue stock / exercise options	0	44	(9)	0	0	0	0
Debt issues	0	0	0	0	0	0	0
Other financing	0	1	1	0	0	0	0
Net cash from financing	0	45	(8)	0	0	0	0
Effect of foreign exchange							
Change in cash	16.3	79.7	(73.7)	32.4	41.1	50.8	59.4
Cash at beginning	16.9	33.2	112.9	39.2	71.6	112.7	163.5
Cash at end	33.2	112.9	39.2	71.6	112.7	163.5	222.9

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	\$67	\$71	\$84	\$97	\$109
Less: Tax Rate*EBIT	(15)	(24)	(23)	(25)	(29)	(34)	(38)
Plus: Depreciation	2	5	9	9	10	11	12
Less: Change in Working Capital	\$8	\$13	(\$1)	\$8	\$7	\$5	\$4
Less: Capital Expenditures	(\$8)	(\$7)	(\$7)	(\$12)	(\$14)	(\$15)	(\$16)
Free Cash Flow to the Firm	\$31	\$55	\$45	\$51	\$58	\$65	\$72
After tax Interest Expense	\$0	\$0	\$0	\$0	\$1	\$1	\$2
Equity Free Cash Flow	\$31	\$55	\$45	\$51	\$59	\$66	\$73
Equity FCF per share		1.48	1.01	1.12	1.26	1.38	1.51

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

1.50

16.0%

12.5%

8.0%

8.0%

0%

20%

16.0%

11.0%

Terminal FCF growth rate (g)

3.0%

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

12.9x

Terminal Value of Firm

\$929

Valuation (end of FY 2011)

PV FCF 2012 through 2015

\$144

PV Terminal Value

\$595

PV of Firm

\$739

Less: 2011 Net Debt

\$0

Majority Equity Value

\$739

Less Minority Discount

15%

Minority Equity Value

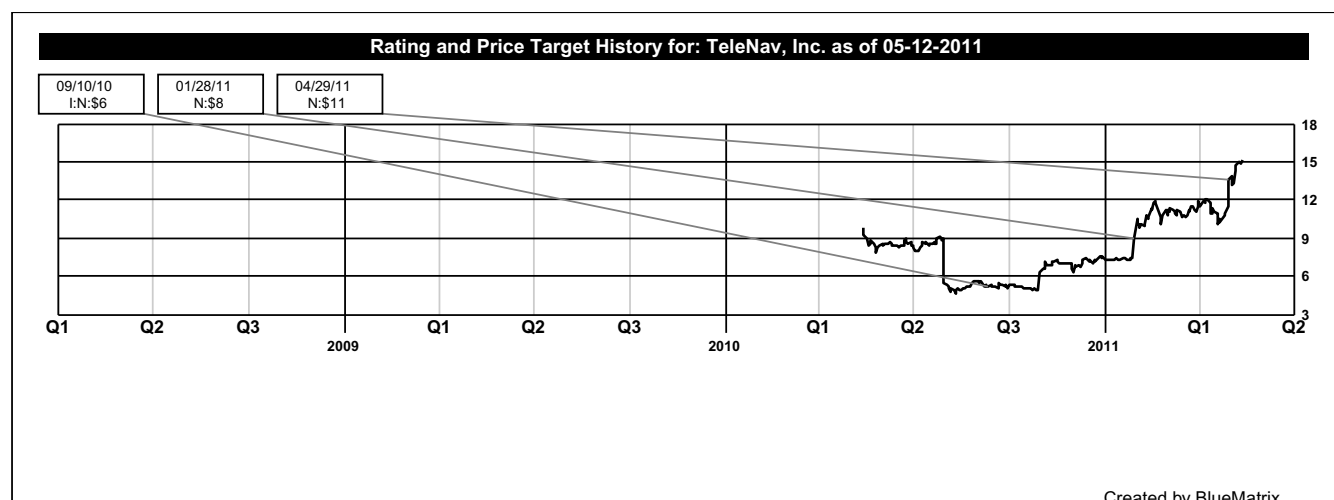
\$628

DCF Valuation Per Share

\$14

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

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]	319	50.60	72	22.57
HOLD [N]	263	41.70	24	9.13
SELL [UW]	49	7.80	2	4.08

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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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- **Neutral (N):** Anticipated to perform in line relative to the median of the group of stocks covered by the analyst.
- **Underweight (UW):** Anticipated to underperform relative to the median of the group of stocks covered by the analyst.

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