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**Reason for Report:**
Initiating Coverage

| Changes | Previous | Current |
|---|---|---|
| Rating | -- | Neutral |
| Price Tgt | -- | $6.00 |
| FY11E Rev (mil) | -- | $204.1 |
| FY12E Rev (mil) | -- | $209.9 |
| FY11E EPS | -- | $0.88 |
| FY12E EPS | -- | $0.83 |

| | |
|---|---|
| Price: | $5.25 |
| 52 Week High: | $11.48 |
| 52 Week Low: | $4.65 |
| 12-Month Price Target: | $6.00 |

*Scenario-based DCF with base case assumptions of 16% NT WACC, 3% LT growth rate.*

| | |
|---|---|
| Shares Out (mil): | 37.5 |
| Market Cap. (mil): | $196.9 |
| Avg Daily Vol (000): | 206 |
| Book Value/Share: | $3.98 |
| Debt to Total Capital: | 0% |
| Fiscal Year End: | Jun |

| Rev (mil) | 2010A | 2011E | 2012E |
|---|---|---|---|
| **Sep** | $36.0A | $50.2E | $54.0E |
| **Dec** | $40.5A | $52.2E | $51.5E |
| **Mar** | $45.1A | $49.7E | $51.7E |
| **Jun** | $49.5A | $52.0E | $52.6E |
| **FY** | $171.2A | $204.1E | $209.9E |
| **CY** | $197.0E | $207.2E | $213.7E |
| **FY RM** | 1.2x | 1.0x | 0.9x |
| **CY RM** | 1.0x | 1.0x | 0.9x |

| EPS | 2010A | 2011E | 2012E |
|---|---|---|---|
| **Sep** | NA | $0.22E | $0.22E |
| **Dec** | NA | $0.23E | $0.21E |
| **Mar** | NA | $0.21E | $0.20E |
| **Jun** | $0.24A | $0.22E | $0.20E |
| **FY** | $0.83A | $0.88E | $0.83E |
| **CY** | $0.69E | $0.86E | $0.81E |
| **FY P/E** | 6.3x | 6.0x | 6.3x |
| **CY P/E** | 7.6x | 6.1x | 6.5x |

# TeleNav, Inc. (TNAV - $5.25)
## Neutral

# Mobile Navigation Leader; Initiating With a Neutral Rating and $6 Target

### CONCLUSION:
We are initiating coverage of TeleNav with a Neutral rating and a $6 target price. TeleNav is a pioneer within mobile navigation and location-based services, a fast-growing industry. Despite being a leader in its field, TeleNav faces substantial competitive and customer risks. We rate TeleNav Neutral as we believe these risks cloud the company's potential growth.

- **TeleNav Is A Leading Provider Of Mobile Location Based Services (LBS).** TeleNav's flagship mobile navigation services accounted for 94% of revenues in fiscal 2010 (ended June 30, 2010). TeleNav also provides enterprise mobile resource management and is an emerging provider of in-dash navigation. In the future, TeleNav hopes to generate revenues from additional LBS services like paid mobile search and advertising.

- **Renegotiations Are Stock Overhangs.** 90% of revenues are derived from TeleNav's top two customers, Sprint and AT&T. Sprint accounts for 55%, and TNAV's stock price was nearly cut in half when the company announced it was renegotiating its Sprint contract and could likely result in ARPU and revenue declines. We think the likely outcome, decreased pricing, is priced into the stock, but the issue is likely to remain an overhang until fully resolved. The current AT&T agreement expires in March 2011.

- **Competitive Risks Abound.** TeleNav is the leading mobile navigation provider today (over 16M subscribers in 29 countries on 15 carriers) and hopes to leverage this sub base to sell additional LBS services. Well financed competitors, like Google and Apple, are looking at LBS as an 'add-on' service to be bundled at no incremental cost to the carrier or sub, but paid for with advertising based revenues. Google has already introduced free navigation software in Android-based smartphones.

- **Future Opportunities Rely On Subscriber Base.** If TeleNav is able to build a large enough subscriber base, we think the company has the potential to generate significant incremental customer revenue through advertising and tangential services like real time traffic. TeleNav's revenue sharing agreements with its many carrier partners are likely an ideal way to maintain its provider status and build its customer base.

### INVESTMENT RECOMMENDATION:
We rate TeleNav Neutral with a $6 target price. Our target price is based discounted cash flow valuation, adjusted for the Sprint renegotiation risk using different scenarios. In our DCF, we use a cost of capital of 16.0% and a 3.0% terminal growth rate.

### RISKS TO ACHIEVEMENT OF TARGET PRICE:
Renegotiation of the Sprint and AT&T contracts could result in a larger revenue and customer decline 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.

## Investment Summary

TeleNav is a well-established provider of navigation and Location-Based Services (LBS), a growing, but increasingly competitive space. TeleNav currently has a high revenue growth rate (FY 2010 revenues grew by 54%), but there is risk to future growth, ARPU and the sustainability of the current customer count due to TeleNav's customer concentration. 90% of revenues are derived from Sprint and AT&T customers, with 55% of its revenues coming from Sprint customers and the Sprint contract currently in renegotiations (the contract with AT&T could end in 2011). While we foresee a sizeable market opportunity in the LBS space, a number of large competitors with deep pockets (namely Google and Apple) have the ability to offer LBS services for free in order to build a customer base. Google has already offered free turn-by-turn navigation on certain Android smartphones and Apple is leading the industry in integrated mobile advertising. The proliferation of the leading smartphone operating systems has simplified the process for writing software for multiple vendors, and, in our opinion, lowered the barrier to entry for getting new location-based applications onto devices.

We rate TeleNav Neutral primarily due to the risks associated with the Sprint contract renewal and the competitive threats faced by the company. Our $6 price target is based on a scenario analysis of different Sprint contract outcomes. If the company were to resolve the renegotiation overhang in a favorable manner, we think the stock would react in positive manner. We would also use that opportunity to re-evaluate our rating.

TeleNav is a leading provider of Location Based Services for mobile applications. The company's flagship product is handset-based turn-by-turn mobile navigation services, although TeleNav also provides vehicle-based navigation services, location-based advertising services and enterprise mobile resource management services. TeleNav's navigation services are offered primarily through wireless carriers as a white label service and revenues are generated on a monthly subscription fee basis. As of June 30, 2010, TeleNav had 16.1 million customers subscribed to its service. The base case used in our valuation is rooted in a discounted cash flow analysis using a cost of capital of 16.0%, and a terminal growth rate of 3.0%. On an EV/EBITDA basis, our target price implies multiples of 3.2 times estimated CY2010 EBITDA and 3.5 times estimated CY2011 EBITDA.

## Investment Thesis and Valuation

TeleNav is a market leader in wireless Location Based Services ("LBS"); a market we believe is in the early stages of a multi-year growth cycle. As more and more customers adopt smartphones, the usage of LBS applications like navigation is likely to increase. Despite our outlook for strong industry growth, TeleNav faces real challenges in its renegotiations with Sprint and from external competition. Our Neutral rating is based on our view that the potential for long-term stock appreciation is overshadowed by these near-term risks. In our base case earnings model, we assume that the Sprint contract is extended, but with a 20% reduction in ARPU. Using this assumption, our earnings model yields a discounted cash flow valuation of $7. We believe this is the most likely outcome with a 60% likelihood. However, in our target price calculation, we account for the possibilities that TeleNav loses its exclusive provider status at Sprint (a 20% probability in our opinion), that Google or another provider could offer Navigation to Sprint customers for free (a 10% probability) and that TeleNav could keep its exclusive agreement, decrease pricing, but generate immediate incremental revenues selling additional LBS services (a 10% probability). Weighting these scenarios by our projected probabilities yields our target price of $6.

TeleNav currently trades at a CY 2011 EV/EBITDA multiple of 3.1 times and on a P/E basis, TeleNav is trading at 6.1 times calendar-year 2011 estimates. Exhibit 1, below, compares the TeleNav's valuation multiples to that of other navigation, mobile application and smartphone companies. TeleNav trades at a significant discount to its peers given the uncertainty surrounding the majority of its revenues. We believe a discount is warranted due to the customer concentration risk and increasing competitive threats.

We rate TeleNav Neutral with a $6 target price. Our target price is based discounted cash flow valuation, adjusted for the Sprint renegotiation risk using different scenarios. In our DCF, we use a cost of capital of 16.0% and a 3.0% terminal growth rate. Our price target represents a 7.0x multiple of CY 2011 EPS and works out to a CY 2011 EV/EBITDA ratio of 3.5 times.

Exhibit 1

**VALUATION COMPARABLES**

in millions, unless otherwise noted

| Company | Ticker | Price | Market Cap. | Ent. Value | EPS 2010E | EPS 2011E | P/E 2010E | P/E 2011E | EBITDA 2010 | EBITDA 2011 | EV/EBITDA 2010E | EV/EBITDA 2011E |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Navigation/Mobile Data** | | | | | | | | | | | | |
| Garmin | GRMN | $27.88 | $5,425 | $5,425 | $2.97 | $2.73 | 9.4x | 10.2x | $789 | $733 | 6.9x | 7.4x |
| Research In Motion | RIMM | $44.67 | $24,680 | $23,430 | $5.40 | $5.91 | 8.3x | 7.6x | $4,962 | $5,389 | 4.7x | 4.3x |
| Trimble | TRMB | $29.26 | $3,495 | $3,487 | $1.43 | $1.71 | 20.5x | 17.1x | $251 | $286 | 13.9x | 12.2x |
| Apple | AAPL | $262.92 | $240,194 | $240,194 | $15.71 | $18.24 | 16.7x | 14.4x | $20,492 | $24,638 | 11.7x | 9.7x |
| Smith Micro | SMSI | $8.16 | $280 | $280 | $0.79 | $0.89 | 10.3x | 9.2x | $45 | $50 | 6.2x | 5.6x |
| Average | | | | | | | 13.0x | 11.7x | | | 8.7x | 7.9x |
| **On Demand S/W** | | | | | | | | | | | | |
| RightNow | RNOW | $18.02 | $577 | $577 | $0.43 | $0.66 | 41.9x | 27.3x | $27 | $40 | 21.8x | 14.4x |
| Taleo | TLEO | $26.81 | $1,073 | $1,073 | $0.72 | $0.89 | 37.2x | 30.1x | $49 | $61 | 21.7x | 17.6x |
| DealerTrack | TRAK | $15.96 | $644 | $644 | $0.53 | $0.73 | 30.1x | 21.9x | $43 | $56 | 15.1x | 11.5x |
| Vocus | VOCS | $16.19 | $314 | $314 | $0.64 | $0.72 | 25.3x | 22.5x | $17 | $21 | 19.1x | 15.0x |
| LogMeIn | LOGM | $33.13 | $772 | $772 | $0.74 | $0.69 | 44.8x | 48.0x | $25 | $33 | 31.5x | 23.5x |
| Salesforce | CRM | $119.79 | $15,417 | $15,417 | $1.18 | $1.52 | 101.5x | 78.8x | $300 | $381 | 51.5x | 40.5x |
| Concur | CNQR | $48.56 | $2,521 | $2,521 | $0.79 | $1.06 | 61.5x | 45.8x | $88 | $116 | 28.8x | 21.8x |
| Average | | | | | | | 48.9x | 39.2x | | | 27.1x | 20.6x |
| TeleNav | TNAV | $5.27 | $222 | $222 | | $0.86 | | 6.1x | $79 | $71 | 2.8x | 3.1x |

Note: All estimates based on the calendar year
Priced as of 9/08/2010
Source: Company data, Piper Estimates, FactSet (all estimates for uncovered companies are based on street consensus)

## The Sprint Renegotiation

TeleNav's stock price declined by 40% the day after TeleNav reported its fiscal 4Q10 earnings results on July 29, 2010. The reason for the decline was not poor results, but rather the disclosure that TeleNav is renegotiating its contract with Sprint, which accounts for 55% of TeleNav's revenues, and that a contract extension is likely to result in a decrease in ARPU and total revenues. The contract was scheduled to expire at the end of 2011, with TeleNav exclusivity scheduled to end December 31, 2010.

Sprint is a very important customer of TeleNav. Not only does it account for 55% of TeleNav's revenues, but it is responsible for an even higher percentage of TeleNav's subscriber count. This is because Sprint, unlike AT&T (who accounts for 35% of revenues), bundles the TeleNav navigation service in its all-inclusive data plans and TeleNav generates a lower ARPU per bundled customer than it does for a customer who subscribes to the service directly. As location based services (LBS) grows as an industry, we believe capturing a high user count will be an important component of survival and prosperity. To this end, we believe TeleNav will want to keep its service bundled for Sprint users.

So what are the possible outcomes? TeleNav would most likely want to extend the contract with roughly the same framework. But, in order to win an extension of its exclusive contract, TeleNav is likely going to have to concede on price. Sprint customer ARPU is already below the average due to bundling, and we question how much lower TeleNav would be willing to go on price. ARPU at the end of fiscal 4Q10 was $1.03, down from $1.18 reported one year earlier.

The worst outcome would be if Sprint decided it was going to unbundle navigation from its plans and/or drop TeleNav as a provider. While this would be disastrous, we think it is unlikely given that the last thing Sprint would want to do is to tick off its subscribers by either telling them navigation is no longer available or asking them to now pay for it separately (amounting to a service plan price increase). Another outcome is that Sprint could decide to no longer bundle the service in new service plans (keeping the service free for existing service pan contracts), which would lower TeleNav's growth rate, but not put a large amount of existing revenues at risk. Yet another scenario is that Sprint could decide to add another navigation provider either as a co-supplier of the service with TeleNav or as a new sole supplier. Both of these scenarios could also put a large percentage of revenues at risk.

While it is nearly impossible to predict the outcome of the negotiations, we have incorporated the most probable scenarios into our earnings model and valuation, as we mentioned earlier. Exhibit 2, below, illustrates the four scenarios we use in our model and the probabilities we have assigned to each. Keep in mind, however, that even when the Sprint contract overhang is settled, TeleNav will still need to address its agreement with AT&T that expires in March 2011. Recall that AT&T customers represent 35% of revenues.

Our earnings model is based on our base case, to which we assign a 60% probability and which assumes a 20% price cut for Sprint in fiscal 3Q11 and a corresponding 20% price cut at AT&T in fiscal 2Q12. The model is highly sensitive to changes in this outcome, however. If the price cut was 30% instead of 20%, our fiscal 2012 EBITDA would be reduced by 30% and EPS would be reduced by 45% (both assuming constant costs). Our discounted cash flow model would yield a per share equity value of $5 in this scenario. Alternatively, 10% price cut (versus our assumed 20%) would result in a nearly 30% increase in fiscal 2012 EBITDA and a DCF valuation of more than $9.

Exhibit 2

**SPRINT RENEGOTIATION SCENARIOS**

| Scenario | Probability | Description |
|---|---|---|
| Base Case | 60% | TeleNav remains the exclusive provider of navigation services, but concedes 20% of ARPU |
| Lost Exclusivity | 20% | TeleNav remains a provider, but loses its status as a sole provider. This could result in a loss of subscribers to a new provider and/or a decrease in future ARPU to maintain |
| Free Provider | 10% | Another provider (e.g. Google) becomes a navigation provider, but offers its services for free. |
| Best Case (upside to revs) | 10% | TeleNav extends the contract, but is able to generate higher ARPU than we anticipate through a combination of smaller price cuts, more bundled customers, and/or revenues |

Source: Piper Jaffray

## Is TeleNav A Takeout Candidate?

Possibly. TeleNav has a desirable set of technologies and a growing user base, which could be useful to a larger internet or mobile service provider looking to get into mobile location-based services. However, the fact that TeleNav is often sold as a white-label service diminishes this possibility. If another company wanted simply to grow its user base of navigation services (potentially to market and sell LBS advertising services), it would not need to purchase TeleNav outright. Instead, this other company could offer navigation services to Sprint and/or AT&T at better terms, replacing TeleNav as the provider and getting access to subscribers that account for up to 90% of TeleNav's revenues today.

## Investment Risks

**Customer concentration.** TeleNav supplies its LBS offerings primarily through wireless carriers. With the U.S. currently being the leading market for LBS services, TeleNav generates the majority of its revenue through its largest two carrier customers. As such, Sprint currently represents 55% of sales in while AT&T represents 35% of sales. As we outlined above, the Sprint contract is currently being negotiated and the company has warned that the outcome could likely result in a reduction in ARPU. The AT&T contract expires in March 2011.

**Larger Competitors Could Offer LBS for Free:** While TeleNav's service offering is tough to duplicate and its integration with carrier partners create high switching costs, the mobile navigation market is in the early stages of growth and competing technologies could drive down prices or change market dynamics. Currently, TeleNav works with all major smartphone Operating Systems ("OS's"). However, Google's Android OS is gaining market share of devices sold and Google has expanded its map capabilities and currently offers free navigation services.

Google has created a map service and now offers free guided, turn by turn navigation as part of its Google Maps product for Android smartphones. With its purchase of NAVTEQ, Nokia now has a leading global map database and offers navigation and mapping services to owners of Nokia smartphones for free. Microsoft's new Windows 7 OS will also offer free navigation service. While Windows has limited market share to date, it is another large company competing with TeleNav. If Nokia, Microsoft, and Google penetrate wireless carriers with free mobile navigation service, then TeleNav's sales growth could be at risk.

**Inability To Win New Carrier Partners.** While long-term TeleNav can grow revenues through its enterprise, automotive and advertising/search businesses, we believe near-term growth will be driven by the core mobile navigation product. Any inability for TeleNav to continue to grow its carrier partners could negatively impact revenue growth rates.

**Pricing Risk.** Given the current negotiation of the Sprint contract, the upcoming expiration of the AT&T contract and the fact that Google is beginning to offer mobile navigation for free, the carriers and consumers have considerable power to demand lower pricing for navigation services. In addition, if the carriers were to increase the pricing of TeleNav's services to end users, TeleNav could lose customers.

**Bundling.** TeleNav benefited from Sprint's decision to bundle navigation services into the Any Mobile and Simply Everything plans. A decision to unbundle the product could result in a material decline in the number of customers subscribing to TeleNav's services.

**Competition for New LBS Services.** TeleNav strives to expand into leading edge LBS services like paid mobile search and advertising. While TeleNav's carrier relationships are strong assets, we know that Apple and Google are also interested in mobile LBS advertising and could be overwhelming competitors.

**Litigation Risk.** In recent weeks, multiple law firms have announced class action lawsuits against TeleNav alleging false and misleading statements in its registration statement. Because TeleNav announced the renegotiation of the Sprint contract within months of closing its IPO, we believe some investors will question when management knew of this development. As such, there is likely to be some headline litigation risk for the foreseeable future.

**Intellectual Property.** TeleNav has been granted 19 patents with 50 pending to date, but numerous other companies also claim rights to different navigation and LBS technologies. TeleNav has limited outstanding lawsuits to date, although its carrier customers offering its service have been sued and TeleNav offers its carriers indemnification provisions. Due to these and any potential future lawsuits, TeleNav could face mounting legal expenses.

**Map Data.** The largest component to TeleNav's cost of revenues is the fees paid for map and Point Of Information (POI) data. TeleNav dual-sources this data from both Tele Atlas and NAVTEQ in order to keep pricing in check, but future price increases could negatively impact margins.

**Lock-up Expiration.** On November 10, 2010, the 180-day lock up period post TeleNav's initial public offering will expire, giving many shareholders the opportunity to sell their TeleNav stock. At the time of the IPO, owners of nearly 35 million shares were restricted from selling until at least the 180-day period had passed. While this could create an overhang on the stock due to additional selling pressure, we think the near-term effects will be minimal given the recent decline in share price.

## LBS Industry Overview

Mobile location based services (LBS) is essentially the use of embedded GPS technology to provide location-specific information and services. Mobile navigation is the most obvious application of LBS, but advertising, social networking, and many other services are likely to use the technology as well. As smartphone penetration and the use of mobile applications continue to grow, we expect the mobile LBS market to enter a phase of strong growth over the next few years. As LBS navigation services ramp in sales over the next several years, we expect it to cannibalize a portion of the $12B PND (Personal/Portable Navigation Device) market.

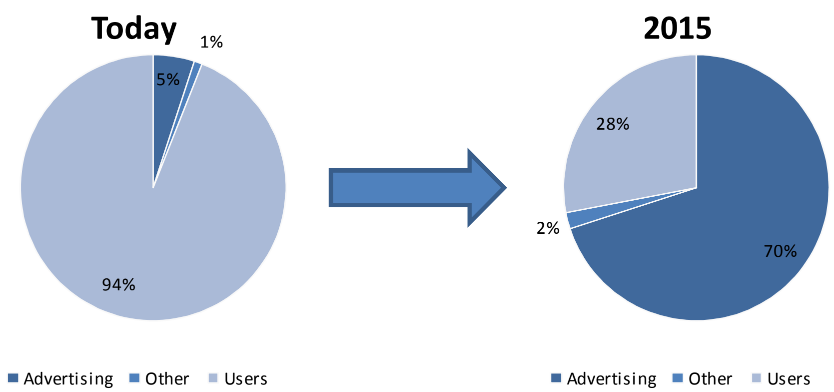
### Sizing The Market Opportunity

While the LBS market is still nascent, we believe the rapid adoption of smartphones taking place today, along with the explosion in mobile application development and usage will result in accelerating consumer adoption and revenue generation for LBS services over the next several years. Nearly every smartphone sold today includes GPS capabilities and the carriers are continually looking for ways to monetize their investment in next generation data networks. Research firm Gartner has predicted that the global location based services market will grow from just over $2 billion in 2009 and 2010 to more than $8 billion in 2014. In its forecast, Gartner assumes that personal navigation, which made up 75% of all location-based revenues in 2009 will account for approximately 40% of all location-based revenues in 2014. Services such as location-based search and social networking applications are predicted to be responsible for much of the growth. Separately, eMarketer estimated in a 2009 report that U.S. mobile advertising will grow to $1.6 billion on 2013 from a mere $320 million in 2008.

Not only will the applications that derive the revenues shift over time, but the expected payers of the revenue are expected to shift from the consumer end-user to advertisers. We believe that over the next 5 years, advertising-derived LBS revenues could account for at least 70% of U.S. LBS revenues (see Exhibit 3).

Exhibit 3

**SOURCES OF U.S. LOCATION-BASED SERVICES REVENUES**




Source: PJC Estimates

## Company Overview

TeleNav is a leading provider of Location Based Services for mobile applications. The company's flagship product is handset-based turn-by-turn mobile navigation services, although TeleNav also provides vehicle-based navigation services, location-based advertising services and enterprise mobile resource management services. TeleNav's navigation services are offered primarily through wireless carriers as a white label service and revenues are generated on a monthly subscription fee basis. As of June 30, 2010, TeleNav had 16.1 million customers subscribed to its service.

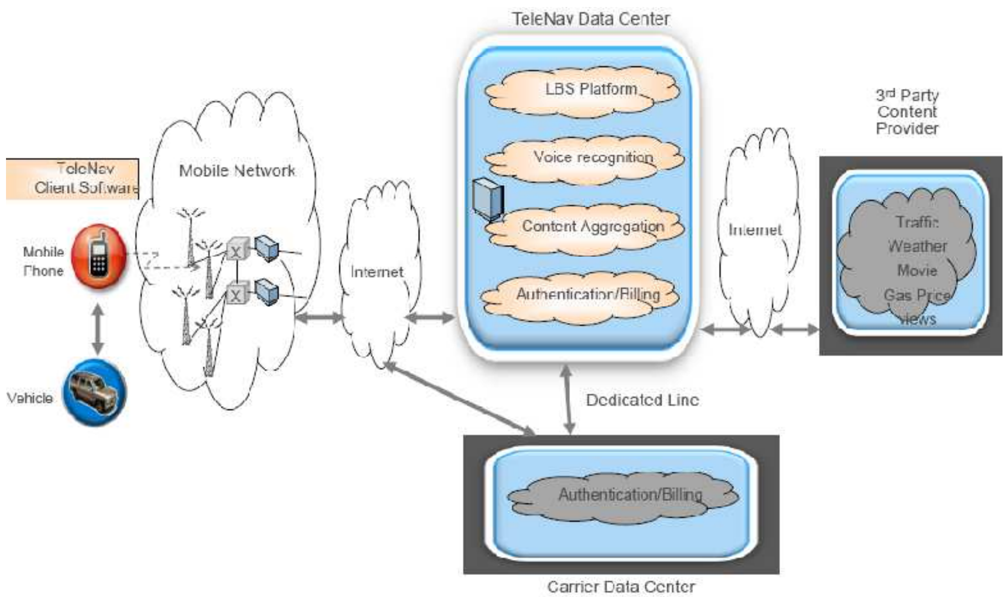
### Product Offerings

GPS Navigator – TeleNav's flagship product offering is its GPS Navigator service, which is predominantly accessed today through various mobile handsets, but is also available via in-dash automotive solutions and TeleNav's own portable navigation device (not unlike a Garmin or Tom Tom device available at retailers today). The GPS Navigator product provides voice-guided, turn-by-turn navigation with a feature set that includes 3-D moving maps, automatic re-routing for missed turns; over 13 million points of interest (POI), real-time traffic, gas prices, and the ability to pre-plan trips via the TeleNav website.

TeleNav's navigation service is differentiated from traditional navigation products by its subscription model (more on this below), but also through its server-based architecture (see Exhibit 4). By obtaining map, route and POI data directly from TeleNav in real-time, users are assured of having the latest available information without the need to update or replace their device, often a costly proposition.

Exhibit 4

TELENAV ARCHITECTURE




Source: TeleNav presentation

TeleNav's GPS Navigator is available through 15 wireless carriers in approximately 29 countries today. However, the majority of revenues are derived from AT&T and Sprint, where TeleNav offers its GPS Navigator product as a white label service. GPS Navigator is available on all major mobile operating systems, including the popular iOS and Android operating systems. Over 500 handsets are TeleNav capable today, and carriers often pre-load the software onto the handset. Mobile Navigation accounted for 94% of FY2010 revenues (91% derived from US operations, 3% derived internationally).

**Automotive –** More recently, TeleNav has been working to bring its navigation services to the in-dash automotive market. The company's first in-dash product was available on 2010 Ford Focus and Taurus models. The product was predominantly voice driven and required a cellular voice connection to transmit navigation data. There was not a large LCD screen showing a visual map, and the navigation directions were all orally given over the car's speaker system. Nevertheless, this Ford SYNC solution had a much lower cost than traditional in-car navigation systems and thus had a broader consumer reach.

For the next version of TeleNav's in-dash product, we expect the company to marry its navigation services with an in-dash screen. Connected with TeleNav's servers, the device will be able to provide real-time traffic, gas prices and frequently updated maps. TeleNav expects this service to be available in the U.S. on certain 2011 model cars (definitely with Ford and discussions are ongoing with other manufacturers).

Stagnation of traditional in-dash navigation and falling prices in portable navigation devices has created an opening for TeleNav to enter the in-dash market. Auto manufactures have liked selling navigation with new vehicles because it helps them to generate more profit. However, the in-dash manufacturers have kept prices high at the same time that portable devices have gotten cheaper than ever, resulting in increased adoption of portable devices at the expense of in-dash navigation. TeleNav presents a unique solution to this problem for car manufacturers. TeleNav licenses its technology to the manufacturer for about $100 per device, and the total installed cost is much cheaper than a typically in-dash system today. Not only is it cheaper, but the TeleNav system also provides more functionality including real-time information and automatically-updated maps.

**Mobile Resource Management –** TeleNav offers enterprises a suite of services to help them manage mobile workforces and vehicle fleets. Services include TeleNav Track, TeleNav Vehicle Manager, TeleNav Vehicle Tracker and TeleNav Asset Tracker. These solutions allow enterprises to better manage their workforces by integrating enterprise back-office systems with turn-by-turn directions to help workers get to their destinations, real-time and historical reports of locations and travel times, updated job status information, automatic alerts when a worker of vehicles enters or leaves a location, and customizable wireless forms to capture field information. TeleNav is a top-two leader in the enterprise mobile resource management space.

**Location-Based Advertising –** While not a meaningful part of TeleNav today, location-based advertising services has the potential to become a big revenue driver in the future. Beginning in late 2009, TeleNav deployed mobile-based advertising solutions to a limited number of end users; features included location specific sponsored listings, content, coupons and dining menus. Future possibilities include the potential for TeleNav to get paid for navigating customers to certain locations after they perform a search.

### Billing Models

TeleNav's core GPS Navigator revenues are subscription based, either billed to end-users as a standalone product or as part of a bundle of services offered by wireless carriers. Customers on the subscription-based model will choose to have navigation services on their device for a monthly fee typically ranging from $7-10. Often, the carrier (in conjunction with TeleNav) will offer a free month of service to entice the user to sign up longer-term. In addition, the TeleNav application is also usually pre-loaded onto the devices – again to help spur adoption. AT&T customers are subscription-based.

For the bundled model, carriers will include navigation as part of a service plan – customers do not have to opt-in and they are not explicitly charged for the service. Sprint currently bundles TeleNav's navigation in its all-inclusive data plans (Simply Everything and Any Mobile plans). Bundling gives TeleNav a much broader customer set, but TeleNav commands a much lower ARPU for a bundled customer compared to that of a stand-alone customer.

In either case, customers are billed by the wireless carriers and the revenues (less some margin to the carriers) are passed on to TeleNav. We believe this arrangement is a strength of TeleNav's business model. Customers do not have to set up and pay a separate bill, TeleNav does not have to develop its own billing system or take on separate credit risk, and the carriers get a piece of the action. This relationship with the carriers could act as a barrier for competitors looking to get into TeleNav's newest offerings, such as location-based advertising.

**Competitors**

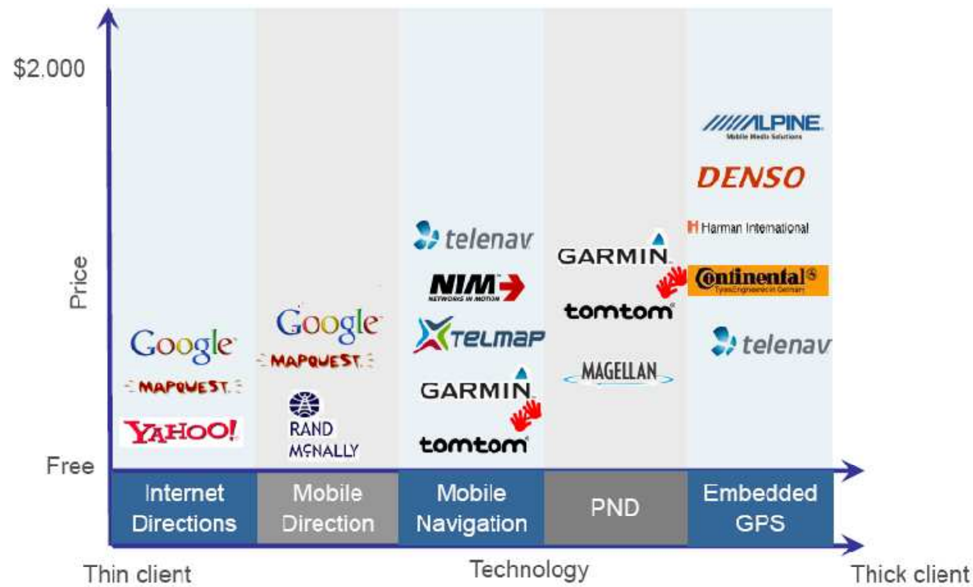
Up until a year ago, when the Motorola Droid was released, TeleNav faced very real, but manageable competition. TeleNav's GPS Navigator was a lower cost option than traditional in-vehicle navigation and could be used across multiple vehicles. Compared to portable navigation devices (PNDs), TeleNav may have been cheaper (depending upon the assumed lifespan of the PND), but it was certainly more portable, always had up-to-date maps, and could incorporate real-time data.

With the Droid, however, Google introduced its own, free turn-by-turn navigation software. Today, Google Navigation is only available on a subset of Android-based devices, which themselves represent a subset of handsets that can access TeleNav's GPS Navigator application. We can objectively say that TeleNav's offering is better than that of Google today, but it's hard to compete with a free product and Google could easily use its warchest to improve its offering. Google could also roll out the product to all Android devices and could ultimately make it available to other devices, like the Apple iPhone. While TeleNav's service is superior today, we think Google navigation could be a meaningful threat in the future, especially if it remains free.

TeleNav faces competition in the navigation space from established PND manufacturers like Garmin and TomTom, other mobile navigation providers like Network In Motion, and from Nokia, who bundles its own navigation product with its phone. It is certainly a diverse competitive environment, but there is plenty of opportunity for TeleNav to increase its share. TeleNav currently provides service to less than 7% of total US wireless customers and to a much smaller percentage of global wireless customers.

Exhibit 5

**MOBILE NAVIGATION INDUSTRY PLAYERS**




Source: TeleNav

TeleNav also stands to face stiff competition in its emerging business lines, namely location-based advertising. Once again, Google is likely to become a big player in this space, given their footholds in the mapping, internet search, and now the mobile OS arenas. Apple is a competitor too with its recently debuted iAds platform for placement of advertisements in mobile applications. While the emergence of competitive location-based advertising services from Google and Apple could actually help raise awareness with potential advertisers and improve the economics for TeleNav, we still view Google and Apple as large risks. We believe TeleNav's ultimate success in mobile advertising will depend on two factors: TeleNav's ability to obtain a large user base for its navigation services and the company's continued revenue-sharing relationships with the wireless carriers. As long as TeleNav has a meaningful base of customers using its mobile navigation services, it should be able to monetize those users' searches. In addition, the company's historical revenue sharing agreements with the carriers could help TeleNav achieve some sort of preferential treatment on end-users devices.

In the in-dash, automotive market, TeleNav is the new entrant and thus doesn't face large competitive threats that put revenues at risk. TeleNav has a superior, lower-cost product that should be able to generate added value. In its mobile resource management business line, TeleNav faces day-to-day competition in winning new contracts, namely from industry leader Xora, but nothing that is incrementally disruptive to the business model.

### TeleNav as a Brand?

TeleNav's flagship GPS Navigator product is primarily sold as a white-label product to the majority of customers. That is, customers are buying "Sprint Navigation" or "AT&T Navigator" and not "TeleNav." This has been an acceptable arrangement for TeleNav, as getting its service sold to these customers has helped the company expand its users base. Looking ahead, though, we believe a branded product could be beneficial as TeleNav looks to capitalize on other location-based services like advertising. Building a strong brand could help TeleNav become a go-to portal for location searching, which again would help build advertising revenues. We would not be surprised to see TeleNav pursue a branded product strategy as it re-negotiates with its carrier partners.

### Geographic Presence

**North America.** TeleNav has a strong presence in the North America market with 3 of the 4 major carriers selecting TeleNav for its service offering. With AT&T, Sprint, and T-Mobile choosing TeleNav, we believe TeleNav has strong growth opportunities with these three carriers, given TeleNav has 16M subscribers and these 3 carriers have nearly 160M subscribers. Network in Motion is TeleNav's primary competitor in North America through its service offering for Verizon's mobile navigation service. AT&T offers competing mobile navigation services along with TeleNav, but TeleNav is the AT&T branded service. TomTom, Garmin, and others offer mobile navigation applications on AT&T's iPhone, but even on the iPhone the TeleNav service is the most used.

**Europe and Asia.** Europe and Asia represent growth opportunities for TeleNav, evidenced by the fact that 30% of the company's resources are focused on international operations despite generating only 4% of revenues. Europe is still in the early stages of offering mobile phone navigation services, creating a potential opportunity for TeleNav; today, Telmap of Israel is the early market leader. Vodafone was in the process of building its own service offering following its acquisition of Wayfinder in December 2008 for roughly $33M. However, Vodafone announced it is closing down Wayfinder in March 2010 as it believes it is no longer viable for Vodafone to continue to develop and operate its own navigation products. As such, Vodafone has indicated it will partner with other companies such as Nokia and Google to offer navigation and location based services.

Asia is also in the early stages of offering mobile navigation services, but we believe this is a potentially large market opportunity given the demographics and large installed base of mobile phones. TeleNav could be well-positioned in the Asia market, as it counts China Mobile, the world's largest wireless operator, as its customer.

## Recent Results

TeleNav reported its first quarterly results (fiscal 4Q10) since its initial public offering on July 29, 2010. Fourth quarter revenues grew 45% to $49.5M compared to the previous year, while net income grew 3% year-over-year. The average number of paying monthly customers grew 69% to 16.1 million. Average Revenue Per User (ARPU) declined 13%

year-over-year on the increase in the number of bundled customers. These solid financial and operating results were overshadowed, however, by the previously mentioned disclosure of the Sprint contract renegotiation. As part of its 4Q10 earnings press release, management provided the financial guidance shown in Exhibit 6, below, for the first quarter of fiscal 2011; the guidance assumes no amendment to the Sprint agreement.

Exhibit 6

**TELENAV 1Q11 GUIDANCE**

| | |
|---|---|
| Total Revenue | $50.0 million |
| Gross Margin | 80% |
| Non-GAAP Operating Expenses | increase 10%, excluding $800k in stock-based comp |
| GAAP Net Income | $10.0 million |
| GAAP EPS | $0.22 |
| Non-GAAP Net Income | $11.0 million |
| Non-GAAP EPS | $0.23 |
| Effective Tax Rate | 41% |
| Wtd-Avg Diluted Shares | 45 - 46 million |

Source: TeleNav Press Release, Piper Jaffray

## Management

TeleNav's management team has deep technical experience in the wireless, navigation, and location based services industries. The current CEO and CFO co-founded the company more than 10 years ago and post the IPO continued to own more than 7.5% of the company combined (all executive offices and directors owned nearly 62% of the company combined post the IPO). Management has a limited history with investors.

### H.P. Jin, CEO

Dr. Jin is the CEO of TeleNav, which he co-founded in 1999. Prior to starting TeleNav, he served as senior strategy consultant for the McKenna Group where he developed business strategies for companies in telecom and IT. Dr. Jin also worked at McKinsey & Company as a business strategy and management consultant, advising wireless and landline operators on data and wireless strategies. Dr. Jin was also a technical director at LINCSS/Loral, where he worked with Dr. Rennard. Dr. Jin has a Ph.D. in Guidance, Navigation and Control (Aeronautics and Astronautics department), a Ph.D. minor in Electrical Engineering from Stanford University and a Bachelor of Science from the Harbin Institute of Technology in China.

**Bob Rennard, CTO**

Dr. Rennard co-founded TeleNav with H.P. Jin and serves as the company's CTO. He has very strong credentials, as he was a principal engineer in designing the Global Positioning System (GPS). Dr. Rennard was executive director of product development at Cyberstar/Loral, where he was responsible for developing satellite-based broadband Internet delivery systems. Prior to Loral, he was a vice president of GPS Navigation Systems at Stanford Telecom and an acquisition program manager in the U.S. Air Force. Dr. Rennard has a Ph.D. in Aerospace Science from the Air Force Institute of Technology, a Bachelor of Science in Electrical Engineering from the University of Wyoming, and a Master of Science in Electrical Engineering from Ohio State University.

**Doug Miller, CFO**

Mr. Miller is TeleNav's chief financial officer. Previous to joining TeleNav, Mr. Miller served as vice president and CFO of LongBoard, Inc., a privately held, venture-backed provider of telecommunications software. He also helped lead the successful Initial Public Offering (IPO) of Synplicity, Inc., a provider of electronic design software, where he served as senior vice president and CFO. Mr. Miller has assisted in completing several other IPOs for companies in the software, fabless semiconductor and Internet industries. Mr. Miller holds a Bachelor of Science in Commerce from the University of Santa Clara and is a certified public accountant.

*TeleNav*

| (Figures in millions, except per share) | | | | Est | Est | Est | Est | Est |
|---|---|---|---|---|---|---|---|---|
| **Income statement** | **FY 2008** | **FY 2009** | **FY 2010** | **FY 2011** | **FY 2012** | **FY 2013** | **FY 2014** | **FY 2015** |
| Subscription revenue | 48 | 109 | 169 | 197 | 190 | 197 | 206 | 212 |
| Automotive and other revenue | 0 | 2 | 2 | 7 | 20 | 26 | 33 | 43 |
| **Total Revenue** | **48** | **111** | **171** | **204** | **210** | **222** | **239** | **256** |
| Cost of revenue | 11 | 20 | 29 | 42 | 47 | 53 | 60 | 66 |
| R&D | 14 | 23 | 39 | 49 | 50 | 53 | 57 | 61 |
| S&M | 13 | 16 | 17 | 22 | 24 | 27 | 30 | 32 |
| G&A | 5 | 8 | 13 | 18 | 18 | 19 | 20 | 21 |
| **Adjusted EBITDA** | **5** | **43** | **73** | **73** | **70** | **70** | **72** | **75** |
| D&A | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Operating income** | **5** | **43** | **73** | **73** | **70** | **70** | **72** | **75** |
| Non-cash compensation | (0) | (1) | (5) | (3) | (4) | (4) | (4) | (4) |
| Interest, net | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Other income (expense) | 0 | (1) | (0) | (0) | (0) | (0) | (0) | (0) |
| **Pretax income** | **4.8** | **41.5** | **68.0** | **69.6** | **66.3** | **66.4** | **68.1** | **70.9** |
| Income taxes (benefit) | 0 | 12 | 27 | 29 | 27 | 27 | 28 | 29 |
| | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Net income | 5 | 30 | 41 | 41 | 39 | 39 | 40 | 42 |
| Preferred div and accretion | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Net income to common stockholders** | **4.6** | **29.6** | **41.4** | **41.1** | **39.1** | **39.2** | **40.2** | **41.8** |
| **Net Income to common, Adjusted** | **5** | **30** | **41** | **41** | **39** | **39** | **40** | **42** |
| **Amount allocable to common shareholders** | | | | | | | | |
| Diluted Shares O/S | | | 37 | 46 | 47 | 48 | 49 | 50 |
| EPS (Diluted) | | | $0.83 | $0.88 | $0.83 | $0.81 | $0.82 | $0.83 |
| **Margins** | | | | | | | | |
| Cost of service | 23.6% | 18.6% | 17.5% | 21.3% | 24.9% | 27.0% | 29.1% | 31.1% |
| G&A | 10.3% | 7.5% | 7.5% | 9.0% | 9.6% | 9.6% | 9.8% | 9.9% |
| S&M | 27.3% | 15.1% | 9.9% | 11.3% | 12.6% | 13.5% | 14.3% | 14.9% |
| R&D | 55.7% | 34.5% | 31.5% | 32.5% | 28.7% | 27.6% | 26.0% | 23.4% |
| **EBITDA** | **10.3%** | **39.4%** | **43.5%** | **37.2%** | **36.8%** | **35.8%** | **35.2%** | **35.5%** |
| Operating Income | 10.3% | 39.4% | 43.5% | 37.2% | 36.8% | 35.8% | 35.2% | 35.5% |
| Tax rate | 4% | 29% | 39% | 41% | 41% | 41% | 41% | 41% |
| **Annual growth** | | | | | | | | |
| Total Revenue | | 126% | 55% | 17% | -3% | 3% | 5% | 3% |
| EBITDA | | 764% | 71% | 0% | -4% | 0% | 3% | 4% |
| **Sequential growth** | | | | | | | | |
| Total Revenue | | 126% | 55% | 17% | -3% | 3% | 5% | 3% |
| EBITDA | | 764% | 71% | 0% | -4% | 0% | 3% | 4% |

9/9/2010
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* | | | | | | | | | **Est** | **Est** | **Est** | **Est** |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| (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* | *Mar-11* | *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 | 49.2 | 51.2 | 47.7 | 49.0 |
| Automotive and other revenue | 0.5 | 0.3 | 0.8 | 0.6 | 0.4 | 0.9 | 0.6 | 0.6 | 1.0 | 1.0 | 2.0 | 3.0 |
| **Total Revenue** | **21.5** | **25.3** | **29.8** | **34.3** | **36.0** | **40.5** | **45.1** | **49.5** | **50.2** | **52.2** | **49.7** | **52.0** |
| Cost of revenue | 4.0 | 4.5 | 5.3 | 6.5 | 7.1 | 6.9 | 7.2 | 8.3 | 10.0 | 10.4 | 10.3 | 11.2 |
| R&D | 4.6 | 5.5 | 6.1 | 7.1 | 7.8 | 9.1 | 10.5 | 11.6 | 12.0 | 12.5 | 11.9 | 12.4 |
| S&M | 3.8 | 4.0 | 4.1 | 4.5 | 3.8 | 4.0 | 4.4 | 4.5 | 5.3 | 5.6 | 5.5 | 5.8 |
| G&A | 1.6 | 1.9 | 2.3 | 2.4 | 2.5 | 3.0 | 3.5 | 3.8 | 4.4 | 4.5 | 4.3 | 4.5 |
| **Adjusted EBITDA** | **7.4** | **9.5** | **12.1** | **13.8** | **14.9** | **17.5** | **19.6** | **21.2** | **18.5** | **19.1** | **17.7** | **18.0** |
| D&A | | | | | | | | | | | | |
| **Operating income** | **7.4** | **9.5** | **12.1** | **13.8** | **14.9** | **17.5** | **19.6** | **21.2** | **18.5** | **19.1** | **17.7** | **18.0** |
| Non-cash compensation | (0.1) | (0.1) | (0.1) | (0.2) | (0.3) | (0.5) | (0.6) | (3.5) | (0.9) | (0.9) | (0.8) | (0.9) |
| Interest, net | | | | | | | | 0.0 | 0.0 | 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) | (0.0) | (0.1) | (0.1) |
| **Pretax income** | **7.5** | **9.5** | **11.3** | **13.3** | **14.1** | **17.2** | **19.0** | **17.7** | **17.5** | **18.2** | **16.8** | **17.0** |
| Income taxes (benefit) | 2.5 | 2.6 | 3.8 | 3.0 | 6.0 | 7.1 | 6.5 | 7.1 | 7.2 | 7.5 | 6.9 | 7.0 |
| | | | | | | | | | | | | |
| Net income | 4.975 | 6.862 | 7.448 | 10.333 | 8.121 | 10.136 | 12.541 | 10.612 | 10.3 | 10.7 | 9.9 | 10.1 |
| Preferred div and accretion | | | | | | | | | | | | |
| **Net income to common stockholders** | | | | | | | | **8.936** | **10.3** | **10.7** | **9.9** | **10.1** |
| **Net Income to common, Adjusted** | | | | | | | | **8.9** | **10.3** | **10.7** | **9.9** | **10.1** |
| **Amount allocable to common shareholde** | | | | | | | | | | | | |
| | | | | | | | | | | | | |
| Diluted Shares O/S | | | | | | | | 37 | 46 | 46 | 46 | 47 |
| | | | | | | | | | | | | |
| EPS (Diluted) | | | | | | | | $0.24 | $0.22 | $0.23 | $0.21 | $0.22 |
| | | | | | | | | | | | | |
| **Margins** | | | | | | | | | | | | |
| Cost of service | 18.7% | 17.6% | 17.7% | 18.9% | 19.6% | 17.0% | 15.9% | 16.9% | 20.0% | 20.0% | 20.8% | 21.6% |
| G&A | 7.4% | 7.4% | 7.8% | 7.0% | 6.9% | 7.4% | 7.7% | 7.7% | 8.7% | 8.7% | 8.7% | 8.7% |
| S&M | 17.9% | 15.9% | 13.6% | 13.0% | 10.6% | 9.8% | 9.7% | 9.1% | 10.6% | 10.8% | 11.0% | 11.2% |
| R&D | 21.4% | 21.6% | 20.3% | 20.8% | 21.5% | 22.5% | 23.2% | 23.4% | 23.9% | 23.9% | 23.9% | 23.9% |
| **EBITDA** | **35.4%** | **37.9%** | **41.6%** | **41.1%** | **41.8%** | **44.3%** | **44.1%** | **43.4%** | **37.6%** | **37.3%** | **37.1%** | **36.7%** |
| Operating Income | 35.4% | 37.9% | 41.6% | 41.1% | 41.8% | 44.3% | 44.1% | 43.4% | 37.6% | 37.3% | 37.1% | 36.7% |
| Tax rate | 33% | 28% | 34% | 22% | 42% | 41% | 34% | 40% | 41% | 41% | 41% | 41% |
| | | | | | | | | | | | | |
| **Annual growth** | | | | | | | | | | | | |
| Total Revenue | 162% | 155% | 138% | 97% | 67% | 60% | 51% | 45% | 39% | 29% | 10% | 5% |
| EBITDA | #N/A | 9269% | 757% | 233% | 100% | 85% | 63% | 54% | 24% | 9% | -10% | -15% |
| **Sequential growth** | | | | | | | | | | | | |
| Total Revenue | 23% | 17% | 18% | 15% | 5% | 12% | 11% | 10% | 1% | 4% | -5% | 5% |
| EBITDA | 80% | 27% | 28% | 14% | 8% | 18% | 12% | 8% | -13% | 3% | -7% | 2% |

9/9/2010
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) | | | 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 | 152 | 189 | 225 | 262 | 302 |
| A/R | 15 | 24 | 37 | 37 | 38 | 41 | 44 | 46 |
| Deferred Tax Asset, ST | 0 | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| Prepaid Expenses and Other C/A | 1 | 3 | 3 | 3 | 3 | 3 | 3 | 3 |
| PPE, Net | 3 | 7 | 10 | 12 | 14 | 14 | 15 | 16 |
| Deferred Tax Asset, LT | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Dposits and Other Assets | 1 | 3 | 10 | 10 | 10 | 10 | 10 | 10 |
| Total Assets | 36 | 72 | 175 | 216 | 255 | 295 | 336 | 378 |
| A/P | 1 | 2 | 3 | 3 | 3 | 3 | 4 | 5 |
| Accrued Compensation | 2 | 4 | 6 | 6 | 6 | 6 | 6 | 6 |
| Accrued Royalties | 2 | 3 | 3 | 3 | 3 | 3 | 3 | 3 |
| Other Accrued Expenses | 2 | 2 | 3 | 3 | 3 | 3 | 3 | 3 |
| Deferred Revenue | 2 | 3 | 7 | 7 | 7 | 7 | 7 | 7 |
| Warrant Liability, current | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Income Taxes Payable | 0 | 3 | 2 | 2 | 2 | 2 | 2 | 2 |
| S/T Debt | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Other Liabilities | 1 | 0 | 3 | 3 | 3 | 3 | 3 | 3 |
| 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 | 190 | 229 | 268 | 309 | 350 |
| Liabilities + Equity | 36 | 72 | 175 | 216 | 255 | 295 | 336 | 378 |

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 | 41 | 39 | 39 | 40 | 42 |
| D&A | 2 | 5 | 7 | 8 | 9 | 10 | 10 |
| Change in working capital | (8) | (13) | 1 | (0) | (3) | (2) | (1) |
| Accrued interest | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Other operating | 0 | 11 | 0 | 0 | 0 | 0 | 0 |
| **Net cash from operations** | **24** | **44** | **49** | **47** | **45** | **48** | **50** |
| | | | | | | | |
| License cost | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Cap-x | (8) | (7) | (10) | (10) | (10) | (10) | (11) |
| Other investing | 0 | (2) | 0 | 0 | 0 | 0 | 0 |
| **Net cash from investing** | **(8)** | **(10)** | **(10)** | **(10)** | **(10)** | **(10)** | **(11)** |
| | | | | | | | |
| 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 | 38.7 | 37.6 | 35.5 | 37.3 | 39.8 |
| Cash at beginning | 16.9 | 33.2 | 112.9 | 151.6 | 189.2 | 224.7 | 262.0 |
| Cash at end | 33.2 | 112.9 | 151.6 | 189.2 | 224.7 | 262.0 | 301.8 |

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** | **$70** | **$66** | **$67** | **$68** | **$71** |
| Less: Tax Rate*EBIT | (15) | (24) | (24) | (23) | (23) | (24) | (25) |
| Plus: Depreciation | 2 | 5 | 7 | 8 | 9 | 10 | 10 |
| Less: Change in Working Capital | $8 | $13 | ($1) | $0 | $3 | $2 | $1 |
| Less: Capital Expenditures | ($8) | ($7) | ($10) | ($10) | ($10) | ($10) | ($11) |
| Free Cash Flow to the Firm | $31 | $55 | $42 | $42 | $45 | $46 | $47 |
| | | | | | | | |
| After tax Interest Expense | $0 | $0 | $0 | $0 | $0 | $0 | $0 |
| Equity Free Cash Flow | $31 | $55 | $42 | $42 | $45 | $46 | $47 |
| Equity FCF per share | | **1.48** | **0.91** | **0.90** | **0.94** | **0.93** | **0.94** |

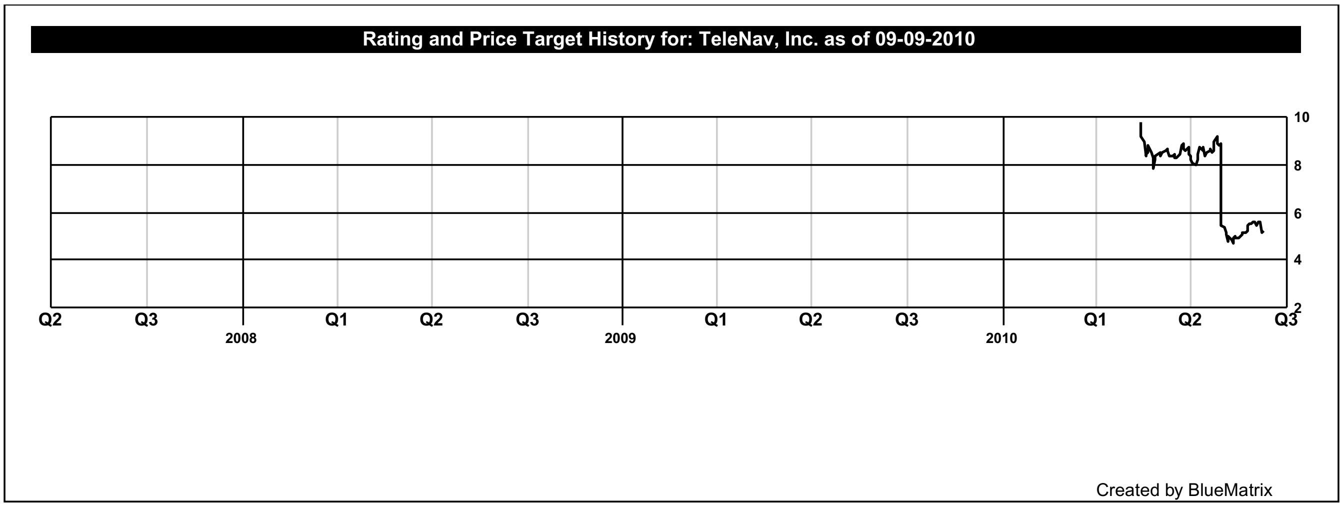
| | Projected | Terminal |
|---|---|---|
| Current Price | | |
| **Cost of capital** | **Projected** | **Terminal** |
| Risk free rate (10-yr UST) | 4.0% | 5.0% |
| Risk premium | 6.0% | 5.0% |
| Beta | 2.0 | 1.75 |
| Cost of equity (CAPM) | 16.0% | 13.8% |
| Weighted ave. cost of debt | 8.0% | 8.0% |
| Debt to capital | 0% | 10% |
| **WACC (k)** | **16.0%** | **12.8%** |
| | | |
| Terminal FCF growth rate (g) | | 3.0% |
| FCF Terminal Multiple (1+g)/(k-g) | | 10.5x |
| **Terminal Value of Firm** | | **$492** |
| | | |
| **Valuation *(end of FY 2011)*** | | |
| PV FCF 2012 through 2015 | $125 | |
| PV Terminal Value | $272 | |
| **PV of Firm** | **$397** | |
| Less: 2010 Net Debt | $0 | |
| Majority Equity Value | $397 | |
| Less Minority Discount | 15% | |
| Minority Equity Value | $338 | |
| **DCF Valuation Per Share** | **$7** | |

| **Scenario Analysis** | | Probability | Valuation |
|---|---|---|---|
| | Base Case | 60% | $7 |
| | Lost Exclusivity | 20% | $4 |
| | Free Provider | 10% | $0 |
| | Best Case (upside to revs) | 10% | $13 |
| | | | |
| | Scenario-based Price Target | | $\boxed{\$6}$ |

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

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**

| | | | IB Serv./Past 12 Mos. | |
|---|---|---|---|---|
| **Rating** | **Count** | **Percent** | **Count** | **Percent** |
| **BUY [OW]** | 343 | 50.30 | 79 | 23.03 |
| **HOLD [N]** | 281 | 41.20 | 23 | 8.19 |
| **SELL [UW]** | 58 | 8.50 | 1 | 1.72 |

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